Translation

October 9, 2018

Consolidated Financial Results for the First Six Months of the Fiscal Year Ending February 28, 2019 (under IFRS)

Company name: **J. FRONT RETAILING Co., Ltd.**
Listing: First Section of the Tokyo Stock Exchange and Nagoya Stock Exchange
Securities code: 3086
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Scheduled date to file Quarterly Securities Report: October 12, 2018
Scheduled date to commence dividend payments: November 8, 2018
Preparation of supplementary material on quarterly financial results: Yes

(Millions of yen with fractional amounts discarded, unless otherwise noted)

1. Consolidated performance for the first six months of the fiscal year ending February 28, 2019 (from March 1, 2018 to August 31, 2018)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

	Gross sales		Sales revenue		Business profit		Operating profit		Profit before tax	
Six months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
August 31, 2018	547,109	(2.0)	227,206	(3.1)	24,271	6.6	24,218	(9.2)	25,064	(3.3)
August 31, 2017	558,304	0.9	234,510	6.0	22,778	3.1	26,680	24.1	25,918	21.3

	Profit attributable to owners of parent		Total comprehensive income		Basic earnings per share	Diluted earnings per share
Six months ended	Millions of yen	%	Millions of yen	%	Yen	Yen
August 31, 2018	15,910	(2.5)	17,807	(7.7)	60.80	60.80
August 31, 2017	16,315	17.8	19,302	34.3	62.38	62.38

* 1. Of sales revenue, sales from purchase recorded at the time of sale (*shoka shiire*) of the "Department Store Business" and "Other (Daimaru Kogyo)" have been converted into gross amount and the net amount of sales of the "PARCO Business" into tenant transaction volume (gross amount basis) to calculate gross sales.
2. Business profit is obtained by subtracting cost of sales and selling, general and administrative expenses from sales revenue. Operating profit is obtained by adding other operating income to and subtracting other operating expense from business profit.

(2) Consolidated financial position

	Total assets	Total equity	Equity attributable to owners of parent	Ratio of equity attributable to owners of parent to total assets	Equity attributable to owners of parent per share
As of	Millions of yen	Millions of yen	Millions of yen	%	Yen
August 31, 2018	1,024,953	463,394	407,417	39.7	1,556.96
February 28, 2018	1,022,348	450,887	395,519	38.7	1,511.91

2. Cash dividends

	Annual dividends				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended February 28, 2018	–	16.00	–	19.00	35.00
Fiscal year ending February 28, 2019	–	17.00			
Fiscal year ending February 28, 2019 (Forecast)			–	18.00	35.00

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

Dividends for the fiscal year ended February 28, 2018
Ordinary dividends: ¥33.00
Commemorative dividends: ¥2.00

Dividends for the fiscal year ending February 28, 2019
Ordinary dividends: ¥35.00
Commemorative dividends: –

3. Consolidated earnings forecasts for the fiscal year ending February 28, 2019 (from March 1, 2018 to February 28, 2019)

(Percentages indicate year-on-year changes.)

	Gross sales		Sales revenue		Business profit		Operating profit		Profit before tax	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ending February 28, 2019	1,150,000	1.0	475,000	1.1	49,500	7.0	48,500	(2.1)	49,600	2.8

	Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Yen
Fiscal year ending February 28, 2019	30,500	7.1	116.59

Note: Revisions to the consolidated earnings forecasts most recently announced: Yes

* 1. Of sales revenue, sales from purchase recorded at the time of sale (*shoka shiire*) of the "Department Store Business" and "Other (Daimaru Kogyo)" have been converted into gross amount and the net amount of sales of the "PARCO Business" into tenant transaction volume (gross amount basis) to calculate gross sales.

2. Business profit is obtained by subtracting cost of sales and selling, general and administrative expenses from sales revenue. Operating profit is obtained by adding other operating income to and subtracting other operating expense from business profit.

