February 14, 2018

Press Release

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Notice Regarding Difference between the Consolidated Earnings Forecasts and Actuals and Posting of Extraordinary Profit and Extraordinary Loss

Laox Co., Ltd. (the "Company") announced that there was a difference between the full-year consolidated earnings forecasts for the fiscal year ended December 31, 2017 (January 1, 2017 to December 31, 2017), which were announced on August 14, 2017, and the actuals announced this day. In addition, the Company announced that it recorded an extraordinary profit and extraordinary loss in the consolidated settlement of accounts for the fiscal year ended December 31, 2017. Details are as follows.

Description:

1. Difference between the consolidated earnings forecasts and actuals

(1) Difference between the full-year consolidated earnings forecasts for the fiscal year ended December 31, 2017 and the actuals

(January 1, 2017 to December 31, 2017)

	Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parent	Profit per share
	million yen	million yen	million yen	million yen	yen
Forecasts previously announced (A)	63,500	100	150	–	–
Actuals (B)	64,291	138	48	104	1.63
Change (B-A)	791	38	-102	–	–
Rate of change (%)	1.2	38.0	-68.0	–	–
(Reference) actuals for the previous fiscal year (Fiscal year ended December 31, 2016)	62,764	-955	-1,012	-1,766	-27.27

(Note 1) During the third quarter of the consolidated fiscal year ended December 31, 2017, the provisional account processing for business combinations was finalized. The data for the fiscal year ended December 31, 2016 is based on the amounts obtained after reflecting an important review of the initial appropriation of the acquisition cost upon finalizing the provisional account processing.

(Note 2) On July 1, 2016, ordinary shares were consolidated at the ratio of ten to one. Profit per share was calculated assuming that the said shares were consolidated at the beginning of the preceding fiscal year.

(2) Reasons for difference

- Net sales were almost as forecast.
- Operating profit exceeded the previous forecast by 38.0% because the ratio of selling, general and administrative expenses to net sales was reduced 1.5% to 15.3% from 16.8% at the end of the preceding fiscal year and the increase in fixed costs initially expected was absorbed.
- Ordinary profit fell below the previous forecast by 68.0% upon comparison to the consolidated earnings forecasts because of an increase in foreign exchange losses, among other factors.

2. Details of extraordinary profit

Extraordinary profit of 1,281 million yen was posted as follows.

(Breakdown)

Gain on bargain purchase upon making the Ogitsu group subsidiaries (Note)	1,236 million yen
Reversal of allowance for loss on withdrawal from the employees pension fund plan	33 million yen
Gain on reversal of subscription rights to shares due to reversal of the lapsed subscription rights to shares	11 million yen

(Note) The amounts above are provisionally calculated based on reasonable data, etc. available at the present time. The account processing will be finalized after appropriation of the acquisition cost within one (1) year of the date of business combination according to the "accounting standard for business combination."

3. Details of extraordinary loss

Extraordinary loss of 1,213 million yen was posted as follows.

(Breakdown)

Loss incurred upon consolidation and closure of overseas subsidiaries	543 million yen
Impairment loss recorded for the balance of unamortized goodwill due to a loss of the excess earning power initially expected of the business transferred from Shinko Seika Kogyo Co., Ltd.	315 million yen
Impairment loss recorded for stores whose profitability has worsened and stores scheduled to be closed within one (1) year in the domestic retail business	229 million yen
Loss on liquidation of stores due to closure of stores in the domestic retail business	32 million yen
Loss on retirement of non-current assets, etc. due to closure of stores of domestic subsidiaries	8 million yen
Extra retirement payments of domestic subsidiaries	10 million yen
Costs for relocation of offices of domestic subsidiaries	60 million yen
Additional loss on liquidation of stores of the Chinese subsidiaries	13 million yen

4. Impact on the business results

The information announced herein is reflected to the "Summary of (Consolidated) Financial Statements for Fiscal Year Ended December 31, 2017 (Japanese Standards)" announced this day.

End.