

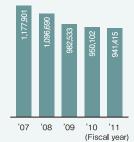
Financial Information

54	Analysis of Financial Condition and Operating Results
58	Consolidated Balance Sheets
60	Consolidated Statements of Income
61	Consolidated Statement of Comprehensive Income
62	Consolidated Statements of Changes in Net Assets
63	Consolidated Statements of Cash Flows

Analysis of Financial Condition and Operating Results

Sales

(Millions of yen)



Sales by Business Segment

 $\left\langle \, \text{Composition of sales not including} \, \right\rangle$ intersegment sales

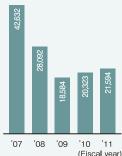


(including intersegment sales)
(Millions of yen)

Department store business 736,922
Supermarket business 112,627
Wholesale business 50,954
Credit business 8,223
Other businesses 81,798

Operating Income

(Millions of yen)



Business overview

During the consolidated fiscal year under review (fiscal 2011), after the sharp slump under the impact of the Great East Japan Earthquake of March 2011, a recovery in production and other developments supported evidence of a rebound in the Japanese economy. However, against the backdrop of the prolonged European debt crisis, rising strength of the yen and other issues, a strong sense of uncertainty over the future remained in place throughout the year.

Department store sales declined steeply in March 2011 in the wake of the massive earthquake disaster. After that, the surge in demand for products related to the "Cool Biz" light summer clothing campaign, rising sales of high-priced goods with the easing of the voluntary-restraint mood regarding consumption following the earthquake and other trends supported gradual improvements. Overall, however, sales remained below the level of the previous fiscal year.

Under these circumstances, the Group strove to minimize the impact of the big earthquake, while gearing up for renewed growth and progress into the future through improved competitiveness for the department store business and strengthened Group-wide growth potential.

In our department store business, we set the rapid establishment of a "new department store model" as our goal. Toward that end, we pressed forward to create a novel type of store that responds to market changes and is free of the boundaries defining traditional department stores, and also strove to establish a highly efficient and highly productive store management structure. As the culmination of those efforts to date, April 2011 marked the grand opening of the Daimaru Osaka Umeda store, featuring increased floor space in all wings.

To forge a more robust business foundation for the future, also underway is the second phase floor space expansion plan for the Daimaru Tokyo store. Regarding the redevelopment project in the Ginza 6-chome district of Tokyo, which includes the Matsuzakaya Ginza store, the Tokyo Metropolitan Government made the decision to proceed with the plan. That and other developments have supported major progress in moving that project toward reality. On the other hand, the Hakata Daimaru Nagasaki store closed its doors at the end of July 2011.

With respect to initiatives designed to enhance Group-wide growth, our sights are set on flourishing as a multi-retailer active in various different businesses. With that goal in mind, in March 2011 we acquired shares in StylingLife Holdings Inc., the operator of Plaza (retailer of miscellaneous goods), making it an equity-method affiliate. In March 2012 the same type of share acquisition was implemented for Parco Co., Ltd., an enterprise with outstanding business know-how in development and operation of urban-style commercial facilities, with that company also becoming an equity-method affiliate. To pave the way to solid business development on the overseas market, we have teamed up with StylingLife Holdings to advance that company's Plaza business in

the Asia region, reaching the decision to initially open a Plaza store in Taiwan. Wholesaler Daimaru Kogyo, Ltd., meanwhile, established a local subsidiary in Thailand. To strengthen our Internet catalog shopping business, the Group's in-house catalog shopping business has been restructured and consolidated, then relaunched under the new name of JFR Online Co. Ltd. in March 2011. Cattleya Plaza Isezaki shopping center, a project advanced by commercial developer Daimaru Com Development Co. Ltd., opened in February 2012 on the site of the former Yokohama Matsuzakaya store.

In the quest to emerge from a high-cost structure and enhance productivity, the entire Group promoted structural and personnel reform initiatives during the past fiscal year. Targeting even greater efficiency on the expense front, progress was made in power-saving initiatives by reducing electricity use and converting to LED lighting equipment, with the concentration of facilities and other potent measures also advanced on a Group-wide scale. Along with this, all companies in the Group prepared business continuity plans and took other firm steps to further bolster their disaster readiness and countermeasures.