* **Notes**

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): None

(2) Changes in accounting policies, changes in accounting estimates

a. Changes in accounting policies required by IFRS: Yes

b. Changes in accounting policies due to other reasons: None

c. Changes in accounting estimates: None

(3) Number of issued shares (common shares)

a. Total number of issued shares at the end of the period (including treasury shares)

As of August 31, 2018	270,565,764 shares
As of February 28, 2018	270,565,764 shares

b. Number of shares of treasury shares at the end of the period

As of August 31, 2018	8,930,381 shares
As of February 28, 2018	8,963,580 shares

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

For the six months ended August 31, 2018	261,579,395 shares
For the six months ended August 31, 2017	261,543,721 shares

*** Quarterly financial results reports are exempt from quarterly review conducted by certified public accountants or an audit corporation.**

*** Proper use of earnings forecasts, and other special matters**

(Caution regarding forward-looking statements)

The forward-looking statements, including earnings forecasts, contained in these materials are based on information currently available to the Company and on certain assumptions deemed to be reasonable by the Company. These statements do not purport that the Company pledges to realize such statements. Actual business and other results may differ substantially due to various factors. Please refer to “1. Qualitative information regarding results for the first six months (3) Explanation of consolidated earnings forecasts and other forward-looking statements” on page 5 of the material attached to this quarterly financial results report for the suppositions that form the assumptions for earnings forecasts and cautions concerning the use thereof.

(How to obtain supplementary material on quarterly financial results)

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

[Attached Material]

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1. Qualitative information regarding results for the first six months

(1) Explanation of operating results

In the six months ended August 31, 2018 (from March 1, 2018 to August 31, 2018), despite elements of uncertainty regarding such matters as the actions of the United States government, the Japanese economy followed a gradual track of recovery mainly fueled by the robust growth of the global economy and the robust momentum of corporate earnings.

In the retail sector, there was up and down trend in overall personal spending. The upturn reflects positive signs such as inbound tourism consumption, which is growing strongly, and a recovery in luxury goods consumption by affluent consumers, amidst improvement in the employment environment and the gradual recovery in income. On the other hand, increasingly polarized consumption patterns coupled with a continuing sense of unease as to what lies ahead and intensifying budget-minded consumer behavior, both brought about mainly by the increased burden of social security, negatively affected personal spending.

Amid this environment, the J. Front Retailing Group (hereinafter the "Group") has worked to further strengthen the competitiveness and profitability of existing businesses while also accelerating initiatives in its three related key businesses, with the aim of developing as a multifaceted services retailer operating beyond the retail industry framework as it began working on the second year of the "FY 2017–FY 2021 Medium-term Business Plan," which was formulated with the aim to realize its new Group Vision, "Create and Bring to Life 'New Happiness.'"

In addition, the Group strove to contribute to a self-directed, sustainable society by establishing a new "Sustainability Policy," identifying "materiality," and creating an ESG Promotion Division.

In the Department Store Business, although some stores were affected by natural disasters, such as heavy rain and typhoons, performance remained strong for such items as cosmetics, luxury brands and luxury watches, which were boosted by overseas visitors to Japan. Looking ahead with the times and society, in April we opened the new zone "KiKiYOCOCHO" in the third floor of Daimaru Sapporo store as an initiative to provide new value to customers through new arranging sales areas. This new zone has fused "beauty, food and accessories" to meet the diverse lifestyles and values of women. In addition, we opened "Amuse Beauté" a self-service beauty shop located in KiKiYOCOCHO, and as a result we have now opened four Amuse Beauté stores: in Daimaru Kyoto store, Daimaru Sapporo store, Ikebukuro PARCO store, and Tsudanuma PARCO store.

In April, key Daimaru and Matsuzakaya stores held the "ECOFF Recycle Campaign" that involves collecting unused clothing, etc. to contribute to building sustainable society. Many customers participated this time as well, with a combined total of 299,170 recyclable items being collected at the nine stores that held the campaign. Thanks to their strong support, the cumulative total items collected since the first recycle campaign was held in August 2016 surpassed the million item mark.

In August, the Group started initiatives which utilize ICT at Daimaru Tokyo store, including a "bento lunch online reservation and payment service," and a real-time vacancy status display service for "cafes on each floor" and "restrooms."

On the other hand, in July, the Group concluded an agreement with Tottori Daimaru Co., Ltd., including confirming a business rehabilitation plan. The Group also decided to close Daimaru Yamashina store as of March 31, 2019.

