Internet Disclosure Items
for Notice of Convocation of the 9th Annual Shareholders Meeting

Notes to Consolidated Financial Statements
Notes to Non-consolidated Financial Statements
(From March 1, 2015 to February 29, 2016)

J. FRONT RETAILING Co., Ltd.

As for Notes to Consolidated Financial Statements and Notes to Non-consolidated Financial Statements, the Company provides those to shareholders by means of disclosure through the Internet (on the Company's website: http://www.j-front-retailing.com/) in accordance with the laws and regulations and the Company's Articles of Incorporation.

Notes to Consolidated Financial Statements

Notes on important matters forming the basis of preparation of consolidated financial statements, etc.

1. Matters concerning the scope of consolidation

(1) Consolidated subsidiaries — 29 companies (Daimaru Matsuzakaya Department Stores Co. Ltd., The Hakata Daimaru, Inc., PARCO Co., Ltd., Daimaru Kogyo, Ltd., JFR Card Co., Ltd., and others)

(2) Non-consolidated subsidiaries — 7 companies (Hakata Daimaru Tomonokai Co., Ltd., Shimonoseki Daimaru Tomonokai Co., Ltd., and others)

These non-consolidated subsidiaries are excluded from the scope of consolidation as their total assets, net sales, net income or loss (amount corresponding to the Company's equity in such subsidiaries), and retained earnings (amount corresponding to the Company's equity in such subsidiaries) do not have significant impact on the consolidated financial statements.

2. Matters concerning the application of the equity method

(1) Non-consolidated subsidiaries and associates accounted for by the equity method

Non-consolidated subsidiaries — 1 company (JAPAN RETAIL ADVISORS Co., Ltd.)

On November 11, 2015, the liquidation of Straits Parco Retail Management Pte Ltd was completed.

Associates — 7 companies (StylingLife Holdings Inc., Senshukai Co., Ltd., and others)

On April 22, 2015, and May 7, 2015, the Company acquired shares of Senshukai Co., Ltd., making Senshukai an equity method associate of the Company.

On August 3, 2015, Apparel-Web, Inc. was converted into an equity method associate of PARCO Co., Ltd.

In addition, Hakuseisha Co., Ltd. was removed from the scope of equity method associates effective from the current fiscal year, upon the Company's sale of all of its shares on December 17, 2015.

(2) Non-consolidated subsidiaries and associates not accounted for by the equity method

Non-consolidated subsidiaries — 6 companies (Hakata Daimaru Tomonokai Co., Ltd., Shimonoseki Daimaru Tomonokai Co., Ltd., JET Cleaning Co., Ltd., and others)

The liquidation of Yokohama Matsuzakaya Tomonokai Co., Ltd. was completed on January 27, 2016.

In addition, JET Cleaning Co., Ltd. became a wholly-owned subsidiary of Forest Co., Ltd. on January 4, 2016, and its company name has been changed from White Express Co., Ltd.

Associates — 2 companies (Gokou Ltd., Macros, Inc.)

These non-consolidated subsidiaries and associates not accounted for by the equity method are excluded from the scope of application of the equity method as they have a minimal effect on net income or loss and retained earnings and they are not material as a whole.

(3) With regard to equity method companies whose balance sheet dates are different from the consolidated balance sheet date, the Company uses the financial statements of the relevant companies as of their fiscal year ends.

3. Matters concerning the fiscal year of consolidated subsidiaries

Of the Company's consolidated subsidiaries, JFR PLAZA Inc., Parco (Singapore) Pte Ltd, Daimaru Kogyo International Trading (Shanghai) Co., Ltd., Daimaru Kogyo (Thailand) Co., Ltd. and Taiwan Daimaru Kogyo, Ltd. have a balance sheet date of December 31. In preparing the consolidated financial statements, the financial statements as of said balance sheet date are used. The Company made the adjustments necessary for consolidation purposes if major transactions were executed between the balance sheet date and the consolidated balance sheet date.

The balance sheet dates of the other consolidated subsidiaries are the same as the consolidated balance sheet date.

4. Matters concerning accounting standards

(1) Basis and method of valuation of significant assets

(i) Securities

Other securities

Securities with available fair market values

Stated at fair value based on the market prices at the end of the current fiscal year

(Valuation differences are included in net assets; cost of securities sold is determined by the moving-average method)

Securities without available fair market values

Stated at cost using the moving-average method

The Company records investments in limited liability investment partnerships or similar partnerships (deemed as "securities" under the provisions set forth in Paragraph 2, Article 2 of the Financial Instruments and Exchange Act) using the amount corresponding to the Company's equity in such partnerships based on the latest financial reports accessible depending on the reporting dates stipulated in the partnership agreement.

