Summary of (Consolidated) Financial Statements for the Q1 Term of Fiscal Year Ending December 31, 2022 (Japanese Standards)

May 13, 2022

Listed company:	Laox Co., LTD.	Stock exchange: Tokyo Stock Exchange	
Code:	8202	URL: https://www.laox.co.jp	
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Planned Submission Date for the Quarterly Report:	May 13, 2022
Planned Starting Date for Dividend Payments:	—
Supplementary Documents for Quarterly Results:	No
Quarterly Results Briefing:	No

(Rounded down to nearest million yen)

1. Consolidated Results for the Q1 term of FY2022 (January 1, 2022 to March 31, 2022)

(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	%
Q1 of FY2022	12,019	(21.3)	(62)	–	131	–	464	–
Q1 of FY2021	15,271	(30.3)	(1,367)	–	(1,007)	–	(778)	–

(Note) Comprehensive income Q1 of FY2022: 527 million yen (–%) Q1 of FY2021: (734) million yen (–%)

	Profit per share	Diluted profit per share
	Yen	Yen
Q1 of FY2022	5.08	–
Q1 of FY2021	(8.52)	–

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
Q1 of FY2022	37,701	20,704	54.9
FY2021	46,720	20,115	42.9

(For reference) Shareholders' equity Q1 of FY2022: 20,698 million yen FY2021: 20,062million yen

2. Dividends

	Dividends per share				
	End of Q1	End of Q2	End of Q3	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
FY2021	–	–	–	0.00	0.00
FY2022	–				
FY2022 (forecast)		–	–	0.00	0.00

(Note) Revision to the forecast publicized most recently: No

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) Revision to the forecast publicized most recently: No

Notes

(1) Important changes in subsidiaries in the first quarter under review (changes in specified subsidiaries resulting in changes in scope of consolidation): No

(2) Application of accounting specific to the preparation of quarterly consolidated financial statements: No

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

(i)	Changes in accounting policy due to revisions to accounting standards etc.:	Yes
(ii)	Changes in accounting policy other than those in (i):	Yes
(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):	Q1 of FY2022	93,335,103
		FY2021	93,335,103
(ii)	Number of shares of treasury stock at the end of period:	Q1 of FY2022	1,918,379
		FY2021	1,918,369
(iii)	Average number of issued shares during period (from the beginning of fiscal year)	Q1 of FY2022	91,416,733
		Q1 of FY2021	91,416,754

This summary of quarterly consolidated financial statements falls outside the scope of the quarterly review 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.

○ **Contents of attached document**

1. Qualitative Information on Consolidated Results

(1) Explanation of operating results

During the first quarter of the fiscal year under review, the Japanese economy continued to face an uncertain economic environment, with the spread of infections caused by new variant of COVID-19 despite the start of the third round of vaccination against new coronavirus infections, and the continuation of the zero-COVID-19 policy with no prospect yet for a convergence of the pandemic in China.

In the retail industry, in which Laox Co., LTD. (the "Company") operates its core businesses, the number of customers has shown a recovery trend following the full lifting of priority measures to prevent the spread of disease in late March, and consumption expenditure is increasing overall, but the situation remains difficult, with fuel and utility costs increasing due to soaring resource prices, while expenditure on food and daily necessities is on a downward trend.

In this difficult environment, Laox Group has worked on thorough cost control to improve its profit and promoted strengthening and streamlining of its business base through the pursuit of specialization. In addition, Preparations have been made for the transition to a holding company as resolved at the 46th Annual General Meeting of Shareholders.

Based on the above, consolidated net sales for the first quarter of the fiscal year under review decreased 21.3% year on year to 12,019 million yen. Nevertheless, the effect of structural reforms continuing from the previous year contributed to a significant improvement in the Group's profit structure and helped reduce losses. The operating loss was 62 million yen (a loss of 1,367 million yen in the same period of the previous year), the ordinary profit was 131 million yen (a loss of 1,007 million yen in the same period of the previous year), and the profit attributable to owners of parent was 464 million yen (a loss of 778 million yen in the same period of the previous year).

