Translation

April 10, 2018

Consolidated Financial Results for the Fiscal Year Ended February 28, 2018 (under IFRS)

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/
Representative:	Ryoichi Yamamoto, President
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Scheduled date of ordinary general shareholders meeting:	May 24, 2018
Scheduled date to commence dividend payments:	May 7, 2018
Scheduled date to file Annual Securities Report:	May 28, 2018
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, 2018 (from March 1, 2017 to February 28, 2018)

(1) Consolidated operating results

(Percentages indicate year-on-year changes.)

	Sales revenue		Operating profit		Profit before tax		Profit	
Fiscal year ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
February 28, 2018	469,915	3.8	49,546	18.7	48,271	13.3	31,855	4.6
February 28, 2017	452,505	–	41,727	–	42,608	–	30,443	–

	Profit attributable to owners of parent		Total comprehensive income		Basic earnings per share	Diluted earnings per share
Fiscal year ended	Millions of yen	%	Millions of yen	%	Yen	Yen
February 28, 2018	28,486	5.3	37,811	8.6	108.92	108.86
February 28, 2017	27,052	–	34,817	–	103.43	103.43

	Profit/shareholders' equity	Operating profit/ total assets	Operating profit/ sales revenue
Fiscal year ended	%	%	%
February 28, 2018	7.5	4.9	10.5
February 28, 2017	7.6	4.2	9.2

Reference: Share of profit (loss) of investments accounted for using equity method
For the fiscal year ended February 28, 2018: ¥(1,171) million
For the fiscal year ended February 28, 2017: ¥898 million

(2) Consolidated financial position

	Total assets	Total equity	Equity attributable to owners of parent	Ratio of equity attributable to owners of parent to total assets	Equity attributable to owners of parent per share
As of	Millions of yen	Millions of yen	Millions of yen	%	Yen
February 28, 2018	1,022,348	450,887	395,519	38.7	1,511.91
February 28, 2017	1,005,069	421,444	368,571	36.7	1,409.20

(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, 2018	57,079	(19,030)	(31,048)	38,883
February 28, 2017	33,764	(27,952)	(2,097)	31,867

2. Cash dividends

	Annual dividends					Total cash dividends (Total)	Dividend payout ratio (Consolidated)	Ratio of dividends attributable to owners of parent (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 28, 2017	–	14.00	–	14.00	28.00	7,323	27.1	2.0
Fiscal year ended February 28, 2018	–	16.00	–	19.00	35.00	9,153	32.1	2.3
Fiscal year ending February 28, 2019 (Forecast)	–	17.00	–	18.00	35.00		30.0	

Note: Dividends for the fiscal year ended February 28, 2018
Ordinary dividends: ¥33.00
Commemorative dividends: ¥2.00

3. Consolidated earnings forecasts for the fiscal year ending February 28, 2019 (from March 1, 2018 to February 28, 2019)

(Percentages indicate year-on-year changes.)

	Sales 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, 2018	234,000	(0.2)	24,000	(10.0)	24,700	(4.7)	15,300	(6.2)	58.49
Fiscal year ending February 28, 2019	485,000	3.2	48,500	(2.1)	49,600	2.8	30,500	7.1	116.59

* **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
  a. Changes in accounting policies required by IFRS: None
  b. Changes in accounting policies due to other reasons: None
  c. Changes in accounting estimates: None

(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, 2018	270,565,764 shares
As of February 28, 2017	268,119,164 shares

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

As of February 28, 2018	8,963,580 shares
As of February 28, 2017	6,573,594 shares

  c. Average number of shares during the period

For the fiscal year ended February 28, 2018	261,541,599 shares
For the fiscal year ended February 28, 2017	261,547,498 shares

<Reference> Non-consolidated performance
Non-consolidated performance for the fiscal year ended February 28, 2018 (from March 1, 2017 to February 28, 2018)

(1) Non-consolidated operating results

(Percentages indicate year-on-year changes.)

	Operating revenue		Operating profit		Ordinary profit		Profit	
Fiscal year ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
February 28, 2018	14,776	8.3	10,622	1.8	9,892	1.5	8,579	(1.4)
February 28, 2017	13,646	11.7	10,433	13.5	9,750	6.0	8,702	26.6

	Basic earnings per share	Diluted earnings per share
Fiscal year ended	Yen	Yen
February 28, 2018	32.80	–
February 28, 2017	33.27	33.27

(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, 2018	421,361	305,802	72.6	1,169.25
February 28, 2017	434,921	305,105	70.2	1,166.55

Reference: Equity
As of February 28, 2018: ¥305,802 million
As of February 28, 2017: ¥305,105 million

*** Financial results reports are exempt from audit conducted by certified public accountants or an audit corporation.**

*** 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 by the Company. 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 “1. Operating results (1) Analysis of operating results” on page 2 of the material attached to this financial results report for the suppositions that form the assumptions for earnings forecasts and cautions concerning the use thereof.

(Adoption of International Financial Reporting Standards (IFRS))

The Group has adopted IFRS from the fiscal year ended February 28, 2018. Please refer to “4. Consolidated financial statements and significant notes thereto (5) Notes to consolidated financial statements (First-time adoption)” on page 30 of the material attached to this financial results report for the difference between the financial figures under IFRS and Japanese GAAP.

(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

The J. Front Retailing Group (hereinafter the "Group") has adopted the International Financial Reporting Standards (IFRS) from the fiscal year under review, replacing the previously used Japanese GAAP. The Group has adopted IFRS 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 enhancing accountability to domestic and overseas investors by improving the international comparability of financial information. Figures for the fiscal year ended February 28, 2017 that were stated in conformance with Japanese GAAP have been reclassified to conform with IFRS.

In the fiscal year under review, despite elements of uncertainty, the Japanese economy continued on a gradual track of recovery mainly fueled by the robust overseas economy and the various policies of the Japanese government and the Bank of Japan. The pace of recovery in Japan's personal spending has been slow, as although we are seeing continuous upturn in luxury goods consumption by affluent consumers mainly backed by the wealth effect due to increases in stock prices, the overall consumption trend is becoming increasingly polarized with an increase in budget-minded consumer behavior also present, reflecting general unease toward the future amid an increased burden of social security.

Amid this environment, the Group drastically steered management to "discontinuous growth," which is not an extension of the past, aiming to achieve ROE of 8% or more. We started the "FY 2017–FY 2021 Medium-term Business Plan," aiming to achieve a new Group Vision of "Create and Bring 'New Happiness' to Your Life," which calls for rebuilding our business portfolio. In the fiscal year under review, which was the first year of the new business plan, the Group sought to develop as a "multifaceted services retailer" operating beyond the retail industry framework by expanding its business domains and working to further strengthen the competitiveness and profitability of existing businesses, while accelerating efforts to identify unprofitable operations.

Under our "strategy of urban market dominance," where we aim to build business models for growth along with our respective communities centered on stores, we engaged mostly in large-scale development projects for our Real Estate Business, which is positioned as a new growth business. In April, we opened GINZA SIX, a revolutionary luxury mall and one of the largest commercial facilities in the Ginza area with an area of 47,000 m^2. Then, in November we opened Ueno Frontier Tower, a commercial complex developed on the site of the former south wing of the Matsuzakaya Ueno store. In addition, we decided to introduce PARCO as the large-scale core tenant in the north wing of the Daimaru Shinsaibashi store, which is adjacent to its main building currently being rebuilt.

In our ICT (Internet, Communication, and Technology) strategy, which looks toward the IoT era, when all manner of things will be connected to the Internet, we have developed and strengthened our organizational structure, establishing the Group Digital Strategy Division in March and appointing an external member of personnel to take responsibility for the ICT strategy promotion. In this way, we took steps to realize our ICT strategy in terms of both proactive and defensive aspects.

In the Group's core Department Store Business and PARCO Business, we took initiatives to innovate existing business by taking steps to increase the value provided by stores and to heighten their profitability. In the Department Store Business, we conducted sales floor renovations in response to changes in the market, such as introducing a new arranging sales area, as well as expanding our customer base and strengthening our sales service. In the PARCO Business, we took steps to promote the development of store brands and heighten the appeal of stores by opening new stores and pursuing a scrap and build approach for urban stores. We also worked to produce multiple commercial real estate assets such as the new Shibuya PARCO.

To expand new business fields, in February we decided to establish JFR Kodomo Mirai Co., Ltd. to enter the infant childcare business. Also, we transferred all shares of Forest Co., Ltd., a consolidated subsidiary that operates a mail order business, in August. In addition, we decided to accede to the future plan by Senshukai Co., Ltd., an equity method associate, to purchase its own shares.

In efforts to strengthen our foundations of business, we further enhanced the corporate governance system. These efforts included transitioning to a company with three committees (nomination, audit and remuneration committees) in order to strengthen the management oversight function and promote agile management and reinforcing management personnel, such as promoting Board of Directors reforms based on an evaluation of the effectiveness of the Board of Directors. In tandem, we worked to increase management's shared awareness of profits with shareholders and awareness of shareholder-focused management by introducing a stock-based remuneration system and took steps to strengthen management personnel functions with high transparency and objectivity through the activities of the Nomination Committee and Remuneration Committee. In an effort to enhance asset efficiency, we conducted operation management based on separate balance sheet budgets for each of the flagship stores of Daimaru Matsuzakaya Department Stores. Also, we worked to increase free cash flows by taking steps to boost investment efficiency and improve earnings through business management based on investment criteria and business withdrawal criteria. In efforts on business reforms aimed at improving productivity, we innovated the Group's administrative systems and introduced robotic process automation (RPA) to automate office work. In reforming personnel affairs with respect to the Group's organizations, we appointed external personnel in specialist fields such as new business development, ICT, legal affairs, and real estate, and took steps to train and strengthen management and administration personnel. To cope with diversification of work styles due to diverse work perspectives and changes in life stages, in Daimaru Matsuzakaya Department Stores and Daimaru Matsuzakaya Sales Associates and other companies, we introduced the Area-Limited Staff System, which allows employees to select the areas where they work, and the Dedicated Staff System, under which employees on fixed-term contracts who have completed more than one year of service in the companies are employed indefinitely in principle.

In environmental activities, we continued to work on reducing energy consumption and packaging materials, among others. Furthermore, in our ECOFF Recycle Campaign held at flagship stores of Daimaru Matsuzakaya Department Stores, we collected about 460,000 items of disused clothing, shoes and bags from customers to be recycled into bioethanol and the like as part of our continued efforts to build a recycling-oriented society. In social activities, we continued working to support women's health, and to nurture the next generation through donations to scholarship funds to support children in disaster affected areas as support for areas affected by the Great East Japan Earthquake and the Kumamoto Earthquake and other disasters. We also used our stores to provide sales opportunities to producers in disaster-affected areas, by holding events and so forth. In addition, we established JFE Create Co., Ltd., which has acquired certification as a special subsidiary company in accordance with the Act on Employment Promotion etc. of Persons with Disabilities and started operations.

As a result of various measures including those mentioned above, consolidated sales revenue for the fiscal year under review was ¥469,915 million, up 3.8% year on year, operating profit was ¥49,546 million, up 18.7% year on year, profit before tax was ¥48,271 million, up 13.3% year on year, profit attributable to owners of parent was ¥28,486 million, up 5.3% year on year, and profit/shareholders' equity (ROE) was 7.5%, down 0.1 percentage points year on year.

J. Front Retailing Co., Ltd. (the "Company") has decided to pay year-end dividends of ¥19 per share, comprising an ordinary dividend of ¥18 and a commemorative dividend of ¥1 to celebrate the 10th anniversary of the Company. The annual dividend with the addition of an interim dividend of ¥16 per share (including a commemorative dividend of ¥1) is ¥35 per share, marking a ¥5 increase of ordinary dividend year on year as well as seven consecutive years of dividend increases.

Results by segment are as follows.

<Department Store Business>
To increase the value provided by our stores and heighten their profitability, we conducted sales area renovations responding to changes in market conditions including introduction of new concept sales areas. At the Daimaru Kobe store, we undertook a major renewal of the men's floor, with a particular focus on the 6th floor, and the 7th floor living room sales area, for the first time in 20 years. At the Daimaru Sapporo store, we increased the area of the watch sales area by around 1.5 times and expanded the range of brands carried. In addition, at the Daimaru Tokyo store on the women's clothing floor, we opened Daimaru and Matsuzakaya's first concept-type select zone with an arrangement of clothing, food, and housing, produced by a popular shop owner. In conjunction with this, in out-of-store sales, we continued efforts to acquire new customer accounts in response to expanding consumption among the wealthy class, while taking steps to develop and recommend new products and services. In the inbound tourism market, we stepped up our response to overseas visitors to Japan by expanding sales areas able to handle mobile payment and strengthening in-store sales services.

