

# Summary of Financial Statements for the Fiscal Year Ended December 2018 (Japanese Standards) (consolidated)

February 28, 2019

Listed company: Laox Co., Ltd. Stock exchange: Tokyo Stock Exchange  
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Planned Date of Ordinary Shareholders' Meeting: March 29, 2019  
 Planned Starting Date for Dividend Payments: —  
 Planned Submission Date for the Financial Report: March 29, 2019  
 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 2018 (January 1, 2018 to December 31 2018)

### (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	%
FY2018	117,995	83.5	(851)	—	(1,250)	—	(1,020)	—
FY2017	64,291	2.4	137	—	47	—	177	—

(Note) Comprehensive income FY2018: (962) million yen (—%) FY2017: 216 million yen (—%)

	Profit per share	Diluted profit per share	Return on equity	Ratio of ordinary profit to net assets	Ratio of operating profit to sales
	Yen	Yen	%	%	%
FY2018	(15.82)	—	(2.3)	(1.7)	(0.7)
FY2017	(2.76)	—	0.4	0.1	0.2

(For reference) Equity in earnings of affiliates: FY2018: 108 million yen FY2017: -358 million yen

(Note) In the second quarter of the consolidated fiscal year ending December 31, 2018, provisional accounting related to business combinations was finalized. The values for the fiscal year ended December 31, 2017 reflect important revisions to the initially allocated amount of the acquisition cost, which resulted from the finalization of the provisional accounting.

### (2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
FY2018	84,630	44,043	50.8	667.08
FY2017	63,604	44,604	69.6	687.06

(For reference) Shareholders' equity FY2018: 43,006 million yen FY2017: 44,295 million yen

(Note) In the second quarter of the consolidated fiscal year ending December 31, 2018, provisional accounting related to business combinations was finalized. The values for the fiscal year ended December 31, 2017 reflect important revisions to the initially allocated amount of the acquisition cost, which resulted from the finalization of the provisional accounting.

### (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
FY2018	(5,780)	5,182	(1,593)	4,945
FY2017	2,783	4,957	(3,465)	7,157

## 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	%	%
FY2016	—	—	—	0.00	0.00	—	—	—
FY2017	—	—	—	0.00	0.00	—	—	—
FY2018 (forecast)	—	—	—	0.00	0.00	—	—	—

3. Results forecast for FY2019 (from January 1, 2019 to December 31, 2019)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit	
	Million yen	%	Million yen	%	Million yen	%
Full year	150,000	27.1	2,000	—.	2,000	—.

(Note) The Company does not provide results forecasts for the first half of FY2019.

Notes

(1) Important changes in subsidiaries during the term (Changes in specified subsidiaries resulting in changes in scope of consolidation):

Yes

New: 1 company SHADDY CO., LTD.

(2) 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

(3) Number of issued shares (common shares)

(i) Number of issued shares at the end of period (including treasury stock):	FY2018	66,388,103
	FY2017	66,388,103
(ii) Number of shares of treasury stock at the end of period:	FY2018	1,918,200
	FY2017	1,918,108
(iii) Average number of issued shares during period	FY2018	64,469,950
	FY2017	64,470,030

(For reference) Summary of Non-Consolidated Results

Non-Consolidated Results for the Fiscal Year Ended December 2018 (January 1, 2018 to December 31, 2018)

(1) Non-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	%
FY2018	54,033	3.2	(619)	—	(1,308)	—	(5,858)	—
FY2017	52,344	(4.8)	69	—	273	—	(991)	—

	Profit per share	Diluted profit per share
	Yen	Yen
FY2018	(90.87)	—
FY2017	(15.37)	—

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
FY2018	47,884	38,393	80.2	595.32
FY2017	52,617	44,314	84.1	686.05

(For reference) Shareholders' equity

FY2018: 38,380 million yen

FY2017: 44,229 million yen

Summaries of financial statements are not subject to audit.

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 the relevant page of the Attachment, the English edition of which will be posted on a later date.

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## 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 Japanese economy experienced an uncertain situation, partly from the trade friction caused by the US trade policy and the slowdown in the growth of the Chinese economy. However, the Japanese economy remained on a moderate recovery trend based on corporate earnings growth, improving employment, an increase in capital expenditure, and the recovery of consumer spending.

In this economic environment, the Group strengthened its efforts on business expansion and also focused on structural reform, based on the third medium-term management plan, in order to respond not only to the increase in consumption of goods, but also to the increasing inbound/consumption of experiences in a sensitive manner.

First, as part of the business expansion, the Group acquired the shares of the Shaddy Group in April to make it into a subsidiary. As a result, the Group is able to find new customers and strengthen its ability to propose products further by utilizing household goods in Japan. In addition, in September the Group concluded a strategic partnership agreement with Kaola.com, which has the largest share of the cross-border e-commerce website in China, and developed a sales system that utilizes a variety of composite channels including existing major e-commerce websites (T-mall Global, Suning.com) and the trade business, which contributed to the growth of the retail business. Moreover, the Group expanded its investment in the entertainment business including the opening of Kurogi Shanghai, the first overseas restaurant of Kurogi, which is said to be the most difficult restaurant at which to reserve a table in Japan, and the opening of a membership club, New City Club of Tokyo, in Aoyama, Minato-ku, Tokyo in order to enhance its platform for the consumption of experiences.

On the other hand, with regard to structural reform, the Group reorganized the organizational structure of each of the channels in the shoe business group of the Life & Fashion Business to rationalize and enhance the brand power, and also worked on reforming the earnings structure, including improving the efficiency of the logistics network of the Shaddy Group, which was made into its subsidiary.

However, natural disasters that occurred intermittently during the third quarter of the consolidated fiscal year under review (July 1, 2018 to September 30, 2018), including record-breaking torrential rain, a heat wave, typhoons, and earthquakes, resulted in the closure of stores, damage to products, the cancellation of group tours, and a downturn in consumer confidence in Japan, and the Group was affected in the summer sales, which are generally the busiest period each year. Furthermore, during the fourth quarter of the consolidated fiscal year under review (October 1, 2018 to December 31, 2018), because of a continued downturn in consumer confidence in Japan and the impact of the warm winter, demand in the *Oseibo* sales and for autumn/winter products declined and profitability suffered in the Life & Fashion Business.

