J.FRONT RETAILING NOW

Annual Report 2016 (Year ended February 29, 2016) Part 2

FINANCIAL DATA



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Consolidated Balance Sheet

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

February 29, 2016

	Millions of	Millions of yen	
	2016	2015	2016
Assets			
Current assets:			
Cash and deposits (Notes 15 and 24)	¥30,039	¥34,106	\$264,381
Notes and accounts receivable - trade (Notes 15 and 16)	68,049	75,556	598,917
Securities (Notes 10 and 15)	1,233	1,353	10,852
Inventories (Note 5)	28,205	30,886	248,240
Deferred tax assets (Note 25)	11,671	12,295	102,720
Other (Note 15)	41,865	38,058	368,465
Less allowance for doubtful accounts	(173)	(151)	(1,523)
Total current assets	180,890	192,105	1,592,061
Non-current assets:			
Property and equipment (Notes 6, 7, 8, 9, 13 and 19):	202 207	0.40 570	0.474.070
Land	360,297	349,578	3,171,070
Buildings and structures, net	182,772	187,935	1,608,625
Construction in progress	120,751	114,097	1,062,762
Other, net Total property and equipment	4,829 668,651	5,192 656,804	42,501 5,884,976
Total property and equipment	000,001	000,004	0,004,070
Intangible assets:			
Goodwill (Notes 19 and 27)	568	2,005	4,999
Other	40,876	41,001	359,761
Total intangible assets	41,444	43,007	364,760
Investments and other assets:	00.055	04.047	170 500
Investment securities (Notes 8, 10 and 15)	20,055	21,817	176,509
Investments in unconsolidated subsidiaries and affiliates (Note15)	26,930	15 600	237,018
Long-term loans receivable	26,930 1,503	15,699 1,506	13,228
Deposits and guarantees (Note 15)	61,515	61,985	541,410
Asset for retirement benefits (Note 12)	5,687	11,864	50,053
Deferred tax assets (Note 25)	5,112	4,159	44,992
Other (Note 15)	10,065	12,110	88,585
Less allowance for doubtful accounts	(2,710)	(2,564)	(23,851)
Total investments and other assets	128,160	126,578	1,127,970
Total non-current assets	838,255	826,389	7,377,706
. State Horizontal de	000,200	020,000	1,011,100

Total assets (Note 27) **¥1,019,146** ¥1,018,495 **\$8,969,776**

	Millions	of yen	Thousands of U.S. dollars (Note 1)	
	2016	2015	2016	
Liabilities and net assets				
Current liabilities:				
Notes and accounts payable - trade (Notes 8, 15 and 16)	¥90,768	¥95,020	\$798,873	
Short-term loans payable (Notes 8, 11 and 15)	8,439	9,268	74,274	
Commercial papers (Notes 11 and 15)	30,798	28,691	271,061	
Current portion of long-term debt (Notes 8, 11, 15 and 16)	32,588	25,867	286,816	
Income taxes payable (Notes 15 and 25)	8,322	12,702	73,244	
Advances received	19,318	18,656	170,023	
Gift certificates outstanding	38,599	37,973	339,720	
Provision for bonuses to employees	5,709	5,630	50,246	
Provision for bonuses to directors and audit and supervisory board members	204	194	1,795	
Provision for sales returns	21	22	185	
Provision for loss on books unsalable	121	113	1,065	
Provision for sales promotion expenses	709	722	6,240	
Provision for loss on utilization of gift certificates	13,913	13,241	122,452	
Provision for loss on business liquidation	487	121	4,286	
Provision for loss on store reconstruction	1,245	760	10,958	
Other	51,696	56,477	454,990	
Total current liabilities	302,944	305,463	2,666,291	
Non-current liabilities:	•			
Long-term debt (Notes 8, 11, 15 and 16)	111,409	107,355	980,540	
Deferred tax liabilities (Note 25)	89,158	101,486	784,703	
Deferred tax liabilities for land revaluation (Note 25)	1,161	1,279	10,218	
Liability for retirement benefits (Note 12)	32,707	31,514	287,863	
Accrued retirement benefits for directors and audit and supervisory board members	37	39	326	
Provision for loss on business liquidation	564	_	4,964	
Provision for loss on store reconstruction	1,191	_	10,482	
Other (Note 15)	39,378	41,096	346,576	
Total non-current liabilities	275,607	282,771	2,425,691	
Total liabilities	578,552	588,235	5,091,991	
Contingent liabilities (Note 17)	,	,	,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,	
Net assets:				
Shareholders' equity (Note 14):				
Common stock:				
Authorized - 1,000,000,000 shares				
Issued - 268,119,164 shares	30,000	30,000	264,038	
Capital surplus	209,551	209,556	1,844,314	
Retained earnings	163,971	147,555	1,443,153	
Treasury stock, at cost: 6,575,238 shares in 2016 and 4,205,258 shares in 2015	(11,286)	(6,369)	(99,331)	
Total shareholders' equity	392,236	380,742	3,452,174	
Accumulated other comprehensive loss:	, , , , ,	,	, , ,	
Net unrealized holding gain on securities (Note 10)	2,113	2,352	18,597	
Net unrealized deferred gain (loss) on hedging instruments (Note 16)	223	(35)	1,963	
Foreign currency translation adjustments	516	659	4,541	
Retirement benefits adjustments (Note 12)	(11,391)	(7,832)	(100,255)	
Total accumulated other comprehensive loss	(8,537)	(4,855)	(75,136)	
Stock subscription rights (Note 14)	14	15	123	
Minority interests	56,880	54,357	500,616	
Total net assets (Note 26)	440,594	430,260	3,877,786	
Total liabilities and net assets	¥1,019,146	¥1,018,495	\$8,969,776	
	, ,	, ,	+0,000,110	

See accompanying notes to the consolidated financial statements.

