

October 10, 2017

**Consolidated Financial Results for the First Six Months of
the Fiscal Year Ending 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
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Scheduled date to file Quarterly Securities Report: October 13, 2017
 Scheduled date to commence dividend payments: November 8, 2017
 Preparation of supplementary material on quarterly financial results: Yes
 Holding of quarterly 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 first six months of the fiscal year ending February 28, 2018 (from March 1, 2017 to August 31, 2017)

(1) Consolidated operating results (cumulative) (Percentages indicate year-on-year changes.)

	Sales revenue		Operating profit		Profit before tax		Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended August 31, 2017	234,510	6.0	26,680	24.1	25,918	21.3	18,136	15.8
August 31, 2016	221,249	—	21,494	—	21,367	—	15,661	—

	Profit attributable to owners of parent		Total comprehensive income		Basic earnings per share	Diluted earnings per share
	Millions of yen	%	Millions of yen	%	Yen	Yen
Six months ended August 31, 2017	16,315	17.8	19,302	34.3	62.38	62.38
August 31, 2016	13,849	—	14,372	—	52.95	52.95

(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
	Millions of yen	Millions of yen	Millions of yen	%	Yen
As of August 31, 2017	1,034,346	436,685	382,459	37.0	1,462.33
February 28, 2017	1,005,069	421,444	368,571	36.7	1,409.20

2. Cash dividends

	Annual dividends				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended February 28, 2017	–	14.00	–	14.00	28.00
Fiscal year ending February 28, 2018	–	16.00			
Fiscal year ending February 28, 2018 (Forecast)			–	16.00	32.00

Note: Revisions to the forecast of cash dividends most recently announced: None

Dividends for the fiscal year ending February 28, 2018

Ordinary dividends: ¥30.00

Commemorative dividends: ¥2.00

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

(Percentages indicate year-on-year changes.)

	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
Fiscal year ending February 28, 2018	472,000	4.3	49,000	17.4	47,000	10.3	28,500	5.4	108.97

Note: Revisions to the consolidated earnings forecasts most recently announced: None

* 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

- Changes in accounting policies required by IFRS: None
- Changes in accounting policies due to other reasons: None
- 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 August 31, 2017	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 August 31, 2017	9,024,197 shares
As of February 28, 2017	6,573,594 shares

c. Average number of shares during the period (cumulative from the beginning of the fiscal year)

For the six months ended August 31, 2017	261,543,721 shares
For the six months ended August 31, 2016	261,547,602 shares

*** Quarterly financial results reports are not required to be reviewed.**

*** 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. Qualitative information regarding results for the first six months (3) Explanation of consolidated earnings forecasts and other forward-looking statements” on page 4 of the material attached to this quarterly 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 first three months of the fiscal year ending February 28, 2018. Financial figures for the six months ended August 31, 2016 and the fiscal year ended February 28, 2017 are also presented in accordance with IFRS. Please refer to “2. Condensed quarterly consolidated financial statements and significant notes thereto (6) Notes to condensed quarterly consolidated financial statements (First-time adoption)” on page 24 of the material attached to this quarterly financial results report for the difference between the financial figures under IFRS and Japanese GAAP.

(How to obtain supplementary material on quarterly financial results)

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

[Attached Material]

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1. Qualitative information regarding results for the first six months

The Group has adopted the International Financial Reporting Standards (hereinafter “IFRS”), effective from the three months ended May 31, 2017. Figures for the six months ended August 31, 2016, and for the fiscal year ended February 28, 2017, which were based on the generally accepted accounting standards in Japan (Japanese GAAP) in the reporting of those previous periods, are reclassified in accordance with IFRS.

(1) Explanation of operating results

In the six months ended August 31, 2017 (from March 1, 2017 to August 31, 2017), despite elements of uncertainty, the Japanese economy followed a gradual track of recovery mainly fueled by the robust global economy and the various policies of the Japanese government and the Bank of Japan.

In the retail sector, there was an upturn in overall personal spending. This was despite increasingly polarized consumption patterns coupled with a continuing sense of unease as to what lies ahead and intensifying budget-minded consumer behavior, both brought about mainly by the increased burden of social security. The upturn also followed clear signs of recovery in both inbound tourism consumption and luxury goods consumption by affluent consumers, amidst the continuing gradual recovery in employment and income.

