Summary of Financial Statements for the Fiscal Year Ended December 2016 (Japanese Standards) (consolidated)

February 14, 2017

Listed company:	Laox Co., Ltd.	Stock exchange: Tokyo Stock Exchange	
Code:	8202	URL: http://www.laox.co.jp	
Representative:	(Title) President and Representative Director		(Name) Yiwen Luo
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Planned Date of Ordinary Shareholders' Meeting:	March 24, 2017
Planned Starting Date for Dividend Payments:	—
Planned Submission Date for the Financial Report:	March 24, 2017
Supplementary Documents for Financial Results:	NO
Financial Results Briefing:	NO

(Rounded down to nearest million yen)

1. Consolidated Results for the Fiscal Year Ended December 2016 (January 1, 2016 to December 31, 2016)

(1) Consolidated operating results

(Percentages indicate year-on-year changes.)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY2016	62,764	(32.3)	(955)	–	(1,012)	–	(1,527)	–
FY2015	92,693	84.6	8,586	394.5	8,637	385.6	8,079	550.1

(Note) Comprehensive income FY2016: -1,396 million yen (–%) FY2015: 8,138 million yen (640.4%)

	Net income per share	Diluted net income per share	Return on equity	Ratio of ordinary income to net assets	Ratio of operating income to sales
	Yen	Yen	%	%	%
FY2016	(23.57)	–	(3.3)	(1.7)	(1.5)
FY2015	127.84	126.72	27.8	22.4	9.3

(For reference) Equity in earnings of affiliates: FY2016: – million yen FY2015: – million yen

(Note) A reverse stock split of 10 common shares to one was conducted on July 1, 2016. Net income per share has been calculated by assuming that this reverse stock split was conducted at the beginning of the previous consolidated fiscal year.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
FY2016	58,406	44,500	76.0	688.81
FY2015	58,108	47,907	82.3	724.44

(For reference) Shareholders' equity FY2016: 44,407 million yen FY2015: 47,803 million yen

(Note) A reverse stock split of 10 common shares to one was conducted on July 1, 2016. Net assets per share has been calculated by assuming that this reverse stock split was conducted at the beginning of the previous consolidated fiscal year.

(3) Consolidated cash flow condition

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Million yen	Million yen	Million yen	Million yen
FY2016	1,458	(6,810)	2,669	2,863
FY2015	(1,741)	(25,160)	29,305	5,617

2. Dividends

	Dividends per share					Total cash dividends (total)	Dividends payout (consolidated)	Net assets dividend ratio (consolidated)
	End of Q1	End of Q2	End of Q3	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
FY2015	–	–	–	0.00	0.00	–	–	–
FY2016	–	–	–	0.00	0.00	–	–	–
FY2017 (forecast)	–	–	–	0.00	0.00		–	

3. Results forecast for FY2017 (from January 1, 2017 to December 31, 2017)

(Percentages indicate year-on-year changes.)

	Net sales		Operating income		Ordinary income	
	Million yen	%	Million yen	%	Million yen	%
Full year	81,000	29.1	2,000	–	2,000	–

(Note) The Company does not provide results forecasts for the first half of FY2017.

Notes

(1) Important changes in subsidiaries during the term (Changes in specified subsidiaries resulting in changes in scope of consolidation): No

(2) Changes in accounting policy and changes or restatement of accounting estimates

(i)	Changes in accounting policy due to revisions to accounting standards etc.:	Yes
(ii)	Changes in accounting policy other than those in (i):	No
(iii)	Changes in accounting estimates:	No
(iv)	Restatement of accounting estimates:	No

(3) Number of issued shares (common shares)

(i) Number of issued shares at the end of period (including treasury stock):	FY2016	66,388,103
	FY2015	66,388,103
(ii) Number of shares of treasury stock at the end of period:	FY2016	1,918,017
	FY2015	401,633
(iii) Average number of issued shares during period	FY2016	64,792,017
	FY2015	63,195,260

(Note) A reverse stock split of 10 common shares to one was conducted on July 1, 2016. The number of shares of treasury stock at the end of period and the average number of issued shares during the period have been calculated by assuming that this reverse stock split was conducted at the beginning of the previous consolidated fiscal year.

(For reference) Summary of Non-Consolidated Results

1. Non-Consolidated Results for the Fiscal Year Ended December 2016 (January 1, 2016 to December 31, 2016)

(1) Non-consolidated operating results (Percentages indicate year-on-year changes.)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY2016	55,007	(34.1)	(945)	–	(1,026)	–	(2,107)	–
FY2015	83,510	115.1	9,026	223.8	9,111	217.5	8,196	450.8

	Net income per share	Diluted net income per share
	Yen	Yen
FY2016	(32.53)	–
FY2015	129.71	128.57

(Note) A reverse stock split of 10 common shares to one was conducted on July 1, 2016. Net income per share has been calculated by assuming that this reverse stock split was conducted at the beginning of the previous fiscal year.

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
FY2016	54,778	45,325	82.6	701.62
FY2015	55,023	49,440	89.7	747.67

(For reference) Shareholders' equity FY2016: 45,233 million yen FY2015: 49,335 million yen

(Note) A reverse stock split of 10 common shares to one was conducted on July 1, 2016. Net assets per share has been calculated by assuming that this reverse stock split was conducted at the beginning of the previous fiscal year.

Presentation regarding the status of audit procedures

This financial summary is not subject to audit procedures under the Financial Instruments and Exchange Act. As at the date of the disclosure of this financial summary, the audit procedures for consolidated financial statements under the Financial Instruments and Exchange Act were in progress.

Explanation on the proper use of results forecasts and other special notes

Forward-looking statements, including results forecasts, in this document are based on information that the Company has obtained and certain assumptions that the Company believes to be reasonable. Actual results may differ significantly due to a variety of factors.

For assumptions regarding the results forecasts and notes to the forecasts, please refer to the Analysis of operating results on page 2 of the accompanying materials.

○ Contents of attached document

1. Analysis of Operating Results and Financial Conditions

(1) Analysis of operating results

1) Operating results for the fiscal year under review

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

During the consolidated fiscal year under review, the global economy did not show any remarkable signs of recovery from the sluggish growth in the previous fiscal year, mainly due to low oil prices in advanced countries and a slowdown in economic growth in emerging countries. Olympics-related economic upswings were also limited. In addition, the global economy remained unstable against a range of factors, including concern over a slowdown in economic growth in China, a country that accounts for the majority of foreigners visiting Japan, due to the country's unfavorable results in international trade and the real estate bubble. Uncertainties over economic globalization also deepened as the transition to the Trump administration took place following the expiration of the United States presidential term. The impact on the Japanese economy still remains to be seen.

In these economic circumstances, trends of consumption by foreign tourists visiting Japan had shown a temporary slowdown in terms of inbound demand due to the impact of the sharp appreciation of the yen. Nevertheless, it showed signs of moderate recovery against the backdrop of the weak yen trend during the second part of the fiscal year under review, and the number of Chinese visiting Japan, who are the Company's major customers, increased from the previous year in both individual and group tours, achieving a record high of 6.37 million (up 27.6% year on year). On the other hand, given changes in per capita travel expenditure by foreigners visiting Japan, mainly due to tariff revisions and lifestyle changes, payments for services such as eating and sightseeing were on the increase, although shopping still accounted for the greatest majority in the composition of expenditure items.

