Consolidated Balance Sheets
ABC-MART, INC. and consolidated subsidiaries
As of February 28, 2013 and February 29, 2012

	Thousands of yen	
ASSETS	2013	2012
Current Assets:		
Cash and deposits (Notes 3, 4 and 12)	¥ 68,852,158	¥ 42,167,745
Notes and accounts receivable – trade (Note 4)	5,064,083	2,563,312
Less － allowance for doubtful accounts (Note 4)	(23,645)	(6,337)
Net trade receivables	5,040,438	2,556,974
Merchandise and finished goods	32,682,063	23,243,775
Work in process	44,833	－
Raw materials and supplies	485,939	25,747
Currency Option (Notes 4 and 7)	1,314,421	1,200,314
Deferred tax assets (Note 10)	1,166,442	1,004,547
Other	3,480,723	2,504,923
Total current assets	113,067,021	72,704,028
Noncurrent assets:		
Property, plant and equipment (Notes 6 and 16):		
Buildings and structures	20,886,196	17,984,882
Tools, furniture and fixtures	6,266,116	3,139,826
Land	17,483,893	17,176,451
Construction in progress	60,071	427,108
Other	468,848	457,156
Total	45,165,126	39,185,424
Less accumulated depreciation	(13,576,767)	(9,958,924)
Net property, plant and equipment	31,588,359	29,226,500
Intangible assets:		
Trademark (Note 8)	2,465,569	11,264
Goodwill (Note 8)	6,821,704	964,553
Other	1,506,138	1,036,555
Total intangible assets	10,793,412	2,012,373
Investments and other assets:		
Investment in securities (Notes 4 and 5)	109,651	94,891
Investment in non-consolidated subsidiaries (Notes 4 and 5)	84,175	84,175
Lease and guarantee deposits (Notes 4, 12 and 18)	16,494,299	14,331,988
Other	2,022,501	1,759,984
Less-allowance for doubtful accounts	－	(10,000)
Total investments and other assets	18,710,627	16,261,039
Total noncurrent assets	61,092,399	47,499,913
Total assets	¥ 174,159,421	¥ 120,203,941

See accompanying notes to consolidated financial statements.

Consolidated Balance Sheets

ABC-MART, INC. and consolidated subsidiaries
As of February 28, 2013 and February 29, 2012

	Thousands of yen	
LIABILITIES	2013	2012
Current Liabilities:		
Notes and accounts payable:		
Trade (Notes 4 and 12)	¥ 7,477,486	¥ 7,147,386
Facilities (Note 4)	936,279	960,493
Short-term loans payable (Notes 4, 9 and 12)	4,135,826	2,509,305
Current portion of long-term loans payable (Notes 4, 9 and 12)	1,002,800	2,252,800
Income taxes payable (Note 4)	7,455,270	6,513,447
Provision for bonuses	642,716	577,247
Provision	178,038	17,070
Asset retirement obligations (Note 11)	17,861	14,308
Other	4,114,601	3,690,118
Total current liabilities	25,960,880	23,682,176
Noncurrent liabilities:		
Convertible bonds (Notes 4 and 9)	33,000,000	—
Long-term loans payable (Notes 4, 9 and 12)	2,502,800	3,505,600
Provision	798,867	—
Asset retirement obligations (Note 11)	218,207	133,454
Currency option (Notes 4 and 7)	265,084	257,731
Other	1,648,895	388,830
Total noncurrent liabilities	38,433,856	4,285,616
Total liabilities	64,394,736	27,967,792
Commitments and contingent liabilities (Note 12)		
NET ASSETS (Note 13)		
Shareholders' equity:		
Common stock, authorized 334,500,000 shares, issued 75,294,429 shares in 2013 and 2012	3,482,930	3,482,930
Capital surplus	7,488,686	7,488,686
Retained earnings	96,311,831	82,402,496
Treasury stock, at cost, 164 shares in 2013 and 2012	(522)	(522)
Total shareholders' equity	107,282,926	93,373,591
Accumulated other comprehensive income (Note 14):		
Net unrealized gains (losses) on available-for-sale securities	13,432	(5,746)
Foreign currency translation adjustments	2,177,708	(1,432,324)
Total accumulated other comprehensive income	2,191,141	(1,438,071)
Minority interests in consolidated subsidiaries	290,616	300,628
Total net assets	109,764,684	92,236,148
Total liabilities and net assets	¥ 174,159,421	¥ 120,203,941

See accompanying notes to consolidated financial statements.

Consolidated Statements of Income

ABC-MART, INC. and consolidated subsidiaries
For the years ended February 28, 2013 and February 29, 2012

	Thousands of yen	
	2013	2012
Net sales	¥ 159,418,140	¥ 140,761,016
Cost of sales	68,109,105	59,658,395
Gross profit	91,309,034	81,102,620
Selling, general and administrative expenses:		
Packing and transportation expenses	2,210,771	1,950,419
Advertising expenses	6,931,745	6,476,402
Warehousing expenses	1,293,183	1,257,626
Directors' compensations, salaries and allowances	16,431,626	14,948,840
Bonuses	1,083,784	1,047,361
Provision for bonuses	640,700	578,027
Legal and employee benefits expenses	2,113,560	1,879,820
Rents	15,326,723	13,644,869
Depreciation and amortization	3,250,878	2,648,130
Utilities expenses	1,793,573	1,457,090
Commission fee	2,677,576	2,298,221
Taxes and dues	668,623	566,845
Allowance for doubtful accounts	1,820	11,971
Amortization of goodwill	549,441	264,003
Other	5,959,908	4,851,762
Total	60,933,917	53,881,392
Operating income	¥ 30,375,117	¥ 27,221,227

(Continued)

	Thousands of yen	
	2013	2012
Other income (expenses):		
Interest income	¥ 46,729	¥ 40,751
Interest expenses	(74,012)	(132,524)
Foreign exchange gains (losses), net	80,501	(86,052)
Gain on valuation of derivatives	106,753	942,582
Rent income	481,790	419,285
Rent expenses	(271,275)	(203,523)
Advertising income	57,450	60,757
Gain on sales of noncurrent assets (Notes 15)	545	6,435
Loss on sales of noncurrent assets (Notes 15)	(343)	—
Loss on retirement of noncurrent assets (Note 15)	(114,733)	(116,881)
Loss on liquidation of business	(65,595)	—
Loss on valuation of golf club membership	(7,075)	(19,220)
Impairment loss (Note 16)	(408,046)	(549,577)
Loss on disposal of goods	—	(28,450)
Loss on adjustment for changes of accounting standards for asset retirement obligations (Note 11)	—	(549,530)
Loss on disaster	—	(53,518)
Donations	—	(52,957)
Other, net	(55,781)	137,125
Total	(223,093)	(185,297)
Income before income taxes and minority interests	30,152,024	27,035,930
Income taxes (Note 10):		
Current	13,126,285	11,767,273
Deferred	(220,612)	(429,211)
Total	12,905,672	11,338,061
Income before minority interests	17,246,351	15,697,869
Minority interests	(51,225)	21,408
Net income	¥ 17,297,577	¥ 15,676,460

