

FAR EASTERN DEPARTMENT STORES, LTD.

BALANCE SHEETS

September 30, 2012 AND 2011

(In thousands of New Taiwan Dollars, Expect Par Value)

C o d e	ASSETS	2012/ 9/30		2011/ 9/30		C o d e	LIBILITIES AND STOCKHOLDERS' EQUITY	2012/ 9/30		2011 /9/30	
		Amount	%	Amount	%			Amount	%	Amount	%
	CURRENT ASSETS						CURRENT LIABILITIES				
1100	Cash	\$ 1,861,911	3	\$ 268,949	1	2100	Short-term debts	\$ 3,810,000	6	\$ 2,350,000	4
1320	Available-for-Sale financial assets – current	253,686	1	243,940	-	2110	Short-term notes and bill payable	949,286	2	1,699,444	3
1120	Notes	38,291	-	22,940	-	2140	Notes and accounts payable	3,815,268	6	2,024,672	4
1140	Accounts receivable, net of allowance for doubtful accounts of NT \$3,575 thousands in 2012 and 3,550 thousands in 2011	519,864	1	133,298	-	2150	Accounts payable - related parties	49,224	-	21,943	-
1150	Related parties - notes and accounts receivables	9,261	-	36,250	-	2190	Other payables - related parties	758,631	1	153,606	-
1180	Related parties - others	969,348	2	311,156	1	2160	Income tax payable	8,470	-	-	-
1160	Other receivables	137,137	-	74,895	-	2228	Other payables	2,033,965	4	755,080	2
120X	Inventories	856,338	1	687,296	1	2260	Advanced receipts	2,546,510	4	1,793,050	3
1260	Prepayments	205,993	-	409,555	1	2272	Current portion of long-term borrowings	4,400,000	7	999,071	2
1286	Deferred tax assets-current	9,735	-	8,587	-	2280	Other current liability	867,415	2	857,909	2
1298	Other current assets	5,437	-	6,406	-	21XX	Total current liability	19,238,769	32	10,654,775	20
11XX	Total current assets	4,867,001	8	2,203,272	4		LONG-TERM LIABILITIES, NET OF CURRENT PORTION				
	LONG-TERM INVESTMENTS					2410	Bonds issued	4,645,387	7	4,607,556	9
1421	investments accounted for by the equity method	19,300,829	32	18,624,971	35	2420	Long-term borrowings	8,996,545	15	11,260,000	21
1450	Available-for-sale financial assets-non current	2,795,013	4	2,394,068	5	24XX	Total long-term liabilities	13,641,932	22	15,867,556	30
1480	Financial assets carried at cost - noncurrent	62,570	-	100,367	-		Reserve				
14XX	Total long-term investments	22,158,412	36	21,119,406	40	2510	Reserve for land revaluation increment tax	508,719	1	508,719	1
	PROPERTY						Other liabilities				
	Cost					2820	Deposits received	39,993	-	39,386	-
1501	Land	6,995,873	12	4,318,667	8	2860	Deferred tax liabilities - noncurrent	313,358	1	168,807	-
1521	Buildings and equipment	14,253,286	23	7,622,133	14	2881	Deferred credits	11,366	-	11,366	-
1531	Furniture and equipment	6,120,061	10	3,463,175	7	2888	Miscellaneous	-	-	18,848	-
15X1	Total cost	27,369,220	45	15,403,975	29	28XX	Other current liability	364,717	1	238,407	-
15X8	Revaluation increment	1,408,269	3	1,408,269	3		Total liability	33,754,137	56	27,269,457	51
15XY	Cost and appreciation	28,777,489	48	16,812,244	32	2XXX					
15X9	Less: Accumulated depreciation	5,964,367	10	5,187,194	10		STOCKHOLDERS' EQUITY				
		22,813,122	38	11,625,050	22		Capital stock, NT\$ 10.00 par value				
1670	Construction in progress and prepayments for equipment	2,458,079	4	10,521,112	20		Authorized - 1,750,000 thousand shares issued and outstanding-1,369,880 thousands shares in 2012 and 1,317,192 thousand shares in 2011	13,698,797	22	13,171,921	25
1681	Leasehold rights, net	7,484,083	12	6,778,681	12	3110					
15XX	Net properties	32,755,284	54	28,924,843	54		Capital surplus:				
	OTHER ASSETS					3210	Additional paid-in capital – share issuance in excess of par	2,175,718	3	2,175,718	4
1810	Idle assets, net	562,616	1	569,344	1	3220	Treasury stock transactions	1,213,526	2	1,213,526	2
1820	Refundable deposits	163,240	-	158,969	-	3260	Long-term investments	364,937	1	365,518	1
1840	Prepaid pension cost	258,560	1	238,193	1	3272	Stock warrants	108,930	-	108,930	-
1880	Miscellaneous	38,632	-	5,100	-	32XX	Total Capital Surplus	3,863,111	6	3,863,692	7
18XX	Total other assets	1,023,048	2	971,606	2		Retained earnings:				
						3310	Legal reserve	2,189,631	4	1,975,319	4
						3320	Special reserve	1,069,595	2	1,069,583	2
						3350	Unappropriated earnings	1,932,746	3	2,354,635	4
						33XX	Total retained earnings	5,191,972	9	5,399,537	10
							Other equity adjustments				
						3420	Cumulative translation adjustments	(236,818)	-	8,466	-
						3430	Net losses not recognized as pension costs	(20,949)	-	(8,300)	-
						3450	Unrealized valuation gains on financial instruments	3,746,960	6	2,708,018	5
						3460	Unrealized asset revaluation increment	843,305	1	843,106	2
							Treasury Stock – 7,812 thousand shares in 2012 and 7,511 thousand shares in 2011	(36,770)	-	(36,770)	-
						34XX	Total other equity adjustments	4,295,728	7	3,514,520	7
						3XXX	Total Stockholders' equity	27,049,608	44	25,949,670	49
1XXX	Total	\$ 60,803,745	100	\$ 53,219,127	100		Total	\$ 60,803,745	100	\$ 53,219,127	100