Sales

As a result of the measures outlined above, sales for our flagship department store business only slightly underperformed the previous year, while our credit business sales climbed above those in fiscal 2010. However, sales for our supermarket, wholesale and other businesses fell below the previous year, with total consolidated sales amounting to ¥941,415 million, a decrease of 0.9% compared to the year before.

Selling, general and administrative expenses

Selling, general and administrative expenses were \$205,052 million, down 2.0% from the previous year.

In addition to lower work-related expenses linked to cost cuts achieved through insourcing, personnel costs were cut by reforming work methods, leaving retirement vacancies unfilled and other steps, as we continued to push forward to lower our expenses in this category.

Operating income

Gross profit decreased by $\pm 2,942$ million. However, we achieved cuts of $\pm 4,213$ million in selling, general and administrative expenses. As a result, operating income rose by 6.3% from the previous year to $\pm 21,594$ million.

Other income and expenses

The Group recorded a net loss of ¥5,670 million in other expenses

^{*} For fiscal 2007, full-year consolidated figures are used for Matsuzakaya Group.



(income), compared to a net loss of ¥4,880 million the previous year.

We listed income of $\pm 1,799$ million through the sales of fixed assets and other sources. As expenses, however, we recorded a $\pm 2,254$ million loss on adjustment for changes of accounting standards for asset retirement obligations, a $\pm 1,519$ million loss on the revaluation of investment securities and other outflows.

Net income

As a result of the foregoing, income before income taxes and minority interests increased by 14.1% from the previous year to ¥16,714 million, and net income increased by 112.2% from the previous year to ¥18,804 million.

Segment overview

Department store business

In this segment, we committed our full energies to creating a "new department store model" to overcome two existing issues: a "weakness in market response capabilities" and a "high cost/low profit structure."

At the Daimaru Osaka Umeda store, which reopened in April 2011 with expanded floor space, efforts to expand the range of customers included introduction of the "Ufufu Girls" fashion floor targeting young women, the "Cinderella Avenue" women's shoe boutique, "Aux Lingeriese" ladies lingerie sales space and other "specialty zones" with clearly defined targets and concepts. This was accompanied by the opening of Tokyu Hands and numerous other major tenants – moves that have helped spur major growth in store visits. We used the expanded space to increase the sales floor area at this store, while also establishing a highly efficient operations system enabling the store to be run with far less personnel than before.

The Daimaru Sapporo store became the Group's sixth store to introduce the Ufufu Girls fashion floor. Coming to the Daimaru Kyoto store, meanwhile, was the "Madam Selection" senior ladies fashion and miscellaneous goods sales floor. In six core stores, including the Matsuzakaya Nagoya store and Daimaru Shinsaibashi store, restructured were the "Season Message" in-store strategic concept sales floors featuring fashions targeting women around the age of 40. This was combined with other moves to strengthen product lineups serving the needs of a broad range of customers.

In September, the Head Office sales division was restructured from the conventional product category-specific organization of women's and men's fashions into the Original Merchandising Division and Shop Operation Division. The Original Merchandising Division is positioned as an organization to seamlessly coordinate operations all the way from purchasing and sales to profit-loss control, seeking to expand sales and raise profitability for in-store strategic concept sales floors. Advanced

through the Shop Operation Division, meanwhile, is a novel new approach to the creation of sales space – namely, a cross-divisional organization unencumbered by the conventional product category-based framework of fashions for women and men.

To promote store management with greater efficiency, the back-office business divisions in Osaka and then in Greater Tokyo were integrated and realigned on a district-specific basis.

In the area of sales promotion activities, we staged high-profile projects at all of our stores – including proposals for CoolBiz fashions and products designed to conserve electricity, and the holding of the spring and autumn "Thanks Festival." Also produced were other attractions that included the commemorative "Matsuzakaya 400th Anniversary Festival" celebration. We vigorously advanced "digital sales promotions" using the Internet, mobile phone e-mail and other efficient modes, while continuing to strongly promote efforts to develop regular customers by expanding the ranks of cardholders as a priority theme.

