

# Summary of (Consolidated) Financial Statements for Q3 Term of Fiscal Year Ending December 31, 2017 (Japanese Standards)

November 14, 2017

Listed company: Laox Co., Ltd. Stock exchange: Tokyo Stock Exchange  
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Planned Submission Date for the Quarterly Report: November 14, 2017  
 Planned Starting Date for Dividend Payments: —  
 Supplementary documents for quarterly results: NO  
 Quarterly results briefing: NO

(Rounded down to nearest million yen)

## 1. Consolidated Results for Q3 term of FY2017 (January 1, 2017 to September 30, 2017)

### (1) Consolidated operating results

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Q3 of FY2017	47,154	(4.6)	(333)	—	(619)	—	(783)	—
Q3 of FY2016	49,403	(31.9)	139	(98.2)	92	(98.8)	(142)	—

(Note) Comprehensive income Q3 of FY2017: (749) million yen (–%) Q3 of FY2016: 65 million yen (–99.1%)

	Profit per share		Diluted profit per share	
	Yen	Yen	Yen	Yen
Q3 of FY2017	(12.16)	—	—	—
Q3 of FY2016	(2.19)	—	—	—

(Note 1) In the third quarter of the fiscal year ending December 31, 2017, the Company fixed provisional accounting for business combinations, and for the third quarter of the fiscal year ending December 31, 2018, the Company uses amounts after reflecting important revisions of the initial allocated amount of acquisition costs based on the fixed provisional accounting.

(Note 2) A reverse stock split of 10 common shares to one was conducted on July 1, 2016. Profit 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	
	Million yen	Million yen	Million yen	Million yen	%	%
Q3 of FY2017	57,394	43,476	43,476	43,476	75.6	75.6
FY2016	58,406	44,260	44,260	44,260	75.6	75.6

(For reference) Shareholders' equity Q3 of FY2017: 43,380 million yen FY2016: 44,167 million yen

(Note) In the third quarter of the fiscal year ending December 31, 2017, the Company fixed provisional accounting for business combinations, and for the third quarter of the fiscal year ending December 31, 2018, the Company uses amounts after reflecting important revisions of the initial allocated amount of acquisition costs based on the fixed provisional accounting.

## 2. Dividends

	Dividends per share				
	End of Q1	End of Q2	End of Q3	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
FY2016	—	—	—	0.00	0.00
FY2017	—	—	—	—	—
FY2017 (forecast)	—	—	—	0.00	0.00

(Note) Revision to the forecast publicized most recently: No

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

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit	
	Million yen	%	Million yen	%	Million yen	%
Full year	63,500	1.2	100	—	150	—

(Note) Revision to the forecast publicized most recently: No

Notes

(1) Important changes in subsidiaries in the first half under review: No

(2) Application of accounting specific to the preparation of quarterly consolidated financial statements: Yes

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

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

(4) Number of issued shares (common shares)

(i) Number of issued shares at the end of period (including treasury stock):	Q3 of FY2017	66,388,103
	FY2016	66,388,103
(ii) Number of shares of treasury stock at the end of period:	Q3 of FY2017	1,918,090
	FY2016	1,918,017
(iii) Average number of issued shares during period (from the beginning of fiscal year)	Q3 of FY2017	64,470,041
	Q3 of FY2016	64,900,111

This summary of quarterly consolidated financial statements falls outside the scope of the quarterly review.

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 Group has obtained and certain assumptions that the Group believes to be reasonable. Actual results may differ significantly due to a variety of factors.

For the assumptions of results forecasts and other related matters, please refer to “(3) Explanation of future predictive information such as consolidated results forecasts, etc.” on page 4.

## 1. Qualitative Information on Consolidated Results for the First Three Quarters of FY2017

### (1) Explanation of operating results

The forward-looking statements made in this report were prepared at the Group's discretion based on information available as of the end of the current consolidated quarter.

During the first three quarters of the consolidated fiscal year under review, the Japanese economy remained on a moderate recovery trend due to improving corporate earnings and employment conditions, although the outlook for Europe, the United States and the East Asian region remained uncertain, given political and geopolitical risks.