FAR EASTERN DEPARTMENT STORES, LTD.
STATEMENTS OF INCOME
YEAR ENDED September 30, 2012 AND 2011
(In thousands of New Taiwan Dollars, Except Par Value)

Code		2012		2011	
		Year ended September 30		Year ended September 30	
		Amount	%	Amount	%
	REVENUES				
4100	Sales	\$ 26,498,198	99	\$ 17,020,829	99
4800	Other operating revenue	<u>294,643</u>	<u>1</u>	<u>199,092</u>	<u>1</u>
4000	Total Revenues	<u>26,792,841</u>	<u>100</u>	<u>17,219,921</u>	<u>100</u>
	COSTS				
5110	Cost of goods sold	21,751,200	81	13,725,131	80
5800	Other operating costs	<u>105,784</u>	<u>-</u>	<u>44,115</u>	<u>-</u>
5000	Total costs	<u>21,856,984</u>	<u>81</u>	<u>13,769,246</u>	<u>80</u>
5910	GROSS PROFIT	<u>4,935,857</u>	<u>19</u>	<u>3,450,675</u>	<u>20</u>
	OPERATING EXPENSES				
6100	Selling	906,996	3	525,320	3
6200	General and administrative	<u>3,331,372</u>	<u>13</u>	<u>2,187,256</u>	<u>13</u>
6000	Total operating expenses	<u>4,238,368</u>	<u>16</u>	<u>2,712,576</u>	<u>16</u>
6900	OPERATING INCOME	<u>697,489</u>	<u>3</u>	<u>738,099</u>	<u>4</u>
	NONOPERATING INCOME AND GAINS				
7121	Equity in earnings of equity-method investees, net	320,009	1	800,027	5
7122	Dividend income	168,790	1	146,820	1
7110	Interest income	2,395	-	1,200	-
7140	Gains on disposal of investments, net	-	-	4,962	-
7480	Other income	<u>88,726</u>	<u>-</u>	<u>65,354</u>	<u>-</u>
7100	Total non-operating income and gains	<u>579,920</u>	<u>2</u>	<u>1,018,363</u>	<u>6</u>
	NONOPERATING EXPENSES AND LOSSES				

(Continued)

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Code		2012		2011	
		Year ended September 30		Year ended September 30	
		Amount	%	Amount	%
7510	Interest expense	148,834	1	62,923	-
7530	Loss on disposal of property, net	3,525	-	3,913	-
7631	Impairment losses on financial asset carried at cost	-	-	1,066	-
7880	Other expenses	<u>47,183</u>	-	<u>52,706</u>	-
7500	Total non-operating expenses and losses	<u>199,542</u>	<u>1</u>	<u>120,608</u>	-
7900	INCOME BEFORE INCOME TAX	1,077,867	4	1,635,854	10
8110	INCOME TAX (BENEFIT) EXPENSE	<u>114,680</u>	-	<u>166,043</u>	<u>1</u>
9600	NET INCOME	<u>\$ 963,187</u>	<u>4</u>	<u>\$ 1,469,811</u>	<u>9</u>

Code		Before Tax	After Tax	Before Tax	After Tax
	EARNINGS PER SHARE				
9750	Basic	<u>\$ 0.79</u>	<u>\$ 0.71</u>	<u>\$ 1.20</u>	<u>\$ 1.08</u>
9850	Diluted	<u>\$ 0.79</u>	<u>\$ 0.71</u>	<u>\$ 1.20</u>	<u>\$ 1.08</u>

Pro forma information on the assumption that the Company's shares traded or held by subsidiaries are treated as investments instead of treasury stocks :

Code		2012		2011	
		Year ended September 30		Year ended September 30	
		Before Tax	After Tax	Before Tax	After Tax
	EARNINGS PER SHARE				
9750	Basic	<u>\$ 0.79</u>	<u>\$ 0.70</u>	<u>\$ 1.19</u>	<u>\$ 1.07</u>
9850	Diluted	<u>\$ 0.78</u>	<u>\$ 0.70</u>	<u>\$ 1.19</u>	<u>\$ 1.07</u>