Amid this environment, the J. Front Retailing Group (hereinafter the “Group”) aimed to realize its new Group Vision, “Create and Bring ‘New Happiness’ to Your Life.” In the first year of the “FY 2017–FY 2021 Medium-term Business Plan,” we worked to further strengthen the competitiveness and profitability of existing businesses while also investing management resources in fields of growth in a focused manner, with the aim of developing as a multifaceted services retailer operating beyond the retail industry framework.

As part of this initiative, we opened the GINZA SIX facility in April as a large-scale development project. This large-scale development project is a part of our strategy of urban market dominance, which aims for growth along with our respective communities, and is part of the Real Estate Business that is positioned as a new growth business. The GINZA SIX, a joint development project among four companies including the Company, is a revolutionary luxury mall like nothing else in the world. The GINZA SIX has realized a commercial facility different from traditional department stores, attracting 241 brands including 122 flagship store brands combined with a cultural facility. The GINZA SIX has enjoyed a smooth start since opening, supported by solid visitor numbers. Also, in the Department Store Business, we opened HUBLOT BOUTIQUE KYOTO in August as the second initiative of the Machiya Project. HUBLOT BOUTIQUE KYOTO is being held at the Daimaru Kyoto store Gion Machiya which was opened in November of last year as part of the 300th anniversary since the founding of Daimaru. These efforts are also a part of our strategy of urban market dominance and, going forward, we will promote this strategy with the projects to contribute to revitalizing communities.

In the PARCO Business, at all stores including the Fukuoka PARCO store and the Sendai PARCO store, based on this spring’s theme of “New Life, New Culture,” we have introduced a large number of shops that offer new lifestyles and new ways of enjoying commercial facilities, and implemented storefront renewals to provide both fun and comfort to people with diversifying lifestyles. Furthermore, we have decided to launch a new store scheduled to open in the second half of Fiscal 2018 in Kinshi-cho where city functions such as offices and hotels have expanded recently making it an urban sub center in east Tokyo. Kinshi-cho is also a spotlighted area for its mix of old Tokyo feel and bustling activity.

Furthermore, we closed the Daimaru Urawa Parco store (opened in 2007) and the Otsu PARCO (opened in 1996). Both of these stores were frequented by members of the community since they were opened.

Additionally, toward further strengthening of the Group’s corporate governance, at the Shareholders Meeting held in May, we transitioned to a company with three committees (nomination, audit, and remuneration committees), in order to strengthen the management oversight function by separating oversight from execution, to better clarify authority and responsibility in business execution and promote

agile management, and to improve the transparency and objectivity of management.

As a result of various measures including those mentioned above, in the six months ended August 31, 2017, consolidated sales revenue was ¥234,510 million, up 6.0% year on year, operating profit was ¥26,680 million, up 24.1%, profit before tax was ¥25,918 million, up 21.3% year on year, and profit attributable to owners of parent was ¥16,315 million, up 17.8% year on year.

Results by segment are as follows.

<Department Store Business>

To mark the milestone of 300 years since the founding of Daimaru, we held a number of 300th anniversary commemorative events. In March, we hosted Vogue's globally popular shopping event "VOGUE Fashion's Night Out" at the former foreign settlement in Kobe, the first time in the world the event has been held in spring. Primarily focusing on fashion, while exhibiting the world of miniatures, which condenses attractive craftsmanship and the thoughts of the creator into 1/6th scale in our stores, we also broadcasted the online soap opera "My girlfriend is a doll."

On the sixth floor of the Daimaru Tokyo store, in March we opened the new arranging sales area "Lib Tokyo." Based on an open sales environment combining product sales, cafes, and reading materials, the area is Daimaru's first concept-type select zone, with an arrangement of food, clothing and housing produced by popular Hayama shop owner Hayato Takasu.

At the Daimaru Kobe store, we renewed the seventh floor living room sales area for the first time in 20 years, and held the grand opening in April. Through a mix of product categories which allows customers to imagine different living scenes, the floor was reborn into an area full of new discoveries and the feel of Kobe living. Through the area, we are proposing the objects and things that allow customers to enjoy a charming and comfortable everyday life in a relaxing environment.

In the inbound tourism market, by providing information to Chinese consumers through social media video content, we are strengthening efforts to send customers to our stores.

As a result of various measures including those mentioned above, in the six months ended August 31, 2017, sales revenue was ¥132,293 million, up 0.9% year on year, operating profit was ¥12,904 million, up 40.2% year on year.

