Summary of (Consolidated) Financial Statements for the First Half of Fiscal Year Ending December 31, 2016 (Japanese Standards)

August 12, 2016

Listed company:	Laox Co., Ltd.	Stock exchange: Tokyo Stock Exchange	
Code:	8202	URL: http://www.laox.co.jp	
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Planned Submission Date for the Quarterly Report:	August 12, 2016
Planned Starting Date for Dividend Payments:	—
Supplementary documents for quarterly results:	NO
Quarterly results briefing:	NO

(Rounded down to nearest million yen)

1. Consolidated Results for the First Half of FY2016 (January 1, 2016 to June 30, 2016)

(1) Consolidated operating results

(Percentages indicate year-on-year changes.)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
H1 of FY2016	35,062	(22.4)	454	(90.9)	417	(91.6)	(464)	–
H1 of FY2015	45,168	–	5,017	–	4,966	–	4,600	–

(Note) Comprehensive income H1 of FY: △265 million yen (–%) H1 of FY2015: 4,578 million yen (–%)

	Net income per share	Diluted net income per share
	Yen	Yen
H1 of FY2016	(7.13)	–
H1 of FY2015	76.22	75.82

(Note) The year-on-year increase/decrease of the first half of the fiscal year ended December 2015 is not given because a retroactive revision was made in accordance with changes to the accounting policy.
A reverse stock split of 10 common shares to one was conducted on July 1, 2016. Net income per share has been calculated by assuming that this reverse stock split was conducted at the beginning of the previous consolidated fiscal year.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
H1 of FY2016	56,103	45,643	81.2
FY2015	58,108	47,907	82.3

(For reference) Shareholders' equity H1 of FY2016: 45,539 million yen FY2015: 47,803 million yen

2. Dividends

	Dividends per share				
	End of Q1	End of Q2	End of Q3	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
FY2015	–	–	–	0.00	0.00
FY2016	–	–			
FY2016 (forecast)			–	0.00	0.00

(Note) Revision to the forecast publicized most recently: No
A reverse stock split of 10 common shares to one was conducted on July 1, 2016. Accordingly, the above amount of the year-end dividend per share (forecast) for the fiscal year ending December 2016 takes into account the effect of this reverse stock split. As a result, the above amount of the year-end dividend per share (forecast) for the fiscal year ending December 2016 takes into account the effect of the reverse stock split, and the total annual dividend is stated as "–."

3. Results forecast for FY2016 (from January 1, 2016 to December 31, 2016)

(Percentages indicate year-on-year changes.)

	Net sales		Operating income		Ordinary income	
	Million yen	%	Million yen	%	Million yen	%
Full year	65,000	(29.9)	1,250	(85.4)	1,250	(85.5)

(Note) Revision to the forecast publicized most recently: Yes

(Note) While the Company has been restructuring its unprofitable businesses, activities for new businesses related to existing businesses such as cross-border EC, the Taiwan business, and the real estate operation business have been carried out concurrently, making it difficult to determine the specific financial impact on the businesses. For this reason, the earnings forecast includes only net sales, operating income, and ordinary income.

Notes

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

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

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

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

(4) Number of issued shares (common shares)

(i)	Number of issued shares at the end of period (including treasury stock):	Q2 of FY2016	66,388,103
		FY2015	66,388,103
(ii)	Number of shares of treasury stock at the end of period:	Q2 of FY2016	1,917,261
		FY2015	401,633
(iii)	Average number of issued shares during period (from the beginning of fiscal year)	Q2 of FY2016	65,115,372
		Q2 of 2015	60,357,766

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

Status of a quarterly review

This summary of quarterly consolidated financial statements falls outside the scope of the quarterly review procedure under the Financial Instruments and Exchange Act. The quarterly review procedure under the Financial Instruments and Exchange Act for quarterly financial results has been completed at the time this summary of quarterly consolidated financial statements was disclosed.

