Translation

FASF MEMBERSHIP

December 27, 2018

Consolidated Financial Results for the First Nine 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: January 11, 2019
Scheduled date to commence dividend payments: –
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 nine months of the fiscal year ending February 28, 2019 (from March 1, 2018 to November 30, 2018)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

	Gross sales		Sales revenue		Business profit		Operating profit		Profit before tax	
Nine months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
November 30, 2018	813,679	(1.6)	333,608	(2.6)	33,625	(0.5)	33,853	(10.6)	34,898	(7.5)
November 30, 2017	827,036	0.9	342,495	5.6	33,782	8.1	37,860	29.2	37,727	25.7

	Profit attributable to owners of parent		Total comprehensive income		Basic earnings per share	Diluted earnings per share
Nine months ended	Millions of yen	%	Millions of yen	%	Yen	Yen
November 30, 2018	22,077	(6.9)	24,811	(12.1)	84.37	84.35
November 30, 2017	23,713	24.5	28,219	32.2	90.67	90.64

* 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
November 30, 2018	1,057,636	465,659	409,378	38.7	1,564.42
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: None

* 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 November 30, 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 November 30, 2018	8,885,516 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 nine months ended November 30, 2018	261,670,183 shares
For the nine months ended November 30, 2017	261,542,690 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 nine months (3) Explanation of consolidated earnings forecasts and other forward-looking statements” on page 4 of the material attached to this quarterly financial results report for the suppositions that form the assumptions for earnings forecasts and cautions concerning the use thereof.

(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 nine months

(1) Explanation of operating results

In the nine months ended November 30, 2018 (from March 1, 2018 to November 30, 2018), despite elements of uncertainty in the global economy caused by ongoing trade issues, the Japanese economy remained on a gradual track of recovery due to increased capital investment and improvement in the employment environment mainly fueled by the robust momentum of domestic corporate earnings.

In the retail sector, there was up and down trend in overall personal spending. The upturn reflects positive signs such as solid continued inbound tourism consumption and luxury goods consumption by affluent consumers, amidst improvement in the employment and income environments. On the other hand, unease as to what lies ahead brought about mainly by the increased burden of social security, as well as the impact of large scale natural disasters, 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 expanding business fields, 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.'" As one step toward this, we 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. We will open "Daimaru Matsuzakaya Kids Duo International Aobadai" in Aobadai, Aoba-ku, Yokohama-shi, as the first of such facilities in April 2019.

As a part of our "strategy of urban market dominance" to maximize the charm of an area and grow along with the community, we also opened three new stores around the flagship stores, including "Bluebottle Coffee Kyoto Cafe," housed in a former merchant house, located near the Nanzenji area, a popular tourist area in Kyoto, which was opened in March, and also held events at each store to attract more customers to the town with the aim of revitalizing the community.

In addition, the Group has been conducting specific initiatives to carry out management with an emphasis on ESG so as to contribute to realizing sustainable society and realize sustainable growth as a corporate by establishing the Group's "Sustainability Policy" and identifying "materiality."

Despite various measures including those mentioned above, in the nine months ended November 30, 2018, consolidated sales revenue was ¥333,608 million, down 2.6% year on year, operating profit was ¥33,853 million, down 10.6% year on year, profit before tax was ¥34,898 million, down 7.5% year on year, and profit attributable to owners of parent was ¥22,077 million, down 6.9% year on year.

Results by segment are as follows.

<Department Store Business>

Typhoon No. 21 and the Hokkaido Eastern Iburi Earthquake in early September as well as Typhoon No. 24 at the end of the same month caused temporary closing of some stores and a decline in inbound tourism demand, which temporarily contributed negatively to revenue. However, inbound tourism demand has shown recovery since October, and demand from affluent consumers has remained strong.

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. In addition, we opened "Amuse Beauté," a self-service beauty shop located in

KiKiYOCOCHO. We now have six Amuse Beauté stores in total, including new two stores opened in the Odakyu Department Store Machida store in October and in the Sendai PARCO 2 in November.

At the Matsuzakaya Nagoya store, we hosted “VOGUE FASHION’S NIGHT OUT 2018 NAGOYA,” a shopping event for the fashion magazine “VOGUE” for the first time. This is the second store to hold such an event, following the Daimaru Kobe store last year.

This year, like last year, our flagship stores held the “ECOFF Recycle Campaign” that involves collecting unused clothing, shoes, bags, futon, etc., during which the stores collected a combined total of about 460 thousand recyclable items, an increase of 1.8 times from the previous year. We will continue to promote environmental activities with the aim to build a recycling-oriented society.

