

MR MAX CORPORATION

FINANCIAL STATEMENTS

YEAR ENDED 31st MARCH, 2011

Note : MrMax Corporation Japanese financial statements are audited by accounting firm ERNST & YOUNG SHINNIHON LLC but this English financial statements are unaudited.

MR MAX CORPORATION

Balance Sheets

	31st March		
	2009	2010	2011
	(Millions of yen)		
Assets			
Current assets:			
Cash and cash equivalents	¥2,081	¥1,317	¥1,969
Notes and accounts receivable	931	1,147	1,239
Inventories	7,486	7,410	8,176
Deferred tax assets	522	777	580
Other current assets	836	846	1,137
Total current assets	11,856	11,497	13,101
Property, plant and equipment:			
Land	27,368	27,368	27,390
Buildings and structures	34,472	35,316	37,018
Vehicles	34	36	38
Furniture and fixtures	3,540	3,785	4,369
Lease Assets	—	864	1,309
Construction in progress	7	6	10
	65,421	67,375	70,134
Accumulated depreciation	(21,281)	(22,400)	(24,167)
Property, plant and equipment, net	44,140	44,975	45,967
Intangible assets:	340	373	464
Investments and other assets:			
Investments in securities	432	520	406
Security deposits for landlords	9,667	10,067	10,769
Deferred tax assets	422	435	514
Other assets	2,801	2,877	2,562
Allowance for doubtful accounts	(6)	(6)	(6)
Total investments and other assets	13,316	13,893	14,245
	¥ 69,652	¥ 70,738	¥ 73,777

	2009	31 st March 2010	2011
		(Millions of yen)	
Liabilities and shareholders' equity and net assets			
Current liabilities:			
Notes and accounts payable:			
Trade	¥12,858	¥13,186	¥14,184
Property and equipment	35	292	114
	<u>12,893</u>	<u>13,478</u>	<u>14,298</u>
Current portion of long-term debt	7,575	7,725	8,487
Other accounts payable	1,694	1,844	1,662
Income taxes payable	329	282	—
Accrued expense and other current liabilities	<u>2,578</u>	<u>2,070</u>	<u>1,945</u>
Total current liabilities	25,069	25,399	26,392
Long-term liabilities:			
Long-term debt	14,825	14,450	16,112
Allowance for retirement benefits for employees	447	478	518
Security deposit received from tenantry	7,340	7,105	6,675
Other	<u>563</u>	<u>1,311</u>	<u>2,471</u>
Total long-term liabilities	23,175	23,344	25,776
Net assets:			
Owners' equity:			
Common stock, without par value:			
Authorized – 80,000,000 shares			
Issued: 39,611,134 shares in 2009 and 2010, 2011	10,230	10,230	10,230
Capital surplus	9,951	9,951	9,951
Retained earnings	<u>3,869</u>	<u>4,426</u>	<u>4,111</u>
	24,050	24,607	24,292
Less common stock in treasury, at cost; 6,203,528 shares in 2009 and, 6,206,152 shares in 2010, 6,393,182 shares in 2011	<u>(2,541)</u>	<u>(2,542)</u>	<u>(2,593)</u>
	21,509	22,065	21,699
Valuation and translation adjustments:			
Net unrealized gains(losses) on available-for-sale securities	(104)	(74)	(85)
Deferred gains or losses on hedges	<u>3</u>	<u>4</u>	<u>(5)</u>
	(101)	(70)	(90)
Total net assets	<u>21,408</u>	<u>21,995</u>	<u>21,609</u>
Total liabilities and net assets	<u>¥69,652</u>	<u>¥70,738</u>	<u>¥73,777</u>

