Translation

October 8, 2019

Consolidated Financial Results for the First Six 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
URL: https://www.j-front-retailing.com/
Representative: Ryoichi Yamamoto, President
Inquiries: Hajime Inagami, Senior General Manager of Investor Relations Promotion Division, Financial Strategy Unit
TEL: +81-3-6895-0178 (from overseas)

Scheduled date to file Quarterly Securities Report: October 11, 2019
Scheduled date to commence dividend payments: November 11, 2019
Preparation of supplementary material on quarterly financial results: Yes

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

1. Consolidated performance for the first six months of the fiscal year ending February 29, 2020 (from March 1, 2019 to August 31, 2019)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

	Gross sales		Sales revenue		Business profit		Operating profit		Profit before tax	
Six months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
August 31, 2019	545,841	(0.2)	225,664	(0.7)	23,743	(2.2)	25,175	4.0	23,960	(4.4)
August 31, 2018	547,109	(2.0)	227,206	(3.1)	24,271	6.6	24,218	(9.2)	25,064	(3.3)

	Profit attributable to owners of parent		Total comprehensive income		Basic earnings per share	Diluted earnings per share
Six months ended	Millions of yen	%	Millions of yen	%	Yen	Yen
August 31, 2019	14,367	(9.7)	13,227	(25.7)	54.89	54.89
August 31, 2018	15,910	(2.5)	17,807	(7.7)	60.80	60.80

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

(2) Consolidated financial position

	Total assets	Total equity	Equity attributable to owners of parent	Ratio of equity attributable to owners of parent to total assets	Equity attributable to owners of parent per share
As of	Millions of yen	Millions of yen	Millions of yen	%	Yen
August 31, 2019	1,267,853	462,117	407,573	32.1	1,557.03
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	–	18.00			
Fiscal year ending February 29, 2020 (Forecast)			–	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	%
Fiscal year ending February 29, 2020	1,167,000	3.7	492,000	7.0	49,500	8.8	47,000	14.9	43,700	3.7

	Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Yen
Fiscal year ending February 29, 2020	25,800	(5.7)	98.57

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

* **Notes**

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

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

a. Changes in accounting policies required by IFRS: Yes

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

c. Changes in accounting estimates: None

(3) Number of issued shares (common shares)

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

As of August 31, 2019	270,565,764 shares
As of February 28, 2019	270,565,764 shares

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

As of August 31, 2019	8,802,126 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 six months ended August 31, 2019	261,756,871 shares
For the six months ended August 31, 2018	261,579,395 shares

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

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

(Caution regarding forward-looking statements)

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

(How to obtain supplementary material on financial results)

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

[Attached Material]

Index

1. Qualitative information regarding results for the first six months

(1) Explanation of operating results

In the six months ended August 31, 2019 (from March 1, 2019 to August 31, 2019), the Japanese economy remained on a gradual track of recovery due to increased personal consumption; however, such growth decelerated due to weak corporate earnings, the U.S.-China trade war and a slowdown in the Chinese economy.

In the retail sector, although there were positive signs, such as improvement in the employment environment, the gradual recovery in income and improvement in personal consumption, there was an up and down movement in the environment surrounding consumption with signs of a slowdown in inbound tourist demand, which had been strong, and corporate earnings and investment.

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 a sustainable society and realize sustainable growth as a corporation. 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.

We completed construction for rebuilding the main building of the Daimaru Shinsaibashi store on August 23, and held the grand opening on September 20. 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 achieve sustainable growth 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," SAN-A Urasoe West Coast PARCO CITY in June with a total of 250 shops, including 94 making their Okinawa debut, under the concept of "sharing happiness, from here to the future," and Kawasaki ZERO GATE in August with a concept of "enhancing the city's functionality and supporting the lifestyle needs of the city's shoppers." On the other hand, we closed Utsunomiya PARCO in May in light of changes in the commercial environment surrounding the store. Also, to mark the 50th anniversary of the opening of Ikebukuro PARCO in 1969, we will hold a grand opening of the new Shibuya PARCO on November 22.

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 six months ended August 31, 2019, consolidated sales revenue was ¥225,664 million, down 0.7% year on year, operating profit was ¥25,175 million, up 4.0% year on year, profit before tax was ¥23,960 million, down 4.4% year on year, and profit attributable to owners of parent was ¥14,367 million, down 9.7% 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.

