

Summary of (Consolidated) Financial Statements for the Q2 Term of Fiscal Year Ending December 31, 2023 (Japanese Standards)

August 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, COO (Name) Teruji Yano
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: August 10, 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 Q2 Term of FY2023 (January 1, 2023, to June 30, 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	%
Q2 of FY2023	23,683	(1.8)	(1,177)	-	(1,038)	-	1,972	-
Q2 of FY2022	24,124	(21.7)	(492)	-	(145)	-	(41)	-

(Note) Comprehensive income Q2 of FY2023: 2,008 million yen (2,270.7%) Q2 of FY2022: 84 million yen (-%)

	Profit per share		Diluted profit per share	
	Yen	%	Yen	%
Q2 of FY2023	21.57	-	-	-
Q2 of FY2022	(0.45)	-	-	-

(2) Consolidated financial position

	Total assets		Net assets		Equity ratio	
	Million yen	%	Million yen	%	Million yen	%
Q2 of FY2023	42,980	-	22,336	-	-	51.9
FY2022	40,944	-	20,327	-	-	49.6

(For reference) Equity Q2 of FY2023: 22,325 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	
	Million yen	%	Million yen	%	Million yen	%
Full year	70,000	27.0	500	907.4	400	(18.4)

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

*Notes

- (1) Important changes in subsidiaries in the second quarter under review (changes in specified subsidiaries resulting in changes in scope of consolidation): Yes

New: 1 company Barneys Japan Co., Ltd.

- (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):

Q2 of FY2023	93,335,103 shares
FY2022	93,335,103 shares
Q2 of FY2023	1,918,444 shares
FY2022	1,918,389 shares
Q2 of FY2023	91,416,706 shares
Q2 of FY2022	91,416,729 shares

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

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

* 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 half of the fiscal year under review, the Japanese economy continued to recover moderately amid the normalization of socioeconomic activities following COVID-19. However, the outlook remains uncertain due to sharp fluctuations in foreign exchange rates and soaring resource and energy costs and raw material prices.

Under these circumstances, the Laox Group is implementing a growth strategy in line with the progress of each business segment in order to realize our stated mission of proposing a rich and varied lifestyle, or “Global Life Styles,” and supporting its evolution and creation. In May 2023, we made Barneys Japan Co., Ltd., a consolidated subsidiary to further expand our business areas and strengthen our efforts with an awareness of achieving synergy among Group companies. We are also promoting sustainability initiatives, including the introduction of CO2 visualization tools to realize a decarbonized society.

As a result, due to the reaction 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 half of the fiscal year under review amounted to 23,683 million yen (down 1.8% year-on-year), operating loss was 1,177 million yen (a loss of 492 million yen in the same period of the previous year), and ordinary loss was 1,038 million yen (a loss of 145 million yen in the same period of the previous year). However, as a result of recording 4,398 million yen in gain on bargain purchase arising from the acquisition of Barneys Japan Co., Ltd. as a subsidiary in extraordinary income, and recording 436 million yen in loss on valuation of inventories and 796 million yen in provision for loss on contracts in extraordinary losses, profit attributable to owners of parent came to 1,972 million yen (a loss of 41 million yen in the same period of the previous year).

Operating results for each business segment are detailed below.

From the second quarter of the fiscal year under review, business segments described as reporting segments have changed, and the comparison and analysis for the first half of the fiscal year under review are based on the classification after the change.

(Gift Solution Business)

In the Gift Solution Business segment, we mainly sell Western confectionery as gifts, miscellaneous goods and lifestyle-related goods. In addition to traditional return gifts, we actively entered the celebratory market and focused on the development of original products. In addition, we promoted pop-up sales of the original sweets brand "THE SWEETS" to attract new customers and raise awareness for the brand.

In addition, although there was a reactionary decline in sales from the supply of products to the “Green” home point program issued by the Ministry of Land, Infrastructure, Transport and Tourism, which ended in March of the previous year, online sales have been strong and we were able to obtain government projects at new spots. In terms of profit and loss, sales decreased due to the continued impact of the reactionary decline from the previous year.

As a result, segment net sales for the first half of the fiscal year under review decreased 3.2% year on year to 16,811 million yen, and segment loss was 232 million yen (a loss of 202 million yen in the same period of the previous year).

(Retail Business)

In the Retail Business segment, in addition to existing inbound store operations, Barneys Japan Co., Ltd., which has been operating select apparel stores since May, has become a consolidated subsidiary, and sales have been increasing.

As for shop operations for inbound tourists, we have increased our store expansion efforts by reopening our Osaka Dotonbori store, opening a new Ginza Core store, and offering a variety of high-quality, safe, and popular Made-in-Japan products to meet the needs of foreign visitors to Japan.

