

Consolidated Financial Statements for the Fiscal Year Ended December 31, 2015

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

February 12, 2016

Link and Motivation Inc.
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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 30, 2016

Start of distribution of dividends (scheduled):

March 25, 2016

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

March 30, 2016

Supplementary documents for results:

No

Results briefing:

No

(Amounts are rounded down to the nearest million.)

1. Consolidated Results for 2015 (January 1, 2015 - December 31, 2015)

(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 (%)
2015	31,950	10.7	868	(50.5)	767	(53.9)
2014	28,873	29.0	1,751	18.8	1,665	16.7

	Net income (loss) (¥ million)	Year-on-year change (%)	Earnings per share (¥)	Earnings per share (diluted) (¥)	Return on equity (%)	Ordinary income/Total assets (%)	Operating income/Net sales (%)
2015	(316)	—	(2.79)	—	(4.9)	4.3	2.7
2014	950	19.8	8.97	—	17.9	11.8	6.1

(Reference) Comprehensive income: 2015: ¥(304) million (—%), 2014: ¥957 million (19.9%)

(2) Financial Position

	Total assets (¥ million)	Net assets (¥ million)	Net assets/ Total assets (%)	Net assets per share (¥)
2015	17,474	6,032	34.5	53.35
2014	17,896	6,834	38.2	60.44

(Reference) Net worth: As of December 31, 2015: ¥6,032 million; As of December 31, 2014: ¥6,834 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)
2015	1,558	(1,544)	(34)	997
2014	1,120	(6,124)	5,489	1,016

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			
2014	90.00	1.10	1.10	1.10	93.30	423	44.5	8.0
2015	1.10	1.10	1.10	1.10	4.40	497	—	7.7
2016 (est.)	1.25	1.25	1.25	1.25	5.00		75.4	

3. Forecast of Consolidated Results for 2016 (January 1, 2016 - December 31, 2016)

(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	33,600	5.2	1,620	86.6	1,570	104.6	750	—	6.63

Notes

- (1) Changes in Significant Subsidiaries during the Period (Changes in Specified Subsidiaries due to Changes in the Scope of Consolidation): No
- (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, 2015: 113,068,000; Year ended December 31, 2014: 113,068,000
 - (b) Number of treasury shares at the end of the period:
Year ended December 31, 2015: 200; Year ended December 31, 2014: 200
 - (c) Average number of shares outstanding:
Year ended December 31, 2015: 113,067,800; Year ended December 31, 2014: 105,879,701

(Reference) Summary of Non-consolidated Results

1. Non-consolidated Results for 2015 (January 1, 2015 – December 31, 2015)

(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 (%)
2015	5,402	(0.9)	(772)	—	(902)	—
2014	5,451	8.6	315	(29.0)	251	(37.5)

	Net income (¥ million)	Year-on-year change (%)	Earnings per share (¥)	Earnings per share (diluted) (¥)
2015	(1,091)	—	(9.65)	—
2014	125	(29.9)	1.18	—

(2) Financial Position

	Total assets (¥ million)	Net assets (¥ million)	Net assets/ Total assets (%)	Net assets per share (¥)
2015	14,178	3,026	21.3	26.77
2014	13,527	4,604	34.0	40.71

(Reference) Net worth: As of December 31, 2015: ¥3,026 million; As of December 31, 2014: ¥4,604 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 assumptions behind the results forecasts and notes regarding their use, please refer to “Analysis of Results of Operations and Financial Condition” on page 4.

