Major Changes Resulting from Application of IFRS (International Financial Reporting Standards)

The Company has decided to apply the International Financial Reporting Standards (IFRS) beginning in March 2017 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 enhancing accountability to domestic and overseas investors by improving the international comparability of financial information.

The Group discloses earnings forecasts and financial results, including the quantitative management objectives set forth in the Medium-term Business Plan, which started in fiscal year 2017, on an IFRS basis.

Comparison between Japanese GAAP and IFRS

Japanese GAAP (consolidated)

- Sales (gross)
- Gross profit
- SGA
  - Point expenses
- Operating profit
  - Non-operating income/expenses
  - Financial income/loss
  - Share of profit/loss of equity method entities
- Ordinary profit
  - Extraordinary gain/loss
  - Profit attributable to parent company

IFRS (consolidated)

- Revenue
  - Sales (net + sales from purchase on a no return basis (kaitori))
  - △Point expenses
- Gross profit
- SGA
  - △Amortization of goodwill
  - △Amortization of retirement benefit plans
- Other operating income/expenses
- Operating profit
  - Financial income/loss
  - Share of profit/loss of equity method entities
  - Profit attributable to parent company

Reference indicator

In consolidated financial statements, with the objective of maintaining comparability with previous periods, the following reference indicators are presented:

- **Gross sales**
- **Business profit**

Of revenue under IFRS, mainly sales from shoka shire of the Department Store Business have been converted into gross amount and the net amount of sales of the Parco Business into tenant transaction amount (gross amount basis).

(Operating profit under IFRS) - (Other operating revenue, etc. under IFRS) + (Other operating expenses, etc. under IFRS)
Consolidated P/L

- Sales decrease by around 60% due to net presentation of sales from shoka shiire and tenant sales and deduction of point expenses.
- Operating profit decreases partly due to reclassification of non-operating income/expenses and extraordinary gain/loss (e.g., loss on disposal of non-current assets).

Sales (Revenue) (Unit: ¥100 mn)

<table>
<thead>
<tr>
<th></th>
<th>Japanese GAAP FY ended Feb 28, 2017</th>
<th>IFRS FY ended Feb 28, 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>11,08b</td>
<td>445</td>
</tr>
<tr>
<td>△6.65%</td>
<td></td>
<td>13</td>
</tr>
<tr>
<td>[Breakdown]</td>
<td></td>
<td>3</td>
</tr>
<tr>
<td>Department Store Parco</td>
<td>4,463</td>
<td>40</td>
</tr>
<tr>
<td>Daimaru Kogyo</td>
<td>2,000</td>
<td>△72</td>
</tr>
<tr>
<td>△97</td>
<td>156 etc.</td>
<td>△13</td>
</tr>
<tr>
<td>--</td>
<td>194</td>
<td>Other operating expenses</td>
</tr>
<tr>
<td>△525</td>
<td></td>
<td>Other operating expenses</td>
</tr>
<tr>
<td>Sales from shoka shiire tenant sales</td>
<td>194</td>
<td>Other operating expenses</td>
</tr>
<tr>
<td>Point expenses</td>
<td></td>
<td>Other operating expenses</td>
</tr>
<tr>
<td>Reversal of common area charge of Parco tenants, etc.</td>
<td>4,525</td>
<td>Other operating expenses</td>
</tr>
</tbody>
</table>

Operating profit (Unit: ¥100 mn)

<table>
<thead>
<tr>
<th></th>
<th>Japanese GAAP FY ended Feb 28, 2017</th>
<th>IFRS FY ended Feb 28, 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>△72</td>
<td>13</td>
<td>40</td>
</tr>
<tr>
<td>△13</td>
<td></td>
<td>Other operating expenses</td>
</tr>
<tr>
<td>△13</td>
<td></td>
<td>Other operating expenses</td>
</tr>
<tr>
<td>△40</td>
<td></td>
<td>Other operating expenses</td>
</tr>
</tbody>
</table>

Consolidated B/S

- Assets (land, leasehold right and others) and shareholders’ equity (retained earnings) decrease due to recalculation of the book value of land, etc. made at market value at the time of transition to IFRS. Liabilities decrease due to tax effect.

<Assets>

Japanese GAAP FY ended Feb 28, 2017

10,501
△181
△356
△370
△yy
194
10,050
173
<Assets / Liabilities and shareholders’ equity>

IFRS FY ended Feb 28, 2017

△559
△274
40
181
10,501

<Liabilities and net assets>

Japanese GAAP FY ended Feb 28, 2017

10,501