

Financial Statements Ending December 2015 [Japanese Based] (Consolidated)

February 12, 2016

Name of Company Listed Laox Co., LTD. Stock Listing Tokyo Stock Exchange
 Code Number 8202 URL http://www.laox.co.jp

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 Contact of Person in Charge (Position Name) Main Manager of Executive Officer Management (Full Name) Norihiko Fujitani (TEL)03-6852-8881

Annual Shareholders Meeting Scheduled Date March 25, 2016 Submission Date for Annual Securities Report March 25, 2016
 Scheduled Date to Start Dividend —

Reference Materials to Supplement Financial Statement
 Reports: will be provided
 Meeting on Financial Statement Reports: will be held (Target Audience: Analysts)

(Amounts less than one million yen are rounded down)

1. Consolidated Financial Results for Period Ending December 2015 (January 1, 2015 – December 31, 2015).

(1) Consolidated Operating Results (% indicates the changes compared previous period)

	Net Sales		Operating Profit		Ordinary Profit		Net Income	
	M Yen	%	M Yen	%	M Yen	%	M Yen	%
Ending Dec. '15	92,693	84.6	8,586	394.5	8,637	385.6	8,079	550.1
Ending Dec. '14	50,196	51.4	1,736	—	1,778	—	1,242	—

(Note) Comprehensive income Ending Dec. '15 8,138 M Yen (640.4%) Ending Dec. '14 1,099 M Yen (— %)

	Net Income per Share		Diluted Net Income per Share		Return on Equity (ROE)	Return on Assets (ROA)	Operating Income (% of net sales)
	Yen	Sen	Yen	Sen	%	%	%
Ending Dec. '15	12.78	—	12.67	—	27.8	22.4	9.3
Ending Dec. '14	2.28	—	—	—	12.8	10.4	3.5

(Ref.) Equity method investment losses Ending Dec. '15 — M Yen Ending Dec. '14 — M Yen

(2) Consolidated Financial Position

	Total Assets		Net Assets		Capital Adequacy Ratio	Net Assets per Share	
	M Yen		M Yen		%	Yen	Sen
Ending Dec. '15	58,108		47,907		82.3	72.44	
Ending Dec. '14	18,959		10,279		54.2	18.87	

(Reference) Owner's equity Ending Dec. '15 47,803 M Yen Ending Dec. '14 10,279 M Yen

(3) Consolidated Statement of Cash Flow

	Cash Flow from Sales Act.	Cash Flow from Investment Act.	Cash Flow from Financial Act.	Final Balance of Cash and Equivalents
	M Yen	M Yen	M Yen	M Yen
Ending Dec. '15	△1,741	△25,160	29,305	5,617
Ending Dec. '14	624	212	△24	3,220

2. Dividends

	Annual Dividends						Total Dividends (Total)	Payout Ratio (Consolidated)	Dividend on Equity (DOE) (Consolidated)		
	End of 1st Quarter		End of 2nd Quarter		End of 3rd Quarter					Yearend	Total
	Yen	Sen	Yen	Sen	Yen	Sen					
Ending Dec. '14	—	—	—	—	0,00	0,00	—	—			
Ending Dec. '15	—	—	—	—	0,00	0,00	—	—			
Ending Dec. '16 (Forecast)	—	—	—	—	0,00	0,00	—	—			

3. Consolidated Financial Forecast for Dec. '16 (Jan. 1, '16 – Dec. 31, '16)

(% indicates changes compared to previous period for the whole year, and compared same quarter in the previous year of the quarter)

	Net Sales		Operating Income		Ordinary Profit	
	M Yen	%	M Yen	%	M Yen	%
2nd Quarter (Accumulative)						
Whole Period	100,000	7.8	7,000	△18.4	7,000	△18.9

(Note) We do not provide a consolidated 2nd quarter accumulative forecast. Also, we only provide forecasts of sales, operating profit and ordinary profit because it is difficult to assess specific impacts of restructuring of unprofitable segments now under consideration on our overall business results.

See [1. Analysis of Operating Results and Financial Condition (1) Analysis of Operating Results ② Prospects for the Next Period] in the Appendix for details.

*** Notes**

(1) Change in Major Subsidiaries during the Fiscal year (change of specific subsidiaries Following : No the Change in the Consolidation)

(2) Changes in Accountings Policies, Changes in Accounting Estimation, Revision Restatement

① Changes in accountings policies following the : No revision of accountings standards, etc.

② Changes in accountings policies other than ① : Yes

③ Changes to accountings estimation : No

④ Revision restatement : No

(3) Number of Issued Shares (Common Shares)

① Number of issued shares at the end of the period (including treasury stocks)

② Number of treasury stocks at the end of the period

③ Average number of shares during period

FY Ending Dec '15	663,881,033 Shares	FY Ending Dec '14	548,881,033 Shares
FY Ending Dec '15	4,016,336 Shares	FY Ending Dec '14	4,069,406 Shares
FY Ending Dec '15	631,952,606 Shares	FY Ending Dec '14	544,812,337 Shares

(Reference) Summary of Non-consolidated Financial Results

1. Non-consolidated Operating Results for the Fiscal Year Ending December 2015 (Jan 1, 2015 - Dec 31, 2015)

(1) Non-consolidated Operating Results (% indicates year-on-year changes)

	Net Sales		Operating Profit		Ordinary Profit		Operating Profit	
	M Yen	%	M Yen	%	M Yen	%	M Yen	%
FY Ending December 2015	83,510	115.1	9,026	223.8	9,111	217.5	8,196	450.8
FY Ending December 2014	38,827	120.8	2,787	—	2,870	—	1,488	—

	Earnings per Share		Adjusted Diluted Earnings per Share	
	Yen	Sen	Yen	Sen
FY Ending Dec '15	12.97		12.86	
FY Ending Dec '14	2.73		—	

(2) Non-consolidated Financial Condition

	Total Assets		Total Net Assets		Capital Adequacy Ratio	Net Asset per Share	
	M Yen		M Yen		%	Yen	Sen
FY Ending December 2015	55,023		49,440		89.7	74.77	
FY Ending December 2014	16,395		11,751		71.7	21.57	

(Ref.) Shareholders' equity FY Ending Dec '15 49,335 M Yen End Dec '14 11,751 M Yen

***Statements Regarding Auditing Procedures**

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

***Descriptions and Other Specific Matters Regarding Appropriate Use of Financial Forecasts**

Descriptions regarding financial forecasts in this document are based on data currently obtained by our corporate group and based on reasonable assumptions. Actual results may be significantly different due to various reasons.

See [Analysis of Operating Results] in the Appendix for details of forecast assumptions and notices on its usage.

We will hold a meeting on financial statements for analysts on Friday, February 12, 2016. Details of the meeting and used materials will be posted on the company website immediately after its closing.

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1. Analysis of Operating Results and Financial Condition

(1) Analysis of Operating Results

① Operating Results of this Period

Descriptions regarding the future events are based on the decisions of our corporate group as of the end of this fiscal year ending December 2015.

In this fiscal year, the growth of China has slowed as the economies of developing countries continue to gradually decelerate, and economic measures through fiscal policy were taken. Moreover, the Japanese economy is recovering overall from the improvement of business performances through stable depreciation of yen and demands from inbound tourists. While we see the recovery in personal consumption compared to the previous year, there are many uncertainties.

