Translation

April 7, 2016

Consolidated Financial Results for the Fiscal Year Ended February 29, 2016 <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 26, 2016
Scheduled date to commence dividend payments: May 6, 2016
Scheduled date to file Annual Securities Report: May 30, 2016
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 29, 2016 (from March 1, 2015 to February 29, 2016)

(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 29, 2016	1,163,564	1.2	48,038	13.9	47,910	18.4	26,313	31.8
February 28, 2015	1,149,529	0.3	42,167	–	40,480	–	19,967	–

Note: Comprehensive income
For the fiscal year ended February 29, 2016: ¥26,053 million [12.2%]
For the fiscal year ended February 28, 2015: ¥23,228 million [–%]

	Basic earnings per share	Diluted earnings per share	Net income/ equity	Ordinary income/ total assets	Operating income/ net sales
Fiscal year ended	Yen	Yen	%	%	%
February 29, 2016	100.42	100.41	6.9	4.7	4.1
February 28, 2015	75.66	75.66	5.4	4.0	3.7

Reference: Equity in earnings (losses) of affiliates
For the fiscal year ended February 29, 2016: ¥1,886 million
For the fiscal year ended February 28, 2015: ¥735 million

Note 1: The Company has conducted a consolidation of common shares at a rate of one share for every two shares with the effective date of September 1, 2014. Basic earnings per share and diluted earnings per share have been calculated as if this consolidation of shares was conducted at the beginning of the previous fiscal year.

Note 2: The Company partially changed its accounting policies effective from the current fiscal year, and retrospectively applied the change to all financial data for the fiscal year ended February 28, 2015. In accordance with this, year-on-year changes are not indicated.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
February 29, 2016	1,019,146	440,594	37.6	1,467.05
February 28, 2015	1,018,495	430,260	36.9	1,424.28

Reference: Equity
As of February 29, 2016: ¥383,699 million
As of February 28, 2015: ¥375,886 million

Note: The Company partially changed its accounting policies effective from the current fiscal year, and retrospectively applied the change to all financial data as of February 28, 2015.

(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 29, 2016	36,799	(39,741)	(1,041)	28,147
February 28, 2015	44,650	(16,272)	(27,587)	32,132

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, 2015	–	6.00	–	13.00	–	6,600	33.0	1.8
Fiscal year ended February 29, 2016	–	13.00	–	14.00	27.00	7,061	26.9	1.8
Fiscal year ending February 28, 2017 (Forecast)	–	14.00	–	14.00	28.00		26.2	

* The Company has conducted a consolidation of common shares at a rate of one share for every two shares with the effective date of September 1, 2014. Consequently, the figures presented for the fiscal year-end cash dividends per share for the fiscal year ended February 28, 2015 is the amount after this consolidation of shares, and the total figures for annual cash dividends are omitted.

Annual cash dividends per share that are calculated in accordance with the standard after the consolidation of shares are ¥25 per share for the fiscal year ended February 28, 2015.

3. Consolidated earnings forecasts for the fiscal year ending February 28, 2017 (from March 1, 2016 to February 28, 2017)

(Percentages indicate year-on-year changes.)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
First six months ending August 31, 2016	570,500	(0.5)	21,800	0.4	20,000	(13.3)	13,400	(10.7)	51.23
Fiscal year ending February 28, 2017	1,175,000	1.0	50,000	4.1	48,000	0.2	28,000	6.4	107.06

* **Notes**

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): None

(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: Yes

c. Changes in accounting estimates: None

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

(Note) For the details, please refer to “5. Consolidated financial statements, (5) Notes on consolidated financial statements (Changes in accounting policies)” on page 23 of the financial results (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 29, 2016	268,119,164 shares
As of February 28, 2015	268,119,164 shares

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

As of February 29, 2016	6,575,238 shares
As of February 28, 2015	4,205,258 shares

c. Average number of shares during the period

For the fiscal year ended February 29, 2016	262,038,569 shares
For the fiscal year ended February 28, 2015	263,920,073 shares

* The Company has conducted a consolidation of common shares at a rate of one share for every two shares with the effective date of September 1, 2014. Total number of issued shares at the end of the period, number of shares of treasury shares at the end of the period and average number of shares during the period have been calculated as if this consolidation of shares was conducted at the beginning of the previous fiscal year.

<Reference> Non-consolidated performance
Non-consolidated performance for the fiscal year ended February 29, 2016 (from March 1, 2015 to February 29, 2016)

(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 29, 2016	12,213	9.6	9,194	9.6	9,201	8.8	6,872	(18.1)
February 28, 2015	11,147	24.1	8,391	33.6	8,460	32.2	8,388	(32.4)

	Basic earnings per share	Diluted earnings per share
Fiscal year ended	Yen	Yen
February 29, 2016	26.22	26.22
February 28, 2015	31.77	31.77

* The Company has conducted a consolidation of common shares at a rate of one share for every two shares with the effective date of September 1, 2014. Basic earnings per share and diluted earnings per share have been calculated as if this consolidation of shares was conducted at the beginning of the previous fiscal year.

(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 29, 2016	428,175	303,737	70.9	1,161.27
February 28, 2015	429,226	308,681	71.9	1,169.12

Reference: Equity

As of February 29, 2016: ¥303,723 million

As of February 28, 2015: ¥308,665 million

* The Company has conducted a consolidation of common shares at a rate of one share for every two shares with the effective date of September 1, 2014. Net assets per share have been calculated as if this consolidation of shares was conducted at the beginning of the previous fiscal year.

*** 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**

(Caution regarding forward-looking statements)

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.

(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

With respect to the Japanese economy in the current fiscal year, the pace of recovery slowed despite positive effects of economic and financial policies implemented by the Japanese government and the Bank of Japan along with a trend toward more upbeat corporate earnings and employment, amid an uncertain outlook in the latter half of the fiscal year largely involving concerns of a global economic slowdown.

In the retail sector, we faced a scenario of rapidly deteriorating consumer sentiment and diminishing strength in personal spending overall, largely evidenced by intensifying budget-minded consumer behavior. This was a result of sluggish growth in real wages and increasingly polarized consumption patterns, and also reflects the downturn in stock prices beginning in the latter half of the fiscal year along with a prevailing sense of uncertainty about what lies ahead.

Amid this environment, the J. Front Retailing Group (hereinafter the “Group”), under its “FY 2014 - FY 2016 Medium-term Business Plan,” worked to further strengthen the competitiveness and profitability of existing businesses while also investing management resources, such as M&A, in fields of growth in a focused manner, with the aim of developing as a multifaceted retailer operating multiple businesses with the Department Store Business at their core.

