Translation

April 10, 2014

Consolidated Financial Results for the Fiscal Year Ended February 28, 2014 <under Japanese GAAP>

Company name: **J. FRONT RETAILING Co., Ltd.**
Listing: First Section of the Tokyo Stock Exchange and Nagoya Stock Exchange
Securities code: 3086
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Scheduled date of ordinary general shareholders meeting: May 22, 2014
Scheduled date to commence dividend payments: May 2, 2014
Scheduled date to file Annual Securities Report: May 26, 2014
Preparation of supplementary material on financial results: Yes
Holding of financial results presentation meeting: Yes (for institutional investors and analysts)

(Millions of yen with fractional amounts discarded, unless otherwise noted)

1. Consolidated performance for the fiscal year ended February 28, 2014 (from March 1, 2013 to February 28, 2014)

(1) Consolidated operating results

(Percentages indicate year-on-year changes.)

	Net sales		Operating income		Ordinary income		Net income	
Fiscal year ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
February 28, 2014	1,146,319	4.9	41,816	35.5	40,502	25.8	31,568	159.1
February 28, 2013	1,092,756	16.1	30,857	42.9	32,202	40.4	12,183	(35.2)

Note: Comprehensive income
For the fiscal year ended February 28, 2014: ¥37,257 million [150.1%]
For the fiscal year ended February 28, 2013: ¥14,894 million [(21.8)%]

	Net income per share	Diluted net income per share	Net income/ equity	Ordinary income/ total assets	Operating income/ net sales
Fiscal year ended	Yen	Yen	%	%	%
February 28, 2014	59.77	59.77	8.9	4.0	3.6
February 28, 2013	23.05	23.05	3.6	3.6	2.8

Reference: Equity in earnings (losses) of affiliates
For the fiscal year ended February 28, 2014: ¥419 million
For the fiscal year ended February 28, 2013: ¥1,837 million

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
February 28, 2014	998,730	422,215	37.1	701.26
February 28, 2013	1,009,165	390,667	33.8	646.18

Reference: Equity
As of February 28, 2014: ¥370,173 million
As of February 28, 2013: ¥341,318 million

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
Fiscal year ended	Millions of yen	Millions of yen	Millions of yen	Millions of yen
February 28, 2014	37,532	(8,858)	(32,027)	31,276
February 28, 2013	26,025	(73,977)	58,275	34,576

2. Cash dividends

	Annual dividends					Total cash dividends (Total)	Dividend payout ratio (Consolidated)	Ratio of dividends to net assets (Consolidated)
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Fiscal year ended February 28, 2013	–	4.50	–	4.50	9.00	4,757	39.0	1.4
Fiscal year ended February 28, 2014	–	5.00	–	6.00	11.00	5,810	18.4	1.6
Fiscal year ending February 28, 2015 (Forecast)	–	6.00	–	12.00	–		33.3	

* The Company plans to conduct a consolidation of common shares at a rate of one share for every two shares with an effective date of September 1, 2014. Consequently, the impact of this consolidation of shares is factored into the figures for the cash dividends per share for the fiscal year ending February 28, 2015 (Forecast), and the total figures for annual cash dividends are omitted.

The fiscal year-end cash dividends per share for the fiscal year ending February 28, 2015 (Forecast) without the consolidation of shares factored in would be ¥6, and the annual cash dividends per share would be ¥12.

For the details, please refer to “Proper use of earnings forecasts, and other special matters.”

3. Consolidated earnings forecasts for the fiscal year ending February 28, 2015 (from March 1, 2014 to February 28, 2015)

(Percentages indicate year-on-year changes.)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
First six months ending August 31, 2014	562,000	0.6	17,400	(2.9)	16,200	(4.1)	6,600	(67.7)	12.50
Fiscal year ending February 28, 2015	1,172,000	2.2	43,000	2.8	41,000	1.2	19,000	(39.8)	71.99

* The impact of the consolidation of shares is factored into the net income per share in the consolidated earnings forecasts for the fiscal year ending February 28, 2015.

For the details, please refer to “Proper use of earnings forecasts, and other special matters.”

* **Notes**

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): Yes

Excluded: 1 company (Peacock Stores Ltd.)

(2) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements after error corrections

a. Changes in accounting policies due to revisions to accounting standards and other regulations: Yes

b. Changes in accounting policies due to other reasons: None

c. Changes in accounting estimates: Yes

d. Restatement of prior period financial statements after error corrections: None

(Note) These items fall in those set forth in Article 14-7 of the Ordinance on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements (cases in which it is difficult to distinguish changes in accounting policies from changes in accounting estimates). For the details, please refer to "4. Consolidated financial statements, (5) Notes on consolidated financial statements, (Changes in accounting policies)" on page 21 of the attached material.

(3) Number of issued shares (common shares)

a. Total number of issued shares at the end of the period (including treasury shares)

As of February 28, 2014	536,238,328 shares
As of February 28, 2013	536,238,328 shares

b. Number of shares of treasury shares at the end of the period

As of February 28, 2014	8,372,594 shares
As of February 28, 2013	8,030,692 shares

c. Average number of shares during the period

For the fiscal year ended February 28, 2014	528,124,906 shares
For the fiscal year ended February 28, 2013	528,510,196 shares

<Reference> Non-consolidated performance

Non-consolidated performance for the fiscal year ended February 28, 2014 (from March 1, 2013 to February 28, 2014)

(1) Non-consolidated operating results

(Percentages indicate year-on-year changes.)

	Operating revenue		Operating income		Ordinary income		Net income	
Fiscal year ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
February 28, 2014	8,983	(60.5)	6,280	(69.2)	6,398	(68.0)	12,405	(37.8)
February 28, 2013	22,744	218.4	20,394	315.6	19,972	310.0	19,930	320.0

	Net income per share	Diluted net income per share
Fiscal year ended	Yen	Yen
February 28, 2014	23.48	23.48
February 28, 2013	37.69	37.69

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
February 28, 2014	438,491	306,654	69.9	580.68
February 28, 2013	450,201	299,508	66.5	566.78

Reference: Equity
As of February 28, 2014: ¥306,638 million
As of February 28, 2013: ¥299,492 million

*** Indication regarding execution of audit procedures**

At the time of disclosure of this financial results report, the audit procedures for financial statements pursuant to the Financial Instruments and Exchange Act are incomplete.

*** Proper use of earnings forecasts, and other special matters**

The forward-looking statements, including earnings forecasts, contained in these materials are based on information currently available to the Company and on certain assumptions deemed to be reasonable. These statements do not purport that the Company pledges to realize such statements. Actual business and other results may differ substantially due to various factors. Please refer to the section of "1. Operating results, (1) Analysis of operating results" on page 2 of the attached material for the suppositions that form the assumptions for earnings forecasts and cautions concerning the use thereof.

(Cash dividend forecast and consolidated earnings forecasts following the consolidation of shares)

The Company resolved at a meeting of its Board of Directors held on March 27, 2014, to submit a proposal for a change in the number of shares per unit (from 1,000 shares to 100 shares) and a consolidation of shares (at a rate of one share for every two shares) to the Company's 7th general shareholders meeting to be held on May 22, 2014. Conditional on approval at the said general shareholders meeting, the Company will change its number of shares per unit from 1,000 shares to 100 shares and conduct a consolidation of its common shares at a rate of one share for every two shares, with the effective date of September 1, 2014. In accordance with this, the cash dividend forecast and consolidated earnings forecasts for the fiscal year ending February 28, 2015, calculated without factoring in the consolidation of shares are as follows.

