

June 8, 2015

To Our Shareholders

Company Name: Laox Co., Ltd.

Representative: Yiwen Luo

(Code Number: 8202 TSE2)

Contact: Teruji Yano, General Manager of Administration Division

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Issuance of Share Options for Subscriptions

(Buying Stock Options)

The Board of Directors of Laox Co., Ltd. announced today a resolution on the issuance of stock warrants to our directors, auditors, and employees based on Article 236, Article 238, and Article 240 of our company law. These stock warrants will be issued to subscribers paying fair cash value. As this is not a particularly profitable condition, the issuance will be conducted without the approval of a general meeting of stockholders. Furthermore, these stock warrants are not granted as compensation but will be subscribed to by each person at their individual investment discretion.

I. Purpose and Reasons for Share Options for Subscriptions

To achieve our mid-term management plan and to increase the value of our company, the stock warrants will be issued at a strike price to our directors, auditors, and employees in order to motivate them to improve our business results and arouse enthusiasm.

In addition, the rights to stock warrants, as stated in “II. Outlines for Issuing Stock Warrants, 3 (6) Conditions for Exercising Stock Warrants” can only be exercised when the predetermined business results of our mid-term management plan are achieved. We expect the commitments to be fulfilled by our directors, auditors, and employees to achieve our business goals.

Furthermore, even if these stock warrants are exercised, in case our company issues stock warrants, a share dilution of roughly 2.86 percent at most will occur to our total of 663,881,033 shares issued as of the day the resolution was made. However, a condition for the stock warrants is that they may only be exercised when the predetermined profit goals are achieved. Achievement of these goals will improve our company and shareholders’ value and would also be considered to be a contribution to the profits of our existing shareholders. Therefore, we believe that the extent of dilution due to the issuance of the stock warrants is reasonable.

II. Outline of the Issuance of Stock Warrants

1. Number of stock warrants

19,000 shares

The total number of shares granted by exercising these stock warrants will be 19,000,000 common shares. In case the number of granted shares for the stock warrants is adjusted as stated in 3 (1) below, it will be the number of granted shares after adjustment multiplied by the number of stock warrants.

2. Payment Amount in Exchange for Stock Warrants

The issued price per stock warrant will be JPY1,900. This amount was decided by referring to the amount tabulated by Plutus Consulting (“Plutus”), a third-party assessment organization. Plutus used the Monte Carlo simulation, a general option pricing method, to calculate the value of the stock warrant. It used the closing price of JPY373 per share on the Tokyo Stock Exchange on the day before the working day of June 8, 2015 when our Board of Directors resolved to issue stock warrants, stock variability of 70.67 percent, dividend yield of 0 percent, and risk-free rate of 0.164 percent, and the conditions in the requirements for issuing stock warrants (exercise price of JPY 373 per share, the maturity period as 5.7 years, and business conditions).

3. Details of Stock Warrant

(1) Type and number of shares for stock warrants

The number of shares for one stock warrant (“Number of Granted Shares”) will be 1,000 common shares.

The Number of Granted Shares will be adjusted by the following formula in case the company undergoes a stock split (including free allocation of our common shares; hereinafter the same) or a reverse stock split after the allocation date of the stock warrants. The adjustment, however, will only be carried out for the number of shares aiming at stock warrants that will not be exercised at this point. Fractions of less than one share resulting from the adjustment will be rounded down.

Number of granted shares after allocation = Number of shares granted prior to adjustment x
Rate of stock split (or reverse stock split)

In addition, in case our company merges, splits up, or reduces the amount of capital after the allocation date of the stock warrants, or in case the Number of Granted Shares must be adjusted to comply with the situation, the Number of Granted Shares must be adjusted appropriately within a reasonable range.

(2) Asset value financed to exercise the stock warrants and the calculation method

The asset value when exercising the stock warrants will be the payment amount per share

("Exercised Value") multiplied by the Number of Granted Shares.

The Exercised Value will be JPY373.

Furthermore, in case our company merges or splits after the allocation date of the stock warrants, the Exercised Value will be adjusted using the following formula with any fraction of less one

(1) Japanese yen to be rounded up.

$$\text{Exercise Value after adjustment} = \frac{1}{\text{Rate of split or merger}} \times \text{Exercise Value per adjustment}$$

After the allocation date of the stock warrants, in case our company issues new shares at a price below the market of our common shares or disposes of our own shares, (excluding issuance of new shares based on the exercise of stock warrants or transfers of own stock by exchanging shares), the Exercised Value will be adjusted using the following formula with any fraction of less than one (1) Japanese yen to be rounded up.

$$\text{Exercise Value after Adjustment} = \frac{\text{Exercise Value pre-adjustment} \times \left(\frac{\text{Number of existing shares} + \frac{\text{Number of newly issued shares} \times \text{Price per share}}{\text{Value of share prior to issuing new shares}}}{\text{Number of existing shares} + \text{Number of newly issued shares}} \right)}{1}$$

"The number of existing shares" in the above formula is the number of own shares subtracted from the number of issued shares from our company's common shares. Also, when disposing of our own shares from our common shares, "number of newly issued shares" will be read as "number of own shares disposed of".

Furthermore, other than the above, in case our company merges with another company, our company splits, or other matters occur after the allocation date of the stock warrants, and the Exercise Value must be adjusted to comply with the situation, our company can adjust the Exercise Value appropriately within a reasonable range.

(3) Period for Exercise of Stock Warrants

The period in which the stock warrants can be exercised ("Exercise Period") will be from April 1, 2016 to March 31, 2021.