Consolidated Statement of Income

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

Year ended February 29, 2016

	Millions o	Thousands of U.S. dollars (Note 1)	
	2016	2015	2016
Net sales (Notes 13 and 27):			
Net sales of goods	¥1,151,469	¥1,138,801	\$10,134,387
Rent income of real estate (Note 7)	12,094	10,727	106,443
	1,163,564	1,149,529	10,240,838
Cost of sales (Note 22):			
Cost of goods sold	910,927	899,303	8,017,312
Cost of real estate rent (Note 7)	7,104	6,486	62,524
	918,031	905,789	8,079,836
Gross profit	245,532	243,739	2,160,993
Selling, general and administrative expenses(Note 18)	197,494	201,572	1,738,198
Operating income (Note 27)	48,038	42,167	422,795
Other income (expenses):			
Interest income	369	372	3,248
Dividend income	365	434	3,212
Gain on derecognition of unutilized gift certificates	2,866	3,084	25,224
Equity in earnings of unconsolidated subsidiaries and affiliates	1,886	735	16,599
Interest expenses	(1,419)	(1,481)	(12,489)
Provision for loss on utilization of gift certificates	(3,159)	(3,550)	(27,803)
Gain on sales of fixed assets (Note 7)	_	84	_
Gain on sales of investment securities (Note 10)	960	2,811	8,449
Gain on sales of shares of an affiliate	131	_	1,153
Loss on disposal of fixed assets (Note 7)	(3,493)	(2,679)	(30,743)
Loss on devaluation of investment securities (Note 10)	<u>-</u>	(36)	_
Loss on impairment of fixed assets (Notes 7, 19 and 27)	(1,570)	(965)	(13,818)
Loss on store reconstruction (Notes 20 and 27)	(7,492)	_	(65,939)
Construction indemnification expenses	_	(650)	_
Loss on business liquidation (Notes 7, 21 and 27)	(1,719)	(654)	(15,129)
Other, net	(1,062)	(706)	(9,347)
Income before income taxes and minority interests	34,698	38,965	305,386
Income taxes (Note 25)	ŕ		·
Current	14,626	16,396	128,727
Deferred	(9,791)	(472)	(86,173)
	4,834	15,923	42,545
Income before minority interests	29,863	23,041	262,832
Minority interests in income	3,549	3,073	31,236
Net income (Note 26)	¥26,313	¥19,967	\$231,588

See accompanying notes to the consolidated financial statements.



Consolidated Statement of Comprehensive Income

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

Year ended February 29, 2016

	Millions of yen		Thousands of U.S. dollars (Note 1)	
	2016	2015	2016	
Income before minority interests	¥29,863	¥23,041	\$262,832	
Other comprehensive (loss) income (Note 23):				
Net unrealized holding (loss) gain on securities	(288)	2	(2,535)	
Net unrealized deferred loss on hedging instruments	(37)	(5)	(326)	
Foreign currency translation adjustments	(147)	242	(1,294)	
Retirement benefits adjustments	(3,654)	_	(32,160)	
Share of other comprehensive income (loss) of unconsolidated subsidiaries and affiliates accounted for by equity method	318	(52)	2,799	
Other comprehensive (loss) income, net	(3,810)	186	(33,533)	
Comprehensive income	¥26,053	¥23,228	\$229,299	
Total comprehensive income attributable to:				
Owners of parent	¥22,631	¥20,163	\$199,181	
Minority interests	¥3,421	¥3,064	\$30,109	

See accompanying notes to the consolidated financial statements.

Consolidated Statement of Changes in Net Assets

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

Year ended February 29, 2016

				Millions of yen areholders' equi	ity	
	Number of shares in issue	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity
Balance at March 1, 2014	536,238,328	¥30,000	¥209,557	¥134,178	¥(6,343)	¥367,392
Cumulative effects of changes in accounting policies (Note 3)		_		(254)	_	(254)
Restated balance at March 1, 2014	536,238,328	30,000	209.557	133,924	(6,343)	367,138
Changes in items during the period:	000,200,020	00,000	200,007	100,021	(0,040)	007,100
Cash dividends	-	-	-	(6,336)	_	(6,336)
Net income	-	-	-	19,967	-	19,967
Purchase of treasury stock	-	-	-	-	(39)	(39)
Disposal of treasury stock	-	-	(1)	-	14	12
Consolidation of shares	(268,119,164)	_	-	-	-	-
Net changes in items other than shareholders' equity				_	_	_
Total changes in items during the period	(268,119,164)	_	(1)	13,631	(25)	13,604
Balance at March 1, 2015	268,119,164	30,000	209,556	147,555	(6,369)	380,742
Cumulative effects of changes in accounting policies (Note 3)	-	-	-	(3,065)	-	(3,065)
Restated balance at March 1, 2015	268,119,164	30,000	209,556	144,490	(6,369)	377,677
Changes in items during the period:						
Cash dividends	_	_	_	(6,832)	_	(6,832)
Net income	-	-	-	26,313	-	26,313
Purchase of treasury stock	-	-	-	-	(5,025)	(5,025)
Disposal of treasury stock	-	-	(4)	-	108	103
Net changes in items other than shareholders' equity	_	_	_	-	-	_
Total changes in items during the period	_	_	(4)	19,481	(4,917)	14,559
Balance at February 29, 2016	268,119.164	¥30,000	¥209,551	¥163,971	¥(11,286)	¥392,236

