Summary of Financial Statements for Q1 term Ending December 2018 (Japanese Standards) (consolidated)

May 15, 2018

Listed Company:	Laox Co., Ltd.	Stock Exchange: Tokyo Stock Exchange	
Code:	8202	URL: http://www.laox.co.jp	
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Planned Submission Date for the Quarterly Report:	May 15, 2018
Planned Starting Date for Dividend Payments:	—
Supplementary Documents for Quarterly Results:	NO
Quarterly Results Briefing:	NO

(Rounded down to nearest million yen)

1. Consolidated Results for Q1 Term Ending December 2018 (January 1, 2018 to March 31, 2018)

(1) Consolidated operating results (Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Q1 of FY2018	16,655	12.9	(960)	–	(1,060)	–	(977)	–
Q1 of FY2017	14,748	(21.0)	(417)	–	(474)	–	(495)	–

(Note) Comprehensive income Q1 of FY2018: (1,147) million yen (–%) Q1 of FY2017: (426) million yen (–%)

	Profit per share	Diluted profit per share
	Yen	Yen
Q1 of FY2018	(15.17)	–
Q1 of FY2017	(7.69)	–

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
Q1 of FY2018	62,362	43,312	69.1
FY2017	63,527	44,527	69.6

(For reference) Shareholders' equity Q1 of FY2018: 43,073 million yen FY2017: 44,222 million yen

2. Dividends

	Dividends per share				
	End of Q1	End of Q2	End of Q3	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
FY2017	–	–	–	0.00	0.00
FY2018	–				
FY2018 (forecast)		–	–	0.00	0.00

(Note) Revision to the dividend forecast publicized most recently: No

3. Results forecast for FY2018 (from January 1, 2018 to December 31, 2018)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit	
	Million yen	%	Million yen	%	Million yen	%
Full year	120,000	86.6	1,000	620.3	1,000	–

(Note) Revision to the forecast publicized most recently: Yes

(Note) The Company does not provide results forecasts for the first half of FY2018.

Notes

(1) Important changes in subsidiaries during the first half under review: No

(2) Application of accounting specific to the preparation of quarterly consolidated financial statements: Yes

(3) Changes in accounting policy and changes or restatement of accounting estimates

(i)	Changes in accounting policy due to revisions to accounting standards etc.:	No
(ii)	Changes in accounting policy other than those in (i):	No
(iii)	Changes in accounting estimates:	No
(iv)	Restatement of accounting estimates:	No

(4) Number of issued shares (common shares)

(i)	Number of issued shares at the end of period (including treasury stock):	Q1 of FY2018	66,388,103
		FY2017	66,388,103
(ii)	Number of shares of treasury stock at the end of period:	Q1 of FY2018	1,918,118
		FY2017	1,918,108
(iii)	Average number of issued shares during period (from the beginning of fiscal year)	Q1 of FY2018	64,469,989
		Q1 of FY2017	64,470,060

This summary of quarterly consolidated financial statements falls outside the scope of the quarterly review.

Explanation on the proper use of results forecasts and other special notes

Forward-looking statements, including results forecasts, in this document are based on information that the Group has obtained and certain assumptions that the Group believes to be reasonable. Actual results may differ significantly due to a variety of factors.

○ Contents of attached document

1. Qualitative Information on Consolidated Results for the First Quarter of FY2018

(1) Explanation of operating results

The forward-looking statements made in this report were prepared at the Group’s discretion based on information available as of the end of this quarterly consolidated fiscal year.

During the first quarter under review, the Japanese economy trended toward a moderate recovery with firm consumer spending backed by solid employment and income conditions, despite uncertainties in overseas economies and fluctuations in financial and capital markets.

In this economic environment, looking at the trend of foreign tourists visiting Japan, the overall number of tourists remained favorable, reflecting the impact of the active promotion of trips to Japan by the Japanese government as well as the launch of new airline routes, an increase in flights and an increase in port calls by cruise ships. The estimated number of tourists visiting Japan in the three-month period from January to March 2018 reached 7.62 million (up 16.5% year on year), and total consumption came to 1,134.3 billion yen (up 17.2% year on year), exceeding one trillion yen in the January-March period for the first time. The estimated number of Chinese tourists visiting Japan, the main customers of the Company, reached a record high of 2.13 million (up 24.4% year on year). With respect to the composition of items of consumption, the ratio of expenditure for purchases (consumption of goods) still marked the highest (34.9%) despite a decrease of 3.8% year on year, and the ratio of expenditure for services (consumption of experiences) such as eating and drinking, entertainment and accommodation charges increased 4.1%, to 65.1% year on year. (Source: statistics of the Japan National Tourism Organization (JNTO) and the Japan Tourism Agency)

Under these conditions, the Company is working to expand the business and is stepping up its efforts by significantly changing segments during this fiscal year, thereby not only expanding the consumption of goods but also responding to an increase in the consumption of experiences among inbound tourists from a broad perspective.