See accompanying notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income

ABC-MART, INC. and consolidated subsidiaries
For the years ended February 28, 2013 and February 29, 2012

	Thousands of yen	
	2013	2012
Income before minority interests	¥ 17,246,351	¥ 15,697,869
Other comprehensive income:		
Net unrealized gains (losses) on available-for-sale securities	19,178	(1,563)
Foreign currency translation adjustments	3,651,247	(556,430)
Total other comprehensive income	3,670,426	(557,993)
Comprehensive Income	¥ 20,916,777	¥ 15,139,875
Comprehensive income attributable to:		
Shareholders of ABC-MART, INC.	¥ 20,926,789	¥ 15,136,509
Minority interests	(10,012)	3,365

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Net Assets

ABC-MART, INC. and consolidated subsidiaries

For the years ended February 28, 2013 and February 29, 2012

	Thousands of yen							
	Shareholders' equity				Accumulated other comprehensive income			
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Net unrealized gains (losses) on available-for-sale securities	Foreign currency translation adjustments	Minority interests in consolidated subsidiaries	Total net assets
Balance at February 28, 2011	¥ 3,482,930	¥ 7,488,686	¥ 70,340,159	¥ (522)	¥ (4,182)	¥ (893,937)	¥ 3,015,060	¥ 83,428,195
Net income	–	–	15,676,460	–	–	–	–	15,676,460
Dividends from surplus	–	–	(3,614,124)	–	–	–	–	(3,614,124)
Net change during the year	–	–	–	–	(1,563)	(538,387)	(2,714,431)	(3,254,382)
Balance at February 29, 2012	3,482,930	7,488,686	82,402,496	(522)	(5,746)	(1,432,324)	300,628	92,236,148
Net income	–	–	17,297,577	–	–	–	–	17,297,577
Dividends from surplus	–	–	(3,388,241)	–	–	–	–	(3,388,241)
Net change during the year	–	–	–	–	19,178	3,610,033	(10,012)	3,619,200
Balance at February 28, 2013	**¥ 3,482,930**	**¥ 7,488,686**	**¥ 96,311,831**	**¥ (522)**	**¥ 13,432**	**¥ 2,177,708**	**¥ 290,616**	**¥ 109,764,684**

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

ABC-MART, INC. and consolidated subsidiaries
For the years ended February 28, 2013 and February 29, 2012

	Thousands of yen	
	2013	2012
Net cash provided by (used in) operating activities:		
Net income before income taxes and minority interests	¥ 30,152,024	¥ 27,035,930
Depreciation and amortization	3,250,878	2,648,130
Increase in provision for bonuses	62,672	96,244
Increase (decrease) in allowance for doubtful accounts	(12,264)	11,447
Interests and dividends income	(47,453)	(41,475)
Interest expenses	74,012	132,524
Foreign exchange (gains) losses, net	(104,166)	2,732
Loss on valuation of investment in securities	16,582	—
Gain on valuation of derivatives	(106,753)	(942,582)
Loss on sales and retirement of noncurrent assets	114,531	110,445
Impairment loss	408,046	549,577
Loss on adjustment for changes in accounting standards for asset retirement obligations	—	549,530
Increase in notes and accounts receivable — trade	(620,481)	(298,790)
Increase in inventories	(5,362,064)	(860,055)
Decrease in notes and accounts payable — trade	(915,849)	(191,642)
Other	723,693	1,044,345
Subtotal	27,633,408	29,846,360
Interest and dividends received	32,920	33,842
Interest expenses paid	(76,415)	(138,066)
Payment for loss on disaster	—	(37,552)
Payment for donations	—	(52,957)
Income taxes paid	(12,193,959)	(10,652,922)
Net cash provided by operating activities	¥ 15,395,953	¥ 18,998,704

(Continued)

	Thousands of yen	
	2013	2012
Net cash provided by (used in) investing activities:		
Payment for time deposits	¥ (5,400)	¥ (5,400)
Proceeds from withdrawal of time deposits	120,526	5,400
Payment for purchase of property, plant and equipment	(4,093,447)	(5,615,864)
Proceeds from sales of property, plant and equipment	5,137	17,799
Payment for purchase of intangible assets	(419,560)	(207,396)
Payment for removal of stores	(55,935)	(78,681)
Increase in loans receivable	(185,000)	(315,500)
Proceeds from collection of loans receivable	83,062	57,696
Payment for purchase of investment in a subsidiary	—	(3,435,971)
Payment for purchase of investment in a subsidiary resulting in change in scope of consolidation	(10,999,115)	—
Payment for lease and guarantee deposits	(2,562,575)	(1,527,365)
Proceeds from collection of lease and guarantee deposits	1,011,240	669,580
Other, net	(102,608)	(79,719)
Net cash used in investing activities	(17,203,674)	(10,515,422)
Net cash provided by (used in) financing activities:		
Net increase (decrease) in short-term loans payable	864,471	(2,108,047)
Proceeds from long-term loans payable	—	10,000,000
Repayment of long-term loans payable	(2,259,060)	(9,252,800)
Cash dividends paid	(3,384,043)	(3,609,464)
Proceeds from issuance of convertible bonds	33,000,000	—
Other, net	(11,371)	(2,499)
Net cash provided by (used in) financing activities	28,209,995	(4,972,811)
Effect of exchange rate changes on cash and cash equivalents	378,867	(88,091)
Net increase in cash and cash equivalents	26,781,142	3,422,379
Cash and cash equivalents at beginning of period	41,990,939	38,568,560
Cash and cash equivalents at end of period (Note 3)	¥ 68,772,082	¥ 41,990,939

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

ABC-MART, INC. and consolidated subsidiaries

1. Basis of Presentation and Financial Statement Translation

The accompanying consolidated financial statements of ABC-MART, INC. and consolidated subsidiaries ("the Group") are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards ("IFRS"), and are compiled from the consolidated financial statements prepared by ABC-MART, INC. ("the Company") as required by the Financial Instruments and Exchange Act of Japan. Effective March 1, 2009, the Company adopted the "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" (PITF No. 18). In accordance with PITF No. 18, the accompanying consolidated financial statements for the years ended February 28, 2013 and February 29, 2012 have been prepared by using the accounts of foreign consolidated subsidiaries prepared in accordance with either IFRS or accounting principles generally accepted in the United States as adjusted for certain items.

In addition, for the convenience of readers outside Japan, the accompanying consolidated financial statements, including the notes thereof, have been reclassified and contain additional information which is not required under accounting principles generally accepted in Japan.

As permitted under the Financial Instruments and Exchange Law of Japan, amounts of less than one thousand yen have been omitted. As a result, the totals shown in the accompanying Consolidated Financial Statements do not necessarily agree with the sums of the individual amounts. Certain reclassifications have been made to prior year balances in order to conform to the current year presentation.

