

TAKASHIMAYA

FINANCIAL STATEMENTS 2021

Years ended February 28, 2021 and February 29, 2020



Opened the DEWEY School Starlake (Hanoi, Vietnam) in February 2021.
Operates an integrated bilingual school (kindergarten through high school) for Vietnamese students.
The school building is equipped with an auditorium, one of the largest of its kind for a school facility, as well as with swimming pool facilities.

CONSOLIDATED BALANCE SHEETS

Takashimaya Company, Limited and Consolidated Subsidiaries
February 28, 2021 and February 29, 2020

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	2021
ASSETS			
Current assets:			
Cash and deposits (Notes 3, 4 and 5)	¥106,675	¥89,820	\$1,004,000
Securities (Notes 4 and 6)	8	—	75
Notes and accounts receivable:			
Trade (Notes 4 and 8)	99,634	114,605	937,732
Non-consolidated subsidiaries and affiliated companies (Note 4)	1,048	1,314	9,864
Other (Note 8)	13,047	16,590	122,795
Less: Allowance for doubtful accounts (Note 4)	(665)	(655)	(6,259)
	113,064	131,854	1,064,132
Inventories (Note 7)	43,311	45,975	407,633
Other	20,549	20,115	193,402
Total current assets	283,607	287,764	2,669,242
Property, plant and equipment:			
Land (Notes 11 and 12)	411,031	412,052	3,868,527
Buildings and structures (Notes 9 and 13)	433,370	438,124	4,078,776
Equipment and fixtures (Note 9)	43,922	44,609	413,384
Leased assets	7,587	6,972	71,407
Construction in progress	17,096	2,564	160,904
Right-of-use assets	95,132	98,501	895,360
	1,008,138	1,002,822	9,488,358
Less: Accumulated depreciation	(301,602)	(287,018)	(2,838,607)
Total property, plant and equipment	706,536	715,804	6,649,751
Intangible assets:			
Goodwill (Notes 15 and 16)	2,355	2,770	22,165
Leasehold interests in land (Note 9)	10,070	10,568	94,776
Right-of-use assets	4,673	5,193	43,981
Other	19,342	19,409	182,042
Total intangible assets	36,440	37,940	342,964
Investments and other assets:			
Investment securities (Notes 4 and 6)	27,207	25,965	256,066
Investments in non-consolidated subsidiaries and affiliated companies (Note 4)	48,016	50,633	451,915
Guarantee deposits (Notes 4, 5 and 14)	26,563	27,733	250,005
Deferred tax assets (Note 10)	19,960	20,112	187,859
Other	4,741	4,857	44,621
Less: Allowance for doubtful accounts	(2,563)	(2,305)	(24,122)
Total investments and other assets	123,924	126,995	1,166,344
Total assets (Note 16)	¥1,150,507	¥1,168,503	\$10,828,301

The accompanying notes are an integral part of these statements.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	2021
LIABILITIES AND NET ASSETS			
Current liabilities:			
Short-term bank loans (Notes 4 and 17)	¥15,000	¥7,500	\$141,176
Current portion of long-term debt (Notes 4, 9, 17 and 18)	23,312	59,804	219,407
Commercial papers (Note 4)	10,000	—	94,118
Lease obligations (Notes 3 and 4)	7,982	7,733	75,125
Notes and accounts payable:			
Trade (Notes 4 and 18)	81,673	96,313	768,687
Non-consolidated subsidiaries and affiliated companies (Note 4)	5,292	6,313	49,807
Other	44,400	23,465	417,882
	131,365	126,091	1,236,376
Income taxes payable	8,357	5,077	78,654
Accrued expenses	2,383	2,349	22,428
Provision for bonuses for directors and other officers	—	41	—
Gift certificates	54,074	53,037	508,932
Advances received	112,897	101,718	1,062,560
Deposits received (Note 4)	26,030	24,001	244,989
Provision for point card certificates	2,428	2,797	22,852
Provision for loss on repair construction of building	3,662	74	34,466
Provision for loss on liquidation of subsidiaries and associates	—	967	—
Other	5,135	6,726	48,329
Total current liabilities	402,625	397,915	3,789,412
Non-current liabilities:			
Long-term debt (Notes 4, 9, 17 and 18)	158,842	125,739	1,494,984
Lease obligations (Notes 3 and 4)	78,410	88,103	737,977
Retirement benefit liability (Note 19)	53,084	56,138	499,614
Provision for retirement benefits for directors and other officers	311	277	2,927
Deferred tax liabilities (Note 10)	1,650	2,905	15,529
Deferred tax liabilities related to land revaluation (Note 12)	9,051	6,342	85,186
Asset retirement obligations	5,028	3,524	47,322
Provision for environmental measures	241	258	2,268
Provision for loss on repair construction of building	—	3,516	—
Other	26,153	27,915	246,146
Total non-current liabilities	332,770	314,717	3,131,953
Total liabilities	735,395	712,632	6,921,365
Contingent liabilities (Note 20)			
Net assets			
Shareholders' equity (Note 21):			
Common stock	66,025	66,025	621,412
Authorized: 300,000 thousand shares			
Issued: 177,759,481 shares in 2021 and 2020			
Capital surplus	54,791	55,026	515,680
Retained earnings	270,615	308,398	2,546,965
Less: Treasury shares	(15,993)	(15,993)	(150,523)
At cost: 11,026,374 shares in 2021			
11,026,113 shares in 2020			
Total shareholders' equity	375,438	413,456	3,533,534
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities	8,874	5,990	83,520
Deferred gains or losses on hedges	1	(0)	9
Revaluation reserve for land (Note 12)	2,945	5,927	27,718
Foreign currency translation adjustment	5,970	8,949	56,188
Remeasurements of defined benefit plans	1,090	381	10,259
Total accumulated other comprehensive income	18,880	21,247	177,694
Non-controlling interests:	20,794	21,168	195,708
Total net assets	415,112	455,871	3,906,936
Total liabilities and net assets	¥1,150,507	¥1,168,503	\$10,828,301

CONSOLIDATED STATEMENTS OF INCOME

Takashimaya Company, Limited and Consolidated Subsidiaries
Years ended February 28, 2021 and February 29, 2020

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	2021
Operating revenue (Note 16):			
Net sales	¥620,886	¥848,494	\$5,843,633
Other operating revenue	60,013	70,599	564,828
	680,899	919,093	6,408,461
Operating expenses:			
Cost of sales	471,621	633,369	4,438,786
Selling, general and administrative expenses	222,775	260,142	2,096,706
	694,396	893,511	6,535,492
Operating profit (loss) (Note 16)	(13,497)	25,582	(127,031)
Other income (expenses):			
Interest and dividend income	1,666	2,451	15,680
Interest expenses (Note 18)	(4,736)	(5,377)	(44,574)
Gain (Loss) on sales and retirement of non-current assets, net (Note 23)	(1,868)	12,844	(17,581)
Share of profit of entities accounted for using the equity method	1,012	2,093	9,525
Impairment loss (Notes 16 and 24)	(6,846)	(8,980)	(64,433)
Loss on valuation of investment securities (Note 6)	(3,349)	(1)	(31,520)
Subsidy income (Note 25)	4,879	—	45,920
Gain on forgiveness of lease obligations	1,681	—	15,821
Loss related to Covid-19 (Note 25)	(10,321)	—	(97,139)
Provision for loss on liquidation of subsidiaries and associates	—	(967)	—
Provision for loss on repair construction of building	(145)	(2,115)	(1,365)
Other, net (Note 11)	(315)	(573)	(2,965)
	(18,342)	(625)	(172,631)
Profit (Loss) before income taxes	(31,839)	24,957	(299,662)
Income taxes (Note 10):			
Current	4,152	7,444	39,078
Deferred	(2,870)	907	(27,012)
	1,282	8,351	12,066
Profit (Loss)	(33,121)	16,606	(311,728)
Profit attributable to non-controlling interests	(849)	(578)	(7,991)
Profit (Loss) attributable to owners of parent	¥(33,970)	¥16,028	\$(319,719)

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Takashimaya Company, Limited and Consolidated Subsidiaries
 Years ended February 28, 2021 and February 29, 2020

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	2021
Profit (Loss)	¥(33,121)	¥16,606	\$(311,728)
Other comprehensive income			
Valuation difference on available-for-sale securities	3,416	(4,775)	32,151
Deferred gains or losses on hedges	1	(0)	9
Revaluation reserve for land	(2,792)	—	(26,278)
Foreign currency translation adjustment	(2,844)	563	(26,767)
Remeasurements of defined benefit plans, net of tax	702	(5,198)	6,607
Share of other comprehensive income of entities accounted for using the equity method	(1,229)	(128)	(11,567)
Total other comprehensive income (Note 26)	(2,746)	(9,538)	(25,845)
Comprehensive income	¥(35,867)	¥7,068	\$(337,573)
Comprehensive income attributable to:			
Owners of parent	(36,148)	6,274	(340,216)
Non-controlling interests	281	794	2,643

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

Takashimaya Company, Limited and Consolidated Subsidiaries
Years ended February 28, 2021 and February 29, 2020

	Millions of yen					
	Number of shares issued	Common stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance, February 28, 2019	177,759,481	¥66,025	¥55,026	¥296,977	¥(6,177)	¥411,851
Cumulative effects of changes in accounting policies				(1,529)		(1,529)
Restated balance	177,759,481	66,025	55,026	295,448	(6,177)	410,322
Dividends of surplus				(4,145)		(4,145)
Profit (Loss) attributable to owners of parent				16,028		16,028
Purchase of treasury shares and disposal of treasury shares			0		(9,816)	(9,816)
Reversal of revaluation reserve for land				1,067		1,067
Change in ownership interest of parent due to transactions with non-controlling interests						—
Net changes of items other than shareholders' equity						—
Balance, February 29, 2020	177,759,481	¥66,025	¥55,026	¥308,398	¥(15,993)	¥413,456
Cumulative effects of changes in accounting policies						—
Restated balance	177,759,481	66,025	55,026	308,398	(15,993)	413,456
Dividends of surplus				(4,002)		(4,002)
Profit (Loss) attributable to owners of parent				(33,970)		(33,970)
Purchase of treasury shares and disposal of treasury shares			(0)		(0)	(0)
Reversal of revaluation reserve for land				189		189
Change in ownership interest of parent due to transactions with non-controlling interests			(235)			(235)
Net changes of items other than shareholders' equity						—
Balance, February 28, 2021	177,759,481	¥66,025	¥54,791	¥270,615	¥(15,993)	¥375,438

	Millions of yen							
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance, February 28, 2019	¥10,822	¥(0)	¥6,993	¥8,724	¥5,529	¥32,068	¥17,666	¥461,585
Cumulative effects of changes in accounting policies						—		(1,529)
Restated balance	10,822	(0)	6,993	8,724	5,529	32,068	17,666	460,056
Dividends of surplus						—		(4,145)
Profit (Loss) attributable to owners of parent						—		16,028
Purchase of treasury shares and disposal of treasury shares						—		(9,816)
Reversal of revaluation reserve for land						—		1,067
Change in ownership interest of parent due to transactions with non-controlling interests						—		—
Net changes of items other than shareholders' equity	(4,832)	(0)	(1,066)	225	(5,148)	(10,821)	3,502	(7,319)
Balance, February 29, 2020	¥5,990	¥(0)	¥5,927	¥8,949	¥381	¥21,247	¥21,168	¥455,871
Cumulative effects of changes in accounting policies						—		—
Restated balance	5,990	(0)	5,927	8,949	381	21,247	21,168	455,871
Dividends of surplus						—		(4,002)
Profit (Loss) attributable to owners of parent						—		(33,970)
Purchase of treasury shares and disposal of treasury shares						—		(0)
Reversal of revaluation reserve for land						—		189
Change in ownership interest of parent due to transactions with non-controlling interests						—		(235)
Net changes of items other than shareholders' equity	2,884	1	(2,982)	(2,979)	709	(2,367)	(374)	(2,741)
Balance, February 28, 2021	¥8,874	¥1	¥2,945	¥5,970	¥1,090	¥18,880	¥20,794	¥415,112

The accompanying notes are an integral part of these statements.