Regarding the growing trend of foreign tourists to Japan in our main businesses, the number of tourists has risen to 19.73 million in 2015 (47.1% increase) due to the increase of government tourism promotion and airlines, large increase in number of port stops of cruise ships, the effect of visa requirement relaxation, and the increase in demand from the tourist shoppers driven by the wide spread of duty-free services. The number of Chinese tourists, which are our company's major customers, has reached 4.99 million (107.3% rise); largely increasing the record in the previous year in both individual and group travel and resulting in record high numbers.

Under these circumstances, our corporate group is focusing on creating "Japan premium" through high-quality and reliable products and the world-class Japanese hospitality in the global market, focusing on China and Asia.

In the "Store Business in Japan", under the concept of "(offering) fulfilling experiences in Japan" where tourists meet new discoveries and surprises, the following projects are currently in process: "MD premium" offering products such as handicrafts, cosmetics, and health foods to meet various demands, "store premium" offering the appealing Japanese hospitality to meet international customers, and "human resource premium" to respond to the global needs.

During this consolidated accountings period, we made a full-scale entry into the apparel business as a promotion of an attractive range of Made-in-Japan products under "MD premium." Specifically, a joint venture was founded with Onward Holdings Co., Ltd. for the development of Made-in-Japan products, and Mode et Giacomo Co., Ltd. that produces and sells fashionable ladies shoes became a subsidiary. We continue to offer Japan-quality products that incorporate the excellent Japanese craftsmanship and technology and refined lifestyle culture to the world and Asian countries.

As "store premium," the following stores opened: "AEON Mall Narita Store" in February; "Daimaru Shinsaibashi Store" in March; "Nagasaki Port Matsugae Terminal Store" and "Tower City Nagasaki Store" in April; "Hakodate Red Brick Store" and "Otaru Canal Store" in May; "Shinjuku Main Store" in June; "Daimaru Kobe Store," "Nikko Toshogu Store," "Shinsaibashi-suji Store," "Daimaru Kyoto Store," "Ginza EXITMELSA Store," "Asahikawa Ekimae Store," and "Marinoa City Fukuoka Store" in September; "Daimaru Fukuoka Tenjin Store" and "Haneda Airport Store" in October; and "Kyoto Gion Store" in December. The total number of store is 33. We will continue our effort to build Japan's largest store network of 50 domestic stores as a leading company of comprehensive duty-free stores.

Regarding "human resource premium," district headquarters system has been introduced to promote middle managers, as well as improvement of hospitality and customer satisfaction through multiple language support in cooperation with Laox University, the in-company educational training organization.

For "Branch Store Business in China," revision of profit structure, optimization of store management, and drastic measures are being made in strong cooperation with the parent company Suning Appliance Company Ltd.

For "Foreign Trade Business," we work on the export business focusing on baby products in cooperation with a Chinese subsidiary to sell high-quality Japanese products in the Chinese market and increase profits. In addition, we entered cross-border e-commerce in China with our group company Suning Appliance Company Ltd., and Tmall Global, which is managed by Alibaba Group.

As a result, the consolidated financial results of this fiscal year were 92,693 million yen in net sales (same period of previous year 50,196 million yen, 84.6% increase), 8,586 million yen in operating profit (same period of previous year 1,736 million yen, 394.5% increase), 8,637 million yen in ordinary profit (same period of previous year 1,778 million

yen, 385.6% increase), and 8,079 million yen in net income (same period of previous year 1,242 million yen, 550.1% increase), resulting in the huge increase in profit. We will continue to promote Laox business model to create Japan premium in the global market starting from China and Asia and will become a leading global company.

Results by business segments are as follows.

(a) Store Business in Japan

In this business, the consolidated accountings of this fiscal year has increased greatly compared to the previous year with 83,782 million in sales (the same period of the previous year 34,581 yen, 142.3% increase) and 11,081 million yen in operating profit (the same period of the previous year 4,007 million yen, 176.5% increase). This is due to large increase of Chinese tourists who are our major customers, promotional activities during Chinese New Year and cherry blossom viewing to bring traffics as well as bringing cruise ship travelers in the first half of the year, the mobile network campaign with NTT Docomo, Inc. in the second half, and the collaboration campaign with UnionPay.

(b) Branch Store Business in China

In this business, the consolidated financial results of this fiscal year are as follows: 6,897 million yen in sales (the same period of the previous year 11,212 million yen, 38.5% decrease) and 407 million yen in operating loss (the same period of the previous year 1,053 million yen loss). This is due to change in purchase activity of individual Chinese consumers despite our action of the cost reduction by the closing of unprofitable stores and optimizing store management.

(c) Foreign Trade Business

In this business, the consolidated financial results of this fiscal year are as follows: 1,500 million yen in sales (the same period of the previous year 3,836 yen, 60.9% decrease) and 237 million yen in operating loss (the same period of the previous year 230 million yen loss). This is due to the increase of prior investment like preparation of strategic sales network, reconstruction of overseas distribution systems, and preparation of direct shipment system with a domestic distribution network for full-scale development into cross-border EC.

(d) Other Businesses

In this business, the consolidated financial results of this fiscal year are: 600 million yen in sales (the same period of previous year 619 million yen, 3.0% decrease) and 2,100 million yen in operating loss (the same period of the previous year 3,800 million yen loss).

② Prospects for the Next Period

We can see that there is a significant slowdown in the economic growth of the developing countries in Asia including China, but looking at the trend in the medium and the long terms, the growth trend will continue, and consumers' purchasing power will gradually be stronger. Although we face uncertainties with the international political issues and the sudden fall of crude oil prices while dollars are becoming stronger, the number of tourists visiting Japan has continued to grow, and 2015 was the first time in 45 years, that the number of people visiting Japan exceeded the number of people leaving Japan. We believe that this trend will continue in 2016 and beyond.

Although this is our current situation, there is no change in our "Mid-term Management Plan" that our corporate group announced on February 12, 2015. As Japan's largest comprehensive duty-free store operator, we will proceed to strategically rebuild the LAOX brand, and will be offering Japan Premium products to the global markets, focusing mainly on Chinese and Asian markets.

By improving each characteristic of the three main businesses as our action plans for the next term, we will be expanding the business scale and improving profitability. In the "Store Business in Japan," in order to strengthen MD, we plan to expand private brand products, improve our apparel assortment, and extend the sales promotion exposure for personal travelers as a campaign for new business development. Regarding the store network construction, we will build the 50 Domestic Stores Network in 2016, one year ahead of what is scheduled in the "Mid-Term Management Plan," and at the same time, we plan to diversify the store types by opening stores in large compound facilities. Regarding the "Branch Store Business in China," we will be carrying out radical measures such as reviewing the earning structure that can respond to the change in the business environment. Regarding the "Foreign Trade Business", we will accelerate the expansion in Taiwan as a part of the global expansion, and plan to expand our businesses by improving profitability in the cross-border EC site sale.

2016 is the second year of the "Mid-term Management Plan" so we plan to evolve and grow as Japan's leading

company with comprehensive duty-free stores. We will also further increase both sales and profits on consolidated and non-consolidated bases.