In the Department Store Business, the Group pressed ahead with large-scale refurbishments of the Matsuzakaya Nagoya store, the Daimaru Sapporo store and other key stores as part of our initiatives to establish “A new department store business model” geared to creating appealing stores that attract a wide range of customers and constructing a highly productive store management structure. We have also reinforced our efforts to serve the firmly performing affluent customer market and the market of foreign visitors to Japan which continues to grow.

In the PARCO Business, we adopted ICT (information and communications technology) solutions and forged ahead with store refurbishments. We also extended the floor space in the Main Building of the Fukuoka PARCO in March 2015, and opened the Nagoya “PARCO midi” facility, with the aim of boosting profitability by expanding new commercial locations in major urban areas. We also opened the new Sapporo ZERO GATE in February 2016.

In addition, in April 2015, J. FRONT RETAILING Co., Ltd. (hereinafter the “Company”) concluded a capital and business alliance agreement with Senshukai Co., Ltd. and converted it into an equity method associate, with the aim of developing as a multifaceted retailer operating multiple businesses. We are now pursuing initiatives that involve mutual sales and product development, drawing on the group assets and expertise of both companies.

With the aim of constructing a business model for growth along with regions in which it operates with its stores at the core of such growth (strategy of urban market dominance), we have been pursuing efforts that include the Ginza 6-chome District 10 Urban Redevelopment Project, plans for rebuilding the South Wing of the Matsuzakaya Ueno store, plans for rebuilding the Main Building of the Daimaru Shinsaibashi store, and the Udagawa-cho 15 Development Project (plans for rebuilding the Shibuya PARCO).

Our initiatives for promoting omni-channel retailing have entailed efforts with the “Click & Collect,” “Snap Diary” and other services, and creating synergies through collaboration with Senshukai.

With respect to overseas operations, “Shanghai New World Daimaru Department Store,” to which the Company has been providing technical support, fully opened for business in May 2015. Also, as of March 2016, there are a total of nine “PLAZA TOKYO” general retailing store locations, operated in Taiwan by JFR PLAZA. Meanwhile, PARCO entered into a business and capital alliance with Apparel-Web, Inc., with the aims of achieving more widespread market dominance in the retail store business through use of ICT solutions, and strengthening overseas business operations centered on e-commerce.

The Group also worked to construct a stronger operating structure and strove to improve management efficiencies by such means as reviewing all cost structures.

As a result of various measures including those mentioned above, in the current fiscal year, net sales was ¥1,163,564 million, up 1.2% year on year, operating income was ¥48,038 million, up 13.9%, ordinary income was ¥47,910 million, up 18.4%, and net income was ¥26,313 million, up 31.8%.

The Company has decided to pay a year-end dividend of ¥14 per share. The annual dividend with the addition of an interim dividend of ¥13 per share is ¥27 per share, as calculated in accordance with the standard after the consolidation of shares, marking a year-on-year increase of ¥2.

Results by segment are as follows.

<Department Store Business>
Our initiatives to establish "A new department store business model" involved refurbishing individual stores. In so doing, we reworked merchandise categories and sales floor configurations in response to changes in the market, while enhancing the competitive strengths and profitability of those stores. At the Matsuzakaya Nagoya store, we have forged ahead with efforts under the third-period refurbishment plan since March 2015 with the aim of having a "high-quality, evolutionary department store that is loved by customers in the area." We have developed a department store framework geared to attracting customers of all ages to our stores as a result of efforts that include bringing in a "Yodobashi Camera" store in October 2015 to operate on the fourth to sixth floors of the South Building, and opening a retailer under the name "Matsuzakaya GENTA" in April 2016 to operate in the North Building on the refurbished men's floor. At the Daimaru Sapporo store, we began featuring luxury brands on the first floor in October 2015, and progressively refurbished the women's accessories section occupying the second floor.

To serve the firmly performing affluent customer market we continued to push ahead with efforts taken to land new customer accounts for the "Customer Gold Card." To better serve customers among the growing number foreign visitors to Japan, we implemented measures at respective stores that included promoting sales and allocating staff in a manner that accommodates customer traffic during peak seasons of inbound tourism.

As for our initiatives with Senshukai, we featured Senshukai's fashion brand "Kcarat" shops for a limited time at the Daimaru Kobe store and the Matsuzakaya Nagoya store, and otherwise took steps to build a framework for collaboration that will enable us to develop merchandise and create synergies heading toward next fiscal year. Also, for the first time in six years we updated Daimaru Matsuzakaya Department Stores' private "TROJAN" menswear brand.

As of December 30, 2015, the main building of the Daimaru Shinsaibashi store is temporarily closed for rebuilding. Going forward, we will proceed with construction of the new main building in a manner that ensures that the facility helps develop the area. To that end, we will make sure that its value as a historic building designed by the architect W.M.Vories can be retained while at the same time improving the building's safety features.

As a result of the various initiatives mentioned above, net sales in this business was ¥763,222 million, up 0.4% year on year, and operating income was ¥28,786 million, up 24.1% year on year.

<PARCO Business>
Net sales in the shopping center business exceeded previous year levels, reflecting the success of numerous initiatives. For instance, we increased overall urban store sales floor space in part by increasing floor space of the Main Building of the Fukuoka PARCO, opening the Nagoya "PARCO midi" facility, and opening the Sapporo ZERO GATE. We also refurbished stores based on the concept of targeting a greater range of customers with respect to our existing PARCO stores, and

implemented store measures that call for adopting ICT solutions such as “Kaeru PARCO” and “POCKET PARCO.” Meanwhile, the bottom line was aided by new store openings and the development of new business formats in the shopping complex business, along with an increase in construction orders received in the space engineering & management business. As a result, net sales in this business was ¥281,050 million, up 2.5% year on year, and operating income was ¥12,582 million, up 2.7% year on year.

<Wholesale Business>
Sales decreased in the area of food products as a result of diminished business in the marine and animal products, but sales were strong in the fields of electronic devices and automobile parts. As a result, net sales in this business was ¥57,849 million, down 2.6% year on year, and operating income was ¥1,315 million, up 23.2% , reflecting improvement in the gross profit margin along with positive outcomes from having reviewed outlays for selling, general and administrative expenses.

<Credit Business>
A review of the commission rate for transactions adversely affected results in this business, but card member accounts increased and initiatives were taken to boost earnings, such as by promoting the use of credit cards at external member stores. As a result, net sales in this business was ¥10,455 million, up 0.7% year on year, but operating income was ¥2,703 million, down 21.1%, due to a temporary increase in card renewal expenses.

<Other Businesses>
In Other Businesses, sales decreased in JFR Online direct marketing business and other such operations, but J. Front Design & Construction performed well. As a result, net sales in this business was ¥104,739 million, up 7.6% year on year, and operating income was ¥2,807 million, up 16.1% year on year.

