



3. Forecast of Consolidated Results for Period Ending December 2015 (January 1, 2015 to December 31, 2015)  
(Percent indicates year-on-year changes for full financial year and quarterly changes for same quarterly periods of previous year)

	Net Sales		Operating Profits		Ordinary Profit		Current Net Income		Current Net Income per Share	
	M Yen	%	M Yen	%	M Yen	%	M Yen	%	Yen	Sen
2 <sup>nd</sup> Quarter (Total)	-	-	-	-	-	-	-	-	-	-
Full Period	70,000	39.5	4,550	162.1	4,550	155.9	4,200	238.2	7.71	

(Note) There is no estimate for the 2<sup>nd</sup> quarter consolidated period results. Please refer to details are on page 3 "1. Analysis on Operating Results and Financial Conditions (1) Analysis on Operating Results and Prospects on the Following Period"

\* Remarks

(1) Transfers in major subsidiaries during period (Transfers in specific subsidiaries that would result in change in consolidated range) : None

(2) Change in accounting practices or change / revisions / restatement in accounting estimates

(a) Change in accounting practices due to revisions : None  
in accounting standards and such

(b) Change in accounting practices other than (a) : None

(c) Change in accounting estimates : None

(d) Restatement of revisions : None

(3) Number of issued shares (ordinary shares)

(a) Number of issued shares at the end of the period  
(including treasury stocks)

(b) Number of treasury stocks at the end of the  
period

(c) Average number of shares during period

(Ref) Overview of Separate Results

1. Separate Results for December 2014 Period (January 1, 2014 to December 31, 2014)

(1) Separate Operating Results (Percentage indicates year-on-year changes)

	Net Sales		Operating Profits		Ordinary Profit		Current Net Income	
	M Yen	%	M Yen	%	M Yen	%	M Yen	%
Dec '14 Period	38,827	120.8	2,787	—	2,870	—	1,488	—
Dec '13 Period	17,588	23.0	△344	—	△295	—	△1,712	—

	Current Net Income per Share		Current Net Income after Diluted Net Income per Share	
	Yen	Sen	Yen	Sen
Ending Dec '14	2.73		—	
Ending Dec '13	△3.14		—	

(2) Separate Financial Condition

	Total Assets		Net Assets		Capital Ratio		Net Asset per Share	
	M Yen	%	M Yen	%	Yen	Sen	Yen	Sen
Ending Dec '14	16,395	71.7	11,751	71.7	71.7		21.57	
Ending Dec '13	12,875	79.7	10,264	79.7	79.7		18.84	

(Ref) Equity Ending Dec '14 11,751 M Yen Ending Dec '13 10,264 M Yen

\* Statements on Execution of Auditing Procedures

This brief on financial statements is not subject to the auditing procedures based on the Financial Instruments and Exchange Act. At the time this brief is made public, the auditing procedures for the financial statements based on the Financial Instruments and Exchange Act was not finalized.

※ \* Descriptions and Other Specific Matters Regarding Appropriate Use of Operating Forecasts

The descriptions on future developments such as operating forecasts stated in this reference material are based on information that our company currently possesses and other certain premises determined under our discretions. It is possible that the actual results and the like may, due to various factors, change significantly. Please refer to Appendix page 2 'Analysis on Operating Results' for the operating forecast conditions and remarks on using the operating forecasts.

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## 1. Analysis on Operating Results and Financial Conditions

### (1) Analysis on Operating Results

#### (a) Current operating results

The economic environment for the current consolidated financial year showed a slow-growth trend in China with investment restraints and other factors while a gradual downturn in the developing countries continued. In addition, Japan's economy recovered slowly in consumer spending due to the reaction from the frontloaded demand preceding the consumption tax hike, however, recoveries were seen with improvements in company profits and employment situation. Furthermore, all transitions were opaque with negative impact from the import prices on one hand and in parallel the weak yen pulling foreign consumption.

The trend of overseas tourists visiting Japan, which affects our key operations, showed a 29% year-on-year increase with 13.41 million tourists, a record-breaking number since statistics were introduced for the number of overseas tourists visiting Japan. This was due to, not only as a tailwind from the weaker yen making travelling expenses feel cheaper, but also from the government travel promotions to Japan, the expansion of consumption tax exempt from duty-free items, effects from the relaxation and exemption of visas for tourists from South East Asia, and Chinese cruise ships stopping by Japan. With the significant increase of individual and group travellers, the number of Chinese tourists, our main customers, was 2.41 million, an 83% year-on-year increase. We foresee further growth in the future.

Under these circumstances, our company group aims at capturing the total Asian market by embodying a Japan Premium with high quality and reliable products, and the Japanese hospitality well-known around the world.

In the Domestic Store Business, we created an attractive floor space under the concept of 'Great Satisfaction in Japan' where our customers can find and experience new discoveries and sensations. Our flagship store, designed with a Japanese modern image, is full of products that cover various demands such as traditional crafts, cosmetics, and health foods serviced with the popular Japanese hospitality for our international customers. During our current financial year, we launched Laox Sapporo Store in January 2014 inside Norubesa, a popular tourist spot and area in Sapporo; Laox Okinawa Kokusai-dori Store in Kokusai-dori, Naha's largest entertainment area in Okinawa in March 2014; Laox Osaka Dotonbori Store in Dotonbori, a major entertainment area in Osaka in June 2014; Laox Chitose Outlet Mall Rera Store, Laox Nagasaki Glover-dori Store, and Laox Okayama Airport Store in August 2014; and Laox Rinku Seacle Store in September 2014. By launching these stores, we are in the midst of building the largest total duty free store network in Japan.

In the Branch Store Business in China, we closed nine stores after considering our approach to business changes in China and future profitability. With the resilient bond with our parent company, Suning Commerce Group Co., Ltd., in the background, we continue our efforts in revising the profit structure and carrying out efficient operations of the stores.

In Foreign Trade Business, structural reforms are being made to our business with full-fledged quality control and reconfiguration of our logistic systems for our products developed and manufactured in China and sold in Japan. In addition, we are proactively involved with the export business focused on baby products together with our Chinese subsidiaries to launch high-quality Japanese products into the Chinese market.

As a result, the net income of our current financial year was 50.196 billion yen (33.150 billion yen, a 51.4% year-on-year increase) and the operating profits were 1.736 billion yen (a 1.664 billion yen year-on-year loss).

