

Consolidated Financial Statements for the Fiscal Year Ended December 31, 2014

These financial statements have been prepared for reference only in accordance with accounting principles and practices generally accepted in Japan.

February 13, 2015

Link and Motivation Inc.
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<http://www.lmi.ne.jp>

Stock exchange listing: Tokyo, First Section
Code number: 2170

Representative: Yoshihisa Ozasa, Chairman and Representative Director

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Ordinary General Meeting of Shareholders (scheduled):

March 27, 2015

Start of distribution of dividends (scheduled):

March 25, 2015

Filing of Securities Report (*Yuka Shoken Hokokusho*) (scheduled):

March 27, 2015

Supplementary documents for results:

No

Results briefing:

No

(Amounts are rounded down to the nearest million.)

1. Consolidated Results for 2014 (January 1, 2014 - December 31, 2014)

(1) Sales and Income (Percentages represent change compared with the previous year.)

	Net sales (¥ million)	Year-on-year change (%)	Operating income (¥ million)	Year-on-year change (%)	Ordinary income (¥ million)	Year-on-year change (%)
2014	28,873	29.0	1,669	7.2	1,583	4.8
2013	22,383	19.7	1,558	35.6	1,510	33.2

	Net income (¥ million)	Year-on-year change (%)	Earnings per share (¥)	Earnings per share (diluted) (¥)	Return on equity (%)	Ordinary income/Total assets (%)	Ordinary income/Net sales (%)
2014	931	11.9	8.60	—	17.5	8.8	5.8
2013	832	17.5	8.59	—	21.9	14.6	7.0

(Reference) Equity in earnings of affiliates: 2014: ¥— million, 2013: ¥— million

Notes: 1. Comprehensive income: 2014: ¥938 million (12.1%), 2013: ¥837 million (18.3%)

2. The Company implemented a stock split of 2 shares for each 1 share of common stock as of May 1, 2013. The Company implemented a stock split of 2 shares for each 1 share of common stock as of December 1, 2013. The Company implemented a stock split of 100 shares for each 1 share of common stock as of April 1, 2014. Earnings per share have been calculated as though the stock splits had occurred at the beginning of 2013.

(2) Financial Position

	Total assets (¥ million)	Net assets (¥ million)	Net assets/ Total assets (%)	Net assets per share (¥)
2014	17,921	6,854	38.2	60.62
2013	10,371	3,794	36.6	39.17

(Reference) Net worth: As of December 31, 2014: ¥6,854 million; As of December 31, 2013: ¥3,794 million

(3) Cash Flow

	Cash flow from operating activities (¥ million)	Cash flow from investing activities (¥ million)	Cash flow from financing activities (¥ million)	Cash and cash equivalents at end of period (¥ million)
2014	1,120	(6,124)	5,489	1,016
2013	461	(403)	(1,970)	525

2. Dividends

	Dividends per share					Total dividends paid (full year) (¥ million)	Payout ratio (%)	Dividends/ Net assets (%)
	1st Qtr.	Interim	3rd Qtr.	Year-end	Full year			
2013	300.00	150.00	150.00	90.00	690.00	305	36.7	8.0
2014	90.00	1.10	1.10	1.10	93.30	423	45.4	6.2
2015 (est.)	1.10	1.10	1.10	1.10	4.40		46.9	

Notes: 1. The Company implemented stock splits of 2 shares for each 1 share of common stock with effective dates of May 1, 2013 and December 1, 2013. Dividends per share for 2013 take the effect of these stock splits into account.

2. The Company implemented a stock split of 100 shares for each 1 share of common stock with an effective date of April 1, 2014. Dividends per share for 2014 take the effect of this stock split into account.

3. Forecast of Results for 2015 (January 1, 2015 - December 31, 2015)

(Percentages represent change compared to the previous interim period or fiscal year, as applicable)

	Net sales		Operating income		Ordinary income		Net income		Earnings per share
	(¥ million)	(%)	(¥ million)	(%)	(¥ million)	(%)	(¥ million)	(%)	(¥)
Interim period	—	—	—	—	—	—	—	—	—
Full-year	33,000	14.3	1,930	15.6	1,860	17.5	1,060	13.9	9.37

Notes

- (1) Changes in Significant Subsidiaries during the Period (Changes in Specified Subsidiaries due to Changes in the Scope of Consolidation): Yes
Added: 1 company (Interac Co., Ltd.)
Removed: —
- (2) Changes in Accounting Policies, Changes in Accounting Estimates, and Restatements
 - (a) Changes in accounting policies due to change in accounting standards: No
 - (b) Changes in accounting policies other than (a) above: No
 - (c) Changes in accounting estimates: No
 - (d) Restatements: No
- (3) Number of Shares Issued and Outstanding (Common Stock)
 - (a) Number of shares at the end of the period (including treasury stock)
Year ended December 31, 2014: 113,068,000; Year ended December 31, 2013: 107,968,000
 - (b) Number of treasury shares at the end of the period:
Year ended December 31, 2014: 200; Year ended December 31, 2013: 11,088,000
 - (c) Average number of shares outstanding:
Year ended December 31, 2014: 108,207,372; Year ended December 31, 2013: 96,880,000

Note: The Company implemented a stock split of 100 shares for each 1 share of common stock with an effective date of April 1, 2014. The number of shares for the year ended December 31, 2013 and the year ended December 31, 2014 takes the effect of this stock split into account.