During the consolidated fiscal year under review, the Company opened 15 stores nationwide in anticipation of the mid- to long-term development of inbound markets, and the number of customers who visited the Company's stores rose steadily. That said, the Company's product ranges changed rapidly because inbound tourists became interested in spending more money on low-priced consumable goods than on high-priced durable goods. Consequently, the average selling price declined from 33,820 yen at the end of the previous fiscal year to 22,344 yen at the end of the fiscal year under review. Against this background, the Company closed six stores in consideration of the necessity to rework store efficiency.

The Company also worked to improve its revenue structure through cost reductions as it moved forward with business liquidations such as the closure of stores in China and the downsizing and transfer procedures of the sales business of disposable diapers for China.

In addition, the Company sought to strengthen the business of women's shoes in the fiscal year under review through the acquisition of the planning and wholesale business of women's shoes from Shin-Ei Corporation and the shoe manufacturing and sales business from Shinko Seika Kogyo Co., Ltd. Through such efforts, the Company succeeded in strengthening its merchandising and sales capabilities as well as establishing a solid integrated system for entire operational processes from planning to production to sales.

As a result, net sales and operating loss stood at 62,764 million yen (down 32.3% from 92,693 million yen in the same period of the previous year) and 955 million yen (compared to operating income of 8,586 million yen in the same period of the previous year), respectively, in the consolidated fiscal year under review. With the number of tourists visiting Japan continuing to increase, going forward the Company will work to further improve its business results and expand its business by responding to future market changes and attracting new customers, while addressing the important challenges of raising the average selling price and enhancing in-store sales efficiency through improvements in per-*tsubo* operation and human productivity.

The financial results of each business segment are as follows:

a) Domestic Retail Business

In this segment, there was a significant increase in the number of Chinese tourists, who are the main customers of the Company's mainstay duty-free products. In the first half, the Company implemented measures to encourage them to visit its stores during the Chinese New Year holidays and cherry-blossom viewing season and to attract customers who arrive on cruise ships. Despite these efforts, the Company recorded a decrease in net sales as the average selling price per customer fell due to the weakening of consumer confidence, mainly among Chines customers. The Company's profitability also worsened, reflecting increased rents due to proactive new store openings in response to an increase in the number of inbound customers visiting Japan and increased fixed costs such as personnel expenses as a result of the strengthening of human resources through new recruitments. On the other hand, sales of women's shoes contributed to profitability as the business expanded due to business acquisition. Even so, net sales and operating income for the fiscal year under review came to 60,215 million yen (down 28.1% from 83,782 million yen for the same period of the previous year) and 1,689 million yen (down 84.8% from 11,081 million yen for the same period of the previous year), respectively, registering significant decreases in both sales and income year on year.

b) Overseas Businesses

In this segment, sales declined due to the closure of stores in China in the first quarter of the consolidated fiscal year under review. In the same vein, the Company put efforts into the placement of new sales channels and the reestablishment of logistics systems for China-oriented goods including disposable diapers, among other goods. However, it decided to exit the business because there was no improvement in profitability. The Company had also been working on the improvement of infrastructure and the strengthening of sales structures to enhance cross-border e-commerce businesses, but suffered due to the rising cost of inventories of goods for China. As a result, net sales stood at 2,136 million yen (down 74.3% from 8,325 million yen for the same period of the previous year) and operating loss came to 763 million yen (compared to a loss of 645 million yen for the same period a year ago) for the consolidated fiscal year under review.

c) Other Businesses

This segment recorded net sales of 562 million yen (down 6.3% from 600 million yen for the same period of the previous year) and operating income of 44 million yen (compared to a loss of 21 million yen for the same period of the previous year), respectively, for the consolidated fiscal year under review, mainly attributable to the real estate leasing business.

2) Outlook for the fiscal year ending December 31, 2017

Despite signs of a decline in economic growth, China and emerging countries in Asia will maintain growth trends on a mid- to long-term basis, and their consumption power is expected to expand gradually. In addition, the inbound market will continue growing because the Japanese government is expected to promote proactive measures both in Japan and abroad to meet the goal of 40 million inbound tourists set for 2020.

In light of this development of the inbound market, the Company has been opening many new stores, primarily in notably popular tourist spots. It will build on the network of these stores and continue to deliver goods and services featuring “premium Japan” in global markets including China and Asia, among other regions.

In the Kyushu area including Fukuoka and Okinawa, in particular, the Company will strengthen its efforts to attract more customers arriving on cruise ships, while simultaneously investigating the possibility of opening large stores to address the needs of the large number of customers who visit stores while ships are in port.

Meanwhile, given the ratio of individual tours (categorized as foreign independent tours, or FIT), which appears to be increasing rapidly, the Company will work to enhance its competitive power through the improvement of advertising activities for FIT customers over and above the implementation of ongoing sales strategies for group customers. Going forward, it will also work proactively on making cross-industry business alliances as well as collaborations with large tourist companies, manufacturers and brands such as a tie-up with Ctrip.com International Ltd., the largest online trip agency in China.

In addition to these measures, the Group’s new growth strategy includes its proactive entry into new businesses -- eating and entertainment, in particular. The Group, capitalizing on the trend of people enjoying trips from broad perspectives including eating, sightseeing and entertainment, will promote businesses that comprehensively address the needs of foreign tourists visiting Japan; in other words, businesses that offer “goods and experiences.” By doing so, it expects that its traditional sales business will also be further vitalized.

To summarize, the Company, as a leading company in the inbound market, will seek to improve the profitability and business performance of the domestic retail sales business in the next term by fully leveraging management resources for which it has been making investments, while at the same time working on investments for new businesses to maintain growth in the future.

(2) Analysis of financial conditions

1) Assets, liabilities and net assets

(Assets)

Total assets at the end of the consolidated fiscal year under review stood at 58,406 million yen (compared to 58,108 million yen at the end of the previous fiscal year). The increase in total assets was largely attributable to increases of 2,950 million yen in property, plant and equipment and 2,574 million yen in investments in capital of subsidiaries and associates, despite a decrease of 4,931 million yen in cash and deposits.

(Liabilities)

Total liabilities at the end of the consolidated fiscal year under review came to 13,905 million yen (compared to 10,201 million yen at the end of the previous fiscal year). The increase in liabilities was largely attributable to an increase of 4,843 million yen in short-term loans payable, despite a decrease of 1,181 million yen in notes and accounts payable - trade.

(Net assets)

Net assets stood at 44,500 million yen (compared to 47,907 million yen at the end of the previous fiscal year). The decline in net assets was primarily due to a decrease of 1,527 million yen in retained earnings and an increase of 1,998 million yen in treasury stock.

2) Cash flows

Cash and cash equivalents at the end of the consolidated fiscal year under review stood at 2,863 million yen, down 2,753 million yen from a year ago. The status of each type of cash flow during the consolidated fiscal year under review and the contributing factors are as follows.