Looking at the trend for foreign tourists visiting Japan, which affects the Company's main businesses, the estimated number of tourists visiting Japan reached 7.43 million (up 18.7% year on year) in the period from July to September, reflecting the expansion of airline routes including chartered flights and a rise in the number of ports at which cruise ships call due to growing travel demand in the summer vacation season, and their cumulative number in September exceeded 20 million on an annualized basis, at the fastest pace ever. With respect to the trend of consumption by foreigners visiting Japan, total spending came to 1,230.5 billion yen (up 26.7% year on year), marking a record high for the quarter, and the amount of spending per foreign visitor to Japan was 165,412 yen (up 6.6% year on year), turning positive for the first time in seven quarters.

Under these conditions, the Group has been moving forward with initiatives to increase customer satisfaction by providing total services of "goods and experiences." In July, the Company opened Port Town, Chiba Port Square and began offering wining and dining and entertainment services for the first time in the Company, aiming to develop business with a view to the domestic market, in addition to inbound tourism, by making proposals for our customers to enjoy shopping (goods) and living experience (experiences) at one stop. The Company also continued to take measures such as reviewing unprofitable stores and rationalizing costs. The Company closed one store during this quarter, while it opened three new stores in the Kyushu Okinawa area where the number of customers visiting stores remained firm due to a rise in the number of ports at which cruise ships call and one store in the area after immigration at Narita Airport.

As a result, net sales stood at 47,154 million yen (down 4.6% from 49,403 million yen in the same period of the previous year), operating loss was 330 million yen (compared to operating profit of 139 million yen in the same period of the previous year) and the ordinary loss was 619 million yen (compared to an operating profit of 92 million yen in the same period of the previous year) in the first three quarters of the consolidated fiscal year under review. The Company will continue to seek to increase the number of customers visiting stores by making proposals for "goods and experiences" to tourists visiting Japan, which shows an upward trend, and will increase the efficiency and expertise of the Group as a whole by promoting a review of unprofitable stores and the rationalization of costs.

The financial results of each business segment are as follows:

#### 1) Domestic Retail Business

In this business segment, the Company continued to move forward with initiatives to strengthen its ability to attract more customers, review the operation of unprofitable stores and rationalize costs, as well as goods and experience-oriented initiatives. In the first three quarters of the consolidated fiscal year under review, the number of customers counted at the register among inbound tourists was 723,400 (up 101,335 year on year), a new record high, and the unit price of purchase per customer who used the register remained firm (up 429 yen year on year). However, profitability did not improve as expected because of an increase in branding activity expenses to grow the number of customers visiting stores and initial investment costs due to new store openings. In the shoe business, MODE ET JACOMO, Co., Ltd. took over Shinko Shoe Industries, Co., Ltd. through absorption-type merger in July, but it did not yet have a full integration effect. As a result, net sales came to 44,231 million yen (down 6.6% from 47,373 million yen in the same period of the previous year) and operating profit was 263 million yen (down 88.3% from 2,258 million yen in the same period of the previous year) in the first three quarters of the consolidated fiscal year under review.

#### 2) Overseas Businesses

The business segment engages in the wholesaling of good quality products made in Japan to mainland China and Taiwan and the rebuilding of cross-border e-commerce. In the first three quarters of the consolidated fiscal year under review, net sales were 1,430 million yen (down 15.0% from 1,683 million yen in the same period of the previous year) and the

operating loss was 105 million yen (compared to a loss of 478 million yen in the same period of the previous year), showing higher profitability.

### 3) Other Businesses

This business segment mainly comprises the commercial real estate business including Chiba Port Square and the real estate leasing business. Partly helped by the opening of Port Town, Chiba Port Square in July, net sales were 1,527 million yen (up 326.9% from 357 million yen in the same period of the previous year) and operating profit was 619 million yen (compared to a loss of 54 million yen in the same period of the previous year) in the first three quarters of the consolidated fiscal year under review.

## (2) Explanation of financial conditions

### 1) Assets

Total assets at the end of the third quarter of the consolidated fiscal year under review stood at 57,394 million yen (compared to 58,406 million yen at the end of the previous fiscal year).