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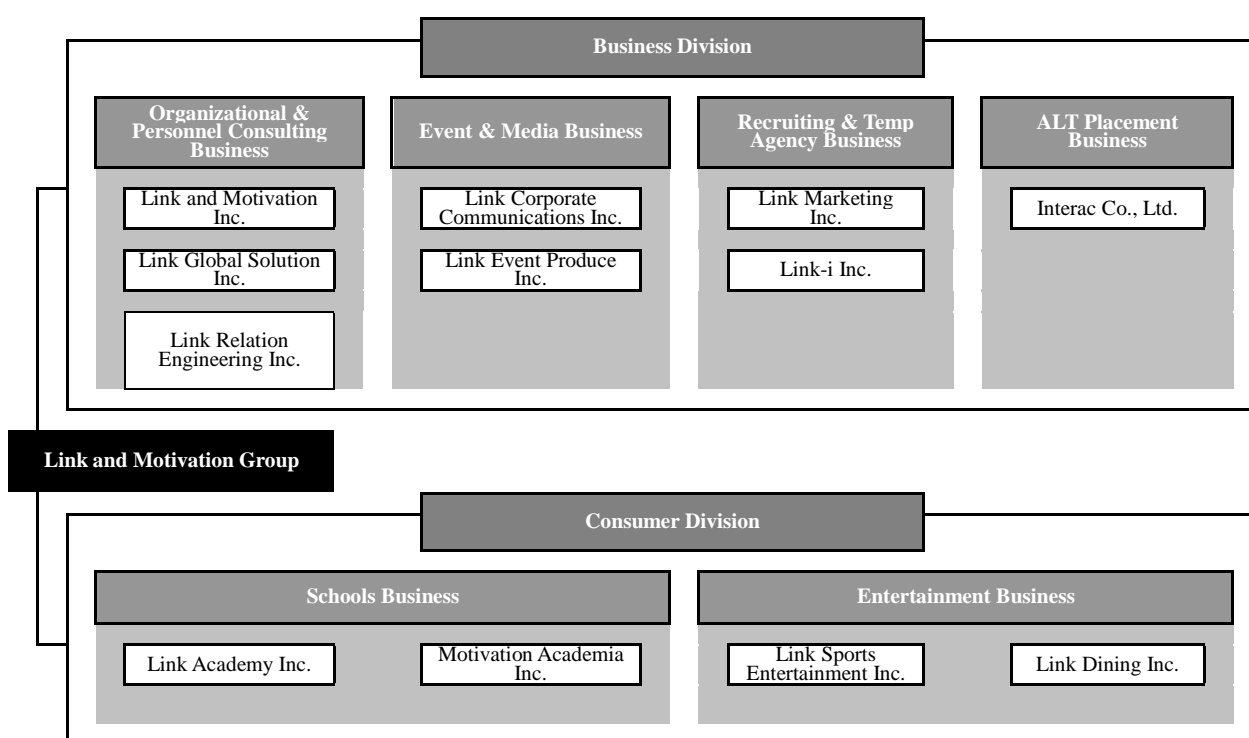
1. Analysis of Results of Operations and Financial Condition

(1) Commentary on Results of Operations

In 2015, the Japanese economy remained at a standstill against a backdrop of concerns about an economic slowdown in China, the falling price of crude oil, the appreciation of the yen and low stock prices.

In this operating environment, the Link and Motivation Group's consolidated net sales and each line item of income in 2015 were as follows. Net sales increased substantially to ¥31,950,894 thousand (a 10.7% increase compared with the previous year), but due to an increase in the cost ratio in the Business Division, the increase in gross profit was limited to ¥10,890,007 thousand (a 5.2% increase). In addition, due to expenses for investigating and dealing with improper accounting practices and increases in selling, general and administrative expenses associated with strengthening advertising for new products, establishing integrated offices, renewing core systems and other matters, operating income was ¥868,033 thousand (a 50.5% decrease), ordinary income was ¥767,163 thousand (a 53.9% decrease), both decreasing substantially from the previous year. Due to a reduction in the present value of incubation projects and a revised estimate of tax-effect accounting, net loss was ¥316,521 thousand.

An overview of general conditions by segment and business for 2015 is provided below. The classification of segments and businesses of the Link and Motivation Group is as follows.