(ii) Derivatives — Stated at fair value

(iii) Inventories — Mainly stated using the identified cost method (the book value is written down based on the decreased profitability)

(2) Depreciation method of significant depreciable assets

(i) Property, plant and equipment (excluding leased assets)

Buildings and structures are mainly depreciated using the straight-line method, while other property, plant and equipment are depreciated using the declining-balance method.

(ii) Intangible assets (excluding leased assets)

Straight-line method — Internal use software is amortized using the straight-line method over the internally expected useful life (5 years).

(iii) Leased assets

Leased assets in finance leases that do not transfer ownership

Straight-line method with zero residual value assuming the lease periods as useful lives

Finance leases that do not transfer ownership and that commenced on or before February 28, 2009 are continued to be accounted for using a method that is applicable to ordinary rental transactions.

(3) Accounting method for significant deferred assets

Bond issuance cost

Amortized using the straight-line method over the period until redemption

(4) Accounting policy for significant provisions

(i) Allowance for doubtful accounts

To prepare for losses from bad debt, an estimated uncollectible amount is provided either by making an estimation using the historical rate of credit loss in the case of general receivables, or based on individual consideration of collectibility in the case of specific receivables such as highly doubtful receivables.

(ii) Provision for bonuses

To prepare for the payment of bonuses to employees, the amount expected to be paid is provided.

(iii) Provision for directors' bonuses

To prepare for the payment of bonuses to corporate officers, the amount expected to be paid is provided.

(iv) Provision for sales returns

To prepare for losses from sales returns expected to occur on or after the end of the current fiscal year, the amount corresponding to the allowable limit of deductible expenses pursuant to the provisions of tax law is provided.

(v) Provision for books unsold

To prepare for losses from the occurrence of unsold inventory with respect to books for which a certain amount of time has passed since publication, the amount corresponding to the allowable limit of deductible expenses pursuant to the provisions of tax law is provided.

(vi) Provision for sales promotion expenses

To cover the unused amount of points issued under the points system for sales promotion purposes, the amount expected to be used in the future based on the rate of usage in the past is provided.

(vii) Reserve for gift certificates

To prepare for losses incurred in cases of gift certificates used after their derecognition from liabilities, the amount expected to be used in the future based on usage in the past is provided.

(viii) Provision for loss on business liquidation

To prepare for losses from business liquidations or store closures at subsidiaries and associates, the necessary amount is provided.

(ix) Provision for directors' retirement benefits

At certain consolidated subsidiaries, to prepare for the payment of retirement benefits to corporate officers, the amount to be paid at the end of the current fiscal year, based on an internal rule, is provided.

(x) Provision for loss on stores rebuilding

To prepare for losses incurred from stores rebuilding, the necessary amount is provided.

(5) Criteria for converting significant assets or liabilities denominated in foreign currencies into Japanese currency

Monetary claims and liabilities denominated in foreign currencies are converted into Japanese yen using the spot exchange rate on the consolidated balance sheet date, and any differences generated by this conversion are included in gains or losses. Monetary claims and liabilities denominated in foreign currencies to which *Furiate-shori* (accounting method in which the difference of amount using the current and forward rate is allocated by period length for the calculation at the accounting period) for forward exchange contracts is applied are converted into the Japanese yen amounts of the said forward exchange contracts.

(6) Accounting method for retirement benefits

(i) Method for attributing expected retirement benefits to accounting periods

In the calculation of retirement benefit obligations, expected retirement benefits are attributed to accounting periods up to the end of the current fiscal year using the benefit formula basis.

(ii) Method for recognizing actuarial gains and losses and prior service costs

Prior service costs are amortized by the straight-line method over a certain number of years (principally 10 to 12 years) within the average remaining service period of employees at the time of occurrence, starting in the fiscal year in which the prior service costs accrue.

Actuarial gains and losses are amortized by the straight-line method over a certain number of years (principally 10 to 12 years) within the average remaining service period of employees at the time of occurrence, starting in the respective fiscal years following each occurrence.

