

Third Medium-Term Management Plan

- Aim to be the frontrunner of the global lifestyle (borderless society)
from the inbound business -

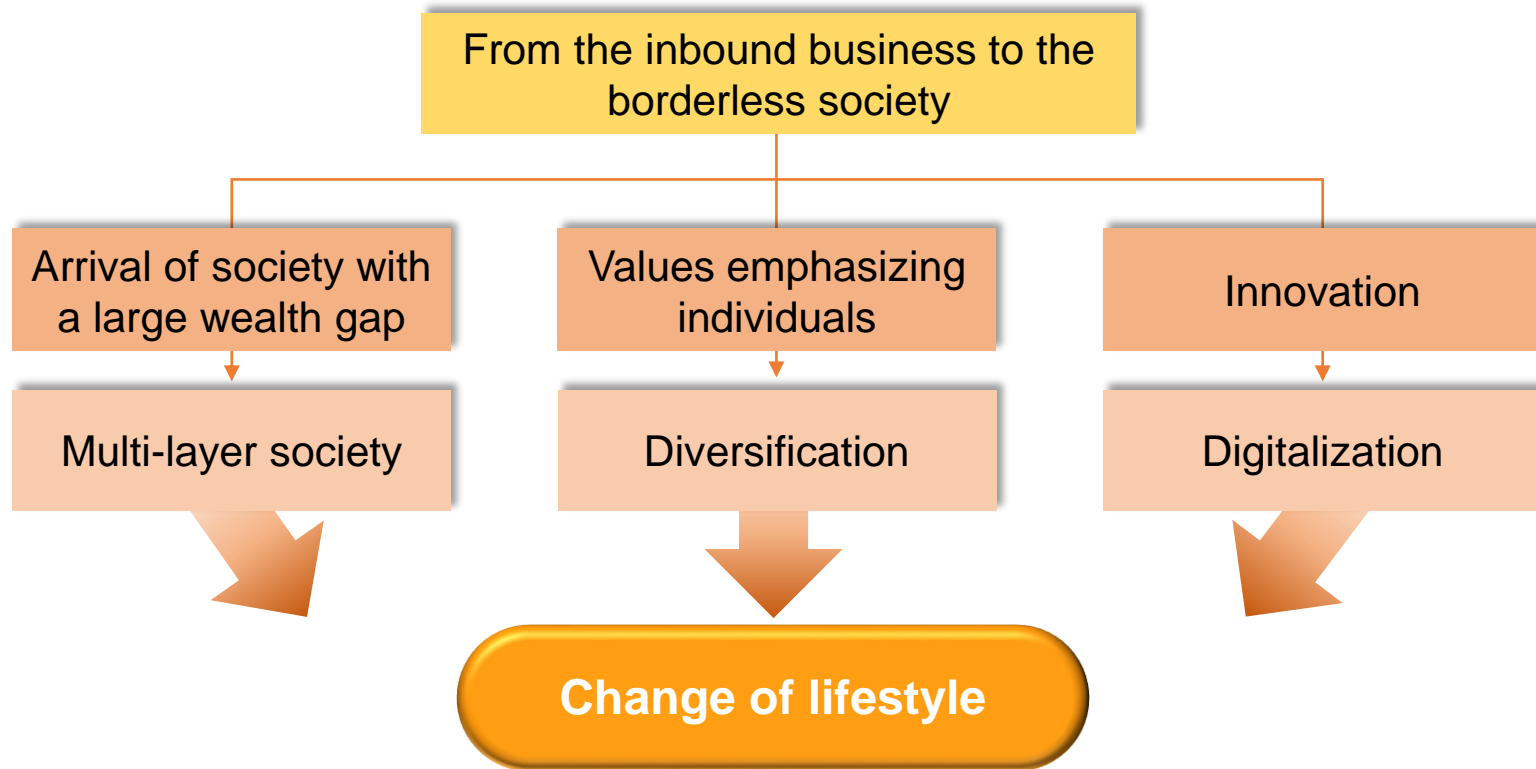
February 14, 2018

Laox Co., Ltd.

