

**Briefing on Second Quarter Financial Statements for  
Fiscal Year ending December 31, 2015 (Japan GAAP) (Consolidated)**

August 13, 2015

Name of listed firm: Laox Co., Ltd. Shares traded on: Tokyo Stock Exchange  
Code number: 8202 URL <http://www.laox.co.jp>  
Representative: (Title) Representative Director (Name) Yiwen Luo  
Contact: (Title) General Manager, Administration Division (Name) Teruji Yano (Tel.) 03-6852-8881  
Scheduled quarterly report filing date: August 13, 2015 Scheduled start date for dividend payments: –  
Supplemental materials on quarterly results: None  
Presentation on quarterly results: None

(Amounts are rounded down to the nearest million yen.)

**1. Consolidated financial results for the second quarter of the fiscal year ending December 31, 2015 (January 1 - June 30, 2015)**

(1) Consolidated operating results (cumulative) (Percentages indicate year-on-year changes.)

	Net sales		Operating profits		Ordinary profit		Current net income	
	M yen	%	M yen	%	M yen	%	M yen	%
2Q FY ending December 2015	45,168	123.3	4,975	–	4,975	–	4,607	–
2Q FY ending December 2014	20,230	36.3	293	–	256	–	58	–

(Note) Comprehensive income: 2Q FY ending December 2015 4,585 M yen (–%),  
2Q FY ending December 2014 72 M yen (–%)

	Quarterly net income per share		Diluted quarterly net income per share	
	Yen	Sen	Yen	Sen
2Q FY ending December 2015	7.63		7.59	
2Q FY ending December 2014	0.11		–	

(2) Consolidated financial condition

	Total assets		Net assets		Capital ratio
	M yen	%	M yen	%	%
2Q FY ending December 2015	57,524		44,351		76.9
FY ending December 2014	18,959		10,279		54.2

(Ref.) Equity: 2Q FY ending December 2015 44,251 M yen  
2Q FY ending December 2014 10,279 M yen

**2. Dividends**

	Annual dividends				
	End of 1Q	End of 2Q	End of 3Q	End of year	Total
	Yen Sen	Yen Sen	Yen Sen	Yen Sen	Yen Sen
FY ending December 2014	–	–	–	0.00	0.00
FY ending December 2015	–	–	–	–	–
FY ending December 2015 (projected)	–	–	–	0.00	0.00

(Note) Adjustments from recently announced dividend forecasts: None

**3. Forecast of consolidated results for period ending December 2015 (January 1 - December 31, 2015)**

(Percentages indicate year-on-year changes.)

	Net sales		Operating profits		Ordinary profit		Current net income		Current net income per share
	M yen	%	M yen	%	M yen	%	M yen	%	Yen Sen
Full year	90,000	79.3	9,000	418.4	9,000	406.1	8,300	568.0	13.13

(Note) Adjustments from recently announced forecasts of results: None

\* Notes

- (1) Transfers involving major subsidiaries during this cumulative quarter of the current consolidated fiscal year: None
- (2) Application of special accounting procedures when creating quarterly consolidated financial statements: Yes
- (3) Changes in accounting policies, changes in accounting projections, and restatement of prior period financial statements
- ① Changes in accounting policies due to revisions in accounting standards or other regulations: None
- ② Changes in accounting policies for other reasons than ①: None
- ③ Changes in accounting projections: None
- ④ Restatement of prior period financial statements: None

(4) Number of shares issued and outstanding (common stock)

① Number of shares issued and outstanding at the end of the period (including treasury stock)	2Q FY ending December 2015	663,881,033 shares	FY ending December 2014	548,881,033 shares
② Number of shares of treasury stock at the end of the period	2Q FY ending December 2015	4,015,156 shares	FY ending December 2014	4,069,406 shares
③ Average number of shares during the period (cumulative quarterly)	2Q FY ending December 2015	603,577,659 shares	2Q FY ending December 2014	544,812,589 shares

\* Statement on execution of quarterly review procedures

This quarterly briefing on financial statements is not subject to quarterly review procedures pursuant to the Financial Instruments and Exchange Act. At the time this briefing was released, review procedures for quarterly financial statements pursuant to the Financial Instruments and Exchange Act had already been finalized.

