

Translation



December 25, 2015

**Consolidated Financial Results for the First Nine 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/>
Representative: Ryoichi Yamamoto, President
Inquiries: Takayuki Makita, Senior General Manager of Corporate Governance Promotion,
Management Strategy Unit
TEL: +81-3-6895-0178 (from overseas)

Scheduled date to file Quarterly Securities Report: January 13, 2016
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 nine months of the fiscal year ending February 29, 2016 (from March 1, 2015 to November 30, 2015)

(1) Consolidated operating results (cumulative) (Percentages indicate year-on-year changes.)

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Nine months ended November 30, 2015	849,333	2.5	30,936	22.0	31,833	30.7	18,445	79.6
November 30, 2014	828,616	(0.3)	25,363	–	24,359	–	10,269	–

Note: Comprehensive income

For the nine months ended November 30, 2015: ¥22,614 million [69.6%]

For the nine months ended November 30, 2014: ¥13,337 million [–%]

	Net income per share	Diluted net income per share
Nine months ended	Yen	Yen
November 30, 2015	70.35	70.35
November 30, 2014	38.91	38.91

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 nine months ended November 30, 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	%
November 30, 2015	1,042,784	437,091	36.6
February 28, 2015	1,018,495	430,260	36.9

Reference: Equity

As of November 30, 2015: ¥381,170 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	–	13.00	–		
Fiscal year ending February 29, 2016 (Forecast)				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
Fiscal year ending February 29, 2016	1,180,000	2.7	47,000	11.5	46,500	14.9	25,500	27.7	97.32

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

* **Notes**

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): None
- (2) 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
- Changes in accounting policies due to revisions to accounting standards and other regulations: Yes
 - Changes in accounting policies due to other reasons: Yes
 - Changes in accounting estimates: None
 - 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 November 30, 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 November 30, 2015	6,676,025 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 nine months ended November 30, 2015	262,186,812 shares
For the nine months ended November 30, 2014	263,922,398 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]

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1. Qualitative information regarding results for the first nine months

(1) Explanation of operating results

In the nine months ended November 30, 2015 (from March 1, 2015 to November 30, 2015), the Japanese economy continued to follow a path of moderate recovery overall, albeit inconsistent on different fronts. On the one hand, for instance, corporate earnings and the employment situation in general showed improvement partly due to positive effects of economic and financial policies implemented by the government and the Bank of Japan, yet on the other hand personal spending was somewhat soft partially due to flagging recovery in consumer sentiment even as real incomes improved, while capital investment also floundered due to a sense of uncertainty over the outlook for overseas economies.

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 until October, partly reflecting a recovery in demand from April and an increase in net sales to foreign visitors to Japan centered on department stores in 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. During the months of March through May the store was refurbished to begin offering women’s shoes and bags on the same floor, while an L-size section with one of the largest lineups of L-size products in Nagoya was established along with a salon targeting senior citizens. Then, at the end of October the large-scale home appliance specialty store “Yodobashi Camera” was introduced, and the Group relocated and expanded its duty free counter to respond to foreign visitors to Japan, who are dramatically growing in number. At the Daimaru Shinsaibashi store, it was decided in July to rebuild the main building of the store, aiming for completion in autumn of 2019. The rebuild is intended to strengthen the area’s competitive capabilities, generate a new bustling area, and contribute to further revitalization. It will also enhance the safety of the building while contributing to the development of the area by retaining the value of the Vories architecture.

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. Furthermore, aiming to contribute to the creation of charming urban environments through combined efforts of the entire Group, the Group decided in July to open “Kyoto ZERO GATE (provisional name)” on a site in the vicinity of the Daimaru Kyoto store, aiming to open for business in spring 2017, and in November to open “Sannomiya ZERO GATE (provisional name).”

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. Moreover, the Company launched the Business Alliance Promotion Committee and started discussions on detailed measures geared toward making maximum use of the group assets and expertise of both companies. At the same time, as an initiative for mutual sales of merchandise,

the Group launched limited-time shops offering Senshukai's popular brand "Kcarat" at the Daimaru Kobe store in September and the Matsuzakaya Nagoya store in October.