This surplus, for the first time in 14 periods, proves that we were able to establish and embody Japan Premium, the Loax business model, to the world market including China and Asia. We aim at becoming a leading global company with our strengths and features hereafter in the next period as well as diligently strive to further our consolidated and unit based income and profits.

The segment results by business type are as follows.

(i) Domestic Store Business

In this business segment, with the full-scale increase of Chinese tourists visiting Japan in the first half, we executed proactive promotions to entice the tourists to our stores. With the progressing weaker yen and the government travel promotions to Japan for overseas tourist, the net income of our current consolidated financial year was 34.581 billion yen (13.177 billion yen, a 162.4% year-on-year increase) and the operating profits were 4.007 billion yen (441 million yen in profits, a 807.7% year-on-year increase).

(ii) Branch Store Business in China

In this business segment, with the sluggish consumer spending in China and changes in the business regions, although efforts were implemented to reduce costs by closing unprofitable stores, we could not catch up with the speed of the changing external environment. Thus the net income of our current consolidated financial year was 11.212 billion yen (15.091 billion yen, a 25.7% year-on-year loss) and the operating loss was 1.053 billion yen (1.223 billion yen year-on-year loss).

(iii) Foreign Trade Business

In this business segment, we are reforming our business structure such as implementing a thorough quality control and reconfiguring the logistic systems in our import sales for our products developed and manufactured in China. The weak yen had considerable impact on this business. We did make efforts in reinforcing our organization for a full-scale sales expansion for our export sales, however, expenses preceded and the net income for our current consolidated financial year was 3.836 billion yen (4.115 billion yen, a 6.8% year-on-year loss) and the operating loss was 230 million yen (451 million yen year-on-year loss).

(ix) Other businesses

In this business segment, with tenants withdrawing from some of our commercial leasing real estate and a decrease in rent income, the net income for our current consolidated financial year was 619 million yen (834 million yen, a 25.8% year-on-year loss) and the operating losses were 38 million yen (93 million yen year-on-year profit).

(b) Prospects for the Following Period

The economic growth in China and the developing countries in Asia are sluggish, however, the growth trend is expected to continue and consumer spending will keep expanding. Although there is uncertainty in international political issues and a possible setback of the weak yen, which cannot be overlooked, the number of overseas tourists to Japan is increasing yearly and the government is forecasting the number of tourists to be 15 million visitors in 2015.

In these circumstances, our company group announced our mid-term management plan on February 12, 2015. We will make efforts in implementing strategies and policies to reconstruct the Loax brand as Japan's largest

total duty free store, strengthen our social trust and existing values, and deliver the Japan Premium to the global market focused on China and Asia. Specifically we will further evolve our harvesting policy: 'operating stores that deliver satisfaction to all overseas customers'. Not only will we provide services where our customers can buy products with an effortless duty free processing and multilingual support, we will also provide product appeal never found before and, at the same time, in a relaxing ambience. We will proactively develop a full-scale network of 'premium' stores all over Japan, which expresses the hospitality only found in Japan that is impressive and full of awe.

Our policy for the next period is to make good use of the features of our three key operations so that it will grow, expand their business scope, and improve their profitability. The Domestic Store Business will be the core business of our company group where we will expand each regional market share and in parallel build a full-scale network for our stores to lead to higher growth. For the Branch Store Business in China, we will continue to revise the profit structure to acclimatize into the environmental changes and set up a more efficient operation. For the Foreign Trade Business, making use of the tailwind from the weak yen, we will import high quality Japanese goods into the Chinese market and will enlarge the export business by extending the product lineup as well as establish robust sales channels.

By achieving surplus for the first time in 14 periods, we will proceed from the business revitalization stage to the growth stage and will further increase consolidated income and profits in each unit base.

Moreover, our Chinese subsidiary covers more than a certain percentage in our consolidated results for our company group. Due to different business practices, we will not give a consolidated business forecast in the total second quarterly for our Chinese subsidiary as business forecasts are provided on an annual basis.

## (2) Analysis on Financial Conditions

### (a) Assets, liabilities, and net assets

#### (Assets)

The total assets in the current consolidated financial year were 18.959 billion yen (15.299 billion yen at the end of the previous consolidated financial year).

The increase in total assets was 1.052 billion yen from notes and accounts receivable, merchandize and finalized goods was 2.17 billion yen, and accounts receivable increased 684 million yen.

#### (Liabilities)

The total liabilities for the current consolidated financial year was 8.679 billion yen (6.119 billion yen at the end of the previous consolidated financial year).

The increase in liabilities were 2.364 billion yen for notes and accounts payable, which was mainly due to the increase in revenue as well as healthy purchasing and buying activities.

#### (Net assets)

The total net assets were 10.279 billion yen (9.180 billion yen at the end of the previous consolidated financial year).

The increase in net assets was due to the increase in earned surplus of 1.242 billion yen although the foreign currency translation adjustment decreased 142 million yen.

### (b) Cash flow

The cash and cash equivalents in the current consoled financial year was 3.220 billion yen, a 1.312 billion yen year-on-year increase. The cash flow and its factors in this current consolidated financial year are as follows.

#### (Cash flow from sales activities)

The cash flow from sales activities during the current consolidated financial year increased 624 million yen (383 million yen loss from the end of the previous consolidated financial year). Although there was a 2.104 billion yen increase in inventories, the main factor for the loss was the increase of 1.849 billion yen in accounts payable and 1.268 billion yen in adjustments in tax and other factors occuring prior to the current net profit.

#### (Cash flow from investment activities)

The cash flow from investment activities in the current consolidated financial year showed an increase of 212 million yen (a 1.099 billion yen year-on-year decrease). Although the expenses acquired from tangible fixed assets was 290 million yen, expenses acquired from non-tangible fixed assets was 90 million yen, and the expenses from deposits and guarantees was 229 million yen, the income from fixed deposit refunds was 1.024 billion yen.

#### (Cash flow from financial activities)

Cash flow from financial activities in the current consolidated financial year showed a decrease of 24 million yen (112 million yen year-on-year decrease). The main factor was the 24 million yen payment in lease obligations.

