



Second Mid-term Management Plan

(January 2015 to December 2017)

From Recovery to Growth

Tokyo Stock Exchange, Second Section, Code: 8202

Laox Co., Ltd.

February 12, 2015

1. Outline of Mid-term Management Plan

2. Numerical Goals

3. Business Strategies by Segment

4. Efforts towards Growth and Progress

1. Outline of Mid-term Management Plan

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Period
Stage
Concept
Objectives

First Mid-term Management Plan

(2010 to 2013) (2011 to 2013)-2014

Recovery

Rebuild Japanese platform
Growth and development of Chinese business

- Rebuild business model
- Reduce deficits and create profits



Delays in plans due to external environment
(such as earthquake, Senkaku Island dispute)
but met our goals in 2014

Stores in Japan:
Continued to build duty-free networks in 17
stores in Hokkaido, Tokyo metropolitan area,
Osaka, Kyushu, and Okinawa
Stores in China:
Opened retail stores → Expand EC business
With O2O strategy
Trade Business:
Imports < Exports



Second Mid-term Management Plan

(2015 to 2017)

Growth

Improve customer satisfaction by creating
premiums
➤ Overall growth of company by improving
3 added values:

Japan Premium: Rediscover Japanese values!
The 3 premiums offered by Laox are:

- ☆Premium in Stores
 - A complete network between stores
 - Highly effective operations
 - Customer service and global hospitality
- ☆Premium in MD
 - Promote MD focused on high quality and a wide variety of made-in-Japan products
- ☆Premium in Human Resources
 - Nurture global human resources

Efforts in each segment are described hereafter.

Outline of Mid-term Plan: Main Business Environment

Increase in the number of overseas tourists to Japan due to growth in developing economies (particularly in Asian region) and relaxation of regulations in Japan

Increase of overseas tourists to Japan from developing countries

- Increase in demand for overseas travel due to economic growth in the Asian region
- More than 13 million overseas tourists to Japan in 2014 (83.3% y-o-y growth, with 2.4 million tourists from China)
- Increase in the number of large cruise ships and new air routes to Japan

Change in national policies

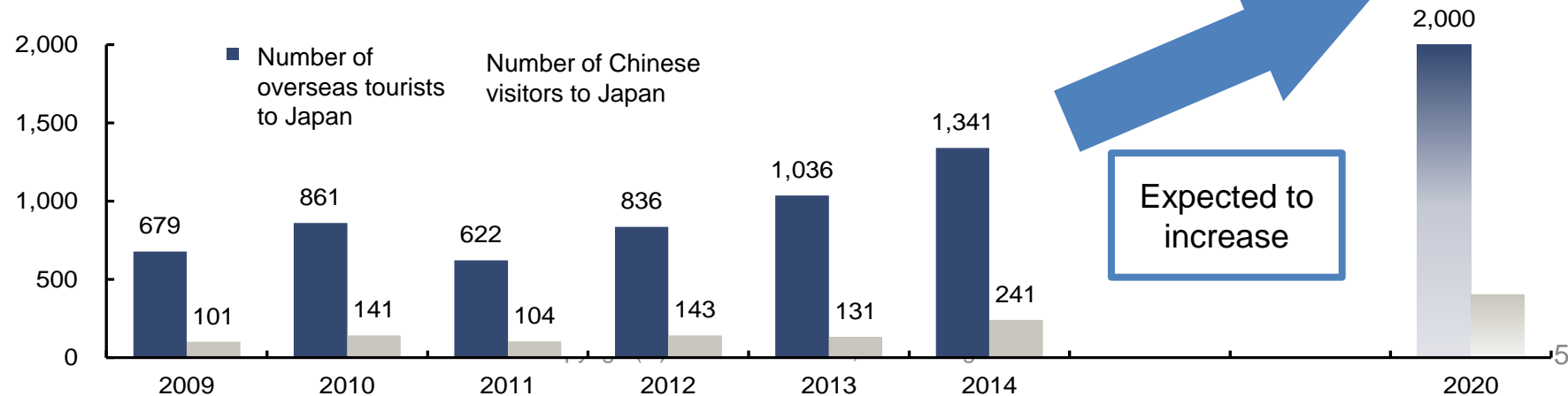
- Substantial relaxation of visas for overseas tourists
- Issuance of multiple entry visas and relaxation of visas to South East Asian nationals including Chinese
- Expanded scope of duty-free products