In addition, at our group level, we have a certain portion of Chinese subsidiaries' business in consolidated results so we will not create consolidated financial forecasts for the second-quarter within the accumulated period because Chinese subsidiaries have different business practices and only create annual forecasts. Currently, we are undergoing reconstruction of the unprofitable businesses and unable to forecast its impact on the overall results, we only forecast net sales, operating profit, and ordinary profit.

(2) Analysis of Financial Condition

① The Current Situation of Assets, Liabilities and Net Assets

(Assets)

Total assets of in the year-end consolidated results in the financial period were 58,108 million yen. (The previous year was 18,959 million yen.)

The increase in total assets was from 996 million yen (net) in buildings and structures due to new stores, 10,170 million yen increase in merchandises and finished goods, 4,396 million yen increase in cash and deposit due to additional financing, and 19 billion yen increase in the long-term fixed deposit.

(Liabilities)

Total liabilities in the year-end consolidated results in the financial period were 10,201 million yen. (The previous year was 8,679 million yen.)

The increase in total liabilities was from 796 million yen increase in tax payables due to the increase in taxable income, and 370 million yen increase in long-term loans due to the consolidation of new subsidiaries.

(Net assets)

Total net assets in the year-end consolidated results in the financial period were 47,907 million yen. (The previous year was 10,279 million yen.)

The increase in net assets was from 14,683 million yen increase in capital, 11,651 million yen increase in capital surplus, and 11,124 million yen increase in retained earnings.

② Cash Flow Statement

Cash and cash equivalents in the year-end consolidated results in the financial period were 5,617 million yen and increased by 2,396 million yen compared to the previous period. The respective cash flow status and their factors in the year-end consolidated results in the fiscal period are as follows.

(Cash Flow from Business Activities)

The cash flow from business activity in the year-end consolidated results in the financial period decreased by 1,741 million yen. (There was an increase of 624 million yen in the previous year.) The decrease is mainly from 8,688 million yen in the income before tax adjustment in the fiscal period, 9,458 million yen increase in inventories, and 642 million yen increase in accounts receivables.

(Cash Flow from Investment Activities)

The cash flow from investment activities in the year-end consolidated results in the financial period decreased by 25,160 million yen. (There was an increase of 212 million yen in the previous year.) The decrease is mainly from 22 billion yen in expense for the fixed deposit, 2,140 million yen in expense for the acquisition of tangible fixed assets, 1,723 million yen in expense for deposit and insurance, and 1 billion yen in income from the refund of the fixed deposit.

(Cash Flow from Financial Activities)

The cash flow from the financing activity in the year-end consolidated financial results in the financial year increase by 29,305 million yen. (There was a decrease of 24 million yen in the previous year.) The increase is mainly from 29,207 million yen in income from issuing stocks.

(Reference) Changes in the Cash Flow Related Index

	FY Ending Dec '11	FY Ending Dec '12	FY Ending Dec '13	FY Ending Dec '14	FY Ending Dec '15
Capital Adequacy Ratio (%)	84.8	72.0	60.0	54.2	82.3
Capital Adequacy Ratio Based on Market Value (%)	100.0	116.3	170.9	741.4	254.3
Ratio of Interest-bearing Liabilities to Cash Flow (Annual)	—	—	—	8.4	—
Interest Coverage Ratio	—	—	—	101.54	—

(Note) Capital adequacy ratio: Owned capital/total assets

Capital adequacy ratio based on market value (%): Market capitalization/total Assets

Ratio of interest-bearing liabilities to cash flow: Interest-bearing liabilities/cash flow

Interest coverage ratio: Cash flow/interest payment

*All index calculations use the figures in consolidated financial results.

*The market capitalization is calculated based on the numbers of issued stock, excluding the treasury stock.

*The cash flow figure is the cash flow from business activities.

*The interest-bearing liabilities include all liabilities on the consolidated balance sheet that we pay interests on.

*The interest payment figure is the figure in the consolidated cash flow statement.

*Because the cash flow from business activities was negative for the fiscal years ending December 2011 and December 2013, we did not calculate the ratio of interest-bearing liabilities to cash flow and the interest coverage ratio.

(3) Basic Policies on the Profit Distribution and Dividend Allocation for the Current and the Next Periods

We strongly believe that profit allocation for shareholders through dividend is one of the most important measures in our company.

Our basic policy for surplus allocation is the year-end dividend payment once a year. Based on the rule in each item of the first paragraph of Article 459 of the Companies Act, we can pay dividends based on the decisions at the board of directors' meeting without votes at the shareholders' meeting and without the record date as defined in the Articles of Incorporation. However, we are in the situation where we cannot say that our internal reserve is sufficient since it is only the second period since we recovered from the consecutive thirteen periods of operating losses. Thus, we will focus on improving the financial structure and investing in plants and equipment as well as new businesses. We will improve our company structure so we can stably distribute profits to our shareholders.

(4) Business Risks

At our corporate group, there are following items which may have a significant influence on investors' decision. Please note that the following items are selected by our corporate group in the year-end based on the consolidated financial results of the fiscal year. Our corporate group recognizes the following risks and do our best to avoid such risks.

① Country Risks

Of three main businesses namely "Store Business in Japan" "Branch Store Business in China" and "Foreign Trade Business," the duty-free store business within "Store Business in Japan" in particular is hugely influenced by other countries especially political economy in China and the FX fluctuation. The following incident may have an impact on our company's performance: A political or social instability, economic downturn, and change in laws and regulations as well as a drastic decrease in the number of tourists visiting Japan and the demand for the products we offer caused by such incident.

② Household Appliance Sales Business in China

Our corporate group mainly operates household appliance sales business in China, but the change of the business environment in China is quick and the competition with other retailers without stores is tough. Thus, other companies' retail strategies and the competitive environment may also influence our performance of our existing stores in China and the overall business of our corporate group.

③ Store Business in Japan

As a comprehensive duty-free store operator, we are opening more stores in order to build Japan's largest store network to meet the market demand. As the market size for inbound customers increases and more players from other business categories, global duty-free stores, and existing retailers has started to offer duty-free businesses, there are more competitions between different retailers. To continue to be the pioneer in the comprehensive duty-free network operator, we are speeding up the store opening. However, if we cannot open stores as planned, our overall performance may be influenced as a consequence.

④ Regarding the dependence on certain managers and securing human resources for executive officers

In our corporate group, we believe that knowledge and experience of the directors including the representative directors and executive officers are critical resources as they play crucial roles in the management and execution of our business.

Therefore, if it becomes difficult to hire a successor after those in such positions resign, the business performances in our group may be affected.

⑤ Risks regarding securing store staff and trainings

As our corporate group, we believe that in-store sales, especially in the Store Business in Japan, are heavily dependent on the staff members' sales skills. In addition to products themselves, we ensure to train our staff members so they have knowledge of products and better sales skills.

We also try to make our workplace active and better by rotating human resources, offering the career path and

improving the human resources systems to secure and maintain many excellent employees.

Also, our corporate group hires many foreign workers from more than ten countries including exchange students in Japan. We pay particular attention when training them especially from the legal aspects.

For example, we have strengthened the training at each office and attendance management as well as implemented a company-level attendance management system and checking system since September 2015.

However, if we are unable to secure and train people as planned due to changing work environments that could impact on our business performances.

⑥ Privacy Protection

As we own a large quantity of personal information regarding membership cards and online shopping, we have established the "compliance committee" and "internal audit team" to monitor if the business process complies with the law.

