Notes to Consolidated Financial Statements

J. FRONT RETAILING Co., Ltd. and Consolidated Subsidiaries

February 28, 2015

1 Basis of Preparation

The accompanying consolidated financial statements of J. FRONT RETAILING Co., Ltd. (the "Company") and consolidated subsidiaries (collectively, the "Group") are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Act of Japan.

In preparing the accompanying consolidated financial statements, certain reclassifications have been made to the consolidated financial statements issued domestically in order to present them in a format which is more familiar to readers outside Japan. In addition, certain notes included herein are not required under accounting principles generally accepted in Japan but are presented as additional information.

The translation of yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan and has been made at ¥119.27 = U.S. $1.00, the exchange rate prevailing on February 28, 2015. This translation should not be construed as a representation that yen can be converted into U.S. dollars at the above or any other rate.

As permitted by the Financial Instruments and Exchange Act of Japan, amounts of less than one million yen have been omitted. As a result, the totals shown in the accompanying consolidated financial statements (both in yen and in U.S. dollars) do not necessarily agree with the sum of the individual amounts.

2 Summary of Significant Accounting Policies

(a)Principles of consolidation

The accompanying consolidated financial statements include the accounts of the Company and the significant companies which it controls directly or indirectly. Companies over which the Company exercises significant influence in terms of their operating and financial policies have been included in the accompanying consolidated financial statements on an equity basis.

Certain subsidiaries are excluded from the scope of consolidation because the effect of its total assets, sales, net income or loss and retained earnings on the accompanying consolidated financial statements is immaterial. In addition, certain unconsolidated subsidiaries are accounted for by the equity method.

The fiscal year end of certain consolidated subsidiaries is December 31. Their financial statements as of and for the year ended December 31 are used in the preparation of the consolidated financial statements and necessary adjustments are made to their financial statements to reflect any significant transactions from January 1 to February 28. All significant intercompany balances and transactions have been eliminated in consolidation.

Investments in subsidiaries and affiliates which are not consolidated nor accounted for by the equity method are carried at cost or less. Where there has been a permanent decline in the value of such investments, the Company has written down the investments.

(b)Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into yen at the rates of exchange in effect at the balance sheet date. Foreign exchange gain or loss on translation is recognized in the consolidated statement of income.

Assets and liabilities of overseas consolidated subsidiaries are translated into yen at the exchange rates in effect at the respective balance sheet dates, except for the components of net assets excluding minority interests which are translated at the respective historical rates. Revenue and expenses are translated at the average rates of exchange for the year. Differences arising from the translation are reflected in "Foreign currency translation adjustments" and "Minority interests" in the accompanying consolidated balance sheet and statement of changes in net assets.

(c)Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, deposits with banks withdrawable on demand, and short-term investments with a maturity of three months or less when purchased which can easily be converted to cash and are subject to little risk of change in value.

(d)Allowance for doubtful accounts

Allowance for doubtful accounts is computed based on the actual historical experience for normal receivables and an estimate of uncollectible amounts determined after an analysis of specific individual receivables from companies in financial difficulty.

(e)Securities and investment securities

The accounting standard for financial instruments requires that securities be classified into three categories: trading, held-to-maturity or other securities. Trading securities are carried at fair value and held-to-maturity debt securities are carried at amortized cost. Marketable securities classified as other securities are carried at fair value with any changes in unrealized holding gain or loss, net of the applicable income taxes, included directly in net assets. Cost of securities sold is determined by the moving average method. Non-marketable securities classified as other securities are carried at cost based on the moving average method.

Investments in limited partnerships are stated at the net value of equities attributable to the Company based on the most recent financial statements available prepared according to the financial reporting dates specified in the respective partnership agreements.

(f)Inventories

Inventories are principally stated at lower of cost, determined by the retail inventory method, or net selling value.

(g)Property and equipment (except for leased assets)

Property and equipment are stated at cost. Depreciation is computed based on the estimated useful lives of the respective assets by the declining-balance method, except for buildings and structures, which are principally depreciated by the straight-line method.

The principal estimated useful lives are as follows:

Buildings and structures	3 to 50 years
Other	2 to 20 years

(h)Leases

Leased assets under finance lease transactions that do not transfer ownership to the lessee are depreciated to a residual value of zero by the straight-line method using the contract term as the useful life.

Finance lease transactions entered into on or before February 28, 2009 that do not transfer ownership to the lessee continue to be accounted for as operating lease transactions.

(i)Goodwill

Goodwill is amortized by the straight-line method over five years, with the exception of immaterial amounts, which are charged to income when incurred.

(j)Intangible assets (except for goodwill and leased assets)

Amortization is calculated by the straight-line method over the estimated useful lives of the respective assets.

Expenditures relating to computer software developed for internal use are charged to income when incurred, except if the software is expected to contribute to the generation of income or to future cost savings. Such expenditures are capitalized as intangible assets and are amortized by the straight-line method over their respective estimated useful lives, generally a period of five years.

(k)Deferred income taxes

Deferred income taxes are provided for temporary differences between the balances of assets and liabilities reported for financial reporting purposes and the corresponding balances for tax reporting purposes.

(l)Derivative financial instruments and hedging activities

All derivatives are stated at fair value with any changes in fair value included in profit or loss in the corresponding period, except for derivatives meeting the criteria for deferral hedge accounting under which unrealized gain or loss, net of the applicable income taxes, is deferred as a component of net assets. Receivables and payables hedged by forward foreign exchange contracts meeting certain conditions are translated at the corresponding forward foreign exchange contract rates (the "allocation method"). Interest-rate swap transactions meeting certain conditions for special treatment are accounted for as if the interest rates applied to the interest-rate swap had originally applied to the underlying debt (the "special treatment").

Hedging instruments are forward foreign exchange contracts and interest rate swaps and hedged items are trade accounts receivable and payable denominated in foreign currencies, forecast transactions denominated in foreign currencies, loans payable and interest expenses on loans payable.

The Company and its consolidated subsidiaries hedge foreign currency exchange rate risk and interest rate risk based on its risk management policy of the Group.

The relationship between the hedging instruments and the underlying hedged items is assessed at each balance sheet date to confirm the effectiveness of hedging activities. However, hedge effectiveness is not assessed if the substantial terms and conditions of the hedging instruments and the hedged items are the same.

(m)Distribution of retained earnings

Under the Corporation Law of Japan and the Company's Articles of Incorporation, the distribution of retained earnings with respect to a given fiscal year is made by resolution of the shareholders at a general meeting held subsequent to the close of the fiscal year. The distribution of retained earnings with respect to the interim period is made by resolution of the Board of Directors. The accounts for the corresponding periods do not reflect such distributions. Please refer to the Note 28 "Subsequent Events" of these Notes of Consolidated Financial Statements.

(n)Provisions

i)Provision for bonuses to employees

Provision for bonuses to employees is provided based on the estimated amount to be paid to employees subsequent to the balance sheet date.

ii)Provision for bonuses to directors and audit and supervisory board members

Provision for bonuses to directors and audit and supervisory board members is provided based on the estimated amount to be paid to directors and audit and supervisory board members subsequent to the balance sheet date.

iii)Provision for sales returns

Provision for sales returns is provided at the amount of estimated loss expected to be incurred subsequent to the balance sheet date based on the maximum deductible amount under the Corporation Tax Law of Japan.

iv)Provision for loss on books unsalable

Provision for books unsalable after a certain period from publication at the amount of estimated loss excepted to be incurred subsequent to the balance sheet date due to unsalable based on the maximum deductible amount under the Corporation Tax Law of Japan.

v)Provision for sales promotion expense

Provision for sales promotion expense is provided at the estimated amount calculated based on historical experience to prepare for the future use of point card certificates granted under a point card program that is designed for sales promotion.

vi)Provision for loss on utilization of gift certificates

Gift certificates outstanding are credited to income by the derecognition after a certain period has passed from their respective dates of issuance. Provision for loss on utilization of gift certificates is provided at the estimated amount based on the historical utilization ratio.

vii)Provision for loss on business liquidation

Provision for loss on business liquidation is provided at the estimated amount for losses arising from business liquidation and stores closures of certain consolidated subsidiaries at the estimated amount of future anticipated losses.

viii)Provision for loss on store reconstruction

Provision for loss on store reconstruction is provided at the estimated amount for losses arising from the reconstruction of a store of a consolidated subsidiary at the estimated amount of future anticipated losses.

(o)Retirement benefits

Asset for retirement benefits and liability for retirement benefits have been provided principally at an amount calculated based on the retirement benefit obligation and the fair value of the pension plan assets. The estimated benefit is attributed to each period by the straight-line method over the estimated average remaining years of service of the eligible employees.

Past service cost is amortized as incurred primarily by the straight-line method over periods of principally 10 to 12 years, which are within the estimated average remaining years of service of the eligible employees.

Net unrecognized actuarial gain or loss is amortized commencing in the year following the year in which the gain or loss was recognized primarily by the straight-line method over periods of principally 10 to 12 years, which are within the estimated average remaining years of service of the eligible employees.

In addition, directors and audit and supervisory board members of certain domestic consolidated subsidiaries are customarily entitled to lump-sum payments under unfunded retirement benefit plans. Accrued retirement benefits for these directors and audit and supervisory board members are provided at an estimated amount based on each consolidated subsidiary's internal rules.

3 Accounting Change

Accounting standards for retirement benefits

Effective February 28, 2015, the Company and its domestic consolidated subsidiaries adopted "Accounting Standard for Retirement Benefits" (Accounting Standards Board of Japan ("ASBJ") Statement No.26 issued on May 17, 2012) and "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No.25 issued on May 17, 2012), except for certain provisions described in the main clause of Section 35 of the standard and in the main clause of Section 67 of the guidance.

In accordance with the adoption, the retirement benefit obligation after deducting the fair value of the pension plan assets, and unrecognized actuarial gain or loss and unrecognized past service costs are recorded as "Liability for retirement benefits" and "Asset for retirement benefits."

The adoption of these standards follows transitional provisions described in Section 37 of the standard. The effect of this change is included in accumulated other comprehensive income as "Retirement benefits adjustments."

As a result of this change, "Asset for retirement benefits" and "Liability for retirement benefits" were recorded in the amounts of ¥11,864 million ($99,472 thousand) and ¥31,514 million ($264,224 thousand), respectively, accumulated other comprehensive income decreased by ¥7,832 million ($65,666 thousand) and net assets per share decreased by ¥29.68 ($0.25) as of February 28, 2015 from the corresponding amounts that would have been recorded under the previous method.

4 Standards Issued but Not Yet Effective

(a)Accounting standards for retirement benefits

"Accounting Standard for Retirement Benefits" (ASBJ Statement No.26) and "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No.25) were issued on May 17, 2012. However, the main clause of Section 35 of the standard and the main clause of Section 67 of the guidance have not yet been adopted as of February 28, 2015.