1. Cash dividend forecast for the fiscal year ending February 28, 2015
   Cash dividends per share
   Second quarter-end: ¥6 (Note 1)
   Fiscal year-end: ¥6 (Note 2)
2. Consolidated earnings forecasts for the fiscal year ending February 28, 2015
   Net income per share
   Fiscal year-end: ¥35.99

   Note 1: Cash dividends per share for the second quarter-end will be paid in accordance with the number of shares before the consolidation of shares.
   Note 2: This is the amount of cash dividends calculated without factoring in the consolidation of shares.
   Note 3: Annual cash dividends for the fiscal year ending February 28, 2015 (without factoring in the consolidation of shares) will be ¥12.

(How to obtain supplementary material on financial results)

Supplementary material on financial results was disclosed on the same day on TDnet.

[Attached Material]

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1. Operating results

(1) Analysis of operating results

A. Operating results for the current fiscal year

In the current fiscal year, the Japanese economy showed a moderate recovery. This was primarily a reflection of signs of improvements in corporate earnings and personal consumption partly due to the effects of the economic and financial policies of the government and the Bank of Japan.

Moreover, in the department store sector, highly priced products continued to sell strongly on the back of the wealth effect from stock price rises and optimism regarding economic recovery. As a result, net sales rose year on year.

Amid this environment, with the aim of developing as a multi-channel retailer operating multiple businesses with department stores at their core, the J. Front Retailing Group (hereinafter the "Group") worked to enhance the competitiveness of its Department Store Business and pushed ahead with such initiatives as approaching new markets and renewing its business framework.

In the Department Store Business, the Group pressed ahead with efforts to establish "A new department store business model" that brings innovation to the sector by such means as creating appealing stores that attract a wide range of customers and constructing a highly productive store management structure. As part of these efforts, the food floor in the basement of the Main Building of the Matsuzakaya Nagoya store was completely renewed. In addition, the Matsuzakaya Ginza store closed temporarily for rebuilding, in accordance with the advancement of the urban redevelopment project in the Ginza 6-chome district. The Group also took the decision to rebuild the South Wing of the Matsuzakaya Ueno store as a high-rise complex building containing office facilities in addition to a PARCO and a cinema complex.

On a Group-wide level, in order to respond to changes in the consumer environment in line with advances in information and communications technology, the Group established a position with responsibility for IT new business development in March 2013, and undertook work to construct an "omni-channel retailing" structure providing customers with diverse information, products and services in their optimal forms through various sales channels such as physical stores and internet mail order retailing. To speed up these initiatives, the Company purchased shares of Forest Co., Ltd., which has a high level of knowhow in the development and operation of logistics and distribution systems, in December 2013, making that company into a consolidated subsidiary. Furthermore, PARCO took the decisions to substantially increase floor space at the Fukuoka PARCO and open a second PARCO in Sendai, and vigorously pushed ahead with operations including the ZERO GATE business, which operates low- to medium-rise commercial facilities. On the other hand, the Group renewed the framework of its business in April 2013 mainly through a transfer of all the shares of the Supermarket Business' Peacock Stores Ltd., which had continued to perform weakly due to recent intensification in competition, to Aeon Co., Ltd.

With respect to overseas business development, the Company is currently working towards the fully-fledged establishment of an upscale department store in Shanghai, China, as a joint venture, and preparations are underway with a view to starting operations in January 2015. Furthermore, at the general retailing business JFR PLAZA, which was established in Taiwan with the aim of developing a chain of stores in the country, three stores were opened in and around Taipei following on from the first store opening in March 2013, bringing the total to four stores.

The Group also worked to construct a stronger operating structure in preparation for the hike in consumption tax scheduled for April 2014 by pushing ahead with reform of its organizational and workforce structures on a Group level. In parallel, the Group strove to improve management efficiencies by reviewing all cost structures through such means as securing rent reductions for leased buildings, utilizing idle properties and consolidating logistics functions.

As a result of various measures including those mentioned above, net sales was ¥1,146,319 million, up 4.9% year on year, operating income was ¥41,816 million, up 35.5%, ordinary income was

¥40,502 million, up 25.8%, and net income was ¥31,568 million, up 159.1%.

The Company has decided to pay a year-end dividend of ¥6 per share.
Combined with the interim dividend, this brings the annual dividend to ¥11 per share, an increase of ¥2 from the previous fiscal year.

Results by segment are as follows.
Owing to the transfer of all the shares of Peacock Stores Ltd. on April 1, 2013, "Supermarket Business" was removed in the current fiscal year.

<Department Store Business>
At the Department Store Business, we pushed forward with a variety of initiatives for the purpose of establishing "A new department store business model" to realize further growth and increase productivity.

At the Matsuzakaya Nagoya store, for the second period of refurbishment, we carried out a complete renewal of the food floor in the upper and lower basement floors of the Main Building, and held the grand opening in June 2013. The renewed food floor, "Gochiso Paradise," is Nagoya's largest food zone and brings a large number of brands to Nagoya for the first time. In addition, we enhanced the product lineup and the services offered and improved the store's environment to meet the requirements of many generations of customers, for example with the introduction of a Pokémon Center. Through these changes we realized substantial increases in both customer numbers and net sales at the store.

At the Matsuzakaya Ginza store, following a closing sale, we temporarily brought the curtain down on the store's operations on June 30, 2013, bringing a temporary end to the popular store's 88-year history. We also closed the South Wing of the Matsuzakaya Ueno store for rebuilding on March 11, 2014, and opened the refurbished Main Building as a locally oriented store mainly focused on customers in the senior citizen market.

In addition, with the aim of gaining a firmer foothold in the market for upscale goods, at the Daimaru Kobe store we expanded the Hermès shop and moved it from the Main Building to an adjacent street-side store. With the same aim in mind, we opened new Rolex shops equipped with service counters providing repair work and other maintenance services in the Daimaru Sapporo and Kobe stores and the Matsuzakaya Nagoya store. Through these changes we pushed ahead with our work to expand luxury brand services and introduce new luxury brands at these stores.

With respect to sales promotion activities, we held various commemorative events throughout the year at the Daimaru Umeda store, which celebrated the 30th anniversary of its opening, and the Daimaru Sapporo store, which celebrated its 10th anniversary. In addition, we held the "Spring Ultra Thanks Festival" at each of our Daimaru Matsuzakaya Department Stores as our first joint sales promotion plan with PARCO, and held the "Daimaru Grand Festa" as a joint sales promotion at each of our Daimaru stores in the Kansai area last spring and autumn in response to intensified competition in the Osaka area.

In addition to the above, to develop foundations for growth in out-of-store customers, we enhanced the functions and membership privileges of the Customer Gold Card. In parallel, we pushed ahead with initiatives to develop our system for acquiring new customer accounts and to enhance related services.

We also worked to enhance sales services through such means as expanding the product lineup and improving tax exemption procedures. These measures have been brought in as a response to custom from tourists from overseas, a customer group that has shown notable growth both in terms of the number of store visits and the value of purchases.

