TAKASHIMAYA FINANCIAL STATEMENTS

Years ended February 28, 2011 and 2010

A MESSAGE FROM THE PRESIDENT

Assisting the Earthquake-Stricken Areas through Our Business Activities

We would like to express our sincerest sympathies to those who suffered damages as a result of the Great East Japan Earthquake.

Although our department store sales showed a major decline temporarily following the disaster, they have subsequently made a substantial recovery. However, the electric power supply issue has not been solved, and the outlook for recovery in consumption remains unclear. Going forward, the business environment does not warrant optimism, and we will be monitoring our performance carefully.

We believe that the continuation of the business activities of the Takashimaya Group will contribute to supporting the recovery of the Japanese economy as well as the areas affected by the earthquake. We believe we should manage our business activities based on fulfilling our corporate social responsibilities by making contributions to "providing a stable supply of goods," "cooperating in the conservation of electric power," and "securing employment." The role of department stores is to act as the infrastructure for supplying a diverse range of different kinds of products, and they play indispensable functions for consumers. In addition, to conserve electric power, industries as a whole and Takashimaya as a corporation must consider how they will respond. In addition to their employees, department stores have a wide range of stakeholders, including our business partners and others they work together with. Our business activities are responsible for providing jobs for several tens of thousands of people.

One of Takashimaya's strengths is its ability to generate income even in the midst of crisis conditions. Factors accounting for this include a balanced allocation of stores in eastern and western Japan, the composition of our earnings, more than half of which are generated by Group companies other than the parent company, the favorable performance of Singapore Takashimaya, and other advantages. We are able to secure earnings as a Group because we have stores in the Kansai region in western Japan, which was little affected by the earthquake, and overseas, and because Takashimaya Group companies implement thoroughgoing marketing and cost control activities. On the other hand, our stores in the Kanto region in eastern Japan have been designed to take full account of the needs of our customers. In addition, there are activities that Takashimaya has unique capabilities for implementing, including the sponsorship of special events featuring products of the areas affected by the earthquake.

We held a grand opening of our entire remodeled store in Osaka in March, and, thanks to the support of all, we are pleased to report that sales

are expanding steadily. Looking ahead, we intend to listen carefully to our customers in the Osaka area, work to further improve our merchandising and other activities, as well as strive to make our store environments even more attractive and appealing.

In conclusion, we are proud to report that Takashimaya marked the 180th anniversary of its founding during the fiscal year under review. With this as a very special occasion, we want to tackle the challenge of accelerating our momentum to attain new growth as we move toward the next major milestone of our 200th anniversary.

May 2011

Koji Suzuki
President

Takashimaya Group History

1831	Founded in Kyoto as a kimono store	1969	Opened Tamagawa Takashimaya Shopping Center The first suburban shopping center in Japan
1930	Opened Osaka Store	1993	Opened Singapore Store Takashimaya's first full-scale overseas department store
1933	Opened Tokyo Store	2011	180th Anniversary

Takashimaya's 180th Anniversary

TOPICS

Grand Opening of Osaka Store

The expansion and remodeling of Takashimaya's Osaka department store have been completed, and a grand opening was held on March 3, 2011. As a result of the new floor layout and allocation of sales space, the newly opened store has been lauded for evolving into a shopping space that is "easy to view, easy to shop in, and comfortable to be in."

New "Takashimaya Men's" Section

Men's fashions have been brought together on the second to the fifth floors and the basement of the store's Western Zone. The sales space allocated to men's apparel and accessories has now been expanded to about 1.7 times that of the previous Osaka store. Approximately 110 new brands have been introduced in this section.

New Brands and Special Area

The women's footwear department has further expanded its offerings of imported brands. Along with delighting customers with sweets that are the topics of the day and new confection brands, this area is expected to be a new magnet drawing customers to the store.

Unique and Contemporary Section

A newly created section "Japan Gallery *SUI*" has been opened in the interior goods department of the newly renovated store to introduce Japan's traditional beauty. The art gallery of the store is also home to "Gallery NEXT," which introduces the work of next-generation artists.

Celebrating Takashimaya's 180th Anniversary: Looking to Our 200th

Takashimaya marked the 180th anniversary of its establishment during the year. We believe that our legacy and history are assets that we must pass on to the future. As we contribute to society as a company, we will take new initiatives to continue to be a presence that is useful in our customers' daily lives.

Takashimaya Historical Museum

Takashimaya's historical museum is a treasure trove of articles with a high cultural value that provide priceless glimpses of human progress. On the occasion of its 180th anniversary, Takashimaya has undertaken the cataloging and classification of this collection and will display portions of it in exhibitions on its premises and elsewhere.

Cultural Events for 180th Anniversary

To enable Takashimaya to communicate Japan's culture and traditions to later generations, events, including the "Going This Way Alone Exhibition: A 20th-Year Memorial Tribute to Kazumasa Nakagawa," Takashimaya is holding include a continuing series of cultural events appropriate for its 180th anniversary.

Product Planning with the Theme of "Heritage"

To create new value that will be handed down to future generations, Takashimaya has nurtured a spirit of craftsmanship. At present, Takashimaya is planning products with the theme of "heritage" (wealth and other assets inherited from predecessors).

Business Strategy Looking to the Markets of Future Generations

Takashimaya is aiming to become a department store that will be supported by its customers in every era by working to increase customer satisfaction through displaying the comprehensive capabilities of the Takashimaya Group, including the management of digital network-based businesses and shopping centers. In addition, Takashimaya is advancing the development of its credit card strategy and strengthening its relationships with customers.

Displaying Takashimaya's Comprehensive Capabilities: Forging Linkages between Businesses

Digital network business X **In-store sales**

In its Takashimaya Online Store, Takashimaya is implementing digital network services that are coordinated with its department stores. Takashimaya is working to show its strengths as a department store that has both physical outlets as well as a digital shopping site.

Toshin Development Co., Ltd. X **Department store business**

Without making a distinction between department stores and specialty boutiques, Takashimaya is drawing fully on the merits of its Group management through the implementation of commercial facility management and the integration of services and other strategies.

Implementation of Customer Strategies: Introduction of the Takashimaya Point Card

Beginning in November 2010, Takashimaya will gradually introduce its Takashimaya Point Card, which awards points to holders even when they pay in cash or with the credit cards of other companies. Takashimaya is working to build a loyal customer base and implementing measures to strengthen its marketing by capturing purchase data.

LONG-TERM PLAN OF THE TAKASHIMAYA GROUP

Takashimaya has formulated a long-term plan covering the period from the current fiscal year through fiscal 2015. Under this plan, Takashimaya will draw on its comprehensive capabilities and aim to expand sales and operating revenue as well as operating income. In addition, Takashimaya and its Group companies are working to expand business operations in China and Southeast Asia, reform domestic department stores, and strengthen its initiatives for developing shopping centers through implementation of a policy of investment in strategic fields, moving forward with reforms in their cost structure, and substantially strengthening the Group's management base.


Takashimaya's Shanghai Store, now under construction

Long-Term Plan Targets for Fiscal 2015

	Plan Targets for Fiscal 2011	Plan Targets for Fiscal 2015
Sales and Other Operating Revenue	¥850 Billion	¥870 Billion
Operating Income	¥16 Billion	¥30 Billion
Sharholders' Equity Ratio	37.8%	46.0%
Interest-bearing Liabilities	¥130 Billion	¥50 Billion

Shanghai/Asia Strategy

As its first store in China, Takashimaya will open Shanghai Takashimaya, located in the fast-growing Shanghai region of China, in 2012. The store's basic concept is "supporting a high-quality lifestyle by offering a full lineup of high-quality products and services."

The store is scheduled to open near the end of August 2012. Takashimaya is investing about ¥4 billion in this project, and it will have a total sales area of approximately 40,000m² on seven aboveground floors and one basement.

Going forward, Takashimaya's strategy in Asia will be to develop department stores and shopping centers, focusing on China and Singapore as well as surrounding countries. In these projects, Takashimaya will draw on the management resources and know-how of the Takashimaya Group, including Takashimaya Singapore and Toshin Development Co., Ltd.

Plan for Redevelopment of Tokyo Stores

In Tokyo, Takashimaya is proceeding with the implementation of a major redevelopment project that will include four major plots of urban land (with a total area of about 1.7 hectares) in the surrounding urban areas in cooperation with local landowners. The project will involve the development of attractive multi-purpose facilities, including commercial and office space, rooftop parks, and other venues. Takashimaya's Tokyo Nihonbashi Store will be the core of the project, and it will involve the creation of a new kind of urban-type department store.

By expanding sales floor space through the use of Takashimaya's own real estate holdings as well as renovating the Tokyo Nihonbashi Store while restraining the total investment cost to ¥15 billion, Takashimaya will work to increase the return on its investments.

This project is scheduled to open in 2018. The investment cost will be approximately ¥15 billion, and the total sales area (of the Tokyo Nihonbashi Store in total) will be approximately 62,000m² (including an increase from the present size amounting to 12,000m²).

FINANCIAL RESULTS

Takashimaya met its planned targets for sales and other operating revenue as well as income.

The operating environment during the fiscal year continued to be challenging, but signs of economic recovery appeared in the latter half of the fiscal year. Amid this environment, consolidated sales and other revenues decreased year on year, but income, including consolidated operating income, rose. Please note that Takashimaya met its planned targets for both sales and other operating revenue as well as income.

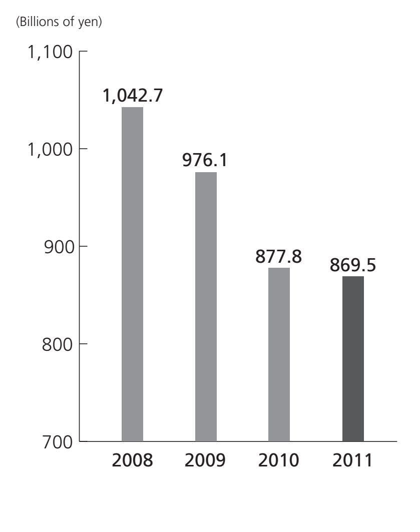
Net income rose as a result of the implementation of structural reforms.

During the fiscal year under review, the Takashimaya Group as a whole pursued structural reforms, focusing especially on the Shinjuku, Tachikawa, and Okayama stores. As a result, consolidated selling, general and administrative expenses decreased ¥10 billion year on year, and, despite the decline in sales and other operating revenue, the Group reported an increase in income year on year.

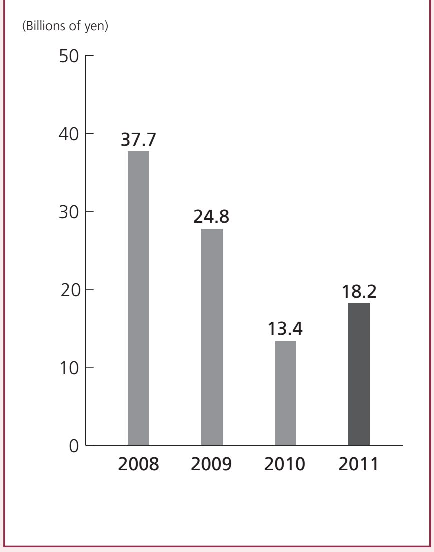
Consolidated subsidiaries contributed to performance.

