

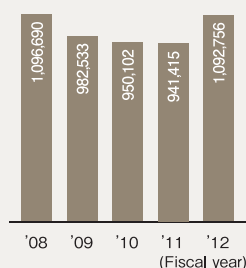
Financial Information

50	Analysis of Financial Condition and Operating Results
54	Consolidated Balance Sheets
56	Consolidated Statements of Income
57	Consolidated Statement of Comprehensive Income
58	Consolidated Statements of Changes in Net Assets
59	Consolidated Statements of Cash Flows

Analysis of Financial Condition and Operating Results

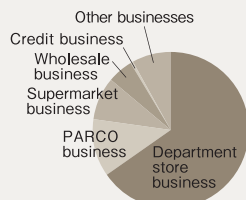
Sales

(Millions of yen)



Sales by Business Segment

(Composition of sales not including intersegment sales)

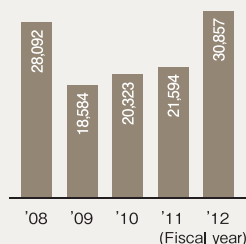


(including intersegment sales)
(Millions of yen)

Department store business	750,335
PARCO business	137,845
Supermarket business	101,778
Wholesale business	60,174
Credit business	8,592
Other businesses	90,133

Operating Income

(Millions of yen)



Business overview

During the consolidated fiscal year under review (fiscal 2012), the correction in the strength of the yen and the recovery in stock prices from the end of calendar year 2012 supported evidence of a rebound in the Japanese economy. However, against the backdrop of slumping exports and production prompted by factors such as the slowdown in overseas business activity, the domestic economy continued to display a general lack of strength throughout the year.

Department store sales continued to experience strong performances by high-priced items. Overall, however, sales remained below the level of the previous year with the exception of March, a month distinguished by a rebound from the Great East Japan Earthquake.

Under these circumstances, the JFR Group geared up for renewed growth and progress into the future through improved competitiveness for the department store business and strengthened Group-wide growth potential.

Targeting improved competitiveness for our department store business, we accelerated the establishment of a "new department store model" as our goal. Toward that end, action was taken to create stores that are appealing and supported by a broad range of customers, while also striving to establish a highly productive store management structure in advancing business innovation. As one phase of this push, in October 2012 we reopened the Daimaru Tokyo store with expanded floor space as a new concept department store unshackled by conventional concepts. April 2012 marked the remodeling of both the food floor at the Daimaru Kobe store and the fashion floor of the Matsuzakaya Nagoya store. In both cases, strong steps were taken to realize charismatic store venues and raise competitiveness in the local districts.

In September 2012, envisioning a store management system backed by enhanced sales strength and high productivity, the sales-related commissioned operations division of the staffing company Dimples Co., Ltd. was spun off as independent operation, launching the new Daimaru Matsuzakaya Sales Associates Co., Ltd.

Among other developments, the Matsuzakaya Ginza store will temporarily be closed for rebuilding at the end of June 2013 as part of the redevelopment project in the Ginza 6-chome district of Tokyo. At the end of January 2013, meanwhile, operations of both the Daimaru Shinjagata and Daimaru Lalaport Yokohama stores were terminated in keeping with the quest to raise management efficiency.

With respect to initiatives designed to enhance Group-wide growth potential, our sights are set on flourishing as a multi-retailer active in various different business, placing the core focus on department stores. With that goal in mind, in March 2012 we transformed Parco Co., Ltd., an enterprise with outstanding business know-how in development and operation of urban-style commercial facilities, into an equity method affiliate, and subsequently made the company a consolidated subsidiary that August.

Regarding Peacock Stores Co., Ltd. with performance continuing to struggle due to intensified competition in recent years and other factors, prospects were that considerable time would be required to improve the situation. Based on this, the decision was made in March of this year to transfer all shareholdings in Peacock to AEON Co., Ltd., thereby concentrating the Group's management resources in more competitive business sectors.