As a result, for the consolidated fiscal year under review, consolidated net sales increased substantially to 117,995 million yen (up 83.5% from 64,291 million yen in the same period of the previous year), but consolidated operating loss was 851 million yen (operating profit of 137 million yen in the same period of the previous year), ordinary loss was 1,250 million yen (ordinary profit of 47 million yen in the same period of the previous year), and loss attributable to owners of parent was 1,020 million yen (profit attributable to owners of parent of 177 million yen in the same period of the previous year).

The financial results of each business segment are as follows:

The Company has changed business segments presented as reporting segments starting from the first quarter. Accordingly, the year-on-year comparisons and analyses in the respective segments are made based on the revised classification.

#### a) Retail Business

The estimated number of foreign tourists visiting in 2018 (calendar year) reached a record high of 31.19 million (up 8.7% year on year) because of new flight services and the increased number of flights, the launch of charter flights, and the aggressive promotion of "visiting Japan" by the Japanese government. In addition, total spending came to 4,506.4 billion yen (up 8.7 year on year in real terms), achieving a year-on-year increase for the seventh consecutive year. With respect to the composition of items of consumption, the ratio of expenditure for purchases (consumption of goods) remains high at 34.7%, but declined by 2.4 points year on year, while the ratio of expenditure for services (consumption of experiences) such as eating and drinking, and accommodation charges increased 3.2 points, to 54.8% year on year. (Source: statistics of the Japan National Tourism Organization (JNTO) and the Japan Tourism Agency.)

In this environment, the number of customers passing through the cash registers at the Group's tax-free stores and the average sale amount exceeded the results in the previous year until the first half of the fiscal year under review and the Group enjoyed strong net sales, but because of the impact of a series of natural disasters that occurred from summer, the number of customers visiting areas that are popular among tourists visiting Japan including Hokkaido, Kansai, and Kyushu plummeted. For the full year, the number of customers passing through the cash registers and the average sale amount also declined year on year.

In the meantime, with respect to trade/cross-border e-commerce for China, net sales increased year on year as the expansion of a lineup and services in the flagship store in T-mall Global, a renewal opening of the flagship store in Suning.com, and the opening of a flagship store in Kaola.com, with which the Group concluded a new partnership agreement, and the expansion of the BtoB business contributed to sales.

As a result, net sales came to 54,558 million yen (up 6.1% from 51,403 million yen in the same period of the previous year) and operating profit was 1,441 million yen (up 45.7% from 989 million yen in the same period of the previous year) in the consolidated fiscal year under review.

#### b) Life & Fashion Business

In this business segment, the net sales of the Ogitsu group, which the Group made into its subsidiary in the shoe business in the previous year, contributed throughout the year, and the Group reorganized the organizational structure by each of the sales channels to rationalize and enhance its brand power, strengthening its revenue base. In addition, because of the effect on the increase in revenue by the Shaddy group, which the Group made into its consolidated subsidiary in May, net sales grew substantially from the previous year. After the Shaddy group was made into its subsidiary, the Group proceeded with the development of new products, the expansion of sales channels, the enhancement of the corporate sales division, and the improvement of the efficiency of the distribution network by utilizing the synergy within the Group.

However, because of the impact of a series of natural disasters that occurred from summer and the warm winter, demand in the *Ochugen* sales in summer and the *Oseibo* sales in winter and for autumn/winter shoes declined significantly, and sales promotion measures were implemented earlier. Profitability suffered as a result. Moreover, because of the higher concentration of the store network in western Japan, delivery delays due to the damage of the distribution base and the rising logistics costs throughout the year also occurred, and profits did not increase as had been initially expected.

As a result, during the consolidated fiscal year under review, consolidated sales came to 61,641 million yen (up 453.6% from 11,134 million yen posted in the same period of the previous year), and consolidated operating profit came to 571 million yen (up 80.1% from 317 million yen posted in the same period of the previous year).

#### c) Entertainment Business

In this business segment, the Group aims to promote an experience-based consumption business to customers in Japan and overseas, in which they enjoy “Japan Premium” from a variety of standpoints. In the non-verbal performance GEAR East Version, which the Group operates at a theater, the rate of repeaters has already exceeded 30%, and audience numbers have increased due to word of mouth and social media.

In addition, with the purpose of introducing Japan’s food culture overseas, the Group opened Kurogi Shanghai in March as its first full-scale wining and dining business overseas. This restaurant is the first overseas restaurant of Kurogi, which is said to be the most difficult restaurant at which to reserve a table in Japan. It has been accepted by the wealthy class in China and enjoys a good reputation. Moreover, the Group opened a membership club, New City Club of Tokyo, in Aoyama, Minato-ku, Tokyo in October. New City Club of Tokyo includes a wine cellar with one of the best collections in Japan, authentic French cuisine served in a room filled with masterpiece paintings, a large Teppanyaki counter providing live action, a quiet sushi counter made from a rare single piece of Japanese cypress, and a cigar bar offering a large selection of well-known brands. It provides services based on its concept of being an ideal businesspeople’s gathering place for globally active people. Because of the effect of the opening of these new restaurants, net sales significantly exceeded those in the previous year, but up-front investment continues with the increasing burden of the operating costs of these new restaurants.

As a result, during the consolidated fiscal year under review, consolidated sales came to 714 million yen (up 769.7% from 82 million yen posted in the same period of the previous year), and consolidated operating loss came to 803 million yen (operating loss of 232 million yen posted in the same period of the previous year).

#### d) SC Development Business

In this business segment, the Company engages in the operation of Chiba Port Town and Chiba Port Circle in Chiba Port Square, the renovation and operation of Riverwalk Kitakyushu, a commercial complex, and other facilities in addition to efficiency improvements of existing shops and the leasing of unused spaces among the real estate owned by the Company.

The Company will continue its efforts to establish the structure as soon as possible, undertake efficient operations, and gain profits while also placing emphasis on improving the value of the facilities of the overall Laox Group.

As a result, during the consolidated fiscal year under review, consolidated sales came to 1,080 million yen (down 35.3% from 1,670 million yen posted in the same period of the previous year), and consolidated operating loss came to 787 million yen (operating profit of 566 million yen posted in the same period of the previous year).

