

Briefing on First Quarter Financial Statements ending December 2015 (Japan Based) (Consolidated)

May 13, 2015

Company Name	Laox Co., Ltd.	Stock listing	Tokyo
Code Number	8202	URL	http://www.laox.co.jp/
Representative	(Name of Position) Representative Director	(Name) Yiwun Luo	
Contact	(Name of Position) General Manager of Administration Division	(Name) Teruji Yano	(TEL) 03-6852-8881
Submission Date for Quarterly Report	May 13, 2015	Scheduled Date to Start Dividend Payments	—
Reference materials to supplement quarterly finance reports: None			
Meeting on quarterly financial reports: None			

(Amounts less than one million yen are rounded down)

1. Consolidated Financial Results for First Quarter (1Q) for Period Ending December 2014 (From January 1, 2015 to December 31, 2015)

(1) Consolidated Operating Results (Accumulated) (Percent indicates year-on-year changes)

	Net Sales		Operating Profits		Ordinary Profit		Current Net Income	
	M Yen	%	M Yen	%	M Yen	%	M Yen	%
1Q Ending Dec.'15	18,213	93.1	1,826	—	1,786	—	1,751	—
1Q Ending Dec. '14	9,431	40.7	59	—	40	—	13	—

(Note) Comprehensive income 1Q Ending Dec. '15 1,749 M Yen (—%) 1Q Ending Dec. '14 20 M Yen (—%)

	Quarterly Net Income per Share		Quarterly Net Income after Diluted Net Income per Share	
	Yen	Sen	Yen	Sen
1Q Ending Dec.'15	3.18	—	—	—
1Q Ending Dec. '14	0.03	—	—	—

(2) Consolidated Financial Condition

	Total Assets		Net Assets		Capital Ratio
	M Yen	%	M Yen	%	%
1Q Ending Dec.'15	48,954	76.7	37,565	76.7	76.7
Ending Dec. '14	18,959	54.2	10,279	54.2	54.2

(Ref.) Equity 1Q Ending Dec.'15 37,565 M Yen Ending Dec. '14 10,279 M Yen

2. Dividends

	Annual Dividends				
	End of 1Q	End of 2Q	End of 3Q	End of Term	Total
	Yen	Sen	Yen	Sen	Yen
Ending Dec '14	—	—	—	0.00	0.00
Ending Dec '15	—	—	—	0.00	0.00
Ending Dec '15 (Estimate)	—	—	—	0.00	0.00

(Note) Adjustments from recently announced dividend forecasts: None

3. Forecast of Consolidated Results for Period Ending December 2015 (January 1, 2015 to December 31, 2015)

(Percent indicates year-on-year changes for full financial year and quarterly changes for same quarterly periods of previous year)

	Net Sales		Operating Profits		Ordinary Profit		Current Net Income		Current Net Income per Share	
	M Yen	%	M Yen	%	M Yen	%	M Yen	%	Yen	Sen
2 nd Quarter (Total)	—	—	—	—	—	—	—	—	—	—
Full Period	70,000	39.5	4,550	162.1	4,550	155.9	4,200	238.2	—	6.76

(Note) Adjustments from recently announced dividend forecasts: None

* Remarks

(1) Transfers in major subsidiaries during period : None

(2) Application of special accounting procedures when creating : Yes

quarterly consolidated financial statements

(3) Changes in accounting practices or changes / revisions / restatements in accounting estimates

(a) Changes in accounting practices due to revisions in accounting : None

standards and such

(b) Changes in accounting practices other than (a) : None

(c) Changes in accounting estimates : None

(d) Restatement of revisions : None

(4) Number of issued shares (ordinary shares)

(a) Number of issued shares at the end of the period (including treasury stocks)

1Q Ending Dec. '15	648,881,033 Shares	Ending Dec. '14	548,881,033 Shares
1Q Ending Dec. '15	4,069,616 Shares	Ending Dec. '14	4,069,406 Shares
1Q Ending Dec. '15	550,367,064 Shares	1Q Ending Dec. '14	544,812,697 Shares

(b) Number of treasury stocks at the end of the period

(c) Average number of shares during period (accumulated quarterly)

* Statements on Execution of Auditing Procedures

This briefing on financial statements is not subject to auditing procedures based on the Financial Instruments and Exchange Act. At the time this briefing is made public, the auditing procedures for financial statements based on the Financial Instruments and Exchange Act were not finalized.

