Translation

December 27, 2016

Consolidated Financial Results for the First Nine Months of the Fiscal Year Ending February 28, 2017 <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: January 13, 2017
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 28, 2017 (from March 1, 2016 to November 30, 2016)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
Nine months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
November 30, 2016	799,088	(5.9)	26,828	(13.3)	25,932	(18.5)	16,101	(12.7)
November 30, 2015	849,333	2.5	30,936	22.0	31,833	30.7	18,445	79.6

Note: Comprehensive income
For the nine months ended November 30, 2016: ¥18,285 million [(19.1)%]
For the nine months ended November 30, 2015: ¥22,614 million [69.6%]

	Basic earnings per share	Diluted earnings per share
Nine months ended	Yen	Yen
November 30, 2016	61.56	61.56
November 30, 2015	70.35	70.35

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
As of	Millions of yen	Millions of yen	%
November 30, 2016	1,059,576	450,704	37.0
February 29, 2016	1,019,146	440,594	37.6

Reference: Equity
As of November 30, 2016: ¥392,319 million
As of February 29, 2016: ¥383,699 million

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 29, 2016	–	13.00	–	14.00	27.00
Fiscal year ending February 28, 2017	–	14.00	–		
Fiscal year ending February 28, 2017 (Forecast)				14.00	28.00

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

3. Consolidated earnings forecasts for the fiscal year ending February 28, 2017 (from March 1, 2016 to February 28, 2017)

(Percentages indicate year-on-year changes.)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Fiscal year ending February 28, 2017	1,117,000	(4.0)	45,000	(6.3)	44,000	(8.2)	25,500	(3.1)	97.50

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: Yes

(Note) For the details, please refer to “2. Matters regarding summary information (Notes), (2) Application of special accounting for preparing quarterly consolidated financial statements” on page 6 of the quarterly financial results (attached material).

(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: Yes

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 6 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, 2016	268,119,164 shares
As of February 29, 2016	268,119,164 shares

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

As of November 30, 2016	6,571,042 shares
As of February 29, 2016	6,575,238 shares

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

For the nine months ended November 30, 2016	261,547,886 shares
For the nine months ended November 30, 2015	262,186,812 shares

*** 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 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 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, 2016 (from March 1, 2016 to November 30, 2016), the Japanese economy recovered at a gentle pace. Although on the bright side, employment continued to improve, and in November, stock prices recovered after the results of the US presidential election, there has been a drastically strengthening yen and falling share prices prevailing since the start of the year, amid mounting uncertainties regarding the global economic outlook stemming from a slowing Chinese economy beginning in the latter half of last year and the United Kingdom's decision to leave the European Union.

In the retail sector, we faced a scenario of diminishing strength in personal spending overall. This was due to factors such as increasingly polarized consumption patterns amid the Japanese government's decision to postpone the consumption tax hike, and intensifying budget-minded consumer behavior brought about by a prevailing sense of uncertainty as to what lies ahead including social security, combined with a slowing rate of growth with respect to inbound tourism consumption and decreasing average spend per customer.

Amid this environment, as the final year of "FY 2014 - FY 2016 Medium-term Business Plan," 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, with the aim of developing as a multifaceted retailer operating multiple businesses with the Department Store Business at their core.

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 strengthening our capacity to serve markets in a manner aligned with the distinctive characteristics of the areas in which our individual stores operate, and by revamping our management structure with the aim of boosting profitability. As part of these efforts, in late April the Matsuzakaya Nagoya store launched "Matsuzakaya GENTA" in the new North Building which is geared to adults seeking premium quality and sophisticated sensibilities. We also held our grand opening for all of the complex's buildings, including the Main Building and the South Building. In addition, as part of the 300th anniversary since the founding of Daimaru, and as part of the strategy of urban market dominance, which is our business model for growth along with regions, the Daimaru Kyoto store opened "Daimaru Kyoto store Gion Machiya" in early November.

In the PARCO Business, we opened our "Sendai PARCO 2" shopping complex in July and our "Hiroshima ZERO GATE 2" in September. We also worked on refurbishment initiatives including those at the Fukuoka PARCO and the Nagoya PARCO in spring, and at the Sendai PARCO and the Chofu PARCO in autumn in order to realize commercial facilities better supported by customers.

