

J.FRONT RETAILING

Integrated Report 2019 (Year ended February 28, 2019) Part 2

FINANCIAL DATA

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1. Consolidated Financial Statements, etc.

(1) Consolidated Financial Statements

1) Consolidated Statement of Financial Position

	Notes	As of February 28, 2018	As of February 28, 2019
		Millions of yen	Millions of yen
Assets			
Current assets			
Cash and cash equivalents	7	38,883	25,659
Trade and other receivables	8,28	125,649	132,943
Other financial assets	10,37	4,067	7,324
Inventories	9	33,755	38,349
Other current assets	12	6,076	7,004
Assets held for sale	11	6,732	—
Total current assets		215,164	211,281
Non-current assets			
Property, plant and equipment	13,20	458,877	471,238
Goodwill	14	523	523
Investment property	15	195,608	197,162
Intangible assets	14	3,588	4,489
Investments accounted for using equity method	16	16,425	17,616
Other financial assets	10,20	100,016	96,225
Deferred tax assets	18	7,286	8,280
Other non-current assets	12	24,857	22,754
Total non-current assets		807,183	818,291
Total assets		1,022,348	1,029,573

	Notes	As of February 28, 2018	As of February 28, 2019
		Millions of yen	Millions of yen
Liabilities and equity			
Liabilities			
Current liabilities			
Bonds and borrowings	19,20	46,230	31,320
Trade and other payables	22	141,343	138,938
Other financial liabilities	19,20 21,37	30,811	32,252
Income tax payables		9,202	8,174
Provisions	24	202	1,851
Other current liabilities	25,28	64,561	62,490
Total current liabilities		292,351	275,028
Non-current liabilities			
Bonds and borrowings	19,20	137,972	143,058
Other financial liabilities	19,20,21	34,240	38,486
Retirement benefit liabilities	23	29,909	29,003
Provisions	24	4,595	5,176
Deferred tax liabilities	18	61,161	60,455
Other non-current liabilities	25	11,231	9,880
Total non-current liabilities		279,109	286,059
Total liabilities		571,460	561,087
Equity			
Capital	26	31,974	31,974
Share premium	26	211,864	212,210
Treasury shares	26	(15,244)	(15,090)
Other components of equity	26	15,772	14,745
Retained earnings	26	151,151	168,861
Total equity attributable to owners of parent		395,519	412,700
Non-controlling interests		55,368	55,784
Total equity		450,887	468,485
Total liabilities and equity		1,022,348	1,029,573

2) Consolidated Statement of Income and Consolidated Statement of Comprehensive Income

Consolidated Statement of Income

	Notes	Fiscal year ended February 28, 2018	Fiscal year ended February 28, 2019
		Millions of yen	Millions of yen
Sales revenue	28	469,915	459,840
Cost of sales	30	(256,979)	(247,443)
Gross profit		212,935	212,396
Selling, general and administrative expense	31	(166,688)	(166,882)
Other operating income	29	8,967	3,237
Other operating expense	32	(5,668)	(7,860)
Operating profit		49,546	40,891
Finance income	33	1,090	1,104
Finance costs	33	(1,194)	(1,170)
Share of profit (loss) of investments accounted for using equity method		(1,171)	1,301
Profit before tax		48,271	42,126
Income tax expense	18	(16,415)	(12,950)
Profit		31,855	29,176
Profit attributable to:			
Owners of parent		28,486	27,358
Non-controlling interests		3,368	1,817
Profit		31,855	29,176
Earnings per share			
Basic earnings per share (Yen)	35	108.92	104.55
Diluted earnings per share (Yen)	35	108.86	104.52

Consolidated Statement of Comprehensive Income

	Notes	Fiscal year ended February 28, 2018	Fiscal year ended February 28, 2019
		Millions of yen	Millions of yen
Profit		31,855	29,176
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Financial assets measured at fair value through other comprehensive income	34,37	3,464	(471)
Remeasurements of defined benefit plans	34	2,298	(1,220)
Share of other comprehensive income of entities accounted for using equity method	34	(3)	33
Total items that will not be reclassified to profit or loss		5,758	(1,657)
Items that may be reclassified to profit or loss			
Cash flow hedges	34	57	58
Exchange differences on translation of foreign operations	34	69	(71)
Share of other comprehensive income of entities accounted for using equity method	34	70	2
Total items that may be reclassified to profit or loss		197	(10)
Other comprehensive income, net of tax		5,955	(1,668)
Comprehensive income		37,811	27,507
Comprehensive income attributable to:			
Owners of parent		34,450	25,631
Non-controlling interests		3,360	1,875
Comprehensive income		37,811	27,507

3) Consolidated Statement of Changes in Equity

	Notes	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		-	-	-	92	111	3,471
Total comprehensive income		-	-	-	92	111	3,471
Issuance of new shares	26	1,974	1,974	-	-	-	-
Purchase of treasury shares	26	-	-	(3,963)	-	-	-
Disposal of treasury shares		-	(0)	0	-	-	-
Dividends	27	-	-	-	-	-	-
Changes in ownership interests in subsidiaries		-	(56)	-	-	-	-
Share-based payment transactions		-	395	-	-	-	-
Transfer from other components of equity to retained earnings		-	-	-	-	(60)	(472)
Other		-	-	-	18	-	-
Total transactions with owners		1,974	2,313	(3,962)	18	(60)	(472)
Balance at February 28, 2018		31,974	211,864	(15,244)	(43)	(15)	15,831
Effect of changes in accounting policies		-	-	-	-	-	-
Balance reflecting changes in accounting policies		31,974	211,864	(15,244)	(43)	(15)	15,831
Profit		-	-	-	-	-	-
Other comprehensive income		-	-	-	(70)	60	(530)
Total comprehensive income		-	-	-	(70)	60	(530)
Issuance of new shares		-	-	-	-	-	-
Purchase of treasury shares		-	-	(8)	-	-	-
Disposal of treasury shares		-	(0)	0	-	-	-
Dividends	27	-	-	-	-	-	-
Changes in ownership interests in subsidiaries		-	1	-	-	-	-
Share-based payment transactions		-	343	162	-	-	-
Transfer from other components of equity to retained earnings		-	-	-	-	-	(466)
Other		-	-	-	29	(49)	-
Total transactions with owners		-	345	154	29	(49)	(466)
Balance at February 28, 2019		31,974	212,210	(15,090)	(83)	(5)	14,834

Equity attributable to owners of parent						
Notes	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	-	-	28,486	28,486	3,368	31,855
Other comprehensive income	2,287	5,963	-	5,963	(7)	5,955
Total comprehensive income	2,287	5,963	28,486	34,450	3,360	37,811
Issuance of new shares	26	-	-	3,948	-	3,948
Purchase of treasury shares	26	-	-	(3,963)	-	(3,963)
Disposal of treasury shares	-	-	-	0	-	0
Dividends	27	-	(7,846)	(7,846)	(911)	(8,757)
Changes in ownership interests in subsidiaries	-	-	-	(56)	56	-
Share-based payment transactions	-	-	-	395	-	395
Transfer from other components of equity to retained earnings	(2,287)	(2,820)	2,820	-	-	-
Other	-	18	-	18	(10)	8
Total transactions with owners	(2,287)	(2,801)	(5,025)	(7,502)	(865)	(8,367)
Balance at February 28, 2018	-	15,772	151,151	395,519	55,368	450,887
Effect of changes in accounting policies	-	-	487	487	-	487
Balance reflecting changes in accounting policies	-	15,772	151,639	396,006	55,368	451,374
Profit	-	-	27,358	27,358	1,817	29,176
Other comprehensive income	(1,186)	(1,727)	-	(1,727)	58	(1,668)
Total comprehensive income	(1,186)	(1,727)	27,358	25,631	1,875	27,507
Issuance of new shares	-	-	-	-	-	-
Purchase of treasury shares	-	-	-	(8)	-	(8)
Disposal of treasury shares	-	-	-	0	-	0
Dividends	27	-	(9,417)	(9,417)	(942)	(10,359)
Changes in ownership interests in subsidiaries	-	-	-	1	(516)	(515)
Share-based payment transactions	-	-	-	505	-	505
Transfer from other components of equity to retained earnings	1,186	719	(719)	-	-	-
Other	-	(19)	-	(19)	-	(19)
Total transactions with owners	1,186	699	(10,136)	(8,937)	(1,459)	(10,396)
Balance at February 28, 2019	-	14,745	168,861	412,700	55,784	468,485

4) Consolidated Statement of Cash Flows

	Notes	Fiscal year ended February 28, 2018	Fiscal year ended February 28, 2019
		Millions of yen	Millions of yen
Cash flows from (used in) operating activities			
Profit before tax		48,271	42,126
Depreciation and amortization expense		18,683	19,907
Impairment loss		2,576	2,514
Finance income		(1,090)	(1,104)
Finance costs		1,194	1,170
Share of loss (profit) of investments accounted for using equity method		1,171	(1,301)
Loss (gain) on sales of non-current assets		(3,103)	(23)
Loss on disposals of non-current assets		1,609	1,641
Decrease (increase) in inventories		(354)	(4,594)
Decrease (increase) in trade and other receivables		(3,557)	(7,500)
Increase (decrease) in trade and other payables		(1,971)	(2,087)
Increase (decrease) in retirement benefit liabilities		(1,850)	(905)
Decrease (increase) in retirement benefit assets		(3,455)	1,334
Other, net		12,474	(462)
Subtotal		70,597	50,714
Interest received		131	98
Dividends received		330	330
Interest paid		(1,108)	(1,063)
Income taxes paid		(14,833)	(17,662)
Income taxes refund		1,961	2,453
Net cash flows from (used in) operating activities		57,079	34,870
Cash flows from (used in) investing activities			
Purchase of property, plant and equipment		(17,708)	(28,954)
Proceeds from sales of property, plant and equipment		2,089	9
Purchase of investment property		(8,993)	(4,250)
Proceeds from sales of investment property		1,810	32
Purchase of investment securities		(1,946)	(1,040)
Proceeds from sales of investment securities		2,857	8,826
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	38	1,839	-
Other, net		1,020	(1,459)
Net cash flows from (used in) investing activities		(19,030)	(26,836)
Cash flows from (used in) financing activities			
Net increase (decrease) in current borrowings	19	950	(9,849)
Net increase (decrease) in commercial papers	19	(32,799)	(1,000)
Proceeds from non-current borrowings	19	16,500	20,350
Repayments of non-current borrowings	19	(28,960)	(19,360)
Proceeds from issuance of bonds	19	34,838	-
Redemption of bonds	19	(12,000)	-
Purchase of treasury shares		(15)	(9)
Dividends paid		(7,822)	(9,389)
Dividends paid to non-controlling interests		(911)	(942)
Other, net	19	(827)	(1,073)
Net cash flows from (used in) financing activities		(31,048)	(21,274)
Net increase (decrease) in cash and cash equivalents		7,000	(13,240)
Cash and cash equivalents at beginning of period	7	31,867	38,883
Effect of exchange rate changes on cash and cash equivalents		15	16
Cash and cash equivalents at end of period	7	38,883	25,659

Notes to Consolidated Financial Statements

1 Reporting Entity

J. FRONT RETAILING Co., Ltd. (the “Company”) is the ultimate parent of the Company group (the “Group”) and a company located in Japan. The registered address of its head office is Chuo-ku, Tokyo.

The Company’s consolidated financial statements for the

fiscal year ended February 28, 2019 comprise the Company and its subsidiaries’ interests in the Group’s associates.

For the Group’s major business activities, please refer to “6. Segment Information.”

2 Basis of Preparation

(1) Compliance with IFRS

The consolidated financial statements of the Group have been prepared in compliance with International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board.

Pursuant to the provisions of Article 93 of the “Ordinance on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements” (Ordinance of the Ministry of Finance No. 28 of 1976), the consolidated financial statements of the Group have been prepared in compliance with IFRS since the Company qualifies as a “Specified Company Complying with Designated International Accounting Standards” prescribed in Article 1-2 of the Ordinance.

(2) Basis of measurement

The Group’s consolidated financial statements have been

prepared on a historical cost basis except for certain financial instruments, etc. measured at fair value as stated in “3. Significant Accounting Policies.”

(3) Functional currency and presentation currency

The Group’s consolidated financial statements are presented in Japanese yen, which is the Company’s functional currency, and figures are rounded down to the nearest million yen.

(4) Changes in accounting policies

The Group has applied IFRS 15 *Revenue from Contracts with Customers* (issued in May 2014) and Clarifications to IFRS 15 (issued in April 2016) (collectively, “IFRS 15”) from the current fiscal year, as stated in “3. Significant Accounting Policies.”

3 Significant Accounting Policies

Significant accounting policies are applied consistently for all periods presented in these consolidated financial statements, except as otherwise provided.

(1) 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 the 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 transactions. 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.

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.

3) Joint control

A joint arrangement is a contractual arrangement of which two or more parties have joint control.

The Group classifies its involvement in joint arrangements as joint operations (when the Group has rights to assets and assumes obligations for liabilities in association with the arrangement) and joint ventures (when the Group only has rights to net assets of the arrangement), depending on rights and obligations of the parties to the arrangement.

In the case of joint operations, the Group recognizes its own assets, liabilities, income and expenses as well as the amount equivalent to its share when the Group jointly holds or assumes them. Joint ventures are recognized at cost at the time of the acquisition and are subsequently accounted for using the equity method.

(2) 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 income.

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.

(3) 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 and associates

Assets and liabilities of foreign subsidiaries and associates are translated into Japanese yen at the exchange rate prevailing at the end of the reporting period. Income and expenses of foreign subsidiaries and associates 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 and associates are recognized in other comprehensive income. Exchange differences for foreign subsidiaries and associates are recognized as profit or loss in the period during which the foreign subsidiaries and associates are disposed of.

(4) 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 instruments are measured at amortized cost. Transaction cost directly attributable to acquisition of financial assets measured at amortized cost is included in the amount of initial measurement.

After 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 instruments 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. The cumulative amount recognized in other comprehensive income as at the time of derecognition of the financial asset is reclassified to profit or loss.

For investments in equity instruments that are not held for sale, the Group may make an irrevocable election at 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 amount of initial measurement.

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

Financial assets other than the 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 eliminate or significantly reduce an accounting mismatch.

