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Securities Code: 7455  
June 8, 2018

To Our Shareholders:

Masahiro Sawada  
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 70th Ordinary General Meeting of Shareholders

You are cordially invited to attend the 70th Ordinary General Meeting of Shareholders of PARIS MIKI HOLDINGS Inc. (hereinafter referred to as the “Company”), which will be held on Tuesday, June 26, 2018, 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 Monday, June 25, 2018 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 (<https://soukai.mizuho-tb.co.jp/>) 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 proposals 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:**

Tuesday, June 26, 2018 at 10:00 a.m.

(The reception of the attendees to the meeting at the reception desk shall start at 9:30 a.m.)

\*Please note that the starting time has 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 70th fiscal term (from April 1, 2017 to March 31, 2018)

- b. Non-consolidated Financial Statements for the 70th fiscal term (from April 1, 2017 to March 31, 2018)

**Matters to be resolved:**

- Proposal 1:** Partial Changes to Articles of Incorporation  
**Proposal 2:** Election of Six (6) Directors  
**Proposal 3:** Condolence money gift for late-Director Hiroshi Tane

**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.

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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 following have been 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. Moreover, 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.
- i) From the Business Report: "Share options," "System to ensure the properness of operations," and "Overview of the operational status of the system to ensure properness of operations"
- ii) From the Consolidated Financial Statements: "Consolidated Statement of Changes in Equity" and "Notes to the Consolidated Financial Statements"
- iii) From the Non-consolidated Financial Statements: "Non-consolidated Statement of Changes in Equity" and "Notes to the Non-consolidated Financial Statements"
- \* 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.

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

## Reference Documents for the General Meeting of Shareholders

### Proposal and Reference Matters

#### Proposal 1: Partial Changes to Articles of Incorporation

1. Reason for Changes

To provide flexibility to the operation of the General Meeting of Shareholders and the Board of Directors meetings, the Company proposes changing the person with the right to convene and serve as chairperson of the shareholders general meetings and the Board of Directors meetings specified in Articles 13 and 21 of the current Articles of Incorporation, to a director respectively predetermined by the Board of Directors.

2. Description of Changes

Description of changes is as follows:

(Changes are underlined.)

Present articles	Proposed articles
<p>(Right to Convene and Chairperson)</p> <p>Article 13. <u>The president</u> of the Company shall convene the shareholders general meetings and serve as chairperson.</p> <p>② In the event where <u>the president</u> is unavailable for some reason, another director shall convene the shareholders general meeting and serve as chairperson in accordance with an order of priority predetermined by the Board of Directors.</p>	<p>(Right to Convene and Chairperson)</p> <p>Article 13. <u>A director predetermined by the Board of Directors</u> of the Company shall convene the shareholders general meetings and serve as chairperson.</p> <p>② In the event where <u>the director determined in the foregoing paragraph</u> is unavailable for some reason, another director shall convene the shareholders general meeting and serve as chairperson in accordance with an order of priority predetermined by the Board of Directors.</p>
<p>(Right to Convene Board of Directors and Chairperson)</p> <p>Article 21. The Board of Directors shall be held and presided by <u>the President</u> unless otherwise stipulated in the laws and regulations.</p> <p>② In the event where <u>the president</u> is unavailable for some reason, another director shall convene the Board of Directors and serve as chairperson in accordance with an order of priority predetermined by the Board of Directors.</p>	<p>(Right to Convene Board of Directors and Chairperson)</p> <p>Article 21. The Board of Directors shall be held and presided by <u>a director predetermined by the Board of Directors</u> unless otherwise stipulated in the laws and regulations.</p> <p>② In the event where <u>the director determined in the foregoing paragraph</u> is unavailable for some reason, another director shall convene the Board of Directors and serve as chairperson in accordance with an order of priority predetermined by the Board of Directors.</p>

**Proposal 2: Election of Six (6) Directors**

The term of office of all four (4) directors will expire at the conclusion of this General Meeting of Shareholders.

At this juncture, the Company proposes the election of six (6) directors, including two (2) outside directors, an increase of two (2) directors for the purpose of further enhancement of the management system.