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 nine months ended November 30, 2015, consolidated net sales was ¥849,333 million, up 2.5% year on year, operating income was ¥30,936 million, up 22.0%, ordinary income was ¥31,833 million, up 30.7%, and net income was ¥18,445 million, up 79.6%.

Results by segment are as follows.

<Department Store Business>

At the Matsuzakaya Nagoya store, we initiated efforts under the third-period refurbishment plan with the aim of having a "high-quality, evolutionary department store that is loved by customers in the area." Among these initiatives, in October the large-scale home appliance specialty store "Yodobashi Camera" opened for business in the South Building on the fourth to sixth floors. Meanwhile in the Main Building on the sixth floor, we established the "Wa Life Koji" section for producing new Japanese-style living, and we relocated and expanded the duty free counter, opening it on the third floor of the South Building.

Furthermore, we opened Laox stores specialized for foreign visitors to Japan at the Daimaru Shinsaibashi store, the Daimaru Kobe store, the Daimaru Kyoto store, and the Daimaru Fukuoka Tenjin store.

In conjunction with this, as a new payment service, we became the first department store in Japan to introduce the "WeChat Payment," service operated by China's largest social networking service "WeChat."

As an initiative for mutual sales of merchandise with our capital and business alliance partner Senshukai, we opened limited-time shops offering Senshukai's popular brand "Kcarat" at the Daimaru Kobe store and the Matsuzakaya Nagoya store, ahead full-fledged store openings from next spring.

To develop growth in out-of-store customers, we continued to push ahead with efforts geared toward landing new customer accounts. Looking ahead, given the robust performance in the affluent customer market, we will work to upgrade our products and services in order to further expand this market.

As a result of the initiatives mentioned above, net sales in this business was ¥550,501 million, up 1.4% year on year and operating income was ¥16,736 million, up 42.5%.

<PARCO Business>

We achieved healthy results in the shopping center business reflecting the success of our initiatives to increase sales floor space by extending the floor space in the Main Building of the Fukuoka PARCO and opening the Nagoya "PARCO midi," along with refurbishments of existing PARCO stores based on the concept of targeting a greater range of customers. Meanwhile, the shopping complex business and the space engineering & management business also performed well. As a result, net sales in this business was ¥207,787 million, up 3.7% year on year, and operating income was ¥9,151 million, up 5.9%.

<Wholesale Business>

Sales were strong in the fields of electronic devices and automobiles. As a result, net sales in this business was ¥46,087 million, up 3.3% year on year, and operating income was ¥1,241 million, up 26.2% year on year.

<Credit Business>

Despite an increase in card business volume, this business was affected by a decrease in commission income resulting from a review of commission rate for transactions carried out within the Group. As a result, net sales in this business was ¥7,762 million, down 0.4% year on year, and operating income was ¥2,176 million, down 16.4% year on year.

<Other Businesses>

In Other Businesses, underpinned by a strong showing from J. Front Design & Construction, net sales was ¥76,925 million, up 7.5% year on year, and operating income was ¥1,734 million, up 16.4% year on year.

(2) Explanation of financial position

Total assets as of November 30, 2015 was ¥1,042,784 million, an increase of ¥24,289 million compared with February 28, 2015. Total liabilities was ¥605,693 million, an increase of ¥17,458 million. Total net assets was ¥437,091 million, an increase of ¥6,831 million compared with February 28, 2015.

(Cash flow position)

The balance of cash and cash equivalents (hereinafter “cash”) as of November 30, 2015 amounted to ¥14,600 million, down ¥17,532 million compared with February 28, 2015.

Cash flow positions in the nine months ended November 30, 2015 and the factors for these were as follows.

