Translation

June 28, 2019

Consolidated Financial Results for the First Three Months of the Fiscal Year Ending February 29, 2020 (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: July 12, 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 three months of the fiscal year ending February 29, 2020 (from March 1, 2019 to May 31, 2019)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

	Gross sales		Sales revenue		Business profit		Operating profit		Profit before tax	
Three months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
May 31, 2019	274,002	1.5	112,482	1.3	12,476	1.5	12,794	(1.6)	12,150	(8.0)
May 31, 2018	269,879	(1.9)	111,073	(2.6)	12,295	11.6	12,998	0.0	13,212	(3.3)

	Profit attributable to owners of parent		Total comprehensive income		Basic earnings per share	Diluted earnings per share
Three months ended	Millions of yen	%	Millions of yen	%	Yen	Yen
May 31, 2019	7,447	(10.7)	7,710	(14.4)	28.45	–
May 31, 2018	8,342	(4.3)	9,009	(10.4)	31.89	–

* 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
May 31, 2019	1,270,785	456,490	402,345	31.7	1,537.10
February 28, 2019	1,029,573	468,485	412,700	40.1	1,576.68

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, 2019	–	17.00	–	18.00	35.00
Fiscal year ending February 29, 2020	–				
Fiscal year ending February 29, 2020 (Forecast)		18.00	–	18.00	36.00

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

3. Consolidated earnings forecasts for the fiscal year ending February 29, 2020 (from March 1, 2019 to February 29, 2020)

(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	%
First six months ending August 31, 2019	557,000	1.8	229,000	0.8	24,000	(1.1)	23,600	(2.6)	22,400	(10.6)
Fiscal year ending February 29, 2020	1,188,000	5.6	500,000	8.7	49,500	8.8	48,500	18.6	45,500	8.0

	Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Yen
First six months ending August 31, 2019	13,800	(13.3)	52.72
Fiscal year ending February 29, 2020	28,000	2.3	106.97

Note: Revisions to the consolidated earnings forecasts most recently announced: None

* **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 May 31, 2019	270,565,764 shares
February 28, 2019	270,565,764 shares

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

As of May 31, 2019	8,808,789 shares
As of February 28, 2019	8,812,617 shares

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

For the three months ended May 31, 2019	261,753,491 shares
For the three months ended May 31, 2018	261,642,774 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 three 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 three months

(1) Explanation of operating results

In the three months ended May 31, 2019 (from March 1, 2019 to May 31, 2019), the Japanese economy remained on a gradual track of recovery due to a still increasing trend in capital investment and solid corporate earnings; however, such growth decelerated due to the U.S.-China trade war and a slowdown in the Chinese economy.

In the retail sector, the overall personal consumption was found not strong enough to support the sector's growth due to continued sluggish stock prices and the persistent budget-minded consumer behavior fueled by an increase in grocery prices despite some positive signs such as strongly growing inbound tourism consumption and the recovery of the consumer price index amid improvement in the employment environment and the gradual recovery in income.

Amid this environment, with the aim of developing as a multifaceted services retailer operating beyond the retail industry framework as it began working on the third 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,'" the J. Front Retailing Group (hereinafter the "Group") is working to further strengthen the competitiveness and profitability of existing businesses while also accelerating initiatives in its three key businesses: the Credit Finance Business, the personnel recruitment business and the design and construction business.

In addition, we have identified five priority issues such as "contribution to low-carbon society" and are promoting Group-wide initiatives including formulation of action plans to achieve medium- to long-term goals to carry out management with an emphasis on ESG so as to contribute to realizing sustainable society and realize sustainable growth as a corporate. As part of the above initiatives, we endorsed the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) in May.

In the Department Store Business, performance remained strong for such items as cosmetics and luxury brands, which were boosted by foreign tourists to Japan. In March, we opened the second "KiKiYOCOCHO" in the Matsuzakaya Nagoya store, following the one in the Daimaru Sapporo store, which is an initiative to provide "new value" to customers through a new arranging sales area that fuses "beauty, food and accessories." Most notably, we opened "Amuse Beauté"—our directly-operated self-service beauty shop in the KiKiYOCOCHO area as the seventh outlet in Japan. In April, key Daimaru and Matsuzakaya stores held the "ECOFF Recycle Campaign" that involves collecting unused clothing, etc. to contribute to building a sustainable society. Many customers participated this time as well.

On the other hand, as part of the Group's restructuring of regional department stores, we have decided to absorb and merge The Shimonoseki Daimaru, Inc. into Daimaru Matsuzakaya Department Stores Co. Ltd., aiming to enable The Shimonoseki Daimaru, Inc. to continue to play a part in the community and grow amid changes in economic circumstances surrounding regional suburban department stores and intensifying competition among them. In addition, we closed the Daimaru Yamashina store in March.

