# Summary of (Consolidated) Financial Statements for the Q2 Term of Fiscal Year Ending December 31, 2022 (Japanese Standards)

August 12, 2022


| | | | |
|---|---|---|---|
| Listed company: | Laox Co., LTD. | Stock exchange: Tokyo Stock Exchange | |
| Code: | 8202 | URL: https://www.laox.co.jp | |
| Representative: | (Title) President and Representative Director | | (Name) Kensaku Iida |
| For inquiries, contact: | (Title) Vice Division Director of Corporate Division | | (Name) Daisuke Ikeuchi<br>TEL: +81-3-5405-8859 |


| | |
|---|---|
| Planned Submission Date for the Quarterly Report: | August 12, 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 Q2 term of FY2022 (January 1, 2022 to June 30, 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 | % |
| Q2 of FY2022 | 24,124 | (21.7) | (492) | – | (145) | – | (41) | – |
| Q2 of FY2021 | 30,808 | (18.8) | (2,303) | – | (1,875) | – | (2,616) | – |

(Note) Comprehensive income Q2 of FY2022: 84 million yen (–%) Q2 of FY2021: (2,608) million yen (–%)

| | Profit per share | Diluted profit per share |
|---|---|---|
| | Yen | Yen |
| Q2 of FY2022 | (0.45) | – |
| Q2 of FY2021 | (28.62) | – |

(2) Consolidated financial position

| | Total assets | Net assets | Equity ratio |
|---|---|---|---|
| | Million yen | Million yen | % |
| Q2 of FY2022 | 39,708 | 20,261 | 51.0 |
| FY2021 | 46,720 | 20,115 | 42.9 |

(For reference) net worth Q2 of FY2022: 20,256 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): | Q2 of FY2022 | 93,335,103 |
| | | FY2021 | 93,335,103 |
| (ii) | Number of shares of treasury stock at the end of period: | Q2 of FY2022 | 1,918,379 |
| | | FY2021 | 1,918,369 |
| (iii) | Average number of issued shares during period (from the beginning of fiscal year) | Q2of FY2022 | 91,416,729 |
| | | Q2 of FY2021 | 91,416,745 |

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** ........ 2

(1) Explanation of operating results ........ 2

(2) Explanation of financial conditions ........ 3

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

**2. Quarterly Consolidated Financial Statements and Important Notes** ........ 4

(1) Quarterly consolidated balance sheet ........ 4

(2) Quarterly consolidated statement of income and quarterly consolidated statement of comprehensive income ........ 6

(3) Notes to the quarterly consolidated financial statement ........ 8

(Notes on going concern assumption) ........ 8

(Note to significant changes in shareholders' equity) ........ 8

(Changes in accounting policy, etc.) ........ 8

(Segment information, etc.) ........ 9

**3. Other** ........ 10

Significant events, etc. concerning the going concern assumption ........ 10

## 1. Qualitative Information on Consolidated Results

(1) Explanation of operating results

During the first half of the year under review, the Japanese economy saw the lifting of restrictions on activities associated with COVID-19 and a gradual normalisation of economic activity. However, the outlook for the economic environment remains uncertain due to factors such as the lack of prospects for the end of the pandemic, soaring prices of energy resources and the rising cost of living due to the weakening of the yen.

In this difficult environment, Laox Group is committed on further strengthening its organisational functions, increasing efficiency and maximising Group synergies, while working on thorough cost control to improve profitability and strengthening its business base through the pursuit of specialisation.

In the first half of the year under review, consolidated net sales amounted to 24,124 million yen (-21.7% year-on-year), with the Asset Services Business experiencing real estate sales projects, while the Overseas Business was severely restricted in its economic activities due to the lockdown in Shanghai, China.

On the other hand, in terms of profit and loss, although the gross profit margin improved due to the effects of structural reforms that have been continuously implemented since last year, the Group recorded an operating loss of 492 million yen (a loss of 2,303 million yen in the same period last year), an ordinary loss of 145 million yen (a loss of 1,875 million yen in the same period last year) and a net loss attributable to owners of the parent of 41 million yen (a loss of 2,616 million yen in the same period last 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 (4 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 second 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. In addition to sales of in-store inventory to member stores for mid-year gift demand, sales of e-commerce sales also exceeded the previous year's level, and spot orders such as point exchange during the first quarter (January-March) also contributed to steady sales.

In the second quarter (April-June) of the fiscal year under review, Shaddy published the "Baby Catalog" to make a full-scale entry into the birth celebration gift market, and the first in the gift catalog industry to publish "Wagyuen"- a gift catalog featuring a collection of "rare Japanese beef". In addition, the Group also be the first in the gift catalog industry to launch the Metaverse Catalogue, also with the publication of the "Summer Toy Catalogue", the Company is developing new demand with promoting its expansion of product categories and other measures.

