



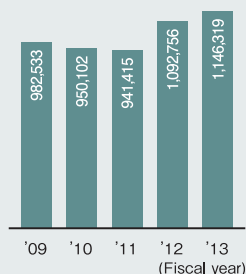
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Analysis of Financial Condition and Operating Results

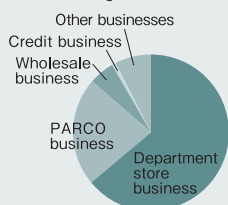
Sales

(Millions of yen)



Sales by Business Segment

(Composition of sales not including intersegment sales)

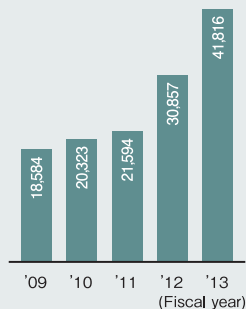


(including intersegment sales)
(Millions of yen)

Department store business	768,928
PARCO business	268,292
Wholesale business	63,273
Credit business	9,444
Other businesses	88,576

Operating Income

(Millions of yen)



Business overview

During the consolidated fiscal year under review (fiscal 2013), the Japanese economy showed a gentle recovery, including trends of improvement in corporate earnings and consumer spending, owing in part to the effects of economic and monetary policies of the Japanese government and the Bank of Japan.

In the department store industry, favorable sales have continued, centered on high-priced items, against a backdrop of the assets effect associated with a rise in stock prices and expectations of an economic recovery. Sales topped the results from the previous year.

Under these circumstances, the JFR Group geared up for growth as a multi-retailer engaged in multiple businesses with department stores at the core. We promoted efforts aimed at improved competitiveness of the department store business, handling of new markets and reform of the business structure.

With regards to the department store business, we promoted efforts directed towards establishment of a "new department store model" aimed at reforming the business format. These efforts included creating stores that are appealing and supported by a broad range of customers and establishing a highly productive store management structure. As a part of the efforts, we carried out a complete renovation of the food floor in the basement of the main building at the Matsuzakaya Nagoya store. The Matsuzakaya Ginza store has also temporarily been closed for rebuilding as part of the redevelopment project in the Ginza 6-chome district of Tokyo. We have decided to rebuild the South Wing of the Matsuzakaya Ueno store into a high-rise commercial complex with Parco, a cinema and office functions.

Group-wide, in order to respond to changes in the consumption environment associated with improvement in information and communication technology, we established a section to be in charge of development of new group IT businesses in March of last year. Additionally, we worked on developing omni-channel retailing to provide customers with various information, products and services through physical stores, online shopping websites and various other sales channels. In December, to accelerate those efforts, we acquired shares in Forest Co., Ltd., which possesses advanced know-how related to developing and operating distribution/shipping systems, and made it a consolidated subsidiary. Moreover, we will be substantially increasing the floor space at the Parco Fukuoka store and will be opening a second store in Sendai. We have also been actively promoting developments such as the ZERO GATE business, which manages low-rise and mid-rise commercial facilities. At the same time, we have promoted reform of the group's business structure, for example, transferring all shares of Peacock Stores Co., Ltd., a supermarket business that has continued to struggle due to intensified competition in recent years, to AEON Co., Ltd. in April of last year.

As for developments in our overseas business, we have been making preparations to launch operations in January of next year with the establishment of a full-fledged upscale department store in the

Shanghai market, which we are doing through a business tie-up. General merchandise retailer JFR Plaza was established in Taiwan in the aims of developing a chain. Since opening the first store in March of last year, we have opened four stores, centering on Taipei.

In preparation for the consumption tax hike in April of this year, we have been developing stronger management practices. To bring those about, we promoted reform of the organizational and personnel structure at the group level and reviewed our cost structure from every angle, including lowering of rent at leaseholds, utilization of under-utilized real estate and consolidation of distribution functions, with an eye to improving management efficiency.

Sales

As a result of the measures outlined above, total consolidated sales for the year under review amounted to ¥1,146,319 million, a gain of ¥53,563 million over the year before. Although sales in other businesses were down compared to the previous year, sales in the department store business, the Parco business, the wholesale business and the credit business exceeded the results of the previous year.