The performances of principal subsidiaries, including Takashimaya Singapore, Toshin Development, and Takashimaya Credit, were firm during the fiscal year under review. The total figures for subsidiaries, excluding domestic department store business results, showed an increase in operating income, and these companies contributed to overall Group performance.

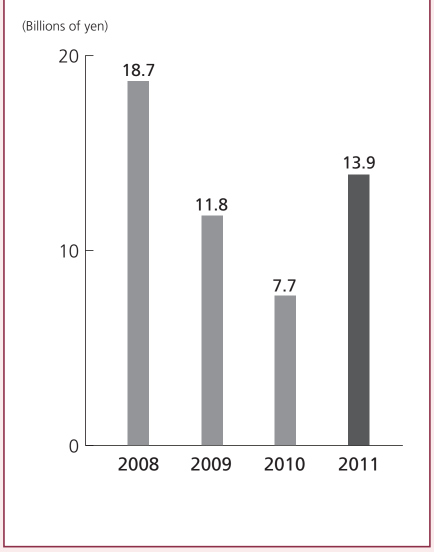
Sales and Other Operating Revenue



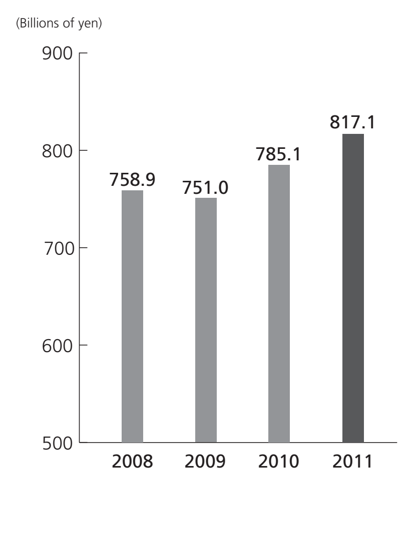
Operating Income



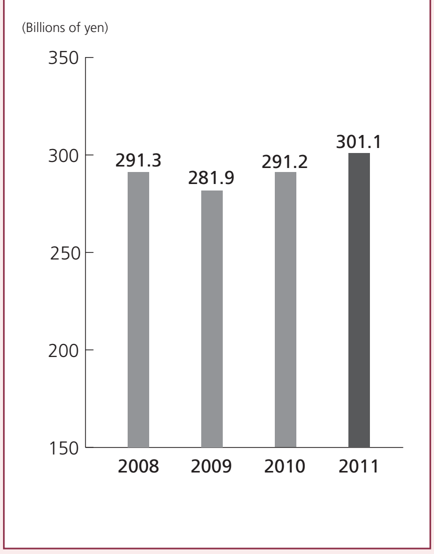
Net Income



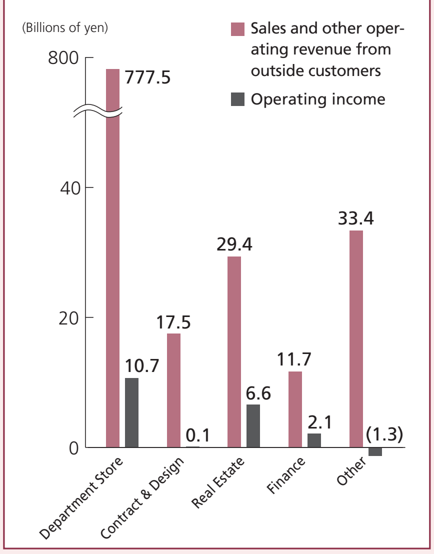
Total Assets



Net Assets



Segment Information



CONSOLIDATED BALANCE SHEETS

Takashimaya Company, Limited and Consolidated Subsidiaries
February 28, 2011 and 2010

ASSETS	Millions of yen 2011	Millions of yen 2010	Thousands of U.S. dollars (Note 1) 2011
Current assets:			
Cash and deposits (Notes 3 and 11)	**¥ 55,504**	¥ 56,012	**$ 679,280**
Marketable securities (Notes 3, 5 and 11)	**15,000**	3,000	**183,576**
Notes and accounts receivable:			
Trade	**120,726**	101,670	**1,477,494**
Non-consolidated subsidiaries and affiliated companies	**718**	531	**8,787**
Other	**18,336**	12,785	**224,403**
Less: Allowance for doubtful accounts	**(563)**	(498)	**(6,890)**
	139,217	114,488	**1,703,794**
Inventories (Note 6)	**38,568**	43,220	**472,011**
Deferred tax assets (Note 12)	**5,160**	7,282	**63,150**
Other current assets	**12,429**	15,814	**152,111**
Total current assets	**265,878**	239,816	**3,253,922**
Investments and advances:			
Investment securities (Notes 5 and 11)	**49,680**	49,494	**608,004**
Investments in and advances to:			
Non-consolidated subsidiaries and affiliated companies	**29,849**	29,901	**365,304**
Other	**7,831**	8,741	**95,839**
Less: Allowance for doubtful accounts	**(4,791)**	(4,816)	**(58,634)**
	32,889	33,826	**402,509**
Total investments and advances	**82,569**	83,320	**1,010,513**
Property and equipment:			
Land (Notes 10 and 17)	**208,773**	201,608	**2,555,048**
Buildings and structures (Note 10)	**341,287**	338,724	**4,176,808**
Equipment and fixtures	**30,660**	30,817	**375,229**
Lease assets	**2,935**	1,081	**35,920**
Construction in progress	**1,856**	7,767	**22,715**
	585,511	579,997	**7,165,720**
Less: Accumulated depreciation	**(203,591)**	(198,053)	**(2,491,629)**
Total property and equipment	**381,920**	381,944	**4,674,091**
Leasehold and other deposits (Notes 7 and 11)	**43,614**	42,761	**533,766**
Goodwill (Note 22)	**764**	859	**9,350**
Deferred tax assets (Note 12)	**16,656**	17,841	**203,843**
Other assets	**25,687**	18,558	**314,368**
Total assets (Note 21)	**¥817,088**	¥785,099	**$9,999,853**

See accompanying notes.

LIABILITIES AND NET ASSETS	Millions of yen 2011	Millions of yen 2010	Thousands of U.S. dollars (Note 1) 2011
Current liabilities:			
Short-term bank loans (Note 8)	**¥ 5,800**	¥ 5,800	**$ 70,983**
Current portion of long-term debt (Note 8)	**8,283**	18,793	**101,371**
Notes and accounts payable:			
Trade	**83,544**	82,037	**1,022,445**
Non-consolidated subsidiaries and affiliated companies	**3,704**	3,647	**45,331**
Other	**10,822**	14,402	**132,444**
	98,070	100,086	**1,200,220**
Accrued income taxes (Note 12)	**3,036**	3,203	**37,156**
Accrued expenses	**5,232**	7,963	**64,031**
Gift certificates outstanding	**77,174**	59,490	**944,487**
Advances received	**76,872**	77,020	**940,791**
Employees' saving deposits	**15,978**	15,481	**195,545**
Allowance for Point Gift Certificates	**3,828**	3,743	**46,849**
Allowance for loss on disposal of property and equipment	**341**	—	**4,173**
Other current liabilities	**9,584**	10,865	**117,292**
Total current liabilities	**304,198**	302,444	**3,722,898**
Long-term debt (Note 8)	**117,679**	95,963	**1,440,203**
Deposits from tenants	**28,443**	28,416	**348,097**
Allowance for employees' retirement benefits (Note 15)	**51,889**	55,384	**635,039**
Allowance for directors' and corporate auditors' retirement benefits	**244**	252	**2,986**
Deferred tax liabilities (Note 12)	**122**	67	**1,493**
Deferred tax liabilities related to land revaluation (Note 17)	**9,839**	9,839	**120,414**
Long-term accounts payable	**98**	146	**1,199**
Allowance for environmental measures	**694**	—	**8,494**
Other long-term liabilities	**2,782**	1,349	**34,047**
Total liabilities	**515,988**	493,860	**6,314,870**
Contingent liabilities (Note 14)			
Net assets (Note 16)			
Owners' equity:			
Common stock:			
Authorized: 600,000 thousand shares			
Issued: 330,827,625 shares in 2011			
330,827,625 shares in 2010	**56,025**	56,025	**685,657**
Capital surplus	**45,085**	45,085	**551,768**
Retained earnings	**185,273**	174,742	**2,267,446**
Less: Treasury stock, at cost, 919,217 shares in 2011			
901,423 shares in 2010	**(528)**	(515)	**(6,462)**
Total owners' equity	**285,855**	275,337	**3,498,409**
Accumulated gains from revaluation and translation adjustments:			
Unrealized gains on available-for-sale securities, net of taxes	**6,237**	6,048	**76,331**
Unrealized losses on hedging derivatives, net of taxes	**3**	(13)	**37**
Land revaluation difference, net of taxes (Note 17)	**7,999**	7,999	**97,895**
Foreign currency translation adjustments	**(3,856)**	(1,974)	**(47,192)**
Total accumulated gains from revaluation and translation adjustments	**10,383**	12,060	**127,071**
Minority interests in consolidated subsidiaries:	**4,862**	3,842	**59,503**
Total net assets	**301,100**	291,239	**3,684,983**
Total liabilities and net assets	**¥817,088**	¥785,099	**$9,999,853**

See accompanying notes.

CONSOLIDATED STATEMENTS OF INCOME

Takashimaya Company, Limited and Consolidated Subsidiaries
Years ended February 28, 2011 and 2010

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2011	2010	**2011**
Sales and other operating revenue (Note 21):			
Net sales	**¥819,062**	¥827,872	**$10,024,012**
Other operating revenue	**50,414**	49,890	**616,987**
	869,476	877,762	**10,640,999**
Operating expenses (Note 21):			
Cost of sales	**606,813**	609,816	**7,426,423**
Selling, general and administrative expenses	**244,489**	254,518	**2,992,155**
	851,302	864,334	**10,418,578**
Operating income (Note 21)	**18,174**	13,428	**222,421**
Other income (expenses):			
Interest and dividend income	**1,189**	1,175	**14,551**
Interest expenses	**(1,691)**	(1,687)	**(20,695)**
Reversal for doubtful accounts	**28**	132	**343**
Gain (loss) on sale and disposal of property and equipment, net	**6,785**	(1,751)	**83,038**
Extra retirement bonus	**(1,588)**	(1,868)	**(19,435)**
Provision for loss on disposal of property and equipment	**(341)**	—	**(4,173)**
Gain on liquidation of gift certificates outstanding, net	**1,361**	964	**16,656**
Write-down of securities	**(5)**	(6)	**(61)**
Equity in gain of affiliated companies	**1,817**	1,353	**22,237**
Loss on valuation of inventories	**—**	(996)	**—**
Loss on change of shares in a subsidiary	**(448)**	—	**(5,483)**
Provision for environmental measures	**(694)**	—	**(8,494)**
Other, net	**871**	1,656	**10,660**
	7,284	(1,028)	**89,144**
Income before income taxes and minority interests	**25,458**	12,400	**311,565**
Income taxes (Note 12):			
Current	**7,945**	4,584	**97,234**
Deferred	**3,256**	(257)	**39,848**
	11,201	4,327	**137,082**
	14,257	8,073	**174,483**
Minority interests in earnings of consolidated subsidiaries	**(407)**	(363)	**(4,981)**
Net income (Note 20)	**¥ 13,850**	¥ 7,710	**$ 169,502**

See accompanying notes.