In the directly managed shop business, preparations are underway for the expansion of the new shop network, while focusing on expanding the product range and improving service at the Asian food specialty store, ASIA SUNSHINE MARKET.

Based on the above, segment net sales for the first half of the year under review decreased 5.8% year on year to 17,364 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 202 million yen (a loss of 1,122 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, the wholesale business in China and the export business from Japan to China were directly affected by this, meanwhile, the tightening of credit controls on major customers also cause the decrease in the overseas business.

Based on the above, segment net sales for the first half of the year under review decreased 59.2% year on year to 4,331 million yen, with a segment loss of 117 million yen (a profit of 171 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, efforts are being made to further improve cash flow and reduce costs. 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 (January-March), resulted in a growth of the sales. Preparations have also been initiated for the reopening of airport shops and other facilities in response to the easing of travel restrictions for COVID-19.

As a result, segment net sales for the first half of the year under review increased 37.9% to 2,428 million yen, and the segment profit was 369 million yen (a loss of 648 million yen in the same period of the previous year).

(2) Explanation of financial conditions

①Analyse of financial conditions

(Assets)

Total assets at the end of the first half of the year under review amounted to 39,708 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 1,407 million yen in cash and deposits, 4,529 million yen in notes and accounts receivable-trade and 746 million yen in current and others.

(Liabilities)

Total liabilities came to 19,446 million yen (26,605 million yen at the end of the previous fiscal year). The decrease in liabilities was attributable primarily to decreases of 2,506 million yen in notes and accounts payable-trade, 460 million yen electronically recorded liabilities and 2,667 million yen in other current liabilities.

(Net assets)

Total assets came to 20,261 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 117 million yen in retained earnings.

②Analyse of cash flow conditions

(Cash flows from operating activities)

Net cash used in operating activities amounted to 1,339 million yen in the first half of the year under review, compared with net cash provided by operating activities of 354 million yen in the first half of the previous year.

This was mainly due to a decrease in trade receivables of 4,921 million yen, an increase in inventories of 431 million yen, a decrease in trade payables of 3,261 million yen, a decrease in contract liabilities of 625 million yen, a decrease in accounts payable of 1,353 million yen and a decrease in accrued consumption tax of 527 million yen.

(Net cash provided by (used in) investing activities)

Net cash provided by investing activities in the first half of the year under review amounted to 43 million yen, compared with 1,072 million yen in the first half of the previous year.

This was mainly due to expenditure of 60 million yen on the acquisition of property, plant and equipment and expenditure of 227 million yen on the fulfilment of asset retirement obligations, an income of JPY 180 million yen from the collection of long-term loans receivable and income of 193 million yen from the collection of security deposits and guarantee.

(Net cash provided by (used in) financing activities)

Net cash used in financing activities in the first half of the year under review, amounted to 109 yen million, compared with 4,297 million yen in the first half of the previous year.

This was mainly due to a net decrease in short-term borrowings of 59 million yen and the repayment of lease obligations of 44 million yen.

(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 half of FY2022 (As of June 30, 2022) |
|---|---|---|
| Assets | | |
| Current assets | | |
| Cash and deposits | 10,819 | 9,411 |
| Notes and accounts receivable - trade | 15,341 | 10,812 |
| Inventories | 3,915 | 4,509 |
| Other | 3,897 | 3,151 |
| Allowance for doubtful accounts | (934) | (877) |
| Total current assets | 33,038 | 27,007 |
| Non-current assets | | |
| Property, plant and equipment | 6,003 | 5,709 |
| Intangible assets | 1,588 | 1,334 |
| Investments and other assets | | |
| Other | 9,945 | 9,538 |
| Allowance for doubtful accounts | (3,885) | (3,894) |
| Total investments and other assets | 6,059 | 5,643 |
| Total non-current assets | 13,652 | 12,687 |
| Deferred assets | 29 | 13 |
| Total assets | 46,720 | 39,708 |

