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Document title:	Quarterly Report
Clause of stipulation:	Article 24-4-7, paragraph 1 of the Financial Instruments and Exchange Act
Place of filing:	Director-General of Kanto Local Finance Bureau
Filing date:	July 14, 2020
Quarterly accounting period:	First quarter of the 14th term (March 1, 2020 - May 31, 2020)
Company name:	Ｊ.フロント リテイリング株式会社 (*J. FRONT RETAILING Co., Ltd.*)
Company name in English:	J. FRONT RETAILING Co., Ltd.
Title and name of representative:	Tatsuya Yoshimoto, President
Address of registered headquarters:	10-1, Ginza 6-chome, Chuo-ku, Tokyo (The address above is the registered address of the headquarters. Actual operations are conducted at nearest place of contact below.)
Telephone number:	+81-3-6895-0179
Name of contact person:	Yoshimi Iwata, Executive Officer, Senior General Manager of Budget and Management Support Division, Financial Strategy Unit
Nearest place of contact:	4-1, Nihonbashi 1-chome, Chuo-ku, Tokyo
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Name of contact person:	Yoshimi Iwata, Executive Officer, Senior General Manager of Budget and Management Support Division, Financial Strategy Unit
Place for public inspection:	Tokyo Stock Exchange, Inc. (2-1, Nihonbashi-kabutocho, Chuo-ku, Tokyo) Nagoya Stock Exchange, Inc. (8-20, Sakae3-chome, Naka-ku, Nagoya)

A. Company information

I. Overview of company

1. Summary of business results

Term	Three months ended May 31, 2019	Three months ended May 31, 2020	13th term
Accounting period	From March 1, 2019 to May 31, 2019	From March 1, 2020 to May 31, 2020	From March 1, 2019 to February 29, 2020
Revenue (Millions of yen)	112,482	63,459	480,621
Profit (loss) before tax (Millions of yen)	12,150	(28,492)	37,161
Profit (loss) attributable to owners of parent (Millions of yen)	7,447	(20,334)	21,251
Comprehensive income attributable to owners of parent (Millions of yen)	6,940	(20,138)	19,259
Equity attributable to owners of parent (Millions of yen)	402,345	362,262	387,188
Total assets (Millions of yen)	1,270,785	1,281,163	1,240,308
Basic earnings (loss) per share (Yen)	28.45	(77.66)	81.19
Diluted earnings per share (Yen)	–	–	81.17
Ratio of equity attributable to owners of parent to total assets (%)	31.7	28.3	31.2
Net cash flows from (used in) operating activities (Millions of yen)	19,024	(8,844)	73,358
Net cash flows from (used in) investing activities (Millions of yen)	(4,787)	(5,842)	(49,559)
Net cash flows from (used in) financing activities (Millions of yen)	7,138	116,065	(14,829)
Cash and cash equivalents at end of period (Millions of yen)	47,028	136,001	34,633

Notes: 1. The above financial data were prepared based on the condensed quarterly consolidated financial statements and the consolidated financial statements prepared in accordance with International Financial Reporting Standards (IFRS).

2 Filing company's summary of business results is not described as we prepare condensed quarterly consolidated financial statements.

3 Amounts have been rounded down to the nearest one million yen.

4 Revenue does not include consumption taxes.

5 Diluted earnings per share for the three months ended May 31, 2019 and the three months ended May 31, 2020 are not presented because there were no potential shares that have dilutive effects.

2. Description of business

During the three months ended May 31, 2020, there were no material changes in the main business of the Group (the Company or the principal subsidiaries and affiliates of the Company). And no changes were made to major subsidiaries and affiliates.

II. Overview of business

1. Business risks

The provisions in (Note 7) presented in Form No. 4-3 of the amended "Cabinet Office Order on Disclosure of Corporate Affairs" according to the "Cabinet Office Ordinance Partially Amending the Cabinet Office Order on Disclosure of Corporate Affairs" have been adopted from the quarterly securities report pertaining to the fiscal year ending February 28, 2021.

During the three months ended May 31, 2020, there was no occurrence of new business-related risks or material changes in the business-related risks described in the annual securities report for the previous fiscal year.

2. Management analysis of financial position, operating results and cash flows

Forward-looking statements in this quarterly report represent the judgement of the Company as of May 31, 2020.

(1) Analysis of operating results

The Japanese economy in the three months ended May 31, 2020 (March 1, 2020 to May 31, 2020) was significantly affected by the spread of the novel coronavirus disease (COVID-19). The business conditions index for March 2020 decreased by 4.9 percentage points year on year, significantly declining to 88.8, and in April, which was when the state of emergency was announced, it suddenly deteriorated, decreasing 7.3 percentage points year on year, the largest ever decrease, and being recorded at 81.5.

In the retail sector, there were significant effects due to the spread of COVID-19. The situation where shops are shortening operating hours or refraining from operating has continued, and it is expected that companies, including major apparel manufacturers, will go bankrupt due to the deterioration of business results. Personal spending fell significantly due to many consumers refraining from going outside for non-essential and non-urgent matters, and it is assumed that the stagnation of consumption may continue for a long period of time.

Amid this environment, the J. Front Retailing Group (hereinafter the "Group") controlled investments and reduced non-essential and non-urgent costs to ensure financial stability and the liquidity of cash on hand. In addition, the Group proceeded with ensuring working capital for the time being by taking measures such as accumulating cash on hand and increasing the amount of credit lines for fund raising.