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	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.</p> <p>June 1988 President and Representative Director, PARIS MIKI Inc.</p> <p>February 1989 Representative Director, Lunettes Inc.</p> <p>May 1994 Representative Director, Executive Vice President, PARIS MIKI Inc.</p> <p>May 1997 Representative Director, Executive Vice President, Manager, Human Resources, PARIS MIKI Inc.</p> <p>June 1999 Representative Director, Executive Vice President, Manager, Human Resources and Overseas Operations, PARIS MIKI Inc.</p> <p>December 2002 Director, Codomo Limited (to the present)</p> <p>June 2003 Director, PARIS MIKI Inc.</p> <p>June 2005 Representative Director, PARIS MIKI Inc.</p> <p>June 2008 Director, PARIS MIKI Inc.</p> <p>June 2008 Senior Managing Director, Lunettes Inc.</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.</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.</p> <p>June 2017 Director, PARIS MIKI HOLDINGS Inc.</p> <p>October 2017 President and Representative Director, Lunettes Inc. (to the present)</p> <p>November 2017 Chairman and Representative Director, PARIS MIKI HOLDINGS Inc. (to the present)</p> <p>March 2018 President, PARIS MIKI INTERNATIONAL GmbH (to the present)</p>	1,238,284 shares
		<p>[Reasons for nomination as candidate for director]                      The Company nominates Mr. Mikio Tane for another term as a candidate for director as he was appointed Chairman and Representative Director in November 2017 and conducts important decision making under the customer-first corporate philosophy from a medium- to long-term perspective. He also has extensive experience and insight needed for the Group's overall management.</p>	

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. January 2001 Manager, PARIS MIKI AUSTRALIA PTY. LTD. April 2004 Human Resources Chief, PARIS MIKI Inc. November 2004 Executive Officer, Human Resources Chief, PARIS MIKI Inc. September 2005 Merchandising division Chief, PARIS MIKI Inc. June 2015 Director, PARIS MIKI Inc. February 2016 President and Representative Director, PARIS MIKI Inc. (to the present) June 2016 Director, PARIS MIKI HOLDINGS Inc. May 2017 Executive Vice President, Lunettes Inc. June 2017 President and Representative Director, PARIS MIKI HOLDINGS Inc. (to the present)</p>	30,107 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 has shown strong leadership and is working hard to ensure customer satisfaction as President and Representative Director of the Company and the Group's major business subsidiary, and because he has extensive experience and insight of business execution as the Manager of an overseas subsidiary, and as the person responsible for human resources and various business divisions such as Merchandising division.</p>			
*3	Fumihiko Nakao (March 21, 1961)	<p>April 1984 Joined MIKI OPTICAL Inc. November 1986 Manager, PARIS-MIKI OPTIQUE H.K. LTD. August 1991 Director, PARIS MIKI OPTICAL (THAILAND) LTD. September 1996 Director, OPTIQUE PARIS-MIKI(S) PTE. LTD. April 2004 Manager, Department Store Operations, PARIS MIKI Inc. November 2004 Executive Officer, Merchandising division Chief, PARIS MIKI Inc. June 2007 Director, PARIS MIKI Inc. January 2009 President, PARIS MIKI Inc. July 2009 President and Representative Director, PARIS MIKI Inc. February 2012 Director, PARIS MIKI HOLDINGS Inc. June 2015 Senior Managing Director, PARIS MIKI HOLDINGS Inc. June 2016 Executive Vice President, PARIS MIKI HOLDINGS Inc. (to the present) May 2017 Senior Managing Director, Lunettes Inc.</p>	30,370 shares
<p>[Reasons for nomination as candidate for director] The Company nominates Mr. Fumihiko Nakao as a candidate for director as he has experience as a President and Representative Director of the Group's major subsidiary and because he has extensive experience and insight of business execution as the Manager and Director of multiple overseas subsidiaries and as the person responsible for various business divisions such as Merchandising division.</p>			