* Descriptions and Other Specific Matters Regarding Appropriate Use of Operating Forecasts

The descriptions on future developments such as operating forecasts stated in this briefing are based on information that our company currently possesses and other certain premises determined at our discretion. It is possible that the actual results and the like may change significantly due to various factors

○ Table of Contents for Appendix

1. Qualitative Information on this Quarterly Financial Report.....	2
(1) Operating Results.....	2
(2) Financial Conditions	3
(3) Future Forecasts including Consolidated Results.....	3
2. Summary (Remarks).....	4
(1) Transfers at Major Subsidiaries during this Consolidated Quarterly Period.....	4
(2) Application of Special Accounting Procedures in Creating the Consolidated Quarterly Financial Report.....	4
(3) Changes in Accounting Practices or Changes / Revisions / Restatements in Accounting Estimates.....	4
3. Consolidated Quarterly Financial Statement	8
(1) Consolidated Quarterly Balance Sheet.....	8
(2) Consolidated Quarterly Statement on Profit and Loss and Consolidated Quarterly Statement on Comprehensive Income.....	10
(3) Notes on Consolidated Quarterly Financial Statement.	14
(Notes on Going Concerns).....	14
(Notes on Significant Changes in Equity Amount).....	14
(Segment Information, etc.).....	15
(Important Subsequent Events).....	17

1. Qualitative Information on this Quarterly Financial Report

(1) Operating Results

The future forecasts made in this report are determined at our company's discretion as of the end of the first quarterly consolidated financial period.

The economic environment for the first quarter of the consolidated financial year showed slow growth in China with investment restraints and other factors, while the gradual downturn in developing countries continued. In Japan, meanwhile, consumer spending and employment recovered slowly in response to frontloaded demand before the consumption tax hike, the weakening yen and high stock prices.

The trend of overseas tourists visiting Japan, which affects our key operations, showed a 43.7% year-on-year increase with 4.13 million tourists visiting Japan during January and March, with 1.52 million tourists in March alone, a record-high for one month. This was due to a government campaign to boost travel to Japan during the spring cherry blossom season, the effects of relaxation and exemption of visas for tourists from East and South East Asia, and the popularity of shopping in Japan with the weakening yen. With the significant increase in individual and group travelers from the previous year, the number of Chinese tourists, our main customers, showed record-breaking figures for the three consecutive months since the beginning of the year.

Under these circumstances, our company group aims to capture the entire Asian market by offering a Japan Premium with high quality and reliable products, and world-famous Japanese hospitality.

In the Domestic Store Business, we created an attractive floor space under the concept of 'Great Satisfaction in Japan' where our customers can find and experience new discoveries and sensations. Our flagship store, designed with a modern Japanese image, offers products to meet various demands such as traditional crafts, cosmetics, and health foods, along with popular Japanese hospitality, for our international customers.

During our first quarterly consolidated period, we continued building the largest comprehensive duty free store network in Japan by launching Aeon Mall Narita, which is located conveniently near to Narita Airport, in February and Daimaru Shinsaibashi, which is connected directly by an underpass to the subway Midosuji Line, in March.

In the Branch Store Business in China, thanks to strong ties with our parent company, Suning Commerce Group Co., Ltd., we continued revising our profit structure and making store operations more efficient.

In the Foreign Trade Business, to increase profits, we are actively involved in the export business focusing on baby products together with our Chinese subsidiaries to launch high-quality Japanese products into the Chinese market.

As a result, we increased our income and profits significantly: during our first quarterly consolidated period net sales were 18.213 billion yen (9.431 billion yen, a 93.1% year-on-year increase), operating profits were 1.826 billion yen (59 million yen in the previous year), ordinary profits were 1.7 billion 86 million yen (40 million yen in the previous year), and net income for the quarter was 1.751 billion yen (13 million yen in the previous year). Thus we will continue to expand the Japan Premium, which embodies the Laox business model, to the world market including China and Asia to become the leading global company.