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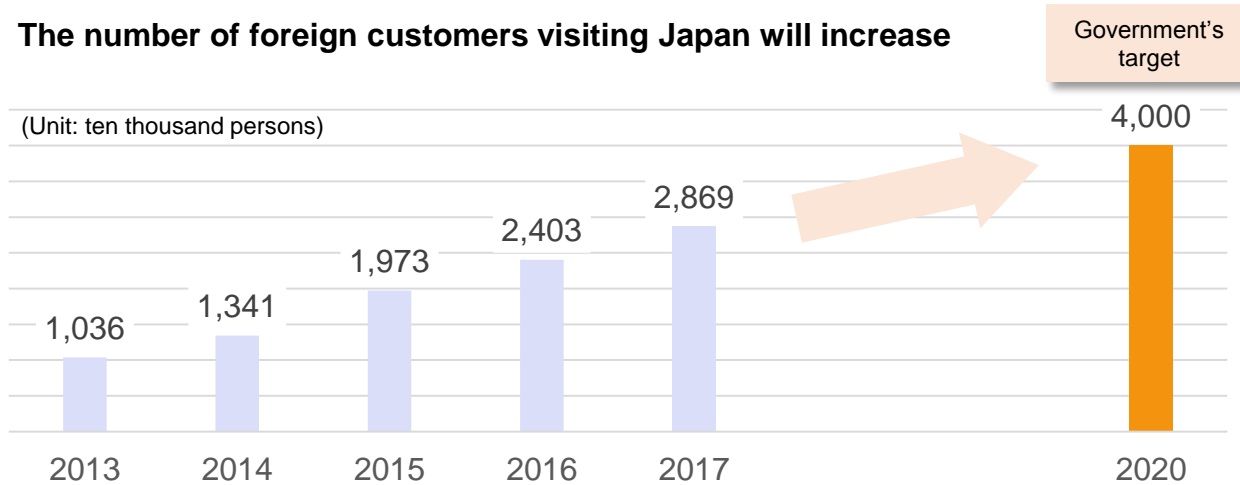
Concept

Aim to be the frontrunner of the global lifestyle (borderless society) from being the leading company in the inbound business



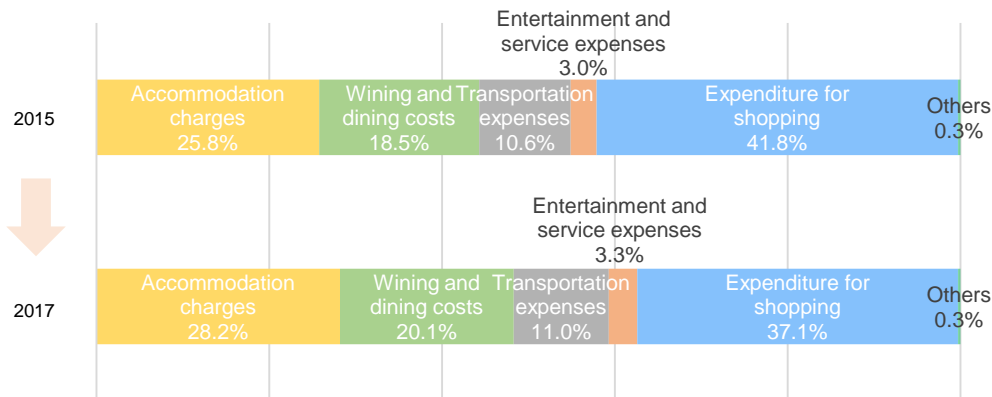
According to global standards, a new market will appear.
The time of the global lifestyle will come.

1 The number of foreign customers visiting Japan will increase



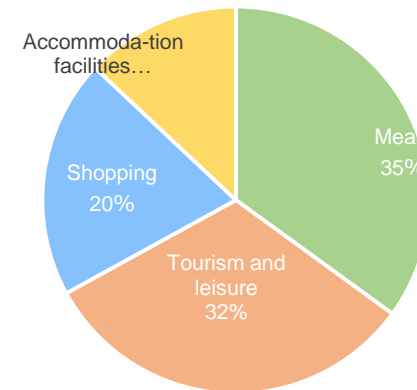
2 Change in consumer preferences and behavioral patterns (flow from consumption of goods to consumption of experiences)

Composition of items of consumption by foreign travelers visiting Japan (Graph 1) (comparison 2015 to 2017)



Source: "Consumption trend survey for foreigners visiting Japan," the Japan Tourism Agency, the Ministry of Land, Infrastructure, Transport and Tourism

Items on which foreign travelers visiting Japan intend to spend money (Graph 2)



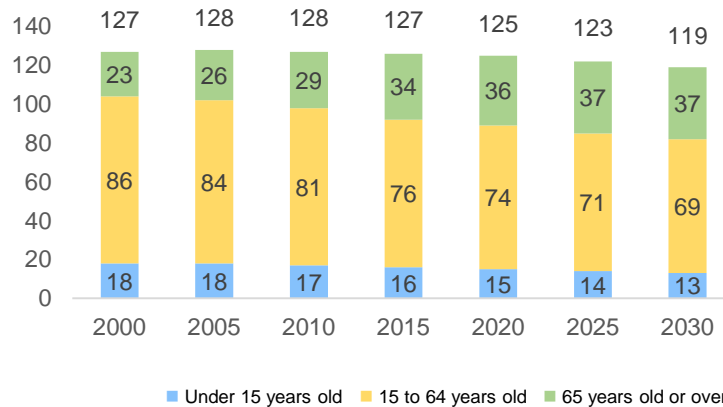
Source: "DBJ JTBF survey on intentions of foreign travelers visiting Japan directed at Asia, Europe, America and Australia (for 2017)"

- With respect to the composition of consumption of travel (actuals), expenditure for shopping is decreasing, and wining and dining costs increased steadily (Graph 1).
- The ratio of entertainment and service expenses is still low (Graph 1). In future, there will be a high need for tourism and leisure (Graph 2).

