

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

(As of February 10, 2023)

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 Date of General Meeting of Shareholders March 30, 2023
 Planned Submission Date for Annual Securities Report March 30, 2023
 Planned Starting Date for Dividend Payments -
 Supplementary Documents for Results No
 Financial Results Briefing No

(Rounded down to nearest million yen)

1. Consolidate Results for FY2022 (from January 1, 2022 to December 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	%
FY2022	55,127	(19.1)	49	-	490	-	69	-
FY2021	68,149	(17.9)	(2,846)	-	(2,151)	-	(7,110)	-

(Note) Comprehensive income FY2022: 145 million yen (- %): FY2021: (7,085) million yen (- %)

	Profit per share	Diluted profit per share	Return on equity (ROE)	Return on assets (ROA)	Operating margin
	Yen	%	%	%	%
FY2022	0.76	-	0.3	1.1	0.1
FY2021	(77.78)	-	(30.3)	(3.9)	(4.2)

(Reference) Share of profit/loss of entities accounted for using equity method FY2022: (82) million yen FY2021: 124 million yen

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
FY2022	40,944	20,327	49.6	222.25
FY2021	46,720	20,115	42.9	219.46

(For reference) Equity FY2022: 20,317 million yen FY2021: 20,062 million yen

(3) Consolidated cash flow conditions

	Cash flow from operating activities	Net cash provided by (used in) investing activities	Net cash provided by (used in) financing activities	Ending balance of cash and cash equivalents
	Million yen	Million yen	Million yen	Million yen
FY2022	(2,075)	2,508	(974)	9,681
FY2021	928	1,213	(4,202)	10,246

2. Dividends

	Dividends per share					Total cash dividends (Total)	Dividend payout ratio (Consolidated)	Ratio of dividends to net assets (Consolidated)
	End of Q1	End of Q2	End of Q3	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
FY2021	-	-	-	0.00	0.00	-	-	-
FY2022	-	-	-	0.00	0.00	-	-	-
FY2023 (forecast)	-	-	-	0.00	0.00		-	

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

3. Results forecast for FY2023 (from January 1, 2023 to December 31, 2023)

(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	8.8	500	907.4	400	(18.4)	200	186.4	2.19

*Notes

(1) Important changes in subsidiaries in the fiscal year under review (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.: | Yes |
| (ii) Changes in accounting policy other than those in (i): | No |
| (iii) Changes in accounting estimates: | No |
| (iv) Restatement of accounting estimates: | No |

(3) Number of issued shares (common shares)

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

FY2022	93,335,103 shares
FY2021	93,335,103 shares

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

FY2022	1,918,389 shares
FY2021	1,918,369 shares

(iii) Average number of issued shares during period

FY2022	91,416,724 shares
FY2021	91,416,739 shares

(Reference) Explanation of non-consolidated results for FY2022 (from January 1, 2022 to December 31, 2022)

(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	%
FY2022	6,801	(44.3)	(589)	-	(243)	-	(595)	-
FY2021	12,216	(31.4)	(3,488)	-	(2,799)	-	(8,482)	-

	Profit per share	Diluted profit per share
	Yen	Yen
FY2022	(6.51)	-
FY2021	(92.79)	-

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
FY2022	18,952	14,454	76.2	158.00
FY2021	24,490	15,039	61.4	164.45

(For reference) Equity FY2022: 14,443 million yen FY2021: 15,033 million yen

* This summary of consolidated financial statements falls outside the scope of the 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.

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1. Explanation of operating results

(1) Explanation of operating results for the fiscal year under review

During the consolidated fiscal year under review, Japan's economy saw consumer spending continue to recover, supported by the lifting of activity restrictions stemming from COVID-19. However, the future of the operating environment still remains uncertain and challenging due to rising resource prices, affected by the Ukrainian crisis, and to the steep depreciation of the yen.

The retail sector addressed by the Company as its main domain saw many business segments having offline shops show partial signs of recovery due to a normalization of the economy. Meanwhile, EC sales continue to be strong after having accelerated due to COVID-19. At the same time, the environment surrounding the retail industry became increasingly more challenging as seen in soaring prices of resources and raw materials, worsening labor shortages, and sluggish consumer confidence in the face of inflation. Looking at inbound tourist activity, the number of foreign tourists visiting Japan continued to recover due to the easing of COVID-19 measures at entry. However, due to the spread of COVID-19 infections in China, sightseeing tourists from the country were slow to rebound.

Amidst this environment, as we work toward realizing our stated mission of proposing a rich and varied lifestyle, or "Global Life Styles," and supporting its evolution and creation, the Laox Group migrated to a holding company structure in an effort to achieve maximum synergies while further clarifying the business missions of its group companies. Moreover, the Group worked to streamline its costs to strengthen its business base and improve profitability by pursuing specialty areas.

In the gift sales business, we increased our lineup of product categories not handled before in order to expand our new "celebration" market. To capture new consumer needs, we bolstered efforts to offer highly unique and in vogue products and worked to improve our shop floors. As for sales to inbound tourists, the duty-free shop at Narita Airport was brought back into operation in response to a growing number of foreign tourists visiting Japan. In addition, as a new endeavor, we commenced the export of Japanese food to China.

