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Press Release

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Notice Regarding Recording of Extraordinary Losses and Revision of Results Forecasts

Laox Co., Ltd. (the “Company”) announced that it recorded extraordinary losses for the second quarter of the fiscal year ending December 31, 2017, with details as follows. In addition, based on the recent business results, the consolidated earnings forecasts for the fiscal year ending December 31, 2017 (January 1, 2017 to December 31, 2017) that were announced on February 14, 2017 are revised as follows.

1. Extraordinary losses

Extraordinary losses of 87 million yen were recorded as follows.

(Breakdown)

Loss on liquidation of stores due to the closure of stores in the domestic retail business: 11 million yen

Impairment loss relating to stores to be closed within one year, among others, in the domestic retail business: 76 million yen

2. Revision of the consolidated results forecasts for the fiscal year ending December 31, 2017 (January 1, 2017 to December 31, 2017)

	Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parent	Profit per share
	million yen	million yen	million yen	million yen	yen
Forecasts announced previously (A)	81,000	2,000	2,000	-	-
Revised forecasts announced hereby (B)	63,500	100	150	-	-
Change (B-A)	-17,500	-1,900	-1,850	-	-
Rate of change (%)	-21.6	-95.0	-92.5	-	-
(Information) Results for the previous fiscal year (Fiscal year ended December 31, 2016)	62,764	-955	-1,012	-1,527	-23.57

(Note) A reverse stock split of 10 common shares to one was conducted on July 1, 2016. Profit per share has been calculated by assuming that this reverse stock split was conducted at the beginning of the previous consolidated fiscal year.

3. Reasons for revision

The Group has commenced new initiatives for “goods and experiences” in addition to the sale of conventional merchandise during the current fiscal year. The Group also reviewed unprofitable stores and made effective use of human resources, among other efforts, to ensure cost rationalization and increase productivity. The effects of these efforts have steadily become evident. However, although the inbound market is slowly recovering, its speed is not as rapid as the Company expected. In the Company’s duty-free business, the number of customers through the checkout is 94.2% as compared to the same period of the previous year and the average sale per customer through the checkout has reduced by 5,654 yen from the same period of the previous year, resulting in sluggish sales, with a rate of achievement of 34.8% as compared to the initial annual plan. At the present time, it is unlikely that the initial estimates will be achieved. Accordingly, the results forecasts are revised as described above.

On the other hand, the results for the summer season of the current fiscal year have been strong. The number of customers through the checkout in the Company’s duty-free business since July has increased at a rate exceeding that of the previous fiscal year. In particular, the results for the Kyushu area, where the demand for cruise ships is high, exceeded 120% of the results for the previous fiscal year. Given these results, the number of paying customers and the average sale per paying customer for the second half of the current fiscal year are expected to improve to a level above that of the second half of the previous fiscal year. In addition, new business covering “goods and experiences,” such as the opening of Chiba Port Square/Port Town and JCL (Japan Cosmetic Lounge), has been expanding.

For the second half of the current fiscal year, in addition to the four businesses in which the organization made changes, the effects of increased productivity for which efforts have been made from earlier are leading to the maximization of sales and profits. Through these efforts, the Company will work as one to achieve a rapid recovery from the losses that continued from the third quarter of the previous fiscal year.

(Note) The results forecasts above are based on the judgment obtained from the information available as of the end of the announcement of these materials. Actual business results may differ from the forecast figures stated herein due to various factors.

End.