<PARCO Business>

In the Shopping complex business, we organized a newsworthy event to attract customers, we responded to the growth of experience-focused consumption in regard to refurbishments, and we introduced growth-themed items and new service formats. Despite various measures including those mentioned above, sales revenue was ¥45,230 million, down 4.1% year on year due to the temporary closure of the Shibuya PARCO and the permanent closure of the Chiba PARCO, and operating profit was ¥6,677 million, down 17.2% year on year due to the effects of the recording of gain on sales of non-current assets (the main item is Shibuya ZERO GATE) in the previous year.

<Real Estate Business>

On April 20, the GINZA SIX opened for business as one of the largest complexes in the Ginza area, consisting of a commercial facility with approximately 47,000 square meters of sales floor space. With the concept of "Life At Its Best," the GINZA SIX is a complex combining commercial facilities offering 241 brands, large-scale offices, and cultural and exchange facilities including the Kanze Noh-gakudo. Since opening day, the GINZA SIX has welcomed a diverse range of customers and has been performing well.

As a result of the above, in the six months ended August 31, 2017, sales revenue was ¥5,849 million, up 133.2% year on year, and operating profit was ¥1,663 million, up 51.3% year on year.

<Credit Finance Business>

As a result of increased revenues from not only affiliated store fees and annual membership fees due to growth in the number of cardholders, but also from interest income due to a growth in users of revolving credit, installment payments and cash advances, sales revenue was ¥4,962 million, up 4.1% year on year, and operating profit was ¥1,306 million, up 0.4% year on year.

(2) Explanation of financial position

(Assets, liabilities, and equity as of August 31, 2017)

Total assets as of August 31, 2017 was ¥1,034,346 million, an increase of ¥29,277 million compared with February 28, 2017. Total liabilities was ¥597,661 million, an increase of ¥14,036 million. Total equity was ¥436,685 million, an increase of ¥15,241 million compared with February 28, 2017.

(Cash flow position)

The balance of cash and cash equivalents (hereinafter “cash”) as of August 31, 2017 amounted to ¥56,395 million, up ¥24,528 million compared with February 28, 2017.

Cash flow positions in the six months ended August 31, 2017 and the factors for these were as follows.

A. Net cash flows from (used in) operating activities

Net cash flows from operating activities was ¥41,654 million. In comparison with the six months ended August 31, 2016, cash provided increased by ¥25,687 million, largely reflecting an increase in trade payables and proceeds from advances received associated with the Shibuya PARCO redevelopment project.

B. Net cash flows from (used in) investing activities

Net cash flows used in investing activities was ¥7,773 million. In comparison with the six months ended August 31, 2016, cash used decreased by ¥3,873 million, largely reflecting a decrease in purchase of property, plant and equipment and the proceeds from sales of shares of subsidiaries.

C. Net cash flows from (used in) financing activities

Net cash flows used in financing activities was ¥9,357 million. In comparison with the six months ended August 31, 2016, cash used increased by ¥7,535 million, largely reflecting the redemption of commercial papers despite proceeds from issuance of bonds.

(3) Explanation of consolidated earnings forecasts and other forward-looking statements

The consolidated earnings forecasts are unchanged from the forecasts for the fiscal year ending February 28, 2018 announced on October 6, 2017.

2. Condensed quarterly consolidated financial statements and significant notes thereto

(1) Condensed quarterly consolidated statement of financial position

	(IFRS Transition Date) As of March 1, 2016	As of February 28, 2017	As of August 31, 2017
	Millions of yen	Millions of yen	Millions of yen
Assets			
Current assets			
Cash and cash equivalents	28,149	31,867	56,395
Trade and other receivables	117,545	122,703	124,283
Other financial assets	5,947	5,852	5,484
Inventories	27,853	34,332	34,030
Other current assets	8,112	6,512	6,821
Total current assets	187,608	201,268	227,014
Non-current assets			
Property, plant and equipment	455,375	459,979	459,037
Goodwill	568	534	534
Investment property	179,442	189,013	192,320
Intangible assets	2,912	3,426	3,530
Investments accounted for using equity method	26,171	26,033	25,088
Other financial assets	93,941	94,840	96,074
Deferred tax assets	11,005	8,974	9,029
Other non-current assets	14,794	20,998	21,716
Total non-current assets	784,211	803,800	807,331
Total assets	971,820	1,005,069	1,034,346