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

Takashimaya Company, Limited and Consolidated Subsidiaries
Years ended February 28, 2011 and 2010

	Millions of yen					
	Number of shares issued	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total owners' equity
Balance, February 28, 2009	330,827,625	¥56,025	¥45,085	¥169,705	¥(502)	¥270,313
Cash dividends paid				(3,299)		(3,299)
Net income for the fiscal year				7,710		7,710
Gain on sales of treasury stock and increase in treasury stock, net			0		(13)	(13)
Reversal of revaluation reserve for land				626		626
Net changes during the year						—
Balance, February 28, 2010	330,827,625	¥56,025	¥45,085	¥174,742	¥(515)	¥275,337
Cash dividends paid				**(3,299)**		**(3,299)**
Net income for the fiscal year				**13,850**		**13,850**
Gain on sales of treasury stock and increase in treasury stock, net			**0**		**(13)**	**(13)**
Change of scope of consolidation				**(20)**		**(20)**
Net changes during the year						**—**
Balance, February 28, 2011	**330,827,625**	**¥56,025**	**¥45,085**	**¥185,273**	**¥(528)**	**¥285,855**

	Millions of yen						
	Unrealized gains on available-for-sale securities, net of taxes	Unrealized losses on hedging derivatives, net of taxes	Land revaluation difference, net of taxes	Foreign currency translation adjustments	Total accumulated gains from revaluation and translation adjustments	Minority interests in consolidated subsidiaries	Total net assets
Balance, February 28, 2009	¥2,296	¥(39)	¥8,625	¥(2,795)	¥ 8,087	¥3,511	¥281,911
Cash dividends paid					—		(3,299)
Net income for the fiscal year					—		7,710
Gain on sales of treasury stock and increase in treasury stock, net					—		(13)
Net changes during the year	3,752	26	(626)	821	3,973	331	4,304
Balance, February 28, 2010	¥6,048	¥(13)	¥7,999	¥(1,974)	¥12,060	¥3,842	¥291,239
Cash dividends paid					**—**		**(3,299)**
Net income for the fiscal year					**—**		**13,850**
Gain on sales of treasury stock and increase in treasury stock, net					**—**		**(13)**
Change of scope of consolidation					**—**		**(20)**
Net changes during the year	**189**	**16**		**(1,882)**	**(1,677)**	**1,020**	**(657)**
Balance, February 28, 2011	**¥6,237**	**¥ 3**	**¥7,999**	**¥(3,856)**	**¥10,383**	**¥4,862**	**¥301,100**

See accompanying notes.

	Thousands of U.S. dollars (Note 1)				
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total owners' equity
Balance, February 28, 2010	$685,657	$551,768	$2,138,563	$(6,303)	$3,369,685
Cash dividends paid			**(40,374)**		**(40,374)**
Net income for the fiscal year			**169,502**		**169,502**
Gain on sales of treasury stock and increase in treasury stock, net		**0**		**(159)**	**(159)**
Change of scope of consolidation			**(245)**		**(245)**
Net changes during the year					**—**
Balance, February 28, 2011	**$685,657**	**$551,768**	**$2,267,446**	**$(6,462)**	**$3,498,409**

	Thousands of U.S. dollars (Note 1)						
	Unrealized gains on available-for-sale securities, net of taxes	Unrealized losses on hedging derivatives, net of taxes	Land revaluation difference, net of taxes	Foreign currency translation adjustments	Total accumulated gains from revaluation and translation adjustments	Minority interests in consolidated subsidiaries	Total net assets
Balance, February 28, 2010	$74,018	$(159)	$97,895	$(24,159)	$147,595	$47,020	$3,564,300
Cash dividends paid					**—**		**(40,374)**
Net income for the fiscal year					**—**		**169,502**
Gain on sales of treasury stock and increase in treasury stock, net					**—**		**(159)**
Change of scope of consolidation					**—**		**(245)**
Net changes during the year	**2,313**	**196**		**(23,033)**	**(20,524)**	**12,483**	**(8,041)**
Balance, February 28, 2011	**$76,331**	**$ 37**	**$97,895**	**$(47,192)**	**$127,071**	**$59,503**	**$3,684,983**

See accompanying notes.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Takashimaya Company, Limited and Consolidated Subsidiaries
Years ended February 28, 2011 and 2010

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2011	2010	**2011**
Cash flows from operating activities:			
Income before income taxes and minority interests	**¥25,458**	¥ 12,400	**$311,565**
Depreciation	**16,129**	15,684	**197,393**
Amortization of goodwill	**95**	95	**1,163**
Increase in allowance for doubtful accounts	**39**	857	**477**
Decrease in allowance for directors' and corporate auditors' bonuses	**—**	(14)	**—**
Decrease in allowance for employees' retirement benefits	**(3,495)**	(1,255)	**(42,773)**
Decrease in allowance for directors' and corporate auditors' retirement benefits	**(8)**	(32)	**(98)**
Increase (decrease) in allowance for Point Gift Certificates	**85**	(439)	**1,040**
Increase (decrease) in allowance for loss on disposal of property and equipment	**342**	(811)	**4,186**
Interest and dividend income	**(1,189)**	(1,175)	**(14,551)**
Interest expenses	**1,691**	1,687	**20,695**
Equity in gain of affiliated companies	**(1,817)**	(1,353)	**(22,237)**
Gain on sale of property and equipment, net	**(10,464)**	(685)	**(128,063)**
Loss on disposal of property and equipment	**2,537**	1,670	**31,049**
Write-down of securities	**5**	6	**61**
Decrease in notes and accounts receivable	**(19,742)**	(595)	**(241,611)**
Increase in inventories	**4,621**	1,694	**56,554**
Increase (decrease) in notes and accounts payable	**1,485**	(3,468)	**18,174**
Other	**10,495**	5,615	**128,442**
Subtotal	**26,267**	29,881	**321,466**
Interest and dividend income received	**2,015**	1,817	**24,660**
Interest expenses paid	**(1,699)**	(1,431)	**(20,793)**
Income taxes paid	**(7,993)**	(7,037)	**(97,821)**
Income taxes refunded	**2,056**	199	**25,162**
Net cash provided by operating activities	**20,646**	23,429	**252,674**
Cash flows from investing activities:			
Purchase of time deposits	**(59)**	(56)	**(722)**
Repayment of time deposits	**61**	3,493	**746**
Purchase of securities	**(13)**	(617)	**(159)**
Proceeds from sale of securities	**3,003**	33	**36,752**
Purchase of property and equipment	**(28,961)**	(19,893)	**(354,436)**
Proceeds from sale of property and equipment	**12,521**	6,570	**153,237**
Increase in long-term advances	**(27)**	(26)	**(330)**
Proceeds from collection of long-term advances	**39**	48	**477**
Other	**196**	(60)	**2,399**
Net cash used in investing activities	**(13,240)**	(10,508)	**(162,036)**
Cash flows from financing activities:			
Decrease in commercial paper	**—**	(13,000)	**—**
Proceeds from long-term bank loans	**30,000**	31,000	**367,152**
Payment of long-term bank loans	**(18,793)**	(8,450)	**(229,997)**
Proceeds from issuance of bonds	**—**	20,000	**—**
Redemption of bonds	**—**	(11,231)	**—**
Proceeds from sale of treasury stock	**0**	3	**0**
Cash dividends paid	**(3,299)**	(3,299)	**(40,374)**
Other	**(235)**	(205)	**(2,876)**
Net cash provided by financing activities	**7,673**	14,818	**93,905**
Effect of exchange rate changes on cash and cash equivalents	**(998)**	474	**(12,214)**
Net increase in cash and cash equivalents	**14,081**	28,213	**172,329**
Cash and cash equivalents at beginning of year	**55,963**	27,750	**684,898**
Increase in cash and cash equivalents due to newly consolidated subsidiaries	**236**	—	**2,888**
Cash and cash equivalents at end of year (Note 3)	**¥70,280**	¥ 55,963	**$860,115**

See accompanying notes.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements of Takashimaya Company, Limited (hereafter, the "Company") and its consolidated subsidiaries have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Law and its related accounting regulations and in conformity with accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards.

Prior to the year ended February 28, 2011, the accounts of consolidated overseas subsidiaries and affiliates are based on their accounting records maintained in conformity with generally accepted accounting principles prevailing in the respective countries of domicile and make necessary amendments for consolidated financial statements. As discussed in Note 2 (s) (1), effective from the year ended February 28, 2011, the accounts of consolidated overseas subsidiaries are prepared in accordance with either International Financial Reporting Standards or U.S. generally accepted accounting principles, with adjustments for the specified six items as applicable. The accompanying consolidated financial statements have been restructured and translated into English (with some expanded descriptions and the inclusion of consolidated statements of changes in net assets from 2006) from the consolidated financial statements of the Company, prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Financial Instruments and Exchange Law. Some supplementary information included in the statutory Japanese language consolidated financial statements, but not required for fair presentation, is not presented in the accompanying consolidated financial statements.

The translations of the Japanese yen amounts into U.S. dollars are included solely for the convenience of readers outside Japan, using the prevailing exchange rate at February 28, 2011, which was ¥81.71 to U.S.$1. The convenience translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be converted into U.S. dollars at this or any other rate of exchange.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Principles of consolidation

The consolidated financial statements include the accounts of the Company and its significant subsidiaries (hereafter, the "Companies").

Investments in certain significant affiliated companies are accounted for by the equity method after the elimination of unrealized intercompany profits. Investments in the remaining non-consolidated subsidiaries and affiliated companies are not accounted for by the equity method because of the immaterial effect on the consolidated financial statements. Such investments are, therefore, carried at cost, adjusted for any substantial and non-recoverable diminution in value, and income from those non-consolidated subsidiaries and affiliated companies is recognized only when the Companies receive dividends therefrom.

In accordance with the accounting standards for consolidation, the Company's subsidiaries include companies over which substantial control is exerted through either majority ownership of voting stock and/or by other means. Also, the Company's affiliated companies include companies over which the Company has the ability to exercise significant influence.

All significant intercompany transactions and unrealized profits among the Companies have been eliminated in consolidation.

In the elimination of investments in subsidiaries, the assets and liabilities of the subsidiaries, including the portion attributable to minority shareholders, are evaluated using the fair value at the time the Company acquired control of the respective subsidiaries.

The differences between the cost and underlying net equity of investments in consolidated subsidiaries ("Goodwill" and "Negative goodwill") are amortized on a straight-line basis over 20 years with the exception of minor differences, which are charged or credited to income in the period of acquisition.

