

TAKASHIMAYA

FINANCIAL STATEMENTS 2024

Years ended February 29, 2024 and February 28, 2023



Takashimaya Singapore celebrated its 30th anniversary in October 2023.

The picture above is the human letter formation which says “ARIGATO (Thank you)” to show all stakeholders our gratitude.

Takashimaya Group will work as a whole to expand business overseas, leveraging our operations in Singapore as a hub for this effort.

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Independent Auditor's Report

Part 1 Overview of the Company

1. History

Year	Takashimaya Events
1831	Takashimaya founded. Shinshichi I started a used clothing business on the west side of Matsubara-agaru, Karasuma, Kyoto
1876	Men from American company, Smith, Baker & Co. visited the shop (first major sales to foreigners)
1888	Exhibited at the Barcelona World Expo, won Silver Medal
1898	Osaka store opened (Shinsaibashi-suji, Minami-ku)
1899	Opened Lyon office (Also opened offices in Tianjin, London, Sydney, New York, and other cities by the early 1990s)
1900	Nihombashi store opened (Nishi-konyamachi, Kyobashi-ku)
1904	 made a registered trademark
1912	Karasuma store opened (Yakushimae-cho, Takatsuji-sagaru, Karasuma)
1916	New Minami-Demma-cho store (Minami-Denma-cho, Kyobashi-ku) opened in Tokyo
1919	Takashimaya Dry Goods Store Co., Ltd. founded (Name changed to Takashimaya Co., Ltd. in Dec. 1930)
1922	New Nagahori store opened (Nagahori-bashi-suji, Minami-ku)
1932	Full opening of Nankai store (Namba-shinchi, Minami-ku)
1933	New Nihombashi store opened (Nihombashi Street)
	
1952	The rose-patterned wrapping paper made its debut (since this time roses have been the Takashimaya symbol)
1958	Takashimaya New York opened (Closes Jun. 2010)
1959	Yokohama store opened Licensing contract with Pierre Cardin signed
1969	Toshin Development's Tamagawa Takashimaya SC, Tamagawa store opened
	
1973	Kashiwa store opened Takashimaya Paris store opened (inside Printemps) (Closes Aug. 2011)
1992	Toshin Development's Kashiwa Station Mall opens (Apr.)
1993	Takashimaya Singapore SC grand opening (Oct.)
1996	Shinjuku store opened (Oct.)
2000	JR Nagoya Takashimaya opened (Mar.)
2002	Iyotetsu Takashimaya opened in Matsuyama, Ehime Prefecture (Mar.)

Year	Takashimaya Events	
2007	Toshin Development's Nagareyama Otakanomori SC opened (Mar.)	
2012	Shanghai Takashimaya opened (Dec.)	
2016	Saigon Centre, Ho Chi Minh City Takashimaya opened (Jul.)	
2018	Nihombashi Takashimaya S.C. opened	
	Siam Takashimaya (Bangkok, Thailand) opened	

2. Subsidiaries and Other Affiliated Companies

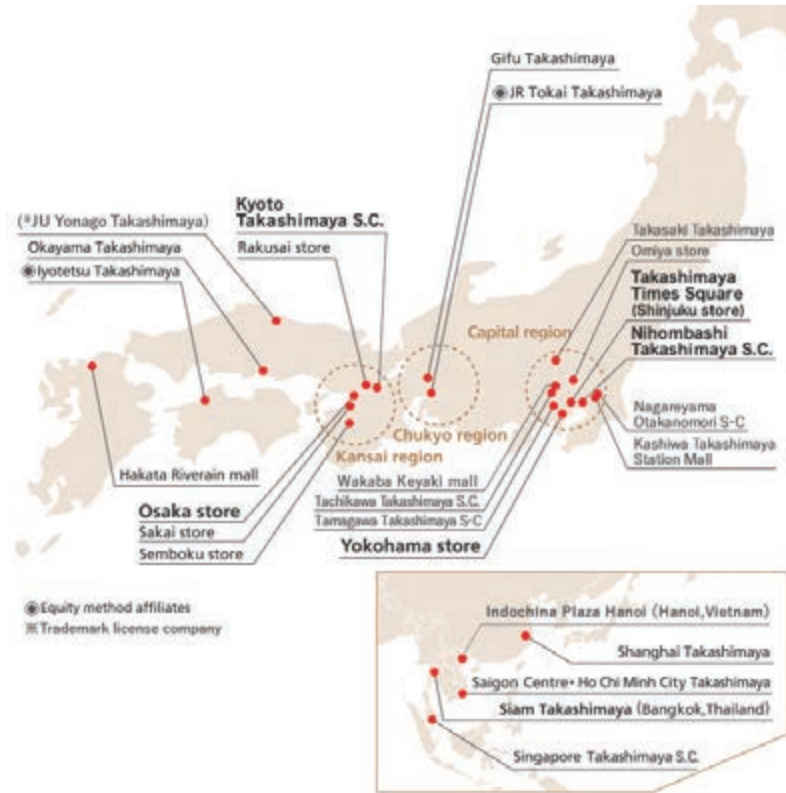
	Company	Country	Capital Millions of yen	Segment	Voting rights ownership ratio (%)
Consolidated subsidiaries	Okayama Takashimaya Co., Ltd.	Japan	90	Department store	100.0
	Gifu Takashimaya Co., Ltd.	Japan	50		100.0
	Takasaki Takashimaya Co., Ltd.	Japan	50		100.0
	Takashimaya Singapore Ltd.	Republic of Singapore	Thousands of SGD 100,000		100.0
	Shanghai Takashimaya Co., Ltd.	People's Republic of China	Thousands of RMB 610,000		100.0 (66.8)
	Takashimaya Vietnam Ltd.	Socialist Republic of Viet Nam	Hundreds of USD 320,042		100.0 (100.0)
	Siam Takashimaya (Thailand) Co.,Ltd.	Kingdom of Thailand	Millions of THB 2,200		51.0 (51.0)
	Takashimaya Tomonokai Co., Ltd.	Japan	50		100.0
	R.T. Corporation Ltd.	Japan	470		100.0
	Toshin Development Co., Ltd.	Japan	2,140	Commercial property development	100.0
	Toshin Development Singapore Pte. Ltd.	Republic of Singapore	Thousands of SGD 8,526		100.0 (100.0)
	A&B Development CORP.	Socialist Republic of Viet Nam	Millions of VND 23,375		70.0 (70.0)

	Company	Country	Capital Millions of yen	Segment	Voting rights ownership ratio (%)
Consolidated subsidiaries	Gateway Vietnam Education Joint Stock Company	Socialist Republic of Viet Nam	Millions of VND 168,320	Commercial property development	75.0 (75.0)
	Globaland Ltd.	British Virgin Islands	Hundreds of USD 100		60.0 (60.0)
	Hanoi Residential and Commercial Centre - HRCC Ltd.	Socialist Republic of Viet Nam	Millions of VND 441,102		100.0 (100.0)
	SLUC Co., Ltd.	Socialist Republic of Viet Nam	Millions of VND 827,460		90.0 (90.0)
	NSland Viet Nam Joint Stock Company	Socialist Republic of Viet Nam	Millions of VND 81,800		75.0 (75.0)
	Toshin Development Vietnam Ltd.	Socialist Republic of Viet Nam	Millions of VND 38,390		100.0 (100.0)
	Takashimaya Financial Partners Co., Ltd.	Japan	100	Finance	69.5
	Takashimaya Space Create Co., Ltd.	Japan	100	Construction & Design	100.0
	Good Live Co., Ltd.	Japan	100	Other	100.0
	RTD Co., Ltd.	Japan	10		60.0 (60.0)
	TAKASHIMAYA TRANCOSMOS INTERNATIONAL COMMERCE PTE. LTD.	Republic of Singapore	Hundreds of USD 129,426		51.0
	ATA CO., LTD.	Japan	80		100.0
	Century & Co., Ltd.	Japan	90		100.0
	Takashimaya Facilities Co., Ltd.	Japan	30		100.0 (100.0)
	Select Square Co., Ltd.	Japan	100		100.0
Equity-method affiliates	JR Tokai Takashimaya Co.,Ltd.	Japan	10,000	Department store	34.1
	Iyotetsu Takashimaya co., ltd.	Japan	100		33.6
	Ngee Ann Development PTE.LTD.	Republic of Singapore	Thousands of SGD 376,471	Commercial property development	26.3
	5 other companies	—	—	—	—

*The figures in parentheses in the "Voting rights ownership ratio" column are the indirect holding ratios.

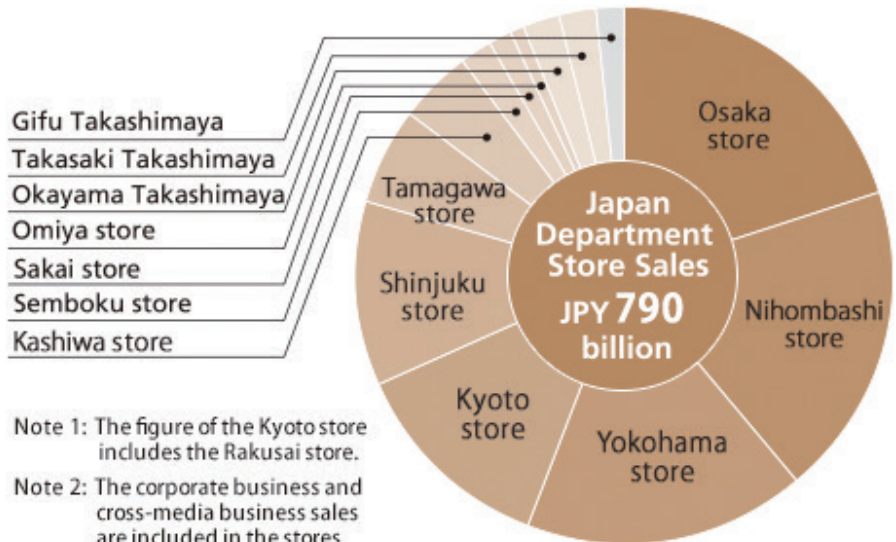
3. Store Network and Japan Department Store Sales

Store Network



Japan Department Store Sales

Osaka store	JPY 159B
Nihombashi store	JPY 149B
Yokohama store	JPY 135B
Kyoto store	JPY 97B
Shinjuku store	JPY 88B
Tamagawa store	JPY 47B
Kashiwa store	JPY 35B
Semboku store	JPY 15B
Sakai store	JPY 10B
Omiya store	JPY 7B
Okayama Takashimaya	JPY 19B
Takasaki Takashimaya	JPY 16B
Gifu Takashimaya	JPY 13B



Note 1: The figure of the Kyoto store includes the Rakusai store.

Note 2: The corporate business and cross-media business sales are included in the stores in the regions where each business is located.

Note 3: The Accounting Standard for Revenue Recognition and relevant ASBJ regulations have been applied from the beginning of the previous fiscal year. However, the amounts of sales using the previous standard are shown.

4. Details of Audit Fees etc.

Details of audit fees etc. of fiscal year ended February 29, 2024 and February 28, 2023 are as follows:

(1) Fees for auditing certified public accountants, etc., and others

Category	Millions of yen			
	2024		2023	
	Fees for audit and attestation services	Fees for non-audit services	Fees for audit and attestation services	Fees for non-audit services
Filing company	¥147	¥0	¥133	¥0
Consolidated subsidiaries	50	—	39	—
Total	197	0	172	0

As for details of non-audit services for the Company, the Company has mainly requested advisory services relating to examination of application of the Accounting Standard for Revenue Recognition and paid consideration for the services.

(2) Fees for the same network as auditing certified public accountants, etc. (KPMG) (excluding (1))

Category	Millions of yen			
	2024		2023	
	Fees for audit and attestation services	Fees for non-audit services	Fees for audit and attestation services	Fees for non-audit services
Filing company	¥—	¥8	¥—	¥8
Consolidated subsidiaries	49	21	40	30
Total	49	29	40	38

As for details of non-audit services for the Company, the Company has mainly requested advisory services relating to examination of application of the group tax sharing system and paid consideration for the services. In addition, as for details of non-audit services for consolidated subsidiaries, they have requested advisory services relating to tax matters of foreign subsidiaries etc. and paid consideration for the services.

Part 2 Business Overview

1. Business Policies, Business Environment, Issues to Be Addressed

The Takashimaya Group (Group) business policies, business environment, and issues to be addressed are as detailed below.

Furthermore, forward-looking matters indicated in this document are judgments made by our Group at the end of the current consolidated fiscal year.

(1) Business Policies

As the Group approaches its 200th anniversary in 2031, we have outlined our Vision for 2031 and beyond as being "a familiar platform that helps achieve fulfilling lifestyles." We solicited input from employees on defining the ideal image of the Group as we work towards achieving that vision. After various considerations, we defined this image as the Takashimaya Group Grand Design. We will embrace and promote common values within the Group, and link that shared awareness to resolving the specific issues as we aim to realize this Grand Design.

For the period between FY2024 to FY2026, the first 3-year period leading to fulfilling our 2031 Vision, we formulated a Medium-Term Management Plan (3 years) with a target of 57.5 billion yen in consolidated operating profit for the final fiscal year of the plan. To achieve that target, in the Department Store segment, the Group must shift from a recovery period focused on short-term demand to a period of sustainable growth. We will reflect this in store-specific medium-term management plans and make stores more attractive by promoting store-specific Machi-dukuri initiatives. For other businesses, the Group steadily implement growth strategy through medium-term management plans formulated for each company based on the themes of "clarifying our business portfolio by leveraging our strengths in each industry" and "increasing external revenue."

Ideal position for the Takashimaya Group in 2031

**A familiar platform that helps achieve fulfilling lifestyles
for all our stakeholders**

- Our customers, employees, shareholders, and local communities -

7-Point Vision for the Future

Group Position

All Group members work to increase Takashimaya Group brand value through **Machi-dukuri** and apply that towards external competition to achieve Group growth

Overseas expansion

Expand overseas business, exert Group synergy
Grow Vietnam into second pillar after Singapore

Direction of strategy

Fulfill role as community anchor and **create a new one-stop solution** unique to the Takashimaya Group

Value provision

Maximize appeal of properties through **experiential value** rooted in originality (rare and innovative), culture, and fun

Methods of providing value

Respond to diverse needs by fusing and incorporating the **warmth of the brick-and-mortar experience with the convenience of the online experience**

Increase appeal as a place to work

The company and individuals resonating to achieve growth together to create a **corporate culture that generates appeal as a workplace and promotes retention**

ESG Management

Position the global environment as a new stakeholder and serve as **social infrastructure working towards both sustainable communities and corporate growth**

As an investment policy for department stores, the Group will make investments to strengthen merchandise and store distinctiveness, such as luxury zones, and investments to improve engagement, such as facility environment improvements. For Group companies, we are projecting total investments of roughly 208.0 billion yen over the three-year period. This mainly includes investments in mixed-use development in Vietnam by Toshin Development Co., Ltd., proactive investments in growth businesses, including the expansion of non-commercial businesses in Japan and the development of new revenue pillars.

FY2023 represents the final year of the Medium-Term Management Plan for FY2021 to FY2023. The Group positioned FY2023 as an extremely important year for creating the management platform necessary to transition from a COVID-19 recovery phase to a phase of sustainable growth and taking our next leap forward. To that end, we promoted the following management goals: 1) Making the department stores more profitable, 2) Promoting human capital management, 3) Group companies building a competitive advantage, and 4) Taking ESG strategy further.

Through these initiatives and thanks to an environment in which we saw a mild recovery in consumer spending and increased demand among inbound tourists, FY2023 consolidated earnings resulted in increased sales and profit as we greatly surpassed the target figures for the Medium-Term Management Plan period that concluded in FY2023. The Group achieved record highs for ordinary profit and all other profit categories.

We view next fiscal year as a crossroads that will define whether Group growth was a transitional phenomenon caused by a favorable external environment, or if we can set the Group on a trajectory for sustainable growth. As the first fiscal year of the Grand Design introduced above and the new Medium-Term Management Plan (FY2024 to FY2026), the Group will engage in initiatives to address the following three management issues. These initiatives are the key to ensuring our ability to resolve individual issues and achieve sustainable growth.

Furthermore, there is no change in our commitment to establishing ESG as the foundation of our value provision. We will promote sustainable business by contributing to resolving social issues through our business activities and creating a framework through which all stakeholders, including our own Group, can share the benefits of and profits from those efforts.

[Strategic objectives]

"Steadily Implement Policies for Group Sustainable Growth "
Solid Progress Towards Achieving Our Grand Design

[Strategic priorities]

- (1) Promoting ESG management
- (2) Securing, developing, and promoting the success of our human resources
- (3) Advancing Machi-dukuri Strategy

(2) Objective metrics for judging the status of target achievement

Our consolidated strategic objectives for FY2026 (final fiscal year of the Medium-Term Management Plan) are as follows.

○Operating profit	JPY 57.5bn	(vs. FY2023	+JPY 11.6bn)
○Equity ratio	42.1%	(“ +6.4%)
○ROE	8.0%	(“ +0.7%)
○ROIC (return on invested capital)	6.2%	(“ +0.7%)

Furthermore, consolidated strategic objectives for FY2024 are as follows.

○ Total operating revenue	JPY 998.0bn	(vs. FY2023	+JPY 45.9bn)
○ OSG&A to total operating revenue ratio	24.5%	(“	+0.1%)
○ Operating profit	JPY 50.0bn	(“	+JPY 4.1bn)
○ Equity ratio	38.1%	(“	+2.4%)
○ ROE (Profit/equity)	7.3%	(“	+0.0%)
○ EBITDA - Total assets ratio	5.8%	(“	+0.2%)
○ Net interest-bearing debt to EBITDA ratio	1.5 times	(“	-0.2 times)
○ ROIC (return on invested capital)	5.9%	(“	+0.4%)

(3) Business Environment and Issues to Be Addressed

In March 2024, the Bank of Japan ended its policy of negative interest rates, raising interest rates for the first time in 17 years. As a result of this and other factors, the Japanese economy is gradually shifting away from a long period of deflation towards a favorable cycle that will lead to an increase in cost of living and wages. We will use this opportunity to steadily conduct forward-looking growth investments towards making qualitative improvements in our sales capability so that the Group is not influenced by external environment factors such as yen depreciation, high stock prices, or inbound traffic.

In 2031, the Takashimaya Group will celebrate the 200th anniversary of its founding. For over a year, we have been engaged in Group-wide discussions concerning the ideal position for the Takashimaya Group to ensure our ability to remain a meaningful existence in society and continue achieving sustainable growth in 2031 and beyond. As part of this process, we define our ideal vision as being “A familiar platform that helps achieve fulfilling lifestyles for all our stakeholders, including our customers, employees, shareholders, and local communities.” For customers, the Takashimaya Group provides unique products and services that offer opportunities to have moving experiences. For employees, we are improving labor conditions and environments to provide desirable workplaces that offer motivation and advancement. We want to remain an invaluable part of the lives of each of our stakeholders.

To achieve this vision, the Takashimaya Group has formulated a new Medium-Term Management Plan for 2024 to 2026, and we position the first fiscal year as a critical period during which we will steadily implement policies towards realizing sustainable growth that is not influenced by changes in our external environment. The Group also designated management issues as: 1) Promoting ESG management, 2) Securing, developing, and promoting the success of our human resources, and 3) Advancing Machi-dukuri Strategy.

For the Takashimaya Group to continue achieving growth, it will be necessary for us to carefully examine the future value of our tangible and intangible management resources, and rapidly redistribute resources towards business segments projected to see growth. To achieve this, we will adopt ROIC, which represents returns on invested capital, throughout the Group as the metric for evaluating the effectiveness of management resources. We will increase management efficacy by setting and pursuing goals for ROIC that exceed the cost of capital for each business.

- Promoting ESG management



With ESG management, which is the basis of our value provision, as a corporation and member of society, the Takashimaya Group believes it is our responsibility to contribute to resolving social issues through our business activities. We also believe that it is impossible to maintain a sustainable business without creating a framework that allows all stakeholders to benefit and profit from those activities.

For TSUNAGU ACTION, a cornerstone of Takashimaya Group ESG management, we will strengthen efforts on a Group-wide level to further increase recognition of this initiative and achieve a balance between resolving social issues and achieving business growth. We outlined three core themes for TSUNAGU ACTION: 1) PLANET - Global environment - Protecting our beautiful Earth and vast nature, and leaving it for the future, 2) SOCIAL - Local communities - Inheriting and developing Japanese national and local traditions and culture, and 3) PEOPLE - For all people - Protecting and embracing freedom, equality, and happiness for all. The Takashimaya Group will expand the number of projects related to these themes and implement them throughout the year. We will also set numerical targets and implement the PDCA cycle to ensure that efforts directly lead to increases in corporate value and profits. Specifically, as a theme related to local communities, we are considering culture exhibits and specialty goods sales to support the reconstruction efforts related to the 2024 Noto Earthquake that occurred on January 1, 2024.

From the perspective of diversity, equity, and inclusion, the Takashimaya Group will reinforce compliance and strive to respect the human rights and values of all people towards realizing a society in which we leave no one behind, which is the goal of the SDGs. The Group will work proactively towards creating a system that provides opportunities for all, regardless of race, age, sexual orientation/gender identity, or physical disability. As a corporation closely connected to consumers, the Takashimaya Group will also work actively to improve and develop facility environments, products, and services that allow all customers to enjoy their time and shopping experience.

As our business activities, which include the operation of large-scale commercial facilities, have a large impact on the environment, the Takashimaya Group will also work to contribute to the realization of a recycling-oriented society and the preservation of the global environment through initiatives such as expanding our adoption of renewable energy.

Furthermore, the Group provides information on ESG management governance, strategies, risk management and risk countermeasures, and metrics and targets in "2. Sustainability Approach and Initiatives, (1) Takashimaya Group ESG management."

- Securing, developing, and promoting the success of our human resources

As a corporation that has always operated business based on valuing people, the management philosophy of the Takashimaya Group is "Putting People First." As human resources shortages become a serious social issue, one of our highest priorities for ensuring our ability to achieve sustainable growth is proactively investing in human resources based on the concept of human capital management, including securing, developing, and promoting the success of our human resources.

The Takashimaya Group's business model is to develop commercial facilities, primarily department stores. Making the Group more profitable will require that we secure and develop human resources to support the sales activities of department stores. To achieve this, we will develop sales professionals who are capable of identifying the latent needs of customers and making proposals for stores and sales spaces.

As a corporation comprised of a diverse group of companies, it is important that we strengthen our expertise in all operations in order to ensure the sustainability and competitiveness of our people and know-how. The Takashimaya Group will promote initiatives to develop specialists in each business, including human resources responsible for marketing and purchasing, as well as financial business experts and digital personnel.

The Takashimaya Group has adopted a new policy concerning commercial facility business hours for the New Year's holiday. From next year, in addition to January 1, January 2 will also be set as a business holiday. To increase Takashimaya's brand value, it is also important that we create environments that enable employees to enjoy long-term employment while maintaining their pride and sense of fulfillment. We work to improve engagement by sharing our ideal vision for the future and by fostering a positive workplace culture.

- Advancing Machi-dukuri Strategy



Under the Group-wide Machi-dukuri strategy, the Takashimaya Group has adopted “value provision through Machi-dukuri, in which every Group member plays a leading role” as the core concept of the business strategy we will implement to achieve our ideal vision.

Machi-dukuri is based on two concepts. The first is to fulfill our role as a community anchor. Specifically, we view areas where people gather as large “towns,” with the Takashimaya Group taking a central role by collaborating with local communities and governments to generate vitality and enhance the attractiveness of these towns. The second is to maximize the appeal of each commercial facility. Specifically, we view each property as a “town,” and work to maximize the appeal of each commercial facility by applying the collective know-how of each Group business, including commercial development, finance, dining, and e-commerce, to promote commercial facility development that pursues customer satisfaction. In other words, Takashimaya Group Machi-dukuri does not simply refer to real estate development. All products, services, and spaces provided by the group are a part of Machi-dukuri.

Promoting digital transformation (DX) is essential to realizing Machi-dukuri based on these two ideas. As society inevitably faces domestic market contraction and labor shortages due to population decline, digital technology is evolving at an accelerated pace and having a major impact on corporate business operations and people’s lives. Starting this year, we will launch a Group-wide DX promotion project headed by the president to promote transformation through digital technology. After analyzing and optimizing existing operations, we will digitize operations to improve productivity and allocate management resources freed through this to optimization towards our sales force. The Group will also consider how to utilize digital technology in sales and marketing, and further promote Machi-dukuri by creating new shopping experiences and improving convenience for customers.

Segment-specific initiatives are as follows.

Starting from the first year of the new Medium-Term Management Plan (FY2024), the Takashimaya Group will change reporting segments with the goal of pursuing sustainable growth by further promoting ROIC management, which enables business portfolio optimization and clarifies business-specific investment efficiency and profitability.

Specifically, the domestic and overseas department stores previously reported under the “Department Store” segment will be divided into two segments: “Department Stores in Japan” and “Overseas Department Stores.” Domestic and overseas commercial development, previously reported under the “Commercial Property Development” segment, will be divided into “Commercial Property Development in Japan” and “Overseas Commercial Property Development” segments. Furthermore, R.T. Corporation Ltd., which is involved in the development and operation of restaurants and cafes, etc., previously reported under the “Department Store” segment, will be shifted to the “Others” segment.

<Department Stores in Japan>

Department Stores in Japan will offer a one-stop shopping experience, targeting all customers by expanding the lineup of high-quality products and services offered to meet diverse needs, and by promoting cultural dissemination to satisfy intellectual needs. Specifically, the Group will proactively

conduct growth investments towards improving the attractiveness of shops and increasing net sales by incorporating new brands based on changes in consumer trends, developing new events, and rebuilding sales floors to offer open sales spaces and self-curated spaces unique to the department store experience.

For e-commerce, the Takashimaya Group will continue to expand the range of brands offered to suit customer needs while also promoting initiatives to make our website and app more distinctive and convenient. We will leverage the strength of the brick-and-mortar experience to create points of contact with customers through mutual customer referrals between shops and e-commerce channels, which will lead to gaining new customers and increasing profitability.

The Group will work to expand profits by simultaneously pursuing improvements in gross margin through efforts such as increasing net sales from retail priced products, further optimizing our shop management structure, and engaging in initiatives to reduce costs.

<Overseas Department Stores>

In the Overseas Department Stores segment, the Takashimaya Group will respond to the needs of customers in each region by appropriately investing management resources based on a careful analysis of economic and consumer trends in each country. Takashimaya Singapore will strengthen its merchandise such as fashion-related products and food to attract more domestic customers and tourists. At Shanghai Takashimaya, amid the risk of a slowdown in consumption due to economic stagnancy, we will continue working to establish a revenue base that adapts to market changes. At Takashimaya Ho Chi Minh City, we will increase in net sales by reorganizing product categories and brands and strengthening events to improve the store's ability to attract customers. We position Vietnam as a promising market, and will aim to further expand sales opportunities. At Siam Takashimaya, we will improve profitability by strengthening Japanese brand merchandise.

<Commercial Property Development in Japan>

In the Commercial Property Development in Japan segment, Kashiwa Takashimaya Station Mall, for which Toshin Development Co., Ltd. is conducting gradual renovations, will be reopened with in-demand tenants and community functions. We will continue to improve the value unique to the brick-and-mortar experience and develop new customer bases by creating attractive shopping centers that are rooted in the local communities.