As a result, in the year under review, consolidated net sales amounted to 55,127 million yen (down 19.1% 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 zero-COVID policy in China. Operating profit came to 49 million yen (an operating loss of 2,846 million yen in the previous year) as improved profitability was achieved, helped by our continued structural reforms. Ordinary profit amounted to 490 million yen (an ordinary loss of 2,151 million yen in the previous year) due to a reversal of allowance for doubtful accounts. However, profit attributable to owners of the parent came to 69 million yen (a loss of 7,110 million in the previous year) due to recording an impairment loss on store closures under extraordinary losses.

In terms of changes to 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 current financial year. Therefore, year-on-year comparisons are based on figures calculated according to these newly applied standards. For more information, see 3. Consolidated Financial Statements and Important Notes (5. Notes to the quarterly consolidated financial statement (Changes in accounting policy, etc.))

The operating results for each business segment are detailed below.

The business segments reported as reporting segments were revised in the fiscal year under review, and a comparative analysis of the fiscal year under review was based on the segments after the revision.

(Retail Business)

In our core gift sales business, we increased product categories that we had not previously handled and brands and developed a range of proprietary products in order to further expand the celebration market and drive new gift demand. We made a full-scale entry into the birth gift market, and our birth gift catalog "Nobi Nobi Baby" got off to a strong start immediately after its launch thanks to its cute designs that bring smiles to moms, dads, and babies, a wide price range that no other company offers, and a diverse product lineup. We continued to develop high value-added products and services. For example, we published "Wagyuen", a gift catalog featuring only rare Japanese beef, as the industry's first player to offer such a catalog. Moreover, we launched a new project titled "Share The Magic" that was intended to bring a sense of Disney magic to people across Japan in cooperation with the Walt Disney Company (Japan) Ltd. In addition, we accelerated online store collaboration with off-line shops to bolster our EC site. At the same time, we became the first industry player to publish a metaverse catalogue, delivering a new kind of gift-giving experience. Moreover, sales continued to be strong as the Company won spot orders for the "Green" home point program.

Meanwhile, we worked to improve revenue, save costs, and streamline resources by closing down Asian cosmetics specialty shops and some Asian food specialty stores that were unlikely to generate satisfactory profits.

As a result, segment net sales for the year under review decreased 4.6% year on year to 42,571 million yen. Although sales in the previous year were lower because they included sales from the shoe business, whose shares were transferred 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, 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.

Segment profit was 863 million yen (a loss of 460 million yen in the previous year).

(Overseas Business)

In our overseas business, economic activity was greatly restricted due to the impact of lockdowns lasting several months due to the zero-COVID-19 policy in mainland China with retail shops and restaurants being closed, and logistics networks experiencing

delays and disruptions. Although economic activity gradually recovered in China after the lifting of the zero-COVID policy, stores were required to close and logistics networks stagnated due to employee infections caused by a rapid spread of COVID-19 in the country. Cross-border EC saw transaction values decline due to changing consumption behavior. Meanwhile, as a new business opportunity, we commenced the export of Japanese food and continued to consider actions to further expand our operations.

As a result, segment net sales for the year under review decreased 57.8% year on year to 8,165 million yen, and segment loss was 187 million yen (a loss of 363 million yen in the previous year).

(Asset & Service Business)

While the Asset & Service Business continued to effectively use commercial facilities under its management and idle properties of the Group, efforts are being made to further improve cash flow and reduce costs. On the other hand, sales and profits grew, supported by real estate sales projects that reached closing in the first quarter of the fiscal year.

As for shops for inbound tourists, the duty-free shop in Terminal 2 for international lines at Narita Airport that had been out of service was brought back into operation in August 2022. This shop continued to enjoy growing sales due to a rising number of international passengers. The LAOX Akihabara main store altered its merchandise mix for tourists visiting Japan and started trial sales in some sections. However, we are yet to reach full-scale recovery in inbound tourist shopping demand as traffic from tourists from China, our main customer group, was slow to recover.

As a result, segment net sales for the year under review increased 4.6% to 4,390 million yen, and segment profit was 388 million yen (a loss of 831 million yen in the previous year).

(2) Explanation of financial conditions for the fiscal year under review

(Assets)

Total assets at the end of the year under review amounted to 40,944 million yen (46,720 million yen at the end of the previous fiscal year). The decrease in total assets was attributable primarily to respective decreases of 2,304 million yen in notes and accounts receivable-trade, 1,067 million yen in current assets and others, and 2,103 million yen in investments in subsidiaries and associates.

(Liabilities)

Total liabilities came to 20,617 million yen (26,605 million yen at the end of the previous fiscal year). The decrease in liabilities was attributable primarily to respective decreases of 441 million yen in notes and accounts payable-trade, 832 million yen in short-term borrowings, 1,138 million yen in accounts payable, 441 million yen in income taxes payable, 1,087 million yen in current liabilities and others and 493 million yen in asset retirement obligations.