To mark the milestone of 300th anniversary of founding of Daimaru, we held various commemorative promotions and events. At the Daimaru Kobe store, we hosted "VOGUE Fashion's Night Out" as a shopping event for the fashion magazine "Vogue." At the Daimaru Kyoto store, we ran a limited time shop "Hermès" in Gion, Kyoto for nine months through to July as a Kyoto Machiya Project. Then, in August, we opened HUBLOT BOUTIQUE KYOTO. In addition, in March we established the Future Standards Laboratory to strengthen links with outside knowledge and collect information utilizing the Internet. The Daimaru Urawa Parco store ceased operations at the end of July, as it had continued to operate at a loss and we judged that it would be difficult to return it to profitability going forward amid intensifying competition.

As a result of various measures including those mentioned above, in the fiscal year under review, sales revenue was ¥274,308 million, up 2.3% year on year, operating profit was ¥26,659 million, up 20.0% year on year.

<PARCO Business>
To develop PARCO store brands, we opened PARCO_ya in Ueno Frontier Tower on November 4, our first new store opening in the 23 wards of Tokyo in the 44 years since Shibuya PARCO. After opening, the store enjoyed strong visitor numbers and sales, exceeding our estimation.

At urban stores, an awareness of the effect of information dispersal via social media is rising. At the Fukuoka PARCO, we introduced new service-oriented tenants in response to experience-focused consumption, and at the Nagoya PARCO we conducted restaurant refurbishments aimed at building up our originality in the market. In the entertainment business, we held "Despicable Me 3 CAFÉ" events at PARCO stores in Sapporo, Ikebukuro, Nagoya, and Fukuoka. Developing original content like this helped to increase customer attraction and transaction volume at existing stores. We also conducted various initiatives such as developing the project in outside facilities.

In productions held at commercial real estate venues in April, we decided to open a store in a station-front commercial facility in Kinshi-cho, Sumida Ward, which is expected to see increasing development and activation of city functions as an urban sub center in east Tokyo. Furthermore, in May we started construction of new Shibuya PARCO, and in September we decided to open a PARCO store as the core tenant in the north wing of Daimaru Shinsaibashi store.

Despite various measures including those mentioned above, sales revenue was ¥91,621 million, down 2.3% year on year due to the temporary closure of Shibuya PARCO since August 2016 for rebuilding and the permanent closure of Chiba PARCO in November 2016, as well as the additional closure of Otsu PARCO in August 2017, and operating profit was ¥11,752 million, down 9.7% year on year.

<Real Estate Business>

On April 20, we opened GINZA SIX, an integrated development of a two-block site including the former site of the Matsuzakaya Ginza store. The GINZA SIX opened as a commercial facility different from traditional department stores, integrating a commercial area that has attracted 241 brands including 121 flagship store brands with a cultural facility, creating new excitement for the local area. Furthermore, on November 4 we opened Ueno Frontier Tower, which had been developed on the site of the former south wing of Matsuzakawa Ueno store, as a commercial complex bringing together Matsuzakaya Ueno store, PARCO_ya, Toho Cinemas Ueno, and offices. Taking advantage of the start of the operation, we gave the peripheral stores owned by Daimaru Matsuzakaya Department Stores the collective name "Shitamachi Front." At the same time, we worked to create an attractive community and encourage new visitors, including through joint events with department stores and PARCO and area promotion initiatives in collaboration with the community and the local merchants' association.

As a result of various measures including those mentioned above, in the fiscal year under review, sales revenue was ¥13,427 million, up 168.3% year on year, and operating profit was ¥4,131 million, up 1,085.4% year on year.

<Credit Finance Business>

Despite increases in revenues from annual membership fees due to growth in the number of cardholders and affiliated store fees and interest income from installment sales, sales revenue in the Credit Finance Business was ¥10,176 million, up 3.3% year on year, and operating profit was ¥2,742 million, down 4.0% mainly due to increases in selling, general and administrative expense such as costs of security measures.

<Other Businesses>

Although design and construction contracting business J. Front Design & Construction saw sales decline on a pullback after recording an increase in large projects in the previous fiscal year, wholesale business Daimaru Kogyo saw sales and profits increase year on year due to strong performance in the electronic devices division. Personnel recruitment business Dimples' expanded its sales following an increase in outsourcing contracts from non-Group customers. As a result, sales revenue for Other Businesses was ¥117,845 million, up 2.8% year on year, and operating profit was ¥4,744 million, up 59.1% year on year.

B. Consolidated earnings forecasts for the next fiscal year

In our full-year consolidated earnings forecasts for the fiscal year ending February 28, 2019, we project sales revenue of ¥485,000 million, up 3.2%; operating profit of ¥48,500 million, down 2.1%; profit before tax of ¥49,600 million, up 2.8%; and profit attributable to owners of parent of ¥30,500 million, up 7.1% year on year.

Our forecast for basic earnings per share is ¥116.59.

(2) Analysis of financial position

A. Position of assets, liabilities, and equity

Total assets as of February 28, 2018 was ¥1,022,348 million, up ¥17,279 million compared with February 28, 2017. Total liabilities was ¥571,460 million, down ¥12,165 million. Interest-bearing debt was ¥184,202 million, down ¥21,750 million.

Total equity was ¥450,887 million, up ¥29,443 million compared with February 28, 2017.

B. Cash flow position for the current fiscal year

The balance of cash and cash equivalents (hereinafter "cash") as of February 28, 2018 was ¥38,883 million, up ¥7,016 million compared with February 28, 2017.

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

Net cash provided by operating activities was ¥57,079 million. In comparison with the previous fiscal year, cash provided increased by ¥23,315 million, largely reflecting an increase in trade payables and proceeds from advances received associated with the Shibuya PARCO redevelopment project.

Net cash used in investing activities was ¥19,030 million. In comparison with the previous fiscal year, cash used decreased by ¥8,922 million, largely reflecting a decrease in purchase of property, plant and equipment and the proceeds from sales of shares of subsidiaries.

Net cash used in financing activities was ¥31,048 million. In comparison with the previous fiscal year, cash used increased by ¥28,951 million, largely reflecting the redemption of bonds and commercial papers despite proceeds from issuance of bonds.

<Reference> Trends in cash flow indicators

		Fiscal year ended February 28, 2017	Fiscal year ended February 28, 2018
Ratio of equity attributable to owners of parent to total assets	(%)	36.7	38.7
Market value ratio of equity attributable to owners of parent to total assets	(%)	44.9	49.9
Interest-bearing debt to cash flow ratio	(%)	610.0	322.7
Interest coverage ratio	(times)	25.3	51.5

Ratio of equity attributable to owners of parent to total assets: total equity attributable to owners of parent / total assets

Market value ratio of equity attributable to owners of parent to total assets: 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 current borrowings, commercial papers, current portion of bonds, bonds and non-current borrowings recorded on the consolidated statement of financial position. Furthermore, regarding the paid interest, we use the interest paid recorded on the consolidated statement of cash flows.

Note 5: The date for transition to IFRS is March 1, 2016, and IFRS has been adopted from the fiscal year ended February 28, 2018. Therefore, data from the fiscal year ended February 29, 2016 and earlier has not been presented.

(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.

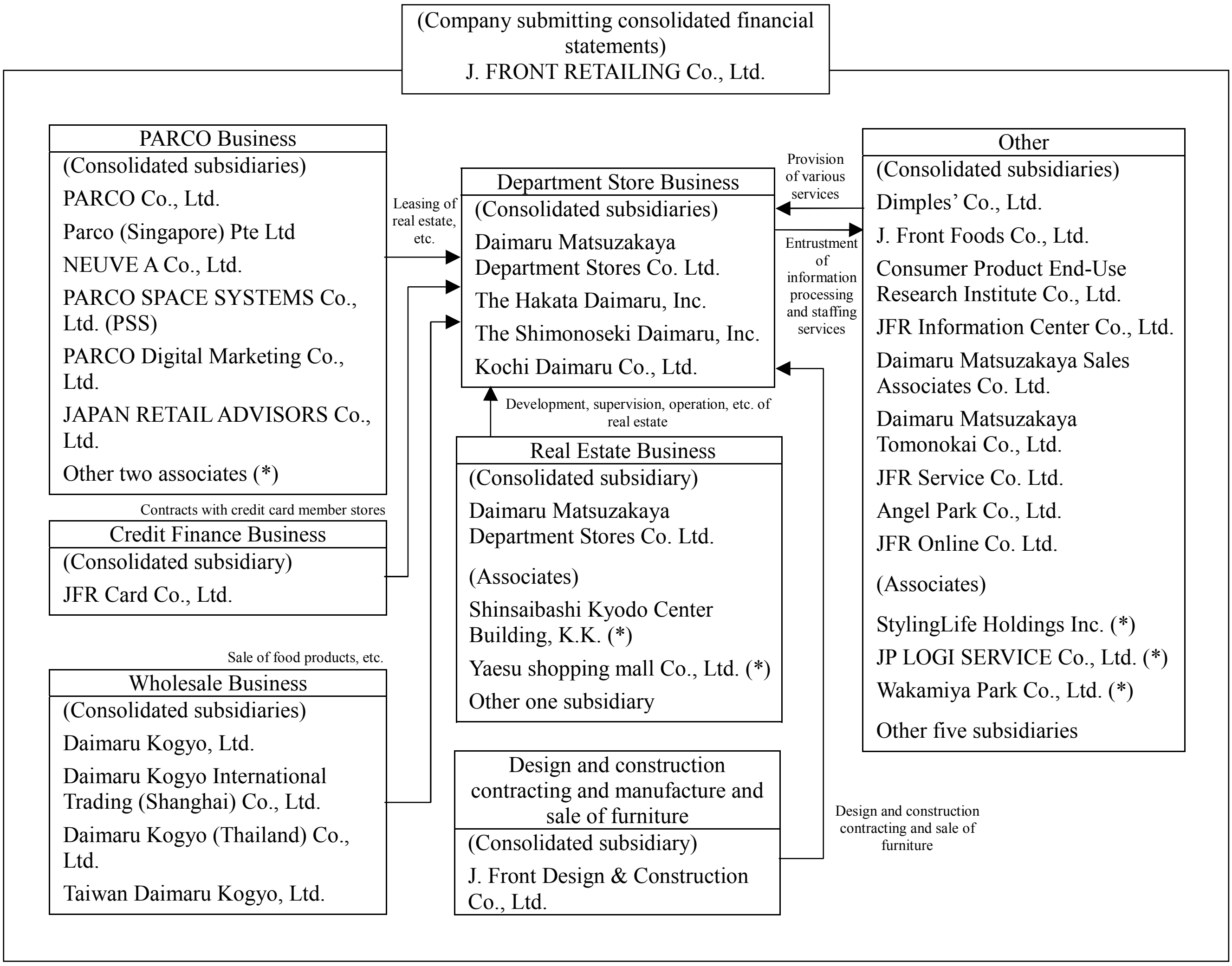
With respect to internal reserves, the Company intends to enhance corporate value by using them for such purposes as investing in store refurbishments and business expansions to strengthen sales, as well as strengthening the Company's financial standing.

The Company has decided to pay an annual dividend of ¥35 per share in the current fiscal year, including an interim dividend of ¥16 per share (an ordinary dividend of ¥15 plus a commemorative dividend of ¥1).

For the next fiscal year, the Company plans to pay an annual dividend of ¥35 per share, comprising an interim dividend of ¥17 per share and a year-end dividend of ¥18 per share.

2. Overview of the corporate group

The corporate group consists of the Company, 31 subsidiaries and seven associates. Its principal business is the Department Store Business, and its other businesses include the PARCO Business, the Real Estate Business, the Credit Finance Business, wholesaling, and design and construction contracting. 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 associates.

2. In segment information, wholesaling, design and construction contracting, manufacture and sale of furniture, etc. are shown together as "Other." The other businesses are categorized in accordance with the segments.
3. 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.
4. The Company transferred all shares of Forest Co., Ltd. on August 31, 2017.
5. JFR PLAZA Inc. completed liquidation on December 31, 2017.
6. Senshukai Co., Ltd. was removed from the scope of equity method associates because the Company consented to Senshukai's repurchase of own shares.

3. Basic rational on selection of accounting standard

The Group voluntarily applies International Financial Reporting Standards from the fiscal year ended 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.