In the Real Estate Business, the effects of GINZA SIX and Ueno Frontier Tower, which opened last year, began to be received, and results were solid. Under the "Kyoto Machiya Project," which is part of the Company's "strategy of urban market dominance," the Group has newly opened "Bluebottle Coffee Kyoto Cafe" in March by renovating a *ryokan* (Japanese inn) that was built over 100 years ago in Nanzenji, one of the most popular tourist area in Kyoto, and opened "Kanno Coffee Kyoto Store" on

Takakura street, next to Daimaru Kyoto store in May. We also opened the “Bluebottle Coffee Kobe Cafe,” at the former foreign settlement in Kobe in July.

In the PARCO Business, the Group carried out renewal at each store on the theme of “create new added value” aimed at meeting the recent growing diversification of consumer needs and proposing emotionally fulfilling lifestyles to adults seeking sophisticated style. In addition, in the ZERO GATE business which carries out efficient operations suited to the scale of business utilizing the good location of city center, the Group opened Harajuku ZERO GATE in March, an Apple Store in Kyoto ZERO GATE in August, and Sannomiya ZERO GATE in September. In addition, the Group established a new space aimed at expanding its incubation capabilities as it heads towards the revolution of next generation commercial facilities. It also proposed new shopping experiences using ICT.

In addition, the Company is taking measures to expand into fields of business extending beyond the retail industry framework. As one step toward this, the Company decided to participate in the operation of unlicensed infant childcare facilities that fulfill both enrichment of education and provision of extended-hour childcare with the goal of taking away some of the worries and inconveniences that accompany early childhood parenting. After examining various matters, the Company has decided to open “Daimaru Matsuzakaya Kids Duo International Aobadai,” located in Aobadai in Aoba-ku, Yokohama, as the first of such facilities in April 2019.

Despite various measures including those mentioned above, in the six months ended August 31, 2018, consolidated sales revenue was ¥227,206 million, down 3.1% year on year, operating profit was ¥24,218 million, down 9.2% year on year, profit before tax was ¥25,064 million, down 3.3% year on year, and profit attributable to owners of parent was ¥15,910 million, down 2.5% year on year.

Results by segment are as follows.

<Department Store Business>
At the Daimaru Sapporo store, we used the opportunity of the first renovation of the third floor in fifteen years to create a new sales space unlike anything before it. As a result, in April, we opened “KiKiYOCOCHO,” a new-sensation sales arranging zone that fuses “beauty, food and accessories.” Escaping the traditional concept of a department store, we have incorporated women’s tastes and interests into the core of sales space creation to create a space for “trying, discovering, and enjoying” that provides a docking point where the high-class feel of a department store and the lively atmosphere of a side street can co-exist.

As an initiative for the cosmetics market, which is enjoying growing demand, we opened “DEPACO,” a new beauty media, in April. DEPACO is a department store cosmetics (“depacos”) info-media in which familiar cosmetics professionals disseminate information. Contents include information being shared by DEPACO STAFF, cosmetic product buyers of Daimaru and Matsuzakaya, cosmetic brand PR representatives, and beauty advisors, etc. who are knowledgeable on “depacos”; coupons that can be used at cosmetics counters; and five-minute beauty services by video “300-second magic.”

Concerning the inbound tourism and the affluent customer market, sales were driven by continual robust consumption. Sales of cosmetics and luxury goods were strong, owing mostly to overseas visitors, and sales of tax-exempted products continued to rise for a 21 month consecutive period up until August. The consumption from the affluent customers was also robust, particularly in the area of luxury brands, art, jewelry, and precious metals.

As a result of various measures including those mentioned above, despite negative effects on the results due to the earthquake in northern Osaka Prefecture in June and the heavy rain event of July 2018, sales revenue was ¥134,632 million, up 1.8% year on year, while operating profit was ¥11,865 million, down 8.0% year on year due to the repercussions of gain on sales of company-owned houses in the previous year.

<PARCO Business>
In the Shopping complex business, we opened Harajuku ZERO GATE (in March), Kyoto ZERO GATE (full-scale opening in August), and Sannomiya ZERO GATE (in September), which expanded the value provided in areas where stores have not yet opened in urban areas. At PARCO stores, we introduced tenants to propose new urban lifestyles, implemented a tenant support system, and worked to develop events to attract customers with originality.