Selling, general and administrative expenses

Selling, general and administrative expenses were ¥202,313 million, down 5.8% from the previous year. Labor costs were shrunk by promoting structural reform throughout the group, and rental charges and other such expenses were reviewed to bring about this result.

Operating income

Consolidated operating income was up ¥10,959 million compared to the previous consolidated fiscal year to ¥41,816 million. Although the gross margin dropped ¥1,485 million, selling, general and administrative expenses were reduced by ¥12,444 million.

Other income and expenses

As for other expenses (income), on a net basis, income of ¥9,525 million was posted, compared to a ¥4,871 million loss the previous year. This was due to the posting of a ¥18,479 million gain on sale of corporate shares in Peacock Stores despite expenses that included a ¥3,235 million loss on rebuilding the South Wing of Matsuzakaya Ueno store, a ¥3,812 million loss on disposal of fixed assets related to sales floor remodeling and ¥4,725 million in business structure improvement costs.

Net income

As a result of the foregoing, income before income taxes and



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minority interests increased by 97.6% over the previous year to ¥51,342 million, while net income increased by 159.1% from the previous year to ¥31,568 million.

Segment overview

● Department store business

In this segment, we promoted various initiatives towards establishing a "new department store model" in aims of achieving further growth and higher productivity.

At the Matsuzakaya Nagoya store, the B1 and B2 food floors were completely remodeled as part of the second phase of remodeling. "Gochiso Paradise," the largest food zone in Nagoya with a number of brands new to the Nagoya area, had its grand opening in June. On top of that, in order to respond to the demands of customers of a wide range of age groups, we enhanced our product and service offerings and improved the store environment, including introduction of a Pokemon Center, resulting in a substantial increase in both the number of stores and the amount of sales.

At the Matsuzakaya Ginza store, a final sale was held before closing all wings for remodeling. The sale was well-received, and on June 30, the curtain was lowered temporarily on 88 years of history. Additionally, the South Wing at the Matsuzakaya Ueno store was closed for remodeling on March 11 this year, and the main building was re-opened as a community-based store focusing primarily on senior citizens.

In order to respond to the robust luxury goods market, we expanded existing luxury brands and introduced new ones at each store. As part of these efforts, the Hermes shop at the Daimaru Kobe store was moved from the main building to a bigger location next door facing the street, and a Rolex shop with a service counter for repairs and other maintenance was opened at the Daimaru Sapporo store, the Daimaru Kobe store and the Matsuzakaya Nagoya store.

In the area of sales promotion activities, various commemorative events were held throughout the year at the Daimaru Umeda and Daimaru Sapporo stores for their 30th and 10th anniversaries, respectively. Also, at each of the stores in the Daimaru Matsuzakaya department store, the first "Spring Ultra Thanks Festival" event was held jointly with Parco, and in order to handle intensifying competition in the Osaka area, Daimaru stores in the Kansai area jointly held "Daimaru Grand Festa" events in the spring and autumn.

As part of our efforts to establish a base for our growth strategy with outside customers, we enhanced the functions of the gold cards for our regular customers along with membership perks, and we promoted initiatives aimed at establishing a system for new account cultivation and enhancement of services.

Moreover, in order to address the notable increase in visits and purchase amounts by foreign travelers, we worked to expand our product lineup and enhance sales services, such as improving duty free operations.

As far as independent business initiatives aimed at differentiation and improvement of profitability through integrated management of everything from procurement to sales go, we opened our own original "Woop Woop" accessory boutique at the Daimaru Shinsaibashi, Umeda and Sapporo stores and the Matsuzakaya Nagoya store. We also opened locations inside Parco in Ikebukuro and Fukuoka.

Additionally, as part of our omni-channel efforts, we implemented new services that maximize our strength, which is physical stores, including the launch of a "Click & Collect" service that allows customers to order products of certain fashion brands online and have them shipped to their homes or to the store of their choice for pickup.

As a result of the foregoing measures, sales in this segment rose by 2.5% over the previous year to ¥768,928 million, while operating income increased by 24.4% to ¥22,980 million.