For the Daimaru Shinsaibashi store where we held the grand opening for the new main building on September 20, we held a major clearance sale mainly at the north wing, which was temporarily closed starting on September 15, and attracted many customers, including foreign tourists.

As a “sustainable participatory project” that eliminates burdens on the earth and customers through ecological activities, we are actively carrying out “ECOFF” recycling and reuse activities, such as installing collection boxes for clothing and holding events to raise awareness of environmental activities.

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 based on the judgment of it being difficult to anticipate improvement in its earnings amidst recent changes in the economic environment and fiercer competitions.

Despite various measures including those mentioned above, sales revenue was ¥131,997 million, down 2.0% year on year, and operating profit was ¥10,580 million, down 10.8% 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, opened SAN-A Urasoe West Coast PARCO CITY in June as a joint business with SAN-A CO., LTD., and promoted real estate development based on new format development methods. 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 ¥43,694 million, down 1.1% year on year, and operating profit was ¥5,865 million, up 2.8% 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 six 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 ¥8,820 million, up 5.2% 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, and operating profit was ¥5,729 million, up 100.5% year on year, due to recording of gain on sales of non-current assets.

<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 ¥5,199 million, up 1.5% year on year, and operating profit was ¥1,089 million, up 1.2% year on year.

(2) Explanation of financial position

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

Total assets as of August 31, 2019 was ¥1,267,853 million, an increase of ¥238,280 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 ¥805,736 million, an increase of ¥244,649 million. This was mainly attributable to an increase in lease liabilities due to the application of IFRS 16 "Leases." Total equity was ¥462,117 million, a decrease of ¥6,368 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 August 31, 2019 amounted to ¥61,018 million, up ¥35,359 million compared with February 28, 2019.

Cash flow positions in the six months ended August 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 ¥42,770 million. In comparison with the six months ended August 31, 2018, cash provided increased by ¥20,317 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 ¥5,289 million. In comparison with the six months ended August 31, 2018, cash used decreased by ¥7,582 million, largely reflecting a decrease in purchase of property, plant and equipment.

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

Net cash used in financing activities was ¥2,122 million. In comparison with the six months ended August 31, 2018, cash used decreased by ¥12,476 million, largely reflecting proceeds from issuance of bonds.

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

In light of earnings in the six months ended August 31, 2019, the consolidated earnings forecasts for the fiscal year ending February 29, 2020, which were announced in the consolidated financial results released on April 9, 2019, have been changed. In our revised forecasts, we project gross sales of ¥1,167,000 million, sales revenue of ¥492,000 million, operating profit of ¥47,000 million, profit before tax of ¥43,700 million, profit attributable to owners of parent of ¥25,800 million, and basic earnings per share of ¥98.57.

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 August 31, 2019
	Millions of yen	Millions of yen
Assets		
Current assets		
Cash and cash equivalents	25,659	61,018
Trade and other receivables	132,943	139,468
Other financial assets	7,324	8,254
Inventories	38,349	38,303
Other current assets	7,004	5,372
Total current assets	211,281	252,416
Non-current assets		
Property, plant and equipment	471,238	459,757
Right-of-use assets	–	190,496
Goodwill	523	523
Investment property	197,162	221,726
Intangible assets	4,489	5,271
Investments accounted for using equity method	17,616	18,343
Other financial assets	96,225	91,252
Deferred tax assets	8,280	10,629
Other non-current assets	22,754	17,436
Total non-current assets	818,291	1,015,437
Total assets	1,029,573	1,267,853

	As of February 28, 2019	As of August 31, 2019
	Millions of yen	Millions of yen
Liabilities and equity		
Liabilities		
Current liabilities		
Bonds and borrowings	31,320	41,580
Trade and other payables	138,938	142,961
Lease liabilities	–	28,552
Other financial liabilities	32,252	32,052
Income tax payables	8,174	8,843
Provisions	1,851	1,891
Other current liabilities	62,490	67,498
Total current liabilities	275,028	323,379
Non-current liabilities		
Bonds and borrowings	143,058	150,257
Lease liabilities	–	203,408
Other financial liabilities	47,718	38,100
Retirement benefit liabilities	29,003	28,490
Provisions	5,176	4,911
Deferred tax liabilities	60,455	56,444
Other non-current liabilities	647	742
Total non-current liabilities	286,059	482,356
Total liabilities	561,087	805,736
Equity		
Capital	31,974	31,974
Share premium	212,210	212,267
Treasury shares	(15,090)	(14,970)
Other components of equity	14,745	11,563
Retained earnings	168,861	166,738
Total equity attributable to owners of parent	412,700	407,573
Non-controlling interests	55,784	54,543
Total equity	468,485	462,117
Total liabilities and equity	1,029,573	1,267,853