The segment results by business type are as follows.

(i) Domestic Store Business

In this business segment, with the full-scale increase of Chinese tourists visiting Japan, we executed proactive promotions to entice tourists to our stores corresponding with the Lunar New Year holidays. We were able to increase our income and profits significantly compared to the same period in the previous year: in the first quarterly consolidated financial period net sales were 15.93 billion yen (5.774 billion yen in the previous year, a 175.9% year-on-year increase), and operating profits were 2.413 billion yen (585 million yen in the previous year, a 305.1% year-on-year increase).

(ii) Branch Store Business in China

In this business segment, although we were able to reduce costs by scaling down the number of stores considerably, with the change of spending behavior of Chinese individual consumers, net sales in the first quarterly consolidated financial period were 1.947 billion yen (3.166 billion yen in the previous year, a 38.5% year-on-year decrease) and operating losses were 176 million yen (305 million yen year-on-year decrease).

(iii) Foreign Trade Business

In this business segment, we are reforming the business structure of our export business such as building a strategic sales network and reconfiguring our logistic systems. Net sales in the first quarterly consolidated financial period were 165 million yen (306 million yen in the previous year, a 45.9% year-on-year decrease) and operating losses were 63 million yen (54 million yen year-on-year decrease).

(iv) Other businesses

In this business segment, net sales in the first quarterly consolidated financial period were 179 million yen (198 million yen in the previous year, a 9.2% year-on-year decrease) and operating losses were 0 million yen (the previous year showed a 12 million yen profit).

(2) Financial Conditions

(i) Assets

Total assets in the first quarterly consolidated financial period were 48.954 billion yen (18.959 billion yen at the end of the previous consolidated financial year).

The increase in total assets was mainly from 26.606 billion yen in cash equivalent, 917 million yen in notes and accounts receivable, and 1.285 billion yen in merchandise and finished goods.

(ii) Liabilities

Total liabilities were 11.389 billion yen (8.679 billion yen at the end of the previous consolidated financial year).

The increase in liabilities was mainly from 1.5 billion yen for short-term loans payable, 674 million yen for notes and accounts payable, and 347 million yen for accrued expenses.

(iii) Net assets

Total net assets were 37.565 billion yen (10.279 billion yen at the end of the previous consolidated financial year).

The increase in net assets was mainly due to the increase of 12.768 billion yen in capital, 9.722 billion yen in capital surplus, and 4.797 billion yen in earned surplus.

(3) Future Forecasts including Consolidated Results

There are no changes in the forecast for the consolidated results announced in the Briefing on Financial Results for December 2014 (Japan-based) (Consolidated) reported on February 12, 2015.

2. Summary (Remarks)

(1) Transfers at Major Subsidiaries during this Consolidated Quarterly Period

Not applicable

(2) Application of Special Accounting Procedures in Creating the Consolidated Quarterly Financial Report

Regarding tax expenses for our company and some of our consolidated subsidiaries, we logically estimated the effective tax rate after applying the accounting for income tax for the pretax net income of that period of the consolidated fiscal year including the first quarterly consolidated financial period and multiplied the pretax quarterly net income by this estimated effective tax rate.

(3) Changes in Accounting Practices or Changes / Revisions / Restatements in Accounting Estimates

Not applicable

3. Consolidated Quarterly Financial Statement

(1) Consolidated Quarterly Balance Sheet

(Unit: 1,000 yen)