(iv) Impairment of financial assets

The Group recognizes impairment of debt instruments measured at amortized cost or at fair value through other comprehensive income based on its evaluation at the end of each reporting period of whether there has been a significant increase in credit risk of financial assets or groups of financial assets since initial recognition. Specifically, when there has been no significant increase in the credit risk since initial recognition, 12-month expected credit losses are recognized as allowance for credit losses. On the other hand, when there has been a significant increase in credit risk since initial recognition, lifetime expected credit losses of the financial assets are recognized as allowance for credit losses. Whether

credit risk has significantly increased or not is determined based on 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 expires.

The Group principally has borrowings, bonds, trade payables, other short-term payables, common gift certificates for department stores nationwide, deposits received, 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 primarily 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 the effective portion and ineffective portion. 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 forecast transaction must be highly probable.

Derivatives are initially recognized at fair value and the transaction costs are recognized in profit or loss as incurred. After 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 hedged item 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 no longer meets the criteria for hedge accounting, the hedging instrument expires or is sold, terminated or exercised, or the designation of the hedge is revoked, the application of hedge accounting, is discontinued prospectively.

If 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.

(5) Cash and cash equivalents

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

(6) 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 specific identification method, and includes all costs of purchase and other costs incurred in bringing the inventories to their present location and condition.

(7) Assets held for sale

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

The condition for classifying an asset under "assets held for sale" is only met by an asset whose sale is highly probable and which is available for immediate sale in its present condition. Management must have committed to the execution of a sale plan for that asset, and the sale of the asset must be scheduled to be completed within one year from the day it is classified as an asset held for sale. An asset held for sale is measured at the lower of its carrying amount and fair value less cost to sell. After property, plant and equipment, intangible assets and investment property have been classified under "assets held for sale," depreciation or amortization will not be applied to these assets.

(8) 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 recognized using 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
- Furniture and fixtures 2 to 20 years

The estimated useful lives, depreciation methods, etc. 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.

(9) 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 the fair value of the 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 impairment.

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

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

(10) 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 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.

(11) 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 income.

Lease payments under an operating lease are recognized as an expense using the straight-line method over the lease term in the consolidated statement of income. 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 take the legal form of a lease from the standpoint of the law.

(12) Investment property

Investment property is property held to earn rentals or for capital appreciation 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 “(8) Property, plant and equipment”).

When the investment property portion of a property cannot be accounted for separately from other portions of a property, the entire property is accounted for as investment property only if the owner-occupied portion is insignificant.

(13) Impairment of non-financial assets

The Group determines at the end of 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 that have 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 assets 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 a 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 that corporate assets are impaired.

An impairment loss is recognized as profit or loss if the carrying amount of an asset or cash-generating unit exceeds the 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 may have decreased or may no longer exist 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.

(14)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.

(15)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 consideration for the services received is calculated using 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.

(16)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 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. Unwinding of the discount over time is 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 the original state at the time when the lease is terminated.

Provision for loss on business liquidation

Legal or constructive obligations are 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.

(17)Sales revenue

The Group has applied IFRS 15 *Revenue from Contracts with Customers* (issued in May 2014) and Clarifications to IFRS 15 (issued in April 2016) (collectively, "IFRS 15") from the current fiscal year. In applying IFRS 15, the Group has adopted a method recognized as a transitional measure under which cumulative effects from the adoption of standards are recognized on the initial application date. With the application of IFRS 15, based on the following five-step approach, revenue is recognized as the amount of consideration to which the Group expects to be entitled in exchange for the transfer of goods or services promised to customers.

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognize revenue when the entity satisfies a performance obligation

The Group, under a holding company structure, develops businesses such as the 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. With regard to these sales of goods, since performance

obligations are deemed to be satisfied at the time of delivery of goods when customers gain control of such goods, the Group mainly recognizes revenue at the time of delivery of such goods. Furthermore, revenue is measured at the amount of consideration promised in contracts between customers, less any discounts, rebates and sales returns, etc.

Effects of application of standards on the Group

In the Group, primarily the Department Store Business and PARCO Business operate a Customer Loyalty Program which provides customers with point rewards that can be exchanged for discounts on future purchases.

Although under IAS 18 *Revenue*, revenue was recognized less the estimated fair value of such point rewards, under IFRS 15, in accordance with the above five-step approach, transaction price is allocated to point rewards and goods on a relative stand-alone selling price basis. When adopting this method, the amount allocated to goods sold, on average, is higher than the amount less the fair value of point rewards.

Consequently, in comparison with application of the previous accounting standard, at the beginning of the current fiscal year, other current liabilities and deferred tax assets decreased by ¥705 million and ¥107 million, respectively, and retained earnings and deferred tax liabilities increased by ¥487 million and ¥111 million, respectively. Please note that the impact on earnings of the current fiscal year is not significant.

1) Revenue recognition by business segment

i) Department Store Business

The Department Store Business carries out the sale of clothing, general goods, household goods, food products and others. With regard to these sales of goods, since performance obligations are deemed to be satisfied at the time when goods are delivered to customers, the Group recognizes revenue at the time of delivery of such goods. Payments for goods are received at the time of delivery of the goods, which is the time when the performance obligation is satisfied.

ii) PARCO Business

The PARCO Business operates the shopping center business, in which it undertakes development, management, supervision and operation of shopping centers; the specialty store business, in which it sells personal belongings, general goods and others; the space engineering and management business, in which it undertakes design, operation, etc. of interior

decorating work; and other businesses.

With regard to services in the shopping center business, because these services are provided on a continuous basis and thus performance obligations are deemed to be satisfied over a certain period of time, revenue is recognized as the services are rendered.

With regard to the sale of personal belongings, general goods and others, since performance obligations are usually deemed to be satisfied at the time when goods are delivered to customers, revenue is recognized at the time of delivery of such goods. Payments for goods are received at the time of delivery of the goods, which is the time when the performance obligation is satisfied.

With regard to the design and operation of interior decorating work in the space engineering and management business, if the outcome of a work contract can be estimated reliably, revenue is recognized according to the stage of completion of the performance obligation. If the outcome of a work contract cannot be estimated reliably, revenue is recognized only to the extent that it is probable that the contract costs incurred will be recoverable.

iii) Real Estate Business

The Real Estate Business carries out development of the Group's own properties located mainly in areas surrounding each store of Daimaru Matsuzakaya Department Stores, expansion of rental space by leasing and acquiring external properties, management and operation of such properties, and others.

Revenue from lease of real estate and others is recognized in the period in which it is earned, in accordance with IAS 17.

iv) Credit Finance Business

The Credit Finance Business undertakes issuance and administration of credit cards.

In the Credit Finance Business, annual membership fees from cardholders, fees from department stores and external affiliated stores, and interest from installment sales are recognized as revenue.

2) Interest revenue

Interest revenue is recognized using the effective interest method.

3) Dividends

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

4) 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 an agent:

- Whether the entity is primarily responsible for fulfilling a contract
- Whether the entity has inventory risk before or after the customer order, during shipping or on return
- Whether the entity has discretion in establishing prices

(18) 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.

(19) 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 business and earns taxable

profit.

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 the 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 profit
- Taxable temporary differences associated with investments in subsidiaries and associates for which 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 profit will be available against which deductible temporary differences can be utilized.

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

(20)Earnings per share

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

(21)Operating segments

Operating segments are components of entities that engage in business activities that earn revenue and incur costs including transactions with other operating segments. Operating 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 assessing performance.

(22)Treasury shares

Treasury shares are assessed at acquisition 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.

(23)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, a qualifying asset as part of the acquisition 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 in which they are incurred.

4 Significant Accounting Estimates and Judgments

In the preparation of consolidated financial statements, 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 management that significantly affect the amounts in the consolidated financial statements are as follows.

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

The Group conducts impairment tests if there is an indication that property, plant and equipment, goodwill, intangible assets and investment property may be impaired. Impairment tests are performed by comparing the carrying amount and the recoverable amount of the asset. If the recoverable amount is less than the carrying amount, an impairment loss is recognized.

In calculating the recoverable amount, the Group estimates the discounted present value of future cash flows generated from use of the asset and the discounted present value of future cash flows generated from ultimate disposal of the asset. These estimates are based on management's best estimates, but may differ from actual

results due to effects of changes in uncertain future economic conditions.

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

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

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

(3)Recoverability of deferred tax assets

The Group recognizes deferred tax assets to the extent that it is probable that taxable profit 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 of taxable profit for each future fiscal year determined based on the Group's business plan. The estimate of taxable profit for future fiscal years may be affected by changes in uncertain future economic conditions.

(4)Provisions

The Group recognizes asset retirement obligations and

provision for loss on business liquidation as provisions in the consolidated statement of financial position.

The amount recognized as provisions is estimated based on best estimates which take into account historical and other information on the reporting date for expenditures 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.

5 Accounting Standards That Have Been Published but Not Yet Applied

Accounting standards and interpretations newly established or revised by the approval date of the consolidated financial

statements but not early applied by the Group are primarily as follows.

IFRS		Mandatory application (From the fiscal year beginning on or after)	Applied by the Group from the	Description of new standards and interpretations or revisions
IFRS 16	Leases	January 1, 2019	Fiscal year ending February 29, 2020	Revision of accounting treatment for leases

The application of IFRS 16 requires a lessee not to classify leases as finance leases and operating leases, but to recognize right-of-use assets, which represent the rights to use underlying assets, and lease liabilities, which represent the obligations to make lease payments, for all leases, except for leases with a short lease term and leases with low-value underlying assets. After the right-of-use assets and the lease liabilities are recognized, a lessee records depreciation on the right-of-use assets during the lease term and interest expense for the lease liabilities.

The major effects of this accounting treatment on the Group's consolidated financial statements are as follows. The Group estimates increases in assets and liabilities by approximately ¥214 billion and approximately ¥228 billion, respectively, and a decrease in equity by approximately ¥14 billion in the consolidated statement of financial position as at the beginning of the fiscal year ending February 29, 2020. Please note that the impact on profit is estimated to be insignificant in the consolidated statement of income.

6 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.

Fiscal year ended February 28, 2018

	Reportable segments					Other	Total	Adjustments	Consolidated
	Department Store Business	PARCO Business	Real Estate Business	Credit Finance Business	Total				
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
External revenue	273,937	91,254	12,761	5,881	383,834	86,080	469,915	-	469,915
Inter-segment revenue	371	366	665	4,295	5,699	31,765	37,465	(37,465)	-
Total	274,308	91,621	13,427	10,176	389,534	117,845	507,380	(37,465)	469,915
Segment profit	26,659	11,752	4,131	2,742	45,285	4,744	50,030	(483)	49,546
Finance income									1,090
Finance costs									(1,194)
Share of profit (loss) of investments accounted for using equity method									(1,171)
Profit before tax									48,271
Segment assets	420,990	259,502	186,778	71,123	938,395	114,908	1,053,303	(30,955)	1,022,348
Other items									
Depreciation	10,250	5,662	2,089	6	18,009	931	18,940	(256)	18,683
Impairment loss	396	458	-	-	855	104	959	1,617	2,576
Amounts invested in entities accounted for using equity method	2,768	37	-	-	2,805	166	2,971	13,454	16,425
Capital expenditures	6,153	15,309	7,450	27	28,939	887	29,827	(3,232)	26,594

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

Fiscal year ended February 28, 2019

	Reportable segments					Other	Total	Adjustments	Consolidated
	Department Store Business	PARCO Business	Real Estate Business	Credit Finance Business	Total				
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
External revenue	275,140	89,406	15,826	6,361	386,734	73,105	459,840	–	459,840
Inter-segment revenue	300	563	1,168	4,212	6,244	31,144	37,389	(37,389)	–
Total	275,441	89,969	16,995	10,573	392,979	104,250	497,229	(37,389)	459,840
Segment profit	24,194	5,445	4,664	2,360	36,665	3,507	40,173	717	40,891
Finance income									1,104
Finance costs									(1,170)
Share of profit (loss) of investments accounted for using equity method									1,301
Profit before tax									42,126
Segment assets	420,059	273,056	187,937	75,862	956,915	125,454	1,082,370	(52,796)	1,029,573
Other items									
Depreciation	10,984	5,970	2,453	12	19,420	812	20,232	(325)	19,907
Impairment loss	295	2,219	–	–	2,514	–	2,514	–	2,514
Amounts invested in entities accounted for using equity method	2,939	43	–	–	2,983	166	3,150	14,466	17,616
Capital expenditures	15,582	18,376	3,571	15	37,545	1,446	38,992	74	39,066

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

(Adoption of IFRS 15 Revenue from Contracts with Customers)

The Group has applied IFRS 15 from the current fiscal year, as stated in "3. Significant Accounting Policies." Since cumulative effects of the initial application were recognized as an adjustment to the opening balance of retained earnings for the current fiscal year in accordance with the transitional measure, information for the previous fiscal year has not been restated.

(3)Information by geographical area

Sales revenue from external customers

This information has been omitted, as sales revenue from external customers in Japan accounts for a large percentage of sales revenue recorded on the consolidated statement of income.

Non-current assets

This information has been omitted, as the amount of non-current assets located in Japan accounts for a large percentage of the amount recorded on the consolidated statement of financial position.

7 Cash and Cash Equivalents

The breakdown of cash and cash equivalents is as follows:

	As of February 28, 2018	As of February 28, 2019
	Millions of yen	Millions of yen
Cash	2,979	2,922
Deposits (including time deposits with deposit terms of three months or less)	35,904	22,736
Total	38,883	25,659

8 Trade and Other Receivables

The breakdown of trade and other receivables is as follows.

All these receivables have been classified as financial assets measured at amortized cost.

	As of February 28, 2018	As of February 28, 2019
	Millions of yen	Millions of yen
Notes receivable – trade	3,022	3,036
Accounts receivable – trade	64,354	68,915
Accounts receivable – other	53,591	55,124
Other	4,679	5,866
Total	125,649	132,943

9 Inventories

The breakdown of inventories is as follows:

	As of February 28, 2018	As of February 28, 2019
	Millions of yen	Millions of yen
Merchandise and finished goods	22,955	20,573
Work in process	514	302
Real estate for sale in process	9,846	17,070
Supplies	437	403
Total	33,755	38,349
Inventories scheduled to be sold after 12 months	9,846	–

The amount of inventories that were recognized as expenses and included in cost of sales was ¥246,401 million in the fiscal year ended February 28, 2018 and ¥235,566 million

in the fiscal year ended February 28, 2019.