2. Summary of Significant Accounting Policies

(1) Basis of Consolidation

The accompanying Consolidated Financial Statements include the accounts of the Company and 12 subsidiaries (5 subsidiaries as of February 29, 2012) with an exception of a non-consolidated subsidiary due to immaterial impact on the consolidated financial statements. The investment in the non-consolidated subsidiary is not accounted for by the equity-method because of the immaterial effect on the consolidated financial statements in aggregated amount of net income and retained earnings, and therefore carried at cost (¥84,175 thousand as of February 28, 2013 and February 29, 2012).

During the year ended February 28, 2013, the Company acquired 100% of shares of LaCrosse Footwear, Inc. Therefore, LaCrosse Footwear, Inc. and its 6 subsidiaries have been included in scope of consolidation.

The year end at ABC-MART KOREA, INC., ABC-MART TAIWAN, INC., LaCrosse Footwear, Inc. and its 6 subsidiaries is December 31. The financial statements as of December 31 are used in preparing the consolidated financial statements for the subsidiaries. All material transactions during the period from January 1 to February 28 or 29 are adjusted for in the consolidation process.

(2) Securities

Available-for-sale securities are classified into two categories, where (a) the fair value is available and (b) the fair value is not available.

(a) Securities whose fair value is available are valued at the quoted market price prevailing at the end of the year. Net unrealized gains or losses on these securities are reported as a separate component of net assets at a net-of-tax amount. Cost of sales is determined using the moving-average method.

(b) Securities whose fair value is not available are valued at cost and the cost is determined using the moving-average method.

(3) Inventories

Inventories held for sale in the ordinary course of business are stated at cost. The book value of inventories is reduced on the basis of declines in profitability and is determined principally by the average method for merchandise, the FIFO method for finished goods, work in process and raw materials and supplies in overseas subsidiaries, and the specific identification method for raw materials and supplies in the Company and its domestic subsidiaries.

(4) Property, Plant and Equipment

(a) The Company and its domestic subsidiaries

Property, plant and equipment are stated at cost. Depreciation is mainly calculated using the declining-balance method at rates based on the estimated useful lives and residual values as prescribed by Japanese tax laws, except for the buildings (excluding building facilities) acquired on or after April 1, 1998, which are depreciated based on the straight-line method.

(b) Foreign subsidiaries:

Depreciation is calculated using the straight-line method.

(5) Intangible Assets

Intangible assets, excluding software for internal use and goodwill, are amortized using the straight-line method over the estimated useful lives as prescribed by Japanese tax laws. Software for internal use is amortized using the straight-line method over an estimated useful life of five years. The useful life of goodwill is individually estimated. Goodwill is amortized using the straight-line method over the estimated useful life.

(6) Leased assets

Depreciation of leased assets from finance lease transactions that are deemed to transfer ownership of the leased property is calculated using the same method applied to noncurrent assets of which the Company has ownership. Depreciation of leased assets from finance lease transactions that are not deemed to transfer ownership of the leased property is calculated using the straight-line method with no residual value except for the finance lease transactions executed prior to March 1, 2009 which are accounted for by the same method as that applied to ordinary operating leases.

(7) Allowances for Doubtful Accounts

Allowances for doubtful accounts are provided in amounts management considers sufficient to cover possible losses on collection. With respect to normal trade accounts receivable, it is stated at an amount based on the actual rate of historical bad debts, and for certain doubtful receivables, the uncollectible amount is individually estimated.

(8) Provision for Bonuses

As a provision for the payment of bonuses to employees, an appropriate portion of the estimated total bonus payment requirement has been accounted for in the year under review.

(9) Foreign Currency Translation

All assets and liabilities of the Company and its domestic consolidated subsidiaries denominated in foreign currencies are translated into Japanese yen at the exchange rate in effect at the respective balance sheet dates. Translation gains or losses are included in the accompanying Consolidated Statements of Income.

All balance sheet accounts of foreign subsidiaries are translated into Japanese yen at the exchange rate in effect at the respective balance sheet dates except for shareholders' equity, which is translated at the historical rates. All income and expense accounts are translated at the average exchange rate for the period. The resulting translation adjustments are included in the accompanying Consolidated Balance Sheets under "Foreign currency translation adjustments" and "Minority interests in consolidated subsidiaries."

(10) Derivative Transactions and Hedge Accounting

Derivative financial instruments are valued at fair value.

(a) Hedge accounting

If derivative financial instruments are used as hedges and meet certain hedge criteria, recognition of gains or losses resulting from changes in their fair value is deferred until the related losses or gains on the hedged items are recognized. Forward foreign exchange contracts which meet specific matching criteria are translated at the foreign exchange rate stipulated in the contracts.

(b) Hedging instruments and hedged items

- Hedging instruments – Derivative transactions (forward foreign exchange contracts)
- Hedged items – Hedged items are primary trade payables denominated in foreign currencies which have risks associated with adverse fluctuations in foreign currency.

(c) Hedge policy

Hedging transactions are being performed to mitigate future losses on the hedged items.

(d) Assessment of hedge effectiveness

Effectiveness of hedge is assessed by verifying if the foreign currency risks on the hedged items are mitigated.

(11) Cash and Cash Equivalents

Cash and cash equivalents in the accompanying Consolidated Statements of Cash Flows are comprised of cash on hand, demand deposits, and short term investments with maturities of three months or less from the date of acquisition, that are liquid, readily convertible into cash, and are subject to minimum risk of price fluctuation.

(12) Accounting for Consumption Taxes

The Japanese consumption taxes withheld and consumption taxes paid are not included in the accompanying Consolidated Statements of Income.

(13) Application of New Accounting Standards

Effective from the accounting changes and corrections of prior period errors made at and after the beginning of the year ended February 28, 2013, the Company applied the "Accounting Standard for Accounting Changes and Error Corrections" (ASBJ Statement No. 24 issued on December 4, 2009) and the "Guidance on Accounting Standard for Accounting Changes and Error Corrections" (ASBJ Guidance No. 24 issued on December 4, 2009).

3. Cash and Cash Equivalents

Cash and Cash equivalents as of February 28, 2013 and February 29, 2012 consist of the following:

	Thousands of yen	
	2013	2012
Cash and deposits	¥ 68,852,158	¥ 42,167,745
Time deposits with maturities over three months	(80,075)	(176,805)
Cash and cash equivalents at end of period	¥ 68,772,082	¥ 41,990,939

4. Financial Instruments

(1) Qualitative information on financial instruments

(a) Policies relating to financial instruments

The Group invests its funds mainly in short-term deposits and raises funds by loans from financial institutions and issuance of bonds. Derivative transactions are foreign exchange forward contracts which are only used to avoid the risks described below. The Group does not engage in derivative transactions for speculative purposes.

(b) Details of financial instruments and associated risk

Trade notes and accounts receivable, which are mostly related to tenant sales and credit card sales of commercial facilities, are exposed to credit risk of customers.

Investment securities, which are mostly related to foreign debt securities and stocks of financial institutions, are exposed to market price volatility risk and credit risk of issuers.

Investment in non-consolidated subsidiary does not have market price and is exposed to impairment risk due to financial result of the subsidiary.

Lease and guarantee deposits, which are mostly related to leasehold contracts of stores, are exposed to credit risk of lessors.

All notes and accounts payable and income taxes payable are due in one year.

