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Press Release

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Notice of Issuance of New Shares through Third-Party Allotment and Sixth Series of Share Acquisition Rights, Conclusion of Commitment Agreement, and Changes in Parent Company, Subsidiaries and Associates, and Largest Shareholder among the Major Shareholders of Laox Co., Ltd.

Laox Co., Ltd. (the "Company") hereby announces that at the meeting of the Board of Directors held on June 19, 2019, it passed a resolution to issue new shares to Granda Galaxy Limited ("GGL") and Global Worker Haken Inc. ("GWH") through Third-Party Allotment (the "New Shares") and the sixth series of Share Acquisition Rights (the "Share Acquisition Rights) (collectively, the "Third-Party Allotment"), as well as a resolution to sign a commitment agreement with GWH after the notification required for the Third-Party Allotment by the Financial Instruments and Exchange Act (Act No. 25 of 1948, including subsequent revisions) (the "Act") comes into effect.

The Company additionally announces that changes to its parent company, subsidiaries and associates, and the largest shareholder of its major shareholders are expected to be made due to the Third-Party Allotment.

1. Overview of the offering

(1) Overview of the issuance of the New Shares

i.	Payment period	From July 5 to December 5, 2019 (Note)
ii.	Number of new shares issued	26,947,000 common shares of the Company
iii.	Issue price	313 yen per share
iv.	Amount of funds raised	8,434,411,000 yen
v.	Method of solicitation or allotment (scheduled allotees)	By the method of Third-Party Allotment GGL: 26,657,000 shares GWH: 290,000 shares
vi.	Other	The above will be executed on the condition that the notification under the Act comes into effect.

(Note) Under the foreign exchange regulations of the People's Republic of China ("China"), the remittance of currencies other than Chinese yuan to Japan requires an application accompanied by a signed agreement to acquire all shares submitted to and approved by the competent Chinese authority. For the Third-Party Allotment, the Company has decided that the period between July 5 and December 5, 2019 will be the payment period under the Companies Act. This is because while the payment will be made after approval under the above foreign exchange regulations of China is obtained and the payment period must be determined by taking into account the examination period for the approval, as of the date of this press release, the Company is unable to ascertain when such approval can be obtained.

(2) Overview of the issuance of the Share Acquisition Rights

i.	Date of allotment	July 5, 2019
ii.	Total number of Share Acquisition Rights	52,810
iii.	Issue price	Total of 5,281,000 yen (100 yen per Share Acquisition Right)
iv.	Number of dilutive shares due to this issuance	5,281,000 shares (100 shares per Share Acquisition Right)
v.	Amount of funds raised	1,658,234,000 yen Breakdown: 5,281,000 yen for the issuance of Share Acquisition Rights 1,652,953,000 yen for the exercise of Share Acquisition Rights
vi.	Strike price	313 yen per share
vii.	Method of solicitation or allotment (scheduled allotees)	All of the Share Acquisition Rights will be allotted to GWH by the method of Third-Party Allotment.
viii.	Other	The above will be executed on the condition that the notification under the Act comes into effect. The Company plans to sign the Agreement on the Purchase of the Sixth Series of Share Acquisition Rights of Laox Co., Ltd. related to the Share Acquisition Rights (the "Share Acquisition Rights Purchase Agreement") and a commitment agreement with GWH after the notification under the Act comes into effect. The details of the Share Acquisition Rights Purchase Agreement and the commitment agreement are provided in the section "(3) Overview of fund-raising method" in "2. Purpose and reason for the offering" below.

2. Purpose and reason for the offering

(1) Primary purpose of the fund raising

Based on the principle of providing the world with the goodness of Japan and the basic policy of maximizing customer satisfaction through the creation of Japan Premium (high-quality products and services made in Japan), the Laox Group operates its businesses with the aim of continuously increasing its corporate value by selling optimal products and services from Japan, particularly in the Chinese market in recent years. The Company also works in close cooperation with Suning.Com Co., Ltd. ("Suning.Com"), which is the largest retailer in China and forms a strong business alliance with the Company, in terms of business development and other operations with the aim of growing from being the leading company in Japan's general duty-free shops to a global company.

As part of its efforts for growth, the Company is further expanding its trade/global e-commerce[*1] targeting the Chinese market in its Global Business segment. In the Life & Fashion Business segment, it is making active investments in prospective companies through M&As and other means for the purpose of procuring, planning and developing life and fashion products and selling them through multiple channels including physical stores, e-commerce (home shopping on the internet), and omnichannel[*2]. In these settings, the Laox Group is currently working to implement structural reforms of the affiliates in which the Group is investing, increase the efficiency of its business management, and enhance its corporate value by creating and growing group synergy, including the expansion of businesses and the development of markets in China using the Group's products and services. In this situation, the Group is striving to achieve the further expansion of its trade/global e-commerce based on growing demand for Japanese products in the Chinese market due to significant changes in demand for inbound tourism in Japan in recent years. The background of the expansion of trade/global e-commerce is a recent market trend, in which Japanese companies that started with conventional inbound tourism (the purchase of Japanese products and the use of services in Japan by foreign visitors to Japan) offering Japanese products and services are now increasingly selling Japanese products and services in overseas e-commerce (global e-commerce), which is so-called outbound tourism (foreign visitors to Japan appreciate their purchases of Japanese products or their use of services in Japan and purchase the same product or service online in their home countries after returning home). Retailers and related businesses that used inbound tourism as key profit-making opportunities in Japan in the past are now gradually increasing such activities. In this situation, the Laox Group considers that it urgently needs to get this business expansion on track at an early stage using its network with China and secure an adequate market share to establish a strong revenue base. As described in the section "(2) Specific uses of the proceeds" in "3. Amount, uses, and schedule for the use of proceeds" below, however, the Company has discovered situations that require more working capital than in the past due to the characteristics of its business.

Consequently, the Company started examining financing methods around March 2019. As explained in the section "(2) Reason for selecting the Third-Party Allotment of the New Shares and the Share Acquisition Rights" in "2. Purpose and reason for the offering," while there is an urgent need to raise funds for growth investment of the Laox Group, the Group is in the process of stabilizing its financial base (reduction of interest-bearing debts), and debt-based fund raising is therefore not appropriate. It also decided that a capital increase through public offering would be uncertain and therefore selected a capital increase through Third-Party Allotment. With regard to the selection of scheduled allotees, the Company considered it important that such companies would (1) understand the use of the funds raised through the Third-Party Allotment and cooperate with the business concerned (expansion of trade/global e-commerce to China) and (2) understand the purpose of stabilizing (improving) the financial base of the Laox Group. It concluded that it was desirable to allot the new shares and the subscription rights to its large shareholders or companies affiliated with them that understood the Company's businesses sufficiently. As a result of deliberations within the Company, it decided to implement the Third-Party Allotment with GGL and GWH, a wholly-owned subsidiary of Chubun Sangyo Co., Ltd. ("Chubun Sangyo"), which is a large shareholder of the Company, as the scheduled allotees. The details of the reason for selecting the scheduled allotees are provided in the section "(2) Reason for selecting the scheduled allotees" in "6. Reason for selecting the scheduled allotees, etc." below. The details of the use of funds are provided in the section "(2) Specific uses of the proceeds" in "3. Amount, uses, and schedule for the use of proceeds" below.

*1. Global e-commerce" means international electronic commerce (EC) targeting overseas consumers, which is conducted through home shopping websites on the internet.

*2. Omnichannel" means a selling strategy to prevent the loss of selling opportunities by combining the information management systems of physical stores and e-commerce websites and following up with customers.

(2) Reason for selecting the Third-Party Allotment of the New Shares and the Share Acquisition Rights

In consideration of the situation of the Laox Group described in the above section "(1) Primary purpose of the fund raising" in "2. Purpose and reason for the offering," the Company compared and examined a range of fund-raising methods. As a result, it concluded that the Third-Party Allotment would be the optimal option at present, primarily for the following reasons.

In this fund raising, the Company recognizes the difficulty of making adequate investments while also stabilizing the Group's financial base (reduction of interest-bearing debts). It has considered the optimal financing methods to promptly and securely raise funds for growth investment in a manner consistent with the business development planned by the Group. While the Company also considered financing methods other than Third-Party Allotment, its assessment was that they were not appropriate for this fund raising for the following reasons.

i) Borrowing from financial institutions and issuance of straight bonds

As stated in the above section “(1) Primary purpose of the fund raising” in “2. Purpose and reason for the offering,” the Company has been making active investments in prospective companies through M&A and other means in recent years and is currently working to stabilize the financial bases (reduction of interest-bearing debts) of these companies. To achieve growth investment in order to ensure that the expansion of the Group’s trade/global e-commerce gets on track and to establish a revenue base in this situation, it is reasonable to think that capital-based financing, rather than debt-based financing that would increase interest-bearing debts, would help strengthen the Group’s financial base when considering the balance of interest-bearing debts and repayments of the entire Group, including those of the Group companies in which the Company has invested in recent years, its remaining financing capacity for future borrowing needs, its current earning power (remaining repayment capacity), and other factors. For this reason, the Company concluded that financing through borrowing from financial institutions and the issuance of straight bonds would not be appropriate.

ii) Issuance of common shares through public offering

While this method would allow the improvement of the Company’s capital base, the Company is concerned that the required amount of funds may not be collected through public offering, given the fact that no dividends have been paid for several years. In addition, the Laox Group acquired Shaddy Co., Ltd. (“Shaddy”) in April 2018 as a subsidiary and other companies into the Group in recent years, and is currently working to improve the profitability and financial base of these companies. Accordingly, a public offering made through subscription by securities companies is not expected to be certain, and the Company does not consider it to be a realistic option at present.

The Company also examined the dilution rate, the effect of financial improvement, etc. resulting from financing through the issuance of new shares and Share Acquisition Rights for the total amount of funds required. As a result, the Company has decided to raise funds simultaneously through the New Shares with an issue price per share of 313 yen, which is the average price in the month immediately preceding the issuance (defined in the section “(1) Grounds for calculating the payment amount and their specific details” in “5. Rationality of issuing conditions, etc.” below), and the Share Acquisition Rights with a strike price in the amount same as the average price in the month immediately preceding the issuance. The Company believes that it will be able to fulfill its fund requirements in the medium term arising primarily from an increase in the working capital needed for the expansion of the Group’s trade/global e-commerce, which is the principal purpose of the Third-Party Allotment, while avoiding the issuance of a large amount of new shares at one time and reducing immediate dilution by using a financing method that combines the issuance of the New Shares and the Share Acquisition Rights. The Company considers that it is the optimal financing method for both the Company and its shareholders. The exercise period of the Share Acquisition Rights will be three years, and the timing of the exercise is uncertain. In addition, some of the Share Acquisition Rights may not be exercised, and the funds raised through the exercise of the Share Acquisition Rights may be below the total amount expected. If this is the case, the Company will cover the shortfall using funds on hand or borrowings, depending on its financial position at the time.

(3) Overview of fund-raising method

The Third-Party Allotment combines financing through the New Shares and the Share Acquisition Rights.