However, it does not eliminate the possibility of unexpected information leaks due to troubles in the computer system, and in that case, it can impact on our business performances and we may lose trust in the society.

⑦ Product Safety

Our corporate group develops and sells our private brand products, in addition to those we purchase. As the expectations and concerns on product safety in the society have increased, we are working on supplying safe products by revising the quality standards when purchasing, and strengthening quality inspection and legal inspection.

However, if any trouble occurs in products we sell, it could impact on our business processes and performances due to the compensation and other expenses for product liabilities and re-establishing the credibility.

⑧ Natural Disasters and Accidents

In case of natural disasters such as big earthquakes or typhoons, unpredictable weather, or unexpected accidents, sales activities, delivery, and purchase in our group may be prevented due to the physical damages caused to the stores as well as the decline in sales and number of customers.

Also, our business process may also be impacted if disasters, accidents, riots, terrorism or any incidents that affect our clients and distribution network.

⑨ Risks Due to Legal Controls

Our businesses are operated under various legal and regulatory provisions both in and out of Japan. Our group thus prioritizes and strengthens compliance as an importance business task, yet it is impossible to eradicate the risks.

If any part of our businesses violates laws or regulations, or any modifications or new laws/regulations are made, it may negatively impact our business performances or financial conditions.

⑩ Risks Due to Internal Controls by Directors and Employees

As our group believes the corporate governance, compliance, and risk management are crucial to our business management, we aim at continuously strengthening and enhancing the systems of internal controls to which we have established fundamental principles. Although we make sure to prevent the dishonest and illegal acts by directors and employees, if such are found, that could negatively impact on our business performances, financial conditions, and social credibility.

2. Management Policies

(1) Principal Management Policy

Our policy is to share great products and services of Japan to the world, and to “maximize customer’s satisfaction” by creating “Japan Premium.” By offering products and services best suited to each market, we ensure sustainable growth of our business. We are strengthening our partnership with Suning Commerce Group Co., Ltd., China’s biggest retail group aiming to evolve into a global company as a leading duty-free store operator in Japan.

(2) Mid-term and Long-term Management Strategies

On February 12, 2015, we announced our mid-term management plans (the Second Mid-term Management Plan) for the periods from FY2015 to FY2017.

To realize our growth strategy, we set the following policies for the sustainable development of our businesses.

- ① Store Premium
- ② MD Premium
- ③ Human Resources Premium

As a rediscovery of Japanese additional values, we will promote these three pillars of “Premium”.

The detail documents can be found in the following link:

(Our website)

http://www.laox.co.jp/ir/management_02.html

(3) Our Challenges

Our top priority is to deliver the Japan Premium to the world.

Despite the uncertainties in the economic situations, the competitions in the inbound businesses industries are becoming increasingly fierce in the context of the expected increase in the number of tourists visiting Japan, due to the entry of other businesses and global duty-free stores, as well as strengthened duty-free businesses in existing retail companies. Given all these conditions, we will be developing our “Store Business in Japan” by expanding products and services to maintain and strengthen our position as a pioneer in the comprehensive duty-free network in Japan. We will also establish “Foreign Trade Business” as our profit-making business and work on developing drastic measures on “Branch Store Business in China.” We will continue to tackle our challenges by strengthening internal organization and management systems by the expansion of our businesses as well as increasing efficiencies in business operations and advancing human resources development (i.e. recruiting and training).

3. Basic Ideas on the Selection of Accounting Standards

Our group reports the consolidated financial statements using the Japanese standards, considering the comparability among companies.

However, we are discussing the possibility to adopt International Financial Reporting Standards (IFRS) taking circumstances into account.

4. Consolidated Financial Statements

(1) Consolidated Balance Sheet

	(Unit: Thousand JPY)	
	Previous Fiscal Year (Consolidated) December 31, 2014	Current Fiscal Year (Consolidated) December 31, 2015
Assets		
Current assets		
Cash and deposit	3,398,395	7,794,957
Notes and accounts receivables	2,723,043	3,363,547
Merchandise and finished goods	4,587,126	14,758,092
Goods in progress	-	45,566
Raw materials and supplies	7,815	61,913
Accounts receivables	1,293,293	1,896,218
Advanced payments	862,297	1,215,542
Prepaid expenses	344,969	432,925
Security deposits collectable within one year	123,306	69,351
Others	228,043	342,126
Allowance for doubtful accounts	△ 9,220	△ 97,657
Total current assets	13,559,070	29,882,584
Total fixed assets		
Tangible fixed assets		
Buildings and structures	3,164,027	4,516,636
Accumulated depreciation	△ 2,044,339	△ 2,400,947
Buildings and structures (net)	1,119,687	2,115,688
Machinery and vehicles	8,693	130,429
Accumulated depreciation	△ 5,762	△ 35,082
Machinery and vehicles (net)	2,931	95,346
Tools, equipment, and fixtures	1,043,491	1,791,439
Accumulated depreciation	△ 661,676	△ 894,526
Tools, equipment and fixtures (net)	381,815	896,913
Land	88,647	111,778
Lease assets	78,374	81,656
Accumulated depreciation	△ 33,397	△ 55,729
Lease assets (net)	44,977	25,927
Construction in progress	5,803	299,815
Total fixed assets	1,643,862	3,545,468
Intangible fixed assets		
Software	23,414	147,489
Lease assets	5,487	19,087
Software suspense account	90,607	56,550
Others	5,116	4,759
Total intangible fixed assets	124,625	227,885

(Unit: Thousand JPY)

	Previous Fiscal Year (Consolidated) December 31, 2014	Current Fiscal Year (Consolidated) December 31, 2015
Investments and other assets		
Investment in securities	12,263	81,272
Stocks of subsidiaries and affiliates	-	204,908
Long-term fixed deposit	-	19,000,000
Deferred tax assets	274,975	284,692
Long-term loans	121,953	121,154
Deposits and guarantees	3,257,884	4,804,370
Others	411,208	305,675
Allowance for doubtful accounts	△446,637	△464,483
Total of investments and other assets	3,631,648	24,337,589
Total fixed assets	5,400,135	28,110,944
Deferred assets		
Stock issuance cost	-	115,176
Total of deferred assets	-	115,176
Total assets	18,959,206	58,108,705

(Unit: Thousand JPY)

	Previous Fiscal Year (Consolidated) December 31, 2014	Current Fiscal Year (Consolidated) December 31, 2015
Liabilities		
Current liabilities:		
Notes and accounts payable	5,184,677	5,345,598
Current portion of long-term debt	-	69,014
Accounts payable	1,147,235	1,078,837
Accrued expenses	377,840	608,990
Lease obligations	25,562	24,880
Income taxes payable	33,232	829,485
Provision for bonuses	93,077	195,005
Provision for directors' bonuses	8,742	18,565
Provision for point card certificates	9,090	9,593
Provision for product warranty	192,440	21,944
Provision for the loss from employees' pension fund withdrawal	-	100,000
Asset retirement obligations	-	8,975
Others	366,188	243,055
Total current liabilities	7,438,086	8,553,948
Total fixed liabilities		
Long-term loans	-	370,378
Long-term guarantee deposit	471,571	369,368
Lease obligations	26,871	21,812
Liabilities for retirement benefits	243,233	391,405
Provision for directors' retirement benefits	10,090	23,633
Provision for loss on litigation	15,058	2,218
Asset retirement obligations	190,729	266,273
Deferred tax liabilities	78,656	45,914
Others	205,699	156,225
Total fixed liabilities	1,241,910	1,647,230
Total liabilities	8,679,997	10,201,178
Total equity		
Shareholders' equity		
Capital stock	7,950,002	22,633,662
Capital surplus	7,268,961	18,920,205
Retained earnings	△4,826,127	6,298,772
Treasury stock	△426,141	△421,107
Total of shareholder's equity	9,966,694	47,431,532
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	4,518	6,079
Foreign currency translation adjustments	307,995	365,573
Accumulated other comprehensive income	312,514	371,653
Subscription rights to shares	-	104,340
Minority interests	-	-
Total equity	10,279,209	47,907,526
Total of Liabilities and Equity	18,959,206	58,108,705

