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Securities Code: 7455
June 10, 2016

To Our Shareholders:

Hiroshi Tane
President and Representative Director
PARIS MIKI HOLDINGS Inc.
Head Office: 1-7-7 Ginza, Chuo-ku, Tokyo
Headquarters: 4-1-8 Konan, Minato-ku, Tokyo

Notice of the 68th Ordinary General Meeting of Shareholders

You are cordially invited to attend the 68th Ordinary General Meeting of Shareholders of PARIS MIKI HOLDINGS Inc. (hereinafter referred to as the “Company”), which will be held on Monday, June 27, 2016, as described hereunder.

If you are unable to attend the meeting in person, you may exercise your voting rights by either of the below methods. Please exercise your voting rights by 6:30 p.m. on Friday, June 24, 2016 after reviewing the attached Reference Documents for the General Meeting of Shareholders.

To exercise your voting rights by postal mail:

Please indicate your approval or disapproval for each proposal on the enclosed voting form and return it by postal mail to reach us by the above deadline.

To exercise your voting rights via the Internet:

Please access the voting website designated by us (<http://www.it-soukai.com/>) with the voting code and password provided on the enclosed voting form, follow the instructions on the screen and enter your approval or disapproval for each proposal by the above deadline.

Please review the “Guide for Exercising Voting Rights via the Internet” to exercise your voting rights via the Internet.

Details

1. Date and Time:

Monday, June 27, 2016 at 3:00 p.m.

(The reception of the attendees to the meeting at the reception desk shall start at 2:30 p.m.)

* Please note that the starting time is changed from the previous meeting.

2. Place:

Banquet Hall “JOUR” (Main Building 1st Floor), Happo-en
1-1-1 Shirokane-Dai, Minato-ku, Tokyo

3. Objectives of the Meeting

Matters to be reported:

- a. Business Report and Consolidated Financial Statements, as well as the audit reports of the Accounting Auditor and the Audit & Supervisory Board for Consolidated Financial Statements, for the 68th fiscal term (from April 1, 2015 to March 31, 2016)
- b. Non-consolidated Financial Statements for the 68th fiscal term (from April 1, 2015 to March 31, 2016)

Matters to be resolved:

- Proposal 1:** Election of Five (5) Directors
Proposal 2: Election of Two (2) Audit & Supervisory Board Members
Proposal 3: Payment of Retirement Benefits to Retiring Directors and a Retiring Audit & Supervisory Board Member

4. Notice Regarding Exercise of Voting Rights

- a. If you do not indicate your approval or disapproval, or abstention of each proposal on the voting form, we will assume that you have voted in favor of the proposal.
- b. If you exercise your voting rights more than once via the Internet, the last exercise shall be deemed valid.
- c. If you exercise your voting rights both by voting form and via the Internet, the vote via the Internet shall be deemed valid.
- d. If you are a shareholder who has opted to receive convocation notices by electromagnetic means but you wish to receive the voting form, please contact the Securities Agent Department of Mizuho Trust & Banking Co., Ltd.
- e. If you exercise your voting rights by proxy, you may designate one other shareholder holding voting rights of the Company to attend the meeting. Please note, however, that it is necessary to submit a document proving the authority of proxy.

Notes:

- * You are kindly requested to present the enclosed voting form to the receptionist when you attend the meeting in person. You are also requested to bring this convocation notice to the meeting.
- * Of the documents required to be provided with this convocation notice, the “Notes to the Consolidated Financial Statements” and the “Notes to the Non-consolidated Financial Statements” are posted via the Internet on the Company’s website (<http://www.paris-miki.com/>) pursuant to the provisions of laws and regulations and Article 14 of the Company’s Articles of Incorporation. Accordingly, these items are omitted from the documents herein attached.
- * If any changes have been made to the Reference Documents for the General Meeting of Shareholders, Business Report, Non-consolidated Financial Statements or Consolidated Financial Statements, such changes will be posted via the Internet on the Company’s website (<http://www.paris-miki.com/>).
- * Following the conclusion of the meeting, we ask that you stay and attend a “Meet the Shareholders” event, which will be held at the same place. In addition, we will set up an exhibition and communication space at the venue to give shareholders a better understanding of the PARIS MIKI Group’s products and business activities. We would be grateful if you would visit the exhibition.

Reference Documents for the General Meeting of Shareholders

Proposals and Reference Matters

Proposal 1: Election of Five (5) Directors

The term of office of all eight (8) directors will expire at the conclusion of this General Meeting of Shareholders.

Aiming for the decision making by the Board of Directors to be carried out more expeditiously, the Company has reduced the number of directors by three (3) persons and proposes the election of five (5) directors.

Candidates for director are as follows.

Candidate No.	Name (Date of birth)	Career summary, position, business in charge and important concurrent posts	Number of the Company's shares held
1	Hiroshi Tane (January 23, 1931)	January 1950 Joined Miki Tokeiten Inc. October 1975 President, PARIS MIKI INTERNATIONAL GmbH (to the present) January 2003 Representative Director, Chairman, PARIS MIKI Inc. (Note 9) President and Representative Director, Lunettes Inc. (to the present) June 2003 Representative Director, Chairman, and President, PARIS MIKI Inc. (Note 9) December 2003 President and Representative Director, PARIS MIKI Inc. (Note 9) October 2005 Representative Director, Chairman, PARIS MIKI Inc. (Note 9) April 2007 Deputy Chairperson of the Board of Director, Neurocreative Laboratory, NPO (to the present) June 2007 President and Representative Director, PARIS MIKI Inc. (Note 9) (to the present) February 2009 Chairperson of the Board of Director, Igyoshu Koryu Otomemo Kai, NPO (to the present) June 2015 President and Representative Director, PARIS MIKI Inc. (Note 10)	1,105,332 shares

Candidate No.	Name (Date of birth)	Career summary, position, business in charge and important concurrent posts	Number of the Company's shares held
2	Mikio Tane (November 9, 1959)	<p>April 1984 Joined MIKI OPTICAL Inc.</p> <p>August 1986 Director, MIKI OPTICAL Inc.</p> <p>March 1988 Senior Executive Director, PARIS MIKI Inc. (Note 9)</p> <p>June 1988 President and Representative Director, PARIS MIKI Inc. (Note 9)</p> <p>February 1989 Representative Director, Lunettes Inc.</p> <p>May 1994 Representative Director, Executive Vice President, PARIS MIKI Inc. (Note 9)</p> <p>May 1997 Representative Director, Executive Vice President, Manager, Human Resources, PARIS MIKI Inc. (Note 9)</p> <p>June 1999 Representative Director, Executive Vice President, Manager, Human Resources and Overseas Operations, PARIS MIKI Inc. (Note 9)</p> <p>December 2002 Director, Codomo Limited (to the present)</p> <p>June 2003 Director, PARIS MIKI Inc. (Note 9)</p> <p>June 2005 Representative Director, PARIS MIKI Inc. (Note 9)</p> <p>June 2008 Director, PARIS MIKI Inc. (Note 9)</p> <p>June 2008 Senior Managing Director, Lunettes Inc. (to the present)</p> <p>April 2009 Chief Director, Okuizumo Tane Museum of Natural History (Public Interest Incorporated Foundation) (to the present)</p> <p>July 2009 Representative Director, PARIS MIKI Inc. (Note 10)</p> <p>June 2011 Director, PARIS MIKI HOLDINGS Inc.</p> <p>August 2013 President and Representative Director, Clover Asset Management Inc. (to the present)</p> <p>September 2014 Director, PX Group SA (to the present)</p> <p>June 2015 Representative Director, Executive Vice President, PARIS MIKI HOLDINGS Inc. (to the present)</p>	1,238,284 shares
*3	Masahiro Sawada (February 9, 1957)	<p>April 1980 Joined MIKI OPTICAL Inc.</p> <p>January 2001 Manager, PARIS MIKI AUSTRALIA PTY. LTD.</p> <p>April 2004 Human Resources Chief, PARIS MIKI Inc. (Note 9)</p> <p>November 2004 Executive Officer, Human Resources Chief, PARIS MIKI Inc. (Note 9)</p> <p>September 2005 Product Development Chief, PARIS MIKI Inc. (Note 9)</p> <p>June 2015 Director, PARIS MIKI Inc. (Note 10)</p> <p>February 2016 President and Representative Director, PARIS MIKI Inc. (Note 10) (to the present)</p>	5,507 shares
4	Pierre-Olivier Chave (March 25, 1943)	<p>June 1976 President, PX Précinox SA (to the present)</p> <p>July 1986 President, PX Group SA (to the present)</p> <p>November 1990 Chairman, AIP (Association Industrielle et Patronale, Neuchâtel, Switzerland)</p> <p>June 2003 Chairman, NEODE (Parc Scientifique et Technologique, Neuchâtel, Switzerland)</p> <p>June 2014 Outside Director, PARIS MIKI HOLDINGS Inc. (to the present)</p> <p>July 2015 President, SAV-IOL SA (to the present)</p>	— shares