The decrease in total assets was largely attributable to a decrease of 19,000 million yen in long-term fixed-period deposits, despite increases of 14,849 million yen in cash and deposits, 2,002 million yen in buildings and structures and 1,458 million yen in accounts receivable.

### 2) Liabilities

Total liabilities amounted to 13,918 million yen (compared to 14,145 million yen at the end of the previous fiscal year).

The decrease in liabilities stemmed primarily from a decrease in short-term loans payable of 2,843 million yen, despite increases of 1,992 million yen in notes and accounts payable-trade, 204 million yen in income taxes payable and 228 million in asset retirement obligations (non-current liabilities).

### 3) Net assets

Net assets stood at 43,476 million yen (compared to 44,260 million yen at the end of the previous fiscal year).

The decline in net assets was mainly due to a decrease of 822 million yen in retained earnings.

## (3) Explanation of future predictive information such as consolidated results forecasts, etc.

The full-year consolidated financial forecast announced in the Summary of (Consolidated) Financial Statements for the First Half of Fiscal Year Ending December 31, 2017 (Japanese Standards) dated August 14, 2017 has not been changed.

## 2. Quarterly Consolidated Financial Statements and Important Notes

### (1) Quarterly consolidated balance sheet

(Units: 1,000 yen)

	FY2016 (As of December 31, 2016)	Third quarter of FY2017 (As of September 30, 2017)
<b>Assets</b>		
Current assets		
Cash and deposits	2,863,943	17,713,827
Notes and accounts receivable – trade	3,086,502	3,743,209
Merchandise and finished goods	13,664,873	12,546,464
Work in process	61,457	93,718
Raw materials and supplies	125,343	83,225
Accounts receivable	1,455,475	2,913,477
Advance payments – trade	727,741	927,804
Prepaid expenses	571,535	537,236
Current portion of guarantee deposits	68,681	68,681
Short-term loans receivable from subsidiaries and associates	–	10,000
Other	454,690	861,073
Allowance for doubtful accounts	(75,878)	(16,245)
<b>Total current assets</b>	<b>23,004,365</b>	<b>39,482,472</b>
Non-current assets		
Property, plant and equipment		
Buildings and structures (net)	3,977,614	5,980,167
Machinery, equipment and vehicles (net)	45,301	32,285
Tools, furniture and fixtures (net)	1,783,042	1,880,418
land	517,159	517,159
Lease assets (net)	92,249	101,597
Construction in progress	80,789	124,385
<b>Total non-current assets</b>	<b>6,496,156</b>	<b>8,636,013</b>
Intangible assets		
Goodwill	376,279	315,806
Trademark right	76,811	62,544
Software	234,060	310,983
Lease assets	13,201	10,303
Software in progress	78,820	–
Other	901	901
<b>Total intangible assets</b>	<b>780,074</b>	<b>700,539</b>
Investments and other assets		
Investment securities	764,996	756,758
Shares of subsidiaries and associates	202,000	237,000
Investments in capital of subsidiaries and associates	2,574,896	2,215,258
Long-term fixed-period deposits	19,000,000	–
Deferred tax assets	–	4,293
Long-term loans receivable	531,488	528,893
Long-term loans receivable from subsidiaries and associates	–	30,000
Lease and guarantee deposits	5,165,655	4,944,186
Other	295,586	294,896
Allowance for doubtful accounts	(471,235)	(457,773)
<b>Total investments and other assets</b>	<b>28,063,388</b>	<b>8,553,512</b>
<b>Total non-current assets</b>	<b>35,339,619</b>	<b>17,890,066</b>
Deferred assets		
Share issuance cost	62,018	22,149
<b>Total deferred assets</b>	<b>62,018</b>	<b>22,149</b>
<b>Total assets</b>	<b>58,406,003</b>	<b>57,394,687</b>

(Units: 1,000 yen)