Under these accounting standards, the accounting treatment of unrecognized actuarial gain or loss and past service cost, calculation methods of retirement benefit obligation and service cost and disclosures were mainly revised. These revisions were made considering the viewpoint of enhancing financial reporting and international convergence of accounting standards.

The Company and its domestic consolidated subsidiaries expect to adopt the above sections, which require changing the calculation methods of retirement benefit obligations and service cost from the beginning of the fiscal year ending February 28, 2016. The Company and its domestic consolidated subsidiaries are currently evaluating the impact on the consolidated financial statements from the adoption of the revised standards.

(b)Accounting standards for business combinations

On September 13, 2013, the ASBJ issued "Revised Accounting Standard for Business Combinations" (ASBJ Statement No.21), "Revised Accounting Standard for Business Divestitures" (ASBJ Statement No.7), "Revised Accounting Standard for Earnings Per Share" (ASBJ Statement No.2), "Revised Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No.22), "Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No.10) and "Revised Guidance on Accounting Standard for Earnings Per Share" (ASBJ Guidance No.4).

Under these revised accounting standards, the major accounting changes are as follows:

(1)Any differences arising from changes in a parent's ownership interest in a subsidiary shall be accounted for as changes in capital surplus when the parent company retains control over its subsidiary. In addition, "Minority interests" in the current year's consolidated balance sheet will be changed to "non-controlling interests."

(2)Acquisition-related costs shall be accounted for as expenses when incurred.

(3)If the initial accounting for a business combination is incomplete by the end of the reporting period in which the business combination occurs, an acquirer shall report provisional amounts for the items whose accounting is incomplete in its financial statements ("provisional accounting"). Under these revised accounting standards, if accounting for a business combination is completed during the next fiscal year (the "completion period") and consolidated financial statements for the completion period and those for the acquisition period are comparatively disclosed, the acquirer shall retrospectively adjust the provisional amounts recognized at the acquisition date to the completed amounts and shall reflect new information on facts and circumstances that existed as of the acquisition date. Such adjustments shall be recognized as if the accounting for the business combination had been completed at the acquisition date.

(4)"Income before minority interests" in the current year's consolidated statement of income will be changed to "net income" and "net income" in the current year's consolidated statement of income will be changed to "net income attributable to shareholders of the parent company."

The Company and its domestic consolidated subsidiaries expect to adopt these revised accounting standards from the beginning of the fiscal year ending February 28, 2017.

The Company and its domestic consolidated subsidiaries are currently evaluating the impact on the consolidated financial statements from the adoption of the revised standards.

5 Inventories

Inventories at February 28, 2015 and 2014 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Merchandise and finished goods	**¥30,108**	¥28,951	**$252,436**
Work in process	**833**	463	**6,984**
Raw materials and supplies	**262**	275	**2,197**
	¥31,204	¥29,690	**$261,625**

6 Accumulated Depreciation

Accumulated depreciation (including accumulated impairment losses) of property and equipment at February 28, 2015 and 2014 amounted to ¥298,382 million ($2,501,736 thousand) and ¥293,608 million, respectively, which has been offset against the acquisition costs of the property and equipment in the accompanying consolidated balance sheet.

7 Rental Properties

Certain subsidiaries of the Company own buildings (including land) as rental properties in Tokyo and other regions.

Gross profit of ¥4,241 million ($35,558 thousand) and ¥4,159 million (rental revenue is recorded as rent income of real estate in net sales and rental expenses as cost of real estate rent in costs of sales), gain on sales of fixed assets of ¥84 million ($704 thousand) and ¥1,621 million, loss on disposal of fixed assets of ¥187 million ($1,568 thousand) and ¥1,090 million and loss on impairment of fixed assets of ¥229 million ($1,920 thousand) and ¥527 million related to rental properties were recognized for the years ended February 28, 2015 and 2014, respectively. In addition, loss on store reconstruction related to rental properties amounted to ¥263 million for the year ended February 28, 2014.

The carrying value in the accompanying consolidated balance sheet at February 28, 2015 and 2014 and corresponding fair value of rental properties are as follows:

	Millions of yen			
	Carrying value			Fair value
	March 1, 2014	Net change	February 28, 2015	February 28, 2015
Rental properties	**¥104,162**	**¥5,368**	**¥109,530**	**¥104,985**

	Millions of yen			
	Carrying value			Fair value
	March 1, 2013	Net change	February 28, 2014	February 28, 2014
Rental properties	¥135,257	¥(31,095)	¥104,162	¥95,932

	Thousands of U.S. dollars			
	Carrying value			Fair value
	March 1, 2014	Net change	February 28, 2015	February 28, 2015
Rental properties	**$873,329**	**$45,007**	**$918,337**	**$880,230**

Notes:1.The carrying value represents the acquisition cost less accumulated depreciation and loss on impairment.

2.The main components of net change in carrying value include the increases of ¥4,784 million ($40,111 thousand) due to acquisitions of real estate and ¥2,834 million ($23,761 thousand) due to changes in the purpose of ownership and a decrease of ¥1,901 million (¥15,939 thousand) due to depreciation for the year ended February 28, 2015. The main components of net change in carrying value include the increase of ¥13,564 million due to acquisitions of real estate and the decrease of ¥42,224 million due to changes in the purpose of ownership and ¥1,686 million due to depreciation for the year ended February 28, 2014.

3.For major properties, fair value is determined based on the real estate appraisal standards of independent real estate appraisers, etc. For other properties, fair value is estimated by considering the land price index with necessary adjustments applied by the Company and its consolidated subsidiaries.

4.The urban redevelopment project in the Ginza 6-chome district, whose consolidated balance sheet amounts are ¥124,365 million ($1,042,718 thousand) and ¥108,529 million as of February 28, 2015 and 2014, respectively, involves the development of large-scale commercial facilities and is still in the development stage at present. Since it is extremely difficult to determine the fair value due to these reasons, the carrying value and the fair value of the project are not included in the above table.

8 Pledged Assets and Secured Liabilities

The carrying value of assets pledged as collateral and the corresponding liabilities secured by collateral at February 28, 2015 and 2014 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Assets pledged as collateral:			
Buildings and structures, net	**¥22,942**	¥24,208	**$192,353**
Land	**18,093**	18,093	**151,698**
Investment securities	**241**	259	**2,021**
Other property and equipment	**60**	59	**503**
Total	**¥41,338**	¥42,622	**$346,592**
Liabilities secured by collateral:			
Notes and accounts payable – trade	**¥432**	¥275	**$3,622**
Short-term loans payable	**1,620**	878	**13,583**
Long-term loans payable	**10,125**	12,045	**84,891**
Total	**¥12,177**	¥13,198	**$102,096**

9 Assets in Trust

The carrying value of assets in trust at February 28, 2015 and 2014 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Assets in trust:			
Land	**¥40,921**	¥40,844	**$343,095**
Buildings and structures, net	**17,582**	14,327	**147,413**
Other property and equipment	**245**	60	**2,054**
Total	**¥58,748**	¥55,231	**$492,563**

10 Securities

Information regarding marketable securities classified as other securities at February 28, 2015 and 2014 is summarized as follows:

	Millions of yen					
	2015			2014		
	Carrying value	Acquisition cost	Unrealized gain (loss)	Carrying value	Acquisition cost	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition cost:						
Equity securities	**¥12,833**	**¥8,972**	**¥3,861**	¥11,506	¥7,270	¥4,236
Debt securities	**4,386**	**4,355**	**31**	4,293	4,257	35
Subtotal	**17,220**	**13,327**	**3,892**	15,799	11,527	4,271
Securities whose carrying value does not exceed their acquisition cost:						
Equity securities	**1,343**	**1,490**	**(147)**	5,448	5,966	(517)
Debt securities	**430**	**431**	**(1)**	428	431	(3)
Subtotal	**1,773**	**1,922**	**(148)**	5,877	6,398	(520)
Total	**¥18,994**	**¥15,250**	**¥3,744**	¥21,677	¥17,926	¥3,750

	Thousands of U.S. dollars		
	2015		
	Carrying value	Acquisition cost	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition cost:			
Equity securities	**$107,596**	**$75,224**	**$32,372**
Debt securities	**36,774**	**36,514**	**260**
Subtotal	**144,378**	**111,738**	**32,632**
Securities whose carrying value does not exceed their acquisition cost:			
Equity securities	**11,260**	**12,493**	**(1,232)**
Debt securities	**3,605**	**3,614**	**(8)**
Subtotal	**14,865**	**16,115**	**(1,241)**
Total	**$159,252**	**$127,861**	**$31,391**

Sales of securities classified as other securities and the aggregate gain and loss for the years ended February 28, 2015 and 2014 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Equity securities:			
Sales proceeds	**¥5,620**	¥2,171	**$47,119**
Aggregate gain	**2,811**	199	**23,568**
Aggregate loss	**–**	148	**–**

For marketable securities, the Company and its consolidated subsidiaries recognize loss on devaluation of investment securities for securities whose fair value has declined by 30% or more compared with their acquisition cost, if the decline is deemed to be irrecoverable.

The Company and consolidated subsidiaries have recognized loss on devaluation of investment securities classified as equity securities included in other securities included in ¥36 million ($302 thousand) and ¥25 million for the years ended February 28, 2015 and 2014, respectively.

11 Short-Term Loans Payable, Commercial Papers, Long-Term Debt and Lease Obligations

The annual weighted-average interest rates applicable to short-term loans payable were 0.52% and 0.53% at February 28, 2015 and 2014, respectively.

The annual weighted-average interest rates applicable to commercial papers were 0.11% and 0.10% at February 28, 2015 and 2014, respectively.

Long-term debt and lease obligations at February 28, 2015 and 2014 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Bonds payable without collateral due through November 2015, with an annual interest rate of 0.33%	**¥12,000**	¥12,000	**$100,612**
Bonds payable without collateral due through November 2017, with an annual interest rate of 0.49%	**12,000**	12,000	**100,612**
Loans payable, due through November 2021, with an annual weighted-average interest rate of 0.96%	**106,498**	117,527	**892,915**
Lease obligations due through December 2022	**2,725**	3,008	**22,847**
	133,223	144,535	**1,116,986**
Less current portion	**(25,867)**	(17,927)	**(216,878)**
	¥107,355	¥126,608	**$900,101**

The aggregate annual maturities of bonds payable, long-term loans payable and lease obligations subsequent to February 28, 2015 are summarized as follows:

	Millions of yen		
Years ending February 28 or 29,	Bonds payable	Long-term loans payable	Lease obligations
2016	**¥12,000**	**¥12,952**	**¥915**
2017	**–**	**30,380**	**647**
2018	**12,000**	**34,980**	**394**
2019	**–**	**14,380**	**201**
2020	**–**	**9,220**	**107**
2021 and thereafter	**–**	**4,586**	**460**
	¥24,000	**¥106,498**	**¥2,725**

	Thousands of U.S. dollars		
Years ending February 28 or 29,	Bonds payable	Long-term loans payable	Lease obligations
2016	**$100,612**	**$108,594**	**$7,672**
2017	**–**	**254,716**	**5,425**
2018	**100,612**	**293,284**	**3,303**
2019	**–**	**120,567**	**1,685**
2020	**–**	**77,304**	**897**
2021 and thereafter	**–**	**38,451**	**3,857**
	$201,224	**$892,915**	**$22,847**

12 Retirement Benefits

(1)Outline of retirement benefits for employees

The Company and its main consolidated subsidiaries have defined benefit pension plans (i.e., corporate pension fund plans, tax-qualified pension plans and lump-sum payment plans). Certain consolidated subsidiaries have defined contribution pension plans.