(Cash flows from operating activities)

Net cash provided by operating activities for the consolidated fiscal year under review increased 1,458 million yen (compared to net cash used of 1,741 million yen for the previous fiscal year). The increase was largely attributable to decreases of 781 million yen in notes and accounts payable - trade and 2,069 million yen in inventories.

(Cash flows from investing activities)

Net cash used in investing activities for the consolidated fiscal year under review declined 6,810 million yen (compared to net cash used of 25,160 million yen for the previous fiscal year). This was primarily due to the payment of 4,108 million yen for the purchase of property, plant and equipment and 2,574 million yen for payment for investments in capital of subsidiaries and associates.

(Cash flows from financing activities)

Net cash provided by financing activities for the consolidated fiscal year under review increased 2,669 million yen (compared to net cash provided of 29,305 million yen for the previous fiscal year). This was largely attributable to the payment of 1,998 million yen for the purchase of treasury stock and net increase in short-term loans payable - trade of 4,759 million yen.

(Reference) Trends in cash flow-related indicators

	FY2012/12	FY2013/12	FY2014/12	FY2015/12	FY2016/12
Capital adequacy ratio (%)	72.0	60.0	54.2	82.3	76.0
Market value-based capital adequacy ratio (%)	116.3	170.9	741.4	254.3	79.0
Ratio of interest-bearing liabilities to cash flows (%)	–	–	8.4	–	364.7
Interest coverage ratio (times)	–	–	101.54	–	70.04

(Notes)

Capital adequacy ratio: Shareholders' equity/total assets

Market value-based capital adequacy ratio: Market capitalization/total assets

Ratio of interest-bearing debt to cash flows: Interest-bearing debt/cash flows

Interest coverage ratio: Cash flows/interest payments

* Each indicator is calculated using consolidated financial figures

* Market capitalization is calculated based on the number of shares issued, excluding treasury stock.

* Cash flows refers to cash flows from operating activities.

* Interest-bearing liabilities refer to all types of liabilities posted on consolidated balance sheets for which interest is paid.

* Interest payments denote the payment of interest presented in consolidated statements of cash flows.

* The ratio of interest-bearing debt to cash flows and the interest coverage ratio are not calculated for the fiscal years ended December 31, 2012, 2013 and 2015 because operating cash flows in these years were in negative territory.

(3) Basic policy regarding the distribution of profit and dividends in the current and next terms

The Company strongly considers returns to shareholders through dividends to be one of its most important policies. The Company pays year-end surplus dividends once a year according to its basic policy, and the Articles of Incorporation contain a provision according to which the Company, based on the respective items of Article 459, Paragraph 1 of the Companies Act, may distribute such dividends without specifying a record date pursuant to the decision of a meeting of the Board of Directors, irrespective of the resolution of a general meeting of shareholders. For the fiscal year under review, however, the Company recorded an operating loss due to active investments for the future and business liquidations, although it had returned to profitability in the previous year and the year before, for two consecutive years, a switch from recording operating loss for 13 consecutive years before that. The Company therefore considers that it is essential to use internal reserves for business recovery in the next term. As for the fiscal year under review, the Company will maintain its financial position and credibility status, achieve improvements in revenues, and work to recover its business performance so that dividends will be paid stably to shareholders.

(4) Business risks

Risks that may greatly affect investors' decision about the Group are as follows, with the proviso that references to the future here reflect the Group's judgment as of December 31, 2016. Recognizing the potential risks, the Group plans to take actions to prevent these risks and to address such risks in case they occur.

1) About country risk

The Group's three business segments Domestic Retail Business, Overseas Businesses and Other Businesses, especially the business of selling tax free goods in the Domestic Retail Business segment, are significantly affected by political and economic conditions in overseas countries such as China and fluctuations in foreign currency exchange rates. If, for some reason, political or social unrest, economic deterioration, or a change in the law or government policy occurred in China or another overseas country, leading to significant decline in the number of tourists visiting Japan or a weakening in demand for the products provided by the Group, the Group's business results could be seriously affected.

2) About competition in the domestic store business

The Company operates many stores, creating one of the largest networks of general tax-free stores in Japan. However, as the inbound market expands, the competition between stores is intensifying, with companies from other industries entering the market, new tax-free stores opening around the world, and existing retailers strengthening their tax-free business. The Company is taking steps to increase its ability to attract customers, reviewing selling space daily and renovating stores, in order to maintain its position as one of the first to create a network of general tax-free stores. However, if the Company is as unable to increase its ability to attract customers as planned, the Group's business results could be affected.

3) About dependence on certain managers and securing human resources

The knowledge and experience of the Group's human resources, including the Representative Director, executive officers and managers, plays an important role in the Group's management and business execution and can be considered as important management resources of the Group. However, if these officers and employees retired or resigned for some reason and it was difficult to hire successors, the Group's business results could be affected.

4) Risk involved in securing and training store sales personnel

Especially in the Group's Domestic Retail Business, store sales largely depend on the sales skills of store sales personnel in addition to the appeal of the products themselves. The Group, therefore, provides employee training to enable sales personal to acquire product knowledge and improve their ability to explain products. At the same time, the Group seeks to energize and improve the workplace environment through the rotation of human resources, career path development and the enhancement of personnel programs. The Company employs many foreign workers from more than 10 countries, including overseas students, and provides these foreign workers with even more rigorous training particularly from the viewpoint of compliance with laws and regulations. More specifically, since September 2015, the Company has conducted training and measures to strengthen attendance management at each business site and has also phased in company-wide measures such as the introduction of company-wide attendance management system and a structure for checking attendance at head office. However, if changes in the working environment or other factors prevented the Group from securing, developing and training human resources as planned, the Group's business results may be seriously affected.

5) About protection of personal information

The Group holds a great deal of personal information about Members Card members and other store and online customers. The Company has established a Compliance Committee and Internal Audit Department, and performs audits to assess whether the Group's business operations are being conducted in accordance with the compliance policy. However, there is still the possibility of an unforeseen information leak occurring due to a computer system fault or other cause and in this case the Company could lose public confidence and its business results could also be greatly affected.

6) About the safety of products

In addition to selling products in store, the Group develops and sells its own private brand products. Amid increasing public expectations and interest in product safety, the Group also endeavors to supply safe products by reviewing quality standards for purchased products and strengthening quality and conformance testing. However, if a product sold by the Group was faulty, resulting in the large-scale return of products, compensation for damages under product liability laws, the cost of dealing with this, and the loss of public confidence, the Group’s business and business results could be affected.

7) About natural disasters, accidents and others

In the event of a large earthquake, typhoon or other natural disaster, extreme weather conditions or an foreseen accident, the Group could suffer not only decreased sales due to falling customer numbers but also physical damage to its stores, and the Group’s sales activities and distribution and purchasing activities could be disrupted. Similarly, a disaster, accident, riot, terror attack or other event that affects the Group’s suppliers and purchase and distribution network, either in Japan or overseas, could also hinder the Group’s business.