In the Real Estate Business, we opened in April the commercial facility "BINO HIGASHINOTOIN" on Higashinotoin-dori in the Karasuma area of Kyoto with a focus on "beauty & health" as part of our "Urban Dominant Strategy."

In the PARCO Business, we opened Kinshicho PARCO in March with a concept of "creating a new community for people living in urban areas in which workplaces and residential areas are close to each other." We also opened SAN-A Urasoe Nishi-Kaigan PARCO CITY in June, and will open Shibuya PARCO this fall. On the other hand, we closed Utsunomiya PARCO in May in light of changes in the commercial environment surrounding the store.

Furthermore, as one of the measures to expand into fields of business extending beyond the retail industry framework, in March, we opened "Daimaru Matsuzakaya Kids Duo International Aobadai"—

our first unlicensed infant childcare facility that fulfills 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.

As a result of various measures including those mentioned above, in the three months ended May 31, 2019, consolidated sales revenue was ¥112,482 million, up 1.3% year on year, operating profit was ¥12,794 million, down 1.6% year on year, profit before tax was ¥12,150 million, down 8.0% year on year, and profit attributable to owners of parent was ¥7,447 million, down 10.7% year on year.

Results by segment are as follows.

<Department Store Business>
We renovated the second floor of the South Building of the Matsuzakaya Nagoya store for the first time in seven years, and opened KiKiYOCOCHO in March as an initiative to strengthen the ability to attract many customers, which is one of the cornerstones of the store strategy. KiKiYOCOCHO is a new arranging sales area fusing "beauty, food and accessories." It is comprised of 25 shops, some of which are available for the first time in the Tokai region and Japan. It provides women with a space for "trying, discovering, and relaxing" in which the high-class feel of a department store and the lively atmosphere of a side street co-exist.

As one of the initiatives to expand the customer base, we now made the Daimaru and Matsuzakaya app available for use at 13 stores nationwide at the end of May in order to further strengthen the relationships with customers based on the perspectives of providing new customer experience and enhancing sales initiatives.

We continued efforts to acquire new customer accounts in response to the expanding affluent customer market. In order to develop the new out-of-store sales business model, we also improved and maintained the operation support system that utilizes ICT, and established a new organizational structure. Sales of duty-free products, mainly cosmetics, continued to increase as a result of working at expanding the cosmetic sales space, delivering information utilizing social networking services, and strengthening the ability to attract many customers by implementing campaigns targeted at mobile payment users in response to an increasing number of foreign tourists to Japan.

In addition, as part of the restructuring of regional department stores, we have decided to absorb and merge The Shimonoseki Daimaru, Inc. into Daimaru Matsuzakaya Department Stores Co. Ltd. and bring it under direct management in March 2020 (plan), aiming to enable its continued growth.

It should be added that we closed the Daimaru Yamashina store as of March 31, 2019 based on the judgment of it being difficult to anticipate improvement in its earnings amidst recent changes in the economic environment and fiercer competitions.

As a result of various measures including those mentioned above, sales revenue was ¥65,987 million, up 0.3% year on year, and operating profit was ¥6,130 million, down 10.5% year on year.

<PARCO Business>
In the Shopping complex business, we newly opened Kinshicho PARCO next to Kinshicho Station in Sumida Ward in March as a renovation type development property and worked to expand value provided in areas where stores have not yet opened in the urban areas. At PARCO Stores, we have developed a system to promote customer-driven business model reform in response to the evolution of the digital environment and the changing consumer mindset, and we worked on new tenant development, expansion of customer contact points and strengthening communication for enhancing customer satisfaction.

As a result of various measures including those mentioned above, sales revenue was ¥22,103 million, up 0.3% year on year, and operating profit was ¥3,408 million, up 23.9% year on year.

<Real Estate Business>

Sales of GINZA SIX and Ueno Frontier Tower continued to increase, contributing to improving the business results throughout the first three months. GINZA SIX and Ueno Frontier Tower were launched in FY 2017 as part of our "Urban Dominant Strategy" to maximize the charm of the area and grow along with the community.

We also worked at developing surrounding areas. For example, in Kyoto, which is a focus area under the "Urban Dominant Strategy," we opened a commercial facility "BINO HIGASHINOTOIN" in April with the concept of "beauty & health." (BINO stands for Beauty Inside and Out.)

