Notes to Consolidated Financial Statements

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

February 28, 2017

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.

Certain amounts in prior year's financial statements have been reclassified to conform to the current year's presentation.

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 ¥112.75 = U.S. $1.00, the exchange rate prevailing on February 28, 2017. 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.

On September 1, 2016, Daimaru Com Development Co., Ltd., a consolidated subsidiary of the Company, was merged into Daimaru Matsuzakaya Department Stores Co., Ltd., another consolidated subsidiary of the Company. JFR Office Support Co., Ltd. and JFR Consulting Co., Ltd., consolidated subsidiaries of the Company, were merged into JFR Service Co., Ltd., another consolidated subsidiary of the Company, on the same day.

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.

SAN-A PARCO, Inc. has been newly included within the scope of application of the equity method from the current year ended February 28, 2017 because PARCO CO., LTD., a consolidated subsidiary of the Company and one other investor jointly established SAN-A PARCO, Inc. on December 20, 2016.

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. 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 "Non-controlling 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 straight-line method.

The principal estimated useful lives are as follows:

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

(h)Leases

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

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

(i)Goodwill

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

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

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

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

(k)Deferred income taxes

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

(l)Derivative financial instruments and hedging activities

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

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

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

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

(m)Distribution of retained earnings

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

(n)Provisions

i)Provision for bonuses to employees

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

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

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

iii)Provision for sales returns

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

iv)Provision for loss on books unsalable

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

v)Provision for sales promotion expense

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

vi)Provision for loss on utilization of gift certificates

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

vii)Provision for loss on business liquidation

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

viii)Provision for loss on store reconstruction

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

(o)Retirement benefits

Asset for retirement benefits and liability for retirement benefits have been provided principally at an amount calculated based on the retirement benefit obligation and the fair value of the pension plan assets. The estimated benefit is attributed to each period by the benefit formula method.

Prior service cost is amortized as incurred primarily by the straight-line method over periods of principally 11 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 11 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 benefits 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.

(p)Additional Information

Accounting Treatment for Redevelopment Project

Under Article 7-9, Paragraph 1, of the Urban Redevelopment Act, PARCO CO., LTD., a consolidated subsidiary was approved as an individual developer of a "First-type urban redevelopment project in the 14-15 district Udagawa-cho" by the Tokyo Metropolitan Urban Development Bureau on August 3, 2016. PARCO CO., LTD., started the redevelopment project as the developer of an urban area redevelopment project, including store reconstruction of Shibuya PARCO.

Since PARCO CO., LTD., is the only developer of this redevelopment project, the accounting records as the developer of the redevelopment project such as the receipts related to construction costs and contractor payments are included in the accompanying consolidated financial statements as of and for the year ended February 28, 2017.

As a result of this accounting treatment, cash and deposits, and other current assets decreased by ¥4,476 million ($39,698 thousand) and ¥57 million ($505 thousand), respectively, and inventories, advances received and other current liabilities increased by ¥6,406 million ($56,815 thousand), ¥1,460 million ($12,949 thousand) and ¥413 million ($3,662 thousand), respectively. Also, the Company recorded the related cash flows from the operating activities as "increases in inventories" and "other, net" of cash flow from operating activities in the accompanying consolidated statement of cash flows for the year ended February 28, 2017, in the amounts of ¥6,406 million ($56,815 thousand) and ¥1,930 million ($17,117 thousand), respectively.

3 Accounting Changes

(a)Application of Accounting Standard for Business Combinations, etc.

Effective March 31, 2016, the Company and its domestic consolidated subsidiaries adopted "Accounting Standard for Business Combinations" (Accounting Standards Board of Japan ("ASBJ") Statement No. 21, revised on September 13, 2013), "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22, revised on September 13, 2013), "Accounting Standard for Business Divestitures" (ASBJ Statement No. 7, revised on September 13, 2013) and other standards. Under these accounting standards, differences resulting from changes in ownership interest in a subsidiary when control over the subsidiary is retained by the parent are recognized under capital surplus, and acquisition-related costs are recorded as expenses for the period in which they arise. Effective for business combinations conducted on or after March 1, 2016, any changes in the allocation of the acquisition price arising from the finalization of the provisional accounting treatment are reflected in the consolidated financial statements for the year in which the business combination occurs.

In addition, the presentation caption of net income attributable to owners of the parent was amended and the reference to "minority interests" was changed to "non-controlling interests."

Effective March 1, 2016, these revised standards are applied prospectively in accordance with the transitional treatment provided in Article 58-2(4) of ASBJ Statement No.21, Article 44-5(4) of ASBJ Statement No.22 and Article 57-4(4) of ASBJ Statement No.7.

There was no effect on the consolidated financial statements as of and for the year ended February 28, 2017 as a result of the application of these revised accounting standards.

(b)Changes in the depreciation method of property and equipment

Although the Company and its domestic consolidated subsidiaries previously mainly applied the declining-balance method for depreciation of property and equipment (excluding leased assets) other than buildings and structures, effective from the fiscal year ended February 28, 2017, the straight-line method has been applied for depreciation of all items of property and equipment.

The Company reassessed the Group's investment strategy in line with the recent execution and planning of large-scale investments by Daimaru Matsuzakaya Department Stores Co., Ltd. and PARCO CO., LTD. Also, the Company revalidated the profit structures of the Group's property and equipment in line with the proactive expansion of a stable business model involving the fixing of rent income in PARCO CO., LTD. and others.

As a result, the Company concluded that the straight-line method is more appropriate to reflect depreciation for each period than the declining-balance method by allocating the cost to each year equally through the useful life.

As a result of this change, operating income, ordinary income and income before income taxes for the year ended February 28, 2017 increased by ¥1,453 million ($12,886 thousand) compared with the amounts that would have been recorded under the previous method.

The effect of this change on each segment are shown in Note 27 "Segment Information" of these Notes of Consolidated Financial Statements.

(c)Changes in amortization period of prior service costs and actuarial gain and loss for accounting related to retirement benefits

Effective from the year ended February 28, 2017, certain consolidated subsidiaries changed the amortization period of prior service costs and actuarial gain and loss from 12 years to 11 years because the average remaining years of service of the employees has decreased.

The effect of this change on the accompanying consolidated financial statements for the year ended February 28, 2017 was immaterial.

4 Standards Issued but Not Yet Effective

Implementation Guidance on Recoverability of Deferred Tax Assets

On March 28, 2016, the ASBJ issued "Implementation Guidance on Recoverability of Deferred Tax Assets" (ASBJ Guidance No.26), which basically transferred the accounting guidance included in the Japanese Institute of Certified Public Accountants Audit Committee Report No.66 "Audit Treatment on Determining the Recoverability of Deferred Tax Assets" (JICPA Report No.66) to the ASBJ. The ASBJ basically continues to apply the framework of the JICPA Report No.66, whereby companies are categorized into five categories and deferred tax assets are calculated based on each of these categories. However, the ASBJ conducted a necessary review regarding the partial accounting treatments for the categorizing criteria and recoverability of deferred tax assets and established the guidance in applying "Accounting Standard for Tax Effect Accounting" (Business Accounting Council of Japan), regarding the recoverability for deferred tax assets.

(1)Treatment is clarified for entities that do not meet the criteria for any of the five categories.

(2)Criteria for classifying entities as “Category 2” or “Category 3” is changed from ordinary income to taxable income in the absence of infrequent or unusual events.