We have decided to redefine the direction of the existing tax-free shop business that focuses on the sale of goods and services based on business types and approaches. One direction is the establishment of a more efficient and enhanced sales network to conduct “passive” sales to customers who visit Japan by airplane or cruise ship, an approach applicable to sales promoted at existing stores nationwide. The other direction is initiatives to expand and enhance the consumption of goods and services in a “proactive” manner through the diversification of sales channels such as international trade, cross-border e-commerce, WeChat and the booking of exhibition locations to take a step ahead from sales through the fixed network of stores. By gathering purchasing behavior and information on top sellers accumulated in stores nationwide, we have started to engage in the trade business and cross-border e-commerce to provide Japanese goods to customers who have returned to their home countries. In addition, we will strengthen efforts to sell goods and services by providing WeChat and reservation services of exhibition locations for customers who are planning to visit or are actually visiting Japan.

With respect to the consumption of experiences, which the Company has been promoting aggressively since the beginning of this fiscal year, it has commenced sales of experience-oriented services on a full scale so that customers visiting Japan fully enjoy their stay in Japan from a range of perspectives, by operating restaurants, amusement facilities and theaters that offer popular wining and dining and entertainment experiences. With regard to the planning and sale of women’s shoes and household goods, we have been working to increase the sales scale and establish the system for integrated operations from manufacturing to distribution (SPA), while simultaneously strengthening our competitiveness in e-commerce sales and logistics. At the same time, we are striving to generate synergies by strengthening cross-sales among the Group companies through initiatives such as the mutual use of stores and commercial complexes of the Group.

As a result, consolidated net sales came to 16,655 million yen in the first quarter under review (up 12.9% from 14,748 million yen posted in the same period of the previous fiscal year). The consolidated operating loss for the period amounted to 960 million yen (compared to consolidated operating loss of 417 million yen posted in the same period of the previous year). The consolidated ordinary loss for the period was 1,060 million yen (compared to consolidated ordinary loss of 474 million yen posted in the same period of the previous year). Going forward, the Company will seek to recoup investments and expand sales as soon as possible, while at the same time increasing investments in new segments.

The financial results of each business segment are as follows.

The Company has changed business segments presented as reporting segments starting from the first quarter under review. Accordingly, the year-on-year comparisons and analyses in the respective segments are made based on the revised classification.

1) Retail Business

In this business segment, the Company was unable to acquire individual travelers (FIT) at the expected pace because the initiative for the consumption of experiences was still in the investment phase and the development of an app for sales at WeChat was delayed. Consequently, expenses increased before sales began to rise. The Company will continue its efforts to improve the operating efficiency of the existing stores and take steps aggressively and speedily to expand the sales channels. In particular, it will focus its efforts on strengthening sales to its approximately 300,000 WeChat members and the expansion of trade with an eye on customers who have returned to their home countries, thereby working to recover investments and expand sales as soon as possible.

As a result, consolidated sales for the segment amounted to 12,478 million yen (up 2.0% from 12,235 million yen posted in the same period of the previous year). Consolidated operating loss came to 92 million yen (compared to consolidated operating profit of 80 million yen posted in the same period of the previous year).

2) Life & Fashion Business

In this business segment, the Company increased the sales scale, helped by the inclusion of the Ogitsu Corporation in autumn last year. However, the Group’s costs, including the production cost, increased before sales started to pick up because the new-year initial sales were not encouraging and the introduction of in-house procured items was delayed. On the other hand, it has started to reorganize the shoe business and facilitate improvements in the efficiency of the Group’s operations through integrated operations from manufacturing to distribution.

As a result, consolidated sales for the segment amounted to 3,874 million yen (up 63.1% from 2,374 million yen posted in the same period of the previous year). Consolidated operating loss came to 252 million yen (compared to consolidated operating loss of 140 million yen posted in the same period of the previous year).