● Parco business

In this segment, we actively promoted expansion of business locations in downtown areas in aims of future growth.

At the Fukuoka Parco store, we acquired the existing store and the land and building next door and are aiming to open a new wing in autumn of this year. We also plan to expand the floor into part of the building next door next spring. Additionally, in March of this year, we decided to open the second Parco in Sendai and are aiming for a spring 2016 opening.

The ZERO GATE business consists of the development and management of medium- and low-rise commercial facilities. We opened new stores in Shinsaibashi, Dotonbori and Hiroshima and have decided to open two additional ones in Nagoya and Sapporo.

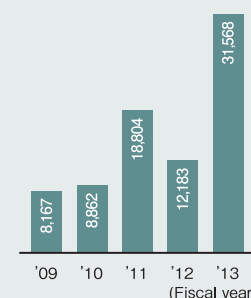
We also remodeled existing stores to further increase their appeal and strengthen competitiveness. In particular, at the flagship stores such as Shibuya, Nagoya and Hiroshima stores among others, we engaged in large-scale remodeling focusing on new format shops and fashion brands with their first stores in the areas. We also held art events at the Shibuya, Fukuoka and Nagoya Parco stores to connect with the communities and towns. These and other efforts were carried out to discover and support new talent, and we worked to revitalize the stores using the customer drawing effect of those efforts.

We also worked to further strengthen collaboration in aims of creating full-blown business synergy with the department store business, including a decision to open a new store in the new South Wing of the Matsuzakaya Ueno store.

As a result of these measures, sales for the Parco business segment rose by 94.6% over the previous year to ¥268,292 million, while operating income increased by 103.7% to ¥12,017 million. The period subject to consolidation in the previous year was the six month period from September 1, 2012 to February 28, 2013. Looking at the full-year comparison from March 1, 2012 in real terms, net sales increased 0.3% year on year, and operating income increased 12.7% year on year.

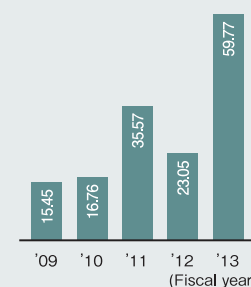
■ Net Income

(Millions of yen)



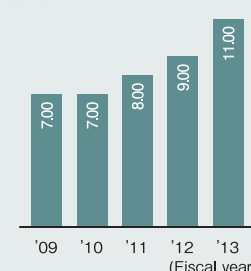
■ Net Income per Share

(Yen)



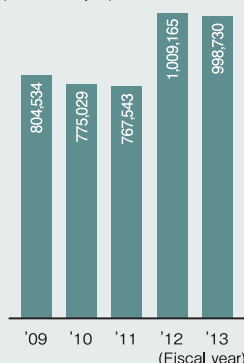
■ Cash Dividends per Share

(Yen)



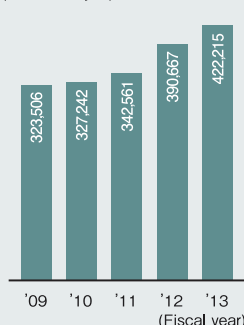
■ Total Assets

(Millions of yen)



■ Net Assets

(Millions of yen)



● Wholesale business

In this segment, fisheries/livestock and other food products, packaging materials and others trended favorably, but products in the electronic devices and metals/automobile categories showed sluggish performance.

As a result, net sales were ¥63,273 million (an increase of 5.1% year on year), but operating income amounted to ¥1,127 million (a decrease of 29.2% year on year) due in part to a drop in the gross margin percentage despite efforts to use selling, general and administrative expenses effectively.

● Credit business

In this segment, we worked on acquiring new members, through efforts such as improving the instant issue of credit cards using tablet terminals and setting up a special counter at each store within the Daimaru Matsuzakaya department store. We also substantially increased card billings in conjunction with the launch of gold cards for regular outside customers.

As a result, sales for the segment were ¥9,444 million (an increase of 9.9% year on year), and operating income was ¥3,186 million (an increase of 8.0% year on year).

● Other businesses

As for other businesses, each business company worked on improving profitability, but sales amounted to ¥88,576 million (a decrease of 1.7% year on year). Operating income was ¥2,961 million (a decrease of 7.3% year on year) despite efforts to reduce selling, general and administrative expenses.