(2) Condensed quarterly consolidated statement of profit or loss

	Six months ended August 31, 2018	Six months ended August 31, 2019
	Millions of yen	Millions of yen
Sales revenue	227,206	225,664
Cost of sales	(122,255)	(121,005)
Gross profit	104,950	104,659
Selling, general and administrative expense	(80,678)	(80,915)
Other operating income	1,654	4,097
Other operating expense	(1,707)	(2,666)
Operating profit	24,218	25,175
Finance income	652	633
Finance costs	(593)	(2,836)
Share of profit (loss) of investments accounted for using equity method	787	988
Profit before tax	25,064	23,960
Income tax expense	(7,570)	(8,369)
Profit	17,494	15,591
Profit attributable to:		
Owners of parent	15,910	14,367
Non-controlling interests	1,584	1,223
Profit	17,494	15,591
Earnings per share		
Basic earnings per share (Yen)	60.80	54.89
Diluted earnings per share (Yen)	60.80	54.89

(3) Condensed quarterly consolidated statement of comprehensive income

	Six months ended August 31, 2018	Six months ended August 31, 2019
	Millions of yen	Millions of yen
Profit	17,494	15,591
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income	336	(2,259)
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	370	(2,297)
Items that may be reclassified to profit or loss		
Cash flow hedges	6	(54)
Exchange differences on translation of foreign operations	(65)	(12)
Share of other comprehensive income of entities accounted for using equity method	1	0
Total items that may be reclassified to profit or loss	(57)	(66)
Other comprehensive income, net of tax	312	(2,363)
Comprehensive income	17,807	13,227
Comprehensive income attributable to:		
Owners of parent	16,161	12,080
Non-controlling interests	1,645	1,147
Comprehensive income	17,807	13,227

(4) Condensed quarterly consolidated statement of changes in equity

Six months ended August 31, 2018

	Equity attributable to owners of parent					
				Other components of equity		
	Capital	Share premium	Treasury shares	Exchange differences on translation of foreign operations	Cash flow hedges	Financial assets measured at fair value through other comprehensive income
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Balance at March 1, 2018	31,974	211,864	(15,244)	(43)	(15)	15,831
Effect of changes in accounting policies	–	–	–	–	–	–
Balance reflecting changes in accounting policies	31,974	211,864	(15,244)	(43)	(15)	15,831
Profit	–	–	–	–	–	–
Other comprehensive income	–	–	–	(63)	7	273
Total comprehensive income	–	–	–	(63)	7	273
Purchase of treasury shares	–	–	(4)	–	–	–
Disposal of treasury shares	–	0	0	–	–	–
Dividends	–	–	–	–	–	–
Changes in ownership interests in subsidiaries	–	1	–	–	–	–
Share-based payment transactions	–	78	162	–	–	–
Transfer from other components of equity to retained earnings	–	–	–	–	–	(388)
Other	–	–	–	29	(49)	–
Total transactions with owners	–	80	157	29	(49)	(388)
Balance at August 31, 2018	31,974	211,945	(15,086)	(77)	(57)	15,716

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

Six months ended August 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	–	–	–	(12)	(54)	(2,183)
Total comprehensive income	–	–	–	(12)	(54)	(2,183)
Purchase of treasury shares	–	–	(3)	–	–	–
Disposal of treasury shares	–	(0)	0	–	–	–
Dividends	–	–	–	–	–	–
Changes in ownership interests in subsidiaries	–	–	–	–	–	–
Share-based payment transactions	–	57	122	–	–	–
Transfer from other components of equity to retained earnings	–	–	–	–	–	(931)
Other	–	–	–	–	–	–
Total transactions with owners	–	57	119	–	–	(931)
Balance at August 31, 2019	31,974	212,267	(14,970)	(95)	(59)	11,718