(Million yen)

| | FY2021<br>(As of December 31, 2021) | First half of FY2022<br>(As of June 30, 2022) |
|---|---|---|
| Liabilities | | |
| Current liabilities | | |
| Notes and accounts payable - trade | 8,356 | 5,850 |
| Electronically recorded obligations - operating | 1,937 | 1,477 |
| Short-term borrowings | 2,032 | 2,000 |
| Income taxes payable | 520 | 86 |
| Provisions | 359 | 308 |
| Provision for contract losses | 601 | 400 |
| Other | 8,174 | 5,507 |
| Total current liabilities | 21,984 | 15,630 |
| Non-current liabilities | | |
| Long-term borrowings | 114 | 102 |
| Provisions | 370 | 328 |
| Provision for contract losses | 432 | 343 |
| Retirement benefit liability | 1,185 | 1,151 |
| Asset retirement obligations | 806 | 380 |
| Other | 1,712 | 1,510 |
| Total non-current liabilities | 4,621 | 3,816 |
| Total liabilities | 26,605 | 19,446 |
| Net assets | | |
| Shareholders' equity | | |
| Capital | 100 | 100 |
| Capital surplus | 42,499 | 17,652 |
| Retained earnings | (20,657) | 4,253 |
| Treasury shares | (2,419) | (2,419) |
| Total shareholders' equity | 19,521 | 19,586 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | (3) | 3 |
| Foreign currency translation adjustment | 581 | 698 |
| Remeasurements of defined benefit plans | (37) | (32) |
| Total accumulated other comprehensive income | 540 | 669 |
| Share acquisition rights | 5 | 5 |
| Non-controlling interests | 47 | - |
| Total net assets | 20,115 | 20,261 |
| Total liabilities and net assets | 46,720 | 39,708 |

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

Quarterly consolidated statement of income

First half

(Million yen)

| | First half of FY2021 (From January 1 to June 30, 2021) | First half of FY2022 (From January 1 to June 30, 2022) |
|---|---|---|
| Net sales | 30,808 | 24,124 |
| Cost of sales | 24,066 | 17,496 |
| Gross profit | 6,741 | 6,628 |
| Selling, general and administrative expenses | 9,044 | 7,121 |
| Operating profit (loss) | (2,303) | (492) |
| Non-operating income | | |
| Interest income | 95 | 10 |
| Foreign exchange gains | 389 | 411 |
| Other | 73 | 25 |
| Total non-operating income | 558 | 447 |
| Non-operating expenses | | |
| Interest expenses | 53 | 17 |
| Share of loss of entities accounted for using equity method | - | 38 |
| Other | 76 | 43 |
| Total non-operating expenses | 130 | 99 |
| Ordinary profit (loss) | (1,875) | (145) |
| Extraordinary income | | |
| Gain on sale of fixed assets | 212 | 0 |
| Gain on reversal of asset retirement obligations | - | 356 |
| Other | 51 | 16 |
| Total extraordinary income | 263 | 373 |
| Extraordinary losses | | |
| Loss on liquidation of stores | 11 | 70 |
| Loss on suspension of store operations | 117 | 58 |
| Inventory write-down | 722 | - |
| Provision for contract losses | 316 | 52 |
| Special retirement allowance | 4 | 65 |
| Other | 60 | 66 |
| Total extraordinary losses | 1,232 | 313 |
| Profit (loss) before income taxes | (2,844) | (85) |
| Total income taxes | (185) | (41) |
| Profit (loss) | (2,658) | (44) |
| Profit (loss) attributable to non-controlling interests | (42) | (2) |
| Profit (loss) attributable to owners of parent | (2,616) | (41) |

Quarterly consolidated statement of comprehensive income

First half

(Million yen)

| | First half of FY2021 (From January 1 to June 30, 2021) | First half of FY2022 (From January 1 to June 30, 2022) |
|---|---|---|
| Profit (loss) | (2,658) | (44) |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | 3 | 6 |
| Foreign currency translation adjustment | 54 | 104 |
| Remeasurements of defined benefit plans, net of tax | (17) | 4 |
| Share of other comprehensive income of entities accounted for using equity method | 9 | 12 |
| Total other comprehensive income | 49 | 128 |
| Comprehensive income | (2,608) | 84 |
| Comprehensive income attributable to | | |
| Comprehensive income attributable to owners of parent | (2,566) | 87 |
| Comprehensive income attributable to non-controlling interests | (41) | (2) |

(3) Quarterly Consolidated Statement of Cash Flows

(Million yen)