(3)For “Category 2” entities, deferred tax assets attributable to deductible temporary differences for which scheduling the timing of the reversals is not possible are considered to be realizable if certain conditions are met.

Under Audit Committee Report No.66, deferred tax assets are considered to be realizable to the extent not exceeding the amount based on a scheduling of future reversals of temporary differences.

(4)For “Category 3” entities, the future period of estimated taxable income can be estimated in excess of five years if certain conditions are met.

Under Audit Committee Report No.66, the future estimable period is generally limited to five years.

(5)For entities classified as “Category 4,” they can be treated as “Category 2” or “Category 3” if certain conditions are met and such entities can use the methods of measurement of deferred tax assets stipulated in “Category 2” or “Category 3.”

The effect of adopting this revised implementation guidance on the consolidated financial statements was not evaluated as the Group will voluntarily adopt International Financial Reporting Standards from the fiscal year ending February 28, 2018.

5 Inventories

Inventories at February 28, 2017 and February 29, 2016 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Merchandise and finished goods	**¥26,814**	¥27,085	**$237,818**
Work in process	**917**	826	**8,133**
Real estate for sale in process	**6,406**	–	**56,815**
Raw materials and supplies	**359**	294	**3,184**
	¥34,499	¥28,205	**$305,977**

6 Accumulated Depreciation

Accumulated depreciation (including accumulated impairment losses) of property and equipment at February 28, 2017 and February 29, 2016 amounted to ¥283,063 million ($2,510,536 thousand) and ¥291,437 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 ¥5,829 million ($51,698 thousand) and ¥4,990 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 ¥328 million ($2,909 thousand) and ¥757 million, loss on impairment of fixed assets of ¥341 million ($3,024 thousand) and ¥57 million and loss on business liquidation of ¥288 million ($2,554 thousand) and ¥225 million related to rental properties were recognized for the years ended February 28, 2017 and February 29, 2016, respectively. In addition, gain on sales of fixed assets related to rental properties amounted to ¥1,330 million ($11,796 thousand) for the year ended February 28, 2017.

	Millions of yen			
	Carrying value			Fair value
	March 1, 2016	Net change	February 28, 2017	February 28, 2017
Rental properties	**¥119,556**	**¥111,689**	**¥231,245**	**¥228,060**

	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

	Thousands of U.S. dollars			
	Carrying value			Fair value
	March 1, 2016	Net change	February 28, 2017	February 28, 2017
Rental properties	**$1,060,363**	**$990,589**	**$2,050,953**	**$2,022,705**

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 ¥110,450 million ($979,600 thousand) due to the urban redevelopment project in the Ginza 6-chome district and ¥3,008 million ($26,678 thousand) due to acquisitions of real estate and the decrease of ¥2,385 million ($21,152 thousand) due to depreciation for the year ended February 28, 2017. The main components of net change in carrying value include the increases of ¥6,294 million due to acquisitions of real estate and ¥6,182 million due to changes in the purpose of ownership and the decrease of ¥2,187 million due to depreciation for the year ended February 29, 2016.

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.Construction of south building of Matsuzakaya Ueno store, whose consolidated balance sheet amount was ¥73,635 million ($653,082 thousand) as of February 28, 2017, 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.

5.The urban redevelopment project in the Ginza 6-chome district, whose consolidated balance sheet amount was ¥129,754 million as of February 29, 2016, involves the development of large-scale commercial facilities and was still in the development stage as of February 29, 2016. Since it was extremely difficult to determine the fair value due to these reasons, the carrying value and the fair value of the project as of February 29, 2016 are not included in the above table.

8 Pledged Assets and Secured Liabilities

The carrying value of assets pledged as collateral and the corresponding liabilities secured by collateral at February 28, 2017 and February 29, 2016 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Assets pledged as collateral:			
Inventories	**¥53**	¥51	**$470**
Land	**10,798**	10,798	**95,769**
Buildings and structures, net	**10,458**	10,779	**92,753**
Investment securities	**455**	265	**4,035**
Total	**¥21,766**	¥21,894	**$193,046**
Liabilities secured by collateral:			
Notes and accounts payable – trade	**¥430**	¥524	**$3,813**
Short-term loans payable	**200**	1,000	**1,773**
Long-term loans payable	**1,425**	1,625	**12,638**
Total	**¥2,055**	¥3,149	**$18,226**

9 Assets in Trust

The carrying value of assets in trust at February 28, 2017 and February 29, 2016 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Assets in trust:			
Land	**¥43,956**	¥43,956	**$389,853**
Buildings and structures, net	**15,604**	16,858	**138,394**
Other property and equipment, net	**171**	208	**1,516**
Total	**¥59,732**	¥61,024	**$529,773**

10 Securities

Information regarding marketable securities classified as other securities at February 28, 2017 and February 29, 2016 is summarized as follows:

	Millions of yen					
	2017			2016		
	Carrying value	Acquisition cost	Unrealized gain (loss)	Carrying value	Acquisition cost	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition cost:						
Equity securities	**¥8,870**	**¥5,747**	**¥3,122**	¥8,932	¥5,275	¥3,656
Debt securities	**3,944**	**3,926**	**17**	4,788	4,758	30
Subtotal	**12,814**	**9,674**	**3,140**	13,720	10,034	3,686
Securities whose carrying value does not exceed their acquisition cost:						
Equity securities	**1,527**	**1,638**	**(111)**	3,037	3,550	(513)
Debt securities	**2,006**	**2,022**	**(15)**	193	200	(6)
Subtotal	**3,534**	**3,660**	**(126)**	3,231	3,750	(519)
Total	**¥16,348**	**¥13,335**	**¥3,013**	¥16,951	¥13,785	¥3,166

	Thousands of U.S. dollars		
	2017		
	Carrying value	Acquisition cost	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition cost:			
Equity securities	**$78,669**	**$50,971**	**$27,689**
Debt securities	**34,980**	**34,820**	**150**
Subtotal	**113,649**	**85,800**	**27,849**
Securities whose carrying value does not exceed their acquisition cost:			
Equity securities	**13,543**	**14,527**	**(984)**
Debt securities	**17,791**	**17,933**	**(133)**
Subtotal	**31,343**	**32,461**	**(1,117)**
Total	**$144,993**	**$118,270**	**$26,722**

Sales of securities classified as other securities and the aggregate gain and loss for the years ended February 28, 2017 and February 29, 2016 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Equity securities:			
Sales proceeds	**¥3,232**	¥2,763	**$28,665**
Aggregate gain	**1,283**	960	**11,379**
Aggregate loss	**23**	–	**203**

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 years ended February 28, 2017 and February 29, 2016.

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 0.37% and 0.49% at February 28, 2017 and February 29, 2016, respectively.

The annual weighted-average interest rates applicable to commercial papers were 0.001% and 0.02% at February 28, 2017 and February 29, 2016, respectively.

