Translation

June 25, 2015

# Consolidated Financial Results for the First Three Months of the Fiscal Year Ending February 29, 2016 <under Japanese GAAP>

Company name: **J. FRONT RETAILING Co., Ltd.**
Listing: First Section of the Tokyo Stock Exchange and Nagoya Stock Exchange
Securities code: 3086
URL: http://www.j-front-retailing.com/
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Scheduled date to file Quarterly Securities Report: July 10, 2015
Scheduled date to commence dividend payments: –
Preparation of supplementary material on quarterly financial results: Yes
Holding of quarterly financial results presentation meeting: None

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

## 1. Consolidated performance for the first three months of the fiscal year ending February 29, 2016 (from March 1, 2015 to May 31, 2015)

### (1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

| | Net sales | | Operating income | | Ordinary income | | Net income | |
|---|---|---|---|---|---|---|---|---|
| Three months ended | Millions of yen | % | Millions of yen | % | Millions of yen | % | Millions of yen | % |
| May 31, 2015 | 285,585 | 0.1 | 10,676 | 1.5 | 12,622 | 19.6 | 17,085 | 243.9 |
| May 31, 2014 | 285,316 | 3.6 | 10,518 | – | 10,555 | – | 4,968 | – |

Note: Comprehensive income
For the three months ended May 31, 2015: ¥19,302 million [291.2%]
For the three months ended May 31, 2014: ¥4,933 million [–%]

| | Net income per share | Diluted net income per share |
|---|---|---|
| Three months ended | Yen | Yen |
| May 31, 2015 | 64.89 | 64.88 |
| May 31, 2014 | 18.83 | 18.82 |

Note 1: The Company has conducted a consolidation of common shares at a rate of one share for every two shares with the effective date of September 1, 2014. Net income per share and diluted net income per share have been calculated as if this consolidation of shares was conducted at the beginning of the previous fiscal year.

Note 2: The Company partially changed its accounting policies effective from the first quarter of the current fiscal year, and retrospectively applied the change to all financial data for the three months ended May 31, 2014. In accordance with this, year-on-year changes are not indicated.

### (2) Consolidated financial position

| | Total assets | Net assets | Equity ratio |
|---|---|---|---|
| As of | Millions of yen | Millions of yen | % |
| May 31, 2015 | 1,035,241 | 437,636 | 37.0 |
| February 28, 2015 | 1,018,495 | 430,260 | 36.9 |

Reference: Equity
As of May 31, 2015: ¥382,931 million
As of February 28, 2015: ¥375,886 million

Note: The Company partially changed its accounting policies effective from the first quarter of the current fiscal year, and retrospectively applied the change to all financial data as of February 28, 2015.

## 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, 2015 | – | 6.00 | – | 13.00 | – |
| Fiscal year ending February 29, 2016 | – | | | | |
| Fiscal year ending February 29, 2016 (Forecast) | | 13.00 | – | 13.00 | 26.00 |

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

* The Company has conducted a consolidation of common shares at a rate of one share for every two shares with the effective date of September 1, 2014. Consequently, the figure presented for the fiscal year-end cash dividend per share for the fiscal year ended February 28, 2015 is the amount after this consolidation of shares, and the total figure for annual cash dividends is omitted.

Annual cash dividend per share that is calculated in accordance with the standard after the consolidation of shares is ¥25 per share for the fiscal year ended February 28, 2015.

## 3. Consolidated earnings forecasts for the fiscal year ending February 29, 2016 (from March 1, 2015 to February 29, 2016)

(Percentages indicate year-on-year changes.)

| | Net sales | | Operating income | | Ordinary income | | Net income | | Net income per share |
|---|---|---|---|---|---|---|---|---|---|
| | Millions of yen | % | Millions of yen | % | Millions of yen | % | Millions of yen | % | Yen |
| First six months ending August 31, 2015 | 571,000 | 2.4 | 19,500 | 5.9 | 19,900 | 11.1 | 16,500 | 111.5 | 62.52 |
| Fiscal year ending February 29, 2016 | 1,177,000 | 2.4 | 45,000 | 6.7 | 44,500 | 9.9 | 28,000 | 40.2 | 106.10 |