For our overseas business, in May 2012 a basic agreement was reached with a local Chinese company for the establishment and operation of full-fledged upscale department stores in the Shanghai market, with initiatives now steadily being advanced toward the opening of such outlets in 2015. JFR Plaza Inc., a retailer of miscellaneous goods launched in Taiwan, opened its first store this March in Taipei City. Along with these moves, steps were taken to restructure on both the organizational and personnel fronts, promote efforts to return leased properties, lower rental fees, expand installation of LED lighting and otherwise revise all aspects of our cost structure in further raising management efficiency.

Sales

As a result of the measures outlined above, while sales in our supermarket business finished below the previous year, those for the flagship department store business and all other segments climbed above those in fiscal 2011. With positive contributions also made by the performance of the Parco business newly consolidated into our Group operations, total consolidated sales for the year under review amounted to ¥1,092,756 million, a gain of ¥151,341 million over the year before.

Selling, general and administrative expenses

Selling, general and administrative expenses were ¥214,757 million, up 4.7% from the previous year due to the addition of the Parco business into our Group. Excluding the Parco business, these expenses declined by 2.4% compared to fiscal 2011, reflecting the effects of the cost-cutting measures implemented.

Operating income

While selling, general and administrative expenses increased by ¥9,705 million, gross profit grew by ¥18,968 million. As a result, operating income rose by ¥9,263 million over fiscal 2011 to ¥30,857 million.

Other income and expenses

The Group recorded a net loss of ¥4,871 million in other expenses (income), compared to a loss of ¥4,880 million the previous year. This was the result of the listing of ¥2,863 million in losses from the remodeling of the Daimaru Matsuzakaya department store sales floor and disposal of other fixed assets, ¥1,667 million in loss on step acquisitions of Parco stock, ¥1,473 million in impairment losses from Peacock Store and other sources.

Net income

As a result of the foregoing, income before income taxes and minority interests increased by 55.5% over the previous year to ¥25,986 million, while net income decreased by 35.2% from the previous year to ¥12,183 million.

Segment overview

● Department store business

In this segment, we moved to establish a "new department store model" to realize growth in the midst of the harsh business environment. Various initiatives

Financial Statements

were advanced in this direction, together with efforts to forge a business structure characterized by even higher productivity.

At the Daimaru Tokyo store, which reopened in October 2012 with expanded floor space, steps taken to develop a greater range of customers included expanding product lineups along the concept of "The Department Store Complete with the 'Now' in Tokyo." The strategy included establishment of a new international brand zone, a greater number of select shops, introduction of "Tokyu Hands," "Ishii Sports" and other major specialty tenant shops, as well as further additions to the "Hoppe Town" (Yummy Town) food floor that has always been a key strength of the Tokyo store such as bento box lunches, sweets and other offerings. This has proved successful in spurring major growth in store visits, together with expanding the overall range of shoppers represented. At present, this store has emerged as a mantelpiece of the "new department store model," with expanded floor space leading to greater sales area, establishment of a high efficiency operations management system enabling the store to be run with fewer personnel than before and other advances.

For the Daimaru Kobe store, the first basement floor food sales area was fully remodeled and reopened as space distinguished by high buzz and innovative ideas geared to address the discerning culinary tastes of its customers. A major attraction is the newly established "Table Plus" – space focused on a bakery that also incorporates grocery sales, a delicatessen and other rich and chic Western dining styles. This is further complemented with the introduction of an impressive range of pastries, Japanese ready-prepared dishes and other new brands in a concerted push to expand the overall lineup.

At the Matsuzakaya Nagoya store, the Phase I remodeling plan centered on the fashion floor was advanced with the aim of expanding the range of customers and bolstering competitiveness. Introduced in the South Wing was the fast fashion brand "H&M," trendy select shops and the "Ufufu Girls" young specialty zone, while in the Main Wing the women's furnishings, accessories and cosmetics sales floors were remodeled. As Phase II of this plan, the food floor has been undergoing remodeling from March of this year, with the grand opening slated for June.

At the Original Merchandising Division, an organization positioned to raise profitability through seamless coordination of operations spanning purchasing and sales to profit-loss control, initiatives were adopted with the purpose of strengthening in-store strategic concept sales floors. One example of this was the launch of exclusive sales of the Italian men's shirt brand "Camicissima" at seven principle Daimaru and Matsuzakaya stores.