## 2) Outlook for the fiscal year ending December 31, 2019

With respect to the outlook for the fiscal year ending December 31, 2019, although the Japanese economy is expected to recover moderately centered on domestic demand due to the continued improvement of the employment and income environment, the consumption tax hike is scheduled to be implemented in October in Japan, and there is concern over the uncertainty of the economy overseas and the fluctuations of the financial and capital market.

The Group commenced the third medium-term management plan from 2018 (fiscal year ended December 2018 to fiscal year ending December 2020) and places the highest priority on making the global lifestyle a reality by delivering a wide range of Japan Premium (outstanding made-in-Japan products and services), from the consumption of goods based mainly on the sale of goods to the consumption of experiences, to people all over the world via diverse channels in accordance with diversifying customer needs.

Under these initiatives, the Group continues to work on improving the efficiency and profitability of the stores in the tax-free store business in the retail business and the further expansion of the trade/cross-border e-commerce business for China. In the life & fashion business, it will proceed with the structural reform of the subsidiary that it acquired and expand sales channels for China in order to create a synergy effect among the group companies. In the entertainment business, the Group will make efforts to increase sales and improve profitability through the development of various contents, the enhancement of marketing power, and more efficient store operations. In the SC development business, the Group promotes the invitation/development of new stores and the real estate business in order to increase sales and improve profitability.

With respect to the results forecasts for the next fiscal year, the Group forecasts net sales of 150 billion yen (up 27.1% year on year), operating profit of 2 billion yen, and ordinary profit of 2 billion yen.

## (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 84,630 million yen (compared to 63,604 million yen at the end of the previous fiscal year). The increase in total assets was largely attributable to increases of 16,694 million yen in notes and accounts receivable - trade and 3,289 million yen in merchandise and finished goods.

#### (Liabilities)

Total liabilities at the end of the consolidated fiscal year under review came to 40,587 million yen (compared to 19,000 million yen at the end of the previous fiscal year). The increase in liabilities stemmed primarily from increases of 8,805 million yen in notes and accounts payable - trade, 3,525 million yen in electronically recorded obligations - operating, 2,831 million yen in short-term loans payable and 2,759 million yen in advances received.

#### (Net assets)

Net assets stood at 44,043 million yen (compared to 44,604 million yen at the end of the previous fiscal year). The decrease in net assets was mainly due to decreases of 1,282 million yen in retained earnings and 71 million yen in share acquisition rights, offsetting an increase of 798 million yen in non-controlling interests.

### 2) Cash flows

Cash and cash equivalents at the end of the consolidated fiscal year under review stood at 5,500 million yen, down 1,656 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 amounted to 7,180 million yen (compared to net cash provided of 2,783 million yen for the previous fiscal year). This was largely attributable to an increase of 4,726 million yen in notes and accounts payable - trade despite increases of 9,252 million in notes and accounts receivable-trade and 1,384 million yen in inventories.

#### (Cash flows from investing activities)

Net cash provided by investing activities for the consolidated fiscal year under review amounted to 7,137 million yen (compared to net cash used of 4,961 million yen in the previous consolidated fiscal year). This was primarily due to proceeds of 12,673 million yen from the withdrawal of time deposits despite payment of 1,233 million yen for the purchase of property, plant and equipment and payments into time deposits of 5,516 million yen.

#### (Cash flows from financing activities)

Net cash provided by financing activities for the consolidated fiscal year under review amounted to 1,593 million yen (compared to net cash provided of 3,465 million yen in the previous consolidated fiscal year). This was largely attributable to an increase in short-term loans payable of 2,831 million yen despite redemption of bonds of 2,387 million, repayments of lease obligations of 604 million yen and repayments of long-term loans payable of 1,432 million yen.

(Reference) Trends in cash flow-related indicators

	FY2014/12	FY2015/12	FY2016/12	FY2017/12	FY2018/12
Capital adequacy ratio (%)	54.2	82.3	75.6	69.6	50.8
Market value-based capital adequacy ratio (%)	741.4	254.3	79.0	59.3	18.6
Ratio of interest-bearing liabilities to cash flows (%)	8.4	–	364.7	171.4	–
Interest coverage ratio (times)	101.54	–	70.04	65.86	–

(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 refer 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, 2015 and 2018 because operating cash flows in these years were in negative territory.

### 3. Consolidated Financial Statements and Important Notes

#### (1) Consolidated balance sheet

(Units: 1,000 yen)

	FY2017 (As of December 31, 2017)	FY2018 (As of December 31, 2018)
<b>Assets</b>		
Current assets		
Cash and deposits	19,830,545	10,462,327
Notes and accounts receivable - trade	3,046,325	19,740,587
Merchandise and finished goods	13,883,849	17,172,920
Work in process	84,593	53,575
Raw materials and supplies	234,389	531,710
Accounts receivable - other	2,328,871	2,161,449
Advance payments - trade	944,966	1,763,665
Prepaid expenses	601,353	1,188,019
Short-term loans receivable	1,450,000	-
Short-term loans receivable from subsidiaries and associates	40,000	-
Deferred tax assets	79,460	206,938
Current portion of guarantee deposits	46,869	22,664
Other	601,143	558,978
Allowance for doubtful accounts	(95,024)	(211,254)
<b>Total current assets</b>	<b>43,077,343</b>	<b>53,651,583</b>
Non-current assets		
Property, plant and equipment		
Buildings and structures	12,553,165	20,401,750
Accumulated depreciation	(5,508,583)	(13,014,030)
Buildings and structures, net	7,044,582	7,387,720
Machinery, equipment and vehicles	107,892	7,268,270
Accumulated depreciation	(63,192)	(6,613,416)
Machinery, equipment and vehicles, net	44,700	654,853
Tools, furniture and fixtures	3,273,946	3,567,672
Accumulated depreciation	(1,415,055)	(2,366,174)
Tools, furniture and fixtures, net	1,858,890	1,201,498
Land	1,698,552	5,910,392
Leased assets	128,900	1,897,442
Accumulated depreciation	(39,518)	(1,080,148)
Leased assets, net	89,382	817,293
Construction in progress	47,345	1,548
<b>Total property, plant and equipment</b>	<b>10,783,453</b>	<b>15,973,307</b>
Intangible assets		
Goodwill	-	13,666
Trademark right	133,883	430,641
Software	299,222	609,121
Leased assets	9,337	2,979,883
Software in progress	7,895	43,566
Other	901	6,324
<b>Total intangible assets</b>	<b>451,240</b>	<b>4,083,204</b>

