

J. FRONT RETAILING Supplementary Information to Financial Results

I. J. Front Retailing Consolidated Statements 【IFRS】

1. Consolidated business performance

(Millions of yen, %)

Item	Three months ended May 31, 2019	YoY		Three months ended May 31, 2018
		Amount	%	
1. Gross sales	274,002	4,123	1.5	269,879
2. Revenue	112,482	1,409	1.3	111,073
3. Gross profit	52,167	422	0.8	51,745
4. Gross margin	46.38 %	Difference (0.21) %		46.59 %
5. Selling, general and administrative expenses (SGA)	39,691	242	0.6	39,449
6. Business profit [of which: increase related to the effect of IFRS 16]	12,476 [1,066]	181 [1,066]	1.5 [—]	12,295 [—]
7. Operating profit	12,794	(204)	(1.6)	12,998
8. Profit before tax	12,150	(1,062)	(8.0)	13,212
9. Profit attributable to owners of parent	7,447	(895)	(10.7)	8,342
10. Total assets [of which: right-of-use assets]	1,270,785 [218,206]	241,212 [218,206]		1,029,573 [—]
11. Equity attributable to owners of parent	402,345	(10,355)		412,700
12. Ratio of equity attributable to owners of parent to total assets	31.7 %	Difference (8.4) %		40.1 %
13. Interest-bearing debt [of which: lease liabilities]	427,571 [233,487]	253,193 [233,487]		174,378 [—]

- Notes: 1. Gross sales are calculated by converting sales from purchase recorded at the time of sale (*shoka shiire*) of the "Department Store Business" and "Other (Daimaru Kogyo)" in revenue under IFRS into gross amount and converting the net amount of sales of the "Parco Business" into tenant transaction volume (gross amount basis).
2. Business profit is calculated by subtracting sales cost and SGA from revenue.
3. Results for the previous year in Items 10, 11, 12 and 13 are figures at the end of the previous consolidated fiscal year ended February 28, 2019.

2. Segment information

Three months ended May 31, 2019

(Millions of yen, %)

	Reportable segments					Other	Total	Adjustments	Consolidated
	Department Store Business	Parco Business	Real Estate Business	Credit and Finance Business	Total				
Gross sales	177,356	72,938	4,456	2,944	257,696	29,381	287,077	(13,075)	274,002
YoY % change	0.1	5.4	6.3	2.4	1.7	5.5	2.1	—	1.5
(1) Revenue to external customers	65,858	21,966	4,165	1,680	93,671	18,811	112,482	—	112,482
(2) Intersegment revenue	128	136	255	922	1,442	9,270	10,713	(10,713)	—
Total revenue	65,987	22,103	4,421	2,602	95,114	28,081	123,196	(10,713)	112,482
YoY % change	0.3	0.3	6.7	1.4	0.6	10.9	2.8	—	1.3
Segment expenses	59,856	18,694	2,735	1,807	83,094	27,252	110,346	(10,657)	99,688
Business profit	6,404	2,817	1,710	781	11,713	848	12,562	(85)	12,476
YoY % change	(4.0)	23.4	9.2	6.4	4.1	15.7	4.8	—	1.5
Segment profit	6,130	3,408	1,686	795	12,020	829	12,850	(55)	12,794
YoY % change	(10.5)	23.9	4.9	7.7	0.6	14.3	1.4	—	(1.6)

3. Performance by consolidated company

(Millions of yen, %, unless otherwise indicated)

