

J.FRONT RETAILING

Integrated Report 2020 (Year ended February 29, 2020) 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, 2019	As of February 29, 2020
		Millions of yen	Millions of yen
Assets			
Current assets			
Cash and cash equivalents	6	25,659	34,633
Trade and other receivables	7,27	132,943	144,244
Other financial assets	9,36	7,324	5,095
Inventories	8	38,349	19,169
Other current assets	10	7,004	5,281
Total current assets		211,281	208,424
Non-current assets			
Property, plant and equipment	11,20	471,238	473,167
Right-of-use assets	13	-	179,632
Goodwill	12	523	523
Investment property	14	197,162	219,354
Intangible assets	12	4,489	5,662
Investments accounted for using equity method	16	17,616	37,439
Other financial assets	9,20,36	96,225	91,379
Deferred tax assets	18	8,280	9,988
Other non-current assets	10	22,754	14,734
Total non-current assets		818,291	1,031,883
Total assets		1,029,573	1,240,308

	Notes	As of February 28, 2019	As of February 29, 2020
		Millions of yen	Millions of yen
Liabilities and equity			
Liabilities			
Current liabilities			
Bonds and borrowings	19,20	31,320	108,400
Trade and other payables	21	138,938	144,020
Lease liabilities	13	-	29,493
Other financial liabilities	13,19, 20,36	32,252	30,199
Income tax payables		8,174	4,349
Provisions	23	1,851	999
Other current liabilities	24,27	62,490	56,427
Total current liabilities		275,028	373,889
Non-current liabilities			
Bonds and borrowings	19,20	143,058	149,876
Lease liabilities	13	-	191,003
Other financial liabilities	13,19, 20,36	47,718	41,087
Retirement benefit liabilities	22	29,003	20,175
Provisions	23	5,176	4,909
Deferred tax liabilities	18	60,455	58,829
Other non-current liabilities	24	647	855
Total non-current liabilities		286,059	466,737
Total liabilities		561,087	840,627
Equity			
Capital	25	31,974	31,974
Share premium	25	212,210	189,340
Treasury shares	25	(15,090)	(14,974)
Other components of equity	25	14,745	11,641
Retained earnings	25	168,861	169,206
Total equity attributable to owners of parent		412,700	387,188
Non-controlling interests	37	55,784	12,493
Total equity		468,485	399,681
Total liabilities and equity		1,029,573	1,240,308

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

Consolidated Statement of Income

	Notes	Fiscal year ended February 28, 2019	Fiscal year ended February 29, 2020
		Millions of yen	Millions of yen
Sales revenue	27	459,840	480,621
Cost of sales	29	(247,443)	(273,667)
Gross profit		212,396	206,953
Selling, general and administrative expense	30	(166,882)	(161,590)
Other operating income	28	3,237	8,663
Other operating expense	31	(7,860)	(13,740)
Operating profit		40,891	40,286
Finance income	32	1,104	1,091
Finance costs	32	(1,170)	(5,862)
Share of profit (loss) of investments accounted for using equity method		1,301	1,644
Profit before tax		42,126	37,161
Income tax expense	18	(12,950)	(13,767)
Profit		29,176	23,393
Profit attributable to:			
Owners of parent		27,358	21,251
Non-controlling interests		1,817	2,141
Profit		29,176	23,393
Earnings per share			
Basic earnings per share (Yen)	34	104.55	81.19
Diluted earnings per share (Yen)	34	104.52	81.17

Consolidated Statement of Comprehensive Income

	Notes	Fiscal year ended February 28, 2019	Fiscal year ended February 29, 2020
		Millions of yen	Millions of yen
Profit		29,176	23,393
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Financial assets measured at fair value through other comprehensive income	33,36	(471)	(2,318)
Remeasurements of defined benefit plans	33	(1,220)	256
Share of other comprehensive income of entities accounted for using equity method	33	33	(37)
Total items that will not be reclassified to profit or loss		(1,657)	(2,099)
Items that may be reclassified to profit or loss			
Cash flow hedges	33	58	0
Exchange differences on translation of foreign operations	33	(71)	24
Share of other comprehensive income of entities accounted for using equity method	33	2	1
Total items that may be reclassified to profit or loss		(10)	26
Other comprehensive income, net of tax		(1,668)	(2,073)
Comprehensive income		27,507	21,320
Comprehensive income attributable to:			
Owners of parent		25,631	19,259
Non-controlling interests		1,875	2,060
Comprehensive income		27,507	21,320

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, 2018		31,974	211,864	(15,244)	(43)	(15)	15,831
Profit		-	-	-	-	-	-
Other comprehensive income		-	-	-	(70)	60	(530)
Total comprehensive income		-	-	-	(70)	60	(530)
Purchase of treasury shares	25	-	-	(8)	-	-	-
Disposal of treasury shares	25	-	(0)	0	-	-	-
Dividends	26	-	-	-	-	-	-
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
Effect of changes in accounting policies		-	-	-	-	-	-
Balance reflecting changes in accounting policies		31,974	212,210	(15,090)	(83)	(5)	14,834
Profit		-	-	-	-	-	-
Other comprehensive income		-	-	-	24	1	(2,237)
Total comprehensive income		-	-	-	24	1	(2,237)
Purchase of treasury shares	25	-	-	(7)	-	-	-
Disposal of treasury shares	25	-	(0)	0	-	-	-
Dividends	26	-	-	-	-	-	-
Changes in ownership interests in subsidiaries	37	-	(23,106)	-	(6)	(0)	84
Share-based payment transactions		-	236	122	-	-	-
Transfer from other components of equity to retained earnings		-	-	-	-	-	(970)
Other		-	-	-	-	-	-
Total transactions with owners		-	(22,870)	115	(6)	(0)	(885)
Balance at February 29, 2020		31,974	189,340	(14,974)	(65)	(3)	11,710

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, 2018	-	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
Purchase of treasury shares	25	-	-	(8)	-	(8)
Disposal of treasury shares	25	-	-	0	-	0
Dividends	26	-	(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
Effect of changes in accounting policies	-	-	(12,675)	(12,675)	(1,914)	(14,590)
Balance reflecting changes in accounting policies	-	14,745	156,185	400,025	53,869	453,895
Profit	-	-	21,251	21,251	2,141	23,393
Other comprehensive income	219	(1,992)	-	(1,992)	(80)	(2,073)
Total comprehensive income	219	(1,992)	21,251	19,259	2,060	21,320
Purchase of treasury shares	25	-	-	(7)	-	(7)
Disposal of treasury shares	25	-	-	0	-	0
Dividends	26	-	(9,419)	(9,419)	(972)	(10,392)
Changes in ownership interests in subsidiaries	37	-	77	(23,028)	(42,465)	(65,494)
Share-based payment transactions	-	-	-	359	-	359
Transfer from other components of equity to retained earnings	(219)	(1,189)	1,189	-	-	-
Other	-	-	-	-	-	-
Total transactions with owners	(219)	(1,111)	(8,230)	(32,096)	(43,437)	(75,534)
Balance at February 29, 2020	-	11,641	169,206	387,188	12,493	399,681

4) Consolidated Statement of Cash Flows

	Notes	Fiscal year ended	Fiscal year ended
		February 28, 2019	February 29, 2020
		Millions of yen	Millions of yen
Cash flows from (used in) operating activities			
Profit before tax		42,126	37,161
Depreciation and amortization expense		19,907	50,953
Impairment loss		2,514	2,496
Finance income		(1,104)	(1,091)
Finance costs		1,170	5,862
Share of loss (profit) of investments accounted for using equity method		(1,301)	(1,644)
Loss (gain) on sales of non-current assets		(23)	(2,832)
Loss on disposals of non-current assets		1,641	3,576
Decrease (increase) in inventories		(4,594)	20,173
Decrease (increase) in trade and other receivables		(7,500)	(6,899)
Increase (decrease) in trade and other payables		(2,087)	(4,071)
Increase (decrease) in retirement benefit liabilities		(905)	(8,828)
Decrease (increase) in retirement benefit assets		1,334	776
Other, net		(462)	364
Subtotal		50,714	95,995
Interest received		98	111
Dividends received		330	275
Interest paid		(1,063)	(5,894)
Income taxes paid		(17,662)	(19,783)
Income taxes refund		2,453	2,654
Net cash flows from (used in) operating activities		34,870	73,358
Cash flows from (used in) investing activities			
Purchase of property, plant and equipment		(28,954)	(33,073)
Proceeds from sales of property, plant and equipment		9	930
Purchase of investment property		(4,250)	(2,759)
Proceeds from sales of investment property		32	3,257
Purchase of investment securities		(1,040)	(19,574)
Proceeds from sales of investment securities		8,826	4,558
Other, net		(1,459)	(2,898)
Net cash flows from (used in) investing activities		(26,836)	(49,559)
Cash flows from (used in) financing activities			
Net increase (decrease) in current borrowings	19	(9,849)	53,480
Net increase (decrease) in commercial papers	19	(1,000)	4,000
Proceeds from non-current borrowings	19	20,350	10,300
Repayments of non-current borrowings	19	(19,360)	(13,800)
Proceeds from issuance of bonds	19	-	29,864
Repayments of lease liabilities	13,19	-	(29,241)
Purchase of treasury shares		(9)	(10)
Dividends paid		(9,389)	(9,396)
Dividends paid to non-controlling interests		(942)	(972)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	37	-	(59,042)
Other, net	19	(1,073)	(10)
Net cash flows from (used in) financing activities		(21,274)	(14,829)
Net increase (decrease) in cash and cash equivalents		(13,240)	8,970
Cash and cash equivalents at beginning of period	6	38,883	25,659
Effect of exchange rate changes on cash and cash equivalents		16	4
Cash and cash equivalents at end of period	6	25,659	34,633