B. **Consolidated earnings forecasts for the next fiscal year**

In our full-year consolidated earnings forecasts for the fiscal year ending February 28, 2017, we project net sales of ¥1,175,000 million, up 1.0%; operating income of ¥50,000 million, up 4.1%; ordinary income of ¥48,000 million, up 0.2%; and profit attributable to owners of parent of ¥28,000 million, up 6.4%.

Our forecast for basic earnings per share is ¥107.06.

(2) Analysis of financial position

A. **Position of assets, liabilities, and net assets**

Total assets as of February 29, 2016 was ¥1,019,146 million, an increase of ¥651 million compared with February 28, 2015. Total liabilities was ¥578,552 million, a decrease of ¥9,683 million. Interest-bearing debt was ¥180,922 million, an increase of ¥12,464 million.

Total net assets was ¥440,594 million, an increase of ¥10,334 million compared with February 28, 2015.

B. **Cash flow position**

The balance of cash and cash equivalents (hereinafter "cash") as of February 29, 2016 amounted to ¥28,147 million, down ¥3,985 million compared with February 28, 2015.

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

Net cash provided by operating activities was ¥36,799 million. In comparison with the previous fiscal year, cash provided decreased by ¥7,851 million, mainly reflecting an increase in income taxes paid.

Net cash used in investing activities was ¥39,741 million. In comparison with the previous fiscal year, cash used increased by ¥23,469 million, mainly reflecting an increase in purchase of investment securities and property, plant and equipment.

Net cash used in financing activities was ¥1,041 million. In comparison with the previous fiscal year, cash used decreased by ¥26,546 million, mainly reflecting a new issuance of bonds and new procurement of long-term loans payable.

<Reference> Trends in cash flow indicators

	Fiscal year ended February 29, 2012	Fiscal year ended February 28, 2013	Fiscal year ended February 28, 2014	Fiscal year ended February 28, 2015	Fiscal year ended February 29, 2016
Equity ratio (%)	43.4	33.8	37.1	36.9	37.6
Market value equity ratio (%)	28.2	28.7	34.0	44.4	33.8
Interest-bearing debt to cash flow ratio (%)	435.2	818.8	500.8	377.3	491.6
Interest coverage ratio (times)	16.1	14.1	21.0	29.2	25.4

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.

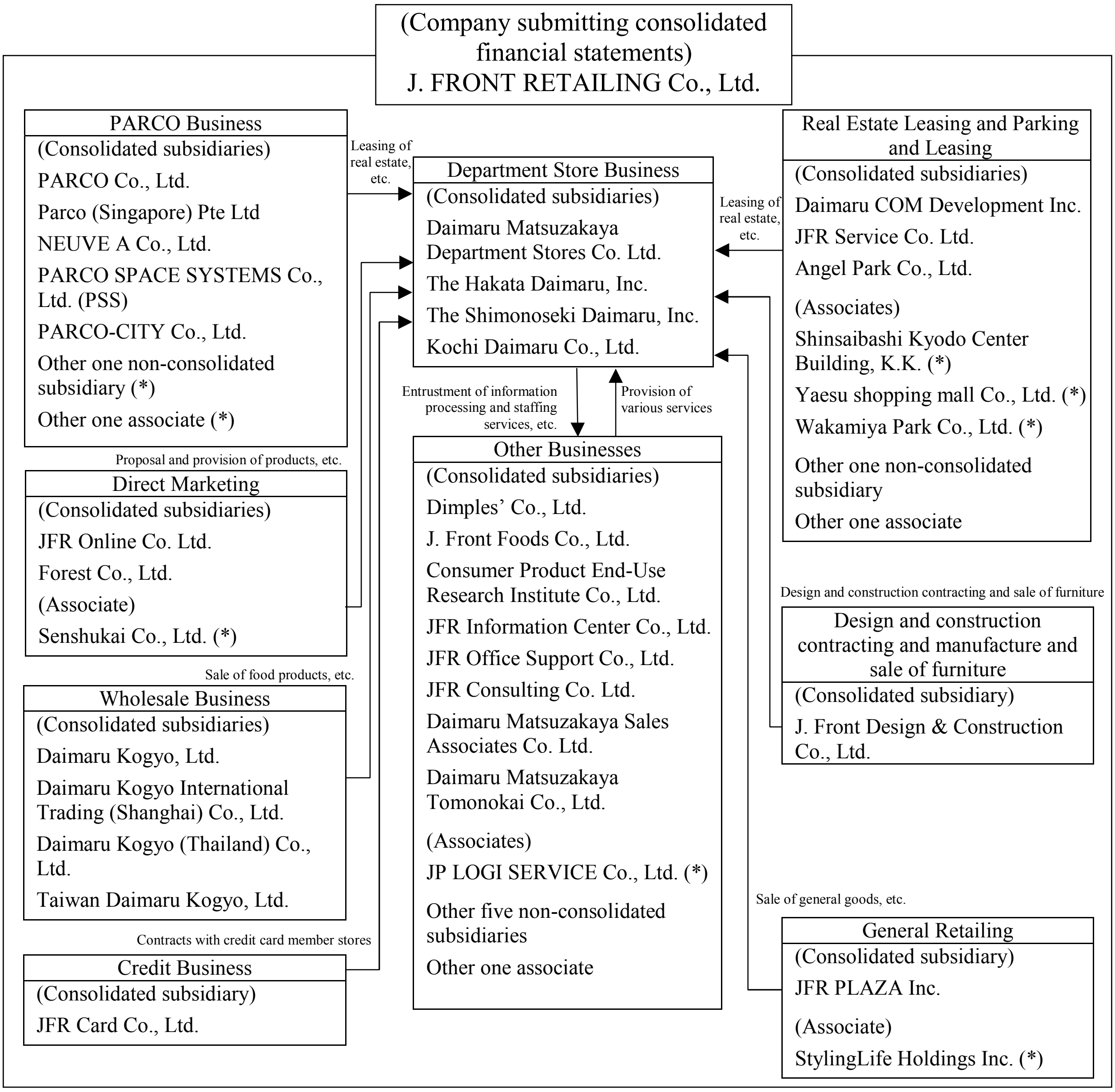
With respect to internal reserves, the Company intends to enhance corporate value by using them for such purposes as investing in store refurbishments and business expansions to strengthen sales, as well as strengthening the Company's financial standing.

The Company has decided to pay an annual dividend of ¥27 per share in the current fiscal year, including an interim dividend of ¥13 per share.

For the next fiscal year, the Company plans to pay an annual dividend of ¥28 per share, comprising an interim dividend of ¥14 per share and a year-end dividend of ¥14 per share.