Long-term debt and lease obligations at February 28, 2017 and February 29, 2016 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Bonds payable without collateral due through November 2017, with an annual interest rate of 0.49%	**¥12,000**	¥12,000	**$106,430**
Bonds payable without collateral due through August 2020, with an annual interest rate of 0.30%	**10,000**	10,000	**88,691**
Bonds payable without collateral due through August 2022, with an annual interest rate of 0.46%	**5,000**	5,000	**44,345**
Loans payable, due through January 2027, with an annual weighted-average interest rate of 0.63%	**118,680**	114,685	**1,052,594**
Lease obligations due through August 2024	**4,758**	2,312	**42,199**
	150,438	143,997	**1,334,261**
Less current portion	**(41,789)**	(32,588)	**(370,634)**
	¥108,649	¥111,409	**$963,628**

The aggregate annual maturities of bonds payable, long-term loans payable and lease obligations subsequent to February 28, 2017 are summarized as follows:

	Millions of yen		
Years ending February 28 or 29,	Bonds payable	Long-term loans payable	Lease obligations
2018	**¥12,000**	**¥28,960**	**¥829**
2019	**–**	**18,060**	**623**
2020	**–**	**12,700**	**519**
2021	**10,000**	**19,280**	**406**
2022	**–**	**11,180**	**240**
2023 and thereafter	**5,000**	**28,500**	**2,141**
	¥27,000	**¥118,680**	**¥4,758**

	Thousands of U.S. dollars		
Years ending February 28 or 29,	Bonds payable	Long-term loans payable	Lease obligations
2018	**$106,430**	**$256,851**	**$7,352**
2019	**–**	**160,177**	**5,525**
2020	**–**	**112,638**	**4,603**
2021	**88,691**	**170,997**	**3,600**
2022	**–**	**99,157**	**2,128**
2023 and thereafter	**44,345**	**252,771**	**18,988**
	$239,467	**$1,052,594**	**$42,199**

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 an 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 28, 2017 and February 29, 2016

1.The changes in the retirement benefit obligation for the years ended February 28, 2017 and February 29, 2016 are outlined as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Balance at beginning of the year	**¥69,128**	¥67,737	**$613,108**
Cumulative effect of change in accounting policy	**–**	4,705	**–**
Restated balance at beginning of the year	**69,128**	72,443	**613,108**
Service cost	**2,275**	2,339	**20,177**
Interest cost	**118**	278	**1,046**
Actuarial loss	**227**	700	**2,013**
Benefits paid	**(5,842)**	(6,644)	**(51,813)**
Prior service cost	**–**	10	**–**
Balance at end of the year	**¥65,906**	¥69,128	**$584,532**

*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 28, 2017 and February 29, 2016 are outlined as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Balance at beginning of the year	**¥42,108**	¥48,087	**$373,463**
Expected return on plan assets	**746**	794	**6,616**
Actuarial gain (loss)	**4,088**	(5,152)	**36,257**
Contributions paid by the Group	**1,379**	1,954	**12,230**
Benefits paid	**(3,284)**	(3,576)	**(29,126)**
Balance at end of the year	**¥45,039**	¥42,108	**$399,458**

3.The balance of retirement benefit obligation and plan assets at fair value and the amounts recognized in the consolidated balance sheet at February 28, 2017 and February 29, 2016 are outlined as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Funded retirement benefit obligations	**¥36,538**	¥39,218	**$324,062**
Plan assets at fair value	**(45,039)**	(42,108)	**(399,458)**
	(8,501)	(2,889)	**(75,396)**
Unfunded retirement benefit obligation	**29,368**	29,909	**260,470**
Net liability for retirement benefits recognized in consolidated balance sheet	**20,866**	27,020	**185,064**
Liability for retirement benefits	**31,605**	32,707	**280,310**
Asset for retirement benefits	**10,738**	5,687	**95,237**
Net liability for retirement benefits recognized in consolidated balance sheet	**¥20,866**	¥27,020	**$185,064**

4.The components of retirement benefit expenses for the years ended February 28, 2017 and February 29, 2016 are outlined as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Service cost	**¥2,275**	¥2,339	**$20,177**
Interest cost	**118**	278	**1,046**
Expected return on plan assets	**(746)**	(794)	**(6,616)**
Amortization of actuarial loss	**1,701**	931	**15,086**
Amortization of prior service cost	**146**	134	**1,294**
Other	**231**	204	**2,048**
Retirement benefit expenses	**¥3,727**	¥3,093	**$33,055**

5.The components of retirement benefits adjustments included in other comprehensive income (before tax effects) for the years ended February 28, 2017 and February 29, 2016 are outlined as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Prior service cost	**¥146**	¥123	**$1,294**
Actuarial gain (loss)	**5,563**	(5,292)	**49,339**
Total	**¥5,709**	¥(5,168)	**$50,634**

6.The components of retirement benefits adjustments included in accumulated other comprehensive income (before tax effect) at February 28, 2017 and February 29, 2016 are outlined as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Unrecognized prior service cost	**¥(1,729)**	¥(1,876)	**$(15,334)**
Unrecognized actuarial loss	**(9,991)**	(15,554)	**(88,611)**
Total	**¥(11,721)**	¥(17,431)	**$(103,955)**

7.The fair value of plan assets, by major category, as a percentage of total plan assets at February 28, 2017 and February 29, 2016 is as follows:

	2017	2016
Debt securities	32%	33%
Equity securities	46	42
General accounts at life insurance companies	12	13
Cash and deposits	1	3
Other	8	9
Total	100%	100%

The total pension plan assets include 30% (23% in equity securities and 7% in cash and deposits) and 26% (24% in equity securities and 1% in cash and deposits) of the retirement benefits trust for the corporate pension fund plans as of February 28, 2017 and February 29, 2016, 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:

	2017	2016
Discount rates	0.08% to 0.59%	0.12% to 0.59%
Expected long-term rates of return on plan assets	1.0% to 2.0%	1.0% to 2.0%
Expected rate of salary increase	Primarily 3.8%	Primarily 3.8%

(3)Defined contribution pension plans for the years ended February 28, 2017 and February 29, 2016

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Contributions to defined contribution pension plans	¥353	¥360	$3,130

13 Leases

(1)Lessee's accounting

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

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

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

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

The following amounts represent the acquisition cost, accumulated depreciation, accumulated loss on impairment, and net book value of the leased assets at February 28, 2017 and February 29, 2016, 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			
	2017			
	Acquisition cost	Accumulated depreciation	Accumulated loss on impairment	Net book value
Leased assets:				
Machinery, equipment, tools, furniture and fixtures	**¥185**	**¥176**	**–**	**¥9**

	Millions of yen			
	2016			
	Acquisition cost	Accumulated depreciation	Accumulated loss on impairment	Net book value
Leased assets:				
Machinery, equipment, tools, furniture and fixtures	¥532	¥486	¥9	¥36

	Thousands of U.S. dollars			
	2017			
	Acquisition cost	Accumulated depreciation	Accumulated loss on impairment	Net book value
Leased assets:				
Machinery, equipment, tools, furniture and fixtures	**$1,640**	**$1,560**	**–**	**$79**

The amounts in the above table include the interest portion.

Lease payments relating to finance leases accounted for as operating leases for the years ended February 28, 2017 and February 29, 2016 totaled ¥17 million ($150 thousand) and ¥42 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 ¥17 million ($150 thousand) and ¥40 million for the years ended February 28, 2017 and February 29, 2016, respectively. Reversal of accumulated loss on impairment of the leased assets for the year ended February 29, 2016 totaled ¥1 million.