	Previous Consolidated Financial Year (December 31, 2014)	Current First Quarter Consolidated Cumulative Period (March 31, 2015)
Assets		
Current assets		
Cash and deposits	3,398,395	30,004,847
Notes and accounts receivable	2,723,043	3,640,902
Merchandise and finished goods	4,587,125	5,872,678
Raw materials and supplies	7,815	5,479
Accounts receivable	1,293,293	1,816,130
Advanced payments	862,297	1,347,699
Security deposits returnable in one year	123,306	123,306
Prepaid expenses	344,969	432,088
Others	228,043	217,114
Allowance for doubtful accounts	△9,220	△80,748
Total current accounts	13,559,070	43,379,499
Non-current assets		
Tangible fixed assets		
Buildings and structures (net)	1,119,687	1,123,372
Vehicles (net)	2,931	31,824
Tools, equipment and fixture (net)	381,816	379,443
Property	88,647	88,647
Leased assets (net)	44,977	39,547
Construction in progress	5,803	94,648
Total of non-current assets	1,643,862	1,757,484
Intangible fixed assets		
Software	23,414	21,747
Leased assets	5,487	4,986
Software suspense account	90,607	98,407
Others	5,116	5,040
Total of intangible fixed assets	124,625	130,182
Investment and other assets		
Investment in securities	12,263	48,569
Deferred tax assets	274,975	296,143
Long term loans	121,953	121,953
Deposits and guarantees	3,257,884	3,170,800
Others	411,208	333,960
Allowance for doubtful accounts	△446,637	△449,392
Total of investments and other assets	3,631,648	3,522,035
Total of fixed assets	5,400,135	5,409,701
Deferred assets		
Stock issuance cost	-	165,544
Total of deferred assets	-	165,544
Total assets	18,959,206	48,954,746

(Unit: 1,000 yen)

	Previous Consolidated Financial Year (December 31, 2014)	Current First Quarter Consolidated Cumulative Period (March 31, 2015)
Liabilities		
Current liabilities		
Notes and account payable	5,184,677	5,859,375
Short-term borrowings	-	1,500,000
Payment in arrears	1,147,235	1,170,971
Accrued expenses	377,840	725,430
Lease obligations	25,562	25,917
Income taxes payable	33,232	202,528
Provision for bonuses	93,077	29,581
Reserve for directors' bonuses	8,742	4,406
Reserve for point card certificates	9,090	11,325
Reserve for product warranty	192,440	27,447
Others	366,188	598,007
Total of current liabilities	7,438,086	10,154,991
Fixed liabilities		
Long term guarantee deposited	471,571	469,965
Liabilities for retirement benefits	243,233	256,872
Reserve for directors' retirement and farewell recognition	10,090	13,477
Leased liabilities	26,871	20,257
Reserves for loss in lawsuits	15,058	5,332
Asset retirement obligation	190,729	191,523
Deferred tax liabilities	78,656	75,071
Others	205,699	201,785
Total of fixed liabilities	1,241,910	1,234,285
Total liabilities	8,679,997	11,389,276
Net assets		
Shareholders' equity		
Capital stock	7,950,002	20,718,402
Capital surplus	7,268,961	16,991,465
Earned surplus	△4,826,127	△28,554
Treasury stock	△426,141	△426,198
Total of shareholder's equity	9,966,694	37,255,114
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	4,518	4,708
Foreign currency translation adjustment	307,995	305,646
Total accumulated other comprehensive income	312,514	310,354
Minority interests	-	-
Total net assets	10,279,209	37,565,469
Total liability net assets	18,959,206	48,954,746

(2) Consolidated Quarterly Statement on Profit and Loss and Consolidated Quarterly Statement on Comprehensive Income

First Quarterly Consolidated Statement on Profit and Loss

First Quarterly Consolidated Cumulative Period

(Unit: 1,000 yen)

	Previous First Quarter Consolidated Financial Year (From January 1, 2014 to March 31, 2014)	Current First Quarter Consolidated Cumulative Period (From January 1, 2015 to March 31, 2015)
Net sales	9,431,436	18,213,157
Cost of sales	6,947,819	12,275,619
Gross profit	2,483,616	5,937,538
Selling and general administrative expenses		
Advertising expenses	39,622	24,847
Sales commission	693,477	2,352,761
Transportation expenses	80,406	54,731
Depreciation expenses	126,003	103,984
Wages and salary	421,077	522,995
Legal welfare expenses	71,226	81,208
Bonuses	9,831	36,361
Provisions of reserves for bonuses	23,091	47,650
Provisions of reserves for directors' bonuses	-	4,406
Retirement benefit expenses	18,256	25,902
Provisions of reserves for directors' retirement and farewell recognition	-	3,387
Expenses for rent of space and land	591,237	476,566
Rent	6,761	8,543
Others	342,655	367,641
Total selling and general administrative expenses	2,423,647	4,110,987
Operating profits	59,968	1,826,551
Non-operating income		
Interest income	2,814	2,877
Cash discount on purchases	5,529	20,584
Foreign exchange profits	-	6,265
Others	3,202	5,453
Total of non-operating income	11,545	35,181
Non-operating expenses		
Interest paid	2,282	1,348
Sales discounts	783	704
Amortization of bond issue expenses	3,758	4,733
Guarantee commission	7,500	-
Foreign exchange loss	12,218	-
Provision of allowance for doubtful accounts	-	64,635
Others	4,875	3,581
Total of non-operating expenses	31,420	75,003
Operating profits	40,094	1,786,729
Extraordinary income		
Income from disposal of fixed assets	185	-
Reversal of impairment loss	-	100,375
Total of extraordinary income	185	100,375