Additional retirement allowances not included in the actuarial calculation as per retirement benefit accounting may also be paid when an employee retires. Certain consolidated subsidiaries also have established a employees' benefit trust.

Certain domestic subsidiaries have calculated their retirement benefit obligation and retirement benefit expenses based on the amount which would be payable at the year end if all eligible employees terminated their services voluntarily (the "simplified method").

(2)Defined benefit pension plans for the year ended February 28, 2015

1.The changes in the retirement benefit obligation for the year ended February 28, 2015 are outlined as follows:

	Millions of yen	Thousands of U.S. dollars
	2015	
Balance at the beginning of the year	**¥62,259**	**$522,001**
Service cost	**2,245**	**18,823**
Interest cost	**662**	**5,550**
Actuarial loss	**4,515**	**37,855**
Benefits paid	**(5,658)**	**(47,439)**
Past service cost	**3,714**	**31,139**
Balance at the end of the year	**¥67,737**	**$567,930**

*The retirement benefit obligation based on the simplified method is included in the table above due to its immateriality.

2.The changes in plan assets for the year ended February 28, 2015 are outlined as follows:

	Millions of yen	Thousands of U.S. dollars
	2015	
Balance at the beginning of the year	**¥44,076**	**$369,548**
Expected return on plan assets	**740**	**6,204**
Actuarial gain	**4,996**	**41,888**
Contributions to the pension plans by the Company and consolidated subsidiaries	**1,925**	**16,140**
Benefits paid	**(3,650)**	**(30,603)**
Balance at the end of the year	**¥48,087**	**$403,178**

3.The balance of retirement benefit obligation and plan assets at fair value and the amounts recognized in the consolidated balance sheet at February 28, 2015 are outlined as follows:

	Millions of yen	Thousands of U.S. dollars
	2015	
Funded retirement benefit obligation	**¥38,901**	**$326,159**
Plan assets at fair value	**(48,087)**	**(403,178)**
	(9,186)	**(77,019)**
Unfunded retirement benefit obligation	**28,836**	**241,771**
Net liability for retirement benefits recognized in the consolidated balance sheet	**19,649**	**164,744**
Liability for retirement benefits	**31,514**	**264,224**
Asset for retirement benefits	**(11,864)**	**(99,472)**
Net liability for retirement benefits recognized in the consolidated balance sheet	**¥19,649**	**$164,744**

4.The components of retirement benefit expenses for the year ended February 28, 2015 are outlined as follows:

	Millions of yen	Thousands of U.S. dollars
	2015	
Service cost	¥2,245	$18,823
Interest cost	662	5,550
Expected return on plan assets	(740)	(6,204)
Amortization of actuarial loss	1,648	13,817
Amortization of past service cost	133	1,115
Other	227	1,903
Retirement benefit expenses	¥4,176	$35,013

5.The components of retirement benefits adjustments included in accumulated other comprehensive income (before tax effect) at February 28, 2015 are outlined as follows:

	Millions of yen	Thousands of U.S. dollars
	2015	
Unrecognized past service cost	¥(2,000)	$(16,769)
Unrecognized actuarial loss	(10,632)	(89,142)
Total	¥(12,632)	$(105,911)

6.The fair value of plan assets, by major category, as a percentage of total plan assets at February 28, 2015 is as follows:

	2015
Debt securities	27%
Equity securities	49
General accounts at life insurance companies	11
Cash and deposits	2
Other	11
Total	100%

The total pension plan assets includes 30% of the retirement benefits trust for the corporate pension fund plans (29% in equity securities and 1% in cash and deposits).

The expected long-term rate of return on plan assets is determined as a result of consideration of both the present and anticipated portfolio allocation and the expected long-term rates of return from multiple plan assets.

7.The assumptions used in accounting for the defined benefit pension plans are as follows:

	2015
Discount rates	0.9% to 1.1%
Expected long-term rates of return on plan assets	1.0% to 2.0%

(3)Defined contribution pension plans for the year ended February 28, 2015

	Millions of yen	Thousands of U.S. dollars
	2015	
Contributions to defined contribution pension plans	¥365	$3,060

(4)Accrued retirement benefits for the year ended February 28, 2014

1.The following table sets forth the funded and accrued status of the pension plans and the amounts recognized in the accompanying consolidated balance sheet at February 28, 2014 for defined benefit pension plans of the Company and its consolidated subsidiaries:

	Millions of yen
	2014
Retirement benefit obligation	¥(62,259)
Plan assets at fair value	32,348
Retirement benefit trust	11,728
Unfunded retirement benefit obligation	(18,182)
Unrecognized actuarial loss	12,766
Unrecognized past service cost	(1,580)
Net retirement benefit obligation	(6,996)
Prepaid pension cost (*)	10,053
Accrued retirement benefits	¥(17,049)

*Prepaid pension cost is included in "Other" in investments and other assets in the consolidated balance sheet at February 28, 2014.

Certain domestic consolidated subsidiaries calculate the accrued retirement benefits based on the simplified method.

2.The components of retirement benefit expenses for the year ended February 28, 2014 are outlined as follows:

	Millions of yen
	2014
Service cost	¥2,380
Interest cost	802
Expected return on plan assets	(706)
Amortization of actuarial loss	2,084
Amortization of past service cost	(642)
Retirement benefit expenses	3,918
Other (*)	5,129
Retirement benefit expenses	¥9,048

(*)"Other" in the above table consists of the payments for contributions for defined contribution pension plans and additional retirement allowances.

Retirement benefit expenses for certain domestic consolidated subsidiaries which applied the simplified method are included in service cost.

3.The assumptions used in accounting for the defined benefit pension plans are as follows:

	2014
Discount rates	0.9% to 1.1%
Expected rates of return on plan assets	1.0% to 2.0%

13 Leases

(1)Lessee's accounting

1.Finance lease transactions that do not transfer ownership to the lessee

For finance lease transactions that do not transfer ownership to the Company or its consolidated subsidiaries, the corresponding leased assets mainly consist of system facilities (tools, furniture and fixtures) in the information services business, which included in "Other, net" of property and equipment.

Regarding the depreciation method of the leased assets, please refer to the Note 2 "Summary of Significant Accounting Policies" of these Notes to Consolidated Financial Statements.

Finance lease transactions commencing on or before February 28, 2009, other than those in which the ownership of the leased assets is transferred to certain consolidated subsidiaries, are accounted for in the same manner as operating leases.

The following amounts represent the acquisition cost, accumulated depreciation, accumulated loss on impairment, and net book value of the leased assets at February 28, 2015 and 2014, which would have been reflected in the accompanying consolidated balance sheet if finance lease accounting had been applied to the finance lease transactions entered into by the consolidated subsidiaries as lessees on or before February 28, 2009, which are accounted for as operating leases:

	Millions of yen			
	2015			
	Acquisition cost	Accumulated depreciation	Accumulated loss on impairment	Net book value
Leased assets:				
Machinery, equipment, tools, furniture and fixtures	**¥1,480**	**¥1,389**	**¥9**	**¥80**

	Millions of yen			
	2014			
	Acquisition cost	Accumulated depreciation	Accumulated loss on impairment	Net book value
Leased assets:				
Machinery, equipment, tools, furniture and fixtures	¥3,753	¥3,523	¥13	¥217

	Thousands of U.S. dollars			
	2015			
	Acquisition cost	Accumulated depreciation	Accumulated loss on impairment	Net book value
Leased assets:				
Machinery, equipment, tools, furniture and fixtures	**$12,409**	**$11,646**	**$75**	**$671**

The amounts the above table include the interest portion.

Lease payments relating to finance leases accounted for as operating leases for the years ended February 28, 2015 and 2014 totaled ¥138 million ($1,157 thousand) and ¥449 million, respectively. Depreciation of the leased assets computed by the straight-line method over the respective lease terms with a nil residual value amounted to ¥136 million ($1,140 thousand) and ¥447 million for the years ended February 28, 2015 and 2014, respectively. Reversal of accumulated loss on impairment of the leased assets for the years ended February 28, 2015 and 2014 totaled ¥1 million ($8 thousand) and ¥2 million, respectively.

Future minimum lease payments (including the interest portion thereon) subsequent to February 28, 2015 for finance leases accounted for as operating leases are summarized as follows:

Years ending February 28 or 29,	Millions of yen	Thousands of U.S. dollars
2016	**¥44**	**$369**
2017 and thereafter	**36**	**302**
Total	**¥81**	**$679**
Allocated accumulated loss on impairment of leased assets	**1**	**8**
Total	**¥80**	**$671**

2.Operating leases

Future minimum lease payments subsequent to February 28, 2015 for noncancelable operating leases were as follows:

Years ending February 28 or 29,	Millions of yen	Thousands of U.S. dollars
2016	**¥3,116**	**$26,126**
2017 and thereafter	**17,508**	**146,793**
Total	**¥20,625**	**$172,927**

(2)Lessor's accounting

1.Finance lease transactions that do not transfer ownership to the lessee

Finance lease transactions commencing on or before February 28, 2009 other than those in which the ownership of the leased assets is transferred from the Company or its consolidated subsidiaries to the lessees are accounted for in the same manner as operating leases.

The following amounts represent the acquisition cost, accumulated depreciation and net book value of the leased assets at February 28, 2015 and 2014, which would have been transferred to the lessees if finance lease accounting had been applied to the finance lease transactions entered into by the consolidated subsidiaries as lessors on or February 28, 2009, which are accounted for as operating leases:

	Millions of yen					
	2015			2014		
	Acquisition cost	Accumulated depreciation	Net book value	Acquisition cost	Accumulated depreciation	Net book value
Leased assets:						
Machinery, equipment, tools, furniture and fixtures included in “Other, net” in property and equipment	**¥296**	**¥261**	**¥34**	¥343	¥274	¥69

	Thousands of U.S. dollars		
	2015		
	Acquisition cost	Accumulated depreciation	Net book value
Leased assets:			
Machinery, equipment, tools, furniture and fixtures included in “Other, net” in property and equipment	**$2,482**	**$2,188**	**$285**

Lease income relating to finance leases accounted for as operating leases for the years ended February 28, 2015 and 2014 were ¥34 million ($285 thousand) and ¥40 million, respectively. Depreciation expense of the leased assets computed by the straight-line method over the respective lease terms amounted to ¥34 million ($285 thousand) and ¥40 million for the years ended February 28, 2015 and 2014, respectively.

