Translation

October 4, 2016

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

Scheduled date to file Quarterly Securities Report: October 13, 2016
Scheduled date to commence dividend payments: November 9, 2016
Preparation of supplementary material on quarterly financial results: Yes
Holding of quarterly financial results presentation meeting: Yes (for institutional investors and analysts)

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

1. Consolidated performance for the first six months of the fiscal year ending February 28, 2017 (from March 1, 2016 to August 31, 2016)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
Six months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
August 31, 2016	539,297	(5.9)	19,000	(12.5)	17,694	(23.3)	12,836	(14.5)
August 31, 2015	573,310	2.8	21,713	18.0	23,071	28.8	15,008	92.4

Note: Comprehensive income
For the six months ended August 31, 2016: ¥13,200 million [(29.4)%]
For the six months ended August 31, 2015: ¥18,705 million [100.1%]

	Basic earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
August 31, 2016	49.08	49.08
August 31, 2015	57.18	57.17

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
As of	Millions of yen	Millions of yen	%
August 31, 2016	1,023,966	449,674	38.2
February 29, 2016	1,019,146	440,594	37.6

Reference: Equity
As of August 31, 2016: ¥391,640 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: 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: 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 5 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 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 August 31, 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 August 31, 2016	6,569,780 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 six months ended August 31, 2016	261,547,602 shares
For the six months ended August 31, 2015	262,505,226 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 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 six months

(1) Explanation of operating results

In the six months ended August 31, 2016 (from March 1, 2016 to August 31, 2016), the Japanese economy's pace of recovery slowed despite signs of more upbeat employment fueled mainly by various policies of the Japanese government and the Bank of Japan. The slowdown was partially attributable to 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, combined with intensifying budget-minded consumer behavior brought about by falling share prices beginning in the latter half of last year and a prevailing sense of uncertainty as to what lies ahead, 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.

Also, with respect to our initiatives geared to the market for inbound tourism, in March we began issuing the "DAIMARU MATSUZAKAYA EXCLUSIVE CARD" targeting upscale overseas visitors to Japan, while in April we introduced the Chinese mobile payment service "QQ Wallet."

In the PARCO Business, during the spring season we worked on refurbishment initiatives at the Fukuoka PARCO, the Nagoya PARCO and other locations, focused on buildings designed to attract a wide range of customers. In July, we opened our "Sendai PARCO 2" shopping complex featuring a total of 84 shops, which includes 38 shops making their Tohoku debut and eight in business categories new to Japan.

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 line with the temporary closure, we held various events including one referred to as "The Closeout Sale!" and another as "Last Dance_" to show our appreciation to customers who have been frequenting the store and to express our hopes with respect to further modernizing our Shibuya PARCO location.

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 June we made the decision to have 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 July we made the decision to consolidate 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 six months ended August 31, 2016, consolidated net sales was ¥539,297 million, down 5.9% year on year, operating income was ¥19,000 million, down 12.5%, ordinary income was ¥17,694 million, down 23.3%, and profit attributable to owners of parent was ¥12,836 million, down 14.5%.

Results by segment are as follows.

<Department Store Business>
In April 2016, we held our grand opening of the Matsuzakaya Nagoya store, upon completion of the third-period refurbishment plan which was progressively implemented beginning in spring 2015. The North Building has been drastically changed from one which focused on conventional lifestyle offerings, and has been relaunched as "Matsuzakaya GENTA" in the new North Building. Also with the lifestyle floor having been relocated to the sixth floor of the Main Building, we have created a shopping environment that will appeal to customers, enticing them with the notions of discovery and surprise along with the five senses. Going forward, we remain committed to our aim of functioning as an "evolutionary department store always teeming with novelty and smiles, and imparting premium lifestyles and culture."

We have been aiming to ensure sustained and consistent sales serving the inbound tourism market. To that end, in March we began issuing the "DAIMARU MATSUZAKAYA EXCLUSIVE CARD" targeting upscale overseas visitors to Japan, while in April we introduced the Chinese mobile payment service "QQ Wallet."

Meanwhile, under our growth strategy with respect to out-of-store customers, we have been persisting with efforts again this fiscal year geared toward landing new customer accounts, using new approaches in that regard. In the affluent customer market, we will work to upgrade our products and services in order to expand this market.

In omni-channel retailing we are forging ahead in expanding the range of brands that we handle through fashion e-commerce websites. For instance, sales of the omni-channel "Kcarat" fashion brand, jointly developed with Senshukai, have been launched in five Daimaru Matsuzakaya Department Stores, Senshukai catalogs, and e-commerce websites of both companies.