Short-term loans payable are mostly related to funds used as payment of imported goods and Long-term loans payable are mostly related to capital expenditures. Loans are generally borrowed with fixed rate and therefore, there is no interest rate risk.

Convertible bonds are related to funds used as mid-term capital investment and the term of redemption of the convertible bonds are 4 years and 11 months at the longest.

Derivative transactions are foreign exchange forward contracts which are used to mitigate the risk of currency exchange rates fluctuations for receivables and payables denominated in foreign currencies. The Company also uses derivatives as hedging instruments, which is described in Note 2. "Summary of Significant Accounting Policies".

(c) Risk management systems relating to financial instruments

(i) Management of credit risk (risk relating to non-performance of a contract obligation by a counterparty, etc.)

With respect to trade receivables related to credit card sales, credit risk is fairly low because counterparties are group of financial institutions. With respect to trade receivables related to tenant sales, as same as lease and guarantee deposits, Store Development Department monitors each counterparty to reduce credit risk by early identification of a possible default caused by financial trouble of the counterparty.

The Company believes that the credit risk under derivative transactions is fairly low because counterparties of derivative transactions are limited to financial institutions with a high credit rating.

(ii) Management of market risks (risks associated with fluctuations in foreign currency exchange as well as interest rates, etc.)

With respect to investment securities and investment in non-consolidated subsidiary, the Group quarterly monitors fair values as well as the financial status of issuers (counterparties).

Basic policy of derivative transactions are decided by the Board of Directors and Import Team in Accounting Department performs and manages transactions. Balance of derivative transactions and status of gain and losses are periodically reported to the Board of Directors.

(iii) Management of liquidity risks associated with the procurement of funds (the risk of being unable to make payments on due dates)

The Group manages its liquidity risk by adequate preparation and update of financial planning depending on the status of funds.

(d) Supplementary explanation for fair values, etc. of financial instruments

Fair values of financial instruments are determined by market prices. If no market price is available, the fair value is based on the value that is calculated in a reasonable manner. The determination of such value contains variable factors, and the adoption of wide ranging and differing assumptions may cause values to change.

(2) Fair Value of financial instruments

Book values and fair values of the financial instruments on the Consolidated Balance Sheets on February 28, 2013 and February 29, 2012 are as follows. Financial instruments whose fair value is deemed highly difficult to measure are excluded from the table.

	Thousands of yen		
	2013		
	Book value	Fair value	Difference
Cash and deposits	¥ 68,852,158	¥ 68,852,158	¥ —
Notes and accounts receivable – trade	5,064,083		
Less — allowance for doubtful accounts	(23,645)		
Net trade receivables	5,040,438	5,040,438	—
Investment securities	89,216	89,216	—
Lease and guarantee deposits	12,725,554	13,014,689	289,135
Total assets	86,707,367	86,996,503	289,135
Notes and accounts payable – trade	7,477,486	7,477,486	—
Notes payable – facilities	936,279	936,279	—
Short-term loans payable	4,135,826	4,135,826	—
Income taxes payable	7,455,270	7,455,270	—
Convertible bonds	33,000,000	34,270,500	1,270,500
Long-term loans payable (including current portion)	3,505,600	3,529,476	23,876
Total liabilities	56,510,462	57,804,838	1,294,376
Derivative transactions *	¥ 1,049,336	¥ 1,049,336	¥ —

	Thousands of yen		
	2012		
	Book value	Fair value	Difference
Cash and deposits	¥ 42,167,745	¥ 42,167,745	¥ —
Notes and accounts receivable – trade	2,563,312		
Less — allowance for doubtful accounts	(6,337)		
Net trade receivables	2,556,974	2,556,974	—
Investment securities	74,456	74,456	—
Lease and guarantee deposits	10,250,216	10,458,683	208,466
Total assets	55,049,393	55,257,859	208,466
Notes and accounts payable – trade	7,147,386	7,147,386	—
Notes payable – facilities	960,493	960,493	—
Short-term loans payable	2,509,305	2,509,305	—
Income taxes payable	6,513,447	6,513,447	—
Long-term loans payable (including current portion)	5,758,400	5,779,857	21,457
Total liabilities	22,889,032	22,910,489	21,457
Derivative transactions *	¥ 942,582	¥ 942,582	¥ —

* The value of assets and liabilities arising from derivative transactions are shown by net value. Net liabilities are shown in parentheses.

Note 1: Items relating to the calculation of the fair value of financial instruments and derivative instruments

(Assets)

(1) Cash and deposits and notes and accounts receivable, trade

Given that those items are of short duration, their current value approximates their book value, and therefore the fair value is deemed to be that book value.

(2) Investment securities

Fair value of equity securities is based on quoted market prices, and fair value of debt securities is based on quoted market prices or quotes obtained from financial institutions. Additional information on securities classified by holding purpose is presented in Note 2. "Summary of Significant Accounting Policies".

(3) Lease and guarantee deposits

Given that lease and guarantee deposits are considered redeemable after a fixed period, their market value is calculated at a present value discounted across the period to maturity at the government bonds interest rates closest to the maturity date.

(Liabilities)

(1) Notes and accounts payable – trade, notes payable – facilities, short-term loans payable and income taxes payable

Given that those items are of short duration, their current value approximates their book value, and therefore the fair value is deemed to be that book value.

(2) Convertible bonds

The fair value of convertible bonds is based on market price.

(3) Long-term loans payable (including current portion)

The fair value of long-term loans payable is based on the present value, which is obtained by discounting the total of principal and interest by the interest rate that would be applied if similar new borrowings were entered into.

(Derivative transactions)

Fair value of derivative transactions is based on quotes obtained from financial institutions.

Note 2: Items for which fair value is deemed highly difficult to measure

	Thousands of yen	
	2013	2012
Investment securities:		
Non-listed securities (*1)	¥ **20,435**	¥ 20,435
Investment in non-consolidated subsidiary:		
Non-listed securities (*1)	**84,175**	84,175
Lease and guarantee deposits (*2)	**3,768,744**	4,081,771

(*1) These are not included in the above tables since determining their estimated fair values was deemed to be highly difficult, due to the fact that these do not have market prices.

(*2) These are not included in "Lease and guarantee deposits" in the above tables since determining their fair values was deemed to be highly difficult, due to the fact that the amount to be refunded cannot be reasonably estimated.

Note 3: Redemption schedule for receivables and marketable securities with maturities

	Thousands of yen			
	2013			
	Within one year	After one year within five years	After five years within ten years	After ten years
Cash and deposits	¥ 68,574,899	¥ –	¥ –	¥ –
Notes and accounts receivable – trade	5,064,083	–	–	–
Investment securities:				
Available-for-sale securities with maturities:				
Debt securities	–	56,848	–	–
Lease and guarantee deposits (*)	3,073,462	9,369,110	829,487	378,073
Total	¥ 76,712,445	¥ 9,425,959	¥ 829,487	¥ 378,073

	Thousands of yen			
	2012			
	Within one year	After one year within five years	After five years within ten years	After ten years
Cash and deposits	¥ 41,909,765	¥ –	¥ –	¥ –
Notes and accounts receivable – trade	2,563,312	–	–	–
Investment securities:				
Available-for-sale securities with maturities:				
Debt securities	–	44,723	–	–
Lease and guarantee deposits (*)	2,532,781	6,985,805	1,096,464	292,645
Total	¥ 47,005,859	¥ 7,030,528	¥ 1,096,464	¥ 292,645

(*) Items for which fair values is deemed to be highly difficult, due to the fact that the amount to be refunded cannot be reasonably estimated, are not included in “Lease and guarantee deposits”.