(Units: 1,000 yen)

	FY2017 (As of December 31, 2017)	FY2018 (As of December 31, 2018)
<b>Investments and other assets</b>		
Investment securities	1,044,429	815,612
Shares of subsidiaries and associates	237,000	243,458
Investments in capital of subsidiaries and associates	2,185,035	2,301,451
Deferred tax assets	111,183	179,694
Long-term loans receivable	137,624	2,461,139
Long-term loans receivable from subsidiaries and associates	30,000	70,000
Lease and guarantee deposits	4,927,949	4,844,568
Other	994,438	1,164,469
Allowance for doubtful accounts	(462,570)	(1,211,699)
<b>Total investments and other assets</b>	<b>9,205,090</b>	<b>10,868,696</b>
<b>Total non-current assets</b>	<b>20,439,784</b>	<b>30,925,207</b>
<b>Deferred assets</b>		
Business commencement expenses	75,400	53,538
Bond issuance cost	2,984	-
Share issuance cost	8,859	-
<b>Total deferred assets</b>	<b>87,245</b>	<b>53,538</b>
<b>Total assets</b>	<b>63,604,372</b>	<b>84,630,329</b>

(Units: 1,000 yen)

	FY2017 (As of December 31, 2017)	FY2018 (As of December 31, 2018)
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable - trade	5,465,891	14,271,314
Electronically recorded obligations - operating	–	3,525,533
Short-term loans payable	2,477,002	5,308,115
Current portion of long-term loans payable	99,338	271,929
Accounts payable - other	1,571,854	2,595,896
Current portion of bonds	2,387,500	–
Accrued expenses	99,005	714,335
Lease obligations	36,456	823,897
Income taxes payable	388,899	384,081
Advances received	153,004	2,912,372
Provision for bonuses	75,411	148,773
Provision for point card certificates	31,941	89,114
Provision for loss from product warranty	15,885	14,559
Provision for loss on withdrawal from employees' pension fund	66,533	66,533
Deferred tax liabilities	59,936	56,803
Other	264,544	477,663
<b>Total current liabilities</b>	<b>13,193,205</b>	<b>31,660,925</b>
<b>Non-current liabilities</b>		
Long-term loans payable	2,090,137	530,947
Long-term guarantee deposited	391,454	847,714
Lease obligations	66,075	2,626,872
Long-term accounts payable - other	1,327,224	1,302,945
Net defined benefit liability	764,766	2,171,722
Provision for directors' retirement benefits	23,633	33,196
Provision for business structure improvement expenses	151,137	150,387
Asset retirement obligations	504,739	543,721
Deferred tax liabilities	482,948	716,699
Other	4,754	2,185
<b>Total non-current liabilities</b>	<b>5,806,871</b>	<b>8,926,393</b>
<b>Total liabilities</b>	<b>19,000,077</b>	<b>40,587,319</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	22,633,662	22,633,662
Capital surplus	18,920,205	18,920,205
Retained earnings	4,671,538	3,389,452
Treasury shares	(2,419,904)	(2,419,945)
<b>Total shareholders' equity</b>	<b>43,805,502</b>	<b>42,523,375</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	20,807	(73,740)
Foreign currency translation adjustment	520,497	517,829
Remeasurements of defined benefit plans	(51,753)	39,054
<b>Total accumulated other comprehensive income</b>	<b>489,551</b>	<b>483,143</b>
<b>Share acquisition rights</b>	<b>84,211</b>	<b>13,109</b>
<b>Non-controlling interests</b>	<b>225,029</b>	<b>1,023,381</b>
<b>Total net assets</b>	<b>44,604,295</b>	<b>44,043,010</b>
<b>Total liabilities and net assets</b>	<b>63,604,372</b>	<b>84,630,329</b>

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

## Consolidated statement of income

(Units: 1,000 yen)

	FY2017 (From January 1 to December 31, 2017)	FY2018 (From January 1 to December 31, 2018)
Net sales	64,291,514	117,995,061
Cost of sales	37,999,125	80,259,839
Gross profit	26,292,388	37,735,221
Selling, general and administrative expenses		
Advertising expenses	279,626	221,410
Sales commission	7,424,093	7,739,075
Promotion expenses	1,753,622	2,123,925
Haulage expenses	464,833	4,478,577
Depreciation	1,109,358	1,974,523
Amortization of goodwill	60,473	1,333
Provision of allowance for doubtful accounts	–	64,300
Salaries and allowances	5,400,122	8,810,332
Legal welfare expenses	795,343	1,372,832
Bonuses	95,424	286,786
Provision for bonuses	90,971	175,288
Director's bonuses	3,000	678
Retirement benefit expenses	107,925	246,984
Rents	5,815,259	5,880,396
Rent expenses	206,154	175,359
Expenses related to purchase of shares in subsidiaries	4,901	207,769
Other	2,543,845	4,827,382
Total selling, general and administrative expenses	26,154,956	38,586,956
Operating profit (loss)	137,431	(851,734)
Non-operating income		
Interest income	203,886	277,852
Dividend income	16,929	39,681
Gain on sales of investment securities	152,225	22,215
Share of profit of entities accounted for using equity method	–	108,809
Gain on cancellation of insurance contract	–	11,507
Gain on bad debts recovered	–	14,714
Gain on withdrawal from investment partnership	–	9,199
Other	99,825	134,254
Total non-operating income	472,866	618,234
Non-operating expenses		
Interest expenses	40,968	109,101
Sales discounts	4,737	2,223
Amortization of share issuance cost	53,158	8,859
Amortization of bond issuance cost	258	2,752
Commission for syndicate loan	34,442	–
Guarantee commission	–	16,981
Foreign exchange losses	48,730	9,272
Share of loss of entities accounted for using equity method	358,009	–
Provision of allowance for doubtful accounts	1,262	642,787

(Units: 1,000 yen)