<Overseas Commercial Property Development>

In the Overseas Commercial Property Development segment, the Group is utilizing our track record in Singapore and successes in Ho Chi Minh City, Vietnam, to gradually advance development projects in Hanoi. We are projecting to see significant returns from our efforts in Vietnam, including mixed-use development projects combining residential, office, and commercial aspects. We will continue to invest intensively in the development of Vietnam, leading to its sustainable growth as the second pillar of earnings after Singapore.

<Finance>

In the Finance business, the Group will work to increase new member enrollment and promote the use of the new business cards and existing cards for the credit card business, which is a revenue pillar for Takashimaya Financial Partners Co., Ltd. In the Life Partner business, we will work to improve profitability by expanding customer contact points. We will also explore M&A and alliances as methods to expand business and develop new fields. In March 2024, we entered into a new partnership with Fanta, Inc., which is involved in real estate investment and asset management. In the future, the two companies will collaborate towards increasing profits and contributing to solving social issues in this era of population aging by creating an investment corporation targeting healthcare facilities.

<Construction & Design>

At Takashimaya Space Create Co., Ltd., a construction and design company, we will work to increase orders from luxury brands and hotels by training and increasing specialized human resources to further

strengthen approach-based proposal sales. The business will also strengthen its business management system, including cost control, which still has issues, and strive to build a stable revenue platform.

<Others>

At R.T. Corporation Ltd., which operates in the dining industry, we will start operations at a new central kitchen this autumn. Together with the existing facility, this new production base will improve the efficiency of manufacturing, processing and procurement logistics, as well as promote the development of unique products. We will also improve quality and service to gain support on the Japanese market for Din Tai Fung and LINA STORES, with whom we have exclusive contracts to operate locations in Japan.

For the Cross Media Division, which operates mail-order businesses, we will strengthen our revenue platform. We will increase satisfaction among existing customers by strengthening merchandise and improving our editorial capabilities to increase catalog appeal. At the same time, we will promote customer development through collaborations with our department stores.

Each group company will engage in initiatives aimed at achieving growth. All Takashimaya Agency Co., Ltd., an advertising business, will work to strengthen its expertise in the digital field. Century & Co., Ltd., a staffing business, will leverage its high-quality business management capabilities cultivated in department stores to increase orders received.

(4) Basic Strategy for Capital Policy

The Company will enhance its financial soundness by increasing equity and reducing interest-bearing debt to prepare for future business risks and procure capital for sustainable growth investments.

The Company sets Return On Invested Capital (ROIC), EBITDA, equity ratio, Dividend On Equity ratio (DOE), and Total Shareholder Return (TSR) as key performance indicators (KPI). For ROIC, to engage in management focused on capital costs, the company assumes WACC for each business and sets ROIC targets that exceed those assumptions. This promotes business management focused on achieving investment returns for each business. As of the end of FY2023, the WACC was 4.6% but we will aim to achieve a level that continuously exceeds 5%. For EBITDA, the Company sets a value for net interest-bearing debt to EBITDA to promote financial stability and also sets a value for EBITDA to total assets to ensure the Group's ability to generate cash.

All KPI are disclosed in financial results briefing materials*.

* <https://www.takashimaya.co.jp/corp/english/ir/financial/>.

(Assumptions concerning cash allocation)

The Company assumes that allocation towards investments for sustainable growth will account for approximately 80% to 90% of cash flows from operating activities. As a breakdown, roughly 70% will be allocated to growth investments in Japan and overseas with a focus on commercial property development while roughly 30% will be allocated towards investments in store safety and security, ESG, and human capital.

To address financial soundness, the Company assumes 3% to 5% of cash flows from operating activities will be expenditures towards reducing interest-bearing debt ahead of new lease accounting standards expected to be adopted from FY2027.

The Company assumes 7% to 10% of cash flows from operating activities will be allocated towards shareholder returns.

(Shareholder returns)

Dividends will consist of progressive dividends based on increases in net assets with consideration also given to EBITDA and cash flows from operating activities. In times of favorable performance trends or other factors that result in free cash flow outperforming assumptions, the Company will make a comprehensive decision on whether to increase investment amounts, further reduce interest-bearing debt, or issue additional shareholder returns.

2. Sustainability Approach and Initiatives

The Group's sustainability approach and initiatives as we detailed below.

Furthermore, forward-looking matters indicated in this document are judgments made by our Group at the end of the current consolidated fiscal year.

(1) Takashimaya Group ESG management

Our Group management philosophy of "Putting People First" is strongly linked to the realization of a society that leaves no one behind, the central mission of the Sustainable Development Goals (SDGs). In 2006, we formulated our CSR activity domains based on this management philosophy. Today, we continue to promote our business management and disclose information aligned with this philosophy. Our activity domains include basic activities, such as ensuring compliance and making economic contributions by distributing profits earned through business activities to various people. We also engage in activities aimed at making social contributions by ensuring that we act in accordance with corporate ethics, work to create new value, and help resolve societal issues.

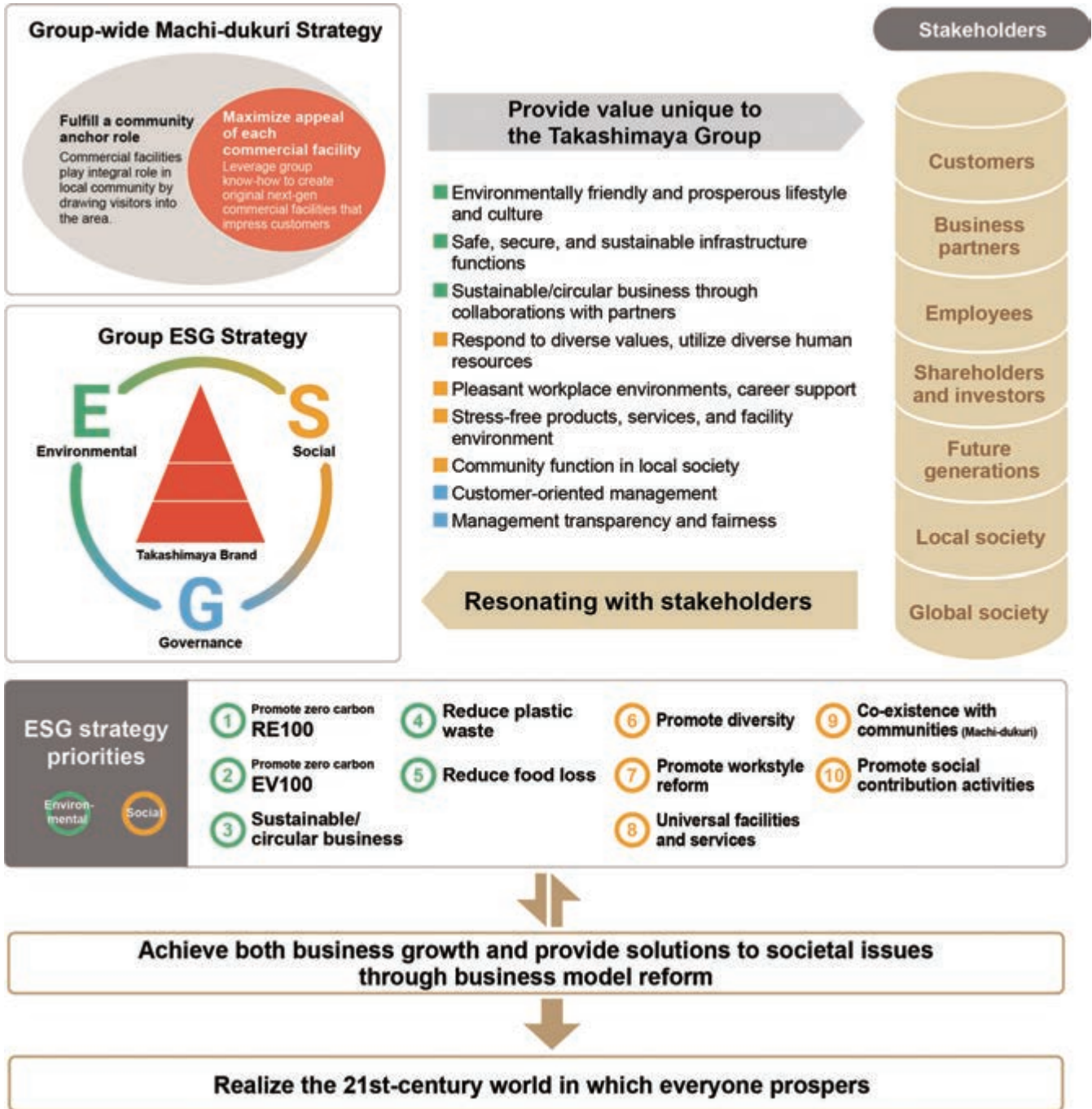
Our Group ESG Strategy promotes a fusion of these conventional CSR management activities and the concepts of the SDGs. We strive to contribute to the realization of a 21st-century world in which everyone prospers by connecting with our stakeholders through value provision unique to the Takashimaya Group. We will create this value by proposing environmentally friendly and prosperous lifestyles and culture, by responding to diverse values and utilizing diverse human resources, and by engaging in management that reflects the perspectives of our customers.

The Group has identified 10 items as core issues of ESG Strategy, including supporting the RE100 renewable energy initiative towards achieving zero carbon and promoting diversity. To promote the transition to zero carbon, we switched to LED lighting to reduce electricity consumption and are converting to electricity derived from renewable energy. To promote diversity, we are engaging in initiatives related to increasing women's opportunities and increasing gender equality. We are promoting acceptance of foreign workers and providing support for establishing lives as residents of Japan. We are working to create and promote a motivating environment of diversity and inclusion in which diverse values and capabilities are respected, and all individuals are able to maximize their potential.

It is important that we promote Group ESG Strategy in order to break away from conventional business models and transform ourselves to meet the demands of the times and modern society. We believe that promotion of this strategy will not only enable us to help resolve societal issues, but also will create favorable opportunities for business growth.

We position Machi-dukuri (hereinafter, referred to as the Machi-dukuri Strategy) as our general group-wide strategy. From the perspective of community and sustainability, this strategy is also closely related to ESG strategy. We strive to create energetic cities while coexisting within the community. We also work to propose and offer new value through our merchandising, environments, and services. We believe that these activities work towards resolving various societal issues and help promote the development of society. The Takashimaya Group operates businesses in Japan and around the world centered on department stores. Our Group has a superb customer base and store locations, and a solid network of business partners. These attributes give the Takashimaya Group the strength and potential to approach various issues across the world. Through the promotion of our Machi-dukuri Strategy, we will work to resolve societal issues from both short-term and medium- to long-term perspective, aiming for further Group growth and the realization of a sustainable society.

●Group ESG strategy concept diagram



Furthermore, information on ESG management is also provided in "1. Business Policies, Business Environment, and Issues to Be Addressed, (3) Business Environment and Issues to Be Addressed - Promoting ESG management."

(i) Governance

a. Process for the Board of Directors to receive reports on sustainability-related issues, frequency of inclusion as a discussion item, matters subject to monitoring

Our Group will work to resolve social issues, increase our corporate value, and pursue sustainable growth by promoting Group ESG management. To respond to the expectations of customers, shareholders and investors, and our many other stakeholders, the Group is working to strengthen corporate governance and establish an internal control system. We established the Takashimaya Group CSR Committee and the Takashimaya Group Risk Management Committee, both of which are chaired by the President, the main committees related to internal controls. These committees deliberate on and confirm important matters related to sustainability, and submit reports to the Board of Directors.

The Takashimaya Group CSR Committee convenes semiannually to validate and strengthen our system on a Group-wide level, including reinforcing compliance management and confirming the status of internal controls, progress on core ESG issues, and initiatives being implemented to address new social issues. The Group is strengthening governance of initiatives under a structure through which these committees submit reports on the details of deliberated issues to the Board of Directors, which then monitors progress.

The Takashimaya Group Risk Management Committee works to strengthen internal controls by convening as necessary and coordinating with relevant departments to establish response networks for each issue. We have established a group-wide structure for preventing and minimizing compliance risks and risks related to natural disasters. In response to risks related to our business strategy, we have established a group-wide risk management structure for appropriately evaluating risk-return balance for risks associated with efforts in new business domains. Details of these deliberations are reported to the Board of Directors.

We also have established a system for more effectively and uniformly promoting ESG strategy within our organization. The Takashimaya Group Environmental and Social Contribution Subcommittee holds quarterly meetings to promote the steady advancement of initiatives related to core issues.

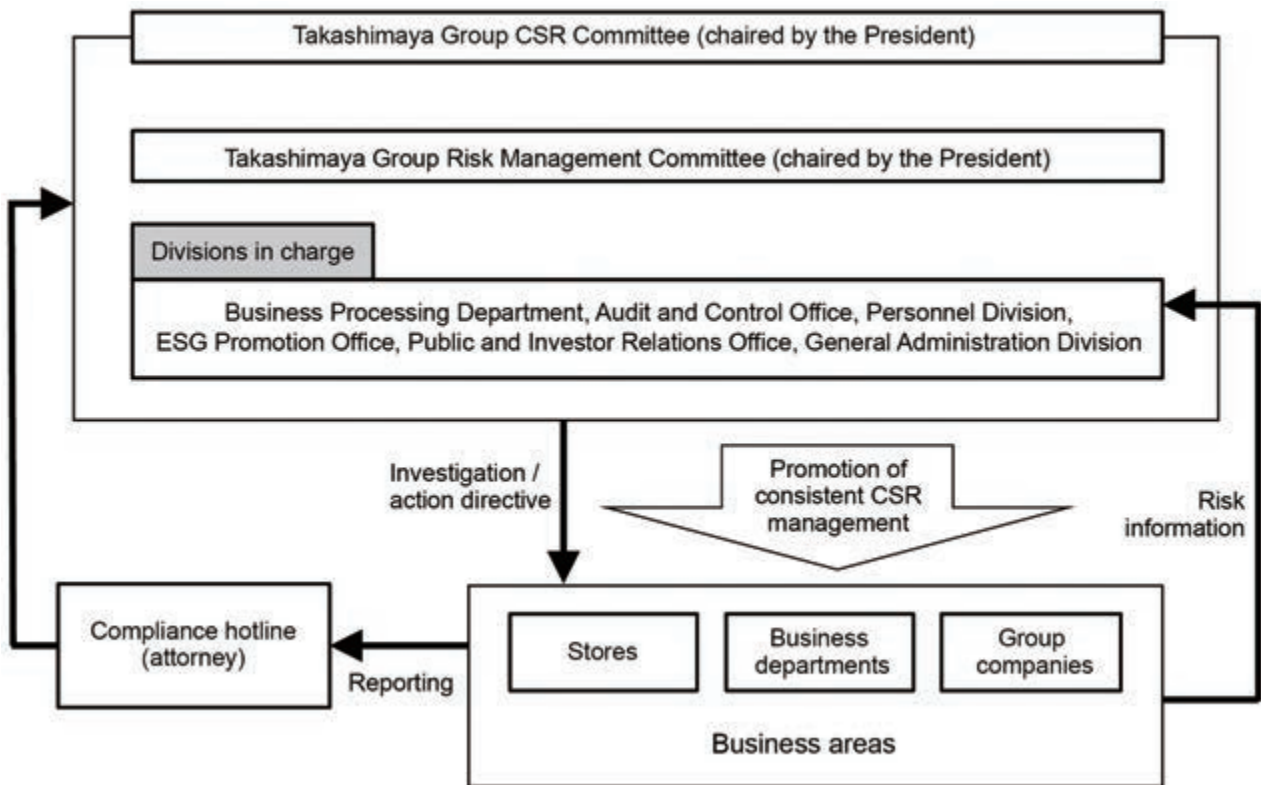
b. Management's responsibility to sustainability-related issues, process for receiving reports (committees, etc.), monitoring methods

To ensure appropriate and sound business execution throughout the Group, the Board of Directors appropriately supervises the performance of directors' duties and regularly confirms the status of operations and issues related to the basic policies outlined to ensure effective group-wide internal controls.

We work to strengthen governance for initiatives related to sustainability issues through a supervisory structure overseen by the Board of Directors. The Takashimaya Group CSR Committee, which is chaired by the President, reports on the status of progress for ESG priorities. For issues requiring improvement, the Committee reinforces the implementation of PDCA cycle and conducts monitoring each fiscal year to ensure that improvements are reflected in activities for the following fiscal year. The details of those activities are then reported to the Board of Directors.

The Takashimaya Group Risk Management Committee, which is also chaired by the President, identifies various risks associated with our business activities. The Committee reports to the Board of Directors on matters discussed, including measures to minimize losses in the event of a risk occurrence.

●Internal controls structure diagram



●Promotion structure diagram for core ESG issues








(ii) Strategy

The Takashimaya Group categorizes initiatives through which we can greatly contribute to achieving the SDGs into two domains, environment and social. We further identified 10 core issues (materiality) in each domain, and engage in initiatives related to those issues.

To position our ESG approach at the center of Group management and establish related initiatives as broadly and directly linked to our business, it is important that we gain the support and understanding of as many stakeholders as possible. The Group will contribute to the realization of sustainable and enriched lifestyles by further fulfilling our role as a platform for supporting lifestyles, culture, and local communities, and by working with customers, business partners, and local communities to promote ESG management across all channels.

As part of that commitment, from FY2023 the Group has expanded TSUNAGU ACTION, our sustainable initiative based on co-creation with business partners and customers. We propose sustainable lifestyles by offering value unique to the Takashimaya Group, including product development that balances environmental load reduction with design and functionality, and product proposals, facilities, and services that emphasize a respect for diversity (inclusiveness). Investments in human capital directly link to sustainable growth and increased corporate value. These strategic investments are essential to achieving both social sustainability and generating profits. The Takashimaya Group promotes human capital management aimed at maximizing the value of all people of different expertise and diverse perspectives. We strive to be a company in which all employees, including staff assigned from our business partners, are autonomous, energetic, and able to produce results

●Core issues and action plan

		Initiatives, measures	By 2025	By 2030	By 2050
Environment	RE100 zero carbon initiative 	<ul style="list-style-type: none"> Transition to renewable energy Reduce electricity consumption 	<ul style="list-style-type: none"> Transition to/adoption of renewable energy Switch to LEDs in stores and facilities 		Achieve RE100
	EV100 zero carbon initiative 	<ul style="list-style-type: none"> Switch to EVs Streamline/reduce number of sales vehicles Develop EV charging facilities 	<ul style="list-style-type: none"> Switch to EVs Streamline number of vehicles Install chargers 	Achieve EV100	
	Circular business 	<ul style="list-style-type: none"> Expand environmentally friendly products Build circular platform 	<ul style="list-style-type: none"> Expand Takashimaya-exclusive products Expand collaboration partners Expand items eligible for collection 	Build circular business	
	Reduce waste plastic 	<ul style="list-style-type: none"> Reduce use of plastics Switch to biodegradable plastics and non-plastics for food containers 100% use of recycled materials, etc. 	<ul style="list-style-type: none"> Reduce, use substitutes Change ingredients Promote recycling 	Zero creation of waste plastic	
	Reduce food loss 	<ul style="list-style-type: none"> Expand secondary processing Use external agencies Reevaluate sales methods, etc. 	<ul style="list-style-type: none"> Expand application in processed products Utilize food banks Expand small-volume, volume-based sales 	Zero food loss	

		Initiatives, measures	By 2025	By 2030	By 2050
Society	Promote diversity 	<ul style="list-style-type: none"> Fair and equal human resource management that leaves no one behind Gender equality Acceptance of foreign workers (Acceptance as workers and support as residents) 	<ul style="list-style-type: none"> Establish LGBT work environment Expand systems and correct inequalities Improving living and work environments 	<ul style="list-style-type: none"> Society of coexistence that respects diverse perspectives 	
	Promote workstyle reform 	<ul style="list-style-type: none"> Improve productivity by promoting multi-tasking Create environment aimed at realizing diverse workstyles Promote employee awareness 	<ul style="list-style-type: none"> Promote digital shift, establish environment Design new systems Employee education 	<ul style="list-style-type: none"> Improve productivity Increase employee satisfaction 	
	Universal facilities and services 	<ul style="list-style-type: none"> Create universal facilities Permeate understanding of universal hospitality 	<ul style="list-style-type: none"> Realize facilities that are comfortable for all people Increase credentialed sales staff 	<ul style="list-style-type: none"> Pleasant society that is stress-free for all people 	
	Coexistence with local communities (Machi-dukuri) 	<ul style="list-style-type: none"> Partnerships with municipal governments Promote creation of disaster prevention hubs Provide community for gathering and spending time 	<ul style="list-style-type: none"> Develop functions for safe and secure facilities Expand provision of community functions in regions 	<ul style="list-style-type: none"> Sustainable community infrastructure hub 	
	Promote social contribution activities 	<ul style="list-style-type: none"> Expand opportunities for participation Culture business 	<ul style="list-style-type: none"> Expand activities that offer customer participation Promote employees' participation Support cultural activities 	<ul style="list-style-type: none"> Social contribution activities for leaving no one behind 	

(iii) Risk management and initiatives

a. Details of process for identifying and evaluating sustainability-related risks, method of determining importance

To address business risks, including sustainability issues, the Takashimaya Group CSR Committee and the Takashimaya Group Risk Management Committee, both of which are chaired by the President, extract and evaluate various risks related to Group business execution. The committees deliberate on risk prevention and measures for minimizing losses in the event of a risk occurrence. Furthermore, details on deliberations related risk identification and evaluation are submitted as a final report to the Board of Directors.

b. Details of process for managing sustainability-related risks, method of prioritization

Sustainability-related risks and opportunities have a significant impact on Group business activities. For environmental issues identified as Group ESG strategy priorities, the Takashimaya Group Environmental and Social Contribution Subcommittee and the Takashimaya Group CSR Committee confirm the status and progress of initiatives implemented based on annual plans, and issue reports to the Board of Directors.

For sustainability-related risks identified by the Takashimaya Group Risk Management Committee, we used the frequency and possibility of occurrence and the business impact level as assessment criteria to create risk maps and evaluate importance.

In addition to creating internal controls, which includes our risk management structure, as part of a group-wide system for preventing and minimizing risks, we are establishing a structure for overall group risk management that will also enable us to accurately control the balance of risks and returns associated with challenging ourselves in new business domains and other risks related to business strategy.

c. Status of integration of framework into group-wide risk management

Sustainability-related risks can have a significant impact on our business activities. Through the Takashimaya Group CSR Committee and the Takashimaya Group Risk Management Committee, we are working to strengthen our risk occurrence response and risk management structure. As part of our risk initiatives, we are promoting RE100 and EV100, which work towards the realization of a zero-carbon society, working to reduce waste plastic and food loss, and striving to build a circular business structure. At the same time, to minimize loss of business opportunities associated with the intensifying and increasing frequency of natural disasters, we are conducting capital investments to increase the resilience of our stores and facilities, and establishing a human rights due diligence structure aimed at preventing and reducing human rights-related risks along our supply chain.

Detailed information on risk management is provided in "3. Business and Other risks." The Group provides information on risks related to climate change (risks and opportunities based on scenario analysis, financial impact, etc.) in "(2) Specific Issues Related to Sustainability, <Response to climate change>."

(iv) Metrics and targets

The Group sets KPI, implements initiatives, and conducts monitoring for core ESG issues. Furthermore, the Group provides information on metrics and targets related to climate change in "(2) Specific Issues Related to Sustainability, <Response to climate change>."

●Core issues and KPI

Priorities	KPI	Numerical targets					Key points of initiatives
		2021	2023	2025	2030	2050	
E Environmental	1. Promote zero carbon RE100 → Renewable energy (RE) conversion rate	1.8%	5.5%	8.6%	30% or more	100%	• Renewable energy conversion • Reduce electricity consumption
	→ Rate of reduction for GHG emissions from electricity consumption (vs. 2019)	-3.0%	-5.6%	-10.5%	-35%	-100%	
	2. Promote zero carbon EV100 → Electric vehicle (EV) conversion rate	0.3%	0.3%	3.1%	100%		• Switch to EV • Review and reduce the number of business vehicles • Develop EV charging facilities
	→ Reduction in number of vehicles owned (vs. 2019)	17 vehicles	17 vehicles	52 vehicles	115 vehicles		
	3. Sustainable/circular business → Recycled polyester usage rate (limited products developed in-house)	-	-	100%			• Expand environmentally-friendly products • Build sustainable/circular platform
S Social	4. Reduce plastic waste → Percentage of waste plastic recycled	97%	98%	99%	100%		• Plastic use reduction • Switch food containers to biodegradable or non-plastic materials • 100% use of recycled materials and more
	→ Total waste reduction (vs. 2019)	-3.6%	-24.8%	-26.3%	-30%		
	5. Reduce food loss → Recycling rate of food waste	68%	75%	80%	100%		• Expand secondary processing • Utilize external organizations • Review sales methods and more
	→ Food waste reduction (vs. 2019)	-3.6%	-15%	-16.7%	-20%		
	6. Promote diversity → Percentage of women in management roles	31.3%	33.3%	35.4%	40% or more		• Fair human resource management that leaves no one behind • Gender equality • Acceptance of foreigners (acceptance as workers, support as residents)
G Governance	7. Promote workstyle reform → Take-up rate of paid leave	55%	65%	80%	100%		• Increase productivity by supporting multitasking • Establish environment for enabling diverse workstyles • Promote employee enlightenment
	→ Increase per capita productivity (amount of operating income per employee, 2x vs. 2019)	1.7million yen	3.9million yen	4.7million yen	6.6million yen		
	→ Employee turnover rate						
	→ Status of use of work-life balance system						
	8. Universal facilities and services → Rate of employees with credentials	10.1%	11.7%	14.5%	20%		• Universal facilities • Permeate understanding of universal hospitality
→ Create barrier-free facilities							
9. Co-existence with local communities (まち-あそび) → Partnership with local communities where we operate stores and shopping centers						• Promote partnerships with municipalities to establish disaster relief hubs for use in emergency situations • Provide community for gathering and spending quality time	
10. Promote social contribution activities → No. of vacation days taken for volunteer activities						• Increase opportunities for volunteer activities • Promote cultural activities	
		• Management structure	• Internal controls	• Assumed risks and response measures	• Privacy policy and disclosure policy		

(2) Specific Issues Related to Sustainability

<Response to climate change>

The Takashimaya Group outlines unceasing efforts to protect the global environment as one of the Five Policies of our Group Management Philosophy Structure. In the Takashima Group Environmental Policy, we also prioritize the prevention of global warming and the reduction of CO2 emissions as part of our mission to contribute to the realization of a sustainable society.

This Group Environmental Policy is also our fundamental stance for linking business activities to the resolution of environmental issues undertaken through ESG strategy. We engage in various activities in line with our environmental policy while applying unique trait of our business, including our direct connections with many customers, business partners, and local communities.

At the same time, however, environmental issues such as climate change, resource depletion, and a decline in biodiversity have seen worsening in recent years, increasing the importance and urgency for initiatives to address environmental issues. Particularly with department store operations, our mainstay business, our current business model is based on the assumption of an environmental load, including the large-scale consumption of electricity generated from fossil fuels and other underground resources, large-volumes of plastic and food waste, and the overstocking of clothing. This is something we recognize as risk.

To address this situation, the Takashimaya Group will transform our conventional business model to a business model that regenerates and repairs the earth's resources. Our Group will work towards both resolving environmental issues and achieving business growth. As part of this mission, we have declared our support for TCFD recommendations, and will further enhance our information disclosure for the four disclosure items recommended by the TCFD: governance, strategy, risk management, and metrics and targets.

<Information disclosure aligned with TCFD recommendations>

Our Group implements climate-related information disclosure based on the four disclosure items outlined in TCFD recommendations (governance, strategy, risk management, and metrics and targets) and the specific disclosure content outlined for each item.