Candidate No.	Name (Date of birth)	Career summary, position, business in charge and important concurrent posts	Number of the Company's shares held
*5	Akiko Iwamoto (May 27, 1968)	<p>April 1991 Joined First Chicago Corp. (now JPMorgan Chase Bank N.A.)</p> <p>April 2000 Vice President, Bank One Corp. (now JPMorgan Chase Bank N.A.)</p> <p>April 2002 Vice President, Royal Bank of Canada</p> <p>April 2004 Chief Dealer, Aozora Bank, Ltd.</p> <p>February 2009 Representative, OFFICE [W.I.S.H] (to the present)</p> <p>April 2012 Visiting Professor, Faculty of Business Administration, Osaka University of Economics (to the present)</p> <p>June 2015 Outside Audit & Supervisory Board Member, PARIS MIKI HOLDINGS Inc. (to the present)</p>	– shares

- Notes:
1. The asterisk mark (*) indicates a new candidate for director.
 2. Mr. Hiroshi Tane is President and Representative Director of Lunettes Inc. The Company has a business relationship with Lunettes Inc. regarding non-life insurance and real estate leasing, and there is a loan guarantee on borrowing from a financial institution in place between the two companies.
 3. Mr. Pierre-Olivier Chave is President of PX Group SA. The Company holds an 11% share in the issued shares of that company. He is also President of SAV-IOL SA. The Company holds a 19.7% share in the issued shares of that company. Moreover, there are purchase transactions of gold bullion, etc. between PX Précinox SA and the Company's subsidiaries.
 4. There are no special interests between the other candidates for director and the Company.
 5. Mr. Pierre-Olivier Chave and Ms. Akiko Iwamoto are candidates for outside director.
 6. Mr. Pierre-Olivier Chave is nominated as a candidate for outside director as he has deep insight in the field of noble metal manufacturing, which is related to the Group's business, and long-standing experience in international corporate management, and we wish for him to use this in the management of the Company as an outside director. The length of his service as outside director of the Company will be two (2) years at the conclusion of this General Meeting of Shareholders.
 7. Ms. Akiko Iwamoto is nominated as a candidate for outside director as she possesses specialist and broad knowledge relating to international finance and international economics, and we wish for her to use this in the management of the Company as an outside director. Note that although Ms. Akiko Iwamoto has no past experience of involvement in the management of a company in any way other than as an outside officer, we judge that she will appropriately perform her duties as an outside director due to the aforementioned reasons. Ms. Akiko Iwamoto currently serves as outside audit & supervisory board member of the Company, and the length of her service as audit & supervisory board member will be one (1) year at the conclusion of this General Meeting of Shareholders.
 8. The Company and Mr. Pierre-Olivier Chave have entered into an agreement limiting liability. If his reelection is approved, the Company intends to continue the aforesaid agreement, which limits his liability for damages to the higher of 1 million yen or the minimum amount set forth in Paragraph 1, Article 425 of the Companies Act. Also if Ms. Akiko Iwamoto's election is approved, the Company intends to enter into the same agreement with Ms. Akiko Iwamoto.
 9. PARIS MIKI Inc. changed its name to PARIS MIKI HOLDINGS Inc. with its move to a holding company structure on April 1, 2009.
 10. PARIS MIKI Inc. became a subsidiary of PARIS MIKI HOLDINGS Inc. effective from April 1, 2009.

Proposal 2: Election of Two (2) Audit & Supervisory Board Members

The term of office of audit & supervisory board member Mr. Hideo Koshio will expire at the conclusion of this General Meeting of Shareholders. In addition, audit & supervisory board member Ms. Akiko Iwamoto will resign at the conclusion of this General Meeting of Shareholders. Accordingly, the Company proposes the election of two (2) audit & supervisory board members. Note that Mr. Yoshiaki Nishimura is not the substitute for Ms. Akiko Iwamoto, and his term of office will be until the conclusion of the General Meeting of Shareholders for the final fiscal year that ends within the four-year period beginning the time of his election.

This proposal has obtained the consent of the Audit & Supervisory Board.

Candidates for audit & supervisory board member are as follows.

Candidate No.	Name (Date of birth)	Career summary, position and important concurrent posts	Number of the Company's shares held
1	Hideo Koshio (February 19, 1950)	May 1975 Joined MIKI OPTICAL Inc. March 1990 Accounting Chief, PARIS MIKI Inc. (Note 6) October 1995 Finance Chief, PARIS MIKI Inc. (Note 6) August 1996 General Affairs Chief, PARIS MIKI Inc. (Note 6) July 2002 Human Resources Chief, PARIS MIKI Inc. (Note 6) October 2008 Accounting Chief, PARIS MIKI Inc. (Note 6) January 2011 Director, Create three Co., Ltd. September 2011 Audit & Supervisory Board Member, Lunettes Inc. June 2012 Audit & Supervisory Board Member, PARIS MIKI HOLDINGS Inc. (to the present) June 2012 Audit & Supervisory Board Member, PARIS MIKI Inc. (to the present)	3,577 shares
*2	Yoshiaki Nishimura (December 29, 1966)	September 1993 Joined Ota Showa Ernst & Young (now Ernst & Young Tax Co.) November 1996 Registered as Certified Tax Accountant (to the present) April 1997 Seconded to The Fuji Bank, Limited (now Mizuho Bank, Ltd.) April 2002 Senior Manager, KPMG Peat Marwick (now KPMG Tax Corporation) December 2003 Representative Director, United Partners Inc. (to the present) December 2003 Director, Yoshiaki Nishimura Certified Public Tax Accountant Office (to the present) July 2011 Audit & Supervisory Board Member, Lunettes Inc. (to the present)	— shares

- Notes: 1. The asterisk mark (*) indicates a new candidate for audit & supervisory board member.
 2. There are no special interests between the candidates and the Company.
 3. Mr. Yoshiaki Nishimura is a candidate for outside audit & supervisory board member.
 4. Mr. Yoshiaki Nishimura is nominated as a candidate for outside audit & supervisory board member as he has specialist knowledge and experience as a tax accountant, and we wish for him to use this in the Company's audits as an outside audit & supervisory board member.
 5. The Company and Mr. Hideo Koshio have entered into an agreement limiting liability. If his reelection is approved, the Company intends to continue the aforesaid agreement, which limits his liability for damages to the higher of 1 million yen or the minimum amount set forth in Paragraph 1, Article 425 of the Companies Act. Also if Mr. Yoshiaki Nishimura's election is approved, the Company intends to enter into the same agreement with Mr. Yoshiaki Nishimura.
 6. PARIS MIKI Inc. changed its name to PARIS MIKI HOLDINGS Inc. with its move to a holding company structure on April 1, 2009.

Proposal 3: Payment of Retirement Benefits to Retiring Directors and a Retiring Audit & Supervisory Board Member

It is proposed that retirement benefits be granted to Messrs. Junichi Kaga, Fumihiko Nakao, Mafumi Tanada, Tetsuro Nakatsuka and Ms. Tomoko Aramaki, who will retire from the positions of director at the conclusion of this General Meeting of Shareholders due to the expiration of their term of office, and to Ms. Akiko Iwamoto, who is resigning from the position of audit & supervisory board member at the conclusion of this General Meeting of Shareholders, in appreciation of their service during their terms of office, within a reasonable amount based upon certain standards stipulated by the Company.

It is also proposed that such matters as the actual amounts, the timing and method be determined by the Board of Directors for the retiring directors and by the deliberation of the audit & supervisory board members for the retiring audit & supervisory board member.

Career summaries of retiring directors and audit & supervisory board member are as follows.

Name	Career summary	
Junichi Kaga	June 2007	Director, PARIS MIKI Inc. (Note)
	June 2009	Representative Director, Executive Vice President, PARIS MIKI HOLDINGS Inc.
	June 2015	Executive Vice President and Director, PARIS MIKI HOLDINGS Inc. (to the present)
Fumihiko Nakao	June 2007	Director, PARIS MIKI Inc. (Note)
	June 2015	Senior Managing Director, PARIS MIKI HOLDINGS Inc. (to the present)
Mafumi Tanada	June 2010	Director, PARIS MIKI HOLDINGS Inc.
	June 2015	Senior Managing Director, PARIS MIKI HOLDINGS Inc. (to the present)
Tetsuro Nakatsuka	June 2011	Director, PARIS MIKI HOLDINGS Inc.
	June 2015	Managing Director, Manager, Finance, PARIS MIKI HOLDINGS Inc. (to the present)
Tomoko Aramaki	June 2015	Director, Manager, IR, PARIS MIKI HOLDINGS Inc. (to the present)
Akiko Iwamoto	June 2015	Outside Audit & Supervisory Board Member, PARIS MIKI HOLDINGS Inc. (to the present)

Note: PARIS MIKI Inc. changed its name to PARIS MIKI HOLDINGS Inc. with its move to a holding company structure on April 1, 2009.