The Greater Tokyo Major Customer Sales Division was established to boost competitiveness in Greater Tokyo, promoting the cultivation of new customers in Tokyo and neighboring districts. This unit has also marshaled marketing to target existing out-of-store sales customers with the aim of mobilizing attendance at events such as those commemorating the grand opening of the Tokyo Daimaru store with expanded sales floor space.

In the area of sales promotion activities, staged in the autumn of 2012 to address the stiffer competition in the Umeda district of Osaka was "Daimaru Grand Festa" – a joint sales promotion organized by the eight Daimaru stores in the Kansai region. Also implemented were combined sales promotions with Parco, newly added to the JRF Group, at the Daimaru Sapporo store,

Matsuzakaya Nagoya store, Matsuzakaya Shizuoka store and the Hakata Daimaru Fukuoka Tenjin store, along with other timely and high-profile initiatives positioned to strengthen customer drawing power.

As fee-based consulting for customers, our "Fashion Navi," a service utilized to furnish fashion-related advice, was expanded from the initial Daimaru Umeda store to the Matsuzakaya Nagoya store and two other outlets. The "Cosmetics Navi" service for supplying advice on makeup opened for business at both the Daimaru Shinsaibashi store and the Matsuzakaya Nagoya store – yet another example of the ongoing push to further enrich our service platform.

As a result of the foregoing measures, sales in this segment rose by 1.8% over the previous year to ¥750,335 million, while operating income increased by 26.8% to ¥18,477 million.

● Parco business

Parco categorizes the stores operated in all regions of Japan into two separate groups in reflection of specific market area traits. The first group consists of "urban-style stores" located in the central districts of big cities, while the second group is known as "community-style stores" operated in major regional cities and the outlying districts of Tokyo. Remodeling and sales promotion measures geared to the needs of each of these markets were advanced during the year under review, moving to strengthen the segment's revenue base in solid and sustained fashion.

The "urban-style" Parco stores in Ikebukuro, Shibuya, Nagoya and other locales place their pivotal priorities on pursuit of fashion and innovation. A key aspect of this stance involves proposals for unique lifestyle patterns to heighten each store's information dissemination power as a fashion building. The "community-style stores" have followed a path of development rooted in close ties to the communities in which they do business. In addition to shops that address the daily needs of consumers in these areas, active steps have been taken to introduce young fashion brand shops, outdoor specialty stores and other tenants attuned to the characteristics of the specific stores.

The ZERO GATE business is a new Parco business model envisioned to utilize medium- and low-rise commercial facilities in prime midtown quarters to advance efficient store management suited to the location and scale of each property. During the year under review, preparations were advanced for the opening of new stores under this model in Osaka and other areas from April of the current year.

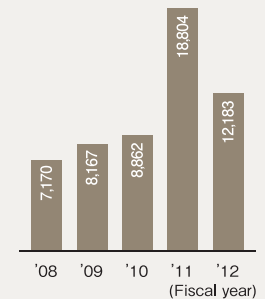
Likewise advanced were measures to expand and enhance services for Parco Card members, with the results including impressive increases in the number of new cardholders and value of billings alike. Along with this, the Shibuya and Fukuoka Parco stores were utilized to supply display space and sales opportunities to young creators excelling on the frontlines of fashion, art and other fields, striving to both discover and support the activities of new talent. The effectiveness of such initiatives in attracting customers to the venues proved instrumental in helping energize the stores themselves.

Also getting off the ground during fiscal 2012 were initiatives, personnel exchanges and other endeavors conceived to generate potent synergy with the Daimaru Matsuzakaya Department Stores Co. Ltd. and other Group companies.

As a result of these measures, sales for the Parco business segment finished at ¥137,845 million, while operating income came in at ¥5,898 million.