(Net assets)

Total net assets came to 20,327 million yen (20,115 million yen at the end of the previous fiscal year). The increase in net assets was attributable primarily to respective increases of 78 million yen in total accumulated other comprehensive income and 105 million yen in cumulative effect stemming from a change of our accounting policy.

(3) Explanation of cash flow for the fiscal year under review

Cash and cash equivalents at the end of the year under review amounted to 9,681 million yen, a decrease of 564 million yen compared to the end of the previous fiscal year).

(Cash flow from operating activities)

Cash flow from operating activities in the year under review amounted to 2,075 million yen, compared to cash inflow of 928 million yen in the previous year.

This was mainly due to: i) 462 million yen decrease in allowance for doubtful accounts; ii) 461 million yen decrease of provision for contractual loss; iii) 356 million yen in reversal of asset retirement obligations; iv) 575 million yen decrease in trade payables; v) 1,016 million yen increase in advances paid; vi) 529 million yen decrease in contract liabilities; vii) 1,490 million yen decrease in accounts payable and accrued expenses; viii) 444 million yen decrease in accrued consumption tax. This was despite 1,002 million yen depreciation and 2,488 million yen decrease in trade receivables.

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

Net cash provided by investing activities in the year under review amounted to 2,508 million yen, compared with 1,213 million yen in the previous year.

This was mainly due to 1,000 million yen in income from the sale of investment property and 1,800 million yen in income from the sale of investments in subsidiaries and associates.

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

Net cash used in financing activities in the fiscal year under review, amounted to 974 million yen, compared with 4,202 million yen in the previous year.

This was mainly due to a net decrease in short-term borrowings of 874 million yen and the repayment of lease obligations of 91 million yen.

(4) Future outlook

The future outlook indicates that it will take time for Japan to achieve a full-scale recovery in the face of rising inflation and the weakening yen while there is no prospect of resumption of tourism demand from Chinese sightseers visiting Japan. Although a look at the world economy shows economic recovery is now in progress, primarily in advanced countries, it is still highly uncertain how the economy will perform in the coming years considering soaring energy and food prices and rising interest rates while the Ukraine conflict remains at a stalemate.

It will thus remain unpredictable how sluggish production activity and surging inflation will affect our group's business. For the next fiscal year (FY2023), we will restructure the business model of our inbound tourism-related business, now showing signs of recovery, and develop new businesses for Japanese customers. At the same time, we will seek to achieve improved profitability by further reforming our revenue structure during the current fiscal year. In order to achieve sustainable growth, we will work to create new revenue sources by further enhancing synergies among Group organizations.

In light of this situation, the consolidated earnings forecast for the next fiscal year (FY2023) shows net sales of 60,000 million yen (up 8.8% year on year), operating profit of 500 million yen (up 907.4% year on year), ordinary profit of 400 million yen (down 18.4% year on year) and profit attributable to owners of parent of 200 million yen (up 186.4% year on year).

The forecasts described above were prepared on the basis of information available as of the date of releasing this document and actual results could potentially differ from the forecasts due to various factors.

(5) Significant events, etc. concerning the going concern assumption

Laox Group achieved operating profitability for the fiscal year under review although it had previously continued to post an operating loss. However, operating cash flows were negative, and there were events or circumstances raising important doubt over our going concern assumption. The Group has taken the following measures to resolve or correct such events.

- (i) In the retail business, in order to gain new customers, we will expand demand for souvenirs by establishing permanent stores for popular original sweets brands, expanding sales channels, and developing new products in response to various routine gift scenes. In addition, we will launch new brands that will meet the needs of our customers' in-house demand, develop high-value-added products such as rare Wagyu Japanese beef and sweets that will deliver a luxury experience at home, and work to gain new sales channels.
- (ii) In our overseas business, we will strengthen cooperation among subsidiaries and increase exports and sales, primarily in the area of Japanese food to China. In China, we will expand our profit base by concentrating our business resources on strengthening sales of Japanese brand products and private-label products while further bolstering marketing for Kurogi, a highly-regarded Japanese restaurant chain.
- (iii) In the Asset & Service Business, the Group will achieve improved profitability by: a) streamlining its existing operation facilities; b) actively working to obtain tenants for facilities and put into place content able to attract new tenants; and c) turning idle group real estate into shops targeting inbound foreign tourists. As for shops for inbound tourists, we will continue to bring them back into operation while closely monitoring trends in the number of inbound tourists to Japan. We will revamp our product lineup and increase the range of goods by seeking to identify a new form of duty-free shop.
- (iv) The Group will reliably deliver improved profitability by: a) maximizing the functions and human resources of each Group company; b) improving total costs by lowering personnel expenses and selling, general and administrative expenses, something to be done by supplying products through business collaboration and making more effective use of logistics networks; and c) maximizing sales in each business. This will be in an effort to increase synergies across Group organizations.

Notes to consolidated financial statements do not refer to important doubt over our going concern assumption as such doubt was deemed non-existent. This was because, in addition to taking the above-mentioned measures, the Group held cash and deposits of 10,480 million yen at the end of the fiscal year under review, making us believe we had achieved sufficient financial stability.

2. Basic thinking on selection of accounting standards

Our Group prepares consolidated financial statements under Japanese GAAP in consideration of the comparability of consolidated financial statements between companies, among other factors. In the future, we will consider adopting International Financial Reporting Standards (IFRS) in consideration of various circumstances.