(Reference) Summary of Non-consolidated Results

1. Non-consolidated Results for 2014 (January 1, 2014 – December 31, 2014)

(1) Sales and Income

(Percentages represent change compared with the previous year.)

	Net sales (¥ million)	Year-on-year change (%)	Operating income (¥ million)	Year-on-year change (%)	Ordinary income (¥ million)	Year-on-year change (%)
2014	5,451	8.6	315	(29.0)	251	(37.5)
2013	5,019	9.8	444	(2.6)	401	(6.3)

	Net income (¥ million)	Year-on-year change (%)	Earnings per share (¥)	Earnings per share (diluted) (¥)
2014	125	(29.9)	1.15	—
2013	179	(25.5)	1.84	—

Note: The Company implemented a stock split of 2 shares for each 1 share of common stock as of May 1, 2013. The Company implemented a stock split of 2 shares for each 1 share of common stock as of December 1, 2013. The Company implemented a stock split of 100 shares for each 1 share of common stock as of April 1, 2014. Earnings per share have been calculated as though the stock splits had occurred at the beginning of 2013.

(2) Financial Position

	Total assets (¥ million)	Net assets (¥ million)	Net assets / Total assets (%)	Net assets per share (¥)
2014	13,527	4,604	34.0	40.71
2013	7,135	2,356	33.0	24.32

(Reference) Net worth: As of December 31, 2014: ¥4,604 million; As of December 31, 2013: ¥2,356 million

* Presentation of Implementation Status of Auditing Procedures

As of the date of publication of these financial statements, the auditing procedures for financial statements pursuant to the Financial Instruments and Exchange Act had not been completed.

* Explanation on Proper Use of the Forecast of Results and Other Special Instructions

Consolidated forecasts and other statements regarding the future contained in this document are based on currently available information to the Company and certain reasonable assumptions. Actual performance may differ substantially due to numerous factors. For information regarding the conditions of assumptions behind the results forecasts and notes regarding their use, please refer to “Analysis of Results of Operations” on page 5.

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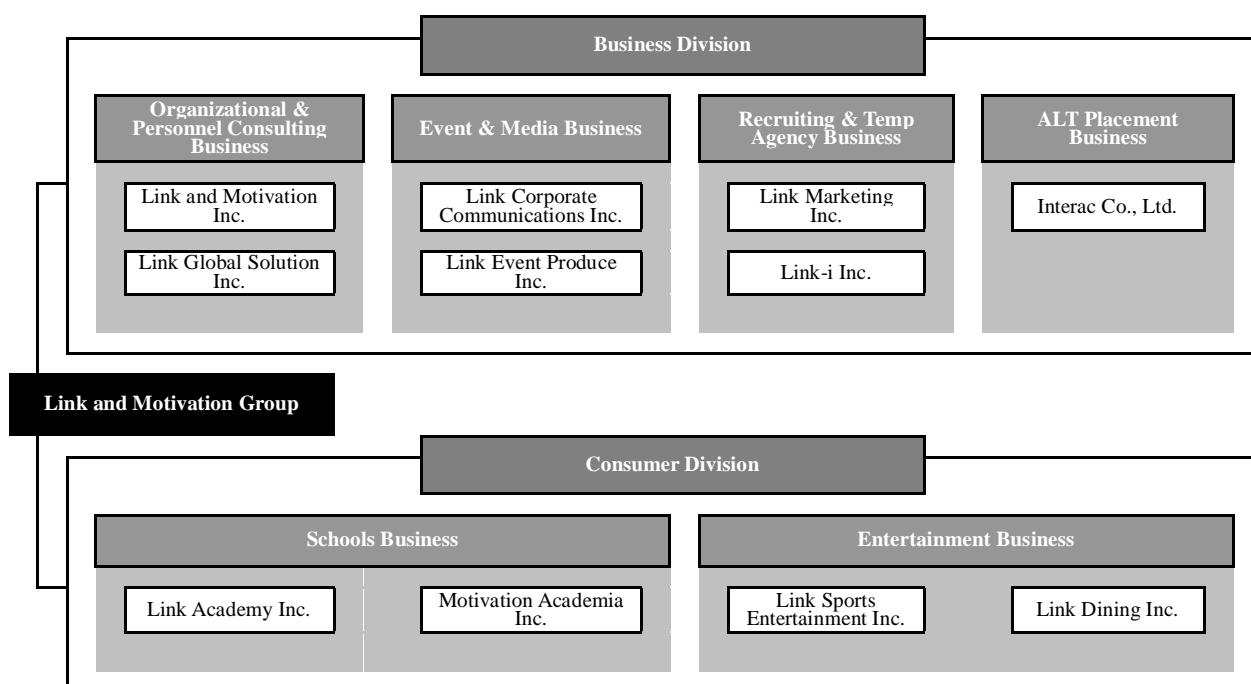
1. Analysis of Results of Operations and Financial Condition

(1) Analysis of Results of Operations

In 2014, although elements of uncertainty appeared intermittently in the Japanese economy, including the lingering effects of the consumption tax rate increase and slowdowns in overseas economies, the economy overall was on a moderate recovery track.