In the Department Store Business, personal spending stagnated and in-bound spending was extinguished due to people refraining from going outside for non-essential and non-urgent matters in March, and in April, business results significantly deteriorated due to almost all shops refraining from operating after the state of emergency was announced. We restarted operations one after another starting from the food floor after entering May, and all shops and buildings restarted operations in the latter half of May. However, even after reopening, we believe that the safety and security of customers and employees is the most important, so we will thoroughly carry out hygiene management such as ensuring social distancing and checking temperatures.

Under such conditions, as part of the restructuring of regional department stores, we brought Shimonoseki Daimaru under direct management and re-opened it on March 23. In addition, we proceeded with creating community-based stores that only suburban stores can offer, and the Daimaru Ashiya store and the Daimaru Suma store also re-opened on March 13 and March 15, respectively.

In the PARCO Business, similar to the Department Store Business, the transaction volume decreased significantly due to consumers refraining from going outside and shops refraining from operating. However, after the lifting of the state of emergency declaration, operations restarted successively.

Furthermore, completely understanding changes in Japan and overseas, we partnered with the new educational streaming business for teens, "Inspire High," on April 3 to expand new business opportunities. We will promote the "expansion of soft content" through this partnership. Despite various measures in the harsh environment mentioned above, in the three months ended May 31, 2020, consolidated sales revenue was ¥63,459 million, down 43.6% year on year, operating loss was ¥27,103 million partly due to the recording of impairment loss (operating profit of ¥12,794 million in the three months ended May 31, 2019), loss before tax was ¥28,492 million (profit before tax of ¥12,150 million in the three months ended May 31, 2019) and loss attributable to owners of parent was ¥20,334 million (profit attributable to owners of parent of ¥7,447 million in the three months ended May 31, 2019), as a result of the significant impact of stores refraining from operating, etc. due to the spread of COVID-19.

Results by segment are as follows.

<Department Store Business>

We actively worked to reform rural and suburban stores as a measure to strengthen sales, which is one of the cornerstones of the store strategy.

The first large-scale renovation (the first phase) was executed at the Daimaru Suma store, which is celebrating its 40th anniversary since opening, based on the idea of being "In the center of life in Suma. 'Department store that coexists with the community.'" We carried out renovations on the entire Daimaru Ashiya store building, which was reborn as a compact community-based department store with high-quality space and selection of products appropriate for a town like Ashiya, based on the concept of "Anything you could need in this town is here. The offer of Ashiya Marche."

Furthermore, we carried out renovations on the entire Daimaru Shimonoseki store building, whose store name changed at the same time that Daimaru Matsuzakaya Department Stores Co. Ltd. was absorbed and merged, for the first time in 18 years, and it transitioned to a hybrid business structure that boldly utilizes fixed-term rental agreements in addition to the conventional department store business model, aiming to be a "store that can be enjoyed by tourists as well as local three generation families, and is filled with beauty, food and fun."

We decided to conclude operations at Matsuzakaya Toyota on September 30, 2021 based on the judgment of it being difficult to anticipate future growth amidst recent changes in the economic environment and fiercer competitions.

Despite various measures including those mentioned above, sales revenue was ¥24,308 million, down 63.2% year on year, and operating loss was ¥23,156 million (operating profit of ¥6,130 million in the three months ended May 31, 2019) partly due to the recording of impairment loss, as a result of the significant impact of stores refraining from operating, etc.

<PARCO Business>

As a result of temporary closures and shortened operating hours of PARCO stores, relaxing of conditions for tenants, temporary closures of entertainment facilities, temporary closures of shops in the specialty store business, a drop in orders in the space engineering and management business and other factors caused by the impact of the spread of COVID-19, sales revenue was ¥12,132 million, down 45.1% year on year, and operating loss was ¥4,127 million (operating profit of ¥3,408 million in the three months ended May 31, 2019).

<Real Estate Business>

As part of our "Urban Dominant Strategy" to maximize the charm of the area and grow along with the community, we prepared to open the Daimaru Shinsaibashi store's new north building, which is scheduled to open in fall 2020. In addition to this, we have strived to strengthening bases by promoting new real estate development in Ueno, Nagoya Sakae, Kyoto, Shinsaibashi and Kobe, which are priority areas.

Nevertheless, sales revenue was ¥2,739 million, down 38.0% year on year, and operating profit was ¥380 million, down 77.4% year on year, as a result of the significant impact of many facilities refraining from operating, including GINZA SIX and Ueno Frontier Tower, due to the spread of COVID-19.

<Credit Finance Business>

As a result of a decrease in revenues from the affiliated store fees due to Daimaru Matsuzakaya Department Stores Co. Ltd. and external affiliated stores refraining from operating or shortening operating hours because of the spread of COVID-19, sales revenue was ¥2,095 million, down 19.5% year on year, and operating profit was ¥72 million, down 90.9% year on year.

(2) Analysis of financial position

Total assets as of May 31, 2020 was ¥1,281,163 million, an increase of ¥40,855 million compared with February 29, 2020. Total liabilities were ¥906,729 million, an increase of ¥66,102 million. Total equity was ¥374,434 million, a decrease of ¥25,247 million compared with February 29, 2020.

(3) Cash flow position

The balance of cash and cash equivalents (hereinafter "cash") as of May 31, 2020 amounted to ¥136,001 million, up ¥101,368 million compared with February 29, 2020. This was mainly attributable to accumulating cash on hand to ensure future financial stability.

Cash flow positions in the three months ended May 31, 2020 and the factors for these were as follows.

1) Net cash flows from (used in) operating activities

Net cash used in operating activities was ¥8,844 million. In comparison with the three months ended May 31, 2019, cash decreased by ¥27,868 million, largely due to the recording of loss before tax.