\* Explanation concerning appropriate use of forecasts of business performance and other notes

Forecasts of business performance and other forward-looking statements in this document are based on information currently available and certain assumptions the Company deems reasonable at the time they were prepared. Actual results may depart materially from these projections for various reasons.

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## 1. Qualitative information on this quarterly financial report

### (1) Operating results

The forward-looking statements made in this report were determined at the Group's discretion based on information available as of the end of this quarterly consolidated fiscal year.

Economic conditions during the cumulative second quarter of this consolidated fiscal year included slowing growth due to restrained investment in China and other factors. A gradual slowdown continued in emerging markets. Japan, meanwhile, showed signs of full-fledged recovery in capital investment backed by several factors, including the yen settling at lower exchange rates on international currency markets. Combined with year-on-year improvements in personal consumption and employment conditions, this helped sustain the economic recovery.

A look at trends in foreign tourists visiting Japan, a factor that affects our key businesses, indicates 9.14 million tourists visited Japan during the six-month period from January through June, a 46% year-on-year increase, with 1.76 million tourists visiting in April alone, a new record high for a single month. Contributing factors included a promotional campaign by the Japanese government to boost travel to Japan during the summer-vacation season, expanded air routes, a significant increase in numbers of cruise ships stopping at ports in Japan, relaxed visa requirements, and the popularity of shopping in Japan due to the expansion of consumption tax exemptions, along with a yen depreciation. Numbers of Chinese tourists, who comprise a major customer category, showed record high increases year on year for six consecutive months for the first six months of the year. Numbers of both individual and group travelers rose dramatically from last year.

In light of these trends, the Laox Group is targeting markets across Asia and focusing on offering a Japan Premium that combines reliable high-quality products with world-famous Japanese hospitality.

In the Domestic Sales Business, we are making progress in building attractive retail stores that embody Japan's renowned hospitality, targeting an international customer base with products meeting diverse needs, including traditional crafts, cosmetics, and health foods, all based on the Great Satisfaction in Japan concept, whose goal is to deliver new discoveries and experiences to customers.

In the month of April during the second quarter of this consolidated fiscal year, we opened the Nagasaki International Cruise Ship Terminal Store and the Tower City Nagasaki Store to serve passengers of cruise ships stopping in Nagasaki, and the Shinsaibashi Opa Store, with convenient direct access to the Osaka Municipal Subway's Midosuji Line. In May, we opened the Hakodate Red Brick Store, located in a warehouse designated as part of a preservation district for traditional architecture in Hakodate, and the Otaru Canal Store, located along the canal that serves as Otaru's leading tourist destination. In June, we opened the Shinjuku Main Store, a flagship store in one of Japan's leading commercial districts. The store design is intended to embody the beauty of Japan and to convey the Japan Premium. We will continue to enhance our retail network, which operates one of Japan's largest chains of duty-free stores.

In our Branch Store Business in China, we are striving to revise our earnings structure and to improve the efficiency of store operations, backed by strong ties to Suning Commerce Group Co., Ltd., our parent company.

In the Foreign Trade Business, in partnership with our Chinese subsidiaries, we are actively involved in export businesses, focusing on products like infant products. The goal is to improve earnings by introducing outstanding Japanese products to the Chinese market.