	FY2016 (As of December 31, 2016)	Third quarter of FY2017 (As of September 30, 2017)
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable – trade	4,164,045	6,157,010
Short-term loans payable	4,843,300	2,000,000
Current portion of long-term loans	69,014	99,338
Accounts payable – other	1,797,228	1,399,845
Accrued expenses	459,235	804,231
Deferred tax liabilities	59,936	59,936
Lease obligations	31,115	38,991
Income taxes payable	35,089	240,068
Provision for bonuses	77,760	44,608
Provision for director’s bonuses	66	–
Provision for point card certificates	6,404	23,401
Provision for loss from product warranty	18,683	16,550
Provision for loss on withdrawal from employees’ pension fund	100,000	100,000
Asset retirement obligations	6,248	–
Other	292,398	556,770
<b>Total current liabilities</b>	<b>11,960,527</b>	<b>11,540,754</b>
<b>Non-current liabilities</b>		
Long-term loans payable	301,363	199,342
Long-term guarantees deposited	347,622	326,623
Net defined benefit liabilities	425,949	488,705
Provision for director’s retirement benefits	23,633	23,633
Lease obligations	74,078	78,670
Provision for loss on litigation	2,218	2,218
Allowance for business structure improvement expenses	541,875	540,978
Asset retirement obligations	252,116	480,749
Deferred tax liabilities	119,570	231,708
Other	16,361	5,198
<b>Total non-current liabilities</b>	<b>2,184,788</b>	<b>2,377,828</b>
<b>Total liabilities</b>	<b>14,145,316</b>	<b>13,918,582</b>
<b>Net assets</b>		
<b>Shareholder’s equity</b>		
Capital stock	22,633,662	22,633,662
Capital surplus	18,920,205	18,920,205
Retained earnings	4,531,951	3,709,858
Treasury shares	(2,419,850)	(2,419,895)
<b>Total shareholder’s equity</b>	<b>43,665,968</b>	<b>42,843,830</b>
<b>Total amount of other comprehensive income</b>		
Valuation difference on available-for-sale securities	9,973	24,215
Remeasurements of defined benefit plans	(17,158)	(17,158)
Foreign currency translation adjustment	509,148	529,418
<b>Total amount of other comprehensive income</b>	<b>501,963</b>	<b>536,475</b>
Subscription right to shares	92,753	95,798
<b>Non-controlling interest</b>	<b>–</b>	<b>–</b>
<b>Total net assets</b>	<b>44,260,687</b>	<b>43,476,105</b>
<b>Total liabilities and net assets</b>	<b>58,406,003</b>	<b>57,394,687</b>

## (2) Quarterly consolidated profit and loss statement and quarterly consolidated comprehensive income statement

## Quarterly consolidated profit and loss statement

First three quarters

(Units: 1,000 yen)

	First three quarters of FY2016 (From January 1 to September 30, 2016)	First three quarters of FY2017 (From January 1 to September 30, 2017)
Net sales	49,403,356	47,154,314
Cost of sales	31,535,329	28,395,453
Gross profit	17,868,026	18,758,860
Selling, general and administrative expenses		
Advertising expenses	150,449	236,774
Sales commission	6,691,817	5,567,081
Promotion expenses	222,160	1,082,772
Haulage expenses	347,460	321,455
Depreciation	620,569	795,343
Amortization of goodwill	7,901	60,473
Salaries and allowances	3,441,168	3,842,056
Legal welfare expenses	515,696	570,963
Retirement benefit expenses	89,796	101,308
Bonuses	161,729	93,236
Provision for bonuses	63,855	59,447
Director's bonuses	4,597	3,000
Provision for directors' bonuses	466	–
Rents	3,441,287	4,405,213
Rent expenses	112,144	142,021
Other	1,857,658	1,810,826
Total selling, general and administrative expenses	17,728,758	19,091,976
Operating profit (loss)	139,267	(333,115)
Non-operating income		
Interest income	95,010	152,846
Dividend income	419	9,003
Reversal of allowance for doubtful accounts	12,734	–
Other	11,234	49,503
Total non-operating income	119,398	211,353
Non-operating expenses		
Interest payable	12,927	29,064
Sales discount	1,769	1,654
Amortization of stock issuance cost	39,868	39,868
Commission for syndicate loan	–	34,442
Foreign exchange losses	108,219	30,009
Share of loss of entities accounted for using equity method	–	327,786
Other	3,632	35,093
Total non-operating expenses	166,418	497,918
Ordinary profit (loss)	92,247	(619,681)