Financing through the Share Acquisition Rights is the mechanism of increasing the Company's capital through the allotment of the Share Acquisition Rights to GWH by the method of Third-Party Allotment with an exercisable period of three years and through the exercise of the Share Acquisition Rights by GWH. The Company plans to sign the Share Acquisition Rights Purchase Agreement, which includes the following details, and a commitment agreement with GWH after the notification under the Act related to the Third-Party Allotment comes into effect.

Duty of exercising the Share Acquisition Rights

The Company may, based on a resolution of the Board of Directors, send a written request for the exercise of the Share Acquisition Rights to GWH as many times as it wishes on trading days during the period from and including July 8, 2019 until, including, and no later than May 23, 2022. If the Company has sent a request for the exercise of the Share Acquisition Rights to GWH, GWH will be obligated to exercise the number of Share Acquisition Rights indicated in the request for the exercise of the rights or the number of Share Acquisition Rights remaining on the date of the request, whichever is fewer (the "Exercise Obligation"), within the period of the request for exercise (20 consecutive trading days starting on and including the trading day following the date of the request for exercise).

Regardless of whether there is a request for the exercise of the rights, GWH will have the duty to exercise at least 36,967 Share Acquisition Rights during the period for exercising the Share Acquisition Rights.

The effect of the Exercise Obligation when a request for the exercise of Share Acquisition Rights has been issued, however, is subject to a condition precedent that all of certain conditions must be met, such as the absence of unannounced insider information, etc. and the absence of a situation that may have a significant adverse effect on the Company's financial position or performance as of the date of the request for exercise. If the price of the Company's common shares has reached the upper or lower limit of the price range on the trading day specified in the rules for daily trading limits on the asked price specified by the Tokyo Stock Exchange, the effect will be invalidated on the condition of the occurrence of certain factors for cancelation such as where trading is suspended by the Tokyo Stock Exchange.

Transfer of the Share Acquisition Rights

GWH cannot transfer the Share Acquisition Rights to a third party other than the Company without the advance approval of the Company's Board of Directors.

Exercise limitation that considers the total number of authorized shares

The number of Share Acquisition Rights that GWH may exercise before March 31, 2020 is limited to a cumulative total of 30,000. GWH cannot exercise Share Acquisition Rights that exceed this upper limit during the period concerned.

3. Amount, uses, and schedule for the use of proceeds

(1) Amount of proceeds

i.	Total amount of payment	10,092,645,000 yen (Breakdown) Proceeds from the issuance of the New Shares: 8,434,411,000 yen Proceeds from the issuance of the Issuance of the Share Acquisition Rights: 5,281,000 yen Proceeds from the exercise of the Share Acquisition Rights (Note 1): 1,652,953,000 yen
ii.	Approximate cost of issuance	90,400,000 yen (Notes 2 and 3)
iii.	Approximate net amount provided	10,002,245,000 yen

Notes:
1. If the Share Acquisition Rights are not exercised during the exercise period or if the Company has canceled the Share Acquisition Rights, the above proceeds from the exercise of the Share Acquisition Rights will decrease.
2. The approximate cost of issuance does not include consumption tax and other dues.
3. The approximate cost of issuance is the sum total of registration and license tax, advisory fees, attorney's fees, the cost of organizing a third-party committee, the cost of calculating the fair value of the Share Acquisition Rights, the cost of investigating the allotees, and other clerical expenses.

(2) Specific uses of the proceeds

<Uses of net proceeds from the New Shares> (*1)

Specific Uses	Amount (million yen)	Scheduled Timing of Payment
Working capital for the expansion of trade/ global e-commerce of the Company and the Laox Group to China	8,359	July 2019 to July 2022

*1. The Company will maintain the funds raised from the issuance of the New Shares in its deposit account at a financial institution until the payment is made.

As stated in the above section "(1) Primary purpose of the fund raising" in "2. Purpose and reason for the offering," the Company is currently working to further expand its trade/global e-commerce targeting the Chinese market in its Global Business segment as part of its efforts for growth. In the Life & Fashion Business segment, it is making active investments in prospective companies through M&A and other means for the purpose of procuring, planning and developing life and fashion products and selling them through multiple channels, including physical stores, e-commerce, and omnichannel. A recent development is the acquisition of the shares of Shaddy in April 2018 to make it a subsidiary for business expansion, and the Group is striving to create synergy among the Group companies, including those in which the Company invested in the past, and improve its financial base.

In the fiscal year ended December 31, 2018, the net sales of the Laox Group increased approximately 54 billion yen year on year, thanks primarily to the addition of Shaddy as a subsidiary. Meanwhile, a number of natural disasters that struck during the year and resulting store closure, damage caused to merchandise, cancelations of group tours from other countries, and a decline in consumer confidence in Japan had a significant impact on the business of the Laox Group during the summer, which is usually the busiest season. A fall in year-end sales, demand for fall and winter products, and profitability caused in part by this impact were some of the reasons for the weak consolidated results for the fiscal year, which included an operating loss of 851 million yen (operating profit of 137 million yen in the fiscal year ended December 31, 2017), an ordinary loss of 1,250 million yen (ordinary profit of 47 million yen in the fiscal year ended December 31, 2017), and a loss attributable to owners of parent of 1,020 million yen (profit attributable to owners of parent of 177 million yen in the fiscal year ended December 31, 2017). This has resulted in the balance of cash and cash equivalents of the Group amounting to 9,950 million yen (as of March 31, 2019), which must be appropriated for future capital expenditure and working capital of the Group companies, including Shaddy. Improving the Group's financial base and raising new funds are therefore urgently necessary to implement the growth strategies of the entire Group.

In this situation, the Group is striving to achieve the further expansion of its trade/global e-commerce based on growing demand for Japanese products in the Chinese market caused by significant changes in demand for inbound tourism in Japan in recent years.

More specifically, it has commenced (1) business expansion by opening online stores on e-commerce websites (large e-commerce websites such as T-mall Global, Suning.com, and Kaola.com) and (2) the development of a business to open areas for Japanese products in the duty-free special zones and commercial facilities in China.

While the cycle from product purchase to sale (the collection of proceeds) in the domestic transactions of the Group is approximately 1.5 months, more man-hours are required until sales are made on these websites, and it takes approximately four months until the proceeds are collected in trade/global e-commerce due to transactions undertaken with overseas customers. One of the reasons is that although conditions vary among transactions, the export of merchandise from Japan must be completed (the arrival of goods at the bonded warehouse in China) approximately two months prior to the start of sales, and the payment of proceeds to the Company takes approximately two months from settlement in some cases in the business with Chinese companies that are primary partners in the Group's trade/global e-commerce.

In response, the Company intends to establish a strong revenue base for the Laox Group by securing working capital that is sufficient for the purchase of merchandise for sale corresponding to growing demand in its trade/global e-commerce. As noted in the above section "(1) Primary purpose of the fund raising" in "2. Purpose and reason for the offering," the factors contributing to the rapid increase in demand of the Company's partners for this business include a change in demand from inbound tourism to outbound tourism in China. The Group intends to secure an adequate market share and establish a strong position at an early stage in this segment by capturing this trend in order to increase its corporate value.

In this situation, the Company considers that it must promptly secure adequate working capital available for use in order to seize profit-making opportunities and expand trade/global e-commerce in China. In concrete terms, the Company plans to allocate 6,687 million yen as working capital to secure the inventory of Japanese merchandise required in the Company and 1,672 million yen to provide funds for working capital at its trade-related overseas subsidiaries (Laox Shanghai Co., Ltd., Yunyi Shanghai Co., Ltd., etc.). (While the Company assumes the underwriting of capital increase or lending, the details will be determined through discussions with these companies.) Whether the Company or its trade-related overseas subsidiaries will undertake the purchasing for trade/global e-commerce must be examined flexibly and determined based on the conditions of the individual transactions and other factors. The breakdown of the use of the above working capital may therefore change according to the situation.

The Company aims to increase net sales associated with the expansion of trade/global e-commerce by meeting the demand in the Chinese market as much as possible through these activities. It expects that it will be able to increase the Group's profit-making opportunities and establish its position as the operator of trade/global e-commerce in China more strongly and at an earlier stage by achieving such growth as rapidly and steadily as possible.

The time from product purchase to sale (the collection of proceeds) in this business will be reduced as increases in the Group's purchases based on business expansion allow for negotiations with suppliers regarding the terms of the business. The Company, however, estimates that working capital of up to approximately 10,000 million yen per month will be required in the fiscal year 2020. If the time from purchase to sale (the collection of proceeds) is reduced and a surplus of working capital is generated, the Company intends to allocate it to funds needed for the business, such as the acquisition of a distribution center that will be required for the further expansion of trade/global e-commerce in China.

<Uses of net proceeds from the Share Acquisition Rights> (*1)

Specific Uses	Amount (million yen)	Scheduled Timing of Payment
Working capital for the expansion of trade/global e-commerce of the Company and the Laox Group to China	1,643	July 2019 to July 2022

*1. The Company will maintain the funds raised from the issuance of the Share Acquisition Rights in its deposit account at a financial institution until the payment is made.

As described in the table above, the Company plans to use the net proceeds from the issuance of the Share Acquisition Rights in a similar manner as the use of the net proceeds from the issuance of the New Shares. The Company plans to allocate 1,314 million yen as the working capital for securing the inventory of Japanese merchandise in the Company and 329 million yen to provide funds for working capital at its trade-related overseas subsidiaries. Whether the Company or its trade-related overseas subsidiaries will undertake the purchasing for trade/global e-commerce must be examined flexibly and determined based on the conditions of individual transactions and other factors. The breakdown of the use of the above working capital may therefore change according to the situation.

The above amount that is planned to be raised is the working capital that will be required by the Group from the fiscal year 2020 onward. The Company, however, will raise funds through Share Acquisition Rights after considering that (1) sales in trade/global e-commerce in China, for which the funds will be used, will not grow from the beginning of the current fiscal year until the time when the working capital in the full amount of 10,002 million yen, which is the total amount acquired through the Third-Party Allotment, is needed, and (2) the issuance of a large amount of new shares at one time can be avoided and immediate dilution can be reduced by using the financing method that combines the issuance of the New Shares and the Share Acquisition Rights. If some of the Share Acquisition Rights are not exercised and the funds raised through the exercise of the Share Acquisition Rights are below the above amount, the Company will cover the shortfall using funds on hand or borrowings, depending on its financial position at the time.

4. Idea of rationality in the use of funds

The uses of the funds raised through the Third-Party Allotment are described in the above section "(2) Specific uses of the proceeds" in "3. Amount, uses, and schedule for the use of proceeds." In addition, as explained in the release "Notice Regarding Amendments to Numerical Targets of the Medium-Term Management Plans" posted on June 19, 2019, the Group plans to add approximately 20 billion yen to the net sales target stated in the conventional medium-term management plan in the fiscal year ending December 31, 2020 through the expansion of trade/global e-commerce in China. The funds raised through the Third-Party Allotment will be allocated to the working capital for the expansion of the business, which will contribute to the growth of the Company's business and the stabilization of the Company's management and business bases, and will further increase its competitiveness in the global businesses. The Company therefore considers that the uses of the funds are rational.