2. Overview of the corporate group

The corporate group consists of the Company, 36 subsidiaries and nine associates. 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 acquired shares of Senshukai Co., Ltd., making Senshukai an equity method associate of the Company on April 22, 2015, and May 7, 2015.
4. Hakuseisha Co., Ltd. was removed from the scope of equity method associates, upon the Company's sale of all of its shares on December 17, 2015.

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

We aim to prevail over the competition and make our vision of securing a position as a leading retail company a reality amid a challenging business environment. To that end, we will work to generate consolidated operating income of ¥50,000 million in fiscal 2016, which is the final year of our "FY 2014 - FY 2016 Medium-term Business Plan." Moreover, throughout the year we will also work to put ourselves in position to take a substantial leap forward as we embark on our next Medium-term Business Plan which is set to start in fiscal 2017. In so doing, we will pursue the initiatives described below.

■ **Dramatically strengthening competitiveness and profitability as a multifaceted retailer operating multiple businesses**

With the aim of acting as a retail group composed of competitive businesses centered on department stores, we have extended the breadth of our operations through initiatives that have included acquiring shares of PARCO, StylingLife Holdings and Forest, and making Senshukai an equity method associate in April 2015. Going forward, we will take steps to innovate each of our businesses, generate Group synergies, and strength the competitiveness and profitability of the entire Group.

(Department Store Business)

We aim to establish "A new department store business model," and are forging ahead with efforts geared to strengthening our capacity to serve markets in a manner aligned with the distinctive characteristics of the areas in which our individual stores operate, and revamping our management structure with the aim of boosting profitability. In fiscal 2016, we will work toward making our stores more appealing by creating sales space that is tailored to changes in the market and wins the backing of a wide range of customers, primarily by refurbishing our key stores such as the Matsuzakaya Nagoya store. We are also redoubling efforts to encourage new customers visiting our stores to become card members. We will also take steps to build customer loyalty through CRM (customer relationship management) efforts that will involve enticing customers to repeatedly visit our stores by offering them timely and appropriate information tailored to their specific preferences, as gleaned from card data analysis.

With respect to serving the affluent customer market, which is an area of strength in our Department Store Business, we will continue fortifying our efforts to gain new out-of-store customer accounts, while also working to upgrade both our product lineup in line with the needs of such customers and customer service. We will also redouble our efforts to serve our customers from overseas who are visiting Japan, a segment which is poised for further growth, through initiatives that include introducing services geared to the prime customer category.

(PARCO Business)

We will compensate for the adverse effects of the Shibuya PARCO's temporary closure during its rebuilding beginning in August 2016, and the Chiba PARCO's closure in November, through initiatives that involve promoting store-specific strategies tailored respectively to our "urban" and "community" store formats, communicating information using ICT solutions, and restructuring tenant merchandising operations including those focused on inbound tourism. At the same time, we will focus on cultivating business in major urban areas and bringing about greater market dominance of our stores.

We will open a new building at the Sendai PARCO in early summer 2016, along with a ZERO GATE as our second store in Hiroshima this autumn. Our efforts will also include promoting development plans geared to achieving growth next fiscal year and beyond. To that end, we will open stores under the PARCO business format in the new South Wing of the Matsuzakaya Ueno store which is now under construction and is slated to open for business in autumn 2017, and we will also open ZERO GATE stores in Kyoto and Sannomiya.

In addition, with respect to operations related to the PARCO Business, we will redouble our efforts involving new projects and promote initiatives to achieve greater external expansion.

(Business Alliance with Senshukai)
To draw on our strengths as a multifaceted retailer operating multiple businesses, we are taking on efforts that involve joint planning and mutual development of private brands for Daimaru Matsuzakaya Department Stores and Senshukai. These efforts will entail opening physical stores featuring Senshukai's "Kcarat" brand in Daimaru Matsuzakaya Department Stores beginning in March 2016, and making Daimaru Matsuzakaya Department Stores' "SOFUOL" brand available through Senshukai's e-commerce website.

Going forward, we aim to increase sales of the "Kcarat" brand of original fashion products by venturing beyond offering the brand in our own retail stores and online, through initiatives that involve opening street-level stores and making the brand available through commercial facilities and e-commerce websites externally. Also, given that Senshukai excels in the bridal, baby product and maternity segments, we will pursue joint initiatives in that regard and work to develop synergies with that company.

■ **Promoting omni-channel retailing**
We will promote omni-channel retailing drawing on diverse sales channels that include Daimaru Matsuzakaya Department Stores, PARCO and Senshukai. During fiscal 2016, we will respond to diversifying customer needs and purchasing patterns. This will involve swiftly enhancing our department store online shopping business platform by drawing on Senshukai's know-how in that regard, engaging in joint efforts between Daimaru Matsuzakaya Department Stores and Senshukai with respect to marketing, merchandise planning, promotions, customer intelligence, and other such operations, and offering products and services in a manner that extends beyond the physical store and online realms. In addition, we will promote initiatives geared to expanding our range of merchandise and developing new collaborative brands following on efforts with the "Kcarat" brand.

■ **Constructing a business model for growth along with regions in which it operates with its stores at the core of such growth (strategy of urban market dominance)**
We aim to ensure our survival amid a harsh competitive environment where the geographic areas in which Group stores operate are pitted against other localities. To that end, we are pursuing our "strategy of urban market dominance" where we help create vibrant communities, and achieve growth alongside those communities, by promoting urban development in a manner that enlists the support of Daimaru Matsuzakaya Department Stores, PARCO, Daimaru COM Development and other Group companies.

(Ginza 6-chome District 10 Urban Redevelopment Project — the Ginza Redevelopment Project)
The Ginza Redevelopment Project involves integrated redevelopment of an approximately 9,080 square-meter, two-block site located in the Ginza district of Chuo-ku, Tokyo, and encompassing the former site of the Matsuzakaya Ginza store.

Slated to open in April 2017, the complex will be world-class in terms of quality and one of the largest in the Ginza district. It will consist of commercial facilities with approximately 46,000 square meters (approximately 13,900 tsubo) of sales floor space, and large offices with single- floor leasable units of approximately 6,100 square meters (approximately 1,850 tsubo).

(Plan for the rebuilding of the South Wing of the Matsuzakaya Ueno store)
We are in the process of building the new South Wing of the Matsuzakaya Ueno store, which will consist of a department store, PARCO, TOHO Cinemas, offices and other facilities. Refurbishment of the Main Building was completed in spring 2014, and the new South Wing is slated for completion in autumn 2017. We are taking on other development projects mainly involving the Company's properties in the vicinity of the Matsuzakaya Ueno store, in the Okachimachi district where the store is located. Going forward, we will work with that community in efforts geared to attracting more visitors to the area and making it more vibrant.