The amounts of write-down of inventories recognized as expenses are as follows:

	Fiscal year ended February 28, 2018	Fiscal year ended February 28, 2019
	Millions of yen	Millions of yen
Amounts of write-down	215	192

10 Other Financial Assets

The breakdown of other financial assets is as follows:

	As of February 28, 2018	As of February 28, 2019
	Millions of yen	Millions of yen
Financial assets measured at amortized cost		
Time deposits with deposit terms of more than three months	4,805	5,199
Lease and guarantee deposits	56,885	57,148
Loans receivable	2,008	2,260
Other	6,305	5,992
Financial instruments measured at fair value through profit or loss		
Derivative financial assets	-	23
Financial assets measured at fair value through other comprehensive income		
Shares and investments in capital	34,079	32,926
Total	104,084	103,550
Total current assets	4,067	7,324
Total non-current assets	100,016	96,225

11 Assets Held for Sale

The breakdown of assets held for sale is as follows:

	As of February 28, 2018	As of February 28, 2019
	Millions of yen	Millions of yen
Shares of subsidiaries and associates	6,732	-
Total	6,732	-

Assets held for sale were shares of Senshukai Co., Ltd. With regard to the assets, because the carrying amount exceeded the fair value less costs to sell as of February 28, 2018, an impairment loss of ¥1,617 million was recorded.

The sale of the assets was completed in May 2018, and loss on sale of investments in subsidiaries and associates of ¥3 million was recorded as "other operating expense" in the fiscal year ended February 28, 2019.

12 Other Assets

The breakdown of other assets is as follows:

	As of February 28, 2018	As of February 28, 2019
	Millions of yen	Millions of yen
Prepaid expense	10,095	9,323
Advance payments – trade	517	1,047
Suspense payments	400	527
Retirement benefit assets	14,197	12,863
Other	5,721	5,997
Total	30,933	29,759
Other current assets	6,076	7,004
Other non-current assets	24,857	22,754

13 Property, Plant and Equipment

(1) Schedule of changes

Changes in acquisition costs and accumulated depreciation and impairment of property, plant and equipment are as follow:

Acquisition costs

	Land	Buildings and structures	Machinery and vehicles	Furniture and fixtures	Construction in progress	Total
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Balance as of March 1, 2017	240,258	428,601	4,005	16,819	48,188	737,872
Acquisitions	–	8,798	193	1,529	5,128	15,649
Sales or disposals	–	(5,616)	(56)	(952)	–	(6,626)
Transfer among line items	(402)	185	14	(260)	(880)	(1,344)
Exclusion from consolidation	–	(242)	(100)	(204)	–	(547)
Other	–	1	–	0	–	2
Balance as of February 28, 2018	239,856	431,726	4,055	16,931	52,435	745,005
Acquisitions	–	10,804	102	2,185	18,995	32,088
Sales or disposals	–	(4,389)	(51)	(667)	–	(5,108)
Transfer among line items	(314)	655	–	4	(998)	(652)
Balance as of February 28, 2019	239,541	438,797	4,106	18,454	70,433	771,333

Accumulated depreciation and impairment

	Land	Buildings and structures	Machinery and vehicles	Furniture and fixtures	Construction in progress	Total
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Balance as of March 1, 2017	(653)	(262,312)	(2,458)	(12,468)	–	(277,892)
Depreciation expense	–	(13,713)	(194)	(1,501)	–	(15,409)
Impairment loss	–	(760)	(0)	(111)	–	(872)
Sales or disposals	165	5,057	54	898	–	6,174
Transfer among line items	–	371	(0)	1,019	–	1,390
Exclusion from consolidation	–	232	71	175	–	479
Balance as of February 28, 2018	(487)	(271,124)	(2,527)	(11,988)	–	(286,128)
Depreciation expense	–	(14,190)	(197)	(1,562)	–	(15,950)
Impairment loss	–	(2,329)	(0)	(86)	–	(2,416)
Sales or disposals	–	3,569	48	642	–	4,260
Transfer among line items	–	192	–	–	–	192
Other	–	(43)	(2)	(4)	–	(50)
Balance as of February 28, 2019	(487)	(283,927)	(2,679)	(13,000)	–	(300,094)

Carrying amounts

	Land	Buildings and structures	Machinery and vehicles	Furniture and fixtures	Construction in progress	Total
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Balance as of March 1, 2017	239,605	166,288	1,546	4,350	48,188	459,979
Balance as of February 28, 2018	239,368	160,601	1,527	4,942	52,435	458,877
Balance as of February 28, 2019	239,054	154,870	1,427	5,453	70,433	471,238

- Notes: 1. The amount of depreciation expense for property, plant and equipment is included in "cost of sales" and "selling, general and administrative expense" in the consolidated statement of income.
2. Please refer to "29. Other Operating Income" for the gain on sales of non-current assets for the fiscal years ended February 28, 2018 and February 28, 2019, and "32. Other Operating Expense" for the loss on disposals of non-current assets for the fiscal years ended February 28, 2018 and February 28, 2019.

(2) Leased assets

Carrying amounts of leased assets under finance leases included in property, plant and equipment are as follows:

	Buildings and structures	Machinery and vehicles	Furniture and fixtures	Total
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Balance as of March 1, 2017	298	398	1,418	2,115
Balance as of February 28, 2018	642	376	979	1,998
Balance as of February 28, 2019	3,914	355	1,745	6,016

(3) Impairment loss

Property, plant and equipment are grouped based on the smallest cash-generating unit (principally stores) that generates cash inflows largely independent of those of other assets.

Impairment loss is recorded in "other operating expense" in the consolidated statement of income.

The breakdown of the assets for which impairment losses were recognized by segment is as follows:

Fiscal year ended February 28, 2018

(Millions of yen)

Segment	Company name (Location)	Use	Type	Impairment loss
Department Store Business	Daimaru Matsuzakaya Department Stores Co. Ltd. (Ashiya, Hyogo, etc.)	Store, etc.	Buildings and structures	327
			Machinery and vehicles	23
			Furniture and fixtures	2
			Other	1
PARCO Business	PARCO Co., Ltd. (Utsunomiya, Tochigi, etc.)	Store, etc.	Buildings and structures	138
			Machinery and vehicles	0
			Furniture and fixtures	19
	NEUVE A Co., Ltd. (Shibuya-ku, Tokyo)	Store, etc.	Buildings and structures	213
Other	J. Front Foods Co., Ltd. (Kita-ku, Osaka)	Store, etc.	Furniture and fixtures	41
			Buildings and structures	79
			Furniture and fixtures	24
			Total	872

1)With regard to the Department Store Business, principally because the recovery of the amount invested cannot be expected due to the decreased profitability of Daimaru Ashiya store, the carrying amount of the cash-generating unit was reduced to the recoverable amount and the reduction was recognized as an impairment loss. The recoverable amount of the cash-generating unit was measured at value in use. Since the value in use based on future cash flows was a negative figure, the carrying amount of each asset was impaired to zero.

2)With regard to the PARCO Business, primarily because gain or loss arising from operating activities of

Utsunomiya PARCO was expected to continue to be a negative amount, the carrying amount of the cash-generating unit was reduced to the recoverable amount and the reduction was recognized as an impairment loss. The recoverable amount was measured at fair value less costs of disposal. The fair value less costs of disposal was based on the amount assessed by a real-estate appraiser, and the fair value has been classified as Level 3 in the hierarchy.

There was no reversal of impairment losses recorded in the fiscal year ended February 28, 2018.

Fiscal year ended February 28, 2019

(Millions of yen)

Segment	Company name (Location)	Use	Type	Impairment loss
Department Store Business	Daimaru Matsuzakaya Department Stores Co. Ltd. (Arakawa-ku, Tokyo, etc.)	Logistic facilities, etc.	Buildings and structures	293
			Machinery and vehicles	0
			Furniture and fixtures	0
PARCO Business	PARCO Co., Ltd. (Funabashi, Chiba, etc.)	Store, etc.	Buildings and structures	1,957
			Machinery and vehicles	0
			Furniture and fixtures	37
	NEUVE A Co., Ltd. (Shibuya-ku, Tokyo, etc.)	Store, etc.	Buildings and structures	79
			Furniture and fixtures	27
	PARCO SPACE SYSTEMS Co., Ltd. (Odawara, Kanagawa, etc.)	Hotel business	Furniture and fixtures	20
			Total	2,416

1)With regard to the Department Store Business, principally because the recovery of the amount invested for Nippori Center cannot be expected due to the decision to change its use to a property for real estate

development, the carrying amount of the cash-generating unit was reduced to the recoverable amount and the reduction was recognized as an impairment loss. The recoverable amount of the cash-generating unit was

measured at value in use. Since the value in use based on future cash flows was a negative figure, the carrying amount of each asset was impaired to zero.

2)With regard to the PARCO Business, primarily because gain or loss arising from operating activities of Tsudanuma PARCO was expected to continue to be a negative amount, the carrying amount of the cash-generating unit was reduced to the recoverable amount and the reduction was recognized as an impairment loss (¥1,220 million). In addition, with regard to Kumamoto PARCO for which the decision to cease operations was made, an impairment loss (¥692 million) was recorded as loss on business liquidation. The recoverable amount of the cash-generating unit was measured at value in

use, and calculated discounting future cash flows by 4%, taking into account the future profitability and other factors.

There was no reversal of impairment losses recorded in the fiscal year ended February 28, 2019.

(4)Assets pledged as collateral

Please refer to “20. Bonds and Borrowings” for assets pledged as collateral.

(5)Commitments

Please refer to “40. Commitments” for commitments related to purchase of property, plant and equipment.

14 Goodwill and Intangible Assets

(1)Schedule of changes

Changes in acquisition costs, accumulated amortization and impairment and carrying amounts of goodwill and intangible assets are as follows:

Acquisition costs

	Goodwill	Other intangible assets		
		Software	Other	Total
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Balance as of March 1, 2017	568	8,981	478	9,459
Acquisitions	–	1,565	8	1,574
Sales or disposals	–	(2,602)	(35)	(2,638)
Transfer among line items	–	–	65	65
Balance as of February 28, 2018	568	7,944	516	8,460
Acquisitions	–	2,124	128	2,253
Sales or disposals	–	(903)	–	(903)
Transfer among line items	–	72	(74)	(2)
Other	–	(10)	–	(10)
Balance as of February 28, 2019	568	9,226	571	9,797

Accumulated amortization and impairment

	Goodwill	Other intangible assets		
		Software	Other	Total
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Balance as of March 1, 2017	(34)	(5,629)	(404)	(6,033)
Amortization expense	-	(1,271)	(2)	(1,274)
Impairment loss	(10)	(29)	-	(29)
Sales or disposals	-	2,497	25	2,522
Transfer among line items	-	-	(58)	(58)
Balance as of February 28, 2018	(44)	(4,433)	(439)	(4,872)
Amortization expense	-	(1,305)	(1)	(1,307)
Impairment loss	-	(11)	-	(11)
Sales or disposals	-	844	-	844
Other	-	28	8	37
Balance as of February 28, 2019	(44)	(4,876)	(432)	(5,308)

Carrying amounts

	Goodwill	Other intangible assets		
		Software	Other	Total
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Balance as of March 1, 2017	534	3,352	74	3,426
Balance as of February 28, 2018	523	3,511	77	3,588
Balance as of February 28, 2019	523	4,350	139	4,489

Note: The amount of amortization expense for intangible assets is included in "cost of sales" and "selling, general and administrative expense" in the consolidated statement of income.

(2) Leased assets

Carrying amounts of leased assets under finance leases included in intangible assets are as follows:

	Software	Total
	Millions of yen	Millions of yen
Balance as of March 1, 2017	54	54
Balance as of February 28, 2018	41	41
Balance as of February 28, 2019	50	50

(3) Impairment test on goodwill

Goodwill arising in business combinations is allocated to cash-generating units that benefit from the business combination on the acquisition date. The breakdown of the carrying amount of goodwill by segment is as follows:

	As of February 28, 2018	As of February 28, 2019
	Millions of yen	Millions of yen
PARCO Business	523	523
Total	523	523

The Group tests goodwill for impairment each fiscal year, or whenever there is an indication of impairment.

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

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.

There is a risk that impairment may arise if major assumptions used for impairment test are changed. However, the value in use sufficiently exceeds the carrying amount of the cash-generating unit or the group of cash-generating units, and the Group considers value in use unlikely to fall below the carrying amount even if major assumptions used for impairment tests change within a reasonably foreseeable range.

15 Investment Property

(1) Schedule of changes

Changes in acquisition costs, accumulated amortization and impairment and carrying amounts of investment property and fair values as of the end of each fiscal year are as follows:

Acquisition costs

	Investment property
	Millions of yen
Balance as of March 1, 2017	198,774
Acquisitions	10,624
Sales or disposals	(1,152)
Transfer among line items	(1,085)
Balance as of February 28, 2018	207,160
Acquisitions	4,724
Sales or disposals	(1,225)
Transfer among line items	538
Balance as of February 28, 2019	211,197

Accumulated depreciation and impairment

	Investment property
	Millions of yen
Balance as of March 1, 2017	(9,760)
Depreciation expense	(2,079)
Impairment loss	–
Sales or disposals	853
Transfer among line items	(565)
Balance as of February 28, 2018	(11,551)
Depreciation expense	(2,649)
Impairment loss	(25)
Sales or disposals	381
Transfer among line items	(190)
Balance as of February 28, 2019	(14,035)

Carrying amounts and fair values

(Millions of yen)

	As of February 28, 2018		As of February 28, 2019	
	Carrying amount	Fair value	Carrying amount	Fair value
Investment property	195,608	257,872	197,162	283,834

Fair value of investment property is based on real-estate appraisal by an external real-estate appraiser with recent experience in appraisal for the region where the property is located and the type of the property to be valued who holds certified professional qualifications and others. The

appraisal is based on market evidence reflecting the transaction price of similar assets in accordance with valuation standards of the country where the property is located.

(2)Income and expenses from investment property

(Millions of yen)

	Fiscal year ended February 28, 2018	Fiscal year ended February 28, 2019
Rental income	15,024	19,070
Direct operating expense	9,173	10,854

The amounts of rental income from investment property and accompanying direct operating expense are included in “sales revenue” and “cost of sales,” respectively, in the consolidated statement of income.

(3)Commitments

Please refer to “40. Commitments” for commitments related to purchase of investment property.