3. Consolidated Financial Statements and Important Notes**(1) Consolidated balance sheet**

(Million yen)

	FY2021 (As of December 31, 2021)	FY2022 (As of December 31, 2022)
Assets		
Current assets		
Cash and deposits	10,819	10,480
Notes and accounts receivable - trade	15,341	13,037
Inventory	3,915	3,806
Advances paid	1,046	2,128
Others	2,851	1,783
Allowance for doubtful accounts	(934)	(823)
Total current assets	33,038	30,412
Non-current assets		
Property, plant and equipment		
Buildings and structures	10,665	9,982
Cumulative depreciation	(7,552)	(7,220)
Buildings and structures, net	3,112	2,761
Machinery, equipment and vehicles	7,700	7,719
Cumulative depreciation	(6,877)	(6,979)
Machinery, equipment and vehicles, net	823	740
Tools, furniture and fixtures	2,094	1,781
Cumulative depreciation	(1,899)	(1,669)
Tools, furniture and fixtures, net	195	111
Land	1,616	1,616
Leased assets	774	638
Cumulative depreciation	(518)	(530)
Leased assets, net	255	107
Total property, plant and equipment	6,003	5,337
Intangible assets		
Software	1,327	986
Others	261	237
Total intangible assets	1,588	1,224
Investments and other assets		
Investments in subsidiaries and associates	2,366	263
Long-term loans receivable	3,290	2,860
Deferred tax assets	38	79
Leasehold and guarantee deposits	3,133	2,830
Others	1,116	1,472
Allowance for doubtful accounts	(3,885)	(3,534)
Total investments and other assets	6,059	3,970
Total non-current assets	13,652	10,532
Deferred assets		
Stock grant expenses	29	0
Total deferred assets	29	0
Total assets	46,720	40,944

(Million yen)

	FY2021 (As of December 31, 2021)	FY2022 (As of December 31, 2022)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	8,356	7,914
Electronically recorded obligations - operating	1,937	1,960
Short-term borrowings	2,032	1,200
Accounts payable	3,265	2,127
Income taxes payable	520	79
Contractual liabilities	-	2,068
Advances received	2,728	82
Provision for bonuses	175	140
Provision for loyalty points	90	-
Provision for loss on product compensation	14	14
Provision for loss on withdrawal from employees' pension fund	34	21
Provision for loss on subloans	44	88
Provision for contractual losses	601	319
Others	2,180	1,093
Total current liabilities	21,984	17,109
Non-current liabilities		
Long-term borrowings	114	91
Deferred tax liabilities	625	617
Reserve for directors' retirement benefits	48	75
Provision for loss on liquidation of subsidiaries and associates	62	-
Provision for loss on subloans	260	168
Provision for contractual losses	432	253
Retirement benefit liability	1,185	1,035
Asset retirement obligations	806	312
Others	1,087	951
Total non-current liabilities	4,621	3,507
Total liabilities	26,605	20,617
Net assets		
Shareholders' equity		
Capital	100	100
Capital surplus	42,499	17,652
Retained earnings	(20,657)	4,364
Treasury shares	(2,419)	(2,419)
Total shareholders' equity	19,521	19,697
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(3)	2
Foreign currency translation adjustment	581	614
Remeasurements of defined benefit plans	(37)	3
Total accumulated other comprehensive income	540	619
Share acquisition rights	5	10
Non-controlling interests	47	-
Total net assets	20,115	20,327
Total liabilities and net assets	46,720	40,944

(2) Consolidated statement of income and consolidated statement of comprehensive income

Consolidated statement of income

(Million yen)

	FY2021 (From January 1 to December 31, 2021)	FY2022 (From January 1 to December 31, 2022)
Net sales	68,149	55,127
Cost of sales	52,460	40,445
Gross profit	15,689	14,681
Selling, general and administrative expenses	18,535	14,631
Operating profit (loss)	(2,846)	49
Non-operating income		
Interest income	177	19
Share of profit of entities accounted for using equity method	124	-
Foreign exchange gains	531	211
Reversal of allowance for doubtful accounts	-	353
Others	78	48
Total non-operating income	912	632
Non-operating expenses		
Interest expense	89	23
Share of loss of entities accounted for using equity method	-	82
Amortization of stock grant expenses	32	29
Others	96	56
Total non-operating expenses	217	192
Ordinary profit (loss)	(2,151)	490
Extraordinary income		
Gain on sale of fixed assets	189	1
Subsidy income	78	22
Gain on reversal of asset retirement obligations	-	356
Reversal of provision for loss on liquidation of subsidiaries and associates	-	62
Others	59	72
Total extraordinary income	327	514
Extraordinary losses		
Loss on sale of non-current assets	44	-
Loss on retirement of non-current assets	3	96
Impairment losses	157	165
Loss on liquidation of stores	129	205
Structural reform losses	1,305	-
Loss on suspension of store operations	186	58
Provision for allowance for doubtful accounts	2,531	-
Contractual losses	170	96
Provision for allowance for contractual losses	995	131
Extra retirement payments	56	108
Others	365	67
Total extraordinary losses	5,947	930
Profit (loss) before income taxes	(7,770)	74
Income taxes, inhabitant taxes and enterprise taxes payable	106	52
Income taxes-deferred	(727)	(44)
Total income taxes	(621)	7
Profit (loss)	(7,149)	66
Profit (loss) attributable to non-controlling interests	(38)	(2)
Profit (loss) attributable to owners of parent	(7,110)	69