(Unit: 1,000 yen)

	Previous First Quarter Consolidated Financial Year (From January 1, 2014 to March 31, 2014)	Current First Quarter Consolidated Cumulative Period (From January 1, 2015 to March 31, 2015)
Extraordinary expenses		
Impairment loss	-	2,796
Total of extraordinary expenses	-	2,796
Income before income taxes and minority interests	40,280	1,884,308

(Unit: 1,000 yen)

	Previous First Quarter Consolidated Financial Year (From January 1, 2014 to March 31, 2014)	Current First Quarter Consolidated cumulative Period (From January 1, 2015 to March 31, 2015)
Corporate, inhabitant, and enterprise tax	33,361	157,029
Income tax adjustment	Δ7,013	Δ24,398
Total income tax	26,348	132,631
Income before minority interests	13,932	1,751,677
First Quarter Income before minority interests	-	-
Quarter Current net income	13,932	1,751,677

Consolidated statement of comprehensive income Current First Quarter Consolidated Cumulative Period

(Unit: 1,000 yen)

	Previous First Quarter Consolidated Financial Year (From January 1, 2014 to March 31, 2014)	Current First Quarter Consolidated Cumulative Period (From January 1, 2015 to March 31, 2015)
Income (loss) before minority interests	13,932	1,751,677
Other comprehensive income		
Other valuation difference on available-for- sale securities	Δ671	189
Foreign currency translation adjustment	6,742	Δ2,348
Total of other comprehensive income	6,071	Δ2,159
First Quarter Comprehensive income	20,003	1,749,517
(Breakdown)		
First Quarter Comprehensive income attributed to the shareholders of the parent	20,003	1,749,517
First Quarter Comprehensive income attributed to minority interests	-	-

(3) Notes on Consolidated Quarterly Financial Statement.

(Notes on Going Concerns)

Not applicable

(Notes on Significant Changes in Equity Amount)

Based on the board meeting held on March 9, 2015, our company issued new shares (100,000,000 shares) through a public offering with a payment date of March 24, 2015 to increase the capital and legal capital surplus to 12,768.4 million yen respectively.

In addition, based on the decision at the shareholders' meeting on March 26, 2015, we made up the deficit by transferring 1,726,937,000 yen of our legal capital surplus and 1,318,958,000 yen of our capital surplus to our earned surplus.

As a result, our capital is 20,718,402,000 yen and our capital surplus is 16,991,465,000 yen at the end of the first quarterly consolidated financial period.

(Segment Information, etc.)

[Segment Information]

I Previous First Quarterly Consolidated Period (January 1, 2014 to March 31, 2014)

1. Information on net sales, profits and losses by reported segment

(Unit: 1000 yen)

	Reported Segment				Total	Adjustment Amount (Note 1)	Quarterly consolidated profit and loss statement appropriated amount (Note 2)
	Domestic Store Business	Branch Store Business in China	Foreign Trade Business	Other Businesses			
Net sales							
Net sales to outside customers	5,774,246	3,166,704	293,421	197,064	9,431,436	—	9,431,436
Internal net sale or transfer amount between segments	—	—	13,022	1,110	14,133	△14,133	—
Total	5,774,246	3,166,704	306,444	198,174	9,445,569	△14,133	9,431,436
Segment profit or loss (*)	595,947	△305,777	△54,174	12,559	248,555	△188,586	59,968

Notes 1. The adjustment amount in the segment profit of 188,586,000 yen is a company expense, as it has not been distributed to each reported segment. Company expenses are salaries and wages, and general administrative expenses.

