

Summary of (Consolidated) Financial Statements for the Fiscal Year Ended December 31, 2021 (Japanese Standards)

February 10, 2022

Listed company: Laox Co., LTD. Stock exchange: Tokyo Stock Exchange
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Planned Date of Ordinary Shareholders' Meeting: March 30, 2022
 Planned Submission Date for the Financial Report: March 30, 2022
 Planned Starting Date for Dividend Payments: —
 Supplementary Documents for Financial Results: No
 Financial Results Briefing: No

(Rounded down to nearest million yen)

1. Consolidated Results for the Fiscal Year Ended December 2021 (January 1, 2021 to December 31, 2021)

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY2021	68,149	(17.9)	(2,846)	—	(2,151)	—	(7,110)	—
FY2020	82,988	(35.9)	(3,359)	—	(3,444)	—	(16,641)	—

(Note) Comprehensive income FY2021: (7,085) million yen (–%)
 FY2020: (16,624) million yen (–%)

	Profit per share	Diluted profit per share	Return on equity	Ratio of ordinary profit to net assets	Ratio of operating profit to sales
	Yen	Yen	%	%	%
FY2021	(77.78)	—	(30.3)	(3.9)	(4.2)
FY2020	(182.04)	—	(47.4)	(4.6)	(4.0)

(For reference) Equity in earnings of affiliates FY2021: 124 million yen FY2020: (150) million yen

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
FY2021	46,720	20,115	42.9	219.46
FY2020	63,523	27,575	42.2	293.31

(For reference) Shareholders' equity FY2021: 20,062 million yen FY2020: 26,813 million yen

(3) Consolidated cash flow condition

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Million yen	Million yen	Million yen	Million yen
FY2021	928	1,213	(4,202)	10,246
FY2020	1,424	78	(3,037)	12,100

2. Dividends

	Dividends per share					Total cash dividends (total)	Dividends payout (consolidated)	Net assets dividend ratio (consolidated)
	End of Q1	End of Q2	End of Q3	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
FY2020	—	—	—	0.00	0.00	—	—	—
FY2021	—	—	—	0.00	0.00	—	—	—
FY2022 (forecast)	—	—	—	0.00	0.00	—	—	—

3. Results forecast for FY2022 (from January 1, 2022 to December 31, 2022)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Profit per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	60,000	(12.0)	200	—	150	—	100	—	1.09

(Note) The Company does not provide results forecasts for the first half of FY2022.

Notes

(1) Important changes in subsidiaries during the term (changes in specified subsidiaries resulting in changes in scope of consolidation):
No

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

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

(4) Number of issued shares (common shares)

(i) Number of issued shares at the end of period (including treasury stock):

FY2021	93,335,103
FY2020	93,335,103
FY2021	1,918,369
FY2020	1,918,349
FY2021	91,416,739
FY2020	91,416,784

(ii) Number of shares of treasury stock at the end of period:

(iii) Average number of issued shares during period:

(For reference) Summary of Non-Consolidated Results

Non-Consolidated Results for the Fiscal Year Ended December 2021 (from January 1, 2021 to December 31, 2021)

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

	Net sales		Operating profit		Ordinary profit		Profit	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY2021	12,216	(31.4)	(3,488)	—	(2,799)	—	(8,482)	—
FY2020	17,818	(68.9)	(2,978)	—	(4,683)	—	(16,363)	—

	Profit per share		Diluted profit per share	
	Yen		Yen	
FY2021	(92.79)		—	
FY2020	(179.00)		—	

(2) Non-consolidated financial position

	Total assets		Net assets		Equity ratio		Net assets per share	
	Million yen		Million yen		%		Yen	
FY2021	24,490		15,039		61.4		164.45	
FY2020	32,944		23,529		71.4		257.20	

(For reference) Shareholders' equity

FY2021: 15,033 million yen

FY2020: 23,512 million yen

Summaries of financial statements are not subject to audit by certified public accountants or audit corporations.

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

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

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1. Overview of Operating Results, Etc.

(1) Overview of Operating Results for the Fiscal Year under Review

During the consolidated fiscal year under review, the intermittent states of emergency which were declared due to waves of infection during the COVID-19 pandemic had ended in all relevant regions in October. However, the outlook for the Japanese economy remained unclear given the continued risk of another wave of infection in view of the spread of COVID-19 variants overseas.

In the retail industry where Laox Co., LTD. (the “Company”) operates its core businesses, online sales were steady, but sales from business categories based on physical stores and categories were weak, affected by stagnant production activities caused by the supply shortages of semiconductors and other components and soaring raw materials prices. Also, conditions for inbound businesses are not expected to recover any time soon given continued restrictions on travel to Japan from abroad.

In this environment, the Laox Group worked continuously to improve profitability through full-scale cost reductions, while simultaneously reinforcing its business foundations through the pursuit of specialization.

The Company enhanced its product lines, with Asian foods and Asian cosmetics for domestic customers unable to travel overseas, and opened stores in a new business category introducing limited merchandise such as presale products and items available for the first time in Japan. In the meantime, it accelerated the closure of existing stores specializing in inbound tourism to improve cash flow and reduce costs in the Domestic Retail Business.

In addition, the Company introduced new initiatives to improve profitability, such as the operation of a bonded warehouse in Jinan, Shandong Province in China to bolster its ability to support the logistics of Japanese companies in the region with arrangements for bonded warehousing and the provision of customs clearance services.

The Company also pursued initiatives for future growth strategies by preparing for the establishment of a joint venture in the Macao Special Administrative Region, which has a number of tourist attractions including Chinese World Heritage sites and integrated resort facilities.