3 Issues facing Japanese society

- Decrease in Japanese population and decrease in working-age population (ages 15 to 64) due to aging population and fewer children

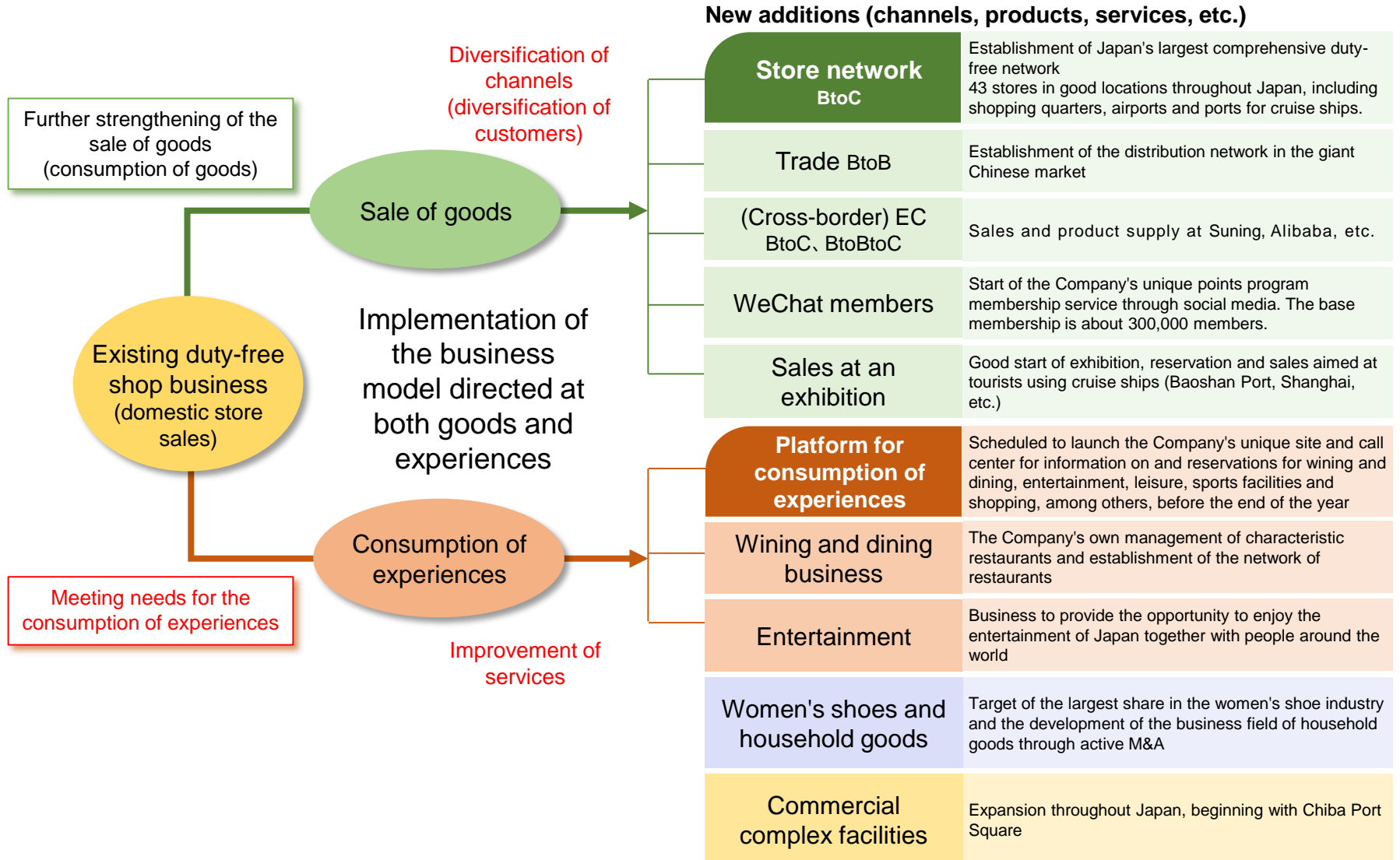
Estimated future population by age group (Unit: million persons)