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) Application of special accounting for preparing quarterly consolidated financial statements: None

(3) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements after error corrections

a. Changes in accounting policies due to revisions to accounting standards and other regulations: Yes

b. Changes in accounting policies due to other reasons: Yes

c. Changes in accounting estimates: None

d. Restatement of prior period financial statements after error corrections: None

(Note) For the details, please refer to “2. Matters regarding summary information (Notes), (3) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements after error corrections” on page 5 of the quarterly financial results (attached material).

(4) Number of issued shares (common shares)

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

| | |
|---|---|
| As of May 31, 2015 | 268,119,164 shares |
| As of February 28, 2015 | 268,119,164 shares |

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

| | |
|---|---|
| As of May 31, 2015 | 6,671,081 shares |
| As of February 28, 2015 | 4,205,258 shares |

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

| | |
|---|---|
| For the three months ended May 31, 2015 | 263,299,878 shares |
| For the three months ended May 31, 2014 | 263,930,202 shares |

* The Company has conducted a consolidation of common shares at a rate of one share for every two shares with the effective date of September 1, 2014. Total number of issued shares at the end of the period, number of shares of treasury shares at the end of the period and average number of shares during the period have been calculated as if this consolidation of shares was conducted at the beginning of the previous fiscal year.

*** Indication regarding execution of quarterly review procedures**

At the time of disclosure of this quarterly financial results report, the review procedures for quarterly financial statements pursuant to the Financial Instruments and Exchange Act are incomplete.

*** 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. 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 “Explanation of consolidated earnings forecasts and other forward-looking statements” on page 4 of the material attached to this quarterly financial results report for the suppositions that form the assumptions for earnings forecasts and cautions concerning the use thereof.

(How to obtain supplementary material on quarterly financial results)

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

**[Attached Material]**

# Index

# 1. Qualitative information regarding results for the first three months

## (1) Explanation of operating results

In the three months ended May 31, 2015 (from March 1, 2015 to May 31, 2015), the Japanese economy continued to follow a path of moderate recovery mainly reflecting signs of improvement in corporate earnings and the employment situation, partly due to the effects of the economic and financial policies of the government and the Bank of Japan.

In the retail sector, there was a substantial decrease in net sales in March due to a pullback in demand from a surge ahead of a hike in the consumption tax rate in the previous year. Nevertheless, net sales were up year on year, partly reflecting a recovery in demand from April and an increase in net sales to foreign visitors to Japan centered on major urban areas.

Amid this environment, with the aim of developing as a multi-channel retailer operating multiple businesses with the Department Store Business at their core, the J. Front Retailing Group (hereinafter the "Group") worked to further strengthen the competitiveness and profitability of existing businesses while also investing management resources in fields of growth in a focused manner.

In the Department Store Business, the Group accelerated its efforts to establish "A new department store business model" that brings innovation to the sector by such means as creating appealing stores that attract a wide range of customers and constructing a highly profitable store management structure. As part of these efforts, at the Matsuzakaya Nagoya store, the Group started the third-period refurbishment plan aiming for the grand opening of the store in the spring of 2016. The first phase of this refurbishment included newly offering women's shoes and bags on the same floor and newly establishing an L-size corner, which offers one of the largest lineups of L-size products in Nagoya, and a salon targeted at senior citizens. At the Daimaru Kyoto store, the Group worked to meet the needs of the firmly performing affluent customer market with a renewal opening of Kyoto's largest special select sales space. In addition to the above, at all stores, the Group also made aggressive efforts to acquire new out-of-store customers and strengthened its response to foreign visitors to Japan, who are dramatically growing in number.

In the PARCO Business, part of the Main Building of the Fukuoka PARCO for which floor space was increased was opened in March. Also in March, "PARCO midi," a new building next to the Nagoya PARCO, was opened. Furthermore, in parallel with the opening of the new building, a large-scale renewal at the existing Nagoya PARCO building was carried out with the aim of enhancing the ease with which customers can get around the store and the rate at which they shop around.