#### (Ref) Transition in Cash Flow Related Index

	Ending Dec '10	Ending Dec '11	Ending Dec '12	Ending Dec '13	Ending Dec '14
Capital ratio	66.8	84.8	72.0	60.0	54.2
Capital ratio based on market price	214.5	100.0	116.3	170.9	741.4
Interest-bearing liability ratio vs cash flow	—	—	—	—	8.4
Interest coverage ratio	—	—	—	—	101.54

(Note) Capital ratio: Capital / total assets

Capital ratio based on market price: Market capitalization / total assets

Interest-bearing liability ratio vs cash flow: Interest-bearing liabilities / cash flow

Interest coverage ratio: Cash flow / payment of interest

\* Calculated using with the consolidated financial figures.

\* Market capitalization is calculated with the number of issued stocks excluding treasury stocks.

\* Cash flow is the sales cash flow.

\* Interest-bearing liabilities are all interest-payment liabilities appropriated in the consolidated balance sheet.

\* Interest payment is the interest payment amount in the consolidated cash flow sheet.

\* As the sales cash flow from period ending December 2010 to period ending December 2013 was deficit, the interest-bearing liability ratio vs cash flow and interest coverage ratio has not been calculated.

### (3) Basic Policies on Profit Sharing and Dividend for the Current and Next Period

We strongly believe that dividends to our shareholders are one of our most important policies.

The surplus allotted from our dividends is basically the year-end dividend. Furthermore under Company Law Article 459 Clause 1, our articles of association stipulates that the base date is not fixed or decided at the annual general meeting but is under the decision of the board of directors.

Nevertheless, although our company recorded surplus in the current financial year, large amounts of accumulated losses remain as a result of the operating losses for 13 continuous periods. Therefore we must resolve the accumulated losses in an early date and aim at providing stable dividends to our shareholders in the future by beefing up our corporate structure.

### (4) Risks in Business and Other Matters

The following are issues that may have significant impact on the decision making of our investors. Our company determined the future issues at the end of the current consolidated financial year. Our company group, recognizing the possibilities of the occurrence of these risks, is making efforts to avoid the occurrences and is finding approaches to these risks.

#### (i) Country risks

Among our three main segments, Domestic Store Business, Branch Store Business in China, and Foreign Trade Business, the fluctuations in Chinese politics, economic conditions, foreign currency market and so forth can lead to major consequences to the sales of duty free items in our Domestic Store Business. It is possible that our company group will face grave repercussions if, for some reason, there is political or social instability, or economic deterioration in China and other countries, changes in laws and ordinances, causing a significant decline in the number of oversea tourists or a downturn in the demand in products provided by our company group.

#### (ii) Mass sales household electrical appliances in China

Our company business, in principle, is to mass sell household electrical appliances in China. The change in business regions in China is drastic and competition in the non-store retail business is intense. Therefore it is possible that strategies by our competitors or the competition in our existing stores in China may have impact to our company results.

#### (iii) Competition in Domestic Store Business

Our company is aiming at constructing a network of stores to become the largest total duty free store in Japan, however, competition is heating up between each store with the expansion of inbound markets, new entries from various business segments, launch of global duty free stores, and existing retail store that are reinforcing their duty free business. Thus to maintain the position as the pioneer in the total duty free network, we are strengthening the speed in opening new stores. It is possible that it may have impact to our company group results in case we cannot launch stores according to our plans.

#### (iv) Dependent on specific managers and securing human resources

Our directors, top management staff and the like in our company group all carry important roles in our group management by executing operations with their knowledge and experience. We find them to be critical management resources for our company group. It is possible, however, that there will be major impact to our business results in case the directors need to resign or retire for some reason or when it is difficult to recruit a successor.

(v) Personal Privacy Protection

Our company group stores own a prevalent number of personal information from member card membership, and online and store customers. We have set up a compliance committee and an internal auditing division to check that our operations comply with the laws and ordinances. There is a possibility that unexpected information leakage may occur from glitches in the computer system. In this case, our company may lose social reputation, which may lead to a major impact to our business results.

(vi) Product safety

Other than selling products at stores, our company group develops and sells our own products. As social expectations and concerns in safety are increasing, our company group is reviewing quality standards, reinforcing quality tests and appropriate examinations to provide safe products. In case there are defects in the products we sell, it is possible in an emergence of large-scale recalls, compensation of damages based on the Product Liability Law or incurred expenses, loss of trust, which may lead to a major impact to our company group operations and results.

(vii) Natural disasters and accidents

In case of natural disasters such as massive earthquakes and typhoons, adverse weather conditions, and unexpected accidents, it is possible that our company group may face not only a decline in revenue due to the loss of customers, but also physical damages to our stores and other property, or other obstructions to our purchasing activities, distribution, and stock buying activities. In addition, it is possible that there may be hindrance to our company group operations in case of disasters, accidents, riots, terrorist activities or events that may have impact on our suppliers, purchasing and distribution networks in other countries.

(viii) Risks in legal restrictions

Our company group operates under various laws and ordinances and the application of regulations in Japan and overseas countries. We position compliance as a major issue in our management procedures and have reinforced the application, however, it is impossible to eliminate all the compliance risks. In case of events where our operating activities may conflict with the laws and ordinances, or if unexpected changes or new laws and ordinances are introduced, it is possible that they may arouse adverse effects to our management results and financial conditions.

(ix) Risks from internal control of directors and employees

Our company group position corporate governance, compliance and risk control as significant issues in our management and have settled our basic policies in establishing an internal control system to fulfill and reinforce a successive system. We have provided safeguards to prevent directors and employees from conducting illegal and unlawful acts, in our operation management, however, in case an event should happen, it is possible that it may arouse adverse effects to our management results, financial conditions, and social trust.

## 2. Management Policies

### (1) Basic Policies for Company Management

Our company group philosophy is to deliver the best of Japan to the world and to create a Japan Premium 'to maximize our customer satisfaction' as our basic policy. We provide the best product and services to each market and are making a sustainable growth by enlarging and developing our three key operations. With the support from Suning Commerce Group Co., Ltd., the largest retail store in China and our resilient operation partner, we aim to intensify our position as a leading total duty free store in Japan and a global company.

### (2) Mid-long Term Management Strategy

The mid term management plan from the end of December 2015 to the end of December 2017 (secondary mid-term management plan) will be omitted, as it will be disclosed on February 12, 2015.

Please refer to the following URL to read our reference materials.