3) Entertainment Business

In this business segment, the Company began working on initiatives as expected, such as the performance of the non-verbal performance GEAR East Version that everyone can experience regardless of their nationality, age and gender and the operation of THE NEW YORK BAYSIDE KITCHEN, a large-scale buffet restaurant featuring an area of 600 *tsubo* and the Beau Départ Aoyama Club, an upscale French restaurant in Minato-ku, Tokyo. However, the segment is still in the capital investment phase due to the delay in the progress of organizational establishment and operational improvements. As a result, consolidated sales for the segment amounted to 126 million yen and consolidated operating loss came to 164 million yen.

4) SC Development Business

In this business segment, the Company began operating commercial complexes including RIVERWALK KITAKYUSHU as well as Chiba Port Square. However, the segment is in the process of establishing operating structures and is still in the phase of making capital investment. Going forward, the Company will continuously seek to establish operating structures as soon as possible, implement efficient operations and secure profits, while at the same time keeping a close eye on the enhancement of the value of the facilities of the Laox Group as a whole.

As a result, consolidated sales for the segment amounted to 242 million yen (up 54.6% from 156 million yen posted in the same period of the previous year), and consolidated operating loss came to 71 million yen (compared to consolidated operating profit of 24 million yen).

(2) Explanation of financial conditions

1) Assets

Total assets at the end of the first quarter of the consolidated fiscal year under review stood at 62,362 million yen (compared to 63,527 million yen at the end of the previous fiscal year).

The decrease in total assets was largely attributable to a decrease of 8,764 million yen in cash and deposits, despite increases of 1,131 million yen in notes and accounts receivable – trade, 941 million yen in merchandise and finished goods, 400 million yen in short-term loans receivable, 4,602 million yen in investment securities, and 444 million yen in security and guarantee deposits.

2) Liabilities

Total liabilities amounted to 19,049 million yen (compared to 19,000 million yen at the end of the previous fiscal year)

The increase in total liabilities was mainly attributable to increases of 778 million yen in notes and accounts payable – trade and 626 million yen in long-term loans payable, despite decreases of 977 million yen in short-term loans payable and 308 million yen in income taxes payable.

3) Net assets

Net assets stood at 43,312 million yen (compared to 44,527 million yen at the end of the previous fiscal year).

The decline in net assets was due primarily to a decrease of 978 million yen in retained earnings and a decrease of 176 million yen in valuation difference on available-for-sale securities.

(3) Explanation of future predictive information such as consolidated results forecasts, etc.

The Company reviewed its results forecast, factoring in the acquisition of Shaddy Co., Ltd. described in the explanation of the results of the first quarter under review and significant subsequent events. As a result, it has decided to revise the full-year consolidated financial forecast announced in the Summary of Financial Statements for the Fiscal Year Ended December 2017 (Japanese Standards) (Consolidated) dated February 14, 2018.

For details, please refer to the Notice of Revision of the Results Forecast for the Full Year announced today.

Going forward, if any material fluctuations are expected to occur in the financial results, the Company will make separate announcements.

2. Quarterly Consolidated Financial Statements and Important Notes

(1) Quarterly consolidated balance sheet

(Units: 1,000 yen)

	FY2017 (As of December 31, 2017)	First quarter of FY2018 (As of March 31, 2018)
Assets		
Current assets		
Cash and deposits	19,830,545	11,065,831
Notes and accounts receivable - trade	3,046,325	4,178,123
Merchandise and finished goods	13,883,849	14,825,397
Work in process	84,593	95,658
Raw materials and supplies	234,389	254,631
Accounts receivable - other	2,328,871	1,843,370
Advance payments - trade	944,966	922,749
Prepaid expenses	601,353	687,671
Short-term loans receivable	1,450,000	1,850,026
Short-term loans receivable from subsidiaries and associates	40,000	60,000
Deferred tax assets	79,460	114,439
Current portion of guarantee deposits	46,869	37,521
Other	601,143	612,438
Allowance for doubtful accounts	(95,024)	(123,597)
Total current assets	43,077,343	36,424,260
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	7,044,582	7,301,935
Machinery, equipment and vehicles, net	44,700	39,075
Tools, furniture and fixtures, net	1,858,891	1,809,394
Land	1,698,552	1,698,552
Leased assets, net	89,382	79,959
Construction in progress	47,345	12,345
Total property, plant and equipment	10,783,453	10,941,262
Intangible assets		
Trademark right	57,276	86,396
Software	299,222	301,340
Leased assets	9,337	8,371
Software in progress	7,895	–
Other	901	901
Total intangible assets	374,633	397,009
Investments and other assets		
Investment securities	1,044,429	5,646,820
Shares of subsidiaries and associates	237,000	431,000
Investments in capital of subsidiaries and associates	2,185,035	2,219,467
Deferred tax assets	111,183	124,214
Long-term loans receivable	137,624	139,431
Long-term loans receivable from subsidiaries and associates	30,000	30,000
Lease and guarantee deposits	4,927,949	5,371,951
Other	994,438	1,027,141
Allowance for doubtful accounts	(462,570)	(465,300)
Total investments and other assets	9,205,090	14,524,726
Total non-current assets	20,363,177	25,862,998
Deferred assets		
Share issuance cost	8,859	–
Business commencement expenses	75,400	72,803
Bond issuance cost	2,984	2,751
Total deferred assets	87,245	75,555
Total assets	63,527,765	62,362,815