During the consolidated fiscal year under review, Shanghai Takashimaya Co., Ltd. and Toshin Development Singapore Pte., Ltd. were included in the scope of the consolidation due to an increase in importance.

Takashimaya Building Maintenance Co., Ltd., Takashimaya Business Service Co., Ltd., Takashimaya Logistics Co., Ltd. and Takashimaya Telecom Co., Ltd. were merged to become Takashimaya Service Co., Ltd.

T's International Co., Ltd. was excluded from the scope of the consolidation due to liquidation.

All the Company's non-consolidated subsidiaries are of a limited scale in terms of total assets, net sales, profit, retained earnings and other indicators, and taken together they do not have a significant impact on the consolidated financial statements.

(b) Foreign currency translation

All monetary assets and liabilities denominated in foreign currencies are translated into Japanese yen at the current exchange rate at the balance sheet date, and translation gains and losses are charged to income.

The balance sheets of consolidated overseas subsidiaries are translated into Japanese yen at the year-end rate except for owners' equity accounts, which are translated at the historical rates. Statements of operations of consolidated overseas subsidiaries are translated at average rates.

(c) Cash and cash equivalents

In preparing the consolidated statements of cash flows, cash and cash equivalents include cash on hand, readily available deposits and short-term highly liquid investments with maturities not exceeding three months at the time of purchase.

(d) Securities

No trading securities are held by the Companies. Held-to-maturity debt securities are stated at amortized cost. Equity securities issued by subsidiaries and affiliated companies which are not consolidated or accounted for using the equity method are stated at moving-average cost. Available-for-sale securities with available fair market values are stated at fair market value. Unrealized gains and unrealized losses on these securities are reported, net of applicable income taxes, as a separate component of the net assets section in the balance sheets. Realized gains and losses on sale of such securities are computed using moving-average cost.

Debt securities with no available fair market values are stated at amortized cost, net of the amount considered not collectible. Other securities with no available fair market values are stated at moving-average cost.

(e) Derivatives and hedging transactions

Derivative financial instruments are stated at fair value and changes in the fair value as gains or losses are charged to income unless the derivative financial instruments are used for hedging purposes.

If derivative financial instruments are used as hedges and meet certain hedging criteria, the Companies defer recognition of gains or losses resulting from changes in the fair value of derivative financial instruments until the related losses or gains on the hedged items are recognized.

However, in cases where forward foreign exchange contracts are used as hedges and meet certain hedging criteria, forward foreign exchange contracts and hedged items are accounted for in the following manner:

(1) If a forward foreign exchange contract is executed to hedge an existing foreign currency receivable or payable,
  - (i) the difference, if any, between the Japanese yen amount of the hedged foreign currency receivable or payable translated using the spot rate at the inception date of the contract and the book value of the receivable or payable is recognized in the statement of income in the period which includes the inception date, and
  - (ii) the discount or premium on the contract (that is, the difference between the Japanese yen amount of the contract translated using the contracted forward rate and that translated using the spot rate at the inception date of the contract) is recognized over the term of the contract.

(2) If a forward foreign exchange contract is executed to hedge a future transaction denominated in a foreign currency, the future transaction will be recorded using the contracted forward rate, and no gains or losses on the forward foreign exchange contract are recognized.

Also, if interest rate swap contracts are used as hedges and meet certain hedging criteria, the net amount to be paid or received under the interest rate swap contract is added to or deducted from the interest on the assets or liabilities for which the swap contract was executed.

The Companies use forward foreign currency contracts, currency swaps and interest rate swaps as derivative financial instruments only for the purpose of mitigating future risks of fluctuation of foreign currency exchange rates and increases in the interest rate.

The related hedged items are trade receivables, trade payables, loans payable and interest on foreign currency bonds.

(f) Allowance for doubtful accounts

Allowance for doubtful accounts is provided principally for amounts sufficient to cover possible losses on collection. It consists of the estimated uncollectible amount with respect to specific items and possible losses on collection calculated by applying a percentage based on collection experience to the remaining items.

(g) Inventories

Prior to March 1, 2009, inventories held by the Company and consolidated domestic subsidiaries were stated at cost determined by the following method:

Merchandise:	principally retail method and specific identification method
Products:	principally first-in, first-out method
Work in process:	principally specific identification method
Raw materials:	principally first-in, first-out method
Supplies:	first-in, first-out method

As further discussed in Note 2 (s) (3), effective March 1, 2009, the Company and its consolidated domestic subsidiaries adopted a new accounting standard for the measurement of inventories and stated the inventories at the lower of cost or net realizable value at February 28, 2010.

(h) Property and equipment

Property and equipment are stated at cost and depreciated by using mainly the straight-line method over the estimated useful lives of the assets as prescribed by Japanese tax laws. Maintenance and repairs, including minor renewals and improvements, are charged to income as incurred. The cost of property and equipment sold or disposed of and the accumulated depreciation thereon are deducted from the related accounts, and the net gain or loss is credited or charged to income.

(i) Impairment of fixed assets

Calculation of the impairment of fixed assets is based on reasonable and supportable assumptions and projection of the grouping of assets and recoverable value, with due consideration for the specific conditions of each company. The recoverable amount of assets is calculated based on net selling price.

(j) Software

The Companies amortize capitalized software using the straight-line method over its estimated useful life (five years).

(k) Lease assets

Lease assets arising from transactions under finance lease contracts that do not transfer ownership to the lessee are amortized to a residual value of zero by the straight-line method using the lease term as the useful life.

Finance leases commencing prior to March 1, 2009, which do not transfer ownership of the leased property to lessees are accounted for in the same manner as operating leases.

(l) Allowance for Point Gift Certificates

The Company provides its customers with credit points when they make purchases using the Takashimaya Card and, upon request, issues gift certificates (Point Gift Certificates) to those customers who have earned sufficient points.

The Company provides an allowance for the estimated future costs of the issuance of the certificates based on the number of credit points outstanding at each fiscal year-end.

(m) Allowance for loss on disposal of property and equipment

In the fiscal year under review, the Company has set aside a reasonable estimate of losses it expects to incur in association with the future disposal of buildings, etc. and related demolition costs due to large-scale sales floor remodelling and construction.

(n) Allowance for employees' retirement benefits

The Companies provide an allowance for retirement benefits based on the projected benefit obligations and plan assets at the balance sheet date.

The unrecognized prior service cost obligations are recognized as expenses and recorded in equal amounts mainly 10 years from their recognition, which is less than the average remaining years of employment of the employees.

Actuarial gains or losses incurred during the year are amortized by using the straight-line method over a certain period of time (mainly 10 years), which is less than the average remaining years of employment of the employees, commencing from the succeeding fiscal year.

(o) Allowance for directors' and corporate auditors' retirement benefits

An allowance for directors' and corporate auditors' retirement benefits of the consolidated subsidiaries was provided based on the consolidated subsidiaries' pertinent rules and is calculated as the estimated amount which would be payable if all officers were to retire at the balance sheet date.

The payments are subject to approval of the shareholders' meeting.

(p) Allowance for environmental measures

Allowance for environmental measures is provided based on estimated costs for treatment of Polychlorinated Biphenyl ("PCB") waste, which is obligated to be treated by the Act on Special Measures Concerning Promotion of Proper Treatment of PCB Waste.

(q) Income taxes

Income taxes consist of corporation, inhabitants' and enterprise taxes.

The Companies recognize the tax effects of temporary differences between the financial statements' carrying amounts and the tax basis of assets and liabilities. The provision for income taxes is computed based on the income before income taxes and minority interests included in the statements of income of each of the Companies. The assets and liabilities approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences.

(r) Per share information

Net income per share is based on the weighted average number of shares of common stock outstanding during each year and diluted net income per share reflects the potential dilution that could occur if it were converted into common stock.

Cash dividends per share represent interim dividends declared by the Board of Directors in each year and year-end dividends approved by the shareholders at the annual meeting held subsequent to the end of the fiscal year.

(s) Changes in accounting treatment

(1) Unification of accounting policies applied to foreign subsidiaries for consolidated financial statements

On March 17, 2006, the Accounting Standards Board of Japan issued Practical Issues Task Force No. 18 "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" ("PITF No. 18"). PITF No. 18 requires that accounting policies and procedures applied by a parent company and its subsidiaries to similar transactions and events under similar circumstances should, in principle, be unified for the preparation of the consolidated financial statements. As a tentative measure, however, PITF No. 18 allows a parent company to prepare consolidated financial statements by using foreign subsidiaries' financial statements prepared in accordance with either International Financial Reporting Standards or U.S. generally accepted accounting principles. In this case, adjustments for the following six items are required in the consolidation process to ensure that their impact on net income is accounted for in accordance with Japanese GAAP unless the impact is immaterial.

(a) Goodwill not subject to amortization
(b) Actuarial gains and losses of defined-benefit retirement plans recognized outside of profit or loss
(c) Capitalized expenditures for research and development activities
(d) Fair value measurement of investment properties, and revaluation of property, plant and equipment and intangible assets
(e) Retrospective application of a change in accounting policies
(f) Accounting for net income attributable to minority interests

As a result of adopting the new accounting standard, this change has no impact on the consolidated financial statements and segment information.

(2) New accounting standards for lease transactions as lessee

Prior to March 1, 2009, finance leases that do not transfer ownership of the leased property to the lessee were accounted for by the Company and its consolidated domestic subsidiaries as operating leases with disclosure of certain "as if capitalized" information in the notes to the consolidated financial statements.

On March 31, 2007, the Accounting Standards Board of Japan issued Statement No. 13, "Accounting Standard for Lease Transactions" and Guidance No. 16, "Guidance on Accounting Standard for Lease Transactions." The new accounting standards require that all finance lease transactions be treated as capital leases.

Effective March 1, 2009, the Company and its consolidated domestic subsidiaries adopted the new accounting standards for finance leases commencing after February 28, 2009 and capitalized assets used under such leases, except for certain immaterial or short-term finance leases, which are accounted for as operating leases. As permitted, finance leases that commenced prior to March 1, 2009 and that have been accounted for as operating leases continue to be accounted for as operating leases with disclosure of certain "as if capitalized" information.

The adoption of the new accounting standard has no material impact on the consolidated financial statements and segment information.

(3) New accounting standard for inventories

On July 5, 2006, the Accounting Standards Board of Japan issued ASBJ Statement No. 9, "Accounting Standard for Measurement of Inventories." As permitted under the superseded accounting standard, the Company and its consolidated domestic subsidiaries previously stated inventories at cost. The new accounting standard requires that inventories held for sale in the ordinary course of business be measured at the lower of cost or net realizable value, which is defined as selling price less estimated additional manufacturing costs and estimated direct selling expenses.

The effect on gross profit and operating income is immaterial, but income before income taxes and minority interests decreased by ¥1,022 million for the year ended February 28, 2010 as a result of the adoption.

The effects on segment information are immaterial.