(Attached Documents)

Business Report

(From April 1, 2015 to March 31, 2016)

1. Current status of the Group

(1) Business operations during the fiscal year under review

i) Progress and results of business

In the fiscal year under review, the Japanese economy maintained its recovery trend; however, personal consumption continued to lack vigor, and the situation fell short of a recovery in business sentiment.

In this environment, the Group worked to respond to the various demands and concerns of customers, not only through product development in its existing business of eyewear, but also by continuing efforts focused on the development of new businesses that can contribute to fuller lives for customers. These include offering new propositions for the senior citizen market, in which latent demand for products such as hearing aids is anticipated, and expanding and enhancing the Group's range of health and beauty products.

At PARIS MIKI Inc., which is the Company's major subsidiary, the overall level of sales did not rise, with results falling below expectations after forecasting a year-on-year increase at existing stores due to a fallback in demand in the previous fiscal year following a consumption tax increase.

In its store strategy, the Company continued to reorganize unprofitable stores by closing and merging them, and continued to make store improvements such as developing new concepts incorporating an entertainment element. The Company opened 12 new stores inside Japan and closed 36 stores.

At its overseas subsidiaries, in the Southeast Asian regions performance was comparatively firm and profits were secured. However, although the Company's Chinese subsidiaries continued to adjust unprofitable stores, as a result of the lack of growth in China's internal economy, soaring personnel expenses, etc., the Company's Chinese subsidiaries continued to face an adverse environment. The South Korean subsidiary also continued to face the same adverse environment. The London subsidiary saw operating income/loss deteriorate due to an increase in store relocation costs. Overall, overseas subsidiaries totals resulted in a decline in sales and income.

At the Vietnamese subsidiary, a new overseas challenge, the Company has provided steadfast community support and is now in a state to produce steady results. In Vietnam, development has proceeded at a surprising pace; however, ophthalmology has yet to reach there, leaving many patients untreated.

As a result of the above, in the fiscal year under review, net sales were 53,727 million yen, down 1.1% year on year, operating income was 269 million yen, up 53.3%, ordinary income was 174 million yen, down 72.6%, and loss attributable to owners of parent was 601 million yen (net income of 198 million yen in the previous fiscal year).

ii) Capital investment

Capital investment by the Group in the fiscal year under review was 1,028 million yen.

At the Group during the fiscal year under review, the number of stores opened, the number of main store renovations and the number of stores closed are as follows.

[Domestic retail business]

Region	Number of stores opened	Number of stores renovated	Number of stores closed
Hokkaido and Tohoku	1	3	2 [1]
Kanto	7	11	11
Chubu	–	5	3
Kinki	3 [1]	4	9 [1]
Chugoku	–	1	5
Shikoku	–	2	1
Kyushu and Okinawa	1 [1]	6	5 [1]
Total	12 [2]	32	36 [3]

(Notes) 1. Figures in square brackets [] indicate the numbers of franchise stores within the numbers outside the brackets.

2. In addition to the above, there are 23 mobile stores operated with vehicles (Courier).

[Overseas retail business]

Region	Number of stores opened	Number of stores renovated	Number of stores closed
Europe	–	1	–
Asia	3	12	22
Oceania	–	1	1
U.S.	–	–	–
Total	3	14	23

iii) Funding

With the purpose of ensuring flexibility and stability in its procurement of funds, the Group has entered into a global commitment line contract with one of the banks with which it does business. It has also entered into commitment line contracts with five banks with which it does business. The total amount of funding commitment pertaining to the Company and its consolidated subsidiaries based on these contracts is 12,600 million yen, and the used commitment as of the end of the fiscal year under review was 5,426 million yen.

iv) Restructuring actions such as business transfer, merger, etc.

Not applicable.

(2) Assets and operating results in and at the end of the fiscal year under review and three preceding fiscal years

i) Assets and operating results of the Group

Category	65th fiscal term ended March 31, 2013	66th fiscal term ended March 31, 2014	67th fiscal term ended March 31, 2015	68th fiscal term ended March 31, 2016 (fiscal year under review)
Net sales (Millions of yen)	55,419	56,903	54,342	53,727
Ordinary income (Millions of yen)	1,066	1,035	635	174
Profit (loss) attributable to owners of parent (Millions of yen)	103	419	198	(601)
Earnings (loss) per share (Yen)	2.02	8.14	3.85	(11.69)
Total assets (Millions of yen)	52,079	53,788	53,187	51,067
Net assets (Millions of yen)	39,834	40,003	39,673	37,811
Net assets per share (Yen)	768.61	770.91	763.66	728.77

ii) Assets and operating results of the Company

Category	65th fiscal term ended March 31, 2013	66th fiscal term ended March 31, 2014	67th fiscal term ended March 31, 2015	68th fiscal term ended March 31, 2016 (fiscal year under review)
Net sales (Millions of yen)	438	525	619	667
Operating revenue (Millions of yen)	629	1,019	1,353	1,285
Ordinary income (loss) (Millions of yen)	(42)	181	415	(68)
Profit (loss) (Millions of yen)	(377)	79	23	(325)
Earnings (loss) per share (Yen)	(7.33)	1.53	0.45	(6.32)
Total assets (Millions of yen)	42,379	41,750	40,746	39,732
Net assets (Millions of yen)	37,862	37,144	36,239	34,942
Net assets per share (Yen)	735.40	721.47	703.65	678.03

(Notes to i) and ii) above)

- Earnings (loss) per share is calculated using the average number of issued shares during the period (excluding the average number of treasury shares during the period).
- Net assets per share is calculated using the number of issued shares at the end of the period (excluding the number of treasury shares at the end of the period).

(3) Important parent company and subsidiaries

i) Parent company

Not applicable.

ii) Important subsidiaries

Company name	Capital stock	Voting rights held by the Company	Major business
PARIS MIKI Inc.	¥100 million	100.0%	Eyewear retail
KIMPO-DO Co. Ltd.	¥100 million	100.0%	Eyewear retail
GREAT Inc.	¥100 million	100.0%	General construction, interior finishing, store development and management
Create three Co., Ltd.	¥100 million	100.0%	Eyewear frame manufacturing
PARIS MIKI S.A.R.L.	€1,000 thousand	100.0%	Eyewear retail in France
OPTIQUE PARIS-MIKI(S) PTE. LTD.	S\$190 thousand	73.7%	Eyewear retail in Singapore
PARIS-MIKI INTERNATIONAL GmbH	€1,907 thousand	100.0%	Eyewear retail in Germany
PARIS-MIKI LONDON LTD.	£1,480 thousand	100.0%	Eyewear retail in the U.K.
PARIS MIKI AUSTRALIA PTY. LTD.	A\$27,786 thousand	100.0%	Eyewear retail in Australia
MIKI, INC.	US\$1,800 thousand	100.0%	Eyewear retail in the USA (Hawaii)
PARIS MIKI OPTICAL INTERNATIONAL LTD.	HK\$5,300 thousand	100.0%	Eyewear retail in China (Hong Kong)
OPTIQUE PARIS MIKI (M) SDN BHD	M\$1,000 thousand	100.0%	Eyewear retail in Malaysia
Paris Miki Optical (China) Co., Ltd.	RMB 56,898 thousand	100.0%	Eyewear lens manufacturing and eyewear retail in China
PARIS MIKI OPTICAL TAIWAN CO., LTD.	NT\$29,800 thousand	100.0%	Eyewear retail in Taiwan
PARIS MIKI OPTICAL (THAILAND) CO., LTD.	B10,000 thousand	100.0%	Eyewear retail in Thailand
DIANE OPTICAL INC.	₩1,050 million	76.4%	Eyewear wholesale in South Korea
Shanghai Paris Miki Optical Co., Ltd.	RMB 520 thousand	(Note 1) 100.0%	Eyewear retail in China
HATTORI & DREAM PARTNERS LTD.	US\$1,000 thousand	82.0%	Medical-related business in Vietnam

(Notes) 1. The voting rights held by Paris Miki Optical (China) Co., Ltd., which is a subsidiary of the Company, are shown.
2. The Company has 23 consolidated subsidiaries including the 18 shown above.

iii) Matters relating to specified wholly owned subsidiaries

Company name	Address	Total book value	Total assets of the Company
PARIS MIKI Inc.	1-7-7 Ginza, Chuo-ku, Tokyo	¥24,186 million	¥39,732 million

iv) Important other affiliated company

Company name	Capital stock	Voting rights in the Company held	Major business
Lunettes Inc.	¥100 million	29.6%	Health beverage sale and non-life insurance agency

(4) Issues to be addressed

The Company aims to more fully understand the perspectives of customers and become a corporate group able to propose full lifestyles to customers while also developing new businesses. Irrespective of the Company's way of thinking up to now, which has been centered on eyewear retail, the Company intends to make use of the experience and vision it has developed as an eyewear store business in order to venture into new fields and shape businesses in these fields.