(Concluded)

FAR EASTERN DEPARTMENT STORES, LTD.
STATEMENTS OF CASH FLOWS
YEAR ENDED September 30, 2012 AND 2011
(In thousands of New Taiwan Dollars)

	2012 Year ended <u>September 30</u>	2011 Year ended <u>September 30</u>
Cash Flows From Operating Activities		
Net incomes	\$ 963,187	\$ 1,469,811
Depreciation	777,002	299,263
Amortization of deferred charges	7,522	2,405
Amortization of leasehold rights included in rental expense	136,441	56,117
Equity in losses (earnings) of equity-method investees, net	(320,009)	(800,027)
Cash dividends from equity-method investees	-	1,166,581
Impairment losses on financial asset carried at cost	-	1,066
Gains on disposal of investments	-	(4,962)
Interest recognized on bonds payable	28,429	21,797
Loss (gain) on disposal of property, net	3,525	3,913
Deferred income taxes	106,099	85,011
Increase in prepaid pension cost	(13,111)	(22,465)
Net changes in operating assets and liabilities		
Notes receivable	477	(7,424)
Accounts receivable	(87,598)	48,467
Related parties - notes and accounts receivable	42,857	4,840
Related parties - other receivable	(13,784)	(38,910)
Other receivables	(1,032)	25,764
Inventories	(483,381)	(479,699)
Prepayments	117,097	(147,120)
Other current assets	11,926	8,598
Accounts and notes payable	682,458	(307,131)
Related parties - accounts payable	(32,882)	(39,442)
Related parties - other payables	66,689	42,524
Income tax payable	(29,792)	(198,220)
Other payables	8,023	(183,912)
Advanced receipts	985,556	310,579
Other current liabilities	<u>11,650</u>	<u>113,188</u>
Net cash provided by operating activities	<u>2,967,349</u>	<u>1,430,612</u>

(Continued)

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	2012 Year ended <u>September 30</u>	2011 Year ended <u>September 30</u>
Cash Flows From Investing Activities		
Related parties - others receivable	(144,411)	-
Acquisition of investments accounted for by the using equity-method	-	(200,000)
Proceeds of available-for-sale financial assets	-	8,407
Proceeds of the disposal of property	609	159
Acquisition of property	(2,568,980)	(4,155,809)
Decrease (increase) in refundable deposit	325	174
Increase in other assets	(<u>1,027</u>)	<u>-</u>
Net cash used in investing activities	(<u>2,713,484</u>)	(<u>4,347,069</u>)
Cash Flows From Financing Activities		
Increase (decrease) in short-term debts	(590,000)	(800,000)
Increase (decrease) in short-term notes and bills payable	(749,982)	399,988
Increase(decrease) in long-term borrowings	3,699,899	2,043,173
Issuance of bonds	-	2,493,658
Increase(decrease) in deposits received	(639)	1,437
Cash dividends	(<u>1,317,289</u>)	(<u>1,242,674</u>)
Net cash provided by (used in) financing activities	<u>1,041,989</u>	<u>2,895,582</u>
Net Increase (Decrease) in cash	1,295,854	(20,875)
Cash, Beginning of Year	<u>566,057</u>	<u>289,824</u>
Cash, End of Year	<u>\$ 1,861,911</u>	<u>\$ 268,949</u>
Supplement Cash Flow information		
Interest paid	\$ 156,501	\$ 316,143
Less: Capitalized interest	<u>52,511</u>	<u>132,803</u>
Interest paid, excluding capitalized interest	<u>\$ 103,990</u>	<u>\$ 183,340</u>
Income tax paid	<u>\$ 38,340</u>	<u>\$ 282,872</u>
Noncash investing and financing activities		
Adjustment to advance receipts and depreciation	<u>\$ 118,345</u>	<u>\$ 59,160</u>
Current portion of long-term borrowings	<u>\$ 4,400,000</u>	<u>\$ 999,071</u>
Cash dividends receivable from equity-method investees (Classified as accounts receivable -Related Parties)	<u>\$ 504,630</u>	<u>\$ -</u>
Classification of credit balance in long-term investment to other liabilities	<u>\$ -</u>	<u>\$ 18,848</u>

(Continued)

(Continued)

	2012 Year ended <u>September 30</u>	2011 Year ended <u>September 30</u>
CASH PAID FOR ACQUISITION OF PROPERTY		
Acquisition of property	\$ 676,613	\$ 123,843
Acquisition of leasehold rights	36,157	862,993
Increase in construction in progress and prepayments for equipment	635,568	3,087,279
Decrease (increase) in balance payable-property	1,810,986	61,858
Decrease (increase) in balance payable-property-related party	(<u>590,344</u>)	<u>19,836</u>
Cash paid	<u>\$ 2,568,980</u>	<u>\$ 4,155,809</u>

(Concluded)