Currency exchange and prices in Japan

- Weakening yen and increase of product value due to low prices caused by deflation
- Awareness of weak yen growing among overseas tourists to Japan
- Of the 2.0305 trillion yen spending by overseas tourists, Chinese tourists accounted for 558.3 billion yen

Transition in number of overseas tourists to Japan

Government goal



2. Quantitative Goals

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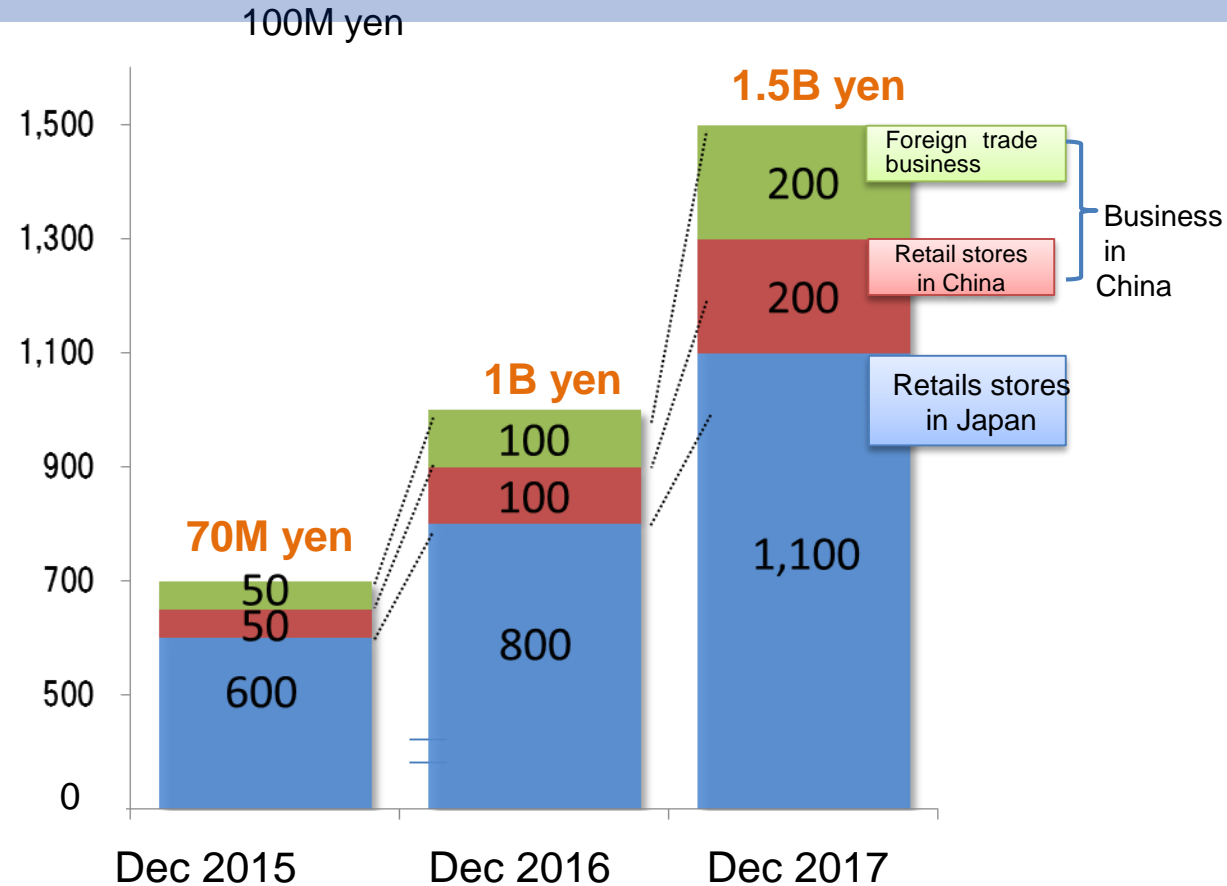


Quantitative Goals: Overview of Numerical Goals

Meet the following quantitative goals and grow into a leading company

Achieve operating profit margin of >8% in the December 2017 period

Consolidated Operating Goals (Unit: M yen)



	2015/12	2016/12	2017/12
Sales	70,000	100,000	150,000
Gross profit	22,960	33,200	49,650
Gross profit margin	33%	33%	33%
Profits	4,550	7,000	12,000
Profit margin	6.5%	7.0%	8.0%

Key Segment Goals (Unit M yen)