4. Consolidated financial statements and significant notes thereto

(1) Consolidated statement of financial position

	(IFRS Transition Date) As of March 1, 2016	As of February 28, 2017	As of February 28, 2018
	Millions of yen	Millions of yen	Millions of yen
Assets			
Current assets			
Cash and cash equivalents	28,149	31,867	38,883
Trade and other receivables	117,545	122,703	125,649
Other financial assets	5,947	5,852	4,067
Inventories	27,853	34,332	33,755
Other current assets	8,112	5,462	6,076
Assets held for sale	–	1,049	6,732
Total current assets	187,608	201,268	215,164
Non-current assets			
Property, plant and equipment	455,375	459,979	458,877
Goodwill	568	534	523
Investment property	179,442	189,013	195,608
Intangible assets	2,912	3,426	3,588
Investments accounted for using equity method	26,171	26,033	16,425
Other financial assets	93,941	94,840	100,016
Deferred tax assets	11,005	8,974	7,286
Other non-current assets	14,794	20,998	24,857
Total non-current assets	784,211	803,800	807,183
Total assets	971,820	1,005,069	1,022,348

	(IFRS Transition Date) As of March 1, 2016	As of February 28, 2017	As of February 28, 2018
	Millions of yen	Millions of yen	Millions of yen
Liabilities and equity			
Liabilities			
Current liabilities			
Bonds and borrowings	89,148	101,229	46,230
Trade and other payables	145,537	143,711	141,343
Other financial liabilities	32,822	31,419	30,811
Income tax payables	8,322	7,117	9,202
Provisions	1,826	2,177	202
Other current liabilities	52,636	54,407	64,561
Total current liabilities	330,295	340,062	292,351
Non-current liabilities			
Bonds and borrowings	109,885	104,722	137,972
Other financial liabilities	35,003	32,217	34,240
Retirement benefit liabilities	32,894	31,760	29,909
Provisions	5,193	5,158	4,595
Deferred tax liabilities	58,805	57,868	61,161
Other non-current liabilities	4,942	11,836	11,231
Total non-current liabilities	246,724	243,562	279,109
Total liabilities	577,019	583,625	571,460
Equity			
Capital	30,000	30,000	31,974
Share premium	209,565	209,551	211,864
Treasury shares	(11,286)	(11,281)	(15,244)
Other components of equity	11,615	12,610	15,772
Retained earnings	104,615	127,690	151,151
Total equity attributable to owners of parent	344,510	368,571	395,519
Non-controlling interests	50,290	52,872	55,368
Total equity	394,800	421,444	450,887
Total liabilities and equity	971,820	1,005,069	1,022,348

(2) Consolidated statement of profit or loss and consolidated statement of comprehensive income

(Consolidated statement of income)

	Fiscal year ended February 28, 2017	Fiscal year ended February 28, 2018
	Millions of yen	Millions of yen
Sales revenue	452,505	469,915
Cost of sales	(239,938)	(256,979)
Gross profit	212,567	212,935
Selling, general and administrative expense	(167,668)	(166,688)
Other operating income	4,084	8,967
Other operating expense	(7,255)	(5,668)
Operating profit	41,727	49,546
Finance income	1,353	1,090
Finance costs	(1,370)	(1,194)
Share of profit (loss) of investments accounted for using equity method	898	(1,171)
Profit before tax	42,608	48,271
Income tax expense	(12,165)	(16,415)
Profit	30,443	31,855
Profit attributable to:		
Owners of parent	27,052	28,486
Non-controlling interests	3,390	3,368
Profit	30,443	31,855
Earnings per share		
Basic earnings per share (Yen)	103.43	108.92
Diluted earnings per share (Yen)	103.43	108.86

(Consolidated statement of comprehensive income)

	Fiscal year ended February 28, 2017	Fiscal year ended February 28, 2018
	Millions of yen	Millions of yen
Profit	30,443	31,855
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income	2,167	3,464
Remeasurements of defined benefit plans	2,905	2,298
Share of other comprehensive income of entities accounted for using equity method	(411)	(3)
Total items that will not be reclassified to profit or loss	4,660	5,758
Items that may be reclassified to profit or loss		
Cash flow hedges	164	57
Exchange differences on translation of foreign operations	(118)	69
Share of other comprehensive income of entities accounted for using equity method	(333)	70
Total items that may be reclassified to profit or loss	(286)	197
Other comprehensive income, net of tax	4,374	5,955
Comprehensive income	34,817	37,811
Comprehensive income attributable to:		
Owners of parent	31,393	34,450
Non-controlling interests	3,423	3,360
Comprehensive income	34,817	37,811

(3) Consolidated statement of changes in equity

	Equity attributable to owners of parent					
				Other components of equity		
	Capital	Share premium	Treasury shares	Exchange differences on translation of foreign operations	Cash flow hedges	Financial assets measured at fair value through other comprehensive income
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Balance at March 1, 2016	30,000	209,565	(11,286)	–	73	11,542
Profit	–	–	–	–	–	–
Other comprehensive income	–	–	–	(154)	(140)	2,065
Total comprehensive income	–	–	–	(154)	(140)	2,065
Issuance of new shares	–	–	–	–	–	–
Purchase of treasury shares	–	–	(10)	–	–	–
Disposal of treasury shares	–	(0)	15	–	–	–
Dividends	–	–	–	–	–	–
Changes in ownership interests in subsidiaries	–	–	–	–	–	–
Share-based payment transactions	–	(14)	–	–	–	–
Transfer from other components of equity to retained earnings	–	–	–	–	–	(775)
Other	–	–	–	–	–	–
Total transactions with owners	–	(14)	4	–	–	(775)
Balance at February 28, 2017	30,000	209,551	(11,281)	(154)	(66)	12,832
Profit	–	–	–	–	–	–
Other comprehensive income	–	–	–	92	111	3,471
Total comprehensive income	–	–	–	92	111	3,471
Issuance of new shares	1,974	1,974	–	–	–	–
Purchase of treasury shares	–	–	(3,963)	–	–	–
Disposal of treasury shares	–	(0)	0	–	–	–
Dividends	–	–	–	–	–	–
Changes in ownership interests in subsidiaries	–	(56)	–	–	–	–
Share-based payment transactions	–	395	–	–	–	–
Transfer from other components of equity to retained earnings	–	–	–	–	(60)	(472)
Other	–	–	–	18	–	–
Total transactions with owners	1,974	2,313	(3,962)	18	(60)	(472)
Balance at February 28, 2018	31,974	211,864	(15,244)	(43)	(15)	15,831

	Equity attributable to owners of parent					
	Other components of equity					
	Remeasure-ments of defined benefit plans	Total	Retained earnings	Total	Non-controlling interests	Total
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Balance at March 1, 2016	–	11,615	104,615	344,510	50,290	394,800
Profit	–	–	27,052	27,052	3,390	30,443
Other comprehensive income	2,570	4,341	–	4,341	32	4,374
Total comprehensive income	2,570	4,341	27,052	31,393	3,423	34,817
Issuance of new shares	–	–	–	–	–	–
Purchase of treasury shares	–	–	–	(10)	–	(10)
Disposal of treasury shares	–	–	–	14	–	14
Dividends	–	–	(7,323)	(7,323)	(840)	(8,163)
Changes in ownership interests in subsidiaries	–	–	–	–	–	–
Share-based payment transactions	–	–	–	(14)	–	(14)
Transfer from other components of equity to retained earnings	(2,570)	(3,345)	3,345	–	–	–
Other	–	–	(0)	(0)	(0)	(0)
Total transactions with owners	(2,570)	(3,345)	(3,977)	(7,333)	(840)	(8,174)
Balance at February 28, 2017	–	12,610	127,690	368,571	52,872	421,444
Profit	–	–	28,486	28,486	3,368	31,855
Other comprehensive income	2,287	5,963	–	5,963	(7)	5,955
Total comprehensive income	2,287	5,963	28,486	34,450	3,360	37,811
Issuance of new shares	–	–	–	3,948	–	3,948
Purchase of treasury shares	–	–	–	(3,963)	–	(3,963)
Disposal of treasury shares	–	–	–	0	–	0
Dividends	–	–	(7,846)	(7,846)	(911)	(8,757)
Changes in ownership interests in subsidiaries	–	–	–	(56)	56	–
Share-based payment transactions	–	–	–	395	–	395
Transfer from other components of equity to retained earnings	(2,287)	(2,820)	2,820	–	–	–
Other	–	18	–	18	(10)	8
Total transactions with owners	(2,287)	(2,801)	(5,025)	(7,502)	(865)	(8,367)
Balance at February 28, 2018	–	15,772	151,151	395,519	55,368	450,887

(4) Consolidated statement of cash flows

	Fiscal year ended February 28, 2017	Fiscal year ended February 28, 2018
	Millions of yen	Millions of yen
Cash flows from (used in) operating activities		
Profit before tax	42,608	48,271
Depreciation and amortization expense	17,284	18,683
Impairment loss	774	2,576
Finance income	(1,353)	(1,090)
Finance costs	1,370	1,194
Share of loss (profit) of investments accounted for using equity method	(898)	1,171
Loss (gain) on sales of non-current assets	(1,953)	(3,103)
Loss (gain) on disposals of non-current assets	2,051	1,609
Decrease (increase) in inventories	(6,466)	(354)
Decrease (increase) in trade and other receivables	(5,634)	(3,557)
Increase (decrease) in trade and other payables	(1,778)	(1,971)
Increase (decrease) in retirement benefit liabilities	(1,134)	(1,850)
Decrease (increase) in retirement benefit assets	(1,131)	(3,455)
Other, net	(1,684)	12,474
Subtotal	42,054	70,597
Interest received	207	131
Dividends received	390	330
Interest paid	(1,337)	(1,108)
Proceeds from compensation	7,855	–
Income taxes paid	(17,206)	(14,833)
Income taxes refund	1,799	1,961
Net cash flows from (used in) operating activities	33,764	57,079
Cash flows from (used in) investing activities		
Purchase of property, plant and equipment	(26,885)	(17,708)
Proceeds from sales of property, plant and equipment	10,423	2,089
Purchase of investment property	(12,436)	(8,993)
Proceeds from sales of investment property	–	1,810
Purchase of investment securities	(2,463)	(1,946)
Proceeds from sales of investment securities	4,462	2,857
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	–	1,839
Other, net	(1,052)	1,020
Net cash flows from (used in) investing activities	(27,952)	(19,030)
Cash flows from (used in) financing activities		
Net increase (decrease) in current borrowings	50	950
Net increase (decrease) in commercial papers	3,001	(32,799)
Proceeds from non-current borrowings	46,000	16,500
Repayments of non-current borrowings	(42,005)	(28,960)
Proceeds from issuance of bonds	–	34,838
Redemption of bonds	–	(12,000)
Purchase of treasury shares	(21)	(15)
Dividends paid	(7,305)	(7,822)
Dividends paid to non-controlling interests	(846)	(911)
Other, net	(969)	(827)
Net cash flows from (used in) financing activities	(2,097)	(31,048)
Net increase (decrease) in cash and cash equivalents	3,714	7,000
Cash and cash equivalents at beginning of period	28,149	31,867
Effect of exchange rate changes on cash and cash equivalents	3	15
Cash and cash equivalents at end of period	31,867	38,883

(5) Notes to consolidated financial statements

(Notes on premise of going concern)

No items to report.

(Significant accounting policies)

Significant accounting policies are applied consistently for all periods presented in these consolidated financial statements (including the consolidated statement of financial position on the date of transition to IFRSs), except as otherwise provided.

I. Basis of consolidation

1) Subsidiaries

Subsidiaries are entities controlled by the Group. Control means the power to govern the financial and operating policies of the entity so as to obtain benefits from its business activities.

The financial statements of subsidiaries are included in the consolidated financial statements of the Group from the date when the Group gains control until the date when it ceases to control the subsidiary.

In cases where the accounting policies applied by a subsidiary are different from those applied by the Group, adjustments are made to the subsidiary's financial statements, if necessary. All intergroup balances, transactions and unrealized gains or losses arising from transactions within the Group are eliminated in preparing the consolidated financial statements.

When the Company retains control when there has been partial disposal of ownership interest in a subsidiary, the partial disposal is accounted for as an equity transaction. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity attributable to owners of parent.

The additional acquisition of non-controlling interests is accounted for as a capital transaction, and therefore no goodwill is recognized with respect to such transaction.

Non-controlling interests in consolidated subsidiaries are identified separately from the Group's equity therein. Comprehensive income of subsidiaries is attributed to owners of the parent company and to the non-controlling interests even if this results in the non-controlling interests having a negative balance.

When subsidiaries' fiscal year end is not the end of February, which is the fiscal year end of the Company, because the legal system of the region where the subsidiaries are located does not allow them to have the same fiscal year end as that of the Company, or for other reasons, adjustments are made by additionally preparing their financial statements as of the fiscal year end of the Company or other means.