	Thousands of U.S. dollars (Note 1)					
	Number of shares issued	Common stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance, February 29, 2020	177,759,481	\$621,412	\$517,892	\$2,902,569	\$(150,522)	\$3,891,351
Cumulative effects of changes in accounting policies						—
Restated balance	177,759,481	621,412	517,892	2,902,569	(150,522)	3,891,351
Dividends of surplus				(37,666)		(37,666)
Profit (Loss) attributable to owners of parent				(319,719)		(319,719)
Purchase of treasury shares and disposal of treasury shares			(0)		(1)	(1)
Reversal of revaluation reserve for land				1,781		1,781
Change in ownership interest of parent due to transactions with non-controlling interests			(2,212)			(2,212)
Net changes of items other than shareholders' equity						—
Balance, February 28, 2021	177,759,481	\$621,412	\$515,680	\$2,546,965	\$(150,523)	\$3,533,534

	Thousands of U.S. dollars (Note 1)							
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance, February 29, 2020	\$56,376	\$(0)	\$55,784	\$84,226	\$3,586	\$199,972	\$199,228	\$4,290,551
Cumulative effects of changes in accounting policies						—		—
Restated balance	56,376	(0)	55,784	84,226	3,586	199,972	199,228	4,290,551
Dividends of surplus						—		(37,666)
Profit (Loss) attributable to owners of parent						—		(319,719)
Purchase of treasury shares and disposal of treasury shares						—		(1)
Reversal of revaluation reserve for land						—		1,781
Change in ownership interest of parent due to transactions with non-controlling interests						—		(2,212)
Net changes of items other than shareholders' equity	27,144	9	(28,066)	(28,038)	6,673	(22,278)	(3,520)	(25,798)
Balance, February 28, 2021	\$83,520	\$9	\$27,718	\$56,188	\$10,259	\$177,694	\$195,708	\$3,906,936

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Takashimaya Company, Limited and Consolidated Subsidiaries
Years ended February 28, 2021 and February 29, 2020

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	2021
Cash flows from operating activities:			
Profit (Loss) before income taxes	¥(31,839)	¥24,957	\$(299,662)
Depreciation	27,982	31,093	263,360
Impairment loss	6,846	8,980	64,433
Amortization of goodwill, net	135	258	1,271
Increase (Decrease) in allowance for doubtful accounts	271	375	2,551
Increase (Decrease) in retirement benefit liability	(2,049)	(2,167)	(19,285)
Increase (Decrease) in provision for retirement benefits for directors (and other officers)	34	(10)	320
Increase (Decrease) in provision for point card certificates	(369)	267	(3,473)
Increase (Decrease) in provision for loss on repair construction of building	71	376	668
Interest and dividend income	(1,666)	(2,451)	(15,680)
Interest expenses	4,736	5,377	44,574
Share of loss (profit) of entities accounted for using the equity method	(1,012)	(2,093)	(9,525)
Loss (Gain) on sales of property, plant and equipment, net	—	(18,276)	—
Loss on retirement of property, plant and equipment	630	2,055	5,930
Subsidy income	(3,250)	—	(30,588)
Gain on forgiveness of lease obligations	(1,681)	—	(15,821)
Loss related to Covid-19	10,321	—	97,139
Loss (Gain) on sales of investment securities, net (Note 6)	234	313	2,202
Decrease (Increase) in notes and accounts receivable-trade	15,151	(446)	142,598
Decrease (Increase) in inventories	1,999	(398)	18,814
Increase (Decrease) in notes and accounts payable-trade	(14,846)	(6,055)	(139,727)
Increase (Decrease) in advances received	11,196	2,756	105,374
Increase (Decrease) in notes and accounts payable-other	12,572	1,998	118,325
Other, net	17,280	1,530	162,635
Subtotal	52,746	48,439	496,433
Interest and dividend income received	2,442	3,592	22,984
Interest expenses paid	(4,707)	(5,365)	(44,301)
Proceeds from subsidy income	3,250	—	30,588
Payment for loss related to Covid-19	(7,161)	—	(67,398)
Income taxes paid	(2,849)	(6,058)	(26,814)
Net cash provided by (used in) operating activities	43,721	40,608	411,492
Cash flows from investing activities:			
Payments into time deposits	—	(313)	—
Proceeds from withdrawal of time deposits	3	1,336	28
Purchase of short-term and long-term investment securities	(33)	(939)	(311)
Proceeds from sales and redemption of short-term and long-term investment securities	316	1,605	2,974
Purchase of property, plant and equipment and intangible assets	(23,421)	(44,540)	(220,433)
Proceeds from sales of property, plant and equipment and intangible assets	—	20,145	—
Payments for asset retirement obligations	(1,847)	—	(17,384)
Purchase of shares of subsidiaries and associates	(2,410)	—	(22,682)
Proceeds from sales of shares of subsidiaries and associates	378	—	3,558
Proceeds from withdrawal of investment in affiliated companies	—	4,004	—
Purchase of shares of subsidiaries resulting in change in scope of consolidation (Note 3)	—	(5,330)	—
Payments for sales of shares of subsidiaries resulting in change in scope of consolidation	(638)	—	(6,005)
Other, net	618	598	5,817
Net cash provided by (used in) investing activities	(27,034)	(23,434)	(254,438)

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	2021
Cash flows from financing activities:			
Net increase (decrease) in short-term loans payable	7,500	1,700	70,588
Proceeds from long-term loans payable	56,416	5,800	530,974
Repayment of long-term loans payable	(34,665)	(9,100)	(326,259)
Increase (decrease) in commercial papers	10,000	—	94,118
Redemption of bonds	(25,105)	(99)	(236,283)
Repayments of lease obligations	(7,305)	(7,472)	(68,753)
Purchase of treasury shares	(0)	(9,816)	(0)
Cash dividends paid	(4,002)	(4,145)	(37,666)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(200)	—	(1,882)
Other, net	(336)	(352)	(3,162)
Net cash provided by (used in) financing activities	2,303	(23,484)	21,675
Effect of exchange rate changes on cash and cash equivalents	(2,080)	29	(19,576)
Net increase (decrease) in cash and cash equivalents	16,910	(6,281)	159,153
Cash and cash equivalents at the beginning of the period	88,411	94,692	832,103
Cash and cash equivalents at the end of the period (Note 3)	¥105,321	¥88,411	\$991,256

The accompanying notes are an integral part of these statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 BASIS OF PRESENTING THE CONSOLIDATED FINANCIAL STATEMENTS

The accompanying Consolidated Financial Statements of Takashimaya Company, Limited (hereinafter, 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 (hereinafter, the “Japanese GAAP”) which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards.

The accounts of overseas consolidated subsidiaries have been prepared in accordance with either International Financial Reporting Standards or U.S. generally accepted accounting principles, with adjustments for the specified five items as applicable. Japanese GAAP requires that accounting policies and procedures applied by a parent company and its subsidiaries to similar transactions and events under similar circumstances should be unified for the preparation of the Consolidated Financial Statements. Japanese GAAP, however, as a tentative measure, allows a parent company to prepare Consolidated Financial Statements 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 five items are required in the consolidation process so that their impacts on profit are accounted for in accordance with Japanese GAAP unless the impact is not material.

- (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) Reclassification adjustments for measuring subsequent changes in fair value of equity instruments recognized in other comprehensive income

The accompanying Consolidated Financial Statements have been restructured and translated into English (with some expanded descriptions) from the Consolidated Financial Statements of the Companies, 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, 2021, which was ¥106.25 to U.S.\$1. The convenience translations should not be construed as representations that the Japanese yen amounts 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 (hereinafter, 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 non-consolidated subsidiaries and remaining 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 non-controlling interests, 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”) are amortized on a straight line basis 11 or 12 years with the exception of minor differences, which are charged to income in the period of acquisition. Negative goodwill which arose prior to March 31, 2010 is amortized over 20 years on a straight line method.

From the year ended February 28, 2021, there has been a change in the scope of consolidation:

Yonago Takashimaya Co., Ltd. and Food & Partners Co., Ltd. were excluded from the scope of consolidation due to the transfer of shares, Dear Mayuko Co., Ltd. due to completion of liquidation, and TAPP Co., Ltd. because it is in the process of liquidation and its importance has decreased.

In addition, Takashimaya Insurance Co., Ltd. was merged into Takashimaya Credit Co., Ltd. (which changed its name to Takashimaya Financial Partners Co., Ltd.), and Takashimaya Space Create East Co., Ltd. was merged into Takashimaya Space Create Co., Ltd.

SLUC COMPANY LIMITED, which was established by VNSL Holdings Pte. Ltd., a wholly owned subsidiary of consolidated subsidiary Toshin Development Co., Ltd., is included in the scope of consolidation from the current fiscal year.

Furthermore, Shin-Nankai Store Co., Ltd. was excluded from the scope of application of the equity method due to the transfer of shares.

All non-consolidated subsidiaries of the Company are of a limited scale in terms of total assets, operating revenue, 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 overseas consolidated 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 Income of overseas consolidated 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 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 value 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 value are stated at amortized cost, net of the amount considered not collectible. Other securities with no available fair market value 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 exchange contracts are used as hedges and meet certain hedging criteria, forward exchange contracts and hedged items are accounted for in the following manner:

- (1) If a forward 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 Statements 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 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 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.

In addition, special treatment is applied to interest rate swaps if they meet the requirements for special treatment.

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

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 amounts 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

Inventories held by the Companies were measured at cost (book value is reduced on the basis of declines in profitability) 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:	principally first-in, first-out method

(h) Property, plant and equipment (except leased assets and right-of-use assets)

Property, plant 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, plant 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) Intangible assets (except leased assets and right-of-use assets)

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

(j) 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.

(k) Right-of-use assets

Right-of-use assets are amortized to a residual value of zero by the straight line method using the lease term as the useful life.

(l) Provision for Point Card Certificates

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

The Company provides a provision 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) Retirement benefit liability

(1) Attribution method for projected retirement benefits

The Companies account for the liabilities for retirement benefits based on the defined benefit obligation and plan assets at the balance sheet date. The defined benefit obligation is attributed to a certain period on a benefit formula basis.

(2) How to recognize the prior service cost and the actuarial gains or losses

The unrecognized prior service cost obligation is recognized as expense and recorded in equal amounts mainly 9 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 9 years), which is less than the average remaining years of employment of the employees, commencing from the succeeding fiscal year.

(3) Adoption of simplified method in some consolidated subsidiaries

Some consolidated subsidiaries adopt the simplified method which assumes retirement benefit obligation to be equal to the benefits payable, if all eligible employees voluntarily terminated their employment at the end of the fiscal year, for the calculation of retirement benefit liability and retirement benefit costs.

(n) Provision for bonuses for directors and other officers

Provision for bonuses for directors and other officers is provided for the estimated amounts which the Company is obliged to pay to directors and corporate auditors subject to the resolution of the shareholders' meeting.

(o) Provision for retirement benefits for directors and other officers

Provision for retirement for directors and other officers is provided based on the consolidated subsidiaries' pertinent rules and is calculated as the estimated amounts 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) Provision for environmental measures

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

(q) Provision for loss on repair construction of building

Provision for loss on repair construction of building is provided based on the estimated costs for repairment of Nihombashi Takashimaya Store, which is designated as an important cultural property.

(r) Provision for loss on liquidation of subsidiaries and associates

The anticipated amount of losses was recorded to provide for future losses associated with liquidation of subsidiaries and associates.

(s) Income taxes

Income taxes consist of taxes on corporations, inhabitants and enterprises.