| | First half of FY2021 (From January 1 to June 30, 2021) | First half of FY2022 (From January 1 to June 30, 2022) |
|---|---|---|
| Cash flow from operating activities | | |
| Quarterly net profit(loss) before income taxes | (2,844) | (85) |
| Depreciation | 677 | 560 |
| Increase (decrease) in allowance for doubtful accounts | 175 | (62) |
| Increase (decrease) in provision for bonuses | 106 | (22) |
| Increase (decrease) in retirement benefit liability | (28) | (28) |
| Increase (decrease) Provision for contract losses | 267 | (290) |
| Interest and dividend income | (95) | (10) |
| Interest expense | 53 | 17 |
| Foreign exchange losses (profit) | (195) | (134) |
| Equity loss (gains) of affiliated companies | (53) | 38 |
| Loss(profit) on retirement of tangible asset | (165) | (0) |
| Subsidy income | (19) | (16) |
| Gain on reversal of asset retirement obligations | - | (356) |
| Extra retirement payments | - | 65 |
| Inventory write-down | 722 | - |
| Decrease (increase) in trade receivables | 5,620 | 4,921 |
| Decrease (increase) in inventories | 664 | (431) |
| Increase (decrease) in trade payables | (4,054) | (3,261) |
| Decrease (increase) in accounts receivable | 115 | 586 |
| Increase (decrease) in advances received | (405) | 6 |
| Increase (decrease) in contract liabilities | - | (625) |
| Increase (decrease) in accounts payable | (50) | (1,353) |
| Increase (decrease) in accrued consumption taxes | (55) | (527) |
| Others | 1 | (45) |
| Subtotal | 438 | (1,056) |
| Interest and dividends received | 199 | 10 |
| Interest paid | (62) | (17) |
| Proceeds from subsidy income | 19 | 16 |
| Extra retirement payments | - | (45) |
| Structural reform loss payments | (203) | (90) |
| Income taxes (paid) refund | (37) | (155) |
| Cash flow from operating activities | 354 | (1,339) |
| Net cash provided by (used in) investing activities | | |
| Payments into time deposits | (566) | (183) |
| Proceeds from withdrawal of time deposits | 780 | 183 |
| Purchase of property, plant and equipment | (130) | (60) |
| Proceeds from sales of property, plant and equipment | 191 | 0 |
| Purchase of intangible assets | (35) | (22) |
| Purchase of investment property | (894) | - |
| Proceeds from sales of investment property | 2,950 | - |
| Payments for sales of shares of subsidiaries resulting in change in scope of consolidation | (1,904) | - |
| Payments for business transfer | (192) | - |
| Short-term loan advances | (44) | - |
| Collection of short-term loans receivable | 1,000 | - |
| Collection of long-term loans receivable | 192 | 180 |
| Payments of leasehold and guarantee deposits | (108) | (19) |
| Collection of leasehold and guarantee deposits | 241 | 193 |

Quarterly consolidated statement of comprehensive income
First half

(Million yen)

| | First half of FY2021 (From January 1 to June 30, 2021) | First half of FY2022 (From January 1 to June 30, 2022) |
|---|---|---|
| Payments for asset retirement obligations | (390) | (227) |
| Others | (16) | (1) |
| Net cash provided by (used in) investing activities | 1,072 | 43 |
| Net cash provided by (used in) financing activities | | |
| Net increase (decrease) in short-term borrowings | (4,102) | (59) |
| Repayments of long-term borrowings | (6) | (6) |
| Repayments of finance lease obligations | (28) | (44) |
| Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation | (200) | - |
| others | 40 | (0) |
| Net cash provided by (used in) financing activities | (4,297) | (109) |
| Effect of exchange rate change on cash and cash equivalents | 195 | 30 |
| Increase (decrease) in cash and cash equivalents | (2,675) | (1,375) |
| Beginning balance of cash and cash equivalents | 12,100 | 10,246 |
| Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation | - | (65) |
| Quarterly balance of cash and cash equivalents | 9,245 | 8,806 |

### (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 half of the year under review increased by 55 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 second 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 half of the previous year when applied retrospectively is not material, so the financial statements for the first half of the previous year are the same as the previous quarterly consolidated financial statements.

(Segment information, etc. )

[Segment information]

I. First half of FY2021 (from January 1 to June 30, 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 | 18,437 | 10,610 | 1,760 | 30,808 | — | 30,808 |
| Internal sales or transfers between segments | 25 | 5 | 2 | 33 | (33) | — |
| Total | 18,462 | 10,615 | 1,763 | 30,841 | (33) | 30,808 |
| Segment profit (loss) | (1,122) | 171 | (648) | (1,599) | (703) | (2,303) |

(Notes)1. Segment loss adjustment of (703) million yen includes elimination of inter-segment transactions of 45 million yen and whole company expenses not divided into each reporting segment of (749) 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 half of FY2022 (from January 1 to June 30, 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 | 17,364 | 4,331 | 2,428 | 24,124 | — | 24,124 |
| Internal sales or transfers between segments | 22 | 6 | — | 28 | (28) | — |
| Total | 17,386 | 4,338 | 2,428 | 24,153 | (28) | 24,124 |
| Segment profit (loss) | (202) | (117) | 369 | 50 | (543) | (492) |

(Notes)1. Segment profit adjustment of (543) million yen includes elimination of inter-segment transactions of 80 million yen and whole company expenses not divided into each reporting segment of (623) 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 half 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 68 million yen and sales in the Asset & Service Business segment decreased by 10 million yen in the half 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 9,411 million yen at the end of the first half 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.