The Company sold its shares in OGITSU Co., Ltd., MODE ET JACOMO Co., Ltd., and Kowa Sogyo Co., Ltd., which operate a shoe business in the Life & Fashion Business, to ITL Holdings Co., Ltd., in an effort to improve the Group’s business structure.

Based on the above, consolidated net sales for the fiscal year under review decreased 17.9% year on year to 68,149 million yen mainly due to a decrease in sales from the Domestic Retail Business, in which stores were forced to suspend operations or faced difficulties in the attraction of customers due to the COVID-19 pandemic, and a decrease in real estate projects and delays in signing contracts in the Asset Business. In terms of profit and loss, an operating loss of 2,846 million yen (a loss of 3,359 million yen in the previous year) and an ordinary loss of 2,151 million yen (a loss of 3,444 million yen in the previous year) were posted. Given the provision of an allowance for doubtful accounts for loans and extraordinary losses posted in the consolidated fiscal year under review regarding various expenses for the withdrawal of stores due to the unfavorable business environment created by the pandemic and preparations to handle possible losses in the future that may arise from subleased properties, the loss attributable to owners of parent came to 7,110 million yen (a loss of 16,641 million yen in the previous year).

(Domestic Retail Business)

In the Domestic Retail Business, the Company sought to improve profitability by closing stores specializing in inbound tourism, given that the number of foreign customers visiting Japan continued to be effectively zero due to the COVID-19 pandemic. For customers in Japan, however, the Company opened the Asian food specialty store ASIA SUNSHINE MARKET to deliver authentic Asian flavors to Japanese dining tables and an Asian cosmetics specialty store LAOX BEAUTY AIRPORT designed like an airport under the concept of customers’ cosmetics and beauty journey, aiming to create opportunities to provide new discoveries and value to enrich customers’ lives through the introduction of limited merchandise such as presale products and items available for the first time in Japan.

Steps were taken to strengthen the e-commerce website to accelerate the connection between physical stores and the online store so that customers are able to enjoy a smooth shopping experience regardless of which type of store they use. Each store in the new business categories had a good start as they attracted media attention.

As a result, segment net sales for the fiscal year under review decreased 53.5% from the previous year, to 2,989 million yen, as the steadily increasing number of new domestic customers could not offset the effects primarily caused by the decrease in the number of people visiting Japan due to the pandemic. The segment loss decreased significantly to 853 million yen (a loss of 1,505 million yen in the previous year), mainly reflecting the effect of the structural reforms implemented in the previous year and cost cutting by closing some stores as well as efforts that the segment has been making since the beginning of the year to improve the margin mix of in-store products.

(Overseas Business)

The Overseas Business segment prepared to meet demand for outbound tourism and develop new markets in China and Southeast Asia as a part of the structural reform of the business. In the business targeting the Chinese market, sales of small household appliances, cosmetics, and game consoles had been strong, but because infection control measures increased following the discovery of new COVID-19 infections, net sales decreased, mainly affected by delays in international distribution and intensified competition in the e-commerce business in China. Meanwhile, this business segment increased sales by opening a specialty store that carries a selection of highly popular merchandise. It also reinforced its functions supporting Japanese companies entering the Chinese market and developing throughout China by beginning to operate a bonded warehouse. Consequently, the development of these new businesses has steadily accelerated.

As a result, segment net sales for the fiscal year under review decreased 11.7% from the previous year, to 18,097 million yen, while a segment loss of 581 million yen was posted (a segment profit of 268 million yen in the previous year) given increases in promotion expenses, distribution expenses and personnel expenses and a recorded provision of allowance for doubtful accounts for accounts receivable.

(Life & Fashion Business)

In the gift sales business, demand for wedding and Buddhist service-related gifts and return gifts remained sluggish as in the previous year due to the rise in COVID-19 infections. However, in terms of midyear and year-end gifts, which are one of the segment's main selling strategies, steady demand was obtained for these formal gifts partly due to demand for gifts as a replacement for visits to family homes. In addition, owing to an increase in time spent at home and a tendency to refrain from face-to-face contact, strong needs existed for products for self-consumption and casual gifts such as one-day event gifts like birthday presents and seasonal gifts like Christmas.

The segment continuously enhanced assorted gifts and confections of original products and popular products, frozen foods, specialty gourmet products, and others, while the EC business performed steadily and its existing store achieved a significant year-on-year increase in its performance as people refrained from going out during the pandemic and product enhancements also produced effects.

On the other hand, segment profit improved significantly, backed by the distribution reforms and continued thorough reductions in SG&A expenses, including promotion expenses. As a result, segment operating profit increased year on year.

Consequently, net sales for the fiscal year under review dropped 11.8% from the previous year, to 42,721 million yen, but segment profit improved significantly 110.8%, to 670 million yen.

(Asset Business)

The Asset Business continued to streamline the commercial facilities under its management and sell idle properties of the Group. However, commercial facilities and restaurants operated by the Company were forced to suspend business or reduce business hours due to national and local governments declaring states of emergency. They were also impacted by unseasonable weather. Consequently, the number of visitors to the stores did not increase.

Further, Laox Media Solutions Co., Ltd., which operates events related to World Heritage sites and classic performing arts in Japan, suffered decreased sales due to the postponement and prolonged suspension of events.

With respect to the sale of idle properties of the Group, a certain number of properties were sold, but because of a decrease in the scale of properties sold and a delay of the signing dates of the sales contracts, net sales decreased from the previous year.