A promotion campaign, in collaboration with a leading Chinese mobile payment service provider, targeting those who look forward to the National Day of the People’s Republic of China as well as the expansion of the cosmetic sales space in the South Building of the Daimaru Shinsaibashi store contributed to recovery of inbound tourism demand. In addition, by region, the number of foreign visitors to Nagoya and Kyoto has been increasing, and sales of the Matsuzakaya Nagoya store and the Daimaru Kyoto store have been increasing.

As a result of various measures including those mentioned above, sales revenue was ¥196,822 million, up 1.3% year on year, while operating profit was ¥15,839 million, down 9.5% year on year due mainly to the absence of gain on sales of company-owned houses recorded 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 (partial advance opening in September), which expanded the value provided in areas where stores have not yet opened in the urban areas. At PARCO stores, we picked up 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 ¥66,272 million, down 2.9% year on year, and operating profit was ¥8,139 million, down 15.8% 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 the overall area and grow along with the region. In September, we opened the “Familiar Kobe Main Shop” near the Daimaru Kobe store as a new format focused on education, food, and medical. In addition, we officially opened “BINO GINZA” in November, which was initially opened with a focus on “beauty & health” last year.

As a result of various measures including those mentioned above and those to liven up existing properties, in the nine months ended November 30, 2018, sales revenue was ¥12,669 million, up 33.4% year on year, and operating profit was ¥4,488 million, up 46.7% year on year.

<Credit Finance Business>
As a result of increased interest income due to increased use of revolving credit and installment payments as well as increased commission fees due to increased card use at external member stores, sales revenue was ¥7,854 million, up 3.6% year on year. However, due to increased costs to renew cards, operating profit was ¥1,969 million, down 9.5% year on year.

(2) Explanation of financial position

(Assets, liabilities, and equity as of November 30, 2018)
Total assets as of November 30, 2018 was ¥1,057,636 million, an increase of ¥35,288 million compared with February 28, 2018. Total liabilities was ¥591,976 million, an increase of ¥20,516 million. Total equity was ¥465,659 million, an increase of ¥14,772 million compared with February 28, 2018.

(Cash flow position)

The balance of cash and cash equivalents (hereinafter "cash") as of November 30, 2018 amounted to ¥26,711 million, down ¥ 12,172 million compared with February 28, 2018.

Cash flow positions in the nine months ended November 30, 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 ¥21,830 million. In comparison with the nine months ended November 30, 2017, cash provided decreased by ¥19,132 million, largely reflecting an increase in income taxes paid.

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

Net cash used in investing activities was ¥21,932 million. In comparison with the nine months ended November 30, 2017, cash used increased by ¥5,429 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 ¥12,096 million. In comparison with the nine months ended November 30, 2017, cash used decreased by ¥17,548 million, largely reflecting the absence of the redemption of bonds and commercial papers in the previous year.

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

The consolidated earnings forecasts are unchanged from the forecasts for the fiscal year ending February 28, 2019 announced on October 9, 2018.

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 November 30, 2018
	Millions of yen	Millions of yen
Assets		
Current assets		
Cash and cash equivalents	38,883	26,711
Trade and other receivables	125,649	155,266
Other financial assets	4,067	6,327
Inventories	33,755	42,233
Other current assets	6,076	7,967
Assets held for sale	6,732	–
Total current assets	215,164	238,506
Non-current assets		
Property, plant and equipment	458,877	470,195
Goodwill	523	523
Investment property	195,608	197,420
Intangible assets	3,588	3,946
Investments accounted for using equity method	16,425	17,355
Other financial assets	100,016	98,067
Deferred tax assets	7,286	7,269
Other non-current assets	24,857	24,351
Total non-current assets	807,183	819,129
Total assets	1,022,348	1,057,636

	As of February 28, 2018	As of November 30, 2018
	Millions of yen	Millions of yen
Liabilities and equity		
Liabilities		
Current liabilities		
Bonds and borrowings	46,230	44,720
Trade and other payables	141,343	161,871
Other financial liabilities	30,811	32,332
Income tax payables	9,202	4,379
Provisions	202	897
Other current liabilities	64,561	70,095
Total current liabilities	292,351	314,297
Non-current liabilities		
Bonds and borrowings	137,972	138,109
Other financial liabilities	34,240	34,358
Retirement benefit liabilities	29,909	28,847
Provisions	4,595	3,988
Deferred tax liabilities	61,161	61,366
Other non-current liabilities	11,231	11,008
Total non-current liabilities	279,109	277,679
Total liabilities	571,460	591,976
Equity		
Capital	31,974	31,974
Share premium	211,864	212,077
Treasury shares	(15,244)	(15,088)
Other components of equity	15,772	15,638
Retained earnings	151,151	164,776
Total equity attributable to owners of parent	395,519	409,378
Non-controlling interests	55,368	56,280
Total equity	450,887	465,659
Total liabilities and equity	1,022,348	1,057,636