16 Investments Accounted for Using the Equity Method

Investments in associates

The carrying amount of investments in associates that are not individually material is as follows:

(Millions of yen)

	As of February 28, 2018	As of February 28, 2019
Total carrying amount	16,425	17,616

The Group's share of comprehensive income of associates that are not individually material is as follows:

(Millions of yen)

	Fiscal year ended February 28, 2018	Fiscal year ended February 28, 2019
Share of profit	(1,171)	1,301
Share of other comprehensive income	66	35
Share of comprehensive income	(1,105)	1,337

17 Joint operations

In the Group, Daimaru Matsuzakaya Department Stores Co. Ltd., a subsidiary, works on the joint operation of GINZA SIX, a commercial facility located at Ginza 6-chome 10, running the joint operation with partners, namely Mori Building Co., Ltd., L Catterton Real Estate and SUMITOMO CORPORATION. With regard to revenue and expenses

related to the operation of this commercial facility, including profit and loss based on tenant agreements, the amount corresponding to the ownership ratio of Daimaru Matsuzakaya Department Stores Co. Ltd. (68%), determined according to the ownership category of the commercial facility and other factors, was recognized.

18 Income Tax

(1)Deferred tax assets and liabilities

The breakdown of and changes in deferred tax assets and liabilities by major cause are as follows:

Fiscal year ended February 28, 2018

(Millions of yen)

	Balance as of March 1, 2017	Recognized in profit or loss	Recognized in other comprehensive income	Balance as of February 28, 2018
Deferred tax assets				
Retirement benefit liabilities	9,965	(598)	(994)	8,372
Allowance for credit losses	688	(143)	-	545
Non-current assets	3,074	90	-	3,165
Other financial assets	66	(55)	(1)	8
Asset retirement obligations	1,205	(195)	-	1,010
Tax loss carryforwards	70	47	-	117
Gain on adjustment of accounts payable	4,608	49	-	4,657
Long-term unearned revenue	2,116	(603)	-	1,513
Prepaid expense (Land leasehold right)	2,938	11	-	2,949
Other	10,161	(749)	90	9,502
Total	34,896	(2,146)	(905)	31,844
Deferred tax liabilities				
Non-current assets	76,515	362	(19)	76,858
Securities	6,326	-	1,521	7,848
Other	947	(114)	179	1,012
Total	83,789	247	1,681	85,719
Net amount of deferred tax assets	(48,893)	(2,394)	(2,587)	(53,875)

Fiscal year ended February 28, 2019

(Millions of yen)

	Balance as of March 1, 2018	Recognized in profit or loss	Recognized in other comprehensive income	Balance as of February 28, 2019
Deferred tax assets				
Retirement benefit liabilities	8,372	(306)	(4)	8,062
Allowance for credit losses	545	83	-	628
Non-current assets	3,165	514	-	3,679
Other financial assets	8	(0)	(7)	-
Asset retirement obligations	1,010	(93)	-	917
Tax loss carryforwards	117	33	-	150
Gain on adjustment of accounts payable	4,657	104	-	4,761
Long-term unearned revenue	1,513	(603)	-	910
Prepaid expense (Land leasehold right)	2,949	11	-	2,961
Other	9,502	555	(1)	10,057
Total	31,844	297	(13)	32,128
Deferred tax liabilities				
Non-current assets	76,858	(1,318)	-	75,540
Securities	7,848	-	(118)	7,729
Other	1,012	519	(498)	1,033
Total	85,719	(798)	(617)	84,303
Net amount of deferred tax assets	(53,875)	1,096	604	(52,174)

Deferred tax assets and liabilities in the consolidated statement of financial position are as follows:

(Millions of yen)

	As of February 28, 2018	As of February 28, 2019
Deferred tax assets	7,286	8,280
Deferred tax liabilities	61,161	60,455
Net amount	(53,875)	(52,174)

In recognizing deferred tax assets, the Group takes into account the possibility that tax loss carryforwards or deductible temporary differences can be utilized against future taxable profit. In the recoverability of deferred tax assets, the Group considers the scheduled reversal of deferred tax liabilities, projected future taxable profit and tax planning.

Based on the result of the above assessment of recoverability of deferred tax assets, the Group has not recognized deferred tax assets for certain tax loss carryforwards and deductible temporary differences. Tax loss carryforwards and deductible temporary differences for which deferred tax assets have not been recognized are as follows:

(Millions of yen)

	As of February 28, 2018	As of February 28, 2019
Tax loss carryforwards	4,054	7,417
Deductible temporary differences	36,086	30,829
Total	40,140	38,246

The deferral period of tax loss carryforwards for which deferred tax assets have not been recognized is as follows:

(Millions of yen)

	As of February 28, 2018	As of February 28, 2019
1st year	0	-
2nd year	-	-
3rd year	-	-
4th year	-	-
5th year and after	4,054	7,417
Total	4,054	7,417

As of February 28, 2018 and February 28, 2019, the total amount of temporary differences for investments in subsidiaries that were not recognized as deferred tax

liabilities was ¥161,035 million and ¥172,890 million, respectively.

(2)Income Tax

The breakdown of income tax is as follows:

(Millions of yen)

	Fiscal year ended February 28, 2018	Fiscal year ended February 28, 2019
Current taxes:		
Current period	14,060	14,060
Prior periods	(39)	(13)
Total current taxes	14,021	14,046
Deferred taxes:		
Origination and reversal of temporary differences, etc.	1,968	(780)
Changes in unrecognized deferred tax assets	430	(315)
Changes in tax rates, etc.	(4)	-
Total deferred taxes	2,394	(1,096)
Total	16,415	12,950

(3)Reconciliation between effective tax rates

Differences between the effective statutory tax rate and average effective tax rate are as follows:

	Fiscal year ended February 28, 2018	Fiscal year ended February 28, 2019
	%	%
Effective statutory tax rate	30.9	30.9
Entertainment expense	0.7	0.6
Bonuses for directors (and other officers)	0.3	0.5
Dividend income	(0.0)	(0.0)
Share of profit (loss) of investments accounted for using equity method	0.7	(1.0)
Unrecognized deferred tax assets	1.9	0.5
Effect of changes in tax rates	(0.0)	-
Other	(0.6)	(0.8)
Average effective tax rate	34.0	30.8

On March 29, 2016, the "Act for Partial Revision of the Income Tax Act, etc." (Act No. 15 of 2016) and the "Act on Partial Revision of the Local Tax Act, etc." (Act No. 13

of 2016) were enacted in the Diet, resulting in changes in the rates of income taxes for fiscal years beginning on or after April 1, 2016. In accordance with these revisions, for

temporary differences expected to be reversed in fiscal year beginning on or after March 1, 2017, the effective statutory tax rate used to measure deferred tax assets and liabilities has been changed from 32.3% to 30.9%. In

addition, for temporary differences expected to be reversed in fiscal years beginning on or after March 1, 2019, the effective statutory tax rate used to measure deferred tax assets and liabilities has been changed to 30.6%.

19 Cash Flow Information

(1) Changes in liabilities arising from financing activities

Changes in liabilities arising from financing activities are as follows:

Fiscal year ended February 28, 2018

	Balance as of March 1, 2017	Changes that affect cash flows	Changes that do not affect cash flows				Balance as of February 28, 2018
			Changes due to business combinations	Exchange differences on translation of foreign operations	Changes in fair values	Other	
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Current borrowings	26,470	950	(50)	–	–	–	27,370
Commercial papers	33,799	(32,799)	–	–	–	–	1,000
Non-current borrowings	118,742	(12,520)	(200)	(1)	–	–	106,020
Bonds	26,939	22,838	–	–	–	34	49,812
Lease obligations	3,756	(723)	–	–	–	2,260	5,293
Derivatives	102	60	–	–	(90)	–	72
Total	209,811	(22,194)	(250)	(1)	(90)	2,294	189,569

Derivatives are held in order to hedge interest rate fluctuation risk and foreign exchange fluctuation risk.

Fiscal year ended February 28, 2019

	Balance as of March 1, 2018	Changes that affect cash flows	Changes that do not affect cash flows				Balance as of February 28, 2019
			Changes due to business combinations	Exchange differences on translation of foreign operations	Changes in fair values	Other	
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Current borrowings	27,370	(9,849)	–	–	–	–	17,520
Commercial papers	1,000	(1,000)	–	–	–	–	–
Non-current borrowings	106,020	990	–	–	–	–	107,010
Bonds	49,812	–	–	–	–	35	49,848
Lease obligations	5,293	(693)	–	–	–	5,701	10,301
Derivatives	72	–	–	–	(57)	–	14
Total	189,569	(10,553)	–	–	(57)	5,736	184,694

Derivatives are held in order to hedge interest rate fluctuation risk and foreign exchange fluctuation risk.

(2)Non-cash transactions

Property, plant and equipment and investment property acquired through finance leases are as follows:

	Fiscal year ended February 28, 2018	Fiscal year ended February 28, 2019
	Millions of yen	Millions of yen
Property, plant and equipment and investment property acquired through finance leases	2,058	4,753

20 Bonds and Borrowings

(1)Breakdown of financial liabilities

The breakdown of “bonds and borrowings” and “other financial liabilities” is as follows:

	As of February 28, 2018	As of February 28, 2019	Average interest rate (Note 1)	Repayment deadline
	Millions of yen	Millions of yen	%	
Current borrowings	45,230	31,320	0.51	–
Commercial papers	1,000	–	–	–
Non-current borrowings	88,160	93,210	0.44	From March 2020 to November 2027
Bonds (Note 2)	49,812	49,848	(Note 2)	(Note 2)
Current lease obligations	693	1,058	–	–
Non-current lease obligations	4,599	9,242	–	–
Guarantee deposits received	29,133	30,452	–	–
Other	30,624	29,985	–	–
Total	249,254	245,117	–	–
Current liabilities	77,041	63,572	–	–
Non-current liabilities	172,213	181,544	–	–

Notes: 1. The average interest rates are weighted-average interest rates based on the contract interest rates and the closing balances for each borrowing.
2. Summary of issuing conditions of bonds is as follows:

(Millions of yen)

Company name	Bond name	Date of issue	As of February 28, 2018	As of February 28, 2019	Interest rate (%)	Maturity date
J. FRONT RETAILING Co., Ltd.	3rd series of unsecured bonds	August 5, 2015	10,000	10,000	0.30	August 5, 2020
J. FRONT RETAILING Co., Ltd.	4th series of unsecured bonds	August 5, 2015	5,000	5,000	0.46	August 5, 2022
J. FRONT RETAILING Co., Ltd.	5th series of unsecured bonds	August 4, 2017	15,000	15,000	0.16	August 4, 2022
J. FRONT RETAILING Co., Ltd.	6th series of unsecured bonds	August 4, 2017	20,000	20,000	0.43	August 4, 2027
Total			50,000	50,000		

Agreements on some of borrowings of the Group require the maintenance of specific financial ratios and net assets at a certain level.

The Group has complied with all the agreements on borrowings.

(2) Assets pledged as collateral

The Group has pledged corporate properties as collateral for borrowings, etc. Secured creditors have the right to receive the payment of their claims prior to other unsecured creditors with regard to the Group's properties.

Assets pledged as collateral for borrowings, etc. are as follows:

(Millions of yen)

	As of February 28, 2018	As of February 28, 2019
Land	5,290	5,290
Buildings and structures	2,638	2,474
Other financial assets	855	254
Total	8,784	8,018

The corresponding obligations are as follows:

(Millions of yen)

	As of February 28, 2018	As of February 28, 2019
Current borrowings	300	–
Non-current borrowings	825	825
Trade and other payables	361	165
Total	1,486	990

21 Leases

(1) As lessee

1) Finance leases

The total of future minimum lease payments under finance lease arrangements and their present value are as follows:

(Millions of yen)

	Minimum lease payments		Present value of minimum lease payments	
	As of February 28, 2018	As of February 28, 2019	As of February 28, 2018	As of February 28, 2019
Due within one year	954	1,812	693	1,058
Due after one year through five years	2,485	5,311	1,484	2,427
Due after five years	5,496	13,223	3,115	6,814
Total	8,937	20,347	5,293	10,301
Future finance costs	3,643	10,046		
Present value of lease obligations	5,293	10,301		

Future minimum lease payments receivable on non-cancellable sublease as of February 28, 2018 and February 28, 2019 were ¥2,782 million and ¥2,976 million, respectively.

The Group leases system facilities (furniture and fixtures) and others in the information service business as a lessee.

Renewal options and purchase options have been attached to certain lease agreements. In addition, there are no contingent rents payable, no escalation clauses (clause providing for an increase in the lease agreement amount) and no restrictions imposed by lease agreements (such as restrictions related to dividends, additional borrowing and additional leases).

2) Operating Leases

Future minimum lease payments under non-cancellable operating leases are as follows:

(Millions of yen)

	As of February 28, 2018	As of February 28, 2019
Due within one year	18,236	19,536
Due after one year through five years	12,864	14,020
Due after five years	9,485	9,309
Total	40,585	42,866

Minimum lease payments and contingent rents under operating lease agreements recognized as expenses are as follows:

(Millions of yen)

	Fiscal year ended February 28, 2018	Fiscal year ended February 28, 2019
Minimum lease payments	28,930	28,566
Contingent rents	851	879
Total	29,782	29,445

The Group leases commercial buildings and others as the lessee.

Renewal options and purchase options have been attached to certain lease agreements. In addition, there are no escalation clauses (clause providing for an increase in the lease agreement amount) and no restrictions imposed by lease agreements (such as restrictions related to dividends, additional borrowing and additional lease).

Future minimum lease payments receivable on non-cancellable sublease agreements as of February 28, 2018 and February 28, 2019 were ¥10,414 million and ¥9,434 million, respectively.

Sublease payments receivable recognized as revenue

under cancellable or non-cancellable operating leases in the fiscal years ended February 28, 2018 and February 28, 2019 were ¥12,920 million and ¥12,554 million, respectively.

(2) As lessor

1) Finance leases

The information has been omitted due to its immateriality.

2) Operating Leases

Future minimum lease payments receivable under non-cancellable operating leases are as follows:

(Millions of yen)

	As of February 28, 2018	As of February 28, 2019
Due within one year	7,905	9,165
Due after one year through five years	17,202	17,337
Due after five years	11,596	10,619
Total	36,704	37,121

The Group leases commercial buildings and others as the lessor.

Contingent rents recognized as revenue are as follows:

(Millions of yen)

	Fiscal year ended February 28, 2018	Fiscal year ended February 28, 2019
Contingent rents	26,874	26,634

22 Trade and Other Payables

The breakdown of trade and other payables is as follows.

These are all classified as financial liabilities measured at amortized cost.