	FY2017 (From January 1 to December 31, 2017)	FY2018 (From January 1 to December 31, 2018)
Bad debts expenses	–	17,597
Receivables securitization expenses	–	25,000
Arrangement fees	–	57,842
Other	21,174	124,590
Total non-operating expenses	562,741	1,017,009
Ordinary profit (loss)	47,556	(1,250,509)

(Units: 1,000 yen)

	FY2017 (From January 1 to December 31, 2017)	FY2018 (From January 1 to December 31, 2018)
<b>Extraordinary income</b>		
Gain on sales of non-current assets	–	9,741
Gain on reversal of subscription rights to shares	11,586	71,102
Reversal of allowance for loss on withdrawal from employees' pension fund	33,466	–
Penalty income from cancellation of rental contracts	–	33,499
Gain on bargain purchase	1,314,482	4,372,319
<b>Total extraordinary income</b>	<b>1,359,535</b>	<b>4,486,663</b>
<b>Extraordinary losses</b>		
Impairment loss	545,658	3,881,185
Loss on retirement of non-current assets	8,661	112,100
Loss on liquidation of stores	45,222	120,549
Loss on liquidation of subsidiaries	543,274	–
Loss on valuation of shares of subsidiaries and associates	–	34,999
Penalties	–	11,828
Costs for relocation of offices	60,312	–
Special retirement expenses	10,037	–
Loss on cancellation of lease contract	–	1,709
<b>Total extraordinary losses</b>	<b>1,213,166</b>	<b>4,162,373</b>
<b>Profit (loss) before income taxes</b>	<b>193,925</b>	<b>(926,219)</b>
Income taxes - current	102,260	179,088
Income taxes - deferred	(136,751)	(134,455)
<b>Total income taxes</b>	<b>(34,491)</b>	<b>44,633</b>
<b>Profit (loss)</b>	<b>228,416</b>	<b>(970,853)</b>
Profit (loss) attributable to non-controlling interests	50,736	49,218
<b>Profit (loss) attributable to owners of parent</b>	<b>177,680</b>	<b>(1,020,072)</b>

Consolidated statement of comprehensive income

(Units: 1,000 yen)

	FY2017 (From January 1 to December 31, 2017)	FY2018 (From January 1 to December 31, 2018)
Profit (loss)	228,416	(970,853)
Other comprehensive income		
Valuation difference on available-for-sale securities	10,834	(87,984)
Foreign currency translation adjustment	11,348	(2,667)
Remeasurements of defined benefit plans, net of tax	(34,595)	98,889
Total other comprehensive income	(12,412)	8,237
Comprehensive income	216,004	(962,615)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	160,836	(1,026,479)
Comprehensive income attributable to non-controlling interests	55,168	63,864

(3) Consolidated statement of changes in equity  
FY2017 (From January 1 to December 31, 2017)

(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	4,531,951	(2,419,850)	43,665,970
Changes of items during period					
Profit (loss) attributable to owners of parent			177,680		177,680
Change of scope of consolidation					
Change of scope of equity method			(38,093)		(38,093)
Purchase of treasury shares				(54)	(54)
Net changes of items other than shareholders' equity					
Total changes of items during period	–	–	139,586	(54)	139,532
Balance at end of period	22,633,662	18,920,205	4,671,538	(2,419,904)	43,805,502

	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	9,973	509,148	(17,158)	501,963	92,753	–	44,260,687
Changes of items during period							
Profit (loss) attributable to owners of parent							177,680
Change of scope of consolidation							
Change of scope of equity method							(38,093)
Purchase of treasury shares							(54)
Net changes of items other than shareholders' equity	10,834	11,348	(34,595)	(12,412)	(8,542)	225,029	204,075
Total changes of items during period	10,834	11,348	(34,595)	(12,412)	(8,542)	225,029	343,607
Balance at end of period	20,807	520,497	(51,753)	489,551	84,211	225,029	44,604,295

FY2018 (From January 1 to December 31, 2018)

(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	4,671,538	(2,419,904)	43,805,502
Changes of items during period					
Profit (loss) attributable to owners of parent			(1,020,072)		(1,020,072)
Change of scope of consolidation			(55,151)		(55,151)
Change of scope of equity method			(206,861)		(206,861)
Purchase of treasury shares				(41)	(41)
Net changes of items other than shareholders' equity					-
Total changes of items during period	-	-	(1,282,085)	(41)	(1,282,127)
Balance at end of period	22,633,662	18,920,205	3,389,452	(2,419,945)	42,523,375

	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	20,807	520,497	(51,753)	489,551	84,211	225,029	44,604,295
Changes of items during period							
Profit (loss) attributable to owners of parent							(1,020,072)
Change of scope of consolidation							(55,151)
Change of scope of equity method							(206,861)
Purchase of treasury shares							(41)
Net changes of items other than shareholders' equity	(94,548)	(2,667)	90,807	(6,407)	(71,102)	798,352	720,842
Total changes of items during period	(94,548)	(2,667)	90,807	(6,407)	(71,102)	798,352	(561,285)
Balance at end of period	(73,740)	517,829	39,054	483,143	13,109	1,023,381	44,043,010

## (4) Consolidated statement of cash flows

(Units: 1,000 yen)