Despite various measures including those mentioned above, sales revenue was ¥44,184 million, down 2.3% year on year, and operating profit was ¥5,707 million, down 14.5% year on year.

<Real Estate Business>
Continuing our momentum after opening GINZA SIX and Ueno Frontier Tower last year, we have been conducting initiatives for our “strategy of urban market dominance” to maximize the charm of an area and grow along with the region. In March, as part of the “Kyoto Machiya Project,” we opened “Bluebottle Coffee Kyoto Cafe” in the Nanzenji area, a popular tourist area in Kyoto, and by doing so, we realized the first Bluebottle Coffee store opened in the Kansai region. In addition, in May we opened “Kanno Coffee Kyoto Store” on Takakura street, next to Daimaru Kyoto store. This was also the first Kanno Coffee store opened in the Kansai region. In July, we attracted the “Bluebottle Coffee Kobe Cafe,” the second store in the Kansai region, as part of a project to develop stores around Daimaru Kobe store. While protecting the historical value of atmosphere of the former foreign settlement, we can add a new element and contribute to the revitalization of this town.

As a result of various measures including those mentioned above and those to liven up existing properties, in the six months ended August 31, 2018, sales revenue was ¥8,387 million, up 43.4% year on year, operating profit was ¥2,857 million, up 71.8% year on year.

<Credit Finance Business>
As a result of increased commission fees due to increased card use at external member stores and increased interest income due to increased use of revolving credit, installment payments and cash advances, sales revenue was ¥5,123 million, up 3.3% year on year. However, due to increased costs to renew cards, operating profit was ¥1,076 million, down 17.6% year on year.

(2) Explanation of financial position

(Assets, liabilities, and equity as of August 31, 2018)
Total assets as of August 31, 2018 was ¥1,024,953 million, an increase of ¥2,605 million compared with February 28, 2018. Total liabilities was ¥561,558 million, a decrease of ¥9,902 million compared with February 28, 2018. Total equity was ¥463,394 million, an increase of ¥12,507 million compared with February 28, 2018.

(Cash flow position)
The balance of cash and cash equivalents (hereinafter “cash”) as of August 31, 2018 amounted to ¥33,878 million, down ¥5,005 million compared with February 28, 2018.
Cash flow positions in the six months ended August 31, 2018 and the factors for these were as follows.

A. Net cash flows from (used in) operating activities
Net cash provided by operating activities was ¥22,453 million. In comparison with the six months ended August 31, 2017, cash provided decreased by ¥19,201 million, largely reflecting an increase in trade and other receivables.

B. Net cash flows from (used in) investing activities
Net cash used in investing activities was ¥12,871 million. In comparison with the six months ended August 31, 2017, cash used increased by ¥5,098 million, largely reflecting an increase in purchase of property, plant and equipment.

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

Net cash used in financing activities was ¥14,598 million. In comparison with the six months ended August 31, 2017, cash used increased by ¥5,241 million, largely reflecting repercussions of proceeds from issuance of bonds in the previous year.

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

In light of earnings in the six months ended August 31, 2018, the consolidated earnings forecasts for the fiscal year ending February 28, 2019, which were announced in the consolidated financial results for the first three months of the fiscal year ending February 28, 2019 released on June 28, 2018 have been changed. In our revised forecasts, we project gross sales of ¥1,150,000 million and sales revenue of ¥475,000 million, respectively. The forecast of business profit, operating profit, profit before tax, profit attributable to owners of parent, and basic earnings per share are unchanged.