5. Securities

Book value and acquisition cost of available-for-sale securities as of February 28, 2013 and February 29, 2012 are as follows:

	Thousands of yen		
	2013		
	Book value	Acquisition cost	Difference
Securities with book value exceeding acquisition cost:			
Equity securities	¥ 25,627	¥ 17,788	¥ 7,839
Debt securities	63,589	49,759	13,830
Other	–	–	–
Sub-total	89,216	67,547	21,669
Securities with book value not exceeding acquisition cost:			
Equity securities	–	–	–
Debt securities	–	–	–
Other	20,435	20,435	–
Sub-total	20,435	20,435	–
Total	¥ 109,651	¥ 87,982	¥ 21,669

	Thousands of yen		
	2012		
	Book value	Acquisition cost	Difference
Securities with book value exceeding acquisition cost:			
Equity securities	¥ –	¥ –	¥ –
Debt securities	50,999	49,759	1,240
Other	–	–	–
Sub-total	50,999	49,759	1,240
Securities with book value not exceeding acquisition cost:			
Equity securities	23,456	34,371	(10,914)
Debt securities	–	–	–
Other	20,435	20,435	–
Sub-total	43,891	54,806	(10,914)
Total	¥ 94,891	¥ 104,565	¥ (9,673)

6. Leases

(1) Finance leases

Leased properties are store facilities (tools, furniture and fixtures) for retail business and leased intangible assets are software.

Finance lease transactions that are not deemed to transfer ownership of the leased property to the lessee and that were concluded prior to March 1, 2009 are accounted for by the same method as that applied to ordinary operating leases.

A summary of assumed amounts of acquisition cost, accumulated depreciation, and net book value, including the interest portion, as of February 28, 2013 and February 29, 2012 are as follows:

	Thousands of yen	
	2013	2012
Tools, furniture and fixtures:		
Acquisition costs	¥ 5,429	¥ 23,718
Accumulated depreciation	4,072	21,126
Net book value	1,357	2,592
Other:		
Acquisition costs	—	4,397
Accumulated depreciation	—	4,090
Net book value	¥ —	¥ 306
Lease payments	¥ 1,347	¥ 46,278
Depreciation expense (*)	1,347	46,278

(*) Depreciation expense is computed using the straight-line method over the lease term assuming no residual value.

The future lease payments of the Company's finance leases, including the interest portion, as of February 28, 2013 and February 29, 2012 are as follows:

	Thousands of yen	
	2013	2012
Due within one year	¥ 775	¥ 1,541
Due after one year	581	1,357
Total	¥ 1,357	¥ 2,898

(2) Operating leases

The amounts of outstanding future lease payments under lease agreements other than finance leases, which are non-cancelable, including the interest portion, as of February 28, 2013 and February 29, 2012 are as follows:

	Thousands of yen	
	2013	2012
Due within one year	¥ 1,430,535	¥ 897,721
Due after one year	2,717,412	1,402,935
Total	¥ 4,147,947	¥ 2,300,657

7. Derivatives

Derivatives transactions not applicable under hedge accounting criteria as of February 28, 2013 and February 29, 2012 are summarized as follows:

	Thousands of yen			
	2013			
	Contract value			
	Total	After one year	Fair value	Gains
Currency option contracts:				
Sell, put – US dollar	¥ 103,140,600	¥ 76,373,400	¥ –	¥ –
Buy, call – US dollar	35,045,500	25,457,800	1,049,336	1,049,336
Total	¥ 138,186,100	¥ 101,831,200	¥ 1,049,336	¥ 1,049,336

	Thousands of yen			
	2012			
	Contract value			
	Total	After one year	Fair value	Gains
Currency option contracts:				
Sell, put – US dollar	¥ 70,526,400	¥ 52,894,800	¥ –	¥ –
Buy, call – US dollar	24,174,100	17,631,600	942,583	942,583
Total	¥ 94,700,500	¥ 70,526,400	¥ 942,583	¥ 942,583

Note 1: Currency option contracts are zero-cost option contracts and no option premiums are paid and received. With respect to the zero-cost option contracts, fair value and gains of sell, put and buy, call contracts are shown in net amounts.

Note 2: Fair value of derivative transactions is based on quotes obtained from financial institutions.

8. Business Combination

Business combination on acquisition of shares is summarized as follows:

(1) Overview of the transaction

(a) Name and business of the acquired company:

LaCrosse Footwear, Inc. (Production and sales of shoes for business use and outdoor)

(b) Primary reasons for the acquisition:

1. The Group will be able to add two well-known brands such as Danner ® and LaCrosse ® into its portfolio and becomes available to use production base with high technology by the acquisition.
2. By the acquisition, it will be able to offer new added value to customers of ABC-MART by strengthening technical cooperation with factories in Europe and Asia which the Group already has relation.
3. Upon the acquisition, the Group will be able to have base in both North America and Europe and it is expected to contribute global marketing of the group including opening new stores of ABC-MART.

(c) Date of the business combination:

August 17, 2012

(d) Legal form of the business combination:

Acquisition of shares for cash

(e) Company's name after the business combination:

No change in the name of the company

(f) Percentage of voting rights acquired:

Voting rights held before the acquisition: 0%

Voting rights acquired at the date of the acquisition: 100%

(g) Basis of determination of acquiring company

Acquisition of the shares was made by the Company in cash payment.

(2) Period during which financial result of the acquired company is included in the consolidated financial statements

Financial result from July 1, 2012 to December 31, 2012 is included in the consolidated statement of income because June 30, 2012 is treated as deemed acquisition date and the year end of the acquired company is December 31.

(3) Acquisition cost of the acquired company and its breakdown

	Thousands of yen
Consideration for the acquisition	¥ 10,770,825
Direct expense related to the acquisition	309,656
	¥ 11,080,481

(4) Amount of goodwill recognized, reason for recognizing goodwill and amortization method and period

(a) Amount of goodwill recognized:

¥5,153,275 thousand

(b) Reason for recognizing goodwill:

Goodwill arose in connection with the expected future earning of the business run by the acquired company.

(c) Amortization method and period:

Straight-line method over 10 years

(5) Assets acquired and liabilities assumed at the date of business combination

	Thousands of yen
Current assets	¥ 5,213,823
Noncurrent assets	4,161,637
Total assets	¥ 9,375,460
Current liabilities	¥ 1,821,716
Noncurrent liabilities	1,626,538
Total liabilities	¥ 3,448,254

(6) Amounts allocated to intangible assets other than goodwill and amortized method and period
Trademark: ¥2,367,482 thousand (Straight-line method over 10 years)

(7) Pro forma information on consolidated statement of income for the year ended February 28, 2013 if the business combination had been completed on March 1, 2012 is omitted since the estimated impact is immaterial.