Meanwhile, we temporarily closed the "Shibuya PARCO (Part 1 and Part 3)" for rebuilding beginning in August, geared to further strengthening the PARCO brand. In addition, the Chiba PARCO closed on November 30, 2016. In line with the temporary and permanent closures, we held various events including one referred to as "Shibuya PARCO Grand Thank You Event!" and another as "Chiba PARCO Closeout Sale" to show our appreciation to customers who have been frequenting the stores.

We have also been engaging in efforts to strengthen the Group's growth potential as a group of companies. For instance, we have been fortifying our omni-channel strategy which has involved linking up with Senshukai Co., Ltd. upon having concluded a capital and business alliance agreement with them in April 2015, and have also been engaging in efforts entailing mutual sales in that regard. Our Daimaru Matsuzakaya stores and e-commerce websites of both companies began selling the "Kcarat" brand of jointly developed women's apparel in March, and the "Benebis" brand of jointly developed women's shoes at the end of August. Meanwhile, in September we had Daimaru Matsuzakaya Department Stores absorb Daimaru COM Development through a merger, with the aim of drastically strengthening our real estate development capabilities such as promoting centralized initiatives involving planning, development and operational management with respect to our appealing commercial facilities.

We also pushed ahead in reforming our organizational and workforce structures on a Group-wide level with the aim of constructing a tougher operating structure. Moreover, in September we consolidated three of the Group's shared services companies into a single company, with the aims of lowering operating costs where there have been redundancies, realizing greater efficiencies on a Group-wide level through implementation of business reforms horizontally across the organization, and enhancing support functions provided to respective Group companies.

Despite having implemented various measures including those mentioned above, in the nine months ended November 30, 2016, consolidated net sales was ¥799,088 million, down 5.9% year on year, operating income was ¥26,828 million, down 13.3%, ordinary income was ¥25,932 million, down 18.5%, and profit attributable to owners of parent was ¥16,101 million, down 12.7%.

Results by segment are as follows.

<Department Store Business>

At the Daimaru Kyoto store, in October, we opened "Amuse Beauté" a self-service beauty shop located in the second basement floor. The shop provides customers with an expanded selection of cosmetics brands sometimes sourced from outside the conventional distribution channels in a comfortable service environment where customers can freely try out and choose items.

In early November, as an initiative planned as part of the 300th anniversary since the founding of Daimaru, we opened "Daimaru Kyoto store Gion Machiya" at Gion in Kyoto. The "Hermès Gion store" has been operating for a limited period as the first proposition.

We have been aiming to ensure sustained and consistent sales serving the inbound tourism market. Accordingly, we have been carrying out an initiative since June to strengthen the number of overseas visitors to our stores in tie-ups with local travel agencies.

Meanwhile, under our efforts to acquire new customer accounts as part of our growth strategy with respect to out-of-store customers, we entered into tie-ups with companies and in conjunction with the closure of the Asahikawa Seibu store, we are proceeding to strengthen efforts to acquire new customers in the Asahikawa district. In the affluent customer market, we will work to further expand this market.

Senshukai, our capital and business alliance partner, has revamped its original women's shoe brand "Benebis" as our jointly developed women's shoe brand. Since the end of August, the shoes have been on sale in nine Daimaru Matsuzakaya Department Stores, Senshukai catalogs and e-commerce websites of both companies.

In addition, in October we implemented a fashion recycling project dubbed the "'ECOFF' Recycle Campaign" at nine locations of Daimaru Matsuzakaya Department Stores. The project involves collecting clothing, footwear and bags provided to us by customers at our stores so that they can be reused and recycled.

Despite the initiatives mentioned above, net sales in this business was ¥517,653 million, down 6.0% year on year, and operating income was ¥12,575 million, down 24.9%.

<PARCO Business>
In the shopping center business, in addition to having opened the “Sendai PARCO 2” in July and the “Hiroshima ZERO GATE 2” in September, we have also been refurbishing stores based on the concept of targeting a greater range of customers by addressing changing lifestyles and tapping demand from inbound tourism in our existing PARCO stores. Meanwhile in our space engineering & management business, we generated strong operating income mainly due to an improved gross profit margin and greater efficiencies with respect to selling, general and administrative expenses. Despite having implemented measures such as those mentioned above, net sales in this business was ¥203,390 million, down 2.1% year on year, and operating income was ¥8,900 million, down 2.7% year on year, mainly due to the temporary closure of the Shibuya PARCO.