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

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

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

Dividends and earnings forecast after reverse stock split

The Company conducted a reverse stock split (of 10 common shares to one) with an effective date of July 1, 2016, based on the resolution of the 40th ordinary general meeting of shareholders held on March 25, 2016. Accordingly, the amount of the year-end dividend per share (forecast) for the fiscal year ending December 2016 and the amount of the net income per share in the full-year consolidated earnings forecast for the fiscal year ending December 2016 have been revised to take into account the effect of the reverse stock split.

○ Contents of attached document

1. Qualitative Information on Consolidated Results for the First Half of FY2016

(1) Explanation of operating results

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

The economic conditions during the first half of the consolidated fiscal year remained unstable as a result of Brexit in Europe, concerns over terrorist attacks, and other uncertainties. The Japanese economy suffered a setback in its recovery due to sluggish consumer spending, strong yen, and a slowdown in the growth of emerging economies despite some improvement in the employment condition.

Looking at the trends of foreign tourists visiting Japan related to the Company's core business, information provided by the Japan National Tourist Organization (JNTO) indicates that the number of foreign tourists who visited Japan during the six months from January to June, 2016 amounted to 11,714,000 (up 28.2% year on year), thanks to the ongoing marketing efforts encouraging people to travel to Japan, a significant increase in the number of cruise ships calling at ports in Japan, and other factors. Travel expenditures per foreign visitor to Japan, however, were seen to have fallen 9.9% year on year due to factors such as the continued strong yen and an increase in repeated visitors.

In these conditions, the Laox Group continues to target all of Asia as its market, and is striving to embody "premium Japan" by providing high-quality, reliable products, and world-renowned Japanese hospitality and service.

In the domestic retail business, the Company expanded and renovated the Osaka Nipponbashi store and the Fukuoka Canal City Hakata store. It also opened the Decks Tokyo Beach Daiba store and three other stores. These efforts were made to meet the demand of increasingly diversified foreign tourists for scenic routes and products in the second quarter of the consolidated fiscal year under review.

In the overseas business, the Company has started new initiatives such as the use of billboard advertising at Shanghai Wusongkou International Cruise Terminal, store development, showroom operation, and the supply of merchandise to stores in Wind Lion Plaza Duty-free Shopping Mall in the Cross-Strait Free Trade Center in Taiwan.

In the Other Business segment, the Company established a joint venture with Greenland Hong Kong Holdings Ltd., the largest Chinese real estate developer, in the first quarter of the fiscal year under review. The purpose of this venture is to acquire and operate Chiba Port Square to meet the demand of inbound tourists for not only shopping, but also for dining, lodging, and amusement.

As a result, the financial results for the first half of the consolidated fiscal year under review showed net sales of 35,062 million yen (down 22.4% from 45,168 million yen for the same period of the previous year), operating income of 454 million yen (down 90.9% from 5,017 million yen for the same period of the previous year), ordinary income of 417 million yen (down 91.6% from 4,966 million yen for the same period of the previous year), and net loss attributable to owners of parent of 464 million yen (net income of 4,600 million yen for the same period of the previous year). Laox will continue developing its business model of embodying "premium Japan" in the global market, focusing on China and other parts of Asia, in an effort to become an innovative global company.

The financial results of each business segment are as follows:

1) Domestic Retail Business

In this segment, the impact of the strong yen, a decline in the average selling price due to changes in demand of foreign tourists in Japan for merchandise, a shift from group tours to individual trips (foreign independent travel, or FIT), and other factors continued from the first quarter of the consolidated fiscal year under review. There was also an increase in expenses for the expansion of stores. As a result, the first half of the consolidated fiscal year under review saw net sales of 33,245 million yen (down 17.0% from 40,058 million yen for the same period of the previous year) and operating income of 1,891 million yen (down 69.7% from 6,236 million yen for the same period of the previous year).

2) Overseas Businesses

In this segment, preliminary expenses were required for the closure of Chinese stores during the first quarter of the consolidated fiscal year and the start of new activities at Shanghai Wusongkou International Cruise Terminal, in Taiwan, and other places during the second quarter. This resulted in net sales of 1,537 million yen (down 68.0% from 4,799 million yen for the same period of the previous year) and an operating loss of 304 million yen (operating loss of 310 million yen for the same period of the previous year) for the first half of the consolidated fiscal year under review.