5. Rationality of issuing conditions, etc.

(1) Grounds for calculating the payment amount and their specific details

i) New Shares

The Company has decided that the payment amount for the New Shares will be 313 yen (rounded off to the nearest whole number; the same applies hereinafter to the calculation of stock prices), which is the average closing price (the preceding month's average price) of the Company's common shares on the Tokyo Stock Exchange in the month to June 18, 2019 (the closing price), the trading day immediately prior to the day on which the resolution of issuance was passed (the most recent trading day).

The following explains the reasons for selecting the preceding month's average price as the method of calculating the payment amount for the New Shares. First, because the market price of the Company's shares has tended to fluctuate considerably (the lowest level in 2019 up until the most recent trading day was 231 yen, and the highest level was 451 yen), the Company reached an agreement in the price negotiations with the scheduled allotees that using the leveled price, i.e. the average stock price, as a reference in lieu of the stock price on a specific day, i.e. the most recent trading day, as the method of calculating the amount paid for the New Shares would help remove factors such as the impact of short-term stock price fluctuations and would be more objective and rational as the calculation basis. In fact, the recent market price of the Company's shares declined (to a closing price of 282 yen on May 16, 2019 from a closing price of 316 yen on May 15, 2019) in response to the summary of financial results for the first quarter of the fiscal year ending December 31, 2019, which was released on May 15, 2019. Subsequently, the stock price demonstrated short-term fluctuations, rising in late May 2019 (the closing price on May 27, 2019 was 321 yen), falling in early June 2019 (the closing price on June 3, 2019 was 290 yen), climbing again in mid-June 2019 (the closing price on June 11, 2019 was 330 yen), and changing substantially in the last few days (from a closing price of 325 yen on the day prior to the most recent trading day to a closing price of 305 yen on the most recent trading day). Taking these factors into account, the Company considers that using the leveled price, i.e. the average stock price, as a reference in place of the stock price on a specific day, i.e. the most recent trading day, would help remove the impact of short-term stock price fluctuations and other factors and would be more objective and rational as a calculation basis in determining a fair payment amount. The Company also considers that the preceding month's average price, which is the closest to the latest market price, is more objective and rational as the calculation basis in comparison to the latest three or six months.

The payment amount will include a 2.62% premium over the closing price on the most recent trading day (rounded to the second decimal place; the same applies to the calculation of the discount and premium rates), a 7.67% discount off the average closing price in the three months prior to the most recent trading day and a 0.32% discount off the average closing price in the six months prior to the most recent trading day.

According to the Guidelines Concerning Treatment of Capital Increase by Allotment to a Third Party. (the "JSDA Guidelines") of the Japan Securities Dealers Association, the payment amount in the issuance of shares through third-party allotment is generally a price that is not less than the amount determined by multiplying the price on the day immediately preceding the Board of Directors' meeting on the issuance of shares (if there is no trading on that day, the last day preceding the meeting) by 0.9. The payment amount for the new shares complies with the JSDA Guidelines, and the Company deems that the payment amount for the New Shares is rational and not particularly advantageous in any respect.

The Company has received an opinion from all four auditors (including two outside auditors) who attended the Board of Directors' meeting on the issuance of the New Shares stating that the payment amount for the New Shares determined by using the method above is not particularly advantageous to the scheduled allotees and that it is lawful.

ii) Share Acquisition Rights

To determine the issue price of the Share Acquisition Rights, the Company requested Plutus Consulting Co., Ltd. (Address: 3-2-5 Kasumigaseki, Chiyoda-ku, Tokyo; Representative: Masato Noguchi, President), a third-party appraisal agent, to calculate the issue price of the Share Acquisition Rights. Plutus Consulting made rational assumptions about the act of exercising the rights of the scheduled allotees and about the trends of stock sales, and certain assumptions about the Company's stock price (the closing price on the most recent trading day), the market liquidity of the Company's shares, the dividend rate (0%), the discount rate (risk-free rate of -0.212%), volatility (43.27%), and other factors and calculated a fair value using the Monte Carlo simulation, a popular price calculation model, for the exercise period from July 8, 2019 to July 7, 2022 and under other issuing conditions. As a result, the Company determined that the fair value of each Share Acquisition Right would be 100 yen (1 yen per share).

Plutus Consulting, an independent outside third-party calculation agent that does not have a business relationship with the Company, performed the calculation by considering the strike price that may affect the fair appraisal value, the market trading volume, and the price of the Company's shares, the exercise period, share price volatility, interest rates, and other preconditions and determined the fair value using the Monte Carlo simulation, which is a commonly-used method of calculating the appraisal value of Share Acquisition Rights. The value estimated by the third-party calculation agent is therefore deemed to be a reasonable fair value, and the Company's Board of Directors has determined the issue price of the Share Acquisition Rights to be 100 yen, an amount that is not deemed to be particularly advantageous to the allotees.

The strike price has been set at 313 yen, the same amount as the preceding month's average price.

All four auditors (including two outside auditors) who attended the Board of Directors' meeting on the issuance of the Share Acquisition Rights expressed an opinion stating that the payment amount for the Share Acquisition Rights determined by using the method above is not particularly advantageous to the scheduled allotees and that it is lawful.

At the Board of Directors' meeting for the resolution of the Third-Party Allotment, the Directors passed the resolution in the following two steps in consideration of the opinions of the third-party committee for the necessity and appropriateness of the Third-Party Allotment (see the section "9. Matters concerning the procedures for the corporate code of conduct" below). The son and spouse of Luo Yiwen, the Representative Director of the Company, holds all the shares of Chubun Sangyo, the wholly-owning parent company of GWH, which is the scheduled allotee of the Share Acquisition Rights. Luo Yiwen and his spouse, who is a major shareholder of Chubun Sangyo, together hold a majority of shares in Nihon Kanko Menzei Co., Ltd., which is a shareholder of the Company. Nihon Kanko Menzei has agreed on the joint exercise of voting rights and shareholder rights to the shares of the Company with Granda Magic Limited, a wholly-owned subsidiary of Suning.com through indirect holding. Accordingly, Wang Zhe, Zhou Bin, and Han Feng, the Company's directors belonging to Suning.com, may be considered to have a special interest in the Third-party Allotment (paragraph (2) of Article 369 of the Companies Act). Consequently, (1) three of the directors (including two outside directors who are independent officers), excluding Luo Yiwen, Wang Zhe, Zhou Bin, and Han Feng, held deliberations and unanimously passed the resolution, and (2) all seven directors, including Luo Yiwen, Wang Zhe, Zhou Bin, and Han Feng, held deliberations again to secure a quorum of the Board of Directors, who unanimously passed the same resolution. According to Granda Magic Limited, however, the termination of the above agreement on the joint exercise between Granda Magic Limited and Nihon Kanko Menzei is scheduled to be agreed on the condition that GGL has completed the payments related to the New Shares.

(2) Basis of assessing that the number of shares issued and the extent of the dilution are reasonable

The new shares to be issued through the Third-Party Allotment will be 32,228,000 shares (322,280 voting rights), combining the New Shares and new shares issued by exercising the Share Acquisition Rights. This will cause a significant dilution (48.54%) of the total number of the Company's shares outstanding of 66,388,103 and the dilution (50.00%) of the total number of voting rights of 644,577 as of December 31, 2018.

While the Third-Party Allotment will result in the dilution of the value per share, it will be implemented for the purpose of expanding the Laox Group's businesses and strengthening its financial base and will help increase the net sales and profit of the entire corporate group and stabilize its financial position. The Company therefore expects that the benefits for the existing shareholders will increase in the medium to long term through an increase in corporate value and deems that the number of shares issued and the extent of the dilution due to the Third-Party Allotment are reasonable.

6. Reason for selecting the scheduled allotees, etc.

(1) Overview of scheduled allotees

i) GGL

(1)	Name	GRANDA GALAXY LIMITED
(2)	Address	SCOTIA CENTRE, 4 TH FLOOR, P.O. BOX 2804, GEORGE TOWN, GRAND CAYMAN KY1-1112, CAYMAN ISLANDS
(3)	Title and name of representative	Representative Director Bu Yang
(4)	Business description	Investment business
(5)	Capital (as of December 31, 2018)	USD 50,000 dollars
(6)	Established	April 18, 2011
(7)	Shares issued	50,000 shares
(8)	Fiscal year end	December
(9)	Number of employees (as of December 31, 2018)	1
(10)	Main client	None
(11)	Main bank	Bank of Communications Limited
(12)	Major shareholder and shareholding ratio	Suning International Limited (100%) (Note) It is a wholly owned subsidiary of Suning Appliance Group Co.,

	(as of December 31, 2018)	Ltd.
(13)	Relationships between parties	
	Capital relationship (as of December 31, 2018)	The allotee holds 4,890,800 shares of the Company's common stock (7.59% of the total issued shares of the Company (excluding treasury shares and shares of less than one unit)).
	Personal relationship (as of December 31, 2018)	Not applicable. The Company will discuss matters with the allotee concerning the dispatch of directors immediately after payment for the New Shares, and agrees that it will make an effort to appoint two director candidates recommended by the allotee.
	Business relationship	The Company has a business alliance agreement with the party.
	Related party	The allotee is not deemed to be a related party of the Company.

(14) Operating results and financial position for the last three years (yen)

Fiscal term	Year ended December 31, 2016	Year ended December 31, 2017	Year ended December 31, 2018
Net assets	7,917,860,214	8,302,935,809	8,015,178,450
Total assets	7,917,860,214	8,302,935,809	8,015,178,450
Net assets per share	158,357	166,058	160,303
Net sales	0	0	0
Operating profit	-325,133	-397,376	-1,563,201
Ordinary profit	-325,133	-397,376	-1,563,201
Profit	-325,133	-397,376	-1,563,201
Profit per share	-6.50	-7.94	-31.26
Dividend per share	0	0	0

* Since GGL was established for investment purposes, sales are not recorded. Investment income and interest rates for investee companies are recorded as operating profit.

* The above results were calculated by converting 1 CNY at the closing price of 16.76 yen on December 30, 2016, at 17.29 yen on December 29, 2017, and at 16.16 yen on December 28, 2018. The figures after the decimal point were rounded down (in the case of profit per share, rounded down to two decimal places).