9. Short-Term Loans Payable and Long-Term Debt

Short-term loans payable and long-term debt as of February 28, 2013 and February 29, 2012 consist of the following:

	Thousands of yen	
	2013	2012
Short-term loans payable	¥ 4,135,826	¥ 2,509,305
Current portion of long-term loans payable	1,002,800	2,252,800
Long-term loans payable (excluding current portion)	2,502,800	3,505,600
Convertible bonds	33,000,000	—
Total short-term loans payable and long-term debt	¥ 40,641,426	¥ 8,267,705

Weighted-average rate of interest:		
Short-term loans payable	0.96%	1.08%
Current portion of long-term loans payable	0.89%	1.15%
Long-term loans payable (excluding current portion)	0.89%	1.14%
Convertible bonds	—	—

On February 5, 2013, the Company issued ¥ 33,000,000 thousand of Euro-yen convertible bonds with stock acquisition rights due in 2018. A summary of the convertible bonds with stock acquisition rights is as follows:

Type of stock to be issued upon conversion	Common stock of ABC-MART, INC.
Issue price of stock acquisition rights	—
Conversion price (yen)	¥ 4,588
Number of shares of common stock (Note 1)	7,192,676
Issue price of bonds (thousands of yen)	¥ 33,000,000
Common stock issued upon conversion	—
Percentage of stock acquisition rights granted	100%
Exercise period of conversion	February 19, 2013 to January 22, 2018
Pledge	Unsecured
Redemption date	February 5, 2018
Balance of stock acquisition rights as of February 28, 2013	—

Note 1: Number of shares of common stock are calculated on the assumption that all convertible bonds with stock acquisition rights are converted as of February 28, 2013.
Note 2: Exercise of a stock acquisition right causes the corresponding bond to be cancelled in lieu of a cash payment of purchase of shares, and the amount of the convertible bonds with stock acquisition right is the same as the amount of issuance.

The aggregate annual maturities of long-term debt including convertible bonds as of February 28, 2013 are summarized as follows:

Year ending February 28 or 29,	Thousands of yen
2015	¥ 1,002,800
2016	1,000,000
2017	500,000
2018	33,000,000
Total long-term debt	¥ 35,502,800

10. Income Taxes

(1) The significant components of deferred tax assets and liabilities as of February 28, 2013 and February 29, 2012 are as follows:

	Thousands of yen	
	2013	2012
Deferred tax assets:		
Accrued enterprise tax	¥ 489,207	¥ 433,568
Provision for bonuses	221,417	228,101
Depreciation and amortization	87,511	91,235
Allowance for doubtful accounts	3,682	4,086
Loss on valuation of inventories	229,991	170,599
Impairment loss	80,697	66,278
Tax laws adopted foreign subsidiaries	126,847	12,967
Accrued social insurance	31,402	32,163
Accrued business office tax	32,997	31,845
Asset retirement obligation	367,838	275,061
Allowance for accrued pension and severance costs	302,083	–
Other	254,676	54,949
Total deferred tax assets before net of valuation allowances	2,228,354	1,400,858
Valuation allowances	(110,735)	–
Total deferred tax assets	2,117,618	1,400,858
Deferred tax liabilities:		
Property, plant and equipment	(127,342)	–
Intangible assets	(363,080)	–
Other	(24,958)	(530)
Total deferred tax liabilities	(515,381)	(530)
Net deferred tax assets	¥ 1,602,237	¥ 1,400,328

(2) The reconciliation of the difference between the statutory tax rate and the effective tax rate for the years ended February 28, 2013 and February 28, 2012 are as follows:

	2013	2012
Statutory tax rate	40.6%	40.6%
Adjustments:		
Income taxes on retained earnings of family company	2.1%	2.2%
Tax rate difference in subsidiaries	(0.9%)	(1.6%)
Amortization of goodwill	0.7%	0.4%
Other	0.3%	0.3%
Effective tax rate	42.8%	41.9%

11. Asset Retirement Obligations

(1) Asset retirement obligations recorded in the Consolidated Financial Statements

(a) Summary of asset retirement obligations

The Company recorded asset retirement obligations mainly related to the obligation to return stores to their original condition upon termination of their lease contracts.

(b) Calculation method of the asset retirement obligations

In the calculation process of asset retirement obligations, the Company estimates terms of use between 3 and 6 years and use government bond interest rates as discount rates.

(c) Changes in the total amounts of applicable asset retirement obligations in the years ended February 28, 2013 and February 29,2012

	Thousands of yen	
	2013	2012
As of March 1	¥ 147,762	¥ 120,608
Increase due to acquisition of property, plant and equipment	72,610	27,350
Adjustment due to passage of time	5,541	2,817
Decrease due to settlement of asset retirement obligations	(5,567)	(3,014)
Others	15,723	0
As of February 28 or 29	¥ 236,069	¥ 147,762

Effective from the year ended February 29, 2012, the Company and domestic subsidiaries have applied the "Accounting Standard for Asset Retirement Obligations" (ASBJ Statement No. 18, March 31, 2008) and the "Guidance on Accounting Standard for Asset Retirement Obligations" (ASBJ Guidance No. 21, March 31, 2008). The balance as of March 1, 2011, above represents the asset retirement obligations at the beginning of the year ended February 29, 2012 as a result of application of these standards.

(2) Asset retirement obligations not included in the consolidated balance sheets

Asset retirement obligations for leasehold contracts of certain offices and stores, for which the related amount could not be reasonably estimated because the period of use of the properties is uncertain and there is no current plan to vacate the properties, are not included in the consolidated balance sheets.

For certain lease and guarantee deposits, instead of recording asset retirement obligations as liability, a reasonable estimate of the amount of deposits for rental properties, that cannot be recovered at the end of the leasehold contracts, is made, and the portion for the corresponding year is recorded as expenses. Lease and guarantee deposits that are expected not to be recovered at the end of the leasehold contracts are ¥1,018,497 thousand and ¥659,450 thousand as of February 28, 2013 and February 29, 2012, respectively.

12. Commitment and Contingencies

The amount of assets pledged as collateral by the Company and corresponding liabilities as of February 28, 2013 and February 29, 2012 are as follows:

2013

Assets pledged:	Thousands of yen	Corresponding liabilities:	Thousands of yen
Lease and guarantee deposits	¥ 810	Bank loans	¥ 580,484
Cash and deposits	¥ 140,317	Accounts payable	¥ 42,058
		Bank loans	280,009

Note: Total assets of LaCrosse Footwear, Inc. (¥7,871,203 thousand) are pledged for a commitment line agreement.

2012

Assets pledged:	Thousands of yen	Corresponding liabilities:	Thousands of yen
Cash and deposits	¥ 20,494	Bank loans	¥ 496,836
Lease and guarantee deposits	675		
Cash and deposits	¥ 211,297	Accounts payable	¥ 46,072
		Bank loans	159,397

13. Net Assets

Net assets comprise three subsections, which are shareholders' equity, accumulated other comprehensive income, and minority interests in consolidated subsidiaries.