All these efforts boosted income and profits significantly for the cumulative second quarter of this consolidated fiscal year. Net sales totaled 45.168 billion yen, up 123.3% from 20.23 billion yen in the same quarter of the previous year. Operating profits were 4.975 billion yen, compared to 293 million yen in the same quarter of the previous year. Ordinary profits were 4.975 billion yen, compared to 256 million yen in the same quarter of the previous year. Net income for the quarter was 4.607 billion yen, compared to 58 million yen in the same quarter of the previous year. We remain committed to growing the Laox business model, which embodies the Japan Premium, targeting China, Asia, and the global market as part of efforts to become a pace-setting global company.

The performance of each business segment is outlined below.

#### ① Domestic Sales Business

Various initiatives in this business segment increased income and profits significantly compared to the same period in the previous year. These included measures to attract shoppers viewing the spring cherry blossoms and to enhance our network for serving cruise ship passengers, which combined with a significant increase in numbers of Chinese tourists visiting Japan, our major customer base. Net sales in the cumulative second quarter of this consolidated fiscal year were 40.058 billion yen, up 207.4% from 13.03 billion yen in the same quarter of the previous year; operating profits were 6.193 billion yen, up 345.9% from 1.389 billion yen in the same quarter of the previous year.

#### ② Branch Store Business in China

In this business segment, we were able to cut costs by significantly scaling down the number of stores. Nevertheless, changes in the spending behavior of individual Chinese consumers led to a decline in net sales during the cumulative second quarter of this consolidated fiscal year. Sales fell to 4.323 billion yen, down 32.1% from 6.371 billion yen in the same quarter of the previous year. Operating losses were 192 million yen, compared to 575 million yen in losses in the same quarter of the previous year.

#### ③ Foreign Trade Business

We are currently pursuing reforms in the structure of our export businesses in this business segment, with the goals of building a strategic sales network and restructuring our logistic systems. Net sales in the cumulative second quarter of this consolidated fiscal year were 494 million yen, up 5.8% from 467 million yen in the same quarter of the previous year. Operating losses totaled 120 million yen, compared to losses of 129 million yen in the same quarter of the previous year.

④ Other businesses

In this business segment, net sales in the cumulative second quarter of this consolidated fiscal year were 312 million yen, down 17.1% from 376 million yen in the same quarter of the previous year. Operating losses were 15 million yen, compared to operating profit of 5 million yen in the same quarter of the previous year.

(2) Financial conditions

① Assets, liabilities, and net assets

(Assets)

Total assets in the second quarter of this consolidated fiscal year were 57.524 billion yen, compared to 18.959 billion yen at the end of the previous consolidated fiscal year.

The increase in total assets was mainly attributable to increases of 20 billion yen in long-term time deposits, 8.764 billion yen in cash and deposits, and 4.236 billion yen in merchandise and finished goods.

(Liabilities)

Total liabilities were 13.173 billion yen, compared to 8.679 billion yen at the end of the previous consolidated fiscal year.

The increase in liabilities was mainly due to an increase of 3.184 billion yen in notes and accounts payable.

(Net assets)

Total net assets were 44.351 billion yen, up from 10.279 billion yen at the end of the previous consolidated fiscal year.

The increase in net assets was mainly attributable to increases of 14.683 billion yen in capital, 11.651 billion yen in capital surplus, and 7.653 billion yen in earned surplus.

② Cash flow

Cash and cash equivalents at the end of the cumulative second quarter of this consolidated fiscal year totaled 11.985 billion yen, up 8.764 billion yen from the end of the previous consolidated fiscal year.

(Cash flow from operating activities)

Cash flow from operating activities totaled 663 million yen in the cumulative second quarter of this consolidated fiscal year, up from 81 million yen in cash flow used in operating activities during the same quarter of the previous fiscal year.

This was mainly attributable to an increase of 4.239 billion yen in inventories. We recorded this increase despite 5.011 billion yen in income before income taxes and minority interests.

(Cash flow used in investment activities)

The cash flow used in investment activities totaled 21.536 billion yen in the cumulative second quarter of this consolidated fiscal year, up from 197 million yen of cash flow used in investment activities in the same quarter of the previous fiscal year.