8) About the risk involved in legal regulation

The Group’s business operations are governed by various laws and regulations both in Japan and overseas. The Group endeavors to strengthen compliance, which it sees as an important management issue. However, compliance risk cannot be eliminated completely. In the event of an infringement of laws and regulations by the Group in its business activities or the unexpected introduction of a new law or the amendment of an existing law, the Group’s operating results and financial position could be adversely affected.

9) About the risk involved in internal control over directors and employees

The Group sees corporate governance, compliance and risk management as important management issues, and has established a basic policy for developing the internal control system and seeks to enhance and strengthen this system on an ongoing basis, The Group does its utmost to prevent its officers and employees from engaging in fraudulent and illegal activities in the conduct of business operations. However, the occurrence of such activities could adversely affect the Group’s operating results and financial position, as well as public confidence in the Company.

2. Management Policy

(1) Basic management policy of the Company

The Group's philosophy is to deliver the "good things" about Japan, and its basic policy as to "maximize customer satisfaction" through the creation of "Japan Premium." The Group will pursue sustainable corporate growth by providing the optimal products and services for each market. As a leading Japan-based general tax-free retail business operator, the Group also aims to develop into a global company through collaboration with SUNING COMMERCE GROUP CO., LTD., China's largest retailer with which the Group has a strong business partnership.

(2) Management strategy of the Company in the medium and long term

The Group formulated a Medium-term Management Plan (Second Medium-term Management Plan) for the three-year period starting FY2015, setting consolidated targets for the fiscal year ending December 31, 2017 of net sales of ¥90 billion, operating income of ¥2.7 billion and ordinary income of ¥2.7 billion. However, in view of changes in the external environment, such as the strength of the yen, the change in China's duty rates and changing lifestyles, the Company currently forecasts net sales of ¥81.0 billion, operating income of ¥2.0 billion and ordinary income of ¥2.0 billion

To realize the Company's growth strategy, the Company has established the following policy with the aim of achieving continuous business growth.

1) Store premium
2) Merchandise premium
3) Human resource premium

The Company will enhance the three premiums offered by Laox, as the rediscovery of Japanese style added value.

(3) Issues to be addressed by the Company

The Group's top priority is to deliver "Japan Premium" to the world.

With the increase in the number of tourists visiting Japan expected in spite of the high level of economic uncertainty, competition in the inbound industry is also increasing, as companies from other industries and global tax-free retailers enter the market and existing retailers strengthen their tax-free business. To maintain and strengthen its position as the pioneer of general tax-free business in Japan, the Group will expand and improve its products and services and significantly expand the Domestic Retail Business. The Group will also establish the Other Businesses segment as a profitable business segment and focus on radical measures in the Overseas Business segment. The Company will continue to keep pace with business expansion, developing internal controls and strengthening the business management structure, increasing the efficiency of business operations, hiring and developing human resources, and solving any issues that arise.

3. Basic Approach to the Selection of Accounting Standards

The Group prepares its consolidated financial statements in accordance with Japanese Accounting Standards, taking into consideration the comparability of the consolidated financial statements between companies.

The Group's policy is to examine applying International Financial Reporting Standards (IFRS) based on consideration of various factors in the future.

4. Consolidated Financial Statements
(1) Consolidated balance sheet

(Units: 1,000 yen)

	FY2015 (As of December 31, 2015)	FY2016 (As of December 31, 2016)
Assets		
Current assets		
Cash and deposits	7,794,957	2,863,943
Notes and accounts receivable - trade	3,363,547	3,086,502
Merchandise and finished goods	14,758,092	13,664,873
Work in process	45,566	61,457
Raw materials and supplies	61,913	125,343
Accounts receivable - other	1,896,218	1,455,475
Advance payments - trade	1,215,542	727,741
Prepaid expenses	432,925	571,535
Current portion of guarantee deposits	69,351	68,681
Other	342,126	454,690
Allowance for doubtful accounts	(97,657)	(75,878)
Total current assets	29,882,584	23,004,365
Non-current assets		
Property, plant and equipment		
Buildings and structures	4,516,636	6,443,623
Accumulated depreciation	(2,400,947)	(2,466,008)
Buildings and structures (net)	2,115,688	3,977,614
Machinery, equipment and vehicles	130,429	88,586
Accumulated depreciation	(35,082)	(43,284)
Machinery, equipment and vehicles (net)	95,346	45,301
Tools, furniture and fixtures	1,791,439	2,736,533
Accumulated depreciation	(894,526)	(953,491)
Tools, furniture and fixtures (net)	896,913	1,783,041
Land	111,778	517,159
Leased assets	81,656	139,591
Accumulated depreciation	(55,729)	(47,341)
Leased assets (net)	25,927	92,249
Construction in progress	299,815	80,789
Total property, plant and equipment	3,545,468	6,496,156
Intangible assets		
Goodwill	–	376,279
Trademark right	3,857	76,811
Software	147,489	234,060
Leased assets	19,087	13,201
Software in progress	56,550	78,820
Other	901	901
Total intangible assets	227,885	780,074

(Units: 1,000 yen)

	FY2015 (As of December 31, 2015)	FY2016 (As of December 31, 2016)
Investments and other assets		
Investment securities	81,272	764,996
Shares of subsidiaries and associates	204,908	202,000
Investments in capital of subsidiaries and associates	–	2,574,896
Deferred tax assets	284,692	–
Long-term loans receivable	121,154	531,488
Lease and guarantee deposits	4,804,370	5,165,655
Long-term fixed-period deposits	19,000,000	19,000,000
Other	305,675	295,586
Allowance for doubtful accounts	(464,483)	(471,235)
Total investments and other assets	24,337,589	28,063,388
Total non-current assets	28,110,944	35,339,619
Deferred assets		
Share issuance cost	115,176	62,018
Total deferred assets	115,176	62,018
Total assets	58,108,705	58,406,003

(Units: 1,000 yen)

	FY2015 (As of December 31, 2015)	FY2016 (As of December 31, 2016)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	5,345,598	4,164,045
Short-term loans payable	–	4,843,300
Current portion of long-term loans payable	69,014	69,014
Accounts payable - other	1,078,837	1,797,228
Accrued expenses	608,990	459,235
Lease obligations	24,880	31,115
Income taxes payable	829,485	35,089
Provision for bonuses	195,005	77,760
Provision for directors' bonuses	18,565	66
Provision for point card certificates	9,593	6,404
Provision for loss from product warranty	21,944	18,683
Provision for loss on withdrawal from employees’ pension fund	100,000	100,000
Asset retirement obligations	8,975	6,248
Other	243,055	292,398
Total current liabilities	8,553,948	11,900,591
Non-current liabilities		
Long-term loans payable	370,378	301,363
Long-term guarantee deposited	369,368	347,622
Lease obligations	21,812	74,078
Net defined benefit liability	391,405	425,949
Provision for directors' retirement benefits	23,633	23,633
Provision for loss on litigation	2,218	2,218
Provision for business structure improvement expenses	–	541,875
Asset retirement obligations	266,273	252,116
Deferred tax liabilities	45,914	19,762
Other	156,225	16,361
Total non-current liabilities	1,647,230	2,004,980
Total liabilities	10,201,178	13,905,571
Net assets		
Shareholders’ equity		
Capital stock	22,633,662	22,633,662
Capital surplus	18,920,205	18,920,205
Retained earnings	6,298,772	4,771,696
Treasury shares	(421,107)	(2,419,850)
Total shareholders’ equity	47,431,532	43,905,713
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	6,079	9,973
Foreign currency translation adjustment	365,573	509,148
Remeasurements of defined benefit plans	–	(17,158)
Total accumulated other comprehensive income	371,653	501,963
Subscription rights to shares	104,340	92,753
Non-controlling interests	–	–
Total net assets	47,907,526	44,500,431
Total liabilities and net assets	58,108,705	58,406,003