The Japanese Corporate Law (the "Law") became effective on May 1, 2006, replacing the Japanese Commercial Code (the "Code"). The Law is generally applicable to events and transactions occurring after April 30, 2006, and for the years ending after that date.

Under Japanese laws and regulations, the entire amount paid for new shares is required to be designated as common stock. However, a company may, by a resolution of its board of directors, designate an amount not exceeding one-half of the price of the new shares as additional paid-in capital, which is included in capital surplus.

Under the Law, in cases where dividend distribution of surplus is made, the smaller of an amount equal to 10% of the dividend or the excess, if any, of 25% of common stock over the total of additional paid-in capital and legal earnings reserve must be set aside as additional paid-in capital or legal earnings reserve. Legal earnings reserve is included in retained earnings in the accompanying Consolidated Balance Sheets.

Under the Code, a company is required to set aside an amount equal to at least 10% of the aggregate amount of cash dividends and other cash appropriations as legal earnings reserve until the total of legal earnings reserve and additional paid-in capital equaled 25% of common stock.

Under the Code, legal earnings reserve and additional paid-in capital could be used to eliminate or reduce a deficit by a resolution of the shareholders' meeting or could be capitalized by a resolution of the board of directors. Under the Law, both of these appropriations generally require a resolution of the shareholders' meeting.

Additional paid-in capital and legal earnings reserve may not be distributed as dividends. Under the Code, however, on condition that the total amount of legal earnings reserve and additional paid-in capital remained equal to or exceeded 25% of common stock, they were available for distribution by a resolution of the shareholders' meeting. Under the Law, all additional paid-in capital and all legal earnings reserve may be transferred to other capital surplus and retained earnings, respectively, which are potentially available for dividends.

The maximum amount that the Company can distribute as dividends is calculated based on the Non-Consolidated Financial Statements of the Company in accordance with the Law.

At the annual shareholders' meeting, held on May 29, 2013, the shareholders approved cash dividends amounting to ¥2,108,239 thousand. Such appropriations have not been accrued in the Consolidated Financial Statements as of February 29, 2013. Such appropriations are recognized in the period in which they are approved by the shareholders.

14. Other comprehensive income

The following table presents reclassification adjustments and tax effects allocated to each component of other comprehensive income for the year ended February 28, 2013:

	Thousands of yen
Net unrealized gains on available-for-sale securities:	
Amount arising during the year	¥ 14,760
Reclassification adjustments for gains and losses included in net income	16,582
Net unrealized gains on available-for-sale securities before tax	31,342
Tax effects	(12,163)
Net unrealized gains on available-for-sale securities	19,178
Foreign currency translation adjustments:	
Amount arising during the year	3,651,247
Total other comprehensive income	¥ 3,670,426

15. Supplementary profit and loss information

(1) Components of gain on sales of noncurrent assets for the years ended February 28, 2013 and February 29, 2012 are as follows:

	Thousands of yen	
	2013	2012
Tools, furniture and fixtures	¥ —	¥ 6,337
Vehicles	545	98
Total	¥ 545	¥ 6,435

(2) Components of loss on sales of noncurrent assets for the years ended February 28, 2013 and February 29, 2012 are as follows:

	Thousands of yen	
	2013	2012
Vehicles	¥ 343	¥ —
Total	¥ 343	¥ —

(3) Components of loss on retirement of noncurrent assets for the years ended February 28, 2013 and February 29, 2012 are as follows:

	Thousands of yen	
	2013	2012
Buildings and structures	¥ 9,943	¥ 7,781
Tools, furniture and fixtures	49,313	45,273
Vehicles	—	1,100
Software	76	—
Store removal expenses	55,399	62,726
Total	¥ 114,733	¥ 116,881

16. Impairment loss on property, plant and equipment

For the years ended February 28, 2013 and February 29, 2012, the Company recognized ¥408,046 thousand and ¥549,577 thousand of impairment loss, respectively, on the following groups of assets:

Description	Location	Classification	Thousands of yen
			2013
Stores	Isezaki city, Gunma and other 74 stores (Close, 20 stores and renewals, 54 stores).	Buildings	¥ 372,672
		Tools, furniture and fixtures	35,374
		Total impairment loss	¥ 408,046

Description	Location	Classification	Thousands of yen
			2012
Stores	Hiroshima city, Hiroshima and other 54 stores (Close, 9 stores and renewals, 45 stores).	Buildings	¥ 524,884
		Tools, furniture and fixtures	24,693
		Total impairment loss	¥ 549,577

Note: No impairment loss was allocated to leased properties for the years ended February 28, 2013 and February 28, 2012.

The Company groups its fixed assets by store, which is the minimum cash-generating unit. The book values of stores which are expected to be closed or renewed, or which incurred consecutive operating losses were reduced to recoverable amounts, and such deducted amounts were recorded as an impairment loss. Values in use were used as recoverable amounts and relevant assets were evaluated by discounting estimated future cash flows to which the 5% discount rates was applied.

17. Per Share Information

Net income and cash dividends per share for the years ended February 28, 2013 and February 29, 2012, and net assets per share as of February 28, 2013 and February 29, 2012 are as follows:

	Yen	
	2013	2012
Net income per share:		
Basic	**¥ 229.73**	¥ 208.20
Diluted (*)	**228.30**	–
Net assets per share:		
Basic	**¥ 1,453.95**	¥ 1,221.02
Cash dividends per share	**¥ 50.00**	¥ 42.00

(*) No diluted net income for the year ended February 29, 2012 has been presented because there was no item with dilutive effect.

Bases for the calculation of basic and diluted net income per share for the years ended February 28, 2013 and February 29, 2012 are as follows:

	Thousands of yen	
	2013	2012
Basic:		
Net income	**¥ 17,297,577**	¥ 15,676,460
Net income pertaining to common shareholders	**17,297,577**	15,676,460
Weighted-average number of shares of common stock outstanding (shares)	**75,294,265**	75,294,265
Diluted:		
Adjustments of net income	–	–
Effect of dilutive securities – convertible bonds (shares)	**7,192,676**	–

Note: There is no item which had not been included in the calculation of diluted net income per share due to no dilutive effect.

18. Related Party Transaction

Information of the related parties is as follows:

Related party	Classification	Address	Capital and investments	Business	Voting rights (held)
Masahiro Miki	Major shareholder	—	—	—	Directly 32.51%
Michiko Miki	Major shareholder	—	—	—	Directly 16.71%
E.M Planning, LLC.	Company in which major shareholders and their relatives own majority of voting rights	Shibuya ward, Tokyo	¥ 10,000 thousand	Real estate	Directly 19.16%
Hamanishi Building Co.	Company in which major shareholders and their relatives own majority of voting rights	Nishi ward, Yokohama	¥ 43,440 thousand	Real estate	—

Transactions between the Company and the related parties for the years ended February 28, 2013 and February 29, 2012 are as follows:

	Thousands of yen	
	2013	2012
Balance of the transactions:		
Masahiro Miki:		
Prepaid expense	¥ 16,747	¥ 16,747
Lease and guarantee deposits	147,500	147,500
Michiko Miki:		
Prepaid expense	14,437	14,437
Lease and guarantee deposits	97,500	97,500
E.M Planning, LLC.:		
Prepaid expense	24,725	24,725
Lease and guarantee deposits	247,000	247,000
Hamanishi Building Co.:		
Prepaid expense	16,800	16,800
Lease and guarantee deposits	160,000	160,000
Transaction amounts:		
Masahiro Miki:		
Leasing of buildings	¥ 191,400	¥ 191,400
Michiko Miki:		
Leasing of buildings	165,000	165,000
E.M Planning, LLC.:		
Leasing of buildings	282,571	282,571
Hamanishi Building Co.:		
Leasing of buildings	192,000	192,000

Note 1: Monthly rent and lease deposit in lease contracts are determined based on prevailing market prices.