	(IFRS Transition Date) As of March 1, 2016	As of February 28, 2017	As of August 31, 2017
	Millions of yen	Millions of yen	Millions of yen
Liabilities and equity			
Liabilities			
Current liabilities			
Bonds and borrowings	89,148	101,229	68,485
Trade and other payables	145,537	143,711	145,906
Other financial liabilities	32,822	31,419	31,627
Income tax payables	8,322	7,117	8,783
Provisions	1,826	2,177	778
Other current liabilities	52,636	54,407	73,016
Total current liabilities	330,295	340,062	328,598
Non-current liabilities			
Bonds and borrowings	109,885	104,722	132,382
Other financial liabilities	35,003	32,217	32,170
Retirement benefit liabilities	32,894	31,760	30,976
Provisions	5,193	5,158	4,561
Deferred tax liabilities	58,805	57,868	58,451
Other non-current liabilities	4,942	11,836	10,520
Total non-current liabilities	246,724	243,562	269,063
Total liabilities	577,019	583,625	597,661
Equity			
Capital	30,000	30,000	31,974
Share premium	209,565	209,551	211,597
Treasury shares	(11,286)	(11,281)	(15,236)
Other components of equity	11,615	12,610	13,675
Retained earnings	104,615	127,690	140,448
Total equity attributable to owners of parent	344,510	368,571	382,459
Non-controlling interests	50,290	52,872	54,225
Total equity	394,800	421,444	436,685
Total liabilities and equity	971,820	1,005,069	1,034,346

(2) Condensed quarterly consolidated statement of profit or loss

	Six months ended August 31, 2016	Six months ended August 31, 2017
	Millions of yen	Millions of yen
Sales revenue	221,249	234,510
Cost of sales	(116,684)	(129,521)
Gross profit	104,564	104,988
Selling, general and administrative expense	(82,463)	(82,210)
Other operating income	1,693	5,686
Other operating expense	(2,300)	(1,784)
Operating profit	21,494	26,680
Finance income	763	629
Finance costs	(743)	(586)
Share of loss of investments accounted for using equity method	(146)	(805)
Profit before tax	21,367	25,918
Income tax expense	(5,706)	(7,782)
Profit	15,661	18,136
Profit attributable to:		
Owners of parent	13,849	16,315
Non-controlling interests	1,812	1,820
Profit	15,661	18,136
Earnings per share		
Basic earnings per share (Yen)	52.95	62.38
Diluted earnings per share (Yen)	52.95	62.38

(3) Condensed quarterly consolidated statement of comprehensive income

	Six months ended August 31, 2016	Six months ended August 31, 2017
	Millions of yen	Millions of yen
Profit	15,661	18,136
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income	538	1,115
Remeasurements of defined benefit plans	(248)	–
Share of other comprehensive income of entities accounted for using equity method	(549)	28
Total items that will not be reclassified to profit or loss	(258)	1,143
Items that may be reclassified to profit or loss		
Cash flow hedges	70	40
Exchange differences on translation of foreign operations	(261)	(3)
Share of other comprehensive income of entities accounted for using equity method	(838)	(14)
Total items that may be reclassified to profit or loss	(1,029)	22
Other comprehensive income, net of tax	(1,288)	1,165
Comprehensive income	14,372	19,302
Comprehensive income attributable to:		
Owners of parent	12,557	17,484
Non-controlling interests	1,814	1,817
Comprehensive income	14,372	19,302

(4) Condensed quarterly consolidated statement of changes in equity

Six months ended August 31, 2016

	Equity attributable to owners of parent					
	Capital	Share premium	Treasury shares	Other components of equity		
				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	–	–	–	(273)	(744)	310
Total comprehensive income	–	–	–	(273)	(744)	310
Issuance of new shares	–	–	–	–	–	–
Purchase of treasury shares	–	–	(3)	–	–	–
Disposal of treasury shares	–	(0)	14	–	–	–
Dividends	–	–	–	–	–	–
Share-based payment transactions	–	(14)	–	–	–	–
Transfer from other components of equity to retained earnings	–	–	–	–	–	39
Other	–	–	–	–	–	–
Total transactions with owners	–	(14)	10	–	–	39
Balance at August 31, 2016	30,000	209,551	(11,275)	(273)	(671)	11,892

	Equity attributable to owners of parent					
	Other components of equity			Total	Non-controlling interests	Total
	Remeasurements of defined benefit plans	Total	Retained earnings			
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	–	–	13,849	13,849	1,812	15,661
Other comprehensive income	(583)	(1,291)	–	(1,291)	2	(1,288)
Total comprehensive income	(583)	(1,291)	13,849	12,557	1,814	14,372
Issuance of new shares	–	–	–	–	–	–
Purchase of treasury shares	–	–	–	(3)	–	(3)
Disposal of treasury shares	–	–	–	14	–	14
Dividends	–	–	(3,661)	(3,661)	(449)	(4,111)
Share-based payment transactions	–	–	–	(14)	–	(14)
Transfer from other components of equity to retained earnings	583	623	(623)	–	–	–
Other	–	–	(0)	(0)	(0)	(0)
Total transactions with owners	583	623	(4,284)	(3,665)	(449)	(4,115)
Balance at August 31, 2016	–	10,947	114,179	353,403	51,655	405,058