(Plan for the rebuilding of Main Building of the Daimaru Shinsaibashi store)
To help make the Osaka-Shinsaibashi district more vibrant and to further revitalize the area, at the end of 2015 we temporarily closed the Main Building of the Daimaru Shinsaibashi store, and got started

with construction to rebuild the facility. Slated to open for business in autumn 2019, the new Main building will consist of three underground floors and 11 stories above ground, and feature a sales floor area of approximately 40,000 square meters. In spring 2021, the Main Building and North Wing will be connected, which will result in a more unified facility that is easier for people to navigate. At the same time, we will also continue to help make the area more dynamic by enlisting the entire Group in efforts to develop sites in the vicinity of the store.

(Udagawa-cho 15 Development Project — plans for rebuilding the Shibuya PARCO)
In December 2015, the government decided to proceed with an urban development plan in the special urban renaissance district situated on approximately 5,380 square meters of land in the Udagawa-cho 15 area, which encompasses the Shibuya PARCO Part 1 and Part 3, along with a commercial office complex which is also slated for development in that area. With our store situated in a pivotal location, we will promote initiatives aimed at making the town easier for people to navigate and fueling greater vibrancy in the area, while also engaging in efforts to educate and inform people about fashion and theater arts.

(Sakae district of Nagoya City)
In Nagoya City's Sakae district, location of a Matsuzakaya store and an adjacent PARCO store, we will pursue expansion such as has been the case with PARCO's opening of the Nagoya ZERO GATE store in October 2014 and "PARCO midi" in March 2015. Furthermore, we are moving forward with refurbishment plans that address changes in the market, with respect to both the Matsuzakaya Nagoya store and the Nagoya PARCO. Looking ahead, we will engage in development projects with the aim of revitalizing communities and efforts to fortify the competitive strengths of our stores.

■ **Enhancing the financial strategy**
We will redouble our efforts to formulate and promote our "Financial Strategy" with the aim of increasing our medium- to long-term corporate value. Specifically, this will involve implementing financial initiatives guided by the aims of generating free cash flows and improving return on equity, and to such ends we will further strengthen business management practices from the perspective of making profits in terms of net sales and operating income, and from the perspective of ensuring efficient use of assets and capital in a manner that is cognizant of the balance sheet and costs of capital. As a Group, we will optimally allocate our management resources, taking into account the need for improving our financial standing and monitoring trends in financial and capital markets. In so doing, we will take a flexible approach to securing funds in order to better pursue our growth strategy, while at the same time spelling out investment criteria with respect to development projects, store refurbishment, and merger and acquisition deals, while clarifying criteria for withdrawing from unprofitable and underperforming businesses.

■ **Strengthening corporate governance**
In December 2015, the Company established and disclosed its "Corporate Governance Guidelines," with the aim of ensuring sustainable growth of the Group and increasing its corporate value over the medium to long term by implementing the best possible corporate governance practices. The Company released its Corporate Governance Report on the same day, in conjunction with the Corporate Governance Guidelines.

The Corporate Governance Guidelines describe our ideals with respect to the Group's corporate governance, such as in terms of practices involving, "Relationships with Shareholders," "Information Disclosure," "Roles and Responsibilities of the Board of Directors, etc.," and other such content, including fundamental requirements of disclosure under Japan's Corporate Governance Code ("Group Philosophy," "Basic Ideas on Corporate Governance," and "Human Resources and Remuneration and Other Matters Involving Directors, Audit & Supervisory Board Members and Executive Officers"). We also disclosed information on matters including officer selection criteria, policy for determining officer remuneration, and basic policy regarding cross-shareholdings.

Going forward, we will work to address priority issues that include: 1.) improving the effectiveness of the Board of Directors by further drawing on the knowledge of Outside Directors and Outside Audit & Supervisory Board Members, while focusing on management strategy discussions involving proposals and 2.) improving functional capabilities of management personnel by strengthening the Personnel and Remuneration Committee and enhancing our managerial talent.

■ **Establishing the Group Vision and the next Medium-term Business Plan**

With the aim of achieving further Group-wide growth in fiscal 2017 and beyond, we will move forward in establishing a new Group Vision that illustrates where we would like to see ourselves in the future and pointing us in that direction, and also establishing our next Medium-term Business Plan.

4. Basic rationale on selection of accounting standard

The Group applies Japanese accounting standards. The Company’s policy is to take an appropriate response with regard to future application of international financial reporting standards (IFRSs) based on consideration of the situation inside and outside Japan.

5. Consolidated financial statements
(1) Consolidated balance sheet

(Millions of yen)

	As of February 28, 2015	As of February 29, 2016
Assets		
Current assets		
Cash and deposits	34,106	30,039
Notes and accounts receivable - trade	75,556	68,049
Securities	1,353	1,233
Inventories	30,886	28,205
Deferred tax assets	12,295	11,671
Other	38,058	41,865
Allowance for doubtful accounts	(151)	(173)
Total current assets	192,105	180,890
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	187,935	182,772
Land	349,578	360,297
Construction in progress	114,097	120,751
Other, net	5,192	4,829
Total property, plant and equipment	656,804	668,651
Intangible assets		
Goodwill	2,005	568
Other	41,001	40,876
Total intangible assets	43,007	41,444
Investments and other assets		
Investment securities	37,516	46,985
Long-term loans receivable	1,506	1,503
Lease and guarantee deposits	61,985	61,515
Net defined benefit asset	11,864	5,687
Deferred tax assets	4,159	5,112
Other	12,067	9,980
Allowance for doubtful accounts	(2,564)	(2,710)
Total investments and other assets	126,535	128,074
Total non-current assets	826,346	838,170
Deferred assets		
Bond issuance cost	43	85
Total deferred assets	43	85
Total assets	1,018,495	1,019,146

(Millions of yen)

