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Securities Code: 7455
June 9, 2017

To Our Shareholders:

Hiroshi Tane
President and Representative Director
PARIS MIKI HOLDINGS Inc.
Head Office: 1-7-7 Ginza, Chuo-ku, Tokyo
Headquarters: 1-2-3 Kaigan, Minato-ku, Tokyo

Notice of the 69th Ordinary General Meeting of Shareholders

You are cordially invited to attend the 69th Ordinary General Meeting of Shareholders of PARIS MIKI HOLDINGS Inc. (hereinafter referred to as the “Company”), which will be held on Monday, June 26, 2017, 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 23, 2017 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 the 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 the proposal by the above deadline.

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

Although a light meal was provided following the conclusion of the meeting until last year, it will not be provided anymore for various reasons. Thank you for your understanding on this matter.

Details

1. Date and Time:

Monday, June 26, 2017 at 3:00 p.m.

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

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 69th fiscal term (from April 1, 2016 to March 31, 2017)
- b. Non-consolidated Financial Statements for the 69th fiscal term (from April 1, 2016 to March 31, 2017)

Matter to be resolved:

Proposal: Election of Five (5) Directors

4. Notice Regarding Exercise of Voting Rights

- a. If you do not indicate your approval or disapproval, or abstention of the 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.
Consequently, the documents attached to this convocation notice consist of part of the Consolidated Financial Statements and the Non-consolidated Financial Statements audited by the audit & supervisory board members and the accounting auditor in preparing their audit reports.
- * If any changes have been made to the Reference Documents for the General Meeting of Shareholders, Business Report, Consolidated Financial Statements or Non-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 management briefing, which will be held at the same place. In addition, we will set up an exhibition 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

Proposal and Reference Matters

Proposal: Election of Five (5) Directors

The term of office of all five (5) directors will expire at the conclusion of this General Meeting of Shareholders.

Accordingly, the Company proposes the election of five (5) directors, including two (2) outside 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
		[Reasons for nomination as candidate for director] The Company nominates Mr. Hiroshi Tane for another term as a candidate for director as he created the customer-first corporate philosophy and has implemented it for many years. Other reasons for his nomination include his familiarity as a corporate manager with the Group's various businesses in Japan and overseas, and that he has extensive experience and broad knowledge needed for group management.	

Candidate No.	Name (Date of birth)	Career summary, position, business in charge and important concurrent posts	Number of the Company's shares held
2	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> <p>June 2016 Director, PARIS MIKI HOLDINGS Inc. (to the present)</p>	15,507 shares
	<p>[Reasons for nomination as candidate for director] The Company nominates Mr. Masahiro Sawada for another term as a candidate for director as he is working hard to ensure customer satisfaction as President and Representative Director of PARIS MIKI Inc., which is the Group's major business subsidiary, and because he has extensive experience and knowledge related to departments such as overseas operations, human resources, and product development.</p>		

Candidate No.	Name (Date of birth)	Career summary, position, business in charge and important concurrent posts	Number of the Company's shares held
3	Mikio Tane (November 9, 1959)	<p>April 1984 Joined MIKI OPTICAL Inc. August 1986 Director, MIKI OPTICAL Inc. March 1988 Senior Executive Director, PARIS MIKI Inc. (Note 9) June 1988 President and Representative Director, PARIS MIKI Inc. (Note 9) February 1989 Representative Director, Lunettes Inc. May 1994 Representative Director, Executive Vice President, PARIS MIKI Inc. (Note 9) May 1997 Representative Director, Executive Vice President, Manager, Human Resources, PARIS MIKI Inc. (Note 9) June 1999 Representative Director, Executive Vice President, Manager, Human Resources and Overseas Operations, PARIS MIKI Inc. (Note 9) December 2002 Director, Codomo Limited (to the present) June 2003 Director, PARIS MIKI Inc. (Note 9) June 2005 Representative Director, PARIS MIKI Inc. (Note 9) June 2008 Director, PARIS MIKI Inc. (Note 9) June 2008 Senior Managing Director, Lunettes Inc. (to the present) April 2009 Chief Director, Okuizumo Tane Museum of Natural History (Public Interest Incorporated Foundation) (to the present) July 2009 Representative Director, PARIS MIKI Inc. (Note 10) June 2011 Director, PARIS MIKI HOLDINGS Inc. August 2013 President and Representative Director, Clover Asset Management Inc. (to the present) September 2014 Director, PX Group SA (to the present) June 2015 Representative Director, Executive Vice President, PARIS MIKI HOLDINGS Inc. (to the present)</p>	1,238,284 shares
		[Reasons for nomination as candidate for director] The Company nominates Mr. Mikio Tane for another term as a candidate for director as he has extensive experience and knowledge needed for group management of the Group's various businesses in Japan and overseas.	
4	Pierre-Olivier Chave (March 25, 1943)	<p>June 1976 President, PX Précinox SA (to the present) July 1986 President, PX Group SA (to the present) November 1990 Chairman, AIP (Association Industrielle et Patronale, Neuchâtel, Switzerland) June 2003 Chairman, NEODE (Parc Scientifique et Technologique, Neuchâtel, Switzerland) June 2014 Outside Director, PARIS MIKI HOLDINGS Inc. (to the present) July 2015 President, SAV-IOL SA (to the present)</p>	– shares
		[Reasons for nomination as candidate for outside director] The Company nominates Mr. Pierre-Olivier Chave for another term 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.	