Business Division

The Business Division offers services that strengthen relationships with an organization's stakeholders using "motivation engineering," which is the core technology of the Link and Motivation Group, with corporations such as companies and schools as its customers.

In this segment, as the result of the addition of Interac Co., Ltd. to the scope of consolidation in April 2014 and steady increases in sales in each business, segment sales for 2015 increased substantially compared with previous year to ¥25,096,416 thousand (a 16.6% increase). On the other hand, the impact of an increase in outsourcing costs in the recruiting field limited the increase in segment income to ¥8,187,568 thousand (a 4.6% increase).

An overview by business for 2015 is as follows.

Organizational & Personnel Consulting Business

In this business, sales for 2015 were ¥6,480,652 thousand (a 6.6% increase) and gross profit was ¥3,413,592 thousand (a 2.5% decrease).

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 2015, sales increased compared with the same period of the previous year as sales of manager training and other package products that have been areas of focus increased substantially, and outsourcing sales also increased substantially from capturing business outsourcing needs in the recruiting field. On the other hand, due to the impact of an increase in outsourcing costs in the recruiting field, gross profit decreased.

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.

Event & Media Business

In this business, sales for 2015 were ¥3,280,119 thousand (a 10.6% increase) and gross profit was ¥922,949 thousand (a 15.9% 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 2015, media production performed strongly by capturing needs for video media in the recruiting field and sales increased compared with the same period of the previous year. However, due to the impact of an increase in outsourcing costs in the recruiting field, gross profit decreased substantially.

The business will work to stabilize sales and improve its profit margin by developing highly differentiated, high-margin standardized products using motivation engineering technology.

Recruiting & Temp Agency Business

In this business, sales for 2015 were ¥7,503,796 thousand (a 0.2% increase) and gross profit was ¥1,792,209 thousand (a 2.5% decrease).

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 2015, sales increased slightly as new graduate recruiting and introduction and mid-career employee introduction services, which have been areas of focus for some time, performed strongly, and office temp staff, an area where the business had been working to strengthen linkage with the Schools business in the Consumer Division, got off to a smooth start. On the other hand, gross profit decreased with the impact of rising procurement costs for human resources due to growing corporate needs for personnel.

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 2015 were ¥9,820,421 thousand and gross profit was ¥2,623,859 thousand.

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 2015.

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 for further growth using 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 for 2015 decreased and segment income increased slightly compared with the previous year. Segment sales were ¥7,840,789 thousand (a 7.0% decrease) and segment income was ¥3,052,016 thousand (a 0.7% increase). An overview by business for 2015 is as follows.

Schools Business

In this business, sales for 2015 were ¥7,114,715 thousand (an 8.5% decrease) and gross profit was ¥2,731,081 thousand (a 0.1% increase).

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 career advancement through the acquisition of literacy skills qualifications under the four service brands of "Aviva" personal computer schools, "Daiei" qualification schools, "Aviva English" language schools and the newly established "Aviva Pro" IT schools.

In 2015, measures including the closure or consolidation of unprofitable and adjacent locations, which has been in progress for some time, were successful, and although sales decreased, gross profit increased slightly as the business transformed itself into a business entity with a low break-even point.

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 raise the loyalty of existing customers and attract more new customers.

Entertainment Business

In this business, sales for 2015 were ¥768,858 thousand (an 11.3% increase) and gross profit was ¥339,082 thousand (a 7.6% increase).

The Entertainment business manages a professional basketball team and operates Italian restaurants 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, has two locations: one in Ginza and one new restaurant in Kitashinchi.

In 2015, ticket sales and sponsorship income were strong due to increases in the number of games played by the Link Tochigi Brex and the number of spectators. Performance at Link Dining was firm, and with the opening of a

new restaurant in Kitashinchi, sales in this business increased substantially and gross profit 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, although the Link Tochigi Brex failed to reach the final round of the playoffs for the 2014-2015 season, it has a positive reputation, attracting the highest number of spectators in the league, and the team has been selected for the first division of the new Japan Professional Basketball League. In the future, further raising the power of the team will lead to business growth.