	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	–	–	14,367	14,367	1,223	15,591
Other comprehensive income	(37)	(2,287)	–	(2,287)	(76)	(2,363)
Total comprehensive income	(37)	(2,287)	14,367	12,080	1,147	13,227
Purchase of treasury shares	–	–	–	(3)	–	(3)
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	–	–	–	179	38	218
Transfer from other components of equity to retained earnings	37	(894)	894	–	–	–
Other	–	–	–	–	–	–
Total transactions with owners	37	(894)	(3,815)	(4,532)	(473)	(5,005)
Balance at August 31, 2019	–	11,563	166,738	407,573	54,543	462,117

(5) Condensed quarterly consolidated statement of cash flows

	Six months ended August 31, 2018	Six months ended August 31, 2019
	Millions of yen	Millions of yen
Cash flows from (used in) operating activities		
Profit before tax	25,064	23,960
Depreciation and amortization expense	9,783	25,119
Impairment loss	408	573
Finance income	(652)	(633)
Finance costs	593	2,836
Share of loss (profit) of investments accounted for using equity method	(787)	(988)
Loss (gain) on sales of non-current assets	(23)	(2,422)
Loss on disposals of non-current assets	882	685
Decrease (increase) in inventories	2,266	1,038
Decrease (increase) in trade and other receivables	(7,033)	(4,161)
Increase (decrease) in trade and other payables	1,162	4,798
Increase (decrease) in retirement benefit liabilities	(663)	(513)
Decrease (increase) in retirement benefit assets	(99)	57
Other, net	(1,403)	4,188
Subtotal	29,498	54,539
Interest received	77	59
Dividends received	261	226
Interest paid	(544)	(2,785)
Income taxes paid	(9,292)	(11,923)
Income taxes refund	2,453	2,654
Net cash flows from (used in) operating activities	22,453	42,770
Cash flows from (used in) investing activities		
Purchase of property, plant and equipment	(16,520)	(6,717)
Proceeds from sales of property, plant and equipment	7	34
Purchase of investment property	(3,621)	(613)
Proceeds from sales of investment property	32	2,959
Purchase of investment securities	(924)	(613)
Proceeds from sales of investment securities	8,014	3,140
Other, net	140	(3,480)
Net cash flows from (used in) investing activities	(12,871)	(5,289)
Cash flows from (used in) financing activities		
Net increase (decrease) in current borrowings	(850)	(7,000)
Net increase (decrease) in commercial papers	(1,000)	–
Proceeds from non-current borrowings	850	1,300
Repayments of non-current borrowings	(7,430)	(6,730)
Proceeds from issuance of bonds	–	29,864
Repayments of lease liabilities	–	(14,367)
Purchase of treasury shares	(5)	(3)
Dividends paid	(4,953)	(4,693)
Dividends paid to non-controlling interests	(520)	(515)
Other, net	(689)	23
Net cash flows from (used in) financing activities	(14,598)	(2,122)
Net increase (decrease) in cash and cash equivalents	(5,016)	35,359
Cash and cash equivalents at beginning of period	38,883	25,659
Effect of exchange rate changes on cash and cash equivalents	11	(0)
Cash and cash equivalents at end of period	33,878	61,018

(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:

Quarterly income tax expense for the six months ended August 31, 2019 is recognized based on the estimated annual effective tax rate.

The Group has applied the following standards from the first quarter of the fiscal year ending February 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 of IFRS 16 for leases that it previously classified as operating leases under IAS 17. The lease liabilities are measured at the present value of outstanding lease payments discounted using the lessee's incremental borrowing rate at the date of initial application. The weighted average of the lessee's incremental borrowing rates applied to the lease liabilities recognized on the consolidated statement of financial position at the date of initial application is 1.8%. The right-of-use assets are measured retrospectively as if IFRS 16 had been applied since the commencement date of the lease contract. 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 before tax 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.

Six months ended August 31, 2018

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

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

Six months ended August 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	131,753	43,502	8,287	3,337	186,881	38,783	225,664	–	225,664
Inter-segment revenue	244	191	533	1,862	2,831	17,371	20,202	(20,202)	–
Total	131,997	43,694	8,820	5,199	189,712	56,154	245,867	(20,202)	225,664
Segment profit	10,580	5,865	5,729	1,089	23,264	2,008	25,273	(98)	25,175
Finance income									633
Finance costs									(2,836)
Share of profit (loss) of investments accounted for using equity method									988
Profit before tax									23,960

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.