* The Company confirmed that scheduled allotee GGL or its executives or major shareholders (major investors) had no association with antisocial forces, and submitted confirmation documents to the Tokyo Stock Exchange. In addition, the Company asked a third-party organization, Security Protection Network Co., Ltd. (Address: 1-2-1 Kamiogi, Suginami-ku, Tokyo; Representative: Yosuke Watabe, Chairman; hereinafter "SP Network") to investigate whether GGL, a scheduled allotee, is an individual, company, or group (hereinafter referred to as "special group, etc.") that intends to enjoy financial benefits by using violence or power, or by performing fraud or other criminal activities, and whether the scheduled allotee has any connection with a specific group, etc. Specifically, it traced back to GGL and its 100% parent company, Suning Appliance Group Co., Ltd. (hereinafter referred to as "Suning Appliance Group") and investigated the companies and their directors and major shareholders. As a result, regarding the scheduled allotee and its affiliates and their executives, based on the comparison with the publicly known information database held by SP Network, the investigation confirmed that the scheduled allotee and the people involved were not a special group, etc. and that they had no connection with any specific group, etc. either, and the Company received a report to that effect. Furthermore, the Company collected and verified publicly known information within the company. As a result, it confirmed that there was no connection with antisocial forces, which enabled the Company to understand that the scheduled allotee is not a special group, etc. and has no connection with any specific group, etc. whatsoever.

ii) GWH

(1)	Name	Global Worker Haken Inc.
(2)	Address	2-3-22 Azabudai, Minato-ku, Tokyo
(3)	Title and name of representative	Representative Director Li Ye
(4)	Business description	Worker dispatch business
(5)	Capital (as of December 31, 2018)	38 million yen
(6)	Established	November 15, 2018

(7)	Shares issued	380 shares		
(8)	Fiscal year end	October		
(9)	Number of employees (as of December 31, 2018)	2		
(10)	Main client	None		
(11)	Main bank	MUFG Bank, Ltd.		
(12)	Major shareholder and shareholding ratio (as of December 31, 2018)	Chubun Sangyo Co., Ltd. (100%)		
(13)	Relationships between parties			
	Capital relationship	Not applicable.		
	Personal relationship	Li Ye, the representative director of the allotee, is the spouse of Mr. Luo.		
	Business relationship	Not applicable.		
	Related party	The allotee is deemed to be a related party of the Company because it is a subsidiary of a company that Mr. Luo's close relative owns the majority of the voting rights.		
(14)	Operating results and financial position for the last three years			(yen)
	Fiscal term	Year ended October 31, 2016	Year ended October 31, 2017	Year ended October 31, 2018
	Net assets	—	—	—
	Total assets	—	—	—
	Net assets per share	—	—	—
	Net sales	—	—	—
	Operating profit	—	—	—
	Ordinary profit	—	—	—
	Profit	—	—	—
	Profit per share	—	—	—
	Dividend per share	—	—	—

* There are no operating results or financial position for the last three years because GWH was established in November 2018.

* The Company confirmed that scheduled allotee GWH or its executives or major shareholders (major investors) had no association with antisocial forces, and submitted confirmation documents to the Tokyo Stock Exchange. In addition, the Company requested a third-party organization, SP Network, to investigate whether GWH, a scheduled allotee, is a special group, etc. and whether the scheduled allotee has any connection with a specific group, etc. Specifically, it investigated GWH and its directors and major shareholders. As a result, regarding the scheduled allotee and its affiliates and their executives, based on the comparison with the publicly known information database held by SP Network, the investigation confirmed that the scheduled allotee and the people involved were not a special group, etc. and that they had no connection with any specific group, etc. either, and the Company received a report to that effect. Furthermore, the Company collected and verified publicly known information within the company. As a result, it confirmed that there was no connection with antisocial forces, which enabled the Company to understand that the scheduled allotee is not a special group, etc. and has no connection with any specific group, etc. whatsoever.

(2) Reason for selecting the cheduled allotees

i) GGL

GGL, a scheduled allotee of the New Shares, is a wholly owned subsidiary of Suning Appliance Group, which holds GGL indirectly through Suning International Limited. It is also a major shareholder of the Company that holds 7.59% (as of December 31, 2018) of its issued shares (excluding treasury shares and shares of less than one unit).

On the other hand, Granda Magic Limited, which holds 43.10% (as of December 31, 2018) of the Company's issued shares (excluding treasury shares and shares of less than one unit), is a wholly owned subsidiary of Suning.com, which holds Granda Magic Limited indirectly through Suning International Group Co., Ltd. As the Company confirmed in the disclosed material of Suning.com (material equivalent to the securities report for fiscal 2018), Zhang Jindong, the Chairman (equivalent to the Representative Director) of Suning.com, holds 20.96% of the shares of Suning.com and 50% of the shares of Suning Appliance Group, but does not control Suning Appliance Group. Suning Appliance Group holds a 19.99% stake in Suning.com.

The Company entered into a capital and business alliance agreement with Suning Appliance Group and GGL in June 2011, and has received their support during the years since then. The shareholding ratio of GGL following the issuance of the New Shares and the Share Acquisition Rights is expected to be 34.51% immediately after the issuance of the New Shares, and then to be 32.63% if all the Share Acquisition Rights are exercised, as stated in 7. Major shareholders and shareholding ratios following offering. The Company selected GGL as a scheduled allotee because it confirmed the following regarding Suning Appliance Group and GGL: (1) Their financial positions are sufficiently good to provide the funds required by the Company; (2) The Company has a capital and business partnership with them and will be able to directly visit GGL, the underwriter of the Third-Party Allotment, and Suning Appliance Group, which holds GGL indirectly, in order to facilitate comprehensive communication including the future expansion of the Company's business; and (3) The Company will be able to gain a sufficient understanding from GGL as to its business results and financial situation, business development under its current third medium-term management plan, future business development, mainly the expansion of trade/global e-commerce business, and the use of the funds raised. GGL has no connections with antisocial forces.

Although the specific collaboration items will be considered at a later date, the Company believes that it will be able to procure funds for growth, which will benefit both Suning Appliance Group and the Company. This is because accepting GGL's further capital participation based on its business alliance with Suning Appliance Group, which holds GGL indirectly, matches the business needs of Suning Appliance Group, which aims to expand Japanese companies' trade/global e-commerce businesses in China, and thus the Laox Group's view of its future business development can be shared without any sense of disquiet.

ii) GWH

GWL, a scheduled allotee, does not hold any shares of the Company as of today's date, and its shareholding ratio following the issuance of the New Shares and the Share Acquisition Rights is expected to be 0.32% immediately after the issuance of the New Shares, and then to be 5.76% if all the Share Acquisition Rights are exercised, as stated in 7. Major shareholders and shareholding ratios following offering. GWH is a media company led by Representative Director Li Ye, the spouse of Mr. Luo, and is a wholly-owned subsidiary of Chubun Sangyo, which holds all of GWH's issued shares. With an in-depth understanding of the Company's business, Chubun Sangyo has supported the Company's marketing and branding for many years from a media perspective based on the motto of "Japan-China communication." On the back of Chubun Sangyo's network with China, the Laox Group has obtained assistance from Chubun Sangyo in providing human resources, such as being introduced to employees who have deep insights into business with China and are still working for us. Under these circumstances, with the trend of the deregulation of foreign worker employment in Japan, Chubun Sangyo established GWH in November 2018 as an independent company with the aim of launching a business that leverages its ability to provide its own resources. GWH is currently on its way to launching a business. As mentioned above, however, since GWH intends to expand its business to provide human resources with insights into the China business, the Company selected GWH as an allotee for the following reasons: The Laox Group will probably be able to achieve collaboration in the future in securing human resources for the Group, the company is a wholly owned subsidiary of Chubun Sangyo, which has supported the Company for many years, and its representative director also serves Chubun Sangyo in the same capacity. As a result, GWH is considered to be fully aware of the Company's business results, financial situation, future business development and the use of the funds raised, and is thus deemed to be an appropriate allotee. The Group will continue to receive assistance from Chubun Sangyo in providing the China domestic network owned by Chubun Sangyo Group including GWH in order to enhance its business development in China. Moreover, the Company confirmed that with regard to the funds required for the payment of the New Shares and Share Acquisition Rights, GWH would receive a loan from Chubun Sangyo, as described in (4) Confirmation of assets required for payment by scheduled allotees.

(Note) Chubun Sangyo (Address: 1-4-20 Katsushima, Shinagawa-ku, Tokyo; Representative: Li Ye, Representative Director; capital: 100 million yen) is a shareholder of the Company and holds 542,900 shares of the Company's common stock as of December 31, 2018 (0.84% of the Company's total issued shares (excluding treasury shares and shares of less than one unit).

(3) Holding policies of scheduled allotees

i) GGL

The Company confirmed the holding policy of GGL, a scheduled allotee, in writing. It states that GGL has no intention of selling the New Shares, as it is a major shareholder that holds 7.59% (as of December 31, 2018) of the Company's issued shares (excluding treasury shares and shares of less than one unit), and it intends to hold them in the medium to long term. If GGL transfers all or some of the New Shares to be issued by the Third-party Allotment of the New Shares within two years from the allotment date, the Company will obtain an assurance statement (hereinafter referred to as "assurance statement on transfer report") from GGL, which says that GGL shall report the transfer details in writing to the Company; that the Company shall report the details to the Tokyo Stock Exchange; and that GGL shall agree that the content of the report will be made available for public inspection.

ii) GWH

The Company confirmed the holding policy of GWH, a scheduled allotee, in writing. It states that GWH plans to gradually exercise the Share Acquisition Rights over 12 quarters in consideration of the Company's funding needs and sell them in the market while taking stock prices into account. However, it will ultimately hold at least around 1.5% (which varies depending on the exercise ratio) of the Company's common shares acquired by exercising the Share Acquisition Rights, in the ratio of the number of voting rights held to the total number of voting rights, in the medium to long term. The Company plans to obtain an assurance statement on transfer report from GWH. As stated above, GWH said that it would appropriate the funds obtained through the market sale of the shares acquired by exercising the Share Acquisition Rights for the funds to exercise the Share Acquisition Rights.

(4) Confirmation of assets required for payment by scheduled allotees

i) GGL

From GGL, a scheduled allotee, the Company received a loan promise by its parent company, Suning Appliance Group, (the terms and conditions of the loan are to be determined) and proof of the funding of Suning Appliance Group by Hua Xia Bank (located in China) dated May 13, 2019. With regard to the funds for the payment of the New Shares, the Company confirmed that there are no funding problems and verbally confirmed that there have been no significant changes in the balance to date.

ii) GWH

Regarding the payment for the Third-Party Allotment, GWH plans to obtain a loan from its parent company, Chubun Sangyo, for the necessary funds, as described above, but Chubun Sangyo had excessive liabilities in the latest fiscal period. Given the above circumstances, the Company obtained a loan undertaking from Chubun Sangyo to GWH (the terms and conditions of the loan are to be determined) and a balance certificate of Chubun Sangyo from MUFG Bank (located in Japan) dated May 28, 2019. The Company also confirmed that the said funds are those on hand of Chubun Sangyo, and verbally confirmed that there has been no significant change in the balance to date. In light of Chubun Sangyo's financial situation, however, the Company undertook an independent analysis of Chubun Sangyo's financial statements. Given that it is difficult to make third parties other than the Company understand that there is no possibility that Chubun Sangyo will run out of funds, the Company obtained a verbal commitment to the effect that if Chubun Sangyo needs to raise funds, Ms. Li Ye, Representative Director and major shareholder of Chubun Sangyo, will raise funds through investments or loans. In addition, the Company verbally confirmed that Ms. Li Ye had no funding problems. She said that she would appropriate the funds, including those obtained from the market sale of the shares acquired through the exercise of the Share Acquisition Rights, for the exercise of the Share Acquisition Rights as described in (3) Holding policies of scheduled allotees.