As part of efforts to strengthen the Group's growth potential as a group of companies, with the aim of developing as a multi-channel retailer and promoting its omni-channel strategy, in April J. FRONT RETAILING Co., Ltd. (hereinafter the "Company") concluded a capital and business alliance agreement with Senshukai Co., Ltd., which has a high level of expertise regarding mail order business and product development capabilities, and converted it into an equity method associate. In addition, the Company launched a Business Alliance Promotion Committee and started discussions on detailed measures to make maximum use of the group assets and expertise of both companies.

With respect to overseas operations, Shanghai New World Daimaru Department Store, a fully-fledged upscale department store in China operated as a joint venture, had its grand opening in May 2015.

The Group also worked to construct a tougher operating structure by pushing ahead with reform of its organizational and workforce structures on a Group level. In parallel, the Group strove to improve management efficiencies by such means as reviewing all cost structures.

As a result of various measures including those mentioned above, in the three months ended May 31, 2015, consolidated net sales was ¥285,585 million, up 0.1% year on year, operating income was ¥10,676 million, up 1.5%, ordinary income was ¥12,622 million, up 19.6%, and net income was ¥17,085 million, up 243.9% due to a reduction in the corporate tax rate.

Results by segment are as follows.

**<Department Store Business>**
At the Daimaru Kyoto store, we held the renewal opening of the international boutique on the second floor and also opened brand stores that were coming to the Kyoto area for the first time and special select brands on the third and fifth floors.

At the Matsuzakaya Nagoya store, with the aim of having a "high-quality, evolutionary department store that is loved by customers in the area," we started the third-period refurbishment plan and opened the "Lingerie & Nightie Salon," the "L-size garden" and the "Good Age Salon" following on from the "Shoes & Bag Gallery" opened in March as the first phase of the plan.

As an initiative in the original merchandising business, we renewed "TROJAN," which has the longest history of department store menswear private brands, for the first time in six years, and started sales of the brand at six Daimaru stores and two Matsuzakaya stores.

To develop growth in out-of-store customers, we continued to push ahead with efforts for the acquisition of new customer accounts and continued working to enhance our lineups of products and services aimed at foreign visitors to Japan, who are growing in number every year. Furthermore, in our "omni-channel retailing" initiative, we worked to enhance our service lineup by such means as expanding the items we handle.

In May, we had the grand opening of the Shanghai New World Daimaru Department Store, for which the Company has been providing technical support regarding preparations for its opening as a department store. Looking ahead, we will continue to provide technical support with the aim of making it into Shanghai's top landmark department store.

As a result of the initiatives mentioned above, net sales in this business was ¥184,929 million, down 1.7% year on year; however, operating income was ¥6,124 million, up 3.4%.

**<PARCO Business>**
In the mainstay shopping center business, we opened the increased part of the floor space in the Main Building of the Fukuoka PARCO and the Nagoya "PARCO midi." We also pushed ahead with refurbishments at existing PARCO stores under themes including expanding targeted customer types and responding to inbound demand. In addition, there were strong results in the entertainment business, which had hits with stage shows, and the space engineering & management business, which had an increase in construction orders received. As a result, net sales in this business was ¥71,844 million, up 4.6% year on year, and operating income was ¥3,298 million, up 11.9%.

**<Wholesale Business>**
Sales were strong in the fields of electronic devices and automobiles. As a result, net sales in this business was ¥15,128 million, up 17.3% year on year, and operating income was ¥334 million, up 142.7% year on year.

**<Credit Business>**
This business was affected by a decrease in commission income resulting from a review of commission rates for transactions carried out within the Group, as well as a pullback in demand from a surge ahead of a hike in the consumption tax rate in the previous year. As a result, net sales in this business was ¥2,524 million, down 4.9% year on year, and operating income was ¥731 million, down 30.6% year on year.