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

Net cash provided by operating activities was ¥22,923 million. In comparison with the nine months ended November 30, 2014, cash provided decreased by ¥9,436 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 ¥33,466 million. In comparison with the nine months ended November 30, 2014, cash used increased by ¥15,580 million, mainly reflecting purchases of investment securities and property, plant and equipment.

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

Net cash used in financing activities was ¥6,988 million. In comparison with the nine months ended November 30, 2014, expenditures decreased by ¥15,157 million, mainly reflecting a new issuance of bonds, although the Company made expenditures for the redemption of bonds.

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

The consolidated earnings forecasts are unchanged from the forecasts for the fiscal year ending February 29, 2016 announced on October 6, 2015.

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 principal 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 nine 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 nine months ended November 30, 2014 have each increased ¥216 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 nine months ended November 30, 2015 is immaterial.

3. Quarterly consolidated financial statements

(1) Consolidated balance sheet

(Millions of yen)

	As of February 28, 2015	As of November 30, 2015
Assets		
Current assets		
Cash and deposits	34,106	16,983
Notes and accounts receivable - trade	75,556	88,509
Securities	1,353	1,134
Inventories	30,886	33,082
Deferred tax assets	12,295	12,195
Other	38,058	46,072
Allowance for doubtful accounts	(151)	(293)
Total current assets	<u>192,105</u>	<u>197,683</u>
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	187,935	183,133
Land	349,578	357,363
Construction in progress	114,097	118,275
Other, net	5,192	5,026
Total property, plant and equipment	<u>656,804</u>	<u>663,799</u>
Intangible assets		
Goodwill	2,005	658
Other	41,001	40,886
Total intangible assets	<u>43,007</u>	<u>41,545</u>
Investments and other assets		
Investment securities	37,516	51,738
Long-term loans receivable	1,506	1,495
Lease and guarantee deposits	61,985	61,901
Net defined benefit asset	11,864	10,258
Deferred tax assets	4,159	4,917
Other	12,067	11,975
Allowance for doubtful accounts	(2,564)	(2,624)
Total investments and other assets	<u>126,535</u>	<u>139,664</u>
Total non-current assets	<u>826,346</u>	<u>845,009</u>
Deferred assets		
Bond issuance cost	43	91
Total deferred assets	<u>43</u>	<u>91</u>
Total assets	<u>1,018,495</u>	<u>1,042,784</u>

(Millions of yen)

	As of February 28, 2015	As of November 30, 2015
Liabilities		
Current liabilities		
Notes and accounts payable - trade	95,020	108,024
Short-term loans payable	22,220	41,086
Commercial papers	28,691	29,694
Current portion of bonds	12,000	–
Income taxes payable	12,702	3,700
Advances received	18,656	27,845
Gift certificates	37,973	39,114
Provision for bonuses	5,630	2,830
Provision for directors' bonuses	194	–
Provision for sales returns	22	17
Provision for books unsold	113	135
Provision for sales promotion expenses	722	719
Reserve for gift certificates	13,241	13,798
Provision for loss on business liquidation	121	5
Provision for loss on stores rebuilding	760	1,771
Other	57,392	63,990
Total current liabilities	305,463	332,734
Non-current liabilities		
Bonds payable	12,000	27,000
Long-term loans payable	93,546	76,990
Deferred tax liabilities	101,486	89,832
Deferred tax liabilities for land revaluation	1,279	1,161
Net defined benefit liability	31,514	32,106
Provision for directors' retirement benefits	39	35
Provision for loss on business liquidation	–	1,052
Provision for loss on stores rebuilding	–	2,104
Other	42,905	42,677
Total non-current liabilities	282,771	272,959
Total liabilities	588,235	605,693
Net assets		
Shareholders' equity		
Capital stock	30,000	30,000
Capital surplus	209,556	209,553
Retained earnings	147,555	156,103
Treasury shares	(6,369)	(11,354)
Total shareholders' equity	380,742	384,302
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,352	3,618
Deferred gains or losses on hedges	(35)	346
Foreign currency translation adjustment	659	521
Remeasurements of defined benefit plans	(7,832)	(7,618)
Total accumulated other comprehensive income	(4,855)	(3,132)
Subscription rights to shares	15	15
Minority interests	54,357	55,905
Total net assets	430,260	437,091
Total liabilities and net assets	1,018,495	1,042,784

