

Summary of (Consolidated) Financial Statements for the Q3 Term of Fiscal Year Ending December 31, 2022 (Japanese Standards)

November 11, 2022

Listed company: Laox Holdings 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) General Manager, Group Finance and Accounting Office (Name) Daisuke Ikeuchi
 TEL: +81-3-5405-8859

Planned Submission Date for the Quarterly Report: November 11, 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 Q3 term of FY2022 (January 1, 2022 to September 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	%
Q3 of FY2022	37,874	(21.3)	(609)	-	(288)	-	(219)	-
Q3 of FY2021	48,148	(17.8)	(2,291)	-	(1,831)	-	(3,230)	-

(Note) Comprehensive income Q3 of FY2022: (84) million yen (- %) Q3 of FY2021: (3,225) million yen (- %)

	Profit per share		Diluted profit per share	
	Yen		Yen	
Q3 of FY2022	(2.41)		-	
Q3 of FY2021	(35.33)		-	

(2) Consolidated financial position

	Total assets		Net assets		Equity ratio	
	Million yen		Million yen		%	
Q3 of FY2022	36,976		20,097		54.3	
FY2021	46,720		20,115		42.9	

(For reference) Equity ratio Q3 of FY2022: 20,087 million yen FY2021: 20,062 million yen

2. Dividends

	Dividends per share				
	End of Q1	End of Q2	End of Q3	Year-end	Total
	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 third 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):	Q3 of FY2022	93,335,103 shares
	FY2021	93,335,103 shares
(ii) Number of shares of treasury stock at the end of period:	Q3 of FY2022	1,918,379 shares
	FY2021	1,918,369 shares
(iii) Average number of issued shares during period (from the beginning of fiscal year)	Q3 of FY2022	91,416,727 shares
	Q3 of FY2021	91,416,741 shares

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	4
(1) Explanation of operating results.....	4
(2) Explanation of financial conditions.....	5
(3) Explanation of future predictive information such as consolidated results forecasts, etc.	5
2. Quarterly Consolidated Financial Statements and Important Notes.....	6
(1) Quarterly consolidated balance sheet.....	6
(2) Quarterly consolidated statement of income and quarterly consolidated statement of comprehensive income.....	8
(3) Notes to the quarterly consolidated financial statement.....	10
(Explanatory notes regarding assumption of going concern).....	10
(Explanatory notes in case of remarkable change in monetary amount of shareholders' equity)	10
(Changes in accounting policies, etc.).....	10
(Segment information, etc.).....	11
(Significant post-reporting period events).....	12
3. Other.....	13
Significant events, etc. concerning the going concern assumption	13

1. Qualitative Information on Consolidated Results

(1) Explanation of operating results

During the first three quarters of the consolidated fiscal year under review, Japan's economic activity resumed gradually, supported by a relaxation of COVID-19 countermeasures-induced restriction on country entry and travel. Meanwhile, the future of the Japanese and overseas economies still remained uncertain due to soaring resource prices and raw material costs and to the steep depreciation of the yen.

Amid this severe situation, we at the Group engaged in business to deliver products and services of value as a bridge between Japan and Asian countries under the stated mission of proposing diverse lifestyles regardless of national borders and language.

In the third quarter of the year under review, consolidated net sales amounted to 37,874 million yen (down 21.3% 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. In terms of profit and loss, although profit margin improved due to the effects of ongoing structural reforms implemented since last year, the Group recorded an operating loss of 609 million yen (a loss of 2,291 million yen in the same period last year), an ordinary loss of 288 million yen (a loss of 1,831 million yen in the same period last year) and a net loss attributable to owners of the parent of 219 million yen (a loss of 3,230 million yen in the same period last year).

As a change in accounting policy, the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 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 these 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 were revised in the first quarter of the fiscal year under review, and a comparative analysis of the third quarter of the fiscal year under review is based on the segments after the revision.

(Retail Business)

The Retail Business experienced an increase in demand for alternatives to homecoming visits and in opportunities to give gifts to people close-by as gift styles became more diverse, prompted by the COVID-19 pandemic. In response to the change, we worked to develop attractive products, services, and content to better meet customer demand. As a new point of contact with customers, we actively utilized a metaverse to provide high value-added experience.

As for sales to cater to the demand for summer gift-giving, we independently deployed health-oriented gift food products in collaboration with major manufacturers, going beyond sector boundaries, and stepped up the handling of original products and sales channel-specific products. Sales to member stores and EC sales continued to be strong, rising year on year, and demand for return gifts for wedding and Buddhist ceremonies remained firm. Sales were strong as the Company also won spot orders such as for point exchange service during the first quarter of the current fiscal year. For catalog gifts for the birth celebration market we entered on a full-scale basis, we not only widened product categories but also worked to gain new customers by meeting diverse gift needs such as for a high-price range course gift able to be used as a gift in joint names.

Meanwhile, in the directly-managed shop business, we completed installing freezers and refrigerators at our stores after a period of delay, and strove to expand our product categories and improve our services.