No loss on impairment was allocated to any leased assets for the years ended February 28, 2015 and 2014.

Future minimum lease receivable (including the interest portion thereon) subsequent to February 28, 2015 for finance leases accounted for as operating leases are summarized as follows:

Years ending February 28 or 29,	Millions of yen	Thousands of U.S. dollars
2016	**¥25**	**$210**
2017 and thereafter	**9**	**75**
Total	**¥34**	**$285**

2.Operating leases

Future minimum lease receivable subsequent to February 28, 2015 for noncancelable operating leases were as follows:

Years ending February 28 or 29,	Millions of yen	Thousands of U.S. dollars
2016	**¥3,037**	**$25,463**
2017 and thereafter	**14,426**	**120,952**
Total	**¥17,464**	**$146,424**

14 Shareholders' Equity

(1)The Corporation Law of Japan (the "Law") provides that an amount equal to 10% of the amount to be disbursed as distributions of capital surplus (other than the capital reserve) and retained earnings (other than the legal reserve) be transferred to the capital reserve and the legal reserve, respectively, until the sum of the capital reserve and the legal reserve equals 25% of the capital stock account. Such distributions can be made at any time by resolution of the shareholders or by the Board of Directors if certain conditions are met.

The capital reserve included in capital surplus amounted to ¥7,500 million ($62,883 thousand) at February 28, 2015 and 2014. In addition, the legal reserve included in retained earnings amounted to nil at February 28, 2015 and 2014.

(2)Movements in shares issued and treasury stock during the years ended February 28, 2015 and 2014 are summarized as follows:

	Number of shares			
	2015			
	March 1, 2014	Increase	Decrease	February 28, 2015
Shares issued:				
Common stock	**536,238,328**	**–**	**268,119,164**	**268,119,164**
Treasury stock:				
Common stock	**8,372,594**	**44,031**	**4,211,367**	**4,205,258**

Two shares of common stock were consolidated into one share on September 1, 2014. As a result, the number of shares issued decreased by 268,119,164.

The increase in treasury stock consists of 41,564 shares resulting from the purchase of shares less than one voting unit by the Company, and 2,467 shares of treasury stock attributable to the Company resulting from the purchase by an affiliate accounted for by the equity method for the year ended February 28, 2015. The decrease in treasury stock consists of 4,087 shares resulting from the sale of shares less than one voting unit by the Company, 7,000 shares resulting from the exercise of stock options and 4,200,280 shares resulting from consolidation of shares for the year ended February 28, 2015.

	Number of shares			
	2014			
	March 1, 2013	Increase	Decrease	February 28, 2014
Shares issued:				
Common stock	536,238,328	–	–	536,238,328
Treasury stock:				
Common stock	8,030,692	441,129	99,227	8,372,594

The increase in treasury stock consists of 150,400 shares resulting from the purchase of shares less than one voting unit by the Company, 287,827 shares resulting from the purchase of shares held by untraceable shareholders and 2,902 shares of treasury stock attributable to the Company resulting from the purchase by an affiliate accounted for by the equity method for the year ended February 28, 2014. The decrease in treasury stock consists of 8,227 shares resulting from the sale of shares less than one voting unit by the Company and 91,000 shares resulting from the exercise of stock options for the year ended February 28, 2014.

(3)Stock option plans

Descriptions of each stock option plan as of February 28, 2015 are as follows:

Stock option plans	No.3 plan (*1)	No.4 plan (*1)	No.5 plan (*2)
Individuals covered by the plan	Directors: 7 Audit and supervisory board members: 4 Executive officers: 14 Administration officer: 1	Directors: 7 Audit and supervisory board members: 4 Executive officers: 12 Administration officer: 1	Directors: 8 Audit and supervisory board members: 5
Type and number of shares to be issued upon the exercise of the stock subscription rights (*5)	154,000 shares of common stock	168,000 shares of common stock	31,500 shares of common stock
Grant date	May 27, 2004 (*3)	May 26, 2005 (*3)	May 25, 2006 (*4)
Vesting conditions	None	None	None
Vesting period	None	None	None
Exercise period	From September 3, 2007 to May 27, 2014	From September 3, 2007 to May 26, 2015	From September 3, 2007 to July 14, 2026

*1 The Company granted these stock options which were originally granted by the Daimaru, Inc. through the stock transfer contract entered into on September 3, 2007.

*2 The Company granted these stock options which were originally granted by Matsuzakaya Co., Ltd. through the stock transfer contract entered into on September 3, 2007.

*3 Grant date was the date of resolution of shareholder' s meeting of the Daimaru, Inc., currently Daimaru Matsuzakaya Department Store Co., Ltd. and individuals covered by the plan and their title were those as of the grant date.

*4 Grant date was the date of resolution of shareholder' s meeting of Matsuzakaya Co., Ltd., currently Daimaru Matsuzakaya Department Store Co., Ltd. and individuals covered by the plan and their title were those as of the grant date.

*5 The number of shares in the above table are adjusted to reflect the consolidation of shares executed on September 1, 2014.

Information regarding the Company's stock option plans is summarized as follows:

	No.3 plan	No.4 plan	No.5 plan
Number of stock options: (*1)			
Non-vested			
Outstanding at March 1, 2014	–	–	–
Granted	–	–	–
Forfeited	–	–	–
Vested	–	–	–
Outstanding at February 28, 2015	–	–	–
Vested			
Outstanding at March 1, 2014	126,000	150,500	9,500
Vested	–	–	–
Exercised	–	(7,000)	–
Forfeited	126,000	–	–
Outstanding at February 28, 2015	–	143,500	9,500
Exercise price (Yen)	¥1,398 (*1)	¥1,382 (*1)	¥1
Average stock price at exercise (Yen)	¥–	¥1,391 (*1)	¥–
Fair value at grant date (Yen)	¥– (*2)	¥– (*2)	¥1,666 (*1)
Exercise price (U.S. dollars)	$11,721	$11,587	$8
Average stock price at exercise (U.S. dollars)	$–	$11,663	$–
Fair value at grant date (U.S. dollars)	$–	$–	$13,968

*1 The amounts are adjusted to reflect the consolidation of shares executed on September 1, 2014.
*2 The fair value of stock options is omitted since they had been issued before the date of enactment of the Law.

During the year ended February 28, 2015, no stock options were granted.

Because it is difficult to reasonably estimate the number of options that will be forfeited in the future, the number of options actually forfeited is reflected.

Stock subscription rights as stock options of ¥15 million ($125 thousand) were recorded as of February 28, 2015 and 2014.

15 Financial Instruments

Overview

(a)Policy for financial instruments

The Company and its consolidated subsidiaries manages funds only through low-risk financial assets such as bank deposits and debt securities, in addition, funds are raised through bank borrowings, issuance of commercial papers and corporate bonds, and securitization of receivables. Derivatives are only utilized to hedge foreign currency fluctuation risk arising from receivables and payables denominated in foreign currencies and interest rate fluctuation risk arising from loans payable and bonds payable, and are not used for speculative purposes.

(b)Types of financial instruments, related risks and risk management

Notes and accounts receivable-trade are exposed to credit risk of customers. Deposits and guarantees are mainly associated with leases of stores and are exposed to credit risk of lessors. For these credit risks, the Group individually manages the due dates and balances for each counterparty and tries to identify any incidents that may cause potential collectability issues and to mitigate such risks.

Equity securities, such as investment securities, are exposed to market price fluctuation risk, but mainly consist of securities of companies with which a business relationship has been established, and the fair value is monitored periodically and the portfolio is reviewed on an ongoing basis.

Trade payables, such as notes and accounts payable – trade and income taxes payable are mostly due within one year. Trade payables denominated in foreign currencies are exposed to foreign currency fluctuation risk and foreign exchange forward contracts are utilized for a portion of these trade payables to hedge foreign currency fluctuation risk.

Short-term loans payable, commercial papers and securitized receivables are mainly used for financing of operating activities, and bonds payable and long-term loans payable are mainly used for capital investments. Loans payable with variable interest rates are exposed to interest rate fluctuation risk, but derivative transactions (interest-rate swaps) are utilized as hedging instruments for certain of long-term loans payable on an individual loan basis to mitigate the interest rate fluctuation risk and fix interest payments. Hedge effectiveness of each transaction is assessed periodically. For interest-rate swap transactions that meet the criteria for the special treatment, an assessment of hedge effectiveness is omitted.

The execution and management of derivative transactions are based on the internal rules which determine the authorization for such transactions. In addition, derivative transactions are entered into only with financial institutions with high credit ratings to mitigate credit risk.

Trade payables and loans payable are exposed to liquidity risk. The Group individually manages the risk by preparing a cash management schedule on a monthly basis and maintains necessary liquidity by entering into commitment lines and overdraft contracts with its main financial institutions.

Fair Value of Financial Instruments

The carrying value of financial instruments on the consolidated balance sheet, fair value and the difference as of February 28, 2015 and 2014, are shown in the following table. The table does not include financial instruments for which it is extremely difficult to determine the fair value. (Please refer to Note 2 below).

	Millions of yen					
	2015			2014		
	Carrying value	Fair value	Difference	Carrying value	Fair value	Difference
(1)Cash and deposits	**¥36,806**	**¥36,806**	**¥–**	¥35,128	¥35,128	¥–
(2)Notes and accounts receivable – trade	**75,556**	**75,556**	**–**	66,265	66,265	–
(3)Securities and investment securities:						
Other securities	**18,994**	**18,994**	**–**	21,677	21,677	–
Investments in affiliates	**1,448**	**730**	**(718)**	1,455	699	(755)
(4)Deposits and guarantees	**40,650**	**39,435**	**(1,214)**	42,646	40,325	(2,320)
Total assets	**¥173,456**	**¥171,523**	**¥(1,933)**	¥167,173	¥164,097	¥(3,076)
(5)Notes and accounts payable – trade	**95,020**	**95,020**	**–**	86,501	86,501	–
(6)Short-term loans payable	**9,268**	**9,268**	**–**	14,230	14,230	–
(7)Commercial papers	**28,691**	**28,691**	**–**	32,192	32,192	–
(8)Income taxes payable	**12,702**	**12,702**	**–**	4,999	4,999	–
(9)Bonds payable	**24,000**	**24,094**	**94**	24,000	24,070	70
(10)Long-term loans payable	**106,498**	**107,400**	**901**	117,527	118,759	1,231
Total liabilities	**¥276,180**	**¥277,177**	**¥996**	¥274,451	¥275,754	¥1,302
Derivative transactions (*)	**¥(27)**	**¥(27)**	**¥–**	¥(20)	¥(20)	¥–

	Thousands of U.S. dollars		
	2015		
	Carrying value	Fair value	Difference
(1)Cash and deposits	**$308,594**	**$308,594**	**$–**
(2)Notes and accounts receivable – trade	**633,487**	**633,487**	**–**
(3)Securities and investment securities:			
Other securities	**159,252**	**159,252**	**–**
Investments in affiliates	**12,141**	**6,121**	**(6,020)**
(4)Deposits and guarantees	**340,823**	**330,636**	**(10,187)**
Total assets	**$1,454,314**	**$1,438,107**	**$(16,207)**
(5)Notes and accounts payable – trade	**796,680**	**796,680**	**–**
(6)Short-term loans payable	**77,706**	**77,706**	**–**
(7)Commercial papers	**240,555**	**240,555**	**–**
(8)Income taxes payable	**106,498**	**106,498**	**–**
(9)Bonds payable	**201,224**	**202,012**	**788**
(10)Long-term loans payable	**892,915**	**900,478**	**7,563**
Total liabilities	**$2,315,586**	**$2,323,945**	**$8,351**
Derivative transactions (*)	**$(226)**	**$(226)**	**$–**

*Assets and liabilities arising from derivative transactions are shown at net value with the amount in parentheses representing net liability position.