At PARIS MIKI Inc., we intend to continue on from the previous fiscal year with reviews of unprofitable stores, and strengthen its structure in order to establish deeper relationships between each of its stores and their customers. Furthermore, in order to accommodate different types of regions and customers, we are implementing measures by store segments with different product lineups and sales methods, and we intend to clarify individual measures for each of these segments going forward. With respect to new store openings, we will focus on areas where there is a market for our products supported by a strong population, such as government ordinance-designated cities, but where the number of stores is still few. We expect to open 20 stores in total, mainly in shopping centers and street-side stores in places heavy foot traffic. We also plan to close 20 stores, mainly unprofitable ones.

With regard to products, we will focus on needs by objective, and promote new product development to meet these needs. We will focus our efforts on developing and proposing comfortable and highly functional lenses for the market in Japan's long-lived and aged society, and aggressively make proposals to tap the latent demand for hearing aids, which have not penetrated the market fully despite the large number of people who have limited hearing capability.

At KIMPO-DO Co. Ltd., we intend to grow our business results not only by taking action in response to underlying demand that requires high-quality services but also by focusing efforts on store renovation and training.

In the overseas retail business, we intend to push ahead with adjustments of unprofitable stores in regions where the business environment remains difficult, and we are considering aggressive development in regions where business is firm and new regions.

The Company faces a broad array of issues to be addressed, while problems associated with responding to the long-lived and aged society and turbulence such as global economic crises and disputes are also anticipated in the future. In spite of these challenges, we maintain our stance of being prepared for earthquakes and natural disasters and we continue to be a company that considers how it may help those who face great difficulties. Furthermore, we believe that we can become a company that is accepted around the world by continuing our stance of constantly seeking to understand the perspectives of customers.

We intend to firmly maintain our order of priorities, which is as follows: "firstly for our customers and their future," "secondly for our employees and their future," and "thirdly for our company and its future." In this way, we intend to handle the issues we face while maintaining a more essential, long-term and objective perspective.

We ask our shareholders for their continuing support.

(5) Major business (as of March 31, 2016)

The Group is composed of the Company and 23 consolidated subsidiaries, 14 non-consolidated subsidiaries, two associates and one other affiliated company. The Group's major business is eyewear retail and it is engaged in business in Japan and overseas.

(6) Major offices (as of March 31, 2016)

[Head office] 1-7-7 Ginza, Chuo-ku, Tokyo

[Headquarters] 4-1-8 Konan, Minato-ku, Tokyo

[Domestic retail business]

Region	Number of stores	Region	Number of stores
Hokkaido and Tohoku	55 [8]	Chugoku	97 [30]
Kanto	214 [20]	Shikoku	48 [11]
Chubu	121 [5]	Kyushu and Okinawa	62 [10]
Kinki	225 [31]	Total	822 [115]

- (Notes) 1. Figures in square brackets [] indicate the numbers of franchise stores within the numbers outside the brackets.
2. Numbers of stores include numbers of KIMPO-DO Co. Ltd. stores.
3. The number of Kanto stores includes one restaurant that serves light meals.
4. The number of Kinki stores includes one restaurant that serves light meals.
5. In addition to the above, there are 23 mobile stores operated with vehicles (Courier).

[Overseas retail business]

Region	Number of stores	Region	Number of stores
Europe	3	Oceania	7
Asia	155	U.S.	6
		Total	171

[Eyewear manufacturing business]

Create three Co., Ltd.	Headquarters	Sabae-shi, Fukui
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(7) Employees (as of March 31, 2016)

i) Employees of the Group

Number of employees	Change from the end of the previous fiscal year
3,227	-132

- (Note) The number of employees includes 87 employees seconded to outside the Group.
The above does not include 1,391 contract workers (part-timers) (converted into eight hours a day) and others.

ii) Employees of the Company

Number of employees	Change from the end of the previous fiscal year	Average age	Average service years
60	+3	43.0 years old	19.6 years

- (Note) The number of employees includes 21 employees seconded to outside the Company.
The above does not include eight contract workers (part-timers) (converted into eight hours a day) and others.

(8) Major lenders (as of March 31, 2016)

Lender	Borrowings outstanding
Sumitomo Mitsui Banking Corporation	¥6,729 million

(Note) With the purpose of ensuring flexibility and stability in its procurement of funds, the Group has entered into a global commitment line contract with one of the banks with which it does business. It has also entered into commitment line contracts with five banks with which it does business. The total amount of funding commitment pertaining to the Company and its consolidated subsidiaries based on these contracts is 12,600 million yen, and the used commitment as of the end of the fiscal year under review was 5,426 million yen.

(9) Other important matters concerning current status of the Group

There are no important matters to be reported.

2. Current status of the Company

(1) Shares of the Company (as of March 31, 2016)

- i) Total number of authorized shares 223,000,000 shares
- ii) Total number of issued shares 56,057,474 shares
- iii) Number of shareholders 11,933
- iv) Major shareholders (Top 10 shareholders)

Shareholder name	Interest in the Company	
	Number of shares held (Thousands of shares)	Percentage of shares held (%)
Lunettes Inc.	15,194	29.51
Codomo Limited	5,670	11.01
HAL INTERNATIONAL INVESTMENTS N.V.	4,075	7.92
PARIS MIKI Employee Shareholding Association	2,356	4.58
Mikio Tane	1,238	2.41
CA INDOSUEZ (SWITZERLAND) SA	1,211	2.35
Hiroshi Tane	1,105	2.15
Japan Trustee Services Bank, Ltd. (Trust Account)	968	1.88
SMBC Trust Bank Ltd., Designated Securities Trust	831	1.62
Nobuhiko Tane	777	1.51

(Note) Percentages of shares held are calculated with treasury shares (4,574,276 shares) excluded.

(2) Share options

Share options, delivered as consideration for performance of duties, held by directors and audit & supervisory board members of the Company as of the end of the fiscal year under review

	4th series share options	
Date of resolution for issuance	September 1, 2014	
Number of share options	5,450	
Type and number of shares to be delivered upon exercise of share options	Common stock 545,000 shares (100 shares per share option)	
Payment amount for share options	Payment for share options shall not be required.	
Amount to be paid when share options are exercised	¥50,800 per share option (¥508 per share)	
Exercise period	From September 2, 2016 to September 1, 2024	
Exercise conditions	<ol style="list-style-type: none"> 1. Holders of the share options are required to satisfy the condition of serving as a director, audit & supervisory board member or employee of the Company or its affiliated companies, even at the time of exercising the share options; providing that this requirement does not apply in the case of retirement of a director or audit & supervisory board member of the Company or its affiliated companies due to the expiry of term of office, or in the case of retirement at mandatory retirement age or other justifiable grounds. 2. Exercise of these share options by heirs to the holders of the share options is not permitted. 3. Exercise of these share options is not possible if the said exercise of these share options would cause the total number of issued shares of the Company to exceed the number of authorized shares at the relevant timing. 4. Exercise of less than a whole unit of these share options is not possible. 	
Holdings of directors and audit & supervisory board members	Directors (excluding outside directors)	Number of holders: 7 Number of share options held: 3,500 Number of shares to be delivered upon exercise of share options: 350,000
	Outside directors	Number of holders: 1 Number of share options held: 200 Number of shares to be delivered upon exercise of share options: 20,000
	Audit & supervisory board members	Number of holders: 2 Number of share options held: 400 Number of shares to be delivered upon exercise of share options: 40,000

(Note) Within the above, the share options held by one director (excluding outside directors) were granted at the time when they were issued while the director held the position of an audit & supervisory board member of the Company.

(3) Officers of the Company

i) Directors and audit & supervisory board members (as of March 31, 2016)

Name	Position	Business in charge and important concurrent posts
Hiroshi Tane	President and Representative Director	President and Representative Director, Lunettes Inc. President, PARIS MIKI INTERNATIONAL GmbH
Mikio Tane	Representative Director, Executive Vice President	Director, Codomo Limited President and Representative Director, Clover Asset Management Inc. Chief Director, Okuizumo Tane Museum of Natural History (Public Interest Incorporated Foundation)
Junichi Kaga	Executive Vice President and Director	President, Paris Miki Optical (China) Co., Ltd.
Fumihiko Nakao	Senior Managing Director	
Mafumi Tanada	Senior Managing Director	President, Shanghai Paris Miki Optical Co., Ltd. President, Shanghai Paris Miki Trading Co., Ltd.
Tetsuro Nakatsuka	Managing Director	Manager, Finance Finance Chief, PARIS MIKI Inc. Audit & Supervisory Board Member, KIMPO-DO Co. Ltd. Audit & Supervisory Board Member, GREAT Inc. Audit & Supervisory Board Member, Create three Co., Ltd.
Tomoko Aramaki	Director	Manager, IR Director, Aramaki CPA Office Outside Audit & Supervisory Board Member, SACOS CORPORATION
Pierre-Olivier Chave	Director	President, PX Group SA President, PX Précinox SA President, SAV-IOL SA
Hideo Koshio	Standing Audit & Supervisory Board Member	Audit & Supervisory Board Member, PARIS MIKI Inc.
Koji Matsumoto	Standing Audit & Supervisory Board Member	
Kotaro Yamamoto	Audit & Supervisory Board Member	Managing Partner, Yamamoto & Shibasaki Law Offices
Akiko Iwamoto	Audit & Supervisory Board Member	Visiting Professor, Faculty of Business Administration, Osaka University of Economics