Candidate No.	Name (Date of birth)	Career summary, position, business in charge and important concurrent posts	Number of the Company's shares held
*4	Tetsuro Nakatsuka (May 20, 1955)	<p>April 1979 Joined MIKI OPTICAL Inc.  October 1995 Manager, Accounting, PARIS MIKI Inc.  August 1996 Manager, Finance, PARIS MIKI Inc.  November 2004 Executive Officer, Manager, Finance, PARIS MIKI Inc.  May 2007 Audit &amp; Supervisory Board Member, GREAT Inc. (to the present)  June 2007 Director, Lunettes Inc. (to the present)  April 2009 Finance Chief, PARIS MIKI HOLDINGS Inc.  April 2009 Finance Chief, PARIS MIKI Inc.  January 2010 Audit &amp; Supervisory Board Member, KIMPO-DO Co. Ltd.  January 2011 Audit &amp; Supervisory Board Member, Create three Co., Ltd. (to the present)  June 2011 Director, Finance Chief, PARIS MIKI HOLDINGS Inc.  June 2015 Managing Director, Manager, Finance, PARIS MIKI HOLDINGS Inc.  June 2016 Managing Executive Officer, Manager, Finance, PARIS MIKI HOLDINGS Inc. (to the present)</p>	30,148 shares
		<p>[Reasons for nomination as candidate for director]  The Company nominates Mr. Tetsuro Nakatsuka as a candidate for director as he has served for a long time as the person responsible for the finance and accounting departments and has a deep knowledge of the entire Group's financial strategy, in addition to extensive experience and insight.</p>	
5	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)  May 2017 Director, Lunettes Inc. (to the present)</p>	– shares
		<p>[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 global perspective and extensive insight based on long-standing experience in international corporate management.</p>	

Candidate No.	Name (Date of birth)	Career summary, position, business in charge and important concurrent posts	Number of the Company's shares held	
6	Akiko Iwamoto (May 27, 1968)	April 1991	Joined First Chicago Corp. (now JPMorgan Chase Bank N.A.)	– shares
		April 2000	Vice President, Bank One Corp. (now JPMorgan Chase Bank N.A.)	
		April 2002	Vice President, Royal Bank of Canada	
		April 2004	Chief Dealer, Aozora Bank, Ltd.	
		February 2009	Representative, OFFICE [W.I.S.H] (to the present)	
		April 2012	Visiting Professor, Faculty of Business Administration, Osaka University of Economics	
		June 2015	Outside Audit & Supervisory Board Member, PARIS MIKI HOLDINGS Inc.	
		June 2016	Outside Director, PARIS MIKI HOLDINGS Inc. (to the present)	
May 2017	Audit & Supervisory Board Member, Lunettes Inc.			
May 2018	Director, Lunettes Inc. (to the present)			
[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 extensive insight 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.				

- Notes:
1. The asterisk mark (\*) indicates a new candidate for director.
  2. Mr. Mikio 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 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.
  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. The length of Mr. Pierre-Olivier Chave's service as outside director of the Company will be four (4) years at the conclusion of this General Meeting of Shareholders.
  7. The length of Ms. Akiko Iwamoto's service as outside director of the Company will be two (2) years at the conclusion of this General Meeting of Shareholders.
  8. 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.
  9. The Company has notified Mr. Pierre-Olivier Chave and Ms. Akiko Iwamoto as independent officers to the Tokyo Stock Exchange.
  10. PARIS MIKI Inc. changed its name to PARIS MIKI HOLDINGS Inc. with its move to a holding company structure on April 1, 2009.
  11. PARIS MIKI Inc. became a subsidiary of PARIS MIKI HOLDINGS Inc. effective from April 1, 2009.

**Proposal 3:** Condolence money gift for late-Director Hiroshi Tane

The Company would like to present condolence money to late-Director Hiroshi Tane, who retired due to passing away on October 9, 2017, in recognition of his hard work during his time with the Company. In accordance with the standard stipulated by the Company, the amount has an upper limit of 17 million yen, corresponding to the retirement benefit up to the point of retirement. The Company requests that the specific amount of the gift and its timing and method of presentation, be left to the discretion of the Board of Directors.

A summary of the career of late-Director Hiroshi Tane is as follows.