				Millions	of yen			
	Accu	ımulated othe	r comprehen:	sive income (loss)			
	Net unrealized holding gain on securities	Net unrealized deferred gain (loss) on hedging instruments	Foreign currency translation adjustments	Retirement benefits adjustments	Total accumulated other comprehensive income (loss)	Stock subscription rights	Minority interests	Total net assets
Balance at March 1, 2014	¥2,357	¥(25)	¥449	¥-	¥2,780	¥15	¥52,025	¥422,215
Cumulative effects of changes in accounting policies (Note 3)			_					(254)
Restated balance at March 1, 2014	2,357	(25)	449	-	2,780	15	52,025	421,960
Changes in items during the period:								
Cash dividends	-	-	-	-	-	-	_	(6,336)
Net income	-	-	-	-	-	-	_	19,967
Purchase of treasury stock	-	-	-	-	-	-	_	(39)
Disposal of treasury stock	-	-	-	-	-	-	_	12
Consolidation of shares	-	-	-	-	-	-	_	-
Net changes in items other than shareholders' equity	(4)	(9)	210	(7,832)	(7,636)		2,331	(5,304)
Total changes in items during the period	(4)	(9)	210	(7,832)	(7,636)		2,331	8,299
Balance at March 1, 2015	2,352	(35)	659	(7,832)	(4,855)	15	54,357	430,260
Cumulative effects of changes in accounting policies (Note 3)		_	_				(114)	(3,179)
Restated balance at March 1, 2015	2,352	(35)	659	(7,832)	(4,855)	15	54,243	427,080
Changes in items during the period:								
Cash dividends	-	-	-	-	-	-	-	(6,832)
Net income	-	_	_	_	-	_	_	26,313
Purchase of treasury stock	-	_	_	_	-	_	_	(5,025)
Disposal of treasury stock	-	-	-	-	-	_	_	103
Net changes in items other than shareholders' equity	(238)	258	(143)	(3,558)	(3,681)	(1)	2,637	(1,045)
Total changes in items during the period	(238)	258	(143)				2,637	13,513
Balance at February 29, 2016	¥2,113	¥223	¥516	¥(11,391)	¥(8,537)	¥14	¥56,880	¥440,594

		Thousands of U.S. dollars (Note 1)						
	Shareholders' equity							
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity			
Balance at March 1, 2015	\$264,038	\$1,844,358	\$1,298,671	\$(56,055)	\$3,351,012			
Cumulative effects of changes in accounting policies (Note 3)	_	_	(26,976)	_	(26,976)			
Restated balance at March 1, 2015	264,038	1,844,358	1,271,695	(56,055)	3,324,036			
Changes in items during the period:								
Cash dividends	-	-	(60,130)	-	(60,130)			
Net income	-	-	231,588	-	231,588			
Purchase of treasury stock	-	-	-	(44,226)	(44,226)			
Disposal of treasury stock	-	(35)	-	951	907			
Net changes in items other than shareholders' equity		-	-	_	_			
Total changes in items during the period	-	(35)	171,457	(43,276)	128,138			
Balance at February 29, 2016	\$264,038	\$1,844,314	\$1,443,153	\$(99,331)	\$3,452,174			

			The	usands of LLS	S. dollars (Note	1)		
	Acc	cumulated other				<i>,</i>		
		Net unrealized deferred gain (loss) on hedging instruments	· · · · · · · · · · · · · · · · · · ·	Retirement benefits adjustments	Total accumulated other comprehensive income (loss)	Stock subscription rights	Minority interests	Total net assets
Balance at March 1, 2015	\$20,701	\$(308)	\$5,800	\$(68,932)	\$(42,730)	\$132	\$478,410	\$3,786,833
Cumulative effects of changes in accounting policies (Note 3)		_	-	-	· _	-	(1,003)	(27,979)
Restated balance at March 1, 2015	20,701	(308)	5,800	(68,932)	(42,730)	132	477,407	3,758,845
Changes in items during the period:								
Cash dividends	-	-	-	-	-	-	-	(60,130)
Net income	-	-	-	-	-	-	-	231,588
Purchase of treasury stock	-	-	-	-	-	-	-	(44,226)
Disposal of treasury stock	-	-	-	-	-	-	-	907
Net changes in items other than shareholders' equity	(2,095)	2,271	(1,259)	(31,315)	(32,397)	(9)	23,209	(9,197)
Total changes in items during the period	(2,095)	2,271	(1,259)	(31,315)	(32,397)	(9)	23,209	118,932
Balance at February 29, 2016	\$18,597	\$1,963	\$4,541	\$(100,255)	\$(75,136)	\$123	\$500,616	\$3,877,786

See accompanying notes to the consolidated financial statements.