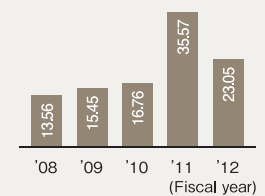
■ Net Income

(Millions of yen)



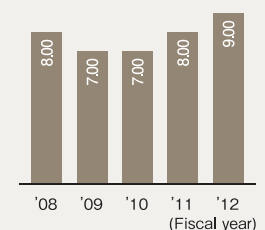
■ Net Income per Share

(Yen)



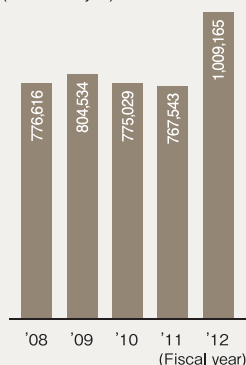
■ Cash Dividends per Share

(Yen)



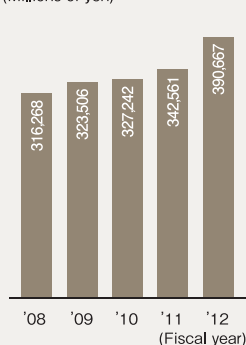
■ Total Assets

(Millions of yen)



■ Net Assets

(Millions of yen)



● Supermarket business

In keeping with the aim of operating food supermarkets with close ties to local communities, developed at Peacock Stores was the “Kiwami” (Apex) corner – a sales area pooling distinctive and high-quality products living up to the store’s stellar reputation. This was accompanied by the introduction of new lower-priced products in a move designed to enhance the ability to respond to diversifying price demands. This two-pronged stance has been proactively promoted to address the bipolarized trend toward consumption of both upscale and discount products. In March 2012, the store information system was upgraded, putting into place a platform to support expansion of product lineups and more meticulous management of the items on the shelves.

Despite these measures, sales for the segment decreased by 9.6% from the previous year to ¥101,778 million. Factors included the impact of further intensification of competition in regional markets, the closing of two stores and other developments. Meanwhile, although efforts resulted in lower selling, general and administrative expenses, an operating loss of ¥1,564 million was recorded for the year.

● Wholesale business

Daimaru Kogyo, Ltd. took firm steps to promote its sales activities, including development of new customers in the metals and automobile business, foods and other mainstay divisions. As initiatives to cultivate the markets of Asia, which continue to chart robust economic growth, local subsidiaries established in Shanghai and Thailand spearheaded strategies to expand their business transactions. As a result, sales for the segment rose by 18.1% over the previous year to ¥60,174 million, and operating income moved up 0.5% to ¥1,592 million.

● Credit business

JFR Card Co., Ltd. moved to expand the ranks of cardholders via instant issue of credit cards utilizing tablet terminals at department stores, along with other proactive cardholder signup activities. Similar efforts in this vein included promotions to encourage use of cards for payment of public utility fees, shopping at affiliated merchants and other settlements outside of the Group itself. As a result, sales for the segment increased by 4.5% over the previous year to ¥8,592 million, and operating income posted a healthy gain of 29.4% to ¥2,951 million.

● Other businesses

Sales outside of the Group also posted solid results, exemplified by major department store remodeling projects and hotel and other interior design work performed by J. Front Design & Construction Co., Ltd. Another contributing factor was staffing company Dimples Co., Ltd., which succeeded in landing contracts for sales floor support at department stores, sales at outside commercial facilities and otherwise expanding its new commissioned operations. As a result of these and other upbeat developments, sales for the segment increased by 10.2% over the previous year to 90,133 million, and operating income grew by 19.4% to ¥3,193 million.

Financial condition

Keen efforts were advanced to improve asset efficiency and capital efficiency

by effectively utilizing Group-owned assets, while striving to create a unified management structure for our Group assets to foster greater financial strength. Another key factor was the incorporation of Parco Co., Ltd. as a consolidated subsidiary, with total assets increasing by ¥241,622 million over the previous year to ¥1,009,165 million. Total liabilities amounted to ¥618,497 million and total net assets came to ¥390,667 million. On the basis of these results, the return on assets (ROA) was tracked at 3.5% and the shareholders’ equity ratio was 33.8%.

Cash flows

The Group strives to generate stable operating cash flows and secure broad-based financing methods, with the goals of ensuring access to appropriate funds to advance its business activities, maintain liquidity and achieve 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, the issuing of commercial paper and corporate bonds and other means.

During the period under review, we generated a net cash inflow of ¥26,025 million from operating activities. Compared to the previous consolidated fiscal year, despite an increase in expenditures linked to a decline in accounts payable, the incorporation of Parco Co., Ltd. into the Group as a consolidated subsidiary contributed to an increase in income of ¥1,660 million.