(Our website)

[http://www.laox.co.jp/info\\_ir/](http://www.laox.co.jp/info_ir/)

(Tokyo Stock Exchange website) (Search information on listed companies)

<http://www.tse.or.jp/listing/compsearch/index.html>

### (3) Company Issues and Challenges

Our company group will continue to proactively operate in our three key business segments but our most important issue is to deliver Japan Premium to the world.

With the weakening of the yen and the government support in relaxing visa issuance, the number of overseas tourists to Japan is expected to rise, however, inbound competition is intensifying with stores from different business segments and global duty free stores entering the market, and existing retail stores are strengthening their duty free business. To maintain and reinforce our position as the pioneer in total duty free networks in Japan, we must expand our products and services to make a major leap in our Domestic Store Business. Also we must establish our Foreign Trade Business into a profit making business, and generate surplus from our Brand Store Business in China. We will continue to establish internal control according to the speed of expansion that will take place when enlarging our business, reinforce our management structure, make our business operations more efficient, recruit and nurture human resources, and resolve our issues and challenges.

### 3. Consolidated Financial Sheet

#### (1) Consolidated Balance Sheet

(Unit: 1,000 yen)

	Previous Consolidated Financial Year (December 31, 2013)	Current Consolidated Financial Year (December 31, 2014)
<b>Assets</b>		
Current assets		
Cash and deposits	2,410,758	3,398,395
Notes and accounts receivable	1,670,477	2,723,043
Merchandise and finished goods	2,479,855	4,587,126
Raw materials and supplies	4,082	7,815
Accounts receivable	609,207	1,293,293
Advanced payments	1,045,634	862,297
Prepaid expenses	767,674	344,969
Security deposits returnable in one year	142,695	123,306
Others	245,777	228,043
Allowance for doubtful accounts	△3,110	△9,220
<b>Total current accounts</b>	<b>9,373,052</b>	<b>13,559,070</b>
Non-current assets		
Tangible fixed assets		
Buildings and structures	3,545,206	3,164,027
Accumulated depreciation	△2,103,767	△2,044,339
Buildings and structures (net)	1,441,439	1,119,687
Vehicles	8,693	8,693
Accumulated depreciation	△3,909	△5,762
Vehicles (net)	4,784	2,931
Tools, equipment and fixtures	1,569,046	1,043,491
Accumulated depreciation	△823,806	△661,676
Tools, equipment and fixtures (net)	745,240	381,815
Property	6,443	88,647
Leased assets	78,824	78,374
Accumulated depreciation	△11,267	△33,397
Leased assets (net)	67,557	44,977
Construction in progress	1,969	5,803
<b>Total of non-current assets</b>	<b>2,267,433</b>	<b>1,643,862</b>
Intangible fixed assets		
Software	32,481	23,414
Leased assets	9,070	5,487
Software suspense account	-	90,607
Others	2,220	5,116
<b>Total of intangible fixed assets</b>	<b>43,772</b>	<b>124,625</b>

(Unit: 1,000 yen)

	Previous Consolidated Financial Year (December 31, 2013)	Current Consolidated Financial Year (December 31, 2014)
<b>Investment and other assets</b>		
Investment in securities	13,580	12,263
Deferred tax assets	282,810	274,975
Long term loans	120,754	121,953
Deposits and guarantees	3,460,474	3,257,884
Others	328,194	411,208
Allowance for doubtful accounts	△599,517	△446,637
Total of investments and other assets	3,606,297	3,631,648
Total of fixed assets	5,917,503	5,400,135
Deferred assets		
Stock issuance cost	8,770	-
Total of deferred assets	8,770	-
Total assets	15,299,326	18,959,206

(Unit: 1,000 yen)

	Previous Consolidated Financial Year (December 31, 2013)	Current Consolidated Financial Year (December 31, 2014)
<b>Liabilities</b>		
Current liabilities		
Notes and account payable	2,820,189	5,184,677
Payment in arrears	1,431,334	1,147,235
Accrued expenses	201,532	377,840
Lease obligations	24,194	25,562
Income taxes payable	58,662	33,232
Provision for bonuses	27,967	93,077
Reserve for directors' bonuses	-	8,742
Reserve for point card certificates	7,747	9,090
Reserve for product warranty	-	192,440
Others	177,328	366,188
Total of current liabilities	4,748,956	7,438,086
Fixed liabilities		
Long term guarantee deposited	505,113	471,571
Leased liabilities	52,433	26,871
Reserve for retirement allowances	209,748	-
Liabilities for retirement benefits	-	243,233
Reserve for directors' retirement and farewell recognition	-	10,090
Reserves for loss in lawsuits	165,058	15,058
Asset retirement obligation	181,643	190,729
Deferred tax liabilities	103,242	78,656
Others	152,894	205,699
Total of fixed liabilities	1,370,135	1,241,910
Total liabilities	6,119,092	8,679,997
Net assets		
Shareholders' equity		
Capital stock	7,950,002	7,950,002
Capital surplus	7,268,961	7,268,961
Earned surplus	△6,068,713	△4,826,127
Treasury stock	△426,008	△426,141
Total of shareholder's equity	8,724,241	9,966,694
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	5,366	4,518
Foreign currency translation adjustment	450,626	307,995
Total accumulated other comprehensive income	455,992	312,514
Minority interests	-	-
Total net assets	9,180,234	10,279,209
Total liability net assets	15,299,326	18,959,206

(2) Consolidated Statement on Profit and Loss and Consolidated Statement on Comprehensive Income

Consolidated Statement on Profit and Loss

(Unit: 1,000 yen)