At Barneys Japan Co., Ltd., sales have been strong due to the introduction of new fall and winter products and the advance benefits for members, and we have improved gross margins by shortening the sale period.

As a result, segment net sales for the first half of the fiscal year under review increased 187.3% year on year to 4,283 million yen, while segment loss was 66 million yen (a loss of 113 million yen in the same period of the previous year) due to the impact of the acquisition of Barneys Japan Co., Ltd. as a consolidated subsidiary in May and the reopening of inbound stores.

(Trading Business)

In the Trading Business segment, we sell small appliances in China and online, operate restaurants, and export small appliances and daily necessities from Japan to China.

In online sales operated by subsidiaries in China, the impact of delays in responding to changes in consumer behavior has continued, resulting in sluggish business performance. However, we have begun to import and sell mobile and PC-related accessories in earnest, dealing directly with our suppliers in China, in order to strengthen our efforts.

As a result, segment net sales for the first half of the fiscal year under review decreased 50.4% year on year to 1,968 million yen, and segment loss was 98 million yen (a loss of 138 million yen in the same period of the previous year).

(Asset Service Business)

In the Asset Service Business segment, we are engaged in the brokerage business of commercial properties, and we are working

to improve profit by improving cash flow and reducing costs in order to improve the efficiency of the commercial facilities and group idle properties we manage.

As a result, segment net sales for the first half of the fiscal year under review decreased 52.3% year on year to 620 million yen, and segment loss was 239 million yen (a profit of 504 million yen in the same period of the previous year).

(2) Explanation of financial conditions

(i) Analysis of financial conditions

(Assets)

Total assets at the second quarter of the fiscal year under review amounted to 42,980 million yen (40,944 million yen at the end of the previous fiscal year). This was mainly due to an increase of 3,713 million yen in inventories due to the incorporation of Barneys Japan Co., Ltd. as a subsidiary, despite a 2,071 million yen decrease in notes and accounts receivable - trade.

(Liabilities)

Total liabilities came to 20,643 million yen (20,617 million yen at the end of the previous fiscal year). This was mainly due to an increase in short-term borrowings of 850 million yen, allowance for loss on contracts of 596 million yen, and asset retirement obligations of 540 million yen, despite a decrease in notes and accounts payable - trade of 1,413 million yen and electronically recorded obligations - operating of 416 million yen.

(Net assets)

Total net assets came to 22,336 million yen (20,327 million yen at the end of the previous fiscal year). The increase in net assets was attributable primarily to an increase of 1,972 million yen in retained earnings.

(ii) Analysis of cash flow conditions

Cash and cash equivalents at the end of the first half of the fiscal year under review decreased by 1,353 million yen from the end of the previous fiscal year to 8,327 million yen.

(Cash flow from operating activities)

Net cash used in operating activities amounted to 1,820 million yen in the first half of the year under review, compared with net cash used in operating activities of 1,339 million yen in the first half of the previous year.

This was mainly due to a gain on bargain purchase of 4,398 million yen, an increase in inventory of 306 million yen, and a decrease in trade receivables of 2,681 million yen, despite a quarterly net profit before income taxes of 1,959 million yen and a decrease in trade receivables of 3,711 million yen.

(Cash flow from investing activities)

Net cash used in investing activities amounted to 474 million yen in the first half of the year under review, compared with net cash provided by investing activities of 43 million yen in the first half of the previous year.

This was mainly due to the purchase of property, plant and equipment of 303 million yen and the purchase of shares of subsidiaries resulting in change in scope of consolidation of 467 million yen, although there were proceeds from the collection of long-term loans receivable of 180 million yen and proceeds from the refund of leasehold and guarantee deposits of 207 million yen.

(Cash flow from financing activities)

Net cash provided by financing activities amounted to 899 million yen in the first half of the year under review, compared with net cash used in financing activities of 109 million yen in the first half of the previous year.

This was mainly due to an increase of 850 million yen in net increase (decrease) in short-term borrowings.

(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 Concerning the Occurrence of Extraordinary Income and Losses and 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 half of FY2023 (As of June 30, 2023)
Assets		
Current assets		
Cash and deposits	10,480	9,145
Notes and accounts receivable–trade	13,037	10,965
Inventory	3,806	7,519
Others	3,912	4,442
Allowance for doubtful accounts	(823)	(823)
Total current assets	30,412	31,249
Non-current assets		
Property, plant and equipment	5,337	5,573
Intangible assets	1,224	1,143
Investments and other assets		
Others	7,505	8,573
Allowance for doubtful accounts	(3,534)	(3,560)
Total investments and other assets	3,970	5,013
Total non-current assets	10,532	11,729
Deferred assets	0	0
Total assets	40,944	42,980

(Million yen)