This was mainly attributable to expenditures of 1.021 billion yen on acquisition of tangible fixed assets and 20 billion yen placed in time deposits.

(Cash flow from financing activities)

Cash flow from financing activities totaled 29.317 billion yen in the cumulative second quarter of this consolidated fiscal year, up from 11 million yen of cash flow used in financing activities in the same quarter of the previous fiscal year.

This was mainly attributable to revenues of 29.207 billion yen from the issue of stock shares.

(3) Forward-looking statements, including forecasts of future consolidated results

We revised the forecasts for consolidated results for the fiscal year ending December 31, 2015, as announced in the Briefing on Financial Statements ending December 2014 (Japan Based) (Consolidated) issued on February 12, 2015, based on a review of forecasts of business performance reflecting business performance in the second quarter of this consolidated fiscal year.

For details, see Notice of Revisions to Forecasts of Business Performance and Recording of Extraordinary Gains and Extraordinary Losses, issued on the same date as this Briefing.

Any significant changes in business results expected in the future will be announced separately.

2. Summary (remarks)

- (1) Transfers involving major subsidiaries during this cumulative quarter of the current consolidated fiscal year

Not applicable

- (2) Application of special accounting procedures in creating the quarterly consolidated financial reports

Tax expenses for the Company and some of its consolidated subsidiaries were calculated based on reasonable estimates of the effective tax rate after applying tax-effect accounting to pretax net income for the consolidated fiscal year, including the second quarter of this consolidated fiscal year, and multiplying pretax quarterly net income by this estimated effective tax rate.

- (3) Changes in accounting policies, changes in accounting projections, and restatement of prior period financial statements

Not applicable

3. Material facts related to the going concern assumption  
Not applicable

#### 4. Consolidated quarterly financial statements

##### (1) Consolidated quarterly balance sheet

(Unit: 1,000 yen)

	Previous consolidated fiscal year (December 31, 2014)	Second quarter of the current consolidated fiscal year (June 30, 2015)
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	3,398,395	12,162,496
Notes and accounts receivable	2,723,043	4,583,127
Merchandise and finished goods	4,587,126	8,824,001
Raw materials and supplies	7,815	11,279
Accounts receivable	1,293,293	2,627,153
Advanced payments	862,297	1,519,723
Prepaid expenses	344,969	409,016
Security deposits returnable in one year	123,306	123,306
Other	228,043	316,745
Allowance for doubtful accounts	-9,220	-98,731
<b>Total current assets</b>	<b>13,559,070</b>	<b>30,478,118</b>
<b>Fixed assets</b>		
<b>Tangible fixed assets</b>		
Buildings and structures (net)	1,119,687	1,599,363
Vehicles (net)	2,931	29,902
Tools, equipment, and fixtures (net)	381,816	597,288
Property	88,647	88,647
Leased assets (net)	44,977	37,195
Construction currently underway	5,803	64,540
<b>Total of tangible fixed assets</b>	<b>1,643,862</b>	<b>2,416,937</b>
<b>Intangible fixed assets</b>		
Software	23,414	24,647
Leased assets	5,487	23,644
Software suspense account	90,607	143,307
Other	5,116	5,190
<b>Total of intangible fixed assets</b>	<b>124,625</b>	<b>196,789</b>
<b>Investments and other assets</b>		
Investments in securities	12,263	61,671
Long-term time deposits	-	20,000,000
Deferred tax assets	274,975	249,230
Long-term loans	121,953	121,953
Deposits and guarantees	3,257,884	3,997,204
Other	411,208	309,219
Allowance for doubtful accounts	-446,637	-457,500
<b>Total of investments and other assets</b>	<b>3,631,648</b>	<b>24,281,779</b>
<b>Total of fixed assets</b>	<b>5,400,135</b>	<b>26,895,506</b>
<b>Deferred assets</b>		
Stock issuance cost	-	151,354
<b>Total of deferred assets</b>	<b>-</b>	<b>151,354</b>
<b>Total assets</b>	<b>18,959,206</b>	<b>57,524,980</b>