3) Other Businesses

Expenses were incurred in this segment for the preparation of the Chiba Port Square business prior to its opening. This resulted in net sales of 285 million yen (down 7.7% from 309 million yen for the same period of the previous year) and an operating loss of 44 million yen (operating loss of 18 million yen for the same period of the previous year) for the first half of the consolidated fiscal year under review.

(2) Explanation of financial conditions

1) Assets, Liabilities, and Net assets

(Assets)

Total assets at the end of the second quarter of the consolidated fiscal year under review stood at 56,103 million yen (compared to 58,108 million yen at the end of the previous fiscal year).

The decrease in total assets was largely attributable to a decline of 696 million yen in notes and accounts receivable, a decline of 484 million yen in merchandise and finished goods, a decline of 305 million yen in advance payments, and a decline of 283 million in deferred tax assets (non-current).

(Liabilities)

Total liabilities amounted to 10,459 million yen (compared to 10,201 million yen at the end of the previous fiscal year)

The increase in liabilities stemmed primarily from an increase in short-term loans payable of 895 million yen despite reduced income taxes payable, etc. of 604 million yen.

(Net assets)

Net assets stood at 45,643 million yen (compared to 47,907 million yen at the end of the previous fiscal year).

The decline in net assets was due primarily to an increase of 1,998 million yen in treasury stock.

2) Cash flow

Cash and cash equivalents at the end of the first half of the consolidated fiscal year under review have decreased by 4,186 million yen from the end of the previous fiscal year to 1,430 million yen.

(Cash flow from operating activities)

Net cash provided by operating activities during the first half of the consolidated fiscal year totaled 1,159 million yen (compared to 663 million yen provided in the same period of the previous fiscal year).

The principal factors for this increase included a decrease of 506 million yen in accounts receivable-trade, reduced inventory of 457 million yen, and an increase of 263 million yen in accounts payable-trade.

(Cash flow from investing activities)

Net cash used in investing activities during the first half of the consolidated fiscal year totaled 3,566 million yen (compared to 21,536 million yen used in the same period of the previous fiscal year).

The factors contributing to this result included 2,238 million yen for the purchase of property, plant and equipment, 2,574 million yen for the expenditure for acquisition of investments in capital of subsidiaries and affiliates, 407 million yen for the payments for lease and guarantee deposits, and 344 million yen for the purchase of investment securities, which were partly offset by proceeds from withdrawal of time deposits of 2,277 million yen.

(Cash flow from financing activities)

Net cash used in financing activities during the first half of the consolidated fiscal year amounted to 2,200 million yen (compared to 29,317 million yen provided in the same period of the previous fiscal year).

This was largely the result of 1,998 million yen for the purchase of treasury shares.

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

After reviewing the earnings forecast and taking into account the conditions during the first half of the consolidated fiscal year, the Company has revised the consolidated financial forecast for the fiscal year ending December 31, 2016 announced in Financial Statements Ending December 2015 [Japanese Based] (Consolidated) dated February 12, 2016.

For details, see “Announcement of Revised Financial Forecasts and Recording of Extraordinary Income and Extraordinary Loss” that was posted on the date this summary was released.

The Company will make separate announcements if it expects important changes to be made in the future.

2. Explanation of Summary Information (explanatory notes)

(1) Important changes in subsidiaries in the first half under review

No corresponding items.

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

The tax expenses of the Company and part of its consolidated subsidiaries have been calculated by multiplying the rationally estimated effective tax rate after applying tax effect accounting to the income before income taxes for the consolidated fiscal year, which includes the second quarter of the consolidated fiscal year under review, to the income/loss before income taxes for the quarter.