2) Net cash flows from (used in) investing activities

Net cash used in investing activities was ¥5,842 million. In comparison with the three months ended May 31, 2019, cash used increased by ¥1,055 million, largely reflecting an increase in purchase of property, plant and equipment.

3) Net cash flows from (used in) financing activities

Net cash provided by financing activities was ¥116,065 million. In comparison with the three months ended May 31, 2019, cash provided increased by ¥108,927 million, largely reflecting issuances of commercial papers and an increase in borrowings.

(4) Operational and financial issues to be addressed

In the three months ended May 31, 2020, there have been no significant changes to the Group's operational and financial issues to be addressed, and no new issues have arisen.

Basic policy regarding control of the Company established by the Company is as follows:

1) Contents of basic policy

The Company believes it is necessary for the party controlling the Company's financial and business policy decisions to be a party who sufficiently understands the financial and business details of the Group and the sources of the Group's corporate value, continuously and sustainably ensures that the corporate value of the Group and, by extension, the common interests of shareholders are served, and enables further improvement in this area.

As the Company is a listed enterprise, the Company's policy regarding its shareholders is that, in general, they are determined through free market transactions on the financial instruments market. Furthermore, even in the case of a purchase of shares of the Company above a certain scale by specific shareholders or specific groups (hereinafter "Large-Scale Purchase"), if this Large-Scale Purchase will contribute to the corporate value of the Group and, by extension, the common interests of its shareholders, the Company believes that this should not be rejected outright and that, ultimately, the decision on whether to accept or reject it should be left to the discretion of the Company’s shareholders.

Nevertheless, a Large-Scale Purchase that involves a serious risk of causing damage to the corporate value of the Group may be envisaged. This may include a Large-Scale Purchase that, in view of its purpose and other factors, would demonstrably harm the Group’s corporate value; one with the potential to involve substantial coercion of shareholders to sell shares of the Company; or one that would not provide sufficient time and information for the Company’s Board of Directors and shareholders to consider factors such as the details of the large-scale purchaser’s proposal, or for the Company’s Board of Directors to make an alternative proposal.

A party attempting this kind of Large-Scale Purchase, which would not contribute to the corporate value of the Group and, by extension, the common interests of its shareholders (hereinafter, the “Large-Scale Purchaser”), would not be appropriate as a party controlling the Company’s financial and business policy decisions. Accordingly, the Company believes that it is the duty of the Company’s Board of Directors, which is entrusted by the shareholders to manage the Company, to respond to this kind of Large-Scale Purchase by ensuring that processes such as provision of information by the Large-Scale Purchaser and considerations and evaluations by the Company’s Board of Directors are carried out, and securing sufficient time for the Company’s Board of Directors and shareholders to consider the details of the Large-Scale Purchaser’s proposal in order to prevent damage to the corporate value of the Group and, by extension, the common interests of its shareholders.

2) Frameworks contributing to realization of basic policy

Since the foundation of Daimaru and Matsuzakaya, the Group has been engaged in businesses of kimono fabric stores and department stores for many years based on the corporate philosophies and traditional spirits of these businesses, which are: “Service before profit (those who place service before profit will prosper),” “Abjure all evil and practice all good” and “In doing good to others, we do good to ourselves.”

The Company believes that the sources of the Group’s corporate value are the relationships of trust it has established with customers and with society, which have been refined on the basis of these philosophies and spirits.

Accordingly, in order to exemplify the principles of “customer-first principle” and “contribution to society,” which are in common with these philosophies and spirits, the Company has established the following basic philosophies of the Group: “to aim at providing high quality products and services that meet the changing times and satisfying customers beyond their expectations” and “to aim at developing the Group by making a broad contribution to society as a fair and trusted business entity.” Based on these basic philosophies, the Company implements a wide range of measures, under the Group Vision of “Create and Bring to Life ‘New Happiness,’” in order to make a contribution to securing and enhancing the corporate value of the Group and, by extension, the common interests of shareholders.

3) Framework to prevent parties deemed inappropriate in light of basic policy from controlling the financial and business policy decisions of the Company

At present, the Company has not specifically stipulated a concrete framework for a case in which a Large-Scale Purchaser appears, commonly known as takeover defense measures.

Nevertheless, the Company believes that, in order to prevent damage to the Group’s corporate value if a Large-Scale Purchaser appears, it is necessary to carefully examine the impact a Large-Scale Purchase would have on the Group’s corporate value after ascertaining certain information about the Large-Scale Purchaser. Such information would include the nature of the Large-Scale Purchaser, the purpose of the Large-Scale Purchase, the Large-Scale Purchaser’s proposed financial and business policies and their policy for handling shareholders, the Group’s customers, business partners, employees, the communities that surround the Group and other stakeholders.

Accordingly, if this occurs, the Company will establish an independent committee composed of Outside Directors and experts with viewpoints that are independent from the Company's Internal Directors. If the Company judges that the said Large-Scale Purchaser is inappropriate in light of the aforementioned basic policy after considering advice and opinions from the committee, the Company will act to secure the Group's corporate value and, by extension, the common interests of shareholders by taking necessary and appropriate countermeasures.

4) Judgment of the Company's Board of Directors regarding concrete framework and reasons for such judgment

Various measures formulated by the Group are formulated based on the Group's basic philosophy, and are intended to further build up the relationships of trust with customers and with society, which are the sources of the Group's corporate value. Therefore, the Company believes that these measures are in line with the contents of the basic policy and contribute to securing and enhancing the corporate value of the Group and, by extension, the common interests of shareholders.