<Wholesale Business>
The Wholesale Business faced sluggish performance in the areas of food products, electronic devices and industrial materials. As a result, net sales was ¥35,068 million, down 23.9% year on year, and operating income was ¥1,144 million, down 7.9% year on year.

<Credit Business>
In the Credit Business, although department store member fees decreased due to a slump in buying by the middle-class demographic, both external member store fees and interest income from installment sales increased. As a result, net sales was ¥8,087 million, up 4.2% year on year, and operating income was ¥2,212 million, up 1.6% year on year.

<Other Businesses>
In Other Businesses, net sales was ¥71,702 million, down 6.8% year on year, due to a decrease in construction orders received by J. Front Design & Construction involving large-scale refurbishment and construction project of Group department stores, and operating income was ¥1,840 million, up 6.1% year on year, due to cost streamlining efforts, such as significantly curbing the catalog delivery expenses of direct marketing business JFR Online.

(2) Explanation of financial position

Total assets as of November 30, 2016 was ¥1,059,576 million, an increase of ¥40,430 million compared with February 29, 2016. Total liabilities was ¥608,872 million, an increase of ¥30,320 million. Total net assets was ¥450,704 million, an increase of ¥10,110 million compared with February 29, 2016.

(Cash flow position)
The balance of cash and cash equivalents (hereinafter “cash”) as of November 30, 2016 amounted to ¥20,048 million, down ¥8,099 million compared with February 29, 2016.
Cash flow positions in the nine months ended November 30, 2016 and the factors for these were as follows.

A. Net cash provided by (used in) operating activities
Net cash provided by operating activities was ¥21,143 million. In comparison with the nine months ended November 30, 2015, cash provided decreased by ¥1,780 million, largely reflecting increases in notes and accounts receivable - trade and inventories, despite the proceeds from compensation.

B. Net cash provided by (used in) investing activities
Net cash used in investing activities was ¥24,838 million. In comparison with the nine months ended November 30, 2015, cash used decreased by ¥8,628 million, largely reflecting a decrease in purchase of investment securities.

C. Net cash provided by (used in) financing activities
Net cash used in financing activities was ¥4,405 million. In comparison with the nine months ended November 30, 2015, cash used decreased by ¥2,583 million, largely reflecting an increase in issuance of commercial papers.

(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 28, 2017 announced on October 4, 2016.

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

(Treatment of tax expenses)

Tax expenses are calculated first by reasonably estimating the effective tax rate after applying tax effect accounting against profit before income taxes for the fiscal year including the third quarter of the current fiscal year, and next by multiplying the quarterly profit before income taxes by such estimated effective tax rate.

(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 methodology for calculating tax expenses)

The Company and its consolidated subsidiaries had previously been using fundamental methods for calculating tax expenses. However, in order to further streamline work involved in preparing the Group's quarterly business results, we have changed methodology used in this regard. Accordingly, beginning in the first quarter of the current fiscal year, the methodology used for calculating tax expenses is to first involve reasonably estimating the effective tax rate after applying tax effect accounting against profit before income taxes for the current fiscal year, and next by multiplying the quarterly profit before income taxes by such estimated effective tax rate.

As the effect of this change is immaterial, no retrospective application has been performed.

(Application of Accounting Standard for Business Combinations, etc.)

Effective from the first quarter of the current fiscal year, the Company has adopted the "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, September 13, 2013), the "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22, September 13, 2013), the "Accounting Standard for Business Divestitures" (ASBJ Statement No. 7, September 13, 2013), etc. As a result, the method of recording the amount of difference caused by changes in the Company's ownership interests in subsidiaries in the case of subsidiaries under ongoing control of the Company was changed to one in which it is recorded as capital surplus, and the method of recording acquisition-related costs was changed to one in which they are recognized as expenses for the fiscal year in which they are incurred. Furthermore, for business combinations carried out on or after the beginning of the first quarter of the current fiscal year, the accounting method was changed to one in which the reviewed acquisition cost allocation resulting from the finalization of the provisional accounting treatment is reflected in the quarterly consolidated financial statements for the quarterly period to which the date of business combination belongs. In addition, the presentation method for "net income" and other related items was changed, and the presentation of "minority interests" was changed to "non-controlling interests." To reflect these changes, the Company has reclassified its quarterly and full-year consolidated financial statements for the nine months of the previous fiscal year and the previous fiscal year.