(2) Analysis of Financial Condition

A. Assets, Liabilities and Net Assets

Assets

Total assets as of December 31, 2015 were ¥17,474 million, a decrease of ¥422 million from a year earlier. This was mainly due to a decrease in goods in process received due to a second change in the period for recruiting activities and a decrease in goodwill due to amortization.

Liabilities

Total liabilities were ¥11,441 million, an increase of ¥380 million from a year earlier. This was mainly due to an increase in short-term borrowings, although long-term debt decreased.

Net Assets

Net assets decreased ¥802 million from a year earlier to ¥6,032 million. This was mainly due to payment of cash dividends and a decrease from recording a net loss for the year.

B. Cash Flow

Cash and cash equivalents (“cash”) as of December 31, 2015 were ¥997,295 thousand, a decrease of ¥19,009 thousand compared with a year earlier.

Cash flow for the year ended December 31, 2015 was as follows.

Cash Flow from Operating Activities

Net cash provided by operating activities increased ¥438,233 thousand to ¥1,558,310 thousand. Principal factors providing cash were income before income taxes of ¥566,472 thousand and amortization of goodwill of ¥733,650 thousand. The principal factor using cash was income taxes paid totaling ¥735,506 thousand.

Cash Flow from Investing Activities

Net cash used in investing activities was ¥1,544,723 thousand, a decrease of ¥4,580,049 thousand in cash used compared with the previous year. The principal factor was ¥806,372 thousand in payments for acquisition of investment securities.

Cash Flow from Financing Activities

Net cash used in financing activities was ¥34,785 thousand. In the previous year, financing activities provided net cash totaling ¥5,489,725 thousand. The principal factors were ¥673,512 thousand in repayment of long-term debt and ¥495,830 thousand in payment of cash dividends, although short-term debt increased by ¥1,256,072 thousand.

(Reference) Cash Flow Related Indicators

	2011	2012	2013	2014	2015
Net worth ratio (%)	36.1	31.5	36.4	38.2	34.5
Net worth ratio on market value basis (%)	63.4	82.5	204.0	101.1	80.9
Cash flow to interest-bearing debt (times)	2.18	2.51	3.97	4.91	3.86
Interest coverage ratio (times)	75.8	27.4	11.9	24.6	36.3

(3) Qualitative Information on Forecast of Consolidated Results

The company forecasts that net sales and gross profit will both increase substantially in 2016 due to significant growth expected in the “Personnel Recruiting and Training” services of the Organizational & Personnel Consulting Business, which have a high profit margin, and progress in cutting costs including reducing outsourcing expenses.

2. Consolidated Financial Statements

(1) Consolidated Balance Sheets

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

	As of December 31, 2014	As of December 31, 2015
ASSETS		
Current assets		
Cash and deposits	1,016,304	997,295
Notes and accounts receivable	3,944,691	3,724,562
Products	95,330	75,596
Goods in process	341,154	63,132
Merchandise and supplies	35,368	37,388
Prepaid expenses	294,593	340,885
Deferred tax assets	333,549	221,883
Short-term loans receivable	6,806	17,130
Accrued corporate tax refund	—	56,855
Accrued consumption tax	—	23,173
Other	149,788	323,695
Allowance for doubtful accounts	(18,964)	(29,948)
Total current assets	6,198,624	5,851,650
Fixed assets		
Property and equipment		
Buildings and structures	931,009	1,187,950
Accumulated depreciation	(518,974)	(574,327)
Buildings and structures (net)	412,034	613,623
Vehicles	11,933	13,048
Accumulated depreciation	(11,147)	(11,869)
Vehicles (net)	785	1,179
Furniture and fixtures	639,078	685,251
Accumulated depreciation	(527,676)	(569,581)
Furniture and fixtures (net)	111,402	115,669
Lease assets	506,460	509,366
Accumulated depreciation	(204,804)	(260,930)
Lease assets (net)	301,656	248,436
Total property and equipment	825,879	978,908
Intangible assets		
Goodwill	7,804,410	7,070,661
Software	436,886	536,001
Other	124,238	6,389
Total intangible assets	8,365,535	7,613,053
Investments and other assets		
Investments in securities	1,123,054	1,606,920
Security deposits	1,187,791	1,258,079
Deferred tax assets	102,023	18,553
Claims in bankruptcy	13,053	10,878
Other	82,881	190,941
Allowance for doubtful accounts	(13,053)	(60,878)
Total investments and other assets	2,495,750	3,024,494
Total fixed assets	11,687,165	11,616,456
Deferred assets		
Stock issuance expenses	10,910	6,396
Total deferred assets	10,910	6,396
Total assets	17,896,700	17,474,503

