Translation

FASF MEMBERSHIP

April 10, 2017

Consolidated Financial Results for the Fiscal Year Ended February 28, 2017 <under Japanese GAAP>

Company name: **J.FRONT RETAILING Co., Ltd.**
Listing: First Section of the Tokyo Stock Exchange and Nagoya Stock Exchange
Securities code: 3086
URL: http://www.j-front-retailing.com/
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Scheduled date of ordinary general shareholders meeting: May 25, 2017
Scheduled date to commence dividend payments: May 8, 2017
Scheduled date to file Annual Securities Report: May 29, 2017
Preparation of supplementary material on financial results: Yes
Holding of financial results presentation meeting: Yes (for institutional investors and analysts)

(Millions of yen with fractional amounts discarded, unless otherwise noted)

1. Consolidated performance for the fiscal year ended February 28, 2017 (from March 1, 2016 to February 28, 2017)

(1) Consolidated operating results

(Percentages indicate year-on-year changes.)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
Fiscal year ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
February 28, 2017	1,108,512	(4.7)	44,580	(7.2)	44,425	(7.3)	26,950	2.4
February 29, 2016	1,163,564	1.2	48,038	13.9	47,910	18.4	26,313	31.8

Note: Comprehensive income
For the fiscal year ended February 28, 2017: ¥33,425 million [28.3%]
For the fiscal year ended February 29, 2016: ¥26,053 million [12.2%]

	Basic earnings per share	Diluted earnings per share	Return on equity	Ordinary income/ total assets	Operating income/ net sales
Fiscal year ended	Yen	Yen	%	%	%
February 28, 2017	103.04	103.04	6.8	4.3	4.0
February 29, 2016	100.42	100.41	6.9	4.7	4.1

Reference: Equity in earnings (losses) of affiliates
For the fiscal year ended February 28, 2017: ¥308 million
For the fiscal year ended February 29, 2016: ¥1,886 million

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
February 28, 2017	1,050,109	465,839	38.7	1,553.60
February 29, 2016	1,019,146	440,594	37.6	1,467.05

Reference: Equity
As of February 28, 2017: ¥406,336 million
As of February 29, 2016: ¥383,699 million

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
Fiscal year ended	Millions of yen	Millions of yen	Millions of yen	Millions of yen
February 28, 2017	36,239	(30,353)	(2,189)	31,846
February 29, 2016	36,799	(39,741)	(1,041)	28,147

2. Cash dividends

	Annual dividends					Total cash dividends (Total)	Dividend payout ratio (Consolidated)	Ratio of dividends to net assets (Consolidated)
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Fiscal year ended February 29, 2016	–	13.00	–	14.00	27.00	7,061	26.9	1.8
Fiscal year ended February 28, 2017	–	14.00	–	14.00	28.00	7,323	27.2	1.9
Fiscal year ending February 28, 2018 (Forecast)	–	16.00	–	16.00	32.00		31.6	

Note: Dividends for the fiscal year ending February 28, 2018
Ordinary dividends: ¥30.00
Commemorative dividends: ¥2.00

3. Consolidated earnings forecasts for the fiscal year ending February 28, 2018 (from March 1, 2017 to February 28, 2018)

(Percentages indicate year-on-year changes.)

	Revenue		Operating profit		Profit before tax		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
First six months ending August 31, 2017	227,000	2.4	21,000	(2.5)	21,350	(0.5)	12,800	(8.0)	48.94
Fiscal year ending February 28, 2018	469,000	3.5	44,500	6.6	44,700	5.0	26,500	(2.3)	101.32

Note: As the Company will voluntarily apply the International Financial Reporting Standards (IFRS) as of the first quarter of the fiscal year ending February 28, 2018, the above consolidated earnings forecasts have been calculated based on IFRS. Also, the result values for the fiscal year ended February 28, 2017 (IFRS) used in the year-on-year changes are approximate values and it is possible that they will change depending on the result of the accounting audit. Please refer to the section of "1. Operating results, (1) Analysis of operating results, B. Consolidated earnings forecasts for the next fiscal year" on page 5 of the attached material for the details of earnings forecasts.

* **Notes**

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): None

(2) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements after error corrections

a. Changes in accounting policies due to revisions to accounting standards and other regulations: Yes

b. Changes in accounting policies due to other reasons: Yes

c. Changes in accounting estimates: Yes

d. Restatement of prior period financial statements after error corrections: None

(Note) For the details, please refer to “5. Consolidated financial statements, (5) Notes on consolidated financial statements (Changes in accounting policies)” on page 24 of the financial results (attached material).

(3) Number of issued shares (common shares)

a. Total number of issued shares at the end of the period (including treasury shares)

As of February 28, 2017	268,119,164 shares
As of February 29, 2016	268,119,164 shares

b. Number of shares of treasury shares at the end of the period

As of February 28, 2017	6,573,594 shares
As of February 29, 2016	6,575,238 shares

c. Average number of shares during the period

For the fiscal year ended February 28, 2017	261,547,498 shares
For the fiscal year ended February 29, 2016	262,038,569 shares

<Reference> Non-consolidated performance

Non-consolidated performance for the fiscal year ended February 28, 2017 (from March 1, 2016 to February 28, 2017)

(1) Non-consolidated operating results

(Percentages indicate year-on-year changes.)

	Operating revenue		Operating income		Ordinary income		Profit	
Fiscal year ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
February 28, 2017	13,646	11.7	10,433	13.5	9,750	6.0	8,702	26.6
February 29, 2016	12,213	9.6	9,194	9.6	9,201	8.8	6,872	(18.1)

	Basic earnings per share	Diluted earnings per share
Fiscal year ended	Yen	Yen
February 28, 2017	33.27	33.27
February 29, 2016	26.22	26.22

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
February 28, 2017	434,921	305,105	70.2	1,166.55
February 29, 2016	428,175	303,737	70.9	1,161.27

Reference: Equity

As of February 28, 2017: ¥305,105 million

As of February 29, 2016: ¥303,723 million

*** The audit procedures do not apply to this financial results report.**

*** Proper use of earnings forecasts, and other special matters**

(Caution regarding forward-looking statements)

The forward-looking statements, including earnings forecasts, contained in these materials are based on information currently available to the Company and on certain assumptions deemed to be reasonable. These statements do not purport that the Company pledges to realize such statements. Actual business and other results may differ substantially due to various factors. Please refer to the section of “1. Operating results, (1) Analysis of operating results” on page 2 of the attached material for the suppositions that form the assumptions for earnings forecasts and cautions concerning the use thereof.

(How to obtain supplementary material on financial results)

Supplementary material on financial results was disclosed on the same day on TDnet.

[Attached Material]

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1. Operating results

(1) Analysis of operating results

A. Operating results for the current fiscal year

With respect to the Japanese economy in the fiscal year under review, corporate earnings and the employment environment continued to recover at a moderate pace, supported by measures implemented by the Japanese government and the Bank of Japan. However, foreign exchange markets and share markets lacked stability amid rising uncertainty about the outlook for the global economy, which stemmed from a slowdown in the Chinese economy and the United Kingdom's decision to leave the European Union. Despite signs of a pickup in consumption of high-priced items, personal spending was muted due to intensifying budget-minded consumer behavior amid concerns about the outlook. Consumption patterns are also changing due to a growing number of retail channels, such as the internet, and the increasingly diverse lifestyles of consumers.

Amid this environment, the J.Front Retailing Group (hereinafter the "Group") worked to further strengthen the competitiveness and profitability of existing businesses while also investing management resources in fields of growth in a focused manner, with the aim of developing as a multifaceted retailer operating multiple businesses with the Department Store Business at their core. Specifically, we constructed a business model for growth along with regions with the stores at its core (strategy of urban market dominance) and promoted omni-channel retailing that leverages the strengths of real stores.