Consolidated Statement of Cash Flows

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

Year ended February 29, 2016

	Millions of yen		Thousands of U.S. dollars (Note 1)	
	2016	2015	2016	
Cash flows from operating activities:				
Income before income taxes and minority interests	¥34,698	¥38,965	\$305,386	
Depreciation and amortization	18,345	17,963	161,459	
Loss on impairment of fixed assets	5,905	985	51,971	
Amortization of goodwill	499	632	4,392	
Increase (decrease) in allowance for doubtful accounts	167	(156)	1,470	
Increase (decrease) in provision for bonuses to employees	88	(86)	775	
(Decrease) increase in liability for retirement benefits	(1,832)	2,399	(16,124)	
Increase in asset for retirement benefits	(1,367)	(535)	(12,031)	
Decrease in provision for sales promotion expenses	(13)	(13)	(114)	
Increase in provision for loss on business liquidation	930	26	8,185	
Increase in provision for loss on utilization of gift certificates	672	909	5,914	
Increase (decrease) in provision for loss on store reconstruction	1,676	(560)	14,751	
Interest and dividend income	(734)	(806)	(6,460)	
Interest expenses	1,419	1,481	12,489	
Equity in earnings of unconsolidated subsidiaries and affiliates	(1,886)	(735)	(16,599)	
Loss (gain) on sales of fixed assets, net	30	(64)	264	
Loss on disposal of fixed assets	3,493	2,679	30,743	
Gain on sales of investment securities	(960)	(2,811)	(8,449)	
Loss on devaluation of investment securities	-	36	-	
Gain on sales of shares of an affiliate	(131)	-	(1,153)	
Decrease (increase) in notes and accounts receivable - trade	7,507	(9,288)	66,071	
Decrease (increase) in inventories	2,680	(1,590)	23,587	
(Decrease) increase in notes and accounts payable - trade	(4,251)	8,519	(37,414)	
Increase in accounts receivable - other	(5,092)	(4,170)	(44,816)	
Decrease in long-term prepaid expenses	553	416	4,867	
Other, net	(5,719)	926	(50,334)	
Subtotal	56,682	55,120	498,873	
Interest and dividend income received	616	677	5,422	
Interest expenses paid	(1,446)	(1,530)	(12,727)	
Income taxes paid	(20,733)	(10,405)	(182,477)	
Income taxes refunded	1,680	788	14,786	
Net cash provided by operating activities	¥36,799	¥44,650	\$323,878	

	Millions of y	/en	Thousands of U.S. dollars (Note 1)
	2016	2015	2016
Cash flows from investing activities:			
Purchases of securities and investment securities	¥(12,470)	¥(1,056)	\$(109,752)
Proceeds from sales of securities and investment securities	4,113	6,020	36,200
Proceeds from sales of shares of an affiliate	1,632	_	14,364
Purchases of property and equipment and intangible assets	(37,254)	(23,606)	(327,882)
Proceeds from sales of property and			
equipment and intangible assets	40	133	352
Net decrease (increase) in short-term loans receivable	6	(33)	53
Increase in long-term loans receivable	(43)	(47)	(378)
Collection of long-term loans receivable	59	51	519
Other, net	4,174	2,266	36,736
Net cash used in investing activities	(39,741)	(16,272)	(349,771)
Cash flows from financing activities:			
Net decrease in short-term loans payable	(829)	(4,962)	(7,296)
Net increase (decrease) in commercial papers	2,107	(3,500)	18,544
Proceeds from long-term loans payable	21,200	6,000	186,587
Repayments of long-term loans payable	(13,008)	(17,034)	(114,487)
Proceeds from issuance of bonds	15,000	-	132,019
Redemption of bonds payable	(12,000)	-	(105,615)
Purchase of treasury stock	(5,031)	(64)	(44,279)
Cash dividends paid	(6,814)	(6,312)	(59,972)
Cash dividends paid to minority interests	(789)	(734)	(6,944)
Other, net	(876)	(979)	(7,710)
Net cash used in financing activities	(1,041)	(27,587)	(9,162)
Effect of exchange rate changes on cash and cash equivalents	(0)	65	(0)
Net (decrease) increase in cash and cash equivalents	(3,985)	856	(35,073)
Cash and cash equivalents at the beginning of the year	32,132	31,276	282,802
Cash and cash equivalents at the end of the year (Note 24)	¥28,147	¥32,132	\$247,729

See accompanying notes to the consolidated financial statements.



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.

(I)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 $\pm 2,065$ 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.

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 Fer 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 ye	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

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.

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 Lease obligation			
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	Millions of yen	
	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

3 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	¥480	6 ¥9	¥36
		Millions of yen		
		20	015	
	Acquisition cost	Accumulated depreciation	Accumulated loss on impairment	Net book value
Leased assets:				
Machinery, equipment, tools, furniture and fixtures	¥1,480	¥1,389	9 ¥9	¥80
		Thousands of	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	\$4,27	7 \$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
	Thou	sands of U.S. do	llars			
		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.

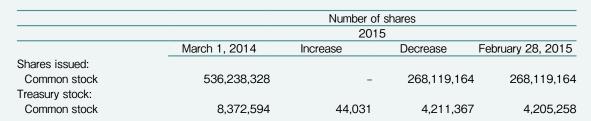
The capital reserve included in capital surplus amounted to $\pm 7,500$ million (\$66,010 thousand) at February 29, 2016 and February 28, 2015. In addition, the legal reserve included in retained earnings amounted to nil at February 29, 2016 and February 28, 2015.