**<Other Businesses>**

In Other Businesses, net sales was ¥24,381 million, down 2.6% year on year, and operating income was ¥273 million, down 42.3% year on year. This mainly reflected a drop in sales and profits at JFR Online due to a pullback in demand from a surge in the previous year.

### (2) Explanation of financial position

Total assets as of May 31, 2015 was ¥1,035,241 million, an increase of ¥16,746 million compared with February 28, 2015. Total liabilities was ¥597,605 million, an increase of ¥9,370 million. Total net assets was ¥437,636 million, an increase of ¥7,376 million compared with February 28, 2015.

**(Cash flow position)**

The balance of cash and cash equivalents (hereinafter "cash") as of May 31, 2015 amounted to ¥19,002 million, down ¥13,130 million compared with February 28, 2015.
Cash flow positions in the three months ended May 31, 2015 and the factors for these were as follows.

**A. Net cash provided by (used in) operating activities**

Net cash used in operating activities was ¥969 million. In comparison with the three months ended May 31, 2014, cash used increased by ¥12,698 million, mainly reflecting an increase in income taxes paid.

**B. Net cash provided by (used in) investing activities**

Net cash used in investing activities was ¥19,189 million. In comparison with the three months ended May 31, 2014, cash used increased by ¥12,847 million, mainly reflecting a purchase of investment securities.

**C. Net cash provided by (used in) financing activities**

Net cash provided by financing activities was ¥7,037 million. In comparison with the three months ended May 31, 2014, cash used decreased by ¥23,121 million, mainly because of borrowing of long-term loans payable.

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

In the consolidated earnings forecasts, the ordinary income forecast for the six months ending August 31, 2015, and the ordinary income forecast for the full year, have been changed from the figures announced in the Consolidated Financial Results released on April 9, 2015, to ¥19,900 million and ¥44,500 million, respectively. The forecasts for net sales, operating income and net income are unchanged.

## 2. Matters regarding summary information (Notes)

### (1) Changes in significant subsidiaries during the period

No items to report

### (2) Application of special accounting for preparing quarterly consolidated financial statements

No items to report

### (3) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements after error corrections

Changes in accounting policies

(Change in the valuation method for inventories)

Up until now, the valuation method for merchandise in Daimaru Matsuzakaya Department Stores Co. Ltd. and other principle subsidiaries of the Company, has been lower of cost or market, using the cost percentage method (the book value is written down based on the decreased profitability). However, a system that monitors individual costs is now in full operation. As this system enables more precise cost control, the valuation method for inventories has changed to the identified cost method (the book value is written down based on the decreased profitability) effective from the first quarter of the current fiscal year.

This change in accounting policy has been applied retrospectively, and the consolidated financial statements for the three months and full year of the previous fiscal year have been adjusted retrospectively.

As a result of this change, operating income, ordinary income, and income before income taxes and minority interests for the three months ended May 31, 2014 have each increased ¥70 million in comparison with before performing the retrospective application. In addition, the balance of retained earnings as of the beginning of the previous fiscal year has decreased by ¥244 million reflecting the cumulative amount of the effect from the retrospective application to net assets as of the beginning of the previous fiscal year.

(Adoption of the Accounting Standard for Retirement Benefits and Guidance on Accounting Standard for Retirement Benefits)

Regarding the “Accounting Standard for Retirement Benefits” (ASBJ Statement No. 26, May 17, 2012) and the “Guidance on Accounting Standard for Retirement Benefits” (ASBJ Guidance No. 25, March 26, 2015), effective from the first quarter of the current fiscal year, the Company has adopted the provisions specified in the main clauses of Paragraph 35 of the Accounting Standard for Retirement Benefits and Paragraph 67 of the Guidance on Accounting Standard for Retirement Benefits, reviewed its calculation method for retirement benefit obligations and current service costs, and changed its method of attributing expected benefits to periods from the straight-line basis to the benefit formula basis. In addition, the Company has changed the method for determining the discount rate from one that uses a discount rate based on a period approximate to the average remaining service periods of employees, to one that uses a single weighted average discount rate reflecting the estimated timing and amount of retirement benefits.