As a result, segment net sales for the fiscal year under review decreased 43.1% from the previous year to 4,341 million yen, and segment net loss of 887 million yen (a loss of 1,233 million yen in the previous year) was posted.

(2) Overview of Financial Position for the Fiscal Year under Review

(Assets)

Total assets at the end of the fiscal year under review amounted to 46,720 million yen (63,523 million yen at the end of the previous fiscal year). The decrease in total assets was attributable primarily to decreases of 2,038 million yen in cash and deposits, 1,238 million yen in notes and accounts receivable - trade, 4,472 million yen in inventories, 3,063 million yen in investment property, and 1,072 million yen in leasehold and guarantee deposits, with an increase of 3,734 million yen in allowance for doubtful accounts.

(Liabilities)

Total liabilities came to 26,605 million yen (35,947 million yen at the end of the previous fiscal year). The decrease in liabilities was a result mainly of decreases in notes and accounts payable - trade of 1,261 million yen, short-term borrowings of 3,805 million yen, other current liabilities of 2,642 million yen and other non-current liabilities of 1,084 million yen.

(Net assets)

Total net assets came to 20,115 million yen (27,575 million yen at the end of the previous fiscal year). A decrease in net assets was largely a result of posting a loss attributable to owners of parent of 7,110 million yen.

(3) Overview of Cash Flows for the Fiscal Year under Review

Cash and cash equivalents at the end of the fiscal year under review have decreased by 1,853 million yen from the end of the previous fiscal year to 10,246 million yen.

(Cash flow from operating activities)

Cash flows from operating activities during the fiscal year under review resulted in a cash inflow of 928 million yen (cash inflow of 1,424 million yen in the same period of the previous year).

This was chiefly a result of 1,363 million yen in depreciation, an increase of 3,326 million yen in allowance for doubtful accounts, an increase of 902 million yen in provision for loss on contract, loss on structural reforms of 1,305 million yen, a decrease of 1,175 million yen in trade receivables and a decrease of 2,411 million yen in inventories, despite the loss before income taxes of 7,770 million yen and a decrease of 1,866 million yen in trade payables.

(Cash flow from investing activities)

Cash flows from investing activities during the fiscal year under review resulted in a cash inflow of 1,213 million yen (cash inflow of 78 million yen in the same period of the previous year).

This mainly reflected 2,950 million yen in proceeds from sale of investment property and 1,044 million yen in proceeds from collection of short-term loans receivable, which more than offset 1,904 million yen in payments for the sale of shares of subsidiaries resulting in change in scope of consolidation, 477 million yen in the purchase of investment property and 192 million yen in payments for sale of businesses.

(Cash flow from financing activities)

Cash flows from financing activities during the fiscal year under review resulted in a cash outflow of 4,202 million yen (cash outflow of 3,037 million yen in the same period of the previous year).

This was chiefly due to a net decrease of 3,955 million yen in short-term borrowings and 200 million yen in the purchase of shares of subsidiaries not resulting in change in scope of consolidation.

(4) Future Outlook

Looking ahead, it seems that it will take some time before there is a full recovery in Japan as it is still uncertain when the COVID-19 pandemic will end. Also, looking at the global economy, activity toward an economic recovery can be seen mainly in developed countries, but a resurgence of COVID-19 infections has been observed due primarily to new variants of the virus, and various factors including stagnant production activities due to the short supply of semiconductors and other components and the soaring prices of raw materials and fuels have made the future outlook quite unclear.

The impact of the waves of COVID-19 infections, stagnant production activities and soaring prices of raw materials and fuels on the Laox Group's businesses is still unpredictable. However, in the next fiscal year ending December 31, 2022, the Group will continue the structural reforms implemented in the consolidated fiscal year under review to increase profitability by establishing a business style that can steadily generate profit. In addition, the Group will endeavor to enhance products and provide services in its key segment, the retail business, while increasing synergy in Group organizations and creating new revenue sources.

Taking account of these conditions, the Company forecasts the consolidated performance for the next fiscal year ending December 31, 2022 as follows: net sales of 60,000 million yen (down 12.0% year on year), operating profit of 200 million yen (a loss of 2,846 million yen in the fiscal year under review), ordinary profit of 150 million yen (a loss of 2,151 million yen in the fiscal year under review), and profit attributable to owners of parent of 100 million yen (a loss of 7,110 million yen in the fiscal year under review).

The above results forecasts have been prepared based on information available to the Company as of the date of announcement of this document, and may differ from the actual results depending on various factors that will arise in the future.

(5) Significant Events, Etc. Concerning the Going Concern Assumption

In the consolidated fiscal year under review, the Laox Group posted an operating loss, ordinary loss and loss attributable to owners of parent, resulting in losses for four consecutive years. In the consolidated fiscal year under review, the deterioration of performance due to the COVID-19 pandemic has continued. Further, the uncertainty surrounding the economic environment has been prolonged as new COVID-19 variants have emerged and spread, leading countries to continue immigration restrictions with no clarity on the end of the pandemic.

Therefore, the Group recognizes that the current situation and events may lead to significant doubt about the Company's going concern assumption, and the Company has taken following measures to resolve and improve these and other significant events:

- (i) In the Domestic Retail Business, the Company has closed stores for inbound as the number of tourists visiting Japan from overseas, its major customers, has decreased significantly. In the meantime, it is working to develop new business category stores for domestic customers in Japan, enhance its products to meet customers' needs and create more attractive stores.

Also, by establishing a distribution network, the Company will seek to reduce merchandise storage costs, improve opportunity loss, and strengthen human resource development through DX and the streamlining of store management. The Company aims to expand sales and improve earnings by leveraging social media and its own e-commerce website content to advance initiatives to share information and acquire new customers in Japan.