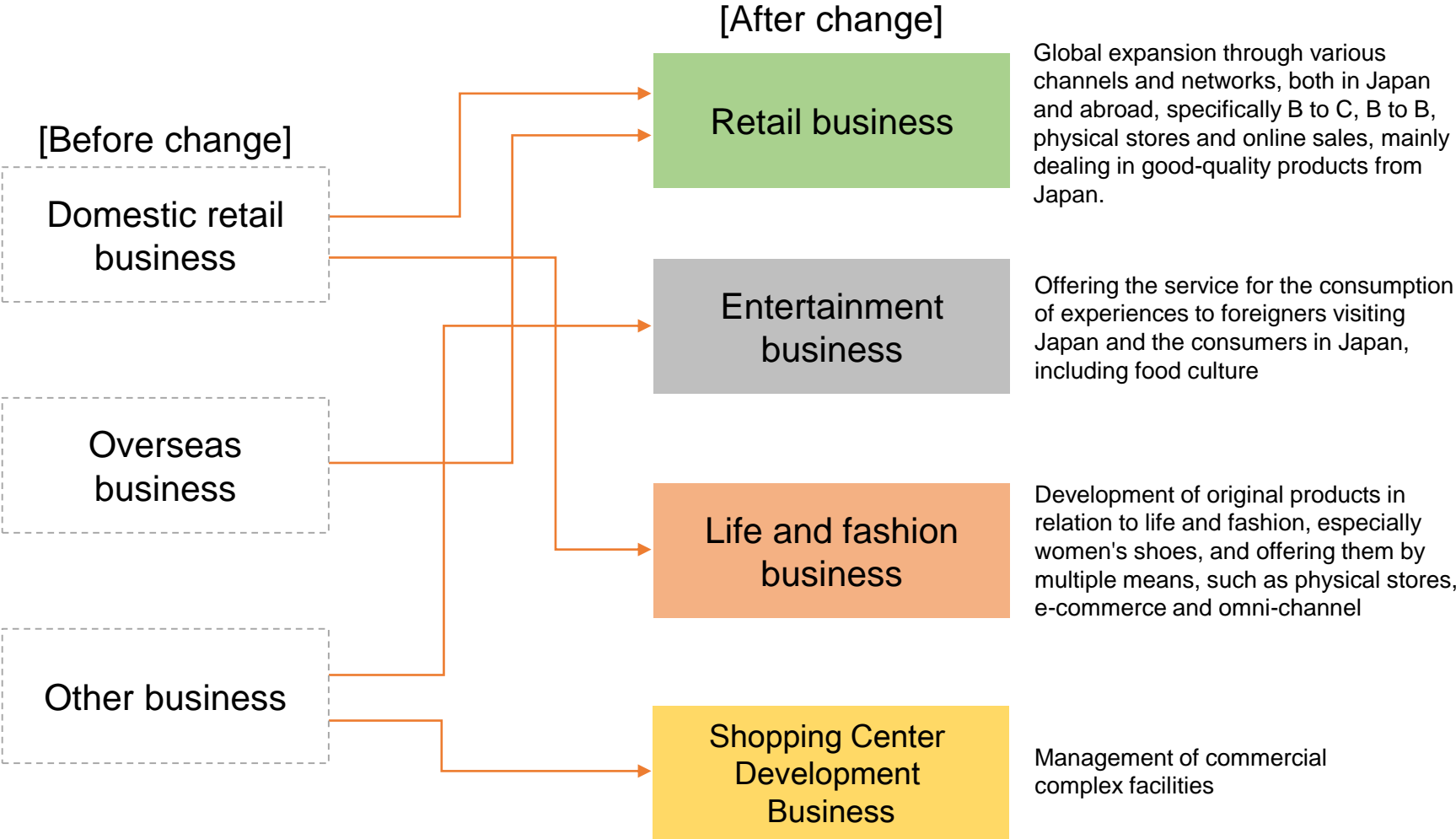
- Promotion of work style reform
 - ✓ Elimination of long working hours, realization of work-life balance, etc.
 - ✓ Aggravation of the problems of a workforce shortage and a sharp increase in labor costs
- Arrival of society with a large wealth gap
 - ✓ Gaps in the economy, among generations, regions, etc.
- Impact of globalization
 - ✓ Borderless consumption, active sharing economy, etc.

Evolution from Existing Business (Implementation of Model Directed at Both Goods and Experiences)

In addition to further strengthening the sale of goods (consumption of goods), the existing business, meet the needs for the consumption of experiences and implement a business model directed both at goods and experiences



The segment category is changed as the values provided become diversified.



Business description

Global expansion through various channels and networks, both in Japan and abroad, specifically B to C, B to B, B to B to C, physical stores and online sales, mainly dealing in good-quality products from Japan

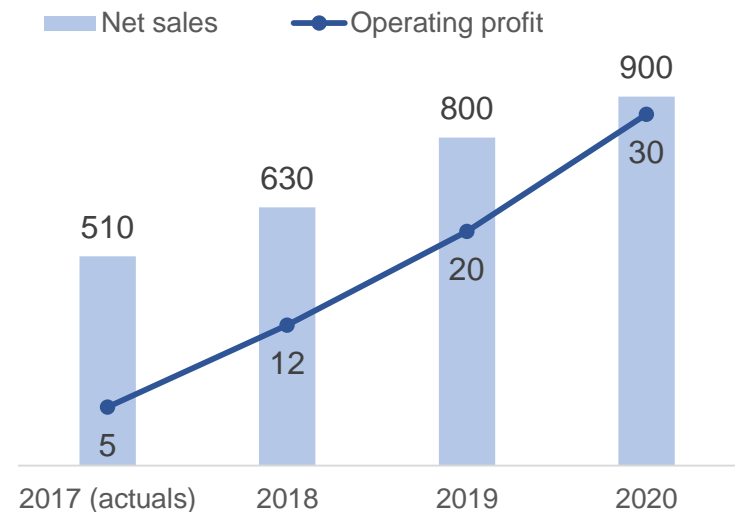
Course of action

Evolve from the existing waiting-style business to welcome foreigners visiting Japan at duty-free shops to the aggressive-style business to deliver good-quality products from Japan, both in Japan and abroad, through various channels and networks and other multiple means.