As an initiative in the area of original merchandising, in which we aim to enhance the distinctiveness and profitability of the products we sell by integrating operations from buying to sale, we operate WOOP WOOP!, the Company's own brand of miscellaneous select shops, in the Daimaru Shinsaibashi, Umeda and Sapporo stores, and the Matsuzakaya Nagoya store, and we have opened WOOP WOOP! shops in the Ikebukuro and Fukuoka PARCOs.

Furthermore, as part of our work to develop "omni-channel" retailing, we provided new services that make optimal use of our physical store network, which is one of our strengths. These included the start of our "Click & Collect" service, through which customers can collect products they have ordered on the internet at home or at their preferred physical store, for some fashion brands.

As a result of various initiatives including those mentioned above, net sales in this business was ¥768,928 million, up 2.5% year on year, and operating income was ¥22,980 million, up 24.4%.

<PARCO Business>
At the PARCO Business, we made vigorous efforts to expand our network of business bases in city centers for future growth.

At the Fukuoka PARCO, we acquired the existing store and the adjacent land and building, and aim to open the new building in autumn 2014. We plan to extend floor space into part of the adjacent building in spring 2015. Furthermore, in March 2014 the decision was taken to open the second PARCO in Sendai, and the store is scheduled to be opened in spring 2016.

In the ZERO GATE business, which develops and manages low- to medium-rise commercial facilities, new facilities were opened in Shinsaibashi, Dotonbori and Hiroshima, and the decision was taken to open new facilities in Nagoya and Sapporo.

We also carried out refurbishments with the aim of making existing stores more appealing and strengthening their competitiveness. At core stores such as the Shibuya, Nagoya and Hiroshima stores, we carried out large-scale refurbishments centered on developing shops in new business categories and bringing fashion brands to areas for the first time. Furthermore, we worked to discover and support new talents, mainly by holding art events tailored to different local areas and urban districts at the Nagoya PARCO as well as the Shibuya and Fukuoka PARCOs. The events also helped to stimulate sales at the complexes by attracting customers.

In addition to the above, we worked to further strengthen cooperation between the PARCO Business and the Department Store Business with the aim of creating fully-fledged synergies between the businesses. Our action in this area included taking the decision to open a PARCO in the new South Wing of the Matsuzakaya Ueno store.

As a result of the various initiatives mentioned above, net sales in this business was ¥268,292 million, up 94.6% year on year, and operating income was ¥12,017 million, up 103.7% year on year. Although the period of consolidation used for the previous year consists of the six months from September 1, 2012, to February 28, 2013, if a virtual, full-year comparison is made with the fiscal year that started on March 1, 2012, net sales increased by 0.3% year on year and operating income increased by 12.7% year on year.

<Wholesale Business>
At the Wholesale Business, products that sold well included marine products, animal products and other foods, and packaging materials. On the other hand, sales in the field of electronic devices and the field of metals and automobiles were lackluster.

As a result of the above, net sales in this business was ¥63,273 million, up 5.1% year on year, while operating income was ¥1,127 million, down 29.2%, despite efforts to use selling, general and administrative expenses effectively. The decrease in operating income partly reflected a decline in the gross profit margin.

<Credit Business>
At the Credit Business, we worked to acquire new members by such means as strengthening an instant card issuance service using tablet devices and installing special counters at Daimaru Matsuzakaya Department Stores. In addition, we achieved a substantial increase in card business volume in line with the start of issuance of out-of-store Customer Gold Cards.

As a result, net sales in this business was ¥9,444 million, up 9.9% year on year, and operating income was ¥3,186 million, up 8.0%.

<Other Businesses>
In Other Businesses, despite efforts to strengthen profitability at all constituent companies, net sales was ¥88,576 million, down 1.7% year on year. Furthermore, operating income was down 7.3% year on year to ¥2,961 million despite efforts to reduce selling, general and administrative expenses.

B. Consolidated earnings forecasts for the next fiscal year
In our full-year consolidated earnings forecasts for the fiscal year ending February 28, 2015, we project net sales of ¥1,172,000 million, up 2.2%; operating income of ¥43,000 million, up 2.8%; ordinary income of ¥41,000 million, up 1.2%; and net income of ¥19,000 million, down 39.8%.

Our forecast for net income per share is ¥71.99.

(2) Analysis of financial position

A. Position of assets, liabilities, and net assets

Total assets as of February 28, 2014 was ¥998,730 million, a decrease of ¥10,435 million compared with February 28, 2013. Total liabilities was ¥576,515 million, a decrease of ¥41,982 million primarily due to the repayments of loans payable. Interest-bearing debt was ¥187,950 million, a decrease of ¥25,135 million.

Total net assets was ¥422,215 million, an increase of ¥31,548 million compared with February 28, 2013, primarily due to an increase in retained earnings.

B. Cash flow position

The balance of cash and cash equivalents (hereinafter "cash") as of February 28, 2014 amounted to ¥31,276 million, down ¥3,299 million compared with February 28, 2013.

Cash flow positions in the current fiscal year and the factors for these were as follows.

Net cash provided by operating activities was ¥37,532 million. In comparison with the previous fiscal year, cash provided increased by ¥11,507 million. This reflected increased profits, the contrast with the decrease in notes and accounts payable-trade that occurred in the previous fiscal year, and the receipt of compensation for redevelopment of the Matsuzakaya Ginza store.

Net cash used in investing activities was ¥8,858 million. In comparison with the previous fiscal year, cash used decreased by ¥65,119 million. Although there was expenditure due to PARCO Co., Ltd.'s acquisition of the trust beneficiary rights for some land and buildings, there was also a fall in expenditure in contrast with the previous fiscal year, when the Company acquired the shares of PARCO Co., Ltd., and this resulted in an overall decrease in cash used.

Net cash used in financing activities was ¥32,027 million. In comparison with the previous fiscal year, cash used increased by ¥90,302 million, mainly because of the repayment of short-term loans payable.

<Reference> Trends in cash flow indicators

	Fiscal year ended February 28, 2010	Fiscal year ended February 28, 2011	Fiscal year ended February 29, 2012	Fiscal year ended February 28, 2013	Fiscal year ended February 28, 2014
Equity ratio (%)	39.1	41.0	43.4	33.8	37.1
Market value equity ratio (%)	32.5	29.1	28.2	28.7	34.0
Interest-bearing debt to cash flow ratio (%)	547.6	510.8	435.2	818.8	500.8
Interest coverage ratio (times)	14.6	12.3	16.1	14.1	21.0

Equity ratio: equity / total assets
Market value equity ratio: market capitalization / total assets
Interest-bearing debt to cash flow ratio: interest-bearing debt / cash flow
Interest coverage ratio: cash flow / paid interest
Note 1: All indicators are calculated based on consolidated financial figures.
Note 2: Market capitalization is calculated by multiplying the closing stock price at the end of the period by the number of issued shares at the end of the period (excluding treasury shares).
Note 3: The figure used for cash flow is "net cash provided by (used in) operating activities."
Note 4: Interest-bearing debt consists of short-term loans payable, commercial papers, current portion of bonds, bonds payable and long-term loans payable recorded on the consolidated balance sheet. Furthermore, regarding the paid interest, we use the interest expenses paid recorded on the consolidated statement of cash flows.

(3) Basic policy on profit distribution and dividends for the current fiscal year and the next fiscal year

The Company's basic policy is to return profits appropriately in accordance with a targeted consolidated dividend payout ratio of 30% or more, with the aim of maintaining and enhancing the Company's sound financial standing while keeping profit levels, future capital investment, cash flow trends and other such factors in consideration. The Company also considers carrying out purchases of its own shares as appropriate in accordance with such aims as improving capital efficiency and implementing a flexible capital policy.