In this economic environment, net sales and each level of income of the Link and Motivation Group were firm in 2014. Consolidated net sales for 2014 were ¥28,873 million (a 29.0% increase compared with the previous year), gross profit was ¥10,273 million (a 17.5% increase), operating income was ¥1,669 million (a 7.2% increase), ordinary income was ¥1,583 million (a 4.8% increase), and net income was ¥931 million (an 11.9% increase).

An overview of general conditions by segment and business for 2014 is provided below. The classification of segments and businesses of the Link and Motivation Group is as follows.



Business Division

The Business Division conducts operations with corporations such as companies and schools as its customers. It offers personnel training support and services that raise organizational capabilities by strengthening relationships with the organization's stakeholders using "motivation engineering," which is the core technology of the Link and Motivation Group.

In this segment, with the substantial impact of the addition of Interac Co., Ltd. to the scope of consolidation from April, segment sales and income for 2014 increased substantially compared with the previous year. Segment sales were ¥21,532 million (a 52.3% increase) and segment income was ¥7,750 million (a 36.2% increase). An overview by business for 2014 is as follows.

Organizational & Personnel Consulting Business

In this business, sales for 2014 were ¥6,077 million (a 13.2% increase) and gross profit was ¥3,497 million (a 4.8% increase).

The Organizational & Personnel Consulting business acts under the concept of producing numerous "motivation companies" in which employee motivation is a company's growth engine. As its method of providing services, the business diagnoses the state of a company's motivation based on its original diagnostic framework and offers various one-stop solutions for innovations related to organizations and personnel, including recruiting, training, framework and corporate culture.

In 2014, sales and gross profit both increased due to expansion of sales of packaged products such as management training and new employee training, which bring together motivation engineering technology in a standardized format, and global personnel training, as well as diagnostic tools for understanding the state of

organization and individual motivation.

In addition to restructuring its products and services for more substantive resolution of organizational issues in line with rising corporate willingness to invest in human resources, the business will focus on training its own personnel to achieve an increase in added value that leads to further business growth. In addition, the business will work for growth in a new direction by establishing Link Relation Engineering Inc. and starting to provide clients with one-stop support services from database-backed consulting to execution for building relations with customers and applicants.

Event & Media Business

In this business, sales for 2014 were ¥2,965 million (a 5.8% decrease) and gross profit was ¥1,097 million (a 1.1% decrease).

The Event & Media business produces events and media for various communications in corporate activities to create motivation companies. In its event production, the business supports organizational vitalization by promoting stakeholders' interest and understanding through support for creation of forums such as anniversary events, recruiting presentations, promotional events and shareholders' meetings. In its media production, the business is involved in printed media such as company newsletters, corporate brochures and annual reports for shareholders, as well as web-based media such as corporate websites and investor relations sites and visual media such as videos that explain products and webcasts of shareholders' meetings.

In 2014, under the theme of expanding services with a high profit margin, the business terminated provision of contract advertising services, which have a high cost ratio, and has been promoting expansion of sales of intra-company events and communication tools for stakeholders, which are highly compatible with motivation engineering technology. The termination of provision of high-cost-ratio contract advertising services decreased sales compared with the previous year, but the business succeeded in expanding sales of planned intra-company events with a high profit margin, such as anniversary events, thus achieving a higher profit margin than in the previous year.

The business will work for stable sales by incorporating motivation engineering technology into its services to develop highly differentiated products with an even higher profit margin.

Recruiting & Temp Agency Business

In this business, sales for 2014 were ¥7,491 million (a 10.9% increase) and gross profit was ¥1,838 million (a 12.3% increase).

The Recruiting & Temp Agency business provides solutions in the form of recruiting and temp agency services for the human resources an organization requires to grow. The main businesses include new graduate recruiting and introduction, which connects university students looking for employment with corporate presentations and interviews, a mid-career introduction service, which matches working adults looking to change jobs with companies, and a sales and marketing temp staff and agency service, which dispatches temporary sales and office staff and handles corporate sales activities.