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

(Millions of yen)

	Nine months ended November 30, 2014	Nine months ended November 30, 2015
Net sales	828,616	849,333
Net sales of goods	820,753	840,519
Rent income of real estate	7,862	8,814
Cost of sales	651,847	670,323
Cost of goods sold	647,157	665,154
Cost of real estate rent	4,689	5,169
Gross profit	176,769	179,010
Selling, general and administrative expenses	151,405	148,074
Operating income	25,363	30,936
Non-operating income		
Interest income	279	284
Dividend income	333	295
Gain on adjustment of account payable	2,261	2,105
Share of profit of entities accounted for using equity method	485	2,395
Other	623	517
Total non-operating income	3,984	5,598
Non-operating expenses		
Interest expenses	1,123	1,073
Loss on retirement of non-current assets	454	646
Provision of reserve for redemption of gift certificates	2,589	2,328
Other	821	652
Total non-operating expenses	4,988	4,700
Ordinary income	24,359	31,833
Extraordinary income		
Gain on sales of non-current assets	84	-
Gain on sales of investment securities	253	702
Total extraordinary income	337	702
Extraordinary losses		
Loss on disposal of non-current assets	1,710	1,981
Loss on valuation of investment securities	36	-
Impairment loss	88	1,293
Loss on stores rebuilding	-	7,671
Loss on liquidation of business	686	1,718
Construction indemnification expenses	650	-
Other	187	352
Total extraordinary losses	3,360	13,018
Income before income taxes and minority interests	21,337	19,518
Income taxes - current	9,163	10,113
Income taxes - deferred	(212)	(11,574)
Total income taxes	8,951	(1,461)
Income before minority interests	12,385	20,979
Minority interests in income	2,116	2,534
Net income	10,269	18,445

(Consolidated statement of comprehensive income - cumulative)

(Millions of yen)

	Nine months ended November 30, 2014	Nine months ended November 30, 2015
Income before minority interests	12,385	20,979
Other comprehensive income		
Valuation difference on available-for-sale securities	793	1,167
Deferred gains or losses on hedges	100	15
Foreign currency translation adjustment	88	(147)
Remeasurements of defined benefit plans, net of tax	–	137
Share of other comprehensive income of entities accounted for using equity method	(30)	462
Total other comprehensive income	951	1,634
Comprehensive income	13,337	22,614
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	11,255	20,168
Comprehensive income attributable to minority interests	2,081	2,445

(3) Consolidated statement of cash flows

(Millions of yen)

	Nine months ended November 30, 2014	Nine months ended November 30, 2015
Cash flows from operating activities		
Income before income taxes and minority interests	21,337	19,518
Depreciation	13,277	13,687
Impairment loss	107	5,622
Amortization of goodwill	474	409
Increase (decrease) in allowance for doubtful accounts	(46)	201
Increase (decrease) in provision for bonuses	(3,097)	(2,994)
Increase (decrease) in provision for retirement benefits	300	–
Increase (decrease) in net defined benefit liability	–	(1,473)
Decrease (increase) in net defined benefit asset	–	(1,034)
Increase (decrease) in provision for sales promotion expenses	(15)	(2)
Increase (decrease) in provision for loss on business liquidation	291	935
Increase (decrease) in reserve for gift certificates	680	556
Increase (decrease) in provision for loss on stores rebuilding	(560)	3,115
Interest and dividend income	(613)	(579)
Interest expenses	1,123	1,073
Share of (profit) loss of entities accounted for using equity method	(485)	(2,395)
Loss (gain) on sales of non-current assets	(84)	20
Loss (gain) on disposal of non-current assets	1,710	1,981
Loss (gain) on sales of investment securities	(253)	(702)
Loss (gain) on valuation of investment securities	36	–
Decrease (increase) in notes and accounts receivable - trade	(27,313)	(12,952)
Decrease (increase) in inventories	(6,275)	(2,195)
Increase (decrease) in notes and accounts payable - trade	26,018	13,004
Decrease (increase) in accounts receivable - other	(6,871)	(8,786)
Decrease (increase) in long-term prepaid expenses	(143)	403
Other, net	23,173	15,227
Subtotal	42,771	42,638
Interest and dividend income received	529	516
Interest expenses paid	(1,372)	(1,265)
Income taxes paid	(10,357)	(20,646)
Income taxes refund	788	1,680
Net cash provided by (used in) operating activities	32,359	22,923