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.</p> <p>June 2016 Outside Director, PARIS MIKI HOLDINGS Inc. (to the present)</p>	– shares
		<p>[Reasons for nomination as candidate for outside director] The Company nominates Ms. Akiko Iwamoto for another term as a candidate for outside director as she has professional and broad knowledge related to international finance and international economics. Note that although she has no experience of involvement in the management of a company in any way other than as an outside officer, the Company judges that she is able to appropriately perform her duties as an outside director due to the aforementioned reasons.</p>	

- Notes:
1. 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.
 2. 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 17.2% 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.
 3. There are no special interests between the other candidates for director and the Company.
 4. Mr. Pierre-Olivier Chave and Ms. Akiko Iwamoto are candidates for outside director.
 5. The length of Mr. Pierre-Olivier Chave's service as outside director of the Company will be three (3) years at the conclusion of this General Meeting of Shareholders.
 6. The length of Ms. Akiko Iwamoto's service as outside director of the Company will be one (1) year at the conclusion of this General Meeting of Shareholders.
 7. The Company has entered into an agreement limiting liability with Mr. Pierre-Olivier Chave and Ms. Akiko Iwamoto. If their reelection is approved, the Company intends to continue the aforesaid agreement, which limits their 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.
 8. The Company has notified Mr. Pierre-Olivier Chave and Ms. Akiko Iwamoto as independent officers to the Tokyo Stock Exchange.
 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.

(Attached Documents)

Business Report

(From April 1, 2016 to March 31, 2017)

1. Current status of the Group

(1) Corporate philosophy and principle of the Group

We are putting effort into all of our businesses, based on our corporate philosophy and principle.

Corporate philosophy

“Firstly for our customers and their future”

“Secondly for our employees and their future”

“Thirdly for our company and its future”

Principles

First principle

To provide the best customer service of all the companies in the world

Second principle

To respect individuals, and show genuine interest in nature and people

Third principle

To provide responsible and dignified service to the fullest of our capabilities

(2) Business operations during the fiscal year under review

i) Progress and results of business

In the fiscal year under review, the Japanese economy maintained a mild recovery trend and consumer spending is thought to have been firm. However, with signs that the trend toward bipolarization and a frugal mentality in regard to consumption have been increasing, it cannot necessarily be said that the retail industry is firm.

In this environment, the Group worked to respond to the various demands and concerns of customers, not only through product development in its 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, sales were strong at stores that had undergone renovations to create a new store image, and we have clarified our policy to continue actively working on renovations of existing stores.

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 28 stores. The Company posted an operating loss as the total amount of selling, general and administrative expenses did not decrease significantly due to the upfront capital investment, etc., despite reducing the net number of stores through store adjustments and mergers.

At its overseas subsidiaries, in the Southeast Asian regions performance was comparatively firm and profits were secured. At the Vietnamese subsidiary, business in a tie-up with a medical institution was strong, and in the Philippines, where the Company has newly started operations,

business is gradually starting to get on track. However, the Chinese subsidiaries and the South Korean subsidiary continued to face an adverse environment. Overall, overseas subsidiaries totals resulted in a decline in sales and profit.