Our cash flow on investing activities amounted to an outflow of ¥73,977 million. This was a cash outflow increase of ¥47,196 million compared to the previous fiscal year, reflecting the acquisition of the stock of Parco Co., Ltd. and other developments.

The cash flow on financing activities amounted to ¥58,275 million. This represented a cash inflow increase of ¥65,147 million compared to the previous fiscal year, the result of the issuing of corporate bonds, new fund procurement through long- and short-term borrowing and other factors.

As a result of the above, cash and cash equivalents at the end of the consolidated fiscal year under review stood at ¥34,576 million, an increase of ¥10,372 million from the previous period.

Going forward, the Group intends to continue appropriate levels of profit distribution and capital investment, taking into consideration the 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 interim and year-end dividends of ¥4.50 each, for an annual dividend of ¥9.

With respect to the next fiscal year, the plan is to distribute mid-term and year-end dividends of ¥5.00 each, for an annual dividend of ¥10.

Business risk factors

Business risk factors for the Group capable of having a material impact on investment decisions are discussed below.

The forward-looking statements contained herein are based upon the Group's assessments as of February 28, 2013. Since they could be affected by domestic and overseas economic conditions and other factors, the Group's business risk factors are not limited to those discussed here.

① Business environment

Economic conditions, including business, consumption and financial trends, competition with other retailers in the same and other business categories, changes in transportation access and other factors have a material impact on the Group's mainstay department store and Parco business segments. These business environment factors can 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 herein 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 developments 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 Parco 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 its 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.

⑦ Fixed assets under ownership

In the course of its business activities, the Group comes to acquire and maintain ownership of store-use land and buildings and other fixed assets for commercial purposes. Impairment losses accompanying the worsening of business income or cash flows, declines in land prices or other developments could exert a material impact on the Group's performance and financial position.

⑧ 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.

⑨ 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.

⑩ 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 28, 2013 and February 29, 2012

	Millions of yen	
ASSETS	2013	2012
Current assets:		
Cash on hand and in banks	¥37,234	¥24,204
Marketable securities	818	1,769
Notes and accounts receivable:	63,061	54,720
Less: allowance for doubtful accounts	(273)	(575)
Inventories	30,942	28,070
Deferred tax assets	13,887	12,457
Other	44,425	28,594
Total current assets	190,096	149,240
Property and equipment:		
Land	431,868	353,713
Buildings and structures	495,936	362,080
Other	21,160	13,285
Construction in progress	1,234	445
Total	950,199	729,523
Accumulated depreciation	(316,814)	(233,579)
Net property and equipment	633,385	495,944
Investments and other assets:		
Goodwill	1,571	—
Investment securities	23,149	20,099
Investments in unconsolidated subsidiaries and affiliates	14,045	13,884
Long-term loans	1,639	1,442
Leasehold and other deposits	82,587	48,938
Bond issuance costs	101	—
Deferred tax assets	4,428	4,687
Other	58,159	33,305
Total investment and other assets	185,682	122,358
Total assets	¥1,009,165	¥767,543