2) Associates

An associate is defined as an entity over which the Group has significant influence on financial and operating policies but does not have control over such entity

Investments in associates are recognized at cost at the time of the acquisition, and are accounted for by the equity method thereafter. Goodwill recognized on acquisition (less accumulated impairment) is included in investments in associates.

In cases where the accounting policies applied by an associate are different from those applied by the Group, adjustments are made to the associate's financial statements, if necessary.

For associates whose fiscal year end is not the end of February, which is the fiscal year end of the Company, due to relationships with other shareholders or other reasons, adjustments are made by additionally preparing their financial statements as of the fiscal year end of the Company or other means.

II. Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the acquisition date fair value of the assets transferred, liabilities assumed and equity instruments issued by the Company in exchange for control of the acquiree. Any excess of the consideration transferred over the fair value of identifiable assets and liabilities is recognized as goodwill in the consolidated statement of financial position. Conversely, any deficit is immediately recognized as income in the consolidated statement of profit or loss.

The Group elects to measure non-controlling interests at fair value, or at the proportionate share of the recognized amounts of identifiable net assets, on a transaction-by-transaction basis.

Acquisition-related costs are expensed as incurred.

The Group applies exemption of IFRS 1 “First-time Adoption of International Financial Reporting Standards” (“IFRS 1”) and does not retrospectively apply IFRS 3 “Business Combination” (“IFRS 3”) for the business combinations that occurred before date of transition to IFRSs (March 1, 2016). Accordingly, goodwill resulted from acquisitions that occurred before the date of transition to IFRSs is recorded at its carrying amount under former accounting standards (Japanese GAAP) on the date of transition to IFRSs.

III. Foreign currency translation

1) Foreign currency transactions

Each entity of the Group has set its own functional currency as the currency of the primary economic environment in which the entity operates. Transactions of each entity are measured at the functional currency.

When each entity prepares non-consolidated financial statements, transactions in currencies other than its functional currencies are translated using the exchange rate prevailing at the dates of transactions.

Foreign currency monetary assets and liabilities at the end of the reporting period are translated using exchange rates at the end of the reporting period.

Exchange differences arising from translation or settlement are recognized as profit or loss. However, when gains or losses on non-monetary items are recorded in other comprehensive income, exchange differences are also recorded in other comprehensive income.

2) Financial statements of foreign subsidiaries, etc.

Assets and liabilities of foreign subsidiaries, etc. are translated into Japanese yen at the exchange rate prevailing at the end of the reporting period. Income and expenses of foreign subsidiaries, etc. are translated into Japanese yen at the average exchange rate for the period, unless there is significant change in the exchange rate during the period. When there is significant change in the exchange rate, the income and expenses are translated using the exchange rate at the transaction date.

Exchange differences arising from translation of the financial statements of foreign subsidiaries, etc. are recognized in other comprehensive income. Exchange differences for foreign subsidiaries, etc. are recognized as profit or loss in the period during which the foreign subsidiaries, etc. are disposed of.

The Group has applied the exemption of IFRS 1, and deemed cumulative exchange differences for foreign subsidiaries, etc. arising before the date of transition as zero and transferred all of them to retained earnings.

IV. Financial instruments

1) Non-derivative financial assets

Trade and other receivables are initially recognized on the date when they are incurred. All other financial assets are initially recognized on the trade date when the Group becomes a party to the contractual provisions of the financial instruments.

An overview of classification and measurement model of non-derivative financial assets is as follows.

(i) Financial assets measured at amortized cost

With regard to investments in debt instruments, when the contractual cash flows consist of principal and interest paid on specified dates, and the Group holds such investments based on a business model whose objective is to hold the instrument to collect contractual cash flows, the debt financial assets are measured at amortized cost. Transaction cost directly attributable to acquisition of financial assets measured at amortized cost is included in the fair value.

After the initial recognition, amortization cost is measured using the effective interest method, and impairment losses are deducted where necessary. Interest revenue, foreign exchange gains and losses and impairment losses on financial assets measured at amortized cost are recognized in profit or loss.

(ii) Financial assets measured at fair value through other comprehensive income (financial assets at FVTOCI)

With regard to investments in debt instruments, when the contractual cash flows consist of principal and interest paid on specified dates, and the Group holds such investments based on a business model whose objective is both to collect contractual cash flows and to sell the financial assets, the debt financial assets are measured at fair value. In this case, interest revenue, foreign exchange gains and losses and impairment losses measured using the effective interest method are recognized in profit or loss, and changes in the fair value excluding them are recognized in other comprehensive income (may be reclassified to profit or loss).

For investments in equity instruments that are not held for trading, the Group may make an election (irrevocable) at the initial recognition to measure them at fair value and recognize any changes in the fair value in other comprehensive income. In this case, changes in the fair value are recognized in other comprehensive income (not reclassified to profit or loss). The cumulative amount recognized as other comprehensive income is transferred to retained earnings when the financial asset is derecognized. Dividends are recognized in profit or loss unless they obviously represent a partial recovery of the cost of the investment.

Transaction cost directly attributable to acquisition of financial assets at FVTOCI is included in the fair value.

(iii) Financial assets measured at fair value through profit or loss (financial assets at FVTPL)

Financial assets other than above are measured at fair value with changes in fair value recognized in profit or loss. Transaction cost directly attributable to acquisition of financial assets at FVTPL is recognized in profit or loss as incurred.

The Group does not designate any debt instrument as measured at fair value through profit or loss to remove or significantly reduce an accounting mismatch.

(iv) Impairment of financial assets

The Group recognizes impairment of debt financial assets measured at amortized cost or at fair value through other comprehensive income based on its evaluation at the end of each reporting period whether there is a significant increase in credit risk of financial assets or groups of financial assets since initial recognition. Specifically, when there is no significant increase in the credit risk since initial recognition, expected credit losses for 12 months are recognized as allowance for credit losses. On the other hand, when there is a significant increase in credit risk since initial recognition, expected credit losses for the remaining life of the financial assets are recognized as allowance for credit losses. Whether credit risk is significantly increased or not is determined based on the changes in default risk.

For trade receivables arising from the ordinary course of business of the Group, since the period up to the collection is short, expected credit losses of such trade receivables are recognized over their remaining lives from the inception simply based on historical credit loss experience.

(v) Derecognition of financial assets

The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or the contractual rights to receive cash flows from the financial asset are transferred in a transaction where substantially all the risks and rewards incidental to ownership of the financial asset are transferred. Any interests in transferred financial assets that are created or continuously retained by the Group are recognized as a separate asset or liability.

2) Non-derivative financial liabilities

The Group recognizes financial liabilities at the date of transaction when the Group becomes a party to the contract for the financial instrument.

The Group derecognizes a financial liability when the financial liability is extinguished, i.e. when the contractual obligation is discharged or cancelled or expired.

The Group principally has borrowings, bonds, trade payables, other short-term payables, common gift certificates for department stores nationwide, deposits, etc. as non-derivative financial liabilities. These financial liabilities are initially recognized at fair value and subsequently measured at amortized cost based on the effective interest method.

3) Presentation of financial assets and liabilities

Financial assets and liabilities are offset and the net amount is presented in the consolidated statement of financial position only when the Group has a legally enforceable right to offset the recognized amounts and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

4) Derivatives and hedge accounting

The Group uses derivatives to hedge interest rate fluctuation risk and foreign exchange fluctuation risk. Derivatives used by the Group include forward exchange contracts and interest rate swaps.

At the time of initial designation of the hedge, the Group documents the relationship between the hedging instrument and the hedged item, the risk management objective, the strategy for implementation of the hedge transaction, the hedging instrument and the hedged item, the nature of hedged risk, the method for assessing effectiveness of the hedge relationship and the method of measuring effectiveness and ineffectiveness.

The Group assesses whether the hedging instrument is expected to be highly effective in achieving offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk throughout the period for which the hedge is designated, at the inception of the hedge and on an ongoing basis.

To apply cash flow hedges to forecast transactions, the possibility that the forecast transaction occurs must be very high.

Derivatives are initially recognized at fair value and the transaction costs are recognized in profit or loss when they are incurred. After the initial recognition, derivatives are measured at fair value, and any changes in the fair value are accounted for as follows.

(i) Cash flow hedges

When a derivative is designated as a hedging instrument to hedge changes in cash flows attributable to certain risks related to highly likely forecast transactions that could affect recognized assets and liabilities or profit or loss, the effective portion of the hedge in changes in fair value of the derivative is included in other components of equity as “cash flow hedges.” The balance of cash flow hedges is deducted from other comprehensive income in the consolidated statement of comprehensive income and transferred to profit or loss under the same item as the hedging instrument in the same period as the period in which cash flows of the hedged item affect profit or loss. The ineffective portion of the hedge in changes in fair value of the derivative is immediately recognized in profit or loss.

When the hedge does not meet requirements of hedge accounting, the hedging instrument is expired, sold, terminated or exercised, or the designation of the hedge is cancelled, the application of hedge accounting is discontinued prospectively.

In the case that hedge accounting is discontinued, the Group continues to record the balance of cash flow hedges that have already been recognized in other comprehensive income until the forecast transaction affects profit or loss. When forecast transactions are no longer expected to occur, the balance of cash flow hedges is immediately recognized in profit or loss.

(ii) Fair value hedges

Changes in fair value of derivatives that are hedging instruments are recognized in profit or loss. Carrying amounts of hedged items are measured at fair value. For gains or losses on hedged items attributable to hedged risk, any changes in the fair value are recognized in profit or loss.

V. Cash and cash equivalents

Cash and cash equivalents consist of cash, demand deposits, and short-term investments with maturities of three months or less that are readily convertible to cash and subject to insignificant risk of change in value.

VI. Inventories

Inventories are measured at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale. The acquisition cost is calculated mainly using the identified cost method, and includes all costs of purchase and other costs incurred in bringing the inventories to their present location and condition.

VII. Assets held for sale

If the carrying amounts of non-current assets are recovered principally through a sale transaction rather than through continuing use, these assets (or disposal groups) are classified as “Assets held for sale.”

The condition for classifying an asset under “assets held for sale” can only be met by an asset whose sale is highly probable, and which is available for immediate sale in its present condition. The management must have committed to the execution of a sales plan for that asset, and the sale of the asset must be scheduled to be completed within one year from the day it is classified as an asset held for sale.

An asset held for trading is measured at the lower of its carrying amount and fair value less cost to sell. After property, plant and equipment, intangible assets and investment property have been classified under “assets held for sale,” depreciation or amortization will not be applied to these assets.

VIII. Property, plant and equipment

Property, plant, and equipment is measured using the cost model and is carried at cost less accumulated depreciation and accumulated impairment.

The acquisition cost includes costs directly attributable to the acquisition of the asset, costs related to disassembly, retirement and site restoration, and borrowing costs that should be capitalized.

Depreciation of assets other than land and construction in progress is calculated on the straight-line method over the estimated useful lives of the assets. The estimated useful lives of major components of property, plant and equipment are as follows:

- Buildings and structures 3 to 50 years

- Machinery and vehicles 2 to 20 years
- Fixtures and fittings 2 to 20 years

The estimated useful lives, residual values and depreciation methods are reviewed at the end of the fiscal year, and if there are any changes made, those changes are applied prospectively as a change in an accounting estimate.

IX. Goodwill

The Group measures goodwill at the amount calculated by deducting the net recognized amount (usually, fair value) of identifiable assets acquired and liabilities assumed at the date of acquisition from fair value of consideration for the transfer including the recognized amount of non-controlling interests in the acquiree, which is measured at the date of acquisition.

Goodwill is not amortized. Instead, it is tested for impairment annually, or whenever there are indications of potential impairment.

Impairment losses of goodwill are recognized in the consolidated statement of profit or loss, and not reversed subsequently.

In addition, goodwill is carried at cost less accumulated impairment on consolidated statement of financial position.

X. Intangible assets

Intangible assets are measured using the cost model and stated at cost less accumulated amortization and accumulated impairment.

Intangible assets acquired separately are measured at cost at initial recognition.

After the initial recognition, intangible assets other than goodwill are amortized using the straight-line method over respective estimated useful lives, except for intangible assets with indefinite useful lives. Estimated useful lives of major intangible assets are as follows. In addition, the Group has no intangible assets with indefinite useful lives.

- Software 5 years

The estimated useful lives, residual values and amortization methods are reviewed at the end of the fiscal year, and if there are any changes made, those changes are applied prospectively as a change in an accounting estimate.