As a result, segment net sales for the third quarter of the year under review decreased 6.1% year on year to 28,352 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 profit of 109 million yen (a loss of 803 million yen in the same period of the previous year).

(Overseas Business)

The Overseas Business posted lower sales and profits for the third quarter of the fiscal year under review due to significant impacts from restaurant closures and logistics delays/disruptions as a result of economic activity restrictions up to the second quarter under review, affected by China's continued zero-COVID policy, while the tightening of credit controls on major customers continued. This was despite a gradual relaxation in China's domestic economic activity restrictions for the quarter.

As part of new efforts to improve revenue, we began to consider taking measures, such as supplying national-brand foods from Japan and expanding sales through the sales network of our Chinese subsidiary.

As a result, segment net sales for the third quarter of the year under review decreased 57.2% year on year to 6,328 million yen, and segment loss was 137 million yen (a profit of 208 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, resulted in a growth in sales.

We put our airport outlets back into operation as we believed that the relaxation of COVID-19-induced entry restrictions would likely increase air travel demand and domestic and international passenger traffic. We intended to expand our lineup of products to meet customer needs.

As a result, segment net sales for the third quarter of the year under review increased 0.9% to 3,193 million yen, and the segment profit was 190 million yen (a loss of 663 million yen in the same period of the previous year).

(2) Explanation of financial conditions

(Assets)

Total assets at the end of the third quarter of the year under review amounted to 36,976 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 1,774 million yen in cash and deposits, 6,377 million yen in notes and accounts receivable-trade and 588 million yen in investments and other assets.

(Liabilities)

Total liabilities came to 16,879 million yen (26,605 million yen at the end of the previous fiscal year). The decrease in liabilities was attributable primarily to decreases of 4,144 million yen in notes and accounts payable-trade, 532 million yen in short-term borrowings, 3,176 million yen in current liabilities and others and 457 million yen in asset retirement obligations.

(Net assets)

Total net assets came to 20,097 million yen (20,115 million yen at the end of the previous fiscal year). The increase in net assets resulted principally from the recording of 219 million yen in loss attributable to owners of parent.

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

No revisions have been made to the consolidated forecasts (published on February 10, 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)	Third quarter of FY2022 (As of September 30, 2022)
Assets		
Current assets		
Cash and deposits	10,819	9,044
Notes and accounts receivable - trade	15,341	8,964
Inventory	3,915	4,048
Other	3,897	3,336
Allowance for doubtful accounts	(934)	(860)
Total current assets	33,038	24,532
Non-current assets		
Property, plant and equipment	6,003	5,681
Intangible assets	1,588	1,285
Investments and other assets		
Other	9,945	9,369
Allowance for doubtful accounts	(3,885)	(3,897)
Total investments and other assets	6,059	5,471
Total non-current assets	13,652	12,438
Deferred assets	29	5
Total assets	46,720	36,976

(Million yen)

	FY2021 (As of December 31, 2021)	Third quarter of FY2022 (As of September 30, 2022)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	8,356	4,211
Electronically recorded obligations - operating	1,937	1,988
Short-term borrowings	2,032	1,500
Income taxes payable	520	56
Provisions	359	219
Provision for contract losses	601	290
Other	8,174	4,998
Total current liabilities	21,984	13,265
Non-current liabilities		
Long-term borrowings	114	97
Provisions	370	259
Provision for contract losses	432	298
Retirement benefit liability	1,185	1,114
Asset retirement obligations	806	348
Other	1,712	1,495
Total non-current liabilities	4,621	3,614
Total liabilities	26,605	16,879
Net assets		
Shareholders' equity		
Capital	100	100
Capital surplus	42,499	17,652
Retained earnings	(20,657)	4,074
Treasury shares	(2,419)	(2,419)
Total shareholders' equity	19,521	19,407
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(3)	5
Foreign currency translation adjustment	581	703
Remeasurements of defined benefit plans	(37)	(29)
Total accumulated other comprehensive income	540	679
Share acquisition rights	5	10
Non-controlling interests	47	-
Total net assets	20,115	20,097
Total liabilities and net assets	46,720	36,976

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

Quarterly consolidated statement of income

The third quarter

(Million yen)

	Third quarter of FY2021 (From January 1 to September 30, 2021)	Third quarter of FY2022 (From January 1 to September 30, 2022)
Net sales	48,148	37,874
Cost of sales	36,969	27,710
Gross profit	11,178	10,164
Selling, general and administrative expenses	13,470	10,773
Operating profit (loss)	(2,291)	(609)
Non-operating income		
Interest income	134	15
Foreign exchange gains	413	449
Other	80	38
Total non-operating income	629	503
Non-operating expenses		
Interest expense	75	20
Share of loss of entities accounted for using equity method	-	99
Other	93	61
Total non-operating expenses	168	181
Ordinary profit (loss)	(1,831)	(288)
Extraordinary income		
Gain on sale of fixed assets	195	1
Gain on reversal of asset retirement obligations	-	356
Other	119	79
Total extraordinary income	314	437
Extraordinary losses		
Loss on liquidation of stores	54	114
Structural reform loss	1,265	-
Loss on suspension of store operations	180	58
Contract losses	85	67
Provision for contract losses	231	22
Special retirement allowance	37	98
Other	69	72
Total extraordinary losses	1,924	434
Profit (loss) before income taxes	(3,440)	(285)
Income taxes	(165)	(62)
Profit (loss)	(3,274)	(222)
Profit (loss) attributable to non-controlling interests	(44)	(2)
Profit (loss) attributable to owners of parent	(3,230)	(219)