(Units: 1,000 yen)

	FY2017 (As of December 31, 2017)	First quarter of FY2018 (As of March 31, 2018)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	5,465,891	6,244,065
Short-term loans payable	2,477,002	1,500,000
Current portion of long-term loans payable	99,338	99,338
Accounts payable - other	1,571,854	1,498,732
Current portion of bonds	2,387,500	2,167,500
Accrued expenses	60,091	344,654
Lease obligations	36,456	36,478
Income taxes payable	427,813	119,683
Provision for bonuses	75,411	95,991
Provision for point card certificates	31,941	54,555
Provision for loss from product warranty	15,885	14,559
Provision for loss on withdrawal from employees' pension fund	66,533	66,533
Deferred tax liabilities	59,936	59,936
Other	417,548	356,557
Total current liabilities	13,193,205	12,658,586
Non-current liabilities		
Long-term loans payable	2,090,137	2,716,340
Long-term guarantee deposited	391,454	379,099
Long-term accounts payable - other	1,327,224	1,307,349
Lease obligations	66,075	55,336
Net defined benefit liability	764,766	773,884
Provision for directors' retirement benefits	23,633	23,633
Provision for business structure improvement expenses	151,137	150,762
Asset retirement obligations	504,739	519,335
Deferred tax liabilities	482,948	461,504
Other	4,754	4,131
Total non-current liabilities	5,806,871	6,391,377
Total liabilities	19,000,077	19,049,963
Net assets		
Shareholders' equity		
Capital stock	22,633,662	22,633,662
Capital surplus	18,920,205	18,920,205
Retained earnings	4,598,761	3,620,453
Treasury shares	(2,419,904)	(2,419,910)
Total shareholders' equity	43,732,724	42,754,411
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	20,807	(155,686)
Remeasurements of defined benefit plans	(51,753)	(34,595)
Foreign currency translation adjustment	520,497	509,615
Total accumulated other comprehensive income	489,551	319,334
Share acquisition rights	84,211	14,631
Non-controlling interests	221,199	224,474
Total net assets	44,527,688	43,312,851
Total liabilities and net assets	63,527,765	62,362,815

(2) Quarterly consolidated statement of income and quarterly consolidated statement of comprehensive income

Quarterly consolidated statement of income

First quarter

(Units: 1,000 yen)

	First quarter of FY2017 (From January 1 to March 31, 2017)	First quarter of FY2018 (From January 1 to March 31, 2018)
Net sales	14,748,128	16,655,400
Cost of sales	9,235,230	10,600,546
Gross profit	5,512,897	6,054,853
Selling, general and administrative expenses		
Advertising expenses	107,072	45,858
Sales commission	1,706,094	1,792,795
Promotion expenses	180,831	409,798
Haulage expenses	100,195	127,010
Depreciation	247,697	321,950
Amortization of goodwill	20,157	–
Salaries and allowances	1,275,841	1,637,048
Legal welfare expenses	187,449	231,784
Bonuses	2,236	4,896
Provision for bonuses	–	95,311
Retirement benefit expenses	23,566	57,296
Rents	1,429,923	1,430,592
Rent expenses	51,961	62,428
Other	597,703	798,167
Total selling, general and administrative expenses	5,930,732	7,014,938
Operating profit (loss)	(417,834)	(960,084)
Non-operating income		
Interest income	37,967	44,201
Dividend income	4,500	10,397
Share of profit of entities accounted for using equity method	–	34,431
Gain on sales of investment securities	–	26,176
Other	3,451	30,721
Total non-operating income	45,918	145,928
Non-operating expenses		
Interest expenses	7,983	13,706
Sales discounts	576	2,841
Commission for syndicate loan	31,209	–
Guarantee commission	–	4,316
Amortization of share issuance cost	13,289	8,859
Amortization of bond issuance cost	–	215
Foreign exchange losses	30,115	165,999
Other	19,167	50,815
Total non-operating expenses	102,340	246,756
Ordinary profit (loss)	(474,256)	(1,060,912)
Extraordinary income		
Gain on reversal of share acquisition rights	–	69,580
Total extraordinary income	–	69,580
Extraordinary losses		
Loss on retirement of non-current assets	–	10,605
Loss on liquidation of stores	9,812	1,441
Total extraordinary losses	9,812	12,047
Profit (loss) before income taxes	(484,068)	(1,003,379)