7. Major shareholders and shareholding ratios following offering

Before the subscription offer (as of December 31, 2018)		After the subscription offer (before the exercise of the Share Acquisition Rights)		After the subscription offer (after the exercise of the Share Acquisition Rights)	
GRANDA MAGIC LIMITED	43.10%	GRANDA GALAXY LIMITED	34.51%	GRANDA GALAXY LIMITED	32.63%
Nihon Kanko Menzei Co., Ltd.	8.52%	GRANDA MAGIC LIMITED	30.40%	GRANDA MAGIC LIMITED	28.74%
GRANDA GALAXY LIMITED	7. 59%	Nihon Kanko Menzei Co., Ltd.	6.01%	Global Worker Haken Inc.	5.76%
Hideaki Oka	1.13%	Hideaki Oka	0.80%	Nihon Kanko Menzei Co., Ltd.	5.68%
Chubun Sangyo Co., Ltd.	0.84%	Chubun Sangyo Co., Ltd.	0.59%	Hideaki Oka	0.75%
The Nomura Trust and Banking Co., Ltd.	0.60%	The Nomura Trust and Banking Co., Ltd	0.42%	Chubun Sangyo Co., Ltd.	0.56%
JP MORGAN CHASE BANK 385151	0.55%	JP MORGAN CHASE BANK 385151	0.38%	The Nomura Trust and Banking Co., Ltd	0.40%
BNY FOR GCM CLIENT ACCOUNTS (E)BD	0.52%	BNY FOR GCM CLIENT ACCOUNTS (E)BD	0.36%	JP MORGAN CHASE BANK 385151	0.36%

SSBTC CLIENT OMINIBUS ACCOUNT	0.49%	SSBTC CLIENT OMINIBUS ACCOUNT	0.34%	BNY FOR GCM CLIENT ACCOUNTS (E)BD	0.34%
Daiwa Securities Co., Ltd.	0.49%	Daiwa Securities Co., Ltd.	0.34%	SSBTC CLIENT OMINIBUS ACCOUNT	0.33%
Global Worker Haken Inc.	0.00%	Global Worker Haken Inc.	0.32%	Daiwa Securities Co., Ltd.	0.32%

Notes:
1. Ownership is calculated based on the number of shares recorded in the shareholder registry as of December 31, 2018 (excluding treasury shares and the number of shares of less than one unit).
2. GGL, whose name differs from that recorded in the shareholder registry, is presented because the Company recognizes it as an actual shareholder.
3. Ownership after the subscription offer (before the exercise of the Share Acquisition Rights) is calculated by adding 26,947,000 shares to be issued through the third-party allotment of the New Shares to the number of outstanding shares as of December 31, 2018. Ownership after the subscription offer (after the exercise of the Share Acquisition Rights) is calculated by adding the total of 26,947,000 shares to be issued through the third-party allotment of the New Shares and 5,281,000 shares targeted by the Share Acquisition Rights to the number of the said outstanding shares. The percentages are rounded off to two decimal places.

8. Future outlook

The Third-Party Allotment does not have any impact on the Company's business performance for the current fiscal year. If any changes occur going forward, the Company will disclose them promptly.

9. Matters concerning the procedures for the corporate code of conduct

As set forth above in (2) Basis of assessing that the number of shares issued and the extent of the dilution are reasonable in 5. Rationality of issuing conditions, etc., the dilution ratio is approximately 50%, namely dilution of at least 25%, and as described below in 11. Changes in the parent company, subsidiaries and associates, and the largest shareholder among the major shareholders, Granda Magic Limited ceases to be the Company's parent company due to the Third-Party Allotment, resulting in changes to the controlling shareholders. Consequently, the procedures for the receipt of an opinion from an independent third party or for confirmation of shareholder intent, as set forth in Rule 432 of the Securities Listing Regulations stipulated by the Tokyo Stock Exchange, need to be implemented.

Accordingly, the Company established a third-party committee comprising Mr. Toshihiko Terada, a certified public accountant and taxation accountant (Trustees Consulting LLP), Mr. Yoshihiko Fuchibe, a lawyer (representative lawyer of Venture Lab) and Mr. Taku Matsumoto, a lawyer (representative lawyer of Yebisu Matsumoto Law Office), who are independent from the Company's management to a certain extent. The Company then obtained opinions from the said third-party committee regarding the necessity and appropriateness of implementing the Third-Party Allotment. As a result, it received the following opinions on June 18, 2019, the summary of which is as follows.

(Summary of opinions)

I. Opinions received from the third-party committee

The opinions obtained from the third-party committee are as follows.

i) We recognize that fundraising through the Third-Party Allotment is necessary for the Company.

ii) We recognize that the Third-Party Allotment is appropriate compared with other fundraising methods.

iii) We recognize that the issue price and other issue conditions with respect to the Third-Party Allotment are appropriate.

II. Reasons for the opinions and details of the examination

1. Necessity of fundraising

(1) Necessity of fundraising from the perspective of the Company's financial position and purpose of use of capital procured

The Group has been operating its business to achieve sustainable growth in corporate value by providing Japanese products and services that best accommodate the demand in China, in particular, in recent years, while also aiming to grow further as a global company by collaborating closely with Suning.Com in terms of business development activities. Looking at the market trends in recent years, the Group sees efforts being stepped up to meet outbound demand, and it therefore considers that it is urgently necessary to establish a strong revenue base by securing market share after getting the initiatives for expanding the relevant businesses on track as soon as possible by leveraging the Group's networks for China. Having said that, the Group needs more working capital than it did previously due to the characteristics of its business because the trade/global e-commerce business consists of overseas transactions.

With respect to the consolidated results for the fiscal year ended December 31, 2018, however, the Group suffered an operating loss of 851 million yen, an ordinary loss of 1,250 million yen and loss attributable to owners of parent of 1,020 million yen. In addition, due to the need to allocate the Group's cash and deposits of 9,950 million yen (as of March 31, 2019) for future capital investments and Group companies' operating capital, the Group has to raise additional funds to promote its global business rapidly while simultaneously paying sufficient attention to improvements in its financial base.

(2) Summary

As a result of careful examination, factoring in the aforementioned matters, the third-party committee has concluded that there is no degree of unreasonableness in the Company's explanation that existing shareholders' benefits will be increased through corporate value enhancements on a medium- to long-term basis. This is because through the Third-Party Allotment, the Company can improve its financial position while at the same time securing the funds required for business expansion, which will lead to the growth of Group-wide sales and profits and the stabilization of its financial position. In addition, the committee has found the details of the Third-Party Allotment to be reasonable in light of the Company's explanation in conjunction with the amount of funds to be raised, the use thereof and the timing of expenditure payments, and it has recognized that fundraising through the Third-Party Allotment is necessary for the Company.

2. Comparison with other fundraising methods (appropriateness from the perspective of fundraising methods)

(1) Comparison with other fundraising methods

The Company has explained that based on the understanding that it is not easy to carry out sufficient investments while taking measures to stabilize the Group's financial base (reductions in interest-bearing debt), it examined optimal fundraising methods, including those other than a third-party allotment, to ensure that the funds for growth investments could be raised rapidly in a manner that aligns with the business development to be undertaken by the Company. It has explained that a conclusion was reached that none of the methods other than third-party allotment was appropriate for the following reasons.

i) Borrowings from financial institutions and issuance of straight bonds

In recent years, the Company has been investing in prospective companies, mainly through M&As. In addition, it is currently working on stabilizing the financial bases of these companies (reductions in interest-bearing debt). Given this situation, it is reasonable for the Group to consider strengthening its financial base by implementing finance-oriented fundraising programs instead of increasing interest-bearing debts to make investments in growth for the Group's trade/global e-commerce business.

ii) Issuance of common shares through public offering

The Company may not be able to raise the necessary funds sufficiently through public offering, among other measures, in consideration of the fact that it has not been paying dividends for the past several years. In addition, the Group has acquired several companies and made them its group companies in recent years. With efforts being made to improve their profitability and financial bases, public offering through the underwriting of securities companies seems unreliable.

By adopting a fundraising method that features the issuance of the Share Acquisition Rights combined with the issuance of the New Shares, the Company is able to satisfy the main purpose of the Third-Party Allotment; namely, the implementation of measures on a medium-term basis to meet the demand for funds that is expected to arise chiefly from an increase in the necessary working capital due to the expansion of the trade/global e-commerce business, while also avoiding the issuance of a large amount of new shares at one time and controlling temporary stock dilutions. It therefore considers that this is the optimal fundraising method for shareholders and the Company.

The amount of funds to be raised through the exercise of the Share Acquisition Rights may be lower than the expected total amount because it is unclear when the Share Acquisition Rights, which are valid for three years, will be exercised, and some of the Share Acquisition Rights may not be exercised. The Company will deal with such a shortfall, if it occurs, by using its own funds or by way of borrowings, as necessary, taking the Company's financial position into consideration at that point.

(2) Reasons for selecting the allotees

The Company has provided the following reasons for selecting the allotees with respect to the Third-Party Allotment

i) GGL

GGL, whose shares are owned indirectly by Suning Appliance Group through Suning International Limited, is a wholly owned subsidiary of Suning Appliance Group. The Company has been receiving assistance for many years pursuant to the capital and business alliance agreement that it concluded with Suning Appliance Group and GGL in June 2011. It has selected GGL as a scheduled allotee because (1) Suning Appliance Group and GGL are well positioned in terms of financial position to provide the funds required by the Company; (2) thanks to the relationship with the Company based on capital and business alliances, comprehensive communication including the future expansion of the Company's businesses can be undertaken efficiently through the Company's direct visits to GGL, which is the underwriter of the Third-Party Allotment, and Suning Appliance Group, which owns GGL indirectly; (3) the Company has confirmed that there is a full understanding with respect to the Company's operating performance and financial position, the development of businesses under the current third medium-term management plan, future business development with a focus on the expansion of the trade/global e-commerce business, and the use of funds to be raised through the Third-Party Allotment, as well as the absence of any relationships whatsoever with antisocial forces.

ii) GWH

GWH is a media company operated by a relative of Mr. Luo, the representative director of the Company, and wholly owned by Chubun Sangyo, which had been supporting the Company's marketing and branding efforts for many years based on a comprehensive understanding of the Company's businesses. The Group had long been receiving assistance in terms of the provision of human resources as well. In this situation, and also against the backdrop of current trends such as the relaxation of regulations for the employment of foreigners in Japan, Chubun Sangyo established GWH in November 2018 to operate the business of utilizing the relevant resource provision capability through an independent company. GWH is expected to provide cooperation in the future in terms of the Group's efforts to secure human resources because it intends to expand its business for the purpose of providing human resources who are familiar with Chinese businesses. It has a comprehensive understanding with respect to the Company's operating performance and financial position, future business development and the use of funds to be raised through the Third-Party Allotment because it is a wholly owned subsidiary of Chubun Sangyo, which has been supporting the Company for many years, and in addition, the same person has been serving as the representative director of both companies. For these reasons, the Company has decided that GWH is an appropriate allotee.

(3) Summary

As a result of careful examination, taking the abovementioned factors into consideration, the third-party committee has recognized that fundraising by means of the Third-Party Allotment is appropriate compared with other fundraising methods because it can be reasonably concluded that the Third-Party Allotment is not only a simple fundraising method but also creates a certain level of synergy for the Company, building on business alliances with GGL and GWH.

3. Appropriateness of conditions of issue

(1) Payment amount for the New Shares

The issue price of the New Shares is expected to be set at 313 yen, which is the average closing price of the Company's common shares on the Tokyo Stock Exchange in the month to June 18, 2019, the trading day immediately prior to the day on which the resolution of issuance was passed (the most recent trading day).