Future minimum lease payments (including the interest portion thereon) subsequent to February 28, 2017 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
2018	**¥8**	**$70**
2019 and thereafter	**0**	**0**
Total	**¥9**	**$79**

2.Operating leases

Future minimum lease payments subsequent to February 28, 2017 for noncancelable operating leases were as follows:

Years ending February 28 or 29,	Millions of yen	Thousands of U.S. dollars
2018	**¥4,179**	**$37,064**
2019 and thereafter	**22,394**	**198,616**
Total	**¥26,574**	**$235,689**

(2)Lessor's accounting

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

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

The following amounts represent the acquisition cost, accumulated depreciation and net book value of the leased assets at February 28, 2017 and February 29, 2016, 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					
	2017			2016		
	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	**¥81**	**¥79**	**¥1**	¥270	¥261	¥9

	Thousands of U.S. dollars		
	2017		
	Acquisition cost	Accumulated depreciation	Net book value
Leased assets:			
Machinery, equipment, tools, furniture and fixtures included in "Other, net" in property and equipment	**$718**	**$700**	**$8**

Lease income relating to finance leases accounted for as operating leases for the years ended February 28, 2017 and February 29, 2016 totalled ¥7 million ($62 thousand) and ¥25 million, respectively. Depreciation expense of the leased assets computed by the straight-line method over the respective lease terms amounted to ¥7 million ($62 thousand) and ¥25 million for the years ended February 28, 2017 and February 29, 2016, respectively.

No loss on impairment was allocated to any leased assets for the years ended February 28, 2017 and February 29, 2016.

Future minimum lease receivables (including the interest portion thereon) subsequent to February 28, 2017 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
2018	¥1	$8
2019 and thereafter	–	–
Total	¥1	$8

2.Operating leases

Future minimum lease receivables subsequent to February 28, 2017 for noncancelable operating leases were as follows:

Years ending February 28 or 29,	Millions of yen	Thousands of U.S. dollars
2018	¥3,347	$29,685
2019 and thereafter	9,678	85,835
Total	¥13,025	$115,521

14 Shareholders' Equity

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

The capital reserve included in capital surplus amounted to ¥7,500 million ($66,518 thousand) at February 28, 2017 and February 29, 2016. In addition, the legal reserve included in retained earnings amounted to nil at February 28, 2017 and February 29, 2016.

(2)Movements in shares issued and treasury stock during the years ended February 28, 2017 and February 29, 2016 are summarized as follows:

	Number of shares			
	2017			
	March 1, 2016	Increase	Decrease	February 28, 2017
Shares issued:				
Common stock	268,119,164	–	–	268,119,164
Treasury stock:				
Common stock	6,575,238	7,146	8,790	6,573,594

The increase in treasury stock of 7,146 shares is due to the purchase of shares less than one voting unit by the Company for the year ended February 28, 2017. The decrease in treasury stock consists of 290 shares resulting from the sale of shares less than one voting unit by the Company and 8,500 shares resulting from the exercise of stock options for the year ended February 28, 2017.

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

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

(3)Stock option plans

Descriptions of each stock option plan at February 28, 2017 are as follows:

Stock option plans	No.5 plan (*1)
Individuals covered by the plan	Directors: 8 Audit and supervisory board members: 5
Type and number of shares to be issued upon the exercise of the stock subscription rights (*3)	31,500 shares of common stock
Grant date	May 25, 2006 (*2)
Vesting conditions	None
Vesting period	None
Exercise period	From September 3, 2007 to July 14, 2026

*1 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.
*2 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.
*3 The number of shares in the above table are adjusted to reflect the consolidation of two shares into one share on September 1, 2014.

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

	No.5 plan
Number of stock options: (*1)	
Non-vested	
Outstanding at March 1, 2016	–
Granted	–
Forfeited	–
Vested	–
Outstanding at February 28, 2017	–
Vested	
Outstanding at March 1, 2016	**8,500**
Vested	–
Exercised	**8,500**
Forfeited	–
Outstanding at February 28, 2017	–
Exercise price (Yen)	**¥1**
Average stock price at exercise (Yen)	**¥1,380**
Fair value at grant date (Yen)	**¥1,666(*1)**
Exercise price (U.S. dollars)	**$8**
Average stock price at exercise (U.S. dollars)	**$12,239**
Fair value at grant date (U.S. dollars)	**$14,776**

*1 The amounts are adjusted to reflect the consolidation of two shares into one share on September 1, 2014.

During the year ended February 28, 2017, no stock options were granted.

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

Stock subscription rights as stock options of nil and ¥14 million were recorded as of February 28, 2017 and February 29, 2016.

15 Financial Instruments

Overview

(a)Policy for financial instruments

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

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

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

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

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

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

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

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

Fair Value of Financial Instruments

The carrying value of financial instruments on the consolidated balance sheet, fair value and the difference as of February 28, 2017 and February 29, 2016, 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					
	2017			2016		
	Carrying value	Fair value	Difference	Carrying value	Fair value	Difference
(1)Cash and deposits	**¥36,318**	**¥36,318**	**¥–**	¥32,439	¥32,439	¥–
(2)Notes and accounts receivable – trade	**68,997**	**68,997**	**–**	68,049	68,049	–
(3)Securities and investment securities:						
Other securities	**16,348**	**16,348**	**–**	16,951	16,951	–
Investments in affiliates	**11,816**	**9,428**	**(2,388)**	11,980	8,128	(3,851)
(4)Deposits and guarantees	**36,028**	**35,621**	**(406)**	36,679	36,304	(374)
Total assets	**¥169,509**	**¥166,714**	**¥(2,794)**	¥166,099	¥161,873	¥(4,225)
(5)Notes and accounts payable – trade	**87,964**	**87,964**	**–**	90,768	90,768	–
(6)Short-term loans payable	**8,320**	**8,320**	**–**	8,439	8,439	–
(7)Commercial papers	**33,799**	**33,799**	**–**	30,798	30,798	–
(8)Income taxes payable	**7,125**	**7,125**	**–**	8,322	8,322	–
(9)Bonds payable	**27,000**	**27,117**	**117**	27,000	27,260	260
(10)Long-term loans payable	**118,680**	**119,264**	**584**	114,685	115,951	1,266
Total liabilities	**¥282,889**	**¥283,592**	**¥702**	¥280,013	¥281,540	¥1,527
Derivative transactions (*)	**¥11**	**¥11**	**¥–**	¥(83)	¥(83)	¥–

	Thousands of U.S. dollars		
	2017		
	Carrying value	Fair value	Difference
(1)Cash and deposits	$322,110	$322,110	$–
(2)Notes and accounts receivable – trade	611,946	611,946	–
(3)Securities and investment securities:			
Other securities	144,993	144,993	–
Investments in affiliates	104,798	83,618	(21,179)
(4)Deposits and guarantees	319,538	315,929	(3,600)
Total assets	$1,503,405	$1,478,616	$(24,780)
(5)Notes and accounts payable – trade	780,168	780,168	–
(6)Short-term loans payable	73,791	73,791	–
(7)Commercial papers	299,769	299,769	–
(8)Income taxes payable	63,192	63,192	–
(9)Bonds payable	239,467	240,505	1,037
(10)Long-term loans payable	1,052,594	1,057,773	5,179
Total liabilities	$2,508,993	$2,515,228	$6,226
Derivative transactions (*)	$97	$97	$–

*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
	2017	2016	2017
Unlisted stocks	¥18,772	¥19,286	$166,492
Deposits and guarantees	¥26,154	¥26,303	$231,964
Long-term guarantee deposits received	¥28,646	¥31,820	$254,066

Long-term guarantee deposits received are included in "Other" in non-current liabilities in the consolidated balance sheet as of February 28, 2017 and February 29, 2016.