As a change in accounting policy, the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, 31 March 2020) and other standards were applied from the beginning of the first quarter of the current financial year. Therefore, year-on-year comparisons are based on figures calculated according to this newly applied standards. For more information, see 2. Quarterly Consolidated Financial Statements and Important Notes (3 Notes to the quarterly consolidated financial statement (Changes in accounting policy, etc.)

The operating results of each business segment are detailed below. The business segments reported as reporting segments have been revised in the first quarter of the fiscal year under review, and a comparative analysis of the first quarter of the fiscal year under review is based on the segments after the revision.

(Retail Business)

In the gift sales business, there were signs of recovery in terms of demand for wedding and Buddhist ceremonies, but the situation remained flat in terms of demand for return gifts. On the other hand, sales remained strong, driven overall by the acquisition of one-off deals such as point redemption.

In the directly managed shop business, the LAOX BEAUTY AIRPORT Kichijoji shop, the second shop specializing in Asian cosmetics, was opened in January.

Based on the above, segment net sales for the first quarter of the fiscal year under review decreased 7.7% year on year to 8,075 million yen. Although sales in the previous year were lower because they included sales from the shoe business, whose shares were transferred in last April, and from inbound shops that were closed after last August, the segment's loss improved significantly as a result of structural reforms implemented in the previous year, such as the closure of inbound shops. In addition to the effects of the structural reforms implemented in the previous year, such as the closure of inbound stores, the effect of an improved margin mix of products sold and ongoing cost control of distribution and SG&A expenses resulted in a significant improvement in the loss amount, with a segment loss of 219 million yen (a loss of 741 million yen in the same period of the previous year).

(Overseas Business)

In the overseas business, sales of the company's subsidiary in China decreased due to the impact of restrictions due to the zero-COVID-19 policy, restaurant closures, and delays and disruptions in the logistics network, as well as tighter credit controls on major customers.

In the business to China, demand for small household appliances and games consoles increased as a result of increased home time in China, but sales declined due to the stagnation of international logistics that has continued since last year.

Based on the above, segment net sales for the first quarter of the fiscal year under review decreased 59.4% year on year to 2,298 million yen, with a segment loss of 86 million yen (a profit of 111 million yen in the same period of the previous year).

(Asset & Service Business)

While the Asset & Service Business continued to streamline the commercial facilities under its management and sell idle properties of the Group, due to the semi-emergency coronavirus measures to prevent the rising back of the pandemic, the number of customers visiting the commercial facilities and restaurants operated by the company was in sluggish growth.

On the other hand, the closing of real estate sales projects, which had been delayed, was achieved during the first quarter of the fiscal year under review, resulted in a growth of the sales.

As a result, net sales for the first quarter of the fiscal year under review increased 90.5% from the first quarter of the fiscal year under review, to 1,645 million yen, and the segment profit was 533 million yen (a loss of 388 million yen in the same period of the previous year).

(2) Explanation of financial conditions

(Assets)

Total assets at the end of the first quarter of the fiscal year under review amounted to 37,701 million yen (46,720 million yen at the end of the previous fiscal year). The decrease in total assets was attributable primarily to decreases of 1,885 million yen in cash and deposits, 5,863 million yen in notes and accounts receivable-trade and 603 million yen in other current.

(Liabilities)

Total liabilities came to 16,997 million yen (26,605 million yen at the end of the previous fiscal year). The decrease in liabilities was attributable primarily to decreases of 4,366 million yen in notes and accounts payable-trade, 1,522 million yen in short-term borrowings and 2,265 million yen in other current liabilities.

(Net assets)

Total assets came to 20,704 million yen (20,115 million yen at the end of the previous fiscal year). The increase in net assets resulted principally from an increase of 570 million yen in retained earnings.

(3) Explanation of future predictive information such as consolidated results forecasts, etc.

No revisions have been made to the consolidated forecasts (published on 10 February 2022). The forecasts are based on information available at the present time and actual information may differ from the forecasts due to various factors.