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 29, 2020 comprise the Company and its subsidiaries’ interests in the Group’s associates.

For the Group’s major business activities, please refer to “5. 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

(Application of IFRS 16 “Leases”)

The Group has applied IFRS 16 “Leases” (issued in January 2016) (hereinafter “IFRS 16”) from the fiscal year ended February 29, 2020.

The Group has applied IFRS 16 retrospectively in accordance with the transitional requirements under which the cumulative effect of initially applying IFRS 16 has been recognized as an adjustment to the opening balance of retained earnings for the fiscal year ended February 29,

2020. In transitioning to IFRS 16, the Group has elected to apply the practical expedient provided in IFRS 16 paragraph C3 and maintained its assessment of whether a contract contains a lease under IAS 17 “Leases” (hereinafter “IAS 17”) and IFRIC 4 “Determining whether an Arrangement Contains a Lease.”

Accordingly, effective the date of initial application, IFRS 16 is applied to contracts recognized as leases based on the existing IAS 17 and IFRIC 4 but IFRS 16 is not applied to those contracts that were not recognized as leases.

The Group recognized right-of-use assets and lease liabilities at the date of initial application of IFRS 16 for leases that it previously classified as operating leases under IAS 17. The lease liabilities are measured at the present value of outstanding lease payments discounted using the lessee’s incremental borrowing rate at the date of initial application. The weighted average of the lessee’s incremental borrowing rates applied to the lease liabilities recognized on the consolidated statement of financial position at the date of initial application is 1.8%. The right-of-use assets are measured retrospectively as if IFRS 16 had been applied since the commencement date of the lease contract. Right-of-use assets are depreciated using the straight-line method. It is noted, however, that the Group has elected not to apply the requirements of IFRS 16 to short-term leases or low-value leases.

Consequently, at the beginning of the current fiscal year, excluding the transfer portion, such as the lease assets and lease liabilities, etc. that were previously classified as finance leases under IAS 17, right-of-use assets (including investment properties) and lease liabilities increased by ¥208,208 million and ¥228,414 million, respectively, and retained earnings and non-controlling interests decreased by ¥12,675 million and ¥1,914 million, respectively.

In the current fiscal year, compared to application of the former accounting standard, operating profit increased by ¥4,584 million; however, the impact on profit before tax

was immaterial.

In addition, net cash flows from operating activities increased by ¥27,739 million and net cash flows from financing activities decreased by the same amount.

The following is a reconciliation of the operating lease

agreements, which were disclosed after adopting IAS 17 at the end of the previous fiscal year, and the lease liabilities at the commencement date of the application, which were recognized in the consolidated statement of financial position.

	Amount
	Millions of yen
Non-cancellable operating lease agreements disclosed as of February 28, 2019	42,866
Amount discounted at the incremental borrowing rate for non-cancellable operating lease agreements disclosed as of February 28, 2019	40,208
Finance lease obligations disclosed as of February 28, 2019	10,301
Effect of reassessment of lease term etc. due to application of IFRS 16 from March 1, 2019	188,205
Lease liabilities as of March 1, 2019	238,715

The Group uses the following practical expedients.

- A lessee may rely on its assessment of whether leases are onerous applying IAS 37 “Provisions, Contingent Liabilities and Contingent Assets” immediately before the date of initial application as an alternative to performing an impairment review,
- A lessee may account for leases for which the lease term ends within 12 months of the date of initial application in the same way as short-term leases,
- A lessee may exclude initial direct costs from the measurement of the right-of-use asset at the date of initial application, and
- A lessee may use hindsight, such as in determining the lease term if the contract contains options to extend or terminate the lease.

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 the initial recognition, amortization cost is measured using the effective interest method, and impairment losses are deducted when recognized. 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) Right-of-use assets

The Group confirms a right-of-use asset on the lease commencement date and initially measures it at its acquisition cost. The aforementioned acquisition cost consists of the amount of the lease liability, the amount of lease payments made before the lease commencement date adjusted to exclude any received lease incentives, and the initial direct cost that was incurred.

After the initial measurement, right-of-use assets are depreciated using the straight-line method over the lease term. The lease term is determined based on the non-cancellable term of the lease, taking into consideration any term for which there is reasonable certainty of extension and any term for which there is reasonable certainty of non-cancellation. In cases where a right-of-use asset is impaired, the impairment loss is deducted from the carrying amount of the right-of-use asset.

Note that for the previous fiscal year, items are accounted for based on the following accounting policy.

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) Lease liabilities

Lease liabilities are initially measured at the present value

of the lease payments to be paid in the future over the lease term on and after the lease commencement date. When calculating the present value, if the interest rate implicit in the lease can be readily determined, that is used, and if it cannot, the lessee's incremental borrowing rate is used.

The lease payments used in the measurement of lease liabilities mainly include the fixed lease payments, the lease payments of the extended term if the lease term reflects the exercise of a lease extension option, and the cancellation fees if the lease term reflects the exercise of a lease cancellation option.

After the initial measurement, lease liabilities are measured at the amortized cost using the effective interest method. Moreover, if changes in future lease payments arise due to changes in indexes or rates, or if changes in the assessment regarding the potential for execution of an extension option or a cancellation option arises, the Group remeasures the lease liabilities.

If remeasuring the lease liabilities, the carrying amount of the right-of-use asset is also adjusted using the remeasured amount of the lease liabilities. However, if the decrease in liabilities due to remeasurement of the lease liabilities is larger than the carrying amount of the right-of-use asset, the amount remaining after impairing the right-of-use asset to zero is recognized as a net profit.

(13) 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.

(14) 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 has decreased or been extinguished at the end of the 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.

(15)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.

(16)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.

(17)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.

(18) Sales revenue

Based on the following five-step approach, the Group recognizes revenue 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.

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 IFRS 16.

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

(19)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.

(20)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.

(21) 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.

(22) 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.

(23) 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.

(24) 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. Concerning the method of estimating the impact of the novel coronavirus (COVID-19), no announcement has been made concerning a comprehensive analysis of matters such as the way in which COVID-19 will spread going forward and when the crisis is expected to be resolved. However, given that the spread has been contained in various regions and economic activity has resumed, a comprehensive estimation has been performed that reflects the situation as of the end of the reporting period based on the assumption that the situation is gradually improving. If uncertainty further increases, the Group may revise the carrying amounts of assets and liabilities in future accounting periods.

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.

(6) Determination and revision of lease periods

The Group determines the lease periods based on the non-cancellable term of the lease, taking into consideration any term for which there is reasonable certainty of extension and any term for which there is reasonable certainty of non-cancellation. Specifically, the Group estimates the period for which there is reasonable certainty considering changes in rent expenses resulting from extension or shortening of the lease period, the existence of cancellation penalties, and the payback period for investments in significant fixtures, facilities, etc. for rental properties.

For real estate leases in which the Group is the lessee in the Department Store Business, there may be revisions to the lease period for the flagship store or properties tied to the flagship store coinciding with the next individual-store large-scale renovation plan or when the next Medium-term Business Plan is decided. If revisions to the lease periods 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.