		2015/12	2016/12	2017/12
Sales	Retail stores in Japan	60,000	80,000	110,000
	Retails stores in China	5,000	10,000	20,000
	Trade	5,000	10,000	20,000
Gross profit (margin)	Retail stores in Japan	21,000 (35.4)	29,200 (36.5)	40,650 (37)
	Retails stores in China	750 (15)	2,000 (20)	5,000 (25)
	Trade	1,000 (20)	2,000 (20)	4,000 (20)
Profit (rate)	Retail stores in Japan	7,800 (13)	10,400 (13)	14,300 (13)
	Retails stores in China	30 (0.6)	500 (5)	1,000 (5)
	Trade	250 (5)	500 (5)	1,000 (5)

3. Business Strategies by Segment

3. Business Strategies by Segment



- Policies:**
- 1) Become the best duty-free network in Japan
 - 2) Improve customer satisfaction with global hospitality
 - 3) Build a 3-win relationship (manufacturer & trading firm = customers = Laox) that satisfies everyone

Strategies for Retail Stores

Open large, medium & small retail stores in areas that overseas tourists like to visit:

1) Open flagship shops or large retail stores in major cities, and position as the key store in the area.

Open 11 major retail stores or flagship shops in three years or increase floor space to lead the duty-free network

- Tokyo metropolitan area (Akihabara, two stores in Ginza, Shinjuku, and Odaiba)
- Kansai area (Umeda, Shinsaibashi, and Kyoto)
- Kyushu area (Hakata and Okinawa)
- Hokkaido area (Sapporo)

2) Open at airports, ports, shopping malls, and international tourist spots where many overseas tourists visit

• Open medium and small retail stores in outlets and shopping malls in prime locations with good access and which can attract customers

• Open small retail stores in airports and ports with international flights and carriers and to international tourist spots

3) Consider opening duty-free stores in the cities

Services at Stores



On December 25, 2014 the Japan National Tourism Organization (JNTO) announced 100 new accredited Tourist Information spots for overseas tourists. These included our main stores in Akihabara and Ginza. We have a concierge in the Akihabara and Ginza main stores who can provide assistance in Japanese, English, and Chinese. We explain how to get to tourist spots and the surrounding area to help expand inbound business in Japan.

authorization system
logo

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Increasing the premiums will boost customer satisfaction and give Laox an advantage

MD Strategy

Focus on high quality and safe made-in-Japan products: →MD premiums

- A wide variety and large volume of made-in-Japan products
- Our target customers will not be non-Japanese but people who are looking for good made-in-Japan products
- Analyze fast-selling products by country using our own sales data and quickly create a flexible product mix
- Liaison with manufacturers to introduce OEM products → Attractive products found only in Laox (Realize the 3-win)

Highly Efficient

Quick cashier operations using our own operation system: → Create a service premium

- Realize efficient duty-free processing using our experience as the pioneer of the duty-free business → All cashiers can process duty-free purchases
- Our customers can enjoy stress-free shopping → Service premium
- Can enjoy smooth shopping with our global and multilingual staff → Human resource premium (*for 21 languages)

Sales Strategy

Strong sales system based on our experience and knowledge

- Coverage of overseas tourists on tours (particularly Chinese tourists)
 - In addition to setting up a special inbound department, reinforce the sales structure at on-site travel agencies in the three areas in China (Beijing, Shanghai, and Shenzhen)
 - Place a person-in-charge in all stores; reinforce communications with the local land operators; reinforce sales to South East Asian tours
- Capture rich FIT customers using marketing channels in China

Business Strategy by Segment: Overseas Business (Retail Stores in China and Foreign Trade Business)

Policy: Promote high-quality, high value-added Japanese products to the world ⇒ Made-in-Japan products are globally recognized and accredited. *Laox sells global products (made-in-Japan) mainly to non-Japanese in Japan and overseas countries

Retail Stores in China

Try to integrate the balance between actual retail stores meeting the market trends and EC to sell made-in-Japan products in the Chinese market

Shift the basis from actual retail stores to EC operations to suit the Chinese market environment

- Through Suning.com, one of the top 3 retailers in China operated by the parent company, open a Laox flagship store. Use this as a step to move onto opening agencies on various websites in China in the future such as China Commerce Co., Ltd. and Rakuten Global Market. Deepen the relationship in both products and procurement to grow and position Laox as a dedicated Japanese product website.

