Notes to Consolidated Financial Statements

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

February 29, 2016

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 ¥113.62 = U.S. $1.00, the exchange rate prevailing on February 29, 2016. 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, an unconsolidated subsidiary is accounted for by the equity method.

Senshukai Co., Ltd. has been included within the scope of application of the equity method from the current fiscal year ended February 29, 2016 due to the acquisition of its shares by the Company on April 22, 2015 and May 7, 2015. In addition, Apparel-Web, Inc. has been included within the scope of application of the equity method from the current fiscal year due to the subscription of newly issued shares through a third-party allotment by Parco Co., Ltd. on August 3, 2015.

STRAITS PARCO RETAIL MANAGEMENT PTE LTD. was liquidated on November 11, 2015 and was therefore removed from the scope of application of the equity method from the current fiscal year. In addition, the Company sold all shares of Hakuseisha Co., Ltd. and, as a result, Hakuseisha Co., Ltd. was removed from the scope of the application of the equity method from the current fiscal year.

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 or 29. All significant intercompany balances and transactions have been eliminated in consolidation. However, the fiscal year end of the other consolidated subsidiaries is the same as the fiscal year end of the consolidated financial statements.

The financial statements of certain affiliates accounted for by the equity method with a different fiscal year end are consolidated on the basis of the affiliates' fiscal year end.

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 cost, determined by the specific identification 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 in the same manner 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, 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 Event" 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 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.

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 upon 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 for losses arising from business liquidation and store closures of certain consolidated subsidiaries at the estimated amount expected to be incurred subsequent to the balance sheet date.

viii)Provision for loss on store reconstruction

Provision for loss on store reconstruction is provided for losses arising from the reconstruction of a store of a consolidated subsidiary at the estimated amount expected to be incurred subsequent to the balance sheet date.

(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 benefit formula method.

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.

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.

Unrecognized actuarial gain and loss and prior service cost (after tax effect) are recognized as "Retirement benefit adjustments" in accumulated other comprehensive loss as a component of net assets in the consolidated balance sheet.

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 Changes

(a)Accounting Method for Inventory Valuation

Effective the year ended February 29, 2016, certain main consolidated subsidiaries, such as Daimaru Matsuzakaya Department Stores Co., Ltd. changed their inventory valuation method from the retail inventory method to the specific identification method because a new inventory control system to provide information on the specific identified cost by each item commenced in full operations, and the new system thus enabled more accurate cost control.

The accounting change was retrospectively applied, and the consolidated financial statements as of and for the year ended February 28, 2015 were restated.

As a result, operating income and income before income taxes and minority interests for the year ended February 28, 2015 increased by ¥76 million ($669 thousand), respectively, compared with the amounts before the retrospective application. In addition, the balance of retained earnings as of March 1, 2014 decreased by ¥254 million ($2,236 thousand) as a result of reflecting the cumulative effects of the change in accounting policy.

The effects on per share information are described in Note 26 "Amounts per share" of these Notes of Consolidated Financial Statements.

(b)Accounting Standards for Retirement Benefits

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 revised on March 26, 2015) in line with certain provisions described in the main clause of Section 35 of the standard and in the main clause of Section 67 of the guidance, effective from March 1, 2015. As a result, the method of calculating the retirement benefit obligation and service cost has been revised in the following respects: the method of attributing estimated benefits to each period has been changed from the straight-line method to the benefit formula method, and the method of determining the discount rate has been changed from the use of a discount rate based on the estimated average remaining years of service of the eligible employees to the use of a single weighted average discount rate reflecting the expected timing and amount of benefit payment.

The cumulative effect of changing the method for calculating the retirement benefit obligation and service cost was recognized by adjusting retained earnings at March 1, 2015, in accordance with the transitional treatment provided in Section 37 of Accounting Standard for Retirement Benefits.

As a result, the liability for retirement benefits as of March 1, 2015 increased by ¥2,065 million ($18,175 thousand), and the asset for retirement benefits, retained earnings and minority interests as of March 1, 2015 decreased by ¥2,640 million ($23,235 thousand), ¥3,065 million ($26,976 thousand) and ¥114 million ($1,003 thousand), respectively. The effects of this change on operating income and income before income taxes and minority interests for the year ended February 29, 2016 were immaterial. The effects on per share information are described in Note 26 "Amounts per share" of these Notes of Consolidated Financial Statements.

4 Standards Issued but Not Yet Effective

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 resulting from changes in a parent's ownership interest in a subsidiary when control over the subsidiary is retained are recognized under capital surplus. In addition, "Minority interests" in the current year's consolidated balance sheet are changed to "non-controlling interests."

(2)Acquisition-related costs are recorded as expenses for the period in which they arise.

(3)Under these revised accounting standards, if provisional accounting for a business combination is finalized during the next year in which the business combination occurs, the adjustments of the allocation of acquisition costs on the finalization of provisional accounting treatments are reflected in the consolidated financial statements for the year in which it occurs.

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

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 29, 2016 and February 28, 2015 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Merchandise and finished goods	**¥27,085**	¥30,108	**$238,382**
Work in process	**826**	833	**7,270**
Raw materials and supplies	**294**	262	**2,588**
	¥28,205	¥31,203	**$248,240**

6 Accumulated Depreciation

Accumulated depreciation (including accumulated impairment losses) of property and equipment at February 29, 2016 and February 28, 2015 amounted to ¥291,437 million ($2,565,015 thousand) and ¥298,382 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 ¥4,990 million ($43,918 thousand) and ¥4,241 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), loss on disposal of fixed assets of ¥757 million ($6,663 thousand) and ¥187 million and loss on impairment of fixed assets of ¥57 million ($502 thousand) and ¥229 million related to rental properties were recognized for the years ended February 29, 2016 and February 28, 2015, respectively. In addition, loss on business liquidation related to rental properties amounted to ¥225 million ($1,980 thousand) for the year ended February 29, 2016 and gain on sales of fixed assets related to rental properties amounted to ¥84 million for the year ended February 28, 2015.

	Millions of yen			
	Carrying value			Fair value
	March 1, 2015	Net change	February 29, 2016	February 29, 2016
Rental properties	**¥109,530**	**¥10,026**	**¥119,556**	**¥116,951**

	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

	Thousands of U.S. dollars			
	Carrying value			Fair value
	March 1, 2015	Net change	February 29, 2016	February 29, 2016
Rental properties	**$964,003**	**$88,242**	**$1,052,244**	**$1,029,317**

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 ¥6,294 million ($55,395 thousand) and ¥4,784 million due to acquisitions of real estate and ¥6,182 million ($54,409 thousand) and ¥2,834 million due to changes in the purpose of ownership and the decrease of ¥2,187 million ($19,248 thousand) and ¥1,901 million due to depreciation for the years ended February 29, 2016 and February 28, 2015.