Targeting further development as a multifaceted retailer operating multiple businesses, we sought to harness the capital and business alliance agreement signed with Senshukai Co., Ltd. in April 2015. To generate M&A synergies, we overhauled Senshukai's "Kcarat" fashion brand and the original "Benebis" women's shoe brand and began selling them as jointly developed brands via key department stores, Senshukai's catalogs and e-commerce websites operated by the Group and Senshukai.

Under our strategy of urban market dominance, we pushed ahead with a number of large-scale projects, including the Ginza 6-chome District 10 Urban Redevelopment Project, plans for rebuilding the South Wing of the Matsuzakaya Ueno store, plans for rebuilding the Main Building of the Daimaru Shinsaibashi store, and the Udagawa-cho 14/15 Category 1 Urban Redevelopment Project (plans for rebuilding the Shibuya PARCO). With respect to the Ginza 6-chome District 10 Urban Redevelopment Project, we plan to open GINA SIX in April 2017 as one of the largest commercial facilities in the Ginza area. In addition, Daimaru Matsuzakaya Department Stores absorbed Daimaru COM Development through a merger to form a new real estate division. This step, which is aimed at advancing our strategy of urban market dominance, has fundamentally strengthened our real estate development capabilities by centralizing the planning and development and operational management of attractive commercial facilities.

As part of efforts to enhance our omni-channel retailing, we worked to make our online shopping websites easier to use and more compatible with the increasingly diverse needs of shoppers. That involved shifting the focus of the sites away from traditional mid-year and year-end gifts towards convenient sites that people access to buy products for themselves. We also enhanced online content by introducing ideas for new lifestyles to give the site a more proposal-based approach.

In overseas operations, May will mark the first anniversary of our technical support for the Shanghai New World Daimaru Department Store. Earnings at the store have been firm, partly due to strong interest in retail events and the store's increased visibility among consumers.

In conjunction with the above initiatives, we have been reforming our organizational structure on a Group-wide level with the aim of constructing a more resilient operating structure. In September 2016, we consolidated three of the Group's shared services companies into a single company in order to reduce operating costs by eliminating redundancies, realize greater efficiencies on a Group-wide level through implementation of business reforms horizontally across the organization, and enhance support functions provided to respective Group companies. Also, we decided to sell the entire JFR Online direct marketing business to a subsidiary of Senshukai in light of the potential continuity between JFR Online, which has a customer base centered on senior female shoppers, and Senshukai's direct marketing business, which is mainly focused on female shoppers in their 30s, 40s and 50s. The decision was also made to dissolve and liquidate JFR PLAZA, which sells general goods in Taiwan, due to poor prospects for profitable operations amid intensifying competition. In addition, the decision was taken to close the Daimaru Urawa Parco store at the end of July 2017 in light of persistent operating losses and poor prospects for profitable operations in the future.

As part of efforts to create a stronger operating structure, we are working to improve asset efficiency and reinforce corporate governance systems. To improve asset efficiency, we are building a new earnings management system to be rolled out from the next fiscal year. The system will be based on the preparation of separate balance sheet budgets for nine of the Group's key department stores. To reinforce corporate governance systems, we decided to transition to a company with three committees (nomination, audit and remuneration committees) to further enhance governance by clearly separating audit and executive functions.

In September 2016, we established a new Group Personnel Division to develop the Group's personnel policy and strategy and to strengthen and optimize their promotion functions. Specifically, the division is responsible for training and appointing Group management personnel, assigning personnel to the best positions on a Group-wide level, and accelerating the development and utilization of human resources. Also, to realize growth by enhancing our ability to access the advanced information and create open innovation, we have invested in a US venture capital firm and dispatched our personnel to work at the firm.

In environmental and social activities, we continued to work on reducing energy consumption and packaging materials as part of wider efforts to help realize a recycling-oriented society. Also, we helped the Kumamoto area recover from the 2016 Kumamoto earthquakes by working closely with government agencies in supplying fresh produce to disaster-affected areas.

Despite implementing the above initiatives, consolidated net sales for the fiscal year under review declined 4.7% year on year to ¥1,108,512 million, operating income fell 7.2% to ¥44,580 million and ordinary income declined 7.3% to ¥44,425 million. Profit attributable to owners of parent increased 2.4% year on year to ¥26,950 million and return on equity (ROE) declined 0.1 percentage points to 6.8%.

The Company has decided to pay a year-end dividend of ¥14 per share. The annual dividend with the addition of an interim dividend of ¥14 per share is ¥28 per share, marking a year-on-year increase of ¥1.

Results by segment are as follows.

<Department Store Business>

In the Department Store Business, we accelerated efforts to establish "A new department store business model" that brings innovation to the sector by strengthening our capacity to serve markets in a manner aligned with the distinctive characteristics of the areas in which our individual stores operate, and by revamping our management structure with the aim of boosting profitability.

As part of these efforts, in April 2016, the Matsuzakaya Nagoya store relocated the men's floor and reopened it as "Matsuzakaya GENTA" in the North Building, which is geared to adult shoppers seeking premium quality and sophisticated style. That completed the full refurbishment of the department store, which was carried out over three fiscal years. A grand opening for all buildings was held to mark its rebirth as an "advanced department store offering premium lifestyle ideas and culture."

At the Daimaru Kyoto store, in October, we opened "Amuse Beauté" a self-service beauty shop located in the second basement floor. The shop provides customers with an expanded selection of cosmetics brands sometimes sourced from outside the conventional distribution channels in a comfortable service environment where customers can freely try out and choose items. Also, as part of our strategy of urban market dominance, in November, we opened “Daimaru Kyoto store Gion Machiya,” including the “Hermès Gion store” for a limited period as a first initiative.

At the Daimaru Tokyo store, the local operating environment has changed significantly. Passenger traffic at Tokyo Station has expanded due to improved access, and the number of office workers has increased due to redevelopment of the area around Tokyo Station. In response, the store is developing and selling unique, hard-to-find items, leading to growth in customer traffic and supporting firm earnings.

In out-of-store sales, we continued efforts to acquire new customer accounts and developed and recommended products for the wealthy consumer segment. In the in-bound tourism market, we took a number of steps to improve convenience for repeat customers, including wealthy overseas visitors. Specifically, we issued a new DAIMARU MATSUZAKAYA EXCLUSIVE CARD and offered more ways for customers to pay, such as Chinese mobile payment services QQWallet and Alipay.

Despite the initiatives mentioned above, net sales in this business declined 4.6% year on year to ¥727,994 million and operating income fell 14.6% to ¥24,592 million, partly reflecting a contraction in sales area due to the refurbishment of the Main Building at the Daimaru Shinsaibashi store and a decline in the average amount spent by overseas visitors.

<PARCO Business>

In the shopping center business (PARCO, ZERO GATE), we opened the “Sendai PARCO 2” in July 2016 and the “Hiroshima ZERO GATE 2” in September. We have also been refurbishing existing PARCO stores such as the Fukuoka PARCO and the Nagoya PARCO based on the concept of attracting a greater range of customers by addressing changing lifestyles and tapping demand from inbound tourism. We also stepped up the use of ICT, implementing CRM initiatives that link the official PARCO smartphone app “POCKET PARCO” with “PARCO CARD.” Meanwhile, to further strengthening the PARCO brand, the Shibuya PARCO (Part 1 and Part 3) was closed temporarily for rebuilding from August 2016. The Chiba PARCO was closed permanently at the end of November.

In the space engineering & management business (PARCO SPACE SYSTEMS), which operates interior and electrical construction work and building management, operating income was strong, reflecting an improvement in the gross margin and greater efficiency in selling, general and administrative expenses.

Despite the initiatives mentioned above, net sales in this business declined 2.7% year on year to ¥273,377 million and operating income fell 0.5% to ¥12,520 million, partly reflecting the temporary closure of Shibuya PARCO and the permanent closure of Chiba PARCO.

<Wholesale Business>

Net sales in the Wholesale Business declined 18.3% year on year to ¥47,291 million, reflecting a drop in sales due to contraction in food products and weak demand in industrial materials. However, operating income rose 16.3% year on year to ¥1,529 million, supported by a recovery in demand for electronic devices in the second half of the fiscal year and firm demand in automobiles, as well as an increase in the gross margin and a positive impact from a review of selling, general and administrative expenses.