(4) Construction Contracts

Prior to the year ended February 28, 2011, the Company and consolidated domestic subsidiaries (the "domestic companies") recognized revenues and costs of construction contracts using the completed-contract method. Effective from the year ended February 28, 2011, the domestic companies adopted the "Accounting Standard for Construction Contracts" (Accounting Standards Board of Japan ("ASBJ") Statement No. 15, issued on December 27, 2007) and the "Guidance on Accounting Standard for Construction Contracts" (ASBJ Guidance No. 18 issued on December 27, 2007). Accordingly, when the outcome of individual contracts can be estimated reliably, the domestic companies apply the percentage-of-completion method to work commencing during the year ended February 28, 2011; otherwise, the completed-contract method is applied. The percentage of completion at the end of the reporting period is measured by the proportion of the cost incurred to the estimated total cost.

As a result of adopting the new standard, sales and other operating revenue increased by ¥1,543 million ($18,884 thousand), and operating income and income before income taxes and minority interests increased by ¥198 million ($2,423 thousand) for the year ended February 28, 2011. Effects of the change on the segment information are described in Note 21.

(t) Reclassification

Certain prior year amounts have been reclassified to conform to the current year presentation. These changes had no impact on previously reported results of operations.

3 CASH AND CASH EQUIVALENTS

Cash and cash equivalents at February 28, 2011 and 2010 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Cash and deposits	**¥55,504**	¥56,012	**$679,280**
Time deposits with maturities exceeding three months	**(224)**	(49)	**(2,741)**
Securities with dates of amortization three months or less from the acquisition date	**15,000**	—	**183,576**
	¥70,280	¥55,963	**$860,115**

4 FINANCIAL INSTRUMENTS

Effective from the fiscal year ended February 28, 2011, the Group adopted the revised Accounting Standard, "Accounting Standard for Financial Instruments" (Accounting Standards Board of Japan ("ASBJ") Statement No. 10 revised on March 10, 2008) and the "Guidance on Disclosures about Fair Value of Financial Instruments"(ASBJ Guidance No. 19 revised on March 10, 2008).

1. Matters Related to Financial Instruments

(1) Policies for financial instruments

In view of its capital investment plan, the Group raises needed funds (primarily bank loans and issuance of bonds). Temporary surplus funds are invested in highly secure financial assets. Derivative transactions are only used to avoid the risks attributable to fluctuations in foreign currency exchange and interest rates. The Group does not engage in derivative transactions for speculative purposes.

(2) Financial instruments and their risks

Notes and accounts receivable as operating receivables are exposed to credit risk. Securities and investment securities are exposed to market price volatility risk. Guarantee deposits paid are exposed to credit risk of counterparties.

Notes and accounts payable as operating payables are almost all subject to payment deadlines of one year or less. A certain portion of trade obligations are related to the import of goods and as such are denominated in foreign currencies. Long-term debts and corporate bonds are the purpose of procuring needed funds mainly for capital investment. Some of them are exposed to interest rate risk because of variable interest rates.

Derivative transactions employed in an effort to offset the above-mentioned risk include forward foreign currency exchange rate contracts; interest rate swap transaction agreements, which seek to provide hedges for the risks of fluctuations in the foreign currency exchange rates of trade receivables and trade obligations; and interest rates applicable to loans and bonds payable, respectively. For hedge instruments and hedge targets, hedging policy, the method of assessing the effectiveness of hedges and other details in connection with hedge accounting, refer to Note 2 (e) "Derivatives and hedging transactions".

Moreover, operating payables and long-term debts are exposed to the liquidity risk of the inability to make payment by the payment due date.

(3) Risk management systems relating to financial instruments

(i) Management of credit risk (risk relating to non-performance of a contract obligation by a counterparty, etc.)

With respect to operating receivables, credit risk is guided by its own set of accounting rules and regulations. The Group regularly monitors the status of customers, managing due dates and balances on an individual customer basis. In this manner, every effort is made to ensure early detection and the mitigation of concerns regarding collection due to deterioration in financial standing or other factors.

(ii) Management of market risks (risks associated with fluctuations in foreign currency exchange as well as interest rates, etc.)

The Group utilizes forward foreign currency exchange rate contracts in an effort to offset the risks of movements in foreign currency exchange rates in connection with operating payables denominated in foreign currencies, and interest rate swap transaction agreements aimed at converting floating rates of interest applicable to loans and bonds payable to fixed rate interest.

With respect to investment securities, the Group regularly monitors fair values as well as the financial status of issuers (counterparties), and reviews its holdings on a continuous basis taking into consideration its relationships with counterparties.

(iii) Management of liquidity risks associated with the procurement of funds (the risk of being unable to make payments on due dates)

The Group manages its liquidity risk by concluding the commitment-line and overdraft contracts, along with adequate financial planning.

(iv) Supplementary explanation for fair values, etc. of financial instruments

Fair values of financial instruments are determined by market prices. If no market price is available, the fair value is based on the value that is calculated in a reasonable manner. The determination of such value contains variable factors, and the adoption of wide ranging and differing assumptions may cause values to change.

2. Matters Related to Fair Value of Financial Instruments

The book values recorded in the consolidated balance sheet for the year ended February 28, 2011, and fair values and their differences are as follows. Figures for which fair value is not readily recognized are not included in the following tables (See Note 2.).

	Millions of yen		
	2011		
	Book value	Fair value	Difference
(1) Cash and deposits	¥ 55,504	¥ 55,504	¥ —
(2) Notes and accounts receivable–trade	121,263	—	—
Allowance for doubtful accounts (*1)	(457)	—	—
	120,806	123,213	2,407
(3) Securities and investment securities			
1) Securities to be held until maturity	9,010	9,456	446
2) Available-for-sale securities	54,569	54,569	—
	63,579	64,025	446
(4) Guarantee deposits paid (*2)	13,534	12,264	(1,270)
Total assets	¥253,423	¥255,006	¥1,583
(1) Notes and accounts payable	¥ 87,248	¥ 87,248	¥ —
(2) Short-term bank loans	5,800	5,800	—
(3) Deposits received	21,249	21,249	—
(4) Long-term debt (*3)	125,962	129,065	3,103
Total liabilities	¥240,259	¥243,362	¥3,103
Derivatives (*4)			
Amounts not subject to hedge accounting	¥ —	¥ —	¥ —
Amount subject of hedge accounting	3	3	—
Total derivatives	¥ 3	¥ 3	¥ —

	Thousands of U.S. dollars		
	2011		
	Book value	Fair value	Difference
(1) Cash and deposits	$ 679,280	$ 679,280	$ —
(2) Notes and accounts receivable–trade	1,484,066	—	—
Allowance for doubtful accounts (*1)	(5,593)	—	—
	1,478,473	1,507,930	29,457
(3) Securities and investment securities			
1) Securities to be held until maturity	110,268	115,726	5,458
2) Available-for-sale securities	667,837	667,837	—
	778,105	783,563	5,458
(4) Guarantee deposits paid (*2)	165,635	150,092	(15,543)
Total assets	$3,101,493	$3,120,865	$19,372
(1) Notes and accounts payable	$1,067,775	$1,067,775	$ —
(2) Short-term bank loans	70,983	70,983	—
(3) Deposits received	260,054	260,054	—
(4) Long-term debt (*3)	1,541,574	1,579,550	37,976
Total liabilities	$2,940,386	$2,978,362	$37,976
Derivatives (*4)			
Amounts not subject to hedge accounting	$ —	$ —	$ —
Amount subject of hedge accounting	37	37	—
Total derivatives	$ 37	$ 37	$ —

*1. Accounts receivable–trade are deducted from the carrying amount.
*2. The figure includes guarantee deposits paid with repayment due dates of one year or less.
*3. The figure includes long-term loans with repayment due dates of one year or less.
*4. Net receivables and payables arising from derivative transactions are shown as a net amount.

Note 1: Fair values of financial instruments and matters pertaining to securities and derivative transactions
Assets
(1) Cash and deposits and (2) Notes and accounts receivable–trade
As these items have short repayment periods, the fair value approximates the book value; therefore, the said book value shall be the fair value, although the fair value of a portion of accounts receivable–trade is based on the present value of the discounted cash flows using the interest rate determined by the factor of the estimated redemption terms and the government bond interest rate.
(3) Securities and investment securities
The fair value of these securities is measured at their stock market price, while the fair value of bonds is measured at their stock market price or the price submitted by the correspondent financial institutions. Because negotiable certificates of deposit have short repayment periods, the fair value approximates the book value; therefore, said book value shall be the fair value.
(4) Guarantee deposits paid
The fair value of guarantee deposits paid is based on the present value of discounted cash flows using the interest rate determined by the factor of the estimated redemption terms and the government bond interest rates.
Liabilities
(1) Notes and accounts payable, (2) Short-term bank loans and (3) Deposits received
As these items have short payment periods, the fair value approximates the book value; therefore, the said book value shall be the fair value.
(4) Long-term debt
The fair value of long-term bank loans is measured at the present value by discounting expected repayments of principal and interest in the remaining period using an assumed interest rate on an equivalent new loan.
The fair value of these bonds is measured at their market price or the price submitted by the correspondent financial institutions.
The fair value of interest rate swaps for which the special treatment is applied is included in the fair value of long-term bank loans, as such swaps are treated as a single item incorporating the hedged long-term bank loans.
The special treatment under Japanese GAAP may be applied for interest rate swap contracts that meet certain hedging criteria. In the special treatment, the net amount to be paid or received under the interest rate swap contract is added to or deducted from the interest on debts for which the swap contract is executed.
Derivatives
The fair value of interest rate swaps is measured at the price submitted by the correspondent financial institution. The fair value of forward exchange contracts is estimated based on actual cost and other items in the forward foreign exchange market.

Note 2: Items for which obtaining an estimated fair value is deemed to be extremely difficult

Years ending February 28, 2011	Millions of yen	Thousands of U.S. dollars
(a) Stock of subsidiaries	¥ 2,453	$ 30,021
(b) Stock of affiliates	27,396	335,283
(c) Unlisted stocks	1,101	13,475
(d) Guarantee deposits paid	31,649	387,333

(a) Stock of subsidiaries and (b) Stock of affiliates
They have no market value and their fair value is not readily determinable.
(c) Unlisted stocks
They are not included in "(3) Securities and investment securities" in the above tables, as they have no market value and their fair value is not readily determinable.
(d) Guarantee deposits paid
The fair value of a portion of these guarantee deposits paid has not been presented in "(4) Guarantee deposits paid" in the above tables because it is deemed to be extremely difficult to estimate the time when these will be returned and estimate their fair value.