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statement of Income

	(Unit: Thousand JPY)	
	Previous Fiscal Year (Consolidated) (From January 1, 2014 to December 31, 2014)	Current Fiscal Year (Consolidated) (From January 1, 2015 to December 31, 2015)
Net Sales	50,196,171	92,693,980
Cost of Goods	36,721,861	60,368,011
Gross Profit	13,474,310	32,325,969
Selling and General Administrative Expenses		
Advertising expenses	75,082	115,671
Sales commission	4,772,275	13,068,245
Transportation expenses	286,502	380,248
Depreciation expenses	442,406	521,827
Salaries and allowances	1,800,543	3,221,751
Legal welfare expenses	254,950	426,560
Bonuses	91,546	219,073
Provision for bonuses	93,077	196,505
Directors' bonuses	3,933	17,620
Provision for directors' bonuses	8,742	18,565
Retirement benefit expenses	87,837	71,728
Provision for directors' retirement benefits	10,090	13,543
Rent (Land)	2,332,923	2,690,563
Rent (Properties)	32,629	521,961
Others	1,445,639	2,255,636
Selling and general administrative expenses	11,738,180	23,739,500
Operating Profit	1,736,130	8,586,468
Non-operating Income		
Interest income	9,717	95,645
Purchase discounts	37,371	-
Foreign exchange gain	38,343	26,855
Reversal of allowance for doubtful accounts	7,141	-
Others	25,615	72,379
Total non-operating income	118,188	194,881
Non-operating Expenses		
Interest expenses	6,153	8,107
Sales discount	2,847	2,618
Amortization of stock issuance cost	8,770	44,298
Guarantee commission	30,000	-
Bad debt loss	12,000	-
Allowance for doubtful accounts	-	70,440
Others	16,157	18,528
Total non-operating expenses	75,928	143,994
Ordinary profit	1,778,390	8,637,355

(Unit: Thousand JPY)

	Previous Fiscal Year (Consolidated) (From January 1, 2014 to December 31, 2014)	Current Fiscal Year (Consolidated) (From January 1, 2015 to December 31, 2015)
Extraordinary Income		
Reversal of impairment loss	107,503	204,847
Reversal of provision for loss on litigation	13,298	-
Gain from negative goodwill	-	138,138
Others	1,326	-
Total extraordinary income	122,128	342,986
Extraordinary Expenses		
Impairment loss	236,901	130,797
Transferred expense from the provision for the loss from employees' pension fund withdrawal	-	100,000
Loss on store restructuring	184,422	61,073
Transferred expense from the provision for product warranty	200,000	-
Others	11,133	-
Total extraordinary expenses	632,457	291,870
Income before Taxes	1,268,060	8,688,470
Corporate Tax, Inhabitant Tax, and Business Tax	19,519	691,889
Income Taxes Adjustment	5,955	△82,423
Total Income Taxes	25,474	609,466
Income before Minority Interests	1,242,585	8,079,004
Net Income	1,242,585	8,079,004

Consolidated Statement of Comprehensive Income

(Unit: Thousand JPY)

	Previous Fiscal Year (Consolidated) (From January 1, 2014 to December 31, 2014)	Current Fiscal Year (Consolidated) (From January 1, 2015 to December 31, 2015)
Income before Minority Interests	1,242,585	8,079,004
Total of Other Comprehensive Income		
Valuation difference on available-for-sale securities	△847	1,560
Foreign currency translation adjustments	△142,630	57,578
Total of other comprehensive income	△143,478	59,138
Comprehensive Income	1,099,107	8,138,143
(Details)		
Comprehensive income attributable to owners of the parent company	1,099,107	8,138,143
Comprehensive income attributable to minority interests	-	-

(3) Consolidated Statements of Changes in Shareholders' Equity

Previous Fiscal Year (Consolidated, From January 1, 2014 to December 31, 2014)

(Unit: Thousand JPY)

	Shareholders' equity				
	Capital stock	Additional paid-in capital	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of the period	7,950,002	7,268,961	Δ6,068,713	Δ426,008	8,724,241
Changes of items during the period					
Issue of new shares					
Compensation for losses					
Net income			1,242,585		1,242,585
Acquisition of treasury stock				Δ132	Δ132
Disposal of treasury stock					
Net changes of items other than shareholders' equity					-
Net changes of items during the period	-	-	1,242,585	Δ132	1,242,453
Balance at the end of the period	7,950,002	7,268,961	Δ4,826,127	Δ426,141	9,966,694

	Accumulated other comprehensive income			Subscription rights to shares	Minority interests	Total equity
	Valuation difference on available-for-sale securities	Foreign currency translation adjustments	Accumulated other comprehensive income			
Balance at the beginning of the period	5,366	450,626	455,992	-	-	9,180,234
Changes of items during the period						
Issue of new shares						
Compensation for losses						
Net income						1,242,585
Acquisition of treasury stock						Δ132
Disposal of treasury stock						
Net changes of items other than shareholders' equity	Δ847	Δ142,630	Δ143,478			Δ143,478
Net changes of items during the period	Δ847	Δ142,630	Δ143,478	-	-	1,098,975
Balance at the end of the period	4,518	307,995	312,514	-	-	10,279,209

Current Fiscal Year (Consolidated, from January 1, 2015 to December 31, 2015)

(Unit: Thousand JPY)

	Shareholders' equity				
	Capital stock	Additional paid-in capital	Retained earnings	Treasury stock	Total shareholders' equity
Balance in the beginning of the period	7,950,002	7,268,961	Δ4,826,127	Δ426,141	9,966,694
Changes of items during the period					
Issue of new shares	14,683,660	14,683,660			29,367,320
Compensation for losses		Δ3,045,895	3,045,895		-
Net income			8,079,004		8,079,004
Acquisition of treasury stock				Δ690	Δ690
Disposal of treasury stock		13,480		5,723	19,203
Changes of items other than shareholders' equity (Net)					-
Net changes of items during the period	14,683,660	11,651,244	11,124,900	5,033	37,464,838
Balance at the end of the period	22,633,662	18,920,205	6,298,772	Δ421,107	47,431,532