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 ¥129,754 million ($1,142,000 thousand) and ¥124,365 million as of February 29, 2016 and February 28, 2015 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 29, 2016 and February 28, 2015 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Assets pledged as collateral:			
Land	**¥10,798**	¥18,093	**$95,036**
Buildings and structures, net	**10,799**	22,942	**95,045**
Investment securities	**265**	241	**2,332**
Other property and equipment	**51**	60	**449**
Total	**¥21,913**	¥41,338	**$192,862**
Liabilities secured by collateral:			
Notes and accounts payable – trade	**¥524**	¥432	**$4,612**
Short-term loans payable	**1,000**	1,620	**8,801**
Long-term loans payable	**1,625**	10,125	**14,302**
Total	**¥3,149**	¥12,177	**$27,715**

9 Assets in Trust

The carrying value of assets in trust at February 29, 2016 and February 28, 2015 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Assets in trust:			
Land	**¥43,956**	¥40,921	**$386,869**
Buildings and structures, net	**16,858**	17,582	**148,372**
Other property and equipment	**208**	245	**1,831**
Total	**¥61,024**	¥58,749	**$537,089**

10 Securities

Information regarding marketable securities classified as other securities at February 29, 2016 and February 28, 2015 is summarized as follows:

	Millions of yen					
	2016			2015		
	Carrying value	Acquisition cost	Unrealized gain (loss)	Carrying value	Acquisition cost	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition cost:						
Equity securities	**¥8,932**	**¥5,275**	**¥3,656**	¥12,833	¥8,972	¥3,861
Debt securities	**4,788**	**4,758**	**30**	4,386	4,355	31
Subtotal	**13,720**	**10,034**	**3,686**	17,220	13,327	3,892
Securities whose carrying value does not exceed their acquisition cost:						
Equity securities	**3,037**	**3,550**	**(513)**	1,343	1,490	(147)
Debt securities	**193**	**200**	**(6)**	430	431	(1)
Subtotal	**3,231**	**3,750**	**(519)**	1,773	1,922	(148)
Total	**¥16,951**	**¥13,785**	**¥3,166**	¥18,994	¥15,250	¥3,744

	Thousands of U.S. dollars		
	2016		
	Carrying value	Acquisition cost	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition cost:			
Equity securities	**$78,613**	**$46,427**	**$32,177**
Debt securities	**42,140**	**41,876**	**264**
Subtotal	**120,753**	**88,312**	**32,441**
Securities whose carrying value does not exceed their acquisition cost:			
Equity securities	**26,729**	**31,244**	**(4,515)**
Debt securities	**1,699**	**1,760**	**(53)**
Subtotal	**28,437**	**33,005**	**(4,568)**
Total	**$149,190**	**$121,325**	**$27,865**

Sales of securities classified as other securities and the aggregate gain for the years ended February 29, 2016 and February 28, 2015 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Equity securities:			
Sales proceeds	**¥2,763**	¥5,620	**$24,318**
Aggregate gain	**960**	2,811	**8,449**

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 did not recognize loss on devaluation of investment securities for the year ended February 29, 2016.

The Company and consolidated subsidiaries recognized loss on devaluation of investment securities classified as equity securities included in other securities of ¥36 million for the year ended February 28, 2015.

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 0.49% and 0.52% at February 29, 2016 and February 28, 2015, respectively.

The annual weighted-average interest rates applicable to commercial papers were 0.02% and 0.11% at February 29, 2016 and February 28, 2015, respectively.

Long-term debt and lease obligations at February 29, 2016 and February 28, 2015 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Bonds payable without collateral due through November 2017, with an annual interest rate of 0.49%	**¥12,000**	¥12,000	**$105,615**
Bonds payable without collateral due through August 2020, with an annual interest rate of 0.30%	**10,000**	–	**88,013**
Bonds payable without collateral due through August 2022, with an annual interest rate of 0.46%	**5,000**	–	**44,006**
Bonds payable without collateral due through November 2015, with an annual interest rate of 0.33%	**–**	12,000	**–**
Loans payable, due through November 2021, with an annual weighted-average interest rate of 0.85%	**114,685**	106,498	**1,009,373**
Lease obligations due through August 2024	**2,312**	2,725	**20,349**
	143,997	133,223	**1,267,356**
Less current portion	**(32,588)**	(25,867)	**(286,816)**
	¥111,409	¥107,355	**$980,540**

The aggregate annual maturities of bonds payable, long-term loans payable and lease obligations subsequent to February 29, 2016 are summarized as follows:

	Millions of yen		
Years ending February 28 or 29,	Bonds payable	Long-term loans payable	Lease obligations
2017	**¥–**	**¥31,780**	**¥808**
2018	**12,000**	**36,880**	**507**
2019	**–**	**16,480**	**313**
2020	**–**	**11,120**	**210**
2021	**10,000**	**17,200**	**106**
2022 and thereafter	**5,000**	**1,225**	**368**
	¥27,000	**¥114,685**	**¥2,312**

	Thousands of U.S. dollars		
Years ending February 28 or 29,	Bonds payable	Long-term loans payable	Lease obligations
2017	**$–**	**$279,704**	**$7,111**
2018	**105,615**	**324,591**	**4,462**
2019	**–**	**145,045**	**2,755**
2020	**–**	**97,870**	**1,848**
2021	**88,013**	**151,382**	**933**
2022 and thereafter	**44,006**	**10,782**	**3,239**
	$237,634	**$1,009,373**	**$20,349**

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 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 years ended February 29, 2016 and February 28, 2015

1.The changes in the retirement benefit obligation for the years ended February 29, 2016 and February 28, 2015 are outlined as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Balance at beginning of the year	**¥67,737**	¥62,259	**$596,171**
Cumulative effect of change in accounting policy	**4,705**	–	**41,410**
Restated balance at beginning of the year	**72,443**	62,259	**637,590**
Service cost	**2,339**	2,245	**20,586**
Interest cost	**278**	662	**2,447**
Actuarial loss	**700**	4,515	**6,161**
Benefits paid	**(6,644)**	(5,658)	**(58,476)**
Past service cost	**10**	3,714	**88**
Balance at end of the year	**¥69,128**	¥67,737	**$608,414**