In 2014, with rising corporate needs to reinforce staff, sales increased substantially with the steady expansion of new employee recruitment and introductions in addition to an increase in sales and clerical temp staff deployed in all areas of marketing, sales and office work. In an increasingly severe staff recruiting environment, the business is achieving long-term deployment of staff by raising its accuracy in matching companies and staff using motivation engineering, the Link and Motivation Group's core technology. The resulting success in decreasing staff recruiting costs increased gross profit compared with the previous year.

The business will work to reduce recruiting costs by using motivation engineering technology to raise its accuracy in matching corporate needs and further promote long-term deployment of staff. In addition, the business will raise profitability by encouraging individual staff to register with the Group's Schools business to improve their skills, thus further accelerating activities linked to corporate dispatch and introductions.

ALT Placement Business

In this business, sales for 2014 were ¥6,957 million and gross profit was ¥1,788 million.

The ALT Placement business is the main business of Interac Co., Ltd., whose stock the Link and Motivation Group acquired in April 2014, and which dispatches foreign assistant language teachers (ALTs) in elementary, secondary and other schools throughout Japan and provides English-language instruction services on contract. In this business, the number of business opportunities each year is limited and customer trust is essential, and Interac, which has the top track record among private companies, has established superiority over its competitors. Consequently, results were steady in 2014.

In the future, there will be a growing trend toward strengthening English ability in educational guidelines for elementary and middle schools ahead of the Tokyo Olympics to be held in 2020. In this operating environment with an expanding market, the business aims to further expand with the personnel training methods accumulated by the Organizational & Personnel Consulting business as a new advantage to add to Interac's accumulated ALT management expertise.

Consumer Division

The Consumer Division provides services by applying motivation engineering, which is the core technology of the Link and Motivation Group, to business for consumers in areas including schools, preparatory schools and sports.

In this segment, segment sales and income for 2014 decreased compared with the previous year. Segment sales were ¥8,429 million (an 8.1% decrease) and segment income was ¥3,031 million (a 7.2% decrease). An overview of operating results by business for 2014 is as follows.

Schools Business

In this business, sales for 2014 were ¥7,773 million (an 8.5% decrease) and gross profit was ¥2,729 million (an 11.1% decrease).

The Schools business defines human resources who act independently and autonomously, without depending on an organization, as "i-companies" and operates under the business concept of producing numerous i-companies. Its services are broadly divided into the two areas of preparatory schools for middle and high school students and career schools for university students and working adults. Preparatory schools provide a place where students can not only prepare for school entrance exams but also develop skills to play a role in society under the "Motivation Academia" service brand. Career schools provide one-stop support for literacy skills such as personal computer and language skills and for acquiring qualifications under the three service brands of "Aviva" personal computer schools, "Daiei" qualification schools and "Aviva English" language schools.

In 2014, the business worked to reduce costs by closing or consolidating unprofitable or neighboring locations and by combining administrative divisions to promote a transformation into a business entity with a low break-even point. As a result, sales and gross profit for the first half decreased due to a decline in the number of students associated with the closure and consolidation of schools, and one-time expenses related to closure and consolidation resulted in a reduction of operating income.

This business will accelerate its transformation into a highly profitable business entity in addition to promoting speedy integration of functions. Moreover, the business will enhance its courses as a total career school and establish comprehensive services from providing career guidance to offering employment opportunities in collaboration with the Recruiting & Temp Agency business. By doing so, it aims to add value to the Schools business as a whole in the belief that it can raise the loyalty of existing customers and attract more new customers.

Entertainment Business

In this business, sales for 2014 were ¥690 million (a 1.6% increase) and gross profit was ¥315 million (a 35.7% increase).

The Entertainment business manages a professional basketball team and operates an Italian restaurant under the concept of "creating quality of life" for individuals. The professional basketball team managed by the business is the Link Tochigi Brex, which is based in Tochigi, and revenues consist mainly of sales of tickets for games and

goods and sponsorship income. The Italian restaurant operation, called Link Dining, is located in Ginza.

In 2014, ticket sales for the Link Tochigi Brex were strong due to the extension of its playing season as it advanced to the playoffs. In addition, gross profit increased substantially with growth in high-margin sponsorship income as the team advanced to the playoffs. Performance at Link Dining was solid, and sales and gross profit both increased compared with the same period of the previous year.

This business will continue to aim for business development with originality driven by motivation engineering technology. In particular, at the Link Tochigi Brex, Thomas Wisman, who guided the team to a league championship in the 2009-2010 season, has been named head coach, and as of February 13, 2015, the team has surpassed its finishing position in the previous year with a second-place position in the Eastern Division. The business will continue to increase the number of core local fans and reach the league championship by further increasing the team's capabilities, which will lead to the growth of the business.

Outlook for 2015

On a consolidated basis, for 2015 we forecast net sales of ¥33,000 million (an increase of 14.3% year on year), operating income of ¥1,930 million (an increase of 15.6%), ordinary income of ¥1,860 million (an increase of 17.5%) and net income of ¥1,060 million (an increase of 13.9%).