Consequently, sales revenue was ¥4,421 million, up 6.7% year on year, and operating profit was ¥1,686 million, up 4.9% year on year due to transfer of management of stores surrounding the Kobe, Kyoto, and Ueno stores from the Department Store Business to the Real Estate Business in addition to the above efforts.

<Credit Finance Business>

As a result of increases in commission fees due to increased use at external member stores and in interest income from installment sales, sales revenue was ¥2,602 million, up 1.4% year on year, and operating profit was ¥795 million, up 7.7% year on year.

(2) Explanation of financial position

(Assets, liabilities, and equity as of May 31, 2019)

Total assets as of May 31, 2019 was ¥1,270,785 million, an increase of ¥241,212 million compared with February 28, 2019. This was mainly attributable to an increase in right-of-use assets due to the application of IFRS 16 "Leases." Total liabilities was ¥814,294 million, an increase of ¥253,207 million. This was mainly attributable to an increase in lease liabilities due to the application of IFRS 16 "Leases." Total equity was ¥456,490 million, a decrease of ¥11,995 million compared with February 28, 2019. This was mainly attributable to a decrease in retained earnings due to the application of IFRS 16 "Leases."

(Cash flow position)

The balance of cash and cash equivalents (hereinafter "cash") as of May 31, 2019 amounted to ¥47,028 million, up ¥21,369 million compared with February 28, 2019.

Cash flow positions in the three months ended May 31, 2019 and the factors for these were as follows.

A. Cash flows from (used in) operating activities

Net cash provided by operating activities was ¥19,024 million. In comparison with the three months ended May 31, 2018, cash provided increased by ¥13,601 million, largely reflecting an adjustment of depreciation and amortization expense due to the application of IFRS 16 "Leases" and an increase in trade payables.

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

Net cash used in investing activities was ¥4,787 million. In comparison with the three months ended May 31, 2018, cash used decreased by ¥6,162 million, largely reflecting a decrease in purchase of property, plant and equipment.

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

Net cash provided by financing activities was ¥7,138 million. In comparison with the three months ended May 31, 2018, cash increased by ¥18,663 million, largely reflecting issuance of bonds, despite the recording of repayments of lease liabilities due to the application of IFRS 16 "Leases."

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

The consolidated earnings forecasts are unchanged from the forecasts for the first six months ending August 31, 2019 and the fiscal year ending February 29, 2020 announced in the consolidated financial results released on April 9, 2019.

2. Condensed quarterly consolidated financial statements and significant notes thereto

(1) Condensed quarterly consolidated statement of financial position

	As of February 28, 2019	As of May 31, 2019
	Millions of yen	Millions of yen
Assets		
Current assets		
Cash and cash equivalents	25,659	47,028
Trade and other receivables	132,943	147,303
Other financial assets	7,324	7,727
Inventories	38,349	38,765
Other current assets	7,004	5,573
Total current assets	211,281	246,398
Non-current assets		
Property, plant and equipment	471,238	464,558
Right-of-use assets	–	195,568
Goodwill	523	523
Investment property	197,162	218,017
Intangible assets	4,489	4,967
Investments accounted for using equity method	17,616	18,008
Other financial assets	96,225	94,191
Deferred tax assets	8,280	11,248
Other non-current assets	22,754	17,303
Total non-current assets	818,291	1,024,386
Total assets	1,029,573	1,270,785

	As of February 28, 2019	As of May 31, 2019
	Millions of yen	Millions of yen
Liabilities and equity		
Liabilities		
Current liabilities		
Bonds and borrowings	31,320	31,650
Trade and other payables	138,938	154,680
Lease liabilities	–	27,493
Other financial liabilities	32,252	30,787
Income tax payables	8,174	4,652
Provisions	1,851	2,070
Other current liabilities	62,490	64,407
Total current liabilities	275,028	315,742
Non-current liabilities		
Bonds and borrowings	143,058	162,433
Lease liabilities	–	205,994
Other financial liabilities	47,718	38,565
Retirement benefit liabilities	29,003	28,651
Provisions	5,176	4,952
Deferred tax liabilities	60,455	57,176
Other non-current liabilities	647	778
Total non-current liabilities	286,059	498,552
Total liabilities	561,087	814,294
Equity		
Capital	31,974	31,974
Share premium	212,210	212,300
Treasury shares	(15,090)	(15,091)
Other components of equity	14,745	13,406
Retained earnings	168,861	159,755
Total equity attributable to owners of parent	412,700	402,345
Non-controlling interests	55,784	54,144
Total equity	468,485	456,490
Total liabilities and equity	1,029,573	1,270,785