(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 Treasury stock:	268,119,164	-		- 268,119,164
Common stock	4,205,258	2,496,640	126,6	60 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.



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.

During the year ended February 29, 2016, no stock options were granted.

options actually forfeited is reflected.

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

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

^{*2} The fair value of stock options is omitted since they had been issued before the date of enactment of the Law.

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	
		201		
	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 Securities and investment securities: Other securities with maturities:	68,049	-	-	-
(1)Government and municipal bonds	30	-	-	-
(2)Corporate bonds	1,000	3,300	-	-
(3)Other	200 1,109	400 3,200	6,814	8,263
Deposits and guarantees Total	¥100,427	¥9,300	¥6,814	¥8,263
Total	+100,421	+3,000	+0,014	+0,200
		Millions		
		201		
	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 Securities and investment securities: Other securities with maturities:	75,556	-	-	-
(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	
		201	6	
	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 Notes and accounts receivable – trade Securities and investment securities: Other securities with maturities:	\$264,381 598,917	\$21,123 -	\$- -	\$- -
(1)Government and municipal bonds	264	-	-	-
(2)Corporate bonds	8,801	29,044	-	-
(3)Other	1,760	3,521	-	70 705
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

Method of hedge accounting				N	lillions of ye	n
Method of hedge accounting Porward foreign currency exchange contracts: Selt: U.S. dollars Accounts receivable, trade Prize				Operation	2016	
Sell: Sell		Transaction	Major hedged item	Notional	Maturing after	Fair value
Chinese yuan	Allocation method	exchange contracts:			•	
Total Currency swap contracts: Receive / U.S. dollars and pay / Japanese yen Total Tot		U.S. dollars	Accounts receivable, trade	¥126	¥-	(*)
Currency swap contracts: Receive / U.S. dollars and pay / Japanese yen Total		Chinese yuan			-	
Receive / U.S. dollars and pay / Japanese yen Total		Total		¥127	¥-	(*)
Amount A		Currency swap contracts:				
Deferral hedge accounting Forward foreign currency exchange contracts: Buy: U.S. dollars Euro Forecasted transactions 460 - (25 (2		and pay / Japanese yen	Long-term loans payable			
Euro Forecasted transactions 460 - (25 denominated in foreign currencies (Accounts payable, trade) 359 - (19 currencies (Accounts payable, trade) 4 - (00 total payable, trade) 2 - (00 total payable, trade) 2 - (00 total payable, trade) 2 - (00 total payable, trade) 2015	Deferral hedge accounting	Forward foreign currency exchange contracts:		<u>*300</u>	¥300	(^)
Chinese yuan Chinese yuan Chinese yuan Thai baht David Chinese yuan Thai baht David Chinese yuan Total Control C		U.S. dollars		¥958	¥-	¥(37)
Trans action method accounting Transaction Total Compared term Compa		Euro		460	-	(25)
Thai baht Sweden Krona Total Sweden Krona Total Payable, trade) Payable, trade Payable, trad		Chinese yuan		359	-	(19)
Total		Thai baht		· · · · · · · · · · · · · · · · · · ·	-	(0)
Method of hedge accounting		Sweden Krona			-	
Method of hedge accounting Transaction Major hedged item Major hedged item Motional amount Notional amount Notional amount Maturing after one year Fair value Pair value Notional amount Notional amount Notional amount Notional after one year Fair value Pair value Accounts receivable, trade Y213 Y- (*) Chinese yuan Total Currency swap contracts: Receive / U.S. dollars and pay / Japanese yen Total Currency swap contracts: Receive / U.S. dollars and pay / Japanese yen Total Porward foreign currency exchange contracts: Buy: U.S. dollars and pay / Japanese yen Total Forward foreign currency exchange contracts: Buy: U.S. dollars Forecasted transactions of motion of the payable of the payable of the payable, trade Y1,847 Y- Y28 Euro Chinese yuan Thai baht payable, trade) Poil Transaction of payable, trade Table transactions of motion of the payable, trade Total Occounts receivable, trade Y213 Y- (*) Y- (*) Y- Y- Y- Y- Y- Y- Y- Y- Y- Y		Total		¥1,784	¥-	¥(83)