Note 3: Estimated amounts of repayment after the balance sheet date for monetary receivables and securities with maturity dates

	Millions of yen			
	Within 1 year	Over 1 year but within 5 years	Over 5 years but within 10 years	Over 10 years
Cash and deposits	¥ 55,504	¥ —	¥ —	¥ —
Notes and accounts receivable–trade	116,356	4,681	194	32
Securities and investment securities				
Securities to be held until maturity	—	5,008	4,002	—
Available-for-sale securities with maturity dates	15,000	15	—	—
Guarantee deposits paid	1,569	3,249	4,336	4,380
Total	¥188,429	¥12,953	¥8,532	¥4,412

	Thousands of U.S. dollars			
	Within 1 year	Over 1 year but within 5 years	Over 5 years but within 10 years	Over 10 years
Cash and deposits	$ 679,280	$ —	$ —	$ —
Notes and accounts receivable–trade	1,424,012	57,288	2,374	392
Securities and investment securities				
Securities to be held until maturity	—	61,290	48,978	—
Available-for-sale securities with maturity dates	183,576	184	—	—
Guarantee deposits paid	19,202	39,763	53,066	53,604
Total	$2,306,070	$158,525	$104,418	$53,996

Note 4: Estimated amounts of repayment after the balance sheet date for corporate bonds and long-term loans

	Millions of yen					
	Within 1 year	Over 1 year but within 2 years	Over 2 years but within 3 years	Over 3 years but within 4 years	Over 4 years but within 5 years	Over 5 years
Corporate bonds	¥ —	¥ —	¥ —	¥30,000	¥ —	¥ —
Long-term loans	8,283	34,012	12,067	11,240	30,240	120
Total	¥8,283	¥34,012	¥12,067	¥41,240	¥30,240	¥120

	Thousands of U.S. dollars					
	Within 1 year	Over 1 year but within 2 years	Over 2 years but within 3 years	Over 3 years but within 4 years	Over 4 years but within 5 years	Over 5 years
Corporate bonds	$ —	$ —	$ —	$367,152	$ —	$ —
Long-term loans	101,371	416,253	147,681	137,560	370,088	1,469
Total	$101,371	$416,253	$147,681	$504,712	$370,088	$1,469

5 SECURITIES

(a) The following tables summarize the acquisition costs, book values and fair values of securities which fair values are available as of February 28, 2011:

(1) Held-to-maturity debt securities:

Securities with available fair values exceeding book values:

	Millions of yen			Thousands of U.S. dollars		
	2011			2011		
Type	Book value	Fair cost	Difference	Book value	Fair cost	Difference
Government bonds	**¥9,006**	**¥9,452**	**¥446**	**$110,219**	**$115,677**	**$5,458**

Securities with available fair values not exceeding book values:

	Millions of yen			Thousands of U.S. dollars		
	2011			2011		
Type	Book value	Fair cost	Difference	Book value	Fair cost	Difference
Government bonds	**¥4**	**¥4**	**—**	**$49**	**$49**	**—**

(2) Available-for-sale securities:

Securities with book values exceeding acquisition costs:

	Millions of yen			Thousands of U.S. dollars		
	2011			2011		
Type	Acquisition cost	Book value	Difference	Acquisition cost	Book value	Difference
Equity securities	**¥13,434**	**¥24,179**	**¥10,745**	**$164,411**	**$295,912**	**$131,501**
Government bonds	**15**	**15**	**0**	**184**	**184**	**0**
Total	**¥13,449**	**¥24,194**	**¥10,745**	**$164,595**	**$296,096**	**$131,501**

Securities with book values not exceeding acquisition costs:

	Millions of yen			Thousands of U.S. dollars		
	2011			**2011**		
Type	**Acquisition cost**	**Book value**	**Difference**	**Acquisition cost**	**Book value**	**Difference**
Equity securities	**¥16,623**	**¥15,375**	**¥(1,248)**	**$203,439**	**$188,165**	**$(15,274)**
Other	**15,000**	**15,000**	**—**	**183,576**	**183,576**	**—**
Total	**¥31,623**	**¥31,623**	**¥(1,248)**	**$387,015**	**$371,741**	**$(15,274)**

Note: Securities without fair value
Please see Note 4. Financial Instruments for information as of February 28, 2011.

(3) Impairment losses on securities:
The Companies recognized a loss of ¥5 million ($61 thousand) on its securities for the year ended February 28, 2011.

(b) The following table summarizes the acquisition costs, book values and fair values of securities with available fair values as of February 28, 2010:
(1) Held-to-maturity debt securities:
Securities with available fair values exceeding book values

	Millions of yen		
	2010		
Type	Book value	Fair cost	Difference
Government bonds	¥12,008	¥12,506	¥498

(2) Available-for-sale securities:
Securities with book values exceeding acquisition costs:

	Millions of yen		
	2010		
Type	Acquisition cost	Book value	Difference
Equity securities	¥13,301	¥24,556	¥11,255
Government bonds	15	15	0
Total	¥13,449	¥24,194	¥10,745

Securities with book values not exceeding acquisition costs:

	Millions of yen		
	2010		
Type	Acquisition cost	Book value	Difference
Equity securities	¥16,742	¥14,807	(¥1,248)

(c) The following tables summarize the book values of securities with no available fair values as of February 28, 2010:

(1) Held-to-maturity debt securities:

	Millions of yen
Type	2010
Corporate bonds	¥4

(2) Equity securities of subsidiaries and affiliates:

Type	Millions of yen 2010
Subsidiaries	¥ 2,717
Affiliates	26,888
Total	¥29,605

(3) Available-for-sale securities:

Type	Millions of yen 2010
Unlisted securities	¥1,105
Certificate of deposits	295
Total	¥1,400

(d) Held-to-maturity debt securities and available-for-sale securities with maturities are as follows:

(1) Held-to-maturity debt securities:

	Millions of yen			
	2010			
Type	Within 1 year	Over 1 year but within 5 years	Over 5 years but within 10 years	Over 10 years
Government bonds	¥3,000	¥2,997	¥6,011	¥—
Corporate bonds	—	4	—	—
Total	¥3,000	¥3,001	¥6,011	¥—

(2) Available-for-sale securities:

	Millions of yen			
	2010			
Type	Within 1 year	Over 1 year but within 5 years	Over 5 years but within 10 years	Over 10 years
Government bonds	¥—	¥15	¥—	¥—
Other	—	—	—	—
Total	¥—	¥15	¥—	¥—

6 INVENTORIES

Inventories at February 28, 2011 and 2010 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Merchandise	**¥37,029**	¥39,473	**$453,176**
Products	**183**	193	**2,240**
Work in process	**772**	2,945	**9,448**
Raw materials	**99**	105	**1,212**
Supplies	**485**	504	**5,935**
Total	**¥38,568**	¥43,220	**$472,011**

7 LEASEHOLD AND OTHER DEPOSITS

The Companies conduct a substantial portion of their retail business through leased properties. The terms of the relevant leases for stores are generally from 10 to 20 years with options for renewal, subject to renegotiation of rental fees every 2 or 5 years.

In connection with such leases, lessors require, under certain circumstances, large deposits relative to the amount of annual lease rental payments, and such deposits bear no interest or interest only at nominal rates.

8 SHORT-TERM BANK LOANS AND LONG-TERM DEBT

Short-term bank loans outstanding were generally represented by bank overdrafts and notes issued by the Companies to banks bearing interest at average rates of 0.78% and 0.97% at February 28, 2011 and 2010, respectively.

Long-term debt at February 28, 2011 and 2010 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
0.0% convertible bonds due 2014	**¥ 20,000**	¥ 20,000	**$ 244,768**
2.03% bonds due 2014	**10,000**	10,000	**122,384**
Loans from banks, insurance companies and others due serially to 2017:			
Secured (bearing interest at rates from 1.35% to 4.75% at February 28, 2011)	**6,062**	8,346	**74,189**
Unsecured (bearing interest at rates from 0.98% to 2.80% at February 28, 2011)	**89,900**	76,410	**1,100,233**
	125,962	114,756	**1,541,574**
Less: Current portion of long-term debt	**(8,283)**	(18,793)	**(101,371)**
Total	**¥117,679**	¥ 95,963	**$1,440,203**

The current conversion price of 0.0% convertible bonds issued by the Company is ¥810 ($9.91). At February 28, 2011, the convertible bonds were convertible into approximately 24,691 thousand shares of common stock.

Years ending February 28 (29)	Millions of yen	Thousands of U.S. dollars
2012	**¥ 8,283**	**$ 101,371**
2013	**34,012**	**416,252**
2014	**12,067**	**147,681**
2015	**41,240**	**504,712**
2016	**30,240**	**370,089**
2017	**120**	**1,469**
Total	**¥125,962**	**$1,541,574**

9 COMMITMENT CONTRACT

The Company has entered into a loan commitment contract with six banks in order to procure operating funds efficiently. The unexercised loan balance related to the loan commitment at February 28, 2011 is summarized below.

	Millions of yen	Thousands of U.S. dollars
Total amount of loan commitment	¥20,000	$244,768
Exercised loan balance	—	—
Unused balance	¥20,000	$244,768

10
PLEDGED ASSETS

The assets pledged as collateral for debts mainly from banks and certain other obligations at February 28, 2011 and 2010 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Land	**¥29,057**	¥29,057	**$355,611**
Buildings and structures	**13,570**	13,331	**166,075**
Total	**¥42,627**	¥42,388	**$521,686**

11
DEPOSITED ASSETS

The deposited assets required by the Installment Sales Law at February 28, 2011 and 2010 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Cash and deposits	**¥ 763**	¥ 791	**$ 9,338**
Marketable securities	**—**	3,000	**—**
Investment securities	**9,066**	9,022	**110,954**
Leasehold and other deposits	**10**	10	**122**
Total	**¥9,839**	¥12,823	**$120,414**

12
INCOME TAXES

The Companies are subject to a number of taxes based on income. The aggregate statutory tax rate in Japan was approximately 40.6% for the years ended February 28, 2011 and 2010.

The following table summarizes the significant differences between the statutory effective tax rate and the Companies' effective tax rate for financial statement purposes for the year ended February 28, 2011 and 2010.