<Credit Business>

Net sales in the Credit Business rose 4.3% year on year to ¥10,900 million and operating income increased 5.2% to ¥2,844 million. Amid weaker department store sales, purchases by cardholders declined year on year, leading to a drop in commissions from department stores. However, income from annual membership fees increased due to growth in the number of cardholders and affiliated store fees and interest income also rose.

<Other Businesses>

Net sales in Other Businesses declined 6.8% year on year to ¥97,575 million and operating income rose 2.7% to ¥2,881 million. Personnel recruitment business Dimples' reported higher sales and profits, with sales growth being driven by an increase in outsourcing contracts with non-Group customers. Profits also rose at J.Front Design & Construction due to an increase in projects for high-value properties. However, there was a major pullback in sales from the previous fiscal year, when the segment booked sales from large-scale refurbishment and construction projects for Group department stores.

B. Consolidated earnings forecasts for the next fiscal year

In our full-year consolidated earnings forecasts for the fiscal year ending February 28, 2018, we project revenue of ¥469,000 million, up 3.5%; operating profit of ¥44,500 million, up 6.6%; profit before tax of ¥44,700 million, up 5.0%; and profit attributable to owners of parent of ¥26,500 million, down 2.3%.

Our forecast for basic earnings per share is ¥101.32.

The Group voluntarily applies International Financial Reporting Standards ("IFRS") for the Company's consolidated financial statements from the first three months of the fiscal year ending February 28, 2018. Consequently, the above consolidated earnings forecasts are calculated based on IFRS. To estimate year on year changes in sales and profit items, figures for the fiscal year ended February 28, 2017 have been adjusted using IFRS.

(2) Analysis of financial position

A. Position of assets, liabilities, and net assets

Total assets as of February 28, 2017 was ¥1,050,109 million, an increase of ¥30,963 million compared with February 29, 2016. Total liabilities was ¥584,269 million, an increase of ¥5,717 million. Interest-bearing debt was ¥187,799 million, an increase of ¥6,877 million.

Total net assets was ¥465,839 million, an increase of ¥25,245 million compared with February 29, 2016.

B. Cash flow position

The balance of cash and cash equivalents (hereinafter "cash") as of February 28, 2017 amounted to ¥31,846 million, up ¥3,699 million compared with February 29, 2016.

Cash flow positions in the current fiscal year and the factors for these were as follows.

Net cash provided by operating activities was ¥36,239 million. In comparison with the previous fiscal year, cash provided decreased by ¥560 million, largely reflecting an increase in inventories, despite the proceeds from compensation associated with the Shibuya PARCO redevelopment project.

Net cash used in investing activities was ¥30,353 million. In comparison with the previous fiscal year, cash used decreased by ¥9,388 million, largely reflecting a pullback from the purchase of investment securities in the previous year.

Net cash used in financing activities was ¥2,189 million. In comparison with the previous fiscal year, cash used increased by ¥1,148 million, largely reflecting an increase in dividends paid.

<Reference> Trends in cash flow indicators

	Fiscal year ended February 28, 2013	Fiscal year ended February 28, 2014	Fiscal year ended February 28, 2015	Fiscal year ended February 29, 2016	Fiscal year ended February 28, 2017
Equity ratio (%)	33.8	37.1	36.9	37.6	38.7
Market value equity ratio (%)	28.7	34.0	44.4	33.8	43.0
Interest-bearing debt to cash flow ratio (%)	818.8	500.8	377.3	491.6	518.2
Interest coverage ratio (times)	14.1	21.0	29.2	25.4	28.0

Equity ratio: equity / total assets
Market value equity ratio: market capitalization / total assets
Interest-bearing debt to cash flow ratio: interest-bearing debt / cash flow
Interest coverage ratio: cash flow / paid interest

Note 1: All indicators are calculated based on consolidated financial figures.
Note 2: Market capitalization is calculated by multiplying the closing stock price at the end of the period by the number of issued shares at the end of the period (excluding treasury shares).
Note 3: The figure used for cash flow is "net cash provided by (used in) operating activities."
Note 4: Interest-bearing debt consists of short-term loans payable, commercial papers, current portion of bonds, bonds payable and long-term loans payable recorded on the consolidated balance sheet. Furthermore, regarding the paid interest, we use the interest expenses paid recorded on the consolidated statement of cash flows.

(3) Basic policy on profit distribution and dividends for the current fiscal year and the next fiscal year

The Company’s basic policy is to return profits appropriately in accordance with a targeted consolidated dividend payout ratio of 30% or more, with the aim of maintaining and enhancing the Company’s sound financial standing while keeping profit levels, future capital investment, cash flow trends and other such factors in consideration. The Company also considers carrying out purchases of its own shares as appropriate in accordance with such aims as improving capital efficiency and implementing a flexible capital policy.

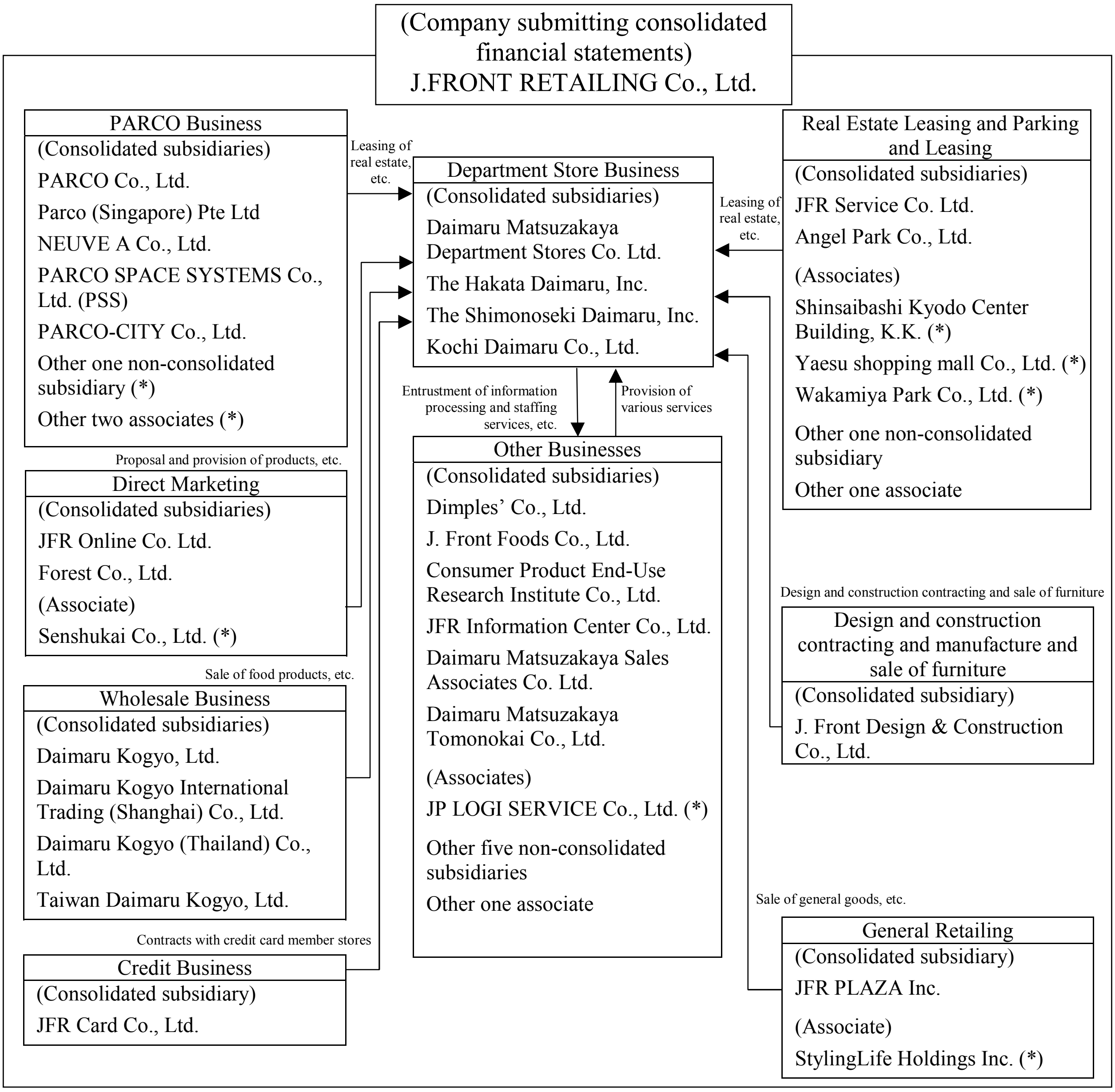
With respect to internal reserves, the Company intends to enhance corporate value by using them for such purposes as investing in store refurbishments and business expansions to strengthen sales, as well as strengthening the Company’s financial standing.