Method of hedge accounting Method of hedge accounting Forward foreign currency exchange contracts: Sell: U.S. dollars Chinese yuan Total Currency swap contracts: Receive / U.S. dollars And pay / Japanese yen Total Deferral hedge accounting Forward foreign currency exchange contracts: Buy: U.S. dollars Forward foreign currency exchange contracts: Receive / U.S. dollars Forward foreign currency exchange contracts: Buy: U.S. dollars Forward foreign currency exchange contracts: Buy: U.S. dollars Forward foreign currency exchange contracts: Buy: U.S. dollars Furo Forecasted transactions denominated in foreign Chinese yuan Thai baht British pounds Major hedged item Notional amount Maturing after one Notional amount Maturing after one Pair value Correcasted transactions and pay / 213 4- (*) 1				N		n
Method of hedge accounting Transaction Major hedged item Motional amount Maturing offer one year Forward foreign currency exchange contracts: Sell: U.S. dollars Chinese yuan Total Currency swap contracts: Receive / U.S. dollars and pay / Japanese yen Total Deferral hedge accounting Forward foreign currency exchange contracts: Buy: U.S. dollars Forecasted transactions denominated in foreign Chinese yuan Thai baht British pounds Major hedged item Notional Maturing after one year Fair value Forward foreign currency exchange contracts: Forward foreign currency exchange contracts: Forecasted transactions denominated in foreign currencies (Accounts payable, trade) 0 0 - 0 0						
Transaction Major hedged item Notional amount one year Fair value Allocation method Forward foreign currency exchange contracts: Sell: U.S. dollars Chinese yuan Total Currency swap contracts: Receive / U.S. dollars and pay / Japanese yen Total Deferral hedge accounting Forward foreign currency exchange contracts: Receive / U.S. dollars and pay / Japanese yen Total Forward foreign currency exchange contracts: Buy: U.S. dollars Euro Forecasted transactions denominated in foreign Thai baht Parity Accounts receivable, trade #213 #4- (*) 1				Contrac		
Exchange contracts: Sell: U.S. dollars Accounts receivable, trade Y213 Y- (*)		Transaction	Major hedged item		after	Fair value
Chinese yuan Total Total Y215 Y- (*)	Allocation method	exchange contracts:				
Total		U.S. dollars	Accounts receivable, trade	¥213	¥-	(*)
Currency swap contracts: Receive / U.S. dollars and pay / Japanese yen Total		Chinese yuan		1	_	(*)
Receive / U.S. dollars and pay / Japanese yen Long-term loans payable \frac{\pmathbb{\text{\frac{4}{300}}}{\pmathbb{\text{\frac{4}{300}}}} \frac{\pmathbb{\text{\frac{4}{300}}}{\pmathbb{\text{\frac{4}{300}}}} \frac{\pmathbb{\text{\frac{4}{300}}}{\pmathbb{\text{\frac{4}{300}}}} \frac{\pmathbb{\text{\frac{4}{300}}}{\pmathbb{\text{\frac{4}{300}}}} \frac{\pmathbb{\text{\frac{4}{300}}}}{\pmathbb{\text{\frac{4}{300}}} \frac{\pmathbb{\text{\frac{4}{300}}}}{\pmathbb{\text{\frac{4}{300}}}} \pmathbb{\text{\fra				¥215	¥-	(*)
Total		Receive / U.S. dollars	l ong-term loans pavable	V000	\/000	(4)
Deferral hedge accounting Forward foreign currency exchange contracts: Buy: U.S. dollars Euro Chinese yuan Thai baht Deferral hedge Euro Forecasted transactions Currencies (Accounts) Forecasted transactions Currencies (Accounts) Forecasted transactions Thai baht Deferral hedge Euro Forecasted transactions Currencies (Accounts) Forecasted transactions Thai baht Deferral hedge Euro Forecasted transactions Currencies (Accounts) Forecasted transactions Thai baht Deferral hedge Euro Forecasted transactions Thai payable, trade) Forecasted transactions Thai baht Deferral hedge Euro Forecasted transactions Thai baht Deferral hedge Forecasted transactions						(*)
accounting exchange contracts: Buy: U.S. dollars	Deferral hadra			¥300	¥300	(")
U.S. dollars	accounting	exchange contracts:				
Euro Forecasted transactions 706 - (56 Chinese yuan denominated in foreign currencies (Accounts payable, trade) 176 - 0 British pounds 0 - 0		•		¥1 847	¥_	¥28
Chinese yuan denominated in foreign currencies (Accounts 176 - 0 Thai baht payable, trade) 162 - 0 British pounds 0 - 0			Forecasted transactions			
Thai baht payable, trade) 162 - 0 British pounds 0 - 0			denominated in foreign		_	
British pounds 0 - 0					_	
			payable, traue)			
		British pounds		U	_	U