(iii) Accounting treatment for unrecognized actuarial gains and losses and unrecognized prior service costs

Unrecognized actuarial gains and losses and unrecognized prior service costs are posted to remeasurements of defined benefit plans under accumulated other comprehensive income in the net assets section after adjusting for tax effects.

(7) Significant hedge accounting method

(i) Hedge accounting method

Hedging activities are accounted for under the deferral hedge method. *Furiate-shori* is applied to monetary claims and liabilities denominated in foreign currencies with forward exchange contracts and exceptional treatment is applied to interest rate swaps that satisfy the requirements for exceptional treatment.

(ii) Hedging instruments and hedged items

Hedging instruments	Forward exchange contracts, interest rate swaps
Hedged items	Operating receivables and payables denominated in foreign currencies, forecast transactions in foreign currencies, loans payable and interest expenses on loans payable

(iii) Hedging policy

Based on the Group’s risk management policy, hedging is undertaken to hedge foreign exchange fluctuation risk and interest rate fluctuation risk.

(iv) Method for assessing the hedge effectiveness

At the end of each fiscal year, hedge effectiveness with respect to the hedged items and hedging instruments is assessed for each hedging transaction. This annual assessment excludes any transaction where important terms and conditions such as principal, interest rate, and duration are identical between the assets or liabilities of hedged items and hedging instruments.

(8) Method and period for amortization of goodwill

Amortization of goodwill is carried out by the straight-line method during the five-year period from occurrence. For items for which the amount is immaterial, one-time amortization of the full amount is carried out in the fiscal year in which they occur.

(9) Accounting treatment for consumption taxes

Consumption tax and local consumption tax are accounted for under the tax exclusion method.

5. Changes in accounting policies

Change in the valuation method for inventories

Up until now, the valuation method for merchandise in Daimaru Matsuzakaya Department Stores Co. Ltd. and other principal subsidiaries of the Company has been lower of cost or market, using the cost percentage method (the book value is written down based on the decreased profitability). However, a system that monitors individual costs is now in full operation. As this system enables more precise cost control, the valuation method for inventories has changed to the identified cost method (the book value is written down based on the decreased profitability) effective from the current fiscal year.

This change in accounting policy has been applied retrospectively, and the balance of retained earnings as of the beginning of the current fiscal year has decreased by ¥204 million reflecting the cumulative amount of the effect from the retrospective application to net assets as of the beginning of the current fiscal year.

Adoption of accounting standard for retirement benefits

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

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

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

6. Additional information

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

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

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

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

Notes on consolidated balance sheet

1. Accumulated depreciation of property, plant and equipment

¥291,437 million

2. Assets pledged as collateral and secured liabilities

(1) Assets pledged as collateral

Buildings and structures	¥10,779 million
Land	¥10,798 million
Investment securities	¥265 million
Other	¥51 million
Total	¥21,894 million

(2) Secured liabilities

Short-term loans payable	¥1,000 million
Long-term loans payable	¥1,625 million
Other	¥524 million
Total	¥3,149 million

3. Guarantee obligations

Guarantee of financing for employee housing and others	¥12 million
Guarantee of lease agreement of JET Cleaning Co., Ltd. (subsidiary of Forest Co., Ltd.)	¥81 million
Total	¥94 million

Notes on consolidated statement of changes in equity

1. Class and total number of shares issued as of the end of the current fiscal year

   Common shares 268,119,164 shares

2. Matters concerning dividends

(1) Dividends paid

Resolution	Class of shares	Total amount of dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
Board of Directors meeting held on April 9, 2015	Common shares	3,432	13.00	February 28, 2015	May 8, 2015
Board of Directors meeting held on October 6, 2015	Common shares	3,400	13.00	August 31, 2015	November 10, 2015

(2) Dividends with the record date falling within the current fiscal year and with the effective date falling within the following fiscal year

Resolution	Class of shares	Source of dividends	Total amount of dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
Board of Directors meeting held on April 7, 2016	Common shares	Retained earnings	3,661	14.00	February 29, 2016	May 6, 2016

3. Class and number of shares to be delivered upon exercise of subscription rights to shares outstanding at the end of the current fiscal year (excluding those for which the exercise period has not started)

   Common shares 8,500 shares

Notes on financial instruments

1. Matters concerning conditions of financial instruments

(1) Policy for handling financial instruments

The Group limits its management of funds to highly stable deposits, bonds and the like. For the procurement of funds, the Group’s policy is to use bank loans, issuances of commercial papers, issuances of bonds, securitized receivables and the like. The Group uses derivatives solely to avoid foreign exchange fluctuation risks on monetary claims and liabilities denominated in foreign currencies and interest rate fluctuation risks on loans payable and bonds, and does not enter into derivative transactions for speculative purposes.