	As of February 28, 2015	As of February 29, 2016
Liabilities		
Current liabilities		
Notes and accounts payable - trade	95,020	90,768
Short-term loans payable	22,220	40,219
Commercial papers	28,691	30,798
Current portion of bonds	12,000	–
Income taxes payable	12,702	8,322
Advances received	18,656	19,318
Gift certificates	37,973	38,599
Provision for bonuses	5,630	5,709
Provision for directors’ bonuses	194	204
Provision for sales returns	22	21
Provision for books unsold	113	121
Provision for sales promotion expenses	722	709
Reserve for gift certificates	13,241	13,913
Provision for loss on business liquidation	121	487
Provision for loss on stores rebuilding	760	1,245
Other	57,392	52,504
Total current liabilities	305,463	302,944
Non-current liabilities		
Bonds payable	12,000	27,000
Long-term loans payable	93,546	82,905
Deferred tax liabilities	101,486	89,158
Deferred tax liabilities for land revaluation	1,279	1,161
Net defined benefit liability	31,514	32,707
Provision for directors’ retirement benefits	39	37
Provision for loss on business liquidation	–	564
Provision for loss on stores rebuilding	–	1,191
Other	42,905	40,882
Total non-current liabilities	282,771	275,607
Total liabilities	588,235	578,552
Net assets		
Shareholders’ equity		
Capital stock	30,000	30,000
Capital surplus	209,556	209,551
Retained earnings	147,555	163,971
Treasury shares	(6,369)	(11,286)
Total shareholders’ equity	380,742	392,236
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,352	2,113
Deferred gains or losses on hedges	(35)	223
Foreign currency translation adjustment	659	516
Remeasurements of defined benefit plans	(7,832)	(11,391)
Total accumulated other comprehensive income	(4,855)	(8,537)
Subscription rights to shares	15	14
Minority interests	54,357	56,880
Total net assets	430,260	440,594
Total liabilities and net assets	1,018,495	1,019,146

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

(Consolidated statement of income)

(Millions of yen)

	Fiscal year ended February 28, 2015	Fiscal year ended February 29, 2016
Net sales		
Net sales of goods	1,138,801	1,151,469
Rent income of real estate	10,727	12,094
Total net sales	1,149,529	1,163,564
Cost of sales		
Cost of goods sold	899,303	910,927
Cost of real estate rent	6,486	7,104
Total cost of sales	905,789	918,031
Gross profit	243,739	245,532
Selling, general and administrative expenses		
Advertising expenses	30,319	27,733
Provision of allowance for doubtful accounts	280	459
Directors' compensations, salaries and allowances	50,413	49,828
Provision for bonuses	5,402	5,511
Provision for directors' bonuses	194	204
Retirement benefit expenses	4,355	3,285
Provision for directors' retirement benefits	6	8
Welfare expenses	10,687	10,632
Depreciation	16,023	16,194
Rent expenses	28,366	28,682
Operational costs	16,567	16,338
Amortization of goodwill	632	499
Other	38,323	38,115
Total selling, general and administrative expenses	201,572	197,494
Operating income	42,167	48,038
Non-operating income		
Interest income	372	369
Dividend income	434	365
Gain on adjustment of account payable	3,084	2,866
Share of profit of entities accounted for using equity method	735	1,886
Other	785	728
Total non-operating income	5,411	6,216
Non-operating expenses		
Interest expenses	1,481	1,419
Loss on retirement of non-current assets	784	864
Provision of reserve for redemption of gift certificates	3,550	3,159
Other	1,282	899
Total non-operating expenses	7,098	6,344
Ordinary income	40,480	47,910

(Millions of yen)

	Fiscal year ended February 28, 2015	Fiscal year ended February 29, 2016
Extraordinary income		
Gain on sales of non-current assets	84	–
Gain on sales of investment securities	2,811	960
Gain on sales of shares of subsidiaries and associates	–	131
Total extraordinary income	2,896	1,091
Extraordinary losses		
Loss on disposal of non-current assets	1,894	2,629
Loss on valuation of investment securities	36	–
Impairment loss	965	1,570
Loss on stores rebuilding	–	7,492
Loss on liquidation of business	654	1,719
Construction indemnification expenses	650	–
Other	209	891
Total extraordinary losses	4,411	14,303
Income before income taxes and minority interests	38,965	34,698
Income taxes - current	16,396	14,626
Income taxes - deferred	(472)	(9,791)
Total income taxes	15,923	4,834
Income before minority interests	23,041	29,863
Minority interests in income	3,073	3,549
Net income	19,967	26,313

(Consolidated statement of comprehensive income)

(Millions of yen)

	Fiscal year ended February 28, 2015	Fiscal year ended February 29, 2016
Income before minority interests	23,041	29,863
Other comprehensive income		
Valuation difference on available-for-sale securities	2	(288)
Deferred gains or losses on hedges	(5)	(37)
Foreign currency translation adjustment	242	(147)
Remeasurements of defined benefit plans, net of tax	–	(3,654)
Share of other comprehensive income of entities accounted for using equity method	(52)	318
Total other comprehensive income	186	(3,810)
Comprehensive income	23,228	26,053
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	20,163	22,631
Comprehensive income attributable to minority interests	3,064	3,421

(3) Consolidated statement of changes in equity

Fiscal year ended February 28, 2015

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	30,000	209,557	134,178	(6,343)	367,392
Cumulative effects of changes in accounting policies			(254)		(254)
Restated balance	30,000	209,557	133,924	(6,343)	367,138
Changes of items during period					
Dividends of surplus			(6,336)		(6,336)
Net income			19,967		19,967
Purchase of treasury shares				(39)	(39)
Disposal of treasury shares		(1)		14	12
Net changes of items other than shareholders' equity					
Total changes of items during period	–	(1)	13,631	(25)	13,604
Balance at end of current period	30,000	209,556	147,555	(6,369)	380,742

	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	Remeasure-ments of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of current period	2,357	(25)	449	–	2,780	15	52,025	422,215
Cumulative effects of changes in accounting policies								(254)
Restated balance	2,357	(25)	449	–	2,780	15	52,025	421,960
Changes of items during period								
Dividends of surplus								(6,336)
Net income								19,967
Purchase of treasury shares								(39)
Disposal of treasury shares								12
Net changes of items other than shareholders' equity	(4)	(9)	210	(7,832)	(7,636)	–	2,331	(5,304)
Total changes of items during period	(4)	(9)	210	(7,832)	(7,636)	–	2,331	8,299
Balance at end of current period	2,352	(35)	659	(7,832)	(4,855)	15	54,357	430,260

Fiscal year ended February 29, 2016

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	30,000	209,556	147,555	(6,369)	380,742
Cumulative effects of changes in accounting policies			(3,065)		(3,065)
Restated balance	30,000	209,556	144,490	(6,369)	377,677
Changes of items during period					
Dividends of surplus			(6,832)		(6,832)
Net income			26,313		26,313
Purchase of treasury shares				(5,025)	(5,025)
Disposal of treasury shares		(4)		108	103
Net changes of items other than shareholders' equity					
Total changes of items during period	–	(4)	19,481	(4,917)	14,559
Balance at end of current period	30,000	209,551	163,971	(11,286)	392,236