*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 years ended February 29, 2016 and February 28, 2015 are outlined as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Balance at beginning of the year	**¥48,087**	¥44,076	**$423,227**
Expected return on plan assets	**794**	740	**6,988**
Actuarial (loss) gain	**(5,152)**	4,996	**(45,344)**
Contributions paid by the Group	**1,954**	1,925	**17,198**
Benefits paid	**(3,576)**	(3,650)	**(31,473)**
Balance at end of the year	**¥42,108**	¥48,087	**$370,604**

3.The balance of retirement benefit obligation and plan assets at fair value and the amounts recognized in the consolidated balance sheet at February 29, 2016 and February 28, 2015 are outlined as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Funded retirement benefit obligation	**¥39,218**	¥38,901	**$345,168**
Plan assets at fair value	**(42,108)**	(48,087)	**(370,604)**
	(2,889)	(9,186)	**(25,427)**
Unfunded retirement benefit obligationn	**29,909**	28,836	**263,237**
Net liability for retirement benefits recognized in consolidated balance sheet	**27,020**	19,649	**237,810**
Liability for retirement benefits	**32,707**	31,514	**287,863**
Asset for retirement benefits	**5,687**	11,864	**50,053**
Net liability for retirement benefits recognized in consolidated balance sheet	**¥27,020**	¥19,649	**$237,810**

4.The components of retirement benefit expenses for the years ended February 29, 2016 and February 28, 2015 are outlined as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Service cost	**¥2,339**	¥2,245	**$20,586**
Interest cost	**278**	662	**2,447**
Expected return on plan assets	**(794)**	(740)	**(6,988)**
Amortization of actuarial loss	**931**	1,648	**8,194**
Amortization of past service cost	**134**	133	**1,179**
Other	**204**	227	**1,795**
Retirement benefit expenses	**¥3,093**	¥4,176	**$27,222**

5.The components of retirement benefits adjustments included in other comprehensive income (before tax effects) for the years ended February 29, 2016 and February 28, 2015 are outlined as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Past service cost	**¥123**	¥–	**$1,083**
Actuarial gain	**(5,292)**	–	**(46,576)**
Total	**¥(5,168)**	¥–	**$(45,485)**

6.The components of retirement benefits adjustments included in accumulated other comprehensive income (before tax effect) at February 29, 2016 and February 28, 2015 are outlined as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Unrecognized past service cost	**¥(1,876)**	¥(2,000)	**$(16,511)**
Unrecognized actuarial gain	**(15,554)**	(10,632)	**(136,895)**
Total	**¥(17,431)**	¥(12,632)	**$(153,415)**

7.The fair value of plan assets, by major category, as a percentage of total plan assets at February 29, 2016 and February 28, 2015 is as follows:

	2016	2015
Debt securities	**33%**	27%
Equity securities	**42**	49
General accounts at life insurance companies	**13**	11
Cash and deposits	**3**	2
Other	**9**	11
Total	**100%**	100%

The total pension plan assets include 26% (24% in equity securities and 1% in cash and deposits) and 30% (29% in equity securities and 1% in cash and deposits) of the retirement benefits trust for the corporate pension fund plans as of February 29, 2016 and February 28, 2015, respectively.

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.

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

	2016	2015
Discount rates	**0.12% to 0.59%**	0.9% to 1.1%
Expected long-term rates of return on plan assets	**1.0% to 2.0%**	1.0% to 2.0%

(3)Defined contribution pension plans for the years ended February 29, 2016 and February 28, 2015

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Contributions to defined contribution pension plans	**¥360**	¥365	**$3,168**

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 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 29, 2016 and February 28, 2015, 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			
	2016			
	Acquisition cost	Accumulated depreciation	Accumulated loss on impairment	Net book value
Leased assets:				
Machinery, equipment, tools, furniture and fixtures	**¥532**	**¥486**	**¥9**	**¥36**

	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

	Thousands of U.S. dollars			
	2016			
	Acquisition cost	Accumulated depreciation	Accumulated loss on impairment	Net book value
Leased assets:				
Machinery, equipment, tools, furniture and fixtures	**$4,682**	**$4,277**	**$79**	**$317**

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 29, 2016 and February 28, 2015 totaled ¥42 million ($370 thousand) and ¥138 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 ¥40 million ($352 thousand) and ¥136 million for the years ended February 29, 2016 and February 28, 2015, respectively. Reversal of accumulated loss on impairment of the leased assets for the years ended February 29, 2016 and February 28, 2015 totaled ¥1 million ($9 thousand) and ¥1 million, respectively.

Future minimum lease payments (including the interest portion thereon) subsequent to February 29, 2016 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
2017	**¥23**	**$202**
2018 and thereafter	**13**	**114**
Total	**¥36**	**$317**

2.Operating leases

Future minimum lease payments subsequent to February 29, 2016 for noncancelable operating leases were as follows:

Years ending February 28 or 29,	Millions of yen	Thousands of U.S. dollars
2017	**¥3,518**	**$30,963**
2018 and thereafter	**21,677**	**190,785**
Total	**¥25,195**	**$221,748**

(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 29, 2016 and February 28, 2015, 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					
	2016			2015		
	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	**¥270**	**¥261**	**¥9**	¥296	¥261	¥34

	Thousands of U.S. dollars		
	2016		
	Acquisition cost	Accumulated depreciation	Net book value
Leased assets:			
Machinery, equipment, tools, furniture and fixtures included in "Other, net" in property and equipment	**$2,376**	**$2,297**	**$79**

Lease income relating to finance leases accounted for as operating leases for the years ended February 29, 2016 and February 28, 2015 were ¥25 million ($220 thousand) and ¥34 million, respectively. Depreciation expense of the leased assets computed by the straight-line method over the respective lease terms amounted to ¥25 million ($220 thousand) and ¥34 million for the years ended February 29, 2016 and February 28, 2015, respectively.

No loss on impairment was allocated to any leased assets for the years ended February 29, 2016 and February 28, 2015.

Future minimum lease receivables (including the interest portion thereon) subsequent to February 29, 2016 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
2017	**¥7**	**$62**
2018 and thereafter	**1**	**9**
Total	**¥9**	**$79**

2.Operating leases

Future minimum lease receivables subsequent to February 29, 2016 for noncancelable operating leases were as follows:

Years ending February 28 or 29,	Millions of yen	Thousands of U.S. dollars
2017	**¥3,056**	**$26,897**
2018 and thereafter	**12,677**	**111,574**
Total	**¥15,734**	**$138,479**

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 ($66,010 thousand) at February 29, 2016 and February 28, 2015. In addition, the legal reserve included in retained earnings amounted to nil at February 29, 2016 and February 28, 2015.