Quarterly consolidated statement of comprehensive income

Third quarter

(Million yen)

	Third quarter of FY2021 (From January 1 to September 30, 2021)	Third quarter of FY2022 (From January 1 to September 30, 2022)
Profit (loss)	(3,274)	(222)
Other comprehensive income		
Valuation difference on available-for-sale securities	3	8
Foreign currency translation adjustment	62	105
Remeasurements of defined benefit plans, net of tax	(26)	7
Share of other comprehensive income of entities accounted for using equity method	9	17
Total other comprehensive income	49	138
Comprehensive income	(3,225)	(84)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(3,180)	(81)
Comprehensive income attributable to non-controlling interests	(44)	(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, March 31, 2020) The 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, the impact on the net sales, operating loss, ordinary income and income before income taxes and minority interests for the third quarter of the year under review 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, March 31, 2020), information disaggregating revenue from contracts with customers for the third quarter of the previous financial year is not presented.

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

The Accounting Standard for Fair Value Calculation (ASBJ Statement No. 30, July 4, 2019. ("Accounting Standard for Fair Value Calculation") and others are applied from the beginning of the first quarter of the current financial year. The new accounting policies stipulated by the Accounting Standard for Fair Value Calculation are to be applied prospectively in accordance with a transitional treatment 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, July 4, 2019). 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. However, 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 third quarter of the previous year when applied retrospectively is not material, so the financial statements for the third quarter of the previous year are the same as the previous quarterly consolidated financial statements.

(Segment information, etc.)

Third quarter of FY2021 (from January 1 to September 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			
Net sales						
Sales to extremal clients	30,203	14,780	3,164	48,148	—	48,148
Internal sales or transfers between segments	42	7	2	53	(53)	—
Total	30,246	14,788	3,167	48,202	(53)	48,148
Segment profit (loss)	(803)	208	(663)	(1,258)	(1,032)	(2,291)

- (Notes)
1. Segment profit adjustment of (1,032) million yen includes elimination of inter-segment transactions of 83 million yen and whole company expenses not divided into each reporting segment of (1,116) 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.

Third quarter of FY2022 (from January 1 to September 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			
Net sales						
Sales to extremal clients	28,352	6,328	3,193	37,874	—	37,874
Internal sales or transfers between segments	37	8	—	45	(45)	—
Total	28,390	6,336	3,193	37,919	726	37,874
Segment profit (loss)	109	(137)	190	162	(771)	(609)

- (Notes)
1. Segment profit adjustment of (771) million yen includes elimination of inter-segment transactions of 94 million yen and whole company expenses not divided into each reporting segment of (866) 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. Information 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 Retail Business segment increased by 17 million yen and sales in the Overseas Business segment decreased by 12 million yen and sales in the Asset and Services Business decreased by 9 million yen in the third quarter of the current financial year compared with the previous method. The impact on each segment profit or loss is negligible.

(Significant post-reporting period events)

(Transition to a holding company system by incorporation-type company split)

The Company conducted an incorporation-type company split that took effect on October 3, 2022 by the resolutions by the Board of Directors meeting held on March 2, 2022 and the 46th Ordinary General Meeting of Shareholders held on March 30, 2022. As a result, the Company on October 3, 2022 changed its trade name to Laox Holdings CO., LTD. and transitioned to a holding company structure.

1. Transaction outline

(1) The name of the target business and description of the business

Name of business	Trading business and sales of inbound tourism-related products
Description of business	Export sales and operation of duty-free shops for inbound tourists to Japan

(2) Date of business combination

October 3, 2022

(3) Legal form of business combination

An incorporation-type company split in which the Company is the splitting company and Laox Trading Co., LTD. is the company incorporated through the company split

(4) Name of the post-business combination entity

Laox Trading Co., LTD.

(5) Other matters concerning transaction outline

In response to changes in the operating environment, the Company aims to shift to a holding company structure in an effort to achieve business goals of the entire Group and pursue operational reform for Group companies to swiftly make business decisions and to reform the business structure of Laox Co., LTD., which has been operating mainly for inbound tourists, and of the Group.

2. Outline of accounting practices

Transactions were accounted for as those under common control in accordance with the Accounting Standard for Business Combinations (ASBJ Statement No. 21, January 16, 2019) and the Application Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (ASBJ Guidance No. 10, January 16, 2019).

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 9,044 million yen at the end of the third 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. 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 to meet customer needs, reduce product storage costs by establishing a logistics network, improve opportunity losses, and strengthen human resource development using DX. We will also 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 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.