Internet Disclosure Items
for Notice of Convocation of the 10th Annual Shareholders Meeting

Notes to Consolidated Financial Statements
Notes to Non-consolidated Financial Statements
(From March 1, 2016 to February 28, 2017)

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 26 companies (Daimaru Matsuzakaya Department Stores Co. Ltd., The Hakata Daimaru, Inc., PARCO CO., LTD., Daimaru Kogyo, Ltd., JFR Card Co., Ltd., and others)

Daimaru COM Development Inc., which had been a consolidated subsidiary, was absorbed by Daimaru Matsuzakaya Department Stores Co. Ltd. through a merger on September 1, 2016. In addition, JFR Office Support Co., Ltd. and JFR Consulting Co. Ltd., which had also been consolidated subsidiaries, were absorbed by JFR Service Co. Ltd. on the same date.

(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, profit 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.)

Associates 8 companies (StylingLife Holdings Inc., Senshukai Co., Ltd., and others)

(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)

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 profit 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 policies

(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)

Straight-line 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 11 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 11 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

Application of Accounting Standard for Business Combinations, etc.

Effective from the current fiscal year, the Company has adopted the "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, September 13, 2013), the "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22, September 13, 2013), the "Accounting Standard for Business Divestitures" (ASBJ Statement No. 7, September 13, 2013), etc. As a result, the method of recording the amount of difference caused by changes in the Company's ownership interests in subsidiaries in the case of subsidiaries under ongoing control of the Company was changed to one in which it is recorded as capital surplus, and the method of recording acquisition-related costs was changed to one in which they are recognized as expenses for the fiscal year in which they are incurred. Furthermore, for business combinations carried out on or after the beginning of the current fiscal year, the accounting method was changed to one in which the reviewed acquisition cost allocation resulting from the finalization of the provisional accounting treatment is reflected in the consolidated financial statements for the fiscal year to which the date of business combination belongs. In addition, the presentation method for "profit" and other related items was changed, and the presentation of "minority interests" was changed to "non-controlling interests."

Application of the Accounting Standard for Business Combinations, etc. is in line with the transitional measures provided for in Paragraph 58-2 (4) of the Accounting Standard for Business Combinations, Paragraph 44-5 (4) of the Accounting Standard for Consolidated Financial Statements and Paragraph 57-4 (4) of the Accounting Standard for Business Divestitures. The Company is applying the said standard, etc. prospectively from the beginning of the current fiscal year.

These changes have no impact on profit or loss.

Changes in the depreciation method of property, plant and equipment

Previously, the Company and its domestic consolidated subsidiaries had mainly used the declining-balance method for depreciating property, plant and equipment (excluding leased assets) other than buildings and structures. From the current fiscal year, however, the Company has changed to using the straight-line method for depreciating all property, plant and equipment.

The Company made these changes because it judged that the straight-line method, which equally allocates the acquisition amount over the useful life, more suitably reflects in periodic profit or loss compared with the declining-balance method, which was previously used. This judgment was based on the results of performing a review of the Group's investment strategy, which focuses on seizing the opportunities of the recent large-scale investments and large-scale investment planning relating to Daimaru Matsuzakaya Department Stores Co. Ltd. and PARCO CO., LTD., and revalidating the revenue structures of the Group's property, plant and equipment in line with the active expansion of business models that have comparatively higher stability mainly due to rent fixation at PARCO CO., LTD.

As a result of this change, for the current fiscal year, operating income, ordinary income and profit before income taxes each increased by ¥1,453 million, compared with their respective figures calculated using the former depreciation method.

6. Changes in accounting estimates

Changes in amortization period of prior service costs and actuarial gains and losses for accounting related to retirement benefits

Previously, some subsidiaries used an amortization period of 12 years for prior service costs and actuarial gains and losses. However, because the average remaining service periods of employees have shortened, the amortization period has been changed to 11 years as of the current fiscal year.

The effect of this change on profit or loss is immaterial.

7. Additional information

Accounting with respect to redevelopment

The Udagawa-cho 14/15 Category 1 Urban Redevelopment Project is being independently carried out by consolidated subsidiary PARCO CO., LTD., acting as an independent operator, and accordingly presentation of the consolidated financial statements includes accounting for such individual operations involving the urban redevelopment project.

Under such accounting treatment, the consolidated balance sheet items cash and deposits and current assets – other have been reduced by ¥4,476 million and ¥57 million, respectively, while amounts recorded to inventories, advances received and current liabilities – other amount to ¥6,406 million, ¥1,460 million and ¥413 million, respectively.