2. Condensed quarterly consolidated financial statements and significant notes thereto

(1) Condensed quarterly consolidated statement of financial position

	As of February 28, 2018	As of August 31, 2018
	Millions of yen	Millions of yen
Assets		
Current assets		
Cash and cash equivalents	38,883	33,878
Trade and other receivables	125,649	131,362
Other financial assets	4,067	3,992
Inventories	33,755	31,488
Other current assets	6,076	7,031
Assets held for sale	6,732	–
Total current assets	215,164	207,754
Non-current assets		
Property, plant and equipment	458,877	465,755
Goodwill	523	523
Investment property	195,608	197,823
Intangible assets	3,588	3,710
Investments accounted for using equity method	16,425	17,101
Other financial assets	100,016	100,471
Deferred tax assets	7,286	7,241
Other non-current assets	24,857	24,571
Total non-current assets	807,183	817,198
Total assets	1,022,348	1,024,953

	As of February 28, 2018	As of August 31, 2018
	Millions of yen	Millions of yen
Liabilities and equity		
Liabilities		
Current liabilities		
Bonds and borrowings	46,230	43,880
Trade and other payables	141,343	141,832
Other financial liabilities	30,811	32,422
Income tax payables	9,202	8,633
Provisions	202	1,036
Other current liabilities	64,561	62,199
Total current liabilities	292,351	290,003
Non-current liabilities		
Bonds and borrowings	137,972	131,910
Other financial liabilities	34,240	33,783
Retirement benefit liabilities	29,909	29,246
Provisions	4,595	3,982
Deferred tax liabilities	61,161	61,341
Other non-current liabilities	11,231	11,291
Total non-current liabilities	279,109	271,555
Total liabilities	571,460	561,558
Equity		
Capital	31,974	31,974
Share premium	211,864	211,945
Treasury shares	(15,244)	(15,086)
Other components of equity	15,772	15,580
Retained earnings	151,151	163,003
Total equity attributable to owners of parent	395,519	407,417
Non-controlling interests	55,368	55,976
Total equity	450,887	463,394
Total liabilities and equity	1,022,348	1,024,953

(2) Condensed quarterly consolidated statement of profit or loss

	Six months ended August 31, 2017	Six months ended August 31, 2018
	Millions of yen	Millions of yen
Sales revenue	234,510	227,206
Cost of sales	(129,521)	(122,255)
Gross profit	104,988	104,950
Selling, general and administrative expense	(82,210)	(80,678)
Other operating income	5,686	1,654
Other operating expense	(1,784)	(1,707)
Operating profit	26,680	24,218
Finance income	629	652
Finance costs	(586)	(593)
Share of profit (loss) of investments accounted for using equity method	(805)	787
Profit before tax	25,918	25,064
Income tax expense	(7,782)	(7,570)
Profit	18,136	17,494
Profit attributable to:		
Owners of parent	16,315	15,910
Non-controlling interests	1,820	1,584
Profit	18,136	17,494
Earnings per share		
Basic earnings per share (Yen)	62.38	60.80
Diluted earnings per share (Yen)	62.38	60.80

(3) Condensed quarterly consolidated statement of comprehensive income

	Six months ended August 31, 2017	Six months ended August 31, 2018
	Millions of yen	Millions of yen
Profit	18,136	17,494
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income	1,115	336
Share of other comprehensive income of entities accounted for using equity method	28	33
Total items that will not be reclassified to profit or loss	1,143	370
Items that may be reclassified to profit or loss		
Cash flow hedges	40	6
Exchange differences on translation of foreign operations	(3)	(65)
Share of other comprehensive income of entities accounted for using equity method	(14)	1
Total items that may be reclassified to profit or loss	22	(57)
Other comprehensive income, net of tax	1,165	312
Comprehensive income	19,302	17,807
Comprehensive income attributable to:		
Owners of parent	17,484	16,161
Non-controlling interests	1,817	1,645
Comprehensive income	19,302	17,807

(4) Condensed quarterly consolidated statement of changes in equity

Six months ended August 31, 2017

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

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

Six months ended August 31, 2018

	Equity attributable to owners of parent					
				Other components of equity		
	Capital	Share premium	Treasury shares	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
Effect of changes in accounting policies	–	–	–	–	–	–
Balance reflecting changes in accounting policies	31,974	211,864	(15,244)	(43)	(15)	15,831
Profit	–	–	–	–	–	–
Other comprehensive income	–	–	–	(63)	7	273
Total comprehensive income	–	–	–	(63)	7	273
Issuance of new shares	–	–	–	–	–	–
Purchase of treasury shares	–	–	(4)	–	–	–
Disposal of treasury shares	–	0	0	–	–	–
Dividends	–	–	–	–	–	–
Changes in ownership interests in subsidiaries	–	1	–	–	–	–
Share-based payment transactions	–	78	162	–	–	–
Transfer from other components of equity to retained earnings	–	–	–	–	–	(388)
Other	–	–	–	29	(49)	–
Total transactions with owners	–	80	157	29	(49)	(388)
Balance at August 31, 2018	31,974	211,945	(15,086)	(77)	(57)	15,716