(i) Governance

Governance related to climate change is incorporated into general sustainability governance. Information on the structure diagram is provided in "(1) Takashimaya Group ESG management, (i) Governance"

(ii) Strategy (climate-related scenario analysis)

a. Details on short, medium, and long-term risks and opportunities

To ascertain the financial impact of the risks and opportunities that future climate change will present to our business activities, Takashimaya held workshops for selected employees. In the workshop, participants used the scenario analysis methods based on frameworks recommended by the TCDF to predict and analyze changes in our external environment that we can expect to see in 2050. Issues such as changes in our natural environment caused by climate change and resource depletion will have a significant, long-term impact on our business activities. As such, we recognize the need to transform from our existing business to a business that helps regenerate the earth's resources. This transformation must go beyond our department stores to encompass the business of our entire Group. Based on our vision for a future society, we set achievement goals for 2030 (medium to long-term) and annual numerical targets (roadmap) for the 10 ESG priorities related to the environmental and social domains, and are implementing a PDCA cycle to manage progress.

b. Details and extent of impact from risks and opportunities related to Group business, strategy, and financial plans

The Takashimaya Group separates climate-related risks recommended by the TCFD into two categories, transition risks and physical risks, and then identify major risk items with the potential to have a significant impact on our business activities. To conduct evaluations based on various climate-related scenarios, including the 2 degrees scenario, we reference existing scenarios such as IPCC and IEA to analyze the impact on our business activities and financial health. We then evaluate and implement response measures designed to support sustainable growth. For our scenario analysis, we used the 2 degrees scenario outlined as a goal in the Paris Agreement and the 4 degrees scenario, which assumes insufficient CO2 emission reductions. During our analysis, we also referenced the typical climate-related risks and opportunities recommended by the TCFD.

Assumed scenario	
2 degrees scenario	Increase in business operating costs due to the enforcement of strict laws and rules related to climate change response Increased product procurement risks due to soaring energy costs and product prices Capturing new markets created by increase in consumer environmental awareness
4 degrees scenario	Loss of business opportunities caused by increasing intensity/frequency of natural disasters, including store damages and supply chain disruption. Soaring energy prices and increasing product procurement risks due to lack of resources Market elimination of companies that are unable to break away from business models that assume causing an environmental load

●Summary of Takashimaya Group risks & opportunities, impact on business and finance position

Risk/opportunity category			Summary of climate-related risks & opportunities for the Takashimaya Group	Impact on business and finances	
				+2°C	+4°C
Risks	Transition risks	Market and technology	*Increased procurement costs associated with conversion to renewable energy *Decline in competitiveness due to delays in capturing environmental market demand	○ Significant	↗ Will increase
		Reputation	*Loss of trust from stakeholders, damage to brand value, decline in Takashimaya cardholders, some of our most loyal customers, due to delays in responding to environmental issues	⊙ Incredibly significant	↑ Will increase greatly
		Policies and laws	*Increased business operating costs associated with enhanced regulations, including adoption of carbon tax and response to the Act on Promotion of Resource Circulation for Plastics.	○	→ Minor
	Physical risks	*Store closures due to occurrence of large-scale natural disaster, lost sales opportunities due to supply chain disruption	⊙	↑	
Opportunities	Energy sources	*Reduced utility bills associated with promotion of energy conservation *Secure resilience for business activities through disaster preparation	○	↗	
	Markets	*Resonate with stakeholders and increase corporate value through promotion of ESG strategy *Capture markets by offering products and services aligned with increasing environmental awareness	○	↗	

c. Scenario-based risks & opportunities, financial impact, and relevant response strategy and resilience

We assume that the adoption of a carbon tax as part of regulatory enhancements and the costs of procuring electricity derived from renewable energy could have an impact on our financial position. As such, when evaluating the impact of the two scenarios for 2030 on our business and finances, we estimated the financial impact of the 2 degrees scenario.

●Financial impact on the Takashimaya Group

Estimated financial impact in 2030		
Carbon tax adoption	Cost increase of approx. 2,500 million yen	*Calculated based on our CO2 emissions from FY2019 (approx. 230,516 t) using the carbon tax price (approx. 11,000 yen/t-CO2) for leading nations in 2030 based on the IEA(*) 2°C Scenario
Renewable energy procurement	Cost increase of approx. 1,600 million yen	*Calculated based on our electricity use from FY2019 (approx. 392,824 MWh) using the current price difference for procured electricity (approx. 4 yen/kWh)

*Cited from the IEA (International Energy Association) World Energy Outlook 2019

In response to the impact that climate-related risks could have on our business activities and financial position, and to contribute towards the realization of a sustainable society, we promote Group ESG management aimed at resolving social issues and achieving business growth. As part of these management practices, in 2019 we joined the RE100, an international initiative aiming for the use of 100% renewable energy for the electricity used in business activities. We are promoting initiatives to

achieve a zero-carbon society and the goal of switching to 100% renewable energy by 2050. The Takashimaya Group is also working to reduce power consumption and CO₂ by gradually upgrading the facilities of each store to highly energy-efficient equipment, and by switching existing lighting fixtures to LED lighting. At department stores in Japan, between 2011 and 2021 we reduced electricity consumption by roughly 22,500 MWh and reduced CO₂ emissions by roughly 10,000 t-CO₂. In FY2022, the Group invested approximately 520 million yen towards the switch to LED lighting, which reduced CO₂ emissions by 2,500 t-CO₂.

Through our Machi-dukuri strategy, we work to fulfill a community anchor role and to maximize the attractiveness of our commercial facilities. At the same time, through initiatives such as TSUNAGU ACTION, the Takashimaya Group is working to capture new markets by offering environmentally friendly products, services, and storefront facilities, and by engaging in the development of next-generation commercial facilities that propose new value. Takashimaya Group management pursues the effective utilization of internal business assets previously concentrated in department stores to strengthen the profitability of existing businesses and promote business expansion and new business development that will support future growth. We will capture new business opportunities by working to constrain risks related to climate change while proactively responding to market changes.

(iii) Risk management and initiatives

Climate change risk management and related initiatives are incorporated into our general sustainability governance. The Group provides detailed information in "(1) Takashimaya Group ESG management (iii) Risk management and initiatives."

(iv) Metrics and targets

a. Metrics used to manage climate-related risks and opportunities

As metrics to manage climate-related risks and opportunities, we defined Scope 1, 2, and 3 greenhouse gas (GHG) emissions volume and the ratio of renewable energy within power used during business activities.

b. GHG emissions (Scope 1, 2, and 3)

With department stores as our mainstay business, we position our current business model, which assumes an environmental load, as a risk. As such, we are working towards resolving environmental issues. In 2019, we joined RE100, an international initiative that aims to supply 100% renewable energy for the electricity consumed in business activities to promote the realization of a zero-carbon society. In FY2022, our Scope 1 and Scope 2 GHG emissions were roughly 199,200 t-CO₂ and Scope 3 GHG emissions for department stores were roughly 4,264,200 t-CO₂.

●Greenhouse gas emissions

		Scope		2019	2020	2021	2022
Greenhouse gas emissions	CO2	Consolidated	Scope 1 (t)	24,953	21,055	20,197	19,910
			Scope 2 (t) *1	205,563	178,090	183,301	179,377
			Scope 1 and Scope 2 total (t)	230,516	179,145	203,497	199,286
		Domestic Department stores	Scope 3 (t)	3,382,417	2,495,547	2,772,244	4,264,236
	Fluorocarbon *2	Consolidated (excludes overseas)	t-CO2	1,552	1,609	1,580	967

*1. Scope 2 CO2 emissions are calculated based on market standards.

*2. Fluorocarbon leakage from freezers and refrigerators used in stores is converted into CO2 in accordance with the Fluorocarbon Emissions Control Act.

c. Targets used in climate risk and opportunity management, and results

We joined the RE100 in 2019. As a target, we set the goal of reducing Scope 1 and Scope 2 GHG emissions by 30% or more by FY2030, and achieving zero Scope 1 and Scope 2 GHG emissions by 2050. Based on a roadmap outlining numerical targets for each fiscal year, we are working towards the realization of a zero-carbon society. We used Scope 1 and Scope 2 GHG emissions from FY2019 as the basis for setting medium and long-term GHG emission reduction targets and RE achievement targets, and are promoting zero carbon initiatives based on these targets.

Since switching facility electricity to electricity derived from renewable energy in FY2020, the Group has continued to promote the switch to renewable energy. In FY2022, we switched to electricity derived from renewable energy at 5 facilities, including ANNEX 2 and the Komorebi Terrace at the Nagareyama Otakanomori Shopping Center. In FY2023, the Group adopted electricity derived from renewable energy via a Corporate PPA for a portion of the electricity consumed at the Takashimaya Yokohama Store.

Scope1・2	Unit	FY2019	FY2025	FY2030	FY2050
GHG emissions	t-CO2	230,516	208,961	161,361	0
Reduction (vs. FY2019)		—	-21,555	-69,155	-230,516
GHG reduction target	%	—	-9.4%	-30% or more	-100%
RE achievement rate		0%	8.6%	30% or more	100%

<Human capital and diversity>

Human capital are intangible assets representing the people and know-how that are the source of our competitive advantage and are a major driving force of increases in value. As such, human capital investments are important strategic investments that directly link to corporate growth and increases in our corporate value. As a Group whose core business is department stores, human capital investments are essential to achieving both social sustainability and generating profits as a business.

As the changes facing our times increasingly accelerate, making the department stores more profitable, enabling Group companies to build competitive advantage, and expanding our business domains will require established business know-how and the ability to adapt to changes. To acquire those strengths, it is critical that we cultivate expertise and ensure diversity.

One of the goals we outline in our Grand Design, which we formulated as the ideal image of the Group in 2031, the 200th anniversary of our founding, is to "achieve a corporate culture in which the company and individuals resonate and achieve growth together to cultivate an appealing workplace and promote retention."

Specifically, the Group is promoting human capital management that maximizes the value and motivation of our human resources and leads to increases in corporate value by sharing our Group management philosophy and vision, and by improving labor conditions and enhancing various systems for employees. Additionally, the Group works to enhance human resource development and career support, visualize and improve employee engagement, and promote diversity and work-life balance.

With the understanding that the employees of business partners are also an important existence for our Group, we gather opinions not only from our own employees, but from the employees of business partners as well, and incorporate those opinions into our development of attractive and motivating work environments. Specifically, we increased the attractiveness of the canteen and cafeteria used by employees working at stores and facilities, improved back-end facilities, simplified complex sales procedures, and reduced business hours and established business holidays to promote labor improvements at department stores. We promote activities aimed at leveraging individuals through workstyles that reflect the situation and condition of each employee to maximize individual value.

By promoting human capital management, we are aiming for the realization of our Group vision and will create a place where each individual, including Group company and business partner employees, are autonomous and energetic, and able to apply their expertise and skills towards maximizing their results. The Group will also build a structure for achieving sustainable growth by establishing a benevolent cycle innovation is achieved through people recognizing each other's diverse values and workstyles and engaging in mutual communication.

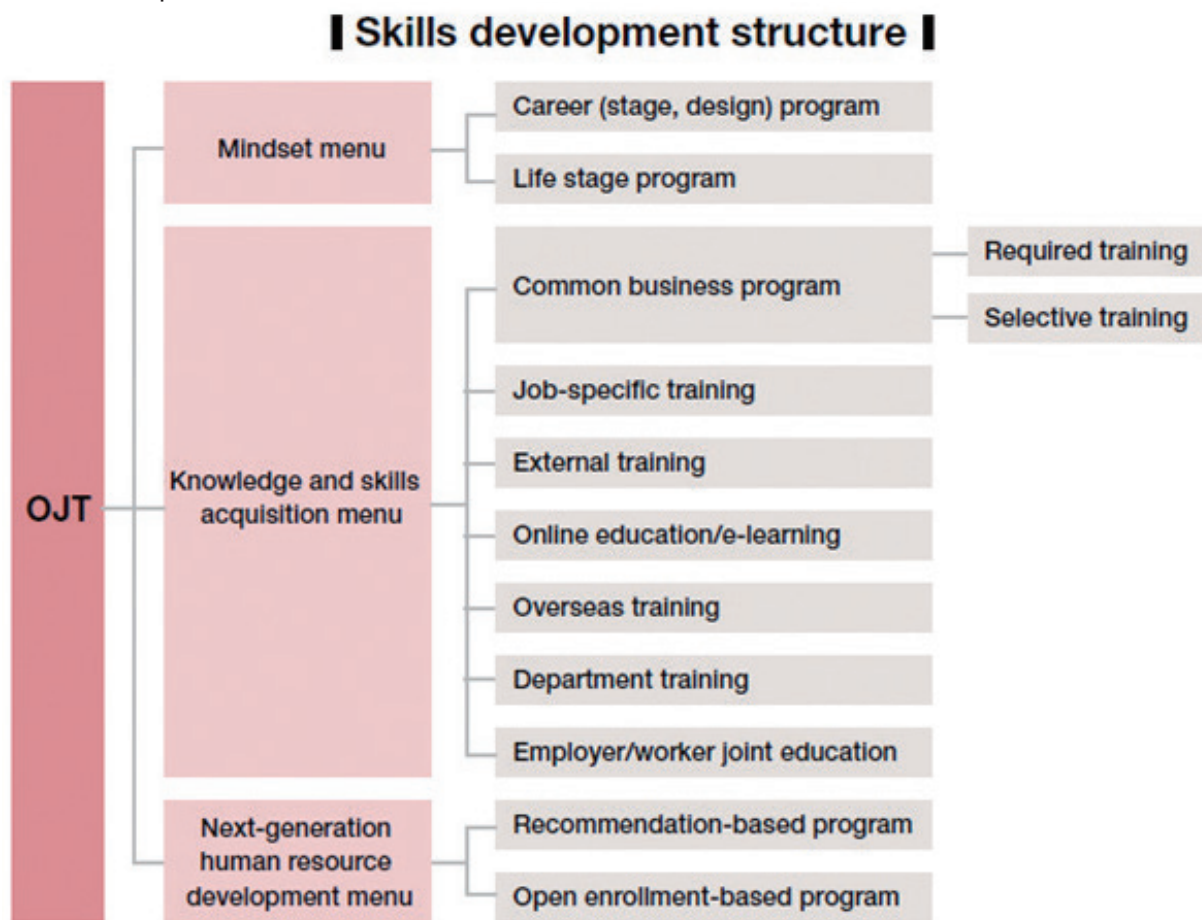
(i) Strategy

To make the department stores more profitable, improve core competence, and increase motivation, the Group has established a basic policy on human resource development to ensure our human resource development incorporates trends in the internal/external environment and generational shifts.

a. Human resource development policy

- As our social environment changes rapidly, business transformation that looks ahead to the future is essential to the sustainable growth of a company. With this in mind, we support diverse human resources taking initiative in developing their skills and autonomously developing their careers.
- OJT represents the foundation of our human resource development. Through OJT, employees learn how to conduct work and are able to acquire knowledge and skills that can only be obtained on the job. This helps improve practical abilities and problem-solving abilities. Using a variety of off-the-job training, we organically combine training tailored to the rapidly changing environment outside of the workplace. This helps cultivate the ability to conceptualize creative and innovative ideas.

●Skills development structure



*The abovementioned skills development structure diagram applies to department stores in Japan.

The Group has established training programs centered on OJT that allow employees to pursue planned career development. Programs include opportunities to learn the basic business skills required of working professionals as well as job- and genre-specific programs aimed at increasing expertise. To enable all employees practicing diverse workstyles to pursue skills development, we are also working to expand short-term learning programs and distance learning.

b. Career support (Assessment system, open entry, FA system)

Our basic approach to Group management of systems related to human resources is to respect individuality and to strive for human resource development that respects the uniqueness and desires of each individual. For department stores in Japan, we have established a human resource management structure that allows employees to outline their career paths autonomously. As part of our support for career realization, we have created position-specific job standards that define matters such as necessary duties, work experience, credentials (training courses), qualifications, and definitions of HR requirements. Using these definitions of HR requirements outlined in these job standards as a guide, we strive for planned skills development by enabling employees and their supervisors to visualize differences between the employee's current level and required skills or the difference between the employee's skill level and the skills required of their desired career. The Group has also established the following as a framework for enabling individual employees to convey their intentions related to their own career development.

●Assessment system

Once a year, employees use skill evaluation assessments (capabilities and skills required for each position) to clarify the difference compared to their current level and reflect those results in their future skills development plans. The company then confirms self-generated reports by the employees (expression of intent concerning path, career plans) and factors these reports into job rotations.

- Open entry, FA system

This system incorporates the employee's strong feelings for specific jobs into our job rotations to promote employees forming their own careers based on their own desires. Through a system that allows employees to request desired jobs and manifesting those desires through our job assignments, we support the employee journey to become a professional with dedicated skills.

- c. Employee engagement visualization and improvement

As a major pillar of our human capital management efforts, we promote initiatives aimed at visualizing and improving employee engagement.

First, to promote health management, we newly added engagement-related items to the "Stress Check" survey that we conduct for all employees. We are pursuing organization building that measures both mental health (stress) and engagement to achieve higher productivity.

To improve employee engagement, in addition to improving our workplace environments and organizational culture, enhancing various systems, and operating a human resources system that employees appreciate, we also use the results of surveys from each company, department, store, and workplace to identify issues and make improvements. We ascertain issues and evaluate and implement measures for each workplace, and then implement a PDCA cycle to validate and confirm the status of progress for those measures.

The employees of business partners (Rose Staff at department stores) are on the front lines of sales at department stores, and these staff are extremely important to Group operations. To make department stores more profitable, it is essential that we create a comfortable working environment and increase satisfaction and sense of unity among staff and employees. To this end, we regularly conduct surveys targeting Rose Staff to visualize their satisfaction levels, concerns, and dissatisfactions, and work to improve staff satisfaction by taking timely actions towards improvement. Through such efforts, we will work to create a structure that enables sustainable growth by generating motivation towards work, improving productivity, increasing human resource retention, and cultivating a sense of unity.

- d. Promoting diversity

To realize a society in which we leave no one behind, the goal of the SDGs, we must respect the human rights, individuality, and values of all people, and mutually accept differences in culture and customs. It is essential that we strive to build a society that promotes advancement for all people, regardless of age, gender, sexual orientation, gender identity, or disability.

Our Group engages in initiatives aimed at creating an environment in which human resources of diverse values and lifestyle backgrounds can fulfill their maximum potential and that promotes mutual growth for employees and the company. Based on the Policy for Promoting Diversity we formulated in 2020, we pursue initiatives that promote respect for diverse values and abilities, and that lead to corporate growth. Moving forward, we will work towards the realization of diversity and inclusion that enables all individuals to maximize their potential and feel motivated.

Policy on promoting diversity

1. Under the Takashimaya Group management philosophy of “Putting People First”, we position and promote diversity as a driver of growth.
2. We strive to create an environment that promotes healthy advancement for all people, that is free of discrimination and harassment, and that overcomes the various differences between people working together, including race/nationality, age, gender, sexual preference, sexual identity, physical disability, employment type, or workstyle, to respect the human rights of all people and accept diverse uniqueness and perspectives.
3. We will aim to be a corporate Group in which all people feel motivated and proud to work in the Takashimaya Group. We will create an environment in which people learn from each other and that supports people being able to maximize their individual capabilities, skills, and ideas towards the continuous creation of new value.

To promote advancement for women and achieve gender equality, it is essential that we dispel with fixed gender role perceptions and enable both men and women to achieve a balance between childcare and work. Takashimaya Co., Ltd. supports the 100% Childcare Leave Declaration for Men and strives to create a comfortable workplace regardless of gender by setting numerical targets and identifying issues related to opportunities for women, including formulating an action plan for women's opportunities for advancement.

As part of these efforts, we conduct diversity education for managers and supervisors, including topics such as women's advancement and gender equality. Specifically, we provide unconscious bias training and other education on the impact that diversity and inclusion have on organizations, including sharing specific examples with the objective of raising awareness of employee consciousness and behavior.

Additionally, we conduct diverse subordinate development training through which we provide learning opportunities for employees regarding how to communicate with subordinates who may have various constraints or individual circumstances, such as childcare or family care needs, and to more smoothly manage the workplace. By implementing diversity education for managers and supervisors, we are helping stimulate communication and foster an open workplace culture where a diverse employees can thrive.

e. Promoting work-life balance

Takashimaya is a Group that proposes lifestyle culture. To propose an enriched lifestyle, our employees must be able to live a comfortable life.

The Group will establish a wide range of systems for supporting each person's efforts to design their own career vision and lifestyle, including developing the support mechanisms and systems necessary for employees to realize their own vision, so that employees and their families can have enriched and comfortable lives.

In 2015, among the companies certified by the Minister of Health, Labor and Welfare as Childcare Support Companies (Kurumin Certification), Takashimaya Co., Ltd. and Okayama Takashimaya Co., Ltd. were awarded the Platinum Kurumin Certification as companies implementing more advanced initiatives.

In 2017, we received the Prime Minister's Award as a Leading Company Where Women Shine in recognition of our outstanding achievements in policy, initiatives, achievements, and information disclosure related to the promotion of women to executive and managerial positions. (Received as Takashimaya Co., Ltd.)

As a corporation that considers employee health management from a business perspective and takes strategic initiatives, we were certified to the large enterprise category of the 2023 Certified Health & Productivity Management Outstanding Organizations Award by the Ministry of Economy,

Trade and Industry. (Certified as Takashimaya Co., Ltd.) To maintain and improve the health of our employees and further improve work-life balance, we are working to reduce overtime work and promote health and safety.

(ii) Metrics and targets

As indicators for promoting human capital management, we set metrics and the following numerical targets related to promoting diversity and promoting workstyle reform, which we identify as core ESG issues. We are promoting Group-wide initiatives to achieve these metrics.

Metrics	Results		Target	
	FY2023	FY2025	FY2026	FY2030
Rate of women in management positions *1	28.6%	35.4%	36.4%	40.0% or higher
Paid leave acquisition rate*2	75.9%	80.0%	82.0%	100.0%
Per-capita productivity *3 (Operating profit /employee)	6.8 million yen	4.7 million yen	5.0 million yen	6.6 million yen

*1. Calculated based on the definition of management positions set forth in the Act on the Promotion of Women's Active Engagement in Professional Life. Figures are for Takashimaya Co., Ltd., consolidated subsidiaries in Japan, and unconsolidated subsidiary Takashimaya Transcosmos International Commerce Japan Co., Ltd. (As of March 1st)

*2. Calculated using the number of days granted as annual paid leave based on the Labor Standards Act as the denominator and the number of days taken as the numerator. Figures are for Takashimaya Co., Ltd., consolidated subsidiaries in Japan, and unconsolidated subsidiary Takashimaya Transcosmos International Commerce Japan Co., Ltd.

*3. Calculated using the consolidated number of employees including overseas subsidiaries at the end of the fiscal year in question as the denominator and annual consolidated operating profit as the numerator.

3. Business and Other Risks

Of the matters related to the status of operations and accounting indicated in our financial statements, the following are risks with the potential to have a serious impact on investor decisions.

Forward-looking statements indicated in this document are judgments made by us at the end of the current consolidated fiscal year. Furthermore, please note that the following information is not intended to be a comprehensive representation of all risks associated with our business.

The risk of damage to our reputation due to incidents such as a legal violation related to business expansion into a new growth domain, an information leak, or an accident that causes customers to incur losses, is something that is inherent to all the risks indicated below. We prioritize reinforcing compliance over all other matters, and senior management takes a strong-willed approach to strengthening the risk management system for the entire Group and working to enhance our internal controls and the functions of our Board of Directors.

(1) Risks associated with our external environment

We mainly assume the external environment of the Department Store segment, which is our main business.

(i) Domestic population decline and depopulation of regional cities due to changes in social structures

<Risks and opportunities> Impact level = Major

Risks	*Market contraction due to declining birthrates, aging population, and the depopulation of regional cities *Difficulty securing necessary human resources due to worker population decline
Opportunities	*Promote effective utilization of human resources through reskilling

<Response measures>

To respond to the inevitable changes occurring in our external environment, department stores will continue to reorganize sales floors in line with customer interests and preferences, strengthen sales of unique products aligned with ethical consumption trends, and strive to offer an attractive product selection. We will also strive to create a sales structure that responds to diversifying needs and increases motivation and opportunities to visit our stores by providing products that contribute to overall improvement in lifetime value (LTV). Beyond mere product sales, these also includes services such as financial services and nursing care services. Furthermore, we will increase contact points with customers by strengthening EC channels that do not depend on brick-and-mortar sites and distribute mail-order catalogs to areas where there are no department stores.

We will develop hubs that enhance our function as an anchor for cities, develop new content for non-commercial segments by forming alliances with other industries and external companies, and aggressively work to increase store visits by promoting the appeal of each hub as a dynamic spaces for various functions and services.

To address the declining working population, in addition to actively promoting recruitment activities that do not focus solely on new graduates, we will also hire specialists, proactively recruit foreign workers. We will also work to enhance our buying skills to strengthen our product selections and develop human resources within the company by promoting reskilling.

(ii) Natural disasters (earthquakes, typhoons, floods, etc.), war, terrorism

<Risks and opportunities> Impact level = Major

Risks	*Loss of business opportunities due to damage to stores and other operating assets *Loss of business opportunities due to disruption to transportation and communication networks *Negative impact on funding due to financial market turmoil
Opportunities	*Contributions to community safety and security initiatives

<Response measures>

Our Group has hubs in both West Japan and East Japan. Even in the event of a large-scale, wide-spread disaster, we have established a system for quickly establishing a crisis management

headquarters in either West Japan or East Japan to coordinate information and provide direction without impairments to the chain of command. We also are thoroughly implementing BCP measures, such as preparing a relief system for damaged stores, promoting a transition to cloud computing to prevent the loss of important data, and preparing various infrastructures and equipment to ensure a minimum level of business continuity.

From the perspective of fulfilling the social missions required of a company with hubs in major cities, in addition to securing spaces in store facilities in advance to accommodate people who are unable to return home following a large-scale disaster, we have also established a system to enable immediate relief activities for disaster victims, including coordinating with our suppliers in advance to enable donations of over-the-counter products centered on lifestyle-related goods.

Furthermore, events such as wars and terrorism could cause turmoil in various markets on a global scale, hinder proper pricing, and cause unexpected losses. If this impact reaches the financial markets, there is a risk that the Group will not be able to procure funds under the conditions we normally seek. While we currently have secured necessary capital, we will also ensure sufficient liquidity on hand through various funding methods in anticipation of future risk scenarios.

(iii) New pandemics

<Risks and opportunities> Impact level = Particularly major

Risks	*Loss of business opportunities due to store closures or reduced operating hours *Decline in consumer sentiment and decrease in frequency of store visits
Opportunities	*Business developments in response to new social environment and consumer behavior *Asset diversification, Group business growth driven effective utilization of business assets

<Response measures>

Based on our experience and lessons learned from COVID-19, we will work to further stabilize management by reevaluating our business portfolio to minimize the potential impact of such a pandemic. In addition to further strengthening our department store business base, we will actively expand our businesses in growth domains such as the Commercial Property Development Segment and the Finance Segment.

In addition to improving the attractiveness of brick-and-mortar stores, we will actively incorporate mechanisms for non-contact sales, including strengthening and expanding non-store sales channels such as e-commerce, and introducing a remote customer service system that utilizes digital technology.