XI. Leased assets

Leases are classified as finance leases whenever substantially all the risks and rewards incidental to ownership of leased assets are transferred to the Group under the contract. All other leases are classified as operating leases.

In finance lease transactions, leased assets are recorded in the consolidated statement of financial position at the lower of the fair value of the leased property or the present value of the aggregated minimum lease payments, each determined at the inception of the lease. Leased assets are depreciated over the shorter of their estimated useful lives or the lease term.

Lease payments are apportioned between the interest expense based on the interest method and the payment of the lease obligations, and interest expense is recognized in the consolidated statement of profit or loss.

Lease payments under an operating lease are recognized as an expense on the straight-line method over the lease term in the consolidated statement of profit or loss. In addition, contingent rent is recognized as an expense in the period in which it is incurred.

Determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement, in accordance with IFRIC 4, "Determining whether an Arrangement contains a Lease," even if the arrangement does not have the form of lease from the standpoint of the law.

XII. Investment property

Investment property is property held to earn rentals or for capital gains or both.

Investment property is measured using the cost model and stated at cost less accumulated depreciation and accumulated impairment (For the depreciation method and useful lives, please refer to "VIII. Property, plant and equipment").

When it is difficult to account for investment property and other portions separately, the entire property is accounted for as investment property only if the owner-occupied portion is insignificant.

XIII. Impairment of non-financial assets

The Group determines every reporting period whether there is any indication that carrying amounts of the Group's non-financial assets excluding inventories and deferred tax assets may be impaired. If any indication exists, the recoverable amount of the asset is estimated. For goodwill and intangible assets with indefinite useful lives or not yet available for use, the recoverable amount is estimated at the same time each year.

The recoverable amount of an asset or a cash-generating unit is the larger of its value in use and fair value less cost of disposal. In calculating value in use, the estimated future cash flows are discounted to their present value using a pretax discount rate that reflects the time value of money and the risks specific to the asset. The cash-generating unit is the smallest group of funds that generates cash inflows, from continuous use, that are largely independent of the cash inflows from other assets or groups of assets.

To test goodwill for impairment, cash-generating units to which the goodwill is allocated are integrated so that impairment is tested reflecting the smallest unit related to the goodwill. Goodwill acquired in business combination is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

Since the Group's corporate assets do not generate independent cash inflows, the recoverable amount of cash-generating units to which the corporate assets are attributed is determined if there is any indication of impairment in the corporate assets.

An impairment loss is recognized as profit or loss, if the carrying amount of an asset or cash-generating unit exceeds the estimated recoverable amount. The impairment loss recognized in association with a cash-generating unit is first allocated to reduce the carrying amount of goodwill allocated to this unit, and then the carrying amounts of other assets in the cash-generating unit are reduced on a pro rata basis.

Impairment losses related to goodwill are not reversed. With regard to other assets, for previously recognized impairment losses, the Group assesses whether there is any indication that the loss has decreased or been extinguished at the end of each reporting period. An impairment loss is reversed when there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed up to the carrying amount that would have been determined had no impairment loss been recognized, net of necessary depreciation and amortization.

XIV. Employee benefits

The Group has established defined benefit plans (such as a corporate pension fund plan and lump-sum retirement benefit plan) as employee retirement benefit plans, and certain consolidated subsidiaries have adopted defined contribution plans.

The projected unit credit method is used to determine the present value of defined benefit obligation, related current service cost and past service cost.

The discount rate is determined by reference to market yields at the end of the fiscal year on high quality corporate bonds corresponding to the discount period established based on the period to the date when the future benefits for each fiscal year are to be paid.

Net defined benefit liability or asset is determined as the present value of defined benefit obligation less the fair value of plan assets.

Remeasurements of net defined benefit liability or asset are recognized as other comprehensive income and immediately transferred from other components of equity to retained earnings.

Remeasurements consist of actuarial gains and losses on defined benefit obligation, return on plan assets (excluding the amount of interest revenue on plan assets) and others.

Past service costs are immediately accounted for as profit or loss.

Costs for defined contribution benefits are recognized as expenses when the contributions are made.

XV. Share-based payment

The Company has adopted an officer remuneration BIP (Board Incentive Plan) trust (hereinafter referred to as the “BIP Trust”) as a performance-linked, share-based payment to ensure steady execution and progress of the Medium-term Business Plan. The BIP Trust is a system of granting the Company’s shares to officers (in certain cases, the Company’s shares are converted into cash within the trust and cash in the amount equivalent to their conversion value is paid) in accordance with the officers’ rank and level of achievement of the Medium-term Business Plan, etc. The value of the service received is measured by the fair value of the Company’s shares on the grant date. This value is expensed over the vesting period from the grant date, and a corresponding amount is recognized as an increase in equity.

XVI. Provisions

A provision is recognized when the Group has a present legal or constructive obligation as a result of a past event, when it is highly probable that an outflow of financial resources will be required to settle the obligation and when a reliable estimate can be made of the amount of the obligation. To determine the amount of a provision, when the effect of the time value of money is material, the estimated future cash flows are discounted to their present value using a pretax discount rate that reflects the time value of money and the risks specific to the liability. Increases in provisions over time are recognized in finance costs.

Asset retirement obligations

Asset retirement obligations are recorded at the estimated amount of restoration costs for leased stores, offices, etc. for which the Group has obligations to restore them to original state at the time when the lease agreement is terminated and costs for removing harmful substances related to non-current assets.

Provision for loss on business liquidation

An amount of loss is recorded for the cost of store dismantlement, etc. that is expected to be borne in the future as a result of business liquidation, store closure and store rebuilding.

XVII. Sales revenue

Sales revenue is measured at the fair value of the consideration received from the sale of goods and rendering of services, less any discounts, rebates and sales-related taxes.

1) Sale of goods

Revenue from the sale of goods is recognized when the Group has transferred the significant risks and rewards of ownership of the goods to the buyer; the Group retains neither continuing managerial involvement nor effective control over the goods; it is probable that economic benefits related to the transaction will flow to the Group; and these benefits and corresponding costs can be measured reliably.

For sales under a customer loyalty program in which points are granted at the time of sales, fair value of the points is estimated and the amount less the estimated fair value is recognized as revenue.

2) Rendering of services

Rendering of services of the Group is principally lease of properties, etc., and revenue is recognized according to the lease period or the rendering of services.

3) Interest revenue

Interest revenue is recognized using the effective interest method.

4) Dividends

Divided income is recognized when the right to receive dividends is established.

5) Gross and net presentation of revenue

When the Group conducts transactions as a principal, revenue is presented at the gross amount of consideration received from customers. When the Group conducts transactions as an agent for the benefit of a third party, revenue is presented at the net amount calculated by deducting the amount collected for the benefit of the third party from the gross amount of consideration received from customers.

The following indicators are taken into account in the determination of whether the Group conducts a transaction as a principal or agent:

- Whether the Group has principal responsibility for providing the goods or services to the customer or for fulfilling the order
- Whether the Group has inventory risk before or after the customer order, during shipping or on return
- Whether the Group has discretion in establishing prices directly or indirectly
- Whether the Group bears credit risk of the customer in association with receivables from the customer
- Whether the amount received is predetermined, being either a fixed fee per transaction or a stated percentage of the amount billed

XVIII. Government grants

Government grants are measured and recognized at fair value, if the conditions attaching to them are complied with, and there is reasonable assurance that the grants will be received. Grants for expenses incurred are recorded as income in the same fiscal year as the fiscal year in which the expenses are incurred. Grants related to acquisition of an asset are recorded as other operating income on a systematic basis over the useful life of the asset, and unearned government grants are recorded in liabilities as deferred income.

XIX. Income tax

Income tax consists of current taxes and deferred taxes. Income tax is recognized as profit or loss, except for taxes related to business combinations and taxes related to items that are recognized directly in equity or in other comprehensive income.

1) Current taxes

Current taxes are measured in the amount of the expected tax payables to or receivables from the taxation authorities. Calculation of the amount of tax is based on the tax rates and tax laws enacted or substantively enacted by the end of the reporting period in countries where the Group conducts businesses and earns taxable income.

2) Deferred taxes

Deferred taxes are recognized for temporary differences between the carrying amounts of assets or liabilities in the statement of financial position and its tax base, and for unused tax losses and unused tax credits.

No deferred tax assets and liabilities are recognized on following temporary differences:

- Temporary differences arising from the initial recognition of goodwill
- Temporary differences arising from initial recognition of assets and liabilities from transactions that are not business combinations and affect neither accounting income or taxable income
- Taxable temporary differences associated with investments in subsidiaries and associates, where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future

A deferred tax liability is recognized for all taxable temporary differences in principle, and a deferred tax asset is recognized for all deductible temporary differences to the extent that it is probable that taxable income will be available against which deductible temporary differences can be utilized.

Carrying amount of deferred tax assets is reassessed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to use all or part of the benefit of the deferred tax assets. Unrecognized deferred tax assets are reassessed each period and are recognized to the extent that it has become probable that future taxable income will allow the deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates and by the tax laws that are expected to apply to the period when the assets are realized or the liabilities are settled, based on the statutory tax rates and tax laws enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset if the Group has a legally enforceable right to offset current tax assets against tax liabilities and income taxes are levied by the same taxation authority on the same taxable entity.

XX. Earnings per share

Basic earnings per share are calculated by dividing profit (loss) attributable to ordinary equity holders of parent entity by the weighted average number of ordinary shares outstanding during the period, adjusting treasury shares. Diluted earnings per share are calculated by adjusting for the effects of all dilutive potential ordinary shares.

XXI. Operating segments

Operating segments are constituent units of business activities that earn revenue and incur costs including transactions with other operating segments. Business results of all the operating segments, for which the financial information is separately available, are reviewed periodically by the Board of Directors for the purpose of allocating management resources to each segment and evaluating business results.

XXII. Treasury shares

Treasury shares are recognized at cost and deducted from equity. No gain or loss is recognized on the purchase, sale or cancellation of the Company's treasury shares. Any difference between the carrying amount and consideration received on the sale of treasury shares is recognized as share premium.

XXIII. Borrowing Costs

The Group includes borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale, that is, qualifying asset as part of the cost until the asset is substantially ready for its intended use or sale.

All borrowing costs other than those above are recognized as profit or loss in the fiscal period during which they incurred.

(Significant accounting estimates and judgments)

In the preparation of consolidated financial statements, the management is required to make judgments, estimates and assumptions that affect application of accounting policies as well as amounts of assets, liabilities, revenue and expenses. Actual results may differ from these estimates.

The estimates and their underlying assumptions are reviewed on an ongoing basis. The effects of changes in accounting estimates are recognized in the fiscal period in which the estimates are changed and in future periods that are affected.

Estimates and judgments made by the management that significantly affect the amounts in the consolidated financial statements are as follows.

(1) Property, plant and equipment, goodwill, intangible assets and investment property

The Group conducts impairment tests if there is an indication that property, plant and equipment, goodwill, intangible assets and investment property may be impaired.

Impairment tests are performed by comparing the carrying amount and the recoverable amount of the asset. If the recoverable amount is less than the carrying amount, an impairment loss is recognized.

In calculating the recoverable amount, the Group estimates the discounted present value of future cash flows generated from use of the asset and the discounted present value of future cash flows generated from ultimate disposal of the asset. These estimates are based on management's best estimates, but may differ from actual results due to effects of changes in uncertain future economic conditions.

(2) Useful lives of property, plant and equipment and investment property

The useful lives of property, plant and equipment and investment property are reviewed at the end of the fiscal year, and if there are any changes made, those changes are applied prospectively as a change in an accounting estimate.

If revisions to the useful lives become necessary, such revisions could have a material effect on the amounts recognized in the consolidated financial statements in the next fiscal year.

(3) Recoverability of deferred tax assets

The Group recognizes deferred tax assets to the extent that it is probable that taxable income will be available against which deductible temporary differences can be utilized, and the judgment of the recoverability is made on the basis of an estimate for taxable income for each future fiscal year determined based on the Group's business plan. The estimate for taxable income for future fiscal years may be affected by changes in uncertain future economic conditions.

(4) Provisions

The Group recognizes asset retirement obligations and provision for loss on business liquidation as provisions in the consolidated statement of financial position.

The amount recognized as provisions is estimated based on best estimates, which take into account past records and others on the report date, for expenditure necessary to settle current obligations but may differ from actual results.

(5) Post-employment benefits

The Group has defined benefit and defined contribution post-employment benefit plans for employees and retirees. Present value of defined benefit obligations, service costs and others are determined based on various actuarial assumptions. For actuarial assumptions, a variety of factors, such as discount rates, future payment of salaries, those who withdraw from the plan in the future and life expectancy of members, are estimated. These estimates are made based on management's best estimates, but may differ from actual results due to effects of changes in uncertain future economic conditions and amendment or promulgation of relevant laws and regulations.