Application of the Accounting Standard for Business Combinations, etc. is in line with the transitional measures provided for in Paragraph 58-2 (4) of the Accounting Standard for Business Combinations, Paragraph 44-5 (4) of the Accounting Standard for Consolidated Financial Statements and Paragraph 57-4 (4) of the Accounting Standard for Business Divestitures. The Company is applying the said standard, etc. prospectively from the beginning of the first quarter of the current fiscal year.

These changes have no impact on profit or loss.

Changes in accounting policies that are difficult to differentiate from changes in accounting estimates

(Changes in the depreciation method of property, plant and equipment)

Previously, the Company and its domestic consolidated subsidiaries had mainly used the declining-balance method for depreciating property, plant and equipment (excluding leased assets) other than buildings and structures. From the first quarter of the current fiscal year, however, the Company has changed to using the straight-line method for depreciating all property, plant and equipment.

The Company made these changes because it judged that the straight-line method, which equally allocates the acquisition amount over the useful life, more suitably reflects in periodic profit or loss compared with the declining-balance method, which was previously used. This judgment was based on the results of performing a review of the Group's investment strategy, which focuses on seizing the opportunities of the recent large-scale investments and large-scale investment planning relating to Daimaru Matsuzakaya Department Stores Co. Ltd. and PARCO Co., Ltd., and revalidating the revenue structures of the Group's property, plant and equipment in line with the active expansion of business models that have comparatively higher stability mainly due to rent fixation at PARCO Co., Ltd.

As a result of this change, for the nine months ended November 30, 2016, operating income, ordinary income and profit before income taxes each increased by ¥1,062 million, compared with their respective figures calculated using the former depreciation method.

The impact on segment information is stated in the relevant section.

Changes in accounting estimates

(Changes in amortization period of prior service costs and actuarial gains and losses for accounting related to retirement benefits)

Previously, some subsidiaries used an amortization period of 12 years for prior service costs and actuarial gains and losses. However, because the average remaining service periods of employees have shortened, the amortization period has been changed to 11 years as of the first quarter of the current fiscal year.

The effect of this change on profit or loss is immaterial.

3. Quarterly consolidated financial statements

(1) Consolidated balance sheet

(Millions of yen)

	As of February 29, 2016	As of November 30, 2016
Assets		
Current assets		
Cash and deposits	30,039	21,542
Notes and accounts receivable - trade	68,049	85,345
Securities	1,233	1,705
Inventories	28,205	38,162
Deferred tax assets	11,671	11,616
Other	41,865	52,061
Allowance for doubtful accounts	(173)	(224)
Total current assets	180,890	210,209
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	182,772	182,819
Land	360,297	330,647
Construction in progress	120,751	160,537
Other, net	4,829	7,805
Total property, plant and equipment	668,651	681,810
Intangible assets		
Goodwill	568	298
Other	40,876	41,433
Total intangible assets	41,444	41,732
Investments and other assets		
Investment securities	46,985	45,628
Long-term loans receivable	1,503	1,555
Lease and guarantee deposits	61,515	60,961
Net defined benefit asset	5,687	6,178
Deferred tax assets	5,112	4,298
Other	9,980	9,906
Allowance for doubtful accounts	(2,710)	(2,770)
Total investments and other assets	128,074	125,758
Total non-current assets	838,170	849,301
Deferred assets		
Bond issuance cost	85	66
Total deferred assets	85	66
Total assets	1,019,146	1,059,576

(Millions of yen)

	As of February 29, 2016	As of November 30, 2016
Liabilities		
Current liabilities		
Notes and accounts payable - trade	90,768	101,800
Short-term loans payable	40,219	37,061
Commercial papers	30,798	48,399
Current portion of bonds	–	12,000
Income taxes payable	8,322	2,081
Advances received	19,318	31,988
Gift certificates	38,599	38,979
Provision for bonuses	5,709	2,713
Provision for directors' bonuses	204	–
Provision for sales returns	21	25
Provision for books unsold	121	136
Provision for sales promotion expenses	709	453
Reserve for gift certificates	13,913	14,445
Provision for loss on business liquidation	487	1,787
Provision for loss on stores rebuilding	1,245	1,184
Other	52,504	63,309
Total current liabilities	302,944	356,365
Non-current liabilities		
Bonds payable	27,000	15,000
Long-term loans payable	82,905	72,920
Deferred tax liabilities	89,158	84,334
Deferred tax liabilities for land revaluation	1,161	1,138
Net defined benefit liability	32,707	31,500
Provision for directors' retirement benefits	37	5
Provision for loss on business liquidation	564	–
Provision for loss on stores rebuilding	1,191	1,191
Other	40,882	46,417
Total non-current liabilities	275,607	252,507
Total liabilities	578,552	608,872
Net assets		
Shareholders' equity		
Capital stock	30,000	30,000
Capital surplus	209,551	209,549
Retained earnings	163,971	172,749
Treasury shares	(11,286)	(11,275)
Total shareholders' equity	392,236	401,023
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,113	2,432
Deferred gains or losses on hedges	223	(228)
Foreign currency translation adjustment	516	185
Remeasurements of defined benefit plans	(11,391)	(11,093)
Total accumulated other comprehensive income	(8,537)	(8,704)
Subscription rights to shares	14	–
Non-controlling interests	56,880	58,385
Total net assets	440,594	450,704
Total liabilities and net assets	1,019,146	1,059,576