- (Notes)
1. Director Hiroshi Tane is President and Representative Director of Lunettes Inc. The Company has a business relationship with Lunettes Inc. regarding non-life insurance and real estate leasing, and there is a loan guarantee on borrowing from a financial institution in place between the two companies.
 2. Director Pierre-Olivier Chave is an outside director.
 3. Audit & supervisory board members Kotaro Yamamoto and Akiko Iwamoto are outside audit & supervisory board members.
 4. The Company has notified all of outside directors and outside audit & supervisory board members as independent officers to the Tokyo Stock Exchange.
 5. Audit & supervisory board member Hideo Koshio has engaged for many years in financial reporting procedures and financial statement presentation as the responsible person of the Company's finance and accounting departments, and has considerable expertise in finance and accounting.

ii) Directors and audit & supervisory board members retired during the fiscal year

Name	Date of retirement	Reason for retirement	Position, business in charge and important concurrent posts at the time of retirement
Jiro Nagata	June 23, 2015	Term of office expired	Representative Director, Executive Vice President President and Representative Director, KIMPO-DO Co. Ltd. President and Representative Director, Create three Co., Ltd.
Seiji Kano	June 23, 2015	Term of office expired	Director Director, Create three Co., Ltd.
Satoru Nino	June 23, 2015	Term of office expired	Outside Director President, ESMOD International Representative, ESMOD Japan Tokyo
Tomoko Aramaki	June 23, 2015	Resigned	Outside Audit & Supervisory Board Member Director, Aramaki CPA Office

iii) Overview of agreements limiting liability

The Company has entered into agreements with outside directors and each of audit & supervisory board members pursuant to the provisions of Paragraph 1, Article 427 of the Companies Act to limit their liability for damages as provided for in Paragraph 1, Article 423 of the Companies Act. The maximum amount of liability for damages under these agreements is either 1 million yen or the amount stipulated in laws and regulations, whichever is higher.

iv) Amount of remuneration, etc. for directors and audit & supervisory board members

Total amount of remuneration, etc. for the fiscal year under review

Category	Number of payees	Amount paid
Directors [of which, outside directors]	11 [2]	¥132 million [17]
Audit & supervisory board members [of which, outside audit & supervisory board members]	5 [3]	¥24 million [13]
Total [of which, outside directors and outside audit & supervisory board members]	16 [5]	¥156 million [31]

- (Notes)
- At the end of the fiscal year under review, the number of directors is eight (including one outside director) and the number of audit & supervisory board members is four (including two outside audit & supervisory board members).
 - It was resolved at the Ordinary General Meeting of Shareholders held on May 25, 1987 that an annual remuneration amount for directors shall be 900 million yen or less (excluding, however, employee salary portion). In addition, outside the framework of this remuneration, it was resolved at the 66th Ordinary General Meeting of Shareholders held on June 24, 2014 that an annual amount of remuneration as stock options for directors shall be 50 million yen or less (including 5 million yen for outside directors).
 - It was resolved at the Ordinary General Meeting of Shareholders held on May 25, 1987 that an annual remuneration amount for audit & supervisory board members shall be 90 million yen or less. In addition, outside the framework of this remuneration, it was resolved at the 66th Ordinary General Meeting of Shareholders held on June 24, 2014 that an annual amount of remuneration as stock options for audit & supervisory board members shall be 10 million yen or less (including 5 million yen for outside audit & supervisory board members).
 - The above total amounts of remuneration, etc. include the following items:
 - Provision for officers' retirement benefits in the fiscal year under review

11 directors	¥10 million
[of which, 2 outside directors]	¥1 million
5 audit & supervisory board members	¥1 million
[of which, 3 outside audit & supervisory board members]	¥0 million

- Expenses recorded in the fiscal year under review pertaining to share options allotted as remuneration as stock options

10 directors	¥19 million
[of which, 2 outside directors	¥1 million]
3 audit & supervisory board members	¥2 million
[of which, 2 outside audit & supervisory board members	¥1 million]

5. Other than the above, officers' retirement benefits for retiring directors and audit & supervisory board members to be resolved at the 68th Ordinary General Meeting of Shareholders to be held on June 27, 2016, are as follows. The amounts include provision for officers' retirement benefits that was stated in the Business Report until the fiscal year under review, consisting of a portion of 37 million yen for directors and a portion of 0 million yen for audit & supervisory board members (including 0 million yen for outside audit & supervisory board members).

5 directors	¥46 million
1 audit & supervisory board member	¥0 million
[of which, 1 outside audit & supervisory board member	¥0 million]

v) Matters concerning outside officers

- 1) Concurrent positions at other corporations, etc. and relationships between the Company and the said other corporations, etc.

	Concurrent positions and others
Director Pierre-Olivier Chave	President, PX Group SA President, PX Précinox SA President, SAV-IOL SA
Audit & Supervisory Board Member Kotaro Yamamoto	Managing Partner, Yamamoto & Shibasaki Law Offices
Audit & Supervisory Board Member Akiko Iwamoto	Visiting Professor, Faculty of Business Administration, Osaka University of Economics

(Note) PX Précinox SA and the Company's subsidiaries have purchase transactions of gold bullion, etc. Moreover, the Company has a business relationship with Yamamoto & Shibasaki Law Offices for lawyer's fees associated with legal consultations. There are no significant relationships between the Company and the other corporations, etc. at which the other outside officers serve in concurrent positions.

2) Major activities in the fiscal year under review

	Major activities
Director Pierre-Olivier Chave	Attended 10 of the 11 meetings of the Board of Directors held during the fiscal year under review, and proactively made statements and provided opinions at the meetings based on his global outlook and his many years of experience in international corporate management, and his expert perspective on the field of noble metal manufacturing.
Audit & Supervisory Board Member Kotaro Yamamoto	Attended all 11 meetings of the Board of Directors and all 10 meetings of the Audit & Supervisory Board held during the fiscal year under review, and asked questions and made statements at the meetings mainly from his legal perspective as a legal expert.
Audit & Supervisory Board Member Akiko Iwamoto	Attended eight of the nine meetings of the Board of Directors held and seven of the eight meetings of the Audit & Supervisory Board held during the fiscal year under review following her assumption of office on June 23, 2015, and asked questions and made statements at the meetings mainly from her specialist and broad knowledge relating to international finance and international economics.

(4) Accounting auditor

- i) Name Ernst & Young ShinNihon LLC
- ii) Amount of remuneration, etc.

	Amount paid
Amount of remuneration, etc. for the accounting auditor for the fiscal year under review	¥49 million
Total amount of monies or other economic benefits to be paid to the accounting auditor by the Company and its subsidiaries	49

- (Notes) 1. The audit agreement entered into by the Company and the accounting auditor does not clearly distinguish between the amount of remuneration, etc., for auditing based on the Companies Act and auditing based on the Financial Instruments and Exchange Act, and the two amounts cannot be practically distinguished from each other. Therefore, the amount of remuneration, etc. for the accounting auditor for the fiscal year under review presented is the total of these two kinds of amounts.
2. The Audit & Supervisory Board has judged that the amount of remuneration, etc. for the accounting auditor is appropriate, having made the necessary verification of the audit plan contents of the accounting auditor, the status of execution of duties relating to the accounting audit, and the appropriateness of the grounds for calculation of the remuneration estimate.

iii) Policy on determination of dismissal or non-reappointment of the accounting auditor

The Audit & Supervisory Board will decide on details of proposals related to the dismissal or non-reappointment of the accounting auditor to be submitted to a general meeting of shareholders, if it deems it necessary to do so, such as in cases in which performance of duties by the accounting auditor is hindered.

Also, the Audit & Supervisory Board will dismiss the accounting auditor if it judges that any of the items stipulated in Paragraph 1, Article 340 of the Companies Act is applicable to the accounting auditor, based on the consent of all audit & supervisory board members. In this case, an audit & supervisory board member appointed by the Audit & Supervisory Board will report the fact of dismissal and the reasons thereof at the first general meeting of shareholders convened after the dismissal.

iv) Overview of agreement limiting liability

The Company has entered into an agreement with the accounting auditor Ernst & Young ShinNihon LLC pursuant to the provisions of Paragraph 1, Article 427 of the Companies Act to limit its liability for damages as provided for in Paragraph 1, Article 423 of the Companies Act. The maximum amount of liability for damages under this agreement is either 50 million yen or the amount stipulated in laws and regulations, whichever is higher.

v) Business suspension order to which the accounting auditor was subject during past two years

Overview of business suspension order announced by the Financial Services Agency on December 22, 2015

1) Subject of administrative order

Ernst & Young ShinNihon LLC

2) Content of administrative order

Three-month suspension from accepting new engagements

(January 1, 2016 to March 31, 2016)

3) Reason for administrative order

- In regard to the audit of financial documents for a company other than the Company, the above-mentioned audit corporation's certified public accountants had, in negligence of due

care, attested that the financial statements contained no material misstatement, when in fact the statements contained material misstatement.