● Financial condition

Keen efforts were advanced to improve asset efficiency and capital efficiency by effectively utilizing Group-owned assets, while promoting a unified management structure for our Group assets to foster greater financial strength. As a result of these efforts, total assets decreased by ¥10,435 million over the previous year to ¥998,730 million. Total liabilities amounted to ¥576,515 million and total net assets came to ¥422,215 million. On the basis of these results, the return on assets (ROA) was tracked at 4.2% and the shareholders' equity ratio was 37.1%.

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 other means.

During the period under review, we generated a net cash inflow of ¥37,532 million from operating activities. Compared to the previous consolidated fiscal year, on top of increased profit, there was a reaction to the decline in accounts payable from the previous year, and compensation was received for the redevelopment of the Matsuzakaya Ginza store, contributing to an increase in income of ¥11,507 million.

Our cash flow on investing activities amounted to an outflow of ¥8,858 million. Compared to the previous consolidated fiscal year, there was a decrease in cash outflow of ¥65,119 million due to acquisition of Parco Co., Ltd. shares the previous year, despite the expenditure associated with acquiring trust benefit rights to the company's land and building.

The cash flow on financing activities amounted to ¥32,027 million. This represented a cash flow increase of ¥90,302 million compared to the previous consolidated fiscal year, the result of such factors as repaying short-term borrowings.

As a result of the above, cash and cash equivalents at the end of the consolidated fiscal year under review stood at ¥31,276 million, a decrease of ¥3,299 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 over 30%, taking in to 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 ¥5 and a year-end dividend of ¥6, for an annual dividend of ¥11.

With respect to the next fiscal year, the plan is to distribute an interim dividend of ¥6 and a year-end dividend of ¥12. Without factoring in the share consolidation, the year-end dividend will be ¥6, totaling ¥12 for the full year.

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



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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, 2014 and 2013

	Millions of yen	
ASSETS	2014	2013
Current assets:		
Cash on hand and in banks	¥34,728	¥37,234
Marketable securities	400	818
Notes and accounts receivable:	66,265	63,061
Less: allowance for doubtful accounts	(221)	(273)
Inventories	29,690	30,942
Deferred tax assets	11,663	13,887
Other	32,502	44,425
Total current assets	175,031	190,096
Property and equipment:		
Land	349,701	431,868
Buildings and structures	461,613	495,936
Other	20,574	21,160
Construction in progress	115,273	1,234
Total	947,162	950,199
Accumulated depreciation	(293,608)	(316,814)
Net property and equipment	653,554	633,385
Investments and other assets:		
Goodwill	2,638	1,571
Investment securities	25,017	22,910
Investments in unconsolidated subsidiaries and affiliates	14,774	14,284
Long-term loans	1,537	1,639
Leasehold and other deposits	65,566	82,587
Bond issuance costs	72	101
Deferred tax assets	3,074	4,428
Other	57,463	58,159
Total investment and other assets	170,143	185,682
Total assets	¥998,730	¥1,009,165