5 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, 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				
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 and amortization expense	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
Investments 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:
- 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.
 - Capital expenditures are the amount of the increase in property, plant and equipment, investment property and intangible assets.
 - Adjustments are made as follows.
 - 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.
 - 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.
 - The adjustment for depreciation and amortization expense consists of inter-segment transfers.
 - 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.
 - The adjustment for capital expenditures consists mainly of inter-segment unrealized profit.
 - Segment profit is adjusted to operating profit in the consolidated financial statements.

Fiscal year ended February 29, 2020

	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				
External revenue	263,388	111,614	16,644	6,872	398,519	82,101	480,621	-	480,621
Inter-segment revenue	360	598	1,148	3,846	5,954	41,173	47,128	(47,128)	-
Total	263,748	112,212	17,793	10,719	404,474	123,275	527,749	(47,128)	480,621
Segment profit	17,625	10,823	6,725	1,908	37,082	4,700	41,783	(1,496)	40,286
Finance income									1,091
Finance costs									(5,862)
Share of profit (loss) of investments accounted for using equity method									1,644
Profit before tax									37,161
Segment assets	471,955	344,162	264,663	78,589	1,159,370	139,143	1,298,514	(58,205)	1,240,308
Other items									
Depreciation and amortization expense	29,043	15,804	4,753	107	49,707	1,987	51,695	(741)	50,953
Impairment loss	1,167	1,234	-	-	2,401	94	2,496	-	2,496
Investments accounted for using equity method	3,141	40	18,474	-	21,657	164	21,821	15,618	37,439
Capital expenditures	24,578	14,549	5,180	538	44,846	2,414	47,260	(331)	46,929

- Notes:
- 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.
 - Capital expenditures are the amount of the increase in property, plant and equipment, right-of-use assets, investment property and intangible assets.
 - Adjustments are made as follows.
 - 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.
 - 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.
 - The adjustment for depreciation and amortization expense consists of inter-segment transfers.
 - 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.
 - The adjustment for capital expenditures consists mainly of inter-segment unrealized profit.
 - Segment profit is adjusted to operating profit in the consolidated financial statements.

(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.

6 Cash and Cash Equivalents

The breakdown of cash and cash equivalents is as follows:

	As of February 28, 2019	As of February 29, 2020
	Millions of yen	Millions of yen
Cash	2,922	2,821
Deposits (including time deposits with deposit terms of three months or less)	22,736	31,811
Total	25,659	34,633

7 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, 2019	As of February 29, 2020
	Millions of yen	Millions of yen
Notes receivable – trade	3,036	2,783
Accounts receivable – trade	68,915	69,962
Accounts receivable – other	55,124	60,237
Contract assets	1,935	6,494
Other	3,931	4,765
Total	132,943	144,244

8 Inventories

The breakdown of inventories is as follows:

	As of February 28, 2019	As of February 29, 2020
	Millions of yen	Millions of yen
Merchandise and finished goods	20,573	18,622
Work in process	302	221
Real estate for sale in process	17,070	–
Supplies	403	324
Total	38,349	19,169

The amount of inventories that were recognized as expenses was ¥235,566 million in the fiscal year ended February 28, 2019 and ¥258,867 million in the fiscal year ended February 29, 2020.

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

	Fiscal year ended February 28, 2019	Fiscal year ended February 29, 2020
	Millions of yen	Millions of yen
Amounts of write-down	192	388

9 Other Financial Assets

The breakdown of other financial assets is as follows:

	As of February 28, 2019	As of February 29, 2020
	Millions of yen	Millions of yen
Financial assets measured at amortized cost		
Time deposits with deposit terms of more than three months	5,199	5,544
Lease and guarantee deposits	57,148	56,837
Loans receivable	2,260	2,143
Other	5,992	5,984
Financial instruments measured at fair value through profit or loss		
Derivative financial assets	23	8
Financial assets measured at fair value through other comprehensive income		
Shares and investments in capital	32,926	25,957
Total	103,550	96,475
Total current assets	7,324	5,095
Total non-current assets	96,225	91,379

10 Other Assets

The breakdown of other assets is as follows:

	As of February 28, 2019	As of February 29, 2020
	Millions of yen	Millions of yen
Prepaid expense	9,323	2,310
Advance payments – trade	1,047	974
Suspense payments	527	599
Retirement benefit assets	12,863	12,086
Other	5,997	4,044
Total	29,759	20,016
Other current assets	7,004	5,281
Other non-current assets	22,754	14,734

11 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, 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
Effect of changes in accounting policies	-	(4,032)	(483)	(3,280)	-	(7,796)
Balance as of March 1, 2019	239,541	434,764	3,623	15,174	70,433	763,536
Acquisitions	259	12,555	373	2,908	19,615	35,713
Sales or disposals	(589)	(12,674)	(53)	(1,115)	-	(14,432)
Transfer among line items	32,673	47,698	21	1,117	(89,212)	(7,701)
Balance as of February 29, 2020	271,884	482,344	3,965	18,085	835	777,115

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, 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)
Effect of changes in accounting policies	-	117	127	1,534	-	1,779
Balance as of March 1, 2019	(487)	(283,809)	(2,551)	(11,466)	-	(298,314)
Depreciation expense	-	(15,803)	(191)	(1,147)	-	(17,142)
Impairment loss	-	(874)	(11)	(89)	-	(976)
Sales or disposals	5	10,750	50	1,053	-	11,860
Transfer among line items	-	700	-	-	-	700
Other	-	(56)	-	(18)	-	(75)
Balance as of February 29, 2020	(481)	(289,092)	(2,704)	(11,669)	-	(303,947)

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, 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
Balance as of February 29, 2020	271,403	193,252	1,260	6,415	835	473,167

- 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 "28. Other Operating Income" for the gain on sales of non-current assets for the fiscal years ended February 28, 2019 and February 29, 2020, and "31. Other Operating Expense" for the loss on disposals of non-current assets for the fiscal years ended February 28, 2019 and February 29, 2020.

(2) Leased assets

Carrying amounts of leased assets under finance leases included in property, plant and equipment as of February 28, 2019 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 February 28, 2019	3,914	355	1,745	6,016

Note: Please refer to "13. Leases" for leased assets as of February 29, 2020.

(3) Assets pledged as collateral

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

(4) Commitments

Please refer to "39. Commitments" for commitments related to purchase of property, plant and equipment.

12 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, 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
Effect of changes in accounting policies	-	(91)	-	(91)
Balance as of March 1, 2019	568	9,135	571	9,706
Acquisitions	-	3,025	201	3,226
Sales or disposals	-	(1,170)	(7)	(1,178)
Transfer among line items	-	177	(177)	(0)
Balance as of February 29, 2020	568	11,167	587	11,754

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, 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)
Effect of changes in accounting policies	-	41	-	41
Balance as of March 1, 2019	(44)	(4,835)	(432)	(5,267)
Amortization expense	-	(1,627)	(1)	(1,628)
Impairment loss	-	(141)	-	(141)
Sales or disposals	-	946	-	946
Other	-	(0)	-	(0)
Balance as of February 29, 2020	(44)	(5,658)	(433)	(6,092)

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, 2018	523	3,511	77	3,588
Balance as of February 28, 2019	523	4,350	139	4,489
Balance as of February 29, 2020	523	5,508	153	5,662

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 as of February 28, 2019 is as follows:

	Software	Total
	Millions of yen	Millions of yen
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, 2019	As of February 29, 2020
	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.

13 Leases

As of February 28, 2019

(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, 2019	
Due within one year	1,812	1,058
Due after one year through five years	5,311	2,427
Due after five years	13,223	6,814
Total	20,347	10,301
Future finance costs	10,046	
Present value of lease obligations	10,301	

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

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, 2019
Due within one year	19,536
Due after one year through five years	14,020
Due after five years	9,309
Total	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, 2019
Minimum lease payments	28,566
Contingent rents	879
Total	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, 2019 were ¥9,434 million.

Sublease payments receivable recognized as revenue under cancellable or non-cancellable operating leases in the fiscal years ended February 28, 2019 were ¥12,554 million.

(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, 2019
Due within one year	9,165
Due after one year through five years	17,337
Due after five years	10,619
Total	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, 2019
Contingent rents	26,634

As of February 29, 2020

(1)As lessee

The Group enters into lease contracts for real estate, various facilities, etc. in the Department Store Business mainly for the purpose of ensuring flexibility relating to asset replacement, reducing the administrative burden relating to asset management, and efficiently operating funds. In cases where such a contract transfers the right to control the use of an identified asset for a period of time in exchange for consideration, the contract is deemed to be a lease or to contain a lease, and the right-of-use assets and lease liabilities are recognized on the date of the

commencement of the lease. However, for short-term leases and leases for which the underlying asset is of low value, the Group may recognize the lease payments related to the lease as an expense using the straight-line method over the lease term.