Name	Career summary	
Hiroshi Tane	January 2003	Representative Director, Chairman, PARIS MIKI Inc.
	June 2007	President and Representative Director, PARIS MIKI Inc.
	June 2017	Chairman and Representative Director, PARIS MIKI HOLDINGS Inc.
	October 2017	Deceased

(Attached Documents)

## **Business Report**

(From April 1, 2017 to March 31, 2018)

### 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 continued to maintain a mild recovery trend and consumer spending is thought to have been firm.

In this environment, the Group set out to address ways to attract not only existing customers but also new customers to visit stores. Initiatives included a full makeover of the stores image and branding of new products, such as the made-in-Japan private brand *style J*.

At PARIS MIKI Inc., which is the Company’s major subsidiary in Japan, the Group worked proactively to develop various store formats to suit different eras, regions, and generations, including music and fashion themed entertainment-style stores and Paris Belle Époque style stores, and the CIRCUS eyewear shop for enjoying eyewear. At existing stores, also, stores that not only present a clear concept but also conducted renovations to suit the region performed strongly, and the Group will continue to promote improvements. On the other hand, innovation was a challenge at independent suburban style stores, of which there are many. The Group therefore conducted numerous trials and discussions, such as developing salon-style stores that provide customers with a relaxing, comfortable space, and has finally identified its direction.

The Company also actively conducted closures and relocations of unprofitable stores in locations where the market had changed. Although this resulted in a net decline in the number of stores, it has also improved the service level and efficiency of individual stores.

Furthermore, the Company began making new propositions targeting the senior citizen market, in which latent demand is anticipated, by developing private brand hearing aid products and started working on a medical-related operations support business.

At its overseas subsidiaries, in the Southeast Asian regions performance was comparatively firm and profits were secured, and at the Vietnamese subsidiaries, business cooperation with a medical

institution was strong. However, the overall results for overseas subsidiaries were harsh, primarily due to a decline in sales at the Chinese subsidiaries. In the Philippines, which is a promising market going forward, business is gradually starting to get on track, and the Company plans to further increase stores there.

As a result of the above, in the fiscal year under review, net sales were 50,406 million yen, up 1.1% year on year, operating profit was 270 million yen (operating loss of 400 million yen in the previous fiscal year), ordinary profit was 463 million yen (ordinary loss of 616 million yen in the previous fiscal year), and impairment loss of unprofitable stores of 997 million yen was recorded, and loss attributable to owners of parent was 1,160 million yen (loss attributable to owners of parent of 1,721 million yen in the previous fiscal year).

## ii) Capital investment

Capital investment by the Group in the fiscal year under review was 1,123 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	2
Kanto	6	11	13
Chubu	2	6	14
Kinki	4	12	14 [1]
Chugoku	1	5	5
Shikoku	–	2	2
Kyushu and Okinawa	1	3	3 [1]
Total	14	40	53 [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	–	1	–
Asia	2	10	9
Oceania	–	–	–
U.S.	–	1	–
Total	2	12	9

## 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 9,500 million yen, and the used commitment as of the end of the fiscal year under review was 5,478 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	67th fiscal term ended March 31, 2015	68th fiscal term ended March 31, 2016	69th fiscal term ended March 31, 2017	70th fiscal term ended March 31, 2018 (fiscal year under review)
Net sales (Millions of yen)	54,342	53,727	49,881	50,406
Ordinary profit (loss) (Millions of yen)	635	174	(616)	463
Profit (loss) attributable to owners of parent (Millions of yen)	198	(601)	(1,721)	(1,160)
Earnings (loss) per share (Yen)	3.85	(11.69)	(33.45)	(22.70)
Total assets (Millions of yen)	53,187	51,067	47,926	46,019
Net assets (Millions of yen)	39,673	37,811	35,060	33,078
Net assets per share (Yen)	763.66	728.77	676.02	642.35

ii) Assets and operating results of the Company

Category	67th fiscal term ended March 31, 2015	68th fiscal term ended March 31, 2016	69th fiscal term ended March 31, 2017	70th fiscal term ended March 31, 2018 (fiscal year under review)
Net sales (Millions of yen)	619	667	549	439
Operating revenue (Millions of yen)	1,353	1,285	1,280	1,170
Ordinary profit (loss) (Millions of yen)	415	(68)	12	(76)
Profit (loss) (Millions of yen)	23	(325)	(447)	(663)
Earnings (loss) per share (Yen)	0.45	(6.32)	(8.69)	(12.99)
Total assets (Millions of yen)	40,746	39,732	38,296	36,648
Net assets (Millions of yen)	36,239	34,942	33,544	31,853
Net assets per share (Yen)	703.65	678.03	651.97	624.08