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	Millions of yen	
LIABILITIES AND NET ASSETS	2014	2013
Current liabilities:		
Notes and accounts payable	¥86,501	¥87,995
Short-term bank loans	31,265	74,567
Commercial paper	32,192	19,998
Current portion of bonds	—	1,000
Income taxes payable	4,999	9,154
Advances received	18,651	17,985
Gift certificates	37,853	38,001
Allowance for employees' bonuses	5,710	6,437
Allowance for directors' and corporate auditors' bonuses	201	148
Provision for sales returns	27	14
Provision for books unsold	129	137
Provision for sales promotion	736	624
Provision for loss on collection of gift certificates	12,331	11,429
Provision for loss on business liquidation	94	70
Other	52,429	60,729
Total current liabilities	283,124	328,295
Long-term liabilities:		
Bonds	24,000	24,000
Long-term loans payable	100,492	93,519
Deferred tax liabilities	104,890	101,919
Deferred tax liabilities on revaluation	1,279	1,279
Provision for retirement benefits	17,049	26,554
Provision for directors' and corporate auditors' retirement allowances	56	48
Provision for loss of stores rebuilding	1,320	—
Other	44,300	42,879
Total long-term liabilities	293,390	290,201
Total liabilities	576,515	618,497
Net assets:		
Shareholders' equity:		
Common stock:		
Authorized: 2,000,000,000 shares		
Issued: 536,238,328 shares in 2014 and 2013	30,000	30,000
Capital surplus	209,557	209,563
Retained earnings	134,178	107,629
Less: treasury stock, at cost, 8,372,594 shares in 2014		
8,030,692 shares in 2013	(6,343)	(6,098)
Total shareholders' equity	367,392	341,095
Accumulated other comprehensive income:		
Unrealized gains (losses) on available-for-sale securities	2,357	68
Deferred gains (losses) on hedges	(25)	6
Foreign currency translation adjustments	449	149
Total accumulated other comprehensive income	2,780	223
Stock acquisition rights	15	15
Minority interests	52,025	49,333
Total net assets	422,215	390,667
Total liabilities and net assets	¥998,730	¥1,009,165

CONSOLIDATED STATEMENTS OF INCOME

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

Years ended February 28, 2014 and 2013

	Millions of yen	
	2014	2013
Sales:		
Net sales	¥1,136,124	¥1,083,679
Rent income of real estate	10,195	9,076
	<u>1,146,319</u>	<u>1,092,756</u>
Operating expenses:		
Cost of sales	896,153	842,419
Cost of real estate rent	6,035	4,722
	<u>902,189</u>	<u>847,141</u>
Gross profit	244,130	245,615
Selling, general and administrative expenses	202,313	214,757
Operating income	41,816	30,857
Other income (expenses):		
Interest and dividend income	853	828
Interest expenses	(1,741)	(1,772)
Net loss on sales or disposal of fixed assets	(2,792)	(2,767)
Gain on sales of investment securities	199	496
Gain on sales of investments in subsidiaries and affiliates	18,479	—
Loss on revaluation of investment securities	(25)	(307)
Loss on impairment	(1,463)	(1,473)
Gain on restructuring liabilities	3,191	3,464
Amortization of negative goodwill	—	1,163
Equity in earnings of affiliates	419	1,837
Provision for loss on collection of gift certificates	(3,585)	(3,693)
Loss of stores rebuilding	(3,235)	—
Business structure improvement expenses	(4,725)	—
Loss on business restructuring	(110)	(359)
Reversal of provision for loss on business liquidation	—	375
Income from compensation for damage	—	569
Compensation income	4,711	—
Loss on step acquisitions	—	(1,667)
Loss on cancellation of leasehold contracts	—	(999)
Other, net	(650)	(565)
	<u>9,525</u>	<u>(4,871)</u>
Income before income taxes and minority interests	51,342	25,986
Income taxes:		
Income taxes - current	11,371	11,479
Income taxes - deferred	5,352	757
	<u>16,724</u>	<u>12,237</u>
Income before minority interests	34,618	13,749
Minority interests in earnings of consolidated subsidiaries	3,049	1,565
Net income	¥31,568	¥12,183

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

Years ended February 28, 2014 and 2013



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	Millions of yen	
	2014	2013
Income before minority interests	¥34,618	¥13,749
Other comprehensive income:		
Unrealized gains (losses) on available-for-sale securities	2,289	962
Deferred gains (losses) on hedges	(51)	(5)
Foreign currency translation adjustments	283	161
Shares of other comprehensive income of associates accounted for using equity method	118	27
Total other comprehensive income	2,639	1,145
Comprehensive income	¥37,257	¥14,894
Total comprehensive income attributable to:		
Owners of the parent	¥34,125	¥13,255
Minority interests	3,131	1,639

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

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

Years ended February 28, 2014 and 2013

	Millions of yen					
	Number of shares issued	Shareholders' equity				
		Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity
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
Cash dividends paid				(5,019)		(5,019)
Change in scope of equity method						
Net income				31,568		31,568
Purchase of treasury stock					(320)	(320)
Disposal of treasury stock			(5)		75	69
Net changes of items other than shareholders' equity during the year						
Balance, February 28, 2014	536,238,328	¥30,000	¥209,557	¥134,178	¥(6,343)	¥367,392

