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Press Release

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Notice of Recording of Extraordinary Losses and Revision of Consolidated Business Results Forecast

Laox Co., LTD. (the “Company”) announces that it posted extraordinary losses in the second quarter of FY2021 (from April 1, 2021 to June 30, 2021). Details are as follows. The Company also announces that in view of recent business performance trends, the following revisions have been made to its consolidated business results forecast for the fiscal year ending December 31, 2021 (January 1, 2021 - December 31, 2021) published on May 14, 2021.

1. Description of extraordinary losses

(1) Loss on valuation of inventories

As a result of a review of the profitability of inventories following the decision to close stores in the Domestic Retail Business, the Company recorded an extraordinary loss of 722 million yen as a loss on valuation of inventories, as announced in the press release “Notice Regarding Closure of Stores in Some Areas of the Domestic Retail Business” today.

(2) Provision for loss on contracts

In response to the slump in the real estate market caused by the spread of the COVID-19, the Company recorded an extraordinary loss of 316 million yen as a provision for loss on contracts in order to prepare for possible losses that may arise from the performance of contracts for subleasing properties in the Asset Business.

2. Revision of the Consolidated Business Results Forecast (from January 1, 2021 to December 31, 2021)

	Consolidated Net Sales	Consolidated Operating Profit	Consolidated Ordinary Profit
Forecasts previously announced (A)	Million yen 92,000	Million yen 200	Million yen 100
Latest forecasts (B)	74,000	-1,500	-1,300
Change in amount (B-A)	-18,000	-1,700	-1,400
Change (%)	-19.5%	—	—
(Reference) Results for the previous fiscal year (ended December 31, 2020)	Million yen 82,988	Million yen -3,359	Million yen -3,444

3. Reasons for revision

During the first half of the current fiscal year, economic activities were severely restricted through restrictions on the flow of people due to the re-issuance of the declaration of a state of emergency and the application of priority measures associated with the resurgence of COVID-19. In addition to the continued inability of tourists from China, who have been major customers, to enter Japan, a recovery in inbound tourists from countries other than China is still not yet in sight. Consequently, the Company has decided to close stores in some areas in the Domestic Retail Business in order to further reduce costs and improve cash flow.

As a result, the Domestic Retail Business deviated from its initial net sales and operating profit forecasts.

In the Asset Business, in addition to the significant decrease in the number of customers at each commercial facility, there have been several delays in real estate transactions, and at present it appears difficult to achieve the initially planned figures. As a result, the Company has decided to revise its consolidated business results forecast.

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