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

Despite the initiatives mentioned above, net sales in this business was ¥350,786 million, down 6.1% year on year and operating income was ¥9,278 million, down 23.6%.

<PARCO Business>
In the shopping center business, in addition to having opened the Sendai PARCO 2 in July, 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 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 ¥136,523 million, down 1.9% year on year, and operating income was ¥6,358 million, down 3.2% year on year.

<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 ¥22,422 million, down 29.5% year on year, and operating income was ¥505 million, down 29.9% 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 ¥5,268 million, up 4.0% year on year, and operating income was ¥1,285 million, down 2.9% year on year, due to an increase in costs associated with greater use of credit cards at external member stores.

<Other Businesses>
In Other Businesses, net sales was ¥50,117 million, up 1.0% year on year, and operating income was ¥1,571 million, up 48.2% year on year, largely due to favorable performance by J. Front Design & Construction.

(2) Explanation of financial position

Total assets as of August 31, 2016 was ¥1,023,966 million, an increase of ¥4,820 million compared with February 29, 2016. Total liabilities was ¥574,292 million, a decrease of ¥4,260 million. Total net assets was ¥449,674 million, an increase of ¥9,080 million compared with February 29, 2016.

(Cash flow position)
The balance of cash and cash equivalents (hereinafter “cash”) as of August 31, 2016 amounted to ¥30,641 million, up ¥2,493 million compared with February 29, 2016.
Cash flow positions in the six months ended August 31, 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 ¥15,970 million. In comparison with the six months ended August 31, 2015, cash provided decreased by ¥3,174 million, largely reflecting a decrease in notes and accounts payable - trade.

B. Net cash provided by (used in) investing activities
Net cash used in investing activities was ¥11,650 million. In comparison with the six months ended August 31, 2015, cash used decreased by ¥17,203 million, largely reflecting a decrease in purchase of investment securities and property, plant and equipment.

C. Net cash provided by (used in) financing activities
Net cash used in financing activities was ¥1,822 million. In comparison with the six months ended August 31, 2015, cash used increased by ¥3,755 million, largely in reaction to issuance of bonds in the previous year.

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

In light of earnings in the six months ended August 31, 2016, the consolidated earnings forecasts for the fiscal year ending February 28, 2017, which were announced in the consolidated financial results for the fiscal year ended February 29, 2016 released on April 7, 2016 have been changed. In our revised forecasts, we project net sales of ¥1,117,000 million, operating income of ¥45,000 million, ordinary income of ¥44,000 million and profit attributable to owners of parent of ¥25,500 million.

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 second 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 six 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 six months ended August 31, 2016, operating income, ordinary income and profit before income taxes each increased by ¥651 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 August 31, 2016
Assets		
Current assets		
Cash and deposits	30,039	31,693
Notes and accounts receivable - trade	68,049	66,577
Securities	1,233	1,333
Inventories	28,205	27,110
Deferred tax assets	11,671	11,649
Other	41,865	45,018
Allowance for doubtful accounts	(173)	(184)
Total current assets	180,890	183,199
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	182,772	188,960
Land	360,297	362,140
Construction in progress	120,751	115,997
Other, net	4,829	7,811
Total property, plant and equipment	668,651	674,910
Intangible assets		
Goodwill	568	388
Other	40,876	41,288
Total intangible assets	41,444	41,677
Investments and other assets		
Investment securities	46,985	44,928
Long-term loans receivable	1,503	1,497
Lease and guarantee deposits	61,515	61,401
Net defined benefit asset	5,687	5,938
Deferred tax assets	5,112	4,403
Other	9,980	8,726
Allowance for doubtful accounts	(2,710)	(2,788)
Total investments and other assets	128,074	124,107
Total non-current assets	838,170	840,694
Deferred assets		
Bond issuance cost	85	72
Total deferred assets	85	72
Total assets	1,019,146	1,023,966

(Millions of yen)