Specific initiatives

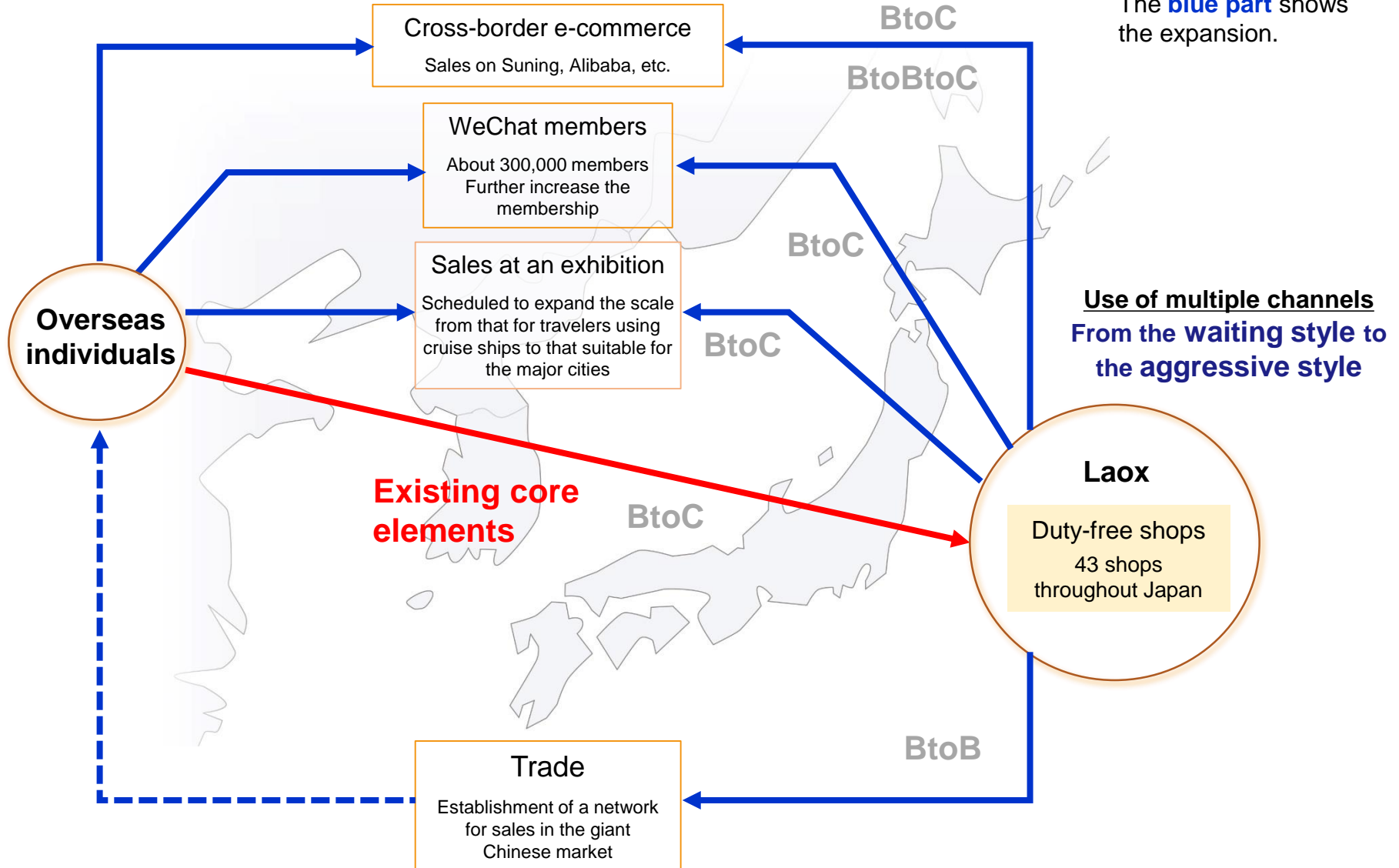
- (1) Greater efficiency at stores in Japan (effective use of store space)
Offering of the service for the consumption of experiences at stores
Collaboration with the Chinese operator of the leading site for travel reservations through e-commerce, Ctrip (placement of service stations), etc.
- (2) Active implementation of the B to B business (expansion of the trade business)
Enter into alliances and collaboration with the Suning group, the Alibaba group and other Chinese companies.
- (3) Expansion and diversification of the cross-border business
 - (i) Sales through the cross-border e-commerce site
 - (ii) Service for sales using the WeChat membership program
 - (iii) Establishment of showrooms in major cities in China

[Target figures] (unit: hundred million yen)



* The actuals by segment for FY2017 are tentatively reported and not finally determined.