The Companies recognize the tax effects of temporary differences between the financial statements' carrying amount and the tax basis of assets and liabilities. The provision for income taxes is computed based on the income before income taxes and non-controlling interests included in the Statements of Income of each of the Companies. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences.

(t) Per share information

Profit per share is based on the weighted average number of shares of common stock outstanding during each year and diluted profit 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.

(u) Accounting standards not yet adopted

The Company and domestic consolidated subsidiaries

(Accounting Standard for Revenue Recognition, etc.)

·“Accounting Standard for Revenue Recognition” (Accounting Standards Board of Japan (ASBJ) Statement No. 29, issued by ASBJ on March 31, 2020)

·“Implementation Guidance on Accounting Standard for Revenue Recognition” (ASBJ Guidance No. 30, issued by ASBJ on March 31, 2020)

(i) Overview

The International Accounting Standards Board (IASB) and the U.S. Financial Accounting Standards Board (FASB) jointly developed comprehensive accounting standards for revenue recognition and issued “Revenue from Contracts with Customers” in May 2014 (IFRS 15 by the IASB and Topic 606 by the FASB). As IFRS 15 is effective for fiscal years beginning on or after January 1, 2018, and Topic 606 for fiscal years beginning after December 15, 2017, ASBJ developed and issued a comprehensive accounting standard for revenue recognition along with its implementation guidance.

The ASBJ’s basic policy in developing the accounting standard for revenue recognition is to establish an accounting standard incorporating the basic principles of IFRS 15 as a starting point, as comparability of financial statements will be one of the benefits of ensuring consistency with IFRS 15. It is also intended to add alternative treatments, to the extent of not impairing the comparability, where consideration should be given to any commonly accepted practice in Japan.

(ii) Scheduled date of adoption

These accounting standards will be adopted from the beginning of the fiscal year ending February 28, 2023.

(iii) Effects of adoption of these accounting standards

The effect of adopting these accounting standards on the Companies’ Consolidated Financial Statements is under evaluation.

(Accounting Standard for Disclosure of Accounting Estimates)

Accounting Standard for Disclosure of Accounting Estimates (ASBJ Statement No. 31, issued by ASBJ on March 31, 2020)

(i) Overview

Regarding the “sources of estimation uncertainty” required to be disclosed in accordance with paragraph 125 of “International Accounting Standards (IAS) 1 “Presentation of Financial Statements”, issued by the International Accounting Standards Board (IASB) in 2003, the Accounting Standards Board of Japan (ASBJ) has developed and issued the Accounting Standard for Disclosure of Accounting Estimates in light of requests for consideration of the requirements for disclosure in the notes under Japanese GAAP as information that is highly useful to users of financial statements.

The ASBJ’s basic policy for the development of this accounting standard was not to enhance individual notes, but to present the principle (disclosure purpose) and specific disclosure content according to the disclosure purpose as determined by each company, and the provision of paragraph 125 of IAS 1 shall be referred to during the development process.

(ii) Scheduled date of adoption

This accounting standard will be adopted from the end of the fiscal year ending February 28, 2022.

(Accounting Standards for Fair Value Measurement, etc.)

·“Accounting Standards for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019, Accounting Standards Board of Japan)

·“Accounting Standards for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019, Accounting Standards Board of Japan)

·“Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, July 4, 2019, Accounting Standards Board of Japan)

·“Implementation Guidance on Accounting Standard for Fair Value Measurement of Financial Instruments” (ASBJ Guidance No. 19, March 31, 2020, Accounting Standards Board of Japan)

(i) Overview

The International Accounting Standards Board (IASB) and the US Financial Accounting Standards Board (FASB) prescribe almost the same guidance details on fair value measurements in the International Financial Reporting Standards (IFRS) 13 and Topic 820 of the Accounting Standards Codification (U.S. GAAP), respectively. Accordingly, the Accounting Standards Board of Japan (ASBJ) worked on initiatives to converge Japanese accounting standards to international accounting standards regarding the guidance and disclosure in relation to the fair value of mainly financial instruments, and issued the "Accounting Standards for Fair Value Measurement" along with its implementation guidance.

In developing the accounting standard for fair value measurement, as a basic policy, the ASBJ basically integrated all of the principles of IFRS 13 from the perspective of improving comparability of financial statements between entities in Japan and overseas by utilizing consistent methods of fair value measurement. In addition, in consideration of conventional practice in Japan, the ASBJ prescribed other treatments for individual items as far as such treatments would not significantly impair the comparability of financial statements.

(ii) Scheduled date of adoption

These accounting standards will be adopted from the beginning of the fiscal year ending February 28, 2023.

(iii) Effects of adoption of the accounting standards

The effects of the adoption of these standards on the Consolidated Financial Statements are currently under evaluation.

(v) Changes in presentation method

(Consolidated Statements of Income)

“Gain (Loss) on liquidation of gift certificates, net” and “Gain or Loss on sales of investment securities, net” which were stated separately under “Other income (expenses)” in the previous fiscal year are included in “Other, net” under “Other income (expenses)” from the fiscal year ended February 28, 2021 as the amounts became immaterial. Consolidated financial statements for the previous fiscal year have been reclassified in order to reflect this change in presentation.

As a result, 247 million yen stated in “Gain (Loss) on liquidation of gift certificates, net” and 313 million yen stated in “Gain on sales of investment securities, net” under “Other income (expenses)” in the Consolidated Statements of Income for the previous fiscal year have been reclassified as 573 million yen in “Other, net”.

“Loss on valuation of investment securities” which was included in “Other, net” under “Other income (expenses)” in the previous fiscal year is stated separately from the fiscal year ended February 28, 2021 as the significance of the amount increased. Consolidated financial statements for the previous fiscal year have been reclassified in order to reflect this change in presentation.

As a result, 153 million yen stated in “Other, net” under “Other income (expenses)” in the Consolidated Statements of Income for the previous fiscal year has been reclassified as 1 million yen in “Loss on valuation of investment securities, net” and 573 million yen in “Other, net”.

(Consolidated Statements of Cash Flows)

“Increase (Decrease) in advances received” and “Increase (Decrease) in notes and accounts payable-other” which were included in “Other, net” under “Cash flows from operating activities” in the previous fiscal year are stated separately from the fiscal year ended February 28, 2021 as the significance of the amounts increased. Consolidated financial statements for the previous fiscal year have been reclassified in order to reflect this change in presentation.

As a result, 6,284 million yen stated in “Other, net” under “Cash flows from operating activities” in the Consolidated Statements of Cash Flows for the previous fiscal year has been reclassified as 2,756 million yen in “Increase (Decrease) in advances received,” 1,998 million yen in “Increase (Decrease) in notes and accounts payable-other” and 1,530 million yen in “Other, net” .

(w) Additional Information

(Accounting Estimates related to the impact of COVID-19)

It is difficult to accurately forecasts when COVID-19 pandemic will be contained, as well as the duration and the extent of its impact, etc.

Under such circumstances, the Companies have made accounting estimates, including impairment of non-current assets and recoverability of deferred tax assets, assuming that profit levels will recover by FY2023 through the execution of “Takashimaya Group’s 3-Year Plan” which was prepared based on the assumption that consumer spending and inbound demand would gradually recover over a certain period of time.

(Accounting Treatments Regarding Application of Consolidated Taxation System)

The Company and certain of its domestic consolidated subsidiaries applied for approval regarding the consolidated taxation system during the fiscal year ended February 28, 2021, and since the consolidated taxation system will be applied from the fiscal year ending February 28, 2022, the accounting procedures from the fiscal year ended February 28, 2021 are based on the application of the consolidated taxation system in accordance with “Practical Solution on Tentative Treatment of Tax Effect Accounting under Consolidated Taxation System (Part 1)” (ASBJ Practical Issue Task Force (PITF) No. 5, January 16, 2015) and “Practical Solution on Tentative Treatment of Tax Effect Accounting under Consolidated Taxation System (Part 2)” (ASBJ PITF No. 7, January 16, 2015). Having regard to paragraph 3 of “Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System” (PITF No.39, March 31, 2020), the Company and certain of its domestic consolidated subsidiaries did not follow paragraph 44 of “Implementation Guidance on Tax Effect Accounting” (ASBJ Guidance No. 28, February 16, 2018) but applied provisions of pre-amended tax laws when calculating the amounts of deferred tax assets and liabilities that relate to transitioning to the group taxation system and related amendments of tax laws for transitioning to the single tax payment system.

3 CASH AND CASH EQUIVALENTS

1. Cash and Cash Equivalents

Cash and cash equivalents on February 28, 2021 and February 29, 2020 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Cash and deposits	¥106,675	¥89,820	\$1,004,000
Time deposits with maturities exceeding three months	(1,354)	(1,409)	(12,744)
Cash and cash equivalents at the end of period	¥105,321	¥88,411	\$991,256

2. Purchases of Newly Consolidated Subsidiaries

Assets and liabilities of the main companies that have become consolidated subsidiaries due to the acquisition of shares for the year ended February 29, 2020

The following is a breakdown of the assets acquired and liabilities assumed resulting from the consolidation of Globaland Ltd. and its subsidiary Hanoi Residential and Commercial Centre - HRCC Ltd. due to the acquisition of Globaland's shares, and a reconciliation from the purchase consideration to net consideration paid.

	Millions of yen
Current assets	¥850
Non-current assets	7,868
Goodwill	986
Current liabilities	(133)
Non-current liabilities	(1,255)
Non-controlling interests	(2,932)
Acquisition cost	5,384
Cash and cash equivalents of Globaland Ltd. and Hanoi Residential and Commercial Centre - HRCC Ltd.	(781)
Net: Acquisition-related payments	¥4,603

For the year ended February 28, 2021, it was not applicable.

3. Significant Non-cash Transactions

Description of significant non-cash transactions at February 28, 2021 and February 29, 2020 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Right-of-use assets	¥—	¥93,623	\$—
Lease obligations	¥—	¥92,541	\$—

※ From the year ended February 29, 2020, the Company applied IFRS 16 "Leases" to overseas consolidated subsidiaries that have adopted the International Financial Reporting Standards (IFRSs). Regarding the lease transactions conducted by these companies, the Company recorded the above right-of-use assets and lease obligations.

1. Matters related to financial instruments

(1) Policies for financial instruments

In view of its capital investment plan, the Companies raise 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 Companies do 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 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 is related to the import of goods and as such are denominated in foreign currencies. Long-term debt, commercial papers, corporate bonds and lease obligations are for 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 exchange contracts; interest rate swap contracts, which seek to provide hedges for the risks of fluctuation in foreign exchange of trade receivables and trade obligations; and interest rates applicable to loans and bonds payable, respectively. For details of 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 debt 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 Companies regularly monitor 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 risk (risks associated with fluctuation in foreign exchange as well as interest rates, etc.)

The Companies utilize forward exchange contracts in an effort to offset the risks of fluctuation in foreign exchange in connection with operating payables denominated in foreign currencies, and interest rate swap contracts aimed at converting floating rates of interest applicable to loans and bonds payable to fixed rate interest.

With respect to investment securities, the Companies regularly monitor fair value as well as the financial status of issuers (counterparties), and review its holdings on a continuous basis taking into consideration its relationships with counterparties.

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

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

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

Fair value of financial instruments is 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 value to change.