In some lease contracts among those aforementioned agreements, an option for the lessee to extend the lease period is attached.

The Group exercises the option to extend a lease if it judges it necessary to exercise that option after comprehensively considering the profitability of the

underlying asset of the agreement, changes to the environment of the neighborhood market and the exercise conditions of the option. However, in cases where there is no reasonable certainty that the option will be exercised on the start date of the lease, the corresponding extension period is not included in the lease period and the lease payment for that period is not included in the measurement of lease liabilities.

For both the option to extend the lease period and the

option to cancel the lease, the Group reviews the possibility of exercising the option each period.

The total amount of agreements that contain contingent rents or residual value guarantee, or the total amount of leases that have not yet started regardless of whether the agreement has been concluded are immaterial.

The breakdown of right-of-use assets as of February 29, 2020 is as follows:

(Millions of yen)

	Type of underlying assets				Total
	Buildings and structures	Machinery, tools and fixtures	Land	Intangible assets, other	
As of March 1, 2019	170,992	2,456	24,883	1,771	200,103
As of February 29, 2020	151,134	3,101	23,649	1,746	179,632

Profit or loss related to right-of-use assets

Costs related to leases and cash outflow in the fiscal year ended February 29, 2020 are as follows.

(Millions of yen)

	Fiscal year ended February 29, 2020
Depreciation expense of right-of-use assets (Note)	
Items with buildings and structures as the underlying assets	23,633
Items with machinery, tools and fixtures as the underlying asset	946
Items with land as the underlying asset	1,168
Items with intangible assets, other as the underlying asset	166
Total depreciation expense of right-of-use assets	25,914
Interest expenses related to lease liabilities	4,793
Costs related to Current lease obligations	522
Costs related to leases of low-value assets	943
Contingent rents not included in the measurement of lease liabilities	1,054
Total (net) of costs related to leases	7,314
Repayments of lease liabilities	29,241
Income from subleasing (Note)	16,885
Profit or loss from sale and leaseback transaction	194
Cash outflow related to leases	19,475

Note: Right of use assets that fall under the definition of investment property are excluded.

Lease liabilities

A maturity analysis for lease liabilities is as follows.

(Millions of yen)

	As of February 29, 2020
Contractual undiscounted cash flows	
Due within one year	33,709
Due after one year through two years	30,906
Due after two years through three years	29,143
Due after three years through four years	27,044
Due after four years through five years	25,733
Due after five years	110,491
Balance of lease liabilities before discount	257,030
Current	29,493
Non-current	191,003

(2)As lessor

The Group mainly leases investment property and tenant space inside commercial facilities using financial lease or operating lease transactions.

These lease assets are exposed to the risk of being damaged due to the use by the lessee that is above and beyond regular use, or as a result of intentional acts or

gross negligence. To avoid and mitigate such risks, the Group requires in accordance with lease contracts that lessees provide a lease or guarantee deposit of a certain amount, and if the asset is actually damaged, the lease or guarantee deposit is used to fund the costs required for repair.

1)Finance leases (As lessor)

The information has been omitted due to its immateriality.

2)Operating leases (As lessor)

Revenue related to operating leases is as follows:

(Millions of yen)

	Fiscal year ended February 29, 2020
Lease revenue (other than contingent rents)	23,244
Lease revenue (contingent rents)	27,805

The maturity analysis for lease payments relating to operating leases is as follows:

(Millions of yen)

	As of February 29, 2020
Due within one year	20,002
Due after one year through two years	18,239
Due after two years through three years	17,137
Due after three years through four years	16,674
Due after four years through five years	15,599
Due after five years	131,101
Total	218,754

Changes in the carrying amount, acquisition cost, and accumulated depreciation and impairment of underlying assets of operating leases recorded under property, plant and equipment in the consolidated statement of financial position are as follows:

Carrying amount

(Millions of yen)

	Land	Buildings and structures
Balance as of March 1, 2019	77,950	60,553
Acquisitions	34,932	22,909
Acquisition due to business combinations	-	-
Sales or disposals	(410)	(210)
Transfer among line items	-	0
Depreciation expense	-	(4,827)
Impairment loss	-	(41)
Exchange differences on translation of foreign operations	-	-
Other	-	-
Balance as of February 29, 2020	112,472	78,383

Acquisition costs

(Millions of yen)

	Land	Buildings and structures
Balance as of March 1, 2019	78,171	146,266
Balance as of February 29, 2020	112,687	168,111

Accumulated depreciation and impairment

(Millions of yen)

	Land	Buildings and structures
Balance as of March 1, 2019	221	85,713
Balance as of February 29, 2020	215	89,727

14 Investment Property

(1) Schedule of changes

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

Acquisition costs

	Self-owned assets	Right-of-use assets	Total
	Millions of yen	Millions of yen	Millions of yen
Balance as of March 1, 2018	207,160	-	207,160
Acquisitions	4,724	-	4,724
Sales or disposals	(1,225)	-	(1,225)
Transfer among line items	538	-	538
Balance as of February 28, 2019	211,197	-	211,197
Effect of changes in accounting policies	(1,570)	29,487	27,917
Balance as of March 1, 2019	209,627	29,487	239,115
Acquisitions	2,233	5,388	7,622
Sales or disposals	(2,132)	-	(2,132)
Transfer among line items	2,704	-	2,704
Other	-	(3,597)	(3,597)
Balance as of February 29, 2020	212,433	31,278	243,711

Accumulated depreciation and impairment

	Self-owned assets	Right-of-use assets	Total
	Millions of yen	Millions of yen	Millions of yen
Balance as of March 1, 2018	(11,551)	-	(11,551)
Depreciation expense	(2,649)	-	(2,649)
Impairment loss	(25)	-	(25)
Sales or disposals	381	-	381
Transfer among line items	(190)	-	(190)
Balance as of February 28, 2019	(14,035)	-	(14,035)
Effect of changes in accounting policies	104	(6,022)	(5,917)
Balance as of March 1, 2019	(13,930)	(6,022)	(19,953)
Depreciation expense	(2,598)	(3,002)	(5,601)
Impairment loss	(15)	(265)	(280)
Sales or disposals	1,288	-	1,288
Transfer among line items	(700)	-	(700)
Other	(5)	896	890
Balance as of February 29, 2020	(15,962)	(8,394)	(24,356)

Carrying amounts and fair values

	(Millions of yen)			
	As of February 28, 2019		As of February 29, 2020	
	Carrying amount	Fair value	Carrying amount	Fair value
Investment property	197,162	283,834	219,354	317,782

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, 2019	Fiscal year ended February 29, 2020
Rental income	19,070	20,210
Direct operating expense	10,854	11,856

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 “39. Commitments” for commitments related to purchase of investment property.

15 Impairment of Non-financial Assets

Non-financial assets 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, 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
			Other	0
PARCO Business	PARCO Co., Ltd. (Funabashi, Chiba, etc.)	Store, etc.	Buildings and structures	1,957
			Machinery and vehicles	0
			Furniture and fixtures	37
			Software	11
			Long-term prepaid expenses	56
			Investment property	25
			Other	2
	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	2,514

1)With regard to the Department Store Business, the amount invested is not expected to be recovered for Nippori Center due to the decision to change its use to a property for real estate development, and accordingly 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 (¥693 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.

Fiscal year ended February 29, 2020

(Millions of yen)

Segment	Company name (Location)	Use	Type	Impairment loss
Department Store Business	Daimaru Matsuzakaya Department Stores Co. Ltd. (Toyota, Aichi)	Store, etc.	Buildings and structures	436
			Machinery and vehicles	11
			Furniture and fixtures	1
			Right-of-use assets	296
			Operating lease accounting treatment leases	4
	Kochi Daimaru Co., Ltd. (Kochi, Kochi)	Office, Parking	Buildings and structures	180
			Furniture and fixtures	3
			Other	231
PARCO Business	PARCO Co., Ltd. (Hiroshima, Hiroshima, etc.)	Store, etc.	Buildings and structures	12
			Furniture and fixtures	0
			Right-of-use assets	33
			Software	1
			Investment property	280
	NEUVE A Co., Ltd. (Shibuya-ku, Tokyo, etc.)	Store, etc.	Buildings and structures	131
			Furniture and fixtures	80
			Right-of-use assets	512
			Software	139
	PARCO SPACE SYSTEMS Co., Ltd. (Odawara, Kanagawa, etc.)	Hotel business	Buildings and structures	27
			Furniture and fixtures	1
			Right-of-use assets	12
Software			0	
Other	J. Front Foods Co., Ltd. (Taito-ku, Tokyo)	Store, etc.	Buildings and structures	85
			Furniture and fixtures	2
			Right-of-use assets	7
			Total	2,496

1)With regard to the Department Store Business, an impairment loss (¥750 million) was recorded as loss on business liquidation in connection with the decision to cease operations of Matsuzakaya Toyota. The recoverable amount of the cash-generating unit was measured at value in use, and was calculated by discounting future cash flows by 4.1%, taking into account the future profitability and other factors. For Kochi Daimaru Co., Ltd., following the decision to sell the Pianta Building, which had been used as an office by

said company, the carrying amount of the respective assets was reduced to zero, and the amount of the reduction (¥183 million) and the loss on liquidation of business (¥231 million) were recorded as impairment loss.