As a result of the above, in the fiscal year under review, net sales were 49,881 million yen, down 7.2% year on year, operating loss was 400 million yen (operating profit of 269 million yen in the previous fiscal year), ordinary loss was 616 million yen (ordinary profit of 174 million yen in the previous fiscal year), and income taxes - deferred of 392 million yen was recorded, following a reversal of deferred tax assets, and loss attributable to owners of parent was 1,721 million yen (loss attributable to owners of parent of 601 million yen in the previous fiscal year).

ii) Capital investment

Capital investment by the Group in the fiscal year under review was 1,576 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	3	2	3
Kanto	4	17	4 [1]
Chubu	–	9	2
Kinki	2	17	7 [1]
Chugoku	2	4	4
Shikoku	–	2	3
Kyushu and Okinawa	1	1	5
Total	12	52	28 [2]

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

[Overseas retail business]

Region	Number of stores opened	Number of stores renovated	Number of stores closed
Europe	–	2	–
Asia	3	9	10
Oceania	–	2	2
U.S.	–	2	–
Total	3	15	12

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. The total amount of funding commitment pertaining to the Company and its consolidated subsidiaries based on this contract is 8,500 million yen, and the used commitment as of the end of the fiscal year under review was 5,474 million yen.

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

Not applicable.

(3) 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	66th fiscal term ended March 31, 2014	67th fiscal term ended March 31, 2015	68th fiscal term ended March 31, 2016	69th fiscal term ended March 31, 2017 (fiscal year under review)
Net sales (Millions of yen)	56,903	54,342	53,727	49,881
Ordinary profit (Millions of yen)	1,035	635	174	(616)
Profit (loss) attributable to owners of parent (Millions of yen)	419	198	(601)	(1,721)
Earnings (loss) per share (Yen)	8.14	3.85	(11.69)	(33.45)
Total assets (Millions of yen)	53,788	53,187	51,067	47,926
Net assets (Millions of yen)	40,003	39,673	37,811	35,060
Net assets per share (Yen)	770.91	763.66	728.77	676.02

ii) Assets and operating results of the Company

Category	66th fiscal term ended March 31, 2014	67th fiscal term ended March 31, 2015	68th fiscal term ended March 31, 2016	69th fiscal term ended March 31, 2017 (fiscal year under review)
Net sales (Millions of yen)	525	619	667	549
Operating revenue (Millions of yen)	1,019	1,353	1,285	1,280
Ordinary profit (loss) (Millions of yen)	181	415	(68)	12
Profit (loss) (Millions of yen)	79	23	(325)	(447)
Earnings (loss) per share (Yen)	1.53	0.45	(6.32)	(8.69)
Total assets (Millions of yen)	41,750	40,746	39,732	38,296
Net assets (Millions of yen)	37,144	36,239	34,942	33,544
Net assets per share (Yen)	721.47	703.65	678.03	651.97

(Notes to i) and ii) above)

1. 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).
2. 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).

(4) 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	98.0%	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 26 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	¥38,296 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

(5) 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 while operating 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 and work on them. With respect to new store openings, we will focus on areas where there is a market for our products supported by a large population, such as government ordinance-designated cities, but where the number of stores is still small. We expect to open 10 to 15 stores in total, mainly in shopping centers and on street-sides that have significant foot traffic. We also plan to close or merge 40 to 45 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 the reorganization of existing stores and adjustments of unprofitable stores in regions where the business environment remains difficult and expand stores in regions where business is firm and in new regions where future growth is expected. With a view to medium- to long-term growth, we are aggressively working on development into new markets such as Southeast Asia, including cooperation with the medical (ophthalmology) business.

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.

(6) Major business (as of March 31, 2017)

The Group is composed of the Company and 26 consolidated subsidiaries, 10 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.

(7) Major offices (as of March 31, 2017)

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

[Headquarters] 1-2-3 Kaigan, Minato-ku, Tokyo

[Domestic retail business]

Region	Number of stores	Region	Number of stores
Hokkaido and Tohoku	55 [8]	Chugoku	95 [30]
Kanto	214 [19]	Shikoku	45 [11]
Chubu	119 [5]	Kyushu and Okinawa	58 [10]
Kinki	220 [29]	Total	806 [112]

- (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 18 mobile stores operated with vehicles (Courier).