(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)
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 28 consolidated subsidiaries including the 17 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	¥36,648 million

iv) Important other affiliated company

Company name	Capital stock	Voting rights in the Company held	Major business
Lunettes Inc.	¥100 million	29.81%	Beauty and health related business 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. First, we intend to focus our management resources in the eyewear business, where we will create surprise and satisfaction for customers by developing new markets without being bound by conventional approaches. Meanwhile, we also intend to consider new businesses where we can make use of the experience and vision we have developed while operating an eyewear store business and aim to put group-wide efforts into the launch and development of such businesses in the medium and long term.

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 15 to 20 stores mainly in shopping centers and on street-side locations that have significant foot traffic. We also plan to close or merge 25 to 30 stores, mainly unprofitable ones.

With regard to products, we will develop eyewear frames through our made-in-Japan private brand offering outstanding functionality and design, while in eyewear lenses we will develop and promote products with different functions for different purposes and superior consideration for eye health. With regard to hearing aids, which have not penetrated the market fully despite the large number of people who have limited hearing capability, we will continue to aggressively make proposals and develop products designed to tap the latent demand of the market in Japan's long-lived and aged society.

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 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, 2018)

The Group is composed of the Company and 28 consolidated subsidiaries, eight 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, 2018)

[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	53 [8]	Chugoku	91 [30]
Kanto	207 [19]	Shikoku	43 [11]
Chubu	107 [5]	Kyushu and Okinawa	56 [9]
Kinki	210 [28]	Total	767 [110]

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

[Overseas retail business]

Region	Number of stores	Region	Number of stores
Europe	3	Oceania	5
Asia	133	U.S.	6
		Total	147

[Eyewear manufacturing business]

Create three Co., Ltd.	Headquarters and factory	Sabae-shi, Fukui
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(8) Employees (as of March 31, 2018)

i) Employees of the Group

Number of employees	Change from the end of the previous fiscal year
3,013	-98

- (Note) The number of employees includes 16 employees seconded to outside the Group.  
The above does not include 1,365 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	-	46.9 years old	22.8 years

- (Note) The number of employees includes 24 employees seconded to outside the Company.  
The above does not include eight contract workers (part-timers) (converted into eight hours a day) and others.

(9) Major lenders (as of March 31, 2018)

Lender	Borrowings outstanding
Sumitomo Mitsui Banking Corporation	¥6,284 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 9,500 million yen, and the used commitment as of the end of the fiscal year under review was 5,478 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, 2018)

- i) Total number of authorized shares 223,000,000 shares
- ii) Total number of issued shares 56,057,474 shares
- iii) Number of shareholders 10,948
- 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	29.81
Codomo Limited	5,670	11.12
HAL INTERNATIONAL INVESTMENTS N.V.	4,075	8.00
PARIS MIKI Employee Shareholding Association	2,403	4.72
Mikio Tane	1,238	2.43
SIX SIS LTD.	1,203	2.36
Hiroshi Tane	1,105	2.17
SMBC Trust Bank Ltd., Designated Securities Trust	831	1.63
Nobuhiko Tane	755	1.48
The Master Trust Bank of Japan, Ltd. (Trust Account)	731	1.44

- (Notes) 1. Percentages of shares held are calculated with treasury shares (5,089,207 shares) excluded.
2. The above major shareholder Hiroshi Tane passed away on October 9, 2017; however, his name was recorded on the shareholders register as of March 31, 2018.