2)With regard to the PARCO Business, the amount invested is not expected to be recovered due to the decreased profitability of shopping centers such as Hiroshima ZERO GATE, etc., and accordingly the

carrying amount of the cash-generating unit was reduced to the recoverable amount and the reduction was recognized as an impairment loss (¥329 million). With regard to specialty stores, the amount invested is not expected to be recovered due to decreased profitability, and accordingly the carrying amount of the cash-generating unit was reduced to the recoverable amount and the reduction was recognized as an impairment loss

(¥862 million). The recoverable amount of the cash-generating unit was measured at value in use, and was calculated by discounting future cash flows by 3.6%, taking into account the future profitability and other factors.

There was no reversal of impairment losses recorded in the fiscal year ended February 29, 2020.

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, 2019	As of February 29, 2020
Total carrying amount	17,616	37,439

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, 2019	Fiscal year ended February 29, 2020
Share of profit	1,301	1,644
Share of other comprehensive income	35	(35)
Share of comprehensive income	1,337	1,608

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 L Real Estate S.C.A SICAR 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, 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)

Fiscal year ended February 29, 2020

(Millions of yen)

	Balance as of March 1, 2019	Adjustment due to application of IFRS 16	Recognized in profit or loss	Recognized in other comprehensive income	Balance as of February 29, 2020
Deferred tax assets					
Retirement benefit liabilities	8,062	-	(2,263)	12	5,810
Allowance for credit losses	628	-	36	-	665
Non-current assets	3,679	-	2,220	-	5,900
Other financial assets	-	-	-	-	-
Asset retirement obligations	917	-	143	-	1,061
Tax loss carryforwards	150	-	(120)	-	30
Gain on adjustment of accounts payable	4,761	-	(47)	-	4,714
Long-term unearned revenue	910	-	(806)	-	104
Prepaid expense (Land leasehold right)	2,961	-	11	-	2,972
Lease liabilities	-	69,132	(6,662)	-	62,469
Other	10,057	-	1,615	0	11,673
Total	32,128	69,132	(5,871)	12	95,401
Deferred tax liabilities					
Non-current assets	75,540	-	(864)	-	74,676
Securities	7,729	-	(286)	(1,000)	6,442
Right-of-use assets	-	70,717	(8,271)	-	62,445
Other	1,033	-	(53)	(300)	678
Total	84,303	70,717	(9,476)	(1,301)	144,243
Net amount of deferred tax assets	(52,174)	(1,584)	3,604	1,313	(48,841)

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

(Millions of yen)

	As of February 28, 2019	As of February 29, 2020
Deferred tax assets	8,280	9,988
Deferred tax liabilities	60,455	58,829
Net amount	(52,174)	(48,841)

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, some of the Group's subsidiaries have 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, 2019	As of February 29, 2020
Tax loss carryforwards	7,417	10,893
Deductible temporary differences	30,829	43,793
Total	38,246	54,686

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, 2019	As of February 29, 2020
1st year	-	-
2nd year	-	-
3rd year	-	-
4th year	-	35
5th year and after	7,417	10,857
Total	7,417	10,893

As of February 28, 2019 and February 29, 2020, the total amount of temporary differences for investments in subsidiaries that were not recognized as deferred tax

liabilities were ¥172,890 million and ¥168,970 million, respectively.

(2)Income tax

The breakdown of income tax is as follows:

(Millions of yen)

	Fiscal year ended February 28, 2019	Fiscal year ended February 29, 2020
Current taxes:		
Current period	14,060	10,135
Prior periods	(13)	27
Total current taxes	14,046	10,162
Deferred taxes:		
Origination and reversal of temporary differences, etc.	(780)	678
Changes in unrecognized deferred tax assets	(315)	2,925
Changes in tax rates, etc.	-	-
Total deferred taxes	(1,096)	3,604
Total	12,950	13,767

(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, 2019	Fiscal year ended February 29, 2020
	%	%
Effective statutory tax rate	30.9	30.6
Entertainment expense	0.6	0.8
Bonuses for directors (and other officers)	0.5	0.2
Dividend income	(0.0)	(0.0)
Share of profit (loss) of investments accounted for using equity method	(1.0)	(1.4)
Unrecognized deferred tax assets	0.5	7.3
Other	(0.8)	(0.6)
Average effective tax rate	30.8	37.1

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, 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 in fair values	Other	
	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 liabilities	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.

Fiscal year ended February 29, 2020

	Balance as of March 1, 2019	Adjustment due to application of IFRS 16	Balance as of March 1, 2019 (Adjusted)	Changes that affect cash flows	Changes that do not affect cash flows			Balance as of February 29, 2020
					New leases and changes in agreements	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	Millions of yen
Current borrowings	17,520	-	17,520	53,480	-	-	-	71,000
Commercial papers	-	-	-	4,000	-	-	-	4,000
Non-current borrowings	107,010	-	107,010	(3,500)	-	-	-	103,510
Bonds	49,848	-	49,848	29,864	-	-	54	79,766
Lease liabilities	10,301	228,414	238,715	(29,241)	11,023	-	-	220,497
Derivatives	14	-	14	-	-	-	(14)	-
Total	184,694	228,414	413,108	54,602	11,023	-	39	478,773

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 leases are as follows:

Effective the fiscal year ended February 29, 2020, the Group has applied IFRS 16, and includes right-of-use assets under property, plant and equipment and investment property.

	Fiscal year ended February 28, 2019	Fiscal year ended February 29, 2020
	Millions of yen	Millions of yen
Property, plant and equipment and investment property acquired through finance leases	4,753	11,409

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, 2019	As of February 29, 2020	Average interest rate (Note 1)	Repayment deadline
	Millions of yen	Millions of yen	%	
Current borrowings	31,320	94,400	0.27	-
Commercial papers	-	4,000	-	-
Non-current borrowings	93,210	80,110	0.40	From March 2021 to November 2027
Bonds (Note 2)	49,848	79,766	(Note 2)	(Note 2)
Current lease obligations	1,058	-	-	-
Non-current lease obligations	9,242	-	-	-
Guarantee deposits received	39,685	40,814	-	-
Other	29,985	30,472	-	-
Total	254,350	329,563	-	-
Current liabilities	63,572	138,599	-	-
Non-current liabilities	190,777	190,964	-	-

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, 2019	As of February 29, 2020	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
J. FRONT RETAILING Co., Ltd.	7th series of unsecured bonds	May 22, 2019	-	20,000	0.20	May 22, 2024
J. FRONT RETAILING Co., Ltd.	8th series of unsecured bonds	May 22, 2019	-	10,000	0.37	May 22, 2029
Total			50,000	80,000	0.30	

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, 2019	As of February 29, 2020
Land	5,290	5,290
Buildings and structures	2,474	2,442
Other financial assets	254	221
Total	8,018	7,953

The corresponding obligations are as follows:

(Millions of yen)

	As of February 28, 2019	As of February 29, 2020
Long-term borrowings	825	525
Trade and other payables	165	200
Total	990	725

21 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, 2019	As of February 29, 2020
Notes payable - trade	3,417	4,339
Accounts payable - trade	81,745	73,035
Accounts payable - other	25,913	39,359
Deposits received	25,605	26,031
Other	2,256	1,254
Total	138,938	144,020

22 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 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, 2019	As of February 29, 2020
Present value of funded defined benefit obligations	32,810	28,440
Fair value of plan assets	(44,067)	(39,253)
Subtotal	(11,257)	(10,812)
Present value of unfunded defined benefit obligations	27,397	18,900
Liabilities of defined benefit plans	16,140	8,088
Amounts in the consolidated statement of financial position		
Retirement benefit liabilities	29,003	20,175
Retirement benefit assets	12,863	12,086
Net defined benefit liability or asset in the consolidated statement of financial position	16,140	8,088

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

(Millions of yen)

	Fiscal year ended February 28, 2019	Fiscal year ended February 29, 2020
Present value of defined benefit obligations at beginning of period	62,705	60,207
Service cost	2,058	1,891
Interest expense	128	104
Remeasurements		
Actuarial gains and losses arising from changes in demographic assumptions	(68)	132
Actuarial gains and losses arising from changes in financial assumptions	574	(952)
Past service cost	-	(4,128)
Benefits paid	(5,189)	(6,766)
Other	(2)	(3,148)
Present value of defined benefit obligations at end of period	60,207	47,341

Note: Past service costs of negative ¥4,128 million in the current fiscal year were incurred as a result of retirement payments and pension system reform of Daimaru Matsuzakaya Department Stores Co. Ltd.