In spite of the foregoing measures, sales in the segment decreased by 0.1% to ¥736,922 million. Contributing factors included the impact of the Great East Japan Earthquake, as well as the closing of the Matsuzakaya Nagoya Station store in August 2010 and the closing of the Hakata Daimaru Nagasaki store in July 2011. Operating income, however, rose 6.3% to ¥14,577 million, due in large part to cost-cutting initiatives for selling, general and administrative expenses.

Supermarket business

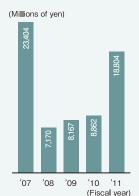
In keeping with our aim of operating high-quality foods supermarkets with close ties to local communities, Peacock Stores focused on providing foods that offer safety and security, expanding its offerings of reasonably priced original products and otherwise enhancing lineups that also respond to consumer price sensitivity. To raise competitiveness, we remodeled stores such the Nikke Coltonplaza store (Ichikawa City, Chiba) and the Tornare Nihonbashi Hamacho store (Chuo-ku, Tokyo). To further strengthen sales and work to lower cost, our information system was renovated in March 2012.

In spite of these measures, sales for the segment decreased by 4.9% to $$\pm 112,627$ million. Contributing factors included the impact of intensified competition in regional markets, the closing of three stores and other developments. However, as a reflection of efforts to improve our gross profit margin ratio and cut costs, operating income jumped by 57.3% to $$\pm 444$ million.

Wholesale business

Daimaru Kogyo, Ltd. enriched its product lineup in the food and chemical goods fields, while strengthening its position in the fishing business, retail business (consigned operation of department store liquor sales floors) and other areas. It also expanded overseas procurement of commodities and materials, while bolstering local sales

Net Income



Net Income per Share



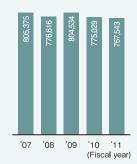
Cash Dividends per Share (Unconsolidated)



^{*} For fiscal 2007, full-year consolidated figures are used for Matsuzakaya Group.

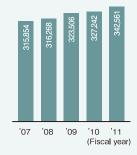
■ Total Assets

(Millions of ven)



Net Assets

(Millions of yen)



channels principally in China and the ASEAN countries. In addition to the impact of the major earthquake disaster in Japan, however, domestic market conditions remained harsh. As a result, sales decreased by 6.4% to ¥50,954 million, while operating income fell by 29.1% to ¥1.585 million.

Credit business

JFR Card Co., Ltd. moved to develop new cardholders through the instant issue of credit cards, while using expanded courtesy services, diversification in payment modes and other means to raise convenience and encourage greater card use at affiliated merchants. As a result, sales for the segment increased by 4.2% to ¥8,223 million, and operating income posted a gain of 21.9% to ¥2,281 million.

Other businesses

While Dimples Co., Ltd. (staffing company) succeeded in expanding its sales-related commissioned operations, J. Front Design & Construction Co., Ltd. experienced a decline in major orders. As a result of that and other negative developments, sales for the segment decreased by 3.9% to 81,798 million. Thanks to moves by all companies to cut selling, general and administrative expenses, however, operating income grew by 11.8% to ¥2,674 million.

Financial condition

As a result of our efforts to improve asset efficiency and capital efficiency by effectively utilizing Group-owned assets, and to create a unified management structure for our Group assets to foster greater financial strength, total assets came to ¥767,543 million. Total liabilities amounted to ¥424,982 million and total net assets came to ¥342.561 million.

On the basis of these results, return on assets (ROA) was 2.8%, and the shareholders' equity ratio was 43.4%.

Cash flows

The Group is striving to generate stable operating cash flows and to secure broad-based financing methods with the goals of ensuring access to appropriate funds for its business activities, maintaining liquidity and achieving a sound financial condition.

We also raise working capital, capital investment funds and investment and loan funds needed to sustain the Group's future growth primarily through cash reserves and cash flows from operating activities, as well as with borrowing, issuing of commercial paper and other means.

We generated a net cash inflow of $\$24,\!365$ million from operating activities,

Compared to the previous consolidated fiscal year, as a result of

the increase in income before income taxes and minority interests, income rose by $\pm 3,095$ million.

For our cash outflow on investing activities, the purchase of property linked to expanded floor space at the Daimaru Umeda store, acquisition of shares in StylingLife Holdings, Inc. and other moves generated an outflow of ¥26,781 million. This was a cash outflow increase of ¥18,349 million compared to the previous consolidated fiscal year.