(2) Officers of the Company

i) Directors and audit & supervisory board members (as of March 31, 2018)

Name	Position	Business in charge and important concurrent posts
Mikio Tane	Chairman and Representative Director	President and Representative Director, Lunettes Inc. President, PARIS MIKI INTERNATIONAL GmbH 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	President and Representative Director	President and Representative Director, PARIS MIKI Inc. Executive Vice President, Lunettes Inc.
Pierre-Olivier Chave	Director	President, PX Group SA President, PX Précinox SA President, SAV-IOL SA Director, Lunettes Inc.
Akiko Iwamoto	Director	Visiting Professor, Faculty of Business Administration, Osaka University of Economics Audit & Supervisory Board Member, Lunettes Inc.
Hideo Koshio	Standing Audit & Supervisory Board Member	
Kohtaro 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 Mikio 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 Kohtaro 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.
  6. Changes in position and duties of officers during the fiscal year under review are as follows:

Name	Before change	After change	Date of change
Masahiro Sawada	Director	President and Representative Director	June 14, 2017
Mikio Tane	Representative Director, Executive Vice President	Director	June 26, 2017
	Director	Chairman and Representative Director	November 13, 2017

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
Hiroshi Tane	October 9, 2017	Deceased	Chairman and Representative Director President and Representative Director, Lunettes Inc. President, PARIS MIKI INTERNATIONAL GmbH
Koji Matsumoto	November 13, 2017	Resigned	Standing Audit & Supervisory Board Member

iii) Overview of agreements limiting liability

The Company has entered into agreements with each of outside directors and 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	5	¥46 million
[of which, outside directors]	[2]	[19]
Audit & supervisory board members	4	¥23 million
[of which, outside audit & supervisory board members]	[2]	[12]
Total	9	¥69 million
[of which, outside directors and outside audit & supervisory board members]	[4]	[31]

- (Notes)
- At the end of the fiscal year under review, the number of directors is four (including two outside directors) and the number of audit & supervisory board members is three (including two outside audit & supervisory board members).
  - It was resolved at the 38th 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

5 directors	¥4 million
[of which, 2 outside directors]	¥1 million
4 audit & supervisory board members	¥1 million
[of which, 2 outside audit & supervisory board members]	¥0 million
  - In addition to the above, the planned payment amount of officers' retirement benefits assuming approval of "Proposal 3 Condolence money gift for late-Director Hiroshi Tane" to be put before the 70th Ordinary General Meeting of Shareholders to be held on June 26, 2018 is as follows.
    - Officers' retirement benefits planned for payment as condolence money to a director who retired due to passing away

1 director	¥17 million
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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, Lunettes Inc.
Director Akiko Iwamoto	Visiting Professor, Faculty of Business Administration, Osaka University of Economics Audit & Supervisory Board Member, Lunettes Inc.
Audit & Supervisory Board Member Kohtaro 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.

- (Notes)
1. PX Précinox SA and the Company's subsidiaries have purchase transactions of gold bullion, etc.
  2. 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. 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 seven of the eight meetings of the Board of Directors held during the fiscal year under review, and proactively made statements and provided opinions at the meetings from his global perspective and broad knowledge based on long-standing experience in international corporate management.
Director Akiko Iwamoto	Attended all eight meetings of the Board of Directors held during the fiscal year under review, and proactively provided opinions and made statements at the meetings mainly from her professional and broad knowledge related to international finance and international economics.
Audit & Supervisory Board Member Kohtaro Yamamoto	Attended all eight 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 seven of the eight 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 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.

(3) 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 million

- (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.

#### (4) Policy on determination of dividends of surplus

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.

For the fiscal year under review, it was resolved at a meeting of the Board of Directors held on May 15, 2018 to pay a year-end dividend of 8 yen per share, with payment commencing from June 11, 2018. As a result, the annual dividend for the fiscal year under review was 16 yen per share (an interim dividend of 8 yen and a year-end dividend of 8 yen).

Also, during the fiscal year under review, the Company acquired 413,000 treasury shares (total acquisition cost of 193 million yen).