(Units: 1,000 yen)

	First three quarters of FY2016 (From January 1 to September 30, 2016)	First three quarters of FY2017 (From January 1 to September 30, 2017)
Extraordinary income		
Gain on bargain purchase	655,325	–
Total extraordinary income	655,325	–
Extraordinary losses		
Impairment loss	14,904	76,267
Loss on disposal of non-current assets	64,795	–
Loss on liquidation of stores	276,890	11,712
Allowance for business structure improvement expenses	191,875	–
Total extraordinary loss	548,466	87,979
Profit (loss) before income taxes	199,106	(707,661)
Total income taxes	341,417	76,337
Profit (loss) before income taxes	(142,311)	(783,999)
Profit (loss) attributable to non-controlling interests	–	–
Profit (loss) attributable to owners of parent	(142,311)	(783,999)

Quarterly consolidated comprehensive income account statement

First three quarters

(Units: 1,000 yen)

	First three quarters of FY2016 (From January 1 to September 30, 2016)	First three quarters of FY2017 (From January 1 to September 30, 2017)
Profit (loss)	(142,311)	(783,999)
Other comprehensive income		
Valuation difference on available-for-sale securities	(20,129)	14,242
Foreign currency translation adjustment	227,664	20,269
Total of other comprehensive income	207,534	34,511
Comprehensive income	65,223	(749,488)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	65,223	(749,488)
Comprehensive income attributable to non-controlling interests	–	–

(3) Explanatory notes regarding quarterly consolidated financial statement

(Explanatory notes regarding assumption of going concern)

No corresponding items.

(Explanatory notes in case of remarkable change in monetary amount of shareholders' equity)

No corresponding items.

(Application of accounting specific to the preparation of quarterly consolidated financial statements)

Tax expenses for the Company and certain of its consolidated subsidiaries are calculated by rationally estimating an effective tax rate for profit before income taxes for the fiscal year including the third quarter of the consolidated fiscal year under review after the application of tax effect accounting and multiplying profit/loss before income taxes for the third quarter under review by the estimated effective tax rate.

(Segment information, etc.)

I. First three quarters of FY2016 (from January 1 to September 30, 2016)

1. Information concerning monetary amount of sales and profit or loss of each reporting segment (Units: 1,000 yen)

	Reporting segment			Total	Amount of adjustment Note: 1	Amount appropriated in quarterly consolidated profit and loss statement Note: 2
	Domestic retail business	Overseas business	Other business			
Sales						
Sales to external clients	47,362,276	1,683,153	357,927	49,403,356	–	49,403,356
Internal sales or transfers between segment	11,121	–	–	11,121	(11,121)	–
Total	47,373,397	1,683,153	357,927	49,414,477	(11,121)	49,403,356
Segment profit (loss)	2,258,598	(478,846)	(54,793)	1,724,959	(1,585,691)	139,267

(Notes) 1. Segment profit amount of adjustment -1,585,691 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.

2. Segment profit (loss) is adjusted with operating profit from the quarterly consolidated profit and loss statement.

2. Information concerning impairment loss or goodwill, etc. of non-current assets in each reporting segment

(Significant impairment loss associated with non-current assets)

No corresponding items. (Significant change in goodwill)

In the first three quarters of FY2016, goodwill of 474,060 thousand yen was posted in the domestic retail business.

(Gain on bargain purchase)

In the first three quarters of FY2016, a gain on bargain purchase of 655,325 thousand yen was posted in the domestic retail business.

II. First three quarters of FY2017 (from January 1 to September 30, 2017)

1. Information concerning monetary amount of sales and profit or loss of each reporting segment (Units: 1,000 yen)

	Reporting segment			Total	Amount of adjustment Note: 1	Amount appropriated in quarterly consolidated profit and loss statement Note: 2
	Domestic retail business	Overseas business	Other business			
Sales						
Sales to external clients	44,231,007	1,395,380	1,527,924	47,154,314	–	47,154,314
Internal sales or transfers between segment	340	35,598	–	35,938	(35,938)	–
Total	44,231,348	1,430,979	1,527,924	47,190,252	(35,938)	47,154,314
Segment profit (loss)	263,856	(105,233)	619,547	778,170	(1,111,286)	(333,115)

(Notes) 1. Segment profit amount of adjustment of -1,111,286 thousand yen indicates expenses for the 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.