Six months ended August 31, 2017

	Equity attributable to owners of parent					
	Capital	Share premium	Treasury shares	Other components of equity		
				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, 2017	30,000	209,551	(11,281)	(154)	(66)	12,832
Profit	-	-	-	-	-	-
Other comprehensive income	-	-	-	19	(1)	1,160
Total comprehensive income	-	-	-	19	(1)	1,160
Issuance of new shares	1,974	1,974	-	-	-	-
Purchase of treasury shares	-	-	(3,955)	-	-	-
Disposal of treasury shares	-	-	-	-	-	-
Dividends	-	-	-	-	-	-
Changes in ownership interests in subsidiaries	-	(56)	-	-	-	-
Share-based payment transactions	-	128	-	-	-	-
Transfer from other components of equity to retained earnings	-	-	-	-	-	(114)
Other	-	-	-	-	-	-
Total transactions with owners	1,974	2,046	(3,955)	-	-	(114)
Balance at August 31, 2017	31,974	211,597	(15,236)	(134)	(67)	13,878

	Equity attributable to owners of parent					
	Other components of equity		Retained earnings	Total	Non-controlling interests	Total
	Remeasurements of defined benefit plans	Total				
Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	
Balance at March 1, 2017	-	12,610	127,690	368,571	52,872	421,444
Profit	-	-	16,315	16,315	1,820	18,136
Other comprehensive income	(10)	1,168	-	1,168	(2)	1,165
Total comprehensive income	(10)	1,168	16,315	17,484	1,817	19,302
Issuance of new shares	-	-	-	3,948	-	3,948
Purchase of treasury shares	-	-	-	(3,955)	-	(3,955)
Disposal of treasury shares	-	-	-	-	-	-
Dividends	-	-	(3,661)	(3,661)	(520)	(4,182)
Changes in ownership interests in subsidiaries	-	-	-	(56)	56	-
Share-based payment transactions	-	-	-	128	-	128
Transfer from other components of equity to retained earnings	10	(104)	104	-	-	-
Other	-	-	-	-	(0)	(0)
Total transactions with owners	10	(104)	(3,557)	(3,596)	(464)	(4,060)
Balance at August 31, 2017	-	13,675	140,448	382,459	54,225	436,685

(5) Condensed quarterly consolidated statement of cash flows

	Six months ended August 31, 2016	Six months ended August 31, 2017
	Millions of yen	Millions of yen
Cash flows from (used in) operating activities		
Profit before tax	21,367	25,918
Depreciation and amortization expense	8,528	9,057
Impairment loss	180	260
Finance income	(763)	(629)
Finance costs	743	586
Share of loss (profit) of investments accounted for using equity method	146	805
Loss (gain) on sales of non-current assets	(1,285)	(1,474)
Loss (gain) on disposals of non-current assets	1,495	728
Decrease (increase) in inventories	734	(630)
Decrease (increase) in trade and other receivables	1,162	(1,856)
Increase (decrease) in trade and other payables	(5,741)	3,837
Increase (decrease) in retirement benefit liabilities	(671)	(783)
Decrease (increase) in retirement benefit assets	44	(411)
Other, net	(2,363)	12,060
Subtotal	23,578	47,468
Interest received	170	83
Dividends received	267	256
Interest paid	(712)	(574)
Income taxes paid	(9,136)	(7,540)
Income taxes refund	1,799	1,961
Net cash flows from (used in) operating activities	15,967	41,654
Cash flows from (used in) investing activities		
Purchase of property, plant and equipment	(16,028)	(7,317)
Proceeds from sales of property, plant and equipment	3,985	2,085
Purchase of investment property	(1,495)	(4,965)
Purchase of investment securities	(1,123)	(966)
Proceeds from sales of investment securities	725	1,125
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	-	1,839
Other, net	2,289	425
Net cash flows from (used in) investing activities	(11,646)	(7,773)
Cash flows from (used in) financing activities		
Net increase (decrease) in current borrowings	-	(50)
Net increase (decrease) in commercial papers	5,301	(23,799)
Proceeds from non-current borrowings	19,000	500
Repayments of non-current borrowings	(21,543)	(16,330)
Proceeds from issuance of bonds	-	34,838
Purchase of treasury shares	(15)	(6)
Dividends paid	(3,652)	(3,650)
Dividends paid to non-controlling interests	(455)	(520)
Other, net	(457)	(339)
Net cash flows from (used in) financing activities	(1,822)	(9,357)
Net increase (decrease) in cash and cash equivalents	2,497	24,522
Cash and cash equivalents at beginning of period	28,149	31,867
Effect of exchange rate changes on cash and cash equivalents	(4)	4
Cash and cash equivalents at end of period	30,642	56,395