[Overseas retail business]

Region	Number of stores	Region	Number of stores
Europe	3	Oceania	5
Asia	148	U.S.	6
		Total	162

[Eyewear manufacturing business]

Create three Co., Ltd.	Headquarters	Sabae-shi, Fukui
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(8) Employees (as of March 31, 2017)

i) Employees of the Group

Number of employees	Change from the end of the previous fiscal year
3,111	-116

- (Note) The number of employees does not include employees seconded to outside the Group.
The above does not include 1,415 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
64	+4	45.8 years old	22.2 years

- (Note) The number of employees includes 22 employees seconded to outside the Company.
The above does not include eight contract workers (part-timers) (following conversion to standard 8-hour work days) and others.

(9) Major lenders (as of March 31, 2017)

Lender	Borrowings outstanding
Sumitomo Mitsui Banking Corporation	¥6,781 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 the above bank. The total amount of funding commitment pertaining to the Company and its consolidated subsidiaries based on this contract is 8,500 million yen, and the used commitment as of the end of the fiscal year under review was 5,474 million yen.

(10) 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, 2017)

- i) Total number of authorized shares 223,000,000 shares
- ii) Total number of issued shares 56,057,474 shares
- iii) Number of shareholders 10,678
- 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	29.57
Codomo Limited	5,670	11.03
HAL INTERNATIONAL INVESTMENTS N.V.	4,075	7.93
PARIS MIKI Employee Shareholding Association	2,406	4.68
Mikio Tane	1,238	2.41
SIX SIS LTD.	1,223	2.38
Hiroshi Tane	1,105	2.15
Japan Trustee Services Bank, Ltd. (Trust Account)	1,087	2.12
SMBC Trust Bank Ltd., Designated Securities Trust	831	1.62
Nobuhiko Tane	765	1.49

(Note) Percentages of shares held are calculated with treasury shares (4,674,659 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:	2
		Number of share options held:	1,150
		Number of shares to be delivered upon exercise of share options:	115,000
	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

(3) Officers of the Company

i) Directors and audit & supervisory board members (as of March 31, 2017)

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)
Masahiro Sawada	Director	President and Representative Director, PARIS MIKI Inc.
Pierre-Olivier Chave	Director	President, PX Group SA President, PX Précinox SA President, SAV-IOL SA
Akiko Iwamoto	Director	Visiting Professor, Faculty of Business Administration, Osaka University of Economics
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
Yoshiaki Nishimura	Audit & Supervisory Board Member	Representative Director, United Partners Inc. Director, Yoshiaki Nishimura Certified Public Tax Accountant Office Audit & Supervisory Board Member, Lunettes Inc.

- (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. Directors Pierre-Olivier Chave and Akiko Iwamoto are outside directors.
 3. Audit & supervisory board members Kotaro Yamamoto and Yoshiaki Nishimura 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. Standing audit & supervisory board member Hideo Koshio and audit & supervisory board member Yoshiaki Nishimura have considerable expertise in finance and accounting as described below:
 - 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.
 - Yoshiaki Nishimura is a qualified certified tax accountant.

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
Junichi Kaga	June 27, 2016	Term of office expired	Executive Vice President and Director President, Paris Miki Optical (China) Co., Ltd.
Fumihiko Nakao	June 27, 2016	Term of office expired	Senior Managing Director
Mafumi Tanada	June 27, 2016	Term of office expired	Senior Managing Director President, Shanghai Paris Miki Optical Co., Ltd. President, Shanghai Paris Miki Trading Co., Ltd.
Tetsuro Nakatsuka	June 27, 2016	Term of office expired	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	June 27, 2016	Term of office expired	Director, Manager, IR Director, Aramaki CPA Office Outside Audit & Supervisory Board Member, SACOS CORPORATION
Akiko Iwamoto	June 27, 2016	Resigned	Outside Audit & Supervisory Board Member Visiting Professor, Faculty of Business Administration, Osaka University of Economics

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	10	¥88 million
[of which, outside directors]	[2]	[20]
Audit & supervisory board members	5	¥24 million
[of which, outside audit & supervisory board members]	[3]	[12]
Total	15	¥113 million
[of which, outside directors and outside audit & supervisory board members]	[5]	[32]

- (Notes) 1. At the end of the fiscal year under review, the number of directors is five (including two outside directors) and the number of audit & supervisory board members is four (including two outside audit & supervisory board members).
2. 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).