	FY2017 (From January 1 to December 31, 2017)	FY2018 (From January 1 to December 31, 2018)
Cash flows from operating activities		
Profit (loss) before income taxes	193,925	(926,219)
Depreciation	1,193,875	2,087,030
Amortization of share issuance cost	53,158	8,859
Impairment loss	545,658	3,881,185
Loss (gain) on sales of investment securities	(152,225)	(22,215)
Loss on retirement of non-current assets	8,661	112,100
Loss (gain) on sales of property, plant and equipment	–	(9,741)
Share of loss (profit) of entities accounted for using equity method	358,009	(108,809)
Amortization of goodwill	60,473	1,333
Loss on liquidation of stores	45,222	120,549
Gain on bargain purchase	(1,314,482)	(4,372,319)
Increase (decrease) in allowance for doubtful accounts	(101,830)	657,241
Increase (decrease) in provision for bonuses	(13,998)	24,741
Increase (decrease) in provision for directors' bonuses	(66)	–
Increase (decrease) in net defined benefit liability	79,832	(42,945)
Increase (decrease) in provision for loss on litigation	(2,218)	–
Increase (decrease) in provision for loss from product warranty	(2,798)	(1,325)
Increase (decrease) in provision for business structure improvement expenses	(390,738)	(750)
Interest and dividend income	(220,815)	(317,533)
Interest expenses	40,968	112,398
Decrease (increase) in notes and accounts receivable - trade	660,024	(9,252,212)
Decrease (increase) in inventories	2,691,535	(1,384,328)
Increase (decrease) in notes and accounts payable - trade	185,397	4,726,563
Decrease (increase) in accounts receivable - other	(843,414)	863,526
Increase (decrease) in accounts payable - other	(403,844)	222,170
Increase (decrease) in long-term accounts payable - other	385,533	(232,540)
Increase (decrease) in deposits received	(3,193)	(1,176,391)
Increase (decrease) in guarantee deposits received	42,481	76,908
Decrease (increase) in advance payments	35,617	(872,267)
Other	(458,507)	54,171
Subtotal	2,672,246	(5,770,816)
Interest and dividend income received	175,753	318,864
Interest expenses paid	(40,968)	(109,605)
Income taxes paid	(23,907)	(219,158)
Net cash provided by (used in) operating activities	2,783,124	(5,780,715)

(Units: 1,000 yen)

	FY2017 (From January 1 to December 31, 2017)	FY2018 (From January 1 to December 31, 2018)
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(2,909,527)	(1,233,475)
Proceeds from sales of property, plant and equipment	2,796	146,067
Purchase of intangible assets	(144,001)	(138,623)
Purchase of investment securities	(319,440)	(5,029,005)
Proceeds from sales of investment securities	1,204,814	5,101,014
Purchase of shares of subsidiaries and associates	(35,000)	(200,000)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	–	(72,624)
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	1,526,675	–
Payments of short-term loans receivable	(1,390,065)	(2,820,711)
Collection of short-term loans receivable	300,000	2,756,128
Payments for lease and guarantee deposits	(398,494)	(536,772)
Proceeds from collection of lease and guarantee deposits	473,295	940,327
Payments into time deposits	(859,318)	(5,516,696)
Proceeds from withdrawal of time deposits	7,500,000	12,673,053
Payments of long-term loans receivable	(30,000)	(1,481,741)
Collection of long-term loans receivable	37,018	568,226
Other	(1,202)	27,223
Net cash provided by (used in) investing activities	4,957,551	5,182,390
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term loans payable	(3,343,300)	2,831,113
Repayments of long-term loans payable	(71,696)	(1,432,561)
Purchase of treasury shares	(54)	(41)
Repayments of lease obligations	(16,376)	(604,276)
Redemption of bonds	(37,500)	(2,387,500)
Proceeds from issuance of subscription rights to shares	3,044	–
Net cash provided by (used in) financing activities	(3,465,883)	(1,593,266)
Effect of exchange rate change on cash and cash equivalents	18,746	(34,380)
Net increase (decrease) in cash and cash equivalents	4,293,538	(2,225,971)
Cash and cash equivalents at beginning of period	2,863,943	7,157,481
Increase in cash and cash equivalents from newly consolidated subsidiary	–	14,125
Cash and cash equivalents at end of period	7,157,481	4,945,635

(5) Notes to the consolidated financial statements

(Explanatory notes regarding assumption of going concern)

No corresponding items.

(Segment information, etc.)

1. Overview of Reporting Segments

The Group operates through four business segments: Retail Business, Life & Fashion Business, Entertainment Business and SC Development Business.

- Retail Business Supply of mainly Japan made high-quality products, among other items, through varieties of sales channels and networks including BtoC, BtoB, and real retail stores as well as online, for domestic and overseas customers, on a global basis.
- Life & Fashion Business Development of the Group's original products related to life and fashion including shoes for women and the comprehensive marketing thereof through physical stores, e-commerce and omni-channel retailing.
- Entertainment Business Offering of experience-oriented services including an opportunity to enjoy foods in response to demand among foreigners visiting Japan and people living in Japan.
- SC Development Business Operation of commercial complexes.

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 profit. Internal sales or transfers between segments are generally based on market prices.

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

FY2017 (From January 1 to December 31, 2017)

(Units: 1,000 yen)

	Reporting segment				Total	Amount of adjustment Note: 1	Amount reported in quarterly consolidated statement of income Note: 2
	Retail Business	Life & Fashion Business	Entertainment Business	SC Development Business			
Sales							
Sales to external clients	51,403,850	11,134,545	82,149	1,670,968	64,291,514	–	64,291,514
Internal sales or transfers between segments	108,621	1,200	2,296	–	112,118	(112,118)	–
Total	51,512,471	11,135,745	84,446	1,670,968	64,403,633	(112,118)	64,291,514
Segment profit (loss)	989,847	317,428	(232,177)	566,544	1,641,642	(1,504,211)	137,431
Segment assets	25,031,631	14,946,837	591,842	2,404,813	42,975,123	20,629,248	63,604,372
Depreciation	863,990	93,359	9,408	107,473	1,074,232	119,643	1,193,875
Increase in property, plant and equipment and intangible assets	1,384,275	9,415	155,231	1,652,287	3,201,209	29,518	3,230,728

(Notes) 1. Segment profit amount of adjustment of -1,504,211 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.

The amount of adjustment of segment assets of 20,629,248 thousand yen, the amount of adjustment of depreciation of 119,643 thousand yen, and the amount of adjustment of the increase in property, plant and equipment and intangible assets of 29,518 thousand yen all correspond to corporate assets.

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

(1) Information about impairment loss on non-current assets, goodwill and negative goodwill by segment

(Significant impairment loss on non-current assets)

In the Retail Business, an impairment loss of 229,673 thousand yen on stores with decreased profitability was posted.

In the Life & Fashion Business, an impairment loss of 315,985 thousand yen on stores with decreased profitability was posted.

(Significant gain on goodwill)

Ogitsu Corporation and five other companies were included in the scope of consolidation as a result of the acquisition of the stock of Ogitsu Co., Ltd. and Kouwa Sogyo Co., with a deemed acquisition date of October 1, 2017. As a result, a gain on negative goodwill of 1,314,482 thousand yen was posted in the Life & Fashion Business.