- (ii) In the Overseas Business, in addition to the e-commerce website, physical stores have been opened to enable overseas customers unable to visit Japan to purchase nice Japanese items in China by actually seeing the products. Advocating the concept of LAOX SELECT, the Company intends to expand its profit base in China by deploying multiple stores.

In addition to the bonded warehouse operations started last year, the Overseas Business segment will enhance its business supporting Japanese companies entering the Chinese market and selling products throughout China, and also starts new businesses such as the supply of merchandise that is popular in China to Japan and selling them through the Group companies' sales networks.

- (iii) Regarding the Life & Fashion Business, in the gift sales business, there seem to be signs of a recovery of demand for wedding and Buddhist services-related gifts, which had been weak due to the pandemic, but the growth in the number and amount of return gifts is still stagnant. In this situation, the Company aims to stabilize profitability through thorough cost reduction by reforming distribution and reducing SG&A expenses.

In addition, the Company intends to secure sales and profits by accelerating the development of original products and expanding product categories and brands from those it handled conventionally to meet demand for products people are buying for themselves and casual gifts as well as to meet demand for formal gifts such as midyear and year-end gifts. The Company also intends to accelerate growth by concentrating more management resources on and prioritizing investment in the e-commerce business while swiftly placing new products from Laox as well as Shaddy on its e-commerce website leveraging sales information for product deployment through the nationwide sales store network.

- (iv) In the Asset Business, the Company is committed to improving profitability by continuously improving the efficiency of its currently operating facilities, proactively attracting tenants, introducing attractive content at the facilities and flexibly examining how the facilities should be used. In addition, the Company will proceed with the sale and conversion of idle properties of the Group to further improve profitability.
- (v) With the goal of increasing synergies across the Group, it will harness the functions and human resources of each Group company to supply products efficiently and leverage the distribution networks to reduce personnel expenses and SG&A expenses to improve total costs with maximized sales in each business for the steady improvement of profitability.

In addition to implementing the above measures, the Laox Group possessed cash and deposits of 10,819 million yen as of the end of the consolidated fiscal year ended December 31, 2021, which is considered to be sufficient for securing its financial stability. Accordingly, the Company believes that no significant uncertainties regarding the going concern assumption are found, and thus a note regarding this issue is not included in its consolidated financial statements.

2. Basic Stance on Selection of Accounting Standards

To sustain comparability of consolidated financial statements between companies, etc., the Group prepares consolidated financial statements under Japanese GAAP. The Group plans to examine application of the International Financial Reporting Standards (IFRS) in the future, based on consideration of a number of factors.

3. Consolidated Financial Statements and Important Notes

(1) Consolidated Balance Sheet

(Million yen)

	FY2020 (As of December 31, 2020)	FY2021 (As of December 31, 2021)
Assets		
Current assets		
Cash and deposits	12,857	10,819
Notes and accounts receivable - trade	16,579	15,341
Inventories	8,388	3,915
Short-term loans receivable	3,500	-
Other	3,365	3,897
Allowance for doubtful accounts	(312)	(934)
Total current assets	44,377	33,038
Non-current assets		
Property, plant and equipment		
Buildings and structures	13,579	10,665
Accumulated depreciation	(9,797)	(7,552)
Buildings and structures, net	3,782	3,112
Machinery, equipment and vehicles	7,682	7,700
Accumulated depreciation	(6,810)	(6,877)
Machinery, equipment and vehicles, net	871	823
Tools, furniture and fixtures	2,390	2,094
Accumulated depreciation	(2,231)	(1,899)
Tools, furniture and fixtures, net	159	195
Land	1,606	1,616
Leased assets	683	774
Accumulated depreciation	(644)	(518)
Leased assets, net	39	255
Total property, plant and equipment	6,459	6,003
Intangible assets		
Software	2,077	1,327
Other	287	261
Total intangible assets	2,365	1,588
Investments and other assets		
Investments in capital of subsidiaries and associates	2,352	2,366
Long-term loans receivable	121	3,290
Deferred tax assets	55	38
Retirement benefit asset	44	-
Leasehold and guarantee deposits	4,206	3,133
Investment property	3,064	-
Accumulated depreciation	(0)	-
Investment property, net	3,063	-
Other	1,185	1,116
Allowance for doubtful accounts	(772)	(3,885)
Total investments and other assets	10,257	6,059
Total non-current assets	19,082	13,652
Deferred assets		
Share issuance costs	62	29
Total deferred assets	62	29
Total assets	63,523	46,720

(Million yen)

	FY2020 (As of December 31, 2020)	FY2021 (As of December 31, 2021)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	9,618	8,356
Electronically recorded obligations - operating	2,218	1,937
Short-term borrowings	5,837	2,032
Accounts payable - other	2,818	3,265
Income taxes payable	489	520
Advances received	2,298	2,728
Provision for bonuses	69	175
Provision for point card certificates	102	90
Provision for loss from product warranty	14	14
Provision for loss on withdrawal from employees' pension fund	40	34
Provision for loss on subleases	146	44
Provision for loss on contracts	131	601
Other	4,822	2,180
Total current liabilities	28,610	21,984
Non-current liabilities		
Long-term borrowings	658	114
Deferred tax liabilities	1,422	625
Provision for retirement benefits for directors (and other officers)	45	48
Provision for loss on liquidation of subsidiaries and associates	53	62
Provision for loss on subleases	–	260
Provision for loss on contracts	–	432
Retirement benefit liability	1,470	1,185
Asset retirement obligations	1,514	806
Other	2,172	1,087
Total non-current liabilities	7,337	4,621
Total liabilities	35,947	26,605
Net assets		
Shareholders' equity		
Share capital	23,000	100
Capital surplus	19,303	42,499
Retained earnings	(13,547)	(20,657)
Treasury shares	(2,419)	(2,419)
Total shareholders' equity	26,335	19,521
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(5)	(3)
Foreign currency translation adjustment	471	581
Remeasurements of defined benefit plans	11	(37)
Total accumulated other comprehensive income	477	540
Share acquisition rights	16	5
Non-controlling interests	744	47
Total net assets	27,575	20,115
Total liabilities and net assets	63,523	46,720