With respect to internal reserves, the Company intends to enhance corporate value by using them for such purposes as investing in store refurbishments and business expansions to strengthen sales, as well as strengthening the Company's financial standing.

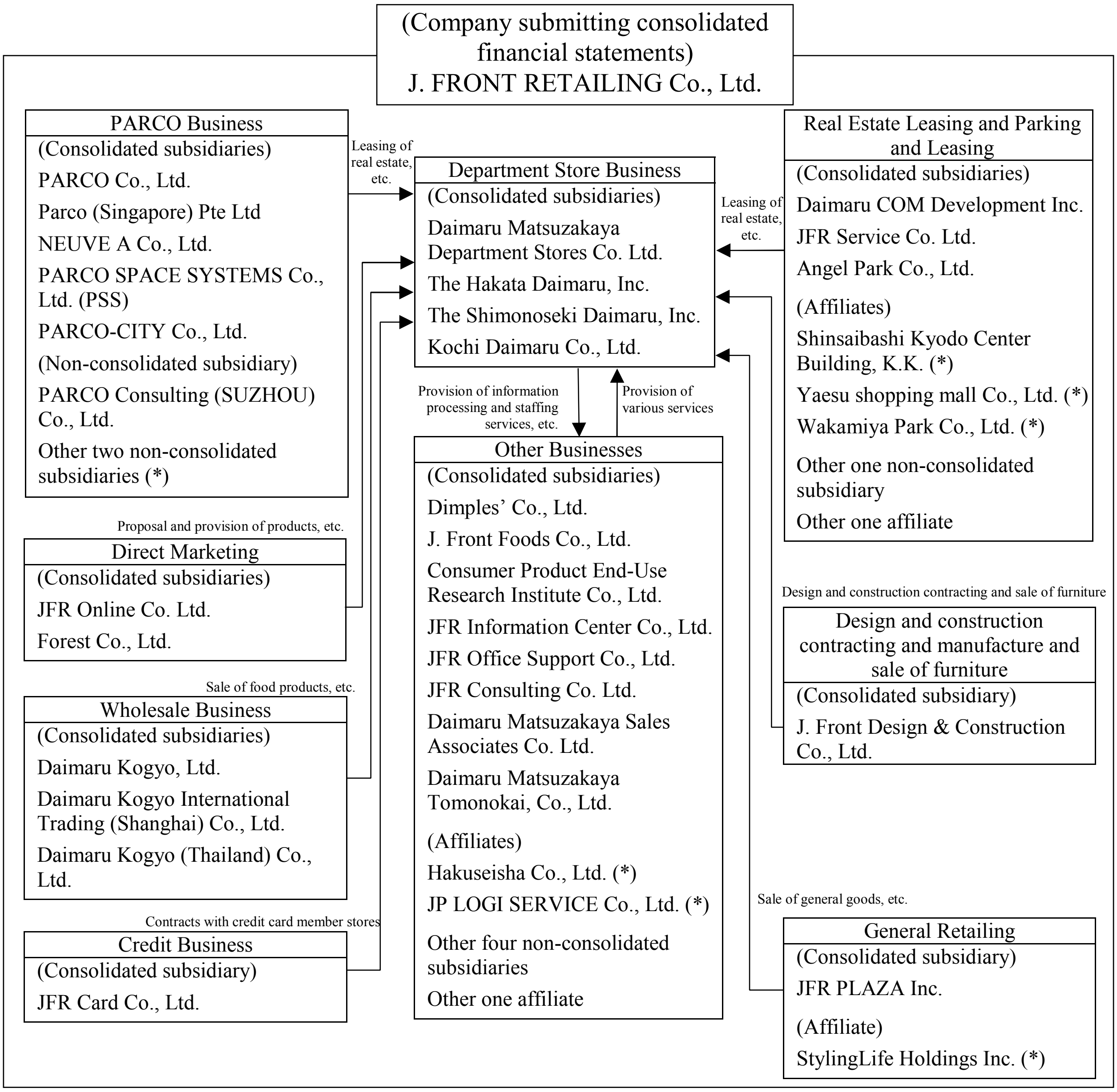
The Company has decided to pay an annual dividend of ¥11 per share in the current fiscal year, comprising of an interim dividend of ¥5 per share and a year-end dividend of ¥6 per share.

For the next fiscal year, the Company plans to pay an interim dividend of ¥6 per share and a year-end dividend of ¥12 per share.

Without taking the consolidation of shares into consideration, the year-end dividend would be ¥6 per share and the annual dividend would be ¥12 per share.

2. Overview of the corporate group

The corporate group consists of the Company, 36 subsidiaries and eight affiliates. Its principal business is the Department Store Business, and its other businesses include the PARCO Business, the Wholesale Business, the Credit Business, design and construction contracting, direct marketing, and general retailing. The following is a business organization chart of the Group's main consolidated subsidiaries and equity method companies.



Notes:
1. Companies marked with an asterisk (*) are equity method companies.
2. In segment information, direct marketing, real estate leasing and parking, leasing, design and construction contracting, manufacture and sale of furniture, and general retailing are shown together as "Other Businesses." The other businesses are categorized in accordance with the segments.
3. The Company transferred all of its shares in Peacock Stores Ltd. on April 1, 2013.
4. The liquidation of Imabari Daimaru Co., Ltd. was completed on August 31, 2013.
5. Forest Co., Ltd. was made a consolidated subsidiary on December 20, 2013.
6. The liquidation of Central Park Building Co., Ltd. was completed on February 24, 2014.
7. PARCO Consulting (SUZHOU) Co., Ltd. was excluded from the scope of consolidation on February 28, 2014.

3. Management policies

(1) Fundamental management policies

Under its holding company structure, the Group endeavors to optimize and effectively utilize management resources such as its network of Daimaru, Matsuzakaya and PARCO stores and its customer base. The Group also works to enhance the competitiveness and profitability of the Department Store Business, the PARCO Business and all constituent companies by responding accurately to changing times, maximizing customer satisfaction and operating in the most efficient way.

The Group will also work to develop as a well-balanced multi-channel retailer with highly competitive and profitable business lines by such means as directing resources to fields with higher growth potential. By realizing these goals, the Group will endeavor to realize its vision, which is to secure a position as a leading Japanese retail company both in terms of quality and quantity, with the Department Store Business at its core.

(2) Target management benchmarks

The Group not only works to enhance its competitiveness, profitability and growth potential by strengthening its capability to respond to market changes, but also places an emphasis on improving management efficiency by such means as the effective use of its assets. To this end, the Group is working to boost consolidated operating income, consolidated ROE and consolidated ROA, having positioned them as important management benchmarks.

(3) Medium and long term management strategies

The Group has started its “FY 2014 - FY 2016 Medium-term Business Plan.”

In order to prevail over competitors and realize its vision of securing a position as a leading retail company amid a difficult business environment, the Group will not only continue to push ahead with efforts to establish a new department store business model, but also strengthen its initiatives as a multi-channel retailer that also consists of PARCO, StylingLife Holdings and Forest, thus meeting diverse customer needs and dramatically strengthening the competiveness and profitability of the Group. In this way, we will enhance corporate value and earn the funds for our growth in 2017 and after.