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

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

Note 3:Redemption schedules for cash and deposits, receivables and marketable securities with maturities at February 28, 2017 and February 29, 2016 are as follows:

	Millions of yen			
	2017			
	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	**¥33,018**	**¥3,300**	**¥–**	**¥–**
Notes and accounts receivable – trade	**68,997**	**–**	**–**	**–**
Securities and investment securities:				
Other securities with maturities:				
(1)Government and municipal bonds	**–**	**–**	**–**	**–**
(2)Corporate bonds	**1,301**	**4,248**	**–**	**–**
(3)Other	**200**	**200**	**–**	**–**
Deposits and guarantees	**1,504**	**3,430**	**7,063**	**6,863**
Total	**¥105,021**	**¥11,178**	**¥7,063**	**¥6,863**

	Millions of yen			
	2016			
	Within one year	More than one year and within five years	More than five years and within ten years	More than ten years
Cash and deposits	¥30,039	¥2,400	¥–	¥–
Notes and accounts receivable – trade	68,049	–	–	–
Securities and investment securities:				
Other securities with maturities:				
(1)Government and municipal bonds	30	–	–	–
(2)Corporate bonds	1,000	3,300	–	–
(3)Other	200	400	–	–
Deposits and guarantees	1,109	3,200	6,814	8,263
Total	¥100,427	¥9,300	¥6,814	¥8,263

	Thousands of U.S. dollars			
	2017			
	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	**$292,842**	**$29,268**	**$–**	**$–**
Notes and accounts receivable – trade	**611,946**	**–**	**–**	**–**
Securities and investment securities:				
Other securities with maturities:				
(1)Government and municipal bonds	**–**	**–**	**–**	**–**
(2)Corporate bonds	**11,538**	**37,676**	**–**	**–**
(3)Other	**1,773**	**1,773**	**–**	**–**
Deposits and guarantees	**13,339**	**30,421**	**62,643**	**60,869**
Total	**$931,450**	**$99,139**	**$62,643**	**$60,869**

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 28, 2017 and February 29, 2016, which qualify for hedge accounting are summarized as follows:

Currency-related transactions

			Millions of yen		
			2017		
			Contract value		
Method of hedge accounting	Transaction	Major hedged item	Notional amount	Maturing after one year	Fair value
Allocation method	Forward foreign currency exchange contracts:				
	Sell:				
	U.S. dollars	Accounts receivable, trade	**¥513**	**¥–**	**(*)**
	Chinese yuan		**–**	**–**	**(*)**
	Total		**¥513**	**¥–**	**(*)**
	Currency swap contracts:				
	Receive / U.S. dollars and pay / Japanese yen	Long-term loans payable	**¥300**	**¥–**	**(*)**
	Total		**¥300**	**¥–**	**(*)**
Deferral hedge accounting	Forward foreign currency exchange contracts:				
	Buy:				
	U.S. dollars	Forecasted transactions denominated in foreign currencies (Accounts payable, trade)	**¥408**	**¥–**	**¥(0)**
	Euro		**343**	**–**	**(3)**
	Chinese yuan		**462**	**–**	**15**
	Thai baht		**6**	**–**	**0**
	Total		**¥1,220**	**¥–**	**¥11**

			Millions of yen		
			2016		
			Contract value		
Method of hedge accounting	Transaction	Major hedged item	Notional amount	Maturing after one year	Fair value
Allocation method	Forward foreign currency exchange contracts:				
	Sell:				
	U.S. dollars	Accounts receivable, trade	¥126	¥–	(*)
	Chinese yuan		0	–	(*)
	Total		¥127	¥–	(*)
	Currency swap contracts:				
	Receive / U.S. dollars and pay / Japanese yen	Long-term loans payable	¥300	¥300	(*)
	Total		¥300	¥300	(*)
Deferral hedge accounting	Forward foreign currency exchange contracts:				
	Buy:				
	U.S. dollars	Forecasted transactions denominated in foreign currencies (Accounts payable, trade)	¥958	¥–	¥(37)
	Euro		460	–	(25)
	Chinese yuan		359	–	(19)
	Thai baht		4	–	(0)
	Sweden Krona		2	–	(0)
	Total		¥1,784	¥–	¥(83)

Method of hedge accounting	Transaction	Major hedged item	Thousands of U.S. dollars		
			2017		
			Contract value		
			Notional amount	Maturing after one year	Fair value
Allocation method	Forward foreign currency exchange contracts:				
	Sell:				
	U.S. dollars	Accounts receivable, trade	**$4,549**	**$–**	**(*)**
	Chinese yuan		**–**	**–**	**(*)**
	Total		**$4,549**	**$–**	**(*)**
	Currency swap contracts:				
	Receive / U.S. dollars and pay / Japanese yen	Long-term loans payable	**$2,660**	**–**	**(*)**
	Total		**$2,660**	**$–**	**(*)**
Deferral hedge accounting	Forward foreign currency exchange contracts:				
	Buy:				
	U.S. dollars	Forecasted transactions denominated in foreign currencies (Accounts payable, trade)	**$3,618**	**$–**	**$(0)**
	Euro		**3,042**	**–**	**(26)**
	Chinese yuan		**4,097**	**–**	**133**
	Thai baht		**53**	**–**	**0**
	Total		**$10,820**	**$–**	**$97**

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

(*)Because transactions under the allocation method are accounted for as if the exchange rates applied to the forward foreign exchange contracts had originally applied to notes and accounts receivable – trade or as if the currency applied to the currency swap contracts had originally applied to long-term loans payable, the fair value of these transactions is included in that of notes and accounts receivable – trade and long-term loans payable disclosed in Note 15 “Financial Instruments” of these Notes to Consolidated Financial Statements.

Interest-related transactions

Method of hedge accounting	Transaction	Major hedged item	Millions of yen		
			2017		
			Contract value		
			Notional amount	Maturing after one year	Fair value
Special treatment of interest-rate swap	Interest-rate swaps:	Long-term loans payable			
	Receive / variable and pay / fixed		**¥22,820**	**¥10,260**	**(*)**

Method of hedge accounting	Transaction	Major hedged item	Millions of yen		
			2016		
			Contract value		
			Notional amount	Maturing after one year	Fair value
Special treatment of interest-rate swap	Interest-rate swaps:	Long-term loans payable			
	Receive / variable and pay / fixed		¥29,280	¥22,820	(*)

Method of hedge accounting	Transaction	Major hedged item	Thousands of U.S. dollars 2017 Contract value: Notional amount	Thousands of U.S. dollars 2017 Contract value: Maturing after one year	Thousands of U.S. dollars 2017: Fair value
Special treatment of interest-rate swap	Interest-rate swaps: Receive / variable and pay / fixed	Long-term loans payable	**$202,394**	**$90,997**	**(*)**

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

17 Contingent Liabilities

At February 28, 2017, 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	**¥11**	**$97**
Guarantees of lease agreement for JET CLEANING Co., Ltd., an unconsolidated subsidiary	**63**	**558**
	¥75	**$665**

18 Selling, General and Administrative Expenses

The components of selling, general and administrative expenses for the years ended February 28, 2017 and February 29, 2016 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Advertising expenses	**¥26,544**	¥27,733	**$235,423**
Provision of allowance for doubtful accounts	**539**	459	**4,780**
Compensation and bonuses for directors and audit and supervisory board members and salaries and bonuses for employees	**48,201**	49,828	**427,503**
Provision for bonuses to employees	**5,284**	5,511	**46,864**
Provision for bonuses to directors and audit and supervisory board members	**206**	204	**1,827**
Retirement benefit expenses	**3,935**	3,285	**34,900**
Provision of accrued retirement benefits for directors and audit and supervisory board members	**2**	8	**17**
Welfare expenses	**10,249**	10,632	**90,900**
Depreciation and amortization	**14,843**	16,194	**131,645**
Rent expenses	**28,637**	28,682	**253,986**
Operational costs	**15,621**	16,338	**138,545**
Amortization of goodwill	**359**	499	**3,184**
Other	**35,780**	38,115	**317,339**
Total	**¥190,205**	¥197,494	**$1,686,962**