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

(Millions of yen)

	Fiscal year ended February 28, 2019	Fiscal year ended February 29, 2020
Fair value of plan assets at beginning of period	46,994	44,067
Interest revenue	98	80
Remeasurements		
Return on plan assets	(1,255)	(436)
Contributions by employer	1,061	876
Benefits paid	(2,830)	(3,111)
Other	-	(2,223)
Fair value of plan assets at end of period	44,067	39,253

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

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

As of February 29, 2020

(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	4,322	–	4,322
Domestic shares	14,465	–	14,465
Overseas shares	2,384	–	2,384
Jointly operated trusts (shares)	–	933	933
Domestic bonds	345	7,226	7,571
Overseas bonds	128	1,601	1,730
Jointly operated trusts (public and corporate bonds)	–	1,738	1,738
General accounts of life insurance companies	–	5,365	5,365
Other	–	740	740
Total	21,646	17,606	39,253

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 ¥910 million in the fiscal year ending February 28, 2021.

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

The weighted average duration of the defined benefit obligations as of February 29, 2020 was 10.22 years.

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

	As of February 28, 2019	As of February 29, 2020
	%	%
Discount rate	Mainly 0.1	Mainly 0.1
Anticipated rate of salary increase	Mainly 3.8	Mainly 4.6

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, 2019	As of February 29, 2020
Changes in discount rate		
0.5% increase	(2,163)	(2,295)
0.5% decrease	2,314	2,484

Amounts recognized as retirement benefit expense are as follows:

(Millions of yen)

	Fiscal year ended February 28, 2019	Fiscal year ended February 29, 2020
Service cost	2,058	1,891
Net interest	29	24
Other	210	(3,929)
Total	2,298	(2,013)

Note: The retirement benefit expenses for the fiscal year ended February 29, 2020 decreased significantly due mainly to the revision of the retirement benefit plan.

(2) Defined contribution plans

The amount recorded as expenses in relation to defined contribution plans is ¥5,967 million for the fiscal year ended February 28, 2019 and ¥5,817 million for the fiscal year ended February 29, 2020, 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 ¥3,056 million in the fiscal year ended February 29, 2020, and included in "other operating expense" in the consolidated statement of income.

(4)Employee benefit expenses

The amount of employee benefit expenses was ¥76,616 million in the fiscal year ended February 28, 2019 and ¥70,742 million in the fiscal year ended February 29,

2020, and included in “cost of sales” and “selling, general and administrative expense” in the consolidated statement of income.

23 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, 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
Increase during the period	556	706	1,263
Discounted interest expenses for the period	43	-	43
Decrease during the period (use)	(165)	(2,134)	(2,299)
Decrease during the period (reversal)	-	(266)	(266)
Other	139	-	139
Balance as of February 29, 2020	3,952	1,956	5,908

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

(Millions of yen)

	As of February 28, 2019	As of February 29, 2020
Current liabilities	1,851	999
Non-current liabilities	5,176	4,909
Total	7,028	5,908

(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 two years after store closure or rebuilding, but will be affected by changes in the surrounding environment and others.

24 Other Liabilities

The breakdown of other liabilities is as follows:

(Millions of yen)

	As of February 28, 2019	As of February 29, 2020
Accrued bonuses	5,762	5,509
Accrued paid absences	3,301	3,511
Advances received	2,285	1,590
Deferred income (Note)	237	441
Contract liabilities	42,721	35,411
Other accrued expense	7,143	7,890
Other	1,685	2,928
Total	63,137	57,283
Other current liabilities	62,490	56,427
Other non-current liabilities	647	855

Note: The breakdown of deferred income in the fiscal year ended February 28, 2019 was ¥237 million in government grants.
The breakdown of deferred income in the fiscal year ended February 29, 2020 is ¥441 million in government grants.

25 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, 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
Changes during the period	-	-	-	(22,870)
As of February 29, 2020	1,000,000,000	270,565,764	31,974	189,340

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, 2018	9,028,344	(15,244)
Changes during the period	(95,280)	154
As of February 28, 2019	8,933,064	(15,090)
Changes during the period	(70,697)	115
As of February 29, 2020	8,862,367	(14,974)

Note: Treasury shares include shares of the Company owned by the officer remuneration BIP trust.

(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.

26 Dividends

(1) Dividends paid

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 the officer remuneration BIP trust.

Fiscal year ended February 29, 2020

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
Board of Directors meeting held on October 8, 2019	Ordinary shares	4,751	18.00	August 31, 2019	November 11, 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 the officer remuneration BIP trust.

Total amount of dividends resolved at the Board of Directors meeting held on October 8, 2019 includes ¥40 million of dividends paid to the Company's shares held by the officer remuneration BIP trust.

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

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 the officer remuneration BIP trust.

Fiscal year ended February 29, 2020

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, 2020	Ordinary shares	4,751	18.00	February 29, 2020	May 8, 2020

Note: Total amount of dividends resolved at the Board of Directors meeting held on April 10, 2020 includes ¥40 million of dividends paid to the Company's shares held by the officer remuneration BIP trust.

27 Sales Revenue

(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	Fiscal year ended February 29, 2020
		Millions of yen	Millions of yen
Department Store Business	Daimaru Osaka Shinsaibashi store	38,909	39,857
	Osaka Umeda store	25,196	24,354
	Tokyo store	26,733	25,495
	Kyoto store	22,980	22,164
	Kobe store	25,727	24,296
	Sapporo store	23,487	22,639
	Matsuzakaya Nagoya store	42,740	41,184
	Ueno store	21,676	20,944
	Other stores	47,989	42,811
	Elimination of inter-segment revenue	(300)	(360)
Department Store Business		275,140	263,388
PARCO Business	Shopping center business	50,315	73,186
	Specialty store business	19,754	17,885
	Space engineering and management business	14,158	14,431
	Other businesses	5,741	6,709
	Elimination of inter-segment revenue	(563)	(598)
PARCO Business		89,406	111,614
Real Estate Business	Real Estate Business	16,995	17,793
	Elimination of inter-segment revenue	(1,168)	(1,148)
Real Estate Business		15,826	16,644
Credit Finance Business	Credit Finance Business	10,573	10,719
	Elimination of inter-segment revenue	(4,212)	(3,846)
Credit Finance Business		6,361	6,872
Other	Other	104,250	123,275
	Elimination of inter-segment revenue	(31,144)	(41,173)
Other		73,105	82,101
Total		459,840	480,621
Sales revenue	Revenue from contracts with customers	407,909	424,362
	Revenue arising from other sources	51,930	56,258
Sales revenue		459,840	480,621

Note: The categories of "Department Store Business," "PARCO Business" and "Real Estate Business" include lease income under IFRS 16 (IAS 17 for the previous fiscal year), and lease income is included in "Revenue arising from other sources." The "Other" category is a business segment not included as a reportable segment. It includes wholesaling, design and construction contracting, manufacture and sale of furniture, parking, leasing, etc.

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 IFRS 16.

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 February 28, 2019	As of February 29, 2020
Receivables from Contracts with Customers	101,676	105,283
Contract assets	1,935	6,494
Contract liabilities	42,721	35,411

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 end of the previous period, the amount recognized in revenue in the fiscal year ended February 29, 2020 was ¥28,921 million.

The increase in contract assets in the fiscal year ended February 29, 2020 is mainly due to an increase resulting from growth in construction orders received of ¥4,559 million.