The reason for adopting the average price in the immediately preceding one-month period as the calculation method for the New Shares reflects the fact that the market price of the Company's stock has been fluctuating significantly (yearly low of 231 yen and high of 451 yen in 2019 during the period immediately preceding the most recent trading day). Looking at the recent trend, the market price of the Company's stock fell on the announcement of the summary of financial results for the first quarter of the fiscal year ending December 31, 2019 that was made on May 15, 2019 (from the closing price of 316 yen on June 15 to the closing price of 282 yen on June 16, the next day). It then experienced an upward phase in late May 2019 (closing price of 321 yen on May 27), turned downward again in early June 2019 (closing price of 290 yen on June 3) and turned upward again in mid-June 2019 (closing price of 330 yen on June 11). In consideration of these fluctuations within a short period of time as well as significant changes during the most recent days (from the closing price of 325 yen on the day immediately preceding the most recent trading day to the closing price of 305 yen on the most recent trading day), the third-party committee has decided that when determining a fair payment amount, it is very objective and reasonable in terms of the calculation basis to refer to averaged values such as the average stock price instead of using a stock price from a specified day, such as the most recent trading day, as it helps remove the impact of short-term stock price fluctuations and other factors. It has also judged that it is more objective in terms of the calculation basis to adopt the average stock price during the most recent one-month period, which is closest to the most recent stock price, than to use the average during the most recent three or six months. The payment amount will include a 2.62% premium over the closing price on the most recent trading day, a 7.67% discount off the average closing price in the three months prior to the most recent trading day and a 0.32% discount off the average closing price in the six months prior to the most recent trading day.

In conjunction with the above matter, there are no particularly unreasonable factors in the reason for adopting the average price in the most recent one-month period as the calculation method for the payment amount of the New Shares. Nor have there been any reports that the Company made an announcement that may have resulted in an unfair impact on the Company's stock prices during the most recent six months. The issue price of the New Shares, as described above, includes the 2.62% premium over the closing price on June 18, 2019, the trading day immediately preceding the day on which the resolution was made at a meeting of the Board of Directors concerning the Third-Party Allotment, and is therefore in accordance with the JSDA Guidelines. For these reasons, the issue price of the New Shares is recognized as being appropriate in terms of the issue conditions.

(2) Issue price of the Share Acquisition Rights

When determining the issue price of the Share Acquisition Rights, the Company requested Plutus Consulting Co., Ltd., a third-party appraisal agent, to calculate the issue price of the Share Acquisition Rights to ensure fairness. The calculation of a fair value was implemented under the exercise period and other issue conditions according to the Monte Carlo simulation, a popular price calculation model, after setting certain preconditions with respect to the Company's stock price (the closing price on the most recent trading day), the market liquidity of the Company's shares, the dividend rate (0%), the discount rate (risk-free rate of -0.212%) and volatility of 43.27%. As a result of the calculation, the fair value for one unit of Share Acquisition Rights has been set at 100 yen (1 yen per share).

With respect to the relevant calculation, Plutus Consulting Co., Ltd., an independent and outside third-party calculation agent that has no business relationship with the Company, calculated the fair price using the Monte Carlo simulation, which is a commonly-used method of calculating the issue price of Share Acquisition Rights in consideration of a range of factors such as strike prices that may affect the fair appraisal value, the trading volumes of the Company's shares and stock prices, rights exercise periods, stock price volatility and interest rates. The value estimated by the third-party calculation agent is therefore deemed to be a fair and reasonable value, and the issue price of the Share Acquisition Rights (100 yen), which was determined based on the assumption that the appraisal value is appropriate, is not deemed to be a particularly favorable price. For these reasons, the issue price of the Share Acquisition Rights is considered appropriate in terms of the issue conditions.

(3) Dilution

As a result of the Third-Party Allotment, a significant share dilution, or 48.54% (50% against the total number of voting rights) will occur to the total number of the Company's outstanding shares, which stand at 66,388,103 shares (644,577 units of voting rights in total) as of December 31, 2018. Even so, the Company will implement the Third-Party Allotment to expand the Group's business size and strengthen its financial base, which will help increase the sales and profits of the entire Group and stabilize its financial position. Accordingly, it is probable that the existing shareholders' benefits will be boosted to a considerable extent through enhancements of corporate value on a medium- to long-term basis. In addition, GGL's policy is to hold the New Shares on a medium- to long-term basis. Taking this into consideration, it is basically inconceivable that the New Shares will flow into the stock market within a short period of time, and it is therefore recognized that extreme and unfair impacts on the stock market will be limited. Accordingly, it is reasonably considered that any disadvantages that such dilutions may cause to existing shareholders will be alleviated in the future.

(4) Summary

As a result of careful examination, taking the abovementioned factors into account, the third-party committee has recognized that the extent of the dilutions is commensurate with the required funds and the strengthening of the financial base. As a result, the issue price and the other issue conditions for the Third-Party Allotment are considered to be within a reasonable range from the perspective of meeting the necessity for fundraising, and therefore appropriate.

10. Operating results and equity finance for the last three fiscal years

(1) Consolidated results for the last three fiscal years

	Year ended December 31, 2016	Year ended December 31, 2017	Year ended December 31, 2018
Net sales	62,764 million yen	64,292 million yen	117,995 million yen
Operating profit	-955 million yen	137 million yen	-851 million yen
Ordinary profit	-1,012 million yen	48 million yen	-1,251 million yen
Profit attributable to owners of parent	-1,767 million yen	178 million yen	-1,020 million yen
Profit per share	-27.27 yen	-2.76 yen	-15.82 yen
Dividend per share	0 yen	0 yen	0 yen
Net assets per share	685.09 yen	687.06 yen	667.08 yen

(2) Current numbers of issued shares and potential shares (as of December 31, 2018)

	Number of shares	Ratio to the number of issued shares
Shares issued	66,388,103 shares	100%
Number of potential shares at current conversion price (exercise price)	3,692,200 shares	5.56%
Number of potential shares at the conversion price (exercise price) of the lower limit	—	—
Number of potential shares at the conversion price (exercise price) of the upper limit	—	—

(3) Recent stock prices

i) Stock prices for the last three fiscal years

	Year ended December 31, 2016	Year ended December 31, 2017	Year ended December 31, 2018
Opening price	238 yen □ 685 yen	731 yen	590 yen
Highest price	240 yen □ 905 yen	800 yen	663 yen
Lowest price	72 yen □ 604 yen	461 yen	218 yen
Closing price	74 yen □ 716 yen	584 yen	244 yen

Note 1. The □ marks indicate the ex-rights prices after the consolidation of shares carried out at a ratio of 1 share per 10 shares of common stock as of July 1, 2016.

ii) Stock prices for the last six months

	Jan	Feb	Mar	Apr	May	Jun
Opening price	236 yen	266 yen	322 yen	390 yen	324 yen	297 yen
Highest price	285 yen	295 yen	451 yen	399 yen	344 yen	336 yen
Lowest price	231 yen	264 yen	307 yen	325 yen	282 yen	290 yen
Closing price	266 yen	286 yen	384 yen	327 yen	300 yen	305 yen

Note 1. The stock prices for June 2019 are as of June 18, 2019.

iii) Stock prices on business day before issue resolution date

	June 18, 2019
Opening price	323 yen
Highest price	325 yen
Lowest price	302 yen
Closing price	305 yen

(4) Equity finance for the last three fiscal years

Not applicable.

11. Changes in the parent company, subsidiaries and associates, and the largest shareholder among the major shareholders

(1) Background to changes

The issuance of the New Shares is expected to change the Company's parent company, subsidiaries and associates, and the largest shareholder among the major shareholders as follows.

(2) Overview of changes in shareholders

i) Overview of shareholder who will not fall under the parent company but will fall under subsidiaries and associates

<table>
<tr><td>(1)</td><td>Name</td><td colspan="2">Suning.Com Co., Ltd.</td></tr>
<tr><td>(2)</td><td>Address</td><td colspan="2">Registered address: Jinshan Building Floors 1-5, 8 Shanxi Road, Nanjing, Jiangsu, China
Office address: 1 Suning Avenue, Xuanwu, Nanjing, Jiangsu, China</td></tr>
<tr><td>(3)</td><td>Title and name of representative</td><td colspan="2">Representative Director Zhang Jindong</td></tr>
<tr><td>(4)</td><td>Business description</td><td colspan="2">Retail business</td></tr>
<tr><td>(5)</td><td>Capital</td><td colspan="2">9,310,039,655 yuan</td></tr>
<tr><td>(6)</td><td>Established</td><td colspan="2">May 15, 1996</td></tr>
<tr><td>(7)</td><td>Consolidated net assets</td><td colspan="2">1,425,400 million yen</td></tr>
<tr><td>(8)</td><td>Consolidated total assets</td><td colspan="2">3,223,300 million yen</td></tr>
<tr><td>(9)</td><td>Major shareholder and shareholding ratio
(as of December 31, 2018)</td><td colspan="2">Zhang Jindong (20.96%)</td></tr>
<tr><td rowspan="3">(10)</td><td rowspan="3">Relationships between parties
(as of December 31, 2018)</td><td>Capital relationship</td><td>It indirectly holds 27,783,826 shares of the Company's common stock (43.10% of the Company's total issued shares (excluding treasury shares and shares of less than one unit)).</td></tr>
<tr><td>Personal relationship</td><td>Three directors are dispatched to the Company.</td></tr>
<tr><td>Business relationship</td><td>It sells the Company's products.</td></tr>
</table>

ii) Overview of shareholder who will not fall under the parent company but will fall under subsidiaries and associates

(1)	Name	Suning International Group Co., Ltd.
(2)	Address	4102-6, AIA KOWLOON TOWER, 100 HOW MING STREET, KWUNTONG, KOWLOON, HONGKONG
(3)	Title and name of representative	Representative Director Tsui Yiu Wa
(4)	Business description	Investment business
(5)	Capital	HKD 8,836,230,601
(6)	Established	March 13, 2009
(7)	Net assets	228,200 million yen
(8)	Total assets	500,600 million yen
(9)	Major shareholder and shareholding ratio (as of December 31, 2018)	Suning.com Co., Ltd. (100%)

(10)	Relationships between parties (as of December 31, 2018)	Capital relationship	It indirectly holds 27,783,826 shares of the Company's common stock (43.10% of the Company's total issued shares (excluding treasury shares and shares of less than one unit)).
		Personal relationship	Not applicable.
		Business relationship	Not applicable.

iii) Overview of shareholder who will not fall under the parent company or the largest shareholder among the major shareholders, but will fall under subsidiaries and associates