Furthermore, if the Company takes necessary and appropriate countermeasures against a Large-Scale Purchaser judged to be inappropriate in light of the basic policy, the fairness, neutrality and rationality of this judgment will be ensured by making it in consideration of advice and opinions from an independent committee whose independence from the Internal Directors of the Company is assured. Accordingly, the Company believes that these measures would not damage the corporate value of the Group or the common interests of shareholders, and that they are not intended to maintain the positions of the officers of the Company.

(5) Research and development activities

Not applicable.

3. Critical contracts for operation

No critical contracts for operation were decided or entered into during the first quarter ended May 31, 2020.

III. Information about reporting company

1. Information about shares, etc.

(1) Total number of shares

1) Total number of shares

Type	Number of shares authorized for issue (Shares)
Common shares	1,000,000,000
Total	1,000,000,000

2) Issued shares

Type	Number of shares issued (Shares; as of May 31, 2020)	Number of shares issued (Shares; as of the date of filing: July 14, 2020)	Name of financial instruments exchange where the stock of the Company is traded or the name of authorized financial instruments firms association where the Company is registered	Description
Common shares	270,565,764	270,565,764	Tokyo Stock Exchange (the first section) Nagoya Stock Exchange (the first section)	Number of Shares per Share Unit 100
Total	270,565,764	270,565,764	–	–

(2) Status of subscription rights to shares

1) Details of employee share option program

No items to report.

2) Other information about subscription rights to shares

No items to report.

(3) Exercise of bond certificates with subscription rights to shares with exercise price amendment clause

No items to report.

(4) Trends in total number of shares issued, capital stock

Date	Fluctuation in the number of total shares issued (Thousands of shares)	Balance of total shares issued (Thousands of shares)	Fluctuation in share capital (Millions of yen)	Balance of share capital (Millions of yen)	Fluctuation in legal capital surplus (Millions of yen)	Balance of legal capital surplus (Millions of yen)
From March 1, 2020 to May 31, 2020	–	270,565	–	31,974	–	9,474

(5) Status of major shareholders

As the current quarterly accounting period is the first quarter, there are no items to report.

(6) Status of voting rights

Concerning the status of voting rights as of the end of the current first quarter, as the Company was unable to confirm the information stated in the shareholder register, the information is stated not from its register, but rather from the shareholder register of the immediately preceding record date (February 29, 2020).

1) Issued shares

As of May 31, 2020

Category	Number of shares (Shares)	Number of voting rights (Rights)	Details
Shares without voting rights	–	–	–
Shares with restricted voting rights (Treasury shares)	–	–	–
Shares with restricted voting rights (Other)	–	–	–
Shares with full voting rights (Treasury shares)	(Treasury shares) Common shares 6,592,300	–	–
Shares with full voting rights (Other)	Common shares 263,357,800	2,633,578	–
Shares less than one unit	Common shares 615,664	–	–
Total shares issued	270,565,764	–	–
Total number of voting rights	–	2,633,578	–

Notes: 1. "Shares with full voting rights (Other)" includes 2,270,000 shares (22,700 voting rights) of the Company owned by the officer remuneration BIP trust and 9,400 shares (representing 94 voting rights) registered in the name of Japan Securities Depository Center, Incorporated.

2 "Shares less than one unit" includes 32 treasury shares of the Company and 35 treasury shares owned by the officer remuneration BIP trust.

2) Treasury shares, etc.

As of May 31, 2020

Name of shareholder	Address	Number of shares held under own name (Shares)	Number of shares held under the names of others (Shares)	Total number of shares held (Shares)	Percentage of number of shares held in the total number of shares issued (%)
(Treasury shares) J. FRONT RETAILING Co., Ltd.	10-1, Ginza 6-chome, Chuo-ku, Tokyo	6,592,300	–	6,592,300	2.43
Total	–	6,592,300	–	6,592,300	2.43

Note: Treasury shares above do not include shares of the Company owned by the officer remuneration BIP trust.

2. Information about officers

No items to report.

IV. Financial information

1. Preparation policy of the condensed quarterly consolidated financial statements

   The condensed quarterly consolidated financial statements of the Company are prepared in conformity with International Accounting Standard 34, “Interim Financial Reporting” pursuant to the provisions of Article 93 of the Ordinance on Terminology, Forms and Preparation Methods of Quarterly Consolidated Financial Statements (Cabinet Office Ordinance No. 64 of 2007; hereinafter referred to as the “Ordinance on QCFS”).

2. Audit certification

   The condensed quarterly consolidated financial statements for the first quarter from March 1, 2020 to May 31, 2020 and for the three months from March 1, 2020 to May 31,2020 were reviewed by Ernst & Young ShinNihon LLC in accordance with Article 193-2, paragraph 1 of the Financial Instruments and Exchange Act.