We have not made a forecast of our results for the interim period due to the difficulty of precisely predicting clients' stances on investment in human resources and other factors. We will rapidly disclose quarterly financial information.

Moreover, we will promptly announce revisions to our previously announced forecast of earnings in the event of significant variation from actual results.

(2) Analysis of Financial Condition

A. Assets, Liabilities and Net Assets

Assets

Total assets as of December 31, 2014 were ¥17,921 million, an increase of ¥7,550 million from a year earlier. This was due to factors including increases in goodwill, accounts receivable and other items from the acquisitions of Interac Co., Ltd. and I.Lead Staff Corporation.

Liabilities

Total liabilities were ¥11,066 million, an increase of ¥4,490 million from a year earlier. This was due to factors including increases in accounts payable and accrued consumption taxes from the acquisitions of Interac Co., Ltd. and I.Lead Staff Corporation, as well as increases in short-term borrowings and long-term debt.

Net Assets

Net assets increased ¥3,059 million from a year earlier to ¥6,854 million. This was due to factors including increases in common stock and additional paid-in capital as a result of a capital increase and disposal of treasury stock.

B. Cash Flow

Cash and cash equivalents (“cash”) as of December 31, 2014 were ¥1,016,304 thousand, an increase of ¥490,816 thousand compared with a year earlier.

Cash flow for the year ended December 31, 2014 was as follows.

Cash Flow from Operating Activities

Net cash provided by operating activities increased ¥658,131 thousand to ¥1,120,077 thousand. Principal factors providing cash were income before income taxes of ¥1,477,044 thousand and amortization of goodwill of ¥675,642 thousand. The principal factors using cash were income taxes paid totaling ¥807,327 thousand and an increase of ¥381,568 thousand in notes and accounts receivable — trade.

Cash Flow from Investing Activities

Net cash used in investing activities was ¥6,124,772 thousand, a net decrease of ¥5,721,060 thousand in cash from the previous year. The principal factors were ¥4,624,349 thousand in payments for acquisition of subsidiary stock due to a change in the scope of consolidation and ¥907,250 thousand in payments for acquisition of investment securities.

Cash Flow from Financing Activities

Net cash provided by financing activities was ¥5,489,940 thousand, a net increase of ¥7,460,142 thousand in cash from the previous year. The principal factors were ¥1,492,290 thousand in proceeds from short-term debt, ¥2,500,000 thousand in proceeds from long-term debt and ¥1,743,033 thousand in proceeds from disposal of treasury stock.

(Reference) Cash Flow Related Indicators

	2010	2011	2012	2013	2014
Net worth ratio (%)	69.1	36.1	31.5	36.6	38.2
Net worth ratio on market value basis (%)	140.6	63.4	82.5	203.0	100.9
Cash flow to interest-bearing debt (times)	0.42	2.18	2.51	3.97	4.91
Interest coverage ratio (times)	362.8	75.8	27.4	11.9	24.6

2. Management Policies

Presentation is omitted because there have been no significant changes from the content of the Consolidated Financial Statements for the Fiscal Year Ended December 31, 2013 (announced on February 14, 2014).

3. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Thousands of yen, rounded down to the nearest thousand)

	As of December 31, 2013	As of December 31, 2014
ASSETS		
Current assets		
Cash and deposits	555,487	1,016,304
Notes and accounts receivable	2,582,310	3,944,691
Products	117,579	95,330
Goods in process	295,255	341,154
Merchandise and supplies	17,804	35,368
Prepaid expenses	252,290	294,593
Deferred tax assets	261,166	333,549
Short-term loans receivable	343	6,806
Accrued corporate tax refund	1,031	—
Other	141,677	149,788
Allowance for doubtful accounts	(29,636)	(18,964)
Total current assets	4,195,311	6,198,624
Fixed assets		
Property and equipment		
Buildings and structures	661,360	931,009
Accumulated depreciation	(398,624)	(518,974)
Buildings and structures (net)	262,736	412,034
Vehicles	8,812	11,933
Accumulated depreciation	(8,728)	(11,147)
Vehicles (net)	83	785
Furniture and fixtures	547,665	639,078
Accumulated depreciation	(462,740)	(527,676)
Furniture and fixtures (net)	84,924	111,402
Lease assets	283,755	506,460
Accumulated depreciation	(111,551)	(204,804)
Lease assets (net)	172,203	301,656
Total property and equipment	519,948	825,879
Intangible assets		
Goodwill	3,821,745	7,804,410
Software	288,726	436,886
Other	3,282	124,238
Total intangible assets	4,113,754	8,365,535
Investments and other assets		
Investments in securities	213,683	1,123,054
Security deposits	1,229,825	1,187,791
Deferred tax assets	14,984	126,772
Claims in bankruptcy	8,977	13,053
Other	83,889	82,881
Allowance for doubtful accounts	(8,977)	(13,053)
Total investments and other assets	1,542,382	2,520,499
Total fixed assets	6,176,085	11,711,914
Deferred assets		
Stock issuance expenses	—	10,910
Total deferred assets	—	10,910
Total assets	10,371,397	17,921,449