Adoption of the Accounting Standard for Retirement Benefits and Guidance on Accounting Standard for Retirement Benefits is in line with the transitional measures provided in Paragraph 37 of the Accounting Standard for Retirement Benefits and the effect of the change in the determination of retirement benefit obligations and current service costs has been added to or deducted from retained earnings as of the beginning of the first quarter of the current fiscal year.

As a result, as of the beginning of the first quarter of the current fiscal year, net defined benefit liability increased by ¥2,065 million and net defined benefit asset, retained earnings and minority interests decreased by ¥2,640 million, ¥3,065 million and ¥114 million, respectively. The effect of this change on operating income, ordinary income and income before income taxes and minority interests for the three months ended May 31, 2015 is immaterial.

# 3. Quarterly consolidated financial statements

## (1) Consolidated balance sheet

(Millions of yen)

| | As of February 28, 2015 | As of May 31, 2015 |
|---|---|---|
| Assets | | |
| Current assets | | |
| Cash and deposits | 34,106 | 21,543 |
| Notes and accounts receivable - trade | 75,556 | 83,775 |
| Securities | 1,353 | 1,102 |
| Inventories | 30,886 | 31,400 |
| Deferred tax assets | 12,295 | 12,350 |
| Other | 38,058 | 45,090 |
| Allowance for doubtful accounts | (151) | (152) |
| Total current assets | 192,105 | 195,110 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings and structures, net | 187,935 | 186,727 |
| Land | 349,578 | 351,280 |
| Construction in progress | 114,097 | 115,106 |
| Other, net | 5,192 | 5,021 |
| Total property, plant and equipment | 656,804 | 658,135 |
| Intangible assets | | |
| Goodwill | 2,005 | 1,900 |
| Other | 41,001 | 41,053 |
| Total intangible assets | 43,007 | 42,953 |
| Investments and other assets | | |
| Investment securities | 37,516 | 52,543 |
| Long-term loans receivable | 1,506 | 1,495 |
| Lease and guarantee deposits | 61,985 | 62,255 |
| Net defined benefit asset | 11,864 | 9,569 |
| Deferred tax assets | 4,159 | 4,119 |
| Other | 12,067 | 11,589 |
| Allowance for doubtful accounts | (2,564) | (2,567) |
| Total investments and other assets | 126,535 | 139,006 |
| Total non-current assets | 826,346 | 840,095 |
| Deferred assets | | |
| Bond issuance cost | 43 | 35 |
| Total deferred assets | 43 | 35 |
| Total assets | 1,018,495 | 1,035,241 |

(Millions of yen)

| | As of February 28, 2015 | As of May 31, 2015 |
|---|---|---|
| Liabilities | | |
| Current liabilities | | |
| Notes and accounts payable - trade | 95,020 | 104,136 |
| Short-term loans payable | 22,220 | 37,327 |
| Commercial papers | 28,691 | 37,496 |
| Current portion of bonds | 12,000 | 12,000 |
| Income taxes payable | 12,702 | 3,822 |
| Advances received | 18,656 | 19,853 |
| Gift certificates | 37,973 | 37,731 |
| Provision for bonuses | 5,630 | 3,968 |
| Provision for directors' bonuses | 194 | – |
| Provision for sales returns | 22 | 15 |
| Provision for books unsold | 113 | 130 |
| Provision for sales promotion expenses | 722 | 719 |
| Reserve for gift certificates | 13,241 | 13,334 |
| Provision for loss on business liquidation | 121 | 78 |
| Provision for loss on stores rebuilding | 760 | 760 |
| Other | 57,392 | 60,104 |
| Total current liabilities | 305,463 | 331,479 |
| Non-current liabilities | | |
| Bonds payable | 12,000 | 12,000 |
| Long-term loans payable | 93,546 | 85,760 |
| Deferred tax liabilities | 101,486 | 91,554 |
| Deferred tax liabilities for land revaluation | 1,279 | 1,161 |
| Net defined benefit liability | 31,514 | 32,957 |
| Provision for directors' retirement benefits | 39 | 30 |
| Other | 42,905 | 42,661 |
| Total non-current liabilities | 282,771 | 266,125 |
| Total liabilities | 588,235 | 597,605 |
| Net assets | | |
| Shareholders' equity | | |
| Capital stock | 30,000 | 30,000 |
| Capital surplus | 209,556 | 209,551 |
| Retained earnings | 147,555 | 158,143 |
| Treasury shares | (6,369) | (11,341) |
| Total shareholders' equity | 380,742 | 386,353 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 2,352 | 3,812 |
| Deferred gains or losses on hedges | (35) | 25 |
| Foreign currency translation adjustment | 659 | 652 |
| Remeasurements of defined benefit plans | (7,832) | (7,911) |
| Total accumulated other comprehensive income | (4,855) | (3,421) |
| Subscription rights to shares | 15 | 15 |
| Minority interests | 54,357 | 54,689 |
| Total net assets | 430,260 | 437,636 |
| Total liabilities and net assets | 1,018,495 | 1,035,241 |