2. Segment profit (loss) is adjusted with operating profit from the quarterly consolidated profit and loss statement.

2. Information concerning impairment loss or goodwill, etc. of non-current assets in each reporting segment

(Important impairment loss relating to non-current assets)

In the Domestic Retail Business, an impairment loss of 76,267 thousand yen is posted for stores to which closures or other measures will be applied within one year.

(Significant subsequent events)

(Acquisition of company, etc. through stock acquisition)

The Company decided to acquire the stock of Ogitsu Co., Ltd. and Kouwa Sogyo Co., Ltd., making the Ogitsu group its subsidiaries, at the meeting of the board of directors on September 22nd, 2017, concluded a stock transfer agreement on the same date, and acquired the stock of said companies, making them into its consolidated subsidiaries on October 6, 2017. The details are as follows.

1. The purpose of the stock acquisition

The Company has been striving to deliver to the world excellent products made in Japan and the renowned spirit of Japanese hospitality in an effort to spread “Japan Quality Life” worldwide. Quality clothes, shoes and apparel accessories made in Japan are becoming more and more popular among foreign tourists visiting Japan, arousing renewed interest from Japanese customers as well, which has resulted in a scarcity of those products. In 2015, we acquired the stock of Mode Et Jacomo Co., Ltd. in the fashion industry and made it a subsidiary. Also, in 2016, a subsidiary of the Company bought the business of Shin-Ei Corporation, also in the fashion industry, and Shinko Seika Kogyo Co., Ltd., a women’s shoe maker, and conducted an absorption-type merger, in which Mode Et Jacomo Co., Ltd. was the surviving company and Shinko Seika Kogyo Co., Ltd. was the extinguished company, in July 2017.

Ogitsu Co., Ltd. owns original brands, including “ing” and “Pitti,” and manufactures shoes of famous brands under license. Especially noteworthy is “ing,” which won nine awards during the period from 2006 to 2016, including Best Seller’s awards in Department Store Buyers Award, organized by a leading fashion trade newspaper. “ing” is one of the top brands in women’s shoes with high name recognition and popularity.

The Company believes it will be able to further improve its product selection and customer satisfaction by acquiring the stock of Ogitsu Co., Ltd. group. Also, the Company expects to achieve a synergy effect between the newly acquired companies and its existing fashion business in terms of manufacturing, logistics and overall efficiency improvement. All of which should help it spread “Japan Quality Life” the world over – its corporate mission -, as well as solidify its position in, and breathe fresh air into, the women’s shoe industry.

2. Name of the parties whose stock was acquired

Individual stockholders, Employee Stockholding Association

3. Name, business description and capital of companies acquired

(i) Ogitsu Co., Ltd.

- |                          |  |
|--------------------------|--|
| (1) Name                 | Ogitsu Co., Ltd.   |
| (2) Business description | Design & wholesale of women’s shoes and leather products |
| (3) Capital              | ¥90 million  |

(ii) Kouwa Sogyo Co., Ltd.

- |                          |  |
|--------------------------|--|
| (1) Name                 | Kouwa Sogyo Co., Ltd.                                |
| (2) Business description | Administration of the systems in the Group companies |
| (3) Capital              | ¥ 10 million   |

4. Date of stock acquisition

October 6, 2017

5. Number of stocks acquired, acquisition cost, and stockholding after acquisition

- |                                    |   |              |
|------------------------------------|---|--------------|
| (1) Number of stock acquired       | Ogitsu Co., Ltd.: 58,426 shares, Kouwa Sogyo Co., Ltd.: 14,000 shares |              |
| (2) Acquisition price              | Consideration for acquisition   | ¥445 million |
|                                    | Acquisition expenses (estimate)                                       | ¥4 million   |
|                                    | Total (estimate)  | ¥449 million |
| (3) Stockholding after acquisition | Ogitsu Co., Ltd.: 95%, Kouwa Sogyo Co., Ltd.: 100%                    |              |

6. Method of raising the funds for payment

The Company’s own funds