(Segment information, etc.)

(1) Overview of reportable segments

The reportable segments of the Group are constituent units of the Group for which separate financial information is 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," "Real Estate Business" and "Credit Finance Business," 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 Real Estate Business carries out development, supervision, operation, etc. of real estate. The Credit Finance Business undertakes issuance and administration of credit cards.

(2) Segment revenue and business results

Revenue and business results by reportable segments of the Group are as follows. Inter-segment transactions are generally based on prevailing market prices.

Fiscal year ended February 28, 2017

	Reportable segments					Other	Total	Adjustments	Consolidated
	Department Store Business	PARCO Business	Real Estate Business	Credit Finance Business	Total				
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
External revenue	267,873	93,382	4,523	5,448	371,227	81,278	452,505	–	452,505
Inter-segment revenue	359	398	481	4,399	5,638	33,306	38,945	(38,945)	–
Total	268,233	93,780	5,004	9,847	376,866	114,584	491,451	(38,945)	452,505
Segment profit	22,224	13,021	348	2,856	38,450	2,981	41,431	295	41,727
Finance income									1,353
Finance costs									(1,370)
Share of profit (loss) of investments accounted for using equity method									898
Profit before tax									42,608
Segment assets	412,279	246,434	186,779	66,444	911,938	133,640	1,045,578	(40,509)	1,005,069
Other items									
Depreciation	10,470	5,268	509	5	16,253	1,133	17,387	(102)	17,284
Impairment loss	–	683	–	–	683	90	774	–	774
Amounts invested in entities accounted for using equity method	2,625	67	–	–	2,692	165	2,858	23,174	26,033
Capital expenditures	13,271	19,206	9,296	2	41,777	739	42,517	(104)	42,413

Notes: 1. The "Other" category is a business segment not included as a reportable segments. It includes wholesaling, design and construction contracting, manufacture and sale of furniture, parking, leasing, etc.

2. Adjustments are made as follows.

(1) The adjustment for segment profit includes an inter-segment elimination and corporate income and expenses not attributable to any reportable segment. Corporate income and expenses are mainly income and expenses of the company submitting consolidated financial statements that are not attributable to any reportable segment.

(2) The adjustment for segment assets includes elimination of segment receivables, unrealized adjustments on non-current assets, and assets of the company submitting consolidated financial statements that are not attributable to any reportable segment.

(3) The adjustment for depreciation consists of inter-segment transfers.

(4) The adjustment for amounts invested in entities accounted for using equity method consists of investments in entities accounted for using equity method of the company submitting consolidated financial statements that are not attributable to any reporting segment.

(5) The adjustment for capital expenditures consists mainly of inter-segment unrealized profit.

3. Segment profit is adjusted to operating profit in the consolidated financial statements.

Fiscal year ended February 28, 2018

	Reportable segments					Other	Total	Adjustments	Consolidated
	Department Store Business	PARCO Business	Real Estate Business	Credit Finance Business	Total				
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
External revenue	273,937	91,254	12,761	5,881	383,834	86,080	469,915	–	469,915
Inter-segment revenue	371	366	665	4,295	5,699	31,765	37,465	(37,465)	–
Total	274,308	91,621	13,427	10,176	389,534	117,845	507,380	(37,465)	469,915
Segment profit	26,659	11,752	4,131	2,742	45,285	4,744	50,030	(483)	49,546
Finance income									1,090
Finance costs									(1,194)
Share of profit (loss) of investments accounted for using equity method									(1,171)
Profit before tax									48,271
Segment assets	424,093	259,502	183,675	71,123	938,395	114,908	1,053,303	(30,955)	1,022,348
Other items									
Depreciation	10,250	5,662	2,089	6	18,009	931	18,940	(256)	18,683
Impairment loss	396	458	–	–	855	104	959	1,617	2,576
Amounts invested in entities accounted for using equity method	2,768	37	–	–	2,805	166	2,971	13,454	16,425
Capital expenditures	6,153	15,309	7,450	27	28,939	887	29,827	(3,232)	26,594

Notes:

1. The “Other” category is a business segment not included as a reportable segments. It includes wholesaling, design and construction contracting, manufacture and sale of furniture, parking, leasing, etc.
2. Adjustments are made as follows.
   (1) The adjustment for segment profit includes an inter-segment elimination and corporate income and expenses not attributable to any reportable segment. Corporate income and expenses are mainly income and expenses of the company submitting consolidated financial statements that are not attributable to any reportable segment.
   (2) The adjustment for segment assets includes elimination of segment receivables, unrealized adjustments on non-current assets, and assets of the company submitting consolidated financial statements that are not attributable to any reportable segment.
   (3) The adjustment for depreciation consists of inter-segment transfers.
   (4) The adjustment for impairment loss consists of impairment loss of the company submitting consolidated financial statements that are not attributable to any reportable segment.
   (5) The adjustment for amounts invested in entities accounted for using equity method consists of investments in entities accounted for using equity method of the company submitting consolidated financial statements that are not attributable to any reporting segment.
   (6) The adjustment for capital expenditures consists mainly of inter-segment unrealized profit.
3. Segment profit is adjusted to operating profit in the consolidated financial statements.

(Per share information)

(1) Basic earnings per share and diluted earnings per share

	Fiscal year ended February 28, 2017	Fiscal year ended February 28, 2018
Basic earnings per share (Yen)	103.43	108.92
Diluted earnings per share (Yen)	103.43	108.86

(2) Basis for calculation of basic earnings per share and diluted earnings per share

1) Earnings per share

	Fiscal year ended February 28, 2017	Fiscal year ended February 28, 2018
Profit attributable to owners of parent (Millions of yen)	27,052	28,486
Profit not attributable to owners of parent (Millions of yen)	–	–
Profit used to calculate basic earnings per share (Millions of yen)	27,052	28,486
Adjustment to profit (Millions of yen)	–	–
Profit used to calculate diluted earnings per share (Millions of yen)	27,052	28,486

2) Average number of shares during the period

	Fiscal year ended February 28, 2017	Fiscal year ended February 28, 2018
Average number of ordinary shares during the period (Thousands of shares)	261,547	261,541
Increase in the number of ordinary shares		
Share acquisition rights	2	–
Officer remuneration BIP trust	–	151
Average number of diluted ordinary shares	261,549	261,693

Note: The calculation of basic earnings per share and diluted earnings per share excludes the number of Company's shares owned by the officer remuneration BIP trust from the average number of ordinary shares during the period because such shares are treated as the Company's treasury shares.

(Significant subsequent events)

No items to report.

(First-time adoption)

The Group disclosed the consolidated financial statements under IFRSs from the fiscal year ended February 28, 2018. The most recent consolidated financial statements prepared in accordance with Japanese GAAP are those for the fiscal year ended February 28, 2017, and the date of transition to IFRSs is March 1, 2016.

(1) Exemption in IFRS 1

In principle, IFRSs require companies adopting IFRSs for the first time (first-time adopters) to apply standards required by IFRSs retrospectively. However, for some of the standards required under IFRSs, IFRS 1 specifies standards for which the exemption is applied mandatorily and those for which the exemption is applied voluntarily. The effect of the application of these exemptions was adjusted in retained earnings and other components of equity as of the date of transition to IFRSs.

The major items of exemption adopted by the Group in transitioning from Japanese GAAP to IFRSs are as follows:

- Business combinations

  First-time adopters are permitted to elect not to apply IFRS 3 retrospectively to business combinations that occurred prior to the date of transition to IFRSs. The Group elected to apply this exemption and did not apply IFRS 3 retrospectively to business combinations that occurred before the date of transition to IFRSs. Consequently, the amount of goodwill arising from business combinations before the date of transition is based on the carrying amount as of the date of transition under Japanese GAAP. The Group performed an impairment test on goodwill at the date of transition regardless of whether there was any indication that the goodwill might be impaired.

- Deemed cost

  IFRS 1 permits an entity to measure items of property, plant and equipment, investment property and intangible assets at the date of transition to IFRSs at its fair value and use that fair value as deemed cost at that date. The Group uses the fair value at the date of transition to IFRSs as deemed cost at the date of transition to IFRSs for certain items of property, plant and equipment and investment property.

- Exchange differences on translation of foreign operations

  IFRS 1 permits to elect the cumulative amount of exchange differences on translation of foreign operations to be deemed to be zero at the date of transition to IFRSs. The Group elected to deem cumulative exchange differences on translation of foreign operations as zero at the date of transition to IFRSs.

- Designation of financial instruments recognized prior to date of transition

  IFRS 1 permits an entity to determine the classification under IFRS 9 on the basis of the facts and circumstances that exist at the date of transition, rather than the facts and circumstances at the initial recognition. In addition, an entity is permitted to designate changes in fair value of equity financial assets as financial assets measured through other comprehensive income based on the facts and circumstances that exist at the date of transition.

  The Group has determined the classification under IFRS 9 based on the facts and circumstances that existed at the date of transition and designated certain equity financial assets as financial assets measured through other comprehensive income.

- Share-based payment

  Under IFRS 1, an entity is recommended to apply IFRS 2 “Share-based payment” (hereinafter “IFRS 2”) to share-based payments granted on and after November 7, 2002 and vested before the date of transition to IFRSs, though it is not mandatory. The Group elected not to apply IFRS 2 to share-based payments vested before the date of transition.

- Leases

  Under IFRS 1, a first-time adopter may evaluate whether an arrangement contains lease or not at the date of transition to IFRSs. The Group adopts this exemption and evaluates whether an arrangement contains lease or not based on facts and circumstances existing at that date.

- Decommissioning liabilities included in the cost of property, plant and equipment

  For liabilities related to obligations for decommissioning, etc. that are included in the cost of property, plant and equipment, IFRS 1 permits an entity to choose either the method where retrospective application is made from the time when obligations for decommissioning, etc. initially arise, or the method where the obligations for decommissioning, etc. are measured at the date of transition.

  The Group has chosen the method where obligations for decommissioning, etc. included in the cost of property, plant and equipment are measured at the date of transition.

- Borrowing costs

  IFRS 1 permits an entity to commence capitalization of borrowing costs relating to qualifying assets at the date of transition to IFRSs. The Group has adopted this exemption and continues to expense borrowing costs for construction projects that were started and finished before the date of transition.

  For borrowing costs for construction projects that were started before the date of transition and are under on and after the date of transition, the Group expenses the borrowing costs incurred before the date of transition, and capitalizes those incurred on and after the date of transition in accordance with IAS 23 “Borrowing costs.”

(2) Mandatory exceptions of IFRS 1

IFRS 1 prohibits retrospective application of IFRSs for estimates, derecognition of financial assets and financial liabilities, hedge accounting, non-controlling interests, and classification and measurement of financial assets. The Company has prospectively applied IFRSs for these items from the date of transition.