The cash outflow on financing activities amounted to ¥6,872 mainly due to the repayment of debt.

The outflow decreased by ¥16,256 million compared to the previous consolidated fiscal year, due to the acquisition of ¥14,000 million in loans as investment funds.

As a result of the above, cash and cash equivalents at the end of the consolidated fiscal year under review stood at ¥24,204 million, a decline of ¥9,000 million compared to the previous period.

Going forward, the Group intends to continue appropriate levels of profit distribution and capital investment, taking into consideration trends in our profit levels and cash flows.

Basic policy on profit distribution and dividends

JFR's basic policy is to distribute profits appropriately with a dividend payout ratio of 30%, taking into consideration profit levels, future capital investment and cash flow trends, while simultaneously working to maintain and improve upon our sound financial standing. We will consider stock buybacks when appropriate, with the aim of improving capital efficiency and flexibly implementing capital policies.

We intend to use retained earnings to improve our corporate value, by strengthening our marketing capabilities through investment in store remodeling and business expansion, and by enhancing our financial strength.

For the period under review, JFR has decided to distribute an interim dividend of ¥3.50 and a year-end dividend of ¥4.50, for an annual dividend of ¥8.

With respect to the next fiscal year, we plan to distribute mid-term and year-end dividends of ¥4.00 each, for an annual dividend of ¥8.

Business risk factors

Business risk factors for the Group that could have a material impact on investment decisions are discussed below.

The forward-looking statements herein are based on the Group's assessments as of February 29, 2012. Since they could be affected by domestic and overseas economic conditions, the Group's business risk factors are not limited to those discussed here.

^{*} For fiscal 2007, full-year consolidated figures are used for Matsuzakaya Group.



Business environment

Economic conditions, including business, consumption and financial trends, and competition with other retailers of the same and different types have a material impact on the Group's main department store and supermarket business segments. These business environment factors could adversely affect the performance and financial position of the Group.

2 Laws, regulations and legal revisions

The Group is subject to laws and regulations relating to the opening of large-scale retail stores, antitrust, subcontracting transactions, consumer protection, tax systems, the environment and recycling. In addition, an increase in the consumption tax rate resulting from any future amendments to the tax system could reduce consumer spending. Thus the laws, regulations and legal revisions described here may lead to restriction of business activities, increases in costs and declines in sales, which could adversely affect the performance and financial position of the Group.

3 Changes in the natural environment and accidents Earthquakes, floods, typhoons and other natural disasters, unexpected accidents, outbreaks of new types of influenza and other situations can result in loss of sales opportunities and hinder the performance of operations. Abnormal weather conditions, such as warm winters and cold summers, can also lead to decreased sales of the Group's main products, such as clothing and foodstuffs. Thus, changes in the natural environment, accidents and other serious events can adversely affect the performance and financial position of the Group.

4 Product transactions

The Group's core segments, the department store business and the supermarket business, engage in product transactions with consumers. Regarding all commodities that are supplied, ample attention is devoted to ensuring that they are appropriate, safe and otherwise suitable products. In the rare event that a product sold is flawed, causes food poisoning or is otherwise defective, there is the possibility that the Group would be subjected to public regulation. There are also cases of expenses occurring from liability for damages or other responsibilities related to product liability, default of obligation and other circumstances. Likewise possible are sales declines stemming from loss of credibility for the Group and other instances of adverse impact on the performance and financial position of the Group.

The Group is also involved in out-of-store sales in its department store business and other credit sales transactions to corporations and other clients. Despite the meticulous credit management exercised in these transactions, there is the potential for expenses to accrue in the event of accounts receivable rendered unrecoverable due to the

bankruptcy of customers, as well as other events capable of adversely affecting the performance and financial position of the Group.

(5) Information management

The Group has an internal system in place to strictly manage and protect personal and confidential information held by the Group. However, leaks of such information due to unexpected accidents and incidents could damage the reputation of the Group and adversely affect the Group's performance and financial position.