	Previous Consolidated Financial Year (From January 1, 2013 to December 31, 2013)	Current Consolidated Financial Year (From January 1, 2014 to December 31, 2014)
Net sales	33,150,860	50,196,171
Cost of sales	26,759,075	36,721,861
Gross profit	6,391,784	13,474,310
Selling and general administrative expenses		
Advertising expenses	317,278	75,082
Sales commission	1,296,403	4,772,275
Transportation expenses	327,986	286,502
Depreciation expenses	512,704	442,406
Wages and salary	1,543,249	1,800,543
Legal welfare expenses	271,610	254,950
Bonuses	21,881	91,546
Provisions of reserves for bonuses	27,867	93,077
Directors' bonuses	-	3,933
Provisions of reserves for directors' bonuses	-	8,742
Retirement benefit expenses	25,444	87,837
Provisions of reserves for directors' retirement and farewell recognition	-	10,090
Expenses for rent of space and land	2,306,769	2,332,923
Rent	50,489	32,629
Others	1,354,817	1,445,639
Total selling and general administrative expenses	8,056,502	11,738,180
Operating profits and losses (*)	△1,664,717	1,736,130
Non-operating income		
Interest income	20,529	9,717
Dividends income	1	-
Cash discount on purchases	11,811	37,371
Foreign exchange profits	-	38,343
Reversal of allowance for doubtful accounts	-	7,141
Others	18,023	25,615
Total of non-operating income	50,365	118,188
Non-operating expenses		
Interest paid	2,250	6,153
Sales discounts	3,414	2,847
Amortization of bond issue expenses	17,513	8,770
Guarantee commission	-	30,000
Loss on sales of securities	500	-
Bad debt loss	-	12,000
Foreign exchange loss	13,283	-
Others	5,245	16,157
Total of non-operating expenses	42,207	75,928
Operating profits and losses (*)	△1,656,559	1,778,390

(Unit: 1,000 yen)

	Previous Consolidated Financial Year (From January 1, 2013 to December 31, 2013)	Current Consolidated Financial Year (From January 1, 2014 to December 31, 2014)
<b>Extraordinary income</b>		
Reversal of impairment loss	-	107,503
Differences between actual retirement obligations and actual retirement costs	9,074	-
Reversal of provision of loss on litigation	-	13,298
Others	10,795	1,326
Total of extraordinary income	19,869	122,128
<b>Extraordinary expenses</b>		
Impairment loss	701,494	236,901
Business structure improvement expenses	529,217	-
Loss on disposal of fixed assets	630	-
Loss on liquidation of stores	31,713	184,422
Provision for product guarantees	-	200,000
Provision for loss on litigation	65,058	-
Loss from lawsuits	4,770	-
Others	4,351	11,133
Total of extraordinary expenses	1,337,235	632,457
Income (loss) before income tax (*)	Δ2,973,925	1,268,060
Corporate, inhabitant, and enterprise tax	19,226	19,519
Income tax adjustment	252,214	5,955
Total income tax	271,440	25,474
Income (loss) before minority interests (*)	Δ3,245,366	1,242,585
Current net income (loss) (*)	Δ3,245,366	1,242,585

## Consolidated Statements of Comprehensive Income

(Unit: 1,000 yen)

	Previous Consolidated Financial Year (From January 1, 2013 to December 31, 2013)	Current Consolidated Financial Year (From January 1, 2014 to December 31, 2014)
Income (loss) before minority interests (*)	Δ3,245,366	1,242,585
<b>Other comprehensive income</b>		
Other valuation difference on available-for-sale securities	731	Δ847
Foreign currency translation adjustment	274,708	Δ142,630
Total of other comprehensive income	275,439	Δ143,478
Comprehensive income	Δ2,969,926	1,099,107
<b>(Breakdown)</b>		
Comprehensive income attributed to the shareholders of the parent	Δ2,969,926	1,099,107
Comprehensive income attributed to minority interests	-	-

### (3) Statements of Shareholder's Equity

Previous consolidated financial year (from January 1, 2013 to December 31, 2013)

(Unit: 1,000 yen)

	Shareholder's equity					Accumulated other comprehensive income			Minority interests	Total net assets
	Common stock	Capital surplus	Earned surplus	Treasury stock at cost	Total shareholder's equity	Other valuation difference on available-for-sale securities	Foreign currency translation adjustments	Total accumulated other comprehensive income		
Balance at the beginning of the current period	7,950,002	7,268,961	△2,823,347	△425,988	11,969,628	4,634	175,918	180,553	—	12,150,181
Changes of items during the period										
Net loss (*)			△3,245,366		△3,245,366					△3,245,366
Purchase of treasury stock				△20	△20					△20
Net changes of items other than shareholders' equity						731	274,708	275,439		275,439
Total changes of items during the period	—	—	△3,245,366	△20	△3,245,386	731	274,708	275,439	—	△2,969,946
Balance at the end of current period	7,950,002	7,268,961	△6,068,713	△426,008	8,724,241	5,366	450,626	455,992	—	9,180,234

Current Consolidated Financial Year (From January 1, 2014 to December 31, 2014)

(Unit: 1,000 yen)

	Shareholder's equity					Accumulated other comprehensive income			Minority interests	Total net assets
	Common stock	Capital surplus	Earned surplus	Treasury stock at cost	Total shareholder's equity	Other valuation difference on available-for-sale securities	Foreign currency translation adjustments	Total accumulated other comprehensive income		
Balance at the beginning of the current period	7,950,002	7,268,961	△6,068,713	△426,008	8,724,241	5,366	450,626	455,992	—	9,180,234
Changes of items during the period										
Net loss (*)			1,242,585		1,242,585					1,242,585
Purchase of treasury stock				△132	△132					△132
Net changes of items other than shareholders' equity						△847	△142,630	△143,478		△143,478
Total	-	-	1,242,585	△132	1,242,453	△847	△142,630	△143,478	-	1,098,975

(Unit: 1,000 yen)

	Shareholder's equity					Accumulated other comprehensive income			Minority interests	Total net assets
	Common stock	Capital surplus	Earned surplus	Treasury stock at cost	Total shareholder's equity	Other valuation difference on available-for-sale securities	Foreign currency translation adjustments	Total accumulated other comprehensive income		
changes of items during the period										
Balance at the end of current period	7,950,002	7,268,961	Δ4,826,127	Δ426,141	9,966,694	4,518	307,995	312,514	-	10,279,209

## (4) Consolidated Statements of Cash Flow

(Unit: 1,000 yen)