Consolidated statement of comprehensive income

(Million yen)

	FY2021 (From January 1 to December 31, 2021)	FY2022 (From January 1 to December 31, 2022)
Profit (loss)	(7,149)	66
Other comprehensive income		
Valuation difference on available-for-sale securities	4	5
Foreign currency translation adjustment	97	22
Remeasurements of defined benefit plans, net of tax	(50)	40
Share of other comprehensive income of entities accounted for using equity method	11	10
Total other comprehensive income	63	78
Comprehensive income	(7,085)	145
(Breakdown)		
Comprehensive income attributable to owners of parent	(7,047)	148
Comprehensive income attributable to non-controlling interests	(38)	(2)

(3) Consolidated statement of changes in shareholders' equity

FY2021 (from January 1 to December 31, 2021)

(Million yen)

	Shareholders' equity				
	Capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Beginning balance	23,000	19,303	(13,547)	(2,419)	26,335
Change during the period					
Capital reduction	(22,900)	22,900			–
Profit (loss) attributable to owners of parent			(7,110)		(7,110)
Acquisition of treasury shares				(0)	(0)
Changes in equity of the parent company in relation to transactions with non-controlling shareholders		296			296
Changes in accounts other than shareholders' equity during the period, net					
Total change during the period	(22,900)	23,196	(7,110)	(0)	(6,814)
Ending balance	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			
Beginning balance	(5)	471	11	477	16	744	27,575
Change during the period							
Capital reduction							–
Profit (loss) attributable to owners of parent							(7,110)
Acquisition of treasury shares							(0)
Changes in equity of the parent company in relation to transactions with non-controlling shareholders							296
Changes in accounts other than shareholders' equity during the period, net	2	109	(48)	63	(11)	(697)	(646)
Total change during the period	2	109	(48)	63	(11)	(697)	(7,460)
Ending balance	(3)	581	(37)	540	5	47	20,115

FY2022 (from January 1 to December 31, 2022)

(Million yen)

	Shareholders' equity				
	Capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Beginning balance	100	42,499	(20,657)	(2,419)	19,521
Cumulative effect of changes in accounting policy			105		105
Beginning balance reflecting changes in accounting policy	100	42,499	(20,551)	(2,419)	19,627
Change during the period					
Deficiency compensation		(24,846)	24,846		—
Profit (loss) attributable to owners of parent			69		69
Acquisition of treasury shares				(0)	(0)
Changes in accounts other than shareholders' equity during the period, net					
Total change during the period	-	(24,846)	24,916	(0)	69
Ending balance	100	17,652	4,364	(2,419)	19,697

	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			
Beginning balance	(3)	581	(37)	540	5	47	20,115
Cumulative effect of changes in accounting policy							105
Beginning balance reflecting changes in accounting policy	(3)	581	(37)	540	5	47	20,220
Change during the period							
Deficiency compensation							—
Profit (loss) attributable to owners of parent							69
Acquisition of treasury shares							(0)
Changes in accounts other than shareholders' equity during the period, net	5	33	40	78	5	(47)	37
Total change during the period	5	33	40	78	5	(47)	107
Ending balance	2	614	3	619	10	—	20,327

(4) Consolidated Statement of Cash Flow

(Million yen)

	FY2021 (From January 1 to December 31, 2021)	FY2022 (From January 1 to December 31, 2022)
Cash flow from operating activities		
Profit (loss) before income taxes	(7,770)	74
Profit (loss)		
Depreciation	1,363	1,002
Impairment losses	157	165
Increase (decrease) in allowance for doubtful accounts	3,326	(462)
Increase (decrease) in provision for bonuses	130	(35)
Increase (decrease) in retirement benefit liability	(141)	(115)
Increase (decrease) in provision for loss on subloans	304	(47)
Increase (decrease) in provision for contractual losses	902	(461)
Interest and dividend income	(177)	(20)
Interest expense	89	23
Foreign exchange losses (profit)	(222)	(94)
Equity loss (gains) of affiliated companies	(124)	82
Loss (profit) on retirement of property, plant and equipment	(141)	95
Subsidy income	(78)	(22)
Gain on reversal of asset retirement obligations	-	(356)
Structural reform losses	1,305	-
Extra retirement payments	-	108
Decrease (increase) in trade receivables	1,175	2,488
Decrease (increase) in inventory	2,411	200
Increase (decrease) in trade payables	(1,866)	(575)
Decrease (increase) in advances paid	278	(1,016)
Increase (decrease) in accounts payable and accrued expenses	57	(1,490)
Increase (decrease) in contractual liabilities	-	(529)
Increase (decrease) in accrued consumption taxes	26	(444)
Others	256	(298)
Subtotal	1,263	(1,728)
Interest and dividends received	283	19
Interest paid	(104)	(23)
Proceeds from subsidy income	78	22
Extra retirement payments	-	(105)
Structural reform loss payments	(522)	(90)
Income taxes paid	(71)	(168)
Cash flow from operating activities	928	(2,075)
Net cash provided by (used in) investing activities		
Payments into time deposits	(966)	(1,183)
Proceeds from withdrawal of time deposits	1,180	983
Purchase of property, plant and equipment	(716)	(171)
Proceeds from sales of property, plant and equipment	195	1
Purchase of intangible assets	(52)	(84)
Purchase of investment property	(477)	-
Proceeds from sales of investment property	2,950	1,000
Payments for sale of shares of subsidiaries resulting in change in scope of consolidation	(1,904)	-
Purchase of investments in subsidiaries and associates	(85)	(42)
Proceeds from sale of investments in subsidiaries and associates	-	1,800
Payments for business transfer	(192)	-
Short-term loan advances	(44)	-
Collection of short-term loans receivable	1,044	-
Collection of long-term loans receivable	372	430
Payment of leasehold and guarantee deposits	(141)	(192)
Collection of leasehold and guarantee deposits	843	283
Payment of asset retirement obligations	(755)	(311)
Others	(36)	(3)
Net cash provided by (used in) investing activities	1,213	2,508