The Company has decided to pay an annual dividend of ¥28 per share in the current fiscal year, including an interim dividend of ¥14 per share.

For the next fiscal year, the Company plans to pay an annual dividend of ¥32 per share, comprising an interim dividend of ¥16 per share (an ordinary dividend of ¥15 plus a commemorative dividend of ¥1) and a year-end dividend of ¥16 per share (an ordinary dividend of ¥15 plus a commemorative dividend of ¥1).

2. Overview of the corporate group

The corporate group consists of the Company, 33 subsidiaries and ten associates. Its principal business is the Department Store Business, and its other businesses include the PARCO Business, the Wholesale Business, the Credit Business, design and construction contracting, direct marketing, and general retailing. The following is a business organization chart of the Group's main consolidated subsidiaries and equity method companies.



Notes: 1. Companies marked with an asterisk (*) are equity method companies.

2. In segment information, direct marketing, real estate leasing and parking, leasing, design and construction contracting, manufacture and sale of furniture, and general retailing are shown together as "Other Businesses." The other businesses are categorized in accordance with the segments.

3. Daimaru Matsuzakaya Department Stores Co. Ltd. absorbed Daimaru COM Development Inc. through a merger on September 1, 2016.

4. JFR Service Co. Ltd. absorbed JFR Office Support Co., Ltd. and JFR Consulting Co. Ltd. through a merger on September 1, 2016.

5. All business operations of JFR Online Co. Ltd. were transferred to Feel Life Inc., a wholly owned subsidiary of Senshukai Co., Ltd. on March 1, 2017.

6. PARCO-CITY Co., Ltd. changed its company name to PARCO Digital Marketing Co., Ltd. on March 1, 2017.

3. Management policies

The business environment in which the Group operates

Going forward, we are likely to come up against an ever more stringent business environment facing our existing business centered on physical stores. This is particularly the case given Japan's dwindling birthrate, growing proportion of elderly people and declining overall population, and other developments that include a diminishing middle-class demographic amid income polarization, the rise of electronic commerce (EC), shifting patterns of consumption where people are opting for experiences rather than goods, and the popularization of the sharing economy and other new forms of consumption. We also face concerns with respect to a potential adverse impact on consumer spending resulting from the additional hike in consumption tax now slated to go into effect.

On the other hand, we also have positive expectations with respect to potential new business opportunities by responding to changes in the market. For instance, we have expectations with respect to prospective new markets due to a likely increase in the number of tourists from overseas visiting Japan ahead of the 2020 Tokyo Olympic and Paralympic Games, an increasing participation by women in society, a growth in the seniors class, an advancing ICT, and a diversifying peoples lifestyles and the things that they value.

Drawing up the new Group Vision

Substantial changes emerging in the business environment have caused us to view our present situation as a turning point with respect to drastically altering the course being taken by Group management, given that we are now finding it more difficult to generate growth by remaining on the path prescribed in terms of our current business model.

We anticipate developing trends that involve increasingly diverse lifestyles stemming from Japan's dwindling birthrate and growing aging population along with its shifting family dynamics. We also anticipate trends that involve people pursuing increasingly diverse means of seeking enjoyment amid factors such as shifting patterns of consumption where people are opting for experiences rather than goods, and progress being made with ICT. Amid such trends, the JFR Group has been giving thought to the notion of what it is that makes people happy, and has consequently drawn up its new Group Vision phrased as "Create and Bring 'New Happiness' to Your Life." This new vision reflects our commitment to helping people lead emotionally fulfilling lives by strategically seeking expansion in current fields of business and transforming our existing businesses in hopes of providing new forms of value with respect to lifestyles as well as means of seeking enjoyment.

With the Group Vision pointing us in the direction we ought to be headed, we aim to substantially transform the Group while also achieving discontinuous growth.

FY2017–2021 Medium-term Business Plan

Positioning and basic policies of the Medium-term Business Plan

Over the duration set for the new Medium-term Business Plan, the five years from FY2017–2021, we intend to complete large development projects that we launched during the term of the FY2014–2016 Medium-term Business Plan, and then expect to start generating returns from those projects which should help enable us to attain dramatic growth. At the same time, we regard the plan as comprising a "phase of Group structural transformation" involving a turning point during which the course taken by Group management will be drastically altered to achieve discontinuous growth based on the new Group Vision. Accordingly, we aim to achieve ROE of 8% in fiscal 2021.

Under the plan, we will take one step away from our approach as a multifaceted retailer operating multiple businesses to act as a multifaceted services retailer, thereby expanding our business domain to encompass endeavors in new fields extending beyond the retail industry framework. Meanwhile, we will actively reshuffle our portfolio of businesses by accelerating the identification of unprofitable business fields and other efforts.

Transition to the International Financial Reporting Standards (IFRS)

The Group has decided to apply the International Financial Reporting Standards (IFRS) voluntarily beginning in March 2017, which marks the start of the duration of the new Medium-term Business Plan. We are shifting to the IFRS framework in the interest of implementing effective management based on appropriate asset evaluation, applying business management that gives emphasis to the profit of the current period and ensuring accountability to domestic and overseas investors by improving the international comparability of financial information. Going forward, the JFR Group will release earnings forecasts and financial results, including the quantitative management objectives set forth in the Medium-term Business Plan based on disclosure requirements in the IFRS.

Quantitative management objectives

By carrying out initiatives geared to making the new Group Vision a reality, we aim to achieve operating profit of ¥56.0 billion, operating profit margin of 10%, and ROE of 8% by fiscal 2021, the final fiscal year of the Medium-term Business Plan.

In monitoring our key financial indicators we will focus primarily on ROE for capital efficiency, operating profit for business profitability, free cash flows (FCF) for profitability and stability, and total equity attributable to owners of the parent to total assets (equity ratio) for financial soundness.

	FY2021 targets	FY2016 results (approximate)
Consolidated operating profit (IFRS)	¥56.0 billion	¥41.7 billion
Consolidated operating profit margin (IFRS)	10.0%	9.2%
Consolidated ROE (net income/shareholders' equity)	8.0% or higher	7.6%

Over the five-year period of the plan, we aim to generate operating cash flows of at least ¥260.0 billion, of which ¥200.0 billion will be allocated mainly to capital investment, and otherwise channeled to strategic growth investment that will include expanding new business toward rebuilding our business portfolio. On top of that, we will provide shareholder returns in accordance with a targeted consolidated dividend payout ratio of at least 30% and also consider the option of purchasing treasury shares as appropriate.

	Accumulated results of FY2017–2021
Operating cash flows	¥260.0 billion or more
Capital investment and growth-oriented investment	¥200.0 billion
Shareholder returns	We will consider the option of purchasing treasury shares as appropriate, in accordance with a targeted consolidated dividend payout ratio of at least 30%.