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

Standards such as the Accounting Standard for Business Combinations (ASBJ Statement No. 21, September 13, 2013) (hereinafter the "Accounting Standard for Business Combinations"), the Accounting Standard for Consolidated Financial Statements (ASBJ Statement No. 22, September 13, 2013) (hereinafter the "Consolidated Accounting Standards"), and the Accounting Standard for Business Divestitures (ASBJ Statement No. 7, September 13, 2013) (hereinafter, the "Accounting Standard for Business Divestitures") have been applied from the first quarter of the consolidated fiscal year under review. In addition, the method for recognizing the differences arising from changes in the Company's equity in its continuously controlled subsidiaries has been changed to a method that recognizes these differences as capital surplus, while the method for recognizing expenses for acquisition has been changed to a method that recognizes these as expenses for the consolidated fiscal year in which they are accrued. For business combinations implemented after the beginning of the first quarter of the consolidated fiscal year under review, the method will be changed to one that reflects the revision of the distributed amounts of acquisition cost by determining provisional accounting treatment in the quarterly consolidated financial statements for the quarterly consolidated accounting period to which the date of business combination belongs. In addition, the Company has changed the presentation of quarterly net income and other items and the presentation of minority interests to non-controlling interest. To reflect these changes, the quarterly consolidated financial statements and consolidated financial statements for the first quarter ended March 31, 2016 and fiscal year ended December 31, 2015 have been replaced.
The application of the Accounting Standard for Business Combinations and the other standards follows the transitional treatment specified in Article 58-2 (4) of the Accounting Standard for Business Combinations, Article 44-5 (4) of the Accounting Standard for Consolidated Financial Statement, and Article 57-4 (4) of the Accounting Standard for Business Divestitures. It has been and will continue to be applied from the beginning of the first quarter of the consolidated financial year under review.
These changes will have no effect on the profit and loss in the consolidated quarterly financial statements.

(Changes in the treatment of purchase discounts)

The Company has treated discounts on purchases received in the cash payment for product supply as cash discounts on purchase under non-operating income. In the fourth quarter of the previous consolidated fiscal year, however, the method was changed to one that would include these discounts in the cost of goods sold as a purchase deduction item. This has resulted in differences between the accounting policies applied to the comparative information included in the quarterly consolidated financial statements for the consolidated cumulative quarter belonging to the consolidated fiscal year under review and those applied to the quarterly consolidated financial statements for the corresponding consolidated cumulative quarter in the previous consolidated fiscal year.

3. Quarterly Consolidated Financial Statements

(1) Quarterly consolidated balance sheet

(Units: 1,000 yen)

	FY2015 (As of December 31, 2015)	Second quarter of FY2016 (As of June 30, 2016)
Assets		
Current assets		
Cash and deposits	7,794,957	1,430,640
Notes and accounts receivable - trade	3,363,547	2,666,766
Merchandise and finished goods	14,758,092	14,273,549
Work in process	45,566	53,914
Raw materials and supplies	61,913	69,320
Accounts receivable	1,896,218	1,729,010
Advance payments - trade	1,215,542	910,431
Prepaid expenses	432,925	320,318
Current portion of guarantee deposits	69,351	68,681
Other	342,126	407,967
Allowance for doubtful accounts	(97,657)	(71,036)
Total current assets	29,882,584	21,859,564
Non-current assets		
Property, plant and equipment		
Buildings and structures (net)	2,115,688	3,676,704
Machinery, equipment and vehicles (net)	95,346	33,710
Tools, furniture and fixtures (net)	896,914	1,615,470
land	111,778	111,778
Lease assets (net)	25,927	89,606
Construction in progress	299,815	58,864
Total non-current assets	3,545,468	5,586,134
Intangible assets		
Software	147,489	231,234
Lease assets	19,087	15,788
Software in progress	56,550	49,770
Other	4,759	3,961
Total intangible assets	227,885	300,754
Investments and other assets		
Investment securities	81,272	408,036
Shares of subsidiaries and associates	204,908	1,192,169
Investments in capital of subsidiaries and associates	–	2,574,896
Long-term fixed-period deposits	19,000,000	19,000,000
Deferred tax assets	284,692	1,139
Long-term loans receivable	121,154	133,210
Lease and guarantee deposits	4,804,370	5,125,020
Other	305,675	304,109
Allowance for doubtful accounts	(464,483)	(470,506)
Total investments and other assets	24,337,589	28,268,076
Total non-current assets	28,110,944	34,154,965
Deferred assets		
Share issuance cost	115,176	88,597
Total deferred assets	115,176	88,597
Total assets	58,108,705	56,103,127