3. 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).
4. The above total amounts of remuneration, etc. include the following items:
- Provision for officers' retirement benefits in the fiscal year under review

10 directors	¥12 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	¥8 million
[of which, 2 outside directors	¥0 million]
3 audit & supervisory board members	¥1 million
[of which, 2 outside audit & supervisory board members	¥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
Director Akiko Iwamoto	Visiting Professor, Faculty of Business Administration, Osaka University of Economics
Audit & Supervisory Board Member Kotaro Yamamoto	Managing Partner, Yamamoto & Shibasaki Law Offices
Audit & Supervisory Board Member Yoshiaki Nishimura	Representative Director, United Partners Inc. Director, Yoshiaki Nishimura Certified Public Tax Accountant Office Audit & Supervisory Board Member, Lunettes Inc.

(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 five of the six 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.
Director Akiko Iwamoto	Attended all two meetings of the Board of Directors and all three meetings of the Audit & Supervisory Board held during the fiscal year under review before her retirement from office of Audit & Supervisory Board Member on June 27, 2016. In addition, she attended all four meetings of the Board of Directors held during the fiscal year under review following her assumption of office as Director on June 27, 2016, and asked questions and made statements at the meetings mainly from her specialist and broad knowledge relating to international finance and international economics.
Audit & Supervisory Board Member Kotaro Yamamoto	Attended all six meetings of the Board of Directors and all seven 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 Yoshiaki Nishimura	Attended all four meetings of the Board of Directors and all four meetings of the Audit & Supervisory Board held during the fiscal year under review following his assumption of office on June 27, 2016, and asked questions and made statements at the meetings mainly from his expert perspective as a certified tax accountant.

(Note) In addition to the number of meetings of the Board of Directors shown above, there were seven written resolutions that were deemed equivalent to resolutions of the Board of Directors pursuant to the provisions of Article 370 of the Companies Act and Article 23 of the Company's Articles of Incorporation.

(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	¥48 million
Total amount of monies or other economic benefits to be paid to the accounting auditor by the Company and its subsidiaries	48

- (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 principle.
 - 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 establish 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 principle, 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 five directors including two outside directors who attend the Board of Directors meetings. The Board of Directors met six 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 seven times during the fiscal year under review. The Audit & Supervisory Board 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 principle.

(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 15, 2017 to pay a year-end dividend of 9 yen per share, with payment commencing from June 12, 2017. 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).

Also, during the fiscal year under review, the Company acquired 100,000 treasury shares (total acquisition cost of 48 million yen).

The policies that were newly resolved at the meeting of the Board of Directors held on May 15, 2017, are as follows.

Aiming for improved corporate value and sustainable growth, the Company's basic policy for capital management is to maintain the financial soundness while taking into account the status of internal reserves set aside for medium- to long-term business investment and cash flow.

The Company's dividend policy is to pay continuous and stable dividends so that shareholders keep the Company's stock over the long term and in a stable manner. The Company aims to realize a dividend policy based on performance at the point that the Company is able to create stable profit. The specific amounts for dividend payments are determined with the aim of a consolidated dividend on equity ratio of 2.0%, in light of the current business environment and performance, and after comprehensive consideration of global business expansion and capital management, as well as social conditions.

In addition, to execute flexible capital management adapted to changes in the business environment, the Company will consider carrying out the acquisition of treasury shares as necessary, from the perspective of medium- to long-term capital management.