(Thousands of yen, rounded down to the nearest thousand)

	As of December 31, 2013	As of December 31, 2014
LIABILITIES		
Current liabilities		
Accounts	335,376	233,855
Short-term borrowings	260,273	1,752,563
Long-term debt due within one year	327,240	673,512
Accounts payable	1,031,929	1,642,889
Lease obligations	65,125	109,070
Expenses payable	116,793	166,483
Accrued income taxes	385,584	391,111
Accrued consumption taxes	183,402	720,241
Advances received	2,002,319	1,603,845
Accrued bonuses to employees	226,747	179,770
Accrued bonuses to officers	—	949
Provision for loss on store closure	23,299	18,259
Other	124,985	297,615
Total current liabilities	5,083,077	7,790,168
Long-term liabilities		
Long-term debt	1,054,980	2,752,188
Lease obligations	124,428	206,539
Deferred income taxes	6,422	41,518
Asset retirement obligations	49,218	65,474
Other	258,414	210,965
Total long-term liabilities	1,493,463	3,276,685
Total liabilities	6,576,541	11,066,853
NET ASSETS		
Shareholders' equity		
Common stock	979,750	1,380,610
Additional paid-in capital	734,595	2,146,648
Retained earnings	2,807,677	3,315,803
Treasury stock	(731,840)	(44)
Total shareholders' equity	3,790,182	6,843,017
Cumulative other comprehensive income		
Unrealized gain on securities	4,672	6,006
Foreign currency translation adjustment	—	5,571
Total cumulative other comprehensive income	4,672	11,577
Total net assets	3,794,855	6,854,595
Total liabilities and net assets	10,371,397	17,921,449

(2) Consolidated Statements of Operations and Comprehensive Income**Consolidated Statements of Operations**

(Thousands of yen, rounded down to the nearest thousand)

	Year ended December 31, 2013	Year ended December 31, 2014
Net sales	22,383,970	28,873,762
Cost of sales	13,641,799	18,600,673
Gross profit	8,742,170	10,273,089
Selling, general and administrative expenses	7,184,070	8,603,159
Operating income	1,558,100	1,669,930
Non-operating income		
Interest income	2,241	453
Dividend income	522	112
Commission fees	13,543	15,752
Other	10,380	7,608
Total non-operating income	26,688	23,927
Non-operating expenses		
Interest expenses	39,770	44,753
Commission fees	22,269	54,094
Other	12,375	11,420
Total non-operating expenses	74,415	110,268
Ordinary income	1,510,373	1,583,589
Extraordinary income		
Gain on sale of investment securities	9,325	—
Gain on termination of retirement plan	27,680	—
Other	736	—
Total extraordinary income	37,742	—
Extraordinary loss		
Loss on disposal of property and equipment	78,552	29,571
Provision for loss on store closure	16,873	13,388
Business structure improvement expenses	25,483	39,704
Loss on impairment	120,886	23,881
Other	31,107	—
Total extraordinary loss	272,902	106,545
Income before income taxes	1,275,212	1,477,044
Current income taxes	555,476	684,694
Deferred income taxes	(112,649)	(138,909)
Total income taxes	442,827	545,785
Income before minority interests	832,385	931,259
Net income	832,385	931,259

Consolidated Statements of Comprehensive Income

(Thousands of yen, rounded down to the nearest thousand)

	Year ended December 31, 2013	Year ended December 31, 2014
Income before minority interests	832,385	931,259
Other comprehensive income		
Unrealized gain on securities	4,848	1,333
Foreign currency translation adjustment	—	5,571
Total other comprehensive income	4,848	6,904
Comprehensive income	837,234	938,164
(Attributable to)		
Owners of the parent	837,234	938,164

(3) Consolidated Statements of Changes in Net Assets

Year ended December 31, 2013

(Thousands of yen, rounded down to the nearest thousand)

	Shareholders' equity				Total shareholders' equity
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock	
Balance at beginning of the year	979,750	734,595	2,265,931	(731,840)	3,248,436
Changes during the year					
Issuance of new stock					
Disposal of treasury stock				—	—
Acquisition of treasury stock				—	—
Dividends from capital surplus			(290,640)		(290,640)
Net income			832,385		832,385
Changes in items other than shareholders' equity (net)					
Total changes during the year			541,745	—	541,745
Balance at end of year	979,750	734,595	2,807,677	(731,840)	3,790,182

	Cumulative other comprehensive income			Total net assets
	Unrealized gain (loss) on securities	Foreign currency translation adjustment	Total cumulative other comprehensive income (loss)	
Balance at beginning of the year	(176)	—	(176)	3,248,260
Changes during the year				
Issuance of new stock				
Disposal of treasury stock				—
Acquisition of treasury stock				—
Dividends from capital surplus				(290,640)
Net income				832,385
Changes in items other than shareholders' equity (net)	4,848	—	4,848	4,848
Total changes during the year	4,848	—	4,848	546,594
Balance at end of year	4,672	—	4,672	3,794,855