By using the management resources of the Group, we also will push ahead with efforts in fields we consider to have medium and long term growth potential for the Group. Specifically, we will construct a foundation for a business model for growth along with the regions in which we operate with our stores at the core of such growth (strategy of urban market dominance) and promote omni-channel retailing.

In addition, we will work to expand the breadth of our businesses as a multi-channel retailer by actively pursuing mergers and acquisitions and joint ventures with external companies.

In order to put these strategies into practice, we will promote management that puts emphasis on human resources and values diversity, and foster a corporate culture that values creation and challenges. While we expand the Group and promote diversity in our workforce, we will also work to ensure thoroughgoing compliance and CSR operations.

(4) Issues to be addressed

Looking ahead, stable growth in the consumer markets is considered unlikely in view of further population and birthrate declines and the aging of society. Against this background, competition in the distribution sector is expected to intensify further regardless of business area or type, with competitive pressure anticipated not only from new openings of commercial facilities in major urban areas and floor space increases at existing ones, but also rapid expansion in the internet mail order market. Furthermore, on top of the hike in consumption tax carried out in April 2014, a further hike is scheduled for 2015, and this is expected to further increase belt-tightening among consumers. For these reasons and others, the business environment surrounding the Company is projected to become even more difficult.

In order to respond to this situation, the Group started a new "FY 2014 - FY 2016 Medium-term Business Plan" in March 2014. Under this plan, the Group will work to further strengthen the competitiveness and profitability of existing businesses while also investing management resources in fields of growth in a focused manner. The Group will work to grow and develop as a multi-channel retailer through these initiatives.

In our core Department Store Business, we will further clarify the strategies of each of our stores and accelerate the establishment of "A new department store business model." Through these means, we will work to create appealing stores that attract a wide range of customers and realize a highly profitable business model. In the out-of-store business, which is an area of strength for the Department Store Business, we will strengthen efforts to acquire new customers and reconstruct our operation management structure to meet customer needs in a wide range of ways. We will also strengthen the product lineup in the original merchandising business in order to improve profitability and enhance the appeal and distinctiveness of our stores.

As a medium and long term initiative, we will aim to grow along with the regions in which we operate with our stores at the core of such growth. This will be centered on major urban areas, where the stores of the Group are located and where the population is increasingly concentrated. In this way, we will work to achieve expansion and development across the whole Group. To strengthen our operating base in the Tokyo area, we aim to complete the redevelopment plan for the Ginza 6-chome district with its opening as a commercial facility fit for the globally renowned Ginza district in 2016. In addition, we will push ahead with our plan for the rebuilding of the South Wing of the Matsuzakaya Ueno store and create an appealing store in partnership with PARCO, with the aim of opening the building in 2017.

In addition to the above-mentioned initiatives, in response to changes in the purchasing behavior of consumers, we will work toward the early establishment of the Group's own omni-channel retailing structure, which will feature a combination of diverse sales channels including physical stores and internet selling.

In the Credit Business, which has an extensive customer base, we will further increase the number of card members in partnership with department stores. In the staffing services area and the store management and contracted sales work area, we will work to expand into other business sectors using the knowhow regarding direct customer sales services we have accumulated in the Department Store Business.

Furthermore, we will expand and develop business in fields with high growth and earnings potential by vigorously pursuing mergers and acquisitions and alliances with other companies.

With respect to overseas business, we will steadily develop our operations in Asian regions, primarily through the fully-fledged operation of an upscale department store in Shanghai, China, which we are advancing as a business alliance with a view to starting operations in January 2015, and developing an extensive store network for JFR PLAZA in Taiwan.

In addition to the above, on a Group level, we will continue to promote further reform of organizational and workforce structures and further efficiency in expenses, and work to improve management efficiency in employee productivity and other areas.

Finally, we have caused a great deal of inconvenience and concern for our shareholders, customers and many other related parties due to such issues as the mislabeling in restaurant menus that occurred in 2013. To prevent reoccurrence we will continue working to strengthen our compliance structure and strive further to be a fair and trustworthy group of companies.

Furthermore, we will work to enhance the Group's corporate value sustainably through further growth and development. We appreciate the continued support and encouragement of our shareholders.

4. Consolidated financial statements

(1) Consolidated balance sheet

(Millions of yen)

	As of February 28, 2013	As of February 28, 2014
Assets		
Current assets		
Cash and deposits	37,234	34,728
Notes and accounts receivable - trade	63,061	66,265
Securities	818	400
Inventories	30,942	29,690
Deferred tax assets	13,887	11,663
Other	44,425	32,502
Allowance for doubtful accounts	(273)	(221)
Total current assets	190,096	175,031
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	195,388	183,380
Land	431,868	349,701
Construction in progress	1,234	115,273
Other, net	4,893	5,199
Total property, plant and equipment	633,385	653,554
Intangible assets		
Goodwill	1,571	2,638
Other	41,836	40,825
Total intangible assets	43,408	43,463
Investments and other assets		
Investment securities	37,194	39,792
Long-term loans receivable	1,639	1,537
Lease and guarantee deposits	82,587	65,566
Deferred tax assets	4,428	3,074
Other	19,608	19,289
Allowance for doubtful accounts	(3,285)	(2,651)
Total investments and other assets	142,173	126,608
Total non-current assets	818,967	823,626
Deferred assets		
Bond issuance cost	101	72
Total deferred assets	101	72
Total assets	1,009,165	998,730

(Millions of yen)

	As of February 28, 2013	As of February 28, 2014
Liabilities		
Current liabilities		
Notes and accounts payable - trade	87,995	86,501
Short-term loans payable	74,567	31,265
Commercial papers	19,998	32,192
Current portion of bonds	1,000	–
Income taxes payable	9,154	4,999
Advances received	17,985	18,651
Gift certificates	38,001	37,853
Provision for bonuses	6,437	5,710
Provision for directors' bonuses	148	201
Provision for sales returns	14	27
Provision for books unsold	137	129
Provision for sales promotion expenses	624	736
Reserve for gift certificates	11,429	12,331
Provision for loss on business liquidation	70	94
Other	60,729	52,429
Total current liabilities	328,295	283,124
Non-current liabilities		
Bonds payable	24,000	24,000
Long-term loans payable	93,519	100,492
Deferred tax liabilities	101,919	104,890
Deferred tax liabilities for land revaluation	1,279	1,279
Provision for retirement benefits	26,554	17,049
Provision for directors' retirement benefits	48	56
Provision for loss of stores rebuilding	–	1,320
Other	42,879	44,300
Total non-current liabilities	290,201	293,390
Total liabilities	618,497	576,515
Net assets		
Shareholders' equity		
Capital stock	30,000	30,000
Capital surplus	209,563	209,557
Retained earnings	107,629	134,178
Treasury shares	(6,098)	(6,343)
Total shareholders' equity	341,095	367,392
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	68	2,357
Deferred gains or losses on hedges	6	(25)
Foreign currency translation adjustment	149	449
Total accumulated other comprehensive income	223	2,780
Subscription rights to shares	15	15
Minority interests	49,333	52,025
Total net assets	390,667	422,215
Total liabilities and net assets	1,009,165	998,730

(2) Consolidated statement of income and consolidated statement of comprehensive income

(Consolidated statement of income)

(Millions of yen)