- The audit corporation's operation of services was found to be grossly inappropriate.

(5) System to ensure the properness of operations

Below is a summary of matters decided in relation to the system for ensuring compliance of directors' execution of duties with laws and regulations and the Articles of Incorporation, and other systems for ensuring properness of operations of the Company.

- i) System for ensuring that directors' and employees' execution of duties complies with laws and regulations and the Articles of Incorporation
 - 1) At the Company, the representative director shall make thorough efforts to establish ideal future character-formation in the first place, including legal and social ethical compliance, as the basis of the Company's business activities. With that intention in mind, the representative director shall be determined to disseminate and pass on throughout the Group a spirit consistent with the fundamentals of the Company's corporate philosophy and credo.
 - 2) The representative director shall appoint a director responsible for compliance and establish a Compliance Committee to ensure that all directors and employees of the Company and its subsidiaries observe laws and regulations as well as the Articles of Incorporation. The representative director shall also formulate the basic policy on compliance and a code of conduct, as well as establishing a reporting system for use in cases where a director or employee of the Company or its subsidiaries detects any act violating laws and regulations or the Articles of Incorporation.
 - 3) A system shall be set up so that the details of any significant compliance-related event that occurs, and proposed measures for dealing with it, shall be reported via the director responsible for compliance to the Board of Directors and the audit & supervisory board members.
 - 4) The representative director shall manage and supervise implementation of compliance in coordination with internal control departments based on the basic policy on compliance. The Compliance Committee shall establish appropriate training programs for employees and an internal reporting consultation desk (Miki Hotline).
 - 5) The Company shall stipulate in its code of conduct with regard to elimination of influence from antisocial forces as follows: "take a resolute attitude against antisocial activities or forces, and have nothing to do with them," and take companywide measures to deal with this issue.
- ii) System for storage and management of information relating to the directors' execution of duties

With regard to handling of information and documents relating to the directors' execution of duties, appropriate storage and management shall be implemented in accordance with the internal regulations, "Regulations on Document Management" and "Regulations on Information Management and Confidentiality," and the status of implementation shall be examined and the internal regulations revised and so forth, as necessary.
- iii) System for ensuring the appropriateness of financial reporting

The Company shall promote transparency and fairness in its information disclosure by deciding accounting standards common to Group companies to integrate accounting treatment methods among them, in accordance with the Regulations on Accounting and the Regulations on Settlement of Consolidated Accounts in order to ensure the appropriateness of the financial statements and information that could have a material impact on the financial statements.
- iv) Regulations and other systems for managing risk of loss
 - 1) To promote internal control, the representative director shall appoint a director responsible for risk management and establish a Risk Management Committee. The representative director

shall also establish the Regulations on Risk Management, taking into account the various perspectives of customers, employees, and the future of the enterprise, and create and implement a risk management system.

- 2) Each department shall develop an early warning sign response system based on the Regulations on Risk Management, and conduct individual risk management, making regular status reports to the Risk Management Committee and maintaining cooperation.
 - 3) In cases where a serious emergency occurs, a response headquarters shall be established under the representative director to respond swiftly and establish a system for preventing damage from spreading.
 - 4) Internal control departments shall conduct audits based on the Regulations on Risk Management and the manual for each risk category.
- v) System for ensuring that directors' execution of duties is conducted efficiently
- 1) With regard to management plans, the Company shall work to achieve targets in fiscal year plans and medium-term management plans based on the corporate philosophy. Also, under the early warning sign response system, the Company shall conduct regular inspections to check on whether progress is in line with initial plans through operating results reports.
 - 2) With regard to the directors' execution of duties, all the matters shall be placed on the agenda of a meeting of the Board of Directors if the matter is an item stipulated as such by the Rules of the Board of Directors or if the matter is one of the items in the criteria stipulating items to be placed on the agenda of a meeting of the Board of Directors.
 - 3) With regard to performance of day-to-day duties, authority, responsibilities, and demonstration of creativity shall be set forth in contracts based on the Regulations on Allocation of Duties, and each responsible person shall perform their work in line with the standard of authority for their duties.
- vi) System for ensuring properness of operations within the Group
- 1) The Company shall emphasize the autonomy of each of its subsidiaries with respect to business management, as well as the Group's strategies, corporate philosophy and credo, and shall require regular reports from subsidiaries regarding their business details, status of execution of operations, financial position, and other matters, based on the Regulations on Management of Subsidiaries and Associates, as well as holding deliberations prior to major projects, in order to ensure a system for efficiently carrying out the execution of duties by directors, etc. of subsidiaries and a system for managing the risk of loss at subsidiaries.
 - 2) The Regulations on Risk Management shall be deemed as risk management provisions common to the whole Group, and the Company and its subsidiaries shall coordinate with one another to carry out risk management for the entire Group.
 - 3) A compliance officer shall be appointed at each Group company, and a basic policy on compliance shall be formulated and implemented for the whole Group.
- vii) System for assisting the duties of the audit & supervisory board members
- 1) Staffers assisting audit & supervisory board members may be assigned if audit & supervisory board members require them.
 - 2) Appointments and personnel changes of the staffers assisting the duties of the audit & supervisory board members shall require prior consent of the Audit & Supervisory Board.
 - 3) Personnel evaluation of the staffers assisting audit & supervisory board members shall be conducted by the standing audit & supervisory board members.
 - 4) The directors and employees shall cooperate to prepare an auditing environment that enables the staffers assisting the audit & supervisory board members to carry out their duties smoothly.

viii) System for reporting to audit & supervisor board members, other systems relating to reporting to audit & supervisory board members, and system for ensuring effective performance of audits by audit & supervisory board members

- 1) The directors and employees of the Company and its subsidiaries, and people who have received reports from them, shall report to the audit & supervisory board members on important matters having an impact on operations of business or operating results. Moreover, they shall report promptly to the audit & supervisory board members on the facts of violations of laws and regulations and the Articles of Incorporation as well as fraudulent practices in regard to the execution of duties, as well as reporting any situations that could cause significant damage to the companies. Furthermore, the audit & supervisory board members may require the directors and employees of the Company and its subsidiaries to report on matters related to their execution of business as necessary.
- 2) It is prohibited to offer disadvantageous treatment to the person making a report to the audit & supervisory board members as described above because of making the report.
- 3) The audit & supervisory board members shall exchange information with the accounting auditor, internal control departments, and each Group company's audit & supervisory board members, holding regular meetings and working together to ensure the effectiveness of audits at the Company and each Group company.
- 4) When audit & supervisory board members request pre-payment and so forth of expenses arising in relation to the execution of their duties, the Company shall promptly process the expenses or obligations, unless they are recognized as being unnecessary to the audit & supervisory board members' execution of duties.

(6) Overview of the operational status of the system to ensure properness of operations

The Group has undertaken the following specific measures with regard to its internal control system.

i) Directors' execution of duties

The Board of Directors comprises eight directors including one outside director who attend the Board of Directors meetings once a month in principle. The Board of Directors met 11 times during the fiscal year under review.

The Board of Directors makes decisions on important matters of management and supervises the execution of operations by each director. The Company's Board of Directors meetings are attended by directors from each Group company who report on the status of management and operational execution, thereby enabling control over the appropriate operational execution of subsidiaries.

ii) Audit & supervisory board members' execution of duties

The four audit & supervisory board members, including two outside audit & supervisory board members, audit the directors' execution of duties based on the audit plan and allocation of auditing duties determined by the Audit & Supervisory Board. The Audit & Supervisory Board met 10 times during the fiscal year under review. The Audit and Supervisory Board meetings receive reports on important matters from the directors and employees of the Company and the Company's subsidiaries. Moreover, the audit & supervisory board members attended the Board of Directors meetings and other important meetings, conducted visits to subsidiaries for audit, received reports from the directors and employees of the subsidiaries and exchanged opinions with them. By executing these duties, the audit & supervisory board members monitor the management status of the Group. They also receive regular oral reports on the status of audits from the accounting auditor and regularly exchange information with the accounting auditor and the internal control departments to confirm the maintenance and operational status of the internal control system.

iii) Compliance system and risk management system

The Group's Compliance Committee and Risk Management Committee are comprised of members from among the directors and employees of the Company and the Company's subsidiaries. The committees comprehend the issues related to promoting compliance systems and risk management systems for the entire Group, and discuss them to decide on countermeasures.