(Unit: 1,000 yen)

	Previous consolidated fiscal year (December 31, 2014)	Second quarter of the current consolidated fiscal year (June 30, 2015)
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable	5,184,677	8,369,425
Payment in arrears	1,147,235	1,384,835
Accrued expenses	377,840	840,242
Lease obligations	25,562	31,042
Income taxes payable	33,232	497,632
Provision for bonuses	93,077	140,879
Reserve for directors' bonuses	8,742	14,683
Reserve for point card certificates	9,090	11,318
Reserve for product warranty	192,440	24,211
Reserve for losses on withdrawal from employees' pension fund	-	170,000
Other	366,188	486,092
Total of current liabilities	7,438,086	11,970,362
Fixed liabilities		
Long-term guarantees deposited	471,571	467,759
Liabilities for retirement benefits	243,233	263,127
Reserve for directors' retirement and farewell recognition	10,090	16,864
Leased liabilities	26,871	31,765
Reserves for loss in lawsuits	15,058	2,218
Asset retirement obligation	190,729	199,852
Deferred tax liabilities	78,656	43,167
Other	205,699	178,224
Total of fixed liabilities	1,241,910	1,202,979
Total liabilities	8,679,997	13,173,341
Net assets		
Shareholders' equity		
Capital stock	7,950,002	22,633,662
Capital surplus	7,268,961	18,920,205
Earned surplus	-4,826,127	2,827,508
Treasury stock	-426,141	-420,552
Total of shareholder's equity	9,966,694	43,960,823
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	4,518	5,435
Foreign currency translation adjustment	307,995	285,274
Total accumulated other comprehensive income	312,514	290,710
Stock options	-	100,105
Minority interests	-	-
Total net assets	10,279,209	44,351,638
Total liabilities and net assets	18,959,206	57,524,980

(2) Consolidated quarterly statement on profit and loss and consolidated quarterly statement on comprehensive income

Consolidated quarterly statement on profit and loss  
Cumulative second quarter of the consolidated fiscal year

(Unit: 1,000 yen)

	Cumulative second quarter of the previous consolidated fiscal year (January 1 - June 30, 2014)	Cumulative second quarter of the current consolidated fiscal year (January 1 - June 30, 2015)
Net sales	20,230,082	45,168,030
Cost of sales	14,860,088	30,070,196
Gross profit	5,369,994	15,097,834
Selling and general administrative expenses		
Advertising expenses	46,378	42,216
Sales commission	1,678,402	6,135,943
Transportation expenses	141,817	121,894
Depreciation expenses	216,483	209,429
Wages and salary	863,761	1,167,720
Legal welfare expenses	124,345	147,441
Retirement benefit expenses	48,196	48,596
Bonuses	9,831	54,750
Provisions of reserves for bonuses	71,800	140,559
Provisions of reserves for directors' bonuses	-	14,683
Provisions of reserves for directors' retirement and farewell recognition	-	6,774
Expenses for rent of space and land	1,201,486	1,075,169
Rent	14,600	21,634
Other	658,928	935,361
Total selling and general administrative expenses	5,076,032	10,122,174
Operating profits	293,962	4,975,659
Non-operating income		
Interest income	5,103	26,135
Cash discount on purchases	14,239	50,810
Foreign exchange profits	-	10,616
Other	17,619	14,873
Total of non-operating income	36,961	102,434
Non-operating expenses		
Interest paid	3,659	2,835
Sales discounts	1,495	1,297
Amortization of stock issuance expenses	7,517	18,919
Guarantee commission	15,000	-
Foreign exchange loss	33,573	-
Provision of allowance for doubtful accounts	-	64,932
Other	13,114	14,568
Total of non-operating expenses	74,360	102,554
Operating profits	256,563	4,975,540
Extraordinary income		
Income from disposal of fixed assets	185	-
Reversal of reserves for loss in lawsuits	13,298	-
Reversal of impairment loss	-	205,851
Total of extraordinary income	13,484	205,851
Extraordinary expenses		
Impairment loss	4,210	-
Loss on liquidation of stores	122,338	-
Provisions of reserve for losses on withdrawal from employees' pension fund	-	170,000
Total of extraordinary expenses	126,548	170,000
Income before income taxes and minority interests	143,499	5,011,392