(Millions of yen)

	As of February 28, 2018	As of February 28, 2019
Notes payable – trade	3,318	3,417
Accounts payable – trade	82,001	81,745
Accounts payable – other	26,938	25,913
Deposits received	27,978	25,605
Other	1,105	2,256
Total	141,343	138,938

23 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. In addition, the Group may pay extra retirement payments when employees retire before their normal retirement date. Certain consolidated subsidiaries have instituted a retirement benefit trust.

In regard to the corporate pension fund plan, the Group has obligations including paying contributions to the corporate pension fund under the Defined-Benefit Corporate Pension Act, etc. Directors of the fund have responsibilities including a duty of loyalty to comply with laws and regulations, dispositions made by the Minister of Health, Labour and Welfare and Director-Generals of Regional Bureaus of Health and Welfare in accordance with laws and regulations, and the rules of the corporate pension fund and resolutions of the board of representatives, and faithfully execute operations related to managing and operating funds in the interests of the fund. In addition, it is stipulated that directors are forbidden from entering into any asset management contract aimed at serving the interests of a third party, and rules of conduct that include forbidding acts that create a conflict of interest are clarified.

The plan is mainly operated by a corporate pension fund that is independent from the Group. The board of representatives comprises the same number of representatives elected from among the employers (elected representatives) and

representatives elected from among employees (mutually elected representatives), and the chairperson (president) of the board of representatives is elected from among the employers.

Decisions of the board of representatives are made by a majority of members in attendance, but in the case of a tie, the President, who is the Chairperson, has the authority to make a decision. However, it is stipulated that decisions related to particularly important matters shall be determined by a majority in excess of the above.

The board of representatives holds the authority to make decisions about all important matters, such as investment policies. Actual asset management is conducted by a managing trustee under an investment service agreement, and directions from the board of representatives regarding investment in individual securities, etc. are forbidden by laws and regulations.

The Company is required to pay contributions to the corporate pension fund and contributions are regularly reviewed within the range permitted by laws and regulations. While the Company is obligated to make contributions stipulated by the fund into the future, in addition to these contributions, it also funds a retirement benefit trust on a voluntary basis.

With regard to the lump-sum retirement benefit plan, the Company is obligated to pay benefits directly to the beneficiaries. There are no statutory requirements regarding funding.

(1) Defined benefit plans

The relationship between the present value of the defined benefit obligations and the fair value of the plan assets and the amounts recognized in the consolidated statement of financial position is as follows:

(Millions of yen)

	As of February 28, 2018	As of February 28, 2019
Present value of funded defined benefit obligations	34,605	32,810
Fair value of plan assets	(46,994)	(44,067)
Subtotal	(12,388)	(11,257)
Present value of unfunded defined benefit obligations	28,100	27,397
Liabilities of defined benefit plans	15,711	16,140
Amounts in the consolidated statement of financial position		
Retirement benefit liabilities	29,909	29,003
Retirement benefit assets	14,197	12,863
Net defined benefit liability or asset in the consolidated statement of financial position	15,711	16,140

Changes in the present value of the defined benefit obligations are as follows:

(Millions of yen)

	Fiscal year ended February 28, 2018	Fiscal year ended February 28, 2019
Present value of defined benefit obligations at beginning of period	66,057	62,705
Service cost	2,181	2,058
Interest expense	139	128
Remeasurements		
Actuarial gains and losses arising from changes in demographic assumptions	(8)	(68)
Actuarial gains and losses arising from changes in financial assumptions	(343)	574
Past service cost	-	-
Benefits paid	(5,332)	(5,189)
Other	13	(2)
Present value of defined benefit obligations at end of period	62,705	60,207

Changes in the fair value of the plan assets are as follows:

(Millions of yen)

	Fiscal year ended February 28, 2018	Fiscal year ended February 28, 2019
Fair value of plan assets at beginning of period	45,039	46,994
Interest revenue	97	98
Remeasurements		
Return on plan assets	2,945	(1,255)
Contributions by employer	1,991	1,061
Benefits paid	(3,080)	(2,830)
Other	-	-
Fair value of plan assets at end of period	46,994	44,067

The fair value of each item of plan assets is as follows:

As of February 28, 2018

(Millions of yen)

Items of plan assets	Assets with quoted market prices in active markets	Assets without quoted market prices in active markets	Total
Cash and cash equivalents	1,058	–	1,058
Domestic shares	19,534	–	19,534
Overseas shares	4,161	–	4,161
Jointly operated trusts (shares)	–	1,036	1,036
Domestic bonds	360	12,512	12,872
Overseas bonds	91	200	291
Jointly operated trusts (public and corporate bonds)	–	1,610	1,610
General accounts of life insurance companies	–	5,672	5,672
Other	–	755	755
Total	25,206	21,788	46,994

As of February 28, 2019

(Millions of yen)

Items of plan assets	Assets with quoted market prices in active markets	Assets without quoted market prices in active markets	Total
Cash and cash equivalents	997	–	997
Domestic shares	17,395	–	17,395
Overseas shares	3,493	–	3,493
Jointly operated trusts (shares)	–	1,021	1,021
Domestic bonds	333	10,850	11,183
Overseas bonds	88	1,832	1,920
Jointly operated trusts (public and corporate bonds)	–	1,575	1,575
General accounts of life insurance companies	–	5,757	5,757
Other	–	722	722
Total	22,308	21,759	44,067

The Group's management of plan assets is aimed at ensuring the necessary income over the long-term to reliably make pension and lump-sum payments into the future. Its investment policy to achieve this is fundamentally to make diversified investments after analyzing characteristics of risks and returns for each asset and taking into account correlations between respective assets.

Specifically, the Group develops the policy asset mix that is the optimal combination now and in the future after taking into account the expected rate of return and risks on eligible investments, and the managing trustee manages assets accordingly.

In regard to plan assets, the status of asset management is

managed primarily by regularly reviewing the financial position of the plans, formulating long-term management policies, and monitoring the status of asset allocation.

The Group's pension funding is determined after taking into consideration various factors such as the allowable limit of deductible expenses under tax laws, the funding status of plan assets and actuarial calculations. Contributions to plan assets are intended to cover benefits for services already rendered, in addition to benefits for services to be rendered in future.

In accordance with the provisions of the Defined-Benefit Corporate Pension Act, the rules of the corporate pension fund stipulate that the amount of contributions shall be recalculated every three to five years with a record date of

the fiscal year end, in order to preserve a balanced budget into the future. During the recalculation, the basic rates related to contributions (expected interest rates, expected mortality rates, expected withdrawal rates, expected salary increase indexes, expected number of new participants, etc.) are reviewed, and the appropriateness of the contributions is reverified.

The Group plans to pay contributions of ¥988 million in

the fiscal year ending February 29, 2020.

The weighted average duration of the defined benefit obligations as of February 28, 2018 was 7.24 years.

The weighted average duration of the defined benefit obligations as of February 28, 2019 was 7.54 years.

The main actuarial assumptions used to calculate the present value of the defined benefit obligations are as follows:

	As of February 28, 2018	As of February 28, 2019
	%	%
Discount rate	Mainly 0.2	Mainly 0.1
Anticipated rate of salary increase	Mainly 3.8	Mainly 3.8

The sensitivity analysis is conducted based on changes in assumptions that are reasonably possible, as of the end of the fiscal year.

The sensitivity analysis is based on the premise that all actuarial assumptions remain constant other than the actuarial assumption that is the focus of the analysis, but in reality there is a possibility that changes in other

actuarial assumptions may affect the sensitivity analysis.

If there are no other changes to assumptions, the sensitivity of defined benefit obligations at the end of each fiscal year to changes in the discount rate is as follows. Furthermore, the Group does not expect any changes in the anticipated rate of salary increase.

(Millions of yen)

	As of February 28, 2018	As of February 28, 2019
Changes in discount rate		
0.5% increase	(2,169)	(2,163)
0.5% decrease	2,312	2,314

Amounts recognized as retirement benefit expense are as follows:

(Millions of yen)

	Fiscal year ended February 28, 2018	Fiscal year ended February 28, 2019
Service cost	2,181	2,058
Net interest	41	29
Other	197	210
Total	2,420	2,298

(2) Defined contribution plans

The amount recorded as expenses in relation to defined contribution plans is ¥6,041 million for the fiscal year ended February 28, 2018 and ¥5,967 million for the fiscal year ended February 28, 2019, and included in "cost of sales" and "selling, general and administrative expense" in the consolidated statement of income. The above amounts include the amount of the employer's contribution to welfare pension insurance premiums.

(3) Extra retirement payments

Extra retirement payments may be provided when an employee retires prior to the normal retirement date.

The amount recorded as expenses in relation to extra

retirement payments was ¥39 million in the fiscal year ended February 28, 2019 and included in "other operating expense" in the consolidated statement of income.

(4) Employee benefit expenses

The amount of employee benefit expenses was ¥77,879 million in the fiscal year ended February 28, 2018 and ¥76,616 million in the fiscal year ended February 28, 2019, and included in "cost of sales" and "selling, general and administrative expense" in the consolidated statement of income.

24 Provisions

The breakdown and changes of provisions are as follows:

(Millions of yen)

	Asset retirement obligations	Provision for loss on business liquidation	Total
Balance as of March 1, 2017	3,794	3,541	7,335
Increase during the period	137	-	137
Discounted interest expenses for the period	43	-	43
Decrease during the period (use)	(386)	(1,889)	(2,275)
Decrease during the period (reversal)	-	(432)	(432)
Other	(11)	-	(11)
Balance as of February 28, 2018	3,577	1,219	4,797
Increase during the period	86	3,064	3,151
Discounted interest expenses for the period	43	-	43
Decrease during the period (use)	(330)	(298)	(628)
Decrease during the period (reversal)	-	(335)	(335)
Other	(0)	-	(0)
Balance as of February 28, 2019	3,377	3,651	7,028

The breakdown of provisions in the consolidated statement of financial position is as follows:

(Millions of yen)

	As of February 28, 2018	As of February 28, 2019
Current liabilities	202	1,851
Non-current liabilities	4,595	5,176
Total	4,797	7,028

(1) Asset retirement obligations

Asset retirement obligations are recorded at the estimated amount of restoration costs for rented stores, offices, etc. for which the Group has obligations to restore to original state at the time when the lease agreement is terminated. These expenses are expected to be mainly paid after two to 50 years or more have passed, and will be affected by future business plans, etc.

(2) 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. These expenses are expected to be mainly paid within three years after store closure or rebuilding, but will be affected by changes in the surrounding environment and others.

25 Other Liabilities

The breakdown of other liabilities is as follows:

(Millions of yen)

	As of February 28, 2018	As of February 28, 2019
Accrued bonuses	5,652	5,762
Accrued paid absences	2,840	3,301
Advances received	13,946	2,285
Deferred income (Note 1)	5,103	237
Vouchers (Note 2)	25,254	-
Contract liability (Note 3)	-	42,721
Other accrued expense	6,796	7,143
Other	16,201	10,918
Total	75,792	72,370
Other current liabilities	64,561	62,490
Other non-current liabilities	11,231	9,880

Notes: 1. The breakdown of deferred income in the fiscal year ended February 28, 2018 is ¥4,988 million in customer loyalty program and ¥114 million in government grants.

The breakdown of deferred income in the fiscal year ended February 28, 2019 is ¥237 million in government grants.

2. These represent gift certificates issued by Daimaru Matsuzakaya Tomonokai Co., Ltd., a consolidated subsidiary of the Company.

3. Some vouchers, advances received, deferred income, etc. in the fiscal year ended February 28, 2019 were transferred to contract liability.

26 Equity and Other Equity Items

(1) Capital and share premium

Changes in the number of authorized shares, number of issued shares, and the balances of capital, etc. are as follows:

	Number of authorized shares (Shares)	Number of issued shares (Shares)	Capital (Millions of yen)	Share premium (Millions of yen)
As of March 1, 2017	1,000,000,000	268,119,164	30,000	209,551
Changes during the period	-	2,446,600	1,974	2,313
As of February 28, 2018	1,000,000,000	270,565,764	31,974	211,864
Changes during the period	-	-	-	345
As of February 28, 2019	1,000,000,000	270,565,764	31,974	212,210

Note: All shares issued by the Company are ordinary shares with no restrictions and no par value. Issued shares are fully paid.

(2) Treasury shares

Changes in the number and balance of treasury shares are as follows:

	Number of shares (Shares)	Amount (Millions of yen)
As of March 1, 2017	6,573,594	(11,281)
Changes during the period	2,454,750	(3,962)
As of February 28, 2018	9,028,344	(15,244)
Changes during the period	(95,280)	154
As of February 28, 2019	8,933,064	(15,090)

Note: The major factor for changes during the fiscal year ended February 28, 2018 was inclusion of the Company's shares held by the officer remuneration BIP trust in the above number of treasury shares.

(3)Nature and purposes of share premium and retained earnings

1)Share premium

It is stipulated in the Companies Act of Japan ("Companies Act"), that at least 50% of the payment of certain issues of common shares shall be credited to capital. The remainder of the payment shall be credited to legal capital surplus included in share premium. In addition, the Companies Act permits, upon approval of the shareholders meeting, the transfer of amounts from legal capital surplus to capital.

2)Retained earnings

Under the Companies Act, 10% of the amount paid as dividends from surplus shall be reserved as legal capital surplus (an item of share premium) or legal retained earnings (an item of retained earnings), until the total amount of legal capital surplus and legal retained earnings reaches 25% of capital. The legal retained earnings may be used to eliminate or reduce a deficit, or may be reversed by resolution of the shareholders meeting.

(4)Nature and purposes of other components of equity

Exchange differences on translation of foreign operations

Exchange differences on translation of foreign operations

represent the translation differences that occurred when consolidating financial statements denominated in a foreign currency for companies including foreign subsidiaries.

Cash flow hedges

The Group uses derivatives to hedge the risk of fluctuations in future cash flows. Cash flow hedges represent the effective portion of changes in fair value of derivative transactions designated as cash flow hedges.

Financial assets measured through other comprehensive income

Financial assets measured at fair value through other comprehensive income represent the changes in fair value of financial assets measured at fair value through other comprehensive income.

Remeasurements of defined benefit plans

Remeasurements of defined benefit plans are the effect of difference between actuarial assumptions as at the beginning of the period and actual results in defined benefit plans and the effect of changes in actuarial assumptions. They are recognized in other comprehensive income when incurred and immediately transferred from other components of equity to retained earnings.