	Previous Consolidated Financial Year (From January 1, 2013 to December 31, 2013)	Current Consolidated Financial Year (From January 1, 2014 to December 31, 2014)
Cash flow from operating activities		
Income (loss) before income taxes (*)	Δ2,973,925	1,268,060
Depreciation	544,581	473,186
Amortization of stock issuance cost	17,513	8,770
Impairment loss	701,494	236,901
Reversal of impairment loss	-	Δ107,503
Increase (decrease) of allowance for doubtful accounts (* is for decrease)	Δ55,317	Δ147,862
Increase (decrease) for provisions for bonuses (* is for decrease)	27,967	65,109
Increase (decrease) for provisions for directors' bonuses (* is for decrease)	-	8,742
Increase (decrease) for provisions for retirement benefits (* is for decrease)	Δ64,858	-
Increase (decrease) in liabilities for retirement benefits (* is for decrease)	-	33,485
Increase (decrease) for provisions for directors' retirement benefits (* is for decrease)	-	10,090
Increase (decrease) in provisions for loss in litigation (* is for decrease)	44,708	Δ157,612
Increase (decrease) in provisions for product warranty (* is for decrease)	-	192,440
Interest and dividend received	Δ20,530	Δ9,717
Interest paid	2,250	6,153
Profit and loss on securities sold (* is for profits)	500	-
Loss on retirement of non-current assets	630	-
Increase (decrease) on notes and accounts receivable-trade (* is for increase)	Δ100,126	Δ753,255
Increase (decrease) on inventories (* is for increase)	860,677	Δ2,104,553
Increase (decrease) in trade payable (*is for decrease)	249,736	1,849,302
Increase (decrease) in guaranteed deposits (* is for increase)	192,472	59,735
Increase (decrease) in accounts receivable (* is for increase)	Δ85,701	Δ681,869
Increase (decrease) in accounts payable (* is for decrease)	177,902	Δ304,295
Increase (decrease) for long-term accounts payable (* is for decrease)	26,047	87,643
Increase (decrease) in guarantee deposits (* is for decrease)	Δ31,786	Δ33,542
Increase (decrease) in advanced payment (* is for increase)	Δ22,479	265,768
Others	141,144	411,490
Subtotal	Δ367,096	676,669
Interest and dividends received	11,825	5,010
Interest payment	Δ2,250	Δ6,153
Income taxes paid	Δ26,160	Δ50,687
Cash flow from sales activities	Δ383,682	624,838

(Unit: 1,000 yen)

	Previous Consolidated Financial Year (From January 1, 2013 to December 31, 2013)	Current Consolidated Financial Year (From January 1, 2014 to December 31, 2014)
<b>Cash flow from investment activities</b>		
Payment for purchases of tangible fixed assets	Δ1,011,859	Δ290,025
Income from sales of tangible fixed assets	-	113,453
Payment for purchases of intangible fixed assets	Δ7,430	Δ90,607
Income from sales of investment securities	500	-
Payment for deposits and guarantees	Δ532,895	Δ229,407
Income from deposits and guarantees	105,877	344,393
Payment into time deposits	Δ1,700,000	Δ700,137
Income from time deposits	2,043,150	1,024,737
Others	3,625	39,888
<b>Cash flow from investment activities</b>	<b>Δ1,099,032</b>	<b>212,294</b>
<b>Cash flow from financing activities</b>		
Decrease in short terms payable	Δ100,000	-
Purchase of treasury stock	Δ20	Δ132
Repayment of lease obligations	Δ12,143	Δ24,194
<b>Cash flow from financing activities</b>	<b>Δ112,164</b>	<b>Δ24,327</b>
<b>Difference in cash and cash equivalents</b>	<b>214,959</b>	<b>499,431</b>
Increase (decrease) in cash and cash equivalents (* is for decrease)	Δ1,379,919	1,312,236
<b>Carrying amount for cash and cash equivalent</b>	<b>3,288,678</b>	<b>1,908,758</b>
Remains of cash and cash equivalent	1,908,758	3,220,995

## (5) Notes on Consolidated Financial Statements

(Notes on going concern)

Not applicable.

(Segment information and such)

### 1. Overview of Report Segment

Our company group position ourselves and is engaged in three key business segments, Domestic Store Business, Branch Stores Business in China, and Foreign Trade Business.

Domestic Store Business is engaged in selling items to stores in Japan such as duty free items for overseas tourists, household electrical appliances, watches, hobby related goods, musical instruments and so forth.

Branch Store Business in China operates a total household electrical appliances store similar to the ones in Japan with the strong backing of Suning Commerce Group Co., Ltd. in China.

Foreign Trade Business makes use of the name and trust of Suning Commerce Group Co., Ltd. as well as the network cultivated by the stores in China to manufacture high quality products i at an affordable price and sell the products in the Japanese market. In addition we also assist Japanese companies that are searching for opportunities in China or introduce high quality excellent made-in-Japan products to China.

As for other businesses, we lease real estate and sell second hand golf clubs and equipment.

### 2. Calculation of amounts for net income, profits and losses, assets, and liabilities in the report segment

The income in the report segment is based on the operating income indices. The inner income and transfer amount is roughly based on the current market price.

### 3. Information on the amount of income, profits and losses, assets, liabilities and other items

Previous consolidated financial year (From January 1, 2013 to December 31, 2013)

(Unit: 1,000 yen)

	Report Segment					Total	Adjustment amount (Note 1)	Consolidated Financial Statement Amount (Note 2)
	Domestic Store Business	Branch Store Business in China	Foreign Trade Business	Other Business	Total			
Income								
Sales to customers	13,113,866	15,091,797	4,115,164	830,031	33,150,860	33,150,860	—	33,150,860
Inner sales per segment or money transfer	63,326	—	—	4,441	67,767	67,767	△67,767	—
Total	13,177,193	15,091,797	4,115,164	834,472	33,218,627	33,218,627	△67,767	33,150,860
Income (loss) in segments (*)	441,478	△1,223,195	△451,122	93,930	△1,138,908	△1,138,908	△525,809	△1,664,717
Segment assets	5,622,052	3,631,980	1,222,103	2,894,729	13,370,866	13,370,866	1,928,459	15,299,326
Depreciation	86,722	374,633	1,446	48,117	510,920	510,920	33,661	544,581
Increase (decrease) of tangible fixed assets and intangible fixed assets	338,356	923,005	13,153	1,464	1,275,980	1,275,980	10,396	1,286,377

(Note) 1. The segment income adjustment amount of 525,809,000 yen is a total company expense not allocated

to each report segment. The total company expense is mainly human resources and general administration costs that are not attributed to report segments.

The segment asset adjustment amount of 1,928,459,000 yen, the depreciation adjustment amount of 33,661,000 yen and the increase (decrease) tangible and intangible fixed asset adjustment amount of 10,396,000 yen belongs to the total company expenses.

2. The segment income or loss (\*) is adjusted with the operating loss in the consolidated statement for profit and loss.

