

Summary of Financial Statements for Q1 term Ending December 2019 (Japanese Standards) (consolidated)

May 15, 2019

Listed Company: Laox Co., Ltd. Stock Exchange: Tokyo Stock Exchange
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Planned Submission Date for the Quarterly Report: May 15, 2019
 Planned Starting Date for Dividend Payments: —
 Supplementary Documents for Quarterly Results: NO
 Quarterly Results Briefing: NO

(Rounded down to nearest million yen)

1. Consolidated Results for Q1 Term Ending December 2019 (January 1, 2019 to March 31, 2019)

(1) Consolidated operating results (Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Q1 of FY2019	28,858	73.3	(1,305)	—	(1,232)	—	(1,420)	—
Q1 of FY2018	16,655	12.9	(960)	—	(1,060)	—	(977)	—

(Note) Comprehensive income Q1 of FY2019: (1,463) million yen (—%) Q1 of FY2018: (1,147) million yen (—%)

	Profit per share		Diluted profit per share	
	Yen		Yen	
Q1 of FY2019	(22.03)		—	
Q1 of FY2018	(15.17)		—	

(2) Consolidated financial position

	Total assets		Net assets		Equity ratio	
	Million yen		Million yen		%	
Q1 of FY2019	79,379		42,616		52.4	
FY2018	84,630		44,043		50.8	

(For reference) Shareholders' equity Q1 of FY2019: 41,588million yen FY2018: 43,006 million yen

2. Dividends

	Dividends per share					
	End of Q1	End of Q2	End of Q3	Year-end	Total	
	Yen		Yen		Yen	
FY2018	—		—		0.00	
FY2019	—		—		0.00	
FY2019 (forecast)	—		—		0.00	

(Note) Revision to the dividend forecast publicized most recently: No

3. Results forecast for FY2019 (from January 1, 2019 to December 31, 2019)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit	
	Million yen	%	Million yen	%	Million yen	%
Full year	150,000	27.1	2,000	—	2,000	—

(Note) Revision to the forecast publicized most recently: No

(Note) The Company does not provide results forecasts for the first half of FY2019.

Notes

(1) Important changes in subsidiaries during the first quarter under review: No

(2) Application of accounting specific to the preparation of quarterly consolidated financial statements: Yes

(3) Changes in accounting policy and changes or restatement of accounting estimates

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|---|----|
| (i) Changes in accounting policy due to revisions to accounting standards etc.: | No |
| (ii) Changes in accounting policy other than those in (i): | No |
| (iii) Changes in accounting estimates: | No |
| (iv) Restatement of accounting estimates: | No |

(4) Number of issued shares (common shares)

(i) Number of issued shares at the end of period (including treasury stock):	Q1 of FY2019	66,388,103
	FY2018	66,388,103
(ii) Number of shares of treasury stock at the end of period:	Q1 of FY2019	1,918,200
	FY2018	1,918,200
(iii) Average number of issued shares during period (from the beginning of fiscal year)	Q1 of FY2019	64,469,903
	Q1 of FY2018	64,469,989

This summary of quarterly consolidated financial statements falls outside the scope of the quarterly review by certified public accountants or audit corporations.

Explanation on the proper use of results forecasts and other special notes

Forward-looking statements, including results forecasts, in this document are based on information that the Group has obtained and certain assumptions that the Group believes to be reasonable. Actual results may differ significantly due to a variety of factors.

For assumptions regarding the results forecasts and notes to the forecasts, please refer to the Analysis of operating results on the relevant page of the Attachment, the English edition of which will be posted on a later date.

1. Qualitative Information on Consolidated Results for the First Quarter of FY2019

(1) Explanation of operating results

The forward-looking statements made in this report were prepared at the Group's discretion based on information available as of the end of this quarterly consolidated fiscal year.

During the first quarter under review, the Japanese economy remained on a mild recovery trend due to the uptick in consumer spending and increase in capital expenditure. However, there are concerns about the impact on exports or production caused by the US trade policy, the slowdown of the Chinese economy and fluctuations in foreign currency rates. The economic outlook is increasingly uncertain.

Based on the third medium-term management plan developed in 2018, the Group strengthened its efforts to expand its business and also focused on structural reform in order to respond with sensitivity not only to the increase in the consumption of goods, but also to the increasing inbound/consumption of experiences.

In these circumstances, the Company entered into a strategic partnership agreement with Fliggy, an online tour reservation platform run by the Alibaba Group of China, in March, and opened Japan's first reservation-based, duty-free store on Fliggy Buy within the platform. Utilizing a network of the Company's actual stores, Fliggy Buy will provide inbound tourists with a more convenient, efficient shopping experience, and it is also expected to have the effect of directing tourists to our stores through the strong recognition of the Alibaba Group in China. Moreover, a subsidiary of the Company acquired shares of Kakogawa Yamatoyashiki Co. Ltd. and made it a subsidiary in January. This enables the provision of products and services of the Group and securing of sales channels in local cities addressing the expansion of a global lifestyle. Thus, we will seek mutual synergy and business expansion.

Moreover, net sales of Shaddy Co., Ltd., which became a subsidiary in April last year, contributed to the consolidated financial results for the first quarter under review. In addition, net sales of trade/global ecommerce toward the Chinese market, which we have decided to disclose as a new business segment, steadily increased.