(Unit: 1,000 yen)

	Cumulative second quarter of the previous consolidated fiscal year (January 1 - June 30, 2014)	Cumulative second quarter of the current consolidated fiscal year (January 1 - June 30, 2015)
Corporate, inhabitant, and enterprise tax	9,358	411,293
Income tax adjustment	75,903	-7,641
Total income tax	85,261	403,652
Quarterly net income before minority interests	58,237	4,607,740
Minority interests	-	-
Quarterly net income	58,237	4,607,740

Consolidated Quarterly Statement on Comprehensive Income  
 Cumulative second quarter of the consolidated fiscal year

(Unit: 1,000 yen)

	Cumulative second quarter of the previous consolidated fiscal year (January 1 - June 30, 2014)	Cumulative second quarter of the current consolidated fiscal year (January 1 - June 30, 2015)
Quarterly net income before minority interests	58,237	4,607,740
Other comprehensive income		
Other valuation difference on available-for-sale securities	-516	917
Foreign currency translation adjustment	14,301	-22,721
Total of other comprehensive income	13,785	-21,804
Quarterly comprehensive income	72,022	4,585,935
(Breakdown)		
Quarterly comprehensive income attributable to the shareholders of the parent company	72,022	4,585,935
Quarterly comprehensive income attributable to minority interests	-	-

## (3) Consolidated quarterly statement of cash flows

(Unit: 1,000 yen)

	Cumulative second quarter of the previous consolidated fiscal year (January 1 - June 30, 2014)	Cumulative second quarter of the current consolidated fiscal year (January 1 - June 30, 2015)
<b>Cash flows from operating activities</b>		
Income before income taxes and minority interests	143,499	5,011,392
Depreciation	232,111	220,565
Amortization of share issuance cost	7,517	18,919
Impairment loss	4,210	-
Reversal of impairment loss	-	-205,851
Increase (decrease) in allowance for doubtful accounts	3,910	98,604
Increase (decrease) in provision for bonuses	43,832	47,802
Increase (decrease) in provision for directors' bonuses	-	5,941
Increase (decrease) in liabilities for retirement benefits	21,872	19,893
Increase (decrease) in provision for directors' retirement benefits	-	6,774
Increase (decrease) in provision for loss on litigation	-150,000	-12,840
Increase (decrease) in provision for reserve for product warranty	-	-168,228
Increase (decrease) in provision for reserve for losses on withdrawal from employees' pension fund	-	170,000
Interest and dividend income	-5,104	-26,135
Interest expenses	3,659	2,835
Loss (gain) on sales of tangible fixed assets	-185	-
Decrease (increase) in notes and accounts receivable - trade	-641,155	-1,810,628
Decrease (increase) in inventories	-1,329,177	-4,239,371
Increase (decrease) in notes and accounts payable - trade	1,136,016	3,134,353
Decrease (increase) in accounts receivable - other	246,137	-1,312,427
Decrease (increase) in advance payments	54,499	-661,839
Increase (decrease) in accounts payable - other	35,994	213,866
Increase (decrease) in advance receipts	437,868	94,738
Increase (decrease) in long-term accounts payable - other	7,482	-28,949
Increase (decrease) in guarantee deposits received	-20,204	-3,812
Other	-263,996	204,541
Subtotal	-31,212	780,143
Interest and dividend income received	2,414	2,750
Interest expenses paid	-3,659	-2,835
Income taxes paid	-49,308	-116,174
Cash flows from operating activities	-81,765	663,883
<b>Cash flows from investment activities</b>		
Purchase of tangible fixed assets	-354,442	-1,021,214
Proceeds from sales of tangible fixed assets	252,076	205,851
Purchase of intangible fixed assets	-3,808	-51,420
Purchase of investment securities	-	-47,983
Payments for lease and guarantee deposits	-142,757	-948,114
Proceeds from collection of lease and guarantee deposits	51,306	196,463
Payments into time deposits	-668,984	-20,000,000
Proceeds from withdrawal of time deposits	654,280	-
Other	14,562	130,363
Cash flows from investment activities	-197,767	-21,536,053