	FY2022 (As of December 31, 2022)	First half of FY2023 (As of June 30, 2023)
Liabilities		
Current liabilities		
Notes and accounts payable–trade	7,914	6,501
Electronically recorded obligations–operating	1,960	1,543
Short-term borrowings	1,200	2,050
Income taxes payable	79	47
Provisions	264	324
Allowance for loss on contracts	319	252
Others	5,371	5,156
Total current liabilities	17,109	15,876
Non-current liabilities		
Long-term borrowings	91	171
Provisions	244	221
Allowance for loss on contracts	253	916
Retirement benefit liability	1,035	1,032
Asset retirement obligations	312	853
Others	1,568	1,572
Total non-current liabilities	3,507	4,767
Total liabilities	20,617	20,643
Net assets		
Shareholders' equity		
Capital	100	100
Capital surplus	17,652	17,652
Retained earnings	4,364	6,336
Treasury shares	(2,419)	(2,419)
Total shareholders' equity	19,697	21,669
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2	–
Foreign currency translation adjustment	614	653
Remeasurements of defined benefit plans	3	2
Total accumulated other comprehensive income	619	656
Share acquisition rights	10	10
Total net assets	20,327	22,336
Total liabilities and net assets	40,944	42,980

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

Quarterly consolidated statement of income

First half

(Million yen)

	First half of FY2022 (From January 1 to June 30, 2022)	First half of FY2023 (From January 1 to June 30, 2023)
Net sales	24,124	23,683
Cost of sales	17,496	17,186
Gross profit	6,628	6,497
Selling, general and administrative expenses	7,121	7,674
Operating profit (loss)	(492)	(1,177)
Non-operating income		
Interest income	10	10
Foreign exchange gains	411	187
Others	25	26
Total non-operating income	447	223
Non-operating expenses		
Interest expenses	17	4
Share of loss of entities accounted for using equity method	38	18
Rent expenses on land and buildings	10	30
Others	32	30
Total non-operating expenses	99	84
Ordinary loss	(145)	(1,038)
Extraordinary income		
Gain on reversal of asset retirement obligations	356	-
Gain on bargain purchase	-	4,398
Others	16	31
Total extraordinary income	373	4,430
Extraordinary losses		
Loss on liquidation of stores	70	5
Loss on suspension of store operations	58	-
Loss on valuation of inventories	-	436
Contractual losses	37	108
Provision for loss on contracts	52	796
Others	94	86
Total extraordinary losses	313	1,433
Profit (loss) before income taxes	(85)	1,959
Total income taxes	(41)	(13)
Profit (loss)	(44)	1,972
Loss attributable to non-controlling interests	(2)	-
Profit (loss) attributable to owners of parent	(41)	1,972

Quarterly consolidated statement of comprehensive income

First half

(Million yen)

	First half of FY2022 (From January 1 to June 30, 2022)	First half of FY2023 (From January 1 to June 30, 2023)
Profit (loss)	(44)	1,972
Other comprehensive income		
Valuation difference on available-for-sale securities	6	(2)
Foreign currency translation adjustment	104	38
Remeasurements of defined benefit plans, net of tax	4	(0)
Share of other comprehensive income of entities accounted for using equity method	12	-
Total other comprehensive income	128	36
Comprehensive income	84	2,008
(Breakdown)		
Comprehensive income attributable to owners of parent	87	2,008
Comprehensive income attributable to non-controlling interests	(2)	-

(3) Quarterly consolidated statement of cash flows

(Million yen)

	First half of FY2022 (From January 1 to June 30, 2022)	First half of FY2023 (From January 1 to June 30, 2023)
Cash flow from operating activities		
Profit (loss) before income taxes	(85)	1,959
Depreciation	560	407
Increase (decrease) in allowance for doubtful accounts	(62)	22
Increase (decrease) in provision for bonuses	(22)	(89)
Increase (decrease) in retirement benefit liability	(28)	(3)
Increase (decrease) in allowance for loss on contracts	(290)	594
Interest and dividend income	(10)	(10)
Interest expenses	17	4
Foreign exchange losses (gains)	(134)	(83)
Share of loss (profit) of entities accounted for using equity method	38	18
Loss (gain) on sale and retirement of property, plant and equipment	(0)	59
Gain on bargain purchase	-	(4,398)
Subsidy income	(16)	-
Gain on reversal of asset retirement obligations	(356)	-
Extra retirement payments	65	-
Loss on valuation of inventories	-	436
Decrease (increase) in trade receivables	4,921	3,711
Decrease (increase) in inventory	(431)	(306)
Increase (decrease) in trade payables	(3,261)	(2,681)
Decrease (increase) in accounts receivable	586	540
Decrease (increase) in prepaid expenses	80	(446)
Increase (decrease) in contract liabilities	(625)	(147)
Increase (decrease) in accounts payable - other, and accrued expenses	(1,353)	(1,109)
Increase (decrease) in accrued consumption taxes	(527)	(81)
Others	(118)	(159)
Subtotal	(1,056)	(1,766)
Interest and dividends received	10	10
Interest paid	(17)	(4)
Subsidies received	16	-
Extra retirement payments	(45)	-
Structural reform loss payments	(90)	-
Income taxes refund (paid)	(155)	(60)
Net cash provided by (used in) operating activities	(1,339)	(1,820)
Cash flow from investing activities		
Payments into time deposits	(183)	(597)
Proceeds from withdrawal of time deposits	183	599
Purchase of property, plant and equipment	(60)	(303)
Proceeds from sale of property, plant and equipment	0	4
Purchase of intangible assets	(22)	(63)
Proceeds from sale of investment securities	-	36
Purchase of shares of subsidiaries resulting in change in scope of consolidation	-	(467)
Proceeds from collection of long-term loans receivable	180	180
Payments of leasehold and guarantee deposits	(19)	(65)
Proceeds from refund of leasehold and guarantee deposits	193	207
Payments for asset retirement obligations	(227)	(21)
Others	(1)	15
Net cash provided by (used in) investing activities	43	(474)