(Million yen)

	FY2021 (from January 1 to December 31, 2021)	FY2022 (from January 1 to December 31, 2022)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term borrowings	(3,955)	(874)
Repayments of long-term borrowings	(12)	(13)
Repayments of finance lease obligations	(75)	(91)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(200)	-
Others	41	5
Net cash provided by (used in) financing activities	(4,202)	(974)
Effect of exchange rate change on cash and cash equivalents	206	44
Increase (decrease) in cash and cash equivalents	(1,853)	(497)
Beginning balance of cash and cash equivalents	12,100	10,246
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	-	(67)
Ending balance of cash and cash equivalents	10,246	9,681

(5) Notes to the quarterly consolidated financial statement

(Notes on going concern assumption)

N/A

(Changes in accounting policy)

(Application of accounting standards for revenue recognition)

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 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 that right.

The cumulative effect of the retrospective application of the new accounting policy before the beginning of the current financial year has been added to or deducted from retained earnings at the beginning 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 current financial year has been added to or deducted from retained earnings at the beginning of the current financial year, and the new accounting policies have been applied from this opening balance.

For the fiscal year under review, the application discussed above had the effect of decreasing net sales by 11 million yen, cost of sales by 32 million yen, and selling, general and administrative expenses by 17 million yen, respectively, and of increasing operating profit, ordinary profit and profit before income taxes each by 37 million yen. In addition, the balance of retained earnings at the beginning of the period increased by 105 million yen.

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

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 current financial year. The new accounting policies stipulated by the Accounting Standard for Fair Value Calculation are to be applied prospectively in accordance with 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 consolidated financial statements.

(Segment information, etc.)

(Segment information)

1. Explanation of reporting segment

The Group's reporting segments consist of the Retail, Overseas, and Asset & Service Businesses.

- * Retail Business The Retail Business is engaged in the sale of gift products and sells mainly food and cosmetics through offline and online stores in Japan.
- * Overseas Business The Overseas Business pursues international trading and global EC activities through various channels and networks, whether via BtoC or BtoB, or offline or online, with a focus on high-quality Japanese products.
- * Asset & Service Business The Asset & Service Business operates and manages shopping complexes and is engaged in real estate trading and brokerage services

2. Method for computing sales, profit or loss, assets, liabilities, and other items for each reporting segment

Reporting segment profits are based on operating profit. Internal sales or transfers between segments are more or less based on prevailing market prices.

3. Information concerning monetary amounts of sales, profit or loss, assets, liabilities, and other items of each reporting segment for the previous fiscal year (from January 1 to December 31, 2021) (Million yen)

	Reporting segment			Total	Amount of adjustment (Note) 1	Amount recorded on consolidated financial statements (Note) 2
	Retail Business	Overseas Business	Asset & Service Business			
Net sales						
Sales to extremal clients	44,604	19,348	4,197	68,149	—	68,149
Internal sales or transfers between segments	67	19	2	89	(89)	—
Total	44,671	19,367	4,199	68,239	(89)	68,149
Segment profit (loss)	(460)	(363)	(831)	(1,655)	(1,191)	(2,846)
Segment assets	23,750	7,869	6,500	38,120	8,600	46,720
Depreciation	1,209	72	64	1,347	15	1,363
Increase in property, plant and equipment and intangible assets	210	290	471	972	28	1,000

- (Notes)
1. Segment profit adjustment of (1,191) million yen includes elimination of inter-segment transactions of 107 million yen and whole company expenses not divided into each reporting segment of (1,298) million yen. Whole company expenses mainly consist of personnel expenses and general management expenses that do not belong 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 are composed mainly of cash and deposits, investment securities, and whole company shared facilities at the Company. Depreciation adjustment of 15 million yen and adjustment amount for increase in property, plant and equipment and intangible assets of 28 million yen were all related to whole company assets.
 2. Segment profit (loss) is adjusted to operating loss in the consolidated statement of income.