	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	Remeasure-ments of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of current period	2,352	(35)	659	(7,832)	(4,855)	15	54,357	430,260
Cumulative effects of changes in accounting policies							(114)	(3,179)
Restated balance	2,352	(35)	659	(7,832)	(4,855)	15	54,243	427,080
Changes of items during period								
Dividends of surplus								(6,832)
Net income								26,313
Purchase of treasury shares								(5,025)
Disposal of treasury shares								103
Net changes of items other than shareholders' equity	(238)	258	(143)	(3,558)	(3,681)	(1)	2,637	(1,045)
Total changes of items during period	(238)	258	(143)	(3,558)	(3,681)	(1)	2,637	13,513
Balance at end of current period	2,113	223	516	(11,391)	(8,537)	14	56,880	440,594

(4) Consolidated statement of cash flows

(Millions of yen)

	Fiscal year ended February 28, 2015	Fiscal year ended February 29, 2016
Cash flows from operating activities		
Income before income taxes and minority interests	38,965	34,698
Depreciation	17,963	18,345
Impairment loss	985	5,905
Amortization of goodwill	632	499
Increase (decrease) in allowance for doubtful accounts	(156)	167
Increase (decrease) in provision for bonuses	(86)	88
Increase (decrease) in net defined benefit liability	2,399	(1,832)
Decrease (increase) in net defined benefit asset	(535)	(1,367)
Increase (decrease) in provision for sales promotion expenses	(13)	(13)
Increase (decrease) in provision for loss on business liquidation	26	930
Increase (decrease) in reserve for gift certificates	909	672
Increase (decrease) in provision for loss on stores rebuilding	(560)	1,676
Interest and dividend income	(806)	(734)
Interest expenses	1,481	1,419
Share of (profit) loss of entities accounted for using equity method	(735)	(1,886)
Loss (gain) on sales of non-current assets	(64)	30
Loss (gain) on disposal of non-current assets	1,894	2,629
Loss (gain) on sales of investment securities	(2,811)	(960)
Loss (gain) on valuation of investment securities	36	0
Loss (gain) on sales of shares of subsidiaries and associates	–	(131)
Decrease (increase) in notes and accounts receivable - trade	(9,288)	7,507
Decrease (increase) in inventories	(1,590)	2,680
Increase (decrease) in notes and accounts payable - trade	8,519	(4,251)
Decrease (increase) in accounts receivable - other	(4,170)	(5,092)
Decrease (increase) in long-term prepaid expenses	416	553
Other, net	1,710	(4,855)
Subtotal	55,120	56,682
Interest and dividend income received	677	616
Interest expenses paid	(1,530)	(1,446)
Income taxes paid	(10,405)	(20,733)
Income taxes refund	788	1,680
Net cash provided by (used in) operating activities	44,650	36,799

(Millions of yen)

	Fiscal year ended February 28, 2015	Fiscal year ended February 29, 2016
Cash flows from investing activities		
Purchase of short-term and long-term investment securities	(1,056)	(12,470)
Proceeds from sales of short-term and long-term investment securities	6,020	4,113
Proceeds from sales of shares of subsidiaries and associates	–	1,632
Purchase of property, plant and equipment and intangible assets	(23,606)	(37,254)
Proceeds from sales of property, plant and equipment and intangible assets	133	40
Decrease (increase) in short-term loans receivable	(33)	6
Payments of long-term loans receivable	(47)	(43)
Collection of long-term loans receivable	51	59
Other, net	2,266	4,174
Net cash provided by (used in) investing activities	(16,272)	(39,741)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(4,962)	(829)
Net increase (decrease) in commercial papers	(3,500)	2,107
Proceeds from long-term loans payable	6,000	21,200
Repayments of long-term loans payable	(17,034)	(13,008)
Proceeds from issuance of bonds	–	15,000
Redemption of bonds	–	(12,000)
Purchase of treasury shares	(64)	(5,031)
Cash dividends paid	(6,312)	(6,814)
Cash dividends paid to minority shareholders	(734)	(789)
Other, net	(979)	(876)
Net cash provided by (used in) financing activities	(27,587)	(1,041)
Effect of exchange rate change on cash and cash equivalents	65	(0)
Net increase (decrease) in cash and cash equivalents	856	(3,985)
Cash and cash equivalents at beginning of period	31,276	32,132
Cash and cash equivalents at end of period	32,132	28,147

(5) Notes on consolidated financial statements

(Notes on premise of going concern)

No items to report.

(Changes in accounting policies)

(Change in the valuation method for inventories)

Up until now, the valuation method for merchandise in Daimaru Matsuzakaya Department Stores Co. Ltd. and other principal subsidiaries of the Company has been lower of cost or market, using the cost percentage method (the book value is written down based on the decreased profitability).

However, a system that monitors individual costs is now in full operation. As this system enables more precise cost control, the valuation method for inventories has changed to the identified cost method (the book value is written down based on the decreased profitability) effective from the current fiscal year.

This change in accounting policy has been applied retrospectively, and the consolidated financial statements for the previous fiscal year have been adjusted retrospectively.

As a result of this change, operating income, ordinary income, and income before income taxes and minority interests for the previous fiscal year have each increased by ¥76 million in comparison with before performing the retrospective application. In addition, the balance of retained earnings as of the beginning of the previous fiscal year has decreased by ¥254 million reflecting the cumulative amount of the effect from the retrospective application to net assets as of the beginning of the previous fiscal year.

The impact on per share information is stated in the relevant section.

(Adoption of the Accounting Standard for Retirement Benefits and Guidance on Accounting Standard for Retirement Benefits)

Regarding the "Accounting Standard for Retirement Benefits" (ASBJ Statement No. 26, May 17, 2012) and the "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25, March 26, 2015), effective from the current fiscal year, the Company has adopted the provisions specified in the main clauses of Paragraph 35 of the Accounting Standard for Retirement Benefits and Paragraph 67 of the Guidance on Accounting Standard for Retirement Benefits, reviewed its calculation method for retirement benefit obligations and current service costs, and changed its method of attributing expected benefits to periods from the straight-line basis to the benefit formula basis. In addition, the Company has changed the method for determining the discount rate from one that uses a discount rate based on a period approximate to the average remaining service periods of employees, to one that uses a single weighted average discount rate reflecting the estimated timing and amount of retirement benefits.

Adoption of the Accounting Standard for Retirement Benefits and Guidance on Accounting Standard for Retirement Benefits is in line with the transitional measures provided in Paragraph 37 of the Accounting Standard for Retirement Benefits and the effect of the change in the determination of retirement benefit obligations and current service costs has been added to or deducted from retained earnings as of the beginning of the current fiscal year.

As a result, as of the beginning of the first quarter of the current fiscal year, net defined benefit liability increased by ¥2,065 million and net defined benefit asset, retained earnings and minority interests decreased by ¥2,640 million, ¥3,065 million and ¥114 million, respectively. The effect of this change on operating income, ordinary income and income before income taxes and minority interests for the current fiscal year is immaterial.