2. Quarterly Consolidated Financial Statements and Important Notes

(1) Quarterly consolidated balance sheet

(Million yen)

	FY2021 (As of December 31, 2021)	First quarter of FY2022 (As of March 31, 2022)
Assets		
Current assets		
Cash and deposits	10,819	8,933
Notes and accounts receivable - trade	15,341	9,477
Inventories	3,915	3,904
Other	3,897	3,293
Allowance for doubtful accounts	(934)	(874)
Total current assets	33,038	24,734
Non-current assets		
Property, plant and equipment	6,003	5,747
Intangible assets	1,588	1,399
Investments and other assets		
Other	9,945	9,678
Allowance for doubtful accounts	(3,885)	(3,881)
Total investments and other assets	6,059	5,797
Total non-current assets	13,652	12,944
Deferred assets	29	21
Total assets	46,720	37,701

(Million yen)

	FY2021 (As of December 31, 2021)	First quarter of FY2022 (As of March 31, 2022)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	8,356	3,989
Electronically recorded obligations - operating	1,937	1,872
Short-term borrowings	2,032	509
Income taxes payable	520	67
Provisions	359	196
Provision for contract losses	601	464
Other	8,174	5,909
Total current liabilities	21,984	13,009
Non-current liabilities		
Long-term borrowings	114	107
Provisions	370	354
Provision for contract losses	432	387
Retirement benefit liability	1,185	1,131
Asset retirement obligations	806	449
Other	1,712	1,556
Total non-current liabilities	4,621	3,987
Total liabilities	26,605	16,997
Net assets		
Shareholders' equity		
Capital	100	100
Capital surplus	42,499	42,499
Retained earnings	(20,657)	(20,087)
Treasury shares	(2,419)	(2,419)
Total shareholders' equity	19,521	20,092
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(3)	(0)
Foreign currency translation adjustment	581	641
Remeasurements of defined benefit plans	(37)	(34)
Total accumulated other comprehensive income	540	606
Share acquisition rights	5	5
Non-controlling interests	47	—
Total net assets	20,115	20,704
Total liabilities and net assets	46,720	37,701

(2) Quarterly consolidated statement of income and quarterly consolidated statement of comprehensive income

Quarterly consolidated statement of income

First quarter

(Million yen)

	First quarter of FY2021 (From January 1 to March 31, 2021)	First quarter of FY2022 (From January 1 to March 31, 2022)
Net sales	15,271	12,019
Cost of sales	11,930	8,452
Gross profit	3,341	3,567
Selling, general and administrative expenses	4,708	3,629
Operating profit (loss)	(1,367)	(62)
Non-operating income		
Interest income	56	5
Share of profit of entities accounted for using equity method	40	—
Foreign exchange gains	343	218
Other	11	14
Total non-operating income	452	237
Non-operating expenses		
Interest expenses	33	9
Share of loss of entities accounted for using equity method	—	21
Other	58	13
Total non-operating expenses	92	44
Ordinary profit (loss)	(1,007)	131
Extraordinary income		
Gain on reversal of asset retirement obligations	–	334
Subsidy income	11	16
Other	20	7
Total extraordinary income	31	358
Extraordinary losses		
Loss on liquidation of stores	4	36
Loss on suspension of store operations	21	7
Other	6	7
Total extraordinary losses	32	50
Profit (loss) before income taxes	(1,009)	439
Total income taxes	(189)	(22)
Profit (loss)	(819)	461
Profit (loss) attributable to non-controlling interests	(41)	(2)
Profit (loss) attributable to owners of parent	(778)	464

Quarterly consolidated statement of comprehensive income

First quarter

(Million yen)

	First quarter of FY2021 (From January 1 to March 31, 2021)	First quarter of FY2022 (From January 1 to March 31, 2022)
Profit (loss)	(819)	461
Other comprehensive income		
Valuation difference on available-for-sale securities	55	2
Foreign currency translation adjustment	54	64
Remeasurements of defined benefit plans, net of tax	(21)	2
Share of other comprehensive income of entities accounted for using equity method	(3)	(4)
Total other comprehensive income	84	65
Comprehensive income	(734)	527
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(694)	530
Comprehensive income attributable to non-controlling interests	(40)	(2)

(3) Notes to the quarterly consolidated financial statement

(Explanatory notes regarding assumption of going concern)

Not applicable

(Explanatory notes in case of remarkable change in monetary amount of shareholders' equity)

Not applicable

(Changes in accounting policies, etc.)