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

(Millions of yen)

	Nine months ended November 30, 2015	Nine months ended November 30, 2016
Net sales	849,333	799,088
Net sales of goods	840,519	788,927
Rent income of real estate	8,814	10,160
Cost of sales	670,323	629,478
Cost of goods sold	665,154	623,840
Cost of real estate rent	5,169	5,638
Gross profit	179,010	169,610
Selling, general and administrative expenses	148,074	142,781
Operating income	30,936	26,828
Non-operating income		
Interest income	284	267
Dividend income	295	328
Gain on adjustment of account payable	2,105	2,048
Share of profit of entities accounted for using equity method	2,395	–
Other	517	1,033
Total non-operating income	5,598	3,678
Non-operating expenses		
Interest expenses	1,073	911
Loss on retirement of non-current assets	646	387
Provision of reserve for redemption of gift certificates	2,328	2,234
Share of loss of entities accounted for using equity method	–	280
Other	652	760
Total non-operating expenses	4,700	4,574
Ordinary income	31,833	25,932
Extraordinary income		
Gain on sales of non-current assets	–	1,330
Gain on sales of investment securities	702	280
Total extraordinary income	702	1,611
Extraordinary losses		
Loss on disposal of non-current assets	1,981	1,283
Impairment loss	1,293	241
Loss on stores rebuilding	7,671	–
Loss on liquidation of business	1,718	3,108
Other	352	670
Total extraordinary losses	13,018	5,303
Profit before income taxes	19,518	22,240
Total income taxes	(1,461)	3,766
Profit	20,979	18,474
Profit attributable to non-controlling interests	2,534	2,373
Profit attributable to owners of parent	18,445	16,101

(Consolidated statement of comprehensive income - cumulative)

(Millions of yen)

	Nine months ended November 30, 2015	Nine months ended November 30, 2016
Profit	20,979	18,474
Other comprehensive income		
Valuation difference on available-for-sale securities	1,167	308
Deferred gains or losses on hedges	15	96
Foreign currency translation adjustment	(147)	(285)
Remeasurements of defined benefit plans, net of tax	137	664
Share of other comprehensive income of entities accounted for using equity method	462	(972)
Total other comprehensive income	1,634	(188)
Comprehensive income	22,614	18,285
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	20,168	15,934
Comprehensive income attributable to non-controlling interests	2,445	2,351

(3) Consolidated statement of cash flows

(Millions of yen)

	Nine months ended November 30, 2015	Nine months ended November 30, 2016
Cash flows from operating activities		
Profit before income taxes	19,518	22,240
Depreciation	13,687	12,748
Impairment loss	5,622	2,137
Amortization of goodwill	409	269
Increase (decrease) in allowance for doubtful accounts	201	109
Increase (decrease) in provision for bonuses	(2,994)	(3,200)
Increase (decrease) in net defined benefit liability	(1,473)	(1,206)
Decrease (increase) in net defined benefit asset	(1,034)	(490)
Increase (decrease) in provision for sales promotion expenses	(2)	(256)
Increase (decrease) in provision for loss on business liquidation	935	735
Increase (decrease) in reserve for gift certificates	556	531
Increase (decrease) in provision for loss on stores rebuilding	3,115	(60)
Interest and dividend income	(579)	(596)
Interest expenses	1,073	911
Share of (profit) loss of entities accounted for using equity method	(2,395)	280
Loss (gain) on sales of non-current assets	20	(1,330)
Loss (gain) on disposal of non-current assets	1,981	1,283
Loss (gain) on sales of investment securities	(702)	(256)
Decrease (increase) in notes and accounts receivable - trade	(12,952)	(17,296)
Decrease (increase) in inventories	(2,195)	(9,956)
Increase (decrease) in notes and accounts payable - trade	13,004	11,031
Decrease (increase) in accounts receivable - other	(8,786)	(7,411)
Decrease (increase) in long-term prepaid expenses	403	312
Increase (decrease) in accounts payable - other	9,423	6,851
Other, net	5,803	12,043
Subtotal	42,638	29,423
Interest and dividend income received	516	671
Interest expenses paid	(1,265)	(1,121)
Proceeds from compensation	–	7,855
Income taxes paid	(20,646)	(17,485)
Income taxes refund	1,680	1,799
Net cash provided by (used in) operating activities	22,923	21,143