	As of February 29, 2016	As of August 31, 2016
Liabilities		
Current liabilities		
Notes and accounts payable - trade	90,768	87,776
Short-term loans payable	40,219	44,991
Commercial papers	30,798	36,099
Income taxes payable	8,322	6,728
Advances received	19,318	21,198
Gift certificates	38,599	38,441
Provision for bonuses	5,709	5,236
Provision for directors' bonuses	204	–
Provision for sales returns	21	13
Provision for books unsold	121	138
Provision for sales promotion expenses	709	702
Reserve for gift certificates	13,913	14,309
Provision for loss on business liquidation	487	279
Provision for loss on stores rebuilding	1,245	1,184
Other	52,504	54,401
Total current liabilities	302,944	311,501
Non-current liabilities		
Bonds payable	27,000	27,000
Long-term loans payable	82,905	75,590
Deferred tax liabilities	89,158	84,042
Deferred tax liabilities for land revaluation	1,161	1,138
Net defined benefit liability	32,707	31,993
Provision for directors' retirement benefits	37	4
Provision for loss on business liquidation	564	541
Provision for loss on stores rebuilding	1,191	1,191
Other	40,882	41,288
Total non-current liabilities	275,607	262,790
Total liabilities	578,552	574,292
Net assets		
Shareholders' equity		
Capital stock	30,000	30,000
Capital surplus	209,551	209,551
Retained earnings	163,971	173,146
Treasury shares	(11,286)	(11,275)
Total shareholders' equity	392,236	401,422
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,113	1,655
Deferred gains or losses on hedges	223	(273)
Foreign currency translation adjustment	516	226
Remeasurements of defined benefit plans	(11,391)	(11,390)
Total accumulated other comprehensive income	(8,537)	(9,781)
Subscription rights to shares	14	–
Non-controlling interests	56,880	58,033
Total net assets	440,594	449,674
Total liabilities and net assets	1,019,146	1,023,966

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

(Millions of yen)

	Six months ended August 31, 2015	Six months ended August 31, 2016
Net sales	573,310	539,297
Net sales of goods	567,543	532,547
Rent income of real estate	5,767	6,750
Cost of sales	452,933	424,811
Cost of goods sold	449,574	421,041
Cost of real estate rent	3,358	3,769
Gross profit	120,377	114,486
Selling, general and administrative expenses	98,664	95,485
Operating income	21,713	19,000
Non-operating income		
Interest income	192	179
Dividend income	267	298
Gain on adjustment of account payable	1,444	1,399
Share of profit of entities accounted for using equity method	2,256	–
Other	336	297
Total non-operating income	4,498	2,174
Non-operating expenses		
Interest expenses	717	630
Loss on retirement of non-current assets	370	282
Provision of reserve for redemption of gift certificates	1,559	1,549
Share of loss of entities accounted for using equity method	–	563
Other	491	455
Total non-operating expenses	3,139	3,481
Ordinary income	23,071	17,694
Extraordinary income		
Gain on sales of non-current assets	–	1,330
Gain on sales of investment securities	702	–
Total extraordinary income	702	1,330
Extraordinary losses		
Loss on disposal of non-current assets	977	1,211
Impairment loss	1,293	180
Loss on stores rebuilding	7,671	–
Loss on liquidation of business	1,718	1,689
Other	23	266
Total extraordinary losses	11,685	3,348
Profit before income taxes	12,089	15,676
Income taxes	(4,853)	1,218
Profit	16,942	14,458
Profit attributable to non-controlling interests	1,933	1,621
Profit attributable to owners of parent	15,008	12,836

(Consolidated statement of comprehensive income - cumulative)

(Millions of yen)

	Six months ended August 31, 2015	Six months ended August 31, 2016
Profit	16,942	14,458
Other comprehensive income		
Valuation difference on available-for-sale securities	1,040	(273)
Deferred gains or losses on hedges	8	28
Foreign currency translation adjustment	12	(263)
Remeasurements of defined benefit plans, net of tax	(31)	362
Share of other comprehensive income of entities accounted for using equity method	732	(1,111)
Total other comprehensive income	1,762	(1,257)
Comprehensive income	18,705	13,200
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	16,842	11,592
Comprehensive income attributable to non-controlling interests	1,862	1,608

(3) Consolidated statement of cash flows

(Millions of yen)