(1)	Name	GRANDA MAGIC LIMITED	
(2)	Address	3RD FLOOR, QUEENSGATE HOUSE, 113 SOUTH CHURCH STREET, P.O. BOX 10240, GRAND CAYMAN KY1-1002, CAYMAN ISLANDS	
(3)	Title and name of representative	Representative Director Tsui Yiu Wa	
(4)	Business description	Investment business	
(5)	Capital	USD 50,000	
(6)	Established	June 25, 2009	
(7)	Net assets	-1,322 million yen	
(8)	Total assets	11,735 million yen	
(9)	Major shareholder and shareholding ratio (as of December 31, 2018)	Suning International Group Co., Ltd. (100%) (Note) It is a wholly owned subsidiary of Suning.com Co., Ltd.	
(10)	Relationships between parties (as of December 31, 2018)	Capital relationship	It holds 27,783,826 shares of the Company's common stock (43.10% of the Company's total issued shares (excluding treasury shares and shares of less than one unit)).
		Personal relationship	There is no personal relationship.
		Business relationship	It has a business alliance agreement with the Company.

iv) Overview of shareholder who will fall under subsidiaries and associates

(1)	Name	Suning Appliance Group Co., Ltd.
(2)	Address	68 Huaihai Road, Nanjing, Jiangsu, China
(3)	Title and name of representative	Representative Director Bu Yang
(4)	Business description	Investment business and real estate business
(5)	Capital	1,714,290,000 yuan
(6)	Established	November 24, 1999
(7)	Net assets	142,371 million yen
(8)	Total assets	1,368,292 million yen
(9)	Major shareholder and shareholding ratio (as of December 31, 2018)	Zhang Jindong (50%), Bu Yang (50%)
(10)	Relationships between parties	
	Capital relationship (as of December 31, 2018)	It holds 4,890,800 shares of the Company's common stock (7.59% of the Company's total issued shares (excluding treasury shares and shares of less than one unit)).
	Personal relationship	Not applicable.
	Business relationship	Not applicable.
	Related party	It does not fall under the related parties of the Company.

v) Overview of shareholder who will fall under subsidiaries and associates

(1)	Name	Suning International Limited
(2)	Address	Rooms 05-15, 13A, South Tower, World Finance Center, Harbour City, Ocean Terminal, 17 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong
(3)	Title and name of representative	Representative Director Bu Yang
(4)	Business description	Investment business
(5)	Capital (as of December 31, 2018)	HKD 10,000,000
(6)	Established	March 13, 2009
(7)	Net assets	-673 million yen
(8)	Total assets	9,028 million yen
(9)	Major shareholder and shareholding ratio (as of December 31, 2018)	Suning Appliance Group Co, Ltd. (100%)
(10)	Relationships between parties	
	Capital relationship (as of December 31, 2018)	It holds 4,890,800 shares of the Company's common stock (7.59% of the Company's total issued shares (excluding treasury shares and shares of less than one unit)).
	Personal relationship	Not applicable.
	Business relationship	Not applicable.
	Related party	It does not fall under the related parties of the Company.

vi) Overview of shareholder who will fall under the largest shareholder among the major shareholders and subsidiaries and associates

It is as described in i) GGL in (1) Overview of scheduled allotees in 6. Reason for selecting the scheduled allotees, etc.

(3) Number of voting rights owned by the shareholders concerned (number of shares owned) before and after the change and the ratio to the number of voting rights of total shareholders

i) Suning.com Co., Ltd.

	Attribute	Number of voting rights (percentage of voting rights owned)		
		Directly owned	Aggregation	Total
Before change (as of December 31, 2018)	Parent company (indirectly owned)	—	277,838 (27,783,826 shares) (43.10%) (Note 1)	277,838 (27,783,826 shares) (43.10%) (Note 1)
After change	Subsidiaries and associates	—	277,838 (27,783,826 shares) (30.40%) (Note 2)	277,838 (27,783,826 shares) (30.40%) (Note 2)

ii) Suning International Group Co., Ltd.

	Attribute	Number of voting rights (percentage of voting rights owned)		
		Directly owned	Aggregation	Directly owned
Before change (as of December 31, 2018)	Parent company (indirectly owned)	—	277,838 (27,783,826 shares) (43.10%) (Note 1)	277,838 (27,783,826 shares) (43.10%) (Note 1)
After change	Subsidiaries and associates	—	277,838 (27,783,826 shares) (30.40%) (Note 2)	277,838 (27,783,826 shares) (30.40%) (Note 2)

iii) GRANDA MAGIC LIMITED

	Attribute	Number of voting rights (percentage of voting rights owned)			Attribute
		Directly owned	Aggregation	Directly owned	
Before change (as of December 31, 2018)	The largest shareholder among the major shareholders, and the parent company	277,838 (27,783,826 shares) (43.10%) (Note 1)	—	277,838 (27,783,826 shares) (43.10%) (Note 1)	Top
After change	Major shareholder and subsidiaries and associates	277,838 (27,783,826 shares) (30.40%) (Note 2)	—	277,838 (27,783,826 shares) (30.40%) (Note 2)	Second

iv) Suning Appliance Group Co., Ltd.

	Attribute	Number of voting rights (percentage of voting rights owned)		
		Directly owned	Aggregation	Directly owned
Before change (as of December 31, 2018)	—	—	48,908 (4,890,800 shares) (7.59%) (Note 1)	48,908 (4,890,800 shares) (7.59%) (Note 1)
After change	Subsidiaries and associates	—	315,478 (31,547,800 shares) (34.51%) (Note 2)	315,478 (31,547,800 shares) (34.51%) (Note 2)

v) Suning International Limited

	Attribute	Number of voting rights (percentage of voting rights owned)		
		Directly owned	Aggregation	Directly owned
Before change (as of December 31, 2018)	—	—	48,908 (4,890,800 shares) (7.59%) (Note 1)	48,908 (4,890,800 shares) (7.59%) (Note 1)
After change	Subsidiaries and associates	—	315,478 (31,547,800 shares) (34.51%) (Note 2)	315,478 (31,547,800 shares) (34.51%) (Note 2)

vi) GRANDA GALAXY LIMITED

	Attribute	Number of voting rights (percentage of voting rights owned)			Attribute
		Directly owned	Aggregation	Directly owned	
Before change (as of December 31, 2018)	—	48,908 (4,890,800 shares) (7.59%) (Note 1)	—	48,908 (4,890,800 shares) (7.59%) (Note 1)	Third
After change	The largest shareholder among the major shareholders, and subsidiaries and associates	315,478 (31,547,800 shares) (34.51%) (Note 2)	—	315,478 (31,547,800 shares) (34.51%) (Note 2)	Top

Notes: 1. It was calculated based on the number of voting rights (644,577) of total shareholders after deducting 1,930,403 shares as non-voting shares from 66,388,103 shares, the total number of issued shares as of December 31, 2018.

2. It was calculated based on the number obtained (914,047) by adding the number of voting rights (269,470) related to the increase in shares following the issuance of the New Shares to the above number of voting rights (644,577) of total shareholders.

(4) Changes in unlisted parent company, etc. subject to disclosure

As a result of the above changes, six companies (Suning.com Co., Ltd., Suning International Group Co., Ltd., Granda Magic Limited, Suning Appliance Group Co., Ltd., Suning International Limited, and GGL) will become the Company’s parent company, etc. (they will all become subsidiaries and associates). On a practical level, Suning.com Co., Ltd. may have a greater impact on the Company than Suning Appliance Group Co., Ltd. for the following reasons: (1) Suning International Limited and GGL are subsidiaries of Suning Appliance Group Co., Ltd.; (2) Suning International Group Co., Ltd. and Granda Magic Limited are subsidiaries of Suning.com Co., Ltd.; and (3) Suning.com Co., Ltd. dispatched three directors and one corporate auditor to the Company and has a business relationship with the Company, although it holds fewer voting rights than Suning Appliance Group Co., Ltd. However, Suning.com Co., Ltd. is not subject to disclosure because it is an issuer of listed shares on a foreign financial instruments exchange.

(5) Future outlook

There is nothing in particular to be stated.

Appendix 1

Laox Co., Ltd.

Guideline for Issuance of Shares through Third-Party Allotment

1. Class and number of shares for subscription	26,947,000 shares of common stock
2. Amount to be paid in	313 yen per share
3. Total amount to be paid in	8,434,411,000 yen
4. Amount of capital and capital reserve to be increased	Capital: 4,217,205,500 yen Capital reserve: 4,217,205,500 yen
5. Subscription period	July 5, 2019 to August 30, 2019
6. Payment period	July 5, 2019 to December 5, 2019
7. Subscription method and number of shares to be allotted	26,657,000 shares shall be allotted to Granda Galaxy Limited and 290,000 shares shall be allotted to Global Worker Haken Inc.through third-party allotment.
8. Payment handling bank	Sumitomo Mitsui Banking Corporation, Gotanda Branch
9. Other	(1) The above paragraphs shall be subject to notification having taken effect under the Financial Instruments and Exchange Act. (2) Other matters necessary for the issuance of shares through third-party allotment shall be left to Teruji Yano, director of the Company

Appendix 2

Laox Co., Ltd.

Guideline for Issuance of Sixth Series of Share Acquisition Rights

１． Name of share acquisition rights	Sixth series of share acquisition rights by Laox Co., Ltd. (hereinafter referred to as “the Share Acquisition Rights”)
２． Total amount to be paid in for the Share Acquisition Rights	5,281,000 yen
３． Application deadline	July 5, 2019
４． Allotment date and payment date	July 5, 2019
５． Subscription method and allotee	All the Share Acquisition Rights shall be allotted to Global Worker Haken Inc. through third-party allotment.

６．Class and number or number calculation method of shares to be issued upon the exercise of the Share Acquisition Rights

(1) The class of shares to be issued upon the exercise of the Share Acquisition Rights shall be the Company’s common shares, and the total number thereof shall be 5,281,000 (the number of shares to be issued upon the exercise of shares per share acquisition right (hereinafter referred to as the “number of shares to be allotted”) shall be 100). However, if the number of shares to be allotted is adjusted in accordance with Items (2) and (3) in this paragraph, the total number of shares to be issued upon the exercise of the Share Acquisition Rights shall be adjusted according to the number of shares to be allotted after adjustment.

(2) If the Company adjusts the strike price (as defined in Paragraph 9 (2)) in accordance with the provisions of Paragraph 10, the number of shares to be allotted shall be adjusted by the following formula. However, fractions less than one share resulting from the adjustment shall be rounded off. The strike price before adjustment and the strike price after adjustment in this formula shall be the strike price before adjustment and the strike price after adjustment as set forth in Paragraph 10.

$$\text{Number of shares to be allotted after adjustment}$$
$$= \frac{\text{Number of shares to be allotted before adjustment} \times \text{Strike price before adjustment}}{\text{Strike price after adjustment}}$$

(3) The application date of the number of shares to be allotted after adjustment shall be the same as the application date of the strike price after adjustment specified in each item in relation to the adjustment of the strike price in accordance with Paragraph 10 (2) and (5) relating to the reasons for the adjustment.

(4) When adjusting the number of shares to be allotted, the Company shall notify the holders of the Share Acquisition Rights in writing of such adjustment to be made and the reasons thereof, the number of shares to be

allotted before adjustment, the number of shares to be allotted after adjustment, the start date of application and other necessary matters by the day before the start date of application of the number of shares to be allotted after adjustment. However, if the Company is unable to notify the holders of the Share Acquisition Rights by the day before the start date of application, it shall do so promptly after the start date.

７． The total number of the Share Acquisition Rights shall be 52,810.