Reconciliations that are required to be disclosed under the first-time adoption of IFRSs are as follows:

Reconciliation of equity as of March 1, 2016

Line items under Japanese GAAP	Japanese GAAP	Reclassification	Differences in recognition and measurement	IFRSs	Notes	Line items under IFRSs
	Millions of yen	Millions of yen	Millions of yen	Millions of yen		
Assets						Assets
Current assets						Current assets
Cash and deposits	30,039	(1,891)	1	28,149	(1)	Cash and cash equivalents
Notes and accounts receivable - trade	68,049	30,606	18,889	117,545	(2), (3) (4), (5)	Trade and other receivables
Securities	1,233	4,648	65	5,947	(1), (3) (6)	Other financial assets
Inventories	28,205	–	(352)	27,853	(4)	Inventories
Deferred tax assets	11,671	(11,671)	–	–	(7)	
Other	41,865	(33,537)	(215)	8,112	(2), (6)	Other current assets
Allowance for doubtful accounts	(173)	173	–	–	(3)	
Total current assets	180,890	(11,671)	18,389	187,608		Total current assets
Non-current assets						Non-current assets
Property, plant and equipment	668,651	(191,783)	(21,492)	455,375	(8), (9)	Property, plant and equipment
	–	202,441	(22,998)	179,442	(8), (9)	Investment property
Intangible assets						
Goodwill	568	–	–	568	(10)	Goodwill
Other	40,876	(37,711)	(251)	2,912	(6)	Intangible assets
	–	26,284	(113)	26,171	(11)	Investments accounted for using equity method
Investment securities	46,985	34,125	12,830	93,941	(3), (6) (11)	Other financial assets
Long-term loans receivable	1,503	(1,503)	–	–	(6)	
Lease and guarantee deposits	61,515	(61,515)	–	–	(6)	
Deferred tax assets	5,112	4,418	1,474	11,005	(7)	Deferred tax assets
Net defined benefit asset	5,687	(5,687)	–	–	(6)	
Other	9,980	32,640	(27,826)	14,794	(6)	Other non-current assets
Allowance for doubtful accounts	(2,710)	2,710	–	–	(3)	
Total non-current assets	838,170	4,418	(58,377)	784,211		Total non-current assets
Deferred assets						
Bond issuance cost	85	–	(85)	–	(12)	
Total deferred assets	85	–	(85)	–		
Total assets	1,019,146	(7,252)	(40,073)	971,820		Total assets

Line items under Japanese GAAP	Japanese GAAP	Reclassifi-cation	Differences in recognition and measure-ment	IFRSs	Notes	Line items under IFRSs
	Millions of yen	Millions of yen	Millions of yen	Millions of yen		
						Liabilities and equity
Liabilities						Liabilities
Current liabilities						Current liabilities
Short-term loans payable	40,219	30,798	18,131	89,148	(5), (13)	Bonds and borrowings
Commercial papers	30,798	(30,798)	–	–	(13)	
Notes and accounts payable - trade	90,768	39,275	15,493	145,537	(2)	Trade and other payables
Gift certificates	38,599	(38,599)	–	–	(14)	
	–	17,943	14,878	32,822	(6), (14)	Other financial liabilities
Income taxes payable	8,322	–	0	8,322		Income tax payables
Advances received	19,318	(19,318)	–	–	(14)	
Provision for bonuses	5,709	–	(5,709)	–	(14)	
Provision for directors' bonuses	204	–	(204)	–	(14)	
Provision for sales returns	21	–	(21)	–	(14)	
Provision for books unsold	121	–	(121)	–	(14)	
Provision for sales promotion expenses	709	–	(709)	–	(14)	
Reserve for gift certificates	13,913	–	(13,913)	–	(14)	
Provision for loss on business liquidation	487	(487)	–	–	(14)	
Provision for loss on stores rebuilding	1,245	(1,245)	–	–	(14)	
	–	1,826	–	1,826	(14)	Provisions
Other	52,504	604	(472)	52,636	(2), (6), (14)	Other current liabilities
Total current liabilities	302,944	–	27,351	330,295		Total current liabilities
Non-current liabilities						Non-current liabilities
Bonds payable	27,000	(27,000)	–	–	(13)	
Long-term loans payable	82,905	27,000	(19)	109,885	(12), (13)	Bonds and borrowings
	–	33,778	1,224	35,003	(6)	Other financial liabilities
Net defined benefit liability	32,707	–	187	32,894	(15)	Retirement benefit liabilities
Deferred tax liabilities for land revaluation	1,161	–	(1,161)	–	(7)	
Provision for directors' retirement benefits	37	–	(37)	–	(14)	
Provision for loss on business liquidation	564	(564)	–	–	(14)	
Provision for loss on stores rebuilding	1,191	(1,191)	–	–	(14)	
	–	4,862	330	5,193	(14)	Provisions
Deferred tax liabilities	89,158	(7,252)	(23,100)	58,805	(7)	Deferred tax liabilities
Other	40,882	(36,886)	946	4,942	(6), (14)	Other non-current liabilities
Total non-current liabilities	275,607	(7,252)	(21,631)	246,724		Total non-current liabilities
Total liabilities	578,552	(7,252)	5,720	577,019		Total liabilities

Line items under Japanese GAAP	Japanese GAAP	Reclassifi-cation	Differences in recognition and measure-ment	IFRSs	Notes	Line items under IFRSs
	Millions of yen	Millions of yen	Millions of yen	Millions of yen		
Net assets						Equity
Capital stock	30,000	–	–	30,000		Capital
Capital surplus	209,551	14	–	209,565		Share premium
Treasury shares	(11,286)	–	–	(11,286)		Treasury shares
Subscription rights to shares	14	(14)	–	–		
Total accumulated other comprehensive income	(8,537)	–	20,153	11,615	(15), (16)	Other components of equity
Retained earnings	163,971	–	(59,355)	104,615	(17)	Retained earnings
	383,713	–	(39,202)	344,510		Total equity attributable to owners of parent
Non-controlling interests	56,880	–	(6,590)	50,290		Non-controlling interests
Total net assets	440,594	–	(45,793)	394,800		Total equity
Total liabilities and net assets	1,019,146	(7,252)	(40,073)	971,820		Total liabilities and equity

Reconciliation of equity as of February 28, 2017

Line items under Japanese GAAP	Japanese GAAP	Reclassification	Differences in recognition and measurement	IFRSs	Notes	Line items under IFRSs
	Millions of yen	Millions of yen	Millions of yen	Millions of yen		
Assets						Assets
Current assets						Current assets
Cash and deposits	33,018	(1,171)	20	31,867	(1)	Cash and cash equivalents
Notes and accounts receivable - trade	68,997	35,320	18,384	122,703	(2), (3) (4), (5)	Trade and other receivables
Securities	1,500	4,329	22	5,852	(1), (3) (6)	Other financial assets
Inventories	34,499	–	(166)	34,332	(4)	Inventories
Deferred tax assets	10,523	(10,523)	–	–	(7)	
	–	1,049	–	1,049	(9)	Assets held for sale
Other	44,540	(39,778)	701	5,462	(2), (6)	Other current assets
Allowance for doubtful accounts	(249)	249	–	–	(3)	
Total current assets	192,829	(10,523)	18,962	201,268		Total current assets
Non-current assets						Non-current assets
Property, plant and equipment	684,063	(199,752)	(24,330)	459,979	(8), (9)	Property, plant and equipment
	–	210,410	(21,396)	189,013	(8), (9)	Investment property
Intangible assets						
Goodwill	208	–	325	534	(10)	Goodwill
Other	41,438	(37,711)	(300)	3,426	(6)	Intangible assets
	–	26,284	(251)	26,033	(11)	Investments accounted for using equity method
Investment securities	45,437	33,075	16,327	94,840	(3), (6) (11)	Other financial assets
Long-term loans receivable	1,534	(1,534)	–	–	(6)	
Lease and guarantee deposits	60,561	(60,561)	–	–	(6)	
Deferred tax assets	3,695	4,389	889	8,974	(7)	Deferred tax assets
Net defined benefit asset	10,738	(10,738)	–	–	(6)	
Other	12,351	37,717	(29,071)	20,998	(6)	Other non-current assets
Allowance for doubtful accounts	(2,810)	2,810	–	–	(3)	
Total non-current assets	857,220	4,389	(57,808)	803,800		Total non-current assets
Deferred assets						
Bond issuance cost	60	–	(60)	–	(12)	
Total deferred assets	60	–	(60)	–		
Total assets	1,050,109	(6,133)	(38,906)	1,005,069		Total assets

Line items under Japanese GAAP	Japanese GAAP	Reclassifi-cation	Differences in recognition and measure-ment	IFRSs	Notes	Line items under IFRSs
	Millions of yen	Millions of yen	Millions of yen	Millions of yen		
						Liabilities and equity
Liabilities						Liabilities
Current liabilities						Current liabilities
Short-term loans payable	37,280	45,799	18,150	101,229	(5), (13)	Bonds and borrowings
Current portion of bonds	12,000	(12,000)	–	–	(13)	
Commercial papers	33,799	(33,799)	–	–	(13)	
Notes and accounts payable - trade	87,964	37,027	18,719	143,711	(2)	Trade and other payables
Gift certificates	38,596	(38,596)	–	–	(14)	
	–	16,644	14,774	31,419	(6), (14)	Other financial liabilities
Income taxes payable	7,125	–	(7)	7,117		Income tax payables
Advances received	24,136	(24,136)	–	–	(14)	
Provision for bonuses	5,493	–	(5,493)	–	(14)	
Provision for sales returns	21	–	(21)	–	(14)	
Provision for books unsold	133	–	(133)	–	(14)	
Provision for sales promotion expenses	445	–	(445)	–	(14)	
Reserve for gift certificates	14,493	–	(14,493)	–	(14)	
Provision for loss on business liquidation	1,855	(1,855)	–	–	(14)	
Provision for directors' bonuses	206	–	(206)	–	(14)	
	–	2,204	(26)	2,177	(14)	Provisions
Other	49,015	8,712	(3,321)	54,407	(2), (6), (14)	Other current liabilities
Total current liabilities	312,568	–	27,494	340,062		Total current liabilities
Non-current liabilities						Non-current liabilities
Bonds payable	15,000	(15,000)	–	–	(13)	
Long-term loans payable	89,720	15,000	2	104,722	(12), (13)	Bonds and borrowings
	–	32,944	(726)	32,217	(6)	Other financial liabilities
Net defined benefit liability	31,605	–	154	31,760	(15)	Retirement benefit liabilities
Deferred tax liabilities for land revaluation	1,100	–	(1,100)	–	(7)	
Provision for directors' retirement benefits	5	–	(5)	–	(14)	
Provision for loss on stores rebuilding	1,712	(1,712)	–	–	(14)	
	–	5,089	68	5,158	(14)	Provisions
Deferred tax liabilities	85,296	(6,133)	(21,294)	57,868	(7)	Deferred tax liabilities
Other	47,262	(36,321)	895	11,836	(6), (14)	Other non-current liabilities
Total non-current liabilities	271,701	(6,133)	(22,005)	243,562		Total non-current liabilities
Total liabilities	584,269	(6,133)	5,488	583,625		Total liabilities

Line items under Japanese GAAP	Japanese GAAP	Reclassifi-cation	Differences in recognition and measure-ment	IFRSs	Notes	Line items under IFRSs
	Millions of yen	Millions of yen	Millions of yen	Millions of yen		
Net assets						Equity
Capital stock	30,000	–	–	30,000		Capital
Capital surplus	209,551	–	–	209,551		Share premium
Treasury shares	(11,281)	–	(0)	(11,281)		Treasury shares
Total accumulated other comprehensive income	(5,532)	–	18,142	12,610	(15), (16)	Other components of equity
Retained earnings	183,598	–	(55,908)	127,690	(17)	Retained earnings
	406,336	–	(37,765)	368,571		Total equity attributable to owners of parent
Non-controlling interests	59,503	–	(6,630)	52,872		Non-controlling interests
Total net assets	465,839	–	(44,395)	421,444		Total equity
Total liabilities and net assets	1,050,109	(6,133)	(38,906)	1,005,069		Total liabilities and equity

Notes on reconciliation of equity

(1) Reclassification of cash and deposits

Time deposits with deposit terms of more than three months, which were included in “cash and deposits” under Japanese GAAP, have been reclassified to “other financial assets (current)” under IFRSs.

(2) Reclassification of accounts receivable - other and accounts payable - other

Accounts receivable - other, which were included in “other” under current assets under Japanese GAAP, have been reclassified to “trade and other receivables” under IFRSs, while accounts payable - other, which were included in “other” under current liabilities under Japanese GAAP, have been reclassified to “trade and other payables” under IFRSs.

Items qualified as levies such as property tax were recognized at the time of payment under Japanese GAAP. Under IFRSs, they are recognized on the date when an obligation event occurs.

(3) Reclassification of allowance for doubtful accounts

“Allowance for doubtful accounts (current),” which were presented separately under Japanese GAAP, has been reclassified to be presented on a net basis by directly deducting the item from “trade and other receivables” and “other financial assets (current)” under IFRSs. Likewise, “allowance for doubtful accounts (non-current)” has been reclassified to be presented on a net basis by directly deducting the item from “other financial assets (non-current).”

(4) Adjustment to trade receivables and inventories due to the change of timing of revenue recognition

With regard to certain sales of goods, which were recognized on a shipping basis under Japanese GAAP, since a change, including recognition of revenue at the time of delivery of goods, was made, “trade and other receivables” and “inventories” have been adjusted.

(5) Derecognition of financial assets

Since certain assignment of receivables, etc. that met requirements for extinguishment of financial assets under Japanese GAAP does not satisfy requirements for derecognition of financial assets under IFRSs, the Group recognizes “trade and other receivables” for such assignment of receivables, and records related liabilities in “bonds and borrowings (current).”

(6) Reclassification of and adjustment to other financial assets and liabilities and other non-current assets

Short-term loans receivable, which were included in “other” under current assets under Japanese GAAP, have been reclassified to “other financial assets (current)” under IFRSs, while “investment securities,” “long-term loans receivable” and “lease and guarantee deposits,” which were presented separately under Japanese GAAP, have been reclassified to “other financial assets (non-current)” under IFRSs. In addition, “net defined benefit asset,” which was presented separately under Japanese GAAP, has been reclassified to “other non-current assets” under IFRSs.

