

## Oct.-Dec., 2019 Group-wide Topics

● We raised 8,434.41 million yen by capital increase through third-party allotment on December 5th. Recently, we have been witnessing a surge in so called “inbound-prompted outbound demand (online demand from foreign customers who have visited Japan in the past)”. Taking advantage of this development, we are trying to expand global business (foreign trade and cross-border E commerce) and build a strong earnings base by fully utilizing our Chinese network. In an effort to broaden Laox’s business horizon, Shaddy Co., Ltd., our group company, cofounded a joint venture company with Laox Shanghai Co., Ltd. in October to promote Japanese gift culture in China.

## Topics in each segment

### ① Inbound business

### ~Laox New Chitose Airport International Terminal Store opened on Dec. 20<sup>th</sup>~



New Chitose International Airport, the largest airport in Hokkaido, has been used by more than 40 million people a year for the past four years in a row. In particular, the number of passengers on international flights to and from the airport has reached an all-time high in each of the last 7 years.

Laox New Chitose International Airport Store opened after Laox Niigata Airport Store as our 6<sup>th</sup> airport store and has the largest sales area among the six. The store strives to appeal to both Japanese and foreign tourists visiting Hokkaido.

Store Hours: 8:00~20:00 (subject to change depending on flight arrivals & departures)

Products Sold: mobile phone accessories, food, household products, cosmetics, home appliances, souvenirs, watches, etc.

※ In addition to New Chitose International Airport store, we are opening and consolidating stores in an effort to improve profitability. Laox Sapporo Main Store (Sapporo city, Hokkaido) and Laox Dontonbori Store (Osaka city, Osaka) are now partially open. We are preparing to bring them to full operation.

### ▼ Highlights in the 4<sup>th</sup> quarter

The number of paying customers decreased slightly (by 3.2%) from a year earlier during the fourth quarter, with group tourists declining and FITs (Free Independent Travelers) steadily rising. In 2020, we will be actively promoting our brand to attract FITs, as well as group tourists, visiting Japan during the Chinese New Year first and then later the Tokyo Olympics and Paralympics scheduled for this summer.

	1Q	2Q	3Q	4Q	計
2018	593,003	662,775	632,741	552,554	2,441,073
2019	576,951	650,663	681,422	537,336	2,446,372
YOY change/quarter	97.3%	98.2%	107.7%	97.2%	100.2%

## ② Global Business

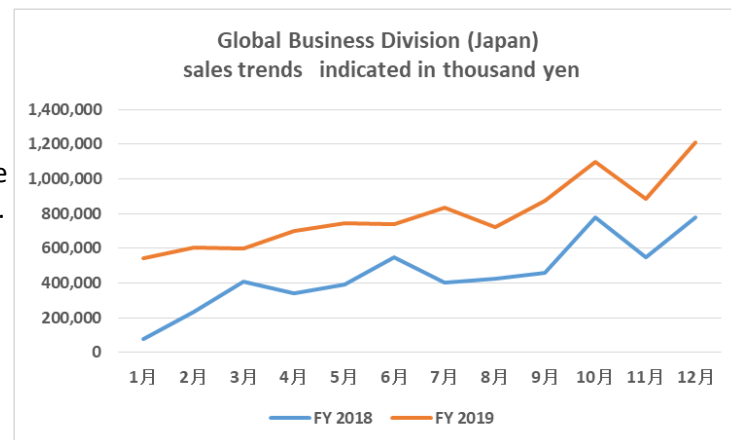
～Our total sales during the Double Eleven or the Singles' Day, one of the largest on-line marketing events in China, reached an all-time high～

The sales across the industry on November 11<sup>th</sup>, or the Double Eleven day, have been steadily on the rise. For example, this year's sales of the Alibaba Group during the 24 hours amounted to 268.4 RMB (4.1 trillion JPY), an increase of 25.7% from 2018 and the largest in its history. Laox's sales were also the largest ever, with our flagship stores on the three largest E-commerce platforms in China posting a year on year increase of 350%, 44%, and 31% on Suning.com, T-mall, and Kaola.com respectively.

### ▼ Highlights in the 4th quarter

Laox Global Business Division achieved a solid growth of 51 percent from a year earlier during the fourth quarter, backed by the enduring popularity of made-in-Japan products including cosmetics, home appliances, and game consoles. We set up a booth in China International Import Expo held in Shanghai, China from November 4<sup>th</sup> to 11<sup>th</sup> to display home appliances, health supplements, toys for pets, children's products and others, made in Japan. Our booth attracted more than 2.5 million visitors, raising Laox's brand recognition.

Aiming to further expand our E-commerce business that has performed well so far, we will establish Suning Japan Market, a platform on which a wide variety of products made in Japan are sold, on Suning.com operated by our parent company group. It will be our official channel, not just a flagship store, where we will be able to invite Japanese makers and sell their products on consignment, which will help us increase both the number of items sold and the total sales. Suning Japan Market will be featured on the top page of Suning.com, making it easy for potential customers to find and visit the site.