The decrease in contract liabilities in the fiscal year ended February 29, 2020 is mainly due to the sale of reserve floor space in the Shibuya redevelopment project.

Regarding performance obligations satisfied or partially satisfied in prior periods, no amount was recognized in sales revenue in the fiscal year ended February 29, 2020.

(3) Transaction price allocated to the remaining performance obligations

With regard to transaction price allocated to the remaining performance obligations, the Group will recognize revenue in accordance with progress toward completion of construction work and the actual use of gift certificates

and points. The total amount of transaction price allocated to the remaining performance obligations and the timing when revenue is expected to be recognized are as follows:

(Millions of yen)

	As of February 28, 2019	As of February 29, 2020
Due within one year	54,608	30,720
Due after one year through two years	5,422	5,249
Due after two years	3,489	3,783
Total	63,519	39,753

28 Other Operating Income

The breakdown of other operating income is as follows:

(Millions of yen)

	Fiscal year ended February 28, 2019	Fiscal year ended February 29, 2020
Gain on sales of non-current assets	23	2,832
Compensation income	1,951	3,649
Other	1,262	2,181
Total	3,237	8,663

29 Cost of Sales

The breakdown of cost of sales is as follows:

(Millions of yen)

	Fiscal year ended February 28, 2019	Fiscal year ended February 29, 2020
Cost of goods sold	219,012	230,093
Personnel expense	16,508	16,019
Depreciation expense	8,326	20,103
Other	3,595	7,450
Total	247,443	273,667

30 Selling, General and Administrative Expense

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

(Millions of yen)

	Fiscal year ended February 28, 2019	Fiscal year ended February 29, 2020
Personnel expense	62,692	56,880
Depreciation and amortization expense	11,580	30,601
Advertising expense	10,364	11,729
Rent expense	23,418	2,389
Operational costs	8,296	9,296
Other	50,530	50,693
Total	166,882	161,590

31 Other Operating Expense

The breakdown of other operating expense is as follows:

(Millions of yen)

	Fiscal year ended February 28, 2019	Fiscal year ended February 29, 2020
Loss on disposals of non-current assets	1,641	3,576
Impairment loss	1,681	1,745
Business structuring expenses	–	2,173
Revitalization plan expenses	–	1,075
Loss on business liquidation	3,385	870
Other	1,151	4,298
Total	7,860	13,740

Notes: 1. Business structuring expenses were extra retirement payments due to measures to expand the optional retirement system of Daimaru Matsuzakaya Department Stores Co. Ltd.
2. Revitalization plan expenses are extra retirement payments of ¥883 million, mainly related to the revitalization plan of The Shimonoseki Daimaru, Inc.

32 Finance Income and Finance Costs

The breakdown of finance income is as follows:

(Millions of yen)

	Fiscal year ended February 28, 2019	Fiscal year ended February 29, 2020
Interest income		
Financial assets measured at amortized cost	773	816
Dividend income		
Equity financial assets measured at fair value through other comprehensive income	330	275
Total	1,104	1,091

The breakdown of finance costs is as follows:

(Millions of yen)

	Fiscal year ended February 28, 2019	Fiscal year ended February 29, 2020
Interest expense		
Financial liabilities measured at amortized cost	1,008	859
Interest expenses related to lease liabilities	–	4,793
Other	162	209
Total	1,170	5,862

33 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, 2019	Fiscal year ended February 29, 2020
Financial assets measured at fair value through other comprehensive income		
Amount arising during the period	(590)	(3,319)
Tax effect	118	1,000
Financial assets measured at fair value through other comprehensive income	(471)	(2,318)
Remeasurements of defined benefit plans		
Amount arising during the period	(1,762)	384
Tax effect	542	(127)
Remeasurements of defined benefit plans	(1,220)	256
Share of other comprehensive income of entities accounted for using equity method		
Amount arising during the period	51	(57)
Tax effect	(17)	19
Share of other comprehensive income of entities accounted for using equity method	33	(37)
Total items that will not be reclassified to profit or loss	(1,657)	(2,099)
Items that may be reclassified to profit or loss		
Cash flow hedges		
Amount arising during the period	84	0
Reclassification adjustments	-	-
Before tax effect	84	0
Tax effect	(26)	(0)
Cash flow hedges	58	0
Exchange differences on translation of foreign operations		
Amount arising during the period	(71)	24
Reclassification adjustments	-	-
Before tax effect	(71)	24
Tax effect	-	-
Exchange differences on translation of foreign operations	(71)	24
Share of other comprehensive income of entities accounted for using equity method		
Amount arising during the period	3	2
Reclassification adjustments	-	-
Before tax effect	3	2
Tax effect	(0)	(0)
Share of other comprehensive income of entities accounted for using equity method	2	1
Total items that may be reclassified to profit or loss	(10)	26
Total other comprehensive income	(1,668)	(2,073)

34 Earnings per Share

	Fiscal year ended February 28, 2019	Fiscal year ended February 29, 2020
Profit attributable to ordinary equity holders of the parent entity (Millions of yen)	27,358	21,251
Adjustment to profit	-	-
Profit used to calculate diluted earnings per share (Millions of yen)	27,358	21,251
Average number of ordinary shares during the period (Shares)	261,673,471	261,763,803
Increase in the number of ordinary shares:		
Officer remuneration BIP trust (Shares)	79,113	46,778
Average number of diluted ordinary shares during the period (Shares)	261,752,584	261,810,581
Basic earnings per share (Yen)	104.55	81.19
Diluted earnings per share (Yen)	104.52	81.17

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.

35 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, 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, 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

Fiscal year ended February 29, 2020

	BIP Trust			Share Distribution Trust
	Short-term PS	Medium- to long-term PS	RS	
Number of points granted during the period	84,733	128,585	32,646	86,387
Weighted average fair value (yen)	1,521	1,500	1,500	1,850

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 ¥505 million in the fiscal year ended February 28, 2019 and ¥553 million in the fiscal year ended February 29, 2020.

36 Financial Instruments

(1)Capital management

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.

One of the major indicators monitored in the Group's capital management is the D/E ratio, and management uses this for monitoring and confirmation. Furthermore, the Group is not subject to any material capital regulations.

D/E ratio is as follows:

(Millions of yen)

	As of February 28, 2019	As of February 29, 2020
Interest-bearing debt	174,378	478,773
Equity attributable to owners of parent	412,700	387,188
D/E ratio (%)	0.42	1.24

(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, 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
Transfer to lifetime expected credit losses	(30)	-	74	(43)
Transfer to credit-impaired financial assets	(71)	-	(102)	173
Transfer to 12-month expected credit losses	0	-	(0)	(0)
Changes due to new arising and collection of financial assets	113	2	940	295
Financial assets that were derecognized during the period	-	(2)	-	(36)
Direct write-off	(0)	-	(92)	(375)
Changes in model/risk variables	-	-	-	-
Balance as of February 29, 2020	163	65	2,987	927

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

	As of February 28, 2019 Millions of yen	As of February 29, 2020 Millions of yen
Trade and other receivables (12-month expected credit losses)	47,906	50,698
Trade and other receivables (Lifetime expected credit losses)	81,121	88,750
Financial assets whose credit risk has increased significantly since initial recognition (Lifetime expected credit losses)	5,349	7,043
Credit-impaired financial assets (Lifetime expected credit losses)	1,865	1,896

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, 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	69,655	69,678	31,280	4,033	3,850	2,158	1,735	26,620
Derivative financial liabilities								
Forward exchange	-	-	-	-	-	-	-	-
Interest rate swaps	15	15	15	-	-	-	-	-
Total	382,987	385,953	202,173	36,417	19,389	32,604	14,123	81,244

- 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 29, 2020	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	144,020	144,020	144,020	-	-	-	-	-
Current borrowings	94,400	94,488	94,488	-	-	-	-	-
Commercial papers	4,000	4,000	4,000	-	-	-	-	-
Non-current borrowings	80,110	81,491	302	16,945	14,901	12,737	12,090	24,513
Bonds	79,766	81,317	10,226	211	20,187	164	20,144	30,384
Other financial liabilities	71,286	71,262	30,203	4,066	3,248	2,526	3,116	28,100
Derivative financial liabilities								
Forward exchange	-	-	-	-	-	-	-	-
Interest rate swaps	-	-	-	-	-	-	-	-
Total	473,583	476,579	283,240	21,223	38,337	15,428	35,350	82,998

- 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, 2019	As of February 29, 2020
Commitment line		
Used	-	-
Unused	25,200	25,200
Total	25,200	25,200
Overdraft limit		
Used	7,370	68,000
Unused	142,060	150,730
Total	149,430	218,730
Commercial paper issuance limit		
Used	-	4,000
Unused	70,000	66,000
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, 2019		As of February 29, 2020	
	Carrying amount	Fair value	Carrying amount	Fair value
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Financial assets:				
Other financial assets (non-current)	64,000	68,276	65,902	70,175
Total	<u>64,000</u>	<u>68,276</u>	<u>65,902</u>	<u>70,175</u>
Financial liabilities:				
Borrowings	124,530	125,289	174,510	174,994
Bonds	49,848	50,310	79,766	80,426
Other financial liabilities (non-current)	47,704	47,760	41,087	41,244
Total	<u>222,082</u>	<u>223,360</u>	<u>295,364</u>	<u>296,665</u>

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 year ended February 28, 2019, there were no transfers, but in the fiscal year ended February 29, 2020, there were transfers from Level 3 to Level 1 due to the listing of shares held. There were no other transfers.