(2) Consolidated statement of income and consolidated statement of comprehensive income

Consolidated statement of income

(Units: 1,000 yen)

	FY2015 (From January 1 to December 31, 2015)	FY2016 (From January 1 to December 31, 2016)
Net sales	92,693,980	62,764,081
Cost of sales	60,368,011	39,677,876
Gross profit	32,325,969	23,086,205
Selling, general and administrative expenses		
Advertising expenses	115,671	246,469
Sales commission	13,068,245	8,100,292
Promotion expenses	167,017	744,354
Haulage expenses	380,248	568,169
Depreciation	521,827	858,235
Amortization of goodwill	–	26,877
Salaries and allowances	3,221,751	4,829,071
Legal welfare expenses	426,560	698,869
Bonuses	219,073	159,830
Provision for bonuses	196,505	76,694
Director’s bonuses	17,620	7,050
Provision for directors' bonuses	18,565	-
Retirement benefit expenses	71,728	88,626
Provision for directors' retirement benefits	13,543	-
Rents	2,690,563	4,925,188
Rent expenses	521,961	189,327
Other	2,088,618	2,523,097
Total selling, general and administrative expenses	23,739,500	24,042,154
Operating income (loss)	8,586,468	(955,948)
Non-operating income		
Interest income	95,645	130,230
Dividend income	–	9,496
Foreign exchange gains	26,855	–
Reversal of allowance for doubtful accounts	–	12,057
Other	72,379	42,843
Total non-operating income	194,881	194,627
Non-operating expenses		
Interest expenses	8,107	20,821
Sales discounts	2,618	2,421
Amortization of share issuance cost	44,298	53,158
Commission for syndicate loan	–	83,327
Foreign exchange losses	–	34,545
Provision of allowance for doubtful accounts	70,440	–
Other	18,528	56,493
Total non-operating expenses	143,994	250,767
Ordinary income (loss)	8,637,355	(1,012,089)

(Units: 1,000 yen)

	FY2015 (From January 1 to December 31, 2015)	FY2016 (From January 1 to December 31, 2016)
Extraordinary income		
Reversal of impairment loss	204,847	–
Gain on reversal of subscription rights to shares	–	11,586
Gain on bargain purchase	138,138	955,006
Total extraordinary income	342,986	966,593
Extraordinary losses		
Impairment loss	130,797	200,331
Loss on retirement of non-current assets	–	73,817
Loss on liquidation of stores	61,073	372,004
Provision for loss on withdrawal from employees' pension fund	100,000	–
Provision for business structure improvement expenses	–	541,875
Total extraordinary losses	291,870	1,188,028
Income (loss) before income taxes	8,688,470	(1,233,524)
Income taxes - current	691,889	51,217
Income taxes - deferred	(82,423)	242,334
Total income taxes	609,466	293,551
Net income (loss)	8,079,004	(1,527,076)
Net income (loss) attributable to non-controlling interests	–	–
Net income (loss) attributable to owners of parent	8,079,004	(1,527,076)

Consolidated statement of comprehensive income

(Units: 1,000 yen)

	FY2015 (From January 1 to December 31, 2015)	FY2016 (From January 1 to December 31, 2016)
Net income (loss)	8,079,004	(1,527,076)
Other comprehensive income		
Valuation difference on available-for-sale securities	1,560	3,893
Foreign currency translation adjustment	57,578	143,574
Remeasurements of defined benefit plans, net of tax	–	(17,158)
Total other comprehensive income	59,138	130,310
Comprehensive income	8,138,143	(1,396,765)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	8,138,143	(1,396,765)
Comprehensive income attributable to non-controlling interests	–	–

(3) Consolidated statement of changes in equity

FY2015 (From January 1 to December 31, 2015)

(Units: 1,000 yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	7,950,002	7,268,961	(4,826,127)	(426,141)	9,966,694
Changes of items during period					
Issuance of new shares	14,683,660	14,683,660			29,367,320
Deficit disposition		(3,045,895)	3,045,895		–
Net income attributable to owners of parent			8,079,004		8,079,004
Purchase of treasury shares				(690)	(690)
Disposal of treasury shares		13,480		5,723	19,203
Net changes of items other than shareholders' equity					–
Total changes of items during period	14,683,660	11,651,244	11,124,900	5,033	37,464,838
Balance at end of period	22,633,662	18,920,205	6,298,772	(421,107)	47,431,532

	Accumulated other comprehensive income				Subscription rights to shares	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of period	4,518	307,995	–	312,514	–	–	10,279,209
Changes of items during period							
Issuance of new shares							29,367,320
Deficit disposition							-
Net income attributable to owners of parent							8,079,004
Purchase of treasury shares							(690)
Disposal of treasury shares							19,203
Net changes of items other than shareholders' equity	1,560	57,578	–	59,138	104,340		163,478
Total changes of items during period	1,560	57,578	–	59,138	104,340	–	37,628,317
Balance at end of period	6,079	365,573	–	371,653	104,340	–	47,907,526

FY2016 (From January 1 to December 31, 2016)

(Units: 1,000 yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	22,633,662	18,920,205	6,298,772	(421,107)	47,431,532
Changes of items during period					
Net income attributable to owners of parent			(1,527,076)		(1,527,076)
Purchase of treasury shares				(1,998,742)	(1,998,742)
Net changes of items other than shareholders' equity					–
Total changes of items during period	–	–	(1,527,076)	(1,998,742)	(3,525,818)
Balance at end of period	22,633,662	18,920,205	4,771,696	(2,419,850)	43,905,713

	Accumulated other comprehensive income				Subscription rights to shares	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of period	6,079	365,573	–	371,653	104,340	–	47,907,526
Changes of items during period							
Net income attributable to owners of parent							(1,527,076)
Purchase of treasury shares							(1,998,742)
Net changes of items other than shareholders' equity	3,893	143,574	(17,158)	130,310	(11,586)		118,723
Total changes of items during period	3,893	143,574	(17,158)	130,310	(11,586)	–	(3,407,094)
Balance at end of period	9,973	509,148	(17,158)	501,963	92,753	–	44,500,431

(4) Consolidated statement of cash flows

(Units: 1,000 yen)