FY2022 (from January 1 to December 31, 2022)

(Million yen)

	Reporting segment			Total	Amount of adjustment (Note) 1	Amount recorded on consolidated financial statements (Note) 2
	Retail Business	Overseas Business	Asset & Service Business			
Net sales						
Sales to extremal clients	42,571	8,165	4,390	55,127	—	55,127
Internal sales or transfers between segments	58	15	0	74	(74)	—
Total	42,629	8,181	4,390	55,201	(74)	55,127
Segment profit (loss)	863	(187)	388	1,064	(1,014)	49
Segment assets	22,958	6,074	8,111	37,144	3,800	40,944
Depreciation	868	88	42	998	3	1,002
Increase in property, plant and equipment and intangible assets	336	12	22	371	7	379

- (Notes)
- Segment profit adjustment of (1,014) million yen includes elimination of inter-segment transactions of 160 million yen and whole company expenses not divided into each reporting segment of (1,174) million yen. Whole company expenses mainly consist of personnel expenses and general management expenses that do not belong to reporting segments. Segment asset adjustment of 3,800 million yen includes elimination of inter-segment transactions of (11,190) million yen and whole company assets not divided into each reporting segment of 14,998 million yen. Whole company assets are composed mainly of cash and deposits, investment securities, and whole company shared facilities at the Company. Depreciation adjustment of 3 million yen and adjustments for increase in property, plant and equipment and intangible assets of 7 million yen are all related to whole company assets.
 - Segment profit (loss) was adjusted for operating profit in the consolidated statement of income.

4. 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 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 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 9 million yen, sales in the Overseas Business segment decreased by 15 million yen and sales in the Asset and Services Business decreased by 5 million yen in the current financial year compared with the previous method. The impact on each segment profit or loss is negligible.

(Per-share information)

	FY2021 (From January 1 to December 31, 2021)	FY2022 (From January 1 to December 31, 2022)
Net assets per share	219.46 yen	222.25 yen
Profit (loss) per share	(77.78) yen	0.76 yen
Diluted profit per share	-	-

- (Note)
- Diluted net profit per share for the fiscal year under review is not shown as there were no dilutive shares. Diluted net profit per share for the previous fiscal year is not shown as net loss per share was recorded.

(Significant post-reporting period events)

Not applicable

4. Non-consolidated Financial Statements and Important Notes**(1) Non-consolidated balance sheet**

(Million yen)

	FY2021 (December 31, 2021)	FY2022 (December 31, 2022)
Assets		
Current assets		
Cash and deposits	6,788	4,954
Accounts receivable - trade	2,964	0
Inventory	176	4
Advances paid	175	8
Prepaid expenses	211	145
Short-term loans to subsidiaries and associates	1,070	2,416
Accounts receivable	1,498	737
Others	184	103
Allowance for doubtful accounts	(291)	(5)
Total current assets	12,777	8,362
Non-current assets		
Property, plant and equipment		
Buildings	198	135
Vehicles	0	0
Tools, furniture and fixtures	19	2
Land	388	388
Total property, plant and equipment	607	526
Intangible assets	0	5
Investments and other assets		
Investment securities	117	111
Shares of subsidiaries and associates	4,497	6,657
Investments in subsidiaries and associates	2,608	76
Long-term loans receivable	3,290	2,860
Long-term loans to subsidiaries and associates	2,577	2,677
Claim to bankrupt and quasi-bankrupt assets	2,007	1,981
Long-term accounts receivable	2,205	2,477
Leasehold and guarantee deposits	2,329	1,670
Others	278	243
Allowance for doubtful accounts	(8,836)	(8,697)
Total investments and other assets	11,076	10,057
Total non-current assets	11,684	10,589
Deferred assets		
Stock grant expenses	28	-
Total deferred assets	28	-
Total assets	24,490	18,952

(Million yen)

	FY2021 (December 31, 2021)	FY2022 (December 31, 2022)
Liabilities		
Current liabilities		
Accounts payable - trade	341	-
Short-term borrowings	800	300
Accounts payable	2,056	669
Accrued expenses	597	205
Income taxes payable	313	12
Advances received	597	59
Deposits received	171	127
Provision for bonuses	45	15
Provision for loyalty points	4	-
Provision for loss on product compensation	14	14
Provision for loss on withdrawal from employees' pension fund	34	21
Provision for loss on subloans	44	88
Provision for contractual losses	601	319
Asset retirement obligations	194	-
Others	68	37
Total current liabilities	5,885	1,870
Non-current liabilities		
Deferred tax liabilities	1	4
Reserve for retirement benefits	416	270
Reserve for directors' retirement benefits	43	67
Provision for loss on liquidation of subsidiaries and associates	351	370
Provision for loss on subloans	260	168
Provision for contractual losses	432	253
Asset retirement obligations	758	307
Others	1,302	1,185
Total non-current liabilities	3,566	2,627
Total liabilities	9,451	4,498
Net assets		
Shareholders' equity		
Capital	100	100
Capital surplus		
Capital reserve	19,289	11,000
Other capital surplus	22,913	6,356
Total capital surplus	42,203	17,356
Retained earnings		
Other retained earnings		
Retained earnings carried forward	(24,846)	(595)
Total retained earnings	(24,846)	(595)
Treasury shares	(2,419)	(2,419)
Total shareholders' equity	15,036	14,441
Valuation and translation adjustment		
Valuation difference on available-for-sale securities	(3)	2
Total valuation and translation adjustment	(3)	2
Share acquisition rights	5	10
Total net assets	15,039	14,454
Total liabilities and net assets	24,490	18,952