1. Condensed quarterly consolidated financial statements

(1) Condensed quarterly consolidated statement of financial position

	Note	As of February 29, 2020	As of May 31, 2020
		Millions of yen	Millions of yen
Assets			
Current assets			
Cash and cash equivalents	10	34,633	136,001
Trade and other receivables	10	144,244	96,834
Other financial assets	10	5,095	4,237
Inventories		19,169	20,248
Other current assets		5,281	6,217
Total current assets		208,424	263,538
Non-current assets			
Property, plant and equipment		473,167	465,084
Right-of-use assets		179,632	171,941
Goodwill		523	523
Investment property		219,354	218,563
Intangible assets		5,662	5,578
Investments accounted for using equity method		37,439	37,114
Other financial assets	10	91,379	92,366
Deferred tax assets		9,988	11,583
Other non-current assets		14,734	14,868
Total non-current assets		1,031,883	1,017,624
Total assets		1,240,308	1,281,163

	Notes	As of February 29, 2020	As of May 31, 2020
		Millions of yen	Millions of yen
Liabilities and equity			
Liabilities			
Current liabilities			
Bonds and borrowings	10	108,400	165,592
Trade and other payables	10	144,020	96,089
Lease liabilities		29,493	29,392
Other financial liabilities	10	30,199	29,395
Income tax payables		4,349	2,690
Provisions		999	780
Other current liabilities		56,427	56,734
Total current liabilities		373,889	380,675
Non-current liabilities			
Bonds and borrowings	10	149,876	220,891
Lease liabilities		191,003	186,217
Other financial liabilities	10	41,087	40,481
Retirement benefit liabilities		20,175	20,164
Provisions		4,909	4,976
Deferred tax liabilities		58,829	52,317
Other non-current liabilities		855	1,004
Total non-current liabilities		466,737	526,053
Total liabilities		840,627	906,729
Equity			
Capital		31,974	31,974
Share premium		189,340	189,185
Treasury shares		(14,974)	(14,896)
Other components of equity		11,641	11,931
Retained earnings		169,206	144,067
Total equity attributable to owners of parent		387,188	362,262
Non-controlling interests		12,493	12,172
Total equity		399,681	374,434
Total liabilities and equity		1,240,308	1,281,163

(2) Condensed quarterly consolidated statement of profit or loss

	Notes	Three months ended May 31, 2019	Three months ended May 31, 2020
		Millions of yen	Millions of yen
Sales revenue	5,6	112,482	63,459
Cost of sales		(60,315)	(42,187)
Gross profit		52,167	21,272
Selling, general and administrative expense		(39,691)	(25,152)
Other operating income	3	827	800
Other operating expense	7,8	(509)	(24,024)
Operating profit (loss)	5	12,794	(27,103)
Finance income		319	303
Finance costs		(1,394)	(1,461)
Share of profit (loss) of investments accounted for using equity method		430	(230)
Profit (loss) before tax		12,150	(28,492)
Income tax expense		(3,900)	7,928
Profit (loss)		8,249	(20,563)
Profit (loss) attributable to:			
Owners of parent		7,447	(20,334)
Non-controlling interests		802	(229)
Profit (loss)		8,249	(20,563)
Earnings per share			
Basic earnings (loss) per share (Yen)	11	28.45	(77.66)
Diluted earnings (loss) per share (Yen)	11	–	–

(3) Condensed quarterly consolidated statement of comprehensive income

	Three months ended May 31, 2019	Three months ended May 31, 2020
	Millions of yen	Millions of yen
Profit (loss)	8,249	(20,563)
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income	(505)	387
Share of other comprehensive income of entities accounted for using equity method	(37)	(94)
Total items that will not be reclassified to profit or loss	(543)	293
Items that may be reclassified to profit or loss		
Cash flow hedges	(28)	(12)
Exchange differences on translation of foreign operations	30	(82)
Share of other comprehensive income of entities accounted for using equity method	0	0
Total items that may be reclassified to profit or loss	3	(94)
Other comprehensive income, net of tax	(539)	198
Comprehensive income	7,710	(20,364)
Comprehensive income attributable to:		
Owners of parent	6,940	(20,138)
Non-controlling interests	769	(226)
Comprehensive income	7,710	(20,364)

(4) Condensed quarterly consolidated statement of changes in equity

Three months ended May 31, 2019

	Notes	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	9	–	–	–	–	–	–
Changes in ownership interests in subsidiaries		–	–	–	–	–	–
Share-based payment transactions		–	90	–	–	–	–
Transfer from other components of equity to retained earnings		–	–	–	–	–	(869)
Total transactions with owners		–	90	(1)	–	–	(869)
Balance at May 31, 2019		31,974	212,300	(15,091)	(53)	(33)	13,493

	Notes	Equity attributable to owners of parent				Non-controlling interests	Total
		Other components of equity		Retained earnings	Total		
		Remeasure-ments of defined benefit plans	Total				
		Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Balance at March 1, 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	9	–	–	(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	–	–	–
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

Three months ended May 31, 2020

	Notes	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, 2020		31,974	189,340	(14,974)	(65)	(3)	11,710
(Loss)		–	–	–	–	–	–
Other comprehensive income		–	–	–	(82)	(11)	384
Total comprehensive income		–	–	–	(82)	(11)	384
Purchase of treasury shares		–	–	(0)	–	–	–
Disposal of treasury shares		–	(0)	0	–	–	–
Dividends	9	–	–	–	–	–	–
Share-based payment transactions		–	(154)	78	–	–	–
Transfer from other components of equity to retained earnings		–	–	–	–	–	–
Total transactions with owners		–	(154)	77	–	–	–
Balance at May 31, 2020		31,974	189,185	(14,896)	(148)	(15)	12,095