(Millions of yen)

	Nine months ended November 30, 2014	Nine months ended November 30, 2015
Cash flows from investing activities		
Purchase of short-term and long-term investment securities	(919)	(12,160)
Proceeds from sales of short-term and long-term investment securities	961	3,124
Purchase of property, plant and equipment and intangible assets	(20,736)	(27,530)
Proceeds from sales of property, plant and equipment and intangible assets	108	8
Decrease (increase) in short-term loans receivable	(20)	9
Payments of long-term loans receivable	(47)	(28)
Collection of long-term loans receivable	44	47
Other, net	2,723	3,061
Net cash provided by (used in) investing activities	(17,886)	(33,466)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(5,950)	1,850
Net increase (decrease) in commercial papers	2,795	1,003
Proceeds from long-term loans payable	5,300	13,000
Repayments of long-term loans payable	(16,449)	(12,533)
Proceeds from issuance of bonds	–	15,000
Redemption of bonds	–	(12,000)
Purchase of treasury shares	(37)	(5,024)
Cash dividends paid	(6,328)	(6,829)
Cash dividends paid to minority shareholders	(734)	(789)
Other, net	(741)	(665)
Net cash provided by (used in) financing activities	(22,145)	(6,988)
Effect of exchange rate change on cash and cash equivalents	40	(0)
Net increase (decrease) in cash and cash equivalents	(7,633)	(17,532)
Cash and cash equivalents at beginning of period	31,276	32,132
Cash and cash equivalents at end of period	23,643	14,600

(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. Nine months ended November 30, 2014 (from March 1, 2014 to November 30, 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	542,375	200,244	39,039	4,009	42,946	828,616	–	828,616
(2) Inter-segment sales or transfers	673	219	5,570	3,782	28,592	38,838	(38,838)	–
Total sales	543,049	200,463	44,610	7,792	71,538	867,454	(38,838)	828,616
Segment profits	11,741	8,644	984	2,604	1,489	25,464	(100)	25,363

Notes: 1. The ¥100 million deducted from segment profits as adjustment includes ¥1,917 million in inter-segment eliminations and a deduction of ¥2,018 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

(Significant impairment loss on non-current assets)

Information has been omitted owing to lack of materiality.

(Significant change in amount of goodwill)

No items to report

(Significant gain on bargain purchase)

No items to report

II. Nine months ended November 30, 2015 (from March 1, 2015 to November 30, 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	549,798	207,512	39,659	4,411	47,951	849,333	–	849,333
(2) Inter-segment sales or transfers	702	275	6,428	3,351	28,974	39,732	(39,732)	–
Total sales	550,501	207,787	46,087	7,762	76,925	889,065	(39,732)	849,333
Segment profits	16,736	9,151	1,241	2,176	1,734	31,041	(105)	30,936

Notes: 1. The ¥105 million deducted from segment profits as adjustment includes ¥2,091 million in inter-segment eliminations and a deduction of ¥2,196 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 nine months ended November 30, 2014 is the information after the retrospective adjustment. As a result, segment profits for the nine months ended November 30, 2014 have increased ¥216 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 nine months ended November 30, 2015 is immaterial.

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

(Significant impairment loss on non-current assets)

No items to report

(Significant change in amount of goodwill)

No items to report

(Significant gain on bargain purchase)

No items to report