			Thousa	ands of U.S.	dollars
				2016	
			Contrac	t 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 Total	Long-term loans payable	\$2,640 \$2,640	\$2,640 \$2,640	(*) (*)
Deferral hedge accounting	Forward foreign currency exchange contracts: Buy: U.S. dollars Euro Chinese yuan Thai baht Sweden Krona	Forecasted transactions denominated in foreign currencies (Accounts payable, trade)	\$8,432 4,049 3,160 35 18	\$- - - -	\$(326) (220) (167) 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.

Interest-related transactions

			M	illions of yer	า
				2016	
			Contrac	t value	
Method of hedge accounting	Transaction	Major hedged item	Notional amount	Maturing after one year	Fair value
Special treatment of	Interest-rate swaps:	Long-term loans payable			
interest-rate swap	Receive / variable and pay / fixed		¥29,280	¥22,820	(*)
			M	illions of yer	ı
				2015	
			Contrac	t value	
Method of hedge accounting	Transaction	Major hedged item	Notional amount	Maturing after one year	Fair value
Special treatment of	Interest-rate swaps:	Long-term loans payable			
interest-rate swap	Receive / variable and pay / fixed		¥38,040	¥29,280	(*)

^(*)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.

			Thousa	nds of U.S.	dollars
				2016	
			Contrac	t value	
Method of hedge accounting	Transaction	Major hedged item	Notional amount	Maturing after one year	Fair value
Special treatment of	Interest-rate swaps:	Long-term loans payable			
interest-rate swap	Receive / variable and pay / fixed		\$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	0,0	0, .02	.0,00
supervisory board members	204	194	1,795
Retirement benefit expenses	3,285	4,355	28,912
Provision of accrued retirement benefits for directors	•	0	70
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



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 o		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.	Stores, etc.	Buildings and others	-	47	-
(Kita-ku, Osaka-shi)	•	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 realestate 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
201	16
¥3,825	\$33,665
3,667	32,274
¥7,492	\$65,939
	¥3,825 3,667

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
	201	16
Store closures:		
Parco Co., Ltd. (Chiba Parco)		
Provision for loss on business liquidation Loss on impairment of fixed assets	¥1,052 656	\$9,259 5,774
Parco Space Systems Co., Ltd.	000	0,774
Loss on impairment of fixed assets Neuve A Co., Ltd.	10	88
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	

2 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.

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:		Millions of y	en	Thousands of U.S. dollars
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: 3 2 (2,535 Net unrealized deferred loss on hedging instruments: 3 3 (2,535) (7) (484 Before tax effect (55) (7) (484 4 4 484 4 4 484 4 4 484 4 4 484 4 4 484 4 4 484 4 4 484 4 4 484 4 4 484 4 4 484 4 4 4 484 4 4 4 4 4 4 4 4 4 4 4 4 4 4		2016	2015	2016
Reclassification adjustments for gain included in net income (899) (2,698) (7,912) Before tax effect (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) Before tax effect (55) (7) (484) Before tax effect (55) (7) (484) Total (37) (5) (326) Foreign currency translation adjustments: Amount arising during the year (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	Net unrealized holding (loss) gain on securities:			
included in net income 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) 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 (loss) of unconsolidated subsidiaries and affiliates accounted for by equity method: Amount arising during the year (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 (8,864) (6) (1,655) Amount of acquisition cost adjustment (188) (6) (1,655) Amount of acquisition cost adjustment (277) - (2,438) Total (2,438)	Amount arising during the year	¥321	¥2,692	\$2,825
Tax effect 289 8 2,544 Total (288) 2 (2,535 Net unrealized deferred loss on hedging instruments:		(899)	(2,698)	(7,912)
Total	Before tax effectt	(578)	(6)	(5,087)
Net unrealized deferred loss on hedging instruments: Amount arising during the year Before tax effect Total To	Tax effect	289	8	2,544
instruments:	Total	(288)	2	(2,535)
Before tax effect				
Tax effect 17 2 150 Total (37) (5) (326 Foreign currency translation adjustments: X X X (1294 Amount arising during the year (147) 242 (1,294 Total (147) 242 (1,294 Retirement benefit liability adjustments: X X X (5,864) - (51,611) X X X (51,611) X <	Amount arising during the year	(55)	(7)	(484)
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	Before tax effect	(55)	(7)	(484)
Foreign currency translation adjustments: Amount arising during the year Total Retirement benefit liability adjustments: Amount arising during the year Amount arising during the year (5,864) Reclassification adjustments for loss included in net income Before tax effect Tax effect Total Total Total Total Reclassification adjustments for loss included in net income Total	Tax effect	17	2	150
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 (147) 242 (1,294) T	Total	(37)	(5)	(326)
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 (5,20) 2,799	Foreign currency translation adjustments:			
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	Amount arising during the year	(147)	242	(1,294)
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 (1088) Amount of acquisition cost adjustment (277) - (2,438) Total 318 (52) 2,799	Total	(147)	242	(1,294)
Reclassification adjustments for loss included in net income Before tax effect Tax effect Total Share of other comprehensive income (loss) of unconsolidated subsidiaries and affiliates accounted for by equity method: Amount arising during the year Reclassification adjustments for gain included in net income Amount of acquisition cost adjustment Total 1,066 - 9,382 (4,798) - (42,228 (3,654) - (32,160 (3,654) - (32,160 (3,654) - (32,160 (46) 6,909 (46) 6,909 (188) (6) (1,655 (2,438) (52) 2,799	Retirement benefit liability adjustments:			
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: - - (46) 6,909 Reclassification adjustments for gain included in net income (188) (6) (1,655) Amount of acquisition cost adjustment (2777) - (2,438) Total 318 (52) 2,799	Amount arising during the year	(5,864)	-	(51,611)
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		1,066	_	9,382
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 (3,654) - (32,160)	Before tax effect		-	(42,228)
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	Tax effect	1,144	_	10,069
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	(3,654)	-	(32,160)
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	of unconsolidated subsidiaries and			
included in net income (188) (6) (1,655 Amount of acquisition cost adjustment (277) – (2,438 Total 318 (52) 2,799	Amount arising during the year	785	(46)	6,909
Total 318 (52) 2,799		(188)	(6)	(1,655)
	Amount of acquisition cost adjustment	(277)	_	(2,438)
Total other comprehensive (loss) income \(\frac{\pmathbf{4}(3,810)}{\pmathbf{5}}\) \(\pmathbf{1}86\) \(\pmathbf{5}(33,533)	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 ye	en	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 y	ren	Thousands of U.S. dollars
	2016	2015	2016
Net income attributable to common stockholders	¥26,313	¥19,967	\$231,588
	Thous	ands of shares	
	201	6	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	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
	Thou	sands of shares	3
	20 ⁻	16	2015
Number of shares of common stock used in the calculation of net assets per share	26 ⁻	1,543	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.