Company name	Three months ended May 31, 2019				Capital	Ownership percentage	Business
	Revenue	Business profit	Operating profit	Profit			
1. J. Front Retailing Co., Ltd.	24,708	23,420	23,436	23,420	31,974		
2. Daimaru Matsuzakaya Department Stores Co. Ltd.	63,566	7,548	7,292	4,869	10,000	100.0	Department store Real Estate Business
3. The Hakata Daimaru, Inc.	4,543	512	471	286	3,037	69.9	Department store
4. The Shimonoseki Daimaru, Inc.	1,078	13	13	(3)	480	100.0	Department store
5. Kochi Daimaru Co., Ltd.	1,171	40	40	24	300	100.0	Department store
6. Parco Co., Ltd.	14,611	2,772	3,342	2,104	34,367	65.2	Shopping complex
7. Parco (Singapore) Pte Ltd	11	(7)	8	8	SGD 4M	65.2	Shopping complex
8. Neuve A Co., Ltd.	4,403	(65)	(65)	(44)	490	65.2	Specialty store
9. Parco Space Systems Co., Ltd.	4,581	120	124	87	490	65.2	Space engineering & management
10. Parco Digital Marketing Co., Ltd.	247	15	15	10	10	65.2	Internet-related business
11. Japan Retail Advisors Co., Ltd.	—	(0)	(0)	(0)	10	65.2	Real estate management Consulting
12. JFR Card Co., Ltd.	2,602	781	795	523	100	100.0	Credit and finance
13. Daimaru Kogyo, Ltd.	6,911	124	123	87	1,800	100.0	Wholesale
14. Daimaru Kogyo International Trading (Shanghai) Co., Ltd.	847	(5)	(13)	(12)	USD 2M	100.0	Wholesale
15. Daimaru Kogyo (Thailand) Co., Ltd.	78	(0)	0	1	THB 202M	99.9	Wholesale
16. Taiwan Daimaru Kogyo, Ltd.	70	0	0	0	NTD 60M	100.0	Wholesale
17. J. Front Design & Construction Co., Ltd.	7,798	324	326	158	100	100.0	Design & construction Manufacture & sale of furniture
18. Dimples' Co., Ltd.	3,234	138	138	95	90	100.0	Staffing service
19. J. Front Foods Co., Ltd.	625	23	23	18	100	100.0	Restaurant
20. Consumer Product End-Use Research Institute Co., Ltd.	255	23	18	12	100	100.0	Merchandise test Quality control
21. Angel Park Co., Ltd.	276	161	161	116	400	50.2	Parking
22. JFR Service Co. Ltd.	2,143	20	20	11	100	100.0	Commissioned back-office service Leasing Parking management
23. JFR Information Center Co., Ltd.	2,397	147	147	97	10	100.0	Information service
24. Daimaru Matsuzakaya Sales Associates Co. Ltd.	2,347	16	16	11	90	100.0	Commissioned sales & store operations
25. Daimaru Matsuzakaya Tomonokai Co., Ltd.	11	(139)	(147)	3	100	100.0	Specified prepaid transaction service

4. Components of SGA

(Millions of yen, %)

Component	Three months ended May 31, 2019	YoY		Three months ended May 31, 2018
		Amount	%	
		Personnel expenses	15,187	
Advertising expenses	3,056	217	7.6	2,839
Packaging and delivery expenses	524	80	17.9	444
Rent expenses	587	(5,097)	(89.7)	5,684
Depreciation	7,238	4,554	169.6	2,684
Operational costs	2,215	174	8.5	2,041
Other	10,881	596	5.8	10,285
Total	39,691	242	0.6	39,449

Note: Depreciation is included in cost of sales as well as SGA.

Three months ended May 31, 2019: 4,941 million yen / Three months ended May 31, 2018: 2,056 million yen

5. Components of other operating income and expenses

(Millions of yen)

Component	Three months ended May 31, 2019	Three months ended May 31, 2018	Remarks
Other operating income	827	983	
Gain on sale of fixed assets	—	22	
Compensation income	487	487	Redevelopment of Shibuya Parco
Other	339	473	
Other operating expenses	509	280	
Loss on disposal of fixed assets	414	200	Mainly Daimaru Matsuzakaya Department Stores and Parco
Other	94	79	

6. Components of finance income and costs and share of profit (loss) of investments accounted for using equity method

(Millions of yen)

Component	Three months ended May 31, 2019	YoY	Three months ended May 31, 2018
Finance income	319	(1)	320
Interest and dividend income	319	(1)	320
Finance costs	1,394	1,090	304
Interest expenses paid on loans and bonds	1,369	1,087	282
Other	24	2	22
Share of profit (loss) of investments accounted for using equity method	430	233	197

II. Daimaru Matsuzakaya Department Stores Non-consolidated Statements 【IFRS】

1. Business performance

(Millions of yen, %)