6 Systems

The systems enabling the Group to operate its business are subjected to centralized control primarily in the outsourced data center. This data center is equipped with earthquake-resistant design, dual power sources and telecommunications lines, an in-house power generator, intrusion detection system and other sophisticated safeguards. But even so, in the event that a natural disaster or accident exceeding expectations results in equipment damage, system shutdown or communication problems with the various business sites, the situation could interfere with the Group's business activities and adversely affect the performance and financial position of the Group.

Overseas operations

The Group engages in business activities abroad, primarily in the wholesale business segment. Unpredictable economic and currency fluctuations, political and social confusion arising from terrorism, wars and civil wars, and legislative and taxation changes impacting these overseas operations could adversely affect the performance and financial position of the Group.

8 Significant lawsuits

During the consolidated fiscal year under review, there were no lawsuits that had a material impact on the Group. However, should a significant lawsuit arise and judgment be made against the Group in the future, the performance and financial position of the Group could be adversely affected.

② Business tie-ups, capital tie-ups, corporate acquisition The Group may enter into business tie-ups or capital tie-ups with other companies, acquire other companies or otherwise work to expand its business and strengthen competitiveness. When reaching decisions on such moves, required and ample studies are devoted to the pertinent issues. However, changes in the economic conditions or other developments may result in the failure to achieve the anticipated earnings or results, thereby adversely affecting the performance and financial position of the Group.

CONSOLIDATED BALANCE SHEETS

J. Front Retailing Co., Ltd. and Consolidated Subsidiaries

February 29, 2012 and February 28, 2011

	Millions	s of yen
ASSETS	2012	2011
Current assets:		
Cash on hand and in banks	¥24,204	¥34,087
Marketable securities	1,769	1,484
Notes and accounts receivable:	54,720	53,937
Less: allowance for doubtful accounts	(575)	(761
Inventories	28,070	30,382
Deferred tax assets	12,457	13,020
Other	28,594	25,945
Total current assets	149,240	158,096
Property and equipment: Land Buildings and structures Other	353,713 362,080 13,285	354,742 352,574 12,827
Construction in progress	445	5,634
Total	729,523	725,777
Accumulated depreciation	(233,579)	(227,100
Net property and equipment	495,944	498,678
Investments and other assets: Investment securities	20,099	23,053
Investments in unconsolidated subsidiaries and affiliates	13,884	3,831
Long-term loans	1,442	1,505
Leasehold and other deposits	48,938	47,760
Deferred tax assets	4,687	7,764
Other	33,305	34,340
Total investment and other assets	122,358	118,253
Total assets	¥767,543	¥775,029



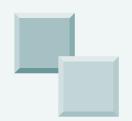
	Millions of yen		
LIABILITIES AND NET ASSETS	2012	2011	
Current liabilities:			
Notes and accounts payable	¥74,616	¥76,310	
Short-term bank loans	58,940	43,181	
Commercial paper	9,998	_	
Income taxes payable	4,657	3,296	
Advances received	17,032	17,463	
Gift certificates	39,374	41,727	
Allowance for employees' bonuses	6,174	6,352	
Allowance for directors' and corporate auditors' bonuses	154	164	
Provision for sales promotion	340	337	
Provision for loss on collection of gift certificates	10,322	9,179	
Provision for loss on business liquidation	1,097	1,666	
Other	44,967	46,510	
Total current liabilities	267,676	246,190	
Long-term liabilities:	27.027	05 470	
Long-term loans payable	37,087	65,476	
Deferred tax liabilities	83,257	95,717	
Deferred tax liabilities on revaluation	1,308	1,492	
Provision for retirement benefits	25,022	29,409	
Provision for directors' and corporate auditors' retirement allowances	62	65	
Negative goodwill	1,163	3,443	
Other	9,403	5,990	
Total long-term liabilities	157,305	201,596	
Total liabilities	424,982	447,786	
Net assets:			
Shareholders' equity:			
Common stock:			
Authorized: 2,000,000,000 shares			
Issued: 536,238,328 shares in 2012 and 2011	30,000	30,000	
Capital surplus	209,598	209,605	
Retained earnings	100,133	84,895	
Less: treasury stock, at cost, 7,629,481 shares in 2012			
7,611,040 shares in 2011	(5,967)	(5,976)	
Total shareholders' equity	333,764	318,523	
Accumulated other comprehensive income:			
Unrealized gains (losses) on available-for-sale securities	(827)	(477)	
Deferred gains (losses) on hedges	(1)	(12)	
Foreign currency translation adjustments	(18)	(12)	
Total accumulated other comprehensive income		(400)	
Stock acquisition rights	(847)	(490)	
Minority interests	99	115	
Total net assets	9,544	9,093	
Total liabilities and net assets	342,561	327,242	
	¥767,543	¥775,029	