27 Dividends

(1) Dividends paid

Fiscal year ended February 28, 2018

Resolution	Class of shares	Total amount of dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
Board of Directors meeting held on April 10, 2017	Ordinary shares	3,661	14.00	February 28, 2017	May 8, 2017
Board of Directors meeting held on October 10, 2017	Ordinary shares	4,223	16.00	August 31, 2017	November 8, 2017

Note: Total amount of dividends resolved at the Board of Directors meeting held on October 10, 2017 includes ¥39 million of dividends paid on the Company's shares held by the officer remuneration BIP trust.

Fiscal year ended February 28, 2019

Resolution	Class of shares	Total amount of dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
Board of Directors meeting held on April 10, 2018	Ordinary shares	5,015	19.00	February 28, 2018	May 7, 2018
Board of Directors meeting held on October 9, 2018	Ordinary shares	4,487	17.00	August 31, 2018	November 8, 2018

Note: Total amount of dividends resolved at the Board of Directors meeting held on April 10, 2018 includes ¥46 million of dividends paid on the Company's shares held by the officer remuneration BIP trust.

Total amount of dividends resolved at the Board of Directors meeting held on October 9, 2018 includes ¥39 million of dividends paid on the Company's shares held by an officer remuneration BIP trust.

(2) Dividends whose effective date belongs to the following fiscal year

Fiscal year ended February 28, 2018

Resolution	Class of shares	Total amount of dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
Board of Directors meeting held on April 10, 2018	Ordinary shares	5,015	19.00	February 28, 2018	May 7, 2018

Note: Total amount of dividends resolved at the Board of Directors meeting held on April 10, 2018 includes ¥46 million of dividends paid on the Company's shares held by the officer remuneration BIP trust.

Fiscal year ended February 28, 2019

Resolution	Class of shares	Total amount of dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
Board of Directors meeting held on April 9, 2019	Ordinary shares	4,751	18.00	February 28, 2019	May 7, 2019

Note: Total amount of dividends resolved at the Board of Directors meeting held on April 9, 2019 includes ¥42 million of dividends paid on the Company's shares held by an officer remuneration BIP trust.

(1) Disaggregation of revenue

In accordance with the IFRS 8 *Operating Segments*, the Group reports information about its four segments, namely “Department Store Business,” “PARCO Business,” “Real Estate Business” and “Credit Finance Business.” These reportable segments are periodically examined by the Board of Directors for the purpose of deciding the allocation of management resources and assessing business results. Furthermore, the “Other” category is an operating segment not included as a reportable segment. It includes design and construction contracting, manufacture and sale of furniture, wholesaling, parking, leasing, etc.

The Group considers that the categories of these reportable

segments can be used to meet the objective for the disaggregation disclosure requirement in paragraph 114 of IFRS 15. The following table shows the disaggregation of revenue in accordance with the above categories and includes the reconciliation representing how disaggregated revenue relates to each segment.

Revenue arising from these businesses is recorded in accordance with contracts with customers, and the amount of sales revenue related to variable consideration, etc. is immaterial. In addition, the amount of promised consideration does not include any material financial component.

(Millions of yen)

Segment		Fiscal year ended February 28, 2019
Department Store Business	Daimaru Osaka Shinsaibashi store	38,909
	Osaka Umeda store	25,196
	Tokyo store	26,733
	Kyoto store	22,980
	Kobe store	25,727
	Sapporo store	23,487
	Matsuzakaya Nagoya store	42,740
	Ueno store	21,676
	Other stores	47,989
	Elimination of inter-segment revenue	(300)
		275,140
PARCO Business	Shopping center business	50,315
	Specialty store business	19,754
	Space engineering and management business	14,158
	Other businesses	5,741
	Elimination of inter-segment revenue	(563)
Real Estate Business		89,406
	Real Estate Business	16,995
	Elimination of inter-segment revenue	(1,168)
Credit Finance Business		15,826
	Credit Finance Business	10,573
	Elimination of inter-segment revenue	(4,212)
Other		6,361
	Other	104,250
	Elimination of inter-segment revenue	(31,144)
Total		73,105
		459,840

Sales revenue	Revenue from contracts with customers	407,909
	Revenue arising from other sources	51,930
		459,840

Note: The categories of “Department Store Business,” “PARCO Business” and “Real Estate Business” include lease income under IAS 17.

1)Department Store Business

The Department Store Business carries out the sale of clothing, general goods, household goods, food products and others. With regard to these sales of goods, since performance obligations are deemed to be satisfied at the time when goods are delivered to customers, the Group recognizes revenue at the time of delivery of such goods. Payments for goods are received at the time of delivery of the goods, which is the time when the performance obligation is satisfied.

2)PARCO Business

The PARCO Business operates the shopping center business, in which it undertakes development, management, supervision and operation of shopping centers; the specialty store business, in which it sells personal belongings, general goods and others, the space engineering and management business, in which it undertakes design, operation, etc. of interior decorating work, and other businesses.

With regard to services in the shopping center business, because these services are provided on a continuous basis and thus performance obligations are deemed to be satisfied over a certain period of time, revenue is recognized as the services are rendered.

With regard to the sale of personal belongings, general goods and others, since performance obligations are usually deemed to be satisfied at the time when goods are delivered to customers, revenue is recognized at the time of delivery of such goods. Payments for goods are received at the time of delivery of the goods, which is the time when the performance obligation is satisfied.

With regard to the design and operation of interior decorating work in the space engineering and management business, if the outcome of a work contract can be estimated reliably, revenue is recognized

according to the stage of completion of the performance obligation. If the outcome of a work contract cannot be estimated reliably, revenue is recognized only to the extent that it is probable that the contract costs incurred will be recoverable.

3)Real Estate Business

The Real Estate Business carries out development of the Group's own properties located mainly in areas surrounding each store of Daimaru Matsuzakaya Department Stores, expansion of rental space by leasing and acquiring external properties, management and operation of such properties, and others.

Revenue from lease of real estate and others is recognized in the period in which it is earned, in accordance with IAS 17.

4)Credit Finance Business

The Credit Finance Business undertakes issuance and administration of credit cards.

In the Credit Finance Business, annual membership fees from cardholders, fees from department stores and external affiliated stores, and interest from installment sales are recognized as revenue.

5)Other

Within Other, regarding the design and operation of interior decorating work in the design and construction contracting business, if the outcome of a work contract can be estimated reliably, revenue is recognized according to the stage of completion of the performance obligation. If the outcome of a work contract cannot be estimated reliably, revenue is recognized only to the extent that it is probable that the contract costs incurred will be recoverable.

(2)Balance of contracts

Balance of contracts of the Group is as follows:

(Millions of yen)

	As of March 1, 2018	As of February 28, 2019
Receivables from Contracts with Customers	96,756	101,676
Contract assets	354	1,935
Contract liabilities	47,346	42,721

Notes: 1. Receivables from Contracts with Customers

Receivables from contracts with customers primarily consist of receivables in association with the use of credit cards issued by the Group, and the amount includes the amount collected on behalf of third parties as agent transactions. The collection period of these receivables is mainly within one to two months.

2. Contract assets

Contract assets are related to rights to considerations arising when the Group is to receive payments from customers in line with a series of performances, and are recognized mainly in association with contracted work agreements. For the completed part of work, the Group recognizes contract assets in advance, and they are transferred to trade receivables at the time when the customer conducts acceptance inspection and the invoice is sent.

Contract assets are included in trade and other receivables in the consolidated statement of financial position.

3. Contract liabilities

Contract liabilities are related to consideration received prior to performance under contracts and transferred to revenue at the time when the Group performs obligations under contracts.

Contract liabilities are included in other current liabilities in the consolidated statement of financial position.

Of contract liabilities at the beginning of the period, the amount recognized in revenue in the fiscal year ended February 28, 2019 was ¥22,588 million.

The increase in contract assets in the fiscal year ended February 28, 2019 is mainly due to an increase resulting from growth in construction orders received of ¥1,580 million.

Regarding performance obligations satisfied or partially satisfied in prior periods, no amount was recognized in sales revenue in the fiscal year ended February 28, 2019.

(3) Transaction price allocated to the remaining performance obligations

With regard to ¥63,519 million in total of transaction price allocated to the remaining performance obligations as of February 28, 2019, the Group will recognize revenue in accordance with progress toward completion of construction work and the actual use of gift certificates and points. It is expected that ¥54,608 million will be recognized as revenue in the fiscal year ending February 29, 2020, then ¥5,422 million in the fiscal year ending February 28, 2021, and ¥3,489 million thereafter.

29 Other Operating Income

The breakdown of other operating income is as follows:

(Millions of yen)

	Fiscal year ended February 28, 2018	Fiscal year ended February 28, 2019
Gain on sales of non-current assets	3,103	23
Gain on sales of shares of subsidiaries and associates	1,926	-
Compensation income	1,951	1,951
Other	1,985	1,262
Total	8,967	3,237

30 Cost of Sales

The breakdown of cost of sales is as follows:

(Millions of yen)

	Fiscal year ended February 28, 2018	Fiscal year ended February 28, 2019
Cost of goods sold	228,875	219,012
Personnel expense	17,549	16,508
Depreciation expense	7,739	8,326
Other	2,815	3,595
Total	256,979	247,443

31 Selling, General and Administrative Expense

The breakdown of selling, general and administrative expense is as follows:

(Millions of yen)

	Fiscal year ended February 28, 2018	Fiscal year ended February 28, 2019
Personnel expense	62,989	62,692
Depreciation and amortization expense	10,944	11,580
Advertising expense	10,534	10,364
Rent expense	24,372	23,418
Operational costs	8,148	8,296
Other	49,698	50,530
Total	166,688	166,882

32 Other Operating Expense

The breakdown of other operating expense is as follows:

(Millions of yen)

	Fiscal year ended February 28, 2018	Fiscal year ended February 28, 2019
Loss on disposals of non-current assets	1,609	1,641
Impairment loss	2,576	1,681
Loss on business liquidation	–	3,385
Other	1,482	1,151
Total	5,668	7,860

33 Finance Income and Finance Costs

The breakdown of finance income is as follows:

(Millions of yen)

	Fiscal year ended February 28, 2018	Fiscal year ended February 28, 2019
Interest income		
Financial assets measured at amortized cost	758	773
Dividend income		
Equity financial assets measured at fair value through other comprehensive income	330	330
Other	0	–
Total	1,090	1,104

The breakdown of finance costs is as follows:

(Millions of yen)

	Fiscal year ended February 28, 2018	Fiscal year ended February 28, 2019
Interest expense		
Financial liabilities measured at amortized cost	1,065	1,008
Other	129	162
Total	1,194	1,170

34 Other Comprehensive Income

The amount arising during the period and reclassification adjustments to profit or loss for each item of other comprehensive income and tax effect are as follows:

(Millions of yen)

	Fiscal year ended February 28, 2018	Fiscal year ended February 28, 2019
Financial assets measured at fair value through other comprehensive income		
Amount arising during the period	4,985	(590)
Tax effect	(1,521)	118
Financial assets measured at fair value through other comprehensive income	3,464	(471)
Remeasurements of defined benefit plans		
Amount arising during the period	3,292	(1,762)
Tax effect	(994)	542
Remeasurements of defined benefit plans	2,298	(1,220)
Share of other comprehensive income of entities accounted for using the equity method		
Amount arising during the period	(6)	51
Tax effect	3	(17)
Share of other comprehensive income of entities accounted for using the equity method	(3)	33
Total items that will not be reclassified to profit or loss	5,758	(1,657)
Items that may be reclassified to profit or loss		
Cash flow hedges		
Amount arising during the period	55	84
Reclassification adjustments	-	-
Before tax effect	55	84
Tax effect	2	(26)
Cash flow hedges	57	58
Exchange differences on translation of foreign operations		
Amount arising during the period	71	(71)
Reclassification adjustments	(2)	-
Before tax effect	69	(71)
Tax effect	-	-
Exchange differences on translation of foreign operations	69	(71)
Share of other comprehensive income of entities accounted for using the equity method		
Amount arising during the period	102	3
Reclassification adjustments	-	-
Before tax effect	102	3
Tax effect	(31)	(0)
Share of other comprehensive income of entities accounted for using the equity method	70	2
Total items that may be reclassified to profit or loss	197	(10)
Total other comprehensive income	5,955	(1,668)

35 Earnings per Share

	Fiscal year ended February 28, 2018	Fiscal year ended February 28, 2019
Profit attributable to ordinary equity holders of the parent entity (Millions of yen)	28,486	27,358
Adjustment to profit	-	-
Profit used to calculate diluted earnings per share (Millions of yen)	28,486	27,358
Average number of ordinary shares during the period (Shares)	261,541,599	261,673,471
Increase in the number of ordinary shares:		
Officer remuneration BIP trust (Shares)	151,779	79,113
Average number of diluted ordinary shares during the period (Shares)	261,693,378	261,752,584
Basic earnings per share (Yen)	108.92	104.55
Diluted earnings per share (Yen)	108.86	104.52

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

36 Share-Based Payment

(1) Share-based payment plan

1) Details of share-based payment plan

The Group has adopted an officer remuneration BIP (Board Incentive Plan) trust (the "BIP Trust") as a performance-linked share-based payment for officers of the Company and Daimaru Matsuzakaya Department Stores Co. Ltd. to ensure steady execution and progress of the Medium-term Business Plan. The BIP Trust is a system of granting points (one point = one share) in accordance with the officers' rank and level of achievement of the Medium-term Business Plan, etc. and distributing 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) according to level of annual accomplishments in performance each year for short-term PS, according to level of achievement of the Medium-term Business Plan (five years) after the completion of the Medium-term Business Plan for medium- to long-term PS, and in the number of shares

according to the rank at the time of retirement from the position for RS.

In addition, from the current fiscal year, PARCO Co., Ltd. has introduced a Share Distribution Trust as share-based payment for Executive Officers to strengthen the linkage between share value and remuneration, and thereby share interests with shareholders.

The consideration for the services received is calculated using the fair value of the 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.

