

Overall Business Conditions in the 2nd Q (Apr-Jun 2018)

With many Asian countries rapidly developing, a truly borderless world, inhabited with people with multi-layered and diverse values, is emerging. In order to stay ahead of this new phase of globalization, we aspire to create “global life style”, going beyond just serving the inbound market. More specifically, we will make efforts to expand our business by directly appealing to potential customers overseas in what we call “active business” in addition to “passive business” in which we wait in Japan for customers. During the second quarter this year, we strived to boost both the consumption of goods and so called the consumption of experience by satisfying diversifying needs in the inbound market, while at the same time offering overseas customers attractive made-in-Japan products online. We implemented investment and restructuring that were appropriate for each segment, according to its own growth stage, and began to see some positive results. We believe that we deserve your attention as we steadily execute our business strategy.

[Investor Relations information released during the 2nd quarter] <http://www.laox.co.jp/en/laoxinformation/>

Acquisition of Shaddy, a leading gift shop / Development of a private brand version of SPA Treatment, a popular skin care product / Birthday service begun for spectators of -GEAR-, non-verbal performance / Start of export of a high-grade IH rice cooker, manufactured in collaboration with a leading appliance maker / Kurogi Shanghai, high-end Japanese restaurant, ranked no.1 / Decision to renovate and reopen Laox's flagship store on SUNING.com / Introduction of Chinese UnionPay QR code payment system and expansion of Suning Pay / Start of “advance shopping” service at Wusongkou Cruise International Terminal in Shanghai.

※Number of paying customers at all the Laox stores in Japan

Business Conditions in Each Segment

■ Retail Business

In response to diversifying consumption trends, we implemented measures to improve the efficiency of store operation in order to attract more individual tourists in addition to further strengthening our advantage in drawing group tourists. As a result, the number of paying customers grew during the 2nd quarter by 19.2% from a year earlier and the average purchase per customer also increased ¥812 from ¥19,426 in the 1st quarter to ¥20,238 in the 2nd quarter. JCL, or Japan Cosme Lounge, the counter for counseling and selling of cosmetics, has seen both its customers and sales steadily increase during the first year of its operation, serving customers from 43 countries. We also began to export a high-grade IH rice cooker manufactured in collaboration between a leading home appliance maker and Laox on a substantial scale. 650 physical stores run by Suning.com, more than half of the outlets of the network, have begun selling the rice cooker.

Financial Year	Jan	Feb	Mar	1 Q Total	Apr	May	Jun	2 Q Total
2016	172,890	194,220	218,365	585,475	233,924	196,335	198,007	628,266
2017	197,136	198,983	191,867	587,986	193,553	175,756	186,501	555,810
Rate of change year on year	+ 14.0%	+ 2.5%	- 12.1%	+ 0.4%	- 17.3%	- 10.5%	- 5.8%	- 11.5%
2018	187,139	209,132	196,732	593,003	232,940	216,718	213,117	662,775
Rate of change year on year	- 5.1%	+ 5.1%	+ 2.5%	+ 0.9%	+20.3%	+23.3%	+14.3%	+19.2%
				As of the end of March		As of the end of June		
				40 (opened / closed 3)		40 (no store opened or closed)		

■ Life & Fashion Business

• We have begun large-scale organizational restructuring within subsidiaries involved in the women's shoe business. We will clarify the role of each organization and improve the overall productivity of the shoe business group. Under the partnership with Locondo Inc. we outsourced logistics and increased online sales efforts, which led to online sales growth of 196% and 160%, from a year earlier, at Mode et Jacomo and Ogitsu respectively. The ratio of online sales to the total sales is also rising.

• We made Shaddy Co., Ltd., the largest gift shop in Japan, a subsidiary. Shaddy has a huge network of about 3,000 stores and 7 logistics centers around Japan, carrying about 60,000 SKUs. The retailer has been striving to streamline its organizations and increase sales since May this year under the partnership with the Laox group. Drawing on the vast assortment of gift items it carries, Shaddy aims to reshape Japan's gift changing culture and contribute to creation of “global life style”.

■ Entertainment Business

※Number of stores

“Go Together: for the future when we will all live in harmony”, an event to support Paralympic sports, was held at Chiba Port Square in May. To make it a success, we cooperated with Chiba city, local communities, and groups advocating sports for disabled people. We also helped sell products from an organization promoting “local production for local consumption”. We deepened ties with locals in Chiba through all these activities. To mark the first anniversary, various events are planned. For example, THE NEW YORK BAY SIDE KITCHEN added some authentic Italian dishes, installing a full-blown pizza oven.

■ Shopping Center Development Business

The department helped improve the efficiency of the stores within our group. It also started to lease the real estate it has invested in.