



November 14, 2019

Press Release

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Notice of Revision of Business Result Forecast

Laox Co., Ltd. (the “Company”) announces that, given the recent business developments, it has revised its forecast for consolidated business results for FY2019 (from January 1 to December 31, 2019), which were announced on September 2, 2019.

1. Revision of the Business Result Forecast

Revision of the Business Result Forecast for FY2019 (from January 1 to December 31, 2019)

	Net sales	Operating profit	Ordinary profit
Forecasts previously announced (A)	Million yen	Million yen	Million yen
	140,000	200	200
Latest forecasts (B)	134,000	Δ2,000	Δ2,200
Change in amount (B-A)	Δ6,000	Δ2,200	Δ2,400
Change (%)	Δ4.3%	—%	—%
(Reference) Results for the previous fiscal year (Fiscal year ended December 31, 2018)	117,995	Δ943	Δ1,341

2. Reasons for the Revision

The Laox Group, whose sales and operating profit usually weights toward the second half of the year, the former forecasts anticipated that the business performance will relatively satisfactory during and after the period for the third quarter (July 1, 2019 – September 30, 2019).

As in the Inbound Business, which is considered as the Company’s main business, the expectation is that the growth in Chinese visitors to Japan will contribute to the sales during the summer vacation(July-August) and the Chinese National Festival(early October) as well as the following red autumn leaves season. As for the Shaddy Co., Ltd. in the Life & Fashion Business, the sales during the Japanese gift giving season of Ochugen((June-July) and Oseibo(November-December) normally will account for a huge portion of its annual sales—around 50%.

In this sense, as a result of the unexpected worse-hit by the Typhoon Faxai (Typhoon No. 15) and subsequent typhoons/heavy rains from September onwards, the Laox Group faced the following situations in the Inbound Business and the Life & Fashion

Business during and after the period for the third quarter (July 1, 2019 – September 30, 2019).

[Inbound Business]

Although the number of customers (based on cash registers checkouts) exceeded that of last year, sales decreased due to the notable drop in average sale per customer since September. This is attributable to a strong yen against the yuan, causing a decline in consumer confidence among shopping-oriented Chinese tourists to Japan. This low average sale per customer has been seen during the fourth quarter as well. Coupled with the typhoons and heavy winds since October causing temporary store closures and cancellations of shopping-inclusive tours, this decrease in customers has led the Company to anticipate reduced sales for the year.

The decrease in sales led the fell in operating profit, though the company has use its endeavors in taking remedial actions such as ameliorate shopping-inclusive tours, cutting head office expenses, selling expenses and general administrative expenses such as communication costs, the shortfall in sales and operating profit still hard to cover. These situation has led the Company to anticipate reduced operating profit and ordinary profit for the year.

[Life & Fashion Business]

Sales have slumped as our shoe-based businesses (ladies shoes retailers Mode et Jacomo Co., Ltd. and Ogitsu Co., Ltd.) saw sales plummet after July's relatively cool summer. This situation led to a decline in consumer spending coupled with temporary store closures due to the inclement weather brought about by Typhoon Faxai (Typhoon No. 15) and subsequent typhoons/heavy rains from September onwards. Additionally, heavy rains caused Shaddy Co., Ltd. to temporarily suspend shipments from its logistics center, while some of its franchised stores suffered water damage.

The reduce in operating profit led by the downturn on sales is now hard to be remedied, thus the Company to anticipate reduced operating profit and ordinary profit for the year.

The above factors are now likely to cause a gap between the previous forecasts and the results, and the Company thus decided to revise the forecasts.

The Company is working quickly to analyze the issues facing its business, make the appropriate structural reforms. As in the Chinses market, the subsidiary of the Company opened the Sake Museum in October, Food 88 restaurant (the light luxury Japanese cuisine brand) in November. The Shaddy Co., Ltd. also set a subsidiary in China this October. The Company is looking for ways to improve profits through full efforts towards launching business in China.

(Note) The revised forecasts presented above have been developed by the Company based on information available to the Company at the time of the revision. They contain uncertain factors and actual business results may vary from the forecasts presented above.

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