(6) Notes to condensed quarterly 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 quarterly 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 trading

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 trading” 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 trading.

An asset held for trading is measured by its “carrying amount.” After property, plant and equipment, intangible assets and investment property have been classified under “assets held for trading,” 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 reviewed 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.

Quarterly income tax is recognized based on the estimated annual effective tax rate.

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 condensed quarterly 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 condensed quarterly 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 condensed quarterly consolidated financial statements in future quarterly periods.

(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 condensed quarterly 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)

(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.

Six months ended August 31, 2016

	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	
External revenue	130,925	46,996	2,297	2,642	182,861	38,388	221,249	–	221,249
Inter-segment revenue	175	172	211	2,126	2,686	18,178	20,865	(20,865)	–
Total	131,101	47,168	2,508	4,768	185,547	56,566	242,114	(20,865)	221,249
Segment profit	9,206	8,062	1,099	1,300	19,669	1,741	21,410	84	21,494
Finance income									763
Finance costs									(743)
Share of loss of investments accounted for using equity method									(146)
Profit before tax									21,367

- 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. The adjustment of ¥84 million for segment profit includes a ¥1,592 million inter-segment elimination and a deduction of net amount of ¥1,508 million in corporate income and expenses not attributable to any reportable segment. Corporate income and expenses are mainly income and expenses of the company submitting condensed quarterly consolidated financial statements that are not attributable to any reportable segment.
 3. Segment profit is adjusted to operating profit in the condensed quarterly consolidated financial statements.

Six months ended August 31, 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	
External revenue	132,164	44,974	5,585	2,886	185,611	48,898	234,510	–	234,510
Inter-segment revenue	128	255	264	2,075	2,724	16,610	19,335	(19,335)	–
Total	132,293	45,230	5,849	4,962	188,335	65,509	253,845	(19,335)	234,510
Segment profit	12,904	6,677	1,663	1,306	22,550	2,701	25,252	1,427	26,680
Finance income									629
Finance costs									(586)
Share of loss of investments accounted for using equity method									(805)
Profit before tax									25,918

- 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. The adjustment of ¥1,427 million for segment profit includes a ¥1,346 million inter-segment elimination and the net amount of ¥81 million in corporate income and expenses not attributable to any reportable segment. Corporate income and expenses are mainly income and expenses of the company submitting condensed quarterly consolidated financial statements that are not attributable to any reportable segment.
 3. Segment profit is adjusted to operating profit in the condensed quarterly consolidated financial statements.

(First-time adoption)