(2)Movements in shares issued and treasury stock during the years ended February 29, 2016 and February 28, 2015 are summarized as follows:

	Number of shares			
	2016			
	March 1, 2015	Increase	Decrease	February 29, 2016
Shares issued:				
Common stock	**268,119,164**	**–**	**–**	**268,119,164**
Treasury stock:				
Common stock	**4,205,258**	**2,496,640**	**126,660**	**6,575,238**

The increase in treasury stock consists of 11,970 shares resulting from the purchase of shares less than one voting unit by the Company, 770 shares of treasury stock attributable to the Company resulting from the purchase by an affiliate accounted for by the equity method and 2,483,900 shares resulting from the purchase based on resolution of the board of directors for the year ended February 29, 2016. The decrease in treasury stock consists of 497 shares resulting from the sale of shares less than one voting unit by the Company, 23,400 shares resulting from the exercise of stock options and 102,763 shares resulting from the exclusion of an affiliate accounted for by the equity method for the year ended February 29, 2016.

	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.

(3)Stock option plans

Descriptions of each stock option plan at February 29, 2016 are as follows:

Stock option plans	No.4 plan (*1)	No.5 plan (*2)
Individuals covered by the plan	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)	168,000 shares of common stock	31,500 shares of common stock
Grant date	May 26, 2005 (*3)	May 25, 2006 (*4)
Vesting conditions	None	None
Vesting period	None	None
Exercise period	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.4 plan	No.5 plan
Number of stock options: (*1)		
Non-vested		
Outstanding at March 1, 2015	–	–
Granted	–	–
Forfeited	–	–
Vested	–	–
Outstanding at February 29, 2016	–	–
Vested		
Outstanding at March 1, 2015	143,500	9,500
Vested	–	–
Exercised	22,400	1,000
Forfeited	121,100	–
Outstanding at February 29, 2016	–	8,500
Exercise price (Yen)	¥1,382(*1)	¥1
Average stock price at exercise (Yen)	¥1,881	¥2,054
Fair value at grant date (Yen)	¥–(*2)	¥1,666(*1)
Exercise price (U.S. dollars)	$12,163	$9
Average stock price at exercise (U.S. dollars)	$16,555	$18,078
Fair value at grant date (U.S. dollars)	$–	$14,663

*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 29, 2016, 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 ¥14 million ($123 thousand) and ¥15 million were recorded as of February 29, 2016 and February 28, 2015.

15 Financial Instruments

Overview

(a)Policy for financial instruments

The Group 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 at an early stage 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 29, 2016 and February 28, 2015, 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					
	2016			2015		
	Carrying value	Fair value	Difference	Carrying value	Fair value	Difference
(1)Cash and deposits	**¥32,439**	**¥32,439**	**¥–**	¥36,806	¥36,806	¥–
(2)Notes and accounts receivable – trade	**68,049**	**68,049**	**–**	75,556	75,556	–
(3)Securities and investment securities:						
Other securities	**16,951**	**16,951**	**–**	18,994	18,994	–
Investments in affiliates	**11,980**	**8,128**	**(3,851)**	1,448	730	(718)
(4)Deposits and guarantees	**36,679**	**36,304**	**(374)**	40,650	39,435	(1,214)
Total assets	**¥166,099**	**¥161,873**	**¥(4,225)**	¥173,456	¥171,523	¥(1,933)
(5)Notes and accounts payable – trade	**90,768**	**90,768**	**–**	95,020	95,020	–
(6)Short-term loans payable	**8,439**	**8,439**	**–**	9,268	9,268	–
(7)Commercial papers	**30,798**	**30,798**	**–**	28,691	28,691	–
(8)Income taxes payable	**8,322**	**8,322**	**–**	12,702	12,702	–
(9)Bonds payable	**27,000**	**27,260**	**260**	24,000	24,094	94
(10)Long-term loans payable	**114,685**	**115,951**	**1,266**	106,498	107,400	901
Total liabilities	**¥280,013**	**¥281,540**	**¥1,527**	¥276,180	¥277,177	¥996
Derivative transactions (*)	**¥(83)**	**¥(83)**	**¥–**	¥(27)	¥(27)	¥–

	Thousands of U.S. dollars		
	2016		
	Carrying value	Fair value	Difference
(1)Cash and deposits	**$285,504**	**$285,504**	**$–**
(2)Notes and accounts receivable – trade	**598,917**	**598,917**	**–**
(3)Securities and investment securities:			
Other securities	**149,190**	**149,190**	**–**
Investments in affiliates	**105,439**	**71,537**	**(33,894)**
(4)Deposits and guarantees	**322,822**	**319,521**	**(3,292)**
Total assets	**$1,461,882**	**$1,424,688**	**$(37,185)**
(5)Notes and accounts payable – trade	**798,873**	**798,873**	**–**
(6)Short-term loans payable	**74,274**	**74,274**	**–**
(7)Commercial papers	**271,061**	**271,061**	**–**
(8)Income taxes payable	**73,244**	**73,244**	**–**
(9)Bonds payable	**237,634**	**239,923**	**2,288**
(10)Long-term loans payable	**1,009,373**	**1,020,516**	**11,142**
Total liabilities	**$2,464,469**	**$2,477,909**	**$13,440**
Derivative transactions (*)	**$(731)**	**$(731)**	**$–**

*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 counterparty 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
	2016	2015	**2016**
Unlisted stocks	**¥19,286**	¥18,427	**$169,741**
Deposits and guarantees	**¥26,303**	¥26,304	**$231,500**
Long-term guarantee deposits received	**¥31,820**	¥32,700	**$280,056**

Long-term guarantee deposits received are included in "Other" in non-current liabilities in the consolidated balance sheet as of February 29, 2016 and February 28, 2015.