# Consolidated Balance Sheet

(As of March 31, 2018)

(Millions of yen)

ASSETS		LIABILITIES	
<b>Current assets</b>	<b>33,027</b>	<b>Current liabilities</b>	<b>11,555</b>
Cash and deposits	17,286	Notes and accounts payable - trade	1,714
Notes and accounts receivable - trade	3,325	Short-term loans payable	5,808
Merchandise and finished goods	10,189	Current portion of long-term loans payable	2
Raw materials and supplies	1,115	Lease obligations	13
Deferred tax assets	195	Accounts payable - other	2,176
Other	1,096	Income taxes payable	378
Allowance for doubtful accounts	(180)	Accrued consumption taxes	203
<b>Non-current assets</b>	<b>12,991</b>	Provision for bonuses	68
<b>Property, plant and equipment</b>	<b>4,337</b>	Provision for loss on store closing	52
Buildings and structures	2,323	Other	1,137
Machinery and equipment	27	<b>Non-current liabilities</b>	<b>1,384</b>
Tools, furniture and fixtures	944	Long-term loans payable	500
Land	926	Lease obligations	21
Leased assets	33	Provision for directors' retirement benefits	58
Construction in progress	76	Asset retirement obligations	409
Other	5	Other	395
<b>Intangible assets</b>	<b>717</b>	<b>Total liabilities</b>	<b>12,940</b>
Other	717	<b>NET ASSETS</b>	
<b>Investments and other assets</b>	<b>7,936</b>	<b>Shareholders' equity</b>	<b>32,199</b>
Investment securities	1,776	<b>Capital stock</b>	<b>5,901</b>
Long-term loans receivable	222	<b>Capital surplus</b>	<b>6,829</b>
Lease and guarantee deposits	5,547	<b>Retained earnings</b>	<b>28,113</b>
Construction assistance fund receivables	53	<b>Treasury shares</b>	<b>(8,644)</b>
Deferred tax assets	12	<b>Accumulated other comprehensive income</b>	<b>540</b>
Other	482	<b>Valuation difference on available-for-sale securities</b>	<b>178</b>
Allowance for doubtful accounts	(106)	<b>Foreign currency translation adjustment</b>	<b>362</b>
Allowance for loss on investments in subsidiaries and associates	(51)	<b>Subscription rights to shares</b>	<b>44</b>
		<b>Non-controlling interests</b>	<b>294</b>
		<b>Total net assets</b>	<b>33,078</b>
<b>Total assets</b>	<b>46,019</b>	<b>Total liabilities and net assets</b>	<b>46,019</b>

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

## Consolidated Statement of Income

(From April 1, 2017 to March 31, 2018)

(Millions of yen)

Item	Amount	
Net sales		50,406
Cost of sales		16,744
<b>Gross profit</b>		<b>33,662</b>
Selling, general and administrative expenses		33,391
<b>Operating profit</b>		<b>270</b>
Non-operating income		
Interest and dividend income	45	
Rent income	22	
Commission fee	11	
Compensation income	97	
Gain on sales of supplies	7	
Other	173	358
Non-operating expenses		
Interest expenses	27	
Foreign exchange losses	24	
Commission fee	16	
Share of loss of entities accounted for using equity method	52	
Provision of allowance for doubtful accounts	9	
Other	35	165
<b>Ordinary profit</b>		<b>463</b>
Extraordinary income		
Gain on sales of non-current assets	9	
Gain on sales of investment securities	0	10
Extraordinary losses		
Loss on sales and retirement of non-current assets	49	
Impairment loss	997	
Loss on valuation of shares of subsidiaries and associates	58	
Loss on valuation of investments in capital of subsidiaries and associates	12	
Loss on valuation of investment securities	2	
Loss on cancellation of store contracts	45	
Provision for loss on store closing	102	
Provision of allowance for loss on investments in subsidiaries and associates	33	1,301
<b>Loss before income taxes</b>		<b>828</b>
Income taxes - current	386	
Income taxes - deferred	(59)	327
<b>Loss</b>		<b>1,156</b>
Profit attributable to non-controlling interests		4
<b>Loss attributable to owners of parent</b>		<b>1,160</b>

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

## Non-consolidated Balance Sheet

(As of March 31, 2018)

(Millions of yen)