	Fiscal year ended February 28, 2013	Fiscal year ended February 28, 2014
Net sales		
Net sales of goods	1,083,679	1,136,124
Rent income of real estate	9,076	10,195
Total net sales	1,092,756	1,146,319
Cost of sales		
Cost of goods sold	842,419	896,153
Cost of real estate rent	4,722	6,035
Total cost of sales	847,141	902,189
Gross profit	245,615	244,130
Selling, general and administrative expenses		
Advertising expenses	31,379	31,744
Provision of allowance for doubtful accounts	41	28
Directors' compensations, salaries and allowances	55,801	51,394
Provision for bonuses	6,260	5,205
Provision for directors' bonuses	148	201
Retirement benefit expenses	5,086	4,133
Provision for directors' retirement benefits	8	17
Welfare expenses	11,980	11,161
Depreciation	15,059	15,994
Rent expenses	29,897	27,713
Operational costs	16,837	17,317
Amortization of goodwill	174	349
Other	42,081	37,051
Total selling, general and administrative expenses	214,757	202,313
Operating income	30,857	41,816
Non-operating income		
Interest income	363	391
Dividend income	465	461
Gain on adjustment of account payable	3,464	3,191
Amortization of negative goodwill	1,163	–
Share of profit of entities accounted for using equity method	1,837	419
Other	954	786
Total non-operating income	8,248	5,251
Non-operating expenses		
Interest expenses	1,772	1,741
Loss on retirement of non-current assets	374	608
Provision of reserve for redemption of gift certificates	3,693	3,585
Other	1,063	630
Total non-operating expenses	6,903	6,566
Ordinary income	32,202	40,502

(Millions of yen)

	Fiscal year ended February 28, 2013	Fiscal year ended February 28, 2014
Extraordinary income		
Gain on sales of non-current assets	546	1,628
Gain on sales of investment securities	496	199
Gain on sales of shares of subsidiaries and associates	–	18,479
Compensation income	–	4,711
Reversal of provision for loss on business liquidation	375	–
Compensation income for damage	569	–
Other	137	85
Total extraordinary income	2,124	25,105
Extraordinary losses		
Loss on sales of non-current assets	73	–
Loss on disposal of non-current assets	2,863	3,812
Loss on valuation of investment securities	307	25
Impairment loss	1,473	1,463
Loss of stores rebuilding	–	3,235
Business structure improvement expenses	–	4,725
Loss on liquidation of business	359	110
Loss on step acquisitions	1,667	–
Loss on cancellation of rental contracts	999	–
Other	595	892
Total extraordinary losses	8,340	14,265
Income before income taxes and minority interests	25,986	51,342
Income taxes - current	11,479	11,371
Income taxes - deferred	757	5,352
Total income taxes	12,237	16,724
Income before minority interests	13,749	34,618
Minority interests in income	1,565	3,049
Net income	12,183	31,568

(Consolidated statement of comprehensive income)

(Millions of yen)

	Fiscal year ended February 28, 2013	Fiscal year ended February 28, 2014
Income before minority interests	13,749	34,618
Other comprehensive income		
Valuation difference on available-for-sale securities	962	2,289
Deferred gains or losses on hedges	(5)	(51)
Foreign currency translation adjustment	161	283
Share of other comprehensive income of entities accounted for using equity method	27	118
Total other comprehensive income	1,145	2,639
Comprehensive income	14,894	37,257
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	13,255	34,125
Comprehensive income attributable to minority interests	1,639	3,131

(3) Consolidated statement of changes in equity

Fiscal year ended February 28, 2013

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	30,000	209,598	100,133	(5,967)	333,764
Changes of items during period					
Dividends of surplus			(4,759)		(4,759)
Change of scope of equity method			70		70
Net income			12,183		12,183
Purchase of treasury shares				(195)	(195)
Disposal of treasury shares		(35)		65	30
Net changes of items other than shareholders' equity					
Total changes of items during period	–	(35)	7,495	(130)	7,330
Balance at end of current period	30,000	209,563	107,629	(6,098)	341,095

	Accumulated other comprehensive income				Subscription rights to shares	Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Total accumulated other comprehensive income			
Balance at beginning of current period	(827)	(1)	(18)	(847)	99	9,544	342,561
Changes of items during period							
Dividends of surplus							(4,759)
Change of scope of equity method							70
Net income							12,183
Purchase of treasury shares							(195)
Disposal of treasury shares							30
Net changes of items other than shareholders' equity	895	7	168	1,071	(83)	39,788	40,776
Total changes of items during period	895	7	168	1,071	(83)	39,788	48,106
Balance at end of current period	68	6	149	223	15	49,333	390,667

Fiscal year ended February 28, 2014

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	30,000	209,563	107,629	(6,098)	341,095
Changes of items during period					
Dividends of surplus			(5,019)		(5,019)
Change of scope of equity method					
Net income			31,568		31,568
Purchase of treasury shares				(320)	(320)
Disposal of treasury shares		(5)		75	69
Net changes of items other than shareholders' equity					
Total changes of items during period	–	(5)	26,548	(245)	26,297
Balance at end of current period	30,000	209,557	134,178	(6,343)	367,392

	Accumulated other comprehensive income				Subscription rights to shares	Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Total accumulated other comprehensive income			
Balance at beginning of current period	68	6	149	223	15	49,333	390,667
Changes of items during period							
Dividends of surplus							(5,019)
Change of scope of equity method							
Net income							31,568
Purchase of treasury shares							(320)
Disposal of treasury shares							69
Net changes of items other than shareholders' equity	2,288	(31)	300	2,556	–	2,692	5,249
Total changes of items during period	2,288	(31)	300	2,556	–	2,692	31,547
Balance at end of current period	2,357	(25)	449	2,780	15	52,025	422,215

(4) Consolidated statement of cash flows

(Millions of yen)

	Fiscal year ended February 28, 2013	Fiscal year ended February 28, 2014
Cash flows from operating activities		
Income before income taxes and minority interests	25,986	51,342
Depreciation	16,482	17,698
Impairment loss	1,473	3,265
Amortization of goodwill	174	349
Amortization of negative goodwill	(1,163)	–
Increase (decrease) in allowance for doubtful accounts	(143)	(501)
Increase (decrease) in provision for bonuses	(807)	(347)
Increase (decrease) in provision for retirement benefits	(866)	(4,722)
Increase (decrease) in provision for sales promotion expenses	12	43
Increase (decrease) in provision for loss on business liquidation	(1,026)	24
Increase (decrease) in reserve for gift certificates	1,048	902
Increase (decrease) in provision for stores rebuilding	–	1,320
Interest and dividend income	(828)	(853)
Interest expenses	1,772	1,741
Share of (profit) loss of entities accounted for using equity method	(1,837)	(419)
Loss (gain) on sales of non-current assets	(472)	(1,628)
Loss (gain) on disposal of non-current assets	2,863	3,812
Loss (gain) on sales of investment securities	(366)	(51)
Loss (gain) on valuation of investment securities	307	25
Compensation income for damage	(569)	–
Compensation income	–	(4,711)
Loss (gain) on step acquisitions	1,667	–
Loss (gain) on sales of shares of subsidiaries and associates	–	(18,479)
Decrease (increase) in notes and accounts receivable - trade	(505)	(2,989)
Decrease (increase) in inventories	124	(952)
Increase (decrease) in notes and accounts payable - trade	(4,707)	2,821
Decrease (increase) in accounts receivable - other	(1,592)	(2,616)
Decrease (increase) in long-term prepaid expenses	(181)	10
Other, net	407	(6,664)
Subtotal	37,252	38,420
Interest and dividend income received	668	704
Interest expenses paid	(1,851)	(1,790)
Income taxes paid	(13,315)	(16,192)
Income taxes refund	1,692	9,950
Compensation for damage received	1,578	–
Payments for cancelation of leasehold contracts	–	(999)
Proceeds from compensation	–	7,438
Net cash provided by (used in) operating activities	26,025	37,532