(2) Condensed quarterly consolidated statement of profit or loss

	Three months ended May 31, 2018	Three months ended May 31, 2019
	Millions of yen	Millions of yen
Sales revenue	111,073	112,482
Cost of sales	(59,328)	(60,315)
Gross profit	51,745	52,167
Selling, general and administrative expense	(39,449)	(39,691)
Other operating income	983	827
Other operating expense	(280)	(509)
Operating profit	12,998	12,794
Finance income	320	319
Finance costs	(304)	(1,394)
Share of profit (loss) of investments accounted for using equity method	197	430
Profit before tax	13,212	12,150
Income tax expense	(4,101)	(3,900)
Profit	9,110	8,249
Profit attributable to:		
Owners of parent	8,342	7,447
Non-controlling interests	768	802
Profit	9,110	8,249
Earnings per share		
Basic earnings per share (Yen)	31.89	28.45
Diluted earnings per share (Yen)	–	–

(3) Condensed quarterly consolidated statement of comprehensive income

	Three months ended May 31, 2018	Three months ended May 31, 2019
	Millions of yen	Millions of yen
Profit	9,110	8,249
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income	(118)	(505)
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	(84)	(543)
Items that may be reclassified to profit or loss		
Cash flow hedges	19	(28)
Exchange differences on translation of foreign operations	(37)	30
Share of other comprehensive income of entities accounted for using equity method	1	0
Total items that may be reclassified to profit or loss	(16)	3
Other comprehensive income, net of tax	(101)	(539)
Comprehensive income	9,009	7,710
Comprehensive income attributable to:		
Owners of parent	8,205	6,940
Non-controlling interests	804	769
Comprehensive income	9,009	7,710

(4) Condensed quarterly consolidated statement of changes in equity

Three months ended May 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	–	–	–	(35)	20	(156)
Total comprehensive income	–	–	–	(35)	20	(156)
Purchase of treasury shares	–	–	(1)	–	–	–
Disposal of treasury shares	–	0	0	–	–	–
Dividends	–	–	–	–	–	–
Share-based payment transactions	–	108	–	–	–	–
Transfer from other components of equity to retained earnings	–	–	–	–	–	(92)
Other	–	–	–	29	(49)	–
Total transactions with owners	–	108	(1)	29	(49)	(92)
Balance at May 31, 2018	31,974	211,973	(15,245)	(49)	(44)	15,582

	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	–	–	8,342	8,342	768	9,110
Other comprehensive income	33	(137)	–	(137)	36	(101)
Total comprehensive income	33	(137)	8,342	8,205	804	9,009
Purchase of treasury shares	–	–	–	(1)	–	(1)
Disposal of treasury shares	–	–	–	0	–	0
Dividends	–	–	(4,969)	(4,969)	(520)	(5,489)
Share-based payment transactions	–	–	–	108	–	108
Transfer from other components of equity to retained earnings	(33)	(126)	126	–	–	–
Other	–	(19)	–	(19)	(0)	(20)
Total transactions with owners	(33)	(146)	(4,842)	(4,882)	(520)	(5,403)
Balance at May 31, 2018	–	15,488	155,139	399,329	55,651	454,981

Three months ended May 31, 2019

	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, 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	–	–	–	30	(27)	(471)
Total comprehensive income	–	–	–	30	(27)	(471)
Purchase of treasury shares	–	–	(1)	–	–	–
Disposal of treasury shares	–	(0)	0	–	–	–
Dividends	–	–	–	–	–	–
Changes in ownership interests in subsidiaries	–	–	–	–	–	–
Share-based payment transactions	–	90	–	–	–	–
Transfer from other components of equity to retained earnings	–	–	–	–	–	(869)
Other	–	–	–	–	–	–
Total transactions with owners	–	90	(1)	–	–	(869)
Balance at May 31, 2019	31,974	212,300	(15,091)	(53)	(33)	13,493

	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, 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	–	–	7,447	7,447	802	8,249
Other comprehensive income	(37)	(506)	–	(506)	(33)	(539)
Total comprehensive income	(37)	(506)	7,447	6,940	769	7,710
Purchase of treasury shares	–	–	–	(1)	–	(1)
Disposal of treasury shares	–	–	–	0	–	0
Dividends	–	–	(4,709)	(4,709)	(515)	(5,225)
Changes in ownership interests in subsidiaries	–	–	–	–	3	3
Share-based payment transactions	–	–	–	90	17	107
Transfer from other components of equity to retained earnings	37	(831)	831	–	–	–
Other	–	–	–	–	–	–
Total transactions with owners	37	(831)	(3,877)	(4,620)	(494)	(5,114)
Balance at May 31, 2019	–	13,406	159,755	402,345	54,144	456,490