Foreign Trade Business

Continue product development and balance out imports and exports according to market trends

Export high-quality and safe made-in-Japan products to the world

- Sell paper diapers, which are popular in China, through OEM or an agent by making contact with a major paper manufacturer
- Online sales in China of own household appliances developed jointly with a major household electrical appliance manufacturer



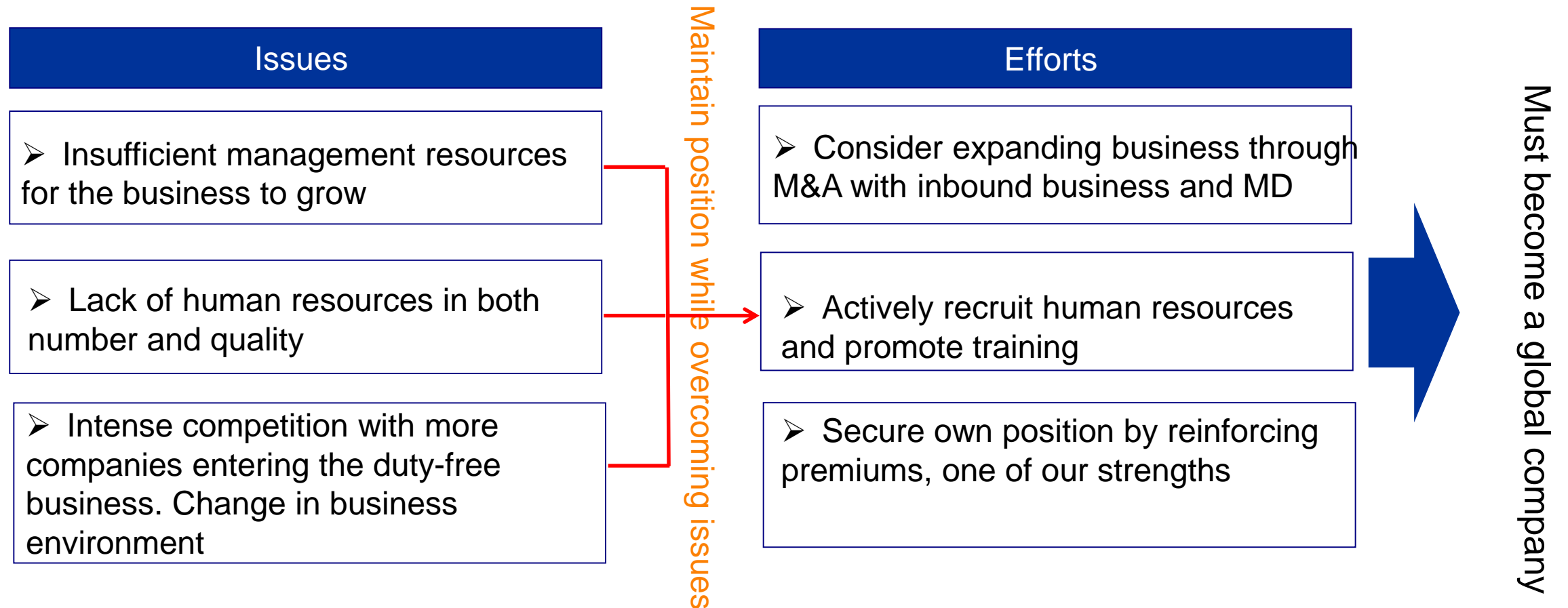
4. Efforts in Growth and Progress

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Issues and Efforts

Make further innovations and create premiums to overcome the current issues



Financial strategy to grow and expand into a global company

High-growth investments

Focus on opening over 30 flagship shops and small and medium stores in three years
Actively promote M&A and joint ventures

Cash flow

Increase sales cash flow to 10 billion yen in three years

Premium redemption to shareholders

Aim to resume dividends within three years, then ensure stable and continuous dividends (Target dividends of 25% while balancing growth and dividends)

Training programs to nurture global human resources

Global recruitment

Actively recruit according to store strategies
Recruit 100 new university graduates and over 100 mid-career staff per year

Nurture human resources at Laox University

Thorough training at Laox University in hospitality, multilingual support
Create a global mindset to nurture human resources who can carry out our Japan premium

First mid-term management plan: Recovery stage (2010 to 2014)

Second mid-term management plan: Growth stage (2015 to 2017)

Third mid-term management plan: Global stage (2018 to 2020)