Further expand the existing comprehensive duty-free shop business and implement the advanced business.



Business description

Offering a service for the consumption of experiences to foreigners visiting Japan and consumers in Japan, and communicating outstanding Japanese culture to the world

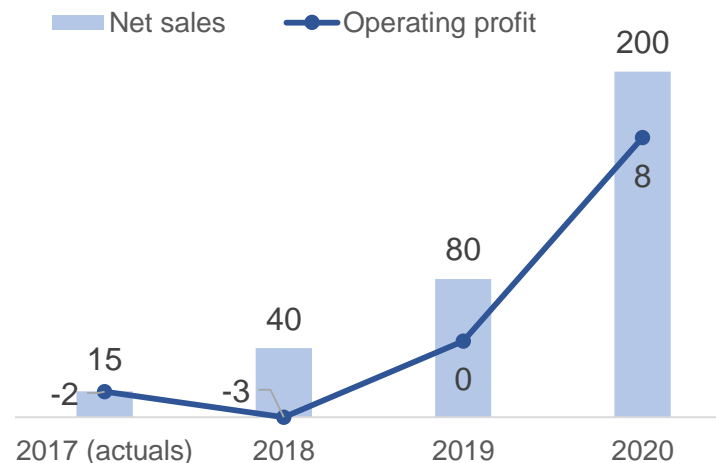
Course of action

Expand the network of stores among various outstanding restaurants and entertainment shops in addition to stores managed by the Company, and at the same time construct a **platform for the consumption of experiences** that is accessible to foreigners.

Specific initiatives

- (1) Launch of the site for the platform for the consumption of experiences
Launch Laox's original site for information on and reservations for restaurants, entertainment, leisure, skiing and other sports facilities, and shopping
- (2) Laox's direct management of restaurants
THE NEW YORK BAYSIDE KITCHEN in Chiba Port Square and Beau Départ Aoyama-Club (Akasaka), among others
- (3) Laox's direct management of entertainment
Laox's direct management of Chiba Port Theater and acquisition of SAP, which operates cultural events at world heritage sites and other venues

[Target figures] (unit: hundred million yen)



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Opening of the Laox's first restaurant, THE NEW YORK BAYSIDE KITCHEN (July) and the entertainment facilities Chiba Port Theater (December)

Realization of proposal of values for enjoying one-stop shopping and experiences

Aim for business expansion by capturing demand in Japan in addition to inbound demand



Chiba Port Theater

Since the opening of the theater, GEAR East Version has been performed. The non-verbal performance, which does not require language, has achieved increased popularity among customers in Japan and abroad.



THE NEW YORK BAYSIDE KITCHEN

Based on the concept of New York, where foods from around the world can be found, sophisticated interiors and a wide variety of menus using local foodstuffs from Chiba are offered. The restaurant has about six hundred seats, the largest scale in Japan, with an open kitchen. It is characterized by a live buffet style and an impression of powerful liveliness and overwhelming volume.

Business description

Development of women's shoes and other products related to life and fashion and offering those products to overseas and Japanese consumers through physical stores (department stores, etc.), e-commerce, omni-channel and multiple other means

Course of action

Increase the earning capacity and create value offered by the entire group as one through the early integration of the companies that are part of our group.

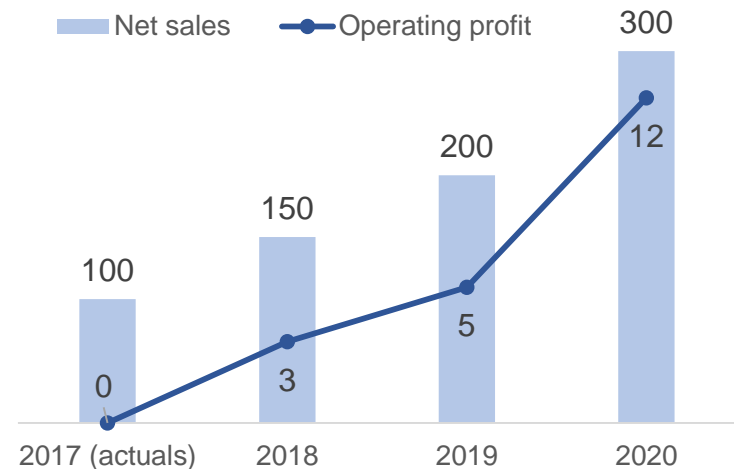
In particular, aim for the absolute position and acquisition of the share of the women's shoe industry by **constructing the full-scale SPA system and business expansion through the omni-channel.**

Manage lifestyles through various channels, both in Japan and abroad, and produce comprehensive fashion lifestyles including the development of household items and new categories in the medium to long term.