Note 1:Methods to determine the fair value of financial instruments and other matters related to securities and derivative transactions

(1) Cash and deposits and (2) Notes and accounts receivable – trade
Since these items are settled in a short time period, their fair value approximates carrying value. Time deposits with their maturity dates over one year are included in (1) Cash and deposits in the above table.

(3) Securities and investment securities
The fair value of equity securities is based on quoted market prices. The fair value of debt securities is based on quoted market prices or prices provided by the counter party financial institutions.

(4) Deposits and guarantees
The fair value of deposits and guarantees is based on the present value of future cash flows discounted by the interest rates reflecting credit risk. Deposits and guarantees due within one year are included in (4) Deposits and guarantees in the above table.

(5) Notes and accounts payable – trade, (6) Short-term loans payable, (7) Commercial papers and (8) Income taxes payable
Since these items are settled in a short time period, their fair value approximates carrying value.

(9) Bonds payable
The fair value of bonds payable is stated at the market value. The current portion of bonds payable is included in (9) Bonds payable in the above table.

(10) Long-term loans payable
The fair value of long-term loans payable with variable interest rates approximates the carrying the value because the interest rate reflects the market rate in a short period of time. Certain long-term loans payable with variable interest rates are hedged by the special treatment of interest-rate swap agreements and accounted for as loans with fixed interest rates. The fair value of those long-term loans payable is based on the present value of the total of principal, interest payments and net cash flows of the swap agreements discounted by the interest rates to be applied reasonably assuming new loans under similar conditions are made. The fair value of long-term loans payable with fixed interest rates is based on the present value of the total of principal and interest payments discounted by the interest rates to be applied assuming new loans under similar conditions are made. The current portion of long-term loans payable is included in (10) Long-term loans payable in the above table.

Derivative Transactions
Please refer to Note 16 "Derivative Financial Instruments and Hedging Activities" of these Notes to Consolidated Financial Statements.

Note 2:Financial instruments for which it is extremely difficult to determine the fair value are as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Unlisted stocks	**¥18,427**	¥17,060	**$154,498**
Deposits and guarantees	**¥26,304**	¥27,482	**$220,542**
Long-term guarantee deposits received	**¥32,700**	¥34,100	**$274,168**

Long-term guarantee deposits received are included in "Other" in non-current liabilities in the consolidated balance sheet as of February 28, 2015 and 2014.

Because no quoted market price is available and it is extremely difficult to determine the fair value, the above unlisted stocks are not included in the preceding table.

Because no quoted market price is available and it is extremely difficult to estimate the future cash flows, the above deposits and guarantees and long-term guarantee deposits received are not included in the preceding table.

Note 3:Redemption schedules for cash and deposits, receivables and marketable securities with maturities at February 28, 2015 and 2014 are as follows:

	Millions of yen			
	2015			
	Within one year	More than one year and within five years	More than five years and within ten years	More than ten years
Cash and deposits	**¥30,060**	**¥2,700**	**¥–**	**¥–**
Notes and accounts receivable – trade	**75,556**	**–**	**–**	**–**
Securities and investment securities:				
Other securities with maturities:				
(1)Government and municipal bonds	**250**	**30**	**–**	**–**
(2)Corporate bonds	**900**	**2,800**	**–**	**–**
(3)Other	**200**	**600**	**–**	**–**
Deposits and guarantees	**4,401**	**3,474**	**6,038**	**9,627**
Total	**¥111,369**	**¥9,604**	**¥6,038**	**¥9,627**

	Millions of yen			
	2014			
	Within one year	More than one year and within five years	More than five years and within ten years	More than ten years
Cash and deposits	¥29,690	¥400	¥–	¥–
Notes and accounts receivable – trade	66,265	–	–	–
Securities and investment securities:				
Other securities with maturities:				
(1)Government and municipal bonds	–	280	–	–
(2)Corporate bonds	400	3,200	–	–
(3)Other	–	800	–	–
Deposits and guarantees	4,596	4,097	5,841	11,095
Total	¥100,953	¥8,777	¥5,841	¥11,095

	Thousands of U.S. dollars			
	2015			
	Within one year	More than one year and within five years	More than five years and within ten years	More than ten years
Cash and deposits	**$252,033**	**$22,638**	**$ –**	**$–**
Notes and accounts receivable – trade	**633,487**	**–**	**–**	**–**
Securities and investment securities:				
Other securities with maturities:				
(1)Government and municipal bonds	**2,096**	**252**	**–**	**–**
(2)Corporate bonds	**7,546**	**23,476**	**–**	**–**
(3)Other	**1,677**	**5,031**	**–**	**–**
Deposits and guarantees	**36,899**	**29,127**	**50,625**	**80,716**
Total	**$933,755**	**$80,523**	**$50,625**	**$80,716**

Note 4:The redemption schedule for long-term loans payable is disclosed in Note 11 "Short-Term Loans Payable, Commercial Papers, Long-Term Debt and Lease Obligations" of these Notes to Consolidated Financial Statements.

16 Derivative Financial Instruments and Hedging Activities

Derivative transactions which quality for hedge accounting

The estimated fair value of the derivatives positions outstanding as of February 28, 2015 and 2014, to which quality for hedge accounting are summarized as follows:

Currency-related transactions

			Millions of yen		
			2015		
			Contract value		
Method of hedge accounting	Transaction	Major hedged item	Notional amount	Maturing after one year	Fair value
Allocation method	Forward foreign currency exchange contracts:				
	Sell:				
	U.S. dollars	Accounts receivable, trade	**¥213**	**¥–**	**(*)**
	Chinese yuan		**1**	**–**	**(*)**
	Total		**¥215**	**¥–**	**(*)**
	Currency swap contracts:				
	Receive / U.S. dollars and pay / Japanese yen	Long-term loans payable	**¥300**	**¥300**	**(*)**
	Total		**¥300**	**¥300**	**(*)**
Deferral hedge accounting	Forward foreign currency exchange contracts:				
	Buy:				
	U.S. dollars	Forecasted transactions denominated in foreign currencies (Accounts payable, trade)	**¥1,847**	**¥–**	**¥28**
	Euro		**706**	**–**	**(56)**
	Chinese yuan		**176**	**–**	**0**
	Thai baht		**162**	**–**	**0**
	British pounds		**0**	**–**	**0**
	Total		**¥2,893**	**¥–**	**¥(27)**

			Millions of yen		
			2014		
			Contract value		
Method of hedge accounting	Transaction	Major hedged item	Notional amount	Maturing after one year	Fair value
Allocation method	Forward foreign currency exchange contracts:				
	Sell:				
	U.S. dollars	Accounts receivable, trade	¥130	¥–	(*)
	Total		¥130	¥–	(*)
	Buy:				
	U.S. dollars	Accounts payable, trade	¥9	¥–	(*)
	Currency swap contracts:				
	Receive / U.S. dollars and pay / Japanese yen	Long-term loans payable	¥300	¥300	(*)
	Total		¥309	¥300	(*)
Deferral hedge accounting	Forward foreign currency exchange contracts:				
	Buy:				
	U.S. dollars	Forecasted transactions denominated in foreign currencies (Accounts payable, trade)	¥1,663	¥–	¥(14)
	Euro		415	–	(2)
	Chinese yuan		150	–	(3)
	Thai baht		0	–	0
	British pounds		0	–	0
	Total		¥2,228	¥–	¥(20)

			Thousands of U.S. dollars		
			2015		
			Contract value		
Method of hedge accounting	Transaction	Major hedged item	Notional amount	Maturing after one year	Fair value
Allocation method	Forward foreign currency exchange contracts:				
	Sell:				
	U.S. dollars	Accounts receivable, trade	**$1,786**	**$–**	**(*)**
	Chinese yuan		**8**	**–**	**(*)**
	Total		**$1,803**	**$–**	**(*)**
	Currency swap contracts:				
	Receive / U.S. dollars and pay / Japanese yen	Long-term loans payable	**$2,515**	**$2,515**	**(*)**
	Total		**$2,515**	**$2,515**	**(*)**
Deferral hedge accounting	Forward foreign currency exchange contracts:				
	Buy:				
	U.S. dollars	Forecasted transactions denominated in foreign currencies (Accounts payable, trade)	**$15,486**	**$–**	**$235**
	Euro		**5,919**	**–**	**(470)**
	Chinese yuan		**1,476**	**–**	**0**
	Thai baht		**1,358**	**–**	**0**
	British pounds		**0**	**–**	**0**
	Total		**$24,256**	**$–**	**¥(226)**

The fair value of forward foreign currency exchange contracts under deferral hedge accounting is computed using prices provided by the counter party financial institutions.

(*)Because transactions under the allocation method are accounted for in combination with accounts receivable, trade, accounts payable, trade and long-term loans payable, the fair value of these transactions is included in that of notes and accounts receivable – trade, notes and accounts payable – trade and long-term loans payable disclosed in Note 15 "Financial Instruments" of these Notes to Consolidated Financial Statements.

Interest-related transactions

			Millions of yen		
			2015		
			Contract value		
Method of hedge accounting	Transaction	Major hedged item	Notional amount	Maturing after one year	Fair value
Special treatment of interest-rate swap	Interest-rate swaps:	Long-term loans payable			
	Receive / variable and pay / fixed		**¥38,040**	**¥29,280**	**(*)**

			Millions of yen		
			2014		
			Contract value		
Method of hedge accounting	Transaction	Major hedged item	Notional amount	Maturing after one year	Fair value
Special treatment of interest-rate swap	Interest-rate swaps:	Long-term loans payable			
	Receive / variable and pay / fixed		¥48,820	¥36,140	(*)

Method of hedge accounting	Transaction	Major hedged item	Thousands of U.S. dollars 2015 Contract value: Notional amount	Maturing after one year	Fair value
Special treatment of interest-rate swap	Interest-rate swaps: Receive / variable and pay / fixed	Long-term loans payable	$318,940	$245,493	(*)

(*)Because interest-rate swap agreements are accounted for by applying the swap rates to the underlying long-term loans payable, their fair value is included in that of the long-term loans payable disclosed in Note 15 "Financial Instruments" of these Notes to Consolidated Financial Statements.