2) Number of points granted during the period and weighted average fair value of the points

In the assessment of fair value, a calculation is made based on the market price of shares adjusted after taking into account expected dividends. The number of points granted during the period and weighted average fair value of the points are as follows:

Fiscal year ended February 28, 2018

	Short-term PS	Medium- to long-term PS	RS
Number of points granted during the period	133,201	90,382	22,584
Weighted average fair value (yen)	1,533	1,477	1,477

Fiscal year ended February 28, 2019

	BIP Trust			Share Distribution Trust
	Short-term PS	Medium- to long-term PS	RS	
Number of points granted during the period	129,359	107,598	30,112	61,244
Weighted average fair value (yen)	1,505	1,449	1,449	1,252

Notes: 1. PS (Performance Share) means shares granted when a predetermined performance target for a certain period was achieved.
2. RS (Restricted Stock) means shares granted with restriction on transfer of shares for a certain period established.
3. The Share Distribution Trust is a system of distributing shares at the time of retirement and paying the amount of cash equivalent to their conversion value.

(2)Share-based payment expense

The amounts recognized as share-based payment expense, which were included in the consolidated

statement of income, were ¥365 million in the fiscal year ended February 28, 2018 and ¥505 million in the fiscal year ended February 28, 2019.

37 Financial Instruments

(1)Capital management

In order to realize the Group's vision to "Create and Bring 'New Happiness' to Your Life," the Group works to increase productivity and managerial efficiency as a group and conducts capital management with the aim of achieving sustained improvement in corporate value.

The Group aims to achieve an optimal balance of debt to equity which takes into consideration the cost of capital.

Major indicators monitored in the capital management are ROE and D/E ratio.

The Group's management also monitors and checks these indicators to maintain sound financial condition and increase managerial efficiency including effective utilization of assets.

Furthermore, the Group is not subject to any material capital regulations.

(2)Financial risk management policy

In the course of its business activities, the Group is exposed to financial risks (credit risk, liquidity risk, foreign currency risk, and interest rate risk), and engages in risk management to reduce these financial risks.

The Group uses derivative transactions to avoid foreign currency fluctuation risk or interest rate fluctuation risk and, in accordance with its policy, does not carry out any speculative transactions.

1)Credit risk management

Credit risk is the risk that a business partner will default on contractual obligations and cause the Group to incur a financial loss.

To address this risk, each Group company carries out due date management and balance management for each business partner and seeks early identification and mitigation of collectability concerns.

The Group's receivables are from a number of business partners in a wide range of industries and regions.

The Group does not have credit risks overly concentrated in a single counterparty or a group to which the counterparty belongs.

The maximum exposure to credit risk on financial assets is the carrying amount after impairment presented in consolidated financial statements. The Group does not hold any properties as collateral or other credit enhancements in regard to exposure to these credit risks.

The Group considers whether or not there has been a significant increase in credit risk from the date of initial recognition, and establishes an allowance for credit losses. Specifically, when there is no significant increase in credit risk since initial recognition, expected credit losses for 12 months are measured as allowance for credit losses.

On the other hand, when there is a significant increase in credit risk since initial recognition, lifetime expected credit losses are measured as allowance for credit losses. Whether credit risk has significantly increased or not is determined based on changes in default risk. Regardless of the above, for trade receivables, lease receivables, etc. without a significant financing component, allowance for credit losses is measured at an amount equal to lifetime expected credit losses.

In the measurement of these expected credit losses, reasonable and supportable information that is available at the fiscal year end is used for past events, current situations and projection of future economic conditions such as credit loss experience in past years, status of delinquent receivables and financial conditions of creditors. Expected credit losses on financial assets for which credit risk has not increased significantly and trade receivables, etc. without a significant financing component are set altogether as a group and collectively assessed based on historical credit losses because they have largely homogeneous credit risk characteristics.

Expected credit losses on financial assets for which credit risk has increased significantly and credit-impaired financial assets are individually assessed, taking into account historical credit loss experience, future estimated collectible amount and others.

If a debtor does not make a payment within 90 days after the due date, the situation is considered as default. When financial assets are assessed as fully or partially uncollectible and the Group determines, as a result of credit research, that it is appropriate to write off the assets, the Group directly writes off the carrying amount of the credit-impaired financial assets.

(i)Changes in allowance for credit losses

The Group considers whether or not there has been a significant increase in credit risk from the date of initial recognition, and establishes an allowance for credit losses.

Changes in allowance for credit losses are as follows:

(Millions of yen)

	12-month expected credit losses	Lifetime expected credit losses (Assessed collectively)	Lifetime expected credit losses (Assessed individually)	Credit-impaired financial assets (Lifetime expected credit losses)
Balance as of March 1, 2017	86	9	2,044	851
Transfer to lifetime expected credit losses	(21)	-	47	(25)
Transfer to credit-impaired financial assets	(50)	-	(117)	167
Transfer to 12-month expected credit losses	0	-	(0)	(0)
Changes due to new arising and collection of financial assets	92	(1)	149	180
Financial assets that were derecognized during the period	-	(0)	(4)	(9)
Direct write-off	(0)	-	(97)	(231)
Changes in model/risk variables	-	-	-	(0)
Balance as of February 28, 2018	106	8	2,021	932
Transfer to lifetime expected credit losses	(23)	-	62	(39)
Transfer to credit-impaired financial assets	(55)	-	(94)	149
Transfer to 12-month expected credit losses	0	-	(0)	0
Changes due to new arising and collection of financial assets	123	56	269	212
Financial assets that were derecognized during the period	-	-	-	(3)
Direct write-off	(0)	-	(92)	(336)
Changes in model/risk variables	-	-	-	-
Balance as of February 28, 2019	151	64	2,167	914

(ii) The carrying amounts of financial assets by risk type (before deducting allowance for credit losses) are as follows:

	As of February 28, 2018	As of February 28, 2019
	Millions of yen	Millions of yen
Trade and other receivables (12-month expected credit losses)	45,308	47,906
Trade and other receivables (Lifetime expected credit losses)	79,896	81,121
Financial assets whose credit risk has increased significantly since initial recognition (Lifetime expected credit losses)	2,551	5,349
Credit-impaired financial assets (Lifetime expected credit losses)	961	1,865

2) Liquidity risk management

Liquidity risk is the risk of failure to make payments on the due date when the Group is required to fulfill its payment obligations for financial liabilities due.

The Group manages liquidity risk with methods such as preparing monthly cash flow management plans at all

companies, and securing sufficient liquidity on hand through commitment line contracts and overdraft contracts with its main financing banks.

The balance of financial liabilities (other than lease obligations, etc.) by payment due date is as follows:

(Millions of yen)

As of February 28, 2018	Carrying amount	Contractual amount	Due within one year	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
Non-derivative financial liabilities								
Trade and other payables	141,343	141,343	141,343	-	-	-	-	-
Current borrowings	45,230	45,296	45,296	-	-	-	-	-
Commercial papers	1,000	1,000	1,000	-	-	-	-	-
Non-current borrowings	88,160	90,144	443	13,085	19,576	11,404	7,694	37,940
Bonds	49,812	51,115	164	164	10,149	134	20,110	20,391
Other financial liabilities	59,680	59,666	30,109	4,033	2,989	3,124	1,768	17,641
Derivative financial liabilities								
Forward exchange	24	24	24	-	-	-	-	-
Interest rate swaps	52	52	27	25	-	-	-	-
Total	385,304	388,643	218,408	17,308	32,715	14,663	29,573	75,972

Notes: 1. Current borrowings include the current portion of non-current borrowings.

2. Receivables and liabilities resulting from derivative transactions are presented on a net basis.

(Millions of yen)

As of February 28, 2019	Carrying amount	Contractual amount	Due within one year	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
Non-derivative financial liabilities								
Trade and other payables	138,938	138,938	138,938	-	-	-	-	-
Current borrowings	31,320	31,434	31,434	-	-	-	-	-
Commercial papers	-	-	-	-	-	-	-	-
Non-current borrowings	93,210	94,935	339	22,234	15,404	10,335	12,300	34,319
Bonds	49,848	50,950	164	10,149	134	20,110	87	20,304
Other financial liabilities	60,422	60,445	31,280	4,033	3,850	2,158	1,735	17,387
Derivative financial liabilities								
Forward exchange	-	-	-	-	-	-	-	-
Interest rate swaps	15	15	15	-	-	-	-	-
Total	373,755	376,720	202,173	36,417	19,389	32,604	14,123	72,012

Notes: 1. Current borrowings include the current portion of non-current borrowings.

2. Receivables and liabilities resulting from derivative transactions are presented on a net basis.

If funds are temporarily insufficient for the payment of trade payables, etc., the Group procures funds with the following financing methods. Fund procurement methods and the status of procurement in each fiscal year were as follows:

(Millions of yen)

	As of February 28, 2018	As of February 28, 2019
Commitment line		
Used	-	-
Unused	25,200	25,200
Total	25,200	25,200
Overdraft limit		
Used	9,220	7,370
Unused	140,710	142,060
Total	149,930	149,430
Commercial paper issuance limit		
Used	1,000	-
Unused	69,000	70,000
Total	70,000	70,000

3) Foreign currency risk management

The Group conducts transactions denominated in foreign currencies and is exposed to the risk of fluctuations in exchange rates of foreign currencies against the Japanese yen, but this has immaterial effect on profit before tax.

4) Interest rate risk management

The Group is exposed to various interest rate fluctuation risks in the course of its business activities. Particularly, fluctuations in interest rates greatly affect borrowing costs.

To mitigate such interest rate fluctuation risks, the Group hedges the risks by conducting interest rate swap transactions and other means. Payment of interest has an immaterial effect on the Group's profit or loss.

(3) Fair value of financial instruments

1) Calculation method of fair value

(Cash and cash equivalents, trade and other receivables, other financial assets (current), trade and other payables, and other financial liabilities (current))

The carrying amount is used as the fair value of these instruments, given that the fair value is almost the same as the carrying amount, as they are mostly settled in a short period of time.

Derivatives are measured as financial assets or liabilities measured at fair value through profit or loss based on prices presented by the counterparty financial institutions. Carrying amount and fair value of major

financial instruments by type are as follows.

(Other financial assets (non-current), and other financial liabilities (non-current))

The fair value of listed shares is measured based on market prices at the last date of a fiscal year. The fair value of unlisted shares is measured by discounted future cash flows, valuation model based on profit and net assets, comparable company analysis method or the like.

Other financial assets or other financial liabilities measured at amortized cost mainly consist of lease and guarantee deposits paid or lease and guarantee deposits received, and their fair value is measured at present value calculated by discounting future cash flows at rates such as the current market interest rate.

(Bonds and borrowings)

Bonds and borrowings are measured by present value obtained by discounting future cash flows at interest rates that would be charged for a new similar borrowing.

2) Financial instruments measured at amortized cost

The carrying amounts and fair values of financial instruments measured at amortized cost are as follows.

Financial instruments measured at fair value and financial instruments whose carrying amount closely approximates fair value are not included in the following table.

	As of February 28, 2018		As of February 28, 2019	
	Carrying amount Millions of yen	Fair value Millions of yen	Carrying amount Millions of yen	Fair value Millions of yen
Financial assets:				
Other financial assets (non-current)	65,937	70,441	64,000	68,276
Total	65,937	70,441	64,000	68,276
Financial liabilities:				
Borrowings	133,390	133,551	124,530	125,289
Bonds	49,812	50,168	49,848	50,310
Other financial liabilities (non-current)	34,192	34,179	38,471	38,527
Total	217,395	217,899	212,849	214,127

3) Fair value measurement

In regard to financial instruments measured at fair value, the fair value amounts measured are categorized into three levels, from Level 1 to Level 3, in accordance with the observability and materiality of inputs used in measurement.

Level 1: Market prices for identical assets or liabilities in active markets

Level 2: Fair value, other than Level 1, that is determined by directly or indirectly using an

observable price

Level 3: Fair value that is determined using a valuation technique including unobservable inputs

The fair value of financial instruments measured at fair value is as follows.

Any transfer between levels in the fair value hierarchy is recognized on each reporting date. In the fiscal years ended February 28, 2018 and February 28, 2019, there was no transfer between Level 1, Level 2 and Level 3.

As of February 28, 2018

Financial assets measured at fair value on a recurring basis

	Level 1	Level 2	Level 3	Total
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Assets:				
Financial assets measured at fair value through profit or loss				
Derivative financial assets	-	-	-	-
Financial assets measured at fair value through other comprehensive income				
Other financial assets (non-current)	11,276	-	22,802	34,079
Total	11,276	-	22,802	34,079
Liabilities:				
Financial liabilities measured at fair value through profit or loss				
Derivative financial liabilities	-	77	-	77
Total	-	77	-	77

Financial assets measured at fair value on a non-recurring basis

	Level 1	Level 2	Level 3	Total
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Assets:				
Assets held for sale	6,732	-	-	6,732
Total	6,732	-	-	6,732

Note: For the reasons for the measurement, please refer to note "11. Assets Held for Sale."

As of February 28, 2019

Financial assets measured at fair value on a recurring basis

	Level 1	Level 2	Level 3	Total
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Assets:				
Financial assets measured at fair value through profit or loss				
Derivative financial assets	-	23	-	23
Financial assets measured at fair value through other comprehensive income				
Other financial assets (non-current)	8,604	-	23,620	32,225
Total	8,604	23	23,620	32,248
Liabilities:				
Financial liabilities measured at fair value through profit or loss				
Derivative financial liabilities	-	15	-	15
Total	-	15	-	15

Financial assets measured at fair value on a non-recurring basis

	Level 1	Level 2	Level 3	Total
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Assets:				
Assets held for sale	-	-	-	-
Total	-	-	-	-

4) Changes, from the beginning to the end of the period, in financial instruments whose fair value measurement is categorized within Level 3

Changes, from the beginning to the end of the period, in financial instruments whose fair value measurement is categorized within Level 3 are as follows:

	Fiscal year ended February 28, 2018	Fiscal year ended February 28, 2019
	Millions of yen	Millions of yen
Balance at beginning of period	19,531	22,802
Other comprehensive income (Note)	3,124	739
Purchase	179	95
Sale	(26)	(16)
Other	(7)	-
Balance at end of period	22,802	23,620

Note: Gains or losses included in other comprehensive income relate to financial assets measured at fair value through other comprehensive income as of the reporting date. These gains or losses are included in "financial assets measured at fair value through other comprehensive income" in the consolidated statement of comprehensive income.

Financial instruments classified as Level 3 principally consist of unlisted shares. Fair value of unlisted shares is measured by the Group's department in charge using the latest figures available for each quarter in accordance with the Group's accounting policies and others, and reported together with the basis for changes in fair value to superiors and to management where necessary.

Illiquidity discount that is a significant unobservable input used for the measurement of fair value classified as Level 3 in the fair value hierarchy is 30% in the calculation.