Year ended December 31, 2014

(Thousands of yen, rounded down to the nearest thousand)

	Shareholders' equity				
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of the year	979,750	734,595	2,807,677	(731,840)	3,790,182
Changes during the year					
Issuance of new stock	400,860	400,860			801,720
Disposal of treasury stock		1,011,193		731,840	1,743,033
Acquisition of treasury stock				(44)	(44)
Dividends from capital surplus			(423,133)		(423,133)
Net income			931,259		931,259
Changes in items other than shareholders' equity (net)					
Total changes during the year	400,860	1,412,053	508,125	731,795	3,052,835
Balance at end of year	1,380,610	2,146,648	3,315,803	(44)	6,843,017

	Cumulative other comprehensive income			Total net assets
	Unrealized gain on securities	Foreign currency translation adjustment	Total cumulative other comprehensive income	
Balance at beginning of the year	4,672	—	4,672	3,794,855
Changes during the year				
Issuance of new stock				801,720
Disposal of treasury stock				1,743,033
Acquisition of treasury stock				(44)
Dividends from capital surplus				(423,133)
Net income				931,259
Changes in items other than shareholders' equity (net)	1,333	5,571	6,904	6,904
Total changes during the year	1,333	5,571	6,904	3,059,740
Balance at end of year	6,006	5,571	11,577	6,854,595

(4) Consolidated Statements of Cash Flow

(Thousands of yen, rounded down to the nearest thousand)

	Year ended December 31, 2013	Year ended December 31, 2014
Cash flow from operating activities		
Income before income taxes	1,275,212	1,477,044
Depreciation and amortization	309,438	483,776
Loss on impairment	120,886	23,881
Amortization of goodwill	511,411	675,642
Increase (decrease) in allowance for doubtful accounts	(2,180)	(8,417)
Increase (decrease) in allowance for employees' bonuses	66,149	(81,212)
Increase (decrease) in allowance for officers' bonuses	(17,043)	949
Loss (gain) on sale of investment securities	(9,325)	—
Gain (loss) on reserve for employee retirement benefits	(188,536)	—
Gain (loss) on provision for loss on store closure	(129,292)	(29,668)
Loss on disposal of property and equipment	78,552	29,571
Interest and dividend income	(2,763)	(565)
Interest expense	39,770	44,753
Increase (decrease) in long-term accounts payable	—	(47,445)
Decrease (increase) in notes and accounts receivable — trade	(436,778)	(381,568)
Decrease (increase) in inventories	(197,522)	(39,190)
Increase (decrease) in notes and accounts payable	9,642	(101,520)
Increase (decrease) in accounts payable	(49,670)	(190,587)
Increase (decrease) in advances received	(413,794)	(400,935)
Increase (decrease) in accrued consumption taxes	54,163	439,963
Other	(136,208)	70,248
Subtotal	882,107	1,964,718
Interest and dividends received	2,840	876
Interest paid	(38,803)	(45,560)
Income taxes paid	(438,116)	(807,327)
Income tax refund	53,917	7,369
Net cash provided by operating activities	461,945	1,120,077
Cash flow from investing activities		
Proceeds from withdrawal of time deposits	—	30,000
Payments for investments	(8,000)	—
Payments for acquisition of property and equipment	(153,699)	(376,499)
Gain on sale of property and equipment	1,796	—
Payments for acquisition of intangible fixed assets	(196,505)	(209,595)
Payments for acquisition of investment securities	(188,900)	(907,250)
Proceeds from sale of investment securities	13,193	—
Payments for acquisition of subsidiary stock due to a change in the scope of consolidation	—	(4,624,349)
Proceeds from acquisition of subsidiary stock due to a change in the scope of consolidation	82,055	40,429
Payments for loans	—	(110,666)
Proceeds from recovery of short-term loans	1,550	—
Payments for security deposits and guarantees	(149,103)	(49,027)
Proceeds from recovery of security deposits and guarantees	199,457	81,911
Other	(5,556)	274
Net cash provided by (used in) investing activities	(403,712)	(6,124,772)
Cash flow from financing activities		
Increase (decrease) in short-term debt	(208,010)	1,492,290
Proceeds from long-term debt	200,000	2,500,000
Repayment of long-term debt	(1,588,170)	(535,253)
Proceeds from issuance of stock	—	801,720
Repayment of lease obligations	(82,565)	(93,760)
Payments for purchase of treasury stock	—	(44)
Proceeds from disposal of treasury stock	—	1,743,033
Payment of cash dividends	(291,456)	(418,045)
Net cash provided by (used in) financing activities	(1,970,202)	5,489,940
Cash and cash equivalents translation adjustment	—	5,571
Net increase (decrease) in cash and cash equivalents	(1,911,969)	490,816
Cash and cash equivalents at beginning of year	2,437,457	525,487
Cash and cash equivalents at end of year	525,487	1,016,304