The Group disclosed the condensed quarterly consolidated financial statements under IFRSs from the first quarter of the fiscal year ending 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	Reclassification	Differences in recognition and measurement	IFRSs	Notes	Line items under IFRSs
	Millions of yen	Millions of yen	Millions of yen	Millions of yen		
Liabilities						Liabilities and equity
Current liabilities						Liabilities
Short-term loans payable	40,219	30,798	18,131	89,148	(5), (13)	Current liabilities
Commercial papers	30,798	(30,798)	–	–	(13)	Bonds and borrowings
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	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 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 August 31, 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	31,693	(1,052)	1	30,642	(1)	Cash and cash equivalents
Notes and accounts receivable - trade	66,577	32,599	18,237	117,414	(2), (3) (4), (5)	Trade and other receivables
Securities	1,333	3,759	16	5,109	(1), (3) (6)	Other financial assets
Inventories	27,110	–	20	27,131	(4)	Inventories
Deferred tax assets	11,649	(11,649)	–	–	(7)	
Other	45,018	(31,961)	(134)	12,922	(2), (6)	Other current assets
Allowance for doubtful accounts	(184)	184	–	–	(3)	
Total current assets	183,199	(8,120)	18,141	193,220		Total current assets
Non-current assets						Non-current assets
Property, plant and equipment	674,910	(199,097)	(20,598)	455,214	(8), (9)	Property, plant and equipment
	–	206,226	(24,255)	181,970	(8), (9)	Investment property
Intangible assets						
Goodwill	388	–	179	568	(10)	Goodwill
Other	41,288	(37,711)	(248)	3,328	(6)	Intangible assets
	–	24,784	(376)	24,408	(11)	Investments accounted for using equity method
Investment securities	44,928	36,293	13,218	94,440	(3), (6), (11)	Other financial assets
Long-term loans receivable	1,497	(1,497)	–	–	(6)	
Lease and guarantee deposits	61,401	(61,401)	–	–	(6)	
Deferred tax assets	4,403	4,396	1,676	10,476	(7)	Deferred tax assets
Net defined benefit asset	5,938	(5,938)	–	–	(6)	
Other	8,726	32,025	(27,226)	13,524	(6)	Other non-current assets
Allowance for doubtful accounts	(2,788)	2,788	–	–	(3)	
Total non-current assets	840,694	867	(57,630)	783,932		Total non-current assets
Deferred assets						
Bond issuance cost	72	–	(72)	–	(12)	
Total deferred assets	72	–	(72)	–		
Total assets	<u>1,023,966</u>	<u>(7,252)</u>	<u>(39,561)</u>	<u>977,152</u>		Total assets

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		
Liabilities						Liabilities and equity
Current liabilities						Liabilities
Short-term loans payable	44,991	36,099	18,131	99,221	(5), (13)	Current liabilities
Commercial papers	36,099	(36,099)	–	–	(13)	Bonds and borrowings
Notes and accounts payable - trade	87,776	38,600	15,184	141,561	(2)	Trade and other payables
Gift certificates	38,441	(38,441)	–	–	(14)	
	–	17,768	14,821	32,589	(6), (14)	Other financial liabilities
Income taxes payable	6,728	–	1,062	7,790		Income tax payables
Advances received	21,198	(21,198)	–	–	(14)	
Provision for bonuses	5,236	–	(5,236)	–	(14)	
Provision for sales returns	13	–	(13)	–	(14)	
Provision for books unsold	138	–	(138)	–	(14)	
Provision for sales promotion expenses	702	–	(702)	–	(14)	
Reserve for gift certificates	14,309	–	(14,309)	–	(14)	
Provision for loss on business liquidation	279	(279)	–	–	(14)	
Provision for loss on stores rebuilding	1,184	(1,184)	–	–	(14)	
	–	1,484	–	1,484	(14)	Provisions
Other	54,401	3,251	(3,419)	54,233	(2), (6), (14)	Other current liabilities
Total current liabilities	311,501	–	25,378	336,880		Total current liabilities
Non-current liabilities						Non-current liabilities
Bonds payable	27,000	(27,000)	–	–	(13)	
Long-term loans payable	75,590	27,000	(41)	102,548	(12), (13)	Bonds and borrowings
	–	33,822	(894)	32,928	(6)	Other financial liabilities
Net defined benefit liability	31,993	–	229	32,223	(15)	Retirement benefit liabilities
Deferred tax liabilities for land revaluation	1,138	–	(1,138)	–	(7)	
Provision for directors' retirement benefits	4	–	(4)	–	(14)	
Provision for loss on business liquidation	541	(541)	–	–	(14)	
Provision for loss on stores rebuilding	1,191	(1,191)	–	–	(14)	
	–	5,102	(211)	4,891	(14)	Provisions
Deferred tax liabilities	84,042	(7,252)	(19,684)	57,105	(7)	Deferred tax liabilities
Other	41,288	(37,193)	1,420	5,515	(6), (14)	Other non-current liabilities
Total non-current liabilities	262,790	(7,252)	(20,324)	235,212		Total non-current liabilities
Total liabilities	574,292	(7,252)	5,053	572,093		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	(11,275)	–	–	(11,275)		Treasury shares
Total accumulated other comprehensive income	(9,781)	–	20,729	10,947	(15), (16)	Other components of equity
Retained earnings	173,146	–	(58,966)	114,179	(17)	Retained earnings
	391,640	–	(38,237)	353,403		Total equity attributable to owners of parent
Non-controlling interests	58,033	–	(6,378)	51,655		Non-controlling interests
Total net assets	449,674	–	(44,615)	405,058		Total equity
Total liabilities and net assets	1,023,966	(7,252)	(39,561)	977,152		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)	
Other	44,540	(38,729)	701	6,512	(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	Reclassification	Differences in recognition and measurement	IFRSs	Notes	Line items under IFRSs
	Millions of yen	Millions of yen	Millions of yen	Millions of yen		
Liabilities						Liabilities and equity
Current liabilities						Liabilities
Short-term loans payable	37,280	45,799	18,150	101,229	(5), (13)	Current liabilities
Current portion of bonds	12,000	(12,000)	–	–	(13)	Bonds and borrowings
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.