## (2) Consolidated statement of income and consolidated statement of comprehensive income
## (Consolidated statement of income - cumulative)

(Millions of yen)

| | Three months ended May 31, 2014 | Three months ended May 31, 2015 |
|---|---|---|
| Net sales | 285,316 | 285,585 |
| Net sales of goods | 282,760 | 282,712 |
| Rent income of real estate | 2,556 | 2,873 |
| Cost of sales | 224,414 | 225,472 |
| Cost of goods sold | 222,861 | 223,799 |
| Cost of real estate rent | 1,552 | 1,673 |
| Gross profit | 60,901 | 60,113 |
| Selling, general and administrative expenses | 50,383 | 49,436 |
| Operating income | 10,518 | 10,676 |
| Non-operating income | | |
| Interest income | 96 | 94 |
| Dividend income | 79 | 85 |
| Gain on adjustment of account payable | 698 | 658 |
| Share of profit of entities accounted for using equity method | 446 | 2,446 |
| Other | 153 | 196 |
| Total non-operating income | 1,474 | 3,480 |
| Non-operating expenses | | |
| Interest expenses | 385 | 352 |
| Loss on retirement of non-current assets | 82 | 277 |
| Provision of reserve for redemption of gift certificates | 808 | 696 |
| Other | 161 | 208 |
| Total non-operating expenses | 1,437 | 1,534 |
| Ordinary income | 10,555 | 12,622 |
| Extraordinary income | | |
| Gain on sales of investment securities | – | 50 |
| Total extraordinary income | – | 50 |
| Extraordinary losses | | |
| Loss on disposal of non-current assets | 614 | 508 |
| Loss on valuation of investment securities | 19 | – |
| Impairment loss | 14 | – |
| Other | 54 | 22 |
| Total extraordinary losses | 702 | 531 |
| Income before income taxes and minority interests | 9,853 | 12,141 |
| Income taxes - current | 4,171 | 3,797 |
| Income taxes - deferred | (37) | (9,573) |
| Total income taxes | 4,133 | (5,776) |
| Income before minority interests | 5,719 | 17,917 |
| Minority interests in income | 750 | 832 |
| Net income | 4,968 | 17,085 |

### (Consolidated statement of comprehensive income - cumulative)

(Millions of yen)

| | Three months ended May 31, 2014 | Three months ended May 31, 2015 |
|---|---|---|
| Income before minority interests | 5,719 | 17,917 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | (762) | 1,551 |
| Deferred gains or losses on hedges | 2 | 56 |
| Foreign currency translation adjustment | (36) | (15) |
| Remeasurements of defined benefit plans, net of tax | – | (166) |
| Share of other comprehensive income of entities accounted for using equity method | 10 | (40) |
| Total other comprehensive income | (785) | 1,384 |
| Comprehensive income | 4,933 | 19,302 |
| Comprehensive income attributable to | | |
| Comprehensive income attributable to owners of parent | 4,246 | 18,431 |
| Comprehensive income attributable to minority interests | 687 | 871 |