(Application of accounting standards for revenue recognition)

The Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, 31 March 2020. ("Accounting Standard for Revenue Recognition"). etc. was applied from the beginning of the first quarter of the current financial year and revenue is recognized at the point in time when control of the promised goods or services is transferred to the customer, in the amount expected to be received in exchange for those goods or services.

As a result, for export sales, the Group previously recognized revenue on the date of acceptance but has changed to a method whereby revenue is recognized when the risk burden is transferred to the customer, following the trade terms stipulated by Incoterms and other regulations. For the unused portion of gift certificates issued, the Group has changed to a method whereby revenue is recognized on a pro-rata basis based on the expected recovery rate of the portion expected to be used, or when it is extremely unlikely that the customer will exercise the right.

The cumulative effect of the retrospective application of the new accounting policy before the beginning of the first quarter of the current financial year has been added to or deducted from retained earnings at the beginning of the first quarter of the current financial year, following the transitional treatment set out in the proviso of paragraph 84 of the Accounting Standard for Revenue Recognition and other relevant standards. The cumulative effect of the retrospective application of the new accounting policies before the beginning of the first quarter of the current financial year has been added to or deducted from retained earnings at the beginning of the first quarter of the current financial year, and the new accounting policies have been applied from this opening balance.

As a result, sales for the first quarter of the current financial year increased by 88 million yen, but the impact on operating loss, ordinary income and income before income taxes and minority interests was negligible. In addition, the balance of retained earnings at the beginning of the period increased by 105 million yen.

Following the transitional treatment set out in paragraphs 28-15 of the Accounting Standard for Quarterly Financial Statements (ASBJ Statement No. 12, 31 March 2020), information disaggregating revenue from contracts with customers for the first quarter of the previous financial year is not presented.

(Application of accounting standards for the calculation of market value)

'Accounting Standard for Fair Value Calculation' (ASBJ Statement No. 30, 4 July 2019. ('Accounting Standard for Fair Value Calculation'). Others are applied from the beginning of the first quarter of the current financial year, as stipulated in paragraph 19 of the Accounting Standard for Fair Value Calculation and paragraphs 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, 4 July 2019). Following the transitional treatment, the new accounting policies stipulated by the Accounting Standard for Fair Value Calculation are to be applied prospectively. There is no impact on the quarterly consolidated financial statements.

(Changes to the method of calculating tax expenses)

Previously, tax expenses were calculated by reasonably estimating the effective tax rate after the application of tax-effect accounting to profit before tax for the consolidated financial year and multiplying the profit before tax by this estimated effective tax rate, but from the first quarter of the current financial year, this has been calculated using the same method as for the annual accounts. From the first quarter of the current financial year, the method has been changed to a method similar to that used in the annual accounts. This change was made with the aim of more accurately reflecting tax expenses corresponding to the quarterly consolidated cumulative period, following the application of the consolidated tax payment system from the first quarter of the current financial year.

The change in accounting policy has been applied retrospectively, but the impact on the quarterly consolidated financial statements and per share information for the first quarter of the previous year when applied retrospectively is not material, so the financial statements for the first quarter of the previous year are the same as the previous quarterly consolidated financial statements.

(Segment information, etc.)