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 29, 2016 and February 28, 2015 are as follows:

	Millions of yen			
	2016			
	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	**¥30,039**	**¥2,400**	**¥–**	**¥–**
Notes and accounts receivable – trade	**68,049**	**–**	**–**	**–**
Securities and investment securities:				
Other securities with maturities:				
(1)Government and municipal bonds	**30**	**–**	**–**	**–**
(2)Corporate bonds	**1,000**	**3,300**	**–**	**–**
(3)Other	**200**	**400**	**–**	**–**
Deposits and guarantees	**1,109**	**3,200**	**6,814**	**8,263**
Total	**¥100,427**	**¥9,300**	**¥6,814**	**¥8,263**

	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

	Thousands of U.S. dollars			
	2016			
	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	**$264,381**	**$21,123**	**$–**	**$–**
Notes and accounts receivable – trade	**598,917**	**–**	**–**	**–**
Securities and investment securities:				
Other securities with maturities:				
(1)Government and municipal bonds	**264**	**–**	**–**	**–**
(2)Corporate bonds	**8,801**	**29,044**	**–**	**–**
(3)Other	**1,760**	**3,521**	**–**	**–**
Deposits and guarantees	**9,761**	**28,164**	**59,972**	**72,725**
Total	**$883,885**	**$81,852**	**$59,972**	**$72,725**

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 qualify for hedge accounting

The estimated fair value of the derivatives positions outstanding as of February 29, 2016 and February 28, 2015, which qualify for hedge accounting are summarized as follows:

Currency-related transactions

			Millions of yen		
			2016		
			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	**¥126**	**¥–**	**(*)**
	Chinese yuan		**0**	**–**	**(*)**
	Total		**¥127**	**¥–**	**(*)**
	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)	**¥958**	**¥–**	**¥(37)**
	Euro		**460**	**–**	**(25)**
	Chinese yuan		**359**	**–**	**(19)**
	Thai baht		**4**	**–**	**(0)**
	Sweden Krona		**2**	**–**	**(0)**
	Total		**¥1,784**	**¥–**	**¥(83)**

			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)

			Thousands of U.S. dollars		
			2016		
			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	**$1,109**	**$–**	**(*)**
	Chinese yuan		**0**	**–**	**(*)**
	Total		**$1,118**	**$–**	**(*)**
	Currency swap contracts:				
	Receive / U.S. dollars and pay / Japanese yen	Long-term loans payable	**$2,640**	**$2,640**	**(*)**
	Total		**$2,640**	**$2,640**	**(*)**
Deferral hedge accounting	Forward foreign currency exchange contracts:				
	Buy:				
	U.S. dollars	Forecasted transactions denominated in foreign currencies (Accounts payable, trade)	**$8,432**	**$–**	**$(326)**
	Euro		**4,049**	**–**	**(220)**
	Chinese yuan		**3,160**	**–**	**(167)**
	Thai baht		**35**	**–**	**0**
	Sweden Krona		**18**	**–**	**0**
	Total		**$15,701**	**$–**	**$(731)**

The fair value of forward foreign currency exchange contracts under deferral hedge accounting is computed using prices provided by the counterparty 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		
			2016		
			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: Receive / variable and pay / fixed	Long-term loans payable	**¥29,280**	**¥22,820**	**(*)**

			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: Receive / variable and pay / fixed	Long-term loans payable	¥38,040	¥29,280	(*)

			Thousands of U.S. dollars		
			2016		
			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: Receive / variable and pay / fixed	Long-term loans payable	**$257,701**	**$200,845**	**(*)**

(*)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 29, 2016, 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	**¥12**	**$106**
Guarantees of lease agreement of JET CLEANING Co., Ltd., an unconsolidated subsidiary	**81**	**713**
	¥94	**$827**

18 Selling, General and Administrative Expenses

The components of selling, general and administrative expenses for the years ended February 29, 2016 and February 28, 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Advertising expenses	**¥27,733**	¥30,319	**$244,086**
Provision of allowance for doubtful accounts	**459**	280	**4,040**
Compensation and bonuses for directors and audit and supervisory board members and salaries and bonuses for employees	**49,828**	50,413	**438,550**
Provision for bonuses to employees	**5,511**	5,402	**48,504**
Provision for bonuses to directors and audit and supervisory board members	**204**	194	**1,795**
Retirement benefit expenses	**3,285**	4,355	**28,912**
Provision of accrued retirement benefits for directors and audit and supervisory board members	**8**	6	**70**
Welfare expenses	**10,632**	10,687	**93,575**
Depreciation and amortization	**16,194**	16,023	**142,528**
Rent expenses	**28,682**	28,366	**252,438**
Operational costs	**16,338**	16,567	**143,795**
Amortization of goodwill	**499**	632	**4,392**
Other	**38,115**	38,323	**335,460**
Total	**¥197,494**	¥201,572	**$1,738,198**

19 Impairment of Fixed Assets

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 ¥1,570 million ($13,818 thousand) and ¥965 million in the accompanying consolidated statement of income for the years ended February 29, 2016 and February 28, 2015, respectively:

			Millions of yen		Thousands of U.S. dollars
Location	Usage	Classification	**2016**	2015	**2016**
J. FRONT RETAILING Co., Ltd. (Chuo-ku, Tokyo)	–	Goodwill	**¥990**	¥–	**$8,713**
Parco Co., Ltd. (Utsunomiya-shi, Tochigi)	Stores, etc.	Buildings and others	**5**	–	**44**
Neuve A Co., Ltd. (Higashikurume-shi, Tokyo, etc.)	Stores, etc.	Buildings and others	**160**	–	**1,408**
JFR Online Co., Ltd. (Suminoe-ku, Osaka-shi)	Offices, etc.	Buildings and others	**273**	–	**2,403**
J. Front Foods Co., Ltd. (Hirakata-shi, Osaka, etc.)	Stores, etc.	Buildings and others	**107**	–	**942**
JFR PLAZA Inc. (Taiwan)	Stores, etc.	Buildings and others	**31**	–	**273**
Daimaru Matsuzakaya Department Stores Co., Ltd. (Urawa-ku, Saitama-shi, etc.)	Stores, etc.	Buildings and others	–	11	–
Parco Co., Ltd. (Chuo-ku, Chiba-shi)	Stores, etc.	Buildings and others	–	607	–
Neuve A Co., Ltd. (Aoi-ku, Shizuoka-shi, etc.)	Stores, etc.	Buildings and others	–	74	–
Daimaru Kogyo, Ltd. (Kita-ku, Osaka-shi)	Stores, etc.	Buildings and others	–	47	–
		Land	–	165	–
J. Front Foods Co., Ltd. (Kawasaki-ku, Kawasaki-shi)	Stores, etc.	Buildings and others	–	58	–
			¥1,570	¥965	**$13,818**

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

Regarding goodwill in the above table, the full amount of the carrying value was recognized as loss on impairment amounting to ¥990 million ($8,713 thousand) for the year ended February 29, 2016 because the originally assumed profitabity from the consolidated subsidiaries is no longer expected.