(Millions of yen)

	Fiscal year ended February 28, 2013	Fiscal year ended February 28, 2014
Cash flows from investing activities		
Purchase of short-term and long-term investment securities	(31,957)	(1,530)
Proceeds from sales of short-term and long-term investment securities	4,006	3,536
Purchase of property, plant and equipment and intangible assets	(16,824)	(49,514)
Proceeds from sales of property, plant and equipment and intangible assets	1,845	3,341
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(34,386)	(1,947)
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	–	27,649
Decrease (increase) in short-term loans receivable	108	10
Payments of long-term loans receivable	(8)	(8)
Collection of long-term loans receivable	67	144
Other, net	3,171	9,459
Net cash provided by (used in) investing activities	(73,977)	(8,858)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	30,143	(34,713)
Net increase (decrease) in commercial papers	10,000	12,193
Proceeds from long-term loans payable	52,350	25,500
Repayments of long-term loans payable	(51,488)	(27,274)
Proceeds from issuance of bonds	24,000	–
Redemption of bonds	(500)	(1,000)
Purchase of treasury shares	(193)	(114)
Cash dividends paid	(4,746)	(4,987)
Cash dividends paid to minority shareholders	(413)	(733)
Other, net	(876)	(897)
Net cash provided by (used in) financing activities	58,275	(32,027)
Effect of exchange rate change on cash and cash equivalents	49	53
Net increase (decrease) in cash and cash equivalents	10,372	(3,299)
Cash and cash equivalents at beginning of period	24,204	34,576
Cash and cash equivalents at end of period	34,576	31,276

(5) Notes on consolidated financial statements

(Notes on premise of going concern)

No items to report.

(Changes in accounting policies)

(Change in depreciation method)

Following the revision of the Corporation Tax Act, the method applied at the Company and its domestic consolidated subsidiaries for depreciating property, plant and equipment acquired on or after March 1, 2013, has been changed to the method pursuant to the provisions of the revised Act, effective from the current fiscal year.

The impact of this change on profit or loss is immaterial.

(Changes in presentations)

(Consolidated statements of cash flows)

"Income taxes refund," which was included in "Income taxes paid" under "Net cash provided by (used in) operating activities" in the previous fiscal year, is listed as a separate line item under "Net cash provided by (used in) operating activities" because of an increase in the materiality of the amount.

The consolidated financial statements of the previous fiscal year have been reclassified to reflect this change in presentation.

As a result of the above, in the consolidated statements of cash flows of the previous fiscal year, a negative amount of ¥11,622 million that was previously included in "Income taxes paid" under "Net cash provided by (used in) operating activities" has been reclassified as a negative amount of ¥13,315 million in "Income taxes paid" and a positive amount of ¥1,692 million in "income taxes refund" under "Net cash provided by (used in) operating activities."

(Additional information)

Note on change in rates of income taxes subsequent to balance sheet date

On March 31, 2014, the "Act for Partial Revision of the Income Tax Act, etc." (Act No. 10 of 2014) was enacted, resulting in a partial revision of the "Act on Special Measures for Securing Financial Resources Necessary to Implement Measures for Reconstruction from the Great East Japan Earthquake" (Act No. 117 of 2011). As a result, the designated period for identifying a taxable fiscal year for the special corporate tax for reconstruction was revised on April 1, 2014.

In accordance with this revision, for temporary differences expected to be reversed in fiscal years beginning on or after March 1, 2015, the effective statutory tax rate used to measure deferred tax assets and liabilities will be changed from 38.0% to 35.6%.

The impact of this change on profit or loss is immaterial.

(Segment information, etc.)

<Segment information>

1. Overview of reportable segment

The reportable segments of the Group are constituent units of the Group for which separate financial statements are obtainable. These segments are periodically examined by the Board of Directors for the purpose of deciding the allocation of management resources and evaluating business results.

The Group is comprised, under a holding company structure, of the reportable segments "Department Store Business," "PARCO Business," "Wholesale Business," "Credit Business" and "Other Businesses," with the Department Store Business at its core.

The Department Store Business carries out the sale of clothing, general goods, household goods, food products and others. The PARCO Business undertakes development, management, supervision and operation of shopping centers. The Wholesale Business carries out wholesaling of items including food products and chemical products and materials. The Credit Business undertakes issuance and administration of credit cards. Operations in the Other Businesses segment include direct marketing, real estate leasing and parking, leasing, design and construction contracting, as well as manufacture and sale of furniture, and general retailing.

2. Calculation of net sales, profit or loss, assets, liabilities, and other items by reportable segment

   The accounting method for reportable segments is identical to the accounting method employed for the preparation of the consolidated financial statements.

   Segment profits of reportable segments are provided on an operating income basis. Inter-segment revenues and transfers are based on prevailing market prices.

3. Net sales, profit or loss, assets, liabilities, and other items by reportable segment

Fiscal year ended February 28, 2013

(Millions of yen)

	Department Store Business	PARCO Business	Supermarket Business	Wholesale Business	Credit Business	Other Businesses	Total	Adjustments (Note 1)	Amounts on the consolidated financial statements (Note 2)
Net sales									
(1) External sales	748,813	137,729	98,890	52,398	4,406	50,518	1,092,756	–	1,092,756
(2) Inter-segment sales or transfers	1,522	116	2,888	7,775	4,185	39,615	56,103	(56,103)	–
Total sales	750,335	137,845	101,778	60,174	8,592	90,133	1,148,860	(56,103)	1,092,756
Segment profits (losses)	18,477	5,898	(1,564)	1,592	2,951	3,193	30,548	308	30,857
Segment assets	638,358	235,811	31,011	22,037	21,612	109,224	1,058,055	(48,890)	1,009,165
Other items									
Depreciation	11,741	3,127	769	130	12	886	16,668	(185)	16,482
Amounts invested in equity method affiliates	3,463	90	–	–	–	162	3,716	10,329	14,045
Increase in property, plant and equipment and intangible assets	12,582	2,289	883	179	2	2,463	18,401	(273)	18,128

Notes: 1. Adjustments are made as follows.

(1) The ¥308 million adjustment in segment profits (losses) includes a ¥2,658 million in inter-segment eliminations and a deduction of ¥2,349 million in corporate expenses not attributable to any reportable segment. Corporate expenses are mainly expenses of the company submitting consolidated financial statements that are not attributable to any reportable segment.

(2) The ¥48,890 million deducted from segment assets as adjustment includes a deduction of ¥76,758 million in elimination of segment receivables, a deduction of ¥2,494 million in unrealized profit (loss) on non-current assets, and ¥27,369 million in assets of the company submitting consolidated financial statements that are not attributable to any reportable segment.

(3) The ¥185 million deducted from depreciation as adjustment consists of inter-segment transfers.