(4) Matters concerning increased capital and capital reserve

(a) The amount of capital increase by issuing shares when exercising stock warrants will be half

of the upper limit of the increased capital based on the calculation of Company Accounting Standard Article 17 Paragraph 1. All fractions of less than one (1) Japanese yen will be rounded up.

(b) The amount of capital reserves increased by issuing shares when exercising stock warrants will be the amount obtained by subtracting the increased capital stated in (a) from the upper limit of the increased capital stated in (a).

(5) Limits on acquiring stock warrants by assignment

Acquiring stock warrants by assignment must be decided and approved by our Board of Directors.

(6) Conditions for exercising stock warrant

(a) When the operating profits of our audited consolidated profit-and-loss statement for the period of December 2015 to December 2017 reaches the conditions described below in compliance with our business goals stated in our mid-term management plans, stock warrant subscribers can exercise the stock warrants that are allocated to them during the period in 3 (3). In this case, if there are fractions of less than one share for the number of exercisable stock warrants based on this ratio, the subscriber can exercise stock warrants to the rounded-down number. In addition, in case there are important changes in the concept of operating profits and the like that must be referred to in the application of International Financial Reporting Standards, the Board of Directors must separately stipulate the indicators to be used as a reference.

(i) When the operating profits exceed JPY4.55 billion during the December 2015 period

One third of the total number of stock warrants allocated to the subscriber

(ii) When the operating profits exceed JPY7 billion in the December 2016 period

One third of the total number of stock warrants allocated to the subscriber

(iii) When the operating profits exceed JPY12 billion in the December 2017 period

One third of the total number of stock warrants allocated to the subscriber

When the operating profits are below JPY1 billion during either the third or fourth quarter of the December 2015 period, the stock warrants cannot be exercised thereafter.

(c) When exercising stock warrants, the subscriber must be a director, auditor, or employee of our company or a related company. This, however, does not apply in the event that a director resigns due to the expiration of his term of office, retirement, or other appropriate reasons.

(d) The exercise of stock warrants by successors of subscribers is not permitted.

(e) Stock warrants cannot be exercised when the total number of issued shares at that certain time exceeds the number of authorized shares if the stock warrants are exercised.

(f) Stock warrants can only be exercised for more than one stock warrant.

4. Allocation Date of Stock Warrants

June 24, 2015

5. Matters concerning Acquiring Stock Warrant

(1) In case our shareholders approve (if shareholder approval is not required, a Board of Directors' decision) that our company should dissolve due to an acquisition agreement, split up under a company split agreement or split plan, or enter into a share exchange agreement or share transfer plan making our company a total subsidiary, our company will be able to acquire all the stock warrants free of charge on the day decided by our Board of Directors.

(2) In case the stock warrants are not exercised due to the regulations stated in 3 (6) before exercising rights for the stock warrants, our company can acquire the stock warrants free of charge.

6. Handling of Stock Warrants when Reconstructing the Organization

When our company merges (only when our company dissolves due to acquisition), carries out an absorption-type split, incorporation-type company split, exchanges shares or transfers shares (all of the above as "Reorganization"), the company will grant each stock warrant of the reorganized company under the following conditions for the company ("Reorganized Company") based on Company Law Article 238 Paragraph 1 Clause 8 (a) to (e) to the new subscribers on the effective date of the Reorganization for each situation. This, however, is only valid when it is stipulated in the absorption-type split agreement, incorporation-type company split plan, share exchange agreement, or share transfer plan to grant the stock warrants to the Reorganized Company under the following conditions.

(1) The number of stock warrants granted to the Reorganized Company

Will grant the same number of stock warrants held by the subscribers to each company

(2) Type of shares of the Reorganized Company for the stock warrants

Common shares of the Reorganized Company

(3) Number of shares of the Reorganized Company for the stock warrants

Comply with and decide with 3 (1) considering the conditions of the Reorganization

(4) Asset price that is invested when exercising stock warrants

The asset price invested when exercising each stock warrant will consider the conditions and the like of the Reorganization and multiply the number of shares of the Reorganized Company, which aims at the said stock warrant decided under 6 (3) to the Reorganization price adjusted by the Exercise Value stated in 3 (2).

(5) Period that the stock warrant can be exercised

From the first day of the exercise period stated in 3 (3) and the effective date of the Reorganization, whichever is later, to the end of the exercise period stated in 3 (3).

(6) Matters concerning the capital increase when issuing shares by exercising stock warrants and capital reserves

To be decided when complying with 3 (4)

(7) Restrictions in acquiring stock warrants by assignment

Restrictions in acquiring stock warrants by assignment require the decision and approval by the Board of Directors of the Reorganized Company

(8) Other conditions for exercising stock warrants

To be decided when complying with 3 (6)

(9) Reasons and conditions for acquiring stock warrants

To be decided complying with 5

(10) Other conditions will comply with and be decided under the conditions of the Reorganized Company

7. Matters concerning share option certificates of the stock warrants

Our company will not issue share option certificates for the stock warrants

8. Period to transfer payment in exchange for stock warrants

June 24, 2015

9. Application Date

June 19, 2015

10. Subscribers and numbers of stock warrants allocated

Our directors and auditors: 15,395 shares to 11persons

Our employees: 3,605 shares to 351persons

(Note) As President and CEO Yiwen Luo, who will be receiving the allocation of the stock warrants, has retired from being the president of Nihon Kanko Menzei Co., Ltd., the main shareholder, this will not be considered to be a transaction with a main shareholder. In addition, there are directors, who will be receiving the allocation of the stock warrants and also belong to Suning Appliance Co., Ltd., the parent company. As they are, however, employees of the parent company, this will not be considered to be a transaction with a main shareholder.