(2) Details of financial instruments, their risks and risk management structure

Notes and accounts receivable - trade, which are operating receivables, are exposed to customer credit risk.

Lease and guarantee deposits are primarily those related to store rents and are exposed to lessor credit risk. To handle this risk, all Group companies carry out due date management and balance management by customer or lessor and seek early identification and mitigation of collectibility concerns.

For shares and the like, which are investment securities, although such securities are exposed to market price fluctuation risk, the Group mainly holds shares of companies with which it has business relationships, and not only periodically monitors their market prices but also continuously reviews its shareholding positions.

The majority of the Group’s notes and accounts payable - trade and income taxes payable, which are operating debts, are those with payment dates within one year. Although some of these are denominated in foreign currencies and are exposed to foreign exchange fluctuation risk, the Group enters into forward exchange contracts for some of the settlement amounts to avoid this risk.

Short-term loans payable, commercial papers, securitized receivables and the like are mainly to procure funds for operational transactions, while bonds and long-term loans payable are mainly to procure funds for capital investment. Although loans payable with floating interest rates are exposed to interest rate fluctuation risk, for some of the long-term loans payable, derivative transactions (interest rate swaps) for each individual contract are used as hedging instruments to avoid fluctuation risk on interest to be paid and to fix the interest to be paid. As a method for assessing hedge effectiveness, the Group periodically verifies hedging effects for each individual contract. For contracts that satisfy the requirements for exceptional treatment of interest rate swaps, assessment of effectiveness is omitted in accordance with that judgment.

Execution and management of derivative transactions are carried out in accordance with internal rules that stipulate contract limits, and the use of derivatives is limited to contracts with financial institutions that have high ratings in order to reduce credit risk.

In addition, although operating debts, loans payable and the like are exposed to liquidity risk, the Group manages this risk with methods such as preparing monthly cash flow management plans at all companies, and secures sufficient liquidity on hand through commitment line contracts and overdraft contracts with its main financing banks.

2. Matters concerning fair values of financial instruments

Consolidated balance sheet amounts, fair values as of February 29, 2016, and their differences are as follows.

The amounts shown in the following table do not include financial instruments whose fair values are deemed extremely difficult to determine. (see Note 2)

(Millions of yen)

	Consolidated balance sheet amount (*1)	Fair value (*1)	Difference
(1) Cash and deposits	32,439	32,439	–
(2) Notes and accounts receivable - trade	68,049	68,049	–
(3) Securities and investment securities			
(i) Other securities	16,951	16,951	–
(ii) Shares of associates	11,980	8,128	(3,851)
(4) Lease and guarantee deposits	36,679	36,304	(374)
(5) Notes and accounts payable - trade	[90,768]	[90,768]	–
(6) Short-term loans payable	[8,439]	[8,439]	–
(7) Commercial papers	[30,798]	[30,798]	–
(8) Income taxes payable	[8,322]	[8,322]	–
(9) Bonds payable	[27,000]	[27,260]	260
(10) Long-term loans payable	[114,685]	[115,951]	1,266
(11) Derivatives (*2)	[83]	[83]	–

(*1) The items recorded in liabilities on the consolidated balance sheet are shown in square brackets.
(*2) Assets and liabilities arising from derivative transactions are presented on a net basis. Net liability is indicated in square brackets.

(Note 1) Method for measuring fair values of financial instruments and matters concerning securities and derivative transactions

(1) Cash and deposits, and (2) Notes and accounts receivable - trade

The book value is used as the fair value of these assets, given that the fair value is almost the same as the book value, as they are mostly settled in a short time. Time deposits over one year are included in (1) Cash and deposits.

(3) Securities and investment securities

To measure fair values of these assets, prices at the exchange are used for stocks and prices at the exchange as well as prices presented by the counterparty financial institutions or the like are used for bonds.

(4) Lease and guarantee deposits

The fair values of lease and guarantee deposits are measured based on the present values obtained by discounting the future cash flows by the rate for which credit risk is taken into account. Current portion of lease and guarantee deposits is included.