	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 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
Cash dividends paid							(5,019)
Change in scope of equity method							
Net income							31,568
Purchase of treasury stock							(320)
Disposal of treasury stock							69
Net changes of items other than shareholders' equity during the year	2,288	(31)	300	2,556		2,692	5,249
Balance, February 28, 2014	¥2,357	¥(25)	¥449	¥2,780	¥15	¥52,025	¥422,215

CONSOLIDATED STATEMENTS OF CASH FLOWS

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

Years ended February 28, 2014 and 2013



Financial
Statements

	Millions of yen	
	2014	2013
Cash flows from operating activities:		
Income before income taxes and minority interests	¥51,342	¥25,986
Depreciation	17,698	16,482
Loss on impairment	3,265	1,473
Amortization of goodwill	349	174
Amortization of negative goodwill	—	(1,163)
Decrease in allowance for doubtful accounts	(501)	(143)
Decrease in allowance for bonuses	(347)	(807)
Decrease in provision for employees' retirement benefits	(4,722)	(866)
Increase in provision for sales promotion	43	12
Increase (decrease) in provision for business liquidation	24	(1,026)
Increase in provision for loss on collection of gift certificates	902	1,048
Increase in provision for loss of stores rebuilding	1,320	—
Interest and dividend income	(853)	(828)
Interest expenses	1,741	1,772
Equity in earnings of affiliated companies	(419)	(1,837)
Loss on sales or disposal of property and equipment, net	2,184	2,391
Gain on sales of investment securities, net	(51)	(366)
Write-down of investment securities	25	307
Income from compensation for damage	—	(569)
Compensation income	(4,711)	—
Loss on step acquisitions	—	1,667
Gain on sales of investments in subsidiaries and affiliates	(18,479)	—
Increase in notes and accounts receivable	(2,989)	(505)
(Increase) decrease in inventories	(952)	124
Increase (decrease) in notes and accounts payable	2,821	(4,707)
Increase in other receivables	(2,616)	(1,592)
(Increase) decrease in prepaid expenses	10	(181)
Other	(6,664)	407
Subtotal	38,420	37,252
Interest and dividend income received	704	668
Interest expenses paid	(1,790)	(1,851)
Income taxes paid	(16,192)	(13,315)
Income taxes refund	9,950	1,692
Compensation for damage received	—	1,578
Payments for cancellation of leasehold contracts	(999)	—
Proceeds from compensation	7,438	—
Net cash provided by operating activities	37,532	26,025
Cash flows from investing activities:		
Purchase of securities	(1,530)	(31,957)
Proceeds from sales of securities	3,536	4,006
Purchase of property and equipment	(49,514)	(16,824)
Proceeds from sales of property and equipment	3,341	1,845
Payments for purchase of investments in subsidiaries resulting in change in scope of consolidation	(1,947)	(34,386)
Proceeds from sales of investments in subsidiaries resulting in change in scope of consolidation	27,649	—
Decrease in short-term loans	10	108
Increase in long-term loans	(8)	(8)
Proceeds from collection of long-term loans	144	67
Other	9,459	3,171
Net cash used in investing activities	(8,858)	(73,977)
Cash flows from financing activities:		
Net increase (decrease) in short-term bank loans	(34,713)	30,143
Increase in commercial paper	12,193	10,000
Proceeds from long-term bank loans	25,500	52,350
Payments of long-term bank loans	(27,274)	(51,488)
Proceeds from issuance of bonds	—	24,000
Redemption of bonds	(1,000)	(500)
Purchase of treasury stock	(114)	(193)
Cash dividends paid	(4,987)	(4,746)
Cash dividends paid to minority shareholders	(733)	(413)
Other	(897)	(876)
Net cash provided by (used in) financing activities	(32,027)	58,275
Effect of exchange rate changes	53	49
Net increase (decrease) in cash and cash equivalents	(3,299)	10,372
Cash and cash equivalents at beginning of year	34,576	24,204
Cash and cash equivalents at end of year	¥31,276	¥34,576