

FAR EASTERN DEPARTMENT STORES, LTD.
BALANCE SHEETS
December 31, 2010 AND 2009
(In thousands of New Taiwan Dollars, Expect Par Value)

C o d e	ASSETS	2010/12/31		2009/12/31		C o d e	LIBILITIES AND STOCKHOLDERS' EQUITY	2010/12/31		2009/12/31	
		Amounts	%	Amounts	%			Amounts	%	Amounts	%
	CURRENT ASSETS						CURRENT LIABILITIES				
1100	Cash	\$ 289,824	1	\$ 278,918	1	2100	Short-term debts	\$ 3,150,000	6	\$ 2,650,000	6
1320	Available-for-Sales financial assets—current	291,224	1	228,938	1	2110	Short-term notes and bills payable	1,299,456	3	1,448,934	3
1120	Notes of account receivable	15,516	-	13,320	-	2140	Notes and accounts payable	2,331,803	5	2,238,613	5
1140	Notes of accounts receivable, net of allowance for doubtful accounts of NT \$ 3,550 thousands in 2010 and 4,133 thousands in 2009.	181,765	-	180,841	-	2150	Related parties-payables	61,385	-	54,555	-
1150	Related parties - notes and receivables	41,090	-	36,616	-	2190	Related parties - others	130,918	-	95,609	-
1180	Related parties - others	272,246	1	303,436	1	2160	Income tax payable	198,220	-	-	-
1160	Other receivables	100,659	-	114,730	-	2170	Accrued expenses	818,438	2	704,181	2
120X	Inventories	207,597	-	216,316	1	2224	Balance payable- property	88,909	-	259,058	1
1260	Prepayments	262,435	-	149,264	-	2228	Other payables	93,543	-	94,953	-
1286	Deferred tax assets-current	30,654	-	31,322	-	2260	Advanced receipts	1,541,631	3	1,430,724	3
1275	Non current assets classified as held for sale	-	-	89,461	-	2270	Current portion of bonds issued	-	-	500,000	1
1298	Other current assets	15,004	-	16,433	-	2272	Current portion of long-term borrowings	995,898	2	-	-
11XX	Total current assets	<u>1,708,014</u>	<u>3</u>	<u>1,659,595</u>	<u>4</u>	2280	Other current liabilities	<u>744,721</u>	<u>2</u>	<u>583,984</u>	<u>1</u>
						21XX	Total current liabilities	<u>11,454,922</u>	<u>23</u>	<u>10,060,611</u>	<u>22</u>
	INVESTMENTS						LONG-TERM LIABILITIES, NET OF CURRENT PORTION				
1421	Long-term investments accounted for by the equity method	18,884,849	38	18,395,707	40	2410	Bonds issued	2,200,000	4	1,200,000	2
1450	Available-for-sale financial assets-non current	2,682,262	6	2,576,840	5	2420	Long-term borrowings	<u>9,220,000</u>	<u>19</u>	<u>10,078,147</u>	<u>22</u>
1480	Financial assets carried at cost	<u>102,540</u>	-	<u>116,728</u>	-	24XX	Total long-term liabilities	<u>11,420,000</u>	<u>23</u>	<u>11,278,147</u>	<u>24</u>
14XX	Total investments	<u>21,669,651</u>	<u>44</u>	<u>21,089,275</u>	<u>45</u>		RESERVES				
	PROPERTY					2510	Reserve for land revaluation increment tax	<u>508,719</u>	<u>1</u>	<u>575,490</u>	<u>1</u>
	Cost						OTHER LIABILITIES				
1501	Land	3,951,477	8	4,118,124	9	2820	Deposits received	37,949	-	38,872	-
1521	Buildings and equipment	6,746,476	14	6,972,872	15	2860	Deferred tax liabilities - noncurrent	106,894	-	105,921	1