(5) Condensed quarterly consolidated statement of cash flows

	Three months ended May 31, 2018	Three months ended May 31, 2019
	Millions of yen	Millions of yen
Cash flows from (used in) operating activities		
Profit before tax	13,212	12,150
Depreciation and amortization expense	4,741	12,180
Finance income	(320)	(319)
Finance costs	304	1,394
Share of loss (profit) of investments accounted for using equity method	(197)	(430)
Loss (gain) on sales of non-current assets	(22)	–
Loss on disposals of non-current assets	200	414
Decrease (increase) in inventories	4	(416)
Decrease (increase) in trade and other receivables	(8,422)	(9,352)
Increase (decrease) in trade and other payables	9,842	16,680
Increase (decrease) in retirement benefit liabilities	(367)	(351)
Decrease (increase) in retirement benefit assets	(129)	28
Other, net	(4,033)	115
Subtotal	14,811	32,093
Interest received	39	30
Dividends received	128	116
Interest paid	(273)	(1,333)
Income taxes paid	(9,282)	(11,883)
Net cash flows from (used in) operating activities	5,423	19,024
Cash flows from (used in) investing activities		
Purchase of property, plant and equipment	(14,454)	(4,050)
Proceeds from sales of property, plant and equipment	3	–
Purchase of investment property	(3,222)	(290)
Proceeds from sales of investment property	32	–
Purchase of investment securities	(501)	(350)
Proceeds from sales of investment securities	6,942	1,959
Other, net	251	(2,054)
Net cash flows from (used in) investing activities	(10,949)	(4,787)
Cash flows from (used in) financing activities		
Net increase (decrease) in current borrowings	(1,000)	(7,000)
Net increase (decrease) in commercial papers	999	–
Proceeds from non-current borrowings	–	1,300
Repayments of non-current borrowings	(5,970)	(4,470)
Proceeds from issuance of bonds	–	29,864
Repayments of lease liabilities	–	(7,322)
Purchase of treasury shares	(2)	(1)
Dividends paid	(4,963)	(4,717)
Dividends paid to non-controlling interests	(520)	(515)
Other, net	(69)	1
Net cash flows from (used in) financing activities	(11,525)	7,138
Net increase (decrease) in cash and cash equivalents	(17,051)	21,375
Cash and cash equivalents at beginning of period	38,883	25,659
Effect of exchange rate changes on cash and cash equivalents	(3)	(6)
Cash and cash equivalents at end of period	21,828	47,028

(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, 2019 except for the following:

The Group has applied the following standards from the first quarter of the fiscal year ending February 29, 2020.

IFRS	Description of new and amended standards
IFRS 16 *Leases*	Amendments to accounting treatment for leases

The Group has applied IFRS 16 "Leases" (issued in January 2016) (hereinafter "IFRS 16") from the first quarter of the fiscal year ending 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 first quarter of the fiscal year ending 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."

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

As a result, assets and liabilities in the condensed quarterly consolidated statement of financial position at the beginning of the first quarter of the fiscal year ending February 29, 2020 increased by ¥210,637 million and ¥225,227 million, respectively while equity decreased by ¥14,590 million. Please note that the impact on profit is not significant in the condensed quarterly consolidated statement of profit or loss.

In applying IFRS 16, the Group used 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.

(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.

Three months ended May 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	65,744	21,960	3,851	1,565	93,121	17,952	111,073	–	111,073
Inter-segment revenue	61	65	291	1,001	1,420	7,368	8,788	(8,788)	–
Total	65,805	22,026	4,143	2,566	94,541	25,320	119,862	(8,788)	111,073
Segment profit	6,850	2,750	1,607	738	11,946	725	12,672	326	12,998
Finance income									320
Finance costs									(304)
Share of profit (loss) of investments accounted for using equity method									197
Profit before tax									13,212

Notes:
1. The "Other" category is a business segment not included in 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.

Three months ended May 31, 2019

	Reportable segments					Other	Total	Adjustments	Consolidated
	Department Store Business	PARCO Business	Real Estate Business	Credit Finance Business	Total				
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
External revenue	65,858	21,966	4,165	1,680	93,671	18,811	112,482	–	112,482
Inter-segment revenue	128	136	255	922	1,442	9,270	10,713	(10,713)	–
Total	65,987	22,103	4,421	2,602	95,114	28,081	123,196	(10,713)	112,482
Segment profit	6,130	3,408	1,686	795	12,020	829	12,850	(55)	12,794
Finance income									319
Finance costs									(1,394)
Share of profit (loss) of investments accounted for using equity method									430
Profit before tax									12,150

Notes:

1. The "Other" category is a business segment not included in 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.