Strengthening corporate governance (transition to a company with three committees – nomination, audit and remuneration committees)

- On the basis of our decision for transitioning to a company with three committees (nomination, audit and remuneration committees), we will engage in initiatives that include strengthening the management oversight function, promoting agile management, as well as maintaining and improving the precision of audit procedures.
- We will enhance corporate governance practices of the Group overall to ensure that the Group achieves growth. To that end, we will clarify authority and responsibility with respect to the holding company and operating subsidiaries, as well as strengthening the management oversight function of the respective companies, and promoting managerial agility through swift business decision-making.
- We will engage in initiatives geared to bringing about functional enhancement of personnel affairs involving highly transparent and objective management, through activities of the Nomination Committee and Remuneration Committee that are to be established after the transition to the new governance structure. In conjunction with that, we will overhaul and strengthen internal control systems in order to heighten the effectiveness of audits performed by the Audit Committee.

Approach to the business portfolio

- Beginning in fiscal 2017, JFR's business segments include four reportable segments, the Department Store Business, PARCO Business, Real Estate Business and Credit Finance Business.
- Around 70% of the share of our business will be conducted by the Department Store Business and the PARCO Business, which up to now have accounted for nearly 90% of the Group's operating income. At the same time, we will increase the share of operating income generated by those operations by fortifying the Real Estate Business and by expanding into new fields of business.

Strategic framework of Medium-Term Management Plan

Promoting growth strategies for structural transformation of the Group

a. Multifaceted services retailer strategy

- We will promote the multifaceted services retailer strategy for seeking expansion into fields of business extending beyond the retail industry framework.

1) Expansion involving new fields of business toward making the new Group Vision a reality

- We will seek expansion into new fields of business including services field extending beyond the retail industry framework. In so doing, we aim to find solutions and meet needs with respect to challenges facing our customers who include families with children, dual-income households, and senior citizens.

2) Expansion in fields of business where managerial efficiency is high

- We will take steps to achieve expansion in our Credit Finance Business, personnel services business, design & construction business and other fields of business that are highly efficient, and that also enable us to make use of JFR's resources and hold promise of market growth.

b. Strategy of urban market dominance

- We will further accelerate the pace of initiatives under our strategy of urban market dominance, as we move toward forging a business model for growth along with our respective communities. We will strengthen our Real Estate Business which acts as a pillar of the Group's operating segments. To that end, in September 2016, we took steps to strengthen collaboration between the real estate divisions which has been newly established in our department stores, and PARCO's real estate development units, and we also plan to develop new commercial facilities and increase area available for lease.

1) Expansion involving the real estate leasing business

- Leveraging the strengths we gain from having favorable locations in urban areas, we will take steps to increase area available for lease primarily in areas in the vicinity of our existing stores.

2) Implementation of new commercial facilities model of business

- We will realize our new business model entailing real estate development. As part of this, the GINZA SIX facility and the south wing of the Matsuzakaya Ueno Store is slated to open on April 20, 2017. We will also further develop the business model by heading in the direction of opening both the Main Building of the Daimaru Shinsaibashi store and Shibuya PARCO which will be proceeding according to plan going forward.

3) Promoting urban development centered on flagship stores

- On the basis of our area strategies and concepts in terms of our respective stores, we are taking steps to come up with incentives for people to visit urban areas in the form of new services and events operated in collaboration with local communities.

c. ICT strategy looking toward the IoT era

- We are taking steps to address lifestyle needs of people in the IoT era of ubiquitous Internet connectivity. This will involve working to increase profitability by enhancing our e-commerce operations, strengthening relationships with customers by using ICT solutions, and giving shape to new businesses.

1) Increasing profitability by enhancing e-commerce operations

- We will work to increase revenues by innovating e-commerce websites of our department stores, drawing on Senshukai's order fulfillment capabilities, and expanding business in omni-channel retailing with respect to private brands in the Department Store Business through efforts geared to ensuring that such inventories match what is available on the shop floor.

2) Strengthening relationships with customers by using ICT solutions

- We will establish means of communications tailored to individual customers through initiatives that include making use of smartphone devices.

3) Giving shape to new businesses through open innovation

- We will continue to invest in venture capitals (VCs) and advance human resource development including dispatching the Group's personnel to the VCs in order to enhance our ability to collect advanced information. In addition, we will give shape to new services and businesses through efforts of open innovation utilizing advanced information and knowledge of the VCs.

d. Initiatives geared to innovating existing businesses

- We will steadfastly promote innovations in our existing businesses, such as the Department Store Business and PARCO Business, which account for a majority of the Group's operating income, by pursuing initiatives geared to increasing value provided by our stores.

<Innovation in the Department Store Business>

- Positioning strengthening our power to attract customers and expanding our customer base as key objectives for store strategies, we will promote efforts geared to increasing value provided by our stores and heightening their profitability, through initiatives that involve giving shape to the Group Vision in anticipating increasingly diverse customer needs.

1) Promoting creative innovation

- We have established the Future Standards Laboratory in our department stores, which will work to increase value provided by our stores by promoting open innovation.

2) Rebuilding branding for each store

- In response to trends of growing diversity in lifestyles and increasingly diverse means of seeking enjoyment, we will engage in efforts to rebuild branding of individual stores, leveraging the locations and strengths of respective stores.
- We will move forward in carrying out structural reforms of our small stores and local stores with the aim of generating renewed growth.

3) Promoting efforts to bring in a wide range of tenants (expansion of new arranging sales areas)

- In order to transform our stores so that they offer attractive experiential value, we will bring in a wide range of tenants who provide not only goods but also experiences, services and other offerings, while also promoting the introduction and expansion of new arranging sales areas by overhauling our existing arranging sales space.

<Innovation of the PARCO Business>

- We will seek expansion into fields of business that leverage PARCO's unique strengths with respect to consumers who aspire to enjoy urban lifestyles.

1) Heightening the appeal of urban stores by promoting development of store brands and transformation of the store portfolio

- We will develop PARCO store brands in the course of promoting initiatives of creating new Shibuya PARCO, and we will work to heighten the appeal of our urban stores by pursuing a scrap and build approach with respect to our stores.

2) Enhancing strengths involving productions held at commercial real estate venues with the aim of increasing value

- We will enhance our strengths involving productions held at commercial real estate venues with the aim of increasing value. To that end, we will develop business areas such as ZERO GATE and other commercial businesses, and also develop new business formats.

3) Expanding range of soft content in response to the trend of increasingly diverse means of seeking enjoyment

- We will promote the strengthening of content development capabilities and the external development thereof in order to improve the value that stores can provide.

<Innovation involving related businesses>

1) Promoting new initiatives geared to expanding non-Group earnings

- We will work to increase non-Group earnings by expanding into areas of business in growth markets, leveraging strengths of our respective Group companies.

2) Expansion involving fields of business where managerial efficiency is high

- Through arrangements such as alliances with outside entities and M&A deals, we will take steps to achieve expansion in our Credit Finance Business, personnel services business, design & construction business and other fields of business that are highly efficient, and that also enable us to make use of JFR's resources and hold promise of market growth.

e. Strengthening foundations of business that lend support to the growth strategy

<Innovating the Group's administrative systems>

- With the aim of improving management efficiency, we will take steps that involve reforming administrative processes centered on ICT and paperless solutions. In addition, in order to improve productivity, we will also work to reform working styles through establishment of IT environment.

<Reforming personnel affairs with respect to the Group’s organizations>

- To make the Group Vision a reality, we will take steps that include employee development geared to ensuring that employees are able to produce high added value and revitalizing the organization and its people, as well as advance reforms of working styles through improvement in productivity.

<Promoting CSR activities>

- We will promote initiatives geared to enabling the Group to achieve sustainable growth and to heightening its medium- to long-term corporate value. To such ends, we will classify the challenges we are to address through our CSR initiatives according to international standards (ISO 26000), under categories that include “The Environment,” “Human Rights,” “Working Styles,” “Business Risks,” and “Community Involvement.”

Through such initiatives, we will work toward ensuring growth sustainability of the Group and increasing its medium- to long-term corporate value.