	Millions of yen	
	2011	2010
Statutory tax rate	**40.6%**	40.6%
Permanent differences (including entertainment)	**(2.4)**	1.2
Decrease in valuation allowance	**(2.5)**	(4.0)
Elimination of dividends received	**3.3**	4.4
Tax effect accompanying liquidation of affiliate	**5.6**	—
Equity in gain of affiliated companies	**(2.9)**	(4.4)
Others	**2.3**	(2.9)
Effective tax rate	**44.0%**	34.9%

Significant components of the Companies' deferred tax assets and liabilities as of February 28, 2011 and 2010 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Deferred tax assets (current):			
Accrued enterprise tax	**¥ 320**	¥ 149	**$ 3,916**
Undeductible allowance for doubtful accounts	**197**	177	**2,411**
Accrued bonuses	**86**	280	**1,054**
Accrued retirement benefits	**—**	366	**—**
Tax loss carryforward	**—**	356	**—**
Undeductible write-down of inventories	**325**	367	**3,977**
Allowance for Point Gift Certificates	**2,179**	2,131	**26,667**
Allowance for disposal of property and equipment	**139**	—	**1,701**
Adjustment of gift certificates	**4,535**	4,392	**55,501**
Others	**529**	771	**6,474**
Gross deferred tax assets	**8,310**	8,989	**101,701**
Less: Valuation allowance	**(65)**	(49)	**(795)**
Total deferred tax assets	**8,245**	8,940	**100,906**
Net deferred tax liabilities	**(3,085)**	(1,658)	**(37,756)**
Net deferred tax assets	**¥ 5,160**	¥ 7,282	**$ 63,150**
Deferred tax liabilities (current):			
Adjustments of allowance for doubtful accounts	**¥ 41**	¥ 39	**$ 501**
Adjustment of gift certificates	**1,607**	1,437	**19,667**
Tax effect accompanying liquidation of an affiliate	**1,437**	—	**17,588**
Others	**—**	182	**—**
Total deferred tax liabilities	**3,085**	1,658	**37,756**
Net deferred tax assets	**(3,085)**	(1,658)	**(37,756)**
Net deferred tax liabilities	**¥ —**	¥ —	**$ —**
Deferred tax assets (noncurrent):			
Unrealized intercompany profits	**¥ 594**	¥ 596	**$ 7,270**
Undeductible allowance for employees' retirement benefits	**21,074**	22,553	**257,912**
Undeductible write-down of securities	**1,056**	912	**12,924**
Undeductible amortization of software costs	**431**	648	**5,275**
Loss on impairment of property and equipment	**439**	655	**5,373**
Tax loss carryforward	**4,437**	3,570	**54,302**
Undeductible allowance for doubtful accounts	**1,603**	1,575	**19,618**
Devaluation of property and equipment resulting from spin-off	**1,247**	1,283	**15,260**
Allowance for environmental measures	**282**	—	**3,451**
Others	**1,404**	1,648	**17,183**
Gross deferred tax assets	**32,567**	33,440	**398,568**
Less: Valuation allowance	**(2,846)**	(2,594)	**(34,830)**
Total deferred tax assets	**29,721**	30,846	**363,738**
Net deferred tax liabilities	**(13,065)**	(13,005)	**(159,895)**
Net deferred tax assets	**¥ 16,656**	¥ 17,841	**$ 203,843**
Deferred tax liabilities (noncurrent):			
Reserve for deferred capital gains on property	**¥ 9,196**	¥ 9,210	**$ 112,544**
Unrealized holding gains on securities	**3,856**	3,784	**47,191**
Others	**135**	78	**1,653**
Gross deferred tax liabilities	**13,187**	13,072	**161,388**
Net deferred tax assets	**(13,065)**	(13,005)	**(159,895)**
Net deferred tax liabilities	**¥ 122**	¥ 67	**$ 1,493**

13 RENTAL PROPERTY

Effective from the year ended February 28, 2011, the Company adopted the "Accounting Standard for Disclosures about Fair Value of Investment and Rental Property" (Accounting Standards Board of Japan ("ASBJ") Statement No. 20 issued on November 28, 2008) and "Guidance on Accounting Standard for Rental Property" (ASBJ Guidance No. 23 issued on November 28, 2008).

The Company and its certain consolidated subsidiaries own some rental properties, such as office buildings and commercial properties principally in areas where they conduct operations.

Certain domestic office buildings are not recognized as rental properties but as real estate including spaces used as rental properties since the Company or certain consolidated subsidiaries use some of the floor space of these properties.

The carrying amounts of these properties in the consolidated balance sheets, their changes during the current fiscal year, their fair value, and the method for calculating the fair value at February 28, 2011 are as follows:

Amounts on the consolidated balance sheets

	Millions of yen			
	2011			
	Book value			Fair value
	February 28, 2010	Increase (decrease)	February 28, 2011	February 28, 2011
Rental property	¥ 40,160	¥4,903	¥ 45,063	¥ 54,009
Real estate including spaces used as rental properties	259,616	(1,920)	257,696	360,238

	Thousands of U.S. dollars			
	2011			
	Book value			Fair value
	February 28, 2010	Increase (decrease)	February 28, 2011	February 28, 2011
Rental property	$ 491,494	$60,005	$ 551,499	$ 660,984
Real estate including spaces used as rental properties	3,177,286	(23,498)	3,153,788	4,408,738

Notes: 1. The amounts presented on the consolidated balance sheets are the acquisition value minus accumulated depreciation and minus accumulated impairment losses.

2. Rental property: The increase during the year ended February 28, 2011 primarily represents the acquisition of land, which amounted to ¥5,986 million ($73,259 thousand), and the decrease primarily represents depreciation, which amounted to ¥1,206 million ($14,760 thousand).

3. Real estate including spaces used as rental properties: The increase during the year ended February 28, 2011 primarily represents the acquisition of buildings and structures, which amounted to ¥4,870 million ($59,601 thousand), and the decrease primarily represents depreciation, which amounted to ¥7,217 million ($88,325 thousand).

4. The fair value as of the end of the fiscal year was calculated by the Company, based on Real Estate Appraisal and Valuation Standards (including adjustments made using indicators and other information).

Profit (loss) on rental property and the portion of real estate including spaces used as rental property during the year ended February 28, 2011, was as follows.

	Millions of yen			
	2011			
	Rental income	Rental expenses	Difference	Other, net
Rental property and other real estate	¥ 16,922	¥ 12,980	¥ 3,942	¥—
Real estate including spaces used as rental properties	207,098	158,854	48,244	—

	Thousands of U.S. dollars			
	2011			
	Rental income	**Rental expenses**	**Difference**	**Other, net**
Rental property and other real estate	**$ 12,833**	**$ 7,564**	**$ 5,269**	**$—**
Real estate including spaces used as rental properties	**157,055**	**92,571**	**64,484**	**—**

Note: Since real estate including spaces used as rental properties by the Company and certain of its subsidiaries for the purposes of providing services and management, the related rental income is not reported. Please note that expenses related to rental property (depreciation, maintenance, insurance, taxes, etc.) are included in rental expenses.

14 CONTINGENT LIABILITIES

The Company and certain consolidated subsidiaries were contingently liable for loan guarantees made for employees and others of ¥671 million ($8,212 thousand) and ¥885 million at February 28, 2011 and 2010, respectively.

15 ALLOWANCE FOR EMPLOYEES' RETIREMENT BENEFITS

The Companies have defined benefit pension plans, i.e., corporate pension plans, tax-qualified pension plans, lump-sum retirement plans and defined contribution pension plans, covering substantially all their employees, who are entitled to lump-sum payments and/or pension payments, the amounts of which are determined by reference to their basic salaries. Premium retirement payments may be granted to employees according to the conditions under which the termination occurs.

The allowance for employees' retirement benefits as of February 28, 2011 and 2010 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Projected benefit obligations	**¥110,809**	¥117,778	**$1,356,125**
Plan assets at fair value	**(45,824)**	(47,733)	**(560,812)**
Projected benefit obligations in excess of plan assets	**64,985**	70,045	**795,313**
Unrecognized prior service costs	**2,743**	3,468	**33,570**
Unrecognized actuarial differences	**(15,839)**	(18,129)	**(193,844)**
Allowance for employees' retirement benefits	**¥ 51,889**	¥ 55,384	**$ 635,039**

Notes: Certain of the consolidated subsidiaries have adopted the conventional method in calculating their retirement benefit obligations as set forth in the accounting standard for employees' retirement benefits.

Employees' retirement benefit costs for the years ended February 28, 2011 and 2010 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Service costs	**¥3,504**	¥ 3,645	**$ 42,883**
Interest cost on projected benefit obligations	**2,323**	2,442	**28,430**
Expected return on plan assets	**(1,105)**	(1,115)	**(13,523)**
Amortization of prior service costs	**(772)**	(772)	**(9,448)**
Amortization of actuarial differences	**3,365**	3,544	**41,182**
Extra retirement bonus	**1,588**	1,868	**19,435**
Defined contribution pension costs and others	**891**	926	**10,904**
Employees' retirement benefit costs	**¥9,794**	¥10,538	**$119,863**

Assumptions used in the calculation of the above information were as follows:

	Millions of yen	
	2011	2010
Discount rate	**2.00%**	2.00%
Expected return on plan assets	**Mainly 2.3%**	Mainly 2.3%
Method of attributing the projected retirement benefits to periods of service	**Straight-line basis**	Straight-line basis
Amortization of unrecognized prior service costs	**Mainly 10 years**	Mainly 10 years
Amortization of unrecognized actuarial differences	**Mainly 10 years**	Mainly 10 years

16 NET ASSETS

Net assets consist of shareholders' equity, valuation and translation adjustments, and minority interests. Under Japanese laws and regulations, the entire amount paid for new shares must be designated as common stock.

However, by resolution of the Board of Directors, a company can designate an amount not exceeding one-half of the price of the new shares as additional paid-in capital, which is then included in the capital surplus. It is a requirement under Japanese Corporate Law ("the Law") that, in cases where surplus is distributed among shareholders as a dividend, the smaller of an amount equal to 10% of the dividend or the excess, if any, of 25% of common stock over the total of additional paid-in-capital and the legal earnings reserve is set aside as additional paid-in-capital or the legal earnings reserve.

The legal earnings reserve is included in retained earnings in the accompanying consolidated balance sheets. Under the Law, appropriations of the legal earnings reserve and additional paid-in-capital generally require a resolution by a General Meeting of Shareholders. Although additional paid-in-capital and the legal earnings reserve may not be distributed as dividends, the Law allows all additional paid-in-capital and all legal earnings reserves to be transferred to other capital surplus and retained earnings, respectively, which are potentially available for dividends. The maximum amount that the Company can return to shareholders as dividends is calculated based on the non-consolidated financial statements in accordance with the Law.

17 LAND REVALUATION

In accordance with the Law Concerning Revaluation of Land, land used for business owned by the Company and two consolidated subsidiaries was revalued. The unrealized gain, net of deferred tax, was excluded from earnings and reported as "Excess of land revaluation" in shareholders' equity, and the relevant deferred tax was included as "Deferred tax liabilities related to land revaluation" in liabilities.

Related information is shown as follows:

Date of revaluation:	
The Company	December 31, 2000 and February 28, 2001
A consolidated subsidiary	February 28, 2001
A consolidated subsidiary	March 31, 2002

18 LEASES

(1) Finance leases

Lessees' accounting

The following pro forma amounts represent the acquisition costs, accumulated depreciation and net book value of the leased property at February 28, 2011 and 2010, which would have been reflected in the balance sheets if finance lease accounting had been applied to finance leases commencing on or before February 28, 2009 other than those deemed to transfer ownership to the lessee:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Acquisition costs: Equipment and fixtures	**¥3,273**	¥4,094	**$40,056**
Accumulated depreciation: Equipment and fixtures	**2,200**	2,367	**26,924**
Accumulated impairment loss: Equipment and fixtures	**—**	—	**—**
Net book value: Equipment and fixtures	**¥1,073**	¥1,727	**$13,132**

Lease payments relating to finance leases commencing on or before February 28, 2009 other than those deemed to transfer ownership to the lessee amounted to ¥621 million ($7,600 thousand) and ¥907 million for the years ended February 28, 2011 and 2010, respectively. Future minimum lease payments (including the interest portion thereon) subsequent to February 28, 2011 for finance leases commencing on or before February 28, 2009 other than those deemed to transfer ownership to the lessee are summarized as follows:

Years ending February 28 (29)	Millions of yen	Thousands of U.S. dollars
2012	**¥ 504**	**$ 6,168**
2013 and thereafter	**569**	**6,964**
Total	**¥1,073**	**$13,132**

(2) Operating leases

Future minimum lease payments subsequent to February 28, 2011 for noncancelable operating leases are summarized as follows:

Years ending February 28 (29)	Millions of yen	Thousands of U.S. dollars
2012	**¥ 8,105**	**$ 99,192**
2013 and thereafter	**38,455**	**470,628**
Total	**¥46,560**	**$569,820**

19 DERIVATIVE TRANSACTIONS

1. Derivatives to which hedge accounting is not applied

There are no derivative transactions to which hedge accounting is not applied.