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

	As of December 31, 2014	As of December 31, 2015
LIABILITIES		
Current liabilities		
Accounts	233,855	322,478
Short-term borrowings	1,752,563	3,008,636
Long-term debt due within one year	673,512	621,512
Accounts payable	1,644,131	1,580,736
Lease obligations	109,070	102,745
Expenses payable	166,483	155,842
Accrued income taxes	384,889	426,525
Accrued consumption taxes	720,149	433,227
Advances received	1,603,845	1,727,406
Accrued bonuses to employees	179,770	194,302
Accrued bonuses to officers	949	29,800
Provision for loss on store closure	18,259	—
Other	297,615	263,430
Total current liabilities	7,785,096	8,866,643
Long-term liabilities		
Long-term debt	2,752,188	2,130,676
Lease obligations	206,539	156,887
Deferred income taxes	41,518	21,131
Asset retirement obligations	65,474	88,266
Other	210,965	178,381
Total long-term liabilities	3,276,685	2,575,343
Total liabilities	11,061,782	11,441,986
NET ASSETS		
Shareholders' equity		
Common stock	1,380,610	1,380,610
Additional paid-in capital	2,146,648	2,146,648
Retained earnings	3,296,126	2,482,106
Treasury stock	(44)	(44)
Total shareholders' equity	6,823,340	6,009,320
Cumulative other comprehensive income		
Unrealized gain on securities	6,006	15,399
Deferred gain on hedges	—	41
Foreign currency translation adjustment	5,571	7,755
Total cumulative other comprehensive income	11,577	23,196
Total net assets	6,834,918	6,032,516
Total liabilities and net assets	17,896,700	17,474,503

(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, 2014	Year ended December 31, 2015
Net sales	28,873,762	31,950,894
Cost of sales	18,517,459	21,060,886
Gross profit	10,356,303	10,890,007
Selling, general and administrative expenses	8,604,309	10,021,974
Operating income	1,751,994	868,033
Non-operating income		
Interest income	453	993
Dividend income	112	1,461
Commissions received	15,752	5,882
Gain on foreign exchange	—	2,946
Other	7,608	7,692
Total non-operating income	23,927	18,976
Non-operating expenses		
Interest expenses	44,753	42,898
Commissions paid	54,094	11,969
Provision of allowance for doubtful accounts	—	50,000
Other	11,420	14,978
Total non-operating expenses	110,268	119,846
Ordinary income	1,665,653	767,163
Extraordinary income		
Gain on sale of investment securities	—	3,690
Compensation received	—	33,914
Other	—	961
Total extraordinary income	—	38,565
Extraordinary loss		
Loss on disposal of property and equipment	29,571	10,678
Provision for loss on store closure	13,388	—
Business structure improvement expenses	39,704	1,340
Loss on impairment	23,881	5,157
Loss on cancellation of leasehold contracts	—	3,459
Loss on valuation of investment securities	—	218,619
Total extraordinary loss	106,545	239,255
Income before income taxes	1,559,108	566,472
Current income taxes	690,030	715,179
Deferred income taxes	(81,403)	167,814
Total income taxes	608,626	882,994
Income (loss) before minority interests	950,481	(316,521)
Net income (loss)	950,481	(316,521)