	FY2015 (From January 1 to December 31, 2015)	FY2016 (From January 1 to December 31, 2016)
Cash flows from operating activities		
Income (loss) before income taxes	8,688,470	(1,233,524)
Depreciation	544,679	886,327
Amortization of share issuance cost	44,298	53,158
Impairment loss	130,797	200,331
Reversal of impairment loss	(204,847)	–
Loss on retirement of non-current assets	–	73,817
Amortization of goodwill	–	26,877
Loss on liquidation of stores	61,073	372,004
Gain on bargain purchase	(138,138)	(955,006)
Increase (decrease) in allowance for doubtful accounts	96,359	(8,131)
Increase (decrease) in provision for bonuses	101,928	(117,244)
Increase (decrease) in provision for directors' bonuses	9,823	(18,498)
Increase (decrease) in net defined benefit liability	8,132	34,543
Increase (decrease) in provision for directors' retirement benefits	13,543	–
Increase (decrease) in provision for loss on litigation	(12,840)	–
Increase (decrease) in provision for loss from product warranty	(170,495)	(3,261)
Increase (decrease) in provision for loss on withdrawal from employees' pension fund	100,000	–
Increase (decrease) in provision for business structure improvement expenses	–	541,875
Interest and dividend income	(95,647)	(139,727)
Interest expenses	8,107	20,821
Decrease (increase) in notes and accounts receivable - trade	(181,640)	271,088
Decrease (increase) in inventories	(9,458,926)	2,069,670
Increase (decrease) in notes and accounts payable - trade	37,773	(781,509)
Decrease (increase) in accounts receivable - other	(642,428)	370,085
Increase (decrease) in accounts payable - other	(50,460)	788,191
Increase (decrease) in long-term accounts payable - other	(38,948)	(130,669)
Increase (decrease) in guarantee deposits received	(102,203)	(21,745)
Decrease (increase) in advance payments	(406,117)	407,865
Other	13,931	(395,376)
Subtotal	(1,643,777)	2,311,961
Interest and dividend income received	18,422	41,600
Interest expenses paid	(8,107)	(20,821)
Income taxes paid	(108,270)	(874,339)
Net cash provided by (used in) operating activities	(1,741,732)	1,458,401

(Units: 1,000 yen)

	FY2015 (From January 1 to December 31, 2015)	FY2016 (From January 1 to December 31, 2016)
Cash flows from investing activities		
Purchase of property, plant and equipment	(2,140,824)	(4,108,531)
Proceeds from sales of property, plant and equipment	204,847	4,900
Purchase of intangible assets	(92,205)	(157,937)
Purchase of investment securities	(66,473)	(1,005,391)
Proceeds from sales of investment securities	-	328,088
Purchase of shares of subsidiaries and associates	(257,254)	(6,000)
Payments for investments in capital of subsidiaries and associates	–	(2,574,896)
Payments for transfer of business	–	(770,000)
Payments for lease and guarantee deposits	(1,723,712)	(669,152)
Proceeds from collection of lease and guarantee deposits	264,396	328,017
Payments into time deposits	(22,000,000)	(1,100,000)
Proceeds from withdrawal of time deposits	1,000,000	3,327,400
Payments of long-term loans receivable	(550,000)	(416,500)
Collection of long-term loans receivable	–	2,309
Other	200,404	7,519
Net cash provided by (used in) investing activities	(25,160,820)	(6,810,175)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	–	4,759,972
Repayments of long-term loans payable	–	(69,014)
Purchase of treasury shares	(690)	(1,998,742)
Proceeds from sales of treasury shares	19,203	-
Repayments of lease obligations	(25,060)	(22,269)
Proceeds from issuance of common shares	29,207,844	–
Proceeds from issuance of subscription rights to shares	104,340	–
Net cash provided by (used in) financing activities	29,305,638	2,669,946
Effect of exchange rate change on cash and cash equivalents	(6,523)	(71,787)
Net increase (decrease) in cash and cash equivalents	2,396,561	(2,753,614)
Cash and cash equivalents at beginning of period	3,220,995	5,617,557
Cash and cash equivalents at end of period	5,617,557	2,863,943

(5) Notes to the Consolidated Financial Statements

(Explanatory notes regarding assumption of going concern)

No corresponding items.

(Changes in accounting policy and changes or restatement of accounting estimates)

(Application of Accounting Standard for Business Combinations, etc.)

Standards such as the Accounting Standard for Business Combinations (ASBJ Statement No. 21, September 13, 2013) (hereinafter the “Accounting Standard for Business Combinations”), the Accounting Standard for Consolidated Financial Statements (ASBJ Statement No. 22, September 13, 2013) (hereinafter the “Accounting Standard for Consolidated Financial Statements”), and the Accounting Standard for Business Divestitures (ASBJ Statement No. 7, September 13, 2013) (hereinafter, the “Accounting Standard for Business Divestitures”) have been applied from the this consolidated fiscal year. In addition, the method for recognizing the differences arising from changes in the Company’s equity in its continuously controlled subsidiaries has been changed to a method that recognizes these differences as capital surplus, while the method for recognizing expenses for acquisition has been changed to a method that recognizes these as expenses for the consolidated fiscal year in which they are accrued. For business combinations implemented at or after the beginning of the consolidated fiscal year, the method will be changed to one that reflects the revision of the distributed amounts of acquisition cost by determining provisional accounting treatment in the consolidated financial statements for consolidated accounting period to which the date of business combination belongs. In addition, the Company has changed the presentation of net income and other items and the presentation of minority interests to non-controlling interest. To reflect these changes, the consolidated financial statements for the fiscal year ended December 31, 2015 have been replaced.

The application of the Accounting Standard for Business Combinations and the other standards follows the transitional treatment specified in Article 58-2 (4) of the Accounting Standard for Business Combinations, Article 44-5 (4) of the Accounting Standard for Consolidated Financial Statement, and Article 57-4 (4) of the Accounting Standard for Business Divestitures. It has been and will continue to be applied from the beginning of this consolidated financial year.

These changes will have no effect on the profit and loss in the consolidated financial statements.

(Segment information, etc.)

1. Overview of Reporting Segments

The Group operates through three business segments: Domestic Retail Business, Overseas Business and Other Business.

In the Domestic Retail Business, the Group sells tax-free goods and household appliances to tourists from overseas as well as selling goods in Japan where it handles mainly women's shoes and other fashion goods, hobby goods, and watches.

In the Overseas Business segment, the Group is involved in export and import and cross-border e-commerce business, mainly with China and Taiwan.

In the Other Business segment, the Group is engaged mainly in the lease of real estate and the sale of used golf equipment.

2. Calculation methods for net sales, profit/loss, assets, liabilities and other items by reporting segment

The profit of reporting segments is based on operating income. Internal sales or transfers between segment are generally based on market prices.