	Notes	Equity attributable to owners of parent				Non-controlling interests	Total
		Other components of equity		Retained earnings	Total		
		Remeasure-ments of defined benefit plans	Total				
		Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Balance at March 1, 2020		–	11,641	169,206	387,188	12,493	399,681
(Loss)		–	–	(20,334)	(20,334)	(229)	(20,563)
Other comprehensive income		(93)	196	–	196	2	198
Total comprehensive income		(93)	196	(20,334)	(20,138)	(226)	(20,364)
Purchase of treasury shares		–	–	–	(0)	–	(0)
Disposal of treasury shares		–	–	–	0	–	0
Dividends	9	–	–	(4,710)	(4,710)	(94)	(4,805)
Share-based payment transactions		–	–	–	(76)	–	(76)
Transfer from other components of equity to retained earnings		93	93	(93)	–	–	–
Total transactions with owners		93	93	(4,804)	(4,787)	(94)	(4,882)
Balance at May 31, 2020		–	11,931	144,067	362,262	12,172	374,434

(5) Condensed quarterly consolidated statement of cash flows

	Notes	Three months ended May 31, 2019	Three months ended May 31, 2020
		Millions of yen	Millions of yen
Cash flows from (used in) operating activities			
Profit (loss) before tax		12,150	(28,492)
Depreciation and amortization expense		12,180	13,388
Impairment loss	8	–	11,589
Finance income		(319)	(303)
Finance costs		1,394	1,461
Share of loss (profit) of investments accounted for using equity method		(430)	230
Loss on disposals of non-current assets		414	553
Decrease (increase) in inventories		(416)	(1,078)
Decrease (increase) in trade and other receivables		(9,352)	48,871
Increase (decrease) in trade and other payables		16,680	(46,792)
Increase (decrease) in retirement benefit liabilities		(351)	(10)
Decrease (increase) in retirement benefit assets		28	10
Other, net		115	(3,722)
Subtotal		32,093	(4,295)
Interest received		30	28
Dividends received		116	100
Interest paid		(1,333)	(1,380)
Income taxes paid		(11,883)	(3,297)
Net cash flows from (used in) operating activities		19,024	(8,844)
Cash flows from (used in) investing activities			
Purchase of property, plant and equipment		(4,050)	(5,250)
Proceeds from sales of property, plant and equipment		–	3
Purchase of investment property		(290)	(590)
Purchase of investment securities		(350)	(797)
Proceeds from sales of investment securities		1,959	700
Other, net		(2,054)	92
Net cash flows from (used in) investing activities		(4,787)	(5,842)
Cash flows from (used in) financing activities			
Net increase (decrease) in current borrowings		(7,000)	30,000
Net increase (decrease) in commercial papers		–	37,992
Proceeds from non-current borrowings		1,300	72,000
Repayments of non-current borrowings		(4,470)	(11,800)
Proceeds from issuance of bonds		29,864	–
Repayments of lease liabilities		(7,322)	(7,315)
Purchase of treasury shares		(1)	(0)
Dividends paid		(4,717)	(4,718)
Dividends paid to non-controlling interests		(515)	(94)
Other, net		1	1
Net cash flows from (used in) financing activities		7,138	116,065
Net increase (decrease) in cash and cash equivalents		21,375	101,377
Cash and cash equivalents at beginning of period		25,659	34,633
Effect of exchange rate changes on cash and cash equivalents		(6)	(10)
Cash and cash equivalents at end of period		47,028	136,001

Notes to condensed quarterly consolidated financial statements

1. Reporting entity

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

   The Company's condensed quarterly consolidated financial statements for the first quarter ended May 31, 2020 comprise the Company and its subsidiaries' interests in the Group's associates.

   For major business activities of the Company and its subsidiaries (the "Group"), please refer to "5. Segment Information."

2. Basis of preparation

   (1) Compliance with IFRS

   The condensed quarterly consolidated financial statements for the Group have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting."

   Since all of the requirements for "Specified Company Complying with Designated International Accounting Standards" set forth in Article 1-2 of the "Regulation on Terminology, Forms, and Preparation Methods of Quarterly Consolidated Financial Statements" are satisfied, the Group adopts the provisions of Article 93 of the same Regulation.

   (2) Basis of measurement

   The Group's condensed quarterly consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments, etc. measured at fair value.

   (3) Functional currency and presentation currency

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

3. Significant accounting policies

   Significant accounting policies applied in these condensed quarterly financial statements are consistent with those applied in the financial statements for the fiscal year ended February 29, 2020 except for the following:

   Quarterly income tax expense for the three months ended May 31, 2020 is recognized based on the estimated annual effective tax rate.

Application of amendments to IFRS 16 "Leases"

The Group has applied the amendment "Covid-19-Related Rent Concessions" (issued in May 2020) to IFRS 16 "Leases" early from the first quarter of the fiscal year ending February 28, 2021.

For leases as lessee, the Group has selected to apply the practical expedient for all rent concessions that occurred as a direct consequence of the COVID-19 pandemic and that meet the conditions of IFRS 16 paragraph 46B, and not assess whether the concessions are lease modifications.

As a result, the reduced rent expenses were recognized as other operating income in the condensed quarterly consolidated statement of profit or loss for the three months ended May 31, 2020, but the impact was immaterial.

4. Significant accounting estimates and judgments

In the preparation of condensed quarterly consolidated financial statements, management is required to make judgments, estimates and assumptions that affect application of accounting policies as well as amounts of assets, liabilities, revenue and expenses. Actual results may differ from these estimates.

The estimates and their underlying assumptions are reviewed on an ongoing basis. The effects of changes in accounting estimates are recognized in the fiscal period in which the estimates are changed and in future periods that are affected.

Estimates and judgments made by the management that significantly affect the amounts in the condensed quarterly consolidated financial statements are the same as the consolidated financial statements pertaining to the previous fiscal year excluding the below.