The impact on per share information is stated in the relevant section.

(Additional information)

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

On March 31, 2016, the "Act for Partial Amendment of the Income Tax Act, etc." (Act No. 15 of 2016) and the "Act for Partial Amendment of the Local Tax Act, etc." (Act No. 13 of 2016) were promulgated, resulting in changes in the rates of income taxes for fiscal years beginning on or after April 1, 2016.

In accordance with these revisions, for temporary differences expected to be reversed in the fiscal year beginning on or after March 1, 2017, the effective statutory tax rate used to measure deferred tax assets and liabilities will be changed from 32.3% to 30.9%. In addition, for temporary differences expected to be reversed in fiscal years beginning on or after March 1, 2019, the effective statutory tax rate used to measure deferred tax assets and liabilities will be changed to 30.6%.

As a result of these changes, if remeasured based on the temporary differences as of February 29, 2016, deferred tax assets in current assets and non-current assets will decrease by ¥169 million and ¥173 million, respectively, deferred tax liabilities in non-current liabilities will decrease by ¥4,762 million, deferred tax liabilities for land revaluation will decrease by ¥61 million, and remeasurements of defined benefit plans (credit) will decrease by ¥223 million, while valuation difference on available-for-sale securities (credit), minority interests (credit), and income taxes - deferred (credit) will increase by ¥53 million, ¥316 million and ¥4,345 million, respectively.

(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, 2015

(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	758,964	273,914	50,954	5,362	60,333	1,149,529	–	1,149,529
(2) Inter-segment sales or transfers	901	297	8,416	5,018	36,964	51,600	(51,600)	–
Total sales	759,866	274,212	59,371	10,381	97,298	1,201,129	(51,600)	1,149,529
Segment profits	23,192	12,255	1,067	3,424	2,418	42,357	(190)	42,167
Segment assets	629,767	256,531	24,296	38,593	111,970	1,061,158	(42,662)	1,018,495
Other items								
Depreciation	10,747	5,938	172	9	1,248	18,116	(152)	17,963
Amounts invested in equity method companies	3,861	105	–	–	163	4,130	11,308	15,438
Increase in property, plant and equipment and intangible assets	10,359	11,624	145	5	1,217	23,353	(133)	23,219

Notes: 1. Adjustments are made as follows.

(1) The ¥190 million deducted from segment profits as adjustment includes a ¥2,565 million in inter-segment eliminations and a deduction of ¥2,755 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 ¥42,662 million deducted from segment assets as adjustment includes a deduction of ¥73,068 million in elimination of segment receivables, a deduction of ¥1,527 million in unrealized profit (loss) on non-current assets, and ¥30,307 million in assets of the company submitting consolidated financial statements that are not attributable to any reportable segment.

(3) The ¥152 million deducted from depreciation as adjustment consists of inter-segment transfers.

(4) The ¥11,308 million adjustment in amounts invested in equity method companies 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 ¥133 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 29, 2016

(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	762,280	280,696	48,744	5,901	65,940	1,163,564	–	1,163,564
(2) Inter-segment sales or transfers	941	354	9,104	4,553	38,798	53,752	(53,752)	–
Total sales	763,222	281,050	57,849	10,455	104,739	1,217,316	(53,752)	1,163,564
Segment profits	28,786	12,582	1,315	2,703	2,807	48,194	(156)	48,038
Segment assets	617,046	266,743	21,796	44,655	106,365	1,056,607	(37,461)	1,019,146
Other items								
Depreciation	10,960	6,281	154	8	1,123	18,528	(183)	18,345
Amounts invested in equity method companies	2,554	427	–	–	164	3,146	23,543	26,689
Increase in property, plant and equipment and intangible assets	14,002	21,435	197	6	887	36,528	(273)	36,255

Notes: 1. Adjustments are made as follows.

(1) The ¥156 million deducted from segment profits as adjustment includes a ¥2,862 million in inter-segment eliminations and a deduction of ¥3,018 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 ¥37,461 million deducted from segment assets as adjustment includes a deduction of ¥74,807 million in elimination of segment receivables, a deduction of ¥1,502 million in unrealized profit (loss) on non-current assets, and ¥38,246 million in assets of the company submitting consolidated financial statements that are not attributable to any reportable segment.

(3) The ¥183 million deducted from depreciation as adjustment consists of inter-segment transfers.

(4) The ¥23,543 million adjustment in amounts invested in equity method companies 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.

4. Notes regarding change to reportable segments

(Change in the valuation method for inventories)

As stated in “Changes in accounting policies,” effective from the current fiscal year, the main valuation method for merchandise has changed from the lower of cost or market method, using the cost percentage method (the book value is written down based on the decreased profitability) to using the identified cost method (the book value is written down based on the decreased profitability).

This change in valuation method has been applied retrospectively, and the segment information presented for the fiscal year ended February 28, 2015 is the information after the retrospective adjustment. As a result, segment profits for the fiscal year ended February 28, 2015 have increased ¥76 million in the Department Store Business compared with before the retrospective adjustment.

(Adoption of the Accounting Standard for Retirement Benefits and Guidance on Accounting Standard for Retirement Benefits)

In conjunction with the changes in the calculation method for retirement benefit obligations and current service costs that have been adopted from the current fiscal year as mentioned in “Changes in accounting policies,” the Company has likewise changed the calculation method for retirement benefit obligations and current service costs in business segments. The effect of this application on segment profits for the fiscal year ended February 29, 2016 is immaterial.

<Related information>

Fiscal year ended February 28, 2015

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 29, 2016

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, 2015

(Millions of yen)

	Department Store Business	PARCO Business	Wholesale Business	Credit Business	Other Businesses	Total	Corporate and elimination	Total
Impairment loss	11	682	232	–	58	985	–	985

Fiscal year ended February 29, 2016

(Millions of yen)

	Department Store Business	PARCO Business	Wholesale Business	Credit Business	Other Businesses	Total	Corporate and elimination	Total
Impairment loss	3,773	833	–	–	1,404	6,011	(105)	5,905

Note: For the six months ended August 31, 2015, an impairment loss for goodwill (¥990 million) was recognized in the Other Businesses.

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

Fiscal year ended February 28, 2015

(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	–	–	283	632	–	632
Balance at the end of the current fiscal year	–	873	–	–	1,132	2,005	–	2,005

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

Fiscal year ended February 29, 2016

(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	–	358	–	–	141	499	–	499
Balance at the end of the current fiscal year	–	568	–	–	–	568	–	568

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

<Gain on bargain purchase by reportable segment>

Fiscal year ended February 28, 2015

No items to report.

Fiscal year ended February 29, 2016

No items to report.