(2) Risks related to Group management

(i) Occurrence of human rights issues related to business activities

<Risks and opportunities> Impact level = Particularly major

Risks	*Decline in reputation due to discriminatory treatment (based on nationality, gender, etc.) during customer service or in media expressions *Decline in reputation due to insufficient privacy protection *Decline in reputation due to human rights issues (unfair labor, discrimination, etc.) along the supply chain or losses incurred from a boycott, etc.
Opportunities	*Earn trust of stakeholders and increase Takashimaya fans by practicing management that respects human rights

<Response measures>

Since our founding in 1831, the Group has embraced the spirit of respecting human rights. This was first outlined in the Store Creed that served as a code of conduct for business and stated, "Treat customers equally and do not discriminate based on wealth or position."

Based on the spirit of the Store Creed, we will continue to reinforce respect for human rights among all employees.

To practice management that respects human rights, the Takashimaya Group CSR Committee, which is chaired by the President, will confirm progress and ensure responses across the entire Group.

We also actively encourage our vendors and business partners to understand and support our approach to and stance on respecting human rights, and will collaborate to address social issues through our business activities.

To prevent and correct any human rights risks along the supply chain, we will build a human rights due diligence structure that is in accordance with the "Guiding Principles on Business and Human Rights" adopted by the United Nations Human Rights Council.

(ii) Delays in ESG strategy initiatives

<Risks and opportunities> Impact level = Particularly major

Risks	<ul style="list-style-type: none"> *Loss of trust from stakeholders *Damage to brand value, the backbone of Group revenues *Decline in reputation due to legal violations, operating loss
Opportunities	<ul style="list-style-type: none"> *Establish our social reputation and purpose

<Response measures>

Through our ESG strategy, we aim to resonate with our stakeholders by providing environmental, social, and governance value that is unique to the Takashimaya Group. While working to resolve social issues and achieve business growth, we are aiming to realize a sustainable 21st-century world in which everyone prospers.

To steadily promote ESG strategy, we have established a Group Environmental and Social Contribution Subcommittee to enhance policy and progress management from a group perspective to enable more uniform and effective management activities.

As detailed environmental initiatives, we will promote zero carbon by implementing energy conservation measures and switching to renewable energy. By offering value unique to the Takashimaya Group, we will create new culture and fulfill a leading role in driving the next generation of trends, including proposing product development that balances environmental load reduction with design and functionality, and product proposals, facilities, and services that emphasize a respect for diversity (inclusiveness).

To address social issues, we will formulate basic guidelines to promote the acceptance of diverse values, including establishing employment relationships based on respect for human rights, and providing equal wages, educational opportunities, and welfare benefits regardless of nationality, race, religion, LGBTQ+, etc. Furthermore, we will cultivate awareness to promote the permeation of this approach.

In relation to governance, to ensure that the Board of Directors is fulfilling its required roles and responsibilities, and to confirm that we are developing the necessary structures and that the Board of Directors is exerting its functionality, once a year we survey all directors and auditors and, based on those results, hold individual interviews with outside directors and auditors to evaluate the effectiveness of the Board of Directors. Furthermore, we will strive to improve the effectiveness of the Board of Directors by thoroughly implementing the PDCA cycle, such as promptly reflecting the points for improvement obtained from the evaluation results at the next year's Board of Directors meeting.

The Takashimaya Group has also established the Takashimaya Group CSR Committee, which is chaired by the President. In addition to reinforcing compliance management, the committee confirms and validates the status of group-wide internal controls and the status of initiatives in the CSR domain aimed at addressing new societal issues. We also established the Takashimaya Group Compliance Hotline, a Harassment Hotline, a Labor Affairs Hotline, and a Legal Affairs Hotline, all of which accept anonymous reports of misconduct and other reporting. These hotlines serve as a mechanism for receiving a greater number of internal reports and work to enhance self-action while ensuring that persons submitting a report are protected from unjust treatment. We will further strengthen the monitoring and the three lines of defense to cover the entire group, including subsidiaries and sub-subsidiaries, which are increasing in line with business expansion both in Japan and overseas.

(iii) Delays in responding to digital transformation

<Risks and opportunities> Impact level = Major

Risks	*Interference with identifying new needs and developing new customer segments *Negative impact on Group cost structure *Information leaks *Increased costs for IT maintenance
Opportunities	*Improved business efficiency from steadily promoting digital transformation *Accurately appeal to targets via new information dissemination methods

<Response measures>

We will strive to improve the IT literacy of Group employees and each organization in order to steadily promote digital transformation and maximize its effects. We will also develop measures to respond to new customer needs, such as an online reservation system that utilizes digital technology and remote customer service. For cost structure reform, we will promote the simplification of sales procedures and business procedures using digital technology to improve operational efficiency and optimize our human resources. For information security, we will regularly review our security policy from the perspective of information security and engage in strict system management based on that policy. As part of our management plan, we will work to control IT system maintenance costs by optimizing IT-related long-term investment plans and budgets.

(iv) Risks related to businesses we are working to grow

a) Delays in implementing EC business expansion strategy initiatives

<Risks and opportunities> Impact level = Major

Risks	*Delays in diverging from business model dependent on brick-and-mortar stores *Delays in improving logistics expenses and other high-cost structures
Opportunities	*Business developments aligned with new lifestyles and consumer trends

<Response measures>

To rapidly strengthen EC sales and establish a strong revenue base, instead of initiatives based on simple sales strategies, we will build a promotion project directly overseen by the President to proactively promote company-wide and group-wide evaluations. Through this project, we will distinguish ourselves from our competitors by promoting OMO (Online Merges with Offline), which aims to create synergy by eliminating the barriers between physical stores and online stores to offer attractive products and original products and services unique to department stores that cannot be provided by businesses only conducting e-commerce.

In anticipation of increased logistics costs due to revisions to the Labor Standards Act (upper limit on overtime hours for automobile driving) taken effect from April 1, 2024, we will prepare an EC shipping warehouse and improve the efficiency of our delivery scheme. We will work to establish a profit base by streamlining operations and reducing costs.

b) Delays in implementing finance business expansion strategy initiatives

<Risks and opportunities> Impact level = Major

Risks	*Delays in Group business expansion
Opportunities	*Develop new customer segments

<Response measures>

In order for the finance business to contribute to the formation of a solid customer base for the entire Group, we will continue working to increase customer satisfaction by developing new services, strengthening consulting, and enhancing product selections by promoting closer cooperation between department store sales staff and VIP customer sales staff.

To accelerate the expansion of the Finance segment, we will engage in the investment and asset management business through alliances with asset management firms.

c) Overseas business expansion

<Risks and opportunities> Impact level = Major

Risks	*Fluctuations in asset value and delays in investment recovery due to sudden changes in political and economic conditions and foreign currency fluctuations *Disruptions in governance due to cultural and religious differences with local employees
Opportunities	*Establishment of a strong business base and overseas business expansion through business development that accounts for country risks

<Response measures>

To enable prompt management decisions and course corrections, we have established local subsidiaries and provide initiatives for those companies. We will strive to ensure thorough global governance by strengthening the three lines of defense including timely information sharing with the group headquarters through remote meetings and using self-inspection sheets to check operating status. We will also establish employment relationships with local employees based on respect for human rights, and provide equal wages, educational opportunities, and welfare benefits regardless of nationality, race, religion, or LGBTQ+ identity. We will also actively promote skill development towards appointing local employees to executive positions, and work to share common goals and awareness as members of the same Takashimaya Group.

(v) Supply chain disruption

<Risks and opportunities> Impact level = Major

Risks	*Interference with department store product procurement or decline in attractiveness of merchandise due to the bankruptcy or cease of operations by a business partner *Decline in rental income due to decline in tenant ability to pay rent *Decline in attractiveness of sales floor space due to sales floor layout disruption
Opportunities	*Improve the attractiveness of merchandise and secure stable profits by building strong relationships with business partners

An analysis of the risks of losses due to a decline in reputation, boycotts, etc. due to human rights issues (unfair labor, discrimination, etc.) along the supply chain is provided in "(2)- (i) Occurrence of human rights issues related to business activities."

<Response measures>

The Group has formulated the Takashimaya Transaction Guidelines to strive for coexistence and mutual prosperity by ensuring compliance with all relevant laws and regulations and to promote transactions based on CSR from a broad perspective in the series of transactions related to production, manufacturing, and distribution processes.

Guidelines thus far were aimed at business partners from whom we purchase products. However, in January 2024, we revised these guidelines into the Takashimaya Group Transaction Guidelines to promote business activities based on partnerships with business partners with whom we have various business relationships.

The new Takashimaya Group Transaction Guidelines add the new perspective of "respect for human rights" and place emphasis on business activities based on legal compliance and the creation of a sustainable supply chain. In accordance with these guidelines, we will share goals with major business partners and collaborate towards achieving those goals, maintain and improve the freshness of our merchandise by cultivating new business partners, and increase our ability to procure merchandise by expanding direct transactions with upstream companies.

For the Commercial Property Development in Japan and Overseas Commercial Property Development segments, we will further strengthen joint promotional activities with specialty store tenants. For tenants in difficult financial conditions, we will work towards initiatives based on the principle of coexistence and mutual prosperity, including the temporary allocation of security deposits towards rent payments and by providing financial support such as rent payment deferrals.

4. Management Discussion and Analysis: Financial Position, Operating Results, and Cash Flows

(1) Summary of operating results

The status of our Group's financial position, operating results, and cash flows for the current consolidated fiscal year are as detailed below.

(i) Status of financial position and operating results

a. Financial position

	Millions of yen			YoY (%)	Thousands of U.S. dollars
	Current consolidated fiscal year	Previous consolidated fiscal year	YoY change		Current consolidated fiscal year
Total assets	¥1,270,476	¥1,178,201	¥92,275	7.8%	\$8,432,176
Liabilities	¥791,674	¥741,719	¥49,955	6.7%	\$5,254,357
Net assets	¥478,802	¥436,482	¥42,320	9.7%	\$3,177,819
Equity ratio	35.7%	35.1%	—	0.6%	—

b. Operating results

	Millions of yen			YoY (%)	Thousands of U.S. dollars
	Current consolidated fiscal year	Previous consolidated fiscal year	YoY change		Current consolidated fiscal year
Operating revenue	¥466,135	¥443,443	¥22,692	5.1%	\$3,093,748
Operating profit	¥45,938	¥32,520	¥13,418	41.3%	\$304,891
Ordinary profit	¥49,199	¥34,521	¥14,678	42.5%	\$326,535
Profit attributable to owners of parent	¥31,621	¥27,839	¥3,782	13.6%	\$209,869

(Segment-specific results)

	Millions of yen			YoY (%)	Thousands of U.S. dollars
	Current consolidated fiscal year	Previous consolidated fiscal year	YoY change		Current consolidated fiscal year
Consolidated operating revenue	¥466,135	¥443,443	¥22,692	5.1%	\$3,093,748
Department Store	¥338,521	¥321,220	¥17,301	5.4%	\$2,246,771
Commercial Property Development	¥51,948	¥47,513	¥4,435	9.3%	\$344,780
Finance	¥17,438	¥17,206	¥232	1.3%	\$115,737
Construction & Design	¥27,946	¥22,692	¥5,254	23.2%	\$185,478
Others	¥30,282	¥34,812	¥(4,530)	-13.0%	\$200,982
Consolidated operating profit (losses)	¥45,938	¥32,520	¥13,418	41.3%	\$304,891
Department Store	¥29,650	¥18,410	¥11,240	61.1%	\$196,788
Commercial Property Development	¥12,042	¥9,267	¥2,775	30.0%	\$79,923
Finance	¥4,609	¥4,513	¥96	2.1%	\$30,590
Construction & Design	¥(731)	¥16	¥(747)	—	\$(4,852)
Others	¥1,492	¥1,419	¥73	5.1%	\$9,902

(ii) Cash flows

	Millions of yen			YoY (%)	Thousands of U.S. dollars
	Current consolidated fiscal year	Previous consolidated fiscal year	YoY change		Current consolidated fiscal year
Cash flows from operating activities	¥59,537	¥36,498	¥23,039	63.1%	\$395,148
Cash flows from investing activities	¥(38,501)	¥(10,707)	¥(27,794)	—	\$(255,532)
Cash flows from financing activities	¥(20,601)	¥(32,429)	¥11,828	—	\$(136,729)
Cash and cash equivalents	¥92,899	¥88,631	¥4,268	4.8%	\$616,573

(iii) Production, orders received, and net sales

a. Production results

Segment-specific production results for the current consolidated fiscal year are as follows.

Segment name	Millions of yen	YoY (%)	Thousands of U.S. dollars
	Net production		Net production
Construction & Design	¥27,112	21.9%	\$179,943
Total	¥27,112	21.9%	\$179,943

(Notes)

1. We conduct offsetting for intersegment transactions.
2. Amount is based on sales prices.
3. No applicable information for the segment other than the above.

b. Orders received

Segment-specific orders received for the current consolidated fiscal year are as follows.

Segment name	Millions of yen	YoY (%)	Thousands of U.S. dollars	Millions of yen	YoY (%)	Thousands of U.S. dollars
	Net orders received		Net orders received	Net orders balance		Net orders balance
Construction & Design	¥33,727	15.5%	\$223,847	¥21,774	43.6%	\$144,515
Total	¥33,727	15.5%	\$223,847	¥21,774	43.6%	\$144,515

(Notes)

1. We conduct offsetting for intersegment transactions.
2. No applicable information for the segment other than the above.

c. Net sales

Segment-specific net sales for the current consolidated fiscal year are as follows.

Segment name	Millions of yen	YoY (%)	Thousands of U.S. dollars
	Current consolidated fiscal year		Current consolidated fiscal year
Department Store	¥338,521	5.4%	\$2,246,771
Commercial Property Development	¥51,948	9.3%	\$344,780
Finance	¥17,438	1.3%	\$115,737
Construction & Design	¥27,946	23.2%	\$185,478
Others	¥30,282	-13.0%	\$200,982
Total	¥466,135	5.1%	\$3,093,748

(Notes)

1. We conduct offsetting for intersegment transactions.
2. Net sales include sales revenue from other operating revenue.

(2) Financial Position, Operating Results, and Cash Flows Subjected to Management Discussion and Analysis

Disclosed below is the management discussion and analysis (MD&A) for the operating results, financial position, and cash flows.

All forward-looking statements in the MD&A are based on assumptions considered reasonable as of the end of the consolidated fiscal year under review.

(i) MD&A: Financial Position, Operating Results, and Cash Flows in the Consolidated Fiscal year Under Review

a. Recognition of Financial Position, Operating Results, and Cash Flows

During the fiscal year under review, the Japanese economy further moved towards normalization as the government downgraded COVID-19 to a Class 5 infectious disease in May 2023.

Looking at consumer sentiment, consumer spending recovered gradually despite negative real wage growth that has not kept pace with the rising cost of living. Furthermore, yen depreciation drove increases in inbound demand. At the same time, there are concerns of a deceleration in spending driven by increasing consumer sentiment towards thrift despite the current rebound following a period of constrained spending due to COVID-19. With market price per share at high levels and the trend towards yen depreciation, there remains a continued need to carefully examine the external factors influencing spending.

Amid this environment, we positioned the fiscal year under review, the final year of our Medium-Term Management Plan (FY2021-2023), as an extremely important year for creating the management platform necessary to transition from the phase of recovering from COVID-19 to achieving new sustainable growth and taking our next leap forward. Applying our Group-wide Machi-dukuri Strategy, we worked towards enhancing the value of the Takashimaya brand by promoting our management goals: 1) Making the department stores more profitable, 2) Promoting human capital management, 3) Group companies building a competitive advantage, and 4) Taking ESG strategy further.

With respect to ESG management, which is particularly rooted in value provision, we engaged in our role as a platform for supporting lifestyles, culture, and local communities by working with customers, vendors, and the local communities to promote initiatives aimed at realizing fulfilling and enriched lifestyles.

Some of our major initiatives included enhancing efforts related to TSUNAGU ACTION, sales activities proposing sustainable lifestyles by offering products and services focused on themes of eco & ethical. Through Depart de Loop, a sustainable/circular business for collecting unwanted clothing to be renewed into new products, we began selling products made from denim collected the previous fiscal year and also expanded products eligible for collection to include cosmetics and cosmetic containers.

To promote decarbonization, Takashimaya concluded a new agreement for procuring electricity derived from renewable energy directly from the operator. Through this scheme, we began providing a portion of the electricity consumed at the Yokohama Store since April 2023.

As initiatives related to social issues, we increased store closure days for Group commercial facilities with the intent of securing human resources by improving work environments for employees, including vendor employees, and increasing our attractiveness as a place to work. In response to the 2024 Problem in Logistics (*1), we are reevaluating late-night product inspections and switching delivery times, which previously were scheduled for prior to the store opening, to after business hours. Through these industry-leading initiatives, we are working to mitigate driver fatigue.

b. Financial Position

Total assets as of February 29, 2024 amounted to 1,270,475 million yen, up 92,274 million yen from the end of the previous fiscal year. This was mainly due to an increase of 46,849 million yen in right-of-use assets relating to the renewal of lease contracts at overseas subsidiaries and impact of foreign currency exchange due to the weak yen, an increase of 22,796 million yen in investment securities relating to rises in share prices, additional purchases of shares of affiliates, and growth in financial performance of entities accounted for using equity method, and an increase of 13,503 million yen in notes and accounts receivable – trade, and contract assets relating to increased sales.

Liabilities amounted to 791,673 million yen, up 49,954 million yen from the end of the previous fiscal year. This was mainly due to an increase of 46,636 million yen in lease liabilities relating to the renewal of lease contracts at overseas subsidiaries and impact of foreign currency exchange due to the weak yen, despite a decrease of 4,631 million yen in interest-bearing debt.

Net assets amounted to 478,802 million yen, up 42,319 million yen from the end of the previous fiscal year. This was mainly due to an increase of 26,738 million yen in retained earnings as a result of an increase of 31,620 million yen in profit attributable to owners of parent, a decrease of 4,889 million yen in dividends paid, among others, an increase of 5,238 million yen in foreign currency translation adjustment relating to the weak yen, an increase of 5,196 million yen in remeasurements of defined benefit plans relating to changes to the discount rate resulting from a rise in interest rate, and an increase of 3,578 million yen in valuation difference on available-for-sale securities resulting from rises in share prices.

Consequently, equity ratio amounted to 35.7% (up by 0.6 pts compared to the previous fiscal year) and net assets per share amounted to 2,878.82 yen (up by 258.39 yen compared to the previous fiscal year).

c. Operating Results

Our earnings for the fiscal year under review were operating revenue of 466,134 million yen (increase of 5.1% YoY), operating profit of 45,937 million yen (increase of 41.3% YoY), ordinary profit of 49,199 million yen (increase of 42.5% YoY), and profit attributable to owners of parent of 31,620 million yen (increase of 13.6% YoY).

Return on equity (ROE) was 7.3%, EBITDA(*2) to total assets ratio was 5.6%, the ratio of net interest-bearing debt to EBITDA was 1.7, equity ratio was 35.7% and the SG&A to total operating revenue ratio was 24.4%.

Non-consolidated performance for the fiscal year under review was net sales of 287,325 million yen (increase of 1.1% YoY), operating profit of 19,580 million yen (increase of 90.3% YoY), ordinary profit of 32,152 million yen (increase of 102.1% YoY), and net profit of 25,031 million yen (increase of 46.9% YoY).

Segment-specific earnings for each business are as follows.

<Department Store>

The Department Store segment recorded operating revenue of 338,521 million yen (increase of 5.4% YoY) and operating profit of 29,650 million yen (increase of 61.1% YoY).

Looking at domestic department stores, the number of customers visiting stores increased with the normalization of socioeconomic activities. Domestic net sales (excluding inbound net sales) were firm, particularly for fashion-related products such as women's clothing, men's clothing, and cosmetics. Inbound net sales were favorable on luxury brands and other high-ticket items as sales were propelled by an increase in per-customer sales due to yen depreciation. Throughout the year, many customers were attracted by regional product exhibits such as the Great Hokkaido Fairs, special exhibitions held in collaboration with popular television programs, and events planned to coincide with the seasons. Takashimaya Group also made efforts related to disseminating history and culture. Takashimaya Archives (Osaka) conducted activities related to collecting and preserving art and documents relevant

to Takashimaya's history. Takashimaya Archives TOKYO provided information related to new lifestyle and culture. In addition to these activities, held folk art exhibits and various special cultural events. As an initiative to increase the appeal of shops and attract new customers, Takashimaya also opened lifestyle shops in major stores as part of a collaborative effort with vendors.

In response to consumer trends following COVID-19, we steadily advanced initiatives aimed at making the department stores more profitable, including by offering merchandise that balances trends with quality to quickly respond to customer needs and by planning and developing highly innovative events and promotional campaigns.

Takashimaya Group also addressed the gross margin ratio of department store shops, which is recovering. In addition to net sales growth for fashion-related products, which have a high margin ratio, efforts to increase net sales from retail priced products with high profit margins in each category contributed to overall performance.

Also, the cost-optimization program implemented at major stores during the previous fiscal year was expanded to all stores this fiscal year to promote cost reductions.

Increasing net sales by strengthening merchandise appeal, improving product margin ratio, and various cost reduction initiatives are producing results as the Takashimaya Group converts to a management structure that is capable of generating stable profits.

For e-commerce, Takashimaya Group engaged in various efforts to increase the appeal of our online store, including expanding cosmetics merchandise and reducing delivery lead times by shifting to a centralized warehouse for shipping previously managed by each store. However, net sales fell short of goals due in part to the impact of increased visitors to brick-and-mortar stores. On the other hand, as a new initiative, Takashimaya Group exhibited an independent booth at Virtual Market, one of the world's largest Metaverse (*3) events, for the first time. Our booth welcomed many visitors, particularly customers from younger generations as the event helped increase brand recognition for the Takashimaya Online Store.

In June 2023, R.T. Corporation, Ltd., which develops and operates restaurants and cafes, reopened Restaurant Rose in the Yokohama Store following renovations. Restaurant Rose meets the diverse needs of local customers by offering a menu featuring Western, Japanese, and Chinese cuisine. In November 2023, R.T. Corporation opened a Din Tai Fung restaurant in the Jiyugaoka neighborhood of Tokyo, marking the 28th location in Japan for the dim sum restaurant based in Taipei, Taiwan. The Din Tai Fung in Jiyugaoka uniquely features a menu offering xiao long bao made from Japanese black pork and an assortment of the most popular dishes that Din Tai Fung serves in Taiwan. The Din Tai Fung brand represents a strong commitment to ingredients and restaurant designs that capture market trends and customer needs, with some locations even offering private rooms and outdoor terrace seating, making Din Tai Fung a beloved choice for many customers.

Looking at overseas department stores, Takashimaya Singapore, which marked its 30th anniversary, propelled the overall segment by recording significant increases in net sales and operating profit thanks to firm net sales from domestic customers and a recovery in tourists. Takashimaya Ho Chi Minh City also recorded steady growth in increased revenue and profit thanks to an initiative involving incorporating Japanese brands, a first for Vietnam. Siam Takashimaya saw a decrease in losses thanks to a recovery in net sales driven by an increase in customers visiting stores, including tourists. Shanghai Takashimaya saw a significant increase in revenue thanks to a rebound in sales figures after store closures (67 days) the previous fiscal year due to COVID-19. On the other hand, cost increases were equally significant, resulting in a decrease in profit. We will work to achieve growth for overseas business by focusing on the economic environment and consumer trends in each country.

<Commercial Property Development>

Operating revenue from the Commercial Property Development segment was 51,948 million yen (increase of 9.3% YoY) and operating profit of 12,042 million yen (increase of 30.0% YoY), representing increased revenue and profit for both business in Japan and overseas.

Business in Japan for Toshin Development Co., Ltd. was strong on increased net sales from commercial facilities and a recovery in rent income.

T8, the specialty shop zone adjacent to the Kyoto store opened in October 2023, marking the opening of the Kyoto Takashimaya Shopping Center. Floors ranging from the Basement 1st floor to the 7th floor featuring everything from modern art and Japan's world-famous subculture to entertainment and food offer eight distinct spaces for customers to enjoy. Since its opening, the Kyoto Takashimaya S.C. has been visited by a great many customers, both from within Japan and overseas. The Kyoto store is also seeing an increase in younger customers and customers from farther away, indicating that the department store and T8 are generating a positive synergy effect. The Takashimaya Group engages in a wide range of attractive operations, including department stores, specialty stores, finance, and dining. Operating commercial facilities that flexibly combine these various products and services is our unique business model, and we will continue applying this business model towards achieving sustainable growth by rapidly responding to the characteristics of each local community and future market changes.

We also completed renovations and reopened Tachikawa Takashimaya Shopping Center in November 2023. We are working to offer products and services that address the needs of the local community through a facility featuring tenants that address daily needs and by offering experiential content.

In March 2023, Toshin Development Co., Ltd. concluded a Comprehensive Partnership Agreement on Community Revitalization with Nagareyama City in Chiba Prefecture. We are partnering with the local government on revitalization efforts in the local region by strengthening collaborations in areas such as city development, child-rearing, and disaster response. At the Nagareyama Otakanomori Shopping Center, in May 2023 we completed renovations and reopened a commercial facility based on the space under the elevated Tsukuba Express station. In June 2023, we opened a new local community center that provides local residents a space and opportunities to interact.

As a new business, Toshin Development Co., Ltd. will participate in a PPP project (*4) involving the utilization of land in front of the Rokucho Station in Adachi Ward, Tokyo. This represents the Group's first participation in a PPP project. Tsukuba Express Rokucho Station area land will be used to develop a multifunction commercial facility and bicycle parking. Takashimaya Group will use this project as an opportunity to expand our involvement in projects involving partnerships with local governments.

Overseas, Toshin Development Singapore Pte. Ltd. performed strongly on a recovery in rent income. In Vietnam, the Group expanded our local business foundation through a property leasing business specializing in educational facilities and a mixed-use development featuring housing, office space, and commercial space.

<Finance>

Operating revenue in the Finance segment was 17,437 million yen (increase of 1.3% YoY) and operating profit was 4,609 million yen (increase of 2.1% YoY).

Takashimaya Financial Partners Co., Ltd. recorded increased revenue and profit thanks to growth in net card transactions in the Card business, a profit pillar for the business, and the benefits of expanding its customer base in the Life Partner business.

The Card business recorded growth in net card transactions on efforts to increase the member enrollment amid an increase in customers visiting department stores and specialty stores as well as efforts to promote use at external partner stores. In August 2023, the business also began offering the Takashimaya Card (Business Platinum) American Express®, a credit card targeting business owners and sole proprietors. The Group is steadily increasing member enrollment and increasing customer satisfaction by generating synergy with department stores.

In the Life Partner business, the Group conducted seminars covering themes such as the new NISA scheme (*5) started this year and life planning for the 100-year life era. The business also established a help desk that covers both NISA and insurance. These efforts have led to a steady increase in consultations and enrollment applications.

In the Social Lending business, in October 2023 Takashimaya Group formed a business alliance with Bankers Co., Ltd., which possesses vast experience and know-how related to lending-based crowdfunding (*6). The first fund based on this alliance was formed in January and a second fund was formed in February 2024. Takashimaya Group will use this alliance as an opportunity to expand new transactions as Takashimaya Funding as we work to expand revenues from the Finance business and increase customer contact points for the Group.

SUGO-TSUMI (*7), which is offered through Takashimaya NEOBANK, began seeing customers whose accounts reach maturity use funds towards payment settlement. This service is seeing greater use from younger customers and male customers, and these customers have high average savings balances. The Group promoted an approach aligned with these characteristics to increase member numbers and the retention rate, and promote use towards payment settlement.