4. Basic rational on selection of accounting standard

The Group voluntarily applies International Financial Reporting Standards ("IFRS") from the first three months of the year ending February 28, 2018 for the purpose of implementing effective management based on appropriate asset evaluation, applying business management that gives emphasis to the profit of the current period and improving the convenience of overseas investors by improving the international comparability of financial information.

5. Consolidated financial statements

(1) Consolidated balance sheet

(Millions of yen)

	As of February 29, 2016	As of February 28, 2017
Assets		
Current assets		
Cash and deposits	30,039	33,018
Notes and accounts receivable - trade	68,049	68,997
Securities	1,233	1,500
Inventories	28,205	34,499
Deferred tax assets	11,671	10,523
Other	41,865	44,540
Allowance for doubtful accounts	(173)	(249)
Total current assets	180,890	192,829
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	182,772	196,598
Land	360,297	420,894
Construction in progress	120,751	58,296
Other, net	4,829	8,273
Total property, plant and equipment	668,651	684,063
Intangible assets		
Goodwill	568	208
Other	40,876	41,438
Total intangible assets	41,444	41,647
Investments and other assets		
Investment securities	46,985	45,437
Long-term loans receivable	1,503	1,534
Lease and guarantee deposits	61,515	60,561
Net defined benefit asset	5,687	10,738
Deferred tax assets	5,112	3,695
Other	9,980	12,351
Allowance for doubtful accounts	(2,710)	(2,810)
Total investments and other assets	128,074	131,509
Total non-current assets	838,170	857,220
Deferred assets		
Bond issuance cost	85	60
Total deferred assets	85	60
Total assets	1,019,146	1,050,109

(Millions of yen)

	As of February 29, 2016	As of February 28, 2017
Liabilities		
Current liabilities		
Notes and accounts payable - trade	90,768	87,964
Short-term loans payable	40,219	37,280
Commercial papers	30,798	33,799
Current portion of bonds	–	12,000
Income taxes payable	8,322	7,125
Advances received	19,318	24,136
Gift certificates	38,599	38,596
Provision for bonuses	5,709	5,493
Provision for directors’ bonuses	204	206
Provision for sales returns	21	21
Provision for books unsold	121	133
Provision for sales promotion expenses	709	445
Reserve for gift certificates	13,913	14,493
Provision for loss on business liquidation	487	1,855
Provision for loss on stores rebuilding	1,245	–
Other	52,504	49,015
Total current liabilities	302,944	312,568
Non-current liabilities		
Bonds payable	27,000	15,000
Long-term loans payable	82,905	89,720
Deferred tax liabilities	89,158	85,296
Deferred tax liabilities for land revaluation	1,161	1,100
Net defined benefit liability	32,707	31,605
Provision for directors’ retirement benefits	37	5
Provision for loss on business liquidation	564	–
Provision for loss on stores rebuilding	1,191	1,712
Other	40,882	47,262
Total non-current liabilities	275,607	271,701
Total liabilities	578,552	584,269
Net assets		
Shareholders’ equity		
Capital stock	30,000	30,000
Capital surplus	209,551	209,551
Retained earnings	163,971	183,598
Treasury shares	(11,286)	(11,281)
Total shareholders’ equity	392,236	411,868
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,113	2,053
Deferred gains or losses on hedges	223	288
Foreign currency translation adjustment	516	349
Remeasurements of defined benefit plans	(11,391)	(8,223)
Total accumulated other comprehensive income	(8,537)	(5,532)
Subscription rights to shares	14	–
Non-controlling interests	56,880	59,503
Total net assets	440,594	465,839
Total liabilities and net assets	1,019,146	1,050,109

(2) Consolidated statement of income and consolidated statement of comprehensive income

(Consolidated statement of income)

(Millions of yen)

	Fiscal year ended February 29, 2016	Fiscal year ended February 28, 2017
Net sales		
Net sales of goods	1,151,469	1,094,964
Rent income of real estate	12,094	13,547
Total net sales	1,163,564	1,108,512
Cost of sales		
Cost of goods sold	910,927	866,009
Cost of real estate rent	7,104	7,718
Total cost of sales	918,031	873,727
Gross profit	245,532	234,785
Selling, general and administrative expenses		
Advertising expenses	27,733	26,544
Provision of allowance for doubtful accounts	459	539
Directors' compensations, salaries and allowances	49,828	48,201
Provision for bonuses	5,511	5,284
Provision for directors' bonuses	204	206
Retirement benefit expenses	3,285	3,935
Provision for directors' retirement benefits	8	2
Welfare expenses	10,632	10,249
Depreciation	16,194	14,843
Rent expenses	28,682	28,637
Operational costs	16,338	15,621
Amortization of goodwill	499	359
Other	38,115	35,780
Total selling, general and administrative expenses	197,494	190,205
Operating income	48,038	44,580
Non-operating income		
Interest income	369	349
Dividend income	365	395
Gain on adjustment of account payable	2,866	2,806
Compensation income	–	975
Share of profit of entities accounted for using equity method	1,886	308
Other	728	760
Total non-operating income	6,216	5,596
Non-operating expenses		
Interest expenses	1,419	1,181
Loss on retirement of non-current assets	864	442
Provision of reserve for redemption of gift certificates	3,159	2,971
Other	899	1,156
Total non-operating expenses	6,344	5,751
Ordinary income	47,910	44,425

(Millions of yen)

	Fiscal year ended February 29, 2016	Fiscal year ended February 28, 2017
Extraordinary income		
Gain on sales of non-current assets	–	1,998
Gain on sales of investment securities	960	1,283
Gain on sales of shares of subsidiaries and associates	131	–
Other	–	327
Total extraordinary income	1,091	3,609
Extraordinary losses		
Loss on disposal of non-current assets	2,629	1,589
Impairment loss	1,570	748
Loss on stores rebuilding	7,492	–
Loss on liquidation of business	1,719	4,106
Other	891	1,038
Total extraordinary losses	14,303	7,483
Profit before income taxes	34,698	40,550
Income taxes - current	14,626	13,577
Income taxes - deferred	(9,791)	(3,413)
Total income taxes	4,834	10,164
Profit	29,863	30,386
Profit attributable to non-controlling interests	3,549	3,435
Profit attributable to owners of parent	26,313	26,950

(Consolidated statement of comprehensive income)

(Millions of yen)

	Fiscal year ended February 29, 2016	Fiscal year ended February 28, 2017
Profit	29,863	30,386
Other comprehensive income		
Valuation difference on available-for-sale securities	(288)	(51)
Deferred gains or losses on hedges	(37)	63
Foreign currency translation adjustment	(147)	(115)
Remeasurements of defined benefit plans, net of tax	(3,654)	3,584
Share of other comprehensive income of entities accounted for using equity method	318	(441)
Total other comprehensive income	(3,810)	3,039
Comprehensive income	26,053	33,425
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	22,631	29,956
Comprehensive income attributable to non-controlling interests	3,421	3,469

(3) Consolidated statement of changes in equity

Fiscal year ended February 29, 2016

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	30,000	209,556	147,555	(6,369)	380,742
Cumulative effects of changes in accounting policies			(3,065)		(3,065)
Restated balance	30,000	209,556	144,490	(6,369)	377,677
Changes of items during period					
Dividends of surplus			(6,832)		(6,832)
Profit attributable to owners of parent			26,313		26,313
Purchase of treasury shares				(5,025)	(5,025)
Disposal of treasury shares		(4)		108	103
Net changes of items other than shareholders' equity					
Total changes of items during period	–	(4)	19,481	(4,917)	14,559
Balance at end of current period	30,000	209,551	163,971	(11,286)	392,236

	Accumulated other comprehensive income					Subscription rights to shares	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasure-ments of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of current period	2,352	(35)	659	(7,832)	(4,855)	15	54,357	430,260
Cumulative effects of changes in accounting policies							(114)	(3,179)
Restated balance	2,352	(35)	659	(7,832)	(4,855)	15	54,243	427,080
Changes of items during period								
Dividends of surplus								(6,832)
Profit attributable to owners of parent								26,313
Purchase of treasury shares								(5,025)
Disposal of treasury shares								103
Net changes of items other than shareholders' equity	(238)	258	(143)	(3,558)	(3,681)	(1)	2,637	(1,045)
Total changes of items during period	(238)	258	(143)	(3,558)	(3,681)	(1)	2,637	13,513
Balance at end of current period	2,113	223	516	(11,391)	(8,537)	14	56,880	440,594