Consolidated Statements of Comprehensive Income

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

	Year ended December 31, 2014	Year ended December 31, 2015
Income (loss) before minority interests	950,481	(316,521)
Other comprehensive income		
Unrealized gain on securities	1,333	9,392
Foreign currency translation adjustment	5,571	2,183
Deferred gain (loss) on hedges	—	41
Total other comprehensive income	6,904	11,618
Comprehensive income (loss)	957,386	(304,902)
(Attributable to)		
Owners of the parent	957,386	(304,902)

(3) Consolidated Statements of Changes in Net Assets

Year ended December 31, 2014

(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	2,768,778	(731,840)	3,751,283
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	—	—	950,481	—	950,481
Changes in items other than shareholders' equity (net)	—	—	—	—	—
Total changes during the year	400,860	1,412,053	527,348	731,795	3,072,057
Balance at end of year	1,380,610	2,146,648	3,296,126	(44)	6,823,340

	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	3,755,955
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	—	—	—	950,481
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	3,078,962
Balance at end of year	6,006	5,571	11,577	6,834,918

Year ended December 31, 2015

(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	1,380,610	2,146,648	3,296,126	(44)	6,823,340
Changes during the year					
Issuance of new stock	—	—	—	—	—
Disposal of treasury stock	—	—	—	—	—
Acquisition of treasury stock	—	—	—	—	—
Dividends from capital surplus	—	—	(497,498)	—	(497,498)
Net income	—	—	(316,521)	—	(316,521)
Changes in items other than shareholders' equity (net)	—	—	—	—	—
Total changes during the year	—	—	(814,020)	—	(814,020)
Balance at end of year	1,380,610	2,146,648	2,482,106	(44)	6,009,320

	Cumulative other comprehensive income				Total net assets
	Unrealized gain on securities	Deferred gain on hedges	Foreign currency translation adjustment	Total cumulative other comprehensive income	
Balance at beginning of the year	6,006		5,571	11,577	6,834,918
Changes during the year					
Issuance of new stock	—	—	—	—	—
Disposal of treasury stock	—	—	—	—	—
Acquisition of treasury stock	—	—	—	—	—
Dividends from capital surplus	—	—	—	—	(497,498)
Net income	—	—	—	—	(316,521)
Changes in items other than shareholders' equity (net)	9,392	41	2,183	11,618	11,618
Total changes during the year	9,392	41	2,183	11,618	(802,401)
Balance at end of year	15,399	41	7,755	23,196	6,032,516