	Equity attributable to owners of parent					
	Other components of equity					
	Remeasure-ments of defined benefit plans	Total	Retained earnings	Total	Non-controlling interests	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	151,151	395,519	55,368	450,887
Effect of changes in accounting policies	–	–	487	487	–	487
Balance reflecting changes in accounting policies	–	15,772	151,639	396,006	55,368	451,374
Profit	–	–	15,910	15,910	1,584	17,494
Other comprehensive income	33	250	–	250	61	312
Total comprehensive income	33	250	15,910	16,161	1,645	17,807
Issuance of new shares	–	–	–	–	–	–
Purchase of treasury shares	–	–	–	(4)	–	(4)
Disposal of treasury shares	–	–	–	0	–	0
Dividends	–	–	(4,969)	(4,969)	(520)	(5,489)
Changes in ownership interests in subsidiaries	–	–	–	1	(516)	(514)
Share-based payment transactions	–	–	–	240	–	240
Transfer from other components of equity to retained earnings	(33)	(422)	422	–	–	–
Other	–	(19)	–	(19)	–	(19)
Total transactions with owners	(33)	(442)	(4,546)	(4,751)	(1,037)	(5,788)
Balance at August 31, 2018	–	15,580	163,003	407,417	55,976	463,394

(5) Condensed quarterly consolidated statement of cash flows

	Six months ended August 31, 2017	Six months ended August 31, 2018
	Millions of yen	Millions of yen
Cash flows from (used in) operating activities		
Profit before tax	25,918	25,064
Depreciation and amortization expense	9,057	9,783
Impairment loss	260	408
Finance income	(629)	(652)
Finance costs	586	593
Share of loss (profit) of investments accounted for using equity method	805	(787)
Loss (gain) on sales of non-current assets	(1,474)	(23)
Loss on disposals of non-current assets	728	882
Decrease (increase) in inventories	(630)	2,266
Decrease (increase) in trade and other receivables	(1,856)	(7,033)
Increase (decrease) in trade and other payables	3,837	1,162
Increase (decrease) in retirement benefit liabilities	(783)	(663)
Decrease (increase) in retirement benefit assets	(411)	(99)
Other, net	12,060	(1,403)
Subtotal	47,468	29,498
Interest received	83	77
Dividends received	256	261
Interest paid	(574)	(544)
Income taxes paid	(7,540)	(9,292)
Income taxes refund	1,961	2,453
Cash flows from (used in) operating activities	41,654	22,453
Cash flows from (used in) investing activities		
Purchase of property, plant and equipment	(7,317)	(16,520)
Proceeds from sales of property, plant and equipment	2,085	7
Purchase of investment property	(4,965)	(3,621)
Proceeds from sales of investment property	–	32
Purchase of investment securities	(966)	(924)
Proceeds from sales of investment securities	1,125	8,014
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	1,839	–
Other, net	425	140
Net cash flows from (used in) investing activities	(7,773)	(12,871)
Cash flows from (used in) financing activities		
Net increase (decrease) in current borrowings	(50)	(850)
Net increase (decrease) in commercial papers	(23,799)	(1,000)
Proceeds from non-current borrowings	500	850
Repayments of non-current borrowings	(16,330)	(7,430)
Proceeds from issuance of bonds	34,838	–
Purchase of treasury shares	(6)	(5)
Dividends paid	(3,650)	(4,953)
Dividends paid to non-controlling interests	(520)	(520)
Other, net	(339)	(689)
Net cash flows from (used in) financing activities	(9,357)	(14,598)
Net increase (decrease) in cash and cash equivalents	24,522	(5,016)
Cash and cash equivalents at beginning of period	31,867	38,883
Effect of exchange rate changes on cash and cash equivalents	4	11
Cash and cash equivalents at end of period	56,395	33,878

(6) Notes to condensed quarterly consolidated financial statements

(Notes on premise of going concern)

No items to report.