(5) Notes to Consolidated Financial Statements**(Notes Regarding Assumption of Going Concern)**

None applicable

(Segment Information)

Segment Information

1. Segment sales, income or loss, assets, liabilities and other items

Year ended December 31, 2013

(Thousands of yen, rounded down to the nearest thousand)

	Reportable Segment			Adjustment (Note 1)	Consolidated
	Business Division	Consumer Division	Total		
Segment sales					
Sales to outside customers	13,535,941	8,848,029	22,383,970	—	22,383,970
Intersegment sales and transfers	601,272	329,250	930,522	(930,522)	—
Total	14,137,214	9,177,279	23,314,493	(930,522)	22,383,970
Segment income (Note 2)	5,689,996	3,265,847	8,955,843	(213,672)	8,742,170
Segment assets	6,963,088	4,452,565	11,415,653	(1,044,256)	10,371,397
Segment liabilities	4,108,327	3,375,171	7,483,499	(906,958)	6,576,541
Other items					
Depreciation and amortization	115,600	193,837	309,438	—	309,438

Notes: 1. Adjustments are as follows:

- (1) The negative ¥213,672 thousand adjustment to segment income is an elimination of intersegment transactions.
 - (2) The negative ¥1,044,256 thousand adjustment to segment assets is an elimination of intersegment transactions.
 - (3) The negative ¥906,958 thousand adjustment to segment liabilities is an elimination of intersegment transactions.
 - (4) The value of intersegment transactions is determined using the same method as transactions outside segments.
2. Segment income is gross profit.

Year ended December 31, 2014

(Thousands of yen, rounded down to the nearest thousand)

	Reportable Segment			Adjustment (Note 1)	Consolidated
	Business Division	Consumer Division	Total		
Segment sales					
Sales to outside customers	21,163,660	7,710,102	28,873,762	—	28,873,762
Intersegment sales and transfers	368,517	719,130	1,087,647	(1,087,647)	—
Total	21,532,178	8,429,232	29,961,410	(1,087,647)	28,873,762
Segment income (Note 2)	7,750,558	3,031,871	10,782,429	(509,340)	10,273,089
Segment assets	14,377,253	4,227,380	18,604,634	(683,184)	17,921,449
Segment liabilities	8,752,606	2,918,153	11,670,760	(603,906)	11,066,853
Other items					
Depreciation and amortization	197,516	244,775	442,291	—	442,291

Notes: 1. Adjustments are as follows:

- (1) The negative ¥509,340 thousand adjustment to segment income is an elimination of intersegment transactions.
- (2) The negative ¥683,184 thousand adjustment to segment assets is an elimination of intersegment transactions.
- (3) The negative ¥603,906 thousand adjustment to segment liabilities is an elimination of intersegment transactions.
- (4) The value of intersegment transactions is determined using the same method as transactions outside segments.

2. Segment income is gross profit.

(Related Information)

Year ended December 31, 2013

1. Information by Product and Service

Omitted because the information disclosed is the same as segment information.

2. Information by Geographic Segment

(1) Net sales

Not applicable because the Company has no sales to external customers outside Japan.

(2) Property and equipment

Not applicable because the Company has no property and equipment outside Japan.

3. Information by Main Customer

Not presented because there are no external customers that account for more than 10% of net sales on the consolidated statements of operations.

Year ended December 31, 2014

1. Information by Product and Service

Omitted because the information disclosed is the same as segment information.

2. Information by Geographic Segment

(1) Net sales

Not applicable because the Company has no sales to external customers outside Japan.

(2) Property and equipment

Not applicable because the Company has no property and equipment outside Japan.

3. Information by Main Customer

Not presented because there are no external customers that account for more than 10% of net sales on the consolidated statements of operations.

(Per Share Information)

	Year ended December 31, 2013	Year ended December 31, 2014
Net assets per share (¥)	39.17	60.62
Earnings per share (¥)	8.59	8.60

Notes: 1. The Company implemented a stock split of 2 shares for each 1 share of common stock with an effective date of July 1, 2012. The Company implemented stock splits of 2 shares for each 1 share of common stock with effective dates of May 1, 2013 and December 1, 2013. Accordingly, earnings per share have been calculated as though the stock splits had occurred at the beginning of 2013.

2. Diluted earnings per share is not presented because the Company has no dilutive shares.

3. The basis for computation of earnings per share is as follows: (Thousands of yen)

	Year ended December 31, 2013	Year ended December 31, 2014
Net income on the consolidated statements of income	832,385	931,259
Net income allocated to common stock	832,385	931,259
Amount unallocated to common stock	—	—
Average number of common stock outstanding during the fiscal year (Shares)	96,880,000	108,207,372

(Significant Subsequent Information)

None applicable