	Accumulated other comprehensive income			Subscription rights to shares	Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustments	Accumulated other comprehensive income			
Balance at the beginning of the period	4,518	307,995	312,514	-	-	10,279,209
Changes of items during the period						
Issue of new shares						29,367,320
Compensation for losses						-
Net income						8,079,004
Acquisition of treasury stock						Δ690
Disposal of treasury stock						19,203
Net changes of items other than shareholders' equity	1,560	57,578	59,138	104,340		163,478
Net changes of items during the period	1,560	57,578	59,138	104,340	-	37,628,317
Balance at the end of the period	6,079	365,573	371,653	104,340	-	47,907,526

(4) Consolidated Cash Flow Statement

(Unit: Thousand JPY)

	Previous Fiscal Year (Consolidated) (From January 1, 2014 to December 31, 2014)	Current Fiscal Year (Consolidated) (From January 1, 2015 to December 31, 2015)
Cash Flow from Business Activities		
Income before taxes	1,268,060	8,688,470
Depreciation expenses	473,186	544,679
Amortization of stock issuance cost	8,770	44,298
Impairment loss	236,901	130,797
Reversal of impairment loss	△107,503	△204,847
Gain from negative goodwill	-	△138,138
Loss on store restructuring	-	61,073
Increase (decrease) in allowance for loan losses (△ indicates a decrease)	△147,862	96,359
Increase (decrease) in provision for bonuses (△ indicates a decrease)	65,109	101,928
Increase (decrease) in provision for directors' bonuses (△ indicates a decrease)	8,742	9,823
Increase (decrease) in net retirement benefit liability (△ indicates a decrease)	33,485	8,132
Increase (decrease) in provision for directors' retirement benefits (△ indicates a decrease)	10,090	13,543
Increase (decrease) in provision for loss on litigation (△ indicates a decrease)	△157,612	△12,840
Increase (decrease) in provision for loss on the compensation of products (△ indicates a decrease)	192,440	△170,495
Increase (decrease) in provision for the loss from employees' pension fund withdrawal (△ indicates a decrease)	-	100,000
Interest and dividends income	△9,717	△95,647
Interest expenses	6,153	8,107
Decrease (increase) in notes and accounts receivable (△ indicates an increase)	△753,255	△181,640
Decrease (increase) in inventories (△ indicates an increase)	△2,104,553	△9,458,926
Increase (decrease) in Notes and Accounts Payable (△ indicates a decrease)	1,849,302	37,773
Decrease (increase) in guarantee deposits (△ indicates an increase)	59,735	-
Decrease (increase) in accounts receivable (△ indicates an increase)	△681,869	△642,428
Increase (decrease) in accounts payable (△ indicates a decrease)	△304,295	△50,460
Increase (decrease) in long-term accounts payable (△ indicates a decrease)	87,643	△38,948
Increase (decrease) in guarantee deposited (△ indicates a decrease)	△33,542	△102,203
Decrease (increase) in advanced payments (△ indicates an increase)	265,768	△406,117
Others	411,490	13,931
Subtotal	676,669	△1,643,777
Interests and dividends received	5,010	18,422
Amount of interests paid	△6,153	△8,107
Income taxes paid	△50,687	△108,270
Cash flow from business activities	624,838	△1,741,732

(Unit: Thousand JPY)

	Previous Fiscal Year (Consolidated) (From January 1, 2014 to December 31, 2014)	Current Fiscal Year (Consolidated) (From January 1, 2015 to December 31, 2015)
Cash Flow from Investment Activities		
Purchase of tangible fixed assets	Δ290,025	Δ2,140,824
Sales of tangible fixed assets	113,453	204,847
Purchase of intangible fixed assets	Δ90,607	Δ92,205
Purchase of securities invested	-	Δ66,473
Purchase of stocks of subsidiaries and affiliates	-	Δ257,254
Payments for lease and guarantee Deposits	Δ229,407	Δ1,723,712
Proceeds from Collection of Lease and Guarantee Deposits	344,393	264,396
Deposit of regular savings	Δ700,137	Δ22,000,000
Refund of regular savings	1,024,737	1,000,000
Loss on long-term loans	-	Δ550,000
Others	39,888	200,404
Cash flow from investment activities	212,294	Δ25,160,820
Cash Flow from Financial Activities		
Purchase of treasury stock	Δ132	Δ690
Sales of treasury stock	-	19,203
Repayments of lease obligations	Δ24,194	Δ25,060
Proceeds from issuance of common stocks	-	29,207,844
Proceeds from issuance of stocks with subscription rights to shares	-	104,340
Cash flow from financial activities	Δ24,327	29,305,638
Effect of Exchange Rate Change on Final Balance of Cash and Cash Equivalents	499,431	Δ6,523
Increase (decrease) in Final Balance of Cash and Equivalents (Δ indicates an increase)	1,312,236	2,396,561
Final Balance of Cash and Equivalents at the Beginning of the Period	1,908,758	3,220,995
Final Balance of Cash and Cash Equivalents	3,220,995	5,617,557

(5) Notes on Consolidated Financial Statements

(Notes on Going Concern Assumptions)

N/A

(Changes in Accounting Policies)

(Changes in the process of the purchase discount)

We notify that we are going to record the amount deducted from the purchase costs upon cash settlement as deducted items in the cost of goods from current fiscal year. Before this change, we handled the deducted amount as a purchase discount in the non-operating income.

This change is intended to report our business performances more accurately, as the boundaries between the purchase rebates and discounts are disappearing for some of our clients after the revision of contracts from current fiscal year.

As a result, our operating profit has increased by 103.389 million yen, and ordinary profit and net income have decreased by 20.866 million yen respectively.

Please note that we have not applied this change retroactively to the profits and losses in the previous fiscal years nor the accumulative amount as of the beginning of the current fiscal year since the amount is small.

(Notes on Reporting Segments)

1. The Overview of reporting segments

Our group has three main businesses, namely: "Store Business in Japan", "Branch Store Business in China", and "Foreign Trade Business."

As for the "Store Business in Japan," we sell duty-free products targeting foreign travelers, and other products for domestic uses, such as home electronic appliances, clocks, hobby-related goods, musical instruments, and more.

Using a strong cooperative network with Suning Commerce Group Co., Ltd., we manage Japanese-style integrative home electronic appliance stores in "Branch Store Business in China."

Our "Foreign Trade Business" has two sides: One is the production of inexpensive and high-quality products in China using the name and credibility of Suning Commerce Group Co., Ltd. and sell them in Japan. The other side is the introduction of Japanese companies that wish to operate in China, and Made-in-Japan products with an excellent design and quality to Chinese market via the transnational EC service.

Besides these, we have real estate rental business and sales of second-handed golf products, which fall under the "Other Business" category.

2. Calculation method for sales, incomes, loss, assets, debts, and other items per reporting segment

Figures for incomes in the reporting segments are based on the operating profit.

Intersegment internal incomes and transfers are approximate figures based on market prices.