2. Matters related to fair value of financial instruments

The book value recorded in the Consolidated Balance Sheets for the years ended February 28, 2021 and February 29, 2020, and fair value 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		
	2021		
	Book Value	Fair Value	Difference
(1) Cash and deposits	¥106,675	¥106,675	¥—
(2) Notes and accounts receivable-trade, non-consolidated subsidiaries and affiliated companies Allowance for doubtful accounts (* 1)	100,682 (665)		
	100,017	101,187	1,170
(3) Securities and investment securities			
1) Held-to-maturity securities	8	8	—
2) Available-for-sale securities	24,677	24,677	—
	24,685	24,685	—
(4) Guarantee deposits (* 2)	5,414	5,408	(6)
Total assets	¥236,791	¥237,955	¥1,164
(1) Notes and accounts payable-trade, non-consolidated subsidiaries and affiliated companies	¥86,965	¥86,965	¥—
(2) Short-term bank loans	15,000	15,000	—
(3) Commercial papers	10,000	10,000	—
(4) Deposits received	26,030	26,030	—
(5) Long-term debt (* 3)	182,154	181,926	(228)
(6) Lease obligations (* 4)	86,392	88,141	1,749
Total liabilities	¥406,541	¥408,062	¥1,521
Derivatives (* 5)			
Amounts not subject to hedge accounting	¥—	¥—	¥—
Amount subject to hedge accounting	1	1	—
Total derivatives	¥1	¥1	¥—

	Millions of yen		
	2020		
	Book Value	Fair Value	Difference
(1) Cash and deposits	¥89,820	¥89,820	¥—
(2) Notes and accounts receivable-trade, non-consolidated subsidiaries and affiliated companies	115,919		
Allowance for doubtful accounts (* 1)	(655)		
	115,264	116,413	1,149
(3) Securities and investment securities			
1) Held-to-maturity securities	8	8	—
2) Available-for-sale securities	23,371	23,371	—
	23,379	23,379	—
(4) Guarantee deposits (* 2)	6,699	6,758	59
Total assets	¥235,162	¥236,370	¥1,208
(1) Notes and accounts payable-trade, non-consolidated subsidiaries and affiliated companies	¥102,626	¥102,626	¥—
(2) Short-term bank loans	7,500	7,500	—
(3) Commercial papers	—	—	—
(4) Deposits received	24,001	24,001	—
(5) Long-term debt (* 3)	185,543	185,555	12
(6) Lease obligations (* 4)	95,836	95,836	—
Total liabilities	¥415,506	¥415,518	¥12
Derivatives (* 5)			
Amounts not subject to hedge accounting	¥—	¥—	¥—
Amount subject to hedge accounting	(0)	(0)	—
Total derivatives	¥(0)	¥(0)	¥—

	Thousands of U.S. dollars		
	2021		
	Book Value	Fair Value	Difference
(1) Cash and deposits	\$1,004,000	\$1,004,000	\$—
(2) Notes and accounts receivable-trade, non-consolidated subsidiaries and affiliated companies	947,596		
Allowance for doubtful accounts (* 1)	(6,259)		
	941,337	952,349	11,012
(3) Securities and investment securities			
1) Held-to-maturity securities	75	75	—
2) Available-for-sale securities	232,254	232,254	—
	232,329	232,329	—
(4) Guarantee deposits (* 2)	50,955	50,899	(56)
Total assets	\$2,228,621	\$2,239,577	\$10,956
(1) Notes and accounts payable-trade, non-consolidated subsidiaries and affiliated companies	\$818,494	\$818,494	\$—
(2) Short-term bank loans	141,176	141,176	—
(3) Commercial papers	94,118	94,118	—
(4) Deposits received	244,989	244,989	—
(5) Long-term debt (* 3)	1,714,391	1,712,245	(2,146)
(6) Lease obligations (* 4)	813,102	829,562	16,460
Total liabilities	\$3,826,270	\$3,840,584	\$14,314
Derivatives (* 5)			
Amounts not subject to hedge accounting	\$—	\$—	\$—
Amount subject to hedge accounting	9	9	—
Total derivatives	\$9	\$9	\$—

* 1 Accounts receivable-trade are deducted from the carrying amount.

* 2 The figures include guarantee deposits with repayment due dates of one year or less.

* 3 The figures include long-term debt with repayment due dates of one year or less.

* 4 The figures include lease obligations with repayment due dates of one year or less.

* 5 Net receivables and payables arising from derivative transactions are shown as net amounts and net payables are presented in negative values.

※1: Fair value 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 a short repayment period, 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 deposits have a short repayment period, the fair value approximates the book value; therefore, the said book value shall be the fair value.

(4) Guarantee deposits

The fair value of guarantee deposits 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–trade, (2) Short-term bank loans and (3) Commercial papers (4) Deposits received

As these items have a short payment period, the fair value approximates the book value; therefore, the said book value shall be the fair value.

(4) Long-term debt (including the current portion)

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.

(5) Lease obligations (including the current portion)

Lease obligations are calculated by discounting the total lease payments at an assumed interest rate for similar new borrowings.

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 exchange market.

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

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
(a) Stock of subsidiaries	¥5,895	¥7,259	\$55,482
(b) Stock of affiliates	42,121	43,374	396,433
(c) Unlisted stocks	2,530	2,586	23,812
(d) Guarantee deposits	22,281	22,348	209,704

(a) Stock of subsidiaries, (b) Stock of affiliates and (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

The fair value of a portion of these guarantee deposits has not been presented in "(4) Guarantee deposits" 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.

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

	Millions of yen			
	2021			
	Within 1 year	Over 1 year but within 5 years	Over 5 years but within 10 years	Over 10 years
Cash and deposits	¥106,675	¥—	¥—	¥—
Notes and accounts receivable-trade, non-consolidated subsidiaries and affiliated companies	98,510	1,739	349	84
Securities and investment securities				
1) Held-to-maturity securities	8	—	—	—
2) Available-for-sale securities with maturity dates	—	—	—	—
Guarantee deposits	854	2,867	1,424	269
Total	¥206,047	¥4,606	¥1,773	¥353

	Millions of yen			
	2020			
	Within 1 year	Over 1 year but within 5 years	Over 5 years but within 10 years	Over 10 years
Cash and deposits	¥89,820	¥—	¥—	¥—
Notes and accounts receivable-trade, non-consolidated subsidiaries and affiliated companies	113,145	2,571	186	17
Securities and investment securities				
1) Held-to-maturity securities	—	8	—	—
2) Available-for-sale securities with maturity dates	—	—	—	—
Guarantee deposits	1,170	3,244	1,940	345
Total	¥204,135	¥5,823	¥2,126	¥362

	Thousands of U.S. dollars			
	2021			
	Within 1 year	Over 1 year but within 5 years	Over 5 years but within 10 years	Over 10 years
Cash and deposits	\$1,004,000	\$—	\$—	\$—
Notes and accounts receivable-trade, non-consolidated subsidiaries and affiliated companies	927,153	16,367	3,285	791
Securities and investment securities				
1) Held-to-maturity securities	75	—	—	—
2) Available-for-sale securities with maturity dates	—	—	—	—
Guarantee deposits	8,038	26,984	13,402	2,531
Total	\$1,939,266	\$43,351	\$16,687	\$3,322

※4: Estimated amounts of repayment after the balance sheet date for corporate bonds, long-term loans and lease obligations

Millions of yen						
2021						
	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
Long-term debt—Corporate bonds	¥10,091	¥44	¥—	¥—	¥—	¥60,000
Long-term debt—Long-term loans	¥13,221	¥3,201	¥4,700	¥38,620	¥29,541	¥22,503
Lease obligations	7,982	8,154	8,163	8,064	6,211	47,818
Total	¥31,294	¥11,399	¥12,863	¥46,684	¥35,752	¥130,321

Millions of yen						
2020						
	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
Long-term debt—Corporate bonds	¥25,105	¥10,105	¥26	¥—	¥—	¥60,000
Long-term debt—Long-term loans	¥34,685	¥13,201	¥3,201	¥2,201	¥24,620	¥12,122
Lease obligations	7,733	7,932	8,142	8,164	8,065	55,800
Total	¥67,523	¥31,238	¥11,369	¥10,365	¥32,685	¥127,922

Thousands of U.S. dollars						
2021						
	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
Long-term debt—Corporate bonds	\$94,974	\$414	\$—	\$—	\$—	\$564,706
Long-term debt—Long-term loans	\$124,433	\$30,127	\$44,235	\$363,482	\$278,033	\$211,793
Lease obligations	75,125	76,744	76,828	75,896	58,456	450,053
Total	\$294,532	\$107,285	\$121,063	\$439,378	\$336,489	\$1,226,552

* The amount of lease obligations is based on the discounted present value as of the Balance Sheet date.

5 DEPOSITED ASSETS

The Guarantee deposits required by lease arrangements at February 28, 2021 and February 29, 2020 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Cash and deposits	¥1,355	¥1,406	\$12,753
Guarantee deposits	20	20	188
Total	¥1,375	¥1,426	\$12,941

6 SECURITIES

The following tables summarize acquisition costs, book value and fair value of securities with available fair value as of February 28, 2021 and February 29, 2020:

(1) Held-to-maturity securities:

Type	Millions of yen					
	2021			2020		
	Book value	Fair value	Difference	Book value	Fair value	Difference
Securities with available fair value exceeding book value:						
Government bonds	¥—	¥—	¥—	¥—	¥—	¥—
Corporate bonds	—	—	—	—	—	—
Securities with available fair value exceeding book value	—	—	—	—	—	—
Securities with available fair value not exceeding book value:						
Government bonds	—	—	—	—	—	—
Corporate bonds	8	8	—	8	8	—
Securities with available fair value not exceeding book value	8	8	—	8	8	—
Total held-to-maturity securities	¥8	¥8	¥—	¥8	¥8	¥—

Type	Thousands of U.S. dollars		
	2021		
	Book value	Fair value	Difference
Securities with available fair value exceeding book value			
Government bonds	\$—	\$—	\$—
Corporate bonds	—	—	—
Securities with available fair value exceeding book value	—	—	—
Securities with available fair value not exceeding book value			
Government bonds	—	—	—
Corporate bonds	75	75	—
Securities with available fair value not exceeding book value	75	75	—
Total held-to-maturity securities	\$75	\$75	\$—

(2) Available-for-sale securities

Type	Millions of yen					
	2021			2020		
	Acquisition cost	Book value	Difference	Acquisition cost	Book value	Difference
Securities with book value exceeding acquisition cost:						
Equity securities	¥11,951	¥23,767	¥11,816	¥7,057	¥16,991	¥9,934
Government bonds	—	—	—	—	—	—
Corporate bonds	—	—	—	—	—	—
Others	59	69	10	101	123	22
Securities with book value exceeding acquisition cost	12,010	23,836	11,826	7,158	17,114	9,956
Securities with book value not exceeding acquisition cost:						
Equity securities	890	841	(49)	9,621	6,257	(3,364)
Government bonds	—	—	—	—	—	—
Corporate bonds	—	—	—	—	—	—
Others	—	—	—	—	—	—
Securities with book value not exceeding acquisition cost:	890	841	(49)	9,621	6,257	(3,364)
Total available-for-sale securities	¥12,900	¥24,677	¥11,777	¥16,779	¥23,371	¥6,592

* 1 The amount of unlisted stocks (¥2,530 million (\$23,812 thousand) recorded in the Consolidated Balance Sheets as of February 28, 2021) is not included in "Others" as they have no market value and their fair value is not readily determinable.

* 2 The amount of unlisted stocks (¥2,586 million recorded in the Consolidated Balance Sheets as of February 29, 2020) is not included in "Others" as they have no market value and their fair value is not readily determinable.