８． The amount to be paid in for each of the Share Acquisition Rights shall be 100 yen per share acquisition right.

９． Value of property to be contributed upon the exercise of the Share Acquisition Rights or calculation method thereof

(1) The property to be contributed upon the exercise of each of the Share Acquisition Rights shall be money, and the value shall be the strike price multiplied by the number of shares to be allotted.

(2) The value of property to be contributed per share (hereinafter referred to as "strike price") when the Company delivers its common shares upon the exercise of the Share Acquisition Rights shall be 313 yen. However, the strike price shall be adjusted in accordance with the provisions of Paragraph 10.

１０． Adjustment of strike price

(1) If the number of the Company's issued common shares changes or may change due to each event listed in Item (2) of this paragraph after the allotment date of the Share Acquisition Rights, the Company shall adjust the strike price using the following formula (hereinafter referred to as the "strike price adjustment formula").

Strike price after adjustment

$$= \text{Strike price before adjustment} \times \frac{\text{Number of shares allotted before adjustment} + \dfrac{\text{Number of common shares delivered} \times \text{Amount to be paid in per share}}{\text{Market value per share}}}{\text{Number of common shares already issued} + \text{Number of common shares delivered}}$$

(2) Cases where the strike price is adjusted by the strike price adjustment formula and the time when the strike price after adjustment is applied shall be as follows.

i) In cases where the Company's common shares are newly issued with a paid amount lower than the market value, which is specified in Item (4) ii of this paragraph, or where the common shares held by the Company are disposed of (including in the case of gratis allotment; however, cases are excluded in which the Company's common shares are delivered by exercising share acquisition rights (including those attached to bonds with share acquisition rights), acquiring shares with put options or shares subject to calls, or exercising the right to request the delivery of the Company's common shares, and cases where the shares are delivered through a company split, stock exchange or merger).

The strike price after adjustment shall apply from the payment date (the final date if the payment period is specified for subscription, and the effective date in the case of gratis allotment), or from the day after the reference date if there is such date to give shareholders the right to receive allotment upon such issuance or disposal.

ii) In the case of issuing the Company's common shares through stock split

The strike price after adjustment shall apply from the day after the reference date for the split of the Company's common shares.

iii) In the case of issuing or granting shares with put options stipulated as delivering the Company's common shares following a payment of less than the market value specified in Item (4) ii of this paragraph or share acquisition rights that may request the delivery of the Company's common shares following a payment of less than the market value set forth in Item (4) ii of this paragraph (including those attached to bonds with share acquisition rights)

The strike price after adjustment shall be calculated using the strike price adjustment formula, assuming that all of the put options or the share acquisition rights pertaining to all shares with put options have been exercised under initial conditions. This shall apply from the payment date (the allotment date in the case of share acquisition rights) or from the effective date (in the case of gratis allotment). However, if there is a shareholder allotment date to give shareholders the right to receive allotment, this shall apply from the day after that date.

iv) In the case of delivering the Company's common shares at a price lower than the market value specified in Item (4) ii of this paragraph, in exchange for the acquisition of shares with acquisition provisions or share acquisition rights with acquisition provisions (including those attached to bonds with share acquisition rights) issued by the Company.

The strike price after adjustment shall apply from the day after the acquisition date.

(3) If the difference between the strike prices before and after adjustment calculated by the strike price adjustment formula is less than 1 yen, the strike price shall not be adjusted. However, if an event requiring the adjustment of the strike price occurs afterwards and the strike price is adjusted, the price obtained by subtracting this difference from the strike price before adjustment shall be used instead of the strike price before adjustment in the strike price adjustment formula.

(4) i) Calculation of the strike price adjustment formula shall be made to the third decimal place and the third decimal place shall be rounded off.

ii) The market value used in the strike price adjustment formula shall be the simple average value of the closing prices in ordinary transactions of the Company's common shares at the financial instruments exchange on 30 trading days (except days without a closing price) starting from the 45th trading day prior to the first day on which the strike price after adjustment is applied. In this case, the average value shall be calculated up to the third decimal place and the third decimal place shall be rounded off.

iii) The number of common shares already issued for use in the strike price adjustment formula shall be the number obtained by deducting the number of common shares held by the Company from the total number of the Company's issued common shares on a reference date if there is a date to give shareholders the right to receive allotment, or on a date that is one month prior to the first application date of the strike price after adjustment if there is no reference date.

(5) In addition to the case where it is necessary to adjust the strike price in Item (2) of this paragraph, the Company shall adjust the strike price as needed in the following cases.

i) When it is necessary to adjust the strike price for consolidation of shares, reduction of capital, company split, share transfer, share exchange or merger.

ii) In other cases where it is necessary to adjust the strike price due to an event that causes a change or a possible change in the number of the Company's issued common shares.

iii) In the case where multiple events in which the strike price should be adjusted occur together and it is necessary to consider the impact of the other event on the market value to be used in calculating the strike price after adjustment based on one event.

(6) When adjusting the strike price, the Company shall notify the holders of the Share Acquisition Rights in writing about such adjustment to be made and the reasons thereof, the strike price before adjustment, the strike price after adjustment, the start date of application and other necessary matters by the day before the start date of application of the strike price after adjustment. However, if the Company is unable to notify the holders of the Share Acquisition Rights by the day before the start date of application, it shall do promptly after the start date.

１１. Exercise period of the Share Acquisition Rights

From July 8, 2019 to July 7, 2022

１２. Other conditions for the exercise of the Share Acquisition Rights

Partial exercise of each of the Share Acquisition Rights is not possible.

１３. Issuance of share acquisition rights certificates

The Company will not issue share acquisition rights securities relating to the Share Acquisition Rights.

１４. Matters concerning the capital and capital reserve to be increased when shares are issued upon the exercise of share acquisition rights

The amount of capital to be increased when the Company's common shares are issued upon the exercise of the Share Acquisition Rights shall be half the limit of increase in capital, etc. calculated in accordance with the provisions of Article 17, Paragraph 1 of the Ordinance on Company Accounting (if the calculation results are in fractions of less than 1 yen, the fractions shall be rounded up). The amount obtained by subtracting the amount of increase in capital from the limit of increase in capital, etc. shall be the amount of increase in capital reserve.

１５. How to request and pay for the exercise of share acquisition rights

(1) The Share Acquisition Rights shall be exercised by following the procedures required for an exercise request to Japan Securities Depository Center, Inc. (hereinafter referred to as "JASDEC") or an account management institution (hereinafter referred to as "account management institution") set forth in Article 2 (4) of the Act on Book-Entry Transfer of Company Bonds, Shares, etc. (hereinafter referred to as "Act on Book-Entry Transfer") and by JASDEC providing notification of the exercise request to the place accepting the request for the exercise of the Share Acquisition Rights (hereinafter referred to as the "place accepting exercise requests") stipulated in Paragraph 16 during the exercise period of the Share Acquisition Rights stated in Paragraph 11.

(2) In the case of exercising the Share Acquisition Rights, in addition to the procedures required for the exercise request of the preceding item, the full amount of the property to be contributed upon the exercise of the Share Acquisition Rights shall be paid in cash into the account designated by the Company in the payment handling location specified in Paragraph 17, through JASDEC or the account management institution.

(3) The request for the exercise of the Share Acquisition Rights shall take effect on the date when the full amount of the property to be contributed upon the exercise of the Share Acquisition Rights is paid into the account stated in the preceding item after notification of all matters necessary for the exercise request is given to the place accepting exercise requests.

(4) A person who has requested the exercise of the Share Acquisition Rights may not subsequently withdraw it.

１６. Location accepting exercise requests

Mizuho Trust & Banking Co., Ltd., Securities Agent Department

１７. Payment handling location

Sumitomo Mitsui Banking Corporation, Gotanda Branch

１８． Handling of the Share Acquisition Rights in the case of a merger (limited to one "in which the Company will disappear as a result of the merger), absorption-type demerger, incorporation-type demerger, share exchange or share transfer by the Company

In the case of a merger (limited to one in which the Company will disappear as a result of the merger), absorption-type demerger, incorporation-type demerger, share exchange or share transfer (hereinafter collectively referred to as the "Organizational Restructuring") by the Company, the share acquisition rights of the stock companies set forth in a. to e., Item (8), Paragraph 1, Article 236 of the Companies Act (hereinafter collectively referred to as the "Companies to Be Reorganized") shall be issued to the holders of the Share Acquisition Rights who have Share Acquisition Rights remaining at the time when the Organizational Restructuring took effect (hereinafter referred to as the "Remaining Share Acquisition Rights"), under the following conditions. In this case, the Remaining Share Acquisition Rights shall expire.

i) Number of share acquisition rights to be issued of the Companies to Be Reorganized

It shall be the number determined rationally in consideration of the conditions, etc. of the Organizational Restructuring, based on the number of the Remaining Share Acquisition Rights held by share acquisition rights holders who have the Remaining Share Acquisition Rights.

ii) Class of shares of the Companies to Be Reorganized to be issued upon the exercise of the share acquisition rights

It shall be common shares of the Companies to Be Reorganized.

iii) Number of shares of the Companies to Be Reorganized underlying the share acquisition rights

It shall be the number determined rationally in consideration of the conditions, etc. of the Organizational Restructuring.

iv) Period during which the share acquisition rights may be exercised

It shall start from the later of either the first day of the exercise period of the Share Acquisition Rights set forth in Paragraph 11 or the effective date of the Organizational Restructuring, and shall continue until the expiration date of the exercise period of the Share Acquisition Rights set forth in Paragraph 11.

v) Matters concerning the capital and capital reserve to be increased when shares are issued upon the exercise of the share acquisition rights

They shall be determined in accordance with Paragraph 14.

vi) Value of property to be contributed upon the exercise of the share acquisition rights

It shall be the value obtained by multiplying the value determined rationally in consideration of the conditions, etc. of the Organizational Restructuring based on the strike price stipulated in Paragraph 9, by the number of shares of the Companies to Be Reorganized to be issued per share acquisition right to be delivered.

vii) Other conditions for the exercise of the share acquisition rights

They shall be determined in accordance with Paragraph 12.

viii) If there are fractions of less than one share in the number of shares to be delivered to holders of share acquisition rights who exercised the rights, they shall be rounded off.

１９． Application, etc. of the provisions of the Act on Book-Entry Transfer of Company Bonds, Shares, etc.

All of the Share Acquisition Rights shall be subject to the provisions of the Act on Book-Entry Transfer in accordance with the provisions of Article 163 of the Act, and share acquisition rights certificates may not be issued except in the case set forth in Paragraph 2, Article 164 of the Act. In addition, the handling of the Share Acquisition Rights and the shares to be issued upon the exercise of the Share Acquisition Rights shall be in accordance with the business rules and other rules concerning the transfer of shares, etc. of the transfer agency.

２０． Transfer agency

Japan Securities Depository Center, Inc.

２１． Other

(1) If revisions of the Companies Act and other laws require changes to the provisions of this guideline, the Company shall take the necessary measures.

(2) The above paragraphs shall be subject to notification having taken effect under the Financial Instruments and Exchange Act.

(3) Other matters necessary for the issuance of the Share Acquisition Rights shall be left to Teruji Yano, a director of the Company.

End.