(Units: 1,000 yen)

	First quarter of FY2017 (From January 1 to March 31, 2017)	First quarter of FY2018 (From January 1 to March 31, 2018)
Income taxes - current	12,751	7,302
Income taxes - deferred	(916)	(32,995)
Total income taxes	11,835	(25,693)
Profit (loss)	(495,903)	(977,686)
Profit (loss) attributable to non-controlling interests	–	72
Profit (loss) attributable to owners of parent	(495,903)	(977,758)

Quarterly consolidated comprehensive income account statement
First quarter

(Units: 1,000 yen)

	First quarter of FY2017 (From January 1 to March 31, 2017)	First quarter of FY2018 (From January 1 to March 31, 2018)
Profit (loss)	(495,903)	(977,686)
Other comprehensive income		
Valuation difference on available-for-sale securities	7,365	(176,494)
Foreign currency translation adjustment	62,495	(10,881)
Remeasurements of defined benefit plans, net of tax	–	17,158
Total other comprehensive income	69,860	(170,217)
Comprehensive income	(426,042)	(1,147,903)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(426,042)	(1,147,831)
Comprehensive income attributable to non-controlling interests	–	(72)

(3) Notes to the quarterly consolidated financial statement
(Explanatory notes regarding assumption of going concern)
No corresponding items.

(Explanatory notes in case of remarkable change in monetary amount of shareholders' equity)
No corresponding items.

(Application of accounting specific to the preparation of quarterly consolidated financial statements)
Tax expenses for the Company and certain of its consolidated subsidiaries are calculated by rationally estimating an effective tax rate for profit before income taxes for the fiscal year including the first quarter under review after the application of tax effect accounting and multiplying profit/loss before income taxes for the first quarter under review by the estimated effective tax rate.

(Segment information, etc.)
I. First quarter of FY2017 (from January 1 to March 31, 2017)
1. Information concerning monetary amount of sales and profit or loss of each reporting segment

(Units: 1,000 yen)

	Reporting segment				Total	Amount of adjustment Note: 1	Amount reported in quarterly consolidated statement of income Note: 2
	Retail Business	Life & Fashion Business	Entertainment Business	SC Development Business			
Sales							
Sales to extremal clients	12,205,423	2,386,002	–	156,702	14,748,128	–	14,748,128
Internal sales or transfers between segments	29,739	(11,084)	–	–	18,654	(18,654)	–
Total	12,235,162	2,374,918	–	156,702	14,766,783	(18,654)	14,748,128
Segment profit (loss)	80,794	(140,590)	–	24,725	(35,070)	(382,763)	(417,834)

(Notes) 1. The amount of adjustment of segment profit (loss) of -382,763 thousand yen indicates expenses for whole company without dividing for each reporting segment. Whole company expenses mainly consist of personnel expenses and general management expenses not belonging to reporting segments.
2. Segment profit (loss) is adjusted to operating profit in the quarterly consolidated statement of income.

2. Information concerning impairment loss or goodwill, etc. of non-current assets in each reporting segment
No corresponding items.