Type	Thousands of U.S. dollars		
	2021		
	Acquisition cost	Book value	Difference
Securities with book value exceeding acquisition cost:			
Equity securities	\$112,480	\$223,690	\$111,210
Government bonds	—	—	—
Corporate bonds	—	—	—
Others	555	649	94
Securities with book value exceeding acquisition cost	113,035	224,339	111,304
Securities with book value not exceeding acquisition cost:			
Equity securities	8,376	7,915	(461)
Government bonds	—	—	—
Corporate bonds	—	—	—
Others	—	—	—
Securities with book value not exceeding acquisition cost:	8,376	7,915	(461)
Total available-for-sale securities	\$121,411	\$232,254	\$110,843

(3) Available-for-sale securities sold

Type	Millions of yen					
	2021			2020		
	Amount sold	Gain on sales	Loss on sales	Amount sold	Gain on sales	Loss on sales
Equity securities	¥272	¥14	¥248	¥1,104	¥38	¥351
Corporate bonds	—	—	—	—	—	—
Others	—	—	—	—	—	—
Total available-for-sale securities	¥272	¥14	¥248	¥1,104	¥38	¥351

Type	Thousands of U.S. dollars		
	2021		
	Amount sold	Gain on sales	Loss on sales
Equity securities	\$2,560	\$132	\$2,334
Corporate bonds	—	—	—
Others	—	—	—
Total available-for-sale securities	\$2,560	\$132	\$2,334

(4) Impairment losses on securities

Impairment losses on the Company's securities for the years ended February 28, 2021 and February 29, 2020 were as follows:

	Millions of yen	
	2021	2020
	Book value	Book value
Loss on valuation of investment securities	¥3,349	¥1

	Thousands of U.S. dollars	
	2021	
	Book value	
Loss on valuation of investment securities	\$31,520	

7 INVENTORIES

Inventories as of February 28, 2021 and February 29, 2020 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Merchandise	¥41,815	¥44,353	\$393,553
Products	29	22	273
Work in process	327	324	3,078
Raw materials	—	21	—
Supplies	1,140	1,255	10,729
Total	¥43,311	¥45,975	\$407,633

8 LIQUIDATION OF RECEIVABLES

The liquidation of receivables on February 28, 2021 and February 29, 2020 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Notes and accounts receivable-trade	¥28,520	¥34,500	\$268,424
Notes and accounts receivable-other	2,000	1,978	18,824

* Both notes and accounts receivable-trade and receivable-other decreased due to liquidation (a transfer method).

9 ASSETS PLEGGED AS COLLATERAL AND SECURED LIABILITIES

The assets pledged as collateral for bonds mainly from banks and certain other obligations on February 28, 2021 and February 29, 2020 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Buildings and structures	¥1,844	¥2,104	\$17,355
Equipment and fixtures	0	2	0
Leasehold interests in land	5,073	5,571	47,746
Total	¥6,917	¥7,677	\$65,101

The secured liabilities on February 28, 2021 and February 29, 2020 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Current portion of long-term bonds	¥91	¥105	\$857
Long-term bonds	44	131	414
Total	¥135	¥236	\$1,271

10 INCOME TAXES

The Companies are subject to a number of taxes based on income. The aggregate statutory tax rate in Japan was approximately 30.6% for the year ended February 28, 2021 as well as for the year ended February 29, 2020.

The following table summarizes the significant difference between the statutory tax rate and the Companies' effective tax rate for financial statement purposes for the years ended February 28, 2021 and February 29, 2020.

Years ended February 28, 2021 and February 29, 2020	%	
	2021	2020
Statutory tax rate		30.6%
Permanent differences (including dividends)		0.7
Expiry of loss carryforward		2.5
Increase in valuation allowance	The note was omitted for the current fiscal year because the Companies recorded a net loss before income taxes.	8.0
Difference in statutory tax rate of subsidiaries		0.7
Investments in subsidiaries and associates scheduled for liquidation		(7.9)
Share of profit of entities accounted for using the equity method		(2.6)
Others		1.5
Effective tax rate		33.5%

Significant components of the Companies' deferred tax assets and liabilities as of February 28, 2021 and February 29, 2020 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Deferred tax assets:			
Accrued enterprise tax	¥940	¥624	\$8,847
Accrued bonuses	70	64	659
Nondeductible allowance for doubtful accounts	993	888	9,346
Provision for point card certificates	1,453	1,553	13,675
Nondeductible write-down of inventories	579	505	5,450
Adjustment of gift certificates	8,440	7,733	79,435
Unrealized intercompany profits	805	1,058	7,577
Tax loss carryforward (*2)	17,581	7,532	165,468
Nondeductible amortization of software costs	65	77	612
Nondeductible retirement benefit liability	16,440	17,210	154,729
Provision for environmental measures	74	79	697
Nondeductible write-down of securities	1,526	421	14,362
Investment in subsidiaries and associates scheduled for liquidation	1,516	2,285	14,268
Devaluation of property, plant and equipment resulting from spin-off	—	714	—
Impairment loss of property, plant and equipment	4,758	3,380	44,781
Provision for loss on repair construction of building	1,120	1,099	10,541
Others	2,592	1,654	24,395
Total gross deferred tax assets	58,952	46,876	554,842
Less: Valuation allowance for tax loss carryforward (*2)	(12,762)	(7,532)	(120,112)
Less: Valuation allowance for deductible temporary differences	(8,096)	(3,606)	(76,198)
Less: Total valuation allowance (*1)	(20,858)	(11,138)	(196,310)
Total deferred tax assets	38,094	35,738	358,532
Deferred tax liabilities:			
Adjustments of allowance for doubtful accounts	(54)	(39)	(508)
Adjustment of gift certificates	(536)	(583)	(5,045)
Reserve for deferred capital gains of property	(13,521)	(13,530)	(127,256)
Valuation difference on available-for-sale securities	(3,252)	(1,734)	(30,607)
Valuation difference on assets of subsidiaries	(1,875)	(2,073)	(17,647)
Others	(546)	(572)	(5,139)
Total deferred tax liabilities	(19,784)	(18,531)	(186,202)
Net deferred tax assets	¥18,310	¥17,207	\$172,330

*1 Valuation allowance has increased by ¥9,720 million (\$94,528 thousand). The main components of this increase were the increases in valuation allowance for tax loss carryforward of the Company and its consolidated subsidiaries and in valuation allowance for impairment loss.

* 2 Tax loss carryforward and deferred tax assets by expiration period were as follows:

Millions of yen							
2021							
	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	Total
Tax loss carryforward	¥649	¥957	¥614	¥741	¥500	¥14,120	¥17,581
Less: Valuation allowance	(646)	(957)	(614)	(741)	(500)	(9,304)	(12,762)
Deferred tax assets	3	—	—	—	—	4,816	4,819

Millions of yen							
2020							
	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	Total
Tax loss carryforward	¥1,239	¥644	¥930	¥569	¥678	¥3,472	¥7,532
Less: Valuation allowance	(1,239)	(644)	(930)	(569)	(678)	(3,472)	(7,532)
Deferred tax assets	—	—	—	—	—	—	—

Thousands of U.S. dollars							
2021							
	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	Total
Tax loss carryforward	\$6,108	\$9,007	\$5,778	\$6,974	\$4,706	\$132,895	\$165,468
Less: Valuation allowance	(6,080)	(9,007)	(5,778)	(6,974)	(4,706)	(87,567)	(120,112)
Deferred tax assets	28	—	—	—	—	45,328	45,356

* 1 Amounts of tax loss carryforward in the above table are calculated by multiplying tax loss carryforward by the effective statutory tax rate.

* 2 The Company recorded deferred tax assets of ¥4,819 million (\$45,355 thousand) for tax loss carryforward of ¥17,581 million (\$165,468 thousand), (calculated using the effective statutory tax rate), since the Company judged that based on the expected future taxable income, the deferred tax assets for the tax loss carryforwards are recoverable.

11 RENTAL PROPERTIES

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

Certain domestic commercial properties 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 book value 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 on February 28, 2021 and February 29, 2020 were as follows:

Amounts on the Consolidated Balance Sheets

	Millions of yen			
	2021			
	Book value		Fair value	
March 1, 2020	Increase (Decrease)	February 28, 2021	February 28, 2021	
Rental properties	¥70,999	¥2,111	¥73,110	¥91,597
Real estate including spaces used as rental properties	424,375	32,419	456,794	669,158

	Millions of yen			
	2020			
	Book value		Fair value	
March 1, 2019	Increase (Decrease)	February 29, 2020	February 29, 2020	
Rental properties	¥64,642	¥6,357	¥70,999	¥87,259
Real estate including spaces used as rental properties	412,511	11,864	424,375	636,160

	Thousands of U.S. dollars			
	2021			
	Book value		Fair value	
March 1, 2020	Increase (Decrease)	February 28, 2021	February 28, 2021	
Rental properties	\$668,226	\$19,868	\$688,094	\$862,089
Real estate including spaces used as rental properties	3,994,118	305,120	4,299,238	6,297,958

Notes

- The amounts presented on the Consolidated Balance Sheets are the acquisition costs minus accumulated depreciation.
- Rental properties: The increase during the years ended February 28, 2021 and February 29, 2020 is primarily for the acquisition, and the decrease is for the depreciation.
- Real estate including spaces used as rental properties: The increase during the years ended February 28, 2021 and February 29, 2020 is primarily for the acquisition, and the decrease is for the depreciation.
- 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 properties during the years ended February 28, 2021 and February 29, 2020 were as follows:

	Millions of yen			
	2021			
	Rental income	Rental expenses	Difference	Other, net
Rental properties	¥13,253	¥9,993	¥3,260	¥—
Real estate including spaces used as rental properties	26,852	27,115	(263)	(4,752)

	Millions of yen			
	2020			
	Rental income	Rental expenses	Difference	Other, net
Rental properties	¥16,509	¥11,552	¥4,957	¥7,711
Real estate including spaces used as rental properties	28,798	22,276	6,522	8,759

	Thousands of U.S. dollars			
	2021			
	Rental income	Rental expenses	Difference	Other, net
Rental properties	\$124,734	\$94,052	\$30,682	\$—
Real estate including spaces used as rental properties	252,725	255,200	(2,475)	(44,725)

Note:

1. Since the real estate including spaces used as rental properties includes the spaces used by the Company and certain of its consolidated subsidiaries for the purpose of providing service and management, a part of the related rental income is not recorded. However, the expenses (depreciation, maintenance, insurance, taxes etc.) related to the rental properties are included in rental expenses.
2. The amounts recorded in the "Other, net" of fiscal year of 2021 mainly consists of impairment loss of property, plant and equipment, and is recorded in other expenses whereas fiscal year of 2020 mainly consisted of gain on sales of property, plant and equipment which was recorded in other income.

12 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 gains, net of deferred tax, were excluded from earnings and reported as "Revaluation reserve for land" in net assets, and the relevant deferred tax was included as "Deferred tax liabilities related to land revaluation" in non-current 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

13 REDUCTION ENTRY

Due to acceptance of national subsidies, the following amounts of reduction entry were deducted directly from the acquisition costs of property, plant and equipment.

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Buildings and structures	¥86	¥184	\$809

14 GUARANTEE 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 amounts of annual lease rental payments, and such deposits bear no interest or interest only at nominal rates.

15 PRESENTATION OF GOODWILL AND NEGATIVE GOODWILL

The offsetting of goodwill by negative goodwill at February 28, 2021 and February 29, 2020 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Goodwill	¥2,355	¥2,862	\$22,165
Negative goodwill	—	92	—
Goodwill, net	¥2,355	¥2,770	\$22,165

16 SEGMENT INFORMATION

1. General information about reportable segments

The Companies' reportable segments are components of the Companies whose operating results are regularly reviewed by the Board of Directors when making resource allocation and performance assessment decisions, and for which discrete financial information is available. The Companies consist of segments identified by services based on "Department store", and four major business segments, "Department Store," "Commercial Property Development," "Finance" and "Construction & Design" are identified as reportable segments.

The Department Store segment is engaged in retailing operations of clothing, accessories, home furnishings, foods and others.

The Commercial Property Development segment develops commercial properties that generate synergies with the department store business, and manages and operates assets and facilities.

The Finance segment is engaged in credit card, "financial counter" (consulting on clients' asset management including its building and succession, and financial products) and insurance business.

The Construction & Design segment is engaged in making plans for furnishings of houses and shops, and carrying out the plans.

2. Basis of measurement about reportable segments net sales, segment profit or loss, segment assets and other items

The accounting policies for the reportable segments are basically same as those described in Note 1. Basis of Presenting Consolidated Financial Statements.

Income by reportable segments is presented on an operating profit basis.

Intersegment sales and transfer are recognized based on the current market prices.