3. Information on Sales, Incomes, Loss, Assets, Debts, and Other Items per Reporting Segment

Previous Fiscal Year (Consolidated) (from January 1, 2014 to December 31, 2014)

(Unit: Thousand JPY)

	Results by segments					Total	Adjustment (Note) 1	Reported figures (Note) 2
	Store Business in Japan	Branch Store Business in China	Foreign Trade Business	Others	Subtotal			
Net sales								
Sales from external customers	34,581,758	11,176,345	3,823,219	614,849	50,196,171	50,196,171	—	50,196,171
Intersegment internal sales amount or transferred amount	—	36,000	13,022	4,441	53,463	53,463	△53,463	—
Subtotal	34,581,758	11,212,345	3,836,242	619,290	50,249,635	50,249,635	△53,463	50,196,171
Segment incomes and losses (Δ)	4,007,463	△1,053,694	△230,431	△38,336	2,685,000	2,685,000	△948,869	1,736,130
Segment assets	9,573,249	3,119,310	1,024,700	1,289,280	15,006,541	15,006,541	3,952,665	18,959,206
Depreciation expenses	129,557	244,787	1,178	46,513	422,036	422,036	51,149	473,186
Increase (decrease) in tangible and intangible fixed assets	199,074	36,976	3,687	87,962	327,701	327,701	12,021	339,723

(Note) 1. Adjustment of △948,869 thousand yen posted in segment income includes corporate expenses that are not distributed to each reporting segment. Corporate expenses mainly comprise the human resources and general administrative costs not usually attributed to segments.

The adjustment of segment assets of 3,952,665 thousand yen, adjustment of depreciation expenses of 51,149 thousand yen, increase in tangible and intangible fixed assets of 12,021 thousand yen are all associated with corporate assets.

2. Segment incomes and losses (Δ) are adjusted with the operating profit in the consolidated income statement.

Current Fiscal Year (Consolidated) (From January 1, 2015 to December 31, 2015)

(Unit: Thousand JPY)

	Results by segments					Total	Adjustment (Note)1	Reported figures (note) 2
	Store Business in Japan	Branch Store Business in China	Foreign Trade Business	Others	Subtotal			
Net sales								
Sales from external customers	83,767,297	6,825,659	1,500,028	600,994	92,693,980	92,693,980	—	92,693,980
Intersegment internal sales amount or the transferred amount	14,931	72,167	445	—	87,544	87,544	△87,544	—
Subtotal	83,782,229	6,897,826	1,500,474	600,994	92,781,525	92,781,525	△87,544	92,693,980
Segment incomes and losses (Δ)	11,081,058	△407,930	△237,916	△21,873	10,413,338	10,413,338	△1,826,870	8,586,468
Segment assets	23,338,546	2,449,725	2,480,959	1,184,681	29,453,912	29,453,912	28,654,792	58,108,705
Depreciation expenses	273,855	164,132	2,299	44,344	484,632	484,632	60,047	544,679
Increase (decrease) in tangible and intangible fixed assets	1,747,727	4,162	3,237	83,826	1,838,953	1,838,953	421,299	2,260,253

(Note) 1. Adjustment of △1,826,870 thousand yen posted in segment income includes corporate expenses that are not distributed to each reporting segment. Corporate expense mainly comprises the human resources and general administrative costs not usually attributed to segments.

The adjustment of segment assets of 28,654,792 thousand yen, adjustment of depreciation expenses of 60,047 thousand yen, increase in tangible and intangible fixed assets of 177,672 thousand yen are all associated with corporate assets.

2. Segment incomes or losses (Δ) are adjusted with the operating profit in the consolidated income statement.

4. Items Regarding Changes in the Reporting Segments

(Changes in the process of the purchase discount)

As noted in the changes in the accounting policies, accounting processes regarding purchase discounts in the business segment have been adjusted as the accounting process on purchase discounts have been modified from this fiscal year.

As a result, the segment income from the "Store Business in Japan" has increased by 103,389 thousand yen for this fiscal year.

(Per Share Results)

	Previous Fiscal Year (Consolidated, From January 1, 2014 to December 31, 2014)	Current Fiscal Year (Consolidated, From January 1, 2015 to December 31, 2015)
Net assets per share	18.87 Yen	72.44 Yen
Earnings per share	2.28 Yen	12.78 Yen
Adjusted diluted earnings per share	— Yen	12.67 Yen

(Note) 1. For the previous fiscal year, the values for diluted earnings per share are not presented because there was no potential stock with dilution impact.

2. Earnings per share and diluted earnings per share were calculated as follows.

	Previous Fiscal Year (Consolidated) (From January 1, 2014 to December 31, 2014)	Current Fiscal Year (Consolidated) (From January 1, 2015 to December 31, 2015)
Earnings per share		
Net income	1,242,585	8,079,004
Preferred dividends (thousand JPY)	—	—
Net income relating to common stock (thousand JPY)	1,242,585	8,079,004
The average number of shares during the fiscal year (thousand shares)	544,812	631,952
Adjusted diluted earnings per share		
Net income	—	—
The increase of common stock (thousand shares)	—	5,553
(Subscription rights to shares (thousand shares))	(—)	(5,553)
Overview of potential common stocks excluded in the calculation of diluted earnings per share	—	Upon the 4th share options Potential common stock 12,196 shares

3. Net assets per share is calculated based as follows.

	End of the Previous Fiscal Year (Consolidated) (December 31, 2014)	End of Current Fiscal Year (Consolidated) (December 31, 2015)
Total net assets (thousand JPY)	10,279,209	47,907,526
Amount deducted from total net assets (thousand JPY)	—	104,340
(Subscription rights to shares (thousand JPY))	(—)	(104,340)
Final net assets pertaining to common stocks (thousand JPY)	10,279,209	47,803,186
Number of common stocks at the end of the period used to calculate net assets worth per share	548,881	659,864

(Significant subsequent events)

N/A

5. Non-consolidated financial statements

(1) Non-consolidated Balance Sheet

(Unit: Thousand JPY)

	Previous Fiscal Year (Non-consolidated) December 31, 2014	Current Fiscal Year (Non-consolidated) December 31, 2015
Assets		
Current assets		
Cash and deposit	2,743,346	6,998,533
Accounts receivable	2,121,688	2,700,151
Merchandise and finished goods	4,517,238	13,637,114
Raw materials and supplies	6,375	15,396
Prepaid expenses	193,170	315,307
Accounts receivable	872,207	1,171,291
Advanced payments	330,375	783,962
Others	512,188	582,554
Allowance for doubtful accounts	△193,439	△223,651
Total current assets	11,103,151	25,980,659
Total fixed assets		
Tangible fixed assets		
Buildings	878,425	1,665,004
Structures	4,878	33,062
Vehicles	2,931	25,282
Tools, equipment and fixtures	242,520	816,583
Land	88,647	88,647
Lease assets	44,977	25,927
Construction in progress	5,803	299,815
Total fixed assets	1,268,183	2,954,324
Intangible fixed assets		
Leasehold	408	408
Trademarks	3,995	3,637
Software	23,026	129,257
Suspense account	90,607	56,550
Lease assets	5,487	19,087
Total intangible fixed assets	123,524	208,940
Investments and other assets		
Investment in securities	12,263	81,156
Stocks of subsidiaries and affiliates	704,921	1,494,943
Investments in capital	315	315
Long-term loan	121,953	121,154
Long-term loans receivable from subsidiaries and affiliates	-	640,000
Long-term prepaid expenses	250	-
Deposits and guarantees	3,180,114	4,575,055
Long-term fixed deposit	-	19,000,000
Others	226,470	213,754
Allowance for doubtful accounts	△345,289	△362,051
Total of investments and other assets	3,900,999	25,764,327
Total fixed assets	5,292,707	28,927,591
Deferred assets		
Stock issuance cost	-	115,176
Total assets	-	115,176
Total assets	16,395,859	55,023,428