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Income statement

	Year ended 31 st March		
	2009	2010	2011
	(Millions of yen)		
Operating revenues:			
Net sales	¥ 92,131	¥ 99,178	¥ 99,604
Rental revenue from real estate	4,366	4,304	4,314
Total operating revenues	96,498	103,482	103,918
Cost of sales	72,837	79,446	78,621
Gross profit	23,661	24,036	25,297
Selling, general and administrative expenses	22,979	23,280	24,888
Operating income	681	756	409
Other income (expenses):			
Interest and dividend income	109	114	119
Interest expense	(340)	(331)	(342)
Loss on disposals of property	(29)	(34)	(9)
Gain on sales of investment in securities	2	15	7
Gain on penalty for tenant going out	49	13	42
Loss on adjustment for changes of accounting standard for asset retirement obligations	—	—	(306)
Impairment loss	(4,060)	—	—
Loss on valuation of goods	(1,027)	—	—
Loss on closing stores	(58)	—	—
Other, net	25	499	330
	(5,329)	276	(159)
Income before income taxes	(4,648)	1,032	250
Income taxes			
Current	381	429	100
Deferred	50	(289)	131
	431	140	231
Net income for the year	<u>¥ (5,079)</u>	<u>¥ 892</u>	<u>¥ 19</u>

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Statements of Changes in Net Assets

(Millions of yen)

	Owners' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total owners' equity
Balance at 31 st March, 2010	10,230	9,951	4,426	(2,542)	22,065
Increase(decrease)of items during the year					
Dividends from surplus	—	—	(334)	—	(334)
Net income for the year	—	—	19	—	19
Purchase of treasury stock	—	—	—	(51)	(51)
Disposal of treasury stock	—	0	—	0	0
(Decrease)increase of items during the year except those included in owner's equity	—	—	—	—	—
Total increase(decrease)of items during the year	—	0	(315)	(51)	(366)
Balance at 31 st March, 2011	10,230	9,951	4,111	(2,593)	21,699

	Valuation and translation adjustments			Total net assets
	Net unrealized gains(losses) on available-for-sale securities	Deferred gains or losses on hedges	Total valuation and translation adjustments	
Balance at 31 st March, 2010	(74)	4	(70)	21,995
Increase(decrease)of items during the year				
Dividends from surplus	—	—	—	(334)
Net income for the year	—	—	—	19
Purchase of treasury stock	—	—	—	(51)
Disposal of treasury stock	—	—	—	0
(Decrease)increase of items during the year except those included in owner's equity	(11)	(9)	(20)	(20)
Total increase(decrease)of items during the year	(11)	(9)	(20)	(386)
Balance at 31 st March, 2011	(85)	(5)	(90)	21,609

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Statements of Cash Flows

	Year ended 31 st March 2010 (Millions of yen)	2011
Operating activities		
Income before income taxes	¥ 1,032	¥ 250
Depreciation and amortization	1,627	1,850
Loss on disposals of property	34	9
Increase (Decrease) in provision for retirement allowances	28	39
Interest and dividend	(114)	(119)
Interest expense	331	342
(Gain) Loss on sales of investment in securities	(3)	46
Loss on adjustment for changes of accounting standard for asset retirement obligations	—	306
(Increase) Decrease in accounts receivable	(24)	(219)
(Increase) Decrease in inventories	114	(766)
Increase (Decrease) in notes and accounts payable	206	919
Other	(68)	(240)
	3,163	2,417
Interest and dividend income received	24	20
Interest expense paid	(294)	(307)
Income taxes paid	(495)	(443)
Subsidy received	69	—
Net cash provided by operating activities	2,467	1,687
Investing activities		
Proceeds from sales of investment in securities	131	138
Purchases of investment in securities	(179)	(74)
Purchases of property, plant and equipment	(986)	(1,963)
(Increase) Decrease in Security deposits for landlords	(840)	(403)
Other	(729)	(695)
Net cash used in investing activities	(2,603)	(2,997)

Financing activities		
Increase (Decrease) in bank loans	(225)	2,424
(Increase) Decrease in treasury stock	(1)	(51)
Cash dividends paid	(333)	(334)
Other	(23)	(73)
Net cash provided by financing activities	<u>(582)</u>	<u>1,966</u>
Effect of exchange rate changes on cash and cash equivalents	<u>(3)</u>	<u>(5)</u>
Net increase (decrease) in cash and cash equivalents	(721)	651
Other	1	—
Cash and cash equivalents at beginning of year	<u>2,084</u>	<u>1,364</u>
Cash and cash equivalents at end of year	<u><u>¥ 1,364</u></u>	<u><u>¥ 2,015</u></u>