(a) Business segment information

Business segment information for the years ended February 28, 2021 and February 29, 2020 were as follows:

FY ended February 28, 2021	Millions of yen								Consolidated
	Department Store	Commercial Property Development	Finance	Construction & Design	Total of Reportable Segments	Others	Total	Adjustments	
Operating revenue:									
Outside customers	¥570,478	¥36,982	¥16,251	¥19,080	¥642,791	¥38,108	¥680,899	¥—	¥680,899
Intersegment	9,059	10,746	3,325	863	23,993	14,543	38,536	(38,536)	—
Total	579,537	47,728	19,576	19,943	666,784	52,651	719,435	(38,536)	680,899
Segment profit (loss)	¥(21,323)	¥5,868	¥4,288	¥(980)	¥(12,147)	¥1,458	¥(10,689)	¥(2,808)	¥(13,497)
Segment assets	¥699,868	¥260,167	¥103,999	¥15,475	¥1,079,509	¥24,945	¥1,104,454	¥46,053	¥1,150,507
Depreciation	18,054	8,252	41	164	26,511	312	26,823	1,159	27,982
Goodwill amortization	—	227	—	—	227	—	227	—	227
Investment expenditures for affiliated company accounted for by the equity method	16,391	22,142	—	—	38,533	—	38,533	—	38,533
Increase in property, plant and equipment and intangible assets	14,524	17,567	140	14	32,245	250	32,495	47	32,542

* 1 The "Others" segment refers to business segments not included in reportable segments such as the mail-order business, the wholesale business and the clothing processing business.

* 2 Adjustments are as follows:

- (1) Adjustments to segment profit (loss) of △¥2,808 million (△\$26,428 thousand) consist of △¥1,657 million (△\$15,595 thousand) in eliminations of intersegment transactions and △¥1,151 million (△\$10,833 thousand) in depreciation of company-wide assets not allocated to each reportable segment.
- (2) Adjustments to segment assets of ¥46,053 million (\$433,440 thousand) include △¥104,196 million (△\$980,668 thousand) in eliminations of intersegment receivables and payables and ¥150,249 million (\$1,414,108 thousand) in company-wide assets not allocated to each reportable segment. Company-wide assets consist mainly of assets not belonging to the reportable segments such as the Company's surplus funds (cash and deposits, securities) and long-term investment funds (investment securities), as well as assets related to the administrative operations.
- (3) Adjustments to depreciation of ¥1,159 million (\$10,908 thousand) include ¥8 million (\$75 thousand) in adjustments for unrealized intersegment profit and ¥1,151 million (\$10,833 thousand) in depreciation of company-wide assets not allocated to each reportable segment.
- (4) Adjustments to increases in property, plant and equipment, and intangible assets of ¥47 million (\$443 thousand) include △¥50 million (△\$470 thousand) in adjustments for unrealized intersegment profit and ¥97 million (\$913 thousand) in increases in property, plant and equipment, and intangible assets for company-wide assets not allocated to each reportable segment.

* 3 Segment profit (loss) is adjusted with operating profit (loss) in the consolidated statements of income, and segment assets are adjusted with total assets in the Consolidated Balance Sheets.

FY ended February 29, 2020	Millions of yen								
	Department Store	Commercial Property Development	Finance	Construction & Design	Total of Reportable Segments	Others	Total	Adjustments	Consolidated
Operating revenue:									
Outside customers	¥784,775	¥45,531	¥17,458	¥33,191	¥880,955	¥38,138	¥919,093	¥—	¥919,093
Intersegment	9,983	11,254	4,194	3,442	28,873	18,311	47,184	(47,184)	—
Total	794,758	56,785	21,652	36,633	909,828	56,449	966,277	(47,184)	919,093
Segment profit	¥6,939	¥9,922	¥4,878	¥1,780	¥23,519	¥2,563	¥26,082	¥(500)	¥25,582
Segment assets	¥743,860	¥252,590	¥108,410	¥20,292	¥1,125,152	¥25,083	¥1,150,235	¥18,268	¥1,168,503
Depreciation	21,462	9,237	28	175	30,902	287	31,189	(96)	31,093
Goodwill amortization	—	350	—	—	350	—	350	—	350
Investment expenditures for affiliated company accounted for by the equity method	17,399	22,386	—	—	39,785	—	39,785	—	39,785
Increase in property, plant and equipment and intangible assets	34,536	6,941	58	99	41,634	307	41,941	547	42,488

* 1 The "Others" segment refers to business segments not included in reportable segments such as the mail-order business, the wholesale business and the clothing processing business.

* 2 Adjustments are as follows:

(1) Adjustments to segment profit of △¥500 million consist of △¥290 million in eliminations of intersegment transactions and △¥210 million in depreciation of company-wide assets not allocated to each reportable segment.

(2) Adjustments to segment assets of ¥18,268 million include △¥110,501 million in eliminations of intersegment receivables and payables and ¥128,769 million in company-wide assets not allocated to each reportable segment. Company-wide assets consist mainly of assets not belonging to the reportable segments such as the Company's surplus funds (cash and deposits, securities) and long-term investment funds (investment securities), as well as assets related to the administrative operations.

(3) Adjustments to depreciation of △¥96 million include △¥307 million in adjustments for unrealized intersegment profit and ¥211 million in depreciation of company-wide assets not allocated to each reportable segment.

(4) Adjustments to increases in property, plant and equipment, and intangible assets of ¥547 million include △¥416 million in adjustments for unrealized intersegment profit and ¥963 million in increases in property, plant and equipment, and intangible assets for company-wide assets not allocated to each reportable segment.

* 3 Segment profit is adjusted with operating profit in the consolidated statements of income, and segment assets are adjusted with total assets in the Consolidated Balance Sheets.

FY ended February 28, 2021	Thousands of U.S. dollars								
	Department Store	Commercial Property Development	Finance	Construction & Design	Total of Reportable Segments	Others	Total	Adjustments	Consolidated
Operating revenue:									
Outside customers	\$5,369,205	\$348,066	\$152,951	\$179,576	\$6,049,798	\$358,663	\$6,408,461	\$—	\$6,408,461
Intersegment	85,261	101,139	31,294	8,122	225,816	136,876	362,692	(362,692)	—
Total	5,454,466	449,205	184,245	187,698	6,275,614	495,539	6,771,153	(362,692)	6,408,461
Segment profit (loss)	\$(200,687)	\$55,228	\$40,358	\$(9,224)	\$(114,325)	\$13,722	\$(100,603)	\$(26,428)	\$(127,031)
Segment assets	\$6,586,993	\$2,448,631	\$978,814	\$145,647	\$10,160,085	\$234,776	\$10,394,861	\$433,440	\$10,828,301
Depreciation	169,920	77,666	386	1,544	249,516	2,936	252,452	10,908	263,360
Goodwill amortization	—	2,136	—	—	2,136	—	2,136	—	2,136
Investment expenditures for affiliated company accounted for by the equity method	154,268	208,396	—	—	362,664	—	362,664	—	362,664
Increase in property, plant and equipment and intangible assets	136,696	165,336	1,318	132	303,482	2,353	305,835	443	306,278

(b) Related information

1. Information by product and service

Information by product and service at February 28, 2021 and February 29, 2020 has been omitted, because similar information is provided in segment information.

2. Information by geographical area

(1) Operating revenue

This information at February 28, 2021 and February 29, 2020 has been omitted as operating revenue from customers outside Japan accounts for more than 90% of the operating revenue recorded in the Consolidated Statements of Income.

(2) Property, plant and equipment

Information at February 28, 2021 and February 29, 2020 has been presented below as the amount of property, plant and equipment located overseas accounts for more than 10% of the amount recorded in the Consolidated Balance Sheets.

FY ended February 28, 2021	Millions of yen			
	Japan	Singapore	Others	Total
Property, plant and equipment	¥614,996	¥69,856	¥21,684	¥706,536

FY ended February 29, 2020	Millions of yen			
	Japan	Singapore	Others	Total
Property, plant and equipment	¥613,318	¥80,512	¥21,974	¥715,804

FY ended February 28, 2021	Thousands of U.S. dollars			
	Japan	Singapore	Others	Total
Property, plant and equipment	\$5,788,198	\$657,468	\$204,085	\$6,649,751

3. Information by major customer

This information at February 28, 2021 and February 29, 2020 has been omitted because there are no customers accounting for over 10% of the operating revenue on the Consolidated Statements of Income.

Amortization of goodwill and unamortized balance by reportable segments

FY ended February 28, 2021	Millions of yen							Consolidated
	Department Store	Commercial Property Development	Finance	Construction & Design	Total of Reportable Segments	Others	Adjustments	
Goodwill:								
Amortization	¥—	¥227	¥—	¥—	¥227	¥—	¥—	¥227
Unamortized balance	¥—	¥2,355	¥—	¥—	¥2,355	¥—	¥—	¥2,355
Negative goodwill:								
Amortization	¥—	¥—	¥—	¥92	¥92	¥—	¥—	¥92
Unamortized balance	¥—	¥—	¥—	¥—	¥—	¥—	¥—	¥—

FY ended February 29, 2020	Millions of yen							Consolidated
	Department Store	Commercial Property Development	Finance	Construction & Design	Total of Reportable Segments	Others	Adjustments	
Goodwill:								
Amortization	¥—	¥350	¥—	¥—	¥350	¥—	¥—	¥350
Unamortized balance	¥—	¥2,862	¥—	¥—	¥2,862	¥—	¥—	¥2,862
Negative goodwill:								
Amortization	¥—	¥—	¥—	¥92	¥92	¥—	¥—	¥92
Unamortized balance	¥—	¥—	¥—	¥92	¥92	¥—	¥—	¥92

FY ended February 28, 2021	Thousands of U.S. dollars							Consolidated
	Department Store	Commercial Property Development	Finance	Construction & Design	Total of Reportable Segments	Others	Adjustments	
Goodwill:								
Amortization	\$—	\$2,136	\$—	\$—	\$2,136	\$—	\$—	\$2,136
Unamortized balance	\$—	\$22,165	\$—	\$—	\$22,165	\$—	\$—	\$22,165
Negative goodwill:								
Amortization	\$—	\$—	\$—	\$865	\$865	\$—	\$—	\$865
Unamortized balance	\$—	\$—	\$—	\$—	\$—	\$—	\$—	\$—

* The net amount of goodwill and negative goodwill is recorded in the consolidated statements of income.

Information about impairment loss of non-current assets by reportable segments

FY ended February 28, 2021	Millions of yen							Consolidated
	Department Store	Commercial Property Development	Finance	Construction & Design	Total of Reportable Segments	Others	Adjustments	
Impairment loss	¥6,779	¥—	¥—	¥—	¥6,779	¥67	¥—	¥6,846

FY ended February 29, 2020	Millions of yen							Consolidated
	Department Store	Commercial Property Development	Finance	Construction & Design	Total of Reportable Segments	Others	Adjustments	
Impairment loss	¥8,903	¥77	¥—	¥—	¥8,980	¥—	¥—	¥8,980

FY ended February 28, 2021	Thousands of U.S. dollars							Consolidated
	Department Store	Commercial Property Development	Finance	Construction & Design	Total of Reportable Segments	Others	Adjustments	
Impairment loss	\$63,802	\$—	\$—	\$—	\$63,802	\$631	\$—	\$64,433

* The amount stated in the "Others" segment is related to the temporary personnel business.

17 SHORT-TERM BANK LOANS AND LONG-TERM DEBT

Short-term bank loans outstanding were generally represented by bank over drafts and notes issued by the Companies to banks bearing interest at average rates of 0.23% and 0.33% as of February 28, 2021 and February 29, 2020, respectively.