(Units: 1,000 yen)

	FY2015 (As of December 31, 2015)	Second quarter of FY2016 (As of June 30, 2016)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	5,345,598	5,208,147
Short-term loans payable	–	895,000
Current portion of long-term loans	69,014	69,014
Accounts payable - other	1,078,837	1,080,145
Accrued expenses	608,990	770,211
Lease obligations	24,880	29,716
Income taxes payable	829,485	225,194
Provision for bonuses	195,005	128,212
Provision for director’s bonuses	18,565	333
Provision for point card certificates	9,593	9,686
Provision for loss from product warranty	21,944	20,412
Provision for loss on withdrawal from employees’ pension fund	100,000	100,000
Asset retirement obligations	8,975	16,267
Other	243,055	250,152
Total current liabilities	8,553,948	8,802,495
Non-current liabilities		
Long-term loans payable	370,378	301,363
Long-term guarantees deposited	369,368	360,157
Net defined benefit liabilities	391,405	407,009
Provision for director’s retirement benefits	23,633	23,633
Lease obligations	21,812	66,641
Provision for loss on litigation	2,218	2,218
Allowance for business structure improvement expenses	–	191,875
Asset retirement obligations	266,273	259,619
Deferred tax liabilities	45,914	26,563
Other	156,225	17,761
Total non-current liabilities	1,647,230	1,656,844
Total liabilities	10,201,178	10,459,340
Net assets		
Shareholder’s equity		
Capital stock	22,633,662	22,633,662
Capital surplus	18,920,205	18,920,205
Retained earnings	6,298,772	5,834,366
Treasury shares	(421,107)	(2,419,406)
Total shareholder’s equity	47,431,532	44,968,827
Total amount of other comprehensive income		
Valuation difference on available-for-sale securities	6,079	(11,050)
Foreign currency translation adjustment	365,573	581,669
Total amount of other comprehensive income	371,653	570,618
Subscription right to shares	104,340	104,340
Non-controlling interest	–	–
Total net assets	47,907,526	45,643,787
Total liabilities and net assets	58,108,705	56,103,127

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

Quarterly consolidated profit and loss statement

First half

(Units: 1,000 yen)

	First half of FY2015 (From January 1 to June 30, 2015)	First half of FY2016 (From January 1 to June 30, 2016)
Net sales	45,168,030	35,062,022
Cost of sales	30,028,016	22,556,369
Gross profit	15,140,014	12,505,653
Selling, general and administrative expenses		
Advertising expenses	42,216	108,996
Sales commission	6,135,943	4,852,027
Haulage expenses	121,894	244,537
Depreciation	209,429	388,558
Salaries and allowances	1,167,720	2,242,677
Legal welfare expenses	147,441	340,252
Retirement benefit expenses	48,596	63,307
Bonuses	54,750	6,146
Provision for bonuses	140,559	128,212
Director’s bonuses	–	4,597
Provision for directors’ bonuses	14,683	333
Provision for directors’ retirement benefits	6,774	–
Rents	1,075,169	2,258,137
Rent expenses	21,634	57,590
Other	935,361	1,355,562
Total selling, general and administrative expenses	10,122,174	12,050,939
Operating income	5,017,839	454,713
Non-operating income		
Interest expenses	26,135	61,984
Foreign exchange gains	10,616	–
Reversal of allowance for doubtful accounts	–	12,404
Other	14,873	21,915
Total non-operating income	51,624	96,304
Non-operating expenses		
Interest payable	2,835	8,207
Sales discount	1,297	1,207
Amortization of stock issuance cost	18,919	26,579
Foreign exchange losses	–	92,059
Provision of allowance for doubtful accounts	64,932	–
Other	14,568	5,576
Total non-operating expenses	102,554	133,631
Ordinary income	4,966,910	417,386
Extraordinary income		
Reversal of impairment loss	205,851	–
Total extraordinary income	205,851	–

(Units: 1,000 yen)