<Construction & Design>

Operating revenue from the Construction & Design segment was 27,945 million yen (increase of 23.2%) and operating loss was 731 million yen (same period of previous FY was operating profit of 16 million yen).

Takashimaya Space Create Co., Ltd. recorded increased revenue on an increase in orders received for commercial facilities, particularly hotels and other large-scale properties and luxury brand projects. However, the business recorded losses due in part to the impact of a temporary increase in costs for large-scale properties.

<Others>

Operating revenue from other businesses was 30,281 million yen (decrease of 13.0% YoY) and operating profit was 1,491 million yen (increase of 5.1% YoY).

Although revenue from the Cross Media business decreased on a recovery in in-store net sales at department stores, profit increased at Takashimaya Transcosmos International Commerce PTE. LTD. Overall, other businesses resulted in decreased revenue and increased profit.

(*1) 2024 Problem in Logistics

Problems associated with the June 2018 revisions to the Act to Promote Work Style Reform. As of April 2024, an upper limit of 960 hours per year (not including holiday work hours) will be applied to overtime for vehicle driver operations. Furthermore, with the Notice on Improvement Standards defining on-duty time for truck drivers (subject to administrative punishment in accordance with the Motor Truck Transportation Business Act), the regulation of on-duty hours will be further strengthened.

(*2) EBITDA

A metric used to evaluate the company net ability to generate cash.

For the Takashimaya Group this is calculated as the sum of consolidated operating profit and consolidated depreciation (excludes depreciation for the lease assets of overseas Group companies based on the application of IFRS 16).

(*3) Metaverse

A virtual space created on a communications network that can be accessed by multiple people and in which participants can move freely.

(*4) Public Private Partnership (PPP)

Projects where the government and the private sector partner on construction, maintenance, management, and operation of public facilities to utilize the creativity and ingenuity of the private sector to promote the efficient use of public funds and administrative efficiency.

(*5) New NISA scheme

Normally, when you invest in a financial product such as a stock or investment trust, a tax rate of roughly 20% is assessed against gains earned from the sale of the product and dividends received through the product. NISA is a scheme through which profits earned from financial products purchased through a NISA account (untaxed account) during a given year up to a certain amount to be untaxed. From January 2024, this scheme has been switched to a new framework with various new characteristics, including an unlimited tax-free retention period, the establishment of permanent accounts, and an expanded annual investment limit.

(*6) Lending-based crowdfunding

A service that links companies seeking to procure capital with investors seeking to lend money and earn interest. A middle-risk/middle-return financial product that allows investments beginning from small amounts, this type of funding is drawing attention from investors.

(*7) SUGO-TSUMI

Stands for Takashimaya no Sugoi Tsumitate (“Takashimaya’s amazing savings scheme”), one of the services offered through the Takashimaya NEOBANK app. Members who make monthly deposits of a specified amount for twelve months receive a bonus equivalent to one month’s deposit. This bonus is charged to their app as a shopping balance that can be used when shopping at Takashimaya.

d. Cash Flows

Net cash provided by operating activities was 59,536 million yen, an increase of 23,039 million yen from 36,497 million yen provided in the same period of the previous fiscal year. This was mainly due to an increase of 5,645 million yen in profit before income taxes.

Net cash used in investing activities was 38,501 million yen, an increase of 27,794 million yen (decrease in cash provided) from 10,707 million yen used in the same period of the previous fiscal year. This was mainly due to a decrease of 11,344 million yen in proceeds from sale and redemption of short-term and long-term investment securities and an increase of 11,235 million yen in purchase of shares of subsidiaries and associates.

Net cash used in financing activities was 20,600 million yen, a decrease of 11,828 million yen from 32,428 million yen used in the same period of the previous fiscal year. This was mainly due to a decrease of 16,693 million yen in purchase of treasury shares.

When exchange differences are added to the above cash flows, cash and cash equivalents as of February 29, 2024 amounted to 92,898 million yen, up 4,267 million yen from the end of the previous fiscal year.

(ii) Capital resources and liquidity

Concerning capital resources and liquidity, necessary operating capital and facility capital for the Group is procured through internal capital, capital from the liquidation of receivables, or external procurement (loans or corporate bonds). Of this capital, external procurement mainly consists of long-term, stable capital.

We also maintain lines of credit established through negotiations with financial institutions in Japan. We increase capital efficiency by using treasury management services (TMS, a framework for conducting centralized capital management for Group companies) to conduct capital lending to domestic Group companies. For overseas Group companies, we ensure operational liquidity by retaining sufficient cash on hand.

Furthermore, our interest-bearing debt balance (not including lease liabilities) as of the end of the consolidated fiscal year was 208,951 million yen.

(iii) Significant Accounting Policies, Significant Accounting Estimates, Basis of Calculation

We prepare consolidated financial statements in line with Japan's Generally Accepted Accounting Principles (J-GAAP). In preparing the statements, it is necessary for the management to choose an accounting method to apply and to make estimates that will influence the figures for assets/liabilities and profit/expenses that get reported and influence the way this information is presented. The management's estimates are reasonable, being informed by past results and other data. Nonetheless, estimates remain, by their nature, uncertain, and so there remains a possibility that actual results may differ from what estimates suggest.

The Company's significant accounting policies adopted in the preparation of its consolidated financial statements are described in NOTES TO CONSOLIDATED FINANCIAL STATEMENTS in Part 3 Financial Information.

In addition, accounting estimates and assumptions used in the preparation of the consolidated financial statements are described in (t) Significant accounting estimates of 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES in Part 3 Financial Information.

(iv) Objective metrics for judging the status of achievement for business policy, business strategy, and management targets

(Unit: 100 million yen)

Metric	FY2023	Management targets	Change
Total operating revenue	9,521	9,980	459
SG&A to total operating revenue	24.4%	24.5%	0.1%
Operating profit	459	500	41
Equity ratio	35.7%	38.1%	2.4%
ROE (Profit attributable to owners of parent/equity)	7.3%	7.3%	0.0%
EBITDA-Total assets ratio	5.6%	5.8%	0.2%
Ratio of net interest-bearing debt to EBITDA	1.7 times	1.5 times	-0.2 times
ROIC (return on invested capital)	5.5%	5.9%	0.4%

As objective metrics for analyzing operating results, our Group uses total operating revenue, SG&A to total operating revenue, operating profit, equity ratio, ROE, EBITDA- Total assets ratio, ratio of net interest-bearing debt to EBITDA, and ROIC.

To judge the status of achievement, we conduct comparisons with the results of the current consolidated fiscal year. For information on the process of setting targets, refer to “(2) Objective metrics for judging the status of target achievement” and “(3) Business Environment, Issues to be Addressed” under “1. Business Policies, Business Environment, Issues to be Addressed”.

5. Material contracts, etc.

None of note.

6. Research & Development Activities

None of note.

Part 3 Financial Information

CONSOLIDATED BALANCE SHEETS

Takashimaya Company, Limited and Consolidated Subsidiaries
February 29, 2024 and February 28, 2023

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2024	2023	2024
ASSETS			
Current assets:			
Cash and deposits (Notes 3 and 5)	¥94,752	¥90,841	\$628,871
Notes and accounts receivable - trade, and contract assets			
Trade (Notes 2, 4, 8 and 14)	156,262	142,259	1,037,114
Non-consolidated subsidiaries and affiliated companies (Note 2, 4, 8 and 14)	719	1,219	4,772
Other (Note 8)	18,951	11,182	125,778
Less: Allowance for doubtful accounts (Note 4)	(733)	(771)	(4,865)
	175,199	153,889	1,162,799
Inventories (Note 7)	37,136	36,356	246,473
Other	20,759	20,444	137,778
Total current assets	327,846	301,530	2,175,921
Property, plant and equipment:			
Land (Notes 10 and 11)	419,853	419,939	2,786,573
Buildings and structures (Notes 12)	476,856	459,069	3,164,903
Equipment and fixtures	48,872	46,819	324,365
Leased assets	6,713	7,316	44,554
Construction in progress	9,076	10,895	60,238
Right-of-use assets	180,092	118,948	1,195,275
	1,141,462	1,062,986	7,575,908
Less: Accumulated depreciation	(384,222)	(357,469)	(2,550,090)
Total property, plant and equipment	757,240	705,517	5,025,818
Intangible assets:			
Goodwill (Note 15)	2,468	2,394	16,380
Leasehold interests in land	11,270	11,126	74,799
Right-of-use assets	6,566	6,478	43,579
Other	15,270	17,086	101,347
Total intangible assets	35,574	37,084	236,105
Investments and other assets:			
Investment securities (Notes 4 and 6)	28,760	21,301	190,881
Investments in non-consolidated subsidiaries and affiliated companies (Note 4)	72,736	57,518	482,751
Guarantee deposits (Notes 4, 5 and 13)	25,949	27,076	172,224
Deferred tax assets (Note 9)	17,063	23,746	113,247
Other	7,471	6,790	49,585
Less: Allowance for doubtful accounts	(2,163)	(2,361)	(14,356)
Total investments and other assets	149,816	134,070	994,332
Total assets (Note 15)	¥1,270,476	¥1,178,201	\$8,432,176

The accompanying notes are an integral part of these statements.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2024	2023	2024
LIABILITIES AND NET ASSETS			
Current liabilities:			
Short-term borrowings (Notes 4 and 16)	¥5,000	¥5,000	\$33,185
Current portion of long-term borrowings (Notes 4, 9, 16 and 17)	38,580	4,660	256,056
Lease liabilities (Note 4)	8,347	10,369	55,399
Notes and accounts payable - trade:			
Trade (Notes 4 and 17)	115,857	103,384	768,945
Non-consolidated subsidiaries and affiliated companies (Note 4)	8,281	7,280	54,961
Other	19,707	25,720	130,796
	143,845	136,384	954,702
Income taxes payable	4,574	3,220	30,358
Accrued expenses	2,508	2,380	16,646
Provision for bonuses for directors (and other officers)	140	48	929
Gift certificates	41,869	43,571	277,886
Contract liabilities (Note 14)	98,647	96,912	654,722
Deposits received (Note 4)	66,409	55,544	440,758
Provision for point card certificates	2,190	2,202	14,535
Other	5,207	5,442	34,559
Total current liabilities	417,316	365,732	2,769,735
Non-current liabilities:			
Long-term borrowings (Notes 4, 16 and 17)	165,372	203,923	1,097,578
Lease liabilities (Notes 3 and 4)	128,515	79,857	852,957
Retirement benefit liability (Note 18)	39,103	50,206	259,527
Provision for retirement benefits for directors (and other officers)	264	248	1,752
Deferred tax liabilities (Note 9)	2,269	2,219	15,059
Deferred tax liabilities related to land revaluation (Note 11)	9,050	9,050	60,065
Asset retirement obligations	6,635	5,873	44,037
Provision for environmental measures	—	17	—
Other	23,150	24,594	153,647
Total non-current liabilities	374,358	375,987	2,484,622
Total liabilities	791,674	741,719	5,254,357
Contingent liabilities (Note 19)			
Net assets			
Shareholders' equity (Note 20):			
Share capital	66,025	66,025	438,209
Authorized: 300,000 thousand shares			
Issued: 177,759,481 shares in 2024 and 2023			
Capital surplus	54,791	54,791	363,649
Retained earnings	320,868	294,130	2,129,608
Less: Treasury shares	(32,692)	(32,690)	(216,977)
At cost: 20,028,578 shares in 2024			
20,027,587 shares in 2023			
Total shareholders' equity	408,992	382,256	2,714,489
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities	11,945	8,366	79,279
Deferred gains or losses on hedges	3	(1)	20
Revaluation reserve for land (Note 11)	3,972	3,972	26,362
Foreign currency translation adjustment	25,050	19,812	166,257
Remeasurements of defined benefit plans	4,117	(1,079)	27,325
Total accumulated other comprehensive income	45,087	31,070	299,243
Non-controlling interests:	24,723	23,156	164,087
Total net assets	478,802	436,482	3,177,819
Total liabilities and net assets	¥1,270,476	¥1,178,201	\$8,432,176

CONSOLIDATED STATEMENTS OF INCOME

Takashimaya Company, Limited and Consolidated Subsidiaries
Years ended February 29, 2024 and February 28, 2023

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2024	2023	2024
Operating revenue (Note 15):			
Net sales	¥385,831	¥368,864	\$2,560,769
Other operating revenue	80,304	74,579	532,979
	466,135	443,443	3,093,748
Operating expenses:			
Cost of sales	187,579	182,262	1,244,966
Selling, general and administrative expenses	232,618	228,661	1,543,891
	420,197	410,923	2,788,857
Operating profit (Note 15)	45,938	32,520	304,891
Other income (expenses):			
Interest and dividend income	3,335	1,952	22,134
Interest expenses (Note 17)	(5,691)	(5,177)	(37,771)
Loss on retirement of non-current assets (Note 22)	(2,904)	(1,907)	(19,274)
Gain (loss) on sales of investment securities, net (Note 6)	—	2,858	—
Gain on adjustment of unused certificates	1,500	1,421	9,956
Share of profit of entities accounted for using equity method	3,223	2,689	21,391
Impairment losses (Notes 15 and 23)	(5,591)	(5,019)	(37,108)
Foreign exchange gains (losses), net	329	614	2,184
Subsidy income (Note 24)	—	473	—
Gain on forgiveness of lease liabilities	94	14	624
Loss related to Covid-19 (Note 24)	—	(46)	—
Gain on sale of non-current assets (Note 22)	—	4,806	—
Gain on reversal of loss on store closings	88	—	584
Other, net (Note 10)	232	(290)	1,540
	(5,385)	2,388	(35,740)
Profit before income taxes	40,553	34,908	269,151
Income taxes (Note 9):			
Current	4,801	3,483	31,864
Deferred	2,739	2,533	18,179
	7,540	6,016	50,043
Profit	33,013	28,892	219,108
Profit attributable to non-controlling interests	(1,392)	(1,053)	(9,239)
Profit attributable to owners of parent	¥31,621	¥27,839	\$209,869

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Takashimaya Company, Limited and Consolidated Subsidiaries
Years ended February 29, 2024 and February 28, 2023

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2024	2023	2024
Profit	¥33,013	¥28,892	\$219,108
Other comprehensive income			
Valuation difference on available-for-sale securities	3,844	1,424	25,513
Deferred gains or losses on hedges	4	(1)	26
Foreign currency translation adjustment	3,421	5,976	22,705
Remeasurements of defined benefit plans, net of tax	5,190	(1,368)	34,446
Share of other comprehensive income of entities accounted for using the equity method	2,166	3,255	14,376
Total other comprehensive income (Note 25)	14,625	9,286	97,066
Comprehensive income	¥47,638	¥38,178	\$316,174
Comprehensive income attributable to:			
Comprehensive income attributable to owners of parent	45,637	36,109	302,894
Comprehensive income attributable to non-controlling interests	2,001	2,069	13,280

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 29, 2024 and February 28, 2023

	Millions of yen					
	Number of shares issued	Common stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance, February 28, 2022	177,759,481	¥66,025	¥54,791	¥271,974	¥(15,994)	¥376,796
Cumulative effects of changes in accounting policies				(515)		(515)
Restated balance	177,759,481	66,025	54,791	271,459	(15,994)	376,281
Dividends of surplus				(4,001)		(4,001)
Profit attributable to owners of parent				27,839		27,839
Purchase of treasury shares and disposal of treasury shares			0		(16,696)	(16,696)
Reversal of revaluation reserve for land				(1,027)		(1,027)
Change of scope of consolidation				(140)		(140)
Net changes of items other than shareholders' equity						—
Balance, February 28, 2023	177,759,481	¥66,025	¥54,791	¥294,130	¥(32,690)	¥382,256
Cumulative effects of changes in accounting policies						—
Restated balance	177,759,481	66,025	54,791	294,130	(32,690)	382,256
Dividends of surplus				(4,890)		(4,890)
Profit attributable to owners of parent				31,621		31,621
Purchase of treasury shares and disposal of treasury shares					(2)	(2)
Reversal of revaluation reserve for land						—
Change of scope of consolidation				7		7
Net changes of items other than shareholders' equity						—
Balance, February 29, 2024	177,759,481	¥66,025	¥54,791	¥320,868	¥(32,692)	¥408,992

	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, 2022	¥7,430	¥(0)	¥2,945	¥10,996	¥403	¥21,774	¥21,920	¥420,490
Cumulative effects of changes in accounting policies						—		(515)
Restated balance	7,430	¥(0)	2,945	10,996	403	21,774	21,920	419,975
Dividends of surplus						—		(4,001)
Profit attributable to owners of parent						—		27,839
Purchase of treasury shares and disposal of treasury shares						—		(16,696)
Reversal of revaluation reserve for land						—		(1,027)
Change of scope of consolidation						—		(140)
Net changes of items other than shareholders' equity	936	(1)	1,027	8,816	(1,482)	9,296	1,236	10,532
Balance, February 28, 2023	¥8,366	¥(1)	¥3,972	¥19,812	¥(1,079)	¥31,070	¥23,156	¥436,482
Cumulative effects of changes in accounting policies						—		—
Restated balance	8,366	(1)	3,972	19,812	(1,079)	31,070	23,156	436,482
Dividends of surplus						—		(4,890)
Profit attributable to owners of parent						—		31,621
Purchase of treasury shares and disposal of treasury shares						—		(2)
Reversal of revaluation reserve for land						—		—
Change of scope of consolidation						—		7
Net changes of items other than shareholders' equity	3,579	4		5,238	5,196	14,017	1,567	15,584
Balance, February 29, 2024	¥11,945	¥3	¥3,972	¥25,050	¥4,117	¥45,087	¥24,723	¥478,802

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 28, 2023	177,759,481	\$438,209	\$363,649	\$1,952,147	\$(216,963)	\$2,537,042
Cumulative effects of changes in accounting policies	—					—
Restated balance	177,759,481	438,209	363,649	1,952,147	(216,963)	2,537,042
Dividends of surplus				(32,454)		(32,454)
Profit attributable to owners of parent				209,869		209,869
Purchase of treasury shares and disposal of treasury shares					(14)	(14)
Reversal of revaluation reserve for land						—
Change of scope of consolidation				46		46
Net changes of items other than shareholders' equity						—
Balance, February 29, 2024	177,759,481	\$438,209	\$363,649	\$2,129,608	\$(216,977)	\$2,714,489

	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 28, 2023	\$55,525	\$(7)	\$26,362	\$131,493	\$(7,161)	\$206,212	\$153,687	\$2,896,941
Cumulative effects of changes in accounting policies								—
Restated balance	55,525	(7)	26,362	131,493	(7,161)	206,212	153,687	2,896,941
Dividends of surplus								(32,454)
Profit attributable to owners of parent								209,869
Purchase of treasury shares and disposal of treasury shares								(14)
Reversal of revaluation reserve for land								—
Change of scope of consolidation								46
Net changes of items other than shareholders' equity	23,754	27		34,764	34,486	93,031	10,400	103,431
Balance, February 29, 2024	\$79,279	\$20	\$26,362	\$166,257	\$27,325	\$299,243	\$164,087	\$3,177,819

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Takashimaya Company, Limited and Consolidated Subsidiaries
Years ended February 29, 2024 and February 28, 2023

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2024	2023	2024
Cash flows from operating activities:			
Profit before income taxes	¥40,553	¥34,908	\$269,151
Depreciation	34,217	33,302	227,099
Impairment losses	5,591	5,019	37,108
Amortization of goodwill	312	279	2,071
Increase (decrease) in allowance for doubtful accounts	(238)	234	(1,580)
Increase (decrease) in retirement benefit liability	(3,633)	(3,317)	(24,112)
Increase (decrease) in provision for retirement benefits for directors (and other officers)	16	(8)	106
Increase (decrease) in provision for point card certificates	(11)	1,252	(73)
Interest and dividend income	(3,335)	(1,952)	(22,134)
Interest expenses	5,691	5,177	37,771
Share of loss (profit) of entities accounted for using equity method	(3,223)	(2,689)	(21,391)
Loss (gain) on sale of non-current assets	—	(4,800)	—
Loss on retirement of non-current assets	2,904	1,907	19,274
Subsidy income	—	(84)	—
Loss related to Covid-19	—	46	—
Loss (gain) on sale of investment securities (Note 6)	—	(2,858)	—
Decrease (increase) in trade receivables	(13,428)	(47,296)	(89,122)
Decrease (increase) in inventories	(571)	3,225	(3,790)
Increase (decrease) in trade payables	12,458	15,524	82,684
Increase (decrease) in advances received	—	(118,420)	—
Increase (decrease) in deposits received	10,764	31,407	71,441
Increase (decrease) in accounts payable - other	(6,254)	1,058	(41,508)
Increase (decrease) in contract liabilities	1,145	97,056	7,599
Other, net	(17,948)	(9,624)	(119,121)
Subtotal	65,010	39,346	431,473
Interest and dividends received	4,944	3,101	32,813
Interest paid	(5,713)	(5,207)	(37,917)
Subsidies received	—	84	—
Payment for loss related to COVID-19	—	(65)	—
Income taxes paid	(4,704)	(761)	(31,221)
Net cash provided by (used in) operating activities	59,537	36,498	395,148
Cash flows from investing activities:			
Payments into time deposits	(1)	(276)	(7)
Proceeds from withdrawal of time deposits	523	—	3,471
Purchase of short-term and long-term investment securities	(1,927)	(1,737)	(12,789)
Proceeds from sale and redemption of short-term and long-term investment securities	—	11,344	—
Purchase of property, plant and equipment and intangible assets	(27,857)	(26,014)	(184,887)
Proceeds from sale of property, plant and equipment and intangible assets	3	6,757	20
Payments for asset retirement obligations	(380)	(172)	(2,522)
Purchase of shares of subsidiaries and associates	(12,072)	(837)	(80,122)
Net decrease (increase) in short-term loans receivable	1,967	979	13,055
Long-term loan advances	(1)	(2,016)	(7)
Other, net	1,244	1,265	8,256
Net cash provided by (used in) investing activities	(38,501)	(10,707)	(255,532)

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2024	2023	2024
Cash flows from financing activities:			
Net increase (decrease) in short-term borrowings	—	(10,000)	—
Proceeds from long-term borrowings	—	12,000	—
Repayments of long-term borrowings	(4,660)	(3,160)	(30,929)
Redemption of bonds	—	(61)	—
Repayments of lease liabilities	(10,501)	(10,123)	(69,696)
Purchase of treasury shares	(2)	(16,696)	(13)
Dividends paid	(4,890)	(4,001)	(32,454)
Other, net	(548)	(388)	(3,637)
Net cash provided by (used in) financing activities	(20,601)	(32,429)	(136,729)
Effect of exchange rate change on cash and cash equivalents	3,833	6,272	25,440
Net increase (decrease) in cash and cash equivalents	4,268	(366)	28,327
Cash and cash equivalents at beginning of period	88,631	88,997	588,246
Cash and cash equivalents at end of period (Note 3)	¥92,899	¥88,631	\$616,573

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 International Financial Reporting Standards 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 International Financial Reporting Standards. 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 29, 2024, which was ¥150.67 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 over 11 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 29, 2024, there has been a change in the scope of consolidation:

In the current consolidated fiscal year, The Tamagawa Institute., Ltd., which was a consolidated subsidiary of the Company, was excluded from the scope of consolidation due to the absorption-type merger with Toshin Development Co., Ltd., which is also a consolidated subsidiary of the Company, as the company surviving the absorption-type merger.

Also, Fashion Plaza Sunroser Co., Ltd., which was a consolidated subsidiary of the Company, was excluded from the scope of consolidation due to the completion of its liquidation after its real estate business was taken over by Toshin Development Co., Ltd., which is also a consolidated subsidiary of the Company, through an absorption-type company split.

Furthermore, NSland Viet Nam Joint Stock Company was included in the scope of consolidation, because VNOP Holdings Pte. Ltd., a wholly owned subsidiary of Toshin Development Co., Ltd., which is a consolidated subsidiary of the Company, acquired the shares of the said company.

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. 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.

Securities with no available fair market value other than stocks, etc.

The fair market value method is used based on the market price as at financial year-end (valuation differences are all included directly in net assets, and cost of securities sold is mainly determined by the moving average method).

Debt securities with no available fair market value

Mainly stated at cost determined by the moving-average method.

(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) A provision for redemption of points

To provide for the expenses arising from a redemption of points, a provision for the point program is recognized for expected future expenses associated with the redemption of points by users based on historical experiences.

(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) A provision for bonus payments to Directors

To provide for bonus payments to Directors, a provision for bonuses has been recognized based on estimated future payments.

(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) 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.

(q) 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.

(r) Criteria for the recognition of significant revenues and expenses

Based on the following five step approach, revenues are recognized when promised goods and services are transferred to customers and the customers obtain the control of the goods or services.

Step 1: Identify the contract with the customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to performance obligations

Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

(Department store)

Department store segment mainly relates to selling the following: clothes, personal effects, miscellaneous goods, household goods, foods and others.

Revenues arising from the sales of these goods are recognized when they are supplied to customers as performance obligations are satisfied at that moment. Payments for goods are received at the time of the supply of goods when performance obligations are satisfied. In addition, for a so-called sales and procurement transaction, a transaction in which sales of goods to customers are made in tandem with the purchase of goods from suppliers, the gross margin is recognized as revenue.

Also for points which can only be used at the Company's own stores, points are granted in proportion to a customer's purchase amount, and corresponding points for goods or services are provided. Future supply of goods to customers are recognized as performance obligations when points are granted, and a transaction price will be allocated in consideration of points to expire in the future, and revenue will be recognized when points are redeemed.

Furthermore, for gift certificates which can only be used at the Company's own stores, when the Company issues gift certificates, the future supply of goods to customers is recognized as performance obligations, and revenue will be recognized when the gift

certificates are used. For unused portion of such gift certificates, revenue will be recognized when the likelihood of the use of them becomes highly remote.

(Commercial Property Development)

The commercial property development segment manages and operates commercial developments, assets and facilities benefiting from the synergistic effects with the department stores.

As services at commercial facilities are constantly provided, revenues are recognized over the contract period when customers benefit as the Company fulfills the contract with the customer. Revenue from lease transactions of properties is recognized in the period in which they arise in accordance with Accounting Standard for Lease Transactions (ASBJ Statement No.13, March 30, 2007).

(Finance)

The finance segment issues and operates credit cards, revenue of which are commissions from department stores and affiliated shops, and annual dues from the card members. Revenue associated with annual dues are recognized over the period subject to their payments. Furthermore, revenue associated with commissions are recognized as revenue in proportion to the use of credit cards based on the rate provided in the contract.

(Construction & Design)

The construction & design segment accepts orders and executes relevant works, and revenue is recognized according to the progress towards the satisfaction of performance obligations. The measurement of progress is made based on the cost incurred to the end of the period as a percentage of expected total costs. On the other hand, for any substantially short period works, revenue is recognized at a point when the performance obligations are fully satisfied.

(s) Additional Information

(Application of the group tax sharing system)

The Company and some domestic consolidated subsidiaries have applied the group tax sharing system.

(t) Significant accounting estimates

FY ended February 28, 2023

(Impairment of the non-current assets of Takashimaya Co., Ltd.)

(1) Amount recorded in the consolidated financial statements for the year ended February 28, 2023

In the current fiscal year, as for the Company's Tachikawa Store, the department store section was closed as at January 31, 2023, and the method of using its assets was changed. In addition, Kashiwa Store and Omiya Store recorded operating loss for the second consecutive fiscal year. Consequently, the Company identified indication of impairment in asset groups for each of the above stores, and determined whether it is necessary to recognize impairment losses. As a result of the judgment, for Tachikawa Store, since total undiscounted future cash flows exceeded the book value, no impairment loss was recognized. For Kashiwa Store and Omiya Store, as total undiscounted future cash flows estimated for each store were lower than the book value of each store, the book value was reduced to the net realizable value as the recoverable amount, and an impairment loss of ¥4,360 million was recorded.