(2) Condensed quarterly consolidated statement of profit or loss

	Nine months ended November 30, 2017	Nine months ended November 30, 2018
	Millions of yen	Millions of yen
Sales revenue	342,495	333,608
Cost of sales	(186,840)	(178,560)
Gross profit	155,655	155,047
Selling, general and administrative expense	(121,872)	(121,422)
Other operating income	6,477	2,512
Other operating expense	(2,399)	(2,284)
Operating profit	37,860	33,853
Finance income	853	871
Finance costs	(886)	(865)
Share of profit (loss) of investments accounted for using equity method	(100)	1,039
Profit before tax	37,727	34,898
Income tax expense	(11,329)	(10,517)
Profit	26,398	24,380
Profit attributable to:		
Owners of parent	23,713	22,077
Non-controlling interests	2,684	2,302
Profit	26,398	24,380
Earnings per share		
Basic earnings per share (Yen)	90.67	84.37
Diluted earnings per share (Yen)	90.64	84.35

(3) Condensed quarterly consolidated statement of comprehensive income

	Nine months ended November 30, 2017	Nine months ended November 30, 2018
	Millions of yen	Millions of yen
Profit	26,398	24,380
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income	1,718	369
Share of other comprehensive income of entities accounted for using equity method	(22)	33
Total items that will not be reclassified to profit or loss	1,695	403
Items that may be reclassified to profit or loss		
Cash flow hedges	60	53
Exchange differences on translation of foreign operations	37	(29)
Share of other comprehensive income of entities accounted for using equity method	26	2
Total items that may be reclassified to profit or loss	125	26
Other comprehensive income, net of tax	1,820	430
Comprehensive income	28,219	24,811
Comprehensive income attributable to:		
Owners of parent	25,529	22,440
Non-controlling interests	2,690	2,371
Comprehensive income	28,219	24,811

(4) Condensed quarterly consolidated statement of changes in equity

Nine months ended November 30, 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	–	–	–	58	59	1,708
Total comprehensive income	–	–	–	58	59	1,708
Issuance of new shares	1,974	1,974	–	–	–	–
Purchase of treasury shares	–	–	(3,958)	–	–	–
Disposal of treasury shares	–	(0)	0	–	–	–
Dividends	–	–	–	–	–	–
Changes in ownership interests in subsidiaries	–	(56)	–	–	–	–
Share-based payment transactions	–	262	–	–	–	–
Transfer from other components of equity to retained earnings	–	–	–	–	–	(78)
Other	–	–	–	–	–	–
Total transactions with owners	1,974	2,180	(3,958)	–	–	(78)
Balance at November 30, 2017	31,974	211,731	(15,240)	(95)	(7)	14,461

	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, 2017	–	12,610	127,690	368,571	52,872	421,444
Profit	–	–	23,713	23,713	2,684	26,398
Other comprehensive income	(10)	1,815	–	1,815	5	1,820
Total comprehensive income	(10)	1,815	23,713	25,529	2,690	28,219
Issuance of new shares	–	–	–	3,948	–	3,948
Purchase of treasury shares	–	–	–	(3,958)	–	(3,958)
Disposal of treasury shares	–	–	–	0	–	0
Dividends	–	–	(7,846)	(7,846)	(911)	(8,757)
Changes in ownership interests in subsidiaries	–	–	–	(56)	55	(0)
Share-based payment transactions	–	–	–	262	–	262
Transfer from other components of equity to retained earnings	10	(68)	68	–	–	–
Other	–	–	–	–	(0)	(0)
Total transactions with owners	10	(68)	(7,778)	(7,650)	(856)	(8,506)
Balance at November 30, 2017	–	14,358	143,626	386,450	54,706	441,156

Nine months ended November 30, 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	–	–	–	(28)	55	301
Total comprehensive income	–	–	–	(28)	55	301
Issuance of new shares	–	–	–	–	–	–
Purchase of treasury shares	–	–	(6)	–	–	–
Disposal of treasury shares	–	0	0	–	–	–
Dividends	–	–	–	–	–	–
Changes in ownership interests in subsidiaries	–	1	–	–	–	–
Share-based payment transactions	–	210	162	–	–	–
Transfer from other components of equity to retained earnings	–	–	–	–	–	(442)
Other	–	–	–	29	(49)	–
Total transactions with owners	–	212	156	29	(49)	(442)
Balance at November 30, 2018	31,974	212,077	(15,088)	(42)	(9)	15,690

