

AAP, INC.

Consolidated Financial Statements for
US and Japan operation for the Year Ended
December 31, 2011 and Independent
Accountants' Compilation Report

Hori & Otto Associates, Accountancy Corporation
CERTIFIED PUBLIC ACCOUNTANT

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INDEPENDENT ACCOUNTANTS' COMPILATION REPORT

Board of Directors of AAP, NC.

We have compiled the accompanying balance sheet of AAP, INC., (the "Company"), as of December 31, 2011, and the related statement of income, statement of stockholder's equity, for the year then ended, in accordance with Statement on Standards for Accounting and Review Services, issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting, in the form of financial statements, information that is the representation of management. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or any other form of assurance on them.

Hori & Otto Associates, Accountancy Corporation

May 25, 2012

AAP, INC.

BALANCE SHEET
FOR THE YEAR ENDED DECEMBER 31, 2011
(See Independent Accountant compilation Report)

ASSETS

CURRENT ASSETS:

Cash and Cash equivalent	13,255
Account Receivable	2,707,808
Other Receivable	640
Prepaid expenses	<u>189,945</u>
TOTAL CURRENT ASSETS	<u>2,911,648</u>

NON-CURRENT ASSETS:

Trademark	394,592
Investment	<u>206,778</u>
TOTAL NON-CURRENT ASSETS	<u>601,370</u>

TOTAL ASSETS	<u><u>3,513,018</u></u>
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AAP, INC.

BALANCE SHEET
FOR THE YEAR ENDED DECEMBER 31, 2011
(See Independent Accountant compilation Report)

LIABILITIES

Current Liabilities	
Account Payable - related	1,939,854
Tax Payable	5,022
Deposit	109,219
Deferred Sales	<u>1,333,627</u>
TOTAL CURRENT LIABILITIES	<u>3,387,722</u>

STOCKHOLDERS' EQUITY

Stocks	116,201
Retained Earning	9,095
TOTAL STOCKHOLDERS' EQUITY	<u>125,296</u>
TOTAL LIABILITIES AND EQUITIES	<u>3,513,018</u>

AAP, INC.

INCOME STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2011
(See Independent Accountant compilation Report)

SALES REVENUE	4,543,814
COST OF SALES	<u>454,300</u>
GROSS PROFIT	<u>4,089,514</u>
OPERATION EXPENSES	4,075,399
INCOME FROM OPERATION	14,115
OTHER INCOME	
Other Income	<u>2</u>
TOTAL OTHER INCOME	<u>2</u>
INCOME BEFORE INCOME TAX	<u>14,117</u>
INCOME TAX	
Current	5,022
Deferred	<u>0</u>
Total Income Tax Expenses	<u>5,022</u>
NET INCOME	<u><u>9,095</u></u>

AAP, INC.

STATEMENT OF STOCKHOLDERS' EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2011
(See Independent Accountant compilation Report)

	<u>Common Stock</u>	<u>Retained Earnings</u>	<u>Total Equity</u>
BALANCE, December 31, 2010	\$130,083	\$0	\$130,083
Stocks issued	\$76,978		\$76,978
Purchase of Treasury Stock	(\$90,860)		(\$90,860)
NET INCOME	\$0	\$9,095	\$9,095
 BALANCE, December 31, 2011	 <u>\$116,201</u>	 <u>\$9,095</u>	 <u>\$125,296</u>

AAP, INC.

OPERATION EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2011
(See Independent Accountants' Compilation Report)

Operating Expenses:	
Salaries Expense	392,330.88
Payroll Tax Expense	36,723.41
Employee Benefit	162.03
Employment Expense	431.73
Outside Services	278,003.74
Freight Out	97.47
Advertising	1,698.51
Meals and Entertainment Exp	29,078.96
Meeting Expense	1,434.24
Travel	175,696.33
Communication	5,860.59
Sales Commission	1,399,651.57
Promotion Expense	2,596.00
Supplies Expense	23,500.38
Office Expense	1,357.49
Repair & Maintenance	5,405.05
Utilities Expense	711.90
Research Expense	1,376,110.99
Dues and Subscriptions Exp	8,205.44
Commission	250,335.69
Auto Expenses	731.59
Rent Expense	55,155.34
Insurance Expense	1,052.67
Taxes & Licenses	84.37
Depreciation Expense	20,768.00
Bad Debt Expense	8,147.86
Other Expense	66.34
Total Operating Expense	<u>4,075,398.58</u>