Financial Statements

	Millions of yen	
LIABILITIES AND NET ASSETS	2013	2012
Current liabilities:		
Notes and accounts payable	¥87,995	¥74,616
Short-term bank loans	74,567	58,940
Commercial paper	19,998	9,998
Current portion of bonds	1,000	—
Income taxes payable	9,154	4,657
Advances received	17,985	17,032
Gift certificates	38,001	39,374
Allowance for employees' bonuses	6,437	6,174
Allowance for directors' and corporate auditors' bonuses	148	154
Provision for sales returns	14	—
Provision for books unsold	137	—
Provision for sales promotion	624	340
Provision for loss on collection of gift certificates	11,429	10,322
Provision for loss on business liquidation	70	1,097
Other	60,729	44,967
Total current liabilities	328,295	267,676
Long-term liabilities:		
Bonds	24,000	—
Long-term loans payable	93,519	37,087
Deferred tax liabilities	101,919	83,257
Deferred tax liabilities on revaluation	1,279	1,308
Provision for retirement benefits	26,554	25,022
Provision for directors' and corporate auditors' retirement allowances	48	62
Negative goodwill	—	1,163
Other	42,879	9,403
Total long-term liabilities	290,201	157,305
Total liabilities	618,497	424,982
Net assets:		
Shareholders' equity:		
Common stock:		
Authorized: 2,000,000,000 shares		
Issued: 536,238,328 shares in 2013 and 2012	30,000	30,000
Capital surplus	209,563	209,598
Retained earnings	107,629	100,133
Less: treasury stock, at cost, 8,030,692 shares in 2013		
7,629,481 shares in 2012	(6,098)	(5,967)
Total shareholders' equity	341,095	333,764
Accumulated other comprehensive income:		
Unrealized gains (losses) on available-for-sale securities	68	(827)
Deferred gains (losses) on hedges	6	(1)
Foreign currency translation adjustments	149	(18)
Total accumulated other comprehensive income	223	(847)
Stock acquisition rights	15	99
Minority interests	49,333	9,544
Total net assets	390,667	342,561
Total liabilities and net assets	¥1,009,165	¥767,543

CONSOLIDATED STATEMENTS OF INCOME

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

Years ended February 28, 2013 and February 29, 2012

	Millions of yen	
	2013	2012
Sales:		
Net sales	¥1,083,679	¥934,453
Rent income of real estate	9,076	6,961
	<u>1,092,756</u>	<u>941,415</u>
Operating expenses:		
Cost of sales	842,419	711,554
Cost of real estate rent	4,722	3,213
	<u>847,141</u>	<u>714,768</u>
Gross profit	245,615	226,646
Selling, general and administrative expenses	214,757	205,052
Operating income	30,857	21,594
Other income (expenses):		
Interest and dividend income	828	808
Interest expenses	(1,772)	(1,536)
Net loss on sales or disposal of fixed assets	(2,767)	(674)
Gain on sales of investment securities	496	138
Loss on revaluation of investment securities	(307)	(1,519)
Loss on impairment	(1,473)	(794)
Gain on restructuring liabilities	3,464	3,499
Amortization of negative goodwill	1,163	2,286
Equity in earnings of affiliates	1,837	228
Provision for loss on collection of gift certificates	(3,693)	(3,755)
Loss on business restructuring	(359)	(532)
Reversal of provision for loss on business liquidation	375	400
Income from compensation for damage	569	—
Loss on step acquisitions	(1,667)	—
Loss on cancellation of leasehold contracts	(999)	—
Loss on adjustment for changes of accounting standard for asset retirement obligations	—	(2,254)
Other, net	(565)	(1,174)
	<u>(4,871)</u>	<u>(4,880)</u>
Income before income taxes and minority interests	25,986	16,714
Income taxes:		
Income taxes - current	11,479	6,247
Income taxes - deferred	757	(8,926)
	<u>12,237</u>	<u>(2,678)</u>
Income before minority interests	13,749	19,392
Minority interests in earnings of consolidated subsidiaries	1,565	587
Net income	¥12,183	¥18,804

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

Years ended February 28, 2013 and February 29, 2012

Financial
Statements

	Millions of yen	
	2013	2012
Income before minority interests	¥13,749	¥19,392
Other comprehensive income:		
Unrealized gains (losses) on available-for-sale securities	962	(352)
Deferred gains (losses) on hedges	(5)	57
Foreign currency translation adjustments	161	(17)
Shares of other comprehensive income of associates accounted for using equity method	27	(42)
Total other comprehensive income	1,145	(355)
Comprehensive income	¥14,894	¥19,036
Total comprehensive income attributable to:		
Owners of the parent	¥13,255	¥18,447
Minority interests	1,639	589

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

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

Years ended February 28, 2013 and February 29, 2012

	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, 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
Cash dividends paid				(4,759)		(4,759)
Change in scope of equity method				70		70
Net income				12,183		12,183
Purchase of treasury stock					(195)	(195)
Disposal of treasury stock			(35)		65	30
Net changes of items other than shareholders' equity during the year						
Balance, February 28, 2013	536,238,328	¥30,000	¥209,563	¥107,629	¥(6,098)	¥341,095

