

Summary of (Consolidated) Financial Statements for the Q1 Term of Fiscal Year Ending December 31, 2023 (Japanese Standards)

May 12, 2023

Listed company: Laox Holdings Co., Ltd. Stock exchange: Tokyo Stock Exchange
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Planned Submission Date for the Quarterly Report: May 12, 2023
Planned Starting Date for Dividend Payments: -
Supplementary Documents for Quarterly Results: No
Quarterly Results Briefing: No

(Rounded down to nearest million yen)

1. Consolidated Results for the Q1 Term of FY2023 (January 1, 2023, to March 31, 2023)

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Q1 of FY2023	9,799	(18.5)	(787)	-	(763)	-	(660)	-
Q1 of FY2022	12,019	(21.3)	(62)	-	131	-	464	-

(Note) Comprehensive income Q1 of FY2023: (645) million yen (-%) Q1 of FY2022: 527 million yen (-%)

	Profit per share		Diluted profit per share	
	Yen	%	Yen	%
Q1 of FY2023	(7.23)	-	-	-
Q1 of FY2022	5.08	-	-	-

(2) Consolidated financial position

	Total assets		Net assets		Equity ratio	
	Million yen	%	Million yen	%	Million yen	%
Q1 of FY2023	35,076	56.1	19,681	56.1		
FY2022	40,944	49.6	20,327	49.6		

(For reference) Equity Q1 of FY2023: 19,671 million yen FY2022: 20,317 million yen

2. Dividends

	Dividends per share				
	End of Q1	End of Q2	End of Q3	Year-end	Total
FY2022	Yen -	Yen -	Yen -	Yen 0.00	Yen 0.00
FY2023	-	-	-	-	-
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	70,000	27.0	500	907.4	400	(18.4)	200	186.4	2.19

(Note) Revision to the forecast publicized most recently: Yes

*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.: | No |
| (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):

Q1 of FY2023	93,335,103 shares
FY2022	93,335,103 shares

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

Q1 of FY2023	1,918,389 shares
FY2022	1,918,389 shares

(iii) Average number of issued shares during period (from the beginning of period)

Q1 of FY2023	91,416,714 shares
Q1 of FY2022	91,416,733 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.

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1. Qualitative Information on Consolidated Results

(1) Explanation of operating results

During the first quarter of the fiscal year under review, although the impact of COVID-19 is lessening, the Japanese economy remains uncertain due to the soaring natural resources and energy prices caused by the prolonged situation in Ukraine and the rising prices associated with the weakening yen.

In the retail sector addressed by the Group as its main domain, consumer spending is showing signs of a gradual recovery, but the consumer price index is on an upward trend and the business environment remains challenging. On the other hand, looking at inbound tourist activity, inbound consumption is showing signs of recovery due to an increase in the number of foreign tourists visiting Japan with the easing of COVID-19 measures at entry and the weakening of the yen.

Amidst this environment, we work toward realizing our stated mission of proposing a rich and varied lifestyle, or “Global Life Styles,” and supporting its evolution and creation. Simultaneously, in the Retail Business, the Laox Group worked to utilize its expertise by opening an e-commerce site dedicated to catalogue gifts featuring only Japanese beef of high rarity value, opening a new specialty store in Ginza under its original sweets brand THE SWEETS, and strengthening its business base by improving earnings through measures such as converting idle group real estate to inbound stores.

As a result, due to the impact of the recording of sales of large-scale real estate projects in the Asset & Service Business in the previous fiscal year, consolidated net sales for the first quarter of the fiscal year under review amounted to 9,799 million yen (down 18.5% year-on-year), operating loss was 787 million yen (an operating loss of 62 million yen in the same period of the previous year), ordinary loss was 763 million yen (an ordinary profit of 131 million yen in the same period of the previous year), and loss attributable to owners of parent came to 660 million yen (a profit of 464 million yen in the same period of the previous year).

The operating results for each business segment are detailed below.

(Retail Business)

In the gift sales business, sales were strong, including a new entry into the celebration market, the Sekku (seasonal) gift market, the development of original Sekku gift products, efforts to expand the range of products available for existing return gifts, and the opening of a dedicated e-commerce site for “Wagyuen,” a gift catalog featuring only rare Japanese beef.

However, there was a reactionary decline in sales from the supply of products to the “Green” home point program business issued by the Ministry of Land, Infrastructure, Transport and Tourism, which ended in March of the previous year.

As a result, segment net sales for the first quarter of the fiscal year under review decreased 6.9% year on year to 7,521 million yen, and segment loss was 293 million yen (a loss of 219 million yen in the same period of the previous year).

(Overseas Business)

In the Overseas Business, after the lifting of the zero-COVID policy at our subsidiaries in China, economic activities gradually resumed, and retail and restaurant operations also returned to normal. At the beginning of the year, however, we were affected by employees who had COVID-19, and in addition, in e-commerce sales, we were slow to respond to changes in consumer behavior, resulting in sluggish business performance.