(2) Non-consolidated statement of income

(Million yen)

	FY2021 (from January 1 to December 31, 2021)	FY2022 (from January 1 to December 31, 2022)
Net sales	12,216	6,801
Cost of sales	10,661	4,955
Gross profit	1,555	1,846
Selling, general and administrative expenses	5,043	2,435
Operating profit (loss)	(3,488)	(589)
Non-operating income		
Interest income	250	95
Dividend income	124	-
Foreign exchange gains	318	102
Reversal of allowance for doubtful accounts	96	220
Others	5	3
Total non-operating income	795	422
Non-operating expenses		
Interest expense	16	11
Amortization of stock grant expenses	31	28
Loss on investment in securities	1	11
Rent	38	9
Others	18	13
Total non-operating expenses	106	75
Ordinary profit (loss)	(2,799)	(243)
Extraordinary income		
Gain on sale of fixed assets	274	1
Reversal of provision for loss on liquidation of subsidiaries and associates	79	-
Gain on reversal of asset retirement obligations	-	356
Others	79	42
Total extraordinary income	433	399
Extraordinary losses		
Impairment losses	107	10
Loss on liquidation of stores	114	133
Structural reform losses	1,305	-
Loss on suspension of store operations	163	-
Provision for allowance for doubtful accounts	2,531	-
Provision for allowance for contractual losses	995	131
Loss on extinguishment of tie-in shares	500	-
Loss on sale of investments in subsidiaries and associates	-	424
Others	574	123
Total extraordinary losses	6,293	823
Profit (loss) before income taxes	(8,659)	(667)
Income taxes, inhabitant taxes and enterprise taxes payable	21	(74)
Income taxes-deferred	(198)	1
Total income taxes	(176)	(72)
Profit (loss)	(8,482)	(595)

(3) Non-consolidated statement of changes in shareholders' equity

FY2021 (from January 1 to December 31, 2021)

(Million yen)

	Shareholders' equity							
	Capital	Capital surplus			Retained earnings		Treasury shares	Total shareholders' equity
		Capital reserve	Other capital surplus	Total capital surplus	Other retained earnings	Total retained earnings		
Beginning balance	23,000	19,289	13	19,303	(16,363)	(16,363)	(2,419)	23,519
Change during the period								
Capital reduction	(22,900)		22,900	22,900				—
Profit (loss)					(8,482)	(8,482)		(8,482)
Acquisition of treasury shares							(0)	(0)
Changes in accounts other than shareholders' equity during the period, net								
Total change during the period	(22,900)	—	22,900	22,900	(8,482)	(8,482)	(0)	(8,482)
Ending balance	100	19,289	22,913	42,203	(24,846)	(24,846)	(2,419)	15,036

	Valuation and translation adjustment		Share acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Total valuation and translation adjustment		
Beginning balance	(7)	(7)	16	23,529
Change during the period				
Capital reduction				—
Profit (loss)				(8,482)
Acquisition of treasury shares				(0)
Changes in accounts other than shareholders' equity during the period, net	4	4	(11)	(7)
Total change during the period	4	4	(11)	(8,489)
Ending balance	(3)	(3)	5	15,039

FY2022 (from January 1 to December 31, 2022)

(Million yen)

	Shareholders' equity							
	Capital	Capital surplus			Retained earnings		Treasury shares	Total shareholders' equity
		Capital reserve	Other capital surplus	Total capital surplus	Other retained earnings Retained earnings carried forward	Total retained earnings		
Beginning balance	100	19,289	22,913	42,203	(24,846)	(24,846)	(2,419)	15,036
Change during the period								
Transfer from reserve to surplus		(8,289)	8,289	—				—
Deficiency compensation			(24,846)	(24,846)	24,846	24,846		—
Profit (loss)					(595)	(595)		(595)
Acquisition of treasury shares							(0)	(0)
Changes in accounts other than shareholders' equity during the period, net								
Total change during the period	—	(8,289)	(16,556)	(24,846)	24,251	24,251	(0)	(595)
Ending balance	100	11,000	6,356	17,356	(595)	(595)	(2,419)	14,441

	Valuation and translation adjustment		Share acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Total valuation and translation adjustment		
Beginning balance	(3)	(3)	5	15,039
Change during the period				
Transfer from reserve to surplus				—
Deficiency compensation				—
Profit (loss)				(595)
Acquisition of treasury shares				(0)
Changes in accounts other than shareholders' equity during the period, net	5	5	5	10
Total change during the period	5	5	5	(584)
Ending balance	2	2	10	14,454