As at the end of the period, the book value of fixed assets in the Company's individual financial statements is ¥493,452 million (tangible fixed assets: ¥473,955 million, intangible fixed assets: ¥19,496 million), and the book value of non-current assets at these stores is ¥13,748 million.

(2) Information on the details of accounting estimates for the identified items

(i) Calculation method

In the department store business operated by the Company, we mainly group assets based on stores, which are considered as the smallest units that generate largely independent cash flows.

For stores with indication of impairment, we determine whether impairment losses should be recognized by comparing the total undiscounted future cash flows from the asset group with the book value.

If it is determined that impairment losses should be recognized, the impairment losses is recorded by reducing the book value to the recoverable amount.

The recoverable amount is determined as the higher of the net realizable value calculated by deducting the estimated amount of costs of disposal from the market value of the asset group, or value in use, which is the present value of future cash flows expected to arise from continuing use of the asset group and its ultimate disposal.

(ii) Key assumptions

The total undiscounted future cash flows are mainly based on the real estate appraisal value by external appraisal experts.

(iii) Impact on consolidated financial statements for the year ending February 29, 2024

In calculating undiscounted future cash flows, we make the best estimate based on available information, including external information. But it may be affected by uncertain future fluctuations in economic conditions and fluctuations in real estate appraisal amounts due to future trends in real estate market conditions. If the actual undiscounted future cash flows differ from the estimate, it could have a significant impact on the consolidated financial statements for the year ending February 29, 2024.

(Recoverability of deferred tax assets of Takashimaya Co., Ltd.)

(1) Amount recorded in the consolidated financial statements for the year ended February 28, 2023

The amount of deferred tax assets recorded in the Company's non-consolidated financial statements that make up the consolidated financial statements is ¥15,910 million.

(2) Information on the details of accounting estimates for the identified items

(i) Calculation method

Deferred tax assets are recognized to the extent that deductible temporary differences and tax loss carryforwards are expected to be offset against and reduce future taxable income. As stated in Note 2, "Significant accounting policies" to the consolidated financial statements, the Company applies the consolidated taxation system, and with regards to the deferred tax assets related to corporate taxes and local corporate taxes, the recoverability is determined in consideration of future taxable income, with the Company and certain of its domestic consolidated subsidiaries treated as one taxpayer as a whole (hereinafter referred to as the "consolidated taxpaying entity".)

(ii) Key assumptions

The estimated amount of future taxable income for the consolidated taxpaying entity is calculated based on the three-year business plan. Based on the results of past fiscal years, the business plan is formulated mainly in anticipation of the recovery of store sales, the effect of measures to increase revenue, and the effect of operating cost reduction through reforms in the cost structure.

(iii) Impact on consolidated financial statements for the year ending February 29, 2024

In calculating future taxable income, we make the best estimate based on available information, including external information, but it may be affected by uncertain future fluctuations in economic conditions, etc. If the actual taxable income is different from the estimate, it could have a significant impact on the consolidated financial statements for the year ending February 29, 2024.

FY ended February 29, 2024

(Impairment of the non-current assets of Takashimaya Co., Ltd.)

(1) Amount recorded in the consolidated financial statements for the year ended February 29, 2024

In the year ended February 29, 2024, since the operating income at Kashiwa Store and Omiya Store of the Company has been negative for the second consecutive fiscal year, the Company has identified indications of impairment in each asset group for each of the above stores and determined whether it is necessary to recognize impairment losses. As a result of this judgment, for Kashiwa Store, because the total undiscounted future cash flows exceeded the book value, the Company has considered it unnecessary to recognize impairment losses. For Omiya Store, since the total undiscounted future cash flows fell below the book value, the book value was reduced to the net realizable value as the recoverable amount, and impairment losses of 835 million yen was recorded.

The book value of non-current assets in the financial statements is 495,290 million yen (property, plant and equipment: 477,799 million yen, intangible assets: 17,491 million yen), and the book value of non-current assets of the above stores is 6,154 million yen.

(2) Information on the details of accounting estimates for the identified items

(i) Calculation method

In the department store business operated by the Company, we mainly group assets based on stores, which are considered as the smallest units that generate largely independent cash flows.

For stores with indications of impairment, we determine whether impairment losses should be recognized by comparing the total undiscounted future cash flows from the asset group with the book value.

If it is determined that impairment losses should be recognized, the impairment losses is recorded by reducing the book value to the recoverable amount.

The recoverable amount is calculated as the higher of the net realizable value derived by deducting the estimated amount of costs of disposal from fair value of the asset group, or value in use which is the present value of future cash flows expected to arise from continuing use of the asset group and from its disposal after the use.

(ii) Key assumptions

Total undiscounted future cash flows are mainly based on the real estate appraisal amount by an external appraisal expert.

(iii) Impact on consolidated financial statements for the year ending February 28, 2025

In calculating undiscounted future cash flows, we make the best estimate based on available information, including external information, but it may be affected by uncertain future fluctuations in economic conditions and fluctuations in real estate appraisal amounts due to future trends in real estate market conditions. If the actual undiscounted future cash flows differ from the estimate, it could have a significant impact on the consolidated financial statements for the year ending February 28, 2025.

(Impairment of the non-current assets of Siam Takashimaya (Thailand) Co.,Ltd.)

(1) Amount recorded in the consolidated financial statements for the year ended February 29, 2024

Since operating results of Siam Takashimaya (Thailand) Co.,Ltd. fell short of the planned targets in the year ended February 29, 2024, Siam Takashimaya (Thailand) Co.,Ltd. identified indications of impairment and conducted an impairment test. Because the recoverable amount based on the value in use exceeded the book value, it has been considered unnecessary to recognize impairment losses.

The book value of non-current assets of Siam Takashimaya (Thailand) Co.,Ltd. is 4,316 million yen (property, plant and equipment: 4,278 million yen, intangible assets: 37

million yen).

(2) Information on the details of accounting estimates for the identified items

(i) Calculation method

Non-current assets of Siam Takashimaya (Thailand) Co., Ltd. are depreciated systematically. However, in accordance with the International Financial Reporting Standards, an impairment test is carried out when it is considered that there is any sign of impairment. If the recoverable amount of a cash generating unit is lower than the book value as a result of the test, the book value is reduced to the recoverable amount, and the amount of the reduction is recognized as impairment losses.

The recoverable amount is calculated as the higher of fair value less disposal costs of the cash generating unit, or value in use which is the present value of future cash flows expected to arise from the cash generating unit.

(ii) Key assumptions

The value in use, which is a key assumption, has been calculated at the present value of future cash flows that are estimated based on a business plan approved by management. In this estimate, a growth in net sales mainly due to increasing inbound tourists and effects of measures to increase revenue is expected in light of actual results in past years.

(iii) Impact on consolidated financial statements for the year ending February 28, 2025

In calculating the value in use, we make the best estimate based on available information, including external information, but it may be affected by uncertain future fluctuations in economic conditions, etc. If the value in use differs from the estimate, it could have a significant impact on the consolidated financial statements for the year ending February 28, 2025.

(u) Revenue from contracts with customers

Operating revenue shows the aggregate amounts of “sales” and “other operating income.” Operating revenue does not describe any disaggregation of revenue from contracts with customers and other revenue. The amount of revenue from contracts with customers is described in “Note 14: Revenue recognition”.

3 CASH AND CASH EQUIVALENTS / SIGNIFICANT NON-CASH TRANSACTIONS

1. Cash and Cash Equivalents

Cash and cash equivalents as at February 29, 2024 and February 28, 2023 consist of the following:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Cash and deposits	¥94,752	¥90,841	\$628,871
Time deposits with maturities exceeding three months	(1,853)	(2,210)	(12,298)
Cash and cash equivalents at the end of period	¥92,899	¥88,631	\$616,573

2. Significant Non-cash Transactions

Description of significant non-cash transactions as at February 29, 2024 and February 28, 2023 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Right-of-use assets	¥51,118	¥(170)	\$339,271
Lease liabilities	50,010	(170)	331,917

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 - trade, and contract assets 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

The determination of fair value of financial instruments 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 29, 2024 and February 28, 2023, and fair value and their differences are as follows.

	Millions of yen		
	2024		
	Book Value	Fair Value	Difference
(1) Notes and accounts receivable - trade, and contract assets	¥156,981		
Allowance for doubtful accounts (* 2)	(733)		
	156,248	157,757	1,509
(2) Securities and investment securities			
Available-for-sale securities	22,931	22,931	—
	22,931	22,931	—
(3) Guarantee deposits (* 3)	27,010	24,831	(2,179)
Total assets	¥206,189	¥205,519	¥(670)
(1) Long-term borrowings (* 4)	¥203,952	¥212,050	¥8,098
(2) Lease liabilities (* 5)	136,862	120,020	(16,842)
Total liabilities	¥340,814	¥332,070	¥(8,744)
Derivatives (* 6)			
Amount subject to hedge accounting	5	5	—
Total derivatives	¥5	¥5	¥—

* 1 No descriptions have been given to "cash and cash equivalents", "notes payable and trade accounts payable", "short-term borrowings", and "deposits" as they are likely to be settled in a short time and their fair values approximate carrying values.

* 2 General and specific allowance for doubtful accounts for Accounts receivable-trade are deducted from the carrying amount.

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

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

* 5 The figures include lease liabilities with repayment due dates of one year or less.

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

* 7 Stocks with no available fair market value are not included in "(2) Securities and investment securities, Available-for-sale securities."

The consolidated balance sheet amounts of the relevant financial instruments are as follows.

	Millions of yen
	2024
(a) Stock of subsidiaries	¥3,982
(b) Stock of affiliates	68,754
(c) Unlisted stocks	5,829

	Millions of yen		
	2023		
	Book Value	Fair Value	Difference
(1) Notes and accounts receivable - trade, and contract assets	¥143,478		
Allowance for doubtful accounts (* 2)	(771)		
	142,707	144,214	1,507
(2) Securities and investment securities			
Available-for-sale securities	17,383	17,383	—
	17,383	17,383	—
(3) Guarantee deposits (* 3)	27,905	26,114	(1,791)
Total assets	¥187,995	¥187,711	¥(284)
(1) Long-term borrowings (* 4)	¥208,583	¥211,875	¥3,292
(2) Lease liabilities (* 5)	90,226	87,756	(2,470)
Total liabilities	¥298,809	¥299,631	¥822
Derivatives (* 6)			
Amount subject to hedge accounting	(1)	(1)	—
Total derivatives	¥(1)	¥(1)	¥—

* 1 No descriptions have been given to “cash and cash equivalents”, “notes payable and trade accounts payable”, “short-term borrowings”, and “deposits” as they are likely to be settled in a short time and their fair values approximate carrying values.

* 2 General and specific allowance for doubtful accounts for Accounts receivable-trade are deducted from the carrying amount.

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

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

* 5 The figures include lease liabilities with repayment due dates of one year or less.

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

* 7 Stocks with no available fair market value are not included in “(2) Securities and investment securities, Available-for-sale securities.”

The consolidated balance sheet amounts of the relevant financial instruments are as follows.

	Millions of yen
	2023
(a) Stock of subsidiaries	¥4,343
(b) Stock of affiliates	46,813
(c) Unlisted stocks	2,583
(d) Guarantee deposits	23,662

	Thousands of U.S. dollars		
	2024		
	Book Value	Fair Value	Difference
(1) Notes and accounts receivable - trade, and contract assets	\$1,041,886		
Allowance for doubtful accounts (* 2)	(4,865)		
	1,037,021	1,047,036	10,015
(2) Securities and investment securities			
Available-for-sale securities	152,194	152,194	—
	152,194	152,194	—
(3) Guarantee deposits (* 3)	179,266	164,804	(14,462)
Total assets	\$1,368,481	\$1,364,034	\$(4,447)
(1) Long-term borrowings (* 4)	\$1,353,634	\$1,407,381	\$53,747
(2) Lease liabilities (* 5)	908,356	796,575	(111,781)
Total liabilities	\$2,261,990	\$2,203,956	\$(58,034)
Derivatives (* 6)			
Amount subject to hedge accounting	33	33	—
Total derivatives	\$33	\$33	\$—

* 1 No descriptions have been given to "cash and cash equivalents", "notes payable and trade accounts payable", "short-term borrowings", and "deposits" as they are likely to be settled in a short time and their fair values approximate carrying values.

* 2 General and specific allowance for doubtful accounts for Accounts receivable-trade are deducted from the carrying amount.

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

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

* 5 The figures include lease liabilities with repayment due dates of one year or less.

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

* 7 Stocks with no available fair market value are not included in "(2) Securities and investment securities, Available-for-sale securities."

The consolidated balance sheet amounts of the relevant financial instruments are as follows.

	Thousands of U.S. dollars
	2024
(a) Stock of subsidiaries	\$26,429
(b) Stock of affiliates	456,322
(c) Unlisted stocks	38,687

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

	Millions of yen			
	2024			
	Within 1 year	Over 1 year but within 5 years	Over 5 years but within 10 years	Over 10 years
Cash and deposits	¥94,752	¥—	¥—	¥—
Notes and accounts receivable - trade, and contract assets	153,730	2,794	457	—
Guarantee deposits	1,062	11,216	8,595	6,137
Total	¥249,544	¥14,010	¥9,052	¥6,137

	Millions of yen			
	2023			
	Within 1 year	Over 1 year but within 5 years	Over 5 years but within 10 years	Over 10 years
Cash and deposits	¥90,841	¥—	¥—	¥—
Notes and accounts receivable - trade	140,346	2,629	495	8
Guarantee deposits	830	9,141	13,056	4,878
Total	¥232,017	¥11,770	¥13,551	¥4,886

	Thousands of U.S. dollars			
	2024			
	Within 1 year	Over 1 year but within 5 years	Over 5 years but within 10 years	Over 10 years
Cash and deposits	\$628,871	\$—	\$—	\$—
Notes and accounts receivable - trade, and contract assets	1,020,309	18,544	3,033	—
Guarantee deposits	7,049	74,441	57,045	40,731
Total	\$1,656,229	\$92,985	\$60,078	\$40,731

* The refund of guarantee deposits is scheduled based on the remaining useful lives of the principal assets and other factors.

※2: Estimated amounts of repayment after the balance sheet date for corporate bonds, long-term borrowings and lease liabilities

Millions of yen						
2024						
	Within 1 year	Over 1 year but within 2 years	Over 2 years but within 3 years	Over 3 years but within 4 years	Over 4 years but within 5 years	Over 5 years
Corporate bonds	¥—	¥—	¥10,000	¥—	¥60,000	¥10,000
Long-term borrowings	38,580	30,006	3,223	32,000	5,000	15,000
Lease liabilities	8,347	8,500	8,686	9,137	9,586	92,606
Total	¥46,927	¥38,506	¥21,909	¥41,137	¥74,586	¥117,606

Millions of yen						
2023						
	Within 1 year	Over 1 year but within 2 years	Over 2 years but within 3 years	Over 3 years but within 4 years	Over 4 years but within 5 years	Over 5 years
Corporate bonds	¥—	¥—	¥—	¥10,000	¥—	¥70,000
Long-term borrowings	4,660	38,580	29,965	3,205	32,000	20,000
Lease liabilities	10,369	10,315	7,951	6,309	6,627	48,655
Total	¥15,029	¥48,895	¥37,916	¥19,514	¥38,627	¥138,655

Thousands of U.S. dollars						
2024						
	Within 1 year	Over 1 year but within 2 years	Over 2 years but within 3 years	Over 3 years but within 4 years	Over 4 years but within 5 years	Over 5 years
Corporate bonds	\$—	\$—	\$66,370	\$—	\$398,221	\$66,370
Long-term borrowings	256,056	199,150	21,391	212,385	33,185	99,555
Lease liabilities	55,399	56,415	57,649	60,642	63,622	614,628
Total	\$311,455	\$255,565	\$145,410	\$273,027	\$495,028	\$780,553

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

※3: Items relating to the breakdown by level of fair value hierarchy of financial instruments

The fair value of financial instruments is classified into three levels of the fair value hierarchy depending on the observability and significance of the inputs used for the fair value measurement.

Level 1 Fair Value: Fair value determined on the basis of quoted prices for assets or liabilities that are observable in active markets;

Level 2 Fair Value: Fair value determined on the basis of observable inputs other than quoted prices included within Level 1;

Level 3 Fair Value: Fair value measured using inputs used to measure fair value is unobservable.

In using multiple inputs having significant effect on the measurement of fair value, fair value is classified at the level the lowest priority is given in measuring fair values.

(1) Financial instruments measured at fair value and recorded on the consolidated balance sheets
as at February 29, 2024

	Millions of yen			
	2024			
	Level1	Level2	Level3	Total
Securities and investment securities				
Available-for-sale securities	¥22,931	¥—	¥—	¥22,931
Derivatives				
Amount subject to hedge accounting	—	5	—	5
Total assets	¥22,931	¥5	¥—	¥22,936

	Millions of yen			
	2023			
	Level1	Level2	Level3	Total
Securities and investment securities				
Available-for-sale securities	¥17,383	¥—	¥—	¥17,383
Derivatives				
Amount subject to hedge accounting	—	(1)	—	(1)
Total assets	¥17,383	¥(1)	¥—	¥17,382

	Thousands of U.S. dollars			
	2024			
	Level1	Level2	Level3	Total
Securities and investment securities				
Available-for-sale securities	\$152,194	\$—	\$—	\$152,194
Derivatives				
Amount subject to hedge accounting	—	33	—	33
Total assets	\$152,194	\$33	\$—	\$152,227

(2) Financial instruments other than those measured at fair value and recorded on the consolidated balance sheets
As at February 29, 2024

	Millions of yen			
	2024			
	Level1	Level2	Level3	Total
Notes and accounts receivable - trade, and contract assets	¥—	¥157,757	¥—	¥157,757
Guarantee deposits	—	24,831	—	24,831
Total assets	¥—	¥182,588	¥—	¥182,588
Long-term borrowings	¥—	¥212,050	¥—	¥212,050
Lease liabilities	—	120,020	—	120,020
Total liabilities	¥—	¥332,070	¥—	¥332,070

	Millions of yen			
	2023			
	Level1	Level2	Level3	Total
Notes and accounts receivable - trade, and contract assets	¥—	¥144,214	¥—	¥144,214
Guarantee deposits	—	26,114	—	26,114
Total assets	¥—	¥170,328	¥—	¥170,328
Long-term borrowings	¥—	¥211,875	¥—	¥211,875
Lease liabilities	—	87,756	—	87,756
Total liabilities	¥—	¥299,631	¥—	¥299,631

	Thousands of U.S. dollars			
	2024			
	Level1	Level2	Level3	Total
Notes and accounts receivable - trade, and contract assets	\$—	\$1,047,036	\$—	\$1,047,036
Guarantee deposits	—	164,804	—	164,804
Total assets	\$—	\$1,211,840	\$—	\$1,211,840
Long-term borrowings	\$—	\$1,407,381	\$—	\$1,407,381
Lease liabilities	—	796,575	—	796,575
Total liabilities	\$—	\$2,203,956	\$—	\$2,203,956

(Notes) A description of the valuation techniques and inputs used in the fair value measurements

Assets

(1) Securities and investment securities

Listed securities are evaluated using quoted prices. Fair value of listed securities is classified at Level 1 as they are traded in active markets.

(2) Notes receivable, trade accounts receivable and contract assets

The fair value of these items is classified at Level 2 as it is calculated by using the present value determined by future cash flows reflecting recoverability, discounted at the yield of government securities. However, for any receivable which will be settled in a short time, their fair value is the carrying value as the fair value is virtually equal to the carrying value.

(3) Guarantee deposits

The fair value of these items is measured by the present value calculated by future cash flows discounted by appropriate rates such as the yield of government securities, therefore classified as Level 2 fair value.

Liabilities

(1) Corporate bonds

Fair value of corporate bonds is measured based on market prices, but they are not traded in active markets, therefore classified at Level 2 fair value.

(2) Long-term borrowings

The fair values of long-term borrowings are measured and discounted at a reasonably estimated interest rate expected in making a new borrowing with similar principal and interest, therefore classified at Level 2 fair value. As any interest swap subject to designated hedge accounting is treated together with hedged long-term borrowings, their fair values are described and included in the fair value of the long-term borrowings.

(3) Lease liabilities

The fair value of lease liabilities is measured at the present value of the total amount of principal and interest, discounted by the interest rate expected when a similar lease transaction is newly made, therefore classified at Level 2 fair value.

Derivatives

(1) Derivatives

The fair value of derivatives is measured by using observable inputs, including foreign exchange rates, therefore classified at Level 2 fair value.

5
DEPOSITED
ASSETS

Deposited assets based on lease contracts, etc. as at February 29, 2024 and February 28, 2023 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Cash and deposits	¥1,477	¥1,705	\$9,803
Guarantee deposits	10	10	66
Total	¥1,487	¥1,715	\$9,869

6 SECURITIES

The following tables summarize acquisition costs, book value and fair value of securities with available fair value as at February 29, 2024 and February 28, 2023:

(1) Held-to-maturity securities:
Not applicable.

(2) Available-for-sale securities

Type	Millions of yen					
	2024			2023		
	Acquisition cost	Book value	Difference	Acquisition cost	Book value	Difference
Securities with book value exceeding acquisition cost:						
Equity securities	¥6,244	¥22,878	¥16,634	¥6,234	¥17,339	¥11,105
Government bonds	—	—	—	—	—	—
Corporate bonds	—	—	—	—	—	—
Others	27	41	14	36	44	8
Securities with book value exceeding acquisition cost	6,271	22,919	16,648	6,270	17,383	11,113
Securities with book value not exceeding acquisition cost:						
Equity securities	6	5	(1)	—	—	—
Government bonds	—	—	—	—	—	—
Corporate bonds	—	—	—	—	—	—
Others	—	—	—	—	—	—
Securities with book value not exceeding acquisition cost:	6	5	(1)	—	—	—
Total available-for-sale securities	¥6,277	¥22,924	¥16,647	¥6,270	¥17,383	¥11,113

* 1 The amount of unlisted stocks (¥5,829 million (\$38,691 thousand) recorded in the Consolidated Balance Sheets as at February 29, 2024) is not included in "Others" as they have no market value.

* 2 The amount of unlisted stocks (¥3,918 million (\$28,739 thousand) recorded in the Consolidated Balance Sheets as at February 28, 2023) is not included in "Others" as they have no market value.

Type	Thousands of U.S. dollars		
	2024		
	Acquisition cost	Book value	Difference
Securities with book value exceeding acquisition cost:			
Equity securities	\$41,442	\$151,842	\$110,400
Government bonds	—	—	—
Corporate bonds	—	—	—
Others	179	272	93
Securities with book value exceeding acquisition cost	41,621	152,114	110,493
Securities with book value not exceeding acquisition cost:			
Equity securities	40	33	(7)
Government bonds	—	—	—
Corporate bonds	—	—	—
Others	—	—	—
Securities with book value not exceeding acquisition cost:	40	33	(7)
Total available-for-sale securities	\$41,661	\$152,147	\$110,486

(3) Available-for-sale securities sold

Type	Millions of yen					
	2024			2023		
	Amount sold	Gain on sales	Loss on sales	Amount sold	Gain on sales	Loss on sales
Equity securities	¥—	¥—	¥—	¥8,327	¥2,858	¥—
Corporate bonds	—	—	—	—	—	—
Others	—	—	—	—	—	—
Total available-for-sale securities	¥—	¥—	¥—	¥8,327	¥2,858	¥—

Type	Thousands of U.S. dollars		
	2024		
	Amount sold	Gain on sales	Loss on sales
Equity securities	\$—	\$—	\$—
Corporate bonds	—	—	—
Others	—	—	—
Total available-for-sale securities	\$—	\$—	\$—

(4) Impairment losses on securities

Impairment losses on the Company's securities for the years ended February 29, 2024 and February 28, 2023 are as follows:

	Millions of yen	
	2024	2023
	Book value	Book value
Loss on valuation of investment securities	¥—	¥0

	Thousands of U.S. dollars	
	2024	
	Book value	
Loss on valuation of investment securities	\$—	

7 INVENTORIES

Inventories as at February 29, 2024 and February 28, 2023 consist of the following:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Merchandise	¥35,882	¥35,177	\$238,151
Products	22	24	146
Work in process	244	285	1,619
Supplies	988	870	6,557
Total	¥37,136	¥36,356	\$246,473

8 LIQUIDATION OF RECEIVABLES

The liquidation of receivables as at February 29, 2024 and February 28, 2023 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Notes and accounts receivable-trade	¥23,000	¥17,300	\$152,651
Notes and accounts receivable-other	—	2,000	—

* The balances of accounts receivable – trade and other current assets decreased due to the liquidation (transfer method) of accounts receivable – trade and accounts receivable-other as above.

9 INCOME TAXES

The Companies are subject to a number of taxes based on income. The aggregate statutory tax rate in Japan is approximately 30.6% for the years ended February 29, 2024 and February 28, 2023.

The following table summarizes the significant difference between the statutory tax rate and the Companies' effective tax rate.

Years ended February 29, 2024 and February 28, 2023	%	
	2024	2023
Statutory tax rate	30.6%	30.6%
Items that are not temporary differences such as dividend income	0.6	(0.2)
Decrease in valuation allowance	(9.2)	(6.7)
Difference in statutory tax rate of foreign subsidiaries	(3.1)	(2.1)
Equity in gain of affiliated companies	(2.4)	(2.4)
Others	2.1	(2.0)
Effective tax rate	18.6%	17.2%

Significant components of the Companies' deferred tax assets and liabilities as at February 29, 2024 and February 28, 2023 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Deferred tax assets:			
Accrued enterprise tax	¥439	¥402	\$2,914
Accrued bonuses	85	72	564
Nondeductible allowance for doubtful accounts	820	876	5,442
Provision for point card certificates	1,666	1,346	11,057
Nondeductible write-down of inventories	545	652	3,617
Adjustment of gift certificates	7,293	9,014	48,404
Unrealized intercompany profits	444	458	2,947
Tax loss carryforward (* 3)	9,075	15,114	60,231
Nondeductible amortization of software costs	43	52	285
Nondeductible retirement benefit liability	12,167	15,569	80,753
Provision for environmental measures	—	4	—
Nondeductible write-down of securities	749	749	4,971
Impairment losses of property, plant and equipment	6,722	6,051	44,614
Others	3,400	3,555	22,566
Total gross deferred tax assets	43,448	53,914	288,365
Less: Valuation allowance for tax loss carryforward (* 3)	(2,064)	(6,562)	(13,699)
Less: Valuation allowance for deductible temporary differences	(5,622)	(5,347)	(37,313)
Less: Total valuation allowance (* 2)	(7,686)	(11,909)	(51,012)
Total deferred tax assets	35,762	42,005	237,353
Deferred tax liabilities:			
Adjustments of allowance for doubtful accounts	(66)	(59)	(438)
Reserve for deferred capital gains of property	(13,492)	(14,411)	(89,547)
Valuation difference on available-for-sale securities	(4,727)	(3,037)	(31,373)
Valuation difference on assets of subsidiaries	(2,249)	(2,219)	(14,927)
Others	(434)	(752)	(2,880)
Total deferred tax liabilities	(20,968)	(20,478)	(139,165)
Net deferred tax assets	¥14,794	¥21,527	\$98,188

* 1 Application of the Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System

The Company and some domestic consolidated subsidiaries have transitioned from the consolidated taxation system to the group tax sharing system from the current fiscal year. In line with this transition, they conform to the Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System (Practical Solution No. 42, August 12, 2021; hereinafter referred to as "Practical Solution No. 42") with regard to accounting for and disclosures of corporate income taxes and local income taxes as well as tax effect. In addition, based on paragraph 32 (1) of Practical Solution No. 42, we consider that there is no effect of changes in accounting policies due to the application of Practical Solution No. 42.