19 Impairment of Fixed Assets

The Company and its consolidated subsidiaries wrote down the following assets to their respective net recoverable value. Consequently, the Company and its consolidated subsidiaries recorded related loss on impairment of fixed assets of ¥748 million ($6,634 thousand) and ¥1,570 million in the accompanying consolidated statement of income for the years ended February 28, 2017 and February 29, 2016, respectively:

			Millions of yen		Thousands of U.S. dollars
Company (Location)	Usage	Classification	**2017**	2016	**2017**
PARCO CO., LTD (Chuo-ku, Kobe-shi, Utsunomiya-shi, Tochigi, and others)	Stores, etc.	Land	**¥5**	¥–	**$44**
		Building and structures, net	**435**	5	**3,858**
		Other property and equipment, net	**8**	0	**70**
		Total	**450**	5	**3,991**
NEUVE･A CO., LTD. (Omiya-ku, Saitama-shi, Higashikurume-shi, Tokyo, and others)	Stores, etc.	Building and structures, net	**146**	45	**1,294**
		Other property and equipment, net	**35**	87	**310**
		Other intangible assets	**–**	26	**–**
		Total	**181**	160	**1,605**
PARCO SPACE SYSTEMS Co., Ltd. (Naka-ku, Nagoya-shi, and others)	Offices, etc.	Other property and equipment, net	**12**	–	**106**
		Total	**12**	–	**106**
PARCO-CITY Co., Ltd. (Shibuya-ku,Tokyo)	–	Other intangible assets	**14**	–	**124**
		Total	**14**	–	**124**
JFR Online Co., Ltd. (Chuo-ku, Osaka-shi, Suminoe-ku, Osaka-shi, and others)	Offices, etc.	Building and structures, net	**–**	47	**–**
		Other property and equipment, net	**–**	8	**–**
		Other intangible assets	**15**	216	**133**
		Total	**15**	273	**133**
J. Front Foods Co., Ltd. (Tokoname-shi, Aichi, Hirakata-shi, Osaka, and others)	Stores, etc.	Building and structures, net	**3**	95	**26**
		Other property and equipment, net	**3**	12	**26**
		Total	**7**	107	**62**
JFR PLAZA Inc. (Taiwan)	Stores, etc.	Building and structures, net	**55**	23	**487**
		Other property and equipment, net	**2**	6	**17**
		Other intangible assets	**10**	1	**88**
		Total	**68**	31	**603**
J. FRONT RETAILING Co., Ltd. (Chuo-ku, Tokyo)	–	Goodwill	**–**	990	**–**
		Total	**–**	990	**–**
			¥748	¥1,570	**$6,634**

The Group mainly group stores into minimum units which generate identifiable cash flows.

Regarding buildings and structures and others 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 ¥748 million ($6,634 thousand) and ¥579 million for the years ended February 28, 2017 and February 29, 2016, respectively.

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

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.

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
	2016
Reconstruction of main building of Shinsaibashi store in Daimaru Matsuzakaya Department Stores Co., Ltd.:	
Provision for loss on store reconstruction	**¥3,825**
Loss on impairment of fixed assets:	
Building and structures, net	**3,666**
Other property and equipment, net	**1**
Total	**3667**
Total	**¥7,492**

The Group mainly group stores into minimum units which generate identifiable cash flows.

The Company reduced the carrying value of the assets to the recoverable value, and recognized the difference as loss on store reconstruction.

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

21 Loss on Business Liquidation

Loss on business liquidation recognized by certain consolidated subsidiaries for the years ended February 28, 2017 and February 29, 2016 consisted of the following:

	Millions of yen	Thousands of U.S. dollars
	2017	
Store closures:		
Daimaru Matsuzakaya Department Stores Co., Ltd. (Daimaru Urawa PARCO)		
Provision for loss on business liquidation	¥50	$443
Loss on impairment of fixed assets:		
Buildings and structures, net	262	2,323
Other property and equipment, net	8	70
Total	270	2,394
PARCO CO., LTD. (Otsu PARCO)		
Provision for loss on business liquidation	1,092	9,685
Loss on impairment of fixed asset:		
Land	973	8,629
Buildings and structures, net	644	5,711
Other property and equipment, net	19	168
Total	1,638	14,527
JFR Online Co. Ltd.		
Provision for loss on business liquidation	750	6,651
JFR PLAZA Inc.		
Provision for loss on business liquidation	305	2,705
Total	¥4,106	$36,416

	Millions of yen
	2016
Store closures:	
PARCO CO., LTD. (Chiba PARCO)	
Provision for loss on business liquidation	¥1,052
Loss on impairment of fixed assets:	
Buildings and structures, net	649
Other property and equipment, net	6
Total	656
PARCO SPACE SYSTEMS CO., LTD.	
Loss on impairment of fixed assets:	
Buildings and structures, net	2
Other property and equipment, net	7
Total	10
NEUVE･A CO., LTD.	
Loss on impairment of fixed assets:	
Buildings and structures, net	0
Total	¥1,719

The Group mainly group stores into minimum units which generate identifiable cash flows.

The Company reduced the carrying value of the assets to the recoverable value, and recognized the difference as loss on business liquidation.

The recoverable value of assets is measured at the value in use or the estimated net selling value, which is based on the selling price in the contract for sale, and written down to nil if no future cash inflows are expected.

22 Loss on Devaluation of Inventories

Loss on devaluation of inventories included in cost of goods sold of ¥485 million ($4,301 thousand) and ¥233 million was recognized for the years ended February 28, 2017 and February 29, 2016, respectively.

23 Other Comprehensive Income

The following table presents reclassification adjustments and tax effects allocated to each component of other comprehensive income (loss) for the years ended February 28, 2017 and February 29, 2016.

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Net unrealized holding loss on securities:			
Amount arising during the year	**¥1,130**	¥321	**$10,022**
Reclassification adjustments for gain included in net income	**(1,283)**	(899)	**(11,379)**
Before tax effect	**(153)**	(578)	**(1,356)**
Tax effect	**101**	289	**895**
Total	**(51)**	(288)	**(452)**
Net unrealized deferred income (loss) on hedging instruments:			
Amount arising during the year	**94**	(55)	**833**
Before tax effect	**94**	(55)	**833**
Tax effect	**(30)**	17	**(266)**
Total	**63**	(37)	**558**
Foreign currency translation adjustments:			
Amount arising during the year	**(115)**	(147)	**(1,019)**
Total	**(115)**	(147)	**(1,019)**
Retirement benefits adjustments:			
Amount arising during the year	**3,861**	(5,864)	**34,243**
Reclassification adjustments for loss included in net income	**1,848**	1,066	**16,390**
Before tax effect	**5,709**	(4,798)	**50,634**
Tax effect	**(2,125)**	1,144	**(18,847)**
Total	**3,584**	(3,654)	**31,787**
Share of other comprehensive (loss) income of unconsolidated subsidiaries and affiliates accounted for by equity method:			
Amount arising during the year	**(395)**	785	**(3,503)**
Reclassification adjustments for loss (gain) included in net income	**26**	(188)	**230**
Amount of acquisition cost adjustment	**(72)**	(277)	**(638)**
Total	**(441)**	318	**(3,911)**
Total other comprehensive income (loss)	**¥3,039**	¥(3,810)	**$26,953**