	Six months ended August 31, 2015	Six months ended August 31, 2016
Cash flows from operating activities		
Profit before income taxes	12,089	15,676
Depreciation	9,064	8,442
Impairment loss	5,622	1,807
Amortization of goodwill	319	179
Increase (decrease) in allowance for doubtful accounts	65	88
Increase (decrease) in provision for bonuses	(122)	(677)
Increase (decrease) in net defined benefit liability	(819)	(714)
Decrease (increase) in net defined benefit asset	(689)	(251)
Increase (decrease) in provision for sales promotion expenses	(7)	(7)
Increase (decrease) in provision for loss on business liquidation	966	(231)
Increase (decrease) in reserve for gift certificates	344	395
Increase (decrease) in provision for loss on stores rebuilding	4,010	(60)
Interest and dividend income	(459)	(477)
Interest expenses	717	630
Share of (profit) loss of entities accounted for using equity method	(2,256)	563
Loss (gain) on sales of non-current assets	–	(1,330)
Loss (gain) on disposal of non-current assets	977	1,211
Loss (gain) on sales of investment securities	(702)	23
Decrease (increase) in notes and accounts receivable - trade	2,036	1,471
Decrease (increase) in inventories	2,781	1,094
Increase (decrease) in notes and accounts payable - trade	2,971	(2,991)
Decrease (increase) in accounts receivable - other	(4,861)	(2,309)
Decrease (increase) in long-term prepaid expenses	221	185
Increase (decrease) in accounts payable - other	(733)	380
Other, net	(293)	408
Subtotal	31,241	23,509
Interest and dividend income received	404	561
Interest expenses paid	(718)	(691)
Income taxes paid	(13,463)	(9,207)
Income taxes refund	1,680	1,799
Net cash provided by (used in) operating activities	19,144	15,970

(Millions of yen)

	Six months ended August 31, 2015	Six months ended August 31, 2016
Cash flows from investing activities		
Purchase of short-term and long-term investment securities	(11,577)	(1,123)
Proceeds from sales of short-term and long-term investment securities	2,824	725
Purchase of property, plant and equipment and intangible assets	(23,061)	(17,873)
Proceeds from sales of property, plant and equipment and intangible assets	5	3,982
Decrease (increase) in short-term loans receivable	20	(22)
Payments of long-term loans receivable	(0)	(67)
Collection of long-term loans receivable	26	67
Other, net	2,908	2,659
Net cash provided by (used in) investing activities	(28,853)	(11,650)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	1,000	–
Net increase (decrease) in commercial papers	(7,495)	5,301
Proceeds from long-term loans payable	10,000	19,000
Repayments of long-term loans payable	(7,252)	(21,543)
Proceeds from issuance of bonds	15,000	–
Purchase of treasury shares	(5,017)	(15)
Cash dividends paid	(3,422)	(3,652)
Dividends paid to non-controlling interests	(434)	(455)
Other, net	(445)	(457)
Net cash provided by (used in) financing activities	1,933	(1,822)
Effect of exchange rate change on cash and cash equivalents	(2)	(4)
Net increase (decrease) in cash and cash equivalents	(7,778)	2,493
Cash and cash equivalents at beginning of period	32,132	28,147
Cash and cash equivalents at end of period	24,354	30,641

(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. Six months ended August 31, 2015 (from March 1, 2015 to August 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	373,085	138,922	27,146	2,854	31,301	573,310	–	573,310
(2) Inter-segment sales or transfers	457	180	4,680	2,209	18,337	25,865	(25,865)	–
Total sales	373,542	139,103	31,827	5,064	49,639	599,176	(25,865)	573,310
Segment profits	12,144	6,571	720	1,322	1,060	21,820	(106)	21,713

Notes: 1. The ¥106 million deducted from segment profits as adjustment includes ¥1,348 million in inter-segment eliminations and a deduction of ¥1,455 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)

(Millions of yen)

	Department Store Business	PARCO Business	Wholesale Business	Credit Business	Other Businesses	Total	Corporate and elimination	Total
Impairment loss	3,773	708	–	–	1,251	5,734	(112)	5,622

(Significant change in amount of goodwill)

For the six months ended August 31, 2015, a significant change in the amount of goodwill occurred as a result of having recognized an impairment loss for goodwill in the Other Businesses. Consequently, the value of goodwill was decreased by ¥990 million in the Other Businesses.

Note that the figures above presented under "Significant impairment loss on non-current assets" include the impairment of goodwill.

(Significant gain on bargain purchase)

No items to report

II. Six months ended August 31, 2016 (from March 1, 2016 to August 31, 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	350,274	136,351	18,069	3,141	31,460	539,297	–	539,297
(2) Inter-segment sales or transfers	512	172	4,352	2,126	18,657	25,821	(25,821)	–
Total sales	350,786	136,523	22,422	5,268	50,117	565,119	(25,821)	539,297
Segment profits	9,278	6,358	505	1,285	1,571	18,998	2	19,000

Notes: 1. The adjustment of ¥2 million for segment profits includes ¥1,632 million in inter-segment eliminations and a deduction of ¥1,630 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 six months ended August 31, 2016, segment profits increased across the board, by ¥42 million, ¥570 million, ¥30 million, ¥0 million, and ¥8 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	–	1,795	–	–	12	1,807	–	1,807

(Significant change in amount of goodwill)

No items to report

(Significant gain on bargain purchase)

No items to report