## (3) Consolidated statement of cash flows

(Millions of yen)

| | Three months ended May 31, 2014 | Three months ended May 31, 2015 |
|---|---|---|
| Cash flows from operating activities | | |
| Income before income taxes and minority interests | 9,853 | 12,141 |
| Depreciation | 4,342 | 4,496 |
| Impairment loss | 14 | – |
| Amortization of goodwill | 158 | 158 |
| Increase (decrease) in allowance for doubtful accounts | 40 | 3 |
| Increase (decrease) in provision for bonuses | (1,978) | (1,856) |
| Increase (decrease) in provision for retirement benefits | (247) | – |
| Increase (decrease) in net defined benefit liability | – | (621) |
| Decrease (increase) in net defined benefit asset | – | (345) |
| Increase (decrease) in provision for sales promotion expenses | (6) | (2) |
| Increase (decrease) in provision for loss on business liquidation | (79) | (42) |
| Increase (decrease) in reserve for gift certificates | 101 | 92 |
| Interest and dividend income | (175) | (179) |
| Interest expenses | 385 | 352 |
| Share of (profit) loss of entities accounted for using equity method | (446) | (2,446) |
| Loss (gain) on disposal of non-current assets | 614 | 508 |
| Loss (gain) on sales of investment securities | – | (50) |
| Loss (gain) on valuation of investment securities | 19 | – |
| Decrease (increase) in notes and accounts receivable - trade | (9,063) | (8,218) |
| Decrease (increase) in inventories | (944) | (513) |
| Increase (decrease) in notes and accounts payable - trade | 7,015 | 9,116 |
| Decrease (increase) in accounts receivable - other | (1,207) | (5,400) |
| Decrease (increase) in long-term prepaid expenses | (37) | 89 |
| Other, net | 9,449 | 5,580 |
| Subtotal | 17,804 | 12,861 |
| Interest and dividend income received | 128 | 130 |
| Interest expenses paid | (618) | (551) |
| Income taxes paid | (5,585) | (13,410) |
| Net cash provided by (used in) operating activities | 11,729 | (969) |

(Millions of yen)

| | Three months ended May 31, 2014 | Three months ended May 31, 2015 |
|---|---|---|
| Cash flows from investing activities | | |
| Purchase of short-term and long-term investment securities | (205) | (10,661) |
| Proceeds from sales of short-term and long-term investment securities | 101 | 538 |
| Purchase of property, plant and equipment and intangible assets | (8,641) | (8,549) |
| Proceeds from sales of property, plant and equipment and intangible assets | – | 1 |
| Decrease (increase) in short-term loans receivable | (5) | 11 |
| Payments of long-term loans receivable | (10) | – |
| Collection of long-term loans receivable | 10 | 15 |
| Other, net | 2,406 | (545) |
| Net cash provided by (used in) investing activities | (6,342) | (19,189) |
| Cash flows from financing activities | | |
| Net increase (decrease) in short-term loans payable | (2,450) | 4,000 |
| Net increase (decrease) in commercial papers | (3,500) | 8,804 |
| Proceeds from long-term loans payable | – | 10,000 |
| Repayments of long-term loans payable | (6,287) | (6,677) |
| Purchase of treasury shares | (12) | (5,009) |
| Cash dividends paid | (3,175) | (3,439) |
| Cash dividends paid to minority shareholders | (414) | (434) |
| Other, net | (244) | (208) |
| Net cash provided by (used in) financing activities | (16,084) | 7,037 |
| Effect of exchange rate change on cash and cash equivalents | 11 | (8) |
| Net increase (decrease) in cash and cash equivalents | (10,686) | (13,130) |
| Cash and cash equivalents at beginning of period | 31,276 | 32,132 |
| Cash and cash equivalents at end of period | 20,589 | 19,002 |

(4) Notes on quarterly consolidated financial statements

(Notes on premise of going concern)

No items to report

(Notes on significant changes in the amount of shareholders' equity)

No items to report

(Segment information, etc.)