(2) Consolidated Statement of Income and Consolidated Statement of Comprehensive Income

Consolidated statement of income

(Million yen)

	FY2020 (From January 1 to December 31, 2020)	FY2021 (From January 1 to December 31, 2021)
Net sales	82,988	68,149
Cost of sales	63,699	52,460
Gross profit	19,289	15,689
Selling, general and administrative expenses	22,648	18,535
Operating profit (loss)	(3,359)	(2,846)
Non-operating income		
Interest income	219	177
Share of profit of entities accounted for using equity method	–	124
Foreign exchange gains	4	531
Other	135	78
Total non-operating income	359	912
Non-operating expenses		
Interest expenses	146	89
Share of loss of entities accounted for using equity method	150	–
Amortization of share issuance costs	32	32
Rent expenses on land and buildings	61	48
Other	54	47
Total non-operating expenses	444	217
Ordinary profit (loss)	(3,444)	(2,151)
Extraordinary income		
Gain on sale of non-current assets	36	189
Subsidy income	216	78
Other	110	59
Total extraordinary income	363	327
Extraordinary losses		
Loss on sale of non-current assets	124	44
Loss on retirement of non-current assets	43	3
Impairment losses	939	157
Loss on structural reforms	10,234	1,305
Loss on store closings	1,152	186
Provision of allowance for doubtful accounts	–	2,531
Provision for loss on subleases	–	304
Provision for loss on contracts	131	995
Other	1,048	417
Total extraordinary losses	13,675	5,947
Profit (loss) before income taxes	(16,756)	(7,770)
Income taxes - current	118	106
Income taxes - deferred	(258)	(727)
Total income taxes	(139)	(621)
Profit (loss)	(16,616)	(7,149)
Profit (loss) attributable to non-controlling interests	25	(38)
Profit (loss) attributable to owners of parent	(16,641)	(7,110)

Consolidated statement of comprehensive income

(Million yen)

	FY2020 (From January 1 to December 31, 2020)	FY2021 (From January 1 to December 31, 2021)
Profit (loss)	(16,616)	(7,149)
Other comprehensive income		
Valuation difference on available-for-sale securities	42	4
Foreign currency translation adjustment	(51)	97
Remeasurements of defined benefit plans, net of tax	(3)	(50)
Share of other comprehensive income of entities accounted for using equity method	3	11
Total other comprehensive income	(8)	63
Comprehensive income (loss)	(16,624)	(7,085)
Comprehensive income attributable to		
Comprehensive income (loss) attributable to owners of parent	(16,648)	(7,047)
Comprehensive income (loss) attributable to non- controlling interests	23	(38)

(3) Consolidated Statement of Changes in Equity
FY2020 (From January 1 to December 31, 2020)

(Million yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	26,850	23,137	(4,590)	(2,419)	42,977
Changes during period					
Capital reduction	(3,850)	3,850			–
Deficit disposition		(7,685)	7,685		–
Profit (loss) attributable to owners of parent			(16,641)		(16,641)
Purchase of treasury shares				(0)	(0)
Net changes of items other than shareholders' equity					
Total changes during period	(3,850)	(3,834)	(8,956)	(0)	(16,641)
Balance at end of period	23,000	19,303	(13,547)	(2,419)	26,335

	Accumulated other comprehensive income				Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of period	(46)	519	12	484	18	740	44,221
Changes during period							
Capital reduction							–
Deficit disposition							–
Profit (loss) attributable to owners of parent							(16,641)
Purchase of treasury shares							(0)
Net changes of items other than shareholders' equity	41	(47)	(0)	(7)	(1)	4	(4)
Total changes during period	41	(47)	(0)	(7)	(1)	4	(16,645)
Balance at end of period	(5)	471	11	477	16	744	27,575

FY2021 (From January 1 to December 31, 2021)

(Million yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	23,000	19,303	(13,547)	(2,419)	26,335
Changes during period					
Capital reduction	(22,900)	22,900			–
Profit (loss) attributable to owners of parent			(7,110)		(7,110)
Purchase of treasury shares				(0)	(0)
Change in ownership interest of parent due to transactions with non-controlling interests		296			296
Net changes of items other than shareholders' equity					
Total changes during period	(22,900)	23,196	(7,110)	(0)	(6,814)
Balance at end of period	100	42,499	(20,657)	(2,419)	19,521

	Accumulated other comprehensive income				Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of period	(5)	471	11	477	16	744	27,575
Changes during period							
Capital reduction							–
Profit (loss) attributable to owners of parent							(7,110)
Purchase of treasury shares							(0)
Change in ownership interest of parent due to transactions with non-controlling interests							296
Net changes of items other than shareholders' equity	2	109	(48)	63	(11)	(697)	(646)
Total changes during period	2	109	(48)	63	(11)	(697)	(7,460)
Balance at end of period	(3)	581	(37)	540	5	47	20,115