・Property, plant and equipment, intangible assets and investment property

In the financial results for the three months ended May 31, 2020, after calculation of the previously announced figures (announced April 10, 2020), consolidated sales revenue decreased significantly due to the impact of the temporary closure of stores and shortened operating hours over a long period of time, especially in the Department Store and PARCO Businesses, amid requests for people to refrain from going outside and for businesses to refrain from operating from the Japanese government and each local government due to the spread of COVID-19, in addition to a decline in consumption from foreigners visiting Japan and the stagnation of domestic consumption.

Within this environment, impairment loss was recorded in the three months ended May 31, 2020 due to a decline in profitability at a portion of businesses and store, despite working to restrain investments and reduce expenses from the initial plan.

The following assumptions were used in the measurement of impairment loss.

Regarding the future outlook, stores gradually restarted operations from the middle of May, and all stores, excluding a portion, restarted operations as normal from the middle of June. However, it is currently difficult to predict when the spread of COVID-19 will end and when consumption will recover, but based on a system for the operation of all stores that assures the safety and security for customers and employees in the mainstay Department Store and PARCO Businesses, the Group assumes that the number of customers, excluding foreign tourists visiting Japan, sales, and rental income from stores will gradually recover.

Because of these, the Group expects consolidated sales revenue for the six months ending August 31, 2020, to recover to approximately 70% of the actual performance in the previous year and approximately 80% in the latter half of the year.

5. Segment information

(1) Overview of reportable segments

The reportable segments of the Group are constituent units of the Group for which separate financial information is obtainable. These segments are periodically examined by the Board of Directors for the purpose of deciding the allocation of management resources and evaluating business results.

The Group is comprised, under a holding company structure, of the reportable segments “Department Store Business,” “PARCO Business,” “Real Estate Business” and “Credit Finance Business,” with the Department Store Business at its core.

The Department Store Business carries out the sale of clothing, general goods, household goods, food products and others. The PARCO Business undertakes development, management, supervision and operation of shopping centers. The Real Estate Business carries out development, supervision, operation, etc. of real estate. The Credit Finance Business undertakes issuance and administration of credit cards.

(2) Segment revenue and business results

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

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 an operating segment not included as a reportable segment. It includes wholesaling, design and construction contracting, manufacture and sale of furniture, parking, leasing, etc.
2. 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, 2020

	Reportable segments					Other	Total	Adjustments	Consolidated
	Department Store Business	PARCO Business	Real Estate Business	Credit Finance Business	Total				
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
External revenue	24,240	11,985	2,447	1,710	40,384	23,075	63,459	–	63,459
Inter-segment revenue	67	147	291	385	890	7,494	8,384	(8,384)	–
Total	24,308	12,132	2,739	2,095	41,275	30,569	71,844	(8,384)	63,459
Segment profit (loss)	(23,156)	(4,127)	380	72	(26,831)	(174)	(27,005)	(98)	(27,103)
Finance income									303
Finance costs									(1,461)
Share of profit (loss) of investments accounted for using equity method									(230)
(Loss) before tax									(28,492)

Notes: 1. The “Other” category is a business segment not included in reportable segments. It includes wholesaling, design and construction contracting, parking, leasing, etc.
2. The adjustments for segment profit (loss) 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 (loss) is adjusted to operating profit (loss) in the condensed quarterly consolidated financial statements.

6. Sales revenue

In accordance with the IFRS 8 "Operating Segments," the Group reports information about its four segments, namely "Department Store Business," "PARCO Business," "Real Estate Business" and "Credit Finance Business." These reportable segments are periodically examined by the Board of Directors for the purpose of deciding the allocation of management resources and assessing business results.

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

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

Segment		Three months ended May 31, 2019	Three months ended May 31, 2020
		Millions of yen	Millions of yen
	Daimaru Osaka Shinsaibashi store	10,578	2,457
	Osaka Umeda store	5,757	1,591
	Tokyo store	6,302	1,491
	Kyoto store	5,348	2,018
	Kobe store	5,972	2,129
	Sapporo store	5,424	1,663
	Matsuzakaya Nagoya store	10,092	4,554
	Ueno store	5,732	4,671
	Other stores	10,778	3,729
	Elimination of inter–segment revenue	(128)	(67)
Department Store Business		65,858	24,240
	Shopping center business	12,897	7,359
	Specialty store business	4,403	1,597
	Space engineering and management business	3,116	2,738
	Other businesses	1,685	436
	Elimination of inter–segment revenue	(136)	(147)
PARCO Business		21,966	11,985
	Real Estate Business	4,421	2,739
	Elimination of inter–segment revenue	(255)	(291)
Real Estate Business		4,165	2,447
	Credit Finance Business	2,602	2,095
	Elimination of inter–segment revenue	(922)	(385)
Credit Finance Business		1,680	1,710
	Other	28,081	30,569
	Elimination of inter–segment revenue	(9,270)	(7,494)
Other		18,811	23,075
Total		112,482	63,459

	Revenue from contracts with customers	99,079	55,306
	Revenue arising from other sources	13,403	8,153
Sales revenue		112,482	63,459

Note: The categories of "Department Store Business," "PARCO Business" and "Real Estate Business" include lease income under IFRS 16 and lease income is included in revenue arising from other sources. The "Other" category is a business segment not included in reportable segments. It includes wholesaling, design and construction contracting, parking, leasing, etc.

1) Department Store Business

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

Sales revenue in the Department Store Business decreased significantly as there was a large impact from stores' shortened operating hours, stores refraining from operating, etc. due to the spread of COVID-19.

2) PARCO Business

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

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

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

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

Sales revenue in the PARCO Business decreased significantly as there was a large impact from temporary closures and shortened operating hours of PARCO stores, temporary closures of entertainment facilities, etc. due to the spread of COVID-19.