2. Derivatives to which hedge accounting is applied

(1) Currency related derivatives

			Millions of yen		
Hedge accounting method	Type of derivatives	Major hedged items	Contract amount	Contract amount due after one year	Fair value
Deferral hedge accounting	Forward contracts	Accounts payable–trade			
	To buy U.S. dollar		**¥100**	**—**	**¥(1)**
	To buy Euro		**371**	**—**	**4**
Total			**¥471**	**—**	**¥ 3**

			Thousands of U.S. dollars		
Hedge accounting method	Type of derivatives	Major hedged items	Contract amount	Contract amount due after one year	Fair value
Deferral hedge accounting	Forward contracts	Accounts payable–trade			
	To buy U.S. dollar		**$1,224**	**—**	**$(12)**
	To buy Euro		**4,540**	**—**	**49**
Total			**$5,764**	**—**	**$ 37**

Note: The fair value is determined based on the quoted price obtained from the financial institutions with which the derivatives are transacted.

(2) Interest rate related derivatives

			Millions of yen		
Hedge accounting method	Type of derivatives	Major hedged items	Contract amount	Contract amount due after one year	Fair value
Specified treatment for interest rate swaps	Interest rate swaps	Long-term debt			
	Receive floating rate		**¥44,500**	**¥44,500**	**—**
	Pay fixed rate				**—**
Total			**¥44,500**	**¥44,500**	**—**

			Thousands of U.S. dollars		
Hedge accounting method	Type of derivatives	Major hedged items	Contract amount	Contract amount due after one year	Fair value
Specified treatment for interest rate swaps	Interest rate swaps	Long-term debt			
	Receive floating rate		**$544,609**	**$544,609**	**—**
	Pay fixed rate				**—**
Total			**$544,609**	**$544,609**	**—**

Note: The interest rate swaps which qualify for hedge accounting and meet specific matching criteria are not remeasured at market value, but the paid or received under the swap agreements is recognized and included in interest expenses of the long-term debt as hedged items. Accordingly, the fair value of the interest rate swaps is considered to be included in the fair value of the long-term debt.

20 PER SHARE INFORMATION

Reconciliation of the difference between basic and diluted net income per share ("EPS") for the years ended February 28, 2011 and 2010 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Basic net income per share			
Income (numerator):			
Net income	**¥ 13,850**	¥ 7,710	**$169,502**
Amounts not belonging to common stock (bonuses to directors from retained earnings)	**—**	—	**—**
Net income available to common shareholders	**13,850**	7,710	**169,502**
Shares, thousands (denominator):			
Weighted average number of shares	**329,918**	329,935	**—**
Basic EPS (yen and U.S. dollars)	**¥ 41.97**	¥ 23.36	**$ 0.51**
Diluted net income per share			
Income (numerator):			
Net income	**¥ 13,850**	¥ 7,710	**$169,502**
Amounts not belonging to common stock (bonuses to directors from retained earnings)	**—**	—	**—**
Net income available to common shareholders	**13,850**	7,710	**169,502**
Effect of dilutive securities — convertible bonds	**—**	(10)	**—**
Adjusted net income	**13,850**	7,700	**169,502**
Shares, thousands (denominator):			
Weighted average number of shares	**329,918**	329,935	**—**
Assumed conversion of convertible bonds	**24,691**	18,157	**—**
Adjusted weighted average number of shares	**354,609**	348,092	**—**
Diluted EPS (yen and U.S. dollars)	**¥ 39.05**	¥ 22.11	**$ 0.48**

Net assets per share as of February 28, 2011 and 2010 were calculated as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Net assets per share			
Net assets (numerator):			
Total net assets	**¥301,100**	¥291,239	**$3,684,983**
Minority interests in consolidated subsidiaries	**(4,862)**	(3,842)	**(59,503)**
Adjusted net assets	**296,238**	287,397	**3,625,480**
Common stock, thousands (denominator):			
Issued number of shares	**330,828**	330,828	**—**
Treasury stock	**(919)**	(901)	**—**
Outstanding number of shares	**329,909**	329,927	**—**
Net assets per share (yen and U.S. dollars)	**¥ 897.94**	¥ 871.09	**$ 10.99**

21 SEGMENT INFORMATION

(a) Business segment information

Business segment information for the years ended February 28, 2011 and 2010 was as follows:

	Millions of yen							
	Department Store	Contract & Design	Real Estate	Finance	Other	Total	Elimination and corporate	Consolidated
Year ended February 28, 2011								
Sales and other operating revenue:								
Outside customers	**¥777,479**	**¥17,451**	**¥ 29,435**	**¥ 11,689**	**¥33,422**	**¥869,476**	**¥ —**	**¥869,476**
Intersegment	**5,893**	**3,842**	**5,356**	**4,205**	**30,687**	**49,983**	**(49,983)**	**—**
Total	**783,372**	**21,293**	**34,791**	**15,894**	**64,109**	**919,459**	**(49,983)**	**869,476**
Operating expenses	**772,643**	**21,172**	**28,177**	**13,758**	**65,390**	**901,140**	**(49,838)**	**851,302**
Operating income (loss)	**¥ 10,729**	**¥ 121**	**¥ 6,614**	**¥ 2,136**	**¥ (1,281)**	**¥ 18,319**	**¥ (145)**	**¥ 18,174**
Assets	**¥503,960**	**¥14,502**	**¥122,348**	**¥101,762**	**¥18,636**	**¥761,208**	**¥ 55,880**	**¥817,088**
Depreciation	**11,879**	**51**	**3,922**	**13**	**130**	**15,995**	**134**	**16,129**
Loss on impairment	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Capital expenditure	**15,054**	**18**	**12,276**	**52**	**74**	**27,474**	**(480)**	**26,994**

	Millions of yen							
	Department Store	Contract & Design	Real Estate	Finance	Other	Total	Elimination and corporate	Consolidated
Year ended February 28, 2010								
Sales and other operating revenue:								
Outside customers	¥786,987	¥15,738	¥ 29,402	¥10,916	¥34,719	¥877,762	¥ —	¥877,762
Intersegment	5,720	5,170	5,618	4,331	31,377	52,216	(52,216)	—
Total	792,707	20,908	35,020	15,247	66,096	929,978	(52,216)	877,762
Operating expenses	787,610	21,410	28,527	13,634	65,158	916,339	(52,005)	864,334
Operating income (loss)	¥ 5,097	¥ (502)	¥ 6,493	¥ 1,613	¥ 938	¥ 13,639	¥ (211)	¥ 13,428
Assets	¥504,817	¥17,912	¥108,160	¥86,497	¥19,981	¥737,367	¥ 47,732	¥785,099
Depreciation	11,592	72	3,740	6	131	15,541	143	15,684
Loss on impairment	—	—	—	—	—	—	—	—
Capital expenditure	17,247	42	6,319	7	92	23,707	(164)	23,543

	Thousands of U.S. dollars							
	Department Store	Contract & Design	Real Estate	Finance	Other	Total	Elimination and corporate	Consolidated
Year ended February 28, 2011								
Sales and other operating revenue:								
Outside customers	**$9,515,102**	**$213,572**	**$ 360,238**	**$ 143,055**	**$409,032**	**$10,640,999**	**$ —**	**$10,640,999**
Intersegment	**72,121**	**47,020**	**65,549**	**51,462**	**375,560**	**611,712**	**(611,712)**	**—**
Total	**9,587,223**	**260,592**	**425,787**	**194,517**	**784,592**	**11,252,711**	**(611,712)**	**10,640,999**
Operating expenses	**9,455,917**	**259,112**	**344,842**	**168,376**	**800,269**	**11,028,516**	**(609,938)**	**10,418,578**
Operating income (loss)	**$ 131,306**	**$ 1,480**	**$ 80,945**	**$ 26,141**	**$ (15,677)**	**$ 224,195**	**$ (1,774)**	**$ 222,421**
Assets	**$6,167,666**	**$177,481**	**$1,497,344**	**$1,245,405**	**$228,075**	**$ 9,315,971**	**$ 683,882**	**$ 9,999,853**
Depreciation	**145,380**	**624**	**47,999**	**159**	**1,591**	**195,753**	**1,640**	**197,393**
Loss on impairment	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Capital expenditure	**184,237**	**220**	**150,238**	**636**	**906**	**336,237**	**(5,874)**	**330,363**

As explained in Note 2 (s) (4), effective from the year ended February 28, 2011, the consolidated subsidiary adopted the "Accounting Standard for Construction Contracts" (Accounting Standards Board of Japan ("ASBJ") Statement No. 15, issued on December 27, 2007) and the "Guidance on Accounting Standard for Construction Contracts" (ASBJ Guidance No. 18, issued on December 27, 2007). As a result, sales and other operating revenue and operating income for the year ended February 28, 2011 in the Contract & Design segment were increased by ¥1,543 million ($18,884 thousand) and ¥198 million ($2,423 thousand), respectively.

(b) Geographic segment information
Geographic segment information is not disclosed, due to sales and other operating revenue and total assets of overseas subsidiaries not being material compared to consolidated sales and other operating revenue and consolidated total assets, respectively.

(c) Information about overseas sales
Information about overseas sales is not disclosed, due to overseas sales and other operating revenue not being material compared to consolidated sales and other operating revenue.

22 PRESENTATION OF GOODWILL AND NEGATIVE GOODWILL

The partial offsetting of goodwill by negative goodwill at February 28, 2011 and 2010 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Goodwill	**¥1,689**	¥1,877	**$20,671**
Negative goodwill	**925**	1,018	**11,321**
Goodwill, net	**¥ 764**	¥ 859	**$ 9,350**

23 SUBSEQUENT EVENT

Cash dividends
On May 24, 2011, the shareholders of the Company approved the following appropriations:

	Millions of yen	Thousands of U.S. dollars
Cash dividends	**¥1,650**	**$20,193**

KPMG

Independent Auditors' Report

To the Board of Directors of
Takashimaya Company, Limited:

We have audited the accompanying consolidated balance sheets of Takashimaya Company, Limited and consolidated subsidiaries as of February 28, 2011 and 2010, and the related consolidated statements of income, changes in net assets and cash flows for the years then ended expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to independently express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Takashimaya Company, Limited and subsidiaries as of February 28, 2011 and 2010, and the results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in Japan.

Without qualifying our opinion, we draw attention to the following.

(1) As discussed in Note 2(s)(3) to the consolidated financial statements, effective from the year ended February 28, 2010, Takashimaya Company, Limited and domestic subsidiaries adopted the new accounting standards for measurement of inventories.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended February 28, 2011 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

KPMG AZSA LLC

Tokyo, Japan
May 24, 2011

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