3. Information about net sales, profit/loss, assets, liabilities and other items by segment

FY2015 (From January 1 to December 31, 2015)

(Units: 1,000 yen)

	Reporting segment			Total	Amount of adjustment Note: 1	Amount reported in the Consolidated Financial Statements Note: 2
	Domestic retail business	Overseas business	Other business			
Sales						
Sales to extremal clients	83,767,297	8,325,687	600,994	92,693,980	–	92,693,980
Internal sales or transfers between segment	14,931	–	–	14,931	(14,931)	–
Total	83,782,229	8,325,687	600,994	92,708,912	(14,931)	92,693,980
Segment profit (loss)	11,081,058	(645,846)	(21,873)	10,413,338	(1,826,870)	8,586,468
Segment assets	23,338,546	4,930,685	1,184,681	29,453,912	28,654,792	58,108,705
Depreciation	273,855	166,432	44,344	484,632	60,047	544,679
Increase in property, plant and equipment and intangible assets	1,747,727	7,399	83,826	1,838,953	421,299	2,260,253

(Notes) 1. The amount of adjustment of segment profit of -1,826,870 thousand yen indicates expenses for whole company without dividing for each reporting segment. Whole company expenses mainly consist of personnel expenses and general management expenses not belonging to reporting segments.
The amount of adjustment of segment assets of 28,654,792 thousand yen, the amount of adjustment of depreciation of 60,047 thousand yen, and the amount of adjustment of the increase in property, plant and equipment and intangible assets of 421,299 thousand yen all correspond to corporate assets.
2. Segment profit (loss) is adjusted to operating income in the consolidated statement of income.

FY2016 (From January 1 to December 31, 2016)

(Units: 1,000 yen)

	Reporting segment			Total	Amount of adjustment Note: 1	Amount reported in the Consolidated Financial Statements Note: 2
	Domestic retail business	Overseas business	Other business			
Sales						
Sales to extremal clients	60,200,679	2,000,546	562,855	62,764,081	–	62,764,081
Internal sales or transfers between segment	14,333	136,113	–	150,447	(150,447)	–
Total	60,215,013	2,136,660	562,855	62,914,528	(150,447)	62,764,081
Segment profit (loss)	1,689,005	(763,895)	(44,877)	880,232	(1,836,181)	(955,948)
Segment assets	29,573,436	4,146,391	3,469,916	37,189,744	21,216,258	58,406,003
Depreciation	721,162	34,437	27,709	783,309	103,017	886,327
Increase in property, plant and equipment and intangible assets	5,140,538	36,916	7,616	5,185,071	64,116	5,249,187

(Notes) 1. The amount of adjustment of segment profit of -1,836,181 thousand yen indicates expenses for whole company without dividing for each reporting segment. Whole company expenses mainly consist of personnel expenses and general management expenses not belonging to reporting segments.
The amount of adjustment of segment assets of 21,216,258 thousand yen, the amount of adjustment of depreciation of 103,017 thousand yen, and the amount of adjustment of the increase in property, plant and equipment and intangible assets of 64,116 thousand yen all correspond to corporate assets.
2. Segment profit (loss) is adjusted to operating income in the consolidated statement of income.

4. Items regarding changes of reporting segment, etc.

Based on the closure of all stores in China, etc. during the first quarter of the fiscal year ended December 31, 2016, the existing “China store opening business” and “foreign trade agency business” have been changed so as to be integrated as “overseas business.” Also, the name of the reporting segment has accordingly been changed from “domestic store business” to “domestic retail business.”

Segment information for the fiscal year ended December 31, 2015 has been reclassified to conform to the reporting segments used this consolidated fiscal year.

(Per share information)

	FY2015 (From January 1 to December 31, 2015)	FY2016 (From January 1 to December 31, 2016)
Net assets per share	724.44	688.81
Net income per share	127.84	(23.57)
Diluted net income per share	126.72	–

(Notes) 1 Diluted net income per share is not presented for FY2016 because a loss per share was recorded.

2 A reverse stock split of 10 common shares to one was conducted on July 1, 2016. Net assets per share, net income per share and diluted net income per share have been calculated by assuming that this reverse stock split was conducted at the beginning of the previous consolidated fiscal year

3 The basis for calculation of net income per share and diluted net income per share are as follows.

	FY2015 (From January 1 to December 31, 2015)	FY2016 (From January 1 to December 31, 2016)
Net income per share		
Net income attributable to owners of parent (Thousands of yen)	8,079,004	(1,527,076)
Amount not attributable to common shareholders (Thousands of yen)	–	–
Net income attributable to owners of parent regarding common stock (Thousands of yen)	8,079,004	(1,527,076)
Average number of shares of common stock outstanding during the period (Thousands of shares)	63,195	64,792
Diluted net income per share		
Adjustment on net income attributable to owners of parent (Thousands of yen)	–	–
Increase in common stock (Thousands of shares)	555	–
(Subscription rights to shares (Thousands of shares))	(555)	(–)
Outline of potential shares which were not used in calculating diluted net income per share because they have no dilutive effects	1,219 thousand potential shares for Fourth Series of Subscription Rights to Shares	–

4 The basis for calculation of net assets per share is as follows.

	FY2015 (As of December 31, 2015)	FY2016 (As of December 31, 2016)
Total net assets (Thousands of yen)	47,907,526	44,500,431
Deduction on total net assets (Thousands of yen)	104,340	92,753
(Subscription rights to shares (Thousands of yen))	(104,340)	(92,753)
Net assets applicable to common stock (Thousands of yen)	47,803,186	44,407,678
Number of common stock shares used in the calculation of net assets per share (Thousands of shares)	65,986	64,470

(Significant subsequent events)

Not applicable.

5. Non-Consolidated Financial Statements

(1) Non-consolidated balance sheet

(Units: 1,000 yen)

	FY2015 (As of December 31, 2015)	FY2016 (As of December 31, 2016)
Assets		
Current assets		
Cash and deposits	6,998,533	1,366,562
Accounts receivable - trade	2,700,151	2,073,110
Merchandise and finished goods	13,637,114	10,468,788
Raw materials and supplies	15,396	17,210
Prepaid expenses	315,307	521,705
Accounts receivable - other	1,171,291	1,057,173
Advance payments - trade	783,962	510,390
Short-term loans receivable from subsidiaries and associates	–	1,637,000
Other	582,554	736,131
Allowance for doubtful accounts	(223,651)	(250,470)
Total current assets	25,980,659	18,137,602
Non-current assets		
Property, plant and equipment		
Buildings	1,665,004	3,609,386
Structures	33,062	44,275
Vehicles	25,282	15,274
Tools, furniture and fixtures	816,583	1,762,643
Land	88,647	296,583
Leased assets	25,927	92,249
Construction in progress	299,815	80,789
Total property, plant and equipment	2,954,324	5,901,202
Intangible assets		
Leasehold right	408	408
Trademark right	3,637	492
Software	129,257	207,612
Software in progress	56,550	78,820
Leased assets	19,087	13,201
Total intangible assets	208,940	300,534
Investments and other assets		
Investment securities	81,156	764,936
Shares of subsidiaries and associates	1,494,943	2,082,204
Investments in capital of subsidiaries and associates	–	2,574,896
Investments in capital	315	325
Long-term loans receivable	121,154	531,488
Long-term loans receivable from subsidiaries and associates	640,000	640,000
Lease and guarantee deposits	4,575,055	4,951,303
Long-term fixed-period deposits	19,000,000	19,000,000
Long-term prepaid expenses	–	6,933
Other	213,754	193,438
Allowance for doubtful accounts	(362,051)	(368,803)
Total investments and other assets	25,764,327	30,376,723
Total non-current assets	28,927,591	36,578,460
Deferred assets		
Share issuance cost	115,176	62,018
Total deferred assets	115,176	62,018
Total assets	55,023,428	54,778,080

