

# 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 qualifying 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 obligating event occurs.

## (3)Reclassification of allowance for doubtful accounts

"Allowance for doubtful accounts (current)," which was 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 changes including recognition of revenue at the time of delivery of goods were 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 whether they are 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

"Certain fixed assets are reclassified from "property, plant and equipment" to "investment property" under IFRSs."

## (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 Japanese GAAP 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 the equity method

"Investments accounted for using the 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 the 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 (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	<u>(59,355)</u>	<u>(55,908)</u>

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	Reclassification	Differences in recognition and measurement	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 the 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	<u>30,386</u>	–	56	<u>30,443</u>		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	<u>30,386</u>	–	56	<u>30,443</u>		