* 2 Valuation allowance decreased by ¥4,223 million (\$28,023 thousand). This is largely due to a rise in the recoverable amount of tax loss carryforwards in association with an increase in the estimated amount of future taxable income.

* 3 Tax loss carryforward and deferred tax assets by expiration period are as follows:

Millions of yen							
2024							
	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)	¥517	¥372	¥315	¥317	¥347	¥7,207	¥9,075
Less: Valuation allowance	(515)	(367)	(315)	(317)	(347)	(203)	(2,064)
Deferred tax assets (* 2)	2	5	—	—	—	7,004	7,011

Millions of yen							
2023							
	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)	¥520	¥606	¥410	¥339	¥328	¥12,911	¥15,114
Less: Valuation allowance	(517)	(606)	(410)	(339)	(328)	(4,362)	(6,562)
Deferred tax assets (* 2)	3	—	—	—	—	8,549	8,552

Thousands of U.S. dollars							
2024							
	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)	\$3,431	\$2,469	\$2,091	\$2,104	\$2,303	\$47,833	\$60,231
Less: Valuation allowance	(3,418)	(2,436)	(2,091)	(2,104)	(2,303)	(1,347)	(13,699)
Deferred tax assets (* 2)	13	33	—	—	—	46,486	46,532

* 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 ¥7,011 million (\$46,532 thousand) for tax loss carryforward of ¥9,075million (\$60,231 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.

10 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 29, 2024 and February 28, 2023 are as follows:

Amounts on the Consolidated Balance Sheets

	Millions of yen			
	2024			
	Book value		Fair value	
	March 1, 2023	Increase (Net)	February 29, 2024	February 29, 2024
Rental properties	¥80,221	¥4,729	¥84,950	¥89,753
Real estate including spaces used as rental properties	460,988	48,607	509,595	714,930

	Millions of yen			
	2023			
	Book value		Fair value	
	March 1, 2022	Increase (Net)	February 28, 2023	February 28, 2023
Rental properties	¥78,450	¥1,771	¥80,221	¥83,151
Real estate including spaces used as rental properties	471,045	(10,057)	460,988	546,851

	Thousands of U.S. dollars			
	2024			
	Book value		Fair value	
	March 1, 2023	Increase (Net)	February 29, 2024	February 29, 2024
Rental properties	\$532,428	\$31,387	\$563,815	\$595,693
Real estate including spaces used as rental properties	3,059,587	322,606	3,382,193	4,745,006

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 29, 2024 and February 28, 2023 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 29, 2024 and February 28, 2023 is primarily for the acquisition, and the decrease is for the depreciation.
- For fair values at the end of the current consolidated fiscal year, those of major properties are measured at the amount based on appraisal values determined by external real estate appraisers, while the fair values of other properties are measured at the proprietary amount determined by the Company based on certain appraised values or indicators expected to reflect market prices appropriately. However, the fair values are the appraisal amounts, or the amounts adjusted by applying such indicators, unless there are significant changes in certain appraisal amounts, or indicators expected to reflect market prices appropriately from the time of their acquisition from the third party, or from the most recent appraisal.

Profit (Loss) on rental property and the portion of real estate including spaces used as rental properties during the years ended February 29, 2024 and February 28, 2023 are as follows:

	Millions of yen			
	2024			
	Rental income	Rental expenses	Difference	Other, net
Rental properties	¥6,333	¥3,991	¥2,342	¥(22)
Real estate including spaces used as rental properties	44,961	39,243	5,718	(1,628)

	Millions of yen			
	2023			
	Rental income	Rental expenses	Difference	Other, net
Rental properties	¥5,758	¥3,008	¥2,750	¥(37)
Real estate including spaces used as rental properties	42,403	36,664	5,739	(5,306)

	Thousands of U.S. dollars			
	2024			
	Rental income	Rental expenses	Difference	Other, net
Rental properties	\$42,032	\$26,488	\$15,544	\$(146)
Real estate including spaces used as rental properties	298,407	260,457	37,950	(10,805)

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, the rental income for the such spaces is not recorded. However, the expenses (depreciation, maintenance, insurance, taxes etc.) related to the such spaces are included in rental expenses.
2. The amounts recorded in the "Other, net" of fiscal year ended on February 29, 2024 mainly represent interest expenses whereas fiscal year ended on February 28, 2023 mainly consisted of gain on sales of property and impairment losses, and was recorded in other income and other expenses.

11 LAND REVALUATION

In accordance with the Law Concerning Revaluation of Land, land used for business owned by the Company and two consolidated subsidiaries is revalued. The unrealized gains, net of deferred tax, are excluded from earnings and reported as "Revaluation reserve for land" in net assets, and the relevant deferred tax is included as "Deferred tax liabilities related to land revaluation" in non-current liabilities.

Related information is shown as follows:

Revaluation method

The revaluations are calculated by performing reasonable adjustments to the standard taxable value of fixed assets as stipulated in Article 2 paragraph 3 of the Order for Enforcement of the Act on Revaluation of Land (Cabinet Order No. 119 promulgated on March 31, 1998) and to the roadside land prices of those lands assumed from merged companies that have roadside land prices as stipulated in Article 2 paragraph 4 of the same Order.

Date of revaluation:

The Company	December 31, 2000 (Company subject to absorption) and February 28, 2001
A consolidated subsidiary	February 28, 2001
A consolidated subsidiary	March 31, 2002

12 REDUCTION ENTRY

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

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Buildings and structures	¥93	¥84	\$617
Tools, furniture and fixtures	¥11	¥8	\$73
Total	¥104	¥92	\$690

For property, plant and equipment acquired in the year ended February 29, 2024, the amounts of reduction entry deducted from the acquisition costs are ¥10 million for buildings and structures, and ¥4 million for tools, appliances and equipment.

13 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.

14 REVENUE RECOGNITION

(1) Information on disaggregated revenue from contracts with customers

Fiscal year ended February 29, 2024

Relationships between the information on disaggregated revenue of each segment and “Operating revenue attributable to external customers” included in the segment information are as follows: Other revenue is rental income based on the accounting standard for leases and interest income based on the accounting standard for financial instruments.

FY ended	Millions of yen						
	Department	Commercial	Finance	Construction	Total of	Others	Consolidated
February 29, 2024	Store	Property					
		Development			Segments		
Net sales of department store merchandise, revenue from property management etc.	¥315,574	¥—	¥—	¥—	¥315,574	¥—	¥315,574
revenue from contracts with customers	1,557	28,266	—	—	29,823	—	29,823
revenue from other sources	25,099	—	18,076	30,916	74,091	42,605	116,696
intersegment operating revenue or transfer	¥342,230	¥28,266	¥18,076	¥30,916	¥419,488	¥42,605	¥462,093
operating revenue from outside customers	13,530	42,692	3,534	113	59,869	10	59,879
	(17,239)	(19,010)	(4,172)	(3,083)	(43,504)	(12,333)	(55,837)
	338,521	51,948	17,438	27,946	435,853	30,282	466,135

FY ended	Millions of yen						
	Department	Commercial	Finance	Construction	Total of	Others	Consolidated
February 28, 2023	Store	Property					
		Development			Segments		
Net sales of department store merchandise, revenue from property management etc.	¥300,100	¥—	¥—	¥—	¥300,100	¥—	¥300,100
revenue from contracts with customers	1,569	19,105	—	—	20,674	—	20,674
revenue from other sources	22,874	—	17,959	24,535	65,368	45,309	110,677
intersegment operating revenue or transfer	¥324,543	¥19,105	¥17,959	¥24,535	¥386,142	¥45,309	¥431,451
operating revenue from outside customers	13,176	39,680	3,299	113	56,268	10	56,278
	(16,499)	(11,272)	(4,052)	(1,956)	(33,779)	(10,507)	(44,286)
	321,220	47,513	17,206	22,692	408,631	34,812	443,443

Thousands of U.S. dollars							
FY ended	Department	Commercial Property	Finance	Construction & Design	Total of Reportable Segments	Others	Consolidated
February 29, 2024	Store	Development					
Net sales of							
department store	\$2,094,471	\$—	\$—	\$—	\$2,094,471	\$—	\$2,094,471
merchandise,							
revenue from							
property	10,334	187,602	—	—	197,936	—	197,936
management							
etc.	166,583	—	119,971	205,190	491,744	282,770	774,514
revenue from							
contracts	\$2,271,388	\$187,602	\$119,971	\$205,190	\$2,784,151	\$282,770	\$3,066,921
with customers							
revenue from	89,799	283,348	23,455	750	397,352	66	397,418
other sources							
intersegment							
operating revenue	(114,416)	(126,170)	(27,689)	(20,462)	(288,737)	(81,854)	(370,591)
or transfer							
operating revenue							
from outside	2,246,771	344,780	115,737	185,478	2,892,766	200,982	3,093,748
customers							

(2) Information to understand the revenue from contracts with customers

The information to understand the revenue from contracts with customers is stated in "(s) Criteria for the recognition of significant revenues and expenses" of Note 2.

(3) Information to understand the amount of revenue for the current consolidated fiscal year and subsequent years

(i) Outstanding balances of contract assets and contract liabilities

The breakdown of receivables from contracts with customers, contract assets and contract liabilities are as follows:

	Millions of yen	
	As at March 1, 2023	As at February 29, 2024
Receivables from contracts with customers		
Notes	¥788	¥1,101
Accounts receivable - trade	137,425	148,958
Total	138,213	150,059
Contract assets	¥5,265	¥6,922
Contract liabilities	¥96,912	¥98,647

	Millions of yen	
	As at March 1, 2022	As at February 28, 2023
Receivables from contracts with customers		
Notes	¥626	¥788
Accounts receivable - trade	93,577	137,425
Total	94,203	138,213
Contract assets	¥1,917	¥5,265
Contract liabilities	¥104,907	¥96,912

	Thousands of U.S. dollars	
	As at March 1, 2023	As at February 29, 2024
Receivables from contracts with customers		
Notes	\$5,230	\$7,307
Accounts receivable - trade	912,093	988,638
Total	917,323	995,945
Contract assets	\$34,944	\$45,941
Contract liabilities	\$643,207	\$654,722

Contract assets mainly relate to rights to unbilled consideration for construction work for which revenue has been recognized based on the stage of completion in a contract under which performance obligations are satisfied over a certain period of time, with regard to revenue associated with construction contracts in the Construction & Design segment. Contract assets are reclassified to receivables from contracts with customers when rights to payment become unconditional.

Consideration related to the construction contracts is received in stages during the contract period separately from satisfaction of performance obligations, in accordance with the construction contracts.

Contract liabilities are principally, of the amount received in advance such as point card certificates and gift certificates in the Department Store segment, the balance for which performance obligations have not been satisfied as at the period-end. Contract liabilities are reversed upon recognition of revenue.

The amount of revenue recognized in the current consolidated fiscal year which has been included in the opening balances of contract liabilities is ¥47,774 million.

The amount of revenue recognized in the current fiscal year for satisfaction (or partial satisfaction) of performance obligations in past periods was immaterial.

(ii) Transaction prices allocated to remaining performance obligations

For transaction prices allocated to remaining performance obligations, the Group recognizes revenue according to the actual use of gift certificates or redemption of points. The periods for which the gross amount and revenue of transaction prices allocated to the remaining performance obligations are as follows:

	Millions of yen	Millions of yen	Thousands of U.S. dollars
	As at February 29, 2024	As at February 28, 2023	As at February 29, 2024
Due within one year	¥37,448	¥35,882	\$248,543
Due after one year through two years	20,106	20,747	133,444
Due after two years	32,859	34,226	218,086
Total	90,413	90,855	600,073

15
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) Reportable segment information

Reportable segment information for the years ended February 29, 2024 and February 28, 2023 are as follows:

FY ended February 29, 2024	Millions of yen								Consolidated
	Department Store	Commercial Property Development	Finance	Construction & Design	Total of Reportable Segments	Others (* 1)	Total	Adjustments (* 2)	
Operating revenue:									
Outside customers	¥338,521	¥51,948	¥17,438	¥27,946	¥435,853	¥30,282	¥466,135	¥—	¥466,135
Intersegment	17,239	19,010	4,172	3,083	43,504	12,333	55,837	(55,837)	—
Total	355,760	70,958	21,610	31,029	479,357	42,615	521,972	(55,837)	466,135
Segment profit (loss)	¥29,650	¥12,042	¥4,609	¥(731)	¥45,570	¥1,492	¥47,062	¥(1,124)	¥45,938
Segment assets	¥684,569	¥373,175	¥133,685	¥19,656	¥1,211,085	¥25,465	¥1,236,550	¥33,926	¥1,270,476
Depreciation	21,236	11,681	69	93	33,079	218	33,297	920	34,217
Goodwill amortization	—	310	—	2	312	—	312	—	312
Investment expenditures for affiliated company accounted for by the equity method	19,606	33,989	—	—	53,595	—	53,595	—	53,595
Increase in property, plant and equipment and intangible assets	22,798	64,040	61	42	86,941	440	87,381	1,007	88,388

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

* 2 Adjustments are as follows:

- (1) Adjustments to segment profit of Δ ¥1,124 million (Δ \$7,460 thousand) consist of Δ ¥14 million (Δ \$93 thousand) in eliminations of intersegment transactions and Δ ¥1,110 million (Δ \$7,364 thousand) in depreciation of company-wide assets not allocated to each reportable segment.
- (2) Adjustments to segment assets of ¥33,926 million (\$225,167 thousand) include Δ ¥131,076 million (Δ \$869,954 thousand) in eliminations of intersegment receivables and payables and ¥165,001 million (\$1,095,115 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 ¥920 million (\$6,106 thousand) include Δ ¥191 million (Δ \$1,268 thousand) in adjustments for unrealized intersegment profit and ¥1,110 million (\$7,367 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 ¥1,007 million (\$6,683 thousand) include ¥325 million (\$2,157 thousand) in adjustments for unrealized intersegment profit and ¥682 million (\$4,526 thousand) 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, 2023	Millions of yen								Consolidated
	Department Store	Commercial Property Development	Finance	Construction & Design	Total of Reportable Segments	Others (* 1)	Total	Adjustments (* 2)	
Operating revenue:									
Outside customers	¥321,220	¥47,513	¥17,206	¥22,692	¥408,631	¥34,812	¥443,443	¥—	¥443,443
Intersegment	16,499	11,272	4,052	1,956	33,779	10,507	44,286	(44,286)	—
Total	337,719	58,785	21,258	24,648	442,410	45,319	487,729	(44,286)	443,443
Segment profit	¥18,410	¥9,267	¥4,513	¥16	¥32,206	¥1,419	¥33,625	¥(1,105)	¥32,520
Segment assets	¥685,911	¥283,194	¥124,223	¥18,768	¥1,112,096	¥23,901	¥1,135,997	¥42,204	¥1,178,201
Depreciation	20,730	11,181	60	118	32,089	392	32,481	821	33,302
Goodwill amortization	—	278	—	1	279	—	279	—	279
Investment expenditures for affiliated company accounted for by the equity method	17,710	31,825	—	—	49,535	—	49,535	—	49,535
Increase in property, plant and equipment and intangible assets	12,074	12,463	48	67	24,652	312	24,964	22	24,986

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

* 2 Adjustments are as follows:

- (1) Adjustments to segment profit of Δ ¥1,105 million (Δ 8,105 thousand) consist of Δ ¥4 million (Δ \$29 thousand) in eliminations of intersegment transactions and Δ ¥1,101 million (Δ \$8,076 thousand) in depreciation of company-wide assets not allocated to each reportable segment.
- (2) Adjustments to segment assets of Δ ¥42,204 million (Δ \$309,572 thousand) include Δ ¥115,661 million (Δ \$848,390 thousand) in eliminations of intersegment receivables and payables and Δ ¥157,864 million (Δ \$1,157,962 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 Δ ¥821 million (Δ \$6,022 thousand) include Δ ¥281 million (Δ \$2,061 thousand) in adjustments for unrealized intersegment profit and Δ ¥1,101 million (Δ \$8,076 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 Δ ¥22 million (Δ \$161 thousand) include Δ ¥146 million (Δ \$1,071 thousand) in adjustments for unrealized intersegment profit and Δ ¥168 million (Δ \$1,232 thousand) 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 29, 2024	Thousands of U.S. dollars								Consolidated
	Department Store	Commercial Property Development	Finance	Construction & Design	Total of Reportable Segments	Others (* 1)	Total	Adjustments (* 2)	
Operating revenue:									
Outside customers	\$2,246,771	\$344,780	\$115,737	\$185,478	\$2,892,766	\$200,982	\$3,093,748	\$—	\$3,093,748
Intersegment	114,416	126,170	27,689	20,462	288,737	81,854	370,591	(370,591)	—
Total	2,361,187	470,950	143,426	205,940	3,181,503	282,836	3,464,339	(370,591)	3,093,748
Segment profit (loss)	\$196,788	\$79,923	\$30,590	\$(4,852)	\$302,449	\$9,902	\$312,351	\$(7,460)	\$304,891
Segment assets	\$4,543,499	\$2,476,771	\$887,270	\$130,457	\$8,037,997	\$169,012	\$8,207,009	\$225,167	\$8,432,176
Depreciation	140,944	77,527	458	617	219,546	1,447	220,993	6,106	227,099
Goodwill amortization	—	2,058	—	13	2,071	—	2,071	—	2,071
Investment expenditures for affiliated company accounted for by the equity method	130,125	225,586	—	—	355,711	—	355,711	—	355,711
Increase in property, plant and equipment and intangible assets	151,311	425,035	405	279	577,030	2,920	579,950	6,683	586,633

(b) Related information

1. Information by product and service

Information by product and service for the years ended February 29, 2024 and February 28, 2023 has been omitted, because similar information is disclosed in "Note 15: Segment Information."

2. Information by geographical area

(1) Operating revenue

FY ended February 29, 2024	Millions of yen			
	Japan	Singapore	Others	Total
Operating revenue	¥418,414	¥36,669	¥11,052	¥466,135

FY ended February 29, 2024	Thousands of U.S. dollars			
	Japan	Singapore	Others	Total
Operating revenue	\$2,777,023	\$243,373	\$73,352	\$3,093,748

This information for the year ended February 28, 2023 has been omitted as operating revenue from customers inside Japan accounts for more than 90% of the operating revenue recorded in the Consolidated Statements of Income.

(2) Property, plant and equipment

Information for the years ended February 29, 2024 and February 28, 2023 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 29, 2024	Millions of yen			
	Japan	Singapore	Others	Total
Property, plant and equipment	¥615,104	¥117,193	¥24,943	¥757,240

FY ended February 28, 2023	Millions of yen			
	Japan	Singapore	Others	Total
Property, plant and equipment	¥611,132	¥70,003	¥24,382	¥705,517

FY ended February 29, 2024	Thousands of U.S. dollars			
	Japan	Singapore	Others	Total
Property, plant and equipment	\$4,082,458	\$777,813	\$165,547	\$5,025,818

3. Information by major customer

This information for the years ended February 29, 2024 and February 28, 2023 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 29, 2024	Millions of yen							
	Department Store	Commercial Property Development	Finance	Construction & Design	Total of Reportable Segments	Others	Adjustments	Consolidated
Goodwill:								
Amortization	¥-	¥310	¥-	¥2	¥312	¥-	¥-	¥312
Unamortized balance	¥-	¥2,465	¥-	¥3	¥2,468	¥-	¥-	¥2,468
Negative goodwill:								
Amortization	¥-	¥-	¥-	¥-	¥-	¥-	¥-	¥-
Unamortized balance	¥-	¥-	¥-	¥-	¥-	¥-	¥-	¥-

FY ended February 28, 2023	Millions of yen							
	Department Store	Commercial Property Development	Finance	Construction & Design	Total of Reportable Segments	Others	Adjustments	Consolidated
Goodwill:								
Amortization	¥-	¥278	¥-	¥1	¥279	¥-	¥-	¥279
Unamortized balance	¥-	¥2,389	¥-	¥5	¥2,394	¥-	¥-	¥2,394
Negative goodwill:								
Amortization	¥-	¥-	¥-	¥-	¥-	¥-	¥-	¥-
Unamortized balance	¥-	¥-	¥-	¥-	¥-	¥-	¥-	¥-

FY ended February 29, 2024	Thousands of U.S. dollars							
	Department Store	Commercial Property Development	Finance	Construction & Design	Total of Reportable Segments	Others	Adjustments	Consolidated
Goodwill:								
Amortization	\$-	\$2,058	\$-	\$13	\$2,071	\$-	\$-	\$2,071
Unamortized balance	\$-	\$16,360	\$-	\$20	\$16,380	\$-	\$-	\$16,380
Negative goodwill:								
Amortization	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-
Unamortized balance	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-

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

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

FY ended February 29, 2024	Millions of yen							
	Department Store	Commercial Property Development	Finance	Construction & Design	Total of Reportable Segments	Others	Adjustments	Consolidated
Impairment losses	¥4,421	¥751	¥-	¥-	¥5,172	¥419	¥-	¥5,591

FY ended February 28, 2023	Millions of yen							
	Department Store	Commercial Property Development	Finance	Construction & Design	Total of Reportable Segments	Others	Adjustments	Consolidated
Impairment losses	¥5,019	¥-	¥-	¥-	¥5,019	¥-	¥-	¥5,019

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

FY ended February 29, 2024	Thousands of U.S. dollars							
	Department Store	Commercial Property Development	Finance	Construction & Design	Total of Reportable Segments	Others	Adjustments	Consolidated
Impairment losses	\$29,342	\$4,985	\$-	\$-	\$34,327	\$2,781	\$-	\$37,108

16 SHORT-TERM BORROWINGS AND LONG-TERM BORROWINGS

Short-term borrowings outstanding are generally represented by bank over drafts and notes issued by the Companies to banks bearing interest at average rates of 0.39% and 0.37% as at February 29, 2024 and February 28, 2023, respectively.

Short-term borrowings and current portion of long-term borrowings as at February 29, 2024 and February 28, 2023 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Short-term borrowings	¥5,000	¥5,000	\$33,185
Current portion of long-term borrowings	38,580	4,660	256,056
Total	¥43,580	¥9,660	\$289,241

Long-term borrowings as at February 29, 2024 and February 28, 2023 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
0.0% convertible bonds due 2028 *	¥60,143	¥60,173	\$399,171
0.250% bonds due 2026	10,000	10,000	66,370
0.5% bonds due 2031	10,000	10,000	66,370
Borrowings from banks, insurance companies and others due serially to 2032:			
Unsecured(bearing interest at rates from 0.17% to 7.13% at February 29, 2024)	123,809	128,410	821,723
Subtotal	203,952	208,583	1,353,634
Less: Current portion of long-term borrowings	(38,580)	(4,660)	(256,056)
Total	¥165,372	¥203,923	\$1,097,578

* The current conversion price of 0.0% convertible bonds due 2028 issued by the Company is ¥2,177.5(\$14.45). On February 29, 2024, the convertible bonds were convertible into 27,554,535 shares of common stock. As the proposal regarding appropriation of surplus of ¥20 per share was approved at the 158th Ordinary General Meeting of Shareholders, held on May 21, 2024, and from this, it was determined that annual dividends for the fiscal year ended February 29, 2024 shall be ¥37 per share, the conversion price was adjusted to ¥2,163.5 retrospectively to March 1, 2024 in accordance with the conversion price adjustment clause. As a result, the bonds can now be converted into 27,732,840 shares.

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

Fiscal years	Millions of yen	Thousands of U.S. dollars
2025	¥38,580	\$256,056
2026	30,006	199,150
2027	13,223	87,761
2028	32,000	212,385
2029 and thereafter	90,000	597,331
Total	¥203,809	\$1,352,683

17
DERIVATIVE
TRANSACTIONS

1. Derivatives to which hedge accounting is not applied

Not applicable.

2. Derivatives to which hedge accounting is applied

(1) Currency-related derivatives

			Millions of yen		
			2024		
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		¥103	¥—	¥3
	To buy Euros		53	—	2
Total			¥156	¥—	¥5

			Millions of yen		
			2024		
Hedge accounting method	Type of derivatives	Major hedged items	Contract amount	Contract amount due after one year	Fair value
Allocation processing for foreign exchange contracts, etc.	Forward contracts	Short-term loans receivable			
	To buy U.S. dollars		¥—	¥—	¥—
Total			¥—	¥—	¥—

			Millions of yen		
			2023		
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		¥94	¥—	¥(1)
	To buy Euros		—	—	—
Total			¥94	¥—	¥(1)

			Millions of yen		
			2023		
Hedge accounting method	Type of derivatives	Major hedged items	Contract amount	Contract amount due after one year	Fair value
Allocation processing for foreign exchange contracts, etc.	Forward contracts	Short-term loans receivable			
	To buy U.S. dollars		¥1,843	¥—	¥6
Total			¥1,843	¥—	¥6

			Thousands of U.S. dollars		
			2024		
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		\$683	\$—	\$20
	To buy Euros		352	—	13
Total			\$1,035	\$—	\$33

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

* 2 These forward exchange contracts are used to avoid future risks of fluctuation in foreign exchange with regards to foreign currency loans to consolidated subsidiaries by the Company submitting the consolidated financial statements.

			Thousands of U.S. dollars		
			2024		
Hedge accounting method	Type of derivatives	Major hedged items	Contract amount	Contract amount due after one year	Fair value
Allocation processing for foreign exchange contracts, etc.	Forward contracts	Short-term loans receivable			
	To buy U.S. dollars		\$—	\$—	\$—
Total			\$—	\$—	\$—

(2) Interest-rate-related derivatives

			Millions of yen		
			2024		
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	¥—	¥—
	Pay fixed rate				
Total			¥10,000	¥—	¥—

			Millions of yen		
			2023		
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	¥—

			Thousands of U.S. dollars		
			2024		
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		\$66,370	\$—	\$—
	Pay fixed rate				
Total			\$66,370	\$—	\$—

* 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

Not applicable.