	First half of FY2015 (From January 1 to June 30, 2015)	First half of FY2016 (From January 1 to June 30, 2016)
Extraordinary losses		
Loss on disposal of non-current assets	–	16,950
Loss on liquidation of stores	–	283,967
Provision for loss on withdrawal from employees' pension fund	170,000	–
Allowance for business structure improvement expenses	–	191,875
Total extraordinary loss	170,000	492,794
Net income (loss) before income taxes	5,002,762	(75,407)
Income taxes-current	402,246	388,998
Net income (loss)	4,600,516	(464,406)
Net income (loss) attributable to non-controlling interests	–	–
Net income (loss) attributable to owners of parent	4,600,516	(464,406)

Quarterly consolidated comprehensive income account statement
First half

(Units: 1,000 yen)

	First half of FY2015 (From January 1 to June 30, 2015)	First half of FY2016 (From January 1 to June 30, 2016)
Net income (loss)	4,600,516	(464,406)
Other comprehensive income		
Valuation difference on available-for-sale securities	917	(17,130)
Foreign currency translation adjustment	(22,721)	216,095
Total of other comprehensive income	(21,804)	198,965
Comprehensive income	4,578,712	(265,441)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	4,578,712	(265,441)
Comprehensive income attributable to non-controlling interests	–	–

(3) Consolidated statements of cash flow

(Units: 1,000 yen)

	First half of FY2015 (From January 1 to June 30, 2015)	First half of FY2016 (From January 1 to June 30, 2016)
Cash flows from operating activities		
Income before income taxes	5,002,762	(75,407)
Depreciation	220,565	399,073
Amortization of share issuance cost	18,919	26,579
Reversal of impairment loss	(205,851)	–
Loss on liquidation of stores	–	283,967
Increase (decrease) in allowance for doubtful accounts	98,604	(13,418)
Increase (decrease) in provision for bonuses	47,802	(66,793)
Increase (decrease) in provision for directors' bonuses	5,941	(18,231)
Increase (decrease) in net defined benefit liability	19,893	15,603
Increase (decrease) in provision for directors' retirement benefits	6,774	–
Increase (decrease) in provision for loss on litigation	(12,840)	–
Increase (decrease) in provision for loss from product warranty	(168,228)	(1,532)
Increase (decrease) in provision for loss on withdrawal from employees’ pension fund	170,000	–
Increase/decrease in allowance for business structure improvement expenses	–	191,875
Interest and dividend income	(26,135)	(61,985)
Interest expenses	2,835	8,207
Loss (gain) on sales and retirement of property, plant and equipment	–	16,950
Decrease (increase) in notes and accounts receivable – trade	(1,810,628)	506,313
Decrease (increase) in inventories	(4,230,741)	457,604
Increase (decrease) in notes and accounts payable – trade	3,134,353	263,707
Decrease (increase) in accounts receivable – other	(1,312,427)	111,911
Decrease (increase) in advance payments	(661,839)	208,886
Increase (decrease) in accounts payable – other	213,866	58,324
Increase (decrease) in long-term accounts payable – other	(28,949)	(146,524)
Increase (decrease) in guarantee deposits received	(3,812)	(9,210)
Other	299,279	(290,919)
Subtotal	780,143	1,864,987
Interest and dividend income received	2,750	15,556
Interest expenses paid	(2,835)	(8,207)
Income taxes paid	(116,174)	(712,352)
Cash flows provided by (used in) operating activities	663,883	1,159,982

(Units: 1,000 yen)