II. First quarter of FY2018 (from January 1 to March 31, 2018)

1. Information concerning monetary amount of sales and profit or loss of each reporting segment

(Units: 1,000 yen)

	Reporting segment				Total	Amount of adjustment Note: 1	Amount reported in quarterly consolidated statement of income Note: 2
	Retail Business	Life & Fashion Business	Entertainment Business	SC Development Business			
Sales							
Sales to extremal clients	12,478,425	3,867,416	124,006	185,552	16,655,400	–	16,655,400
Internal sales or transfers between segments	–	7,052	2,336	56,684	66,073	(66,073)	–
Total	12,478,425	3,874,469	126,342	242,236	16,721,474	(66,073)	16,655,400
Segment profit (loss)	(92,096)	(252,912)	(164,906)	(71,047)	(580,962)	(379,122)	(960,084)

(Notes) 1. The amount of adjustment of segment profit (loss) of -379,122 thousand yen indicates expenses for whole company without dividing for each reporting segment. Whole company expenses mainly consist of personnel expenses and general management expenses not belonging to reporting segments.

2. Segment profit (loss) is adjusted to operating profit in the quarterly consolidated statement of income.

2. Information concerning impairment loss or goodwill, etc. of non-current assets in each reporting segment

No corresponding items.

3. Matters concerning changes in reporting segments, etc.

The Company has decided to change the classification of reporting segments to reflect the third Medium-Term Management Plan announced on February 14, 2018. Details are as follows:

• Retail Business	Supply of mainly Japan made high-quality products, among other items, through varieties of sales channels and networks including BtoC, BtoB, and real retail stores as well as online, for domestic and overseas customers, on a global basis.
• Life & Fashion Business	Development of the Group's original products related to life and fashion including shoes for women and the comprehensive marketing thereof through physical stores, e-commerce and omni-channel retailing.
• Entertainment Business	Offering of experience-oriented services including an opportunity to enjoy foods in response to demand among foreigners visiting Japan and people living in Japan.
• SC Development Business	Operation of commercial complexes.

The segment information for the three-month period from January to March 2017 has been prepared after reclassifying the reporting segment applied for the first quarter (same period) under review.

(Significant subsequent events)

(Buy-out of companies through the acquisition of shares)

At a meeting of the Board of Directors held on March 26, 2018, the Company decided to acquire shares of L Capital Tokyo Co., Ltd. (hereinafter “L Capital Tokyo”), and through L Capital Tokyo, acquire shares of Shaddy Co., Ltd. (hereinafter “Shaddy”), making Shaddy its subsidiary. The Company concluded a share transfer agreement on the same day and made Shaddy its subsidiary through the acquisition of shares of the company on April 27, 2018.

1. Purpose of the acquisition of shares

With an eye toward creating what it refers to as a “Global Life Style” (or a borderless society), the Company has been working on enhancing and expanding its goods and services to provide customers around the world with an opportunity to purchase and experience Japanese goods and services. With the acquisition of Shaddy, the Company is expecting that it will be able to develop a new customer base and further strengthen its merchandising capability by utilizing Japanese household goods.

In making Shaddy a subsidiary, the Company concluded an agreement under which the Company was supposed to purchase shares of L Capital Tokyo worth 1,204 million yen (equivalent to 24,090 shares or 60% of the total shares) through a third-party allocation of shares, and then acquire all such shares of Shaddy through L Capital Tokyo. After L Capital Tokyo, which was founded solely by Locondo, Inc. acquired all the shares of Shaddy, the Company purchased the shares of L Capital Tokyo and made Shaddy its subsidiary.

Locondo, Inc. will continue to hold 40% of the shares of L Capital Tokyo and maintain operations under a joint investment. Accordingly, the Company expects that it will be able to strengthen its e-commerce and improve its logistics efficiency by leveraging the strengths of Locondo, Inc.

2. Name of the company whose shares will be purchased

L Capital Tokyo Co., Ltd.

3. Name, business and scale of the company to be acquired

a) L Capital Tokyo Co., Ltd.

(1) Name	L Capital Tokyo Co., Ltd.
(2) Business	Investment
(3) Capital	1,003 million yen

b) Shaddy Co., Ltd.

(1) Name	Shaddy Co., Ltd.
(2) Business	Retailer and wholesaler of gift items
(3) Capital	3,445 million yen

4. Date of share acquisition

April 27, 2018

5. Number of shares acquired, acquisition cost and shareholding ratio after acquisition

(1) Number of shares acquired	L Capital Tokyo Co., Ltd.	24,090 shares
(2) Acquisition cost	Consideration for acquisition	1,204 million yen
	Expenses for acquisition (estimated amount)	200 million yen
	Total (estimated amount)	1,404 million yen
(3) Shareholding ratio after acquisition	L Capital Tokyo Co., Ltd.: 60%; Shaddy Co., Ltd.: 60% (Indirect holding)	

6. Method of funding for payment

Own funds