1531	Furniture and equipment	<u>3,418,045</u>	<u>7</u>	<u>3,400,286</u>	<u>7</u>	2881	Deferred credits - gains on related-party transactions	11,366	-	11,366	-
15X1	Total cost	14,115,998	29	14,491,282	31	2888	Miscellaneous	<u>14,589</u>	-	<u>7,743</u>	-
15X8	Revaluation increment	<u>1,213,827</u>	<u>2</u>	<u>1,212,414</u>	<u>3</u>	28XX	Total other liabilities	<u>170,798</u>	-	<u>163,902</u>	<u>1</u>
15XY	Cost and appreciation	15,329,825	31	15,703,696	34		Total liabilities	<u>23,554,439</u>	<u>47</u>	<u>22,078,150</u>	<u>48</u>
15X9	Less: Accumulated depreciation	<u>4,708,986</u>	<u>10</u>	<u>4,732,105</u>	<u>10</u>	2XXX					
		10,620,839	21	10,971,591	24		STOCKHOLDERS' EQUITY				
1670	Construction in progress and prepaid equipment	7,015,101	14	5,946,369	13		Capital stock NT\$10.00 par value				
1681	Leasehold rights, net	6,390,537	13	4,457,349	9		Authorized - 1,350,000 thousand shares issued and outstanding - 1,242,634 thousand share in 2010 and 1,212,326 thousand shares in 2009	<u>12,426,341</u>	<u>25</u>	<u>12,123,259</u>	<u>26</u>
1627	Properties leased to others, net	<u>1,237,289</u>	<u>3</u>	<u>1,487,794</u>	<u>3</u>		Capital surplus				
15XX	Net property	<u>25,263,766</u>	<u>51</u>	<u>22,863,103</u>	<u>49</u>	3110	Additional paid-in capital -share issuance in excess of par	2,175,718	4	2,175,718	4
	OTHER ASSETS					3220	Treasury Stock transactions	1,213,526	3	964,467	2
1810	Idle assets, net	574,918	1	381,610	1	3260	Long-term investments	<u>375,941</u>	<u>1</u>	<u>384,643</u>	<u>1</u>
1820	Refundable deposits	159,143	-	159,028	-	32XX	Total capital surplus	<u>3,765,185</u>	<u>8</u>	<u>3,524,828</u>	<u>7</u>
1840	Prepaid pension costs	215,728	1	194,847	1		Retained earnings:				
1880	Miscellaneous	<u>6,398</u>	-	<u>7,493</u>	-	3310	Legal reserve	1,718,606	4	1,525,328	4
18XX	Total other assets	<u>956,187</u>	<u>2</u>	<u>742,978</u>	<u>2</u>	3320	Special reserve	1,000,564	2	1,000,564	2
						3350	Unappropriated earnings	<u>3,129,751</u>	<u>6</u>	<u>1,968,212</u>	<u>4</u>
						33XX	Total retained earnings	<u>5,848,921</u>	<u>12</u>	<u>4,494,104</u>	<u>10</u>
							Other equity adjustments				
						3420	Cumulative translation adjustments	(374,215)	(1)	139,364	-
						3430	Net loss not recognized as pension costs	(8,300)	-	(10,386)	-
						3450	Unrealized valuation gains on financial instruments	3,578,911	7	3,192,918	7
						3460	Unrealized asset revaluation increment	843,106	2	883,944	2
						3480	Treasury stock—7,086 thousand shares in 2010 and 13,392 thousand shares in 2009	(<u>36,770</u>)	-	(<u>71,230</u>)	-
						34XX	Total other equity adjustments	<u>4,002,732</u>	<u>8</u>	<u>4,134,610</u>	<u>9</u>
						3XXX	Total stockholders' equity	<u>26,043,179</u>	<u>53</u>	<u>24,276,801</u>	<u>52</u>
1XXX	TOTAL	<u>\$ 49,597,618</u>	<u>100</u>	<u>\$ 46,354,951</u>	<u>100</u>		TOTAL	<u>\$ 49,597,618</u>	<u>100</u>	<u>\$ 46,354,951</u>	<u>100</u>