The Compliance Committee has established the internal reporting consultation desk (Miki Hotline), which works to discover issues at an early stage and take corrective measures. The operational status of the internal reporting consultation desk is reported regularly to the Compliance Committee. Important matters and proposals are reported by the director responsible for compliance to the Board of Directors and the Audit & Supervisory Board.

For the risk management system, the Company has developed a disaster countermeasures manual as the maintenance of an early warning sign response system. Disaster readiness measures are checked at each store and reporting drills using the employee safety confirmation system are conducted under Company-wide disaster drills held regularly twice a year. Moreover, the Company responds rapidly when a risk such as a natural disaster occurs by establishing a response headquarters and takes measures to prevent damage from spreading while working to recover. At the same time, the Company carries out support activities for customers and local communities in line with its social mission based on the corporate philosophy and credo.

(7) Policy on determination of dividends of surplus

The Company implements a proactive and flexible profit allocation plan in keeping with the times. For the fiscal year under review, it was resolved at a meeting of the Board of Directors held on May 13, 2016 to pay a year-end dividend of 9 yen per share, with payment commencing from June 13, 2016.

As a result, the annual dividend for the fiscal year under review was 18 yen per share (an interim dividend of 9 yen and a year-end dividend of 9 yen).

Consolidated Balance Sheet

(As of March 31, 2016)

(Millions of yen)

ASSETS		LIABILITIES	
Current assets	32,461	Current liabilities	11,425
Cash and deposits	15,693	Notes and accounts payable - trade	1,803
Notes and accounts receivable - trade	2,966	Short-term loans payable	5,751
Securities	814	Lease obligations	23
Merchandise and finished goods	10,237	Accounts payable - other	1,980
Raw materials and supplies	1,138	Income taxes payable	201
Deferred tax assets	509	Accrued consumption taxes	172
Other	1,269	Provision for bonuses	75
Allowance for doubtful accounts	(167)	Provision for loss on store closing	104
Non-current assets	18,606	Other	1,312
Property, plant and equipment	5,410	Non-current liabilities	1,830
Buildings and structures	2,965	Long-term loans payable	1,066
Machinery and equipment	15	Lease obligations	24
Tools, furniture and fixtures	1,285	Provision for directors' retirement benefits	72
Land	1,062	Asset retirement obligations	348
Leased assets	31	Other	319
Construction in progress	30		
Other	18	Total liabilities	13,256
Intangible assets	1,254	NET ASSETS	
Leased assets	12	Shareholders' equity	37,120
Other	1,242	Capital stock	5,901
Investments and other assets	11,941	Capital surplus	6,829
Investment securities	2,873	Retained earnings	32,792
Long-term time deposits	2,000	Treasury shares	(8,402)
Long-term loans receivable	213	Accumulated other comprehensive income	398
Lease and guarantee deposits	6,090	Valuation difference on available-for-sale securities	13
Construction assistance fund receivables	115	Foreign currency translation adjustment	384
Deferred tax assets	36	Subscription rights to shares	35
Other	653	Non-controlling interests	257
Allowance for doubtful accounts	(10)		
Allowance for loss on investments in subsidiaries and associates	(31)	Total net assets	37,811
Total assets	51,067	Total liabilities and net assets	51,067

(Note) Amounts less than one million yen are rounded down.

Consolidated Statement of Income

(From April 1, 2015 to March 31, 2016)

(Millions of yen)

Item	Amount	
Net sales		53,727
Cost of sales		17,529
Gross profit		36,197
Selling, general and administrative expenses		35,928
Operating income		269
Non-operating income		
Interest and dividend income	48	
Rent income	20	
Commission fee	11	
Compensation income	12	
Gain on sales of supplies	5	
Other	144	243
Non-operating expenses		
Interest expenses	48	
Foreign exchange losses	200	
Commission fee	47	
Other	42	338
Ordinary income		174
Extraordinary income		
Gain on sales of investment securities	34	
Gain on sales of non-current assets	4	38
Extraordinary losses		
Loss on sales and retirement of non-current assets	55	
Impairment loss	81	
Loss on valuation of shares of subsidiaries and associates	3	
Loss on valuation of investments in capital of subsidiaries and associates	4	
Loss on cancellation of store contracts	30	
Loss on valuation of investment securities	8	
Provision for loss on store closing	118	
Provision of allowance for loss on investments in subsidiaries and associates	8	310
Loss before income taxes		97
Income taxes - current	363	
Income taxes - deferred	178	542
Loss		640
Loss attributable to non-controlling interests		38
Loss attributable to owners of parent		601

(Note) Amounts less than one million yen are rounded down.

Consolidated Statement of Changes in Equity

(From April 1, 2015 to March 31, 2016)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	5,901	6,829	34,321	(8,402)	38,649
Changes of items during period					
Dividends of surplus			(926)		(926)
Loss attributable to owners of parent			(601)		(601)
Purchase of treasury shares				(0)	(0)
Net changes of items other than shareholders' equity					
Total changes of items during period	–	–	(1,528)	(0)	(1,528)
Balance at end of current period	5,901	6,829	32,792	(8,402)	37,120

	Accumulated other comprehensive income			Subscription rights to shares	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income			
Balance at beginning of current period	184	481	666	13	344	39,673
Changes of items during period						
Dividends of surplus						(926)
Loss attributable to owners of parent						(601)
Purchase of treasury shares						(0)
Net changes of items other than shareholders' equity	(171)	(96)	(268)	22	(86)	(332)
Total changes of items during period	(171)	(96)	(268)	22	(86)	(1,861)
Balance at end of current period	13	384	398	35	257	37,811

(Note) Amounts less than one million yen are rounded down.

Non-consolidated Balance Sheet

(As of March 31, 2016)

(Millions of yen)

ASSETS		LIABILITIES	
Current assets	5,822	Current liabilities	4,173
Cash and deposits	4,463	Accounts payable - trade	25
Accounts receivable - trade	203	Short-term loans payable	4,000
Securities	814	Lease obligations	11
Merchandise	233	Accounts payable - other	93
Prepaid expenses	35	Income taxes payable	2
Deferred tax assets	3	Other	40
Other	68	Non-current liabilities	616
Non-current assets	33,910	Long-term loans payable	500
Property, plant and equipment	1,304	Provision for directors' retirement benefits	65
Buildings	295	Deferred tax liabilities	29
Vehicles	0	Asset retirement obligations	16
Tools, furniture and fixtures	15	Other	5
Land	993		
Intangible assets	1,200	Total liabilities	4,790
Trademark right	0	NET ASSETS	
Software	1,113	Shareholders' equity	34,839
Leased assets	8	Capital stock	5,901
Other	77	Capital surplus	6,829
Investments and other assets	31,406	Legal capital surplus	6,829
Investment securities	1,772	Retained earnings	30,511
Shares of subsidiaries and associates	26,327	Legal retained earnings	582
Investments in capital of subsidiaries and associates	654	Other retained earnings	29,929
Long-term loans receivable from subsidiaries and associates	1,530	Reserve for overseas investment	3,220
Long-term prepaid expenses	52	General reserve	26,990
Long-term time deposits	2,000	Retained earnings brought forward	(280)
Other	215	Treasury shares	(8,402)
Allowance for doubtful accounts	(910)	Valuation and translation adjustments	67
Allowance for loss on investments in subsidiaries and associates	(234)	Valuation difference on available-for-sale securities	67
		Subscription rights to shares	35
		Total net assets	34,942
Total assets	39,732	Total liabilities and net assets	39,732

(Note) Amounts less than one million yen are rounded down.

Non-consolidated Statement of Income

(From April 1, 2015 to March 31, 2016)

(Millions of yen)

Item	Amount	
Net sales		
Net sales of goods		667
Operating revenue		
Consulting fee income	724	
System usage fee income	453	
Rent fee income	35	
Dividend income	72	1,285
Cost of sales		269
Selling, general and administrative expenses		1,590
Operating income		93
Non-operating income		
Interest and dividend income	30	
Rent income	9	
Other	5	46
Non-operating expenses		
Interest expenses	26	
Commission fee	39	
Foreign exchange losses	139	
Other	2	207
Ordinary loss		68
Extraordinary income		
Gain on sales of investment securities	15	15
Extraordinary losses		
Loss on sales and retirement of non-current assets	0	
Impairment loss	51	
Loss on valuation of investment securities	8	
Loss on valuation of shares of subsidiaries and associates	153	
Loss on valuation of investments in capital of subsidiaries and associates	22	
Provision of allowance for loss on investments in subsidiaries and associates	26	262
Loss before income taxes		316
Income taxes - current	6	
Income taxes - deferred	2	9
Loss		325

(Note) Amounts less than one million yen are rounded down.