(5) Notes and accounts payable - trade, (6) Short-term loans payable, (7) Commercial papers, and (8) Income taxes payable

The book value is used as the fair value of these liabilities, given that the fair value is almost the same as the book value, as they are settled in a short time.

(9) Bonds payable

The fair values of bonds payable are measured based on the market prices. Current portion of bonds payable is included.

(10) Long-term loans payable

The book value is used as the fair value of those loans payable with floating interest rate, given that the fair value is almost the same as the book value, as their interest rates are reviewed on a short-term interval to reflect market interest rates. In addition, as some of them qualify for exceptional treatment for an interest rate swap, their fair value is measured by discounting the total of principal and interest accounted for together with the said interest rate swap at the reasonably estimable rate applied when a similar loan is made.

The fair values of loans payable with fixed interest rate are measured by discounting the total of principal and interest at the rate assumed when a new similar loan is made. Current portion of long-term loans payable is included.

(11) Derivatives

The fair values are measured based on prices presented by the counterparty financial institutions or the like.

Items to which exceptional treatment for interest rate swaps or *Furiate-shori* for forward exchange contracts is applied are accounted for together with the hedged long-term loans payable and trade accounts receivable and payable. Consequently, the fair values are included in the fair values of the said long-term loans payable and trade accounts receivable and payable. (Please refer to (10) above).

(Note 2) Financial instruments whose fair values are deemed extremely difficult to determine

Unlisted stocks (whose consolidated balance sheet amount is ¥19,286 million) are excluded from "(3) Securities and investment securities" because they do not have market prices and it is deemed extremely difficult to determine the fair values.

Part of lease and guarantee deposits (whose consolidated balance sheet amount is ¥26,303 million) and long-term guarantee deposited (whose consolidated balance sheet amount is ¥31,820 million) are not subject to fair value measurement because they do not have market prices and it is deemed extremely difficult to estimate future cash flows, etc.

Notes on investment and rental property

1. Matters concerning status of investment and rental property

   Some of the Company's subsidiaries own rental buildings (including land) in Tokyo and other regions.

2. Matters concerning fair values of investment and rental property

(Millions of yen)

Consolidated balance sheet amount	Fair value at the end of the current fiscal year
119,556	116,951

(Note 1) The consolidated balance sheet amount is the acquisition cost less accumulated depreciation.

(Note 2) For major properties, fair value at the end of the current fiscal year is an amount based on the real estate appraisal standards of an external real estate appraiser, etc. For other properties, fair value is an amount estimated by employing the land price index with necessary adjustments applied at the Company.

(Note 3) The Ginza 6-chome District 10 Urban Redevelopment Project, etc. (whose consolidated balance sheet amount is ¥129,754 million) involve developments of large-scale commercial facilities and are still at the development stage at present. For these reasons, their fair values are extremely difficult to determine and are not included in the above table.

Notes on per share information

1. Net assets per share: ¥1,467.05
2. Basic earnings per share: ¥100.42

Notes on significant subsequent events

No items to report.

Notes to Non-consolidated Financial Statements

Notes on matters concerning important accounting policies

1. Basis and method of valuation of assets

(1) Basis and method of valuation of securities

Shares of subsidiaries and associates	Stated at cost using the moving-average method
Other securities	
Securities with available fair market values	
	Stated at fair value based on the market prices at the fiscal year-end
	(Valuation differences are included in net assets; cost of securities sold is determined by the moving-average method)
Securities without available fair market values	
	Stated at cost using the moving-average method

(2) Basis and method of valuation of derivatives

Derivatives	Stated at fair value

(3) Basis and method of valuation of inventories

Supplies	Stated at cost using the FIFO method (the book value is written down based on the decreased profitability)

2. Depreciation method of non-current assets

Property, plant and equipment (excluding leased assets)	
Buildings and structures	Straight-line method
Other property, plant and equipment	Declining-balance method
Intangible assets (excluding leased assets)	Straight-line method
	Internal use software is amortized using the straight-line method over the internally expected useful life (5 years).
Leased assets	
Leased assets in finance leases that do not transfer ownership	
	Straight-line method with zero residual value assuming the lease periods as useful lives

3. Accounting method for deferred assets

Bond issuance cost	Amortized using the straight-line method over the period until redemption

4. Accounting policy for provisions

Provision for bonuses	To prepare for the payment of bonuses to employees, the amount expected to be paid is provided.
Provision for directors' bonuses	To prepare for the payment of bonuses to corporate officers, the amount expected to be paid is provided.