(4) Consolidated Statement of Cash Flows

(Million yen)

	FY2020 (From January 1 to December 31, 2020)	FY2021 (From January 1 to December 31, 2021)
Cash flows from operating activities		
Profit (loss) before income taxes	(16,756)	(7,770)
Depreciation	1,685	1,363
Impairment losses	939	157
Increase (decrease) in allowance for doubtful accounts	(71)	3,326
Increase (decrease) in provision for bonuses	(1)	130
Increase (decrease) in retirement benefit liability	(400)	(141)
Increase (decrease) in provision for loss on subleases	-	304
Increase (decrease) in provision for loss on contracts	131	902
Interest and dividend income	(226)	(177)
Interest expenses	146	89
Share of loss (profit) of entities accounted for using equity method	150	(124)
Loss (gain) on valuation of investment securities	76	3
Loss (gain) on sale and retirement of property, plant and equipment	130	(141)
Subsidy income	(216)	(78)
Loss on structural reforms	10,234	1,305
Loss on cancellation of leases	153	-
Extra retirement payments	107	-
Decrease (increase) in trade receivables	2,716	1,175
Increase (decrease) in inventories	2,320	2,411
Increase (decrease) in trade payables	(1,625)	(1,866)
Decrease (increase) in accounts receivable - other	638	106
Increase (decrease) in accounts payable - other	454	362
Increase (decrease) in accrued consumption taxes	608	26
Other, net	435	(102)
Subtotal	1,631	1,263
Interest and dividends received	213	283
Interest paid	(118)	(104)
Subsidies received	216	78
Loss on cancellation of leases paid	(153)	-
Extra retirement payments	(107)	-
Loss on structural reforms paid	(232)	(522)
Income taxes paid	(25)	(71)
Net cash provided by (used in) operating activities	1,424	928

(Million yen)

	FY2020 (From January 1 to December 31, 2020)	FY2021 (From January 1 to December 31, 2021)
Cash flows from investing activities		
Payments into time deposits	(800)	(966)
Proceeds from withdrawal of time deposits	813	1,180
Purchase of property, plant and equipment	(1,192)	(716)
Proceeds from sale of property, plant and equipment	1,578	195
Purchase of intangible assets	(1,574)	(52)
Purchase of investment property	(121)	(477)
Proceeds from sale of investment property	-	2,950
Payments for sale of shares of subsidiaries resulting in change in scope of consolidation	-	(1,904)
Purchase of investments in capital of subsidiaries and associates	-	(85)
Payments for sale of businesses	-	(192)
Short-term loan advances	(4,436)	(44)
Proceeds from collection of short-term loans receivable	4,936	1,044
Long-term loan advances	(75)	-
Proceeds from collection of long-term loans receivable	-	372
Payments of leasehold and guarantee deposits	(288)	(141)
Proceeds from refund of leasehold and guarantee deposits	1,267	843
Payments for asset retirement obligations	(121)	(755)
Other, net	93	(36)
Net cash provided by (used in) investing activities	78	1,213
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(2,005)	(3,955)
Proceeds from long-term borrowings	400	-
Repayments of long-term borrowings	(1,223)	(12)
Repayments of lease obligations	(183)	(75)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	(24)	(200)
Other, net	(0)	41
Net cash provided by (used in) financing activities	(3,037)	(4,202)
Effect of exchange rate change on cash and cash equivalents	(49)	206
Net increase (decrease) in cash and cash equivalents	(1,584)	(1,853)
Cash and cash equivalents at beginning of period	13,684	12,100
Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation	-	-
Cash and cash equivalents at end of period	12,100	10,246

(5) Notes to Consolidated Financial Statements

(Notes on going concern assumption)

Not applicable

(Segment information, etc.)

[Segment information]

1. Overview of reporting segments

The Laox Group has the following four reporting segments: Domestic Retail Business, Overseas Business, Life & Fashion Business and Asset Business.

- Domestic Retail Business Business that sells foods, cosmetics and other items in domestic physical stores and online stores
- Overseas Business Business that mainly sells Japanese quality merchandise via various channels and networks, regardless of the channels being BtoC or BtoB, in-person or online to support exports, imports, global e-commerce, entering the Chinese market, and other businesses
- Life & Fashion Business Business that sells gift-related products via multiple sales channels
- Asset Business Business that operates and manages commercial complexes and restaurants, operates and manages cultural events, and implements and mediates the purchase and sale of real estate

2. Calculation methods for net sales, profit/loss, assets, liabilities and other items by reporting segment

The profit of reporting segments is based on operating profit. Internal sales or transfers between segments are generally based on market prices.

3. Information about net sales, profit/loss, assets, liabilities and other items by segment

FY2020 (from January 1 to December 31, 2020)

(Million yen)

	Reporting segment				Total	Amount of adjustment Note: 1	Amount reported in consolidated statement of income Note: 2
	Domestic Retail Business	Overseas Business	Life & Fashion Business	Asset Business			
Net sales							
Sales to external clients	6,429	20,498	48,429	7,631	82,988	-	82,988
Internal sales or transfers between segments	104	-	175	39	319	(319)	-
Total	6,533	20,498	48,604	7,671	83,308	(319)	82,988
Segment profit (loss)	(1,505)	268	318	(1,233)	(2,151)	(1,207)	(3,359)
Segment assets	4,563	10,261	27,721	4,259	46,805	16,717	63,523
Depreciation	270	47	1,281	83	1,683	2	1,685
Increase in property, plant and equipment and intangible assets	320	6	2,497	164	2,989	59	3,049

(Notes) 1. Segment loss adjustment of 1,207 million yen includes elimination of inter-segment transactions of 14 million yen and whole company expenses not divided into each reporting segment of 1,222 million yen. Whole company expenses mainly consist of personnel expenses and general management expenses not belonging to reporting segments. Segment asset adjustment of 16,717 million yen includes elimination of inter-segment transactions of -7,828 million yen and whole company assets not divided into each reporting segment of 24,546 million yen. Whole company assets mainly consist of the Company's cash and deposits and investment securities, and equipment shared by the whole company. Adjustment of depreciation of 2 million yen and adjustment of an increase in property, plant and equipment and intangible assets of 59 million yen are all related to whole company assets.