Note 2: The transaction amount is exclusive of consumption taxes.

19. Segment Information

(1) Overview of reportable segments

With respect to its reportable segments, the Company is able to obtain delineated financial data from its structural units. Its segments are subject to periodical review for the purpose of making decisions on allocation of managerial resources and evaluating business performance by the Board of Directors.

The Group operates shoes retail stores, "ABC-MART" all over the world and sells retail products mainly shoes. In Japan, The Company, ABC-MART, INC., operates its business, and in overseas, ABC-MART, KOREA, ABC-MART, TAIWAN and LaCrosse Footwear, Inc. (U.S.A) operate their business independently as management units. Therefore, the Group consists of geographical reportable segments such as "Domestic" and "Overseas". Each reportable segment sells shoes and other shoes related clothing and accessories.

During the year ended February 28, 2013, LaCrosse Footwear, Inc. which operates business in North America, Europe and Asia became a consolidated subsidiary. Therefore the Company changed the names of the reportable segments from "Japan" and "Asia" to "Domestic" and "Overseas", respectively. As a result, the segment information for the year ended February 29, 2012 has been prepared and disclosed based on the revised names of the reportable segments.

(2) Calculation methodology for revenues from operations, income or losses, assets and liabilities, and other items for each reportable segment

The accounting treatment of each reportable segment is in line with Note 2. "Summary of Significant Accounting Policies". Segment income as reported in this section is based on operating income. Intersegment revenues and transfers are calculated at prevailing market prices.

(3) Information on sales, income, assets and other monetary items for each reportable segment

	Thousands of yen				
	2013				
	Reportable segments				Consolidated total
	Domestic	Overseas	Total	Adjustments	
Sales:					
Customers	¥ 131,773,827	¥ 27,644,313	¥ 159,418,140	¥ —	¥ 159,418,140
Intersegment	358,218	86,252	444,470	(444,470)	—
Total revenue	¥ 132,132,045	¥ 27,730,565	¥ 159,862,610	¥ (447,470)	¥ 159,418,140
Segment income	¥ 28,759,548	¥ 1,611,556	¥ 30,371,104	¥ 4,012	¥ 30,375,117
Segment assets	135,687,435	39,097,224	174,784,659	(625,238)	174,159,421
Other items:					
Depreciation and amortization	2,308,166	942,711	3,250,878	—	3,250,878
Amortization of goodwill	—	549,441	549,441	—	549,441
Net increase in property, plant and equipment and intangible assets	3,385,938	11,734,330	15,120,269	—	15,120,269

	Thousands of yen				
	2012				
	Reportable segments				Consolidated total
	Domestic	Overseas	Total	Adjustments	
Sales:					
Customers	¥ 121,856,243	¥ 18,904,773	¥ 140,761,016	¥ —	¥ 140,761,016
Intersegment	429,326	18,160	447,486	(447,486)	—
Total revenue	¥ 122,285,569	¥ 18,922,933	¥ 141,208,503	¥ (447,486)	¥ 140,761,016
Segment income	¥ 24,617,520	¥ 2,612,929	¥ 27,230,450	¥ (9,222)	¥ 27,221,227
Segment assets	101,607,412	18,655,296	120,262,709	(58,767)	120,203,941
Other items:					
Depreciation and amortization	2,128,907	519,222	2,648,130	—	2,648,130
Amortization of goodwill	—	264,003	264,003	—	264,003
Net increase in property, plant and equipment and intangible assets	3,547,959	3,350,024	6,897,984	—	6,897,984

Note 1: The adjustments of ¥4,012 thousand and ¥(9,222) thousand for segment income and ¥(625,238) thousand and ¥(58,767) thousand for segment assets are eliminations of intersegment transactions for the years ended February 28, 2013 and February 29, 2012, respectively.

Note 2: Segment income and segment assets are reconciled with the operating income in the Consolidated Statements of Income and total assets in Consolidated Balance Sheets, respectively.

Note 3: Effective from the year ended February 29, 2012, the Company has changed its rates of translation of income and expense accounts of foreign subsidiaries from the rates in respective balance sheet dates to the average exchange rate for the period.

As a result of this change, sales to customers and segment income in Overseas for the year ended February 29, 2012 increased by ¥1,108,315 thousand and ¥188,459 thousand, respectively.

(Related information)

(1) Information by products and services

Information is omitted since sales to customers of single category of products and services exceed 90% of consolidated net sales.

(2) Information by region

Information is omitted since it is described in the segment information.

(3) Information by major customers

Information is omitted since there is no customer accounting for 10% or more of consolidated net sales.

(4) Information regarding impairment loss on fixed assets by reportable segment for the years ended February 28, 2013 and February 29, 2012 is as follows:

	Thousands of yen				
	2013				
	Domestic	Overseas	Total	Adjustments	Consolidated total
Impairment loss	¥ 395,001	¥ 13,045	¥ 408,046	¥ —	¥ 408,046

	Thousands of yen				
	2012				
	Domestic	Overseas	Total	Adjustments	Consolidated total
Impairment loss	¥ 539,213	¥ 10,363	¥ 549,577	¥ —	¥ 549,577

(5) Information on amortization and outstanding balance of goodwill by reportable segment for the years ended February 28, 2013 and February 29, 2012 is as follows:

	Thousands of yen				
	2013				
	Domestic	Overseas	Total	Adjustments	Consolidated total
Amortization	¥ —	¥ 549,441	¥ 549,441	¥ —	¥ 549,441
Balance at the end of year	¥ —	¥ 6,821,704	¥ 6,821,704	¥ —	¥ 6,821,704

	Thousands of yen				
	2012				
	Domestic	Overseas	Total	Adjustments	Consolidated total
Amortization	¥ —	¥ 264,003	¥ 264,003	¥ —	¥ 264,003
Balance at the end of year	¥ —	¥ 964,553	¥ 964,553	¥ —	¥ 964,553

(6) Information regarding gain on negative goodwill by reportable segment

None

20. Subsequent Event

Subsequent to February 28, 2013, the Company's Board of Directors declared a year-end cash dividend of ¥2,108,239 thousand to be payable on May 30, 2013 to shareholders on record on February 28, 2013. The dividend declared was approved by the shareholders at the meeting held on May 29, 2013.