As a result, segment net sales for the first quarter of the fiscal year under review decreased 42.1% year on year to 1,331 million yen, while segment loss was 49 million yen (a loss of 86 million yen in the same period of the previous year) due to the effects of the structural reforms implemented in the previous fiscal 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.

As for shops for inbound tourists, we started operations by converting idle real estate in Dotonbori (city of Osaka) into stores and resumed operations at the New Chitose Airport store, which had been out of service, and sales continued to expand due to a rising number of foreign tourists visiting Japan. At the Laox Akihabara main store, we also renewed and opened the “Chow Tai Fook Laox Akihabara Store,” which is the official Japanese distributor of Chow Tai Fook Jewellery Group Limited, the largest jewelry company based in Hong Kong, China.

As a result, segment net sales for the first quarter of the fiscal year under review decreased 42.5% year on year to 946 million yen, while segment loss was 194 million yen (a profit of 533 million yen in the same period of the previous year) due to the effects of the reactionary decline from large-scale real estate sales reported in the previous fiscal year.

(2) Explanation of financial conditions

(Assets)

Total assets at the first quarter of the fiscal year under review amounted to 35,076 million yen (40,944 million yen at the end of the previous fiscal year). The drop in total assets was attributable primarily to a decrease of 5,016 million yen in notes and accounts receivable-trade.

(Liabilities)

Total liabilities came to 15,394 million yen (20,617 million yen at the end of the previous fiscal year). The fall in liabilities was attributable primarily to decreases of 3,855 million yen in notes and accounts payable-trade and 766 million yen in current liabilities and others.

(Net assets)

Total net assets came to 19,681 million yen (20,327 million yen at the end of the previous fiscal year). The drop in net assets was attributable primarily to a decrease of 660 million yen in retained earnings.

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

For matters related to the forecast of consolidated financial results for the full year, please refer to “Notice of Revision to the Forecast of Consolidated Financial Results” released today.

2. Quarterly Consolidated Financial Statements and Important Notes

(1) Quarterly consolidated balance sheet

(Million yen)

	FY2022 (As of December 31, 2022)	First quarter of FY2023 (As of March 31, 2023)
Assets		
Current assets		
Cash and deposits	10,480	9,944
Notes and accounts receivable - trade	13,037	8,020
Inventory	3,806	3,808
Others	3,912	3,615
Allowance for doubtful accounts	(823)	(819)
Total current assets	30,412	24,569
Non-current assets		
Property, plant and equipment	5,337	5,499
Intangible assets	1,224	1,180
Investments and other assets		
Others	7,505	7,364
Allowance for doubtful accounts	(3,534)	(3,537)
Total investments and other assets	3,970	3,827
Total non-current assets	10,532	10,506
Deferred assets	0	0
Total assets	40,944	35,076

(Million yen)

	FY2022 (As of December 31, 2022)	First quarter of FY2023 (As of March 31, 2023)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	7,914	4,059
Electronically recorded obligations - operating	1,960	1,739
Short-term borrowings	1,200	1,200
Income taxes payable	79	22
Provisions	583	374
Others	5,371	4,604
Total current liabilities	17,109	12,001
Non-current liabilities		
Long-term borrowings	91	85
Provisions	498	370
Retirement benefit liability	1,035	1,039
Asset retirement obligations	312	374
Others	1,568	1,523
Total non-current liabilities	3,507	3,393
Total liabilities	20,617	15,394
Net assets		
Shareholders' equity		
Capital	100	100
Capital surplus	17,652	17,652
Retained earnings	4,364	3,703
Treasury shares	(2,419)	(2,419)
Total shareholders' equity	19,697	19,036
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2	2
Foreign currency translation adjustment	614	628
Remeasurements of defined benefit plans	3	3
Total accumulated other comprehensive income	619	634
Share acquisition rights	10	10
Total net assets	20,327	19,681
Total liabilities and net assets	40,944	35,076

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

Quarterly consolidated statement of income

First quarter

(Million yen)

	First quarter of FY2022 (From January 1 to March 31, 2022)	First quarter of FY2023 (From January 1 to March 31, 2023)
Net sales	12,019	9,799
Cost of sales	8,452	7,400
Gross profit	3,567	2,399
Selling, general and administrative expenses	3,629	3,187
Operating profit (loss)	(62)	(787)
Non-operating income		
Interest income	5	5
Foreign exchange gains	218	53
Others	14	9
Total non-operating income	237	68
Non-operating expenses		
Interest expenses	9	2
Rent expenses on land and buildings	1	26
Others	34	15
Total non-operating expenses	44	43
Ordinary profit (loss)	131	(763)
Extraordinary income		
Gain on reversal of asset retirement obligations	334	-
Subsidy income	16	-
Reversal of provision for contractual losses	-	122
Others	7	29
Total extraordinary income	358	151
Extraordinary losses		
Loss on liquidation of stores	36	-
Loss on suspension of store operations	7	-
Contractual losses	-	59
Others	7	13
Total extraordinary losses	50	73
Profit (loss) before income taxes	439	(685)
Total income taxes	(22)	(24)
Profit (loss)	461	(660)
Loss attributable to non-controlling interests	(2)	-
Profit (loss) attributable to owners of parent	464	(660)