Fiscal year ended February 28, 2017

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	30,000	209,551	163,971	(11,286)	392,236
Changes of items during period					
Dividends of surplus			(7,323)		(7,323)
Profit attributable to owners of parent			26,950		26,950
Purchase of treasury shares				(10)	(10)
Disposal of treasury shares		(0)		15	14
Net changes of items other than shareholders' equity					
Total changes of items during period	–	(0)	19,627	4	19,631
Balance at end of current period	30,000	209,551	183,598	(11,281)	411,868

	Accumulated other comprehensive income					Subscription rights to shares	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasure-ments of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of current period	2,113	223	516	(11,391)	(8,537)	14	56,880	440,594
Changes of items during period								
Dividends of surplus								(7,323)
Profit attributable to owners of parent								26,950
Purchase of treasury shares								(10)
Disposal of treasury shares								14
Net changes of items other than shareholders' equity	(59)	64	(166)	3,167	3,005	(14)	2,622	5,613
Total changes of items during period	(59)	64	(166)	3,167	3,005	(14)	2,622	25,245
Balance at end of current period	2,053	288	349	(8,223)	(5,532)	–	59,503	465,839

(4) Consolidated statement of cash flows

(Millions of yen)

	Fiscal year ended February 29, 2016	Fiscal year ended February 28, 2017
Cash flows from operating activities		
Profit before income taxes	34,698	40,550
Depreciation	18,345	17,189
Impairment loss	5,905	2,657
Amortization of goodwill	499	359
Increase (decrease) in allowance for doubtful accounts	167	176
Increase (decrease) in provision for bonuses	88	(214)
Increase (decrease) in net defined benefit liability	(1,832)	(1,160)
Decrease (increase) in net defined benefit asset	(1,367)	(1,131)
Increase (decrease) in provision for sales promotion expenses	(13)	(263)
Increase (decrease) in provision for loss on business liquidation	930	803
Increase (decrease) in reserve for gift certificates	672	579
Increase (decrease) in provision for loss on stores rebuilding	1,676	(723)
Interest and dividend income	(734)	(744)
Interest expenses	1,419	1,181
Share of (profit) loss of entities accounted for using equity method	(1,886)	(308)
Loss (gain) on sales of non-current assets	30	(1,997)
Loss (gain) on disposal of non-current assets	2,629	1,589
Loss (gain) on sales of investment securities	(960)	(1,259)
Loss (gain) on valuation of investment securities	0	–
Loss (gain) on sales of shares of subsidiaries and associates	(131)	–
Decrease (increase) in notes and accounts receivable - trade	7,507	(948)
Decrease (increase) in inventories	2,680	(6,293)
Increase (decrease) in notes and accounts payable - trade	(4,251)	(2,803)
Decrease (increase) in accounts receivable - other	(5,092)	(4,438)
Decrease (increase) in long-term prepaid expenses	553	292
Increase (decrease) in accounts payable - other	(499)	(1,963)
Other, net	(4,356)	3,282
Subtotal	56,682	44,409
Interest and dividend income received	616	793
Interest expenses paid	(1,446)	(1,296)
Proceeds from compensation	–	7,855
Income taxes paid	(20,733)	(17,323)
Income taxes refund	1,680	1,799
Net cash provided by (used in) operating activities	36,799	36,239

(Millions of yen)

	Fiscal year ended February 29, 2016	Fiscal year ended February 28, 2017
Cash flows from investing activities		
Purchase of short-term and long-term investment securities	(12,470)	(2,463)
Proceeds from sales of short-term and long-term investment securities	4,113	4,462
Proceeds from sales of shares of subsidiaries and associates	1,632	–
Purchase of property, plant and equipment and intangible assets	(37,254)	(41,966)
Proceeds from sales of property, plant and equipment and intangible assets	40	10,423
Decrease (increase) in short-term loans receivable	6	(248)
Payments of long-term loans receivable	(43)	(156)
Collection of long-term loans receivable	59	93
Other, net	4,174	(499)
Net cash provided by (used in) investing activities	(39,741)	(30,353)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(829)	(119)
Net increase (decrease) in commercial papers	2,107	3,001
Proceeds from long-term loans payable	21,200	46,000
Repayments of long-term loans payable	(13,008)	(42,005)
Proceeds from issuance of bonds	15,000	–
Redemption of bonds	(12,000)	–
Purchase of treasury shares	(5,031)	(21)
Cash dividends paid	(6,814)	(7,305)
Dividends paid to non-controlling interests	(789)	(846)
Other, net	(876)	(892)
Net cash provided by (used in) financing activities	(1,041)	(2,189)
Effect of exchange rate change on cash and cash equivalents	(0)	2
Net increase (decrease) in cash and cash equivalents	(3,985)	3,699
Cash and cash equivalents at beginning of period	32,132	28,147
Cash and cash equivalents at end of period	28,147	31,846

(5) Notes on consolidated financial statements

(Notes on premise of going concern)

No items to report.

(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 "net income" and other related items was changed, and the presentation of "minority interests" was changed to "non-controlling interests." To reflect these changes, the Company has reclassified its consolidated financial statements for the previous fiscal year.

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 accounting policies that are difficult to differentiate from changes in accounting estimates)

(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.

The impact on segment information is stated in the relevant section.

(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.

(Changes in presentations)

(Consolidated statements of cash flows)

"Increase (decrease) in accounts payable - other," which was included in "Other, net" under "Net cash provided by (used in) operating activities" in the previous fiscal year, is presented separately under "Net cash provided by (used in) operating activities" because of an increase in the materiality of the amount. The consolidated financial statements of the previous fiscal year have been reclassified to reflect this change in presentation.

As a result of the above, in the consolidated statements of cash flows of the previous fiscal year, a negative amount of ¥4,855 million that was previously included in "Other, net" under "Net cash provided by (used in) operating activities" has been reclassified as a negative amount of ¥499 million in "Increase (decrease) in accounts payable - other" and a negative amount of ¥4,356 million in "Other, net" under "Net cash provided by (used in) operating activities."

(Segment information, etc.)

<Segment information>

1. Overview of reportable segment

   The reportable segments of the Group are constituent units of the Group for which separate financial statements are obtainable. These segments are periodically examined by the Board of Directors for the purpose of deciding the allocation of management resources and evaluating business results.

   The Group is comprised, under a holding company structure, of the reportable segments "Department Store Business," "PARCO Business," "Wholesale Business," "Credit Business" and "Other Businesses," with the Department Store Business at its core.

   The Department Store Business carries out the sale of clothing, general goods, household goods, food products and others. The PARCO Business undertakes development, management, supervision and operation of shopping centers. The Wholesale Business carries out wholesaling of items including food products and chemical products and materials. The Credit Business undertakes issuance and administration of credit cards. Operations in the Other Businesses segment include direct marketing, real estate leasing and parking, leasing, design and construction contracting, as well as manufacture and sale of furniture, and general retailing.

2. Calculation of net sales, profit or loss, assets, liabilities, and other items by reportable segment

   The accounting method for reportable segments is identical to the accounting method employed for the preparation of the consolidated financial statements.

   Segment profits of reportable segments are provided on an operating income basis. Inter-segment revenues and transfers are based on prevailing market prices.