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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)

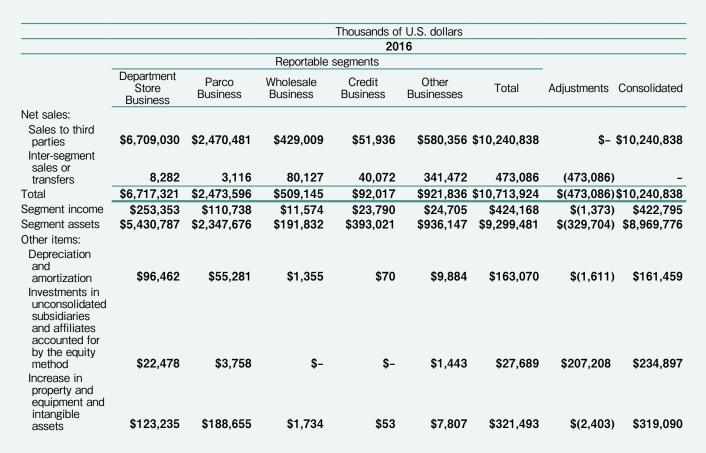
As described in Note 3 "Accounting Change," effective from the year ended February 29, 2016, revised accounting standards for retirement benefits were adopted and the method of calculating the retirement benefit obligation and service cost was changed. Accordingly, the method for calculating the retirement 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:

					of yen			
				20	16			
			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 and amortization Investments in unconsolidated subsidiaries and affiliates accounted	¥10,960	¥6,281	¥154	¥8	¥1,123	¥18,528	¥(183)	¥18,345
for by the equity method Increase in property	¥2,554	¥427	¥-	¥-	¥164	¥3,146	¥23,543	¥26,689
and equipment and intangible assets	¥14,002	¥21,435	¥197	¥6	¥887	¥36,528	¥(273)	¥36,255

					of yen			
			Reportable		15			
	Department Store Business	Parco Business	Wholesale Business	Credit Business	Other Businesses	Total	Adjustments	Consolidated
Net sales:								
Sales to third parties Inter-segment sales or	¥758,964	¥273,914	¥50,954	¥5,362	¥60,333	¥1,149,529	¥-	¥1,149,529
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 Investments in unconsolidated subsidiaries and	¥10,747	¥5,938	¥172	¥9	¥1,248	¥18,116	¥(152)	¥17,963
affiliates accounted for by the equity method Increase in property and equipment and intangible assets	¥3,861 ¥10,359	¥105 ¥11,624	¥- ¥145	¥- ¥5	¥163 ¥1,217	¥4,130 ¥23,353	ŕ	¥15,438 ¥23,219



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 \(\frac{\pmathrm{\text{47,461}}}{37,461}\) million (\(\frac{\pmathrm{\text{329,704}}}{396}\) thousand) and \(\frac{\pmathrm{\text{42,662}}}{41,502}\) million, unrealized profit on fixed assets of \(\frac{\pmathrm{\text{41,502}}}{13,220}\) thousand) and \(\frac{\pmathrm{\text{41,502}}}{13,220}\) thousand) and \(\frac{\pmathrm{\text{41,527}}}{13,220}\) million, and assets of the Company, which are not attributable to any reportable segments, of \(\frac{\pmathrm{\text{438,246}}}{336,613}\) thousand) and \(\frac{\pmathrm{\text{430,307}}}{307}\) 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 \(\xi23,543\) million (\\$207,208\) thousand) and \(\xi11,308\) 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 intersegment 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:

			N 4'11'	- (
			Millions				
			201	16			
		Reportable	e 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			
			201	5			
		Reportable	e segments				
Department Store Business	Parco Business	Wholesale Business	Credit Business	Credit Other To		Corporate and elimination	Consolidated
¥11	¥ 682	¥232	¥ -	¥58	¥985	¥-	¥985
			Thousands of	U.S. dollars			
			201	16			
		Reportable	e 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:

					s of yen			
			Danautalala		16			
	Danartmant	Reportable segments						
	Department Store Business	Parco Business	Wholesale Business	Credit Business	Other Businesses	Total	Corporate and elimination	Consolidated
Amortization of goodwill	¥-	¥358	¥-	¥-	· ¥14	1 ¥499) ¥-	¥499
Remaining balance	¥-	¥568	¥-	¥-	. ¥	- ¥568	3 ¥-	¥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 Remaining	¥-	¥349	¥-	¥-	¥28	3 ¥632	2 ¥-	¥632
balance	¥-	¥873	¥-	¥-	¥1,13	2 ¥2,005	5 ¥-	¥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	\$-	\$-	\$1,24	1 \$4,392	2 \$-	\$4,392
Remaining balance	\$-	\$4,999	\$-	\$-	. \$	5- \$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



Independent Auditor's Report

The Board of Directors
J. FRONT RETAILING Co., Ltd.

We have audited the accompanying consolidated financial statements of J. FRONT RETAILING Co., Ltd. and its consolidated subsidiaries, which comprise the consolidated balance sheet as at February 29, 2016, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of J. FRONT RETAILING Co., Ltd. and its consolidated subsidiaries as at February 29, 2016, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Convenience Translation

We have reviewed the translation of these consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying consolidated financial statements have been properly translated on the basis described in Note 1.

May 30, 2016 Osaka, Japan Ernst se Young Shin Riham LLC