Consolidated Balance Sheet

(As of March 31, 2017)

(Millions of yen)

ASSETS		LIABILITIES	
Current assets	33,269	Current liabilities	11,580
Cash and deposits	17,408	Notes and accounts payable - trade	1,820
Notes and accounts receivable - trade	2,926	Short-term loans payable	5,781
Merchandise and finished goods	10,355	Current portion of long-term loans payable	500
Raw materials and supplies	1,333	Lease obligations	12
Deferred tax assets	120	Accounts payable - other	1,992
Other	1,269	Income taxes payable	184
Allowance for doubtful accounts	(145)	Accrued consumption taxes	153
Non-current assets	14,657	Provision for bonuses	68
Property, plant and equipment	5,308	Provision for loss on store closing	81
Buildings and structures	2,869	Other	986
Machinery and equipment	31	Non-current liabilities	1,284
Tools, furniture and fixtures	1,226	Long-term loans payable	532
Land	1,062	Lease obligations	23
Leased assets	34	Provision for directors' retirement benefits	45
Construction in progress	67	Asset retirement obligations	336
Other	15	Other	346
Intangible assets	1,028	Total liabilities	12,865
Leased assets	1	NET ASSETS	
Other	1,026	Shareholders' equity	34,423
Investments and other assets	8,320	Capital stock	5,901
Investment securities	1,797	Capital surplus	6,829
Long-term loans receivable	131	Retained earnings	30,144
Lease and guarantee deposits	5,849	Treasury shares	(8,451)
Construction assistance fund receivables	69	Accumulated other comprehensive income	312
Deferred tax assets	17	Valuation difference on available-for-sale securities	109
Other	602	Foreign currency translation adjustment	202
Allowance for doubtful accounts	(96)	Subscription rights to shares	44
Allowance for loss on investments in subsidiaries and associates	(50)	Non-controlling interests	280
Total assets	47,926	Total net assets	35,060
		Total liabilities and net assets	47,926

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

Consolidated Statement of Income

(From April 1, 2016 to March 31, 2017)

(Millions of yen)

Item	Amount	
Net sales		49,881
Cost of sales		16,198
Gross profit		33,683
Selling, general and administrative expenses		34,084
Operating loss		400
Non-operating income		
Interest and dividend income	41	
Rent income	19	
Commission fee	22	
Compensation income	10	
Gain on investments in partnership	93	
Gain on sales of supplies	31	
Other	119	337
Non-operating expenses		
Interest expenses	28	
Foreign exchange losses	77	
Commission fee	41	
Provision of allowance for doubtful accounts	86	
Share of loss of entities accounted for using equity method	263	
Other	55	553
Ordinary loss		616
Extraordinary income		
Gain on sales of non-current assets	3	
Gain on change in equity	40	44
Extraordinary losses		
Loss on sales and retirement of non-current assets	118	
Loss on sales of investment securities	53	
Impairment loss	160	
Loss on valuation of shares of subsidiaries and associates	2	
Loss on valuation of investments in capital of subsidiaries and associates	3	
Loss on cancellation of store contracts	13	
Provision for loss on store closing	79	
Provision of allowance for loss on investments in subsidiaries and associates	19	450
Loss before income taxes		1,023
Income taxes - current	304	
Income taxes - deferred	392	697
Loss		1,720
Profit attributable to non-controlling interests		1
Loss attributable to owners of parent		1,721

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

Consolidated Statement of Changes in Equity

(From April 1, 2016 to March 31, 2017)

(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	32,792	(8,402)	37,120
Changes of items during period					
Dividends of surplus			(926)		(926)
Loss attributable to owners of parent			(1,721)		(1,721)
Purchase of treasury shares				(48)	(48)
Change of scope of consolidation			0		0
Net changes of items other than shareholders' equity					
Total changes of items during period	-	-	(2,648)	(48)	(2,697)
Balance at end of current period	5,901	6,829	30,144	(8,451)	34,423

	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	13	384	398	35	257	37,811
Changes of items during period						
Dividends of surplus						(926)
Loss attributable to owners of parent						(1,721)
Purchase of treasury shares						(48)
Change of scope of consolidation						0
Net changes of items other than shareholders' equity	95	(182)	(86)	9	23	(53)
Total changes of items during period	95	(182)	(86)	9	23	(2,750)
Balance at end of current period	109	202	312	44	280	35,060

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

Non-consolidated Balance Sheet

(As of March 31, 2017)

(Millions of yen)