Short-term loans and current portion of long-term debt as of February 28, 2021 and February 29, 2020 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Short-term bank loans	¥15,000	¥7,500	\$141,176
Current portion of long-term debt	23,312	59,804	219,407
Commercial paper	10,000	—	94,118
Total	¥48,312	¥67,304	\$454,701

Long-term debt as of February 28, 2021 and February 29, 2020 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
0.0% convertible bonds due 2020	¥—	¥25,014	\$—
0.0% convertible bonds due 2028 *	60,233	60,263	566,899
0.451% bonds due 2021	10,000	10,000	94,118
8.1% one hundred and seven (107) secured non-convertible Vietnam Dong bonds	135	236	1,271
Loans from banks, insurance companies and others due serially to 2028:			
Unsecured (bearing interest at rates from 0.30% to 1.05% at February 28, 2021)	111,786	90,030	1,052,103
Subtotal	182,154	185,543	1,714,391
Less: Current portion of Long-term debt	(23,312)	(59,804)	(219,407)
Total	¥158,842	¥125,739	\$1,494,984

* The current conversion price of 0.0% convertible bonds due 2028 issued by the Company is ¥2,180.0(\$20.52). On February 28, 2021, the convertible bonds were convertible into 27,522,935 shares of common stock.

Estimated amounts of repayment after the balance sheet date for long-term debt were as follows:

Years ending February 28 (29)	Millions of yen	Thousands of U.S. dollars
2022	¥23,312	\$219,407
2023	3,245	30,541
2024	4,700	44,235
2025	38,620	363,482
2026 and thereafter	112,044	1,054,532
Total	¥181,921	\$1,712,197

1. Derivatives to which hedge accounting is not applied

(1) Currency-related derivatives

Not applicable.

2. Derivatives to which hedge accounting is applied

(1) Currency-related derivatives

			Millions of yen		
			2021		
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. dollars		¥93	¥—	¥1
	To buy Euros		7	—	0
Total			¥100	¥—	¥1

			Millions of yen		
			2020		
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. dollars		¥167	¥—	¥(0)
	To buy Euros		15	—	(0)
Total			¥182	¥—	¥(0)

			Thousands of U.S. dollars		
			2021		
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. dollars		\$875	\$—	\$9
	To buy Euros		66	—	0
Total			\$941	\$—	\$9

* The fair value was based on the quoted price obtained from the financial institutions with which the derivatives are transacted.

(2) Interest-rate-related derivatives

			Millions of yen		
			2021		
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	Interest expenses on long-term debt			
	Receive floating rate		¥10,000	¥10,000	¥—
	Pay fixed rate				
Total			¥10,000	¥10,000	¥—

			Millions of yen		
			2020		
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	Interest expenses on long-term debt			
	Receive floating rate		¥25,000	¥10,000	¥—
	Pay fixed rate				
Total			¥25,000	¥10,000	¥—

			Thousands of U.S. dollars		
			2021		
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	Interest expenses on long-term debt	\$94,118	\$94,118	\$—
	Receive floating rate				
	Pay fixed rate				
Total			\$94,118	\$94,118	\$—

* The interest rate swaps which are qualified for hedge accounting and meet specific criteria are not remeasured at market value. However, the amounts paid or received under the swap contracts are 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.

(3) Interest rate and currency-related derivatives

			Millions of yen		
			2021		
Hedge accounting method	Type of derivatives	Major hedged items	Contract amount	Contract amount due after one year	Fair value
Specified treatment for interest rate and currency swaps	Interest rate and currency swaps	Long-term debt	¥10,000	¥—	¥—
	Receive U.S. dollars at floating rate				
	Pay Yen at fixed rate				
Total			¥10,000	¥—	¥—

			Millions of yen		
			2020		
Hedge accounting method	Type of derivatives	Major hedged items	Contract amount	Contract amount due after one year	Fair value
Specified treatment for interest rate and currency swaps	Interest rate and currency swaps	Long-term debt	¥10,000	¥10,000	¥—
	Receive U.S. dollars at floating rate				
	Pay Yen at fixed rate				
Total			¥10,000	¥10,000	¥—

			Thousands of U.S. dollars		
			2021		
Hedge accounting method	Type of derivatives	Major hedged items	Contract amount	Contract amount due after one year	Fair value
Specified treatment for interest rate and currency swaps	Interest rate and currency swaps	Long-term debt	\$94,118	\$—	\$—
	Receive U.S. dollars at floating rate				
	Pay Yen at fixed rate				
Total			\$94,118	\$—	\$—

* The interest rate and currency swaps which are qualified for hedge accounting and meet specific criteria are not remeasured at market value. However, the amounts paid or received under the swap contracts are recognized and included in the long-term debt as hedged items. Accordingly, the fair value of the interest rate and currency swaps is considered to be included in the fair value of the long-term debt.

19 RETIREMENT BENEFIT LIABILITY

1. Summary of employees' retirement benefits which the Companies adopted

The Company and domestic consolidated subsidiaries have defined benefit pension plans (i.e., welfare pension plans and corporate pension plans) and lump-sum payment plans. The Company and some consolidated subsidiaries have adopted a defined contribution pension plan for part of their retirement benefits plans. Under the defined benefit plans owed by some consolidated subsidiaries, retirement benefit liability and employees' retirement benefit costs are calculated using the simplified method.

2. Defined benefit obligation

(1) The changes in defined benefit obligation for the years ended February 28, 2021 and February 29, 2020 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Balance at the beginning of the year	¥105,960	¥102,126	\$997,271
Transfer amount from simplified method to principle method	¥1	—	\$9
Service cost	2,469	2,450	23,238
Interest cost	222	659	2,089
Actuarial gains or losses	631	5,980	5,939
Benefit paid	(5,453)	(5,255)	(51,322)
Amount of prior service cost incurred	—	—	—
Balance at the end of the year	¥103,830	¥105,960	\$977,224

(2) The changes in plan assets for the years ended February 28, 2021 and February 29, 2020 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Balance at the beginning of the year	¥51,197	¥52,621	\$481,854
Expected return on plan assets	1,280	1,315	12,047
Actuarial gains or losses	2,052	(342)	19,313
Contribution from the employer	613	630	5,770
Benefit paid	(2,945)	(3,027)	(27,718)
Balance at the end of the year	¥52,197	¥51,197	\$491,266

(3) Reconciliation between the liability recorded in the Consolidated Balance Sheets and the balance of benefit obligation and plan assets as of February 28, 2021 and February 29, 2020 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Funded defined benefit obligation	¥59,149	¥60,876	\$556,697
Plan assets	(52,197)	(51,197)	(491,266)
	6,952	9,679	65,431
Unfunded defined benefit obligation	44,681	45,084	420,527
Net liability for defined benefit obligation	¥51,633	¥54,763	\$485,958
Retirement benefit liability	51,633	54,763	485,958
Net liability for defined benefit obligation	¥51,633	¥54,763	\$485,958

(4) The components of periodic benefit costs for the years ended February 28, 2021 and February 29, 2020 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Service cost	¥2,469	¥2,450	\$23,238
Interest cost	222	659	2,089
Expected return on plan assets	(1,280)	(1,315)	(12,047)
Amortization of actuarial gains and losses	(238)	(909)	(2,240)
Amounts of prior service cost recognized	(182)	(183)	(1,713)
Total	¥991	¥702	\$9,327

(5) The components of other comprehensive income on defined retirement benefits plans, before tax, on February 28, 2021 and February 29, 2020 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Prior service cost	¥(182)	¥(183)	\$(1,713)
Actuarial gains and losses	1,184	(7,232)	11,144
Total	¥1,002	¥(7,415)	\$9,431

(6) Accumulated other comprehensive income on defined retirement benefits plans, before tax, on February 28, 2021 and February 29, 2020 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Unrecognized prior service cost	¥1,005	¥1,187	\$9,459
Unrecognized actuarial gains and losses	655	(532)	6,165
Total	¥1,660	¥655	\$15,624

(7) Plan assets

1) Components of plan assets were as follows:

	%	
	2021	2020
Debt investments	63%	65%
Equity investments	22	23
General accounts with life insurance companies	10	10
Cash and deposits	5	2
Total	100%	100%

2) Method for determining the expected rate of return on plan assets

The expected rate of return on plan assets is determined considering the long-term rates of return which are expected currently and in the future from the various components of the plan assets.

(8) The assumptions used for the years ended February 28, 2021 and February 29, 2020 were as follows:

	%			
	2021	2020		
Discount rate				
Relating to defined benefit obligation	Mainly 0.0%		Mainly	0.0%
Relating to unfunded defined benefit obligation	Mainly 0.5%		Mainly	0.5%
Expected rate of return on plan assets	2.5%			2.5%
Assumed salary increase rate	1.5%			1.5%

3. Defined benefit obligation of the simplified method

(1) The changes in defined benefit obligation of the simplified method for the years ended February 28, 2021 and February 29, 2020 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Balance at the beginning of the year	¥1,375	¥1,386	\$12,941
Transfer amount from simplified method to principle method	(1)	—	(9)
Employees' retirement benefit cost	278	229	2,616
Benefit paid	(201)	(240)	(1,892)
Balance at the end of the year	¥1,451	¥1,375	\$13,656

(2) Reconciliation between the liability recorded in the Consolidated Balance Sheets and the balance of benefit obligation and plan assets as of February 28, 2021 and February 29, 2020 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Funded defined benefit obligation	¥—	¥—	\$—
Plan assets	—	—	—
Unfunded defined benefit obligation	1,451	1,375	13,656
Net liability for defined benefit obligation	¥1,451	¥1,375	\$13,656
Retirement benefit liability	1,451	1,375	13,656
Net liability for defined benefit obligation	¥1,451	¥1,375	\$13,656

(3) Employees' benefit cost of the simplified method for the years ended February 28, 2021 and February 29, 2020 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Employees' benefit cost of the simplified method	¥278	¥229	\$2,616

4. Defined contribution pension plan

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Required contribution amount of the Company and its consolidated subsidiaries to the defined contribution plan	¥699	¥718	\$6,579

**20
CONTINGENT
LIABILITIES**

The Company and certain consolidated subsidiaries were contingently liable for the following:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Guarantees on loans from financial institutions:			
Keppel Land Watco II Co., Ltd. (* 1)	¥4,574	¥5,139	\$43,049
Keppel Land Watco III Co., Ltd. (* 1)	1,203	1,239	11,322
Edusmart Tay Ho Education Co., Ltd. (* 2)	103	—	970
Loan guarantees made for employees and others	11	33	104
Total	¥5,891	¥6,411	\$55,445

* 1 ¥567 million (\$5,336 thousand) of ¥5,777 million (\$54,371 thousand) for guarantees on loans from financial institutions for the year ended February 28, 2021 have been counter-guaranteed from Keppel Land Ltd.

* 2 ¥77 million (\$725 thousand) of ¥103 million (\$970 thousand) for guarantees on loans from financial institutions for the year ended February 28, 2021 have been counter-guaranteed from Edufit International Education Corporation Joint Stock Company.

21 SHAREHOLDERS' EQUITY

Net assets consist of shareholders' equity, accumulated other comprehensive income, and non-controlling interests. Under Japanese laws and regulations, the entire amount paid for new shares must be designated as capital 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 the 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 capital 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.

1. Number of shares issued

	Number of shares			
	2021			
	March 1, 2020	Increase	Decrease	February 28, 2021
Common stock				
Number of shares issued	177,759,481	—	—	177,759,481

	Number of shares			
	2020			
	March 1, 2019	Increase	Decrease	February 29, 2020
Common stock				
Number of shares issued	177,759,481	—	—	177,759,481

2. Treasury shares

	Number of shares			
	2021			
	March 1, 2020	Increase	Decrease	February 28, 2021
Common stock				
Treasury shares	11,026,113	361	100	11,026,374

*1 The number of treasury shares increased by 361 shares due to the purchase of fractional shares of less than one voting unit.

*2 The number of treasury shares decreased by 100 shares due to the transfer of fractional shares in response to purchase requests.