Regarding buildings, others and land in the above table, the Company reduced the carrying value of the assets to the recoverable value, and recognized the difference as loss on impairment of fixed assets amounting to ¥579 million ($5,096 thousand) and ¥965 million for the years ended February 29, 2016 and February 28, 2015, respectively.

The recoverable value of buildings and others 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.

20 Loss on Store Reconstruction

Loss on store reconstruction recognized by a consolidated subsidiary for the year ended February 29, 2016 consisted of the following:

	Millions of yen	Thousands of U.S. dollars
	2016	
Reconstruction of main building of Shinsaibashi store in Daimaru Matsuzakaya Department Stores Co., Ltd.:		
Provision for loss on store reconstruction	**¥3,825**	**$33,665**
Loss on impairment of fixed assets	**3,667**	**32,274**
Total	**¥7,492**	**$65,939**

21 Loss on Business Liquidation

Loss on business liquidation recognized by certain consolidated subsidiaries for the years ended February 29, 2016 and February 28, 2015 consisted of the following:

	Millions of yen	Thousands of U.S. dollars
	2016	
Store closures:		
Parco Co., Ltd. (Chiba Parco)		
Provision for loss on business liquidation	**¥1,052**	**$9,259**
Loss on impairment of fixed assets	**656**	**5,774**
Parco Space Systems Co., Ltd.		
Loss on impairment of fixed assets	**10**	**88**
Neuve A Co., Ltd.		
Loss on impairment of fixed assets	**0**	**0**
Total	**¥1,719**	**$15,129**

	Millions of yen
	2015
Liquidation of fishing business in Daimaru Kogyo, Ltd.:	
Loss on business liquidation	¥634
Loss on impairment of fixed assets	19
Total	¥654

22 Loss on Devaluation of Inventories

Loss on devaluation of inventories included in cost of goods sold of ¥233 million ($2,051 thousand) and ¥250 million was recognized for the years ended February 29, 2016 and February 28, 2015, respectively.

23 Other Comprehensive Income

The following table presents reclassification adjustments and tax effects allocated to each component of other comprehensive (loss) income for the years ended February 29, 2016 and February 28, 2015.

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Net unrealized holding (loss) gain on securities:			
Amount arising during the year	**¥321**	¥2,692	**$2,825**
Reclassification adjustments for gain included in net income	**(899)**	(2,698)	**(7,912)**
Before tax effectt	**(578)**	(6)	**(5,087)**
Tax effect	**289**	8	**2,544**
Total	**(288)**	2	**(2,535)**
Net unrealized deferred loss on hedging instruments:			
Amount arising during the year	**(55)**	(7)	**(484)**
Before tax effect	**(55)**	(7)	**(484)**
Tax effect	**17**	2	**150**
Total	**(37)**	(5)	**(326)**
Foreign currency translation adjustments:			
Amount arising during the year	**(147)**	242	**(1,294)**
Total	**(147)**	242	**(1,294)**
Retirement benefit liability adjustments:			
Amount arising during the year	**(5,864)**	–	**(51,611)**
Reclassification adjustments for loss included in net income	**1,066**	–	**9,382**
Before tax effect	**(4,798)**	–	**(42,228)**
Tax effect	**1,144**	–	**10,069**
Total	**(3,654)**	–	**(32,160)**
Share of other comprehensive income (loss) of unconsolidated subsidiaries and affiliates accounted for by equity method:			
Amount arising during the year	**785**	(46)	**6,909**
Reclassification adjustments for gain included in net income	**(188)**	(6)	**(1,655)**
Amount of acquisition cost adjustment	**(277)**	–	**(2,438)**
Total	**318**	(52)	**2,799**
Total other comprehensive (loss) income	**¥(3,810)**	¥186	**$¥(33,533)**

24 Supplemental Information on the Consolidated Statement of Cash Flows

Reconciliations of cash and deposits in the accompanying consolidated balance sheet at February 29, 2016 and February 28, 2015 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
	2016	2015	**2016**
Cash and deposits	**¥30,039**	¥34,106	**$264,381**
Time deposits over three months	**(1,891)**	(1,973)	**(16,643)**
Cash and cash equivalents	**¥28,147**	¥32,132	**$247,729**

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 rates of 35.6% and 38.0% for the years ended February 29, 2016 and February 28, 2015, respectively. 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 29, 2016 and February 28, 2015 differ from the statutory tax rates for the following reasons:

	2016	2015
Statutory tax rates	**35.6%**	38.0%
Effect of:		
Permanent non-deductible expenses	**0.9**	0.8
Permanent non-taxable income	**(0.1)**	(0.2)
Per capita portion of inhabitants' taxes	**0.6**	0.5
Change in valuation allowance	**1.3**	0.3
Remeasurement of deferred tax assets and deferred tax liabilities due to the change in statutory tax rates	**(24.9)**	1.5
Equity in earnings of unconsolidated subsidiaries and affiliates	**(1.9)**	(0.7)
Loss on impairment of goodwill	**1.0**	–
Other, net	**1.4**	0.7
Effective tax rates	**13.9%**	40.9%

The significant components of deferred tax assets and liabilities at February 29, 2016 and February 28, 2015 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Deferred tax assets:			
Liability for retirement benefits	**¥8,854**	¥6,947	**$77,926**
Accrued loss on utilization of gift certificates	**4,499**	4,687	**39,597**
Securities for retirement benefit trust	**3,798**	4,123	**33,427**
Loss on devaluation of assets resulting from merger of consolidated subsidiaries	**3,699**	4,077	**32,556**
Provision for bonuses to employees	**1,879**	1,983	**16,538**
Accrued point card certificates	**1,827**	2,391	**16,080**
Loss on impairment of fixed assets	**1,501**	1,231	**13,211**
Unrealized profit on fixed assets	**1,487**	1,511	**13,087**
Provision for loss on store reconstruction	**1,136**	270	**9,998**
Asset retirement obligations	**996**	1,121	**8,766**
Allowance for doubtful accounts	**753**	711	**6,627**
Accrued enterprise taxes, etc.	**653**	968	**5,747**
Tax loss carryforwards	**506**	346	**4,453**
Provision for loss on business liquidation	**458**	176	**4,031**
Provision for sales promotion expenses	**232**	257	**2,042**
Loss on devaluation of inventories	**76**	129	**669**
Others	**3,723**	4,130	**32,767**
Deferred tax assets (subtotal)	**36,085**	35,066	**317,594**
Valuation allowance	**(6,570)**	(6,932)	**(57,824)**
Total deferred tax assets	**29,515**	28,133	**259,769**
Deferred tax liabilities:			
Revaluation of assets and liabilities	**(91,541)**	(100,970)	**(805,677)**
Reserve for depreciation for tax purposes	**(6,764)**	(7,989)	**(59,532)**
Securities returned from retirement benefit trust	**(464)**	(582)	**(4,084)**
Assets related to asset retirement obligations	**(305)**	(361)	**(2,684)**
Others	**(2,813)**	(3,374)	**(24,758)**
Total deferred tax liabilities	**(101,889)**	(113,278)	**(896,752)**
Net deferred tax liabilities	**¥(72,374)**	¥(85,144)	**$(636,983)**