17 Contingent Liabilities

At February 28, 2015, the Company and its consolidated subsidiaries had the following contingent liabilities:

	Millions of yen	Thousands of U.S. dollars
Guarantees of financing for employee housing	¥18	$151
Guarantees of lease agreement of White Express Co., Ltd.	49	411
	¥67	$562

18 Selling, General and Administrative Expenses

The components of selling, general and administrative expenses for the years ended February 28, 2015 and 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Advertising expenses	**¥30,319**	¥31,744	**$254,205**
Provision of allowance for doubtful accounts	**280**	28	**2,348**
Compensation and bonuses for directors and audit and supervisory board members and salaries and bonuses for employees	**50,413**	51,394	**422,680**
Provision for bonuses to employees	**5,402**	5,205	**45,292**
Provision for bonuses to directors and audit and supervisory board members	**194**	201	**1,627**
Retirement benefit expenses	**4,355**	4,133	**36,514**
Provision of accrued retirement benefits for directors and audit and supervisory board members	**6**	17	**50**
Welfare expenses	**10,687**	11,161	**89,603**
Depreciation and amortization	**16,023**	15,994	**134,342**
Rent expenses	**28,366**	27,713	**237,830**
Operational costs	**16,567**	17,317	**138,903**
Amortization of goodwill	**632**	349	**5,299**
Other	**38,323**	37,051	**321,313**
Total	**¥201,572**	¥202,313	**$1,690,048**

19 Impairment of Fixed Assets

The Company and its consolidated subsidiaries mainly group stores into minimum units which generate identifiable cash flows.

The recoverable value of buildings and others and lease assets is measured mainly based on value in use and written down to nil if no future cash inflows are expected.

The recoverable value of land is measured at the estimated net selling value, which is based on the appraisal value by real-estate appraisers.

The Company and its consolidated subsidiaries wrote down the following assets to their respective net recoverable value. Consequently, the Company and its consolidated subsidiaries recorded related loss on impairment of fixed assets of ¥965 million ($8,091 thousand) and ¥1,463 million in the accompanying consolidated statement of income for the years ended February 28, 2015 and 2014, respectively:

			Millions of yen		Thousands of U.S. dollars
Location	Usage	Classification	**2015**	2014	**2015**
Daimaru Matsuzakaya Department Stores Co., Ltd. (Urawa-ku, Saitama-shi, etc.)	Stores, etc.	Buildings and others	**¥11**	¥	**$92**
Parco CO., LTD. (Chuo-ku, Chiba-shi)	Stores, etc.	Buildings and others	**607**	–	**5,089**
NEUVE･A CO., LTD. (Aoi-ku, Shizuoka-shi, etc.)	Stores, etc.	Buildings and others	**74**	–	**620**
Daimaru Kogyo, Ltd.	Stores, etc.	Buildings and others	**47**	–	**394**
(Kita-ku, Osaka-shi)		Land	**165**	–	**1,383**
J. Front Foods Co., Ltd. (Kawasaki-ku, Kawasaki-shi)	Stores, etc.	Buildings and others	**58**	–	**486**
Daimaru Matsuzakaya Department Stores Co. Ltd. (Chuo-ku, Osaka, etc.)	Stores, etc.	Buildings and others	**–**	1,292	**–**
NEUVE･A CO., LTD. (Toyonaka-shi, Osaka, etc.)	Stores, etc.	Buildings and others	**–**	70	**–**
J. FRONT FOODS Co., Ltd. (Chiyoda-ku, Tokyo)	Stores, etc.	Buildings and others	**–**	33	**–**
JFR Information Center Co., Ltd. (Tennouji-ku, Osaka-shi)	Offices, etc.	Lease assets	**–**	66	**–**
			¥965	¥1,463	**$8,091**

20 Loss on Store Reconstruction

Loss on store reconstruction recognized by a consolidated subsidiary for the year ended February 28, 2014 consisted of the following:

	Millions of yen
	2014
Reconstruction of South Wing of Matsuzakaya Ueno store in Daimaru Matsuzakaya Department Stores Co., Ltd.:	
Loss on impairment of fixed assets	¥1,802
Provision for loss on store reconstruction	1,320
Others	112
Total	¥3,235

21 Loss on Business Liquidation

Loss on business liquidation recognized by certain consolidated subsidiaries for the years ended February 28, 2015 and 2014 consisted of the following:

	Millions of yen	Thousands of U.S. dollars
	2015	
Liquidation of fishing business in Daimaru Kogyo, Ltd.:		
Loss on business liquidation	**¥634**	**$5,316**
Loss on impairment of fixed assets	**19**	**159**
Total	**¥654**	**$5,483**

	Millions of yen
	2014
Store closure:	
Parco (SINGAPORE) PTE LTD.	¥94
JFR Online Co., Ltd.	13
Daimaru Com Development Co., Ltd.	2
Total	¥110

22 Loss on Devaluation of Inventories

Loss on devaluation of inventories included in cost of goods sold of ¥250 million ($2,096 thousand) and ¥346 million was recognized for the years ended February 28, 2015 and 2014, respectively.

23 Other Comprehensive Income

The following table presents reclassification adjustments and tax effects allocated to each component of other comprehensive income (loss) for the years ended February 28, 2015 and 2014.

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Net unrealized holding gain on securities:			
Amount arising during the year	**¥2,692**	¥3,547	**$22,571**
Reclassification adjustments for gain included in net income	**(2,698)**	(48)	**(22,621)**
Before tax effect	**(6)**	3,499	**(50)**
Tax effect	**8**	(1,210)	**67**
Total	**2**	2,289	**17**
Net unrealized deferred loss on hedging instruments:			
Amount arising during the year	**(7)**	(83)	**(59)**
Before tax effect	**(7)**	(83)	**(59)**
Tax effect	**2**	31	**17**
Total	**(5)**	(51)	**(42)**
Foreign currency translation adjustments:			
Amount arising during the year	**242**	310	**2,029**
Reclassification adjustments for gain included in net income	**–**	(26)	**–**
Total	**242**	283	**2,029**
Share of other comprehensive (loss) income of affiliates accounted for by the equity method:			
Amount arising during the year	**(46)**	118	**(386)**
Reclassification adjustments for gain included in net income	**(6)**	–	**(50)**
Total	**(52)**	118	**(436)**
Total other comprehensive income	**¥186**	¥2,639	**$1,559**

24 Supplemental Information on the Consolidated Statement of Cash Flows

Reconciliations of cash and deposits in the accompanying consolidated balance sheet at February 28, 2015 and 2014 and cash and cash equivalents in the accompanying consolidated statement of cash flows for the years then ended are as follows:

	Millions of yen		Thousands of U.S. dollars
	At February 28,		
	2015	2014	**2015**
Cash and deposits	**¥34,106**	¥34,728	**$285,956**
Time deposits over three months	**(1,973)**	(3,452)	**(16,542)**
Cash and cash equivalents	**¥32,132**	¥31,276	**$269,406**

25 Income Taxes

Income taxes in Japan applicable to the Company and its domestic subsidiaries comprise corporate tax, inhabitants' taxes and enterprise tax, which, in the aggregate, resulted in a statutory tax rate of 38.0% for the years ended February 28, 2015 and 2014. Overseas subsidiaries are subject to the income tax regulations of the respective countries in which they operate.

The effective tax rates reflected in the consolidated statement of income for the years ended February 28, 2015 and 2014 differ from the statutory tax rate for the following reasons:

	2015	2014
Statutory tax rate	**38.0%**	38.0%
Effect of:		
Permanent non-deductible expenses	**0.8**	0.6
Permanent non-taxable income	**(0.2)**	(0.1)
Per capita portion of inhabitants' taxes	**0.5**	0.4
Change in valuation allowance	**0.3**	1.2
Remeasurement of deferred tax assets and deferred tax liabilities due to the change in statutory tax rate	**1.5**	(0.3)
Equity in earnings of unconsolidated subsidiaries and affiliates	**(0.7)**	(0.3)
Unrealized inter-company profit	**–**	(4.4)
Other, net	**0.7**	(2.5)
Effective tax rates	**40.9%**	32.6%

The significant components of deferred tax assets and liabilities at February 28, 2015 and 2014 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Deferred tax assets:			
Liability for retirement benefits	**¥6,947**	¥–	**$58,246**
Accrued retirement benefits	**–**	2,476	**–**
Accrued loss on utilization of gift certificates	**4,687**	4,501	**39,297**
Securities for retirement benefit trust	**4,123**	4,078	**34,569**
Loss on devaluation of assets resulting from merger of consolidated subsidiaries	**4,077**	4,077	**34,183**
Accrued point card certificates	**2,391**	2,614	**20,047**
Provision for bonuses to employees	**1,983**	2,142	**16,626**
Unrealized profit on fixed assets	**1,511**	1,500	**12,669**
Loss on impairment of fixed assets	**1,231**	754	**10,321**
Asset retirement obligations	**1,121**	1,057	**9,399**
Accrued enterprise taxes, etc.	**968**	567	**8,116**
Allowance for doubtful accounts	**711**	743	**5,961**
Tax loss carryforwards	**346**	175	**2,901**
Provision for loss on store reconstruction	**270**	486	**2,264**
Provision for sales promotion expenses	**257**	279	**2,155**
Provision for loss on business liquidation	**176**	14	**1,476**
Loss on devaluation of inventories	**129**	120	**1,082**
Other	**4,130**	4,817	**34,627**
Deferred tax assets (subtotal)	**35,066**	30,408	**293,955**
Valuation allowance	**(6,932)**	(6,877)	**(58,078)**
Total deferred tax assets	**28,133**	23,531	**235,877**
Deferred tax liabilities:			
Revaluation of assets and liabilities	**(100,970)**	(101,009)	**(846,567)**
Reserve for depreciation for tax purposes	**(7,989)**	(8,141)	**(66,982)**
Securities returned from retirement benefit trust	**(582)**	(946)	**(4,880)**
Assets related to asset retirement obligations	**(361)**	(359)	**(3,027)**
Others	**(3,374)**	(3,226)	**(28,289)**
Total deferred tax liabilities	**(113,278)**	(113,684)	**(949,761)**
Net deferred tax liabilities	**¥(85,144)**	¥(90,153)	**$(713,876)**

On March 31, 2015, the "Act for Partial Revision of the Income Tax Act etc." (Act. No. 9 of 2015) and the "Act for Partial Revision of the Local Tax Act etc." (Act. No.2 of 2015) were officially issued and the Company and domestic consolidated subsidiary are subject to the amended statutory tax rate effective for fiscal years beginning on or after April 1, 2015. Accordingly, the statutory tax rates used for calculating deferred tax assets and liabilities will be reduced from 35.6% to 33.1% for temporary differences that are expected to be realized or settled during the fiscal year from March 1, 2016 to February 28, 2017 and to 32.3% for temporary differences that are expected to be realized or settled on or after March 1, 2017.