[Segment information]

I. First quarter of FY2021 (from January 1 to March 31, 2021)

1. Information concerning monetary amount of sales and profit or loss of each reporting segment (Million yen)

	Reporting segment			Total	Amount of adjustment Note: 1	Amount reported in quarterly consolidated statement of income Note: 2
	Retail Business	Overseas Business	Asset & Service Business			
Sales						
Sales to extremal clients	8,745	5,662	864	15,271	—	15,271
Internal sales or transfers between segments	13	—	2	16	(16)	—
Total	8,758	5,662	866	15,288	(16)	15,271
Segment profit (loss)	(741)	111	(338)	(968)	(398)	(1,367)

(Notes)1. Segment loss adjustment of (398) million yen includes elimination of inter-segment transactions of 22 million yen and whole company expenses not divided into each reporting segment of (421) million yen. Whole company expenses mainly consist of personnel expenses and general management expenses not belonging to reporting segments.

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

II. First quarter of FY2022 (from January 1 to March 31, 2022)

1. Information concerning monetary amount of sales and profit or loss of each reporting segment (Million yen)

	Reporting segment			Total	Amount of adjustment Note: 1	Amount reported in quarterly consolidated statement of income Note: 2
	Retail Business	Overseas Business	Asset & Service Business			
Sales						
Sales to extremal clients	8,075	2,298	1,645	12,019	—	12,019
Internal sales or transfers between segments	9	3	—	12	(12)	—
Total	8,085	2,301	1,645	12,032	(12)	12,019
Segment profit (loss)	(219)	(86)	533	227	(289)	(62)

(Notes)1. Segment loss adjustment of (298) million yen includes elimination of inter-segment transactions of 37 million yen and whole company expenses not divided into each reporting segment of (327) million yen. Whole company expenses mainly consist of personnel expenses and general management expenses not belonging to reporting segments.

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

2. Matters concerning changes in reporting segments, etc.

As a result of a review of appropriate management information disclosure categories and internal performance management categories and names in light of changes in the business environment, the Group decided to change its reporting segments to Retail, Overseas and Asset & Service Business. Segment information for the first quarter of the previous year is presented based on the classification method after the change.

In addition, as stated in the Changes in Accounting Policies section, from the beginning of the first quarter of the current financial year, the Group has applied the Accounting Standard for Revenue Recognition and changed its accounting method for revenue recognition, and has therefore similarly changed the method for calculating sales and profit or loss amounts for reportable segments. As a result of this change, sales in the Overseas Business segment increased by 101 million yen and sales in the Asset & Service Business segment decreased by 12 million yen in the first quarter of the current financial year compared with the previous method. The impact on each segment profit or loss is negligible.

3. Other

Significant events, etc. concerning the going concern assumption

Laox Group has recorded operating losses for four consecutive quarters, and there are circumstances that may cast significant doubt on the Group's ability to continue as a going concern. However, the Group has cash and deposits of 8,933 million yen at the end of the first quarter of the current financial year and has secured the necessary working capital, and has implemented the following measures to eliminate this material event.

- In the Retail Business, we aim to increase sales and earnings by expanding product categories and brands not previously handled and by accelerating the development of original products, and we will also accelerate growth by further concentrating management resources on the EC business and prioritizing investment, for example by quickly launching new products on the EC site and using sales information for the launch of products at sales outlets nationwide. At the same time, directly-operated shops will expand the range of products that meet customer needs, reduce product storage costs by establishing a logistics network, improve opportunity losses, and strengthen human resources development using DX. We will strengthen human resource development using DX, improve the efficiency of shop operations and accelerate efforts to expand the number of new shop openings.

- In the Overseas Business, the Group has been affected by the action restrictions imposed by the Zero COVID-19 Policy in China, which has resulted in the closure of some logistics warehouses. In addition, the Group will supply products with superior design that are popular in China to Japan and promote sales through the sales networks of the Group's companies in order to generate sales and earnings.

- In the Asset & Service Business, the Group is working to further improve profitability by actively attracting and replacing tenants with the ability to attract customers at the facilities it operates, and by further reducing costs.

- In order to increase synergies across the Group's organization, the Group is working to improve profitability by maximizing the functions and human resources of each Group company, efficiently supplying products and utilizing the logistics network to continuously control costs for labor and logistics and maximize sales in each business.

Based on the above, the Group believes that there is no material uncertainty regarding the going concern assumption.