	First half of FY2015 (From January 1 to June 30, 2015)	First half of FY2016 (From January 1 to June 30, 2016)
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,021,214)	(2,238,663)
Proceeds from sales of property, plant and equipment	205,851	–
Purchase of intangible assets	(51,420)	(172,823)
Purchase of investment securities	(47,983)	(344,499)
Expenditure for acquisition of investments in capital of subsidiaries and affiliates	–	(2,574,896)
Payments of long-term loans receivable	–	(16,500)
Payments for lease and guarantee deposits	(948,114)	(407,560)
Proceeds from collection of lease and guarantee deposits	196,463	8,755
Payments into time deposits	(20,000,000)	(100,000)
Proceeds from withdrawal of time deposits	–	2,277,400
Other	130,363	2,216
Cash flows provided by (used in) investing activities	(21,536,053)	(3,566,571)
Cash flows from financing activities		
Increase in short-term loans payable	–	895,000
Repayments of long-term loans payable	–	(69,014)
Purchase of treasury shares	(135)	(1,998,298)
Proceeds from disposal of treasury shares	19,203	–
Repayments of lease obligations	(9,515)	(41,057)
Proceeds from issuance of common shares	29,207,844	–
Proceeds from issuance of subscription rights to shares	100,105	–
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	–	(987,260)
Cash flows provided by (used in) financing activities	29,317,502	(2,200,630)
Effect of exchange rate change on cash and cash equivalents	318,768	420,302
Net increase (decrease) in cash and cash equivalents	8,764,101	(4,186,917)
Balance of cash and cash equivalents at beginning of period	3,220,995	5,617,557
Cash and cash equivalents at end of period	11,985,096	1,430,640

(4) Explanatory notes regarding quarterly consolidated financial statement

(Explanatory notes regarding assumption of going concern)
No corresponding items.

(Explanatory notes in case of remarkable change in monetary amount of shareholders' equity)
No corresponding items.

(Segment information, etc.)
I. First half of FY2015 (from January 1 to June 30, 2015)
1. Information concerning monetary amount of sales and profit or loss of each reporting segment

(Units: 1,000 yen)

	Reporting segment			Total	Amount of adjustment Note: 1	Amount appropriated in quarterly consolidated profit and loss statement Note: 2
	Domestic retail business	Overseas business	Other business			
Sales						
Sales to extremal clients	40,058,818	4,799,259	309,953	45,168,030	–	45,168,030
Internal sales or transfers between segment	–	–	–	–	–	–
Total	40,058,818	4,799,259	309,953	45,168,030	–	45,168,030
Segment profit (loss)	6,236,023	(310,945)	(18,160)	5,906,918	(889,078)	5,017,839

(Notes) 1. Segment profit amount of adjustment -889,078 yen indicates expenses for whole company without dividing for each reporting segment. Whole company expenses mainly consist of personnel expenses and general management expenses not belonging to reporting segments.
2. Segment profit (loss) is adjusted with operating income from the quarterly consolidated profit and loss statement.

2. Information concerning impairment loss or goodwill, etc. of non-current assets in each reporting segment
No corresponding items.

II. First half of FY2016 (from January 1 to June 30, 2016)
1. Information concerning monetary amount of sales and profit or loss of each reporting segment

(Units: 1,000 yen)

	Reporting segment			Total	Amount of adjustment Note: 1	Amount appropriated in quarterly consolidated profit and loss statement Note: 2
	Domestic retail business	Overseas business	Other business			
Sales						
Sales to extremal clients	33,238,571	1,537,478	285,972	35,062,022	–	35,062,022
Internal sales or transfers between segment	6,713	–	–	6,713	(6,713)	–
Total	33,245,285	1,537,478	285,972	35,068,736	(6,713)	35,062,022
Segment profit (loss)	1,891,137	(304,552)	(44,830)	1,541,754	(1,087,040)	454,713

(Notes) 1. Segment profit amount of adjustment -1,087,040 yen indicates expenses for whole company without dividing for each reporting segment. Whole company expenses mainly consist of personnel expenses and general management expenses not belonging to reporting segments.
2. Segment profit (loss) is adjusted with operating income from the quarterly consolidated profit and loss statement.

2. Information concerning impairment loss or goodwill, etc. of non-current assets in each reporting segment
No corresponding items.

3. Items regarding changes of reporting segment, etc.
Based on the closure of all stores in China, etc. during the first quarter of the fiscal year ending December 2016, the existing “China store opening business” and “foreign trade agency business” have been changed so as to be integrated as “overseas business.” Also, the name of the reporting segment has accordingly been changed from “domestic store business” to “domestic retail business.”
Moreover, segment information for first half of the fiscal year ended December 2015 is produced by rearrangement based on reporting segments used in first half of the fiscal year ending December 2016.