On March 31, 2016, the “Act for Partial Revision of the Income Tax Act etc.” (Act. No. 15 of 2016) and the “Act for Partial Revision of the Local Tax Act etc.” (Act. No.13 of 2016) were officially issued and the Company and its domestic consolidated subsidiaries are subject to the amended statutory tax rate effective for fiscal years beginning on or after April 1, 2016. Accordingly, the statutory tax rates used for calculating deferred tax assets and liabilities will be reduced from 32.3% to 30.9% for temporary differences that are expected to be realized or settled during the fiscal years from March 1, 2017 to February 28, 2019 and to 30.6% for temporary differences that are expected to be realized or settled on or after March 1, 2019.

As a result of applying these revised statutory tax rates at February 29, 2016, deferred tax assets in current assets, deferred tax assets in investments and other assets, deferred tax liabilities in non-current liabilities, deferred tax liabilities for land revaluation and retirement benefits adjustments (credit) have decreased by ¥169 million ($1,487 thousand), ¥173 million ($1,523 thousand), ¥4,762 million ($41,912 thousand), ¥61 million ($537 thousand) and ¥223 million ($1,963 thousand), respectively, and net unrealized holding gain on securities, minority interests (credit) and income taxes-deferred (credit) have increased by ¥53 million ($466 thousand), ¥316 million ($2,781 thousand) and ¥4,345 million ($38,242 thousand), respectively.

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 applying these revised statutory tax rates at February 28, 2015, 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 have decreased by ¥316 million, ¥206 million, ¥9,907 million and ¥118 million, respectively, and net unrealized holding gain on securities and income taxes-deferred (credit) have increased by ¥120 million and ¥9,383 million, respectively.

26 Amounts per Share

Amounts per share at February 29, 2016 and February 28, 2015 and for the years then ended are as follows:

	Yen		U.S. dollars
	2016	2015	**2016**
Net assets	**¥1,467.05**	¥1,424.28	**$12.91**
Basic net income	**100.42**	75.66	**0.88**
Diluted net income	**100.41**	75.66	**0.88**
Cash dividends	**27.00**	19.00	**0.24**

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 29, 2016 and February 28, 2015 is summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Net income attributable to common stockholders	**¥26,313**	¥19,967	**$231,588**

	Thousands of shares	
	2016	2015
Weighted-average number of shares of common stock outstanding	**262,038**	263,920
Increase in shares of common stock resulting from the exercise of stock subscription rights	**18**	12

The financial data used in the computation of net assets per share as of February 29, 2016 and February 28, 2015 is summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Total net assets	**¥440,594**	¥430,260	**$3,877,786**
Deduction from total net assets:			
Stock subscription rights	**(14)**	(15)	**(123)**
Minority interests	**(56,880)**	(54,357)	**(500,616)**
	(56,895)	(54,373)	**(500,748)**
Total net assets attributable to common stockholders	**¥383,699**	¥375,886	**$3,377,037**

	Thousands of shares	
	2016	2015
Number of shares of common stock used in the calculation of net assets per share	**261,543**	263,913

Note 1: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, 2014.

Note 2:As described in Note 3 "Accounting Change," effective from the year ended February 29, 2016, certain main consolidated subsidiaries changed their inventory valuation method. As a result, the figures as of and for the year ended February 28, 2015 in the above table have been adjusted to reflect the restatement due to the accounting change. Also, the effects of this change on net income per share and diluted net income per share for the year ended February 28, 2015 and net assets per share as of February 28, 2015 were immaterial.

Note 3:As described in Note 3 "Accounting Change," effective from the year ended February 29, 2016, revised accounting standards for retirement benefits were adopted and the cumulative effect of changing the method for calculating the retirement benefit obligation and service cost was recognized by adjusting retained earnings at March 1, 2015, in accordance with the transitional treatment provided in Paragraph 37 of Accounting Standard for Retirement Benefits. As a result, net assets per share at February 29, 2016 decreased by ¥11.72 ($0.10) from the corresponding amounts that would have been recorded under the previous method. Also, the effects of this change on net income per share and diluted net income per share for the year ended February 29, 2016 were immaterial.

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.

(Change in accounting method for inventory valuation)

As described in Note 3 "Accounting Change," effective from the year ended February 29, 2016, certain consolidated subsidiaries changed their inventory valuation method from the retail inventory method to the specific identification method. The accounting change was retrospectively applied, and the segment information as of and for the year ended February 28, 2015 was restated. As a result, the segment income in the Department Store Business for the year ended February 28, 2015 increased by ¥76 million ($669 thousand) compared with the amounts before the retrospective application.

(Change in accounting standards for retirement benefits)

As described in Note 3 "Accounting Change," effective from the year ended February 29, 2016, revised accounting standards for retirement benefits were adopted and the method of calculating the retirement benefit obligation and service cost was changed. Accordingly, the method for calculating the retirement benefit obligation and service cost by reportable segment was also changed effective from for the year ended February 29, 2016. The effect of the change on segment income for the year ended February 29, 2016 was immaterial.