Item	Three months ended May 31, 2019	YoY		Three months ended May 31, 2018
		Amount	%	
1. Gross sales [of which: rent income of real estate]	162,875 [5,459]	585 [344]	0.4 [6.7]	162,290 [5,115]
2. Revenue	63,566	516	0.8	63,050
3. Gross profit	36,727	(15)	(0.0)	36,742
4. Gross margin	57.78 %	Difference (0.49) %		58.27 %
5. SGA	29,179	116	0.4	29,063
6. Business profit [of which: increase related to the effect of IFRS 16]	7,548 [672]	(130) [672]	(1.7) [—]	7,678 [—]
7. Operating profit	7,292	(593)	(7.5)	7,885
8. Profit before tax	7,068	(1,322)	(15.7)	8,390
9. Profit	4,869	(984)	(16.8)	5,853
10. Total assets [of which: right-of-use assets]	608,776 [114,403]	108,654 [114,403]		500,122 [—]
11. Equity	188,466	(9,085)		197,551
12. Equity ratio	31.0 %	Difference (8.5) %		39.5 %

- Notes: 1. Sales from *shoka shiire* of revenue under IFRS have been converted into gross amount to calculate gross sales.
2. Business profit is calculated by subtracting sales cost and SGA from revenue.
3. Results for the previous year in Items 10, 11 and 12 are figures at the end of the previous business year ended February 28, 2019.

*Reference

(Millions of yen, %)

Item	Three months ended May 31, 2019				Three months ended May 31, 2018	
	Department Store Business	YoY	Real Estate Business	YoY	Department Store Business	Real Estate Business
1. Gross sales [of which: rent income of real estate]	158,479 [1,122]	0.2 [6.4]	4,456 [4,397]	6.3 [6.8]	158,158 [1,054]	4,191 [4,119]
2. Revenue	59,205	0.4	4,421	6.7	58,966	4,143
3. Gross profit	34,433	(0.8)	2,354	7.1	34,708	2,198
4. Gross margin	58.16 %	(0.70)	53.26 %	0.20	58.86 %	53.06 %
5. SGA	28,594	(0.0)	644	1.8	28,595	632
6. Business profit [of which: increase related to the effect of IFRS 16]	5,838 [651]	(4.5) [—]	1,710 [21]	9.2 [—]	6,113 [—]	1,565 [—]
7. Operating profit	5,606	(10.7)	1,686	4.9	6,278	1,607
8. Profit before tax	5,718	(19.0)	1,350	1.5	7,060	1,329

- Notes: 1. Sales from *shoka shiire* of revenue under IFRS have been converted into gross amount to calculate gross sales.
2. Business profit is calculated by subtracting sales cost and SGA from revenue.
3. The totals of the Department Store Business and the Real Estate Business differ from the totals of Daimaru Matsuzakaya Department Stores due to intersegment eliminations.

2. Summary of gross sales (Department Store)

(1) Sales by store

(Millions of yen, %)

Store	Period	Three months ended May 31, 2019	Share	YoY		Three months ended May 31, 2018	Share
				Amount	%		
				Daimaru Osaka Shinsaibashi	22,902		
Osaka Umeda	15,614	9.9	34	0.2	15,580	9.9	
Tokyo	19,962	12.6	179	0.9	19,783	12.5	
Kyoto	16,028	10.1	(269)	(1.7)	16,297	10.3	
Yamashina	413	0.3	(451)	(52.2)	864	0.5	
Kobe	18,144	11.4	(902)	(4.7) [(2.0)]	19,046	12.0	
Suma	1,931	1.2	(64)	(3.2)	1,995	1.3	
Ashiya	1,195	0.8	(364)	(23.4)	1,559	1.0	
Sapporo	15,769	9.9	98	0.6	15,671	9.9	
Matsuzakaya Nagoya	27,780	17.5	265	1.0 [2.0]	27,515	17.4	
Ueno	10,210	6.5	5	0.0	10,205	6.4	
Shizuoka	4,907	3.1	(207)	(4.0)	5,114	3.2	
Takatsuki	1,943	1.2	(38)	(2.0)	1,981	1.3	
Toyota	1,675	1.1	(20)	(1.2)	1,695	1.1	
Total	158,479	100.0	321	0.2 [0.7]	158,158	100.0	
Excluding the Yamashina store	158,065	—	772	0.5 [1.0]	157,293	—	

Notes: 1. The Daimaru Yamashina store closed on March 31, 2019.

2. The Daimaru Ashiya store has decreased sales floor area since March 18, 2019.

3. Beginning in March 2018, the tenants around the Daimaru Kobe store have been transferred to the Real Estate Business. Figures in square brackets in the Daimaru Kobe store are actual YoY percentage changes excluding year-ago actual sales of the tenants transferred to the Real Estate Business.