As a result of this change, deferred tax assets in current assets, deferred tax assets in investments and other assets, deferred tax liabilities in non-current liabilities and deferred tax liabilities for land revaluation would have decreased by ¥316 million ($2,649 thousand), ¥206 million ($1,727 thousand), ¥9,907 million ($83,064 thousand) and ¥118 million ($989 thousand), respectively, and net unrealized holding gain on securities and income taxes-deferred (credit) would have increased by ¥120 million ($1,006 thousand) and ¥9,383 million ($78,670 thousand), respectively, if these revised statutory tax rates were applied at February 28, 2015.

26 Amounts per Share

Amounts per share at February 28, 2015 and 2014 and for the years then ended are as follows:

	Yen		U.S. dollars
	2015	2014	**2015**
Net assets	**¥1,425.05**	¥1,402.53	**$11.95**
Basic net income	**75.47**	119.55	**0.63**
Diluted net income	**75.47**	119.53	**0.63**
Cash dividends	**19.00**	11.00	**0.16**

Net assets per share are computed based on the net assets available for distribution to the shareholders and the number of shares of common stock outstanding at the year end.

Basic net income per share is computed based on the net income attributable to shareholders of common stock and the weighted-average number of shares of common stock outstanding during the year.

Diluted net income per share is computed based on the net income available for distribution to shareholders and the weighted-average number of shares of common stock outstanding during each year after giving effect to the dilutive potential of shares of common stock to be issued upon the exercise of stock subscription rights.

Cash dividends per share of the Company represent the cash dividends declared as applicable to the respective years together with the interim cash dividends paid.

The financial data used in the computation of basic and diluted net income per share for the years ended February 28, 2015 and 2014 is summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Net income attributable to common stockholders	**¥19,918**	¥31,568	**$166,999**

	Thousands of shares	
	2015	2014
Weighted-average number of shares of common stock outstanding	**263,920**	264,062
Increase in shares of common stock resulting from the exercise of stock subscription rights	**12**	36

The financial data used in the computation of net assets per share as of February 28, 2015 and 2014 is summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Total net assets	**¥430,465**	¥422,215	**$3,609,164**
Deduction from total net assets:			
Stock subscription rights	**(15)**	(15)	**(126)**
Minority interests	**(54,357)**	(52,025)	**(455,747)**
	(54,373)	(52,041)	**(455,882)**
Total net assets attributable to common stockholders	**¥376,091**	¥370,173	**$3,153,274**

	Thousands of shares	
	2015	2014
Number of shares of common stock used in the calculation of net assets per share	**263,913**	263,932

Note:Two shares of common stock were consolidated into one share on September 1, 2014. Basic net income per share, diluted net income per share and net assets per share have been calculated as if the consolidation of shares was executed on March 1, 2013.

27 Segment Information

(1)Outline of reportable segments

The Group's reporting segments are divisions of the Group for which separate financial information is available, and whose operating results are reviewed regularly by the Board of Directors of the Company in order to allocate management resources and assess performance of operations.

The Group operates its main businesses such as the department store business, under a holding company structure, and the reportable segments of the Group consist of the "Department Store Business," the "Parco Business," the "Wholesale Business," the "Credit Business" and "Other Businesses."

The "Department Store Business" consists of sales of clothing, general goods, household goods, food products, etc. the "Parco Business" mainly consists of development, management, supervision and operation of shopping centers. The "Wholesale Business" consists of wholesaling of food products, chemical products and materials, etc. the "Credit Business" mainly consists of issuance and administration of credit cards. "Other Businesses" mainly consist of mail-order marketing, rentals of real estate, parking, leasing, design and construction contracting, manufacturing and sales of furniture, and retailing of general goods.

(2)Calculation of net sales, income, assets, and other items by reportable segments

The accounting policies of the reportable segments are substantially the same as those described in Note 2 "Summary of Significant Accounting Policies" of these Notes to Consolidated Financial Statements. Inter-segment sales and transfers are recorded at the same prices used in transactions with third parties.

(3)Net sales, income, assets, and other items by reportable segments

Reportable segment information for the years ended February 28, 2015 and 2014 is summarized as follows:

	Millions of yen							
	2015							
	Reportable segments							
	Department Store Business	Parco Business	Wholesale Business	Credit Business	Other Businesses	Total	Adjustments	Consolidated
Net sales:								
Sales to third parties	**¥758,964**	**¥273,914**	**¥50,954**	**¥5,362**	**¥60,333**	**¥1,149,529**	**¥–**	**¥1,149,529**
Inter-segment sales or transfers	**901**	**297**	**8,416**	**5,018**	**36,964**	**51,600**	**(51,600)**	**–**
Total	**¥759,866**	**¥274,212**	**¥59,371**	**¥10,381**	**¥97,298**	**¥1,201,129**	**¥(51,600)**	**¥1,149,529**
Segment income	**¥23,115**	**¥12,255**	**¥1,067**	**¥3,424**	**¥2,418**	**¥42,281**	**¥(190)**	**¥42,091**
Segment assets	**¥629,972**	**¥256,531**	**¥24,296**	**¥38,593**	**¥111,970**	**¥1,061,363**	**¥(42,662)**	**¥1,018,700**
Other items:								
Depreciation and amortization	**¥10,747**	**¥5,938**	**¥172**	**¥9**	**¥1,248**	**¥18,116**	**¥(152)**	**¥17,963**
Investments in unconsolidated subsidiaries and affiliates accounted for by the equity method	**¥3,861**	**¥105**	**¥–**	**¥–**	**¥163**	**¥4,130**	**¥11,308**	**¥15,438**
Increase in property and equipment and intangible assets	**¥10,359**	**¥11,624**	**¥145**	**¥5**	**¥1,217**	**¥23,353**	**¥(133)**	**¥23,219**

	Millions of yen							
	2014							
	Reportable segments							
	Department Store Business	Parco Business	Wholesale Business	Credit Business	Other Businesses	Total	Adjustments	Consolidated
Net sales:								
Sales to third parties	¥767,907	¥268,031	¥55,043	¥4,768	¥50,546	¥1,146,297	¥22	¥1,146,319
Inter-segment sales or transfers	1,021	260	8,229	4,676	38,030	52,218	(52,218)	–
Total	¥768,928	¥268,292	¥63,273	¥9,444	¥88,576	¥1,198,515	¥(52,196)	¥1,146,319
Segment income	¥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 and amortization	¥10,627	¥5,896	¥154	¥10	¥1,170	¥17,859	¥(160)	¥17,698
Investments in unconsolidated subsidiaries and affiliates accounted for by the equity method	¥3,714	¥99	¥–	¥–	¥162	¥3,976	¥10,550	¥14,526
Increase in property and equipment and intangible assets	¥14,205	¥36,406	¥239	¥12	¥1,490	¥52,354	¥(205)	¥52,148

	Thousands of U.S. dollars							
	2015							
	Reportable segments							
	Department Store Business	Parco Business	Wholesale Business	Credit Business	Other Businesses	Total	Adjustments	Consolidated
Net sales:								
Sales to third parties	**$6,363,411**	**$2,296,588**	**$427,216**	**$44,957**	**$505,852**	**$9,638,040**	**$–**	**$9,638,040**
Inter-segment sales or transfers	**7,554**	**2,490**	**70,563**	**42,073**	**309,919**	**432,632**	**(432,632)**	**–**
Total	**$6,370,973**	**$2,299,086**	**$497,787**	**$87,038**	**$815,779**	**$10,070,672**	**$(432,632)**	**$9,638,040**
Segment income	**$193,804**	**$102,750**	**$8,946**	**$28,708**	**$20,273**	**$354,498**	**$(1,593)**	**$352,905**
Segment assets	**$5,281,898**	**$2,150,843**	**$203,706**	**$323,577**	**$938,794**	**$8,898,826**	**$(357,693)**	**$8,541,125**
Other items:								
Depreciation and amortization	**$90,106**	**$49,786**	**$1,442**	**$75**	**$10,464**	**$151,891**	**$(1,274)**	**$150,608**
Investments in unconsolidated subsidiaries and affiliates accounted for by the equity method	**$32,372**	**$880**	**$–**	**$–**	**$1,367**	**$34,627**	**$94,810**	**$129,437**
Increase in property and equipment and intangible assets	**$86,853**	**$97,460**	**$1,216**	**$42**	**$10,204**	**$195,799**	**$(1,115)**	**$194,676**

The total amount of segment income is adjusted to operating income on the consolidated statement of income.

The adjustments for segment income in the amounts of ¥190 million ($1,593 thousand) and ¥455 million include eliminations of inter-segment transactions of ¥2,565 million ($21,506 thousand) and ¥2,247 million and corporate expenses mainly recorded by the Company not attributable to any reportable segments of ¥2,755 million ($23,099 thousand) and ¥2,703 million for the years ended February 28, 2015 and 2014, respectively.

The adjustments for segment assets in the amounts of ¥42,662 million ($357,693 thousand) and ¥52,750 million include eliminations of inter-segment receivables of ¥73,068 million ($612,627 thousand) and ¥78,004 million, unrealized profit on fixed assets of ¥1,527 million ($12,803 thousand) and ¥1,511 million, and assets of the Company, which are not attributable to any reportable segments, of ¥30,307 million ($254,104 thousand) and ¥25,954 million as of February 28, 2015 and 2014, respectively.

The adjustments for depreciation and amortization in the amounts of ¥152 million ($1,274 thousand) and ¥160 million for the years ended February 28, 2015 and 2014, respectively, consist of inter-segment transfers.

The adjustments for investments in unconsolidated subsidiaries and affiliates accounted for by the equity method in the amounts of ¥11,308 million ($94,810 thousand) and ¥10,550 million as of February 28, 2015 and 2014, respectively, consist of investments made by the Company, which are not attributable to any reportable segments.

The adjustments for increase in property and equipment and intangible assets in the amounts of ¥133 million ($1,115 thousand) and ¥205 million for the years ended February 28, 2015 and 2014, respectively, consist of inter-segment unrealized profit on fixed assets.

(4)Related information

As more than 90% of consolidated net sales for the years ended February 28, 2015 and 2014 were made in Japan, the disclosure of geographical segment information of net sales has been omitted.

As more than 90% of the property and equipment in the consolidated balance sheet as of February 28, 2015 and 2014 were located in Japan, the disclosure of geographical segment information of property and equipment has been omitted.

The information about major customers has been omitted, as there is no major external customer that accounts for 10% or more of consolidated net sales for the years ended February 28, 2015 and 2014.

