

March 22, 2016

To our shareholders

Company:	Laox Co.,Ltd.	
Representative:	Yiwen Luo,	Representative President & CEO
(Code number: 8202 TSE, Second Section)		
Contact:	Norihiko Fujitani,	Executive Officer Administrative Headquarters
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Discipline on Encouraging Illegal Employment

On March 18, 2016 our lawyer informed us that the Osaka District Public Prosecutors Office found that two of our employees in our Osaka store were suspected of working illegally while an international student, which is a summary conviction offense. We sincerely apologize to our shareholders, business partners, and other related parties for the concern and inconvenience caused by this matter.

Laox has been employing numerous long-term foreign nationals from more than a dozen countries, including international students, and has been providing intensive guidance and training for many years within the company to comply with the laws and ordinances.

To prevent a recurrence, Laox has progressively introduced a new attendance management system throughout the company, conducted training sessions in each business division, and strengthened the checking policies at our headquarters.

We take this matter very seriously, and the directors of the board are committed to ensuring stricter compliance to promptly recover the trust lost through this incident.