FAR EASTERN DEPARTMENT STORES, LTD.
STATEMENTS OF INCOME
YEARS ENDED December 31, 2010 AND 2009
(In thousands of New Taiwan Dollars, Expect Par Value)

Code		2010		2009	
		Year ended December 31		Year ended December 31	
		Amount	%	Amount	%
	REVENUES				
4100	Sales	\$ 24,320,923	99	\$ 21,988,908	99
4800	Other operating revenues	<u>282,195</u>	<u>1</u>	<u>214,290</u>	<u>1</u>
4000	Total revenues	<u>24,603,118</u>	<u>100</u>	<u>22,203,198</u>	<u>100</u>
	COSTS				
5110	Cost of goods sold	19,592,662	80	17,735,782	80
5800	Other operating costs	<u>59,820</u>	<u>-</u>	<u>50,119</u>	<u>-</u>
5000	Total costs	<u>19,652,482</u>	<u>80</u>	<u>17,785,901</u>	<u>80</u>
5910	GROSS PROFIT	<u>4,950,636</u>	<u>20</u>	<u>4,417,297</u>	<u>20</u>
	OPERATING EXPENSES				
6100	Selling	970,771	4	876,528	4
6200	General and administrative	<u>2,995,888</u>	<u>12</u>	<u>2,850,456</u>	<u>13</u>
6000	Total operating expenses	<u>3,966,659</u>	<u>16</u>	<u>3,726,984</u>	<u>17</u>
6900	OPERATING INCOME	<u>983,977</u>	<u>4</u>	<u>690,313</u>	<u>3</u>
	NONOPERATING INCOME AND GAINS				
7121	Equity in earnings of equity-method investees, net	1,669,760	7	1,316,910	6
7122	Dividend income	122,387	1	108,663	-
7130	Gain on disposal of property and idle assets, net	72,531	-	-	-
7110	Interest income	1,212	-	2,010	-
7480	Other income	<u>97,335</u>	<u>-</u>	<u>116,077</u>	<u>1</u>

(Continued)

Code		2010		2009	
		Year ended December 31		Year ended December 31	
		Amount	%	Amount	%
7100	Total nonoperating income and gains	<u>1,963,225</u>	<u>8</u>	<u>1,543,660</u>	<u>7</u>
	NONOPERATING EXPENSES AND LOSSES				
7510	Interest expenses	50,913	-	61,612	-
7631	Impairment loss on financial assets carried at cost	12,470	-	39,927	-
7639	Impairment loss of idle assets	32,931	-	-	-
7530	Loss on disposal of property and idle assets	-	-	3,201	-
7880	Other expenses	<u>83,883</u>	<u>1</u>	<u>98,987</u>	<u>1</u>
7500	Total non-operating expenses and losses	<u>180,197</u>	<u>1</u>	<u>203,727</u>	<u>1</u>
7900	INCOME BEFORE INCOME TAX	2,767,005	11	2,030,246	9
8110	INCOME TAX	<u>199,862</u>	<u>1</u>	<u>97,470</u>	<u>-</u>
9600	NET INCOME	<u>\$ 2,567,143</u>	<u>10</u>	<u>\$ 1,932,776</u>	<u>9</u>

Code		Before Tax	After Tax	Before Tax	After Tax
	EARNINGS PER SHARE				
9750	Basic	<u>\$ 2.25</u>	<u>\$ 2.09</u>	<u>\$ 1.66</u>	<u>\$ 1.58</u>
9850	Diluted	<u>\$ 2.25</u>	<u>\$ 2.08</u>	<u>\$ 1.65</u>	<u>\$ 1.57</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		2010		2009	
		Before Tax	After Tax	Before Tax	After Tax
	EARNINGS PER SHARE				
9750	Basic	<u>\$ 2.43</u>	<u>\$ 2.27</u>	<u>\$ 1.74</u>	<u>\$ 1.66</u>
9850	Diluted	<u>\$ 2.42</u>	<u>\$ 2.26</u>	<u>\$ 1.73</u>	<u>\$ 1.66</u>

(concluded)

FAR EASTERN DEPARTMENT STORES, LTD.
STATEMENTS OF CASH FLOWS
YEARS ENDED December 31, 2010 AND 2009
(In thousands of New Taiwan Dollars)