## ③ Merchandising Strategy Development Division

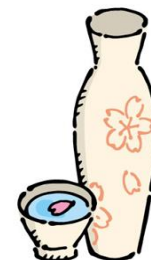


～We are beginning to market sake in earnest～

In recent years, more and more Chinese tourists visiting Japan are interested in Japanese food and sake, whose export is on the rise.

In the future, the Laox group will further promote Japanese food and sake at its tax-free stores while also boosting the export of these products to China.

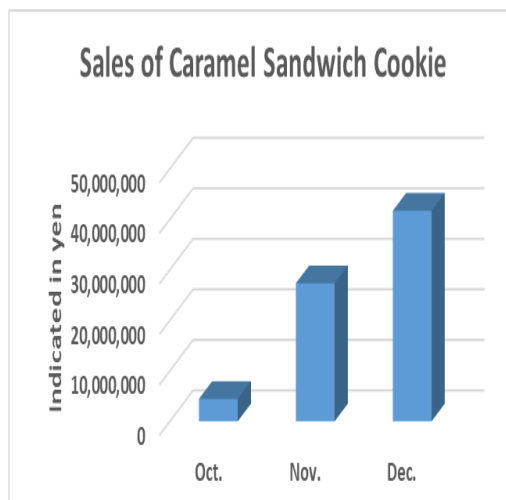
We will hold a seminar targeted at sake makers on January 28<sup>th</sup>, 2020 on exporting sake to China at New City Club of Tokyo, a members-only restaurant run by the Laox group.



## ④ Life & Fashion Business

### ● Shaddy ～Caramel Sandwich Cookies became a big hit～

During the fourth quarter, Shaddy launched Caramel Sandwich Cookie, a product developed specifically for sale through Laox channels. The cookie is also available at large Laox stores and became the second best-selling Western sweet in Shaddy's retail business, creating a synergy effect in the Laox group.



### ● OGITSU / MODE ET JACOMO

#### ～New Store Opened in Minami Machida Grand Berry Park～

Fountain BLUE, a casual wear brand targeted at adult women who enjoy everyday fashion under the concept of “relaxed and healthy”, opened its first outlet store. Unlike existing outlet stores under MODE ET JACOMO, the new store also offers the products that are usually distributed through regular channels. It will also introduce new offerings from OGITSU and MODE ET JACOMO.

Location: Central Court 2F, 3-4-1 Tsuruma, Machida-city, Tokyo

Store Hours: 10:00～20:00

Products sold: Shoes (Women's, Men's, Kids'), Bags, Shoe Accessories, etc.



### ● Kakogawa Yamato Yashiki

#### ～entered into a cooperation agreement with Hyogo University/Hyogo Junior College～

Yamato Yashiki and Hyogo University/Hyogo Junior College signed a cooperation agreement aimed at mutual development and promotion of the local economy. In the future, we will further deepen relations and promote cooperation in various fields based on the resources of each party.



▲ Makoto Kono, President of Hyogo University/Hyogo Junior College  
Masato Ito, President and representative director Kakogawa Yamato Yashiki Co., Ltd.



## ⑤ Entertainment Business

### ● Laox SCD ~ Infants' Section opened in Riverwalk Basement Kids' Kingdom Giant Stadium ~

Riverwalk Basement Kids' Kingdom Giant Stadium, one of the largest outdoor theme parks in Kyushu that reopened after large scale renovation in June 2019, consists of three areas; Soft & Bouncy Park, Ninja Park, and Dinosaur Café under the common theme of "time travel". It opened a new section dedicated to young infants in December, further enhancing its charm.

It also holds collaboration events with popular animés and seasonal events such as Halloween and Christmas.



Business Hours: 10:00 am – 7:00 pm (Dinosaur Café:  
11:00 am – 7:00 pm)

Ticket prices: Annual club fee of ¥200 +  
Mon. - Fri.: ¥500 for children aged 1-3 / ¥1,000 for  
children aged 4-18

Sat. Sun. & Holidays: ¥1,500 for children aged 1-3 /  
¥2,000 for children aged 4-18

¥500 on all days for adults

※ Once admitted, you can stay as long as you want.

### ~ Information on SCD's tenant companies ~

Drug Store Matsumoto Kiyoshi Chiba Port Town  
Store opened on December 21<sup>st</sup> in Chiba Port  
Town in Chuo-ward, Chiba-city, Chiba

Location: Chiba Port Town 1F, 1-50, Tonya-cho,  
Chuo-ku, Chiba-shi, Chiba-ken.

Store Hours: 10:00-22:45



Laox SCD will further contribute to development of regional societies through building various facilities, not just those designed for inbound retailing.

### ● Food Creation Works ~New City Club of Tokyo had the first anniversary ~

New City Club of Tokyo, a members-only restaurant operated by SCD, held a grand party to celebrate its first anniversary, inviting, in addition to many members, entertainers, athletes, and others. It was a fun event where participants got to know each other.

In the future, New City Club of Tokyo aims to serve as a crossroads of people from a variety of countries and build new economic and cultural networks.