CONSOLIDATED STATEMENTS OF INCOME

J. Front Retailing Co., Ltd. and Consolidated Subsidiaries

Years ended February 29, 2012 and February 28, 2011

	Millions o	f yen
	2012	2011
Sales:		
Net sales	¥934,453	¥944,140
Rent income of real estate	6,961	5,962
	941,415	950,102
Operating expenses:		
Cost of sales	711,554	718,067
Cost of real estate rent	3,213	2,447
	714,768	720,514
Gross profit	226,646	229,588
Selling, general and administrative expenses	205,052	209,265
Operating income	21,594	20,323
Other income (expenses):		
Interest and dividend income	808	756
Interest expenses	(1,536)	(1,717)
Net loss on sales or disposal of fixed assets	(674)	(3,157)
Gain on sales of investment securities	138	569
Loss on revaluation of investment securities	(1,519)	(1,434)
Loss on impairment	(794)	(1,097)
Gain on restructuring liabilities	3,499	3,441
Amortization of negative goodwill	2,286	2,317
Provision for loss on collection of gift certificates	(3,755)	(3,436)
Loss on business restructuring	(532)	(1,940)
Reversal of provision for loss on business liquidation	400	136
Compensation for store removal	_	1,600
Loss on adjustment for changes of accounting standard for asset retirement obligations	(2,254)	_
Business structure improvement expenses	_	(1,148)
Other, net	(946)	(558)
	(4,880)	(5,670)
Income before income taxes and minority interests Income taxes:	16,714	14,652
Income taxes - current	6,247	4,550
Income taxes - deferred	(8,926)	938
	(2,678)	5,489
Income before minority interests	19,392	_
Minority interests in earnings of consolidated subsidiaries	587	300
Net income	¥18,804	¥8,862



CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

J. Front Retailing Co., Ltd. and Consolidated Subsidiaries

Year ended February 29, 2012

	Millions of yen
	2012
Income before minority interests	¥19,392
Other comprehensive income:	
Unrealized gains (losses) on available-for-sale securities	(352)
Deferred gains (losses) on hedges	57
Foreign currency translation adjustments	(17)
Shares of other comprehensive income of associates accounted for using equity method	(42)
Total other comprehensive income	(355)
Comprehensive income	¥19,036
Total comprehensive income attributable to:	
Owners of the parent	¥18,447
Minority interests	589

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

J. Front Retailing Co., Ltd. and Consolidated Subsidiaries

Years ended February 29, 2012 and February 28, 2011

			N	Millions of yen		
	Number of shares issued	Shareholders' equity				
		Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity
Balance, February 28, 2010	536,238,328	¥30,000	¥209,636	¥81,585	¥(5,991)	¥315,231
Cash dividends paid				(5,552)		(5,552)
Net income				8,862		8,862
Purchase of treasury stock					(53)	(53)
Disposal of treasury stock			(31)		67	36
Net changes of items other than shareholders'						
equity during the year						
Balance, February 28, 2011	536,238,328	30,000	209,605	84,895	(5,976)	318,523
Cash dividends paid				(3,701)		(3,701)
Net income				18,804		18,804
Purchase of treasury stock					(18)	(18)
Disposal of treasury stock			(6)		26	20
Increase from newly consolidated subsidiaries				135		135
Net changes of items other than shareholders'						
equity during the year						
Balance, February 29, 2012	536,238,328	¥30,000	¥209,598	¥100,133	¥(5,967)	¥333,764