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

FY2021 (from January 1 to December 31, 2021)

(Million yen)

	Reporting segment				Total	Amount of adjustment Note: 1	Amount reported in consolidated statement of income Note: 2
	Domestic Retail Business	Overseas Business	Life & Fashion Business	Asset Business			
Net sales							
Sales to external clients	2,989	18,097	42,721	4,341	68,149	–	68,149
Internal sales or transfers between segments	28	19	112	3	164	(164)	–
Total	3,017	18,117	42,833	4,344	68,313	(164)	68,149
Segment profit (loss)	(853)	(581)	670	(887)	(1,652)	(1,194)	(2,846)
Segment assets	1,791	7,869	23,589	4,869	38,120	8,600	46,720
Depreciation	28	72	1,207	37	1,347	15	1,363
Increase in property, plant and equipment and intangible assets	102	290	142	437	972	28	1,000

(Notes) 1. Segment loss adjustment of 1,194 million yen includes elimination of inter-segment transactions of 107 million yen and whole company expenses not divided into each reporting segment of 1,301 million yen. Whole company expenses mainly consist of personnel expenses and general management expenses not belonging to reporting segments. Segment asset adjustment of 8,600 million yen includes elimination of inter-segment transactions of -10,772 million yen and whole company assets not divided into each reporting segment of 19,373 million yen. Whole company assets mainly consists of the Company's cash and deposits, investment securities and equipment shared by the whole company. Adjustment of depreciation of 15 million yen and adjustment of an increase in property, plant and equipment and intangible assets of 28 million yen are all related to whole company assets.

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

4. Matters concerning changes in reporting segments, etc.

In response to changes in the business environment caused primarily by the COVID-19 pandemic, the Group has been working to bolster the profitability of the retail business that is its foundation and to strengthen its business foundations through the pursuit of specialization. Aiming for more appropriate disclosure of management information, as a result of a review of the classifications for managing financial performance within the Group, it has decided to change the reporting segments to Domestic Retail Business, Overseas Business, Life & Fashion Business, and Asset Business from the consolidated fiscal year under review.

The segment information for the previous fiscal year has been recalculated accordingly.

(Per share information)

	FY2020 (From January 1 - December 31, 2020)	FY2021 (From January 1 - December 31, 2021)
Net assets per share	293.31 yen	219.46 yen
Profit (loss) per share	(182.04) yen	(77.78) yen
Diluted profit per share	–	–

(Note) 1. Diluted profit per share is not stated because the Company posted a loss per share.

4. Non-Consolidated Financial Statements

(1) Non-Consolidated Balance Sheet

(Million yen)

	FY2020 (As of December 31, 2020)	FY2021 (As of December 31, 2021)
Assets		
Current assets		
Cash and deposits	7,566	6,788
Accounts receivable - trade	3,225	2,964
Inventories	1,842	176
Advance payments to suppliers	172	175
Prepaid expenses	215	211
Short-term loans receivable	3,500	-
Accounts receivable - other	455	1,498
Other	669	1,254
Allowance for doubtful accounts	(306)	(291)
Total current assets	17,340	12,777
Non-current assets		
Property, plant and equipment		
Buildings	254	198
Vehicles	0	0
Tools, furniture and fixtures	0	19
Land	134	388
Total property, plant and equipment	388	607
Intangible assets	0	0
Investments and other assets		
Investment securities	119	117
Shares of subsidiaries and associates	3,846	4,497
Investments in capital of subsidiaries and associates	2,574	2,608
Long-term loans receivable	120	3,290
Long-term loans receivable from subsidiaries and associates	3,502	2,577
Distressed receivables	1,558	2,007
Long-term accounts receivable - other	1,968	2,205
Leasehold and guarantee deposits	3,365	2,329
Investment property	3,065	-
Other	304	278
Allowance for doubtful accounts	(5,271)	(8,836)
Total investments and other assets	15,154	11,076
Total non-current assets	15,543	11,684
Deferred assets		
Share issuance costs	60	28
Total deferred assets	60	28
Total assets	32,944	24,490

(Million yen)