(Changes in accounting policies)

Significant accounting policies applied in these quarterly financial statements are consistent with those applied in the financial statements for the fiscal year ended February 28, 2018 except for the following:

Quarterly income tax expense for the six months ended August 31, 2018 is recognized based on the estimated annual effective tax rate.

The Group has applied the following standards from the first quarter of the fiscal year ending February 28, 2019.

IFRS		Description of new and amended standards
IFRS 15	Revenue from Contracts with Customers	Amendments to accounting treatment for revenue recognition

The Group has applied IFRS 15 "Revenue from Contracts with Customers" (issued in May 2014) and "Clarifications to IFRS 15" (issued in April 2016) (collectively, "IFRS 15") from the first quarter of the fiscal year ending February 28, 2019. In the application of IFRS 15, the Group has adopted a method recognized as a transitional measure under which cumulative effects from the adoption of standards are recognized on the initial application date.

With the application of IFRS 15, based on the following five-step approach, revenue is recognized as the amount of consideration to which the Group expects to be entitled in exchange for the transfer of goods or services promised to customers (not including interests and dividend income based on IFRS 9 "Financial Instruments" and leases payments based on IAS 17 "Leases.")

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 business such PARCO Business, Real Estate Business and Credit Finance Business with 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 it is determined that performance obligation is satisfied at the time of delivery of goods when customers gain control of such goods, the Group mainly recognizes revenue at the time of delivery of such goods. Furthermore, revenue is measured at the amount of consideration promised in contracts between customers, less any discounts, rebates and sales returns, etc.

Effects of application of standards to the Group

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

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

Consequently, in comparison with the case where the previous accounting standard has been applied, at the beginning of the first quarter of the fiscal year ending February 28, 2019, other current liabilities and deferred tax assets decreased by ¥705 million and ¥107 million, respectively, and retained earnings and deferred tax liabilities increased by ¥487 million and ¥111 million, respectively. Please note that impact on earnings is not significant.

(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, etc. of shopping centers. The Real Estate Business carries out development, supervision, operation, etc. of real estate. The Credit Finance Business undertakes issuance and administration, etc. of credit cards.

(2) Segment revenue and business results

Revenue and business results by reportable segments of the Group are as follows. Inter-segment transactions are generally based on prevailing market prices.

Six months ended August 31, 2017

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

Notes: 1. The "Other" category is a business segment not included as a reportable segments. It includes wholesaling, design and construction contracting, manufacture and sale of furniture, parking, leasing, etc.

2. The adjustments for segment profit include inter-segment eliminations and corporate income and expenses not attributable to any reportable segment. Corporate income and expenses are mainly income and expenses of the company submitting condensed quarterly consolidated financial statements that are not attributable to any reportable segment.

3. Segment profit is adjusted to operating profit in the condensed quarterly consolidated financial statements.

Six months ended August 31, 2018

	Reportable segments					Other	Total	Adjustments	Consolidated
	Department Store Business	PARCO Business	Real Estate Business	Credit Finance Business	Total				
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
External revenue	134,459	44,037	7,821	3,100	189,418	37,787	227,206	–	227,206
Inter-segment revenue	172	146	566	2,023	2,908	15,396	18,305	(18,305)	–
Total	134,632	44,184	8,387	5,123	192,327	53,184	245,511	(18,305)	227,206
Segment profit	11,865	5,707	2,857	1,076	21,506	2,131	23,637	580	24,218
Finance income									652
Finance costs									(593)
Share of profit (loss) of investments accounted for using equity method									787
Profit before tax									25,064

Notes:

1. The “Other” category is a business segment not included as a reportable segments. It includes wholesaling, design and construction contracting, manufacture and sale of furniture, parking, leasing, etc.
2. The adjustments for segment profit include inter-segment eliminations and corporate income and expenses not attributable to any reportable segment. Corporate income and expenses are mainly income and expenses of the company submitting condensed quarterly consolidated financial statements that are not attributable to any reportable segment.
3. Segment profit is adjusted to operating profit in the condensed quarterly consolidated financial statements.