Notes on consolidated balance sheet

1. Accumulated depreciation of property, plant and equipment

¥283,063 million

2. Assets pledged as collateral and secured liabilities

(1) Assets pledged as collateral

Buildings and structures	¥10,458 million
Land	¥10,798 million
Investment securities	¥455 million
Other	¥53 million
Total	¥21,766 million

(2) Secured liabilities

Short-term loans payable	¥200 million
Long-term loans payable	¥1,425 million
Other	¥430 million
Total	¥2,055 million

3. Guarantee obligations

Guarantee of financing for employee housing and others	¥11 million
Guarantee of lease agreement of JET Cleaning Co., Ltd. (subsidiary of Forest Co., Ltd.)	¥63 million
Total	¥75million

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 7, 2016	Common shares	3,661	14.00	February 29, 2016	May 6, 2016
Board of Directors meeting held on October 4, 2016	Common shares	3,661	14.00	August 31, 2016	November 9, 2016

(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 10, 2017	Common shares	Retained earnings	3,661	14.00	February 28, 2017	May 8, 2017

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 28, 2017, 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	36,318	36,318	–
(2) Notes and accounts receivable - trade	68,997	68,997	–
(3) Securities and investment securities			
(i) Other securities	16,348	16,348	–
(ii) Shares of associates	11,816	9,428	(2,388)
(4) Lease and guarantee deposits	36,028	35,621	(406)
(5) Notes and accounts payable - trade	[87,964]	[87,964]	–
(6) Short-term loans payable	[8,320]	[8,320]	–
(7) Commercial papers	[33,799]	[33,799]	–
(8) Income taxes payable	[7,125]	[7,125]	–
(9) Bonds payable	[27,000]	[27,117]	117
(10) Long-term loans payable	[118,680]	[119,264]	584
(11) Derivatives (*2)	11	11	–

(*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 ¥18,772 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 ¥26,154 million) and long-term guarantee deposited (whose consolidated balance sheet amount is ¥28,646 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
231,245	228,060

(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 South Wing of Matsuzakaya Ueno store, etc. (whose consolidated balance sheet amount is ¥73,635 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:	¥1,553.60
2. Basic earnings per share:	¥103.04

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 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.

(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)	Straight-line 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

Allowance for doubtful accounts	To prepare for losses from bad debt, an estimated uncollectible amount is provided.
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.
Provision for loss on business liquidation	To prepare for losses from business liquidations at

subsidiaries and associates, the necessary amount 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.

7. Changes in accounting policies

Changes in the depreciation method of property, plant and equipment

Previously, the Company had used the declining-balance method for depreciating property, plant and equipment (excluding leased assets) other than buildings and structures. However, the Company has changed to using the straight-line method for depreciating all property, plant and equipment.

The Company made these changes because it judged that the straight-line method, which equally allocates the acquisition amount over the useful life, more suitably reflects in periodic profit or loss compared with the declining-balance method, which was previously used. This judgment was based on the result of revalidating the revenue structures of the Group's property, plant and equipment.

The impact of these changes is immaterial.

Notes on non-consolidated balance sheet

1. Accumulated depreciation of property, plant and equipment

¥99 million

Notes on non-consolidated statement of income

1. Transaction with subsidiaries and associates

Operating revenue	¥13,646 million
General and administrative expenses	¥190 million
Non-operating transactions	¥943 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 6,573,594 shares

Notes on tax effect accounting

1. Deferred tax assets by major category of cause

Deferred tax assets	
Provision for bonuses	¥49 million
Accrued insurance expenses	¥7 million
Accrued enterprise tax	¥34 million
Allowance for doubtful accounts	¥309 million
Loss on valuation of shares of subsidiaries and associates	¥636 million
Loss on support to subsidiaries and associates	¥91 million
Provision for loss on business liquidation	¥318 million
Other	¥19 million
Sub total deferred tax assets	¥1,467 million
Valuation allowance	¥(1,069) million
Total deferred tax assets	¥397 million
Deferred tax liabilities	
Valuation difference on available-for-sale securities	¥(13) million
Net deferred tax assets	¥383 million

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

Current assets — Deferred tax assets	¥260 million
Non-current assets — Deferred tax assets	¥123 million

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 4)	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)	2,698	—	—
				Lending of funds	15,000	Short-term loans receivable	34,740
				Collection of funds	19,265	Long-term loans receivable	30,775
				Receipt of interests (Note 2)	537	—	—
Subsidiary	JFR Service Co. Ltd.	Holding Directly 100%	Interlocking of officers Business advisory	Lending and collection of funds (Note 3)	10,156	Short-term loans receivable	18,471
				Receipt of interests (Note 2)	26	—	—
Subsidiary	JFR Card Co., Ltd.	Holding Directly 100%	Interlocking of officers Business advisory	Lending of funds	—	Long-term loans receivable	10,000
				Receipt of interests (Note 2)	49	—	—

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) Transaction amounts do not include consumption taxes.

Notes on per share information

1. Net assets per share: ¥1,166.55
2. Basic earnings per share: ¥33.27