As a result, consolidated net sales surged coming to 28,858 million yen in the first quarter under review (up 73.3% from the same period in the previous fiscal year). The consolidated operating loss for the period amounted to 1,305 million yen (compared to the consolidated operating loss of 960 million yen posted in the same period of the previous year) due mainly to the deterioration of the cost rate for some businesses. The consolidated ordinary loss for the period was 1,232 million yen (compared to a consolidated ordinary loss of 1,060 million yen posted in the same period of the previous year). Loss attributable to owners of parent for the period amounted to 1,420 million yen (compared to a loss attributable to owners of parent of 977 million yen in the same period of the previous year).

Regarding the breakdown of the annual net sales of Shaddy Co., Ltd., because net sales for the four months of the summer gift-giving season (June to July) and year-end gift-giving season (November to December) occupy a significant portion accounting for approximately 50% of annual net sales, there is a seasonal fluctuation in the financial results for each quarter.

The financial results of each business segment are as follows.

The Company has changed business segments presented as reporting segments starting from the first quarter under review. Accordingly, the year-on-year comparisons and analyses in the respective segments are made based on the revised classification.

1) Inbound Business

The estimated number of foreign tourists visiting Japan during the first quarter under review reached 8.05 million (up 5.7% year on year) and total consumption came to 1,118.2 billion yen (up 0.5% year on year). (Source: statistics of the Japan National Tourism Organization (JNTO) and the Japan Tourism Agency.)

In this business segment, following a change in the purchasing habits of tourists visiting Japan, we continued the consolidation of unprofitable stores that started the previous year, resulting in a decline in net sales. However, we opened Japan's first reservation-based, duty-free store on Fliggy Buy within Fliggy, an online tour reservation platform run by the Alibaba Group of China, and established a new sales channel for inbound tourists. As for profit and loss, comprehensive measures such as consolidation of unprofitable stores, enhancements on the merchandise policy and store services were successful, resulting in a decrease in the ratio of operating expenses to sales.

As a result, net sales for the segment amounted to 10,596 million yen (down 7.4% from same period of the previous year). The operating profit came to 210 million yen (compared to operating loss of 33 million yen posted in the same period of the previous year).

2) Global Business

Regarding the trade/global e-commerce business toward the Chinese market in this business segment, net sales grew substantially due to the effects of collaboration with major e-commerce sites such as T-mall Global, Suning.com and Kaola.com, which expanded last year. Moreover, net sales of the trade business via a local Chinese subsidiary established in the prior year sharply increased. At the same time, revenue improved due to new product development of trade.

As a result, net sales for the segment amounted to 3,913 million yen (up 280.1% from same period of the previous year). The operating profit came to 0 million yen (compared to operating loss of 58 million yen posted in the same period of the previous year).

3) Life & Fashion Business

In this business segment, Mode Et Giacomo Co., Ltd. opened a shop for a new store model that deals with products from shoes to fashion-related sundry goods with the concept of "Relax and Healthy." In addition, we posted an operating loss due to rising distribution costs and factors for seasonal fluctuations, despite the fact that net sales of Shaddy Co., Ltd., made into a subsidiary in April last year, contributed to an increase in net sales and we focused on the enhancement of gross profit and new product planning.

As a result, net sales for the segment amounted to 13,965 million yen (up 261.1% from same period of the previous year). The operating loss came to 762 million yen (compared to operating loss of 252 million yen posted in the same period of the previous year).

4) Entertainment Business

In this business segment, the Group operates commercial complexes, and an experience-based consumption business such as restaurants, and amusement facilities inside and outside the commercial complexes. The net sales of Kurogi Shanghai and New City Club of Tokyo opened last year contributed the increase in net sales, which could not offset an increase in operating costs including the commercial complexes.

As a result, net sales for the segment amounted to 383 million yen (up 23.9% from same period of the previous year). The operating loss came to 356 million yen (compared to operating loss of 235 million yen posted in the same period of the previous year).

(2) Explanation of financial conditions

1) Assets

Total assets at the end of the first quarter of the consolidated fiscal year under review stood at 79,379 million yen (compared to 84,630 million yen at the end of the previous fiscal year).

The decrease in total assets was largely attributable to a decrease of 6,932 million yen in notes and accounts receivable - trade, despite increases of 2,150 million yen in other investments and other assets.

2) Liabilities

Total liabilities amounted to 36,762 million yen (compared to 40,587 million yen at the end of the previous fiscal year). The decrease in total liabilities was mainly attributable to decreases of 4,520 million yen in notes and accounts payable - trade.

3) Net assets

Net assets stood at 42,616 million yen (compared to 44,043 million yen at the end of the previous fiscal year).

The decline in net assets was due primarily to a decrease of 1,420 million yen in retained earnings.

(3) Explanation of future predictive information such as consolidated results forecasts, etc.

There are no amendments to the forecast of consolidated financial results (announced on February 28, 2019). The forecast is based on currently available information and actual operating results may differ from these projections due to various factors in the future.

A complete English version of the Summary of Financial Statements for the Fiscal Year Ended December 2018 (Japanese Standards) (Consolidated) will be posted around May 17th.