Current Consolidated Financial Year (From January 1, 2014 to December 31, 2014)

(Unit: 1,000 yen)

	Report Segment					Total	Adjustment amount (Note 1)	Consolidated Financial Statement Amount (Note 2)
	Domestic Store Business	Branch Store Business in China	Foreign Trade Business	Other Business	Total			
Income								
Sales to customers	34,581,758	11,176,345	3,823,219	614,849	50,196,171	50,196,171	—	50,196,171
Inner sales per segment or money transfer	—	36,000	13,022	4,441	53,463	53,463	Δ53,463	—
Total	34,581,758	11,212,345	3,836,242	619,290	50,249,635	50,249,635	Δ53,463	50,196,171
Income (loss) in segments (*)	4,007,463	Δ1,053,694	Δ230,431	Δ38,336	2,685,000	2,685,000	Δ948,869	1,736,130
Segment assets	9,573,249	3,119,310	1,024,700	1,289,280	15,006,541	15,006,541	3,952,665	18,959,206
Depreciation	129,557	244,787	1,178	46,513	422,036	422,036	51,149	473,186
Increase (decrease) of tangible fixed assets and intangible fixed assets	199,074	36,976	3,687	87,962	327,701	327,701	12,021	339,723

(Note) 1. The segment income adjustment amount of 948,869,000 yen is a total company expense not allocated to each report segment. The total company expense is mainly human resources and general administration costs that are not attributed to report segments.

The segment asset adjustment amount of 3,952,665,000 yen, the depreciation adjustment amount of 51,149,000 yen and the increase (decrease) tangible and intangible fixed asset adjustment amount of 12,021,000 yen belongs to the total company expenses.

2. The segment profits and losses (\*) are adjusted in the operating income in the consolidated statement of profits and losses.

(Information per share)

	Previous Consolidated Financial Year (From January 1, 2013 to December 31, 2013)	Current Consolidated Financial Year (From January 1, 2014 to December 31, 2014)
Net assets per share	16 yen 85 sen	18 yen 87 sen
Current net income (loss) per share (*)	Δ5 yen 96 sen	2 yen 28 sen

(Note) 1. The net profit per share after the potential voting adjustment is not recorded as there is no potential voting with dilutive effect in the current consolidated financial year. In addition, it is not recorded in the previous consolidated financial year as it was a current net loss per share.

2. The following is the standard calculation for the current net profit and loss per share.

Items	Previous Consolidated Financial Year (From January 1, 2013 to December 31, 2013)	Current Consolidated Financial Year (From January 1, 2014 to December 31, 2014)
Current net income and loss (*)	Δ3,245,366,000 yen	1,242,585, 000 yen
Amount not attributed to common stock	—	—
Current net income (loss) for common stock (*)	Δ3,245,366,000 yen	1,242,585,000 yen
Number of average common stocks during the period	544,813,000 shares	544,812,000 shares
Summary of current net income per share after potential voting adjustments or potential voting not calculated in current net loss per share due to no dilutive effects.	June 29, 2005 AGM stock option (new share subscription ) Common stocks 257,000 shares	

3. The following is the standard calculation for net assets per share

Items	Previous Consolidated Financial Year (From January 1, 2013 to December 31, 2013)	Current Consolidated Financial Year (From January 1, 2014 to December 31, 2014)
Total of net assets	9,180,234,000 yen	10,279,209,000 yen
Amount deducted from the total net assets	—	—
End of period net assets for common stock	9,180,234,000 yen	10,279,209,000 yen
Number of common stocks used to calculate net assets per share	544,813,000 shares	544,812,000 shares

(Important events after reporting period)

Not applicable

4. Separate Financial Statement  
(1) Balance Sheet

(Unit: 1,000 yen)

	Previous Consolidated Financial Year (From January 1, 2013 to December 31, 2013)	Current Consolidated Financial Year (From January 1, 2014 to December 31, 2014)
<b>Assets</b>		
Current assets		
Cash and deposits	1,935,588	2,743,346
Accounts receivable	1,106,778	2,121,688
Merchandise and finished goods	2,379,838	4,517,238
Raw materials and supplies	4,082	6,375
Advance payments	161,595	193,170
Accounts receivable	641,542	872,207
Advance payments	275,488	330,375
Others	537,907	512,188
Allowance for doubtful accounts	△165,968	△193,439
Total current assets	6,876,853	11,103,151
Fixed assets		
Property, plant and equipment		
Building	1,079,014	878,425
Non-building structures	4,906	4,878
Vehicles	4,784	2,931
Tools, equipment and fixtures	222,985	242,520
Property	6,443	88,647
Leased assets	67,557	44,977
Construction account	1,969	5,803
Total fixed assets	1,387,660	1,268,183
Intangible fixed assets		
Lease	408	408
Trademark	923	3,995
Software	31,970	23,026
Suspense account for software	-	90,607
Leased assets	9,070	5,487
Total of intangible fixed assets	42,372	123,524
Investments and other assets		
Investments in securities	13,580	12,263
Stocks of subsidiaries and affiliates	1,341,918	704,921
Investments in capital	315	315
Long term loans receivable	120,754	121,953
Long term loans receivable from subsidiaries and affiliates	2,920,000	-
Long term prepared expenses	2,031	250
Deposits and guarantees	3,336,261	3,180,114
Others	237,606	226,470
Allowance for doubtful accounts	△3,412,669	△345,289
Total of investments and other assets	4,559,798	3,900,999
Total of fixed assets	5,989,830	5,292,707
Deferred assets		
Stock insurance cost	8,770	-
Total of deferred assets	12,875,454	16,395,859
Total assets		

(Unit: 1,000 yen)