(4) The ¥10,329 million adjustment in amounts invested in equity method affiliates consists of investments in equity method companies made by the company submitting consolidated financial statements that are not attributable to any reportable segment.

(5) The ¥273 million deducted from increase in property, plant and equipment and intangible assets as adjustment consists of inter-segment unrealized profit.

2. Segment profits are adjusted to operating income in the consolidated financial statements.

Fiscal year ended February 28, 2014

(Millions of yen)

	Department Store Business	PARCO Business	Wholesale Business	Credit Business	Other Businesses	Total	Adjustments (Note 1)	Amounts on the consolidated financial statements (Note 2)
Net sales								
(1) External sales	767,907	268,031	55,043	4,768	50,546	1,146,297	22	1,146,319
(2) Inter-segment sales or transfers	1,021	260	8,229	4,676	38,030	52,218	(52,218)	–
Total sales	768,928	268,292	63,273	9,444	88,576	1,198,515	(52,196)	1,146,319
Segment profits	22,980	12,017	1,127	3,186	2,961	42,272	(455)	41,816
Segment assets	631,768	249,985	21,749	33,205	114,772	1,051,481	(52,750)	998,730
Other items								
Depreciation	10,627	5,896	154	10	1,170	17,859	(160)	17,698
Amounts invested in equity method affiliates	3,714	99	–	–	162	3,976	10,550	14,526
Increase in property, plant and equipment and intangible assets	14,205	36,406	239	12	1,490	52,354	(205)	52,148

Notes: 1. Adjustments are made as follows.

(1) The ¥455 million deducted from segment profits as adjustment includes a ¥2,247 million in inter-segment eliminations and a deduction of ¥2,703 million in corporate expenses not attributable to any reportable segment. Corporate expenses are mainly expenses of the company submitting consolidated financial statements that are not attributable to any reportable segment.

(2) The ¥52,750 million deducted from segment assets as adjustment includes a deduction of ¥78,004 million in elimination of segment receivables, a deduction of ¥1,511 million in unrealized profit (loss) on non-current assets, and ¥25,954 million in assets of the company submitting consolidated financial statements that are not attributable to any reportable segment.

(3) The ¥160 million deducted from depreciation as adjustment consists of inter-segment transfers.

(4) The ¥10,550 million adjustment in amounts invested in equity method affiliates consists of investments in equity method companies made by the company submitting consolidated financial statements that are not attributable to any reportable segment.

(5) The ¥205 million deducted from increase in property, plant and equipment and intangible assets as adjustment consists of inter-segment unrealized profit.

2. Segment profits are adjusted to operating income in the consolidated financial statements.

4. Note regarding change to reportable segments

Fiscal year ended February 28, 2013

Owing to an additional purchase of the shares of PARCO Co., Ltd. on August 27, 2012, PARCO Co., Ltd. and its five subsidiaries are included in the scope of consolidation effective from the second quarter of the current fiscal year. As a consequence, the reportable segment “PARCO Business” has been added, increasing the number of reportable segments from five to six effective from the six months ended August 31, 2012.

Fiscal year ended February 28, 2014

(Exclusion from reportable segments)

Peacock Stores Ltd. was excluded from the scope of consolidation in the first quarter of the current fiscal year as a result of the transfer of all its shares on April 1, 2013. As a consequence, the reportable segment “Supermarket Business” was removed in the first quarter of the current fiscal year.

(Change in depreciation method)

Following the revision of the Corporation Tax Act, the method applied at the Company and its domestic consolidated subsidiaries for depreciating property, plant and equipment acquired on or after March 1, 2013 has been changed to the method pursuant to the provisions of the revised Act, effective from the current fiscal year.

The impact of this change on segment profits or losses is immaterial.

<Related information>

Fiscal year ended February 28, 2013

1. Information by product and service

   This information has been omitted, as identical information is disclosed in segment information.

2. Information by geographical area

   (a) Net sales

   This information has been omitted, as net sales to external customers in Japan account for more than 90% of net sales recorded on the consolidated statement of income.

   (b) Property, plant and equipment

   This information has been omitted, as the amount of property, plant and equipment located in Japan accounts for more than 90% of the amount recorded on the consolidated balance sheet.

3. Information by major customer

   This information has been omitted, as there is no major external customer that accounts for 10% or more of the net sales recorded on the consolidated statement of income.

Fiscal year ended February 28, 2014

1. Information by product and service

   This information has been omitted, as identical information is disclosed in segment information.

2. Information by geographical area

   (a) Net sales

   This information has been omitted, as net sales to external customers in Japan account for more than 90% of net sales recorded on the consolidated statement of income.

   (b) Property, plant and equipment

   This information has been omitted, as the amount of property, plant and equipment located in Japan accounts for more than 90% of the amount recorded on the consolidated balance sheet.

3. Information by major customer

   This information has been omitted, as there is no major external customer that accounts for 10% or more of the net sales recorded on the consolidated statement of income.

<Impairment loss on non-current assets by reportable segment>

Fiscal year ended February 28, 2013

(Millions of yen)

	Department Store Business	PARCO Business	Supermarket Business	Wholesale Business	Credit Business	Other Businesses	Total	Corporate and elimination	Total
Impairment loss	10	58	1,372	–	–	32	1,473	–	1,473

Fiscal year ended February 28, 2014

(Millions of yen)

	Department Store Business	PARCO Business	Wholesale Business	Credit Business	Other Businesses	Total	Corporate and elimination	Total
Impairment loss	3,095	70	–	–	99	3,265	–	3,265

<Goodwill amortization amount and remaining goodwill balance by reportable segment>

Fiscal year ended February 28, 2013

(Goodwill)

(Millions of yen)

	Department Store Business	PARCO Business	Supermarket Business	Wholesale Business	Credit Business	Other Businesses	Total	Corporate and elimination	Total
Amortization amount for the current fiscal year	–	174	–	–	–	–	174	–	174
Balance at the end of the current fiscal year	–	1,571	–	–	–	–	1,571	–	1,571

(Negative goodwill)

(Millions of yen)

	Department Store Business	PARCO Business	Supermarket Business	Wholesale Business	Credit Business	Other Businesses	Total	Corporate and elimination	Total
Amortization amount for the current fiscal year	93	–	–	–	–	–	93	1,069	1,163
Balance at the end of the current fiscal year	–	–	–	–	–	–	–	–	–

Notes: 1. Goodwill is the result of a business combination (acquisition of the shares of PARCO Co., Ltd.).

2. Negative goodwill is the result of business combinations that took effect before April 1, 2010 (mainly integration of management between The Daimaru, Inc. and Matsuzakaya Holdings Co., Ltd.).

Fiscal year ended February 28, 2014

(Goodwill)

(Millions of yen)

	Department Store Business	PARCO Business	Wholesale Business	Credit Business	Other Businesses	Total	Corporate and elimination	Total
Amortization amount for the current fiscal year	–	349	–	–	–	349	–	349
Balance at the end of the current fiscal year	–	1,222	–	–	1,415	2,638	–	2,638

Note: Goodwill is the result of a business combination (acquisition of the shares of PARCO Co., Ltd. and Forest Co., Ltd.).

<Gains on negative goodwill by reportable segment>

Fiscal year ended February 28, 2013

No items to report

Fiscal year ended February 28, 2014

Information has been omitted owing to lack of materiality.