(4) Consolidated Statements of Cash Flow

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

	Year ended December 31, 2014	Year ended December 31, 2015
Cash flow from operating activities		
Income before income taxes	1,559,108	566,472
Depreciation and amortization	483,776	548,342
Loss on impairment	23,881	5,157
Amortization of goodwill	675,642	733,650
Increase (decrease) in allowance for doubtful accounts	(8,417)	58,809
Increase (decrease) in allowance for employees' bonuses	(81,212)	14,531
Increase (decrease) in allowance for officers' bonuses	949	28,850
Loss (gain) on valuation of investment securities	—	218,619
Loss (gain) on sale of investment securities	—	(3,690)
Gain (loss) on provision for loss on store closure	(29,668)	(18,259)
Loss on disposal of property and equipment	29,571	10,678
Interest and dividend income	(565)	(2,455)
Interest expense	44,753	42,898
Increase (decrease) in long-term accounts payable	(47,445)	(32,583)
Decrease (increase) in notes and accounts receivable — trade	(381,568)	220,128
Decrease (increase) in inventories	(122,404)	295,736
Increase (decrease) in notes and accounts payable	(101,520)	88,623
Increase (decrease) in accounts payable	(189,345)	657
Increase (decrease) in advances received	(400,935)	123,561
Increase (decrease) in accrued consumption taxes	439,871	(310,095)
Other	70,248	(263,779)
Subtotal	1,964,718	2,325,853
Interest and dividends received	876	2,455
Interest paid	(45,560)	(42,975)
Income taxes paid	(807,327)	(735,506)
Income tax refund	7,369	8,483
Net cash provided by operating activities	1,120,077	1,558,310
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	(376,499)	(341,959)
Payments for acquisition of intangible fixed assets	(209,595)	(269,449)
Payments for acquisition of investment securities	(907,250)	(806,372)
Proceeds from sale of investment securities	—	26,150
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	40,429	—
Payments for loans	(110,666)	(18,063)
Proceeds from recovery of short-term loans	—	7,739
Payments for security deposits and guarantees	(49,027)	(178,272)
Proceeds from recovery of security deposits and guarantees	81,911	44,721
Other	274	(1,218)
Net cash used in investing activities	(6,124,772)	(1,544,723)
Cash flow from financing activities		
Increase (decrease) in short-term debt	1,492,290	1,256,072
Proceeds from long-term debt	2,500,000	—
Repayment of long-term debt	(535,253)	(673,512)
Proceeds from issuance of stock	801,720	—
Repayment of lease obligations	(93,760)	(121,515)
Payments for purchase of treasury stock	(44)	—
Proceeds from disposal of treasury stock	1,743,033	—
Payment of cash dividends	(418,045)	(495,830)
Net cash provided by (used in) financing activities	5,489,940	(34,785)
Cash and cash equivalents translation adjustment	5,571	2,188
Net increase (decrease) in cash and cash equivalents	490,816	(19,009)
Cash and cash equivalents at beginning of year	525,487	1,016,304
Cash and cash equivalents at end of year	1,016,304	997,295

(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, 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)	7,826,331	3,031,871	10,858,202	(501,898)	10,356,303
Segment assets	14,377,253	4,202,632	18,579,885	(683,184)	17,896,700
Segment liabilities	8,752,606	2,913,082	11,665,688	(603,906)	11,061,782
Other items					
Depreciation and amortization	201,401	282,375	483,776	—	483,776

Notes: 1. Adjustments are as follows:

- (1) The negative ¥501,898 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.

Year ended December 31, 2015

(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	24,903,013	7,047,881	31,950,894	—	31,950,894
Intersegment sales and transfers	193,402	792,908	986,311	(986,311)	—
Total	25,096,416	7,840,789	32,937,205	(986,311)	31,950,894
Segment income (Note 2)	8,187,568	3,052,016	11,239,584	(349,577)	10,890,007
Segment assets	14,583,941	4,395,902	18,979,843	(1,505,340)	17,474,503
Segment liabilities	9,977,695	2,887,930	12,865,626	(1,423,639)	11,441,986
Other items					
Depreciation and amortization	276,748	271,593	548,342	—	548,342

Notes: 1. Adjustments are as follows:

- (1) The negative ¥349,577 thousand adjustment to segment income is an elimination of intersegment transactions.
 - (2) The negative ¥1,505,340 thousand adjustment to segment assets is an elimination of intersegment transactions.
 - (3) The negative ¥1,423,639 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, 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.

Year ended December 31, 2015

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, 2014	Year ended December 31, 2015
Net assets per share (¥)	60.44	53.35
Earnings per share (¥)	8.97	(2.79)

Notes: 1. Diluted earnings per share is not presented because the Company has no dilutive shares.

2. The basis for computation of earnings per share is as follows:

(Thousands of yen)

	Year ended December 31, 2014	Year ended December 31, 2015
Net income on the consolidated statements of income	950,481	(316,521)
Net income allocated to common stock	950,481	(316,521)
Amount unallocated to common stock	—	—
Average number of common stock outstanding during the fiscal year (Shares)	105,879,701	113,067,800

(Significant Subsequent Information)

None applicable