(Unit: Thousand JPY)

	Previous fiscal year (Non-consolidated) (December 31, 2014)	This fiscal year (Non-consolidated) (December 31, 2015)
Liabilities		
Current liabilities		
Accounts payable	2,365,342	2,264,688
Current portion of long-term loans payable to subsidiaries and affiliates	73,000	-
Lease obligations	25,562	24,880
Accounts payable	322,303	587,615
Accrued expenses	375,954	547,979
Income taxes payable	66,077	811,657
Advances received	90,334	82,221
Provision for bonuses	91,882	191,945
Provision for directors' bonuses	8,742	18,565
Provision for point card certificates	9,090	9,593
Deposits	51,514	26,136
Provision for loss on the compensation of products	192,440	21,944
Provision for the loss from employees' pension fund withdrawal	-	100,000
Others	9,723	7,039
Total current liabilities	3,681,968	4,694,268
Total fixed liabilities		
Lease obligations	26,871	21,812
Deferred tax liabilities	19,168	22,226
Liabilities for retirement benefits	243,233	255,715
Provision for directors' retirement benefits	10,090	23,633
Provision for loss on litigation	15,058	2,218
Asset retirement obligations	182,729	205,095
Others	465,122	358,205
Total fixed liabilities	962,274	888,906
Total liabilities	4,644,243	5,583,174
Total Equity		
Shareholders' equity		
Capital stock	7,950,002	22,633,662
Additional paid-in capital		
Legal capital surplus	5,950,002	18,906,725
Additional paid-in capital	1,318,958	13,480
Additional paid-in capital	7,268,960	18,920,205
Retained earnings		
Retained earnings		
Retained earnings	△3,045,895	8,196,906
Retained earnings	△3,045,895	8,196,906
Treasury stock	△425,970	△420,936
Total shareholders' equity	11,747,097	49,329,837
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	4,518	6,075
Total valuation and translation adjustments	4,518	6,075
Subscription rights to shares	-	104,340
Total equity	11,751,615	49,440,253
Total of Liabilities and Equity	16,395,859	55,023,428

(2) Non-consolidated Statement of Income

(Unit: Thousand yen)

	Previous fiscal year (Non-consolidated, From January 1, 2014 To December 31, 2014)	This fiscal year (Non-consolidated, From January 1, 2015 To December 31, 2015)
Net Sales	38,827,700	83,510,349
Cost of Goods	26,781,022	53,205,642
Gross Profit	12,046,678	30,304,706
Selling and General Administrative Expenses	9,259,209	21,278,165
Operating Profit	2,787,468	9,026,540
Non-operating Income		
Interest income	7,325	97,627
Purchase discounts	37,371	-
Foreign exchange gain (loss)	39,007	22,571
Reversal of allowance for doubtful accounts	54,560	-
Others	16,992	53,103
Total non-operating income	155,257	173,302
Non-operating Expenses		
Interest expenses	6,153	4,880
Sales discount	2,847	2,618
Amortization of stock issuance cost	8,770	44,298
Guarantee commission	30,000	-
Allowance for doubtful accounts	-	27,841
Bad debt loss	12,000	-
Others	12,869	9,106
Total non-operating expenses	72,640	88,745
Ordinary Profit	2,870,085	9,111,097
Extraordinary Income		
Gain on Sales of Noncurrent Assets	185	-
Reversal of provision for loss on litigation	13,298	-
Total extraordinary income	13,484	-
Extraordinary Loss		
Impairment loss	236,901	104,967
Loss on valuation of stocks of subsidiaries and affiliates	941,918	-
Provision for loss on the compensation of products	200,000	-
Transferred expense from the provision for the loss from employees' pension fund withdrawal	-	100,000
Loss on store restructuring	-	41,004
Total extraordinary losses	1,378,820	245,972
Income before Taxes	1,504,748	8,865,125
Corporate tax, Inhabitant Tax, and Business Tax	17,038	666,023
Income Taxes Adjustment	△393	2,196
Total Income Taxes	16,645	668,219
Net Income	1,488,104	8,196,906

(3) Non-Consolidated Statements of Changes in Shareholders' Equity

Previous fiscal year (from January 1, 2014 to December 31, 2014)

(Unit: Thousand yen)

	Total shareholders' equity							
	Capital stock	Additional paid-in capital			Retained earnings		Treasury stock	Total shareholders' equity
		Legal capital surplus	Additional paid-in capital	Additional paid-in capital	Retained earnings	Retained earnings		
Balance at the beginning of the period	7,950,002	5,950,002	1,318,958	7,268,960	Δ4,533,999	Δ4,533,999	Δ425,837	10,259,126
Changes of items during the period								
Issue of new shares								
Compensation for losses								
Net income					1,488,104	1,488,104		1,488,104
Acquisition of treasury stock							Δ132	Δ132
Disposal of treasury stock								
Net changes of items other than shareholders' equity								
Net changes of items during the period	-	-	-	-	1,488,104	1,488,104	Δ132	1,487,971
Balance at the end of the period	7,950,002	5,950,002	1,318,958	7,268,960	Δ3,045,895	Δ3,045,895	Δ425,970	11,747,097

	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 the beginning of the period	5,366	5,366	-	10,264,492
Changes of items during the period				
Issue of new shares				
Compensation for losses				
Net income				1,488,104
Acquisition of treasury stock				Δ132
Disposal of treasury stock				
Net changes of items other than shareholders' equity	Δ847	Δ847		Δ847
Net changes of items during the period	Δ847	Δ847	-	1,487,123
Balance at the end of the period	4,518	4,518	-	11,751,615

Current Fiscal Year (From January 1, 2015 to December 31, 2015)

(Unit: Thousand JPY)

	Total shareholders' equity							
	Capital stock	Additional paid-in capital			Retained earnings		Treasury stock	Total shareholders' equity
		Legal capital surplus	Additional paid-in capital	Additional paid-in capital	Retained earnings	Retained earnings		
Balance at the beginning of the period	7,950,002	5,950,002	1,318,958	7,268,960	Δ3,045,895	Δ3,045,895	Δ425,970	11,747,097
Changes of items during the period								
Issue of new shares	14,683,660	14,683,660		14,683,660				29,367,320
Compensation for losses		Δ1,726,937	Δ1,318,958	Δ3,045,895	3,045,895	3,045,895		-
Net income					8,196,906	8,196,906		8,196,906
Acquisition of treasury stock							Δ690	Δ690
Disposal of treasury stock			13,480	13,480			5,723	19,203
Net changes of items other than shareholders' equity								
Net changes of items during the period	14,683,660	12,956,722	Δ1,305,478	11,651,244	11,242,801	11,242,801	5,033	37,582,739
Balance at the end of the period	22,633,662	18,906,725	13,480	18,920,205	8,196,906	8,196,906	Δ420,936	49,329,837

	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 the beginning of the period	4,518	4,518	-	11,751,615
Changes of items during the period				
Issue of new shares				29,367,320
Compensation for losses				-
Net income				8,196,906
Acquisition of treasury stock				Δ690
Disposal of treasury stock				19,203
Net changes of items other than shareholders' equity	1,556	1,556	104,340	105,896
Net changes of items during the period	1,556	1,556	104,340	37,688,637
Balance at the end of the period	6,075	6,075	104,340	49,440,253