	First half of FY2022 (From January 1 to June 30, 2022)	First half of FY2023 (From January 1 to June 30, 2023)
Cash flow from financing activities		
Net increase (decrease) in short-term borrowings	(59)	850
Proceeds from long-term borrowings	-	100
Repayments of long-term borrowings	(6)	(10)
Repayments of lease liabilities	(44)	(40)
Others	(0)	(0)
Net cash provided by (used in) financing activities	(109)	899
Effect of exchange rate change on cash and cash equivalents	30	42
Net increase (decrease) in cash and cash equivalents	(1,375)	(1,353)
Beginning balance of cash and cash equivalents	10,246	9,681
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	(65)	-
Quarterly balance of cash and cash equivalents	8,806	8,327

(4) 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.)

First half of FY2022 (from January 1 to June 30, 2022)

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

	Reporting segment				Total	Amount of adjustment (Note) 1	Amount reported in quarterly consolidated statement of income (Note) 2
	Gift Solution Business	Retail Business	Trading Business	Asset & Service Business			
Net sales							
Sales to extremal clients	17,364	1,491	3,968	1,300	24,124	-	24,124
Internal sales or transfers between segments	22	-	6	-	28	(28)	-
Total	17,386	1,491	3,975	1,300	24,153	(28)	24,124
Segment profit (loss)	(202)	(113)	(138)	504	50	(543)	(492)

- (Notes)
1. Segment profit adjustment of (543) million yen includes elimination of inter-segment transactions of 80 million yen and whole company expenses not divided into each reporting segment of (623) million yen. Whole company expenses mainly consist of personnel expenses and general management expenses that do not belong to reporting segments.
 2. Segment profit (loss) is adjusted to operating loss in the consolidated statement of income.

First half of FY2023 (from January 1 to June 30, 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
	Gift Solution Business	Retail Business	Trading Business	Asset & Service Business			
Net sales							
Sales to extremal clients	16,811	4,283	1,968	620	23,683	-	23,683
Internal sales or transfers between segments	67	12	9	42	131	(131)	-
Total	16,878	4,295	1,977	663	23,814	(131)	23,683
Segment loss	(232)	(66)	(98)	(239)	(637)	(540)	(1,177)

- (Notes)
1. Segment profit adjustment of (540) million yen includes elimination of inter-segment transactions of 44 million yen and whole company expenses not divided into each reporting segment of (584) 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.

2. Changes in reporting segments

The Company acquired all of the shares of Barneys Japan Co., Ltd. and made it a subsidiary on May 1, 2023. As a result of a new review of the appropriate management information disclosure categories in the Group and the internal performance management categories and names, the Company has decided to change the reporting segments to four categories: Gift Solution Business, Retail Business, Trading Business, and Asset & Service Business.

Segment information for the previous first half is disclosed based on the classification method after the change.

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 9,145 million yen at the end of the second 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 Gift Solution 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 occasions, as well as value-added products such as rare Wagyu beef and sweets that fulfill demand for home luxuries. 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 Retail Business, we will closely monitor trends in the number of inbound tourists to Japan, 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 addition, we will promote the sales expansion of Barneys Japan Co., Ltd. by utilizing our know-how in the inbound business.
- In the Trading Business, we will strengthen exports and sales mainly of food products to China and the import and sales of mobile phone and PC-related accessories, dealing directly with our suppliers in China. In addition, in China, we will further strengthen marketing for Kurogi, a highly regarded Japanese restaurant chain, and improve customer satisfaction.
- In the Asset & Service Business, we will actively put in place tenants and content that can contribute to the revitalization of local communities in the facilities we operate, and we will also promote social symbiosis activities.
- 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 personnel costs 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.