ASSETS		LIABILITIES	
Current assets	7,470	Current liabilities	4,159
Cash and deposits	7,012	Accounts payable - trade	14
Accounts receivable - trade	166	Short-term loans payable	4,000
Merchandise	177	Accounts payable - other	92
Advance payments - trade	31	Income taxes payable	7
Prepaid expenses	43	Other	45
Deferred tax assets	1	Non-current liabilities	593
Other	37	Long-term loans payable	500
Non-current assets	30,826	Provision for directors' retirement benefits	32
Property, plant and equipment	1,401	Deferred tax liabilities	40
Buildings	343	Asset retirement obligations	14
Vehicles	0	Other	5
Tools, furniture and fixtures	23		
Land	993	Total liabilities	4,752
Construction in progress	40	NET ASSETS	
Intangible assets	856	Shareholders' equity	33,417
Trademark right	0	Capital stock	5,901
Software	779	Capital surplus	6,829
Other	76	Legal capital surplus	6,829
Investments and other assets	28,568	Retained earnings	29,137
Investment securities	1,282	Legal retained earnings	582
Shares of subsidiaries and associates	25,978	Other retained earnings	28,555
Investments in capital of subsidiaries and associates	643	Reserve for overseas investment	3,220
Long-term loans receivable from subsidiaries and associates	1,615	General reserve	25,890
Long-term prepaid expenses	30	Retained earnings brought forward	(554)
Other	254	Treasury shares	(8,451)
Allowance for doubtful accounts	(910)	Valuation and translation adjustments	82
Allowance for loss on investments in subsidiaries and associates	(325)	Valuation difference on available-for-sale securities	82
		Subscription rights to shares	44
Total assets	38,296	Total net assets	33,544
		Total liabilities and net assets	38,296

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

Non-consolidated Statement of Income

(From April 1, 2016 to March 31, 2017)

(Millions of yen)

Item	Amount	
Net sales		
Net sales of goods		549
Operating revenue		
Consulting fee income	714	
System usage fee income	530	
Rent fee income	35	1,280
Cost of sales		182
Selling, general and administrative expenses		1,661
Operating loss		13
Non-operating income		
Interest and dividend income	24	
Rent income	10	
Gain on investments in partnership	93	
Other	3	131
Non-operating expenses		
Interest expenses	14	
Commission fee	25	
Foreign exchange losses	64	
Other	0	105
Ordinary profit		12
Extraordinary losses		
Loss on sales and retirement of non-current assets	31	
Loss on sales of investment securities	13	
Impairment loss	0	
Loss on valuation of shares of subsidiaries and associates	299	
Loss on valuation of investments in capital of subsidiaries and associates	10	
Provision of allowance for loss on investments in subsidiaries and associates	91	446
Loss before income taxes		433
Income taxes - current	7	
Income taxes - deferred	5	13
Loss		447

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

Non-consolidated Statement of Changes in Equity

(From April 1, 2016 to March 31, 2017)

(Millions of yen)

	Shareholders' equity									
	Capital stock	Capital surplus		Legal retained earnings	Retained earnings				Treasury shares	Total shareholders' equity
		Legal capital surplus	Total capital surplus		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	26,990	(280)	30,511	(8,402)	34,839
Changes of items during period										
Reversal of general reserve						(1,100)	1,100	–		–
Dividends of surplus							(926)	(926)		(926)
Loss							(447)	(447)		(447)
Purchase of treasury shares									(48)	(48)
Net changes of items other than shareholders' equity										
Total changes of items during period	–	–	–	–	–	(1,100)	(274)	(1,374)	(0)	(1,422)
Balance at end of current period	5,901	6,829	6,829	582	3,220	25,890	(554)	29,137	(8,451)	33,417

	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	67	67	35	34,942
Changes of items during period				
Reversal of general reserve				–
Dividends of surplus				(926)
Loss				(447)
Purchase of treasury shares				(48)
Net changes of items other than shareholders' equity	15	15	9	24
Total changes of items during period	15	15	9	(1,397)
Balance at end of current period	82	82	44	33,544

(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 23, 2017

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, 2016 through March 31, 2017.

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, 2017 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 23, 2017

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 69th fiscal year from April 1, 2016 through March 31, 2017.

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 69th fiscal year ended March 31, 2017 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 69th fiscal year from April 1, 2016 to March 31, 2017, 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 25, 2017

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

Yoshiaki Nishimura (Seal)
Outside Audit & Supervisory Board Member