2. The segment profits or losses (*) are adjusted in the operating profits in the quarterly consolidated profit and loss statement.

2. Information on impairment losses in fixed assets by reported segments or information on goodwill, etc.

Not applicable

II. First Quarter Consolidated Period (January 1, 2015 to March 31, 2015)

1. Information on net sales, profits and losses by reported segment

(Unit: 1000 yen)

	Reported Segment				Total	Adjustment Amount (Note 1)	Quarterly consolidated profit and loss statement appropriated amount (Note 2)
	Domestic Store Business	Branch Store Business in China	Foreign Trade Business	Other Businesses			
Net sales							
Net sales to outside customers	15,930,101	1,938,575	165,734	178,746	18,213,157	—	18,213,157
Internal net sale or transfer amount between segments	—	9,000	—	1,110	10,110	△10,110	—
Total	15,930,101	1,947,575	165,734	179,856	18,223,268	△10,110	18,213,157
Segment profit or loss (*)	2,413,913	△176,803	△63,318	△674	2,173,117	△346,565	1,826,551

Notes 1. The adjustment amount in the segment profit of 346,565,000 yen is a company expense, as it has not been distributed to each reported segment. Company expenses are salaries and wages, and general administrative expenses.

2. The segment profits or losses (*) are adjusted in the operating profits in the quarterly consolidated profit and loss statement.

2. Information on impairment losses in fixed assets by reported segments or information on goodwill, etc.

In the Branch Store Business in China segment, there is an impaired loss of 2,796,000 yen (extraordinary loss).

(Important Subsequent Events)

1. Issuing Third Stock Options by Third Party Allocation

At the board meeting held on March 9, 2015, our company decided to issue third stock options by third party allocation. The transfer of the total amount for the issued amount was completed on April 3, 2015. The outline is as follows.

- (1) Type and amount of shares for stock options: 35,000,000 common shares
- (2) Total number of stock options: 350 stock options
- (3) Number of diluted shares due to this issuance: 35,000,000 shares
- (4) Issued amount (deposited amount): 198,800 yen for one stock option
(Total amount of 69,580,000 yen)
- (5) Financing amount: 10,513,258,000 yen (Estimated amount of net income)

Estimated amount of net income is the total amount deposited for the stock options plus the total amount of the invested asset price minus the estimated amount of expenses used to issue the stock options.

- (6) Exercise price: 301.04 yen
- (7) Downward revision of exercise price: None
- (8) Exercise period: April 6, 2015 to April 3, 2018
- (9) Allocated to: Granda Magic Limited
- (10) Capitalization

The increased amount of capital when our common stock is issued by exercising stock options will be half of the capital increase limit calculated under the regulations of Article 17 Paragraph 1 of the Ordinances on Company Accounting (fractions will be rounded up in case the calculated amount has fractions below one yen). The amount of legal capital surplus will be the amount obtained by subtracting the increased capital from the said capital increase limit.

(11) Others

Our company and Granda Magic Limited have entered into a facility agreement covering the subscription agreement and the exercise process for stock options.

(12) Application of funds

We will use the funds partly for investing in facilities such as launching new stores to create a duty-free store network and to renovate our existing stores, and partly to invest in the development of an enterprise resource planning (ERP) system, a backbone system for making administrative tasks more efficient.

2. Issuing Stock Options by Third Party Allocation

At the board meeting held on March 9, 2015, our company decided to issue stock options by third party allocation through over-allocation options. The transfer was completed on April 22, 2015. The summary is as follows:

- (1) Type and amount of issued stock: 15,000,000 of our common stock
- (2) Amount paid: 255.368 yen per stock
- (3) Increased capital and amount of legal capital surplus: 1,915,260,000 yen
Amount of increased legal capital surplus: 1,915,260,000 yen
- (4) Date of payment: April 22, 2015
- (5) Allocated to and the amount of allocated shares: SMBC Nikko Securities Inc. for 15,000,000 shares