	FY2020 (As of December 31, 2020)	FY2021 (As of December 31, 2021)
Liabilities		
Current liabilities		
Accounts payable - trade	228	341
Short-term borrowings	2,276	800
Accounts payable - other	1,166	2,056
Accrued expenses	945	597
Income taxes payable	333	313
Advances received	80	597
Deposits received	186	171
Provision for bonuses	42	45
Provision for point card certificates	13	4
Provision for loss from product warranty	14	14
Provision for loss on withdrawal from employees' pension fund	40	34
Provision for loss on subleases	146	44
Provision for loss on contracts	131	601
Asset retirement obligations	–	194
Other	106	68
Total current liabilities	5,713	5,885
Non-current liabilities		
Deferred tax liabilities	199	1
Provision for retirement benefits	434	416
Provision for retirement benefits for directors (and other officers)	43	43
Provision for loss on liquidation of subsidiaries and associates	471	351
Provision for loss on subleases	–	260
Provision for loss on contracts	–	432
Asset retirement obligations	1,451	758
Other	1,101	1,302
Total non-current liabilities	3,702	3,566
Total liabilities	9,415	9,451
Net assets		
Shareholders' equity		
Share capital	23,000	100
Capital surplus		
Legal capital surplus	19,289	19,289
Other capital surplus	13	22,913
Total capital surplus	19,303	42,203
Retained earnings		
Other retained earnings		
Retained earnings brought forward	(16,363)	(24,846)
Total retained earnings	(16,363)	(24,846)
Treasury shares	(2,419)	(2,419)
Total shareholders' equity	23,519	15,036
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	(7)	(3)
Total valuation and translation adjustments	(7)	(3)
Share acquisition rights	16	5
Total net assets	23,529	15,039
Total liabilities and net assets	32,944	24,490

(2) Non-Consolidated Statement of Income

(Million yen)

	FY2020 (From January 1 to December 31, 2020)	FY2021 (From January 1 to December 31, 2021)
Net sales	17,818	12,216
Cost of sales	14,452	10,661
Gross profit	3,365	1,555
Selling, general and administrative expenses	6,344	5,043
Operating profit (loss)	(2,978)	(3,488)
Non-operating income		
Interest income	273	250
Dividend income	–	124
Foreign exchange gains	56	318
Reversal of allowance for doubtful accounts	–	96
Other	23	5
Total non-operating income	353	795
Non-operating expenses		
Interest expenses	34	16
Amortization of share issuance costs	31	31
Provision of allowance for doubtful accounts	1,909	–
Rent expenses on land and buildings	61	38
Other	22	19
Total non-operating expenses	2,059	106
Ordinary profit (loss)	(4,683)	(2,799)
Extraordinary income		
Gain on sale of non-current assets	4	274
Reversal of provision for loss on liquidation of subsidiaries and associates	–	79
Other	208	79
Total extraordinary income	213	433
Extraordinary losses		
Impairment losses	490	107
Loss on structural reforms	8,051	1,305
Loss on store closings	927	163
Provision of allowance for doubtful accounts	–	2,531
Provision for loss on subleases	–	304
Provision for loss on contracts	131	995
Loss on extinguishment of tie-in shares	–	500
Loss on valuation of shares of subsidiaries and associates	1,243	–
Loss on liquidation of subsidiaries and associates	306	–
Other	513	385
Total extraordinary losses	11,666	6,293
Profit (loss) before income taxes	(16,136)	(8,659)
Income taxes - current	29	21
Income taxes - deferred	197	(198)
Total income taxes	226	(176)
Profit (loss)	(16,363)	(8,482)

(3) Non-Consolidated Statement of Changes in Equity
 FY2020 (From January 1 - December 31, 2020)

(Million yen)

	Shareholders' equity							
	Share capital	Capital surplus			Retained earnings		Treasury shares	Total shareholders' equity
		Legal capital surplus	Other capital surplus	Total capital surplus	Other retained earnings	Total retained earnings		
					Retained earnings brought forward			
Balance at beginning of period	26,850	23,123	13	23,137	(7,685)	(7,685)	(2,419)	39,883
Changes during period								
Capital reduction	(3,850)	(3,834)	7,685	3,850				–
Deficit disposition			(7,685)	(7,685)	7,685	7,685		–
Profit (loss)					(16,363)	(16,363)		(16,363)
Purchase of treasury shares							(0)	(0)
Net changes of items other than shareholders' equity								
Total changes during period	(3,850)	(3,834)	–	(3,834)	(8,678)	(8,678)	(0)	(16,363)
Balance at end of period	23,000	19,289	13	19,303	(16,363)	(16,363)	(2,419)	23,519

	Valuation and translation adjustments		Share acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Total valuation and translation adjustments		
Balance at beginning of period	(25)	(25)	18	39,876
Changes during period				
Capital reduction				–
Deficit disposition				–
Profit (loss)				(16,363)
Purchase of treasury shares				(0)
Net changes of items other than shareholders' equity	18	18	(1)	16
Total changes during period	18	18	(1)	(16,347)
Balance at end of period	(7)	(7)	16	23,529

	Shareholders' equity							
	Share capital	Capital surplus			Retained earnings		Treasury shares	Total shareholders' equity
		Legal capital surplus	Other capital surplus	Total capital surplus	Other retained earnings	Total retained earnings		
					Retained earnings brought forward			
Balance at beginning of period	23,000	19,289	13	19,303	(16,363)	(16,363)	(2,419)	23,519
Changes during period								
Capital reduction	(22,900)		22,900	22,900				-
Profit (loss)					(8,482)	(8,482)		(8,482)
Purchase of treasury shares							(0)	(0)
Net changes of items other than shareholders' equity								
Total changes during period	(22,900)	-	22,900	22,900	(8,482)	(8,482)	(0)	(8,482)
Balance at end of period	100	19,289	22,913	42,203	(24,846)	(24,846)	(2,419)	15,036

	Valuation and translation adjustments		Share acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Total valuation and translation adjustments		
Balance at beginning of period	(7)	(7)	16	23,529
Changes during period				
Capital reduction				-
Profit (loss)				(8,482)
Purchase of treasury shares				(0)
Net changes of items other than shareholders' equity	4	4	(11)	(7)
Total changes during period	4	4	(11)	(8,489)
Balance at end of period	(3)	(3)	5	15,039