3. Net sales, profit or loss, assets, liabilities, and other items by reportable segment

Fiscal year ended February 29, 2016

(Millions of yen)

	Department Store Business	PARCO Business	Wholesale Business	Credit Business	Other Businesses	Total	Adjustments (Note 1)	Amounts on the consolidated financial statements (Note 2)
Net sales								
(1) External sales	762,280	280,696	48,744	5,901	65,940	1,163,564	–	1,163,564
(2) Inter-segment sales or transfers	941	354	9,104	4,553	38,798	53,752	(53,752)	–
Total sales	763,222	281,050	57,849	10,455	104,739	1,217,316	(53,752)	1,163,564
Segment profits	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	10,960	6,281	154	8	1,123	18,528	(183)	18,345
Amounts invested in equity method companies	2,554	427	–	–	164	3,146	23,543	26,689
Increase in property, plant and equipment and intangible assets	14,002	21,435	197	6	887	36,528	(273)	36,255

Notes: 1. Adjustments are made as follows.

(1) The ¥156 million deducted from segment profits as adjustment includes a ¥2,862 million in inter-segment eliminations and a deduction of ¥3,018 million in corporate expenses not attributable to any reportable segment. Corporate expenses are mainly expenses of the company submitting consolidated financial statements that are not attributable to any reportable segment.

(2) The ¥37,461 million deducted from segment assets as adjustment includes a deduction of ¥74,807 million in elimination of segment receivables, a deduction of ¥1,502 million in unrealized profit (loss) on non-current assets, and ¥38,246 million in assets of the company submitting consolidated financial statements that are not attributable to any reportable segment.

(3) The ¥183 million deducted from depreciation as adjustment consists of inter-segment transfers.

(4) The ¥23,543 million adjustment in amounts invested in equity method companies consists of investments in equity method companies made by the company submitting consolidated financial statements that are not attributable to any reportable segment.

(5) The ¥273 million deducted from increase in property, plant and equipment and intangible assets as adjustment consists of inter-segment unrealized profit.

2. Segment profits are adjusted to operating income in the consolidated financial statements.

Fiscal year ended February 28, 2017

(Millions of yen)

	Department Store Business	PARCO Business	Wholesale Business	Credit Business	Other Businesses	Total	Adjustments (Note 1)	Amounts on the consolidated financial statements (Note 2)
Net sales								
(1) External sales	727,028	272,981	38,764	6,501	63,236	1,108,512	–	1,108,512
(2) Inter-segment sales or transfers	966	395	8,527	4,399	34,339	48,628	(48,628)	–
Total sales	727,994	273,377	47,291	10,900	97,575	1,157,140	(48,628)	1,108,512
Segment profits	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	11,010	5,353	196	5	803	17,370	(181)	17,189
Amounts invested in equity method companies	2,625	87	–	–	165	2,878	23,405	26,284
Increase in property, plant and equipment and intangible assets	22,741	20,985	178	2	627	44,535	(107)	44,427

Notes: 1. Adjustments are made as follows.

(1) The adjustment of ¥211 million for segment profits includes a ¥3,424 million in inter-segment eliminations and a deduction of ¥3,213 million in corporate expenses not attributable to any reportable segment. Corporate expenses are mainly expenses of the company submitting consolidated financial statements that are not attributable to any reportable segment.

(2) The ¥46,181 million deducted from segment assets as adjustment includes a deduction of ¥85,829 million in elimination of segment receivables, a deduction of ¥1,457 million in unrealized profit (loss) on non-current assets, and ¥40,399 million in assets of the company submitting consolidated financial statements that are not attributable to any reportable segment.

(3) The ¥181 million deducted from depreciation as adjustment consists of inter-segment transfers.

(4) The ¥23,405 million adjustment in amounts invested in equity method companies consists of investments in equity method companies made by the company submitting consolidated financial statements that are not attributable to any reportable segment.

(5) The ¥107 million deducted from increase in property, plant and equipment and intangible assets as adjustment consists of inter-segment unrealized profit.

2. Segment profits are adjusted to operating income in the consolidated financial statements.

4. Note regarding change to reportable segments

(Change in the depreciation method of property, plant and equipment)

As stated in "Changes in accounting policies that are difficult to differentiate from changes in accounting estimates," 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.

As a result of this change, for the current fiscal year, segment profits increased across the board, by ¥83 million, ¥1,294 million, ¥60 million, ¥0 million, and ¥15 million, in the Department Store Business, PARCO Business, Wholesale Business, Credit Business, and Other Businesses, respectively, compared with their respective figures calculated using the former depreciation method.

<Related information>

Fiscal year ended February 29, 2016

1. Information by product and service

   This information has been omitted, as identical information is disclosed in segment information.

2. Information by geographical area

   (a) Net sales

   This information has been omitted, as net sales to external customers in Japan account for more than 90% of net sales recorded on the consolidated statement of income.

   (b) Property, plant and equipment

   This information has been omitted, as the amount of property, plant and equipment located in Japan accounts for more than 90% of the amount recorded on the consolidated balance sheet.

3. Information by major customer

   This information has been omitted, as there is no major external customer that accounts for 10% or more of the net sales recorded on the consolidated statement of income.

Fiscal year ended February 28, 2017

1. Information by product and service

   This information has been omitted, as identical information is disclosed in segment information.

2. Information by geographical area

   (a) Net sales

   This information has been omitted, as net sales to external customers in Japan account for more than 90% of net sales recorded on the consolidated statement of income.

   (b) Property, plant and equipment

   This information has been omitted, as the amount of property, plant and equipment located in Japan accounts for more than 90% of the amount recorded on the consolidated balance sheet.

3. Information by major customer

   This information has been omitted, as there is no major external customer that accounts for 10% or more of the net sales recorded on the consolidated statement of income.

<Impairment loss on non-current assets by reportable segment>

Fiscal year ended February 29, 2016

(Millions of yen)

	Department Store Business	PARCO Business	Wholesale Business	Credit Business	Other Businesses	Total	Corporate and elimination	Total
Impairment loss	3,773	833	–	–	1,404	6,011	(105)	5,905

¥3,773 million included in the Department Store Business resulted from the rebuilding of the Main Building of Daimaru Shinsaibashi store of Daimaru Matsuzakaya Department Stores Co. Ltd., and this amount is presented in the consolidated statement of income as a loss on stores rebuilding under extraordinary losses.

In addition, ¥990 million of impairment loss for goodwill was recorded in the Other Businesses.

Fiscal year ended February 28, 2017

(Millions of yen)

	Department Store Business	PARCO Business	Wholesale Business	Credit Business	Other Businesses	Total	Corporate and elimination	Total
Impairment loss	270	2,296	–	–	90	2,657	–	2,657

¥270 million included in the Department Store Business resulted from the decision to close Daimaru Matsuzakaya Department Stores Co. Ltd.'s Daimaru Urawa Parco Store, and this amount is presented in the consolidated statement of income as a loss on liquidation of business under extraordinary losses.

¥1,638 million included in the PARCO Business resulted from the transfer of non-current assets of PARCO CO., Ltd.'s Otsu PARCO and the decision to close the store, and this amount is presented in the consolidated statement of income as a loss on liquidation of business under extraordinary losses.

<Goodwill amortization amount and remaining goodwill balance by reportable segment>

Fiscal year ended February 29, 2016

(Goodwill) (Millions of yen)

	Department Store Business	PARCO Business	Wholesale Business	Credit Business	Other Businesses	Total	Corporate and elimination	Total
Amortization amount for the current fiscal year	–	358	–	–	141	499	–	499
Balance at the end of the current fiscal year	–	568	–	–	–	568	–	568

Note: Goodwill is mainly the result of a business combination (acquisition of the shares of PARCO Co., Ltd. and Forest Co., Ltd.).

Fiscal year ended February 28, 2017

(Goodwill) (Millions of yen)

	Department Store Business	PARCO Business	Wholesale Business	Credit Business	Other Businesses	Total	Corporate and elimination	Total
Amortization amount for the current fiscal year	–	359	–	–	–	359	–	359
Balance at the end of the current fiscal year	–	208	–	–	–	208	–	208

Note: Goodwill is mainly the result of a business combination (acquisition of the shares of PARCO Co., Ltd.).

<Gain on bargain purchase by reportable segment>

Fiscal year ended February 29, 2016

No items to report.

Fiscal year ended February 28, 2017

No items to report.