(5)Loss on impairment of fixed assets

Loss on impairment of fixed assets by reportable segments for the years ended February 28, 2015 and 2014 is summarized as follows:

Millions of yen							
2015							
Reportable segments							
Department Store Business	Parco Business	Wholesale Business	Credit Business	Other Businesses	Total	Corporate and elimination	Consolidated
¥11	**¥682**	**¥232**	**¥–**	**¥58**	**¥985**	**¥–**	**¥985**

Millions of yen							
2014							
Reportable segments							
Department Store Business	Parco Business	Wholesale Business	Credit Business	Other Businesses	Total	Corporate and elimination	Consolidated
¥3,095	¥70	¥–	¥–	¥99	¥3,265	¥–	¥3,265

Thousands of U.S. dollars							
2015							
Reportable segments							
Department Store Business	Parco Business	Wholesale Business	Credit Business	Other Businesses	Total	Corporate and elimination	Consolidated
$92	**$5,718**	**$1,945**	**$–**	**$486**	**$8,259**	**$–**	**$8,259**

The amounts in the above table for the years ended February 28, 2015 and 2014 included loss on impairment of fixed assets recognized in the accounts of "Loss on store reconstruction" and "Loss on liquidation of business" in the consolidated statement of income. Accordingly, the total amounts in the above table are not equal to loss on impairment of the consolidated statement of income. Please refer to Note 20 "Loss on Store Reconstruction" and Note 21 "Loss on Liquidation of Business" of these Notes to Consolidated Financial Statements.

(6)Amortization of goodwill and remaining balance

Information on amortization of goodwill and the remaining balance by reportable segments as of and for the years ended February 28, 2015 and 2014 is as follows:

	Millions of yen							
	2015							
	Reportable segments							
	Department Store Business	Parco Business	Wholesale Business	Credit Business	Other Businesses	Total	Corporate and elimination	Consolidated
Amortization of goodwill	**¥–**	**¥349**	**¥–**	**¥–**	**¥283**	**¥632**	**¥–**	**¥632**
Remaining balance	**¥–**	**¥873**	**¥–**	**¥–**	**¥1,132**	**¥2,005**	**¥–**	**¥2,005**

	Millions of yen							
	2014							
	Reportable segments							
	Department Store Business	Parco Business	Wholesale Business	Credit Business	Other Businesses	Total	Corporate and elimination	Consolidated
Amortization of goodwill	¥–	¥349	¥–	¥–	¥–	¥349	¥–	¥349
Remaining balance	¥–	¥1,222	¥–	¥–	¥1,415	¥2,638	¥–	¥2,638

	Thousands of U.S. dollars							
	2015							
	Reportable segments							
	Department Store Business	Parco Business	Wholesale Business	Credit Business	Other Businesses	Total	Corporate and elimination	Consolidated
Amortization of goodwill	**$–**	**$2,926**	**$–**	**$–**	**$2,373**	**$5,299**	**$–**	**$5,299**
Remaining balance	**$–**	**$7,320**	**$–**	**$–**	**$9,491**	**$16,811**	**$–**	**$16,811**

Goodwill is recognized as a result of business combinations (acquisition of shares of Parco Co., Ltd. and Forest Co., Ltd.).

28 Subsequent Events

(1)Capital and business alliance with Senshukai Co., Ltd.

The Company resolved at the meeting of the Board of Directors held on April 17, 2015 to enter into a capital and business alliance with Senshukai Co., Ltd. (Securities code: 8165, First Section of the Tokyo Stock Exchange; "Senshukai") and to make Senshukai an equity-method affiliate. Details of the capital and business alliance are as follows:

1.Reasons for the capital and business alliance

The Group has store assets which mainly consist of department stores and other store assets managed by Parco and StylingLife Holdings, as a part of a balanced approach in central urban areas throughout Japan as well as a prime customer base. Under the basic policies of its medium-term business plan, which covers the three years from 2014 to 2016, the Group is working to dramatically strengthen its competitiveness and profitability as a multi retailer, to construct a business model for growth along with regions with its stores as the core (strategy of urban dominance), and to promote omni-channel retailing that leverages the strengths of physical stores.

Senshukai describes itself as the "Women's Smiles Company" and deals in a wide-ranging lineup of merchandise including clothing, daily sundries, and interior goods, with a primary focus on original goods for women aged from their 30s to their 50s, centered on its mainstay mail-order business "Belle Maison." Under its medium- to long-term business plan, which covers five years from 2014 to 2018, the core strategies are to develop optimal private brand products for each of the main target customer segments in the mail-order business, to expand purchase opportunities by promoting a shift to an omni-channel format, and to increase efficiency by investing in logistics and IT systems.

Recently, amid a significantly changing environment surrounding the retail industry with tougher competition within the industry, intensifying competition across industries, and so forth, the Company and Senshukai have had numerous discussions since October 2014, considering that both companies would be able to efficiently expand their market share and develop their businesses through a business alliance because of the highly complementary nature of their business fields and customer bases. As a result of these discussions, in order to ramp up their collaboration under their business alliance and realize its effects, both companies recognized the need to enhance their framework for promoting joint operations, such as establishing joint projects together, and therefore agreed to enter into the following capital and business alliance.

2.Details of the capital and business alliance

(a)Details of the business alliance

i)Expand sales channels and reduce the cost of merchandise through joint development of both companies' existing private brand merchandise

ii)Conduct cross selling of certain merchandise groups for which each company individually does not fully meet customers' needs by utilizing both company's resources and expertise

iii)Develop and jointly deploy new private brand merchandise by utilizing the Group's expertise in the development and operation of stores, and sales service know-how, and Senshukai's product development capabilities

iv)Expand sales and earnings in the e-commerce business by utilizing the Group's customer base and brand power and Senshukai's expertise in e-commerce operations

v)Enhance the operating efficiencies and rebuild the platform of the Group's mail-order business, utilizing Senshukai's expertise and order fulfillment system in mail-order marketing vi)In addition to the above, generate profits by utilizing each other's group assets and expertise to the maximum extent

vii)Establish a Business Alliance Promotion Committee to drive the above initiatives forward

(b)Details of the capital alliance

The Company acquired a number of the outstanding shares of Senshukai from its shareholders. In addition, Senshukai disposed of treasury shares and issued new shares through a third-party allotment, and the Company subscribed for all of these shares. As a result, the Company's equity share ratio in Senshukai became 22.62% (share of voting rights: 22.65%), and Senshukai became an equity-method affiliate.

(c)Consideration transferred for newly acquired shares of Senshukai

Through the following methods, i), ii), and iii), the Company acquired a total of 11,815,000 shares of Senshukai, which is 22.62% of the total number of issued shares of Senshukai after the issuance of new shares described below (share of voting rights: 22.65%), at the acquisition price per share of ¥846 ($7.09) (simple average of the closing price of Senshukai's common shares on the Tokyo Stock Exchange from January 19, 2015 to April 16, 2015). As a result, the related consideration transferred was ¥9,995 million ($83,801 thousand).

i)Acquisition of shares from shareholders of Senshukai

The Company acquired a total of 2,915,000 shares of Senshukai held by the share acquisition counterparties listed in 4. below, which is 5.58% of the total number of issued shares of Senshukai after the issuance of new shares described below (share of voting rights: 5.59%) at the acquisition price per share of ¥846 ($7.09). As a result, the related consideration transferred was ¥2,466 million ($20,676 thousand).

ii)Subscription of disposed treasury shares

The Company subscribed for 4,300,000 shares of disposed treasury shares through a third-party allotment, which is 8.23% of the total number of issued shares of Senshukai after the issuance of new shares described below (share of voting rights: 8.24%) at the acquisition price per share of ¥846 ($7.09). As a result, the related consideration transferred was ¥3,637 million ($30,494 thousand).

iii)Subscription of newly issued shares

The Company subscribed for 4,600,000 shares of newly issued shares through a third-party allotment, which is 8.81% of the total number of issued shares of Senshukai after this issuance of new shares (share of voting rights: 8.82%) at the acquisition price per share of ¥846 ($7.09). As a result, the related consideration transferred was ¥3,891 million ($32,623 thousand).

(d)Number of shares of the Company newly acquired by Senshukai and proportion of issued shares of the Company held by Senshukai not applicable

3.Overview of the capital and business alliance partner

i)Corporate name	Senshukai Co., Ltd.
ii)Address	1-8-9 Doshin, Kita-ku, Osaka
iii)Name and title of representative	Michio Tanabe, Representative Director
iv)Businesses	Catalogue business, buyer's club business, bridal business, corporate business and other businesses
v)Capital	¥22,304 million ($187,004 thousand)

4.Overview of share acquisition counterparties

(a)Corporate information

i)Corporate name	Sawzan, Ltd.
ii)Address	1-5-12 Hobai, Takarazuka-shi, Hyogo
iii)Name and title of representative	Kaoru Takai, Representative Director
iv)Business	Casualty insurance agency business
v)Capital	¥11,790 thousand ($99 thousand)

(b)Names and locations of individuals

Kaoru Takai	(Takarazuka, Hyogo)
Kazuyo Takai	(Takarazuka, Hyogo)
Eiko Yukimachi	(Suginami-ku, Tokyo)
Yukari Yukimachi	(Suginami-ku, Tokyo)

5.Number of shares acquired, consideration transferred, and numbers of shares held before and after the acquisition

i)Number of shares held before the acquisition	Nil
ii)Number of shares acquired	11,815,000 shares (Number of voting rights: 118,150)
iii)Consideration transferred	¥10,246 million($85,906 thousand), including advisory fees, etc.
iv)Number of shares held after the acquisition	11,815,000 shares (Number of voting rights: 118,150) (share of voting rights: 22.65%)

6.Schedule of the capital and business alliance

i)Date of resolution by the Board of Directors	April 17, 2015
ii)Date of concluding the share transfer agreement and capital and business alliance agreement	April 17, 2015
iii)Date of execution of the share transfer	April 22, 2015
iv)Date of subscription of disposed treasury shares and newly issued shares	May 7, 2015

(2)Acquisition of treasury stock

For the purposes of enhancing shareholder returns, implementing flexible capital policy and improving of capital efficiency, according to Section 459.1 of the Law and Section 39 of the Articles of Incorporation, the Company resolved at the meeting of the Board of Directors held on April 17, 2015 to acquire up to 3,400,000 shares of treasury stock for a maximum total amount of ¥5,000 million ($41,922 thousand) through the market based on the related trust agreement during the period from April 20, 2015 through July 31, 2015.

(3)Distribution of retained earnings

The following distribution of retained earnings of the Company, which has not been reflected in the accompanying consolidated financial statements for the year ended February 28, 2015, was approved at the meeting of the Board of Directors held on April 9, 2015:

	(Millions of yen)	(Thousands of U.S. dollars)
Cash dividends (¥13.00 = $0.11 per share)	**¥3,432**	**$28,775**