4. The 2nd floor of the south wing of the Matsuzakaya Nagoya store has been changed to be operated under lease since March 20, 2019.

Figures in square brackets in the Matsuzakaya Nagoya store are actual YoY percentage changes deducting this year and last year actual sales of the 2nd floor of the south wing.

5. Figures in square brackets in the Total and Excluding the Yamashina store are actual YoY percentage changes including changes shown in Notes 3 and 4 above.

(2) YoY change in monthly sales

(%)

Month	March	April	May	Three months ended May 31, 2019
Total all stores	0.3	0.0	0.3	0.2

(3) Sales by merchandise category and gross margin ratio

(Millions of yen, %)

Merchandise category	Sales	YoY % change	Share	Share LY	Gross margin ratio	YoY RD
Clothing	66,505	(2.7)	42.0	43.2	25.23	(0.52)
Accessories	10,541	(6.0)	6.6	7.1	28.89	(0.69)
General goods	33,790	10.4	21.3	19.4	25.88	0.19
Household goods	6,141	(5.8)	3.9	4.1	24.79	(0.51)
Foods	30,562	(0.9)	19.3	19.5	14.25	(0.10)
Other	10,937	3.0	6.9	6.7	19.69	0.96
Total	158,479	0.2	100.0	100.0	23.10	(0.20)

Note: Merchandise classification has been partially changed beginning in the current period and this change has been applied retrospectively to the year-ago results.

(4) Duty-free sales

(Millions of yen, %)

	Amount	YoY change	Sales share
Daimaru Osaka Shinsaibashi	10,250	32.0	44.8
Osaka Umeda	1,586	13.3	10.2
Tokyo	894	(4.0)	4.5
Kyoto	1,299	14.0	8.1
Kobe	616	8.3	3.4
Sapporo	1,653	4.3	10.5
Matsuzakaya Nagoya	1,123	16.4	4.0
Ueno	310	15.1	3.0
Shizuoka	58	14.1	1.2
Total	17,793	21.2	11.2

Note: Sales share is the duty-free sales percentage of total sales of each store.

3. Components of SGA

(Millions of yen, %)

Component	Three months ended May 31, 2019	YoY		Three months ended May 31, 2018
		Amount	%	
		Personnel expenses	6,220	
Advertising expenses	2,495	226	9.9	2,269
Packaging and delivery expenses	419	61	17.1	358
Rent expenses	119	(4,045)	(97.1)	4,164
Depreciation	5,508	3,393	160.4	2,115
Operational costs	3,168	798	33.7	2,370
Other	11,246	(182)	(1.6)	11,428
Total	29,179	116	0.4	29,063

Note: Depreciation is included in cost of sales as well as SGA.

Three months ended May 31, 2019: 1,717 million yen / Three months ended May 31, 2018: 824 million yen

4. Components of other operating income and expenses

(Millions of yen)

Component	Three months ended May 31, 2019	Three months ended May 31, 2018	Remarks
Other operating income	94	347	
Gain on sale of fixed assets	—	22	LY: Sales of underutilized real estate
Other	94	325	
Other operating expenses	349	140	
Loss on disposal of fixed assets	323	125	Sales floor renovation, etc.
Other	26	15	

5. Components of finance income and costs

(Millions of yen)

Component	Three months ended May 31, 2019	YoY	Three months ended May 31, 2018
Finance income	625	(142)	767
Interest and dividend income	625	(142)	767
Finance costs	848	585	263
Interest expenses	848	585	263

<Reference> Application of new accounting standards (IFRS 16)

The Group recognized right-of-use assets and lease liabilities at the date of initial application for leases that it previously classified as operating leases under IAS 17. The lease liabilities are measured at the present value of outstanding lease payments discounted using the lessee's incremental borrowing rate at the date of initial application. The right-of-use assets are measured retrospectively as if IFRS 16 had been applied since the commencement date of the lease contract.

As a result, in the consolidated statement of financial position on the initial application date, assets and liabilities increased by 210,600 million yen and 225,200 million yen, respectively, and equity decreased by 14,500 million yen. In the consolidated statement of profit or loss for fiscal year 2019, operating profit increased by approximately 4,600 million yen compared to former standards before application of IFRS 16, but its impact on profit is expected to be immaterial. Compared to former standards, cash flows from operating activities are expected to increase by approximately 28,000 million yen and cash flows from financing activities are expected to decrease by the same amount in fiscal year 2019.