24 Supplemental Information on the Consolidated Statement of Cash Flows

Reconciliations of cash and deposits in the accompanying consolidated balance sheet at February 28, 2017 and February 29, 2016 and cash and cash equivalents in the accompanying consolidated statement of cash flows for the years then ended are as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Cash and deposits	**¥33,018**	¥30,039	**$292,842**
Time deposits over three months	**(1,171)**	(1,891)	**(10,385)**
Cash and cash equivalents	**¥31,846**	¥28,147	**$282,447**

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 33.1% and 35.6% for the years ended February 28, 2017 and February 29, 2016, 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 28, 2017 and February 29, 2016 differ from the statutory tax rates for the following reasons:

	2017	2016
Statutory tax rates	**33.1%**	35.6%
Effect of:		
Permanent non-deductible expenses	**0.8**	0.9
Permanent non-taxable income	**0.1**	(0.1)
Per capita portion of inhabitants' taxes	**0.5**	0.6
Change in valuation allowance	**0.9**	1.3
Remeasurement of deferred tax assets and deferred tax liabilities due to the change in statutory tax rates	**(10.9)**	(24.9)
Equity in earnings of unconsolidated subsidiaries and affiliates	**(0.3)**	(1.9)
Loss on impairment of goodwill	**–**	1.0
Other, net	**0.9**	1.4
Effective tax rates	**25.1%**	13.9%

The significant components of deferred tax assets and liabilities at February 28, 2017 and February 29, 2016 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Deferred tax assets:			
Liability for retirement benefits	**¥6,394**	¥8,854	**$56,709**
Accrued loss on utilization of gift certificates	**4,418**	4,499	**39,184**
Loss on devaluation of assets resulting from merger of consolidated subsidiaries	**3,504**	3,699	**31,077**
Securities for retirement benefit trust	**3,479**	3,798	**30,855**
Deferred revenue	**2,116**	–	**18,767**
Provision for bonuses to employees	**1,698**	1,879	**15,059**
Accrued point card certificates	**1,692**	1,827	**15,006**
Allowance for doubtful accounts	**1,119**	753	**9,924**
Asset retirement obligations	**1,103**	996	**9,782**
Loss on impairment of fixed assets	**962**	1,501	**8,532**
Unrealized profit on fixed assets	**850**	1,487	**7,538**
Tax loss carryforwards	**709**	506	**6,288**
Provision for loss on business liquidation	**696**	458	**6,172**
Accrued enterprise taxes, etc.	**602**	653	**5,339**
Provision for loss on store reconstruction	**525**	1,136	**4,656**
Loss on devaluation of inventories	**138**	76	**1,223**
Provision for sales promotion expenses	**137**	232	**1,215**
Others	**3,345**	3,723	**29,667**
Gross deferred tax assets	**33,497**	36,085	**297,090**
Valuation allowance	**(6,675)**	(6,570)	**(59,201)**
Total deferred tax assets	**26,821**	29,515	**237,880**
Deferred tax liabilities:			
Revaluation of assets and liabilities	**(86,248)**	(91,541)	**(764,949)**
Reserve for depreciation for tax purposes	**(6,269)**	(6,764)	**(55,600)**
Securities returned from retirement benefit trust	**(407)**	(464)	**(3,609)**
Assets related to asset retirement obligations	**(342)**	(305)	**(3,033)**
Others	**(4,631)**	(2,813)	**(41,073)**
Total deferred tax liabilities	**(97,899)**	(101,889)	**(868,283)**
Net deferred tax liabilities	**¥(71,077)**	¥(72,374)	**$(630,394)**

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 enacted in the Japanese Diet session on March 29, 2016. Accordingly, the statutory tax rates used for calculating deferred tax assets and liabilities were reduced from 32.3% to 30.9% for temporary differences that are expected to be realized or settled during the year from March 1, 2018 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 28, 2017, 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 ¥355 million ($3,148 thousand), ¥173 million ($1,534 thousand), ¥4,749 million ($42,119 thousand), ¥61 million ($541 thousand) and ¥199 million ($1,764 thousand), respectively, and net unrealized holding gain on securities, non-controlling interests and income taxes-deferred (credit) have increased by ¥46 million ($407 thousand), ¥305 million ($2,705 thousand) and ¥4,437 million ($39,352 thousand), respectively.

26 Amounts per Share

Amounts per share at February 28, 2017 and February 29, 2016 and for the years then ended are as follows:

	Yen		U.S. dollars
	2017	2016	**2017**
Net assets	**¥1,553.60**	¥1,467.05	**$13.77**
Basic net income	**103.04**	100.42	**0.91**
Diluted net income	**103.04**	100.41	**0.91**
Cash dividends	**28.00**	27.00	**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 28, 2017 and February 29, 2016 is summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Net income attributable owners of the parent	**¥26,950**	¥26,313	**$239,024**

	Thousands of shares	
	2017	2016
Weighted-average number of shares of common stock outstanding	**261,547**	262,038
Increase in shares of common stock resulting from the exercise of stock subscription rights	**2**	18

The financial data used in the computation of net assets per share as of February 28, 2017 and February 29, 2016 is summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Total net assets	**¥465,839**	¥440,594	**$4,131,609**
Deduction from total net assets:			
Stock subscription rights	**–**	(14)	**–**
Non-controlling interests	**(59,503)**	(56,880)	**(527,742)**
	(59,503)	(56,895)	**(527,742)**
Total net assets attributable to common stockholders	**¥406,336**	¥383,699	**$3,603,866**

	Thousands of shares	
	2017	2016
Number of shares of common stock used in the calculation of net assets per share	**261,545**	261,543

27 Segment Information

(1)Outline of reportable segments

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

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

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

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

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

(Changes in the depreciation method of property and equipment)

As described in Note 3 "Accounting Changes," although the Company and its domestic consolidated subsidiaries previously mainly used the declining-balance method for depreciation of property and equipment (excluding leased assets) other than buildings and structures, effective from the year ended February 28, 2017, the straight-line method has been applied for depreciation of all items of property and equipment.

As a result of this change, segment income in "Department Store Business", "PARCO Business", "Wholesale Business", "Credit Business" and "Other Businesses" increased by ¥83 million ($736 thousand), ¥1,294 million ($11,476 thousand), ¥60 million ($532 thousand), ¥0 million ($0 thousand) and ¥15 million ($133 thousand), respectively, compared with the amounts that would have been recorded under the previous method.