	Previous Consolidated Financial Year (From January 1, 2013 to December 31, 2013)	Current Consolidated Financial Year (From January 1, 2014 to December 31, 2014)
<b>Liabilities</b>		
Current liabilities		
Accounts payable	738,804	2,365,342
Current portion of long term debt	73,000	73,000
Lease liabilities	24,194	25,562
Accounts payable	327,239	322,303
Provisions for expenses	126,865	375,954
Provisions for income taxes	19,419	66,077
Advances received	94,130	90,334
Provision for bonuses	27,967	91,882
Provisions for bonuses for directors	-	8,742
Provisions for point card certificates	7,747	9,090
Deposits received	23,897	51,514
Provisions for warranty costs	-	192,440
Others	13,263	9,723
Total of current liabilities	1,476,531	3,681,968
Long term liabilities		
Lease liabilities	52,433	26,871
Preferred tax liabilities	20,031	19,168
Provisions for pension and severance costs for employees	209,748	243,233
Provisions for pension and severance costs for directors	-	10,090
Provisions for loss in lawsuits	165,058	15,058
Asset retirement obligations	173,783	182,729
Others	513,373	465,122
Total long term liabilities	1,134,430	962,274
Total liabilities	2,610,961	4,644,243
<b>Net Assets</b>		
Shareholders' equity		
Common stock	7,950,002	7,950,002
Capital surplus		
Legal capital surplus	5,950,002	5,950,002
Other capital surplus	1,318,958	1,318,958
Total capital surplus	7,268,960	7,268,960
Earned surplus		
Other earned surplus		
Earned surplus	Δ4,533,999	Δ3,045,895
Total earned surplus	Δ4,533,999	Δ3,045,895
Treasury stock	Δ425,837	Δ425,970
Total of shareholders' equity	10,259,126	11,747,097
Valuation and translation adjustments		
Unrealized gain on securities net of taxes	5,366	4,518
Total of valuation and translation adjustments	5,366	4,518
Total net assets	10,264,492	11,751,615
Total liabilities of net assets	12,875,454	16,395,859

## (2) Profit and Loss Statement

(Unit: 1,000 yen)

	Previous Consolidated Financial Year (From January 1, 2013 to December 31, 2013)	Current Consolidated Financial Year (From January 1, 2014 to December 31, 2014)
Net income	17,588,964	38,827,700
Cost of sales	13,493,892	26,781,022
Gross profit	4,095,071	12,046,678
Sales and general administration expenses	4,439,630	9,259,209
Operating profits and loss (*)	△344,559	2,787,468
Non-operating income		
Interest income	18,970	7,325
Dividend income	1	-
Purchase discounts	11,811	37,371
Foreign exchange profits	34,827	39,007
Gain on reversal of allowance for doubtful accounts	-	54,560
Others	7,006	16,992
Total of non-operating income	72,617	155,257
Non-operating expenses		
Interest expenses	2,159	6,153
Cash discounts on sales	3,414	2,847
Amortization of stock issuance cost	17,513	8,770
Loss on sales of securities investments	500	-
Guarantee commission	-	30,000
Bad debt loss	-	12,000
Others	205	12,869
Total of non-operating expenses	23,792	72,640
Ordinary profits and loss (*)	△295,733	2,870,085
Extraordinary income		
Income from disposal of fixed assets	-	185
Reversal of allowance from doubtful accounts from loss of lawsuits	-	13,298
Difference from asset retirement obligations	9,074	-
Others	10,795	-
Total of extraordinary income	19,869	13,484
Extraordinary loss		
Impairment loss	19,485	236,901
Loss on business restructuring	529,217	-
Loss from disposal of fixed assets	630	-
Loss on devaluation of investment in affiliates	770,025	941,918
Loss on liquidation of stores	31,713	-
Loss from lawsuits	4,770	-
Provisions in loss from lawsuits	65,058	-
Provisions for loss from product guarantee	-	200,000
Others	2,438	-
Total extraordinary loss	1,423,338	1,378,820
Income and loss before income taxes and minority interests (*)	△1,699,202	1,504,748
Corporate, inhabitant, and enterprise tax	15,274	17,038
Income tax adjustment	△2,418	△393
Total income tax	12,856	16,645
Net income (loss) (*)	△1,712,058	1,488,104

## (3) Consolidated Statements of Cash Flow

Previous Financial Year (From January 1, 2013 to December 31, 2014)

(Unit: 1,000 yen)

	Shareholder's equity								Valuation and translation adjustments		Total net assets
	Common stock	Capital surplus			Retained earnings		Treasury stock at cost	Total shareholder equity	Unrealized gain (loss) on securities, net of taxes	Total valuation and translation adjustments	
		Legal capital surplus	Other capital surplus	Total capital surplus	Other retained earnings	Total retained earnings					
Balance at the beginning of current period	7,950,002	5,950,002	1,318,958	7,268,960	Δ2,821,940	Δ2,821,940	Δ425,817	11,971,205	4,634	4,634	11,975,840
Changes of items during the period											
Net loss (*)					Δ1,712,058	Δ1,712,058		Δ1,712,058			Δ1,712,058
Purchase of treasury stock							Δ20	Δ20			Δ20
Net changes of items other than shareholders' equity									731	731	731
Total changes of items during the period	-	-	-	-	Δ1,712,058	Δ1,712,058	Δ20	Δ1,712,079	731	731	Δ1,711,347
Balance at the end of the current period	7,950,002	5,950,002	1,318,958	7,268,960	Δ4,533,999	Δ4,533,999	Δ425,837	10,259,126	5,366	5,366	10,264,492

Current Financial Year (From January 1, 2014 to December 31, 2014)

(Unit: 1,000 yen)

	Shareholder's equity								Valuation and translation adjustments		Total net assets
	Common stock	Capital surplus			Retained earnings		Treasury stock at cost	Total shareholder equity	Unrealized gain (loss) on securities, net of taxes	Total valuation and translation adjustments	
		Legal capital surplus	Other capital surplus	Total capital surplus	Other retained earnings	Total retained earnings					
Balance at the beginning of current period	7,950,002	5,950,002	1,318,958	7,268,960	Δ4,533,999	Δ4,533,999	Δ425,837	10,259,126	5,366	5,366	10,264,492

(Unit: 1,000 yen)

	Shareholder's equity								Valuation and translation adjustments		Total net assets
	Common stock	Capital surplus			Retained earnings		Treasury stock at cost	Total shareholder equity	Unrealized gain (loss) on securities, net of taxes	Total valuation and translation adjustments	
		Legal capital surplus	Other capital surplus	Total capital surplus	Other retained earnings	Total retained earnings					
					Earned surplus carried forward						
Changes of items during the period											
Net income					1,488,104	1,488,104		1,488,104			1,488,104
Purchase of treasury stock							△132	△132			△132
Net changes of items other than shareholders' equity									△847	△847	△847
Total changes of items during the period	-	-	-	-	1,488,104	1,488,104	△132	1,487,971	△847	△847	1,487,123
Balance at the end of the current period	7,950,002	5,950,002	1,318,958	7,268,960	△3,045,895	△3,045,895	△425,970	11,747,097	4,518	4,518	11,751,615