(Unit: 1,000 yen)

	Cumulative second quarter of the previous consolidated fiscal year (January 1 - June 30, 2014)	Cumulative second quarter of the current consolidated fiscal year (January 1 - June 30, 2015)
Cash flows from financing activities		
Purchase of treasury shares	-10	-135
Proceeds from sale of treasury shares	-	19,203
Repayments of lease obligations	-11,930	-9,515
Proceeds from issue of stock	-	29,207,844
Proceeds from issue of stock options	-	100,105
Cash flows from financing activities	-11,941	29,317,502
Effect of exchange rate fluctuations on cash and cash equivalents	-20,909	318,768
Net increase (decrease) in cash and cash equivalents	-312,384	8,764,101
Cash and cash equivalents at beginning of period	1,908,758	3,220,995
Cash and cash equivalents at end of quarter	1,596,374	11,985,096

(4) Notes on consolidated quarterly financial statement

(Notes on going concern assumption)

Not applicable

(Notes on significant changes in amount of shareholder equity)

As determined in the board meeting held March 9, 2015, the Company issued new shares (100,000,000 shares) through a public offering, with a payment date of March 24, 2015, and new shares (15,000,000 shares) through a third-party allocation, with a payment date of April 22, 2015. The objective is to increase capital and the legal capital surplus to 14,683,660,000 yen each.

In addition, based on a decision at the shareholders' meeting held March 26, 2015, we made up the deficit by transferring 1,726,937,000 yen of our legal capital surplus and 1,318,958,000 yen of our capital surplus to our earned surplus.

During the second quarter of this consolidated fiscal year, we sold shares of treasury stock, recording to our capital surplus the difference of 13,480,000 yen between the amount of payment received for the treasury stock and the value of the treasury stock sold.

As a result, at the end of the second quarter of this consolidated fiscal year, our capital is 22,633,662,000 yen, and our capital surplus is 18,920,205,000 yen.

(Segment Information, etc.)

[Segment Information]

I. Cumulative second quarter of the previous consolidated fiscal year (January 1 - June 30, 2014)

1. Information on net sales, profits, and losses by reported segment

(Unit: 1,000 yen)

	Reported segment				Total	Adjustments (Note 1)	Amount recorded to Consolidated Quarterly Statement on Profit and Loss (Note 2)
	Domestic Sales Business	Branch Store Business in China	Foreign Trade Business	Other businesses			
Net sales							
Net sales to outside customers	13,030,196	6,371,501	454,008	374,376	20,230,082	–	20,230,082
Internal net sale or transfer amount between segments	–	–	13,022	2,220	15,243	-15,243	–
Total	13,030,196	6,371,501	467,030	376,597	20,245,326	-15,243	20,230,082
Segment profit or loss	1,389,080	-575,338	-129,187	5,590	690,144	-396,182	293,962

(Notes) 1. The amount of the adjustment to segment profit or loss of -396,182,000 yen represents company costs not distributed to individual reported segments.

These company costs consist mainly of salaries, wages, and general administrative expenses not attributable to individual reported segments.

2. Segment profits or losses are adjusted against operating profits in the Consolidated Quarterly Statement on Profit and Loss.