Specific initiatives

- (1) Construction of the SPA system
Achieve the creation of values that the entire group offers as one.
- (2) Business expansion through the omni-channel
Enter the e-commerce market on a full scale through a business alliance with Locondo, Inc. and other means in addition to the existing sales channels through physical stores and expand the business through the omni-channel.
- (3) Development of new brands
Cover a series of brands in accordance with a wide range of needs.

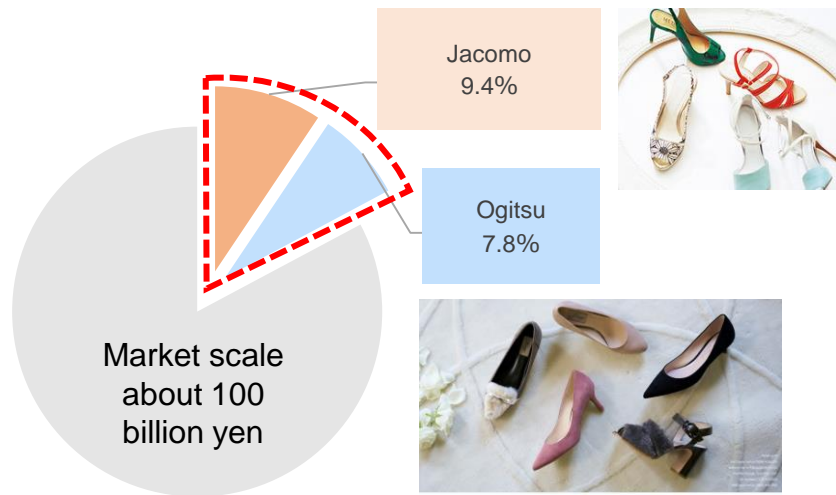
[Target figures] (unit: hundred million yen)



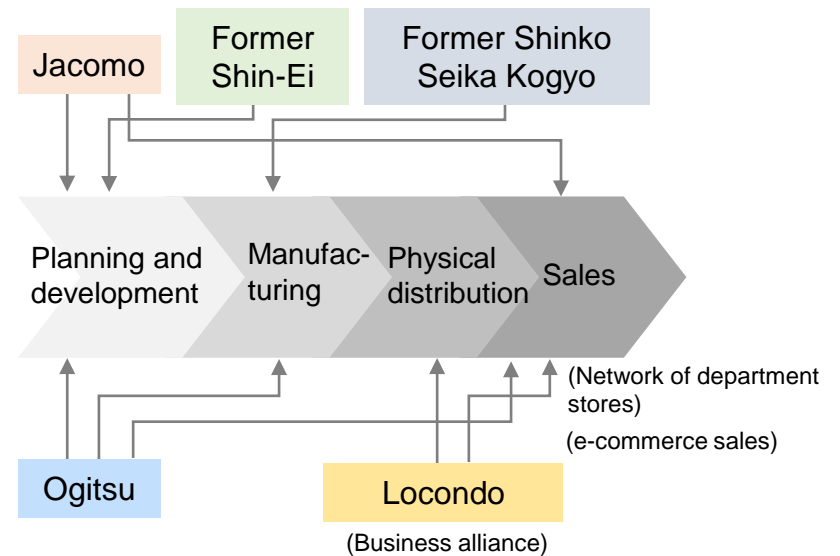
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2015: Mode Et Giacomo Co., Ltd. (hereinafter, Giacomo) was made a subsidiary.
 2016: Shin-Ei Corporation (the subsidiary of Giacomo) was merged
 Transfer of the business of Shinko Seika Kogyo Co., Ltd. (merged as a subsidiary into Giacomo in 2017)
 2017: Ogitsu Co., Ltd. was made a subsidiary.
 February 2018: A business alliance was entered into with Locondo, Inc.

Position with the largest share in women's shoes sales at department stores



Establishment of the Group's unique integrated SPA system



* Sales of women's shoes at department stores for 2016 (according to a search by Laox)

Business description

Management of commercial complex facilities

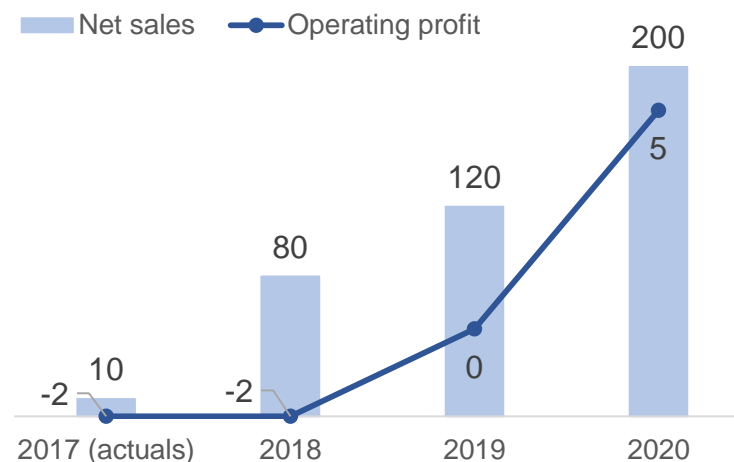
Course of action

Introduce content to integrate sales of goods and experiences and bring the inbound demand to regional cities in order to stimulate the revitalization of the local community, and at the same time expand the business into the greater metropolitan area.