				Millions of yen			
_	Accumulated other comprehensive income						
	nrealized gains (losses) on ailable-for-sale securities	Deferred gains (losses) on hedges	Foreign currency translation adjustments	Total accumulated other comprehensive income	Stock acquisition rights	Minority interests	Total net assets
Balance, February 28, 2010	¥(676)	¥(60)	¥ —	¥(736)	¥124	¥8,887	¥323,506
Cash dividends paid							(5,552)
Net income							8,862
Purchase of treasury stock							(53)
Disposal of treasury stock							36
Net changes of items other than sharehold	lers'						
equity during the year	199	47	_	246	(9)	205	443
Balance, February 28, 2011	(477)	(12)	_	(490)	115	9,093	327,242
Cash dividends paid							(3,701)
Net income							18,804
Purchase of treasury stock							(18)
Disposal of treasury stock							20
Increase from newly consolidated subsidia	ries						135
Net changes of items other than sharehold	lers'						
equity during the year	(349)	11	(18)	(357)	(15)	450	77
Balance, February 29, 2012	¥(827)	¥(1)	¥(18)	¥(847)	¥99	¥9,544	¥342,561



CONSOLIDATED STATEMENTS OF CASH FLOWS

J. Front Retailing Co., Ltd. and Consolidated Subsidiaries

Years ended February 29, 2012 and February 28, 2011

lions	

	2012	2011
Cash flows from operating activities:		
Income before income taxes and minority interests	¥16,714	¥14,652
Depreciation	13,347	13,610
Loss on impairment	1,069	1,936
Amortization of negative goodwill Increase (decrease) in allowance for doubtful accounts	(2,286)	(2,317)
Decrease in allowance for bonuses	(53)	23
Decrease in provision for employees' retirement benefits	(187)	(683)
Increase (decrease) in provision for sales promotion	(4,387)	(2,592)
Increase in provision for loss on collection of gift certificates	3	(13)
Increase (decrease) in provision for business liquidation	1,143	765 25
Interest and dividend income	(569) (809)	(756)
Interest expenses	` '	1,717
Equity in earnings of affiliated companies	1,536	•
Loss on sales or disposal of property and equipment, net	(228) 407	(66)
Gain on sales of investment securities, net		2,927
Write-down of investment securities	(10)	(569)
Loss on adjustment for changes of accounting standard for asset retirement obligations	1,519	1,434
(Increase) decrease in notes and accounts receivable	2,254	
Decrease in inventories	(542)	5,660
	2,330	4,803
Decrease in notes and accounts payable	(1,923)	(645)
Increase in other receivables	(1,295)	(1,216)
(Increase) decrease in prepaid expenses Other	1,832	(328)
<u> </u>	256	(12,597)
Subtotal	30,120	25,769
Interest and dividend income received	651	710
Interest expenses paid	(1,511)	(1,728)
Income taxes paid	(4,895)	(3,480)
Net cash provided by operating activities	24,365	21,270
Cash flows from investing activities:		
Purchase of securities	(11,962)	(1,538)
Proceeds from sales of securities	2,487	1,872
Purchase of property and equipment	(15,686)	(14,601)
Proceeds from sales of property and equipment	2,853	3,359
Decrease in short-term loans	240	122
Increase in long-term loans	(36)	(95)
Proceeds from collection of long-term loans	108	158
Other	(4,785)	2,288
Net cash used in investing activities	(26,781)	(8,432)
Cash flows from financing activities:		
Net decrease in short-term bank loans	(14,998)	(8,818)
Increase in commercial paper	9,998	(-,,
Proceeds from long-term bank loans	14,000	2,500
Payments of long-term bank loans	(11,632)	(5,960)
Redemption of bonds	(···,···-,	(5,000)
Purchase of treasury stock	(16)	(51)
Cash dividends paid	(3,693)	(5,523)
Cash dividends paid to minority shareholders	(94)	(94)
Other	(434)	(180)
Net cash used in financing activities	(6,872)	(23,128)
Effect of exchange rate changes	1	(20)
Net decrease in cash and cash equivalents	(9,286)	(10,311)
ncrease in cash and cash equivalents from newly consolidated subsidiaries	286	(10,311)
Cash and cash equivalents at beginning of year	33,204	43,515
Cash and cash equivalents at beginning of year	¥24,204	¥33,204
Caon and Caon equivalents at the Oryca	T44,4U4	+33,∠04