ASSETS		LIABILITIES	
<b>Current assets</b>	<b>6,479</b>	<b>Current liabilities</b>	<b>4,182</b>
Cash and deposits	6,087	Accounts payable - trade	13
Accounts receivable - trade	136	Short-term loans payable	4,000
Merchandise	147	Accounts payable - other	110
Prepaid expenses	43	Income taxes payable	8
Deferred tax assets	3	Other	49
Other	61	<b>Non-current liabilities</b>	<b>612</b>
<b>Non-current assets</b>	<b>30,169</b>	Long-term loans payable	500
<b>Property, plant and equipment</b>	<b>1,275</b>	Provision for directors' retirement benefits	39
Buildings	368	Deferred tax liabilities	53
Vehicles	0	Asset retirement obligations	14
Tools, furniture and fixtures	17	Other	5
Land	888	<b>Total liabilities</b>	<b>4,795</b>
Construction in progress	0	<b>NET ASSETS</b>	
<b>Intangible assets</b>	<b>563</b>	<b>Shareholders' equity</b>	<b>31,689</b>
Trademark right	0	<b>Capital stock</b>	<b>5,901</b>
Software	489	<b>Capital surplus</b>	<b>6,829</b>
Other	73	Legal capital surplus	6,829
<b>Investments and other assets</b>	<b>28,329</b>	<b>Retained earnings</b>	<b>27,603</b>
Investment securities	1,331	Legal retained earnings	582
Shares of subsidiaries and associates	25,870	Other retained earnings	27,021
Investments in capital of subsidiaries and associates	643	Reserve for overseas investment	3,220
Long-term loans receivable from subsidiaries and associates	1,772	General reserve	22,890
Long-term prepaid expenses	17	Retained earnings brought forward	911
Other	284	<b>Treasury shares</b>	<b>(8,644)</b>
Allowance for doubtful accounts	(975)	<b>Valuation and translation adjustments</b>	<b>118</b>
Allowance for loss on investments in subsidiaries and associates	(613)	<b>Valuation difference on available-for-sale securities</b>	<b>118</b>
		<b>Subscription rights to shares</b>	<b>44</b>
<b>Total assets</b>	<b>36,648</b>	<b>Total net assets</b>	<b>31,853</b>
		<b>Total liabilities and net assets</b>	<b>36,648</b>

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

## Non-consolidated Statement of Income

(From April 1, 2017 to March 31, 2018)

(Millions of yen)

Item	Amount	
Net sales		
Net sales of goods		439
Operating revenue		
Consulting fee income	678	
System usage fee income	455	
Rent fee income	35	
Dividend income	1	1,170
Cost of sales		140
Selling, general and administrative expenses		1,487
<b>Operating loss</b>		<b>17</b>
Non-operating income		
Interest and dividend income	25	
Rent income	9	
Other	4	39
Non-operating expenses		
Interest expenses	14	
Commission fee	16	
Foreign exchange losses	58	
Other	8	98
<b>Ordinary loss</b>		<b>76</b>
Extraordinary income		
Gain on sales of non-current assets	0	
Gain on sales of investment securities	0	0
Extraordinary losses		
Loss on sales and retirement of non-current assets	3	
Impairment loss	112	
Loss on valuation of shares of subsidiaries and associates	120	
Loss on valuation of investment securities	2	
Provision of allowance for doubtful accounts	56	
Provision of allowance for loss on investments in subsidiaries and associates	288	584
<b>Loss before income taxes</b>		<b>660</b>
Income taxes - current	8	
Income taxes - deferred	(4)	3
<b>Loss</b>		<b>663</b>

(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, 2018

The Board of Directors  
PARIS MIKI HOLDINGS Inc.

Ernst & Young ShinNihon LLC

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

Atsusada Kato (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, 2017 through March 31, 2018.

*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, 2018 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, 2018

The Board of Directors  
PARIS MIKI HOLDINGS Inc.

Ernst & Young ShinNihon LLC

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

Atsutada Kato (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 70th fiscal year from April 1, 2017 through March 31, 2018.

*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 70th fiscal year ended March 31, 2018 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 70th fiscal year from April 1, 2017 to March 31, 2018, 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, 2018

Audit & Supervisory Board  
PARIS MIKI HOLDINGS Inc.

Hideo Koshio (Seal)  
Standing Audit & Supervisory Board Member

Kohtaro Yamamoto (Seal)  
Outside Audit & Supervisory Board Member

Yoshiaki Nishimura (Seal)  
Outside Audit & Supervisory Board Member