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

Reportable segment information for the years ended February 29, 2016 and February 28, 2015 is summarized as follows:

	Millions of yen							
	2016							
	Reportable segments							
	Department Store Business	Parco Business	Wholesale Business	Credit Business	Other Businesses	Total	Adjustments	Consolidated
Net sales:								
Sales to third parties	**¥762,280**	**¥280,696**	**¥48,744**	**¥5,901**	**¥65,940**	**¥1,163,564**	**¥–**	**¥1,163,564**
Inter-segment sales or transfers	**941**	**354**	**9,104**	**4,553**	**38,798**	**53,752**	**(53,752)**	**–**
Total	**¥763,222**	**¥281,050**	**¥57,849**	**¥10,455**	**¥104,739**	**¥1,217,316**	**¥ (53,752)**	**¥1,163,564**
Segment income	**¥28,786**	**¥12,582**	**¥1,315**	**¥2,703**	**¥2,807**	**¥48,194**	**¥(156)**	**¥48,038**
Segment assets	**¥617,046**	**¥266,743**	**¥21,796**	**¥44,655**	**¥106,365**	**¥1,056,607**	**¥(37,461)**	**¥1,019,146**
Other items:								
Depreciation and amortization	**¥10,960**	**¥6,281**	**¥154**	**¥8**	**¥1,123**	**¥18,528**	**¥(183)**	**¥18,345**
Investments in unconsolidated subsidiaries and affiliates accounted for by the equity method	**¥2,554**	**¥427**	**¥–**	**¥–**	**¥164**	**¥3,146**	**¥23,543**	**¥26,689**
Increase in property and equipment and intangible assets	**¥14,002**	**¥21,435**	**¥197**	**¥6**	**¥887**	**¥36,528**	**¥(273)**	**¥36,255**

	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	¥23,192	¥12,255	¥1,067	¥3,424	¥2,418	¥42,357	¥(190)	¥42,167
Segment assets	¥629,767	¥256,531	¥24,296	¥38,593	¥111,970	¥1,061,158	¥(42,662)	¥1,018,495
Other items:								
Depreciation 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

	Thousands of U.S. dollars							
	2016							
	Reportable segments							
	Department Store Business	Parco Business	Wholesale Business	Credit Business	Other Businesses	Total	Adjustments	Consolidated
Net sales:								
Sales to third parties	$6,709,030	$2,470,481	$429,009	$51,936	$580,356	$10,240,838	$–	$10,240,838
Inter-segment sales or transfers	8,282	3,116	80,127	40,072	341,472	473,086	(473,086)	–
Total	$6,717,321	$2,473,596	$509,145	$92,017	$921,836	$10,713,924	$(473,086)	$10,240,838
Segment income	$253,353	$110,738	$11,574	$23,790	$24,705	$424,168	$(1,373)	$422,795
Segment assets	$5,430,787	$2,347,676	$191,832	$393,021	$936,147	$9,299,481	$(329,704)	$8,969,776
Other items:								
Depreciation and amortization	$96,462	$55,281	$1,355	$70	$9,884	$163,070	$(1,611)	$161,459
Investments in unconsolidated subsidiaries and affiliates accounted for by the equity method	$22,478	$3,758	$–	$–	$1,443	$27,689	$207,208	$234,897
Increase in property and equipment and intangible assets	$123,235	$188,655	$1,734	$53	$7,807	$321,493	$(2,403)	$319,090

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 ¥156 million ($1,373 thousand) and ¥190 million include eliminations of inter-segment transactions of ¥2,862 million ($25,189 thousand) and ¥2,565 million and corporate expenses mainly recorded by the Company not attributable to any reportable segments of ¥3,018 million ($26,562 thousand) and ¥2,755 million for the years ended February 29, 2016 and February 28, 2015, respectively.

The adjustments for segment assets in the amounts of ¥37,461 million ($329,704 thousand) and ¥42,662 million include eliminations of inter-segment receivables of ¥74,807 million ($658,396 thousand) and ¥73,068 million, unrealized profit on fixed assets of ¥1,502 million ($13,220 thousand) and ¥1,527 million, and assets of the Company, which are not attributable to any reportable segments, of ¥38,246 million ($336,613 thousand) and ¥30,307 million as of February 29, 2016 and February 28, 2015, respectively.

The adjustments for depreciation and amortization in the amounts of ¥183 million ($1,611 thousand) and ¥152 million for the years ended February 29, 2016 and February 28, 2015, 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 ¥23,543 million ($207,208 thousand) and ¥11,308 million as of February 29, 2016 and February 28, 2015, 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 ¥273 million ($2,403 thousand) and ¥133 million for the years ended February 29, 2016 and February 28, 2015, 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 29, 2016 and February 28, 2015 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 29, 2016 and February 28, 2015 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 29, 2016 and February 28, 2015.

(5)Loss on impairment of fixed assets

Loss on impairment of fixed assets by reportable segments for the years ended February 29, 2016 and February 28, 2015 is summarized as follows:

Millions of yen							
2016							
Reportable segments							
Department Store Business	Parco Business	Wholesale Business	Credit Business	Other Businesses	Total	Corporate and elimination	Consolidated
¥3,773	**¥833**	**¥ –**	**¥ –**	**¥1,404**	**¥ 6,011**	**¥(105)**	**¥5,905**

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

Thousands of U.S. dollars							
2016							
Reportable segments							
Department Store Business	Parco Business	Wholesale Business	Credit Business	Other Businesses	Total	Corporate and elimination	Consolidated
$33,207	**$7,331**	**$–**	**$–**	**$12,357**	**$52,904**	**$(924)**	**$51,971**

The amounts in “Other Business” in the above table for the year ended February 29, 2016 included loss on impairment of goodwill amounting to ¥990 million ($8,713 thousand).

(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 29, 2016 and February 28, 2015 is as follows:

	Millions of yen							
	2016							
	Reportable segments							
	Department Store Business	Parco Business	Wholesale Business	Credit Business	Other Businesses	Total	Corporate and elimination	Consolidated
Amortization of goodwill	**¥–**	**¥358**	**¥–**	**¥–**	**¥141**	**¥499**	**¥–**	**¥499**
Remaining balance	**¥–**	**¥568**	**¥–**	**¥–**	**¥–**	**¥568**	**¥–**	**¥568**

	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

	Thousands of U.S. dollars							
	2016							
	Reportable segments							
	Department Store Business	Parco Business	Wholesale Business	Credit Business	Other Businesses	Total	Corporate and elimination	Consolidated
Amortization of goodwill	**$–**	**$3,151**	**$–**	**$–**	**$1,241**	**$4,392**	**$–**	**$4,392**
Remaining balance	**$–**	**$4,999**	**$–**	**$–**	**$–**	**$4,999**	**$–**	**$4,999**

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

28 Subsequent Event

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 29, 2016, was approved at the meeting of the Board of Directors held on April 7, 2016:

	(Millions of yen)	(Thousands of U.S. dollars)
Cash dividends (¥14.00 = $0.12 per share)	**¥3,661**	**$ 32,221**