Quarterly consolidated statement of comprehensive income

First quarter

(Million yen)

	First quarter of FY2022 (From January 1 to March 31, 2022)	First quarter of FY2023 (From January 1 to March 31, 2023)
Profit (loss)	461	(660)
Other comprehensive income		
Valuation difference on available-for-sale securities	2	0
Foreign currency translation adjustment	64	14
Remeasurements of defined benefit plans, net of tax	2	(0)
Share of other comprehensive income of entities accounted for using equity method	(4)	-
Total other comprehensive income	65	14
Comprehensive income	527	(645)
(Breakdown)		
Comprehensive income attributable to owners of parent	530	(645)
Comprehensive income attributable to non-controlling interests	(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

(Segment information, etc.)

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

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

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

- (Notes)
1. Segment profit adjustment of (289) million yen includes elimination of inter-segment transactions of 37 million yen and whole company expenses not divided into each reporting segment of (327) million yen. Whole company expenses mainly consist of personnel expenses and general management expenses that do not belong to reporting segments.
 2. Segment profit (loss) is adjusted to operating loss in the consolidated statement of income.

II. First quarter of FY2023 (from January 1 to March 31, 2023)

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	7,521	1,331	946	9,799	-	9,799
Internal sales or transfers between segments	33	7	0	41	(41)	-
Total	7,554	1,338	947	9,841	(41)	9,799
Segment profit (loss)	(293)	(49)	(194)	(537)	(250)	(787)

- (Notes)
1. Segment profit adjustment of (250) million yen includes elimination of inter-segment transactions of 40 million yen and whole company expenses not divided into each reporting segment of (290) million yen. Whole company expenses mainly consist of personnel expenses and general management expenses that do not belong to reporting segments.
 2. Segment profit (loss) is adjusted to operating loss in the consolidated statement of income.

(Significant post-reporting-period events)

(Business combination by acquisition)

In accordance with the resolution of the Board of Directors held on April 6, 2023, the Company executed a share transfer agreement on the same date to acquire all the shares of Barneys Japan Co., Ltd., and acquired all of the shares of Barneys Japan Co., Ltd. and made it a subsidiary on May 1, 2023.

Overview of business combination

(1) Name of acquired company and details of its business

Name of acquired company: Barneys Japan Co., Ltd.

Business profile: Sales and imports of men's and women's clothing, general merchandise, cosmetics, gift items, etc.

(2) Main reasons for the business combination

The purpose of this acquisition is to develop a new style of retail business in the Group in order to meet the consumption needs of wealthy individuals in Japan and abroad in a new era following the COVID-19 pandemic. The synergistic effect of leveraging Barneys Japan's strong brand and its know-how in the inbound business in the Group has enabled Barneys Japan to expand its sales and enlarge its business areas, such as e-commerce and trade exports to overseas markets, and the Company has determined that this will be effective for sustainable growth and increased corporate value in the future.

(3) Date of business combination

May 1, 2023

(4) Legal form of business combination

Acquisition of shares for cash

(5) Name of the combined company

No change

(6) Percentage of voting rights acquired

100%

(7) Main basis for determining the acquiring company

This is due to the Company acquiring shares in exchange for cash.

3. Others

Significant events, etc. concerning the going concern assumption

The Group has recorded significant losses or negative operating cash flow for several periods up to the fiscal year ended December 31, 2022, and there are circumstances raising important doubt over its going concern assumption. In addition to maintaining cash and deposits of 9,944 million yen at the end of the first quarter of the current fiscal year and securing the necessary working capital, the Company has implemented the following measures to resolve such significant events.

- In the Retail Business, in an effort to break away from the seasonally fluctuating business, we will work to develop new products that cater to a wide variety of daily gift scenes, as well as value-added products such as rare Wagyu beef and sweets that fulfill the need for a luxury to be enjoyed at home. We will also develop our popular original sweets brands as permanent stores in an effort to attract new sales channels and customer segments.
- In the Overseas Business, we will increase exports and sales, primarily in the area of Japanese food to China. In addition, in China, we will further strengthen the marketing of Kurogi, a highly regarded Japanese restaurant chain, and in e-commerce sales, we will use the latest systems on the platforms where we have stores to respond to changes in consumer behavior, and we will work to recover our e-commerce business in China.
- In the Asset & Service Business, we will actively work to obtain tenants for operation facilities and put into place content that can attract new tenants. As for shops for inbound tourists, we will closely monitor trends in the number of inbound tourists to Japan, reopen our stores, expand our store network by opening new stores in Tokyo and Osaka, and seek to identify a new form of duty-free shop by reviewing our product mix and developing new services.
- In order to increase synergies across the Group organizations, we will maximize the functions and human resources of each Group company, and through efficient product supply and the use of logistics networks, we will reliably deliver improved profitability by continuously controlling costs of personnel and distribution expenses and maximizing sales in each business.

Based on the above, the Company has determined that there is no material uncertainty regarding the going concern assumption.