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	<u>8,604</u>	<u>23</u>	<u>23,620</u>	<u>32,248</u>
Liabilities:				
Financial liabilities measured at fair value through profit or loss				
Derivative financial liabilities	-	15	-	15
Total	<u>-</u>	<u>15</u>	<u>-</u>	<u>15</u>

As of February 29, 2020

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	-	8	-	8
Financial assets measured at fair value through other comprehensive income				
Other financial assets (non-current)	4,005	-	21,471	25,477
Total	<u>4,005</u>	<u>8</u>	<u>21,471</u>	<u>25,485</u>
Liabilities:				
Financial liabilities measured at fair value through profit or loss				
Derivative financial liabilities	-	-	-	-
Total	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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, 2019	Fiscal year ended February 29, 2020
	Millions of yen	Millions of yen
Balance at beginning of period	22,802	23,620
Other comprehensive income (Note)	739	(2,198)
Purchase	95	100
Sale	(16)	(37)
Other	-	(12)
Balance at end of period	<u>23,620</u>	<u>21,471</u>

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, 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)	-	9,242	38,517	47,760
Total	-	184,843	38,517	223,360

(Millions of yen)

As of February 29, 2020	Level 1	Level 2	Level 3	Total
Assets:				
Financial assets measured at amortized cost				
Other financial assets (non-current)	-	8,985	61,190	70,175
Total	-	8,985	61,190	70,175
Liabilities:				
Financial liabilities measured at amortized cost				
Borrowings	-	174,994	-	174,994
Bonds	-	80,426	-	80,426
Other financial liabilities (non-current)	-	-	41,244	41,244
Total	-	255,420	41,244	296,665

(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.

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

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 29, 2020

(Millions of yen)

Securities	Amount
Asahi Properties Inc.	6,490
Takenaka Corporation	5,471
Chunichi Shimbun Co., Ltd.	995
Toho Gas Co., Ltd.	821
Nagoya Dome Company, Limited	652
Nagashima Resort Co., Ltd.	652
MBS MEDIA HOLDINGS, INC.	650
Misonoza Theatrical Corporation	580
OSAKA GAS CO., LTD.	541
TOKAI TELEVISION BROADCASTING Co., Ltd.	517

2) Dividend income

(Millions of yen)

	Fiscal year ended February 28, 2019	Fiscal year ended February 29, 2020
Investments derecognized during the period	19	57
Investments held at end of period	310	217
Total	330	275

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, 2019	Fiscal year ended February 29, 2020
Fair value on the date of sale	1,426	3,479
Cumulative gain (loss) on sale	608	1,438

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, 2019 and February 29, 2020, cumulative gain or loss (after tax) in other comprehensive income transferred to retained earnings were ¥466 million and ¥970 million, respectively.

(6) Derivatives and hedges

1) Cash flow hedges

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).

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

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	-

As of February 29, 2020

	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	2,394	-	8	-	Other financial assets	-
Interest rate risk						
Interest rate swaps	-	-	-	-	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, 2019 and February 29, 2020, 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 ¥10,150 million in the fiscal year ended February 28, 2019 and ¥3,000 million in the fiscal year ended February 29, 2020.

(1) Subsidiaries

Status of subsidiaries is as follows:

Name	Location	Reportable segment	Equity ratio (%)	
			As of February 28, 2019	As of February 29, 2020
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	65.2	100.0
PARCO (SINGAPORE) PTE LTD	Singapore	PARCO Business	65.2	100.0
NEUVE A Co., Ltd.	Japan	PARCO Business	65.2	100.0
PARCO SPACE SYSTEMS Co., Ltd.	Japan	PARCO Business	65.2	100.0
PARCO Digital Marketing Co., Ltd.	Japan	PARCO Business	65.2	100.0
JAPAN RETAIL ADVISORS Co., Ltd.	Japan	PARCO Business	65.2	100.0
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
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

Note: In the current fiscal year, on February 25, 2020, the Group carried out a tender offer and acquired an additional 31.45% interest in PARCO Co., Ltd. that had been held by non-controlling interests. Cash of ¥59,000 million was paid to non-controlling interests, and the Group's ownership interest in that company increased from 64.98% to 96.43%. Furthermore, as a result of issuing a demand on February 27, 2020 that all shareholders holding the remaining 3.57% of non-controlling interests sell all of their shares, the Group accounts for that company as owning 100% of ownership interests as of the end of the fiscal year ended February 29, 2020. Accordingly, the Group's ownership interests in PARCO Co., Ltd and its subsidiaries, PARCO (SINGAPORE) PTE LTD, NEUVE A Co., Ltd., PARCO SPACE SYSTEMS Co., Ltd., PARCO Digital Marketing Co., Ltd., and JAPAN RETAIL ADVISORS Co., Ltd. are stated at 100%.

(2) Changes in ownership interest of parent in subsidiaries that do not result in a loss of control

Significant changes in ownership interest of parent in subsidiaries that do not result in a loss of control are as follows:

In the fiscal year ended February 29, 2020, the Company

acquired additional equity interest in its consolidated subsidiary PARCO Co., Ltd., making it a wholly owned subsidiary. An overview of "transactions with non-controlling interests" accompanying this additional acquisition is as follows:

(Millions of yen)

	Fiscal year ended February 29, 2020
Carrying amount of non-controlling interests acquired	42,465
Consideration paid to non-controlling interests	65,494
Decrease in equity attributable to owners of parent	23,028

38 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, 2019	Fiscal year ended February 29, 2020
Officer remuneration	2,076	1,939
Retirement benefit	1	1
Share-based payment	505	553
Total	2,583	2,494

39 Commitments

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

(Millions of yen)

	As of February 28, 2019	As of February 29, 2020
Purchase of property, plant and equipment	15,622	3,522
Purchase of intangible assets	8	405
Purchase of investment property	427	3,578
Total	16,057	7,506

40 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, 2019	As of February 29, 2020
Debt guarantees for employees	8	3
Total	8	3

41 Subsequent Events

(Spread of the novel coronavirus (COVID-19))

As a result of the spread of COVID-19, the Group has been adversely affected with respect to the number of customers visiting stores in the Department Store Business and PARCO Business due to travel advisories and restrictions on travel to Japan, self-quarantine in Japan, unplanned closures or shortened operating hours of stores, suspension of events, and other factors. On April 7, 2020, the Government of Japan

declared a state of emergency, and announced the lifting of the state of emergency on May 25, 2020. The Group temporarily closed stores, except for some stores, on April 8, 2020, and is resuming operations in stages. Due to such circumstances, there will be a considerable adverse effect on the Group's business results in the coming fiscal year. However, it is difficult to reasonably calculate the extent of this effect at present.

42 Approval of Consolidated Financial Statements

These consolidated financial statements were approved by the President and Representative Executive Officer Tatsuya Yoshimoto on May 29, 2020.

(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)	112,482	225,664	361,767	480,621
Profit before tax (Millions of yen)	12,150	23,960	34,897	37,161
Profit attributable to owners of parent (Millions of yen)	7,447	14,367	20,997	21,251
Basic earnings per share (Yen)	28.45	54.89	80.22	81.19

(Quarterly)	First quarter	Second quarter	Third quarter	Fourth quarter
Basic earnings per share (Yen)	28.45	26.44	25.32	0.97



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 29, 2020, 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 29, 2020, and their consolidated financial performance and cash flows for the year then ended in conformity with International Financial Reporting Standards.

Ernst & Young ShinTomu LLC

May 29, 2020
Tokyo, Japan



J. FRONT RETAILING