5. Hedge accounting method

Hedge accounting method	Exceptional treatment is applied to interest rate swaps that satisfy the requirements for exceptional treatment.
Hedging instruments and hedged items	
Hedging instruments	Interest rate swaps
Hedged items	Loans payable and interest expenses on loans payable
Hedging policy	Based on the risk management policy, hedging is undertaken to hedge interest rate fluctuation risk.
Method for assessing the hedge effectiveness	At the end of each fiscal year, hedge effectiveness with respect to the hedged items and hedging instruments is assessed for each hedging transaction. This annual assessment excludes any transaction where important terms and conditions such as principal, interest rate, and duration are identical between the assets or liabilities of hedged items and hedging instruments.

6. Accounting treatment for consumption taxes

Consumption tax and local consumption tax are accounted for under the tax exclusion method.

Of consumption tax on assets that are not qualified for tax deductions, deferred consumption taxes stipulated under tax law are recorded in long-term prepaid expenses and amortized on a straight-line basis during a five-year period.

Notes on non-consolidated balance sheet

1. Accumulated depreciation of property, plant and equipment

¥90 million

2. Balance of guarantee obligations

Daimaru Matsuzakaya Department Stores Co. Ltd.
Guarantee for trip charge collected from customers based on request from business partner

¥0 million

Notes on non-consolidated statement of income

Transaction with subsidiaries and associates

Operating revenue	¥12,213 million
General and administrative expenses	¥144 million
Non-operating transactions	¥1,273 million

Notes on non-consolidated statement of changes in equity

1. Class and total number of shares issued as of the end of the current fiscal year

Common shares	268,119,164 shares

2. Class and number of treasury shares as of the end of the current fiscal year

Common shares	6,575,238 shares

Notes on tax effect accounting

1. Deferred tax assets by major category of cause

Deferred tax assets	
Provision for bonuses	¥55 million
Accrued insurance expenses	¥7 million
Accrued enterprise tax	¥16 million
Loss carried forward	¥23 million
Loss on valuation of shares of subsidiaries and associates	¥634 million
Loss on support to subsidiaries and associates	¥96 million
Other	¥28 million
Sub total deferred tax assets	¥863 million
Valuation allowance	¥(730) million
Total deferred tax assets	¥132 million
Deferred tax liabilities	
Valuation difference on available-for-sale securities	¥8 million
Net deferred tax assets	¥123 million

Net deferred tax assets are included in the following items in the non-consolidated balance sheet.

Current assets — Deferred tax assets	¥129 million
Non-current liabilities — Deferred tax liabilities	¥5 million

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

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

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

The impact of this change is immaterial.

Notes on transactions with related parties

Subsidiaries and associates, etc.

(Millions of yen)

Type	Company name	Ownership ratio of voting rights	Relationship	Nature of transactions	Transaction amount (Note 5)	Account item	Balance at the end of the fiscal year
Subsidiary	Daimaru Matsuzakaya Department Stores Co. Ltd.	Holding Directly 100%	Interlocking of officers Business advisory	Receipt of consulting fee income (Note 1)	2,409	—	—
				Lending of funds	15,000	Short-term loans receivable	18,640
				Collection of funds	18,640	Long-term loans receivable	50,640
				Receipt of interests (Note 2)	652	—	—
Subsidiary	JFR Office Support Co., Ltd.	Holding Directly 100%	Interlocking of officers Business advisory	Lending and collection of funds (Note 3)	8,642	Short-term loans receivable	9,309
				Receipt of interests (Note 2)	37	—	—
Subsidiary	JFR Online Co. Ltd.	Holding Directly 100%	Interlocking of officers Business advisory	Support for subsidiaries and associates (Note 4)	300	—	—

Transaction conditions and policy for deciding transaction conditions

(Note 1) Consulting fee income is determined by contract terms.

(Note 2) Interest rates on loans are determined reasonably with reference to market interest rates.

(Note 3) As transactions for lending and collection of funds are carried out repetitively, the amount shown in the transaction amount column is the average balance during the period.

(Note 4) Amounts deemed by the Company to be necessary as management support for subsidiaries and that the Company has decided to provide are recorded.

(Note 5) Transaction amounts do not include consumption taxes.

Notes on per share information

1. Net assets per share: ¥1,161.27
2. Basic earnings per share: ¥26.22