2. Information on impairment losses on fixed assets, goodwill, etc. by reported segments

Not covered here due to negligible related amounts

II. Cumulative second quarter of the current consolidated fiscal year (January 1 - June 30, 2015)

1. Information on net sales, profits, and losses by reported segment

(Unit: 1,000 yen)

	Reported segment				Total	Adjustments (Note 1)	Amount recorded to Consolidated Quarterly Statement on Profit and Loss (Note 2)
	Domestic Sales Business	Branch Store Business in China	Foreign Trade Business	Other businesses			
Net sales							
Net sales to outside customers	40,058,818	4,305,179	494,079	309,953	45,168,030	–	45,168,030
Internal net sale or transfer amount between segments	–	18,000	–	2,220	20,220	-20,220	–
Total	40,058,818	4,323,179	494,079	312,173	45,188,251	-20,220	45,168,030
Segment profit or loss	6,193,843	-192,898	-120,267	-15,939	5,864,738	-889,078	4,975,659

(Notes) 1. The amount of the adjustment to segment profit or loss of -889,078,000 yen represents company costs not distributed to individual reported segments.

These company costs consist mainly of salaries, wages, and general administrative expenses not attributable to individual reported segments.

2. Segment profits or losses are adjusted against operating profits in the Consolidated Quarterly Statement on Profit and Loss.

2. Information on impairment losses on fixed assets, goodwill, etc. by reported segments

Not applicable

3. Information on assets of individual reported segments

(Substantial increase in assets related to increase in net sales)

During the cumulative second quarter of this consolidated fiscal year, assets including accounts receivable-trade and merchandise increased alongside net sales. The assets of the Domestic Sales Business increased by 8,526,726,000 yen from the ending date of the previous consolidated fiscal year.

(Important Subsequent Events)

(Acquisition of company through purchase of stock)

In its meeting held June 10, 2015, the Company board of directors resolved to purchase stock in Mode et Jacomo Co., Ltd. An agreement on the transfer of stock was concluded on that date; the Company acquired the stock effective July 1, 2015, making Mode et Jacomo Co., Ltd. a consolidated subsidiary.

1. Reason for acquisition

As part of efforts under the Second Mid-term Management Plan released on February 12, 2015, the Company is working to enhance the three Japan Premiums: the Store Premium, the MD Premium, and the Human Resources Premium. In particular, enhancing its lineup of attractive made-in-Japan products under the MD Premium will be a key factor in achieving the goals of the Mid-term Management Plan.

Mode et Jacomo Co., Ltd. sells fashionable women's shoes under its original brands of Carino, Meda, and D'Ici, in department stores, in shopping centers, and on e-commerce sites. It applies considerable technological capabilities and draws on a wealth of experience in constant pursuit of the latest in fashion trends. A directly-operated plant in Japan gives it the capacity to manufacture high-quality Japan-made products.

In recent years, apparel, shoes, and accessories made in Japan have proven very popular among foreign tourists visiting Japan. We believe that acquiring stock in Mode et Jacomo Co., Ltd. represents an excellent opportunity not just to enhance our MD Premium concept, but to actively discover attractive products made in Japan and to deliver them to customers around the world.

2. Name of counterparty in acquisition of shares

Hatch Co., Ltd.

3. Name, lines of business, and size of acquisition

(1) Name: Mode et Jacomo Co., Ltd.

(2) Lines of business: Planning, importing, and retail and wholesale sales of women's shoes, bags, and leather goods

(3) Capital: 30 million yen

4. Date of stock acquisition

July 1, 2015

5. Number of shares purchased, purchase price, and equity stake after purchase

(1) Number of shares purchased: 6,000 shares

(2) Purchase price: Price of purchase: 390 million yen  
Costs required for purchase: approx. 5 million yen  
Total: approx. 395 million yen

(3) Equity stake after purchase: 100%

6. Method of raising funds for payment

Funds on hand