(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 August 31, 2016	As of February 28, 2017
	Millions of yen	Millions of yen	Millions of yen
Adjustment to property, plant and equipment and investment property	(44,570)	(42,526)	(43,356)
Adjustment to intangible assets	(25,699)	(25,760)	(25,791)
Adjustment to other non-current assets	(1,447)	(1,267)	(1,018)
Adjustment to other current liabilities	(9,268)	(6,375)	(9,823)
Adjustment to retirement benefit liabilities	(11,900)	(11,324)	(7,849)
Adjustment to exchange differences on translation of foreign operations	598	598	598
Other	(2,323)	(2,258)	(1,653)
Subtotal	(94,611)	(88,914)	(88,895)
Adjustments for tax effects	28,858	23,356	25,925
Adjustments for non-controlling interests	6,397	6,591	7,060
Total	(59,355)	(58,966)	(55,908)

Reconciliations of profit or loss and comprehensive income for the six months ended August 31, 2016 (from March 1, 2016 to August 31, 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		
Net sales	539,297	–	(318,048)	221,249	(1)	Sales revenue
Cost of sales	(424,811)	–	308,126	(116,684)	(1), (2)	Cost of sales
Gross profit	114,486	–	(9,921)	104,564		Gross profit
Selling, general and administrative expenses	(95,485)	(91)	13,113	(82,463)	(1), (2) (3), (5)	Selling, general and administrative expense
	–	3,028	(1,334)	1,693	(6)	Other operating income
	–	(5,612)	3,312	(2,300)	(2), (6)	Other operating expense
Operating income	19,000	(2,676)	5,169	21,494		Operating profit
Non-operating income	2,174	(2,174)	–	–	(6)	
Non-operating expenses	(3,481)	3,481	–	–	(6)	
Extraordinary income	1,330	(1,330)	–	–	(6)	
Extraordinary losses	(3,348)	3,324	23	–	(6)	
	–	477	285	763	(6)	Finance income
	–	(630)	(113)	(743)	(6)	Finance costs
	–	(563)	417	(146)	(4), (6)	Share of loss of investments accounted for using equity method
Profit before income taxes	15,676	(91)	5,782	21,367		Profit before tax
Income taxes	(1,218)	91	(4,579)	(5,706)	(7)	Income tax expense
Profit	14,458	–	1,203	15,661		Profit
Profit attributable to owners of parent	12,836	–	1,012	13,849		Profit attributable to: Owners of parent
Profit attributable to non-controlling interests	1,621	–	190	1,812		Profit attributable to: Non-controlling interests
Profit	14,458	–	1,203	15,661		
Other comprehensive income						Other comprehensive income
						Items that will not be reclassified to profit or loss
Valuation difference on available-for-sale securities	(273)	–	811	538	(8)	Financial assets measured at fair value through other comprehensive income
Remeasurements of defined benefit plans, net of tax	362	–	(610)	(248)	(5)	Remeasurements of defined benefit plans
	–	(548)	(0)	(549)		Share of other comprehensive income of entities accounted for using equity method
	89	(548)	200	(258)		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	Reclassification	Differences in recognition and measurement	IFRSs	Notes	Line items under IFRSs
	Millions of yen	Millions of yen	Millions of yen	Millions of yen		
Deferred gains or losses on hedges	28	–	42	70		Cash flow hedges
Foreign currency translation adjustment	(263)	–	1	(261)		Exchange differences on translation of foreign operations
Share of other comprehensive income of entities accounted for using equity method	(1,111)	548	(275)	(838)		Share of other comprehensive income of entities accounted for using equity method
	(1,346)	548	(231)	(1,029)		Total items that may be reclassified to profit or loss
Total other comprehensive income	(1,257)	–	(31)	(1,288)		Other comprehensive income, net of tax
Comprehensive income	13,200	–	1,171	14,372		Comprehensive income

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 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

- 1) 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.
- 2) 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.

Reconciliation of cash flows for the six months ended August 31, 2016 and the fiscal year ended February 28, 2017

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.