Specific initiatives

- (1) Full-scale operation of Chiba Port Square
Aim for full-scale operation as the facility that leads globalization, directed not only at foreigners visiting Japan, but also at customers in Japan.
- (2) Business expansion into regional cities and the greater metropolitan area
Pursue possibilities, not only in regional cities but also in the greater metropolitan area.
(Investments in several bases were made or are under consideration.)

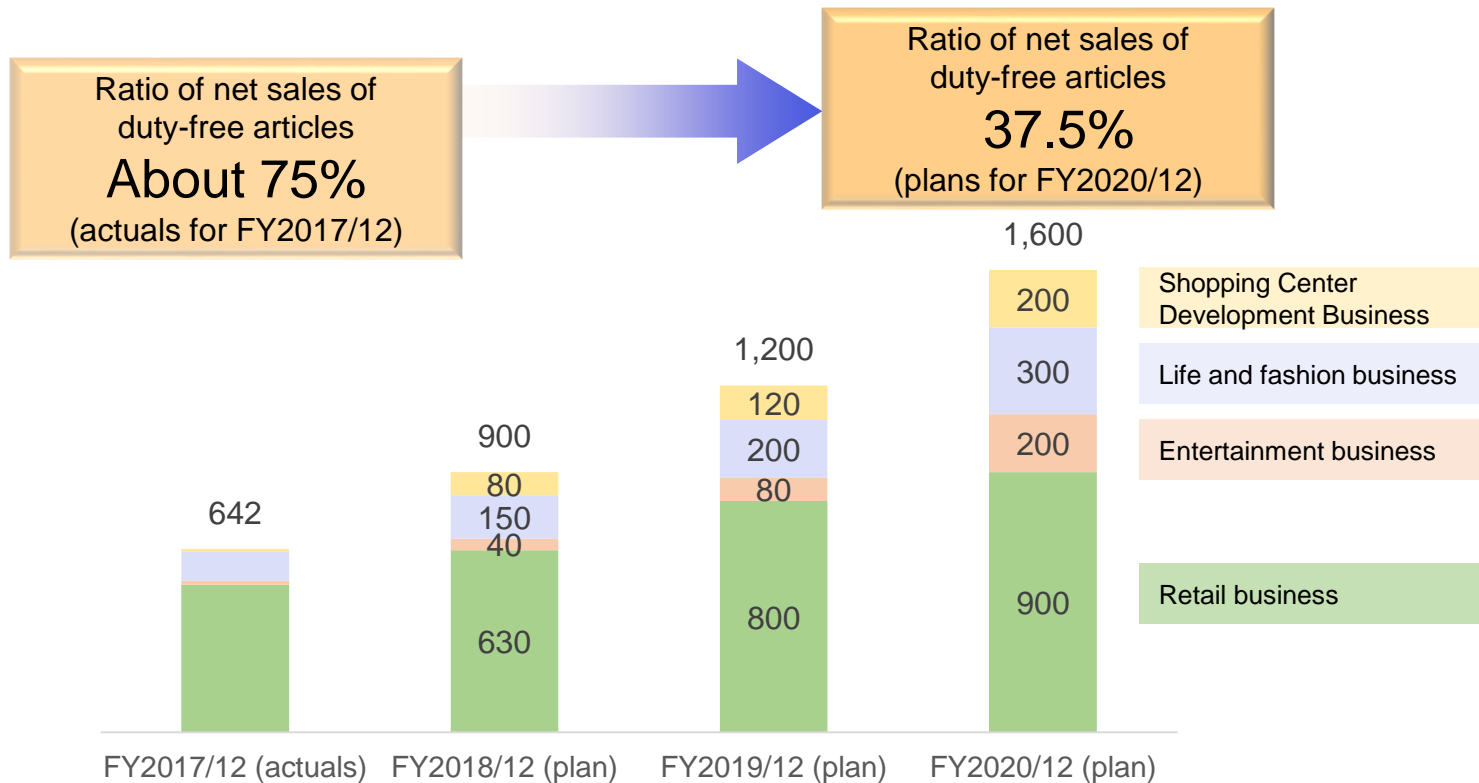
[Target figures] (unit: hundred million yen)



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The target average growth rate for the three years is about 38% (annually) to reform the profit structure. Entering the investment phase, work on establishing the foundation to increase the earning capacity in the future.

Planned net sales (unit: hundred million yen)



Operating profit	1.3	10	25	55
(Operating profit margin)	0.2%	1.1%	2.1%	3.4%

- ■ Make active investments for growth, mainly in new businesses.
- ■ Strengthen earning power for the early resumption of dividends.
- ■ Be conscious of increasing capital efficiency while emphasizing business management growth.