3) Real Estate Business

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

Revenue from lease of real estate and others is recognized in the period in which it is earned, in accordance with IFRS 16.

4) Credit Finance Business

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

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

5) Other

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

7. Other operating expense

The breakdown of other operating expense is as follows:

	Three months ended May 31, 2019	Three months ended May 31, 2020
	Millions of yen	Millions of yen
Loss on disposals of non-current assets	414	553
Impairment loss	–	11,589
Costs associated with temporary closure	–	11,292
Other	94	589
Total	509	24,024

Note: Costs associated with temporary closure are fixed costs (depreciation, personnel expense, etc.) that arose, primarily at Daimaru Matsuzakaya Department Stores Co. Ltd. and PARCO Co., Ltd., during the temporary closures of stores that closed temporarily due to the impact of the spread of COVID-19.

8. Impairment losses

Impairment loss of ¥11,589 million for the three months ended May 31, 2020 mainly includes buildings and structures for the Umeda store, etc. (¥9,742 million) and Matsumoto PARCO, etc. (¥1,649 million) in the Department Store Business of Daimaru Matsuzakaya Department Stores Co. Ltd. and the PARCO Business of PARCO Co., Ltd., respectively, and their carrying amounts are reduced to recoverable amounts due to a decrease in the profitability. The recoverable amount of the cash-generating unit was measured at value in use. In addition, impairment loss is recorded in “other operating expense” in the condensed quarterly consolidated statement of income.

9. Dividends

Three months ended May 31, 2019

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

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

Three months ended May 31, 2020

Resolution	Class of shares	Total amount of dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
Board of Directors meeting held on April 10, 2020	Ordinary shares	4,751	18.00	February 29, 2020	May 8, 2020

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

10. Fair value of financial instruments

(1) Method for measuring fair values

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

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

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

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

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

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

(Bonds and borrowings)

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

(2) Financial instruments measured at amortized cost

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

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

	As of February 29, 2020		As of May 31, 2020	
	Carrying amount	Fair value	Carrying amount	Fair value
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Financial assets:				
Other financial assets (non–current)	65,902	70,175	66,230	69,621
Total	65,902	70,175	66,230	69,621
Financial liabilities:				
Borrowings	174,510	174,994	264,710	265,120
Bonds	79,766	80,426	79,781	79,618
Other financial liabilities (non–current)	41,087	41,244	40,481	40,509
Total	295,364	296,665	384,973	385,248

(3) Fair value measurement

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

Level 1: Market prices for identical assets or liabilities in active markets
Level 2: Fair value, other than Level 1, that is determined by directly or indirectly using an observable price
Level 3: Fair value that is determined using a valuation technique including unobservable inputs

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

Any transfer between levels in the fair value hierarchy is recognized on each reporting date. In the three months ended May 31, 2019 and three months ended May 31, 2020, there was no transfer between Level 1, Level 2 and Level 3.

As of February 29, 2020

	Level 1	Level 2	Level 3	Total
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Assets:				
Financial assets measured at fair value through profit or loss				
Derivative financial assets (non-current)	–	8	–	8
Financial assets measured at fair value through other comprehensive income				
Other financial assets (non-current)	4,005	–	21,471	25,477
Total	4,005	8	21,471	25,485
Liabilities:				
Financial liabilities measured at fair value through profit or loss				
Derivative financial liabilities	–	–	–	–
Total	–	–	–	–

As of May 31, 2020

	Level 1	Level 2	Level 3	Total
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Assets:				
Financial assets measured at fair value through profit or loss				
Derivative financial assets (non-current)	–	–	–	–
Financial assets measured at fair value through other comprehensive income				
Other financial assets (non-current)	4,411	–	21,724	26,135
Total	4,411	–	21,724	26,135
Liabilities:				
Financial liabilities measured at fair value through profit or loss				
Derivative financial liabilities	–	9	–	9
Total	–	9	–	9

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

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

	Three months ended May 31, 2019	Three months ended May 31, 2020
	Millions of yen	Millions of yen
Balance at beginning of period	23,620	21,471
Other comprehensive income (Note)	(115)	153
Purchase	50	100
Sale	(37)	(0)
Balance at end of period	23,517	21,724

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

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

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

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

11. Earnings per share

	Three months ended May 31, 2019	Three months ended May 31, 2020
Profit (loss) attributable to owners of parent (Millions of yen)	7,447	(20,334)
Weighted average number of common shares outstanding during the period (Thousands of shares)	261,753	261,831
Basic earnings (loss) per share (Yen)	28.45	(77.66)

Note: Diluted earnings per share for the three months ended May 31, 2019 and the three months ended May 31, 2020 are not presented because there were no potential shares that have dilutive effects.

12. Commitments

The significant commitments to contractually commit to acquire fixed assets at the end of previous fiscal year and the end of the three months ended May 31, 2020 were ¥7,506 million and ¥6,402 million, respectively.

13. Subsequent events

No items to report.

14. Approval of condensed quarterly consolidated financial statements

These condensed quarterly consolidated financial statements were approved by the President Tatsuya Yoshimoto on July 14, 2020.

2. Other

At the Board of Directors meeting held on April 10, 2020, the Company resolved to pay year-end dividends to shareholders recorded in the final shareholder registry as of February 29, 2020 as follows.

Resolution date	April 10, 2020
Total amount of dividends	¥4,751 million
Dividends per share	¥18.00

B. Information about company which provides guarantee to reporting company

No items to report.