Non-consolidated Statement of Changes in Equity

(From April 1, 2015 to March 31, 2016)

(Millions of yen)

	Shareholders' equity									
	Capital stock	Capital surplus		Retained earnings					Treasury shares	Total shareholders' equity
		Legal capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings			Total retained earnings		
					Reserve for overseas investment	General reserve	Retained earnings brought forward			
Balance at beginning of current period	5,901	6,829	6,829	582	3,220	28,090	(128)	31,763	(8,402)	36,092
Changes of items during period										
Reversal of general reserve						(1,100)	1,100	–		–
Dividends of surplus							(926)	(926)		(926)
Loss							(325)	(325)		(325)
Purchase of treasury shares									(0)	(0)
Net changes of items other than shareholders' equity										
Total changes of items during period	–	–	–	–	–	(1,100)	(151)	(1,252)	(0)	(1,251)
Balance at end of current period	5,901	6,829	6,829	582	3,220	26,990	(280)	30,511	(8,402)	34,839

	Valuation and translation adjustments		Subscription rights to shares	Total net assets
	Valuation difference on available-for-sale securities	Total valuation and translation adjustments		
Balance at beginning of current period	134	134	13	36,239
Changes of items during period				
Reversal of general reserve				–
Dividends of surplus				(926)
Loss				(325)
Purchase of treasury shares				(0)
Net changes of items other than shareholders' equity	(67)	(67)	22	(44)
Total changes of items during period	(67)	(67)	22	(1,297)
Balance at end of current period	67	67	35	34,942

(Note) Amounts less than one million yen are rounded down.

THE AUDIT REPORT OF INDEPENDENT AUDITORS
CONCERNING THE CONSOLIDATED FINANCIAL STATEMENTS

Report of Independent Auditors

May 24, 2016

The Board of Directors
PARIS MIKI HOLDINGS Inc.

Ernst & Young ShinNihon LLC

Kenichi Akiyama (Seal)
Certified Public Accountant
Designated and Engagement Partner

Satoshi Suzuki (Seal)
Certified Public Accountant
Designated and Engagement Partner

Pursuant to Paragraph 4, Article 444 of the Companies Act, we have audited the accompanying consolidated financial statements, which comprise the consolidated balance sheet, the consolidated statement of income, the consolidated statement of changes in equity and the notes to the consolidated financial statements of PARIS MIKI HOLDINGS Inc. (the “Company”) applicable to the fiscal year from April 1, 2015 through March 31, 2016.

Management’s Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors’ Responsibility

Our responsibility is to express an opinion on the consolidated financial statements based on our audit from an independent standpoint. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected and applied depend on the auditors’ judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity’s preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. An audit also includes evaluating the appropriateness of accounting policies used, the method of their application and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position and results of operations of the Group, which consisted of the Company and consolidated subsidiaries, applicable to the fiscal year ended March 31, 2016 in conformity with accounting principles generally accepted in Japan.

Conflicts of Interest

We have no interest in the Company which should be disclosed in compliance with the Certified Public Accountants Act.

THE AUDIT REPORT OF INDEPENDENT AUDITORS
CONCERNING THE NON-CONSOLIDATED FINANCIAL STATEMENTS

Report of Independent Auditors

May 24, 2016

The Board of Directors
PARIS MIKI HOLDINGS Inc.

Ernst & Young ShinNihon LLC

Kenichi Akiyama (Seal)
Certified Public Accountant
Designated and Engagement Partner

Satoshi Suzuki (Seal)
Certified Public Accountant
Designated and Engagement Partner

Pursuant to Item 1, Paragraph 2, Article 436 of the Companies Act, we have audited the accompanying financial statements, which comprise the balance sheet, the statement of income, the statement of changes in equity, the notes to the financial statements and the related supplementary schedules of PARIS MIKI HOLDINGS Inc. (the “Company”) applicable to the 68th fiscal year from April 1, 2015 through March 31, 2016.

Management’s Responsibility for the Financial Statements and the Related Supplementary Schedules

Management is responsible for the preparation and fair presentation of the financial statements and the related supplementary schedules in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the financial statements and the related supplementary schedules that are free from material misstatement, whether due to fraud or error.

Auditors’ Responsibility

Our responsibility is to express an opinion on the financial statements and the related supplementary schedules based on our audit from an independent standpoint. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the related supplementary schedules are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the related supplementary schedules. The procedures selected and applied depend on the auditors’ judgment, including the assessment of the risks of material misstatement of the financial statements and the related supplementary schedules, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity’s preparation and fair presentation of the financial statements and the related supplementary schedules in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. An audit also includes evaluating the appropriateness of accounting policies used, the method of their application and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the related supplementary schedules.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements and the related supplementary schedules referred to above present fairly, in all material respects, the financial position and results of operations of the Company applicable to the 68th fiscal year ended March 31, 2016 in conformity with accounting principles generally accepted in Japan.

Conflicts of Interest

We have no interest in the Company which should be disclosed in compliance with the Certified Public Accountants Act.

REPORT OF THE AUDIT & SUPERVISORY BOARD

Audit Report

The Audit & Supervisory Board has prepared this Audit Report upon deliberation based on the Audit Report created by each audit & supervisory board member regarding the performance of duties by the directors during the 68th fiscal year from April 1, 2015 to March 31, 2016, and hereby reports as follows:

1. Audit & Supervisory Board Members' and Audit & Supervisory Board's Auditing Methods and Contents

- (1) The Audit & Supervisory Board stipulated the auditing policies, share of assignment, etc., received reports from each audit & supervisory board member on the auditing status and the auditing results; received reports from directors, etc. and the accounting auditor regarding performance of their duties and requested explanations as necessary.
- (2) In accordance with the audit & supervisory board members' auditing standards, auditing policies, share of assignment, and other matters stipulated by the Audit & Supervisory Board, each audit & supervisory board member communicated with the directors, the internal auditing department and other employees, and strived to maintain an environment for information gathering and auditing. The audits were conducted by the following methods.
 - i) Audit & supervisory board members attended meetings of the Board of Directors and other important meetings; received reports from directors and employees regarding performance of their duties; requested explanations as necessary; inspected important authorized documents; and investigated the activities and status of assets at the headquarters and major offices. Moreover, as for the subsidiaries, we communicated and exchanged information with the directors, audit & supervisory board members, etc. of the subsidiaries and received reports on their business operations as necessary.
 - ii) Audit & supervisory board members verified the resolutions adopted by the Board of Directors regarding the maintenance of a system to assure that the performance of duties by the directors, as stated in the business report, complies with the laws and regulations and the Articles of Incorporation, and the maintenance of a system necessary to assure the appropriateness of other business activities of the corporate group formed by the corporation and its subsidiaries stipulated in Paragraphs 1 and 3, Article 100 of the Ordinance for Enforcement of the Companies Act. We also regularly received reports from directors and employees on the status of the establishment and operation of the system (internal control system) established in accordance with such resolutions adopted by the Board of Directors, requested explanations as necessary, and expressed our opinions.
 - iii) Audit & supervisory board members monitored and verified whether or not the accounting auditor had maintained their independent positions and had conducted appropriate audits and received reports from the accounting auditor regarding performance of their duties and requested explanations as necessary. Also, we received notice that the "system to assure that duty is executed appropriately" (the matters listed in the items of Article 131 of the Ordinance on Accounting of Companies) has been maintained in accordance with the "Quality Control Standards for Audits" (October 28, 2005, the Business Accounting Council) from the accounting auditor and requested explanations as necessary.

Based on the above methods, we examined the business reports, the related supplementary schedules, the non-consolidated financial statements (non-consolidated balance sheet, non-consolidated statement of income, non-consolidated statement of changes in equity and notes to non-consolidated financial statements) and the related supplementary schedules as well as the consolidated financial statements (consolidated balance sheet, consolidated statement of income, consolidated statement of changes in equity and the notes to consolidated financial statements) for the relevant fiscal year.

2. Results of Audit

- (1) Results of audit on the business report
 - i) The business report and the related supplementary schedules are found to accurately present the status of the Company in conformity with the laws and regulations and the Articles of Incorporation.
 - ii) In connection with the performance of duties by the directors, no dishonest act or significant fact of a violation of laws and regulations, or the Articles of Incorporation is found to exist.
 - iii) The contents of the resolutions of the Board of Directors regarding the internal control systems are found to be proper. Also, the descriptions in the business report regarding the relevant internal control system and the performance of duties by the directors are found to accurately present the matters to be stated therein and have nothing to be pointed out.

(2) Results of audit on the non-consolidated financial statements and the related supplementary schedules

The methods and results of the audit made by the accounting auditor, Ernst & Young ShinNihon LLC, are found to be proper.

(3) Results of audit on the consolidated financial statements

The methods and results of the audit made by the accounting auditor, Ernst & Young ShinNihon LLC, are found to be proper.

May 24, 2016

Audit & Supervisory Board
PARIS MIKI HOLDINGS Inc.

Hideo Koshio (Seal)
Standing Audit & Supervisory Board Member

Koji Matsumoto (Seal)
Standing Audit & Supervisory Board Member

Kotaro Yamamoto (Seal)
Outside Audit & Supervisory Board Member

Akiko Iwamoto (Seal)
Outside Audit & Supervisory Board Member