“Lease obligations,” which were included in “other” under current liabilities and “other” under non-current liabilities under Japanese GAAP, have been reclassified to “other financial liabilities (current)” and “other financial liabilities (non-current),” respectively, under IFRSs.

“Long-term guarantee deposited” and “long-term accounts payable, other,” which were included in “other” under non-current liabilities under Japanese GAAP, have been reclassified to “other financial liabilities (non-current)” under IFRSs.

Land leasehold rights, which were included in “other” under intangible assets under Japanese GAAP, have been reclassified to “other non-current assets” as long-term prepaid expenses and are amortized according to the contractual period under IFRSs. As a result, “other non-current assets” as of the date of transition to IFRSs decreased by ¥25,086 million.

Unlisted shares, which were recorded on the basis of acquisition cost under Japanese GAAP, are measured at fair value under IFRSs.

(7) Reclassification of deferred tax assets and liabilities, and review of recoverability of deferred tax assets

Since under IFRSs, all deferred tax assets and liabilities are to be classified into non-current items, irrespective of current or non-current, deferred tax assets and liabilities that were recorded in current items have been reclassified to non-current items. In addition, upon the adoption of IFRSs, recoverability of all deferred tax assets has been reviewed.

(8) Reclassification of investment property

Under IFRSs, “investment property” has been reclassified from “property, plant and equipment.”

(9) Adjustment to the amount of property, plant and equipment and investment property

For certain property, plant and equipment and investment property, the Group elected to apply the exemption where fair value as of the date of transition to IFRSs is used as deemed cost. The carrying amount and fair value of property, plant and equipment and investment property for which deemed cost is used were ¥151,973 million and ¥120,049 million, respectively, as of the date of transition.

In addition, taxes on the acquisition of non-current assets, which were expensed under Japanese GAAP, are capitalized under IFRSs.

In addition, the items that satisfy the classification requirements of assets held for sale under IFRS that were classified under property, plant and equipment under JGAAP are presented as “assets held for sale.”

(10) Adjustment to the amount of goodwill

Although goodwill is amortized under Japanese GAAP, it is not amortized under IFRSs.

(11) Adjustment to the amount of Investments accounted for using equity method

“Investments accounted for using equity method,” which was included in “investment securities” under Japanese GAAP, is presented separately under IFRSs. In addition, although goodwill for entities accounted for using equity method is amortized under Japanese GAAP, it is not amortized under IFRSs.

(12) Transfer of deferred assets

Since “bond issuance cost,” which was recorded as deferred assets under Japanese GAAP, is measured at amortized cost using the effective interest method under IFRSs, it is included in the effective interest rate.

(13) Reclassification of bonds and borrowings

“Bonds payable,” “Commercial papers,” “Short-term loans payable” and “long-term loans payable,” which were presented separately as liabilities under Japanese GAAP, have been reclassified to “bonds and borrowings” under IFRSs.

(14) Reclassification of other current liabilities and adjustment to provisions

“Advances received,” “Provision for bonuses” and “accrued expenses,” which were presented separately as current liabilities under Japanese GAAP, have been reclassified to “other current liabilities” under IFRSs, while asset retirement obligations, which were included in “other current liabilities” and “other non-current liabilities” under Japanese GAAP, have been reclassified to “provisions (current)” and “provisions (non-current)” under IFRSs. Since “provision for sales returns,” “provision for books unsold” and “provision for sales promotion expenses,” which were accounted for as provisions under Japanese GAAP, cannot be recorded as provisions under IFRSs, adjustments have been made to “inventories” and others for these items. Unused paid absences, which were not accounted for under Japanese GAAP, are recorded in liabilities as “other current liabilities” under IFRSs.

In addition, common gift certificates for department stores nationwide, etc. that can be used at other companies were accounted for as “gift certificates” and “reserve for gift certificates” under Japanese GAAP. However, under IFRSs, they are accounted for as “other financial liabilities (current),” since they satisfy requirements for financial liabilities.

(15) Adjustment to retirement benefit liabilities

Under Japanese GAAP, the Group recognized actuarial gains and losses in other comprehensive income at the time of occurrence and amortized them by the straight-line method over a certain number of years within the average remaining service period of employees, starting in the fiscal year during which they occurred. However, under IFRSs, the Group shall recognize actuarial gains and losses in other comprehensive income at the time of occurrence, and immediately transfer them in retained earnings.

(16) Transfer of cumulative exchange differences for foreign subsidiaries

Upon the first-time adoption of IFRSs, the Group has elected the exemption set forth under IFRS 1 and transferred all cumulative exchange differences as of the date of transition to retained earnings.

(17) Adjustment to retained earnings

	(IFRS Transition Date) As of March 1, 2016	As of February 28, 2017
	Millions of yen	Millions of yen
Adjustment to property, plant and equipment and investment property	(44,570)	(43,356)
Adjustment to intangible assets	(25,699)	(25,791)
Adjustment to other non-current assets	(1,447)	(1,018)
Adjustment to other current liabilities	(9,268)	(9,823)
Adjustment to retirement benefit liabilities	(11,900)	(7,849)
Adjustment to exchange differences on translation of foreign operations	598	598
Other	(2,323)	(1,653)
Subtotal	(94,611)	(88,895)
Adjustments for tax effects	28,858	25,925
Adjustments for non-controlling interests	6,397	7,060
Total	(59,355)	(55,908)

Reconciliations of profit or loss and comprehensive income for the fiscal year ended February 28, 2017 (from March 1, 2016 to February 28, 2017)

Line items under Japanese GAAP	Japanese GAAP	Reclassifi-cation	Differences in recognition and measure-ment	IFRSs	Notes	Line items under IFRSs
	Millions of yen	Millions of yen	Millions of yen	Millions of yen		
Net sales	1,108,512	–	(656,006)	452,505	(1)	Sales revenue
Cost of sales	(873,727)	–	633,788	(239,938)	(1), (2)	Cost of sales
Gross profit	234,785	–	(22,218)	212,567		Gross profit
Selling, general and administrative expenses	(190,205)	(177)	22,714	(167,668)	(1), (2) (3), (5)	Selling, general and administrative expense
	–	6,869	(2,784)	4,084	(6)	Other operating income
	–	(12,030)	4,774	(7,255)	(2), (6)	Other operating expense
Operating income	44,580	(5,338)	2,485	41,727		Operating profit
Non-operating income	5,596	(5,596)	–	–	(6)	
Non-operating expenses	(5,751)	5,751	–	–	(6)	
Extraordinary income	3,609	(2,325)	(1,283)	–	(6)	
Extraordinary losses	(7,483)	7,460	23	–	(6)	
	–	744	609	1,353	(6)	Finance income
	–	(1,181)	(189)	(1,370)	(6)	Finance costs
	–	308	589	898	(4), (6)	Share of profit of investments accounted for using equity method
Profit before income taxes	40,550	(177)	2,235	42,608		Profit before tax
Income taxes - current	(13,577)	13,577	–	–	(7)	
Income taxes - deferred	3,413	(3,413)	–	–	(7)	
	–	(9,986)	(2,179)	(12,165)	(7)	Income tax expense
Profit	30,386	–	56	30,443		Profit
Profit attributable to owners of parent	26,950	–	101	27,052		Profit attributable to: Owners of parent
Profit attributable to non-controlling interests	3,435	–	(45)	3,390		Profit attributable to: Non-controlling interests
Profit	30,386	–	56	30,443		
Other comprehensive income						Other comprehensive income
						Items that will not be reclassified to profit or loss
Valuation difference on available-for-sale securities	(51)	–	2,218	2,167	(8)	Financial assets measured at fair value through other comprehensive income
Remeasurements of defined benefit plans, net of tax	3,584	–	(679)	2,905	(5)	Remeasurements of defined benefit plans
	–	(385)	(26)	(411)		Share of other comprehensive income of entities accounted for using equity method
	3,533	(385)	1,513	4,660		Total items that will not be reclassified to profit or loss
						Items that may be reclassified to profit or loss

Line items under Japanese GAAP	Japanese GAAP	Reclassifi-cation	Differences in recognition and measure-ment	IFRSs	Notes	Line items under IFRSs
	Millions of yen	Millions of yen	Millions of yen	Millions of yen		
Deferred gains or losses on hedges	63	–	100	164		Cash flow hedges
Foreign currency translation adjustment	(115)	–	(2)	(118)		Exchange differences on translation of foreign operations
Share of other comprehensive income of entities accounted for using equity method	(441)	385	(276)	(333)		Share of other comprehensive income of entities accounted for using equity method
	(494)	385	(178)	(286)		Total items that may be reclassified to profit or loss
Total other comprehensive income	3,039	–	1,334	4,374		Other comprehensive income, net of tax
Comprehensive income	33,425	–	1,391	34,817		Comprehensive income

Notes to reconciliations of profit or loss and comprehensive income

(1) Adjustment to sales revenue

A Under Japanese GAAP, the amount of transactions which the Group conducted as a principal and the amount of transactions in which the Group was involved as an agent are presented as net sales on a gross basis; however, under IFRSs, transactions considered to be those in which the Group was involved as an agent are presented on a net basis.

B The Group has implemented a point program for the purpose of encouraging repeated visits to shops and shopping by customers. Under Japanese GAAP, revenue is recognized collectively at the time of sales, and a provision for the amount that is prepared for future use against the unused balance at the end of each reporting period is recorded as liabilities. Under IFRSs, when reward points are granted simultaneously with sales of goods, consideration is allocated to goods sold and reward points granted, and revenue of the former is recognized at the time of initial sale and revenue recognition for the latter is deferred until the time when the reward points are actually exchanged.

(2) Adjustment to levies

Items qualified as levies such as property tax were recognized at the time of payment under Japanese GAAP. Under IFRSs, they are recognized on the date when an obligation event occurs.

(3) Adjustment to the amount of goodwill

Goodwill is amortized over a certain period of time under Japanese GAAP, but it is not amortized under IFRSs.

(4) Adjustment to the amount of investments accounted for using equity method

Goodwill for entities accounted for using equity method is amortized under Japanese GAAP, but it is not amortized under IFRSs.

(5) Accounting of retirement benefit liabilities

Under Japanese GAAP, the Group recognized actuarial gains and losses in other comprehensive income at the time of occurrence and amortized them by the straight-line method over a certain number of years within the average remaining service period of employees, starting in the fiscal year during which they occurred. However, under IFRSs, the Group shall recognize actuarial gains and losses in other comprehensive income at the time of occurrence, and immediately transfer them in retained earnings.

(6) Adjustment to line items

Items presented in “non-operating income,” “non-operating expenses,” “extraordinary income” and “extraordinary losses” under Japanese GAAP are recorded as “finance income” and “finance costs” for finance-related gains or losses, and as “other operating income,” “other operating expense” and “share of profit (loss) of investments accounted for using equity method,” etc. for other items under IFRSs.

(7) Income tax expense

Although “income taxes - current” and “income taxes - deferred” were presented separately under Japanese GAAP, these items are presented collectively as “income tax expense” under IFRSs.

(8) Financial assets measured at fair value through other comprehensive income

Unlisted shares, which were recorded on the basis of acquisition cost under Japanese GAAP, are measured at fair value under IFRSs.

<u>Reconciliation of cash flows for the fiscal year ended February 28, 2017</u>
There are no material differences between the consolidated statement of cash flows that is disclosed in accordance with Japanese GAAP and the consolidated statement of cash flows that is disclosed in accordance with IFRS.

5. Other

Changes in executives

(1) Changes in representatives

No items to report.

(2) Changes in other executives (scheduled to be effective as of May 24, 2018)

An internal decision was made at the Board of Directors meeting held on April 10, 2018 to make changes in executives as described below.

- Candidates for new Directors

SAWADA Taro	Director and Managing Executive Officer, Senior Executive General Manager of Management Strategy Unit and in charge of Risk Management and Director of Daimaru Matsuzakaya Department Stores Co. Ltd. (Present post Director and Corporate Executive Officer, Senior General Manager of Management Planning Division and Senior General Manager of Management Planning Division of Daimaru Matsuzakaya Department Stores Co. Ltd.)
SATO Rieko	Director (Outside)

- Retiring Directors

FUJINO Haruyoshi	Director and Managing Executive Officer, Senior Executive General Manager of Management Strategy Unit and in charge of Risk Management and Director of Daimaru Matsuzakaya Department Stores Co. Ltd.
TSURUTA Rokurou	Director (Outside)

* The retiring FUJINO Haruyoshi is scheduled to assume the office as Managing Executive Officer and Senior Executive General Manager of Business Development Unit.