	Number of shares			
	2020			
	March 1, 2019	Increase	Decrease	February 29, 2020
Common stock				
Treasury shares	3,025,884	8,000,318	89	11,026,113

*1 The increase in the number of treasury shares consisted of 8,000,000 shares due to the purchase of treasury shares based on the resolution of the board of directors and 318 shares due to the purchase of fractional shares of less than one voting unit.

*2 The number of treasury shares decreased by 89 shares due to the transfer of fractional shares in response to purchase requests.

3. Stock options

Not applicable.

4. Dividends

(1) Payments of dividends

2021							
Approval	Type of shares	Total dividends		Dividends per share		Record date	Effective date
May 19, 2020 shareholders' meeting	Common stock	¥2,001 millions	\$18,833 thousands	¥12.00	\$0.11	February 29, 2020	May 20, 2020
October 13, 2020 board of directors	Common stock	¥2,001 millions	\$18,833 thousands	¥12.00	\$0.11	August 31, 2020	November 20, 2020
2020							
Approval	Type of shares	Total dividends		Dividends per share		Record date	Effective date
May 21, 2019 shareholders' meeting	Common stock	¥2,097 millions		¥12.00		February 28, 2019	May 22, 2019
October 11, 2019 board of directors	Common stock	¥2,048 millions		¥12.00		August 31, 2019	November 19, 2019

* 1 The Company carried out a reverse stock split of its common stock at a ratio of 1 for 2 on September 1, 2018. Dividends per share are the amounts prior to the reverse stock split.

(2) Dividends payment whose record date is attributable to the accounting period ended February 28, 2021 and February 29, 2020 but which becomes effective after the said accounting period

2021								
Approval	Type of shares	Source of dividends	Total dividends		Dividends per share		Record date	Effective date
May 25, 2021 shareholders' meeting	Common stock	Retained earnings	¥2,001 millions	\$18,833 thousands	¥12.00	\$0.11	February 28, 2021	May 26, 2021
2020								
Approval	Type of shares	Source of dividends	Total dividends		Dividends per share		Record date	Effective date
May 19, 2020 shareholders' meeting	Common stock	Retained earnings	¥2,001 millions		¥12.00		February 29, 2020	May 20, 2020

22
PER SHARE
INFORMATION

Per share information for the years ended February 28, 2021 and February 29, 2020 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Basic profit (loss) attributable to owners of parent per share			
Income (Loss) (numerator):			
Profit (Loss) attributable to owners of parent	¥(33,970)	¥16,028	\$(319,719)
Amounts not belonging to common shareholders	—	—	—
Profit (Loss) attributable to owners of parent concerning common stock	(33,970)	16,028	(319,719)
Shares (denominator):			
Weighted average number of shares	166,733,259	171,808,500	166,733,259
Basic earnings (loss) per share	¥(203.74)	¥93.29	\$(1.92)
Diluted profit attributable to owners of parent per share			
Income (Loss) (numerator):			
Profit (Loss) attributable to owners of parent	¥(33,970)	¥16,028	\$(319,719)
Amounts not belonging to common shareholders	—	—	—
Profit (Loss) attributable to owners of parent concerning common stock	(33,970)	16,028	(319,719)
Effect of dilutive securities — convertible bonds	—	(33)	—
Adjusted profit attributable to owners of parent	(33,970)	15,995	(319,719)
Shares (denominator):			
Weighted average number of shares	166,733,259	171,808,500	166,733,259
Assumed conversion of convertible bonds	—	36,895,708	—
Adjusted weighted average number of shares	166,733,259	208,704,208	166,733,259
Diluted earnings per share	¥—	¥76.63	\$—

* "Diluted earnings per share" for the current fiscal year is not shown because the Companies recorded a net loss per share, despite the existence of dilutive potential shares.

Net assets per share as of February 28, 2021 and February 29, 2020 were calculated as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Net assets per share			
Net assets (numerator):			
Total net assets	¥415,112	¥455,871	\$3,906,936
Non-controlling interests	(20,794)	(21,168)	(195,708)
Adjusted net assets	394,318	434,703	3,711,228
Common stock (denominator):			
Issued number of shares	177,759,481	177,759,481	177,759,481
Treasury shares	(11,026,374)	(11,026,113)	(11,026,374)
Outstanding number of shares	166,733,107	166,733,368	166,733,107
Net assets per share	¥2,364.96	¥2,607.17	\$22.26

23
GAIN (LOSS) ON
SALES AND
RETIREMENT OF
NON-CURRENT
ASSETS

1. Gain on sales of non-current assets

Gain on sales of non-current assets for the years ended February 28, 2021 and February 29, 2020 consisted of the following:

	Millions of yen	
	2021	2020
	Book value	Book value
Buildings	¥—	¥1,463
Land	—	¥16,813
Total	¥—	¥18,276

	Thousands of U.S. dollars	
	2021	
	Book value	
Buildings	\$—	
Land	—	
Total	\$—	

2. Loss on retirement of non-current assets

Loss on retirement of non-current assets for the years ended February 28, 2021 and February 29, 2020 consisted of the following:

	Millions of yen	
	2021	2020
	Book value	Book value
Buildings and structures	¥496	¥1,845
Other non-current assets	133	211
Cost of restoration	1,239	3,376
Total	¥1,868	¥5,432

	Thousands of U.S. dollars	
	2021	
	Book value	
Buildings and structures	\$4,668	
Other non-current assets	1,252	
Cost of restoration	11,661	
Total	\$17,581	

24 IMPAIRMENT LOSS

Impairment loss is recognized for the following asset groups.

	Location	Category by use	Assets	Millions of yen	Thousands of U.S. dollars
				2021	2021
				Impairment loss	
The Company Tachikawa Store	Tachikawa, Japan	Stores	Land	¥2,760	\$25,976
			Buildings	1,991	18,739
			Others	157	1,478
The Company Sakai Store	Sakai, Japan	Stores	Buildings	1,117	10,513
			Others	36	339
The Company Senboku Store	Sakai, Japan	Stores	Buildings	535	5,035
			Others	34	320
Others		Stores	Buildings	148	1,393
			Others	68	640
Total				¥6,846	\$64,433

The Company and its subsidiaries group their assets mainly by store as a basic and minimum unit that generates cash flows. The book value of the asset group that is expected to post consecutive losses from operating activities has been reduced to the recoverable amount, and such reduction was recorded as an impairment loss of ¥6,846 million (\$64,433 thousand) under other expenses.

The recoverable amount is based on the value in use or net realizable value. The value in use is assessed as zero, as no future cash flow is expected to be generated from the asset groups.

In addition, net realizable value is calculated based on real estate appraisal value and others.

	Location	Category by use	Assets	Millions of yen
				2020
				Impairment loss
The Company Konandai Store	Yokohama, Japan	Stores	Buildings	¥1,716
			Others	27
The Company Sakai Store	Sakai, Japan	Stores	Buildings	1,014
			Others	413
The Company Rakusai Store	Kyoto, Japan	Stores	Buildings	918
			Others	113
The Company Senboku Store	Sakai, Japan	Stores	Buildings	453
			Others	166
Gifu Takashimaya Co., Ltd.	Gifu, Japan	Stores	Buildings	1,248
			Others	120
Okayama Takashimaya Co., Ltd.	Okayama, Japan	Stores	Buildings	1,068
			Others	252
A&S Takashimaya Duty Free Co., Ltd.	Tokyo, Japan	Stores	Buildings	711
			Others	332
Others		Stores	Buildings	338
			Others	91
Total				¥8,980

The Company and its subsidiaries group their assets mainly by store as a basic and minimum unit that generates cash flows.

The book value of the asset group that is expected to post consecutive losses from operating activities has been reduced to the recoverable amount, and such reduction was recorded as an impairment loss of ¥8,980 million under other expenses.

The recoverable amount is based on the value in use or net realizable value. The value in use is calculated by discounting future cash flows by 4.5%, but such value is assessed as zero when no future cash flows are expected to be generated.

In addition, net realizable value is calculated based on real estate appraisal value when the book value is material, and otherwise calculated based on roadside land price and others.

25 LOSS AND GAIN ON THE COVID-19 PANDEMIC

Subsidy income is the subsidies received, including ¥3,250 million (\$30,588 thousand) of government subsidies for the employment adjustment received in relation to “Loss related to COVID-19”.

Loss related to COVID-19 is the fixed costs (personnel expenses, rent expenses, depreciation, and others) incurred because of temporary closure of the Companies' commercial facilities due to requests from the government and local authorities.

26 OTHER COMPREHENSIVE INCOME

The recycling and effect of deferred income taxes on the other comprehensive income for the years ended February 28, 2021 and February 29, 2020 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Valuation difference on available-for-sale securities			
Occurrence amount	¥1,352	¥(7,153)	¥12,725
Recycling	3,583	314	33,722
Before tax effect	4,935	(6,839)	46,447
Tax effect	(1,519)	2,064	(14,296)
Valuation difference on available-for-sale securities	3,416	(4,775)	32,151
Deferred gains or losses on hedges			
Occurrence amount	2	(0)	19
Tax effect	(1)	0	(10)
Deferred gains or losses on hedges	1	(0)	9
Revaluation reserve for land			
Tax effect	(2,792)	—	(26,278)
Foreign currency translation adjustments realized for the year			
Occurrence amount	(2,844)	563	(26,767)
Remeasurements of defined benefit plans, net of tax			
Occurrence amount	1,422	(6,323)	13,384
Recycling	(420)	(1,092)	(3,953)
Before tax effect	1,002	(7,415)	9,431
Tax effect	(300)	2,217	(2,824)
Remeasurements of defined benefit plans, net of tax	702	(5,198)	6,607
Share of other comprehensive income of entities accounted for using the equity method			
Occurrence amount	(1,236)	(138)	(11,633)
Recycling	7	10	66
Share of other comprehensive income of entities accounted for using the equity method	(1,229)	(128)	(11,567)
Total other comprehensive income	¥(2,746)	¥(9,538)	\$(25,845)

27 SIGNIFICANT SUBSEQUENT EVENTS

Due to the global spread of COVID-19, the Japanese government has declared a state of emergency in some areas in stages starting April 23, 2021. As a result, the department stores and shopping centers operated by the Companies have taken measures such as suspension of operations and shortening their business hours, except for food and lifestyle-related products, in each of the targeted areas. In addition, some of the Companies' overseas department stores and shopping centers have also taken measures such as shortening of business hours according to the timing of the waves of infections and following instructions from the authorities.

While this is expected to have an impact on the consolidated financial results for the fiscal year ending February 28, 2022, it is difficult to reasonably estimate the amount of such impact at this time due to the large number of uncertain factors.



Independent Auditor's Report

To the Board of Directors of Takashimaya Company, Limited.:

Opinion

We have audited the accompanying consolidated financial statements of Takashimaya Company, Limited. ("the Company") and its consolidated subsidiaries (collectively referred to as "the Group"), which comprise the consolidated balance sheets as at February 28, 2021 and February 29, 2020, the consolidated statements of income and comprehensive income, changes in net assets and cash flows for the years then ended and notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at February 28, 2021 and February 29, 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Corporate Auditors and the Board of Corporate Auditors for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan.

Corporate auditors and the board of corporate auditors are responsible for overseeing the directors' performance of their duties with regard to the design, implementation and maintenance of the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of our audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

KPMG AZSA LLC, a limited liability audit corporation incorporated under the Japanese Certified Public Accountants Law and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.



- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures in the consolidated financial statements are in accordance with accounting standards generally accepted in Japan, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with corporate auditors and the board of corporate auditors regarding, among other matters, the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide corporate auditors and the board of corporate auditors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended February 28, 2021 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.

Interest required to be disclosed by the Certified Public Accountants Act of Japan

We do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.



前野 亮次 

ATUSJI MAENO
Designated Engagement Partner
Certified Public Accountant

中村 太郎 

TARŌ NAKAMURA
Designated Engagement Partner
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KPMG AZSA LLC
Tokyo Office, Japan
July 9, 2021



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