	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	–	–	22,077	22,077	2,302	24,380
Other comprehensive income	33	362	–	362	68	430
Total comprehensive income	33	362	22,077	22,440	2,371	24,811
Issuance of new shares	–	–	–	–	–	–
Purchase of treasury shares	–	–	–	(6)	–	(6)
Disposal of treasury shares	–	–	–	0	–	0
Dividends	–	–	(9,417)	(9,417)	(942)	(10,359)
Changes in ownership interests in subsidiaries	–	–	–	1	(516)	(515)
Share-based payment transactions	–	–	–	373	–	373
Transfer from other components of equity to retained earnings	(33)	(476)	476	–	–	–
Other	–	(19)	–	(19)	–	(19)
Total transactions with owners	(33)	(496)	(8,940)	(9,068)	(1,458)	(10,527)
Balance at November 30, 2018	–	15,638	164,776	409,378	56,280	465,659

(5) Condensed quarterly consolidated statement of cash flows

	Nine months ended November 30, 2017	Nine months ended November 30, 2018
	Millions of yen	Millions of yen
Cash flows from (used in) operating activities		
Profit before tax	37,727	34,898
Depreciation and amortization expense	13,720	14,799
Impairment loss	260	408
Finance income	(853)	(871)
Finance costs	886	865
Share of loss (profit) of investments accounted for using equity method	100	(1,039)
Loss (gain) on sales of non-current assets	(1,474)	(23)
Loss on disposals of non-current assets	1,078	1,184
Decrease (increase) in inventories	(11,355)	(8,478)
Decrease (increase) in trade and other receivables	(29,038)	(28,972)
Increase (decrease) in trade and other payables	23,257	21,706
Increase (decrease) in retirement benefit liabilities	(1,005)	(1,061)
Decrease (increase) in retirement benefit assets	(616)	(68)
Other, net	21,507	4,160
Subtotal	54,196	37,507
Interest received	115	94
Dividends received	286	293
Interest paid	(831)	(760)
Income taxes paid	(14,765)	(17,758)
Income taxes refund	1,961	2,453
Net cash flows from (used in) operating activities	40,962	21,830
Cash flows from (used in) investing activities		
Purchase of property, plant and equipment	(12,616)	(25,229)
Proceeds from sales of property, plant and equipment	2,088	7
Purchase of investment property	(8,421)	(3,972)
Proceeds from sales of investment property	–	32
Purchase of investment securities	(1,589)	(928)
Proceeds from sales of investment securities	1,771	8,478
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	1,839	–
Other, net	424	(320)
Net cash flows from (used in) investing activities	(16,503)	(21,932)
Cash flows from (used in) financing activities		
Net increase (decrease) in current borrowings	(50)	(1,850)
Net increase (decrease) in commercial papers	(23,799)	4,999
Proceeds from non-current borrowings	2,500	11,850
Repayments of non-current borrowings	(22,000)	(16,400)
Proceeds from issuance of bonds	34,838	–
Redemption of bonds	(12,000)	–
Purchase of treasury shares	(10)	(6)
Dividends paid	(7,841)	(9,397)
Dividends paid to non-controlling interests	(911)	(942)
Other, net	(369)	(350)
Net cash flows from (used in) financing activities	(29,644)	(12,096)
Net increase (decrease) in cash and cash equivalents	(5,185)	(12,198)
Cash and cash equivalents at beginning of period	31,867	38,883
Effect of exchange rate changes on cash and cash equivalents	16	26
Cash and cash equivalents at end of period	26,698	26,711

(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 nine months ended November 30, 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.

Nine months ended November 30, 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	194,077	67,934	9,029	4,434	275,476	67,019	342,495	–	342,495
Inter-segment revenue	190	318	467	3,144	4,121	25,104	29,225	(29,225)	–
Total	194,267	68,252	9,497	7,579	279,597	92,123	371,721	(29,225)	342,495
Segment profit	17,509	9,670	3,059	2,176	32,416	3,953	36,369	1,491	37,860
Finance income									853
Finance costs									(886)
Share of profit (loss) of investments accounted for using equity method									(100)
Profit before tax									37,727

Notes:

1. 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.
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.

Nine months ended November 30, 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	196,568	65,979	11,819	4,766	279,133	54,474	333,608	–	333,608
Inter-segment revenue	253	293	849	3,088	4,485	22,906	27,392	(27,392)	–
Total	196,822	66,272	12,669	7,854	283,618	77,381	361,000	(27,392)	333,608
Segment profit	15,839	8,139	4,488	1,969	30,436	2,658	33,095	758	33,853
Finance income									871
Finance costs									(865)
Share of profit (loss) of investments accounted for using equity method									1,039
Profit before tax									34,898

Notes:

1. 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.
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.