A significant increase (decrease) in this input will cause a significant decrease (increase) in the fair value.

(4) Fair value hierarchy for assets and liabilities that are not measured at fair value but of which fair value has been disclosed

Fair values of financial instruments measured at amortized cost are as follows.

Financial instruments measured at fair value and financial instruments whose carrying amount closely approximates fair value are not included in the following tables.

(Millions of yen)

As of February 28, 2018	Level 1	Level 2	Level 3	Total
Assets:				
Financial assets measured at amortized cost				
Other financial assets (non-current)	-	5,464	64,976	70,441
Total	-	5,464	64,976	70,441
Liabilities:				
Financial liabilities measured at amortized cost				
Borrowings	-	133,551	-	133,551
Bonds	-	50,168	-	50,168
Other financial liabilities (non-current)	-	4,599	29,580	34,179
Total	-	188,319	29,580	217,899

(Millions of yen)

As of February 28, 2019	Level 1	Level 2	Level 3	Total
Assets:				
Financial assets measured at amortized cost				
Other financial assets (non-current)	-	6,200	62,076	68,276
Total	-	6,200	62,076	68,276
Liabilities:				
Financial liabilities measured at amortized cost				
Borrowings	-	125,289	-	125,289
Bonds	-	50,310	-	50,310
Other financial liabilities (non-current)	-	10,301	28,226	38,527
Total	-	185,901	28,226	214,127

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

The Group designates investments in equity instruments held in order to maintain and strengthen business relationships as financial assets measured at fair value through other comprehensive income in the light of the holding purpose.

1) Fair value of securities

In regard to investments in equity instruments designated as financial assets measured at fair value through other comprehensive income, the fair value of the main securities is as follows:

As of February 28, 2018

(Millions of yen)

Securities	Amount
Asahi Properties Inc.	6,427
Takenaka Corporation	6,289
Misonoza Theatrical Corporation	1,810
Chunichi Shimbun Co., Ltd.	920
Nagoya Dome Company, Limited	855
Shiseido Company, Limited	821
Wacoal Holdings Corp.	767
Nagashima Resort Co., Ltd.	761
Mitsubishi UFJ Financial Group, Inc.	757
Nintendo Co., Ltd.	736

As of February 28, 2019

(Millions of yen)

Securities	Amount
Asahi Properties Inc.	6,090
Takenaka Corporation	5,489
Toho Gas Co., Ltd.	1,127
Nagoya Dome Company, Limited	1,065
Chunichi Shimbun Co., Ltd.	953
Shiseido Company, Limited	934
Misonoza Theatrical Corporation	932
Nagashima Resort Co., Ltd.	921
Kyushu Kangyo Co., Ltd.	788
MBS MEDIA HOLDINGS, INC.	735

2) Dividend income

(Millions of yen)

	Fiscal year ended February 28, 2018	Fiscal year ended February 28, 2019
Investments derecognized during the period	15	19
Investments held at end of period	315	310
Total	330	330

3) Financial assets measured at fair value through other comprehensive income derecognized during the period
The Group sells financial assets measured at fair value through other comprehensive income for the purpose of

periodic portfolio revisions, management of risk assets and others. The fair value on the date of sale thereof and cumulative gain or loss on the sale (before tax) are as follows:

(Millions of yen)

	Fiscal year ended February 28, 2018	Fiscal year ended February 28, 2019
Fair value on the date of sale	1,355	1,426
Cumulative gain (loss) on sale	751	608

4) Transfer to retained earnings

The Group transfers cumulative gain or loss caused by fluctuations in the fair value of financial assets measured at fair value through other comprehensive income to retained earnings when the asset is derecognized. In the fiscal years ended February 28, 2018 and February 28, 2019, cumulative gain or loss (after tax) in other comprehensive income transferred to retained earnings were ¥472 million and ¥466 million, respectively.

Cash flow hedges are hedges to avoid the risk of fluctuations in future cash flows. The Company utilizes forward exchange contracts to hedge fluctuations in cash flows for forecast transactions, and interest rate swaps and currency swaps to hedge fluctuations in cash flows related to floating-rate borrowings. Changes in fair value of derivative transactions designated as cash flow hedges are recognized as other comprehensive income, included in other components of equity, and transferred to profit (loss) when the hedged item is recognized as profit (loss).

(6) Derivatives and hedges

1) Cash flow hedges

The details of hedging instruments designated as cash flow hedges are as follows:

As of February 28, 2018

	Contract value	With term exceeding one year	Carrying amount		Line item in the consolidated statement of financial position	Changes in fair value used to calculate the ineffective portion of the hedge
			Assets	Liabilities		
	Millions of yen	Millions of yen	Millions of yen	Millions of yen		Millions of yen
Foreign currency risk						
Forward exchange contracts	2,116	–	–	24	Other financial liabilities	–
Interest rate risk						
Interest rate swaps	10,260	4,700	–	52	Other financial liabilities	–

As of February 28, 2019

	Contract value	With term exceeding one year	Carrying amount		Line item in the consolidated statement of financial position	Changes in fair value used to calculate the ineffective portion of the hedge
			Assets	Liabilities		
	Millions of yen	Millions of yen	Millions of yen	Millions of yen		Millions of yen
Foreign currency risk						
Forward exchange contracts	2,317	-	23	-	Other financial assets	-
Interest rate risk						
Interest rate swaps	4,580	-	-	15	Other financial liabilities	-

(7) Transfer of financial assets

The Group securitizes certain trade receivables through the transfer of shares. However, some of such securitized receivables impose an obligation to pay on the Group retrospectively if the debtor does not make a payment. Since these securitized receivables do not meet requirements for derecognition of financial assets, they are not derecognized.

As of February 28, 2018 and February 28, 2019, such transferred assets were recorded in “trade and other receivables” and the amount of money received arising at the time when the assets were transferred as related liabilities was recorded in “bonds and borrowings,” at ¥18,150 million in the fiscal year ended February 28, 2018 and ¥10,150 million in the fiscal year ended February 28, 2019.

38 Subsidiaries

(1) Subsidiaries

Status of subsidiaries is as follows:

Name	Location	Reportable segment	Equity ratio (%)	
			As of February 28, 2018	As of February 28, 2019
Daimaru Matsuzakaya Department Stores Co. Ltd.	Japan	Department Store Business Real Estate Business	100.0	100.0
The Hakata Daimaru, Inc.	Japan	Department Store Business	69.9	69.9
The Shimonoseki Daimaru, Inc.	Japan	Department Store Business	100.0	100.0
Kochi Daimaru Co., Ltd.	Japan	Department Store Business	100.0	100.0
PARCO Co., Ltd.	Japan	PARCO Business	64.9	65.2
PARCO (SINGAPORE) PTE LTD	Singapore	PARCO Business	64.9	65.2
NEUVE A Co., Ltd.	Japan	PARCO Business	64.9	65.2
PARCO SPACE SYSTEMS Co., Ltd.	Japan	PARCO Business	64.9	65.2
PARCO Digital Marketing Co., Ltd.	Japan	PARCO Business	64.9	65.2
JAPAN RETAIL ADVISORS Co., Ltd.	Japan	PARCO Business	64.9	65.2
JFR Card Co., Ltd.	Japan	Credit Finance Business	100.0	100.0
Daimaru Kogyo, Ltd.	Japan	Other (Wholesale)	100.0	100.0
Daimaru Kogyo International Trading (Shanghai) Co., Ltd.	China	Other (Wholesale)	100.0	100.0
Daimaru Kogyo (Thailand) Co., Ltd.	Thailand	Other (Wholesale)	99.9	99.9
Taiwan Daimaru Kogyo, Ltd.	Taiwan	Other (Wholesale)	100.0	100.0
J. Front Design & Construction Co., Ltd.	Japan	Other (Design and construction contracting/ manufacture and sale of furniture)	100.0	100.0
Dimples' Co., Ltd.	Japan	Other (Staffing service)	100.0	100.0
J. Front Foods Co., Ltd.	Japan	Other (Restaurant)	100.0	100.0
Consumer Product End-Use Research Institute Co., Ltd.	Japan	Other (Merchandise test and quality control)	100.0	100.0
Angel Park Co., Ltd.	Japan	Other (Parking)	50.2	50.2

Name	Location	Reportable segment	Equity ratio (%)	
			As of February 28, 2018	As of February 28, 2019
JFR Service Co. Ltd.	Japan	Other (Leasing/parking management)	100.0	100.0
JFR Information Center Co., Ltd.	Japan	Other (Information service)	100.0	100.0
Daimaru Matsuzakaya Sales Associates Co. Ltd.	Japan	Other (Commissioned sales and store operations)	100.0	100.0
Daimaru Matsuzakaya Tomonokai Co., Ltd.	Japan	Other (Specified prepaid transaction service)	100.0	100.0
JFR Online Co. Ltd.	Japan	Other (Direct marketing)	100.0	100.0

(2)Subsidiaries with material non-controlling interests

The Company has subsidiaries with material non-controlling

interests. Information on these subsidiaries is as follows:

PARCO Co., Ltd. and companies under its control

Fiscal year ended February 28, 2018

Location	Non-controlling interests in subsidiaries (%)	Profit (loss) distributed to non-controlling interests (millions of yen)	Accumulated non-controlling interests (millions of yen)	Dividends paid to non-controlling interests (millions of yen)
Japan	35.1	2,748	43,744	817

Fiscal year ended February 28, 2019

Location	Non-controlling interests in subsidiaries (%)	Profit (loss) distributed to non-controlling interests (millions of yen)	Accumulated non-controlling interests (millions of yen)	Dividends paid to non-controlling interests (millions of yen)
Japan	34.8	1,188	43,620	847

Condensed financial statements before elimination of intragroup transactions including goodwill and consolidation adjustments at the time of acquisition are as follows:

Fiscal year ended February 28, 2018

	(Millions of yen)
Cash and cash equivalents	12,464
Other current assets	26,781
Non-current assets other than goodwill	222,590
Goodwill	-
Total assets	261,835
Current liabilities	52,514
Non-current liabilities	83,010
Total liabilities	135,524
Sales revenue	91,621
Profit (loss)	7,809
Comprehensive income	8,045
Net cash flows from (used in) operating activities	21,386
Net cash flows from (used in) investing activities	(11,552)
Net cash flows from (used in) financing activities	(7,897)
Net increase (decrease) in cash and cash equivalents	1,936

Fiscal year ended February 28, 2019

(Millions of yen)

Cash and cash equivalents	8,690
Other current assets	34,058
Non-current assets other than goodwill	232,620
Goodwill	-
Total assets	275,369
Current liabilities	53,798
Non-current liabilities	94,662
Total liabilities	148,460
Sales revenue	89,969
Profit (loss)	3,370
Comprehensive income	3,465
Net cash flows from (used in) operating activities	4,529
Net cash flows from (used in) investing activities	(13,909)
Net cash flows from (used in) financing activities	5,610
Net increase (decrease) in cash and cash equivalents	(3,768)

(3)Transfer of subsidiaries

The Group transferred all shares of Forest Co., Ltd. on August 31, 2017 to EDION Corporation.

Major components of assets and liabilities at the time of

loss of control over companies that are no longer subsidiaries due to sale of the shares, and relationship between consideration received and balance of revenue with expense due to the sale are as follows:

(Millions of yen)

	Fiscal year ended February 28, 2018	Fiscal year ended February 28, 2019
Components of assets at the time of the loss of control		
Current assets	2,772	-
Non-current assets	396	-
Components of liabilities at the time of the loss of control		
Current liabilities	2,573	-
Non-current liabilities	204	-

(Millions of yen)

	Fiscal year ended February 28, 2018	Fiscal year ended February 28, 2019
Cash consideration received	3,311	-
Collection of loans receivable	(789)	-
Expenses incidental to the sale of shares	(130)	-
Of assets at the time of the loss of control, cash and cash equivalents	(443)	-
Additional acquisition of shares	(107)	-
Proceeds from sale of subsidiaries	1,839	-

39 Related Parties

(1) Transactions with related parties

Notes related to transactions with related parties (excluding those eliminated in the consolidated financial statements) have been omitted because there were no significant transactions, etc.

(2) Remuneration for key management personnel

Description of the remuneration for Directors and other key management personnel of the Group is as follows:

(Millions of yen)

	Fiscal year ended February 28, 2018	Fiscal year ended February 28, 2019
Officer remuneration	2,127	2,076
Retirement benefit	1	1
Share-based payment	395	505
Total	2,525	2,583

40 Commitments

Commitments related to expenditures after the reporting date are as follows:

(Millions of yen)

	As of February 28, 2018	As of February 28, 2019
Purchase of property, plant and equipment	28,462	15,622
Purchase of intangible assets	–	8
Purchase of investment property	583	427
Total	29,045	16,057

41 Contingent Liabilities

Amount of guarantee obligations

The Group has provided guarantee for transactions, etc. between its employees and financial institutions as follows:

(Millions of yen)

	As of February 28, 2018	As of February 28, 2019
Debt guarantees for employees	10	8
Total	10	8

42 Subsequent Events

No items to report.

43 Approval of Consolidated Financial Statements

These consolidated financial statements were approved by the President and Representative Executive Officer Ryoichi Yamamoto on May 27, 2019.

(2) Other

Quarterly financial information, etc. for the current fiscal year

(Cumulative)	First three months	First six months	First nine months	Current fiscal year
Sales revenue (Millions of yen)	111,073	227,206	333,608	459,840
Profit before tax (Millions of yen)	13,212	25,064	34,898	42,126
Profit attributable to owners of parent (Millions of yen)	8,342	15,910	22,077	27,358
Basic earnings per share (Yen)	31.89	60.80	84.37	104.55

(Quarterly)	First quarter	Second quarter	Third quarter	Fourth quarter
Basic earnings per share (Yen)	31.89	28.92	23.57	20.18

Independent Auditor's Report

The Board of Directors
J. FRONT RETAILING Co., Ltd.

We have audited the accompanying consolidated financial statements of J. FRONT RETAILING Co., Ltd. and its consolidated subsidiaries, which comprise the consolidated statement of financial position as at February 28, 2019, and the consolidated statements of income, comprehensive income, changes in equity, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of J. FRONT RETAILING Co., Ltd. and its consolidated subsidiaries as at February 28, 2019, and their consolidated financial performance and cash flows for the year then ended in conformity with International Financial Reporting Standards.

Ernst & Young Shin Nippon LLC

May 27, 2019
Tokyo, Japan



J. FRONT RETAILING