	Millions of yen						
	Accumulated other comprehensive income					Minority interests	Total net assets
	Unrealized gains (losses) on available-for-sale securities	Deferred gains (losses) on hedges	Foreign currency translation adjustments	Total accumulated other comprehensive income	Stock acquisition rights		
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 subsidiaries							135
Net changes of items other than shareholders' equity during the year	(349)	11	(18)	(357)	(15)	450	77
Balance, February 29, 2012	(827)	(1)	(18)	(847)	99	9,544	342,561
Cash dividends paid							(4,759)
Change in scope of equity method							70
Net income							12,183
Purchase of treasury stock							(195)
Disposal of treasury stock							30
Net changes of items other than shareholders' equity during the year	895	7	168	1,071	(83)	39,788	40,776
Balance, February 28, 2013	¥68	¥6	¥149	¥223	¥15	¥49,333	¥390,667

CONSOLIDATED STATEMENTS OF CASH FLOWS

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

Years ended February 28, 2013 and February 29, 2012

Financial
Statements

	Millions of yen	
	2013	2012
Cash flows from operating activities:		
Income before income taxes and minority interests	¥25,986	¥16,714
Depreciation	16,482	13,347
Loss on impairment	1,473	1,069
Amortization of goodwill	174	—
Amortization of negative goodwill	(1,163)	(2,286)
Decrease in allowance for doubtful accounts	(143)	(53)
Decrease in allowance for bonuses	(807)	(187)
Decrease in provision for employees' retirement benefits	(866)	(4,387)
Increase in provision for sales promotion	12	3
Increase in provision for loss on collection of gift certificates	1,048	1,143
Decrease in provision for business liquidation	(1,026)	(569)
Interest and dividend income	(828)	(809)
Interest expenses	1,772	1,536
Equity in earnings of affiliated companies	(1,837)	(228)
Loss on sales or disposal of property and equipment, net	2,391	407
Gain on sales of investment securities, net	(366)	(10)
Write-down of investment securities	307	1,519
Income from compensation for damage	(569)	—
Loss on step acquisitions	1,667	—
Loss on adjustment for changes of accounting standard for asset retirement obligations	—	2,254
Increase in notes and accounts receivable	(505)	(542)
Decrease in inventories	124	2,330
Decrease in notes and accounts payable	(4,707)	(1,923)
Increase in other receivables	(1,592)	(1,295)
(Increase) decrease in prepaid expenses	(181)	1,832
Other	407	256
Subtotal	37,252	30,120
Interest and dividend income received	668	651
Interest expenses paid	(1,851)	(1,511)
Income taxes paid	(11,622)	(4,895)
Compensation for damage received	1,578	—
Net cash provided by operating activities	26,025	24,365
Cash flows from investing activities:		
Purchase of securities	(31,957)	(11,962)
Proceeds from sales of securities	4,006	2,487
Purchase of property and equipment	(16,824)	(15,686)
Proceeds from sales of property and equipment	1,845	2,853
Payments for purchase of investments in subsidiaries resulting in change in scope of consolidation	(34,386)	—
Decrease in short-term loans	108	240
Increase in long-term loans	(8)	(36)
Proceeds from collection of long-term loans	67	108
Other	3,171	(4,785)
Net cash used in investing activities	(73,977)	(26,781)
Cash flows from financing activities:		
Net increase (decrease) in short-term bank loans	30,143	(14,998)
Increase in commercial paper	10,000	9,998
Proceeds from issuance of bonds	24,000	—
Redemption of bonds	(500)	—
Proceeds from long-term bank loans	52,350	14,000
Payments of long-term bank loans	(51,488)	(11,632)
Purchase of treasury stock	(193)	(16)
Cash dividends paid	(4,746)	(3,693)
Cash dividends paid to minority shareholders	(413)	(94)
Other	(876)	(434)
Net cash provided by (used in) financing activities	58,275	(6,872)
Effect of exchange rate changes	49	1
Net increase (decrease) in cash and cash equivalents	10,372	(9,286)
Increase in cash and cash equivalents from newly consolidated subsidiaries	—	286
Cash and cash equivalents at beginning of year	24,204	33,204
Cash and cash equivalents at end of year	¥34,576	¥24,204