(Millions of yen)

	Nine months ended November 30, 2015	Nine months ended November 30, 2016
Cash flows from investing activities		
Purchase of short-term and long-term investment securities	(12,160)	(1,942)
Proceeds from sales of short-term and long-term investment securities	3,124	1,776
Purchase of property, plant and equipment and intangible assets	(27,530)	(33,155)
Proceeds from sales of property, plant and equipment and intangible assets	8	7,593
Decrease (increase) in short-term loans receivable	9	(25)
Payments of long-term loans receivable	(28)	(156)
Collection of long-term loans receivable	47	85
Other, net	3,061	985
Net cash provided by (used in) investing activities	(33,466)	(24,838)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	1,850	4,900
Net increase (decrease) in commercial papers	1,003	17,601
Proceeds from long-term loans payable	13,000	22,000
Repayments of long-term loans payable	(12,533)	(40,043)
Proceeds from issuance of bonds	15,000	–
Redemption of bonds	(12,000)	–
Purchase of treasury shares	(5,024)	(17)
Cash dividends paid	(6,829)	(7,321)
Dividends paid to non-controlling interests	(789)	(846)
Other, net	(665)	(678)
Net cash provided by (used in) financing activities	(6,988)	(4,405)
Effect of exchange rate change on cash and cash equivalents	(0)	1
Net increase (decrease) in cash and cash equivalents	(17,532)	(8,099)
Cash and cash equivalents at beginning of period	32,132	28,147
Cash and cash equivalents at end of period	14,600	20,048

(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, 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. 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

II. Nine months ended November 30, 2016 (from March 1, 2016 to November 30, 2016)

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	516,931	203,123	29,019	4,867	45,146	799,088	–	799,088
(2) Inter-segment sales or transfers	721	267	6,049	3,220	26,555	36,814	(36,814)	–
Total sales	517,653	203,390	35,068	8,087	71,702	835,902	(36,814)	799,088
Segment profits	12,575	8,900	1,144	2,212	1,840	26,673	155	26,828

Notes: 1. The adjustment of ¥155 million for segment profits includes ¥2,511 million in inter-segment eliminations and a deduction of ¥2,355 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 depreciation method of property, plant and equipment)

As stated in "Changes in accounting policies that are difficult to differentiate from changes in accounting estimates," previously the Company and its domestic consolidated subsidiaries had mainly used the declining-balance method for depreciating property, plant and equipment (excluding leased assets) other than buildings and structures. From the first quarter of the current fiscal year, however, the Company has changed to using the straight-line method for depreciating all property, plant and equipment.

As a result of this change, for the nine months ended November 30, 2016, segment profits increased across the board, by ¥63 million, ¥941 million, ¥45 million, ¥0 million, and ¥11 million, in the Department Store Business, PARCO Business, Wholesale Business, Credit Business, and Other Businesses, respectively, compared with their respective figures calculated using the former depreciation method.

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

(Significant impairment loss on non-current assets)

(Millions of yen)

	Department Store Business	PARCO Business	Wholesale Business	Credit Business	Other Businesses	Total	Corporate and elimination	Total
Impairment loss	269	–	–	–	60	330	–	330

¥269 million included in the Department Store Business resulted from the decision to close Daimaru Matsuzakaya Department Stores Co. Ltd.'s Daimaru Urawa Parco Store, and this amount is presented in the consolidated statement of income as a loss on liquidation of business under extraordinary losses.

(Significant change in amount of goodwill)

No items to report

(Significant gain on bargain purchase)

No items to report