February 3, 2017

Press Release

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Notice of Revisions to Forecasts of Business Performance and Recording of Extraordinary Income and Extraordinary Losses

In light of recent trends in business performance, the forecasts of consolidated results for the fiscal year ended December 31, 2016 (January 1 - December 31, 2016) announced on August 12, 2016 have been revised as outlined below. We would also like to report an anticipated recording of extraordinary items.

1. Revision to the forecasts of consolidated results for the fiscal year ended December 31, 2016 (January 1 - December 31, 2016)

	Consolidated net sales	Consolidated operating profit	Consolidated ordinary profit	Net income attributable to parent	Consolidated net income per share
	M yen	M yen	M yen	M yen	yen
Previously announced forecast (A)	65,000	1,250	1,250	—	—
Revised forecast (B)	∆62,500	∆900	∆1,100	∆1,550	∆23.35
Increase/decrease (B-A)	∆2,500	∆2,150	∆2,350	—	—
Rate of increase/decrease (%)	∆3.85%	—	—	—	—
(Reference) Actual results in the previous fiscal year (ended December 31, 2015)	92,693	8,586	8,637	8,079	12.78

(Note) The Company undertook the consolidation of every ten ordinary shares to one ordinary share on July 1, 2016. Quarterly net profit per share was calculated by assuming that the said share consolidation was undertaken at the beginning of the previous consolidated fiscal year.

2. Reason for revision

In anticipation of long-term growth of the inbound visitor market, the Company proactively launched stores and allocated its personnel. However, progress in the appreciation of the Japanese yen and the adjustment of the Chinese tariff rate affected the spending of foreign visitors to Japan. In addition to these factors, we also saw changes in lifestyles and other factors. As a result, sales and profit were stagnant and it is now anticipated that they will fail to cover the selling, general and administrative expenses, and we decided to revise the business performance forecast as outlined above.

While the number of visitors to the stores is stronger than in the preceding fiscal year, the purchase amount per customer has tumbled, from 33,820 yen on average as of the end of the preceding fiscal year to 25,134 yen on average as of the end of the first half of the fiscal year in question, and to 22,344 yen on average as of the end of the fiscal year concerned. For the purpose of boosting brand appeal and selling strength, selling, general and administrative expenses were increased by around 300 million yen, mainly for advertising expenses. New store launches entailed rents and personnel costs, increasing fixed costs by around 300 million yen. These are the main reasons for the revision.

In the future, the number of foreign visitors to Japan are expected to increase. While addressing priority issues such as a rise in average purchase amount per customer and an improvement in efficiency per tsubo and personnel productivity for bolstering sales efficiency at stores, the Company will endeavor to achieve an improved business performance and continued growth.

3. Anticipated recording of extraordinary income and extraordinary loss

The Company expects to record the extraordinary items outlined below in its consolidated financial results for the fiscal year ended December 31, 2016 (January 1 - December 30, 2016).

3-1. Details of extraordinary income

As described below, an extraordinary income of △15 million yen will be additionally recorded.
That will result in the total amount of extraordinary income to be recorded for the fiscal year will be 968 million yen.

(Details)
- △28 million yen as difference after recalculation of the negative goodwill gain concerning a domestic subsidiary that occurred the third quarter of the fiscal year
- 13 million yen as gain on reversal after expiration of the Company’s stock options

3-2. Details of extraordinary losses

As described below, extraordinary losses of 590 million yen will be additionally recorded.
As a result, the total amount of extraordinary losses to be recorded will amount to 1,138 million yen.

(1) The Company
- 80 million yen as a loss on closedown of stores in the domestic retail business
- 150 million yen as a loss on impairment concerning those stores to be closed down within a year in the domestic retail business
- 255 million yen as expenses for transfer of the disposable diaper business in the overseas business

(2) Domestic subsidiaries
- 25 million yen as a loss on impairment in the domestic retail business

(3) Chinese subsidiaries
- △20 million yen as a portion transferred from selling, general and administrative expenses that occurred after store closures in the overseas business to an extraordinary loss
- 100 million yen as expenses for transfer of the disposable diaper business in the overseas business

(Note) The figures shown above are based on judgments using information available as of the date of the release of this material. Actual results may differ materially from the forecast figures mentioned above for various reasons.