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

Reportable segment information for the years ended February 28, 2017 and February 29, 2016 is summarized as follows:

	Millions of yen							
	2017							
	Reportable segments							
	Department Store Business	PARCO Business	Wholesale Business	Credit Business	Other Businesses	Total	Adjustments	Consolidated
Net sales:								
Sales to third parties	**¥727,028**	**¥272,981**	**¥38,764**	**¥6,501**	**¥63,236**	**¥1,108,512**	**¥–**	**¥1,108,512**
Inter-segment sales or transfers	**966**	**395**	**8,527**	**4,399**	**34,339**	**48,628**	**(48,628)**	**–**
Total	**¥727,994**	**¥273,377**	**¥47,291**	**¥10,900**	**¥97,575**	**¥1,157,140**	**¥ (48,628)**	**¥1,108,512**
Segment income	**¥24,592**	**¥12,520**	**¥1,529**	**¥2,844**	**¥2,881**	**¥44,368**	**¥211**	**¥44,580**
Segment assets	**¥630,882**	**¥279,573**	**¥22,923**	**¥48,441**	**¥114,470**	**¥1,096,291**	**¥(46,181)**	**¥1,050,109**
Other items:								
Depreciation and amortization	**¥11,010**	**¥5,353**	**¥196**	**¥5**	**¥803**	**¥17,370**	**¥(181)**	**¥17,189**
Investments in unconsolidated subsidiaries and affiliates accounted for by the equity method	**¥2,625**	**¥87**	**¥–**	**¥–**	**¥165**	**¥2,878**	**¥23,405**	**¥26,284**
Increase in property and equipment and intangible assets	**¥22,741**	**¥20,985**	**¥178**	**¥2**	**¥627**	**¥44,535**	**¥(107)**	**¥44,427**

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

	Thousands of U.S. dollars							
	2017							
	Reportable segments							
	Department Store Business	PARCO Business	Wholesale Business	Credit Business	Other Businesses	Total	Adjustments	Consolidated
Net sales:								
Sales to third parties	$6,448,141	$2,421,117	$343,804	$57,658	$560,851	$9,831,592	$–	$9,831,592
Inter-segment sales or transfers	8,567	3,503	75,627	39,015	304,558	431,290	(431,290)	–
Total	$6,456,709	$2,424,629	$419,432	$96,674	$865,410	$10,262,882	$(431,290)	$9,831,592
Segment income	$218,110	$111,042	$13,560	$25,223	$25,552	$393,507	$1,871	$395,388
Segment assets	$5,595,405	$2,479,583	$203,308	$429,631	$1,015,254	$9,723,201	$(409,587)	$9,313,605
Other items:								
Depreciation and amortization	$97,649	$47,476	$1,738	$44	$7,121	$154,057	$(1,605)	$152,452
Investments in unconsolidated subsidiaries and affiliates accounted for by the equity method	$23,281	$771	$–	$–	$1,463	$25,525	$207,583	$233,117
Increase in property and equipment and intangible assets	$201,694	$186,119	$1,578	$17	$5,560	$394,988	$ (949)	$394,031

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 ¥211 million ($1,871 thousand) and ¥156 million include eliminations of inter-segment transactions of ¥3,424 million ($30,368 thousand) and ¥2,862 million and corporate expenses mainly recorded by the Company not attributable to any reportable segments of ¥3,213 million ($28,496 thousand) and ¥3,018 million for the years ended February 28, 2017 and February 29, 2016, respectively.

The adjustments for segment assets in the amounts of ¥46,181 million ($409,587 thousand) and ¥37,461 million include eliminations of inter-segment receivables of ¥85,829 million ($761,232 thousand) and ¥74,807 million, unrealized profit on fixed assets of ¥1,457 million ($12,922 thousand) and ¥1,502 million, and assets of the Company, which are not attributable to any reportable segments, of ¥40,399 million ($358,305 thousand) and ¥38,246 million as of February 28, 2017 and February 29, 2016, respectively.

The adjustments for depreciation and amortization in the amounts of ¥181 million ($1,605 thousand) and ¥183 million for the years ended February 28, 2017 and February 29, 2016, respectively, consist of inter-segment transfers.

The adjustments for investments in unconsolidated subsidiaries and affiliates accounted for by the equity method in the amounts of ¥23,405 million ($207,583 thousand) and ¥23,543 million as of February 28, 2017 and February 29, 2016, 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 ¥107 million ($949 thousand) and ¥273 million for the years ended February 28, 2017 and February 29, 2016, respectively, consist of inter-segment unrealized profit on fixed assets.

(4)Related information

As more than 90% of consolidated net sales for the years ended February 28, 2017 and February 29, 2016 were made in Japan, the disclosure of geographical segment information of net sales has been omitted.

As more than 90% of the property and equipment in the consolidated balance sheet as of February 28, 2017 and February 29, 2016 were located in Japan, the disclosure of geographical segment information of property and equipment has been omitted.

The information about major customers has been omitted, as there is no major external customer that accounts for 10% or more of consolidated net sales for the years ended February 28, 2017 and February 29, 2016.

(5)Loss on impairment of fixed assets

Loss on impairment of fixed assets by reportable segments for the years ended February 28, 2017 and February 29, 2016 is summarized as follows:

Millions of yen							
2017							
Reportable segments							
Department Store Business	PARCO Business	Wholesale Business	Credit Business	Other Businesses	Total	Corporate and elimination	Consolidated
¥270	**¥2,296**	**¥ –**	**¥ –**	**¥90**	**¥2,657**	**¥–**	**¥2,657**

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

Thousands of U.S. dollars							
2017							
Reportable segments							
Department Store Business	PARCO Business	Wholesale Business	Credit Business	Other Businesses	Total	Corporate and elimination	Consolidated
$2,394	**$20,363**	**$–**	**$–**	**$798**	**$23,565**	**$–**	**$23,565**

Loss on impairment of fixed assets of ¥270 million ($2,394 thousand) recognized in the "Department Store Business" for the year ended February 28, 2017 was due to the store closure of Daimaru Urawa PARCO store in Daimaru Matsuzakaya Department Store Co., Ltd. and was included in loss on business liquidation in the consolidated statement of income.

Loss on impairment of fixed assets of ¥1,638 million ($14,527 thousand) recognized in the "PARCO Business" for the year ended February 28, 2017 was due to the transfer of fixed assets and the store closure of Otsu PARCO in PARCO CO., LTD. and was included in loss on business liquidation in the consolidated statement of income.

Loss on impairment of fixed assets of ¥3,773 million recognized in the "Department Store Business" for the year ended February 29, 2016 was due to the reconstruction of main building of Shinsaibashi store in Daimaru Mastuzakaya Deparetment Store Co., Ltd. and included in loss on store reconstruction in the consolidated statement of income.

The amounts in "Other Businesses" in the above table for the year ended February 29, 2016 included loss on impairment of goodwill of ¥990 million.

(6)Amortization of goodwill and remaining balance

Information on amortization of goodwill and the remaining balance by reportable segments as of and for the years ended February 28, 2017 and February 29, 2016 is as follows:

	Millions of yen							
	2017							
	Reportable segments							
	Department Store Business	PARCO Business	Wholesale Business	Credit Business	Other Businesses	Total	Corporate and elimination	Consolidated
Amortization of goodwill	**¥–**	**¥359**	**¥–**	**¥–**	**¥–**	**¥359**	**¥–**	**¥359**
Remaining balance	**¥–**	**¥208**	**¥–**	**¥–**	**¥–**	**¥208**	**¥–**	**¥208**

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

	Thousands of U.S. dollars							
	2017							
	Reportable segments							
	Department Store Business	PARCO Business	Wholesale Business	Credit Business	Other Businesses	Total	Corporate and elimination	Consolidated
Amortization of goodwill	**$–**	**$3,184**	**$–**	**$–**	**$–**	**$3,184**	**$–**	**$3,184**
Remaining balance	**$–**	**$1,844**	**$–**	**$–**	**$–**	**$1,844**	**$–**	**$1,844**

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 28, 2017, was approved at the meeting of the Board of Directors held on April 10, 2017:

	(Millions of yen)	(Thousands of U.S. dollars)
Cash dividends (¥14.00 = $0.12 per share)	**¥3,661**	**$32,470**