(Units: 1,000 yen)

	FY2015 (As of December 31, 2015)	FY2016 (As of December 31, 2016)
Liabilities		
Current liabilities		
Accounts payable - trade	2,264,688	1,516,761
Short-term loans payable	–	4,843,300
Lease obligations	24,880	31,115
Accounts payable - other	587,615	914,683
Accrued expenses	547,979	367,457
Income taxes payable	811,657	29,775
Advances received	82,221	89,550
Provision for bonuses	191,945	77,552
Provision for directors' bonuses	18,565	66
Provision for point card certificates	9,593	6,404
Deposits received	26,136	59,503
Provision for loss from product warranty	21,944	18,683
Provision for loss on withdrawal from employees’ pension fund	100,000	100,000
Other	7,039	11,117
Total current liabilities	4,694,268	8,065,971
Non-current liabilities		
Lease obligations	21,812	74,078
Deferred tax liabilities	22,226	14,950
Provision for retirement benefits	255,715	300,138
Provision for directors' retirement benefits	23,633	23,633
Provision for business structure improvement expenses	–	429,282
Provision for loss on litigation	2,218	2,218
Asset retirement obligations	205,095	206,812
Other	358,205	335,033
Total non-current liabilities	888,906	1,386,146
Total liabilities	5,583,174	9,452,117
Net assets		
Shareholders’ equity		
Capital stock	22,633,662	22,633,662
Capital surplus		
Legal capital surplus	18,906,725	18,906,725
Other capital surplus	13,480	13,480
Total capital surplus	18,920,205	18,920,205
Retained earnings		
Other retained earnings		
Retained earnings brought forward	8,196,906	6,089,047
Total retained earnings	8,196,906	6,089,047
Treasury shares	(420,936)	(2,419,679)
Total shareholders’ equity	49,329,837	45,223,236
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	6,075	9,973
Total valuation and translation adjustments	6,075	9,973
Subscription rights to shares	104,340	92,753
Total net assets	49,440,253	45,325,962
Total liabilities and net assets	55,023,428	54,778,080

(2) Non-consolidated statement of income

(Units: 1,000 yen)

	FY2015 (From January 1 to December 31, 2015)	FY2016 (From January 1 to December 31, 2016)
Net sales	83,510,349	55,007,568
Cost of sales	53,205,642	35,774,161
Gross profit	30,304,706	19,233,407
Selling, general and administrative expenses	21,278,165	20,178,477
Operating income (loss)	9,026,540	(945,069)
Non-operating income		
Interest income	97,627	140,573
Dividend income	–	9,078
Foreign exchange gains	22,571	–
Other	53,103	13,317
Total non-operating income	173,302	162,968
Non-operating expenses		
Interest expenses	4,880	10,372
Sales discounts	2,618	2,421
Amortization of share issuance cost	44,298	53,158
Commission for syndicate loan	–	83,327
Foreign exchange losses	–	20,210
Provision of allowance for doubtful accounts	27,841	33,025
Other	9,106	42,291
Total non-operating expenses	88,745	244,808
Ordinary income (loss)	9,111,097	(1,026,908)
Extraordinary income		
Gain on reversal of subscription rights to shares	–	11,586
Total extraordinary income	–	11,586
Extraordinary losses		
Impairment loss	104,967	146,216
Loss on valuation of shares of subsidiaries and associates	–	400,000
Provision for loss on withdrawal from employees' pension fund	100,000	–
Provision for business structure improvement expenses	–	429,282
Loss on liquidation of stores	41,004	81,473
Total extraordinary losses	245,972	1,056,972
Income (loss) before income taxes	8,865,125	(2,072,294)
Income taxes - current	666,023	45,373
Income taxes - deferred	2,196	(9,809)
Total income taxes	668,219	35,564
Net income (loss)	8,196,906	(2,107,858)

(3) Non-consolidated statement of changes in equity

FY2015 (From January 1 to December 31, 2015)

(Units: 1,000 yen)

	Shareholders' equity							
		Capital surplus			Retained earnings			
					Other retained earnings			
	Capital stock	Legal capital surplus	Other capital surplus	Total capital surplus	Retained earnings brought forward	Total retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	7,950,002	5,950,002	1,318,958	7,268,960	(3,045,895)	(3,045,895)	(425,970)	11,747,097
Changes of items during period								
Issuance of new shares	14,683,660	14,683,660		14,683,660				29,367,320
Deficit disposition		(1,726,937)	(1,318,958)	(3,045,895)	3,045,895	3,045,895		–
Net income					8,196,906	8,196,906		8,196,906
Purchase of treasury shares							(690)	(690)
Disposal of treasury shares			13,480	13,480			5,723	19,203
Net changes of items other than shareholders' equity								
Total changes of items during period	14,683,660	12,956,722	(1,305,478)	11,651,244	11,242,801	11,242,801	5,033	37,582,739
Balance at end of period	22,633,662	18,906,725	13,480	18,920,205	8,196,906	8,196,906	(420,936)	49,329,837

	Valuation and translation adjustments			
	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	Subscription rights to shares	Total net assets
Balance at beginning of period	4,518	4,518	–	11,751,615
Changes of items during period				
Issuance of new shares				29,367,320
Deficit disposition				-
Net income				8,196,906
Purchase of treasury shares				(690)
Disposal of treasury shares				19,203
Net changes of items other than shareholders' equity	1,556	1,556	104,340	105,896
Total changes of items during period	1,556	1,556	104,340	37,688,637
Balance at end of period	6,075	6,075	104,340	49,440,253

FY2016 (From January 1 to December 31, 2016)

(Units: 1,000 yen)

	Shareholders' equity							
	Capital stock	Capital surplus			Retained earnings		Treasury shares	Total shareholders' equity
		Legal capital surplus	Other capital surplus	Total capital surplus	Other retained earnings	Total retained earnings		
					Retained earnings brought forward			
Balance at beginning of period	22,633,662	18,906,725	13,480	18,920,205	8,196,906	8,196,906	(420,936)	49,329,837
Changes of items during period								
Net income					(2,107,858)	(2,107,858)		(2,107,858)
Purchase of treasury shares							(1,998,742)	(1,998,742)
Net changes of items other than shareholders' equity								
Total changes of items during period	–	–	–	–	(2,107,858)	(2,107,858)	(1,998,742)	(4,106,601)
Balance at end of period	22,633,662	18,906,725	13,480	18,920,205	6,089,047	6,089,047	(2,419,679)	45,233,236

	Valuation and translation adjustments		Subscription rights to shares	Total net assets
	Valuation difference on available-for-sale securities	Total valuation and translation adjustments		
Balance at beginning of period	6,075	6,075	104,340	49,440,253
Changes of items during period				
Net income				(2,107,858)
Purchase of treasury shares				(1,998,742)
Net changes of items other than shareholders' equity	3,897	3,897	(11,586)	(7,689)
Total changes of items during period	3,897	3,897	(11,586)	(4,114,290)
Balance at end of period	9,973	9,973	92,753	45,325,962