18
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 movements in defined benefit obligation for the years ended February 29, 2024 and February 28, 2023 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Balance at the beginning of the year	¥96,556	¥100,703	\$640,844
Service cost	1,628	1,951	10,805
Interest cost	212	213	1,407
Actuarial gains or losses	(5,074)	(324)	(33,676)
Benefit paid	(5,934)	(5,943)	(39,384)
Others	—	(44)	—
Balance at the end of the year	¥87,388	¥96,556	\$579,996

(2) The movements in plan assets for the years ended February 29, 2024 and February 28, 2023 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Balance at the beginning of the year	¥48,019	¥50,767	\$318,703
Expected return on plan assets	1,200	1,269	7,964
Actuarial gains or losses	3,024	(1,740)	20,070
Contribution from the employer	557	573	3,697
Benefit paid	(2,769)	(2,850)	(18,378)
Balance at the end of the year	¥50,031	¥48,019	\$332,056

(3) Reconciliation between the liability recorded in the Consolidated Balance Sheets and the balance of benefit obligation and plan assets as at February 29, 2024 and February 28, 2023 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Funded defined benefit obligation	¥48,520	¥54,826	\$322,027
Plan assets	(50,031)	(48,019)	(332,056)
	(1,511)	6,807	(10,029)
Unfunded defined benefit obligation	38,869	41,730	257,974
Net liability for defined benefit obligation	¥37,358	¥48,537	\$247,945
Retirement benefit liability	37,358	48,537	247,945
Net liability for defined benefit obligation	¥37,358	¥48,537	\$247,945

(4) The components of periodic benefit costs for the years ended February 29, 2024 and February 28, 2023 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Service cost	¥1,628	¥1,951	\$10,805
Interest cost	212	213	1,407
Expected return on plan assets	(1,200)	(1,269)	(7,964)
Amortization of actuarial gains and losses	(446)	(366)	(2,960)
Amounts of prior service cost recognized	(182)	(185)	(1,208)
Total	¥12	¥344	\$80

(5) The components of other comprehensive income on defined retirement benefits plans, before tax, as at February 29, 2024 and February 28, 2023 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Prior service cost	¥(182)	¥(186)	\$(1,208)
Actuarial gains and losses	7,652	(1,782)	50,786
Total	¥7,470	¥(1,968)	\$49,578

(6) Accumulated other comprehensive income on defined retirement benefits plans, before tax, as at February 29, 2024 and February 28, 2023 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Unrecognized prior service cost	¥455	¥637	\$3,020
Unrecognized actuarial gains and losses	5,573	(2,079)	36,988
Total	¥6,028	¥(1,442)	\$40,008

(7) Plan assets

1) Components of plan assets are as follows:

	%	
	2024	2023
Debt investments	24%	24%
Equity investments	31	31
General accounts with life insurance companies	30	31
Cash and deposits	7	11
Alternative Investments	8	3
Total	100%	100%

*Alternative investments are mainly investments in real estate, infrastructure, private equity, and others.

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 29, 2024 and February 28, 2023 are as follows:

	%			
	2024	2023		
Discount rate				
Relating to defined benefit obligation	Mainly 0.9%	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	2.6%	1.5%		

3. Defined benefit obligation of the simplified method

(1) The movements in defined benefit obligation of the simplified method for the years ended February 29, 2024 and February 28, 2023 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Balance at the beginning of the year	¥1,669	¥1,620	\$11,077
Employees' retirement benefit cost	213	206	1,414
Benefit paid	(137)	(157)	(909)
Balance at the end of the year	¥1,745	¥1,669	\$11,582

(2) Reconciliation between the liability recorded in the Consolidated Balance Sheets and the balance of benefit obligation and plan assets as at February 29, 2024 and February 28, 2023 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Funded defined benefit obligation	¥124	¥127	\$823
Plan assets	(127)	(130)	(843)
	(3)	(3)	(20)
Unfunded defined benefit obligation	1,748	1,672	11,602
Net liability for defined benefit obligation	¥1,745	¥1,669	\$11,582
Retirement benefit liability	1,745	1,669	11,582
Net liability for defined benefit obligation	¥1,745	¥1,669	\$11,582

(3) Employees' benefit cost of the simplified method for the years ended February 29, 2024 and February 28, 2023 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Employees' benefit cost of the simplified method	¥213	¥205	\$1,414

4. Defined contribution pension plan

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Required contribution amount of the Company and its consolidated subsidiaries to the defined contribution plan	¥656	¥684	\$4,354

19 CONTINGENT LIABILITIES

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

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Guarantees on loans from financial institutions:			
Keppel Land Watco II Co.,Ltd.	¥3,096	¥1,438	\$20,548
Keppel Land Watco III Co.,Ltd.	774	848	5,137
Edusmart Tay Ho Education Co.,Ltd. (*1 *2)	425	575	2,821
TAN PHU LONG JOINT STOCK COMPANY	—	648	—
VNLL Holdings Pte.Ltd.	3,173	3,173	21,059
Loan guarantees made for employees	2	3	14
Total	¥7,470	¥6,685	\$49,579

* 1 ¥431 million (\$3,161 thousand) of ¥575 million (\$4,218 thousand) for guarantees on loans from financial institutions for the year ended February 28, 2023 have been counter-guaranteed from Edufit International Education Corporation Joint Stock Company.

* 2 ¥318 million (\$2,111 thousand) of ¥424 million (\$2,814 thousand) for guarantees on loans from financial institutions for the year ended February 29, 2024 have been counter-guaranteed from Edufit International Education Corporation Joint Stock Company.

20 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 shares.

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 shares 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			
	2024			
	March 1, 2023	Increase	Decrease	February 29, 2024
Common shares				
Number of shares issued	177,759,481	—	—	177,759,481

	Number of shares			
	2023			
	March 1, 2022	Increase	Decrease	February 28, 2023
Common shares				
Number of shares issued	177,759,481	—	—	177,759,481

2. Treasury shares

	Number of shares			
	2024			
	March 1, 2023	Increase	Decrease	February 29, 2024
Common shares				
Treasury shares	20,027,587	991	—	20,028,578

* 1 The number of treasury shares increased by 991 shares due to the purchase of fractional shares of less than one voting unit.

	Number of shares			
	2023			
	March 1, 2022	Increase	Decrease	February 28, 2023
Common shares				
Treasury shares	11,027,076	9,000,550	39	20,027,587

* 1 The increase in the number of common treasury shares of 9,000,550 is attributed to purchasing 550 shares less than the Share Unit and 9,000,000 shares through Tokyo Stock Exchange Trading NeTwork System (ToSTNeT-3).

* 2 The number of treasury shares decreased by 39 shares due to the transfer of fractional shares in response to purchase requests.

3. Stock options

Not applicable.

4. Dividends

(1) Payments of dividends

2024							
Approval	Type of shares	Total dividends		Dividends per share		Record date	Effective date
May 23, 2023 shareholders' meeting	Common shares	¥2,208 millions	\$14,656 thousands	¥14.00	\$0.09	February 28, 2023	May 24, 2023
October 13, 2023 board of directors	Common shares	¥2,681 millions	\$17,797 thousands	¥17.00	\$0.11	August 31, 2023	November 22, 2023
2023							
Approval	Type of shares	Total dividends		Dividends per share		Record date	Effective date
May 24, 2022 shareholders' meeting	Common shares	¥2,001 millions		¥12.00		February 28, 2022	May 25, 2022
October 11, 2022 board of directors	Common shares	¥2,001 millions		¥12.00		August 31, 2022	November 22, 2022

(2) Dividends payment whose record date is attributable to the accounting period ended February 29, 2024 and February 28, 2023, but which becomes effective after the said accounting period

2024								
Approval	Type of shares	Source of dividends	Total dividends		Dividends per share		Record date	Effective date
May 21, 2024 shareholders' meeting	Common shares	Retained earnings	¥3,155 millions	\$20,940 thousands	¥20.00	\$0.13	February 29, 2024	May 22, 2024
2023								
Approval	Type of shares	Source of dividends	Total dividends		Dividends per share		Record date	Effective date
May 23, 2023 shareholders' meeting	Common shares	Retained earnings	¥2,208 millions		¥14.00		February 28, 2023	May 24, 2023

21
PER SHARE
INFORMATION

Per share information for the years ended February 29, 2024 and February 28, 2023 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Basic profit attributable to owners of parent per share			
Income (numerator):			
Profit attributable to owners of parent	¥31,621	¥27,839	\$209,869
Amounts not belonging to common shareholders	—	—	—
Profit attributable to owners of parent concerning common shares	31,621	27,839	209,869
Shares (denominator):			
Weighted average number of shares	157,731,475	163,962,974	157,731,475
Basic earnings per share	¥200.47	¥169.78	\$1.33
Diluted profit attributable to owners of parent per share			
Income (numerator):			
Profit attributable to owners of parent	¥31,621	¥27,839	\$209,869
Amounts not belonging to common shareholders	—	—	—
Profit attributable to owners of parent concerning common shares	31,621	27,839	209,869
Effect of dilutive securities — convertible bonds	(21)	(20)	(139)
Adjusted profit attributable to owners of parent	31,600	27,819	209,730
Shares (denominator):			
Weighted average number of shares	157,731,475	163,962,974	157,731,475
Assumed conversion of convertible bonds	27,554,535	27,522,935	27,554,535
Adjusted weighted average number of shares	185,286,010	191,485,909	185,286,010
Diluted earnings per share	¥170.54	¥145.27	\$1.13

Net assets per share as at February 29, 2024 and February 28, 2023 are calculated as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Net assets per share			
Net assets (numerator):			
Total net assets	¥478,802	¥436,482	\$3,177,819
Non-controlling interests	(24,723)	(23,156)	(164,087)
Adjusted net assets	454,079	413,326	3,013,732
Common shares (denominator):			
Issued number of shares	177,759,481	177,759,481	177,759,481
Treasury shares	(20,028,578)	(20,027,587)	(20,028,578)
Outstanding number of shares	157,730,903	157,731,894	157,730,903
Net assets per share	¥2,878.82	¥2,620.43	\$19.11

22
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 29, 2024 and February 28, 2023 consist of the following:

	Millions of yen	
	2024	2023
	Book value	Book value
Land	¥—	¥4,654
Buildings	—	152
Total	¥—	¥4,806

	Thousands of U.S. dollars	
	2024	
	Book value	
Land		\$—
Buildings		—
Total		\$—

2. Loss on retirement of non-current assets

Loss on retirement of non-current assets for the years ended February 29, 2024 and February 28, 2023 consist of the following:

	Millions of yen	
	2024	2023
	Book value	Book value
Buildings and structures	¥696	¥805
Other non-current assets	160	103
Cost of restoration	2,048	999
Total	¥2,904	¥1,907

	Thousands of U.S. dollars	
	2024	
	Book value	
Buildings and structures		\$4,619
Other non-current assets		1,062
Cost of restoration		13,593
Total		\$19,274

23 IMPAIRMENT LOSSES

Impairment losses are recognized for the following asset groups.

	Location	Category by use	Assets	Millions of yen	Thousands of U.S. dollars
				2024	2024
				Impairment losses	
EC Division of the Company	Tokyo, Japan	Business operating	Software	¥1,850	\$12,279
			Others	25	166
Omiya Store of the Company	Saitama, Japan	Stores	Buildings	598	3,969
			Others	238	1,580
Cross media Division of the Company	Tokyo, Japan	Business operating	Software	384	2,549
			Others	35	232
Gifu Takashimaya Co.,Ltd	Gifu, Japan	Stores	Buildings	321	2,130
			Others	553	3,670
Toshin Development Co.,Ltd	Tokyo, Japan	Stores	Buildings	680	4,513
			Others	22	146
Shanghai Takashimaya Co.,Ltd	Shanghai, China	Stores	Buildings	353	2,343
			Others	51	339
Others		Stores	Buildings	297	1,971
			Others	184	1,221
Total				¥5,591	\$37,108

The Company and its consolidated subsidiaries group their assets mainly by stores as the basic unit, which is the smallest unit that generates cash flows.

Among these, the book value of asset groups with undiscounted future cash flows lower than the book value due to deterioration in performance has been reduced to the recoverable amount, and this reduction has been recorded as impairment losses of 5,591 million yen (\$ 37,108 thousand) in extraordinary losses.

The recoverable amounts of the asset groups belonging to the Company and the domestic consolidated subsidiaries are measured based on the value in use or net realizable value. The value in use is calculated to be zero because no future cash flow is expected. Net realizable value is calculated based on real estate appraisal value, etc.

The recoverable amounts of the asset groups belonging to the overseas consolidated subsidiaries are measured based on the value in use in accordance with International Financial Reporting Standards. The value in use is calculated to be zero because no future cash flow is expected.

	Location	Category by use	Assets	Millions of yen
				2023
				Impairment losses
The Company Kashiwa Store	Kashiwa, Japan	Stores	Buildings	¥2,558
			Others	364
The Company Omiya Store	Saitama, Japan	Stores	Buildings	1,322
			Others	117
The Company Sakai Store	Sakai, Japan	Stores	Buildings	8
			Others	11
The Company Senboku Store	Sakai, Japan	Stores	Buildings	34
			Others	21
The Company FoodMaison ShinYokohama	Yokohama, Japan	Stores	Buildings	447
			Others	21
Others		Stores	Buildings	89
			Others	27
Total				¥5,019

The Company and its consolidated subsidiaries group their assets mainly by stores as the basic unit, which is the smallest unit that generates cash flows.

Among these, the book value of asset groups that are expected to continuously generate negative profit (loss) from operating activities is reduced to the recoverable amount, and the amount of the reduction was recorded as impairment losses of 5,019 million yen (\$ 36,815 thousand) in extraordinary losses.

The recoverable amount is calculated based on the value in use or net realizable value. The value in use is calculated to be zero because no future cash flow is expected. Net realizable value is calculated based on real estate appraisal value, etc.

24 LOSS AND GAIN ON THE COVID-19 PANDEMIC

Loss related to COVID-19 in the previous fiscal year is fixed expenses (personnel expenses, rent expenses, depreciation, etc.) arising from temporarily suspending operation of the Group's commercial facilities at the request of the national and local governments.

25 OTHER COMPREHENSIVE INCOME

The recycling and effect of deferred income taxes on the other comprehensive income for the years ended February 29, 2024 and February 28, 2023 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Valuation difference on available-for-sale securities			
Occurrence amount	¥5,534	¥4,882	\$36,729
Recycling	—	(2,857)	—
Before tax effect	5,534	2,025	36,729
Tax effect	(1,690)	(601)	(11,216)
Valuation difference on available-for-sale securities	3,844	1,424	25,513
Deferred gains or losses on hedges			
Occurrence amount	6	(1)	40
Tax effect	(2)	0	(14)
Deferred gains or losses on hedges	4	(1)	26
Foreign currency translation adjustments realized for the year			
Occurrence amount	3,421	5,976	22,705
Remeasurements of defined benefit plans, net of tax			
Occurrence amount	8,098	(1,417)	53,746
Recycling	(628)	(551)	(4,168)
Before tax effect	7,470	(1,968)	49,578
Tax effect	(2,280)	600	(15,132)
Remeasurements of defined benefit plans, net of tax	5,190	(1,368)	34,446
Share of other comprehensive income of entities accounted for using the equity method			
Occurrence amount	2,165	3,257	14,369
Recycling	1	(2)	7
Share of other comprehensive income of entities accounted for using the equity method	2,166	3,255	14,376
Total other comprehensive income	¥14,625	¥9,286	\$97,066

26 SIGNIFICANT SUBSEQUENT EVENTS

(Cancellation of Treasury Shares)

As resolved at the Board of Directors meeting held on April 12, 2024, the Company completed the cancellation of treasury shares based on the provisions in Article 178 of the Companies Act as at April 26, 2024.

- Purpose of cancellation of treasury shares
To improve capital efficiency
- Type of Shares to Be Canceled
The Company's ordinary shares
- Number of Shares to Be Canceled
13,931,873 shares
(Percentage of the total number of outstanding shares before the cancellation: 7.8%)
- Date of Cancellation
April 26, 2024

Reference

Total number of outstanding shares after the cancelation: 163,827,608 shares
Number of treasury shares after the cancelation: 6,096,705 shares

(Stock Split and a Partial Revision of the Articles of Incorporation due to the Stock Split)

The Company resolved to perform a stock split and to make a partial revision to the Articles of Incorporation due to the stock split at a Board of Directors' meeting held on April 12, 2024.

1. Stock Split

(1) Purpose of the stock split

The Company is aiming to improve the liquidity of its shares and to further expand its investor base through the creation of an environment where it is even easier for individual investors to invest by lowering the investment unit level with a stock split.

(2) Overview of the stock split

(i) Method of the stock split

The Company will split each ordinary share owned by shareholders recorded in the final shareholder register on Saturday, August 31, 2024 (this day is a business holiday for the shareholder register administrator, so this will actually be on Friday, August 30, 2024) into two.

(ii) Number of shares to be increased with the stock split

Total number of outstanding shares before the stock split	163,827,608 *1
Number of shares to be increased with this stock split	163,827,608 *2
Total number of outstanding shares after the stock split	327,655,216
Total number of authorized shares after the stock split	600,000,000

*1: This gives the total number of outstanding shares after the cancelation of treasury shares by the Company.

The Company has calculated this figure by subtracting the number of treasury shares scheduled to be canceled on Friday, April 26, 2024 (13,931,873 ordinary shares) as determined at the meeting of the Board of Directors convened on April 12, 2024 from the total number of outstanding shares as at the same date (177,759,481).

*2: The number of shares to be increased may change in the future.

(iii) Schedule of the stock split

Record date announcement date (planned)	Friday, August 16, 2024
Record date	Saturday, August 31, 2024 *Actually, Friday, August 30
Effective date	Sunday, September 1, 2024

(3) Other

(i) Change in the amount of capital

There will be no change in the amount of capital when the Company performs this stock split.

(ii) Year-end dividend for the fiscal year ended February 2024

The effective date of this stock split will be September 1, 2024. Therefore, shares before the stock split will be eligible to receive the year-end dividend for the fiscal year ended February 2024 with February 29, 2024 serving as the record date.

(iii) Adjustment of the conversion price of convertible bonds

The conversion price of Zero Coupon Convertible Bonds due 2028 issued by the Company has been adjusted according to the conversion price adjustment clause in the corporate bond terms due to this stock split. The Company has informed you of the adjusted conversion price after the conclusion of its 158th Ordinary General Meeting of Shareholders held on May 21, 2024.

2. Partial Revision of the Articles of Incorporation

(1) Reason for the revision

The Company will revise as follows part of its Articles of Incorporation on Sunday, September 1, 2024 based on the provisions in Article 184, Paragraph 2 of the Companies Act due to this stock split.

(2) Details of the revision

(Underlining indicates a revision)

Current Articles of Incorporation	Revised Articles of Incorporation
Article 6: Total Number of Authorized Shares The total number of authorized shares in the Company shall be 300 million.	Article 6: Total Number of Authorized Shares The total number of authorized shares in the Company shall be 600 million.

(3) Schedule of the revision

Date on which the resolution was made at a Board of Directors' meeting	Friday, April 12, 2024
Effective date	Sunday, September 1, 2024

INDEPENDENT AUDITOR'S REPORT

Independent Auditor's Report

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

Report on the Audit of the Consolidated Financial Statements

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 29, 2024 and February 28, 2023, 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 29, 2024 and February 28, 2023, 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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Reasonableness of the estimated total amount of undiscounted future cash flows used in determining whether an impairment loss should be recognized on non-current assets of Takashimaya Co., Ltd.	
The key audit matter	How the matter was addressed in our audit
In the consolidated balance sheet for the current fiscal year, property, plant and equipment of ¥757,240 million and intangible assets of ¥35,574 million were recognized. As stated in Note 2, "Significant accounting estimates" to the consolidated financial statements as of February 29, 2024, Takashimaya Co., Ltd. (hereinafter referred to as the "Company"), which operates a department store business, had non-current assets of ¥495,290 million (consisting of property, plant and equipment of ¥477,799 million and intangible assets of ¥17,491 million), which accounted for 39.0 % of total assets in the consolidated financial statements. Of this amount, the total amount of non-current assets of the Kashiwa Store and the Omiya Store was ¥6,154	<p>The primary procedures we performed to assess the reasonableness of the estimated total amount of undiscounted future cash flows used in determining whether an impairment loss should be recognized on non-current assets of the Kashiwa and Omiya Stores of the Company included the following:</p> <p>(1) Internal control testing</p> <p>We tested the design and operating effectiveness of certain of the Company's internal controls over the estimate of the total undiscounted future cash flows used in determining whether an impairment loss should be recognized on non-current assets of the Company.</p>

million, representing 0.5% of total assets in the consolidated balance sheet. Impairment losses of ¥835 million on a group of assets belonging to the Omiya Store were recorded in the consolidated income statement for the current fiscal year.

The Company groups assets are mainly based on individual stores, which are considered to be the smallest units that produce largely independent cash flows. With the exception of land, these non-current assets are depreciated on a systematic basis. However, if there is an indication of impairment, the Company determines if it is necessary to recognize an impairment loss by comparing the total amount of undiscounted future cash flows to be generated from an asset group with its carrying amount. If, as a result of the assessment, it is determined that an impairment loss needs to be recognized, the carrying amount is reduced to the recoverable amount and the resulting decrease in the carrying amount is recognized as an impairment loss. The recoverable amount is determined at the higher of the net realizable value, which is the fair value of the asset group less cost of disposal, and the value in use, representing the present value of future cash flows expected to be generated from continuous use and ultimate disposal after use of the asset group.

During the current fiscal year, the Kashiwa and Omiya Stores have reported operating losses for the last two consecutive years. Considering this situation, the Company identified an indication of impairment for the asset groups for each of the above stores and assessed whether an impairment loss should be recognized. Since the total amount of undiscounted future cash flows for the Kashiwa Store exceeded the carrying amount, the Company concluded that no impairment loss was required to be recognized. However, since the total amount of undiscounted future cash flows for the Omiya Store was less than the carrying amount, the Company reduced the carrying amount to the net realizable value as the recoverable amount, and recognized an impairment loss for the decrease in the carrying amount.

The total amount of undiscounted future cash flows was calculated using the business plan based on the mid-term management plan. Since the business plan was developed mainly based on various expectations, including an increase in net sales achieved through revenue growth measures and the effects of expense measures considering the results of past fiscal years, it involved a high degree of subjective judgment by management in addition to estimation uncertainty. In addition, the net realizable value included in the total amount of undiscounted future cash flows was calculated based on real estate

(2) Assessment of the reasonableness of the estimated total amount of undiscounted future cash flows

In order to assess whether key assumptions embedded in the business plan underlying the estimated total amount of undiscounted future cash flows were appropriate, we examined whether the Board of Directors had resolved to approve the mid-term management plan, and then inquired of management and the personnel responsible for relevant departments about the basis on which those assumptions were developed. In addition, we:

- assessed the consistency of the increase in net sales achieved through revenue growth measures with available external information and compared the increase in net sales with past actual results of similar measures; and
- for the effects of expense-cutting measures, compared the worksheet for each expense item with the results of past fiscal years.

In addition, in order to evaluate the reasonableness of the valuation method and key assumptions used to calculate the real estate appraisal value, which formed the basis for determining the net realizable value included in the total amount of undiscounted future cash flows, we inquired of management, the personnel responsible for relevant departments, and experts engaged by management about their rationale, with the assistance of real estate valuation specialists within our network firms. In addition, we:

- inspected the real estate appraisal report used by the Company and assessed the appropriateness of the real estate appraisal valuation method; and
- compared key assumptions that formed the basis for the calculation with historical results and market data.

appraisal values developed by a real estate appraiser. However, the valuation method for the real estate appraisal and key assumptions used to calculate the appraisal value involved management's subjective judgment as well as required a high level of valuation expertise.

We, therefore, determined that our assessment of the reasonableness of the estimated total amount of undiscounted future cash flows used in determining whether an impairment loss should be recognized for the Kashiwa and Orniya Stores was one of the most significant matters in our audit of the consolidated financial statements for the current fiscal year, and accordingly, a key audit matter.

With respect to the reasonableness of the estimated total amount of undiscounted future cash flows used in determining whether an impairment loss should be recognized on non-current assets of the former Tachikawa Store, which was a key audit matter in the previous fiscal year, we determined that it was no longer a key audit matter as the former Tachikawa Store recorded positive operating income in the current fiscal year.

Reasonableness of the estimated future cash flows used for the impairment testing of non-current assets of Siam Takashimaya (Thailand) Co., Ltd.

The key audit matter	How the matter was addressed in our audit
<p>In the consolidated balance sheet for the current fiscal year, property, plant and equipment of ¥757,240 million and intangible assets of ¥35,574 million were recognized. As stated in Note 2, "Significant accounting estimates" to the consolidated financial statements as of February 29, 2024, Siam Takashimaya (Thailand) Co., Ltd. (hereinafter referred to as "Siam Takashimaya"), a consolidated subsidiary that operates a department store business, had non-current assets of ¥4,316 million (consisting of property, plant and equipment of ¥4,278 million and intangible assets of ¥37 million), which accounted for 0.3 % of total assets in the consolidated financial statements.</p> <p>Takashimaya Co., Ltd. and its consolidated subsidiaries group assets mainly based on individual stores, which are considered to be the smallest units that produce largely independent cash flows. While the non-current assets of Siam Takashimaya are depreciated in a systematic manner, they are tested for impairment whenever there is an indication of impairment in accordance with the International Financial Reporting Standards. In the impairment testing, when the recoverable amount of a cash-generating unit (CGU) is less than the carrying amount, the carrying amount is reduced to the</p>	<p>The primary procedures we performed to assess the reasonableness of the estimated future cash flows used for the impairment testing of non-current assets of Siam Takashimaya are described below. We requested the component auditor of Siam Takashimaya to perform certain procedures. We then evaluated the report of the component auditor as to whether sufficient and appropriate audit evidence was obtained.</p> <p>(1) Internal control testing We tested the design and operating effectiveness of certain of Siam Takashimaya's internal controls relevant to the estimate of future cash flows.</p> <p>(2) Assessment of the reasonableness of estimated future cash flows In order to assess whether key assumptions included in the business plan underlying the estimated future cash flows were appropriate, we examined whether the Board of Directors of Siam Takashimaya had resolved to approve the business plan, and then inquired of management about the basis on which those assumptions were developed. In addition, we:</p> <ul style="list-style-type: none"> <input type="checkbox"/> ● compared the increase in net sales of stores, due to an increase in inbound tourists, with the actual

recoverable amount, and the resulting decrease in the carrying amount is recognized as an impairment loss. The recoverable amount is determined at the higher of the fair value less costs of disposal of a CGU or the value in use, representing the present value of future cash flows that are expected to be generated from the CGU.

Siam Takashimaya determined that there was an indication of impairment as its operating results did not meet the target plan in the current fiscal year, and performed an impairment test. In the impairment testing, the recoverable amount, based on the value in use, exceeded the carrying amount, therefore the recognition of an impairment loss was deemed unnecessary.

The value in use was calculated as the present value of future cash flows estimated based on the business plan approved by management. Since the estimate was developed mainly based on various expectations, including an increase in net sales that resulted from an increase in inbound tourists and the effects of revenue growth measures considering the results of past fiscal years, it involved a high degree of subjective judgment by management in addition to estimation uncertainty.

We, therefore, determined that our assessment of the reasonableness of the estimated future cash flows used for the impairment testing of non-current assets of Siam Takashimaya was one of the most significant matters in our audit of the consolidated financial statements for the current fiscal year, and accordingly, a key audit matter.

results for the current fiscal year and prior years, as well as forecast reports published by third-party organizations; and

- examined the consistency of the increase in net sales resulting from the effects of revenue growth measures with available external information.

Other Information

The other information comprises the information included in the FINANCIAL STATEMENTS, but does not include the consolidated financial statements and our auditor's reports thereon. Management is responsible for the preparation and presentation of the other information. 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 reporting process for the other information.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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:

- 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, actions taken to eliminate threats or safeguards applied.

From the matters communicated with corporate auditors and the board of corporate auditors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Fee-related Information

Fees paid or payable to our firm and to other firms within the same network as our firm for audit and non-audit services provided to the Company and its subsidiaries are described in "4. Details of Audit Fees etc." included in "1. Overview of the Company" of the FINANCIAL STATEMENTS.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended February 29, 2024 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.

ATSUJI MAENO
Designated Engagement Partner
Certified Public Accountant

TARO NAKAMURA
Designated Engagement Partner
Certified Public Accountant

KPMG AZSA LLC
Tokyo Office, Japan
June 14, 2024

Notes to the Reader of Independent Auditor's Report:

This is a copy of the Independent Auditor's Report and the original copies are kept separately by the Company and KPMG AZSA LLC.



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