FY2018 (From January 1 to December 31, 2018)

(Units: 1,000 yen)

	Reporting segment				Total	Amount of adjustment Note: 1	Amount reported in quarterly consolidated statement of income Note: 2
	Retail Business	Life & Fashion Business	Entertainment Business	SC Development Business			
Sales							
Sales to external clients	54,558,479	61,641,381	714,471	1,080,729	117,995,061	–	117,995,061
Internal sales or transfers between segments	30,163	48,338	17,711	193,321	289,536	(289,536)	–
Total	54,588,643	61,689,720	732,183	1,274,051	118,284,597	(289,536)	117,995,061
Segment profit (loss)	1,441,986	571,957	(803,814)	(787,920)	422,208	(1,273,943)	(851,734)
Segment assets	23,954,706	43,326,509	948,473	2,527,468	70,757,157	13,873,171	84,630,329
Depreciation	735,559	957,798	58,829	190,410	1,942,598	144,432	2,087,030
Increase in property, plant and equipment and intangible assets	320,997	157,228	260,030	633,663	1,371,918	34,291	1,406,210

(Notes) 1. Segment profit amount of adjustment of -1,273,943 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.

The amount of adjustment of segment assets of 13,873,171 thousand yen, the amount of adjustment of depreciation of 144,432 thousand yen, and the amount of adjustment of the increase in property, plant and equipment and intangible assets of 34,291 thousand yen all correspond to corporate assets.

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

#### (1) Information about assets by segment

Assets by segment at the end of the current consolidated fiscal year changed significantly from the end of the preceding consolidated fiscal year. An outline of the change is as follows.

In the Lifestyle & Fashion Business, Shaddy Co., Ltd. and three other companies were included in the scope of consolidation as a result of stock acquisition during the first half of the consolidated fiscal year. As a result, segment assets increased by 29,972,962 thousand yen.

#### (2) Information about impairment loss on non-current assets, goodwill and negative goodwill by segment

(Significant impairment loss on non-current assets)

In the Retail Business, an impairment loss of 1,933,551 thousand yen is posted concerning stores with decreased profitability and stores to be closed within one year.

In the Entertainment Business, an impairment loss of 468,019 thousand yen is posted due to a decline in profitability.

In the SC Development Business, an impairment loss of 1,479,614 thousand yen is posted due to a decline in profitability.

(Significant gain on goodwill)

During the first half of the consolidated fiscal year, Shaddy Co., Ltd. and three other companies were included in the scope of consolidation as a result of stock acquisition. The amount of gain on negative goodwill recorded as a result of this event is 4,372,319 thousand yen in the Lifestyle & Fashion Business.

#### 4. Matters concerning changes in reporting segments, etc.

Starting from the first quarter of the consolidated fiscal year under review, the reporting segments changed as described in 1. Overview of Reporting Segments in line with the Third Medium-term Management Plan announced on February 14, 2018.

Segment information for the preceding consolidated fiscal year has been restated to conform to the reporting segments used in the current consolidated fiscal year.

(Per share information)

	FY2017 (From January 1 to December 31, 2017)	FY2018 (From January 1 to December 31, 2018)
Net assets per share	687.09	667.08
Net income per share	2.76	(15.82)
Diluted net income per share	–	–

(Notes) 1. The diluted net income per share was not stated for the preceding consolidated fiscal year due to the lack of potentially dilutive shares, nor for the current consolidated fiscal year due to the posting of a loss per share.

(Significant subsequent events)

No corresponding items.

#### 4. Non-Consolidated Financial Statements

##### (1) Non-consolidated balance sheet

(Units: 1,000 yen)

	FY2017 (As of December 31, 2017)	FY2018 (As of December 31, 2018)
<b>Assets</b>		
Current assets		
Cash and deposits	15,950,539	7,190,773
Accounts receivable - trade	1,776,632	3,898,725
Merchandise and finished goods	8,576,984	9,227,667
Raw materials and supplies	16,457	12,585
Prepaid expenses	502,078	421,048
Accounts receivable - other	1,543,578	2,108,509
Advance payments - trade	428,368	920,990
Short-term loans receivable	1,450,000	-
Short-term loans receivable from subsidiaries and associates	1,717,000	2,886,000
Other	934,144	1,034,081
Allowance for doubtful accounts	(236,083)	(274,452)
<b>Total current assets</b>	<b>32,659,700</b>	<b>27,425,928</b>
Non-current assets		
Property, plant and equipment		
Buildings	5,421,964	2,581,932
Structures	75,575	40,037
Vehicles	25,044	7,122
Tools, furniture and fixtures	1,782,427	1,057,076
Land	373,560	384,398
Leased assets	89,382	18,122
Construction in progress	12,345	900
<b>Total property, plant and equipment</b>	<b>7,780,298</b>	<b>4,089,590</b>
Intangible assets		
Leasehold right	408	408
Trademark right	1,338	25,879
Software	267,345	198,811
Software in progress	7,895	19,707
Leased assets	9,337	5,473
<b>Total intangible assets</b>	<b>286,324</b>	<b>250,280</b>
Investments and other assets		
Investment securities	415,576	533,424
Shares of subsidiaries and associates	3,332,204	6,372,704
Investments in capital of subsidiaries and associates	2,574,896	2,574,896
Investments in capital	76,525	76,525
Long-term loans receivable	128,024	1,277,764
Long-term loans receivable from subsidiaries and associates	730,000	1,780,356
Lease and guarantee deposits	4,780,173	4,374,500
Long-term prepaid expenses	6,133	159,166
Other	193,438	192,653
Allowance for doubtful accounts	(354,996)	(1,223,699)
<b>Total investments and other assets</b>	<b>11,881,974</b>	<b>16,118,292</b>
<b>Total non-current assets</b>	<b>19,948,598</b>	<b>20,458,163</b>
Deferred assets		
Share issuance cost	8,859	-
<b>Total deferred assets</b>	<b>8,859</b>	<b>-</b>
<b>Total assets</b>	<b>52,617,158</b>	<b>47,884,091</b>

(Units: 1,000 yen)