**<Segment information>**

**I. Three months ended May 31, 2014 (from March 1, 2014 to May 31, 2014)**

1. Net sales and profit/loss by reportable segment

(Millions of yen)

| | Department Store Business | PARCO Business | Wholesale Business | Credit Business | Other Businesses | Total | Adjustments (Note 1) | Amounts on the consolidated statement of income (Note 2) |
|---|---|---|---|---|---|---|---|---|
| Net sales | | | | | | | | |
| (1) External sales | 187,949 | 68,623 | 11,446 | 1,304 | 15,991 | 285,316 | – | 285,316 |
| (2) Inter-segment sales or transfers | 228 | 72 | 1,453 | 1,351 | 9,034 | 12,140 | (12,140) | – |
| Total sales | 188,178 | 68,696 | 12,900 | 2,655 | 25,026 | 297,456 | (12,140) | 285,316 |
| Segment profits | 5,921 | 2,948 | 137 | 1,054 | 473 | 10,535 | (17) | 10,518 |

Notes: 1. The ¥17 million deducted from segment profits as adjustment includes ¥692 million in inter-segment eliminations and a deduction of ¥709 million in corporate expenses not attributable to any reportable segment. Corporate expenses are mainly expenses of the company submitting consolidated financial statements that are not attributable to any reportable segment.

2. Segment profits are adjusted to operating income in the consolidated statement of income.

2. Impairment loss on non-current assets and goodwill, etc. by reportable segment

Information has been omitted owing to lack of materiality.

**II. Three months ended May 31, 2015 (from March 1, 2015 to May 31, 2015)**

1. Net sales and profit/loss by reportable segment

(Millions of yen)

| | Department Store Business | PARCO Business | Wholesale Business | Credit Business | Other Businesses | Total | Adjustments (Note 1) | Amounts on the consolidated statement of income (Note 2) |
|---|---|---|---|---|---|---|---|---|
| Net sales | | | | | | | | |
| (1) External sales | 184,700 | 71,766 | 12,940 | 1,418 | 14,758 | 285,585 | – | 285,585 |
| (2) Inter-segment sales or transfers | 228 | 78 | 2,188 | 1,105 | 9,622 | 13,223 | (13,223) | – |
| Total sales | 184,929 | 71,844 | 15,128 | 2,524 | 24,381 | 298,808 | (13,223) | 285,585 |
| Segment profits | 6,124 | 3,298 | 334 | 731 | 273 | 10,762 | (85) | 10,676 |

Notes: 1. The ¥85 million deducted from segment profits as adjustment includes ¥654 million in inter-segment eliminations and a deduction of ¥740 million in corporate expenses not attributable to any reportable segment. Corporate expenses are mainly expenses of the company submitting consolidated financial statements that are not attributable to any reportable segment.

2. Segment profits are adjusted to operating income in the consolidated statement of income.

2. Note regarding change to reportable segments

(Change in the valuation method for inventories)

As stated in "Changes in accounting policies," effective from the first quarter of the current fiscal year, the main valuation method for merchandise has changed from the lower of cost or market method, using the cost percentage method (the book value is written down based on the decreased profitability) to using the identified cost method (the book value is written down based on the decreased profitability).

This change in valuation method has been applied retrospectively, and the segment information presented for the three months ended May 31, 2014 is the information after the retrospective adjustment. As a result, segment profits for the three months ended May 31, 2014 have increased ¥70 million in the Department Store Business compared with before the retrospective adjustment.

(Adoption of the Accounting Standard for Retirement Benefits and Guidance on Accounting Standard for Retirement Benefits)

In conjunction with the changes in the calculation method for retirement benefit obligations and current service costs that have been adopted from the first quarter of the current fiscal year as mentioned in "Changes in accounting policies," the Company has likewise changed the calculation method for retirement benefit obligations and current service costs in business segments. The effect of this application on segment profits for the three months ended May 31, 2015 is immaterial.

3. Impairment loss on non-current assets and goodwill, etc. by reportable segment

Information has been omitted owing to lack of materiality.