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$2,567,143	\$1,932,776
Depreciation	440,214	396,144
Amortization of deferred charges	5,061	6,940
Amortization of leasehold rights included in rental expense	74,822	74,822
Cash dividends from equity-method investees	1,269,073	1,027,241
Equity in losses (earnings) of equity-method investees, net	(1,669,760)	(1,316,910)
Impairment loss on financial assets carried at cost	12,470	39,927
Impairment Loss on idle Assets	32,931	-
Loss (gain) on disposal of property and idle assets, net	(72,531)	3,201
Deferred income taxes	1,641	96,345
Increase in prepaid pension cost	(20,881)	(691)
Net changes in operating assets and liabilities		
Notes receivable	(2,196)	742
Accounts receivable	(924)	(12,081)
Account receivable-related parties	26,716	(27,683)
Other receivables	14,071	(25,476)
Inventories	8,719	79,913
Prepayments	(113,171)	(126,560)
Other current assets	1,429	48,040
Other accounts payable	(1,378)	(2,087)
Advanced receipts	242,058	68,085
Other current liabilities	160,737	(7,881)
Accounts payable-related parties	24,264	(20,767)
Accrued expenses	114,355	172,297
Income tax payable	198,220	-
Accounts payable and bills payable	93,092	412,234
Net cash provided by operating activities	3,406,175	2,818,571
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of investments accounted for by the equity method	(100,000)	(678,400)
Proceeds of the disposal of property	139,026	346
Proceeds of the disposal of idle assets	-	291
Increase in real estate received in advance	-	36,000

(continued)

	2010	2009
Acquisition of property	(3,510,006)	(1,894,217)
Increase in refundable deposits	(115)	(200)
Increase in other assets	(<u>2,248</u>)	(<u>4,022</u>)
Net cash used in investing activities	(<u>3,473,343</u>)	(<u>2,540,202</u>)
 CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in short-term debts	500,000	(300,000)
Increase (decrease) in short-term notes and bills payable	(149,478)	(345,300)
Repayments of bonds issued	(500,000)	-
Issuance of bonds	1,000,000	-
Increase in long-term borrowings	137,751	715,895
Decrease in deposits received	(923)	(501)
Cash dividends	(<u>909,276</u>)	(<u>358,533</u>)
Net cash (used in) provided by financing activities	<u>78,074</u>	(<u>288,439</u>)
NET INCREASE (DECREASE) IN CASH	10,906	(10,070)
CASH, BEGINNING OF YEAR	<u>278,918</u>	<u>288,988</u>
CASH, END OF YEAR	<u>\$ 289,824</u>	<u>\$ 278,918</u>
 SUPPLEMENT CASH FLOW INFORMATION		
Interest paid	\$ 169,332	\$ 192,730
Less: Capitalized interest	<u>139,495</u>	<u>165,808</u>
Interest paid, excluding capitalized interest	<u>\$ 29,837</u>	<u>\$ 26,922</u>
Income tax paid	<u>\$ 2</u>	<u>\$ 2</u>
 NONCASH INVESTING AND FINANCING ACTIVITIES		
Cash dividends receivable from equity-method investees (Classified as Related Parties-others)	\$ <u>-</u>	\$ <u>246,517</u>
Adjustment to advance receipts and depreciation	\$ <u>95,151</u>	\$ <u>101,306</u>
Adjustment to real estate received in advance (classified as advance receipts) and disposal of property	\$ <u>36,000</u>	\$ <u>-</u>
Properties leased to others reclassified to noncurrent assets classified as held for sale	\$ <u>-</u>	\$ <u>89,461</u>
Properties reclassified to idle assets	\$ <u>346,340</u>	\$ <u>-</u>
Properties leased to others reclassified to property	\$ <u>223,150</u>	\$ <u>-</u>
Adjustment to impairment on reserve for land revaluation increment tax and unrealized asset revaluation increment	\$ <u>107,609</u>	\$ <u>-</u>
Current portion of bonds issued	\$ <u>-</u>	\$ <u>500,000</u>
Current portion of long-term borrowings	\$ <u>995,898</u>	\$ <u>-</u>

(continued)

	<u>2010</u>	<u>2009</u>
Classification of credit balance in long-term investment to other liability	<u>\$ 14,589</u>	<u>\$ 7,743</u>
CASH PAID FOR ACQUISITION OF PROPERTY		
Acquisition of property	\$ 280,990	\$1,641,695
Acquisition of leasing rights	2,008,010	414,503
Increase (decrease) in construction in progress and prepayments for equipment	1,068,732	(1,940)
Decrease (increase) in balance payable-property	170,149	(158,080)
Increase in balance payable-property-related parties	(<u>17,875</u>)	(<u>1,961</u>)
Cash paid	<u>\$3,510,006</u>	<u>\$1,894,217</u>

(Concluded)