	FY2017 (As of December 31, 2017)	FY2018 (As of December 31, 2018)
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable - trade	2,343,976	2,444,245
Short-term loans payable	2,404,000	3,388,000
Lease obligations	36,456	34,536
Accounts payable - other	850,456	1,006,944
Accrued expenses	167,204	324,986
Income taxes payable	406,236	191,706
Advances received	76,202	94,412
Provision for bonuses	74,591	97,723
Provision for point card certificates	31,941	89,114
Deposits received	81,599	85,162
Provision for loss from product warranty	15,885	14,559
Provision for loss on withdrawal from employees' pension fund	66,533	66,533
Other	23,717	16,989
<b>Total current liabilities</b>	<b>6,578,801</b>	<b>7,854,915</b>
<b>Non-current liabilities</b>		
Lease obligations	66,075	14,035
Deferred tax liabilities	76,563	4,570
Provision for retirement benefits	353,137	410,742
Provision for directors' retirement benefits	23,633	23,633
Provision for business structure improvement expenses	391,570	390,820
Asset retirement obligations	438,800	442,418
Other	374,518	349,430
<b>Total non-current liabilities</b>	<b>1,724,300</b>	<b>1,635,651</b>
<b>Total liabilities</b>	<b>8,303,101</b>	<b>9,490,566</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	22,633,662	22,633,662
<b>Capital surplus</b>		
Legal capital surplus	18,906,725	18,906,725
Other capital surplus	13,480	13,480
<b>Total capital surplus</b>	<b>18,920,205</b>	<b>18,920,205</b>
<b>Retained earnings</b>		
<b>Other retained earnings</b>		
Retained earnings brought forward	5,097,993	(760,092)
<b>Total retained earnings</b>	<b>5,097,993</b>	<b>(760,092)</b>
Treasury shares	(2,419,733)	(2,419,774)
<b>Total shareholders' equity</b>	<b>44,232,127</b>	<b>38,374,000</b>
<b>Valuation and translation adjustments</b>		
Valuation difference on available-for-sale securities	(2,282)	6,416
<b>Total valuation and translation adjustments</b>	<b>(2,282)</b>	<b>6,416</b>
Subscription rights to shares	84,211	13,109
<b>Total net assets</b>	<b>44,314,057</b>	<b>38,393,525</b>
<b>Total liabilities and net assets</b>	<b>52,617,158</b>	<b>47,884,091</b>

## (2) Non-consolidated statement of income

(Units: 1,000 yen)

	FY2017 (From January 1 to December 31, 2017)	FY2018 (From January 1 to December 31, 2018)
Net sales	52,344,045	54,033,995
Cost of sales	32,182,621	34,871,431
Gross profit	20,161,423	19,162,563
Selling, general and administrative expenses	20,091,544	19,782,225
Operating profit (loss)	69,879	(619,661)
Non-operating income		
Interest income	244,058	300,485
Dividend income	9,076	31,845
Gain on sales of investment securities	74,378	–
Other	36,516	19,524
Total non-operating income	364,029	351,855
Non-operating expenses		
Interest expenses	30,630	32,437
Sales discounts	2,286	2,025
Amortization of share issuance cost	53,158	8,859
Commission for syndicate loan	34,442	–
Guarantee commission	–	7,000
Arrangement fees	–	27,842
Foreign exchange losses	25,419	32,552
Provision of allowance for doubtful accounts	1,262	885,544
Other	12,958	44,252
Total non-operating expenses	160,158	1,040,513
Ordinary profit (loss)	273,750	(1,308,319)
Extraordinary income		
Gain on reversal of subscription rights to shares	11,586	71,102
Reversal of allowance for loss on withdrawal from employees' pension fund	33,467	–
Penalty income from cancellation of rental contracts	–	33,499
Total extraordinary income	45,053	104,602
Extraordinary losses		
Impairment loss	229,673	3,859,064
Loss on valuation of shares of subsidiaries and associates	–	661,999
Loss on liquidation of subsidiaries	861,897	–
Loss on retirement of non-current assets	–	28,667
Loss on liquidation of stores	21,057	120,237
Penalties	–	11,828
Loss on cancellation of lease contract	–	1,709
Total extraordinary losses	1,112,628	4,683,506
Profit (loss) before income taxes	(793,825)	(5,887,223)
Income taxes - current	129,718	45,688
Income taxes - deferred	67,510	(74,825)
Total income taxes	197,228	(29,137)
Net income (loss)	(991,053)	(5,858,086)

(3) Non-consolidated statement of changes in equity  
 FY2017 (From January 1 to December 31, 2017)

(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	6,089,047	6,089,047	(2,419,679)	45,223,236
Changes of items during period								
Profit (loss)					(991,053)	(991,053)		(991,053)
Purchase of treasury shares							(54)	(54)
Net changes of items other than shareholders' equity								
Total changes of items during period	-	-	-	-	(991,053)	(991,053)	(54)	(991,108)
Balance at end of period	22,633,662	18,906,725	13,480	18,920,205	5,097,993	5,097,993	(2,419,733)	44,232,127

	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	9,973	9,973	92,753	45,325,962
Changes of items during period				
Profit (loss)				(991,053)
Purchase of treasury shares				(54)
Net changes of items other than shareholders' equity	(12,255)	(12,255)	(8,542)	(20,797)
Total changes of items during period	(12,255)	(12,255)	(8,542)	(1,011,905)
Balance at end of period	(2,282)	(2,282)	84,211	44,314,057

FY2018 (From January 1 to December 31, 2018)

(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	5,097,993	5,097,993	(2,419,733)	44,232,127
Changes of items during period								
Profit (loss)					(5,858,086)	(5,858,086)		(5,858,086)
Purchase of treasury shares							(41)	(41)
Net changes of items other than shareholders' equity								
Total changes of items during period	-	-	-	-	(5,858,086)	(5,858,086)	(41)	(5,858,127)
Balance at end of period	22,633,662	18,906,725	13,480	18,920,205	(760,092)	(760,092)	(2,419,774)	38,374,000

	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	(2,282)	(2,282)	84,211	44,314,057
Changes of items during period				
Profit (loss)				(5,858,086)
Purchase of treasury shares				(41)
Net changes of items other than shareholders' equity	8,698	8,698	(71,102)	(62,403)
Total changes of items during period	8,698	8,698	(71,102)	(5,920,531)
Balance at end of period	6,416	6,416	13,109	38,393,525