



Summary of (Consolidated) Financial Statements for the Q3 Term of Fiscal Year Ending December 31, 2023 (Japanese Standards)

November 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: November 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 Q3 Term of FY2023 (January 1, 2023, to September 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	%
Q3 of FY2023	39,642	4.7	(1,423)	-	(1,136)	-	1,705	-
Q3 of FY2022	37,874	(21.3)	(609)	-	(288)	-	(219)	-

(Note) Comprehensive income Q3 of FY2023: 1,758 million yen (-%) Q3 of FY2022: (84) million yen (-%)

	Profit per share	Diluted profit per share
	Yen	Yen
Q3 of FY2023	18.66	-
Q3 of FY2022	(2.41)	-

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
Q3 of FY2023	42,032	22,086	52.5
FY2022	40,944	20,327	49.6

(For reference) Equity Q3 of FY2023: 22,075 million yen FY2022: 20,317 million yen

2. Dividends

	Dividends per share				
	End of Q1	End of Q2	End of Q3	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
FY2022	-	-	-	0.00	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: No

*Notes

- (1) Important changes in subsidiaries in the first nine months 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 |

- (4) Number of issued shares (common shares)

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

Q3 of FY2023	93,335,103 shares
FY2022	93,335,103 shares
Q3 of FY2023	1,918,464 shares
FY2022	1,918,389 shares
Q3 of FY2023	91,416,685 shares
Q3 of FY2022	91,416,727 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 three quarters of the fiscal year under review, the Japanese economy is expected to see a recovery in inbound travel demand due to the drastic easing of border control measures due to the reclassification of COVID-19 under the Infectious Diseases Control Law and the yen's depreciation driven by continued monetary easing. Meanwhile, the outlook remains uncertain due to rising geopolitical risks and the impact of increases in energy prices and consumer prices, among other factors.

Under these difficult circumstances, the Laox Group (the "Group") aims to build bridges between Asia and the world and make people around the world smile, regardless of borders, languages, or an existing set of values, in order to realize its management philosophy of "Global Life Style." To this end, the Group will review its inbound merchandising strategy to provide customers with higher quality products. In addition, the Group companies have started new business initiatives to further realize synergy effects.

As a result, despite a continued decrease in trading business sales due mainly to a delayed recovery in demand in the Chinese market, net sales for the first nine months of the fiscal year under review increased 4.7% year on year to 39,642 million yen helped by sales at Barneys Japan Co., Ltd. ("Barneys Japan") which became a consolidated subsidiary during the first half of the fiscal year under review. In terms of profit and loss, due to the reaction to the recording of sales of large-scale real estate projects in the Asset & Service Business in the previous fiscal year, operating loss was 1,423 million yen (a loss of 609 million yen in the same period of the previous year), and ordinary loss was 1,136 million yen (a loss of 288 million yen in the same period of the previous year). However, as a result of recording 4,368 million yen in gain on bargain purchase arising from the acquisition of Barneys Japan as a subsidiary in extraordinary income, and recording 436 million yen in loss on valuation of inventories and 795 million yen in provision for loss on contracts in extraordinary losses, profit attributable to owners of parent came to 1,705 million yen (a loss of 219 million yen in the same period of the previous year).

Operating results for each business segment are detailed below.

The business segments reported as reporting segments were revised in the second quarter of the fiscal year under review, and a comparative analysis of the first nine months of the fiscal year under review is based on the segments after the revision.

(Gift Solution Business)

In the Gift Solution Business segment, we mainly sell foods as gifts, miscellaneous goods and lifestyle-related goods. In addition to traditional return gifts, we actively entered the own-consumption gift market and saw strong gift sales via catalogues published last year. In addition, we focused on the development of new products and promoted pop-up sales of the original sweets brand "THE SWEETS" in various regions to attract new customers and raise awareness of the brand.

Online sales continued to be strong from the previous year, and acquisition of a new municipality-related project, etc. contributed to increase in net sales. However, due to a reactionary decline in sales from the supply of products to the "Green" home points program issued by the Ministry of Land, Infrastructure, Transport and Tourism, which ended in March of the previous year, and summer gift sales lower than the previous year, online sales decreased.

As a result, segment net sales for the first nine months of the year under review decreased 2.9% year on year to 27,534 million yen and segment profit fell 17.5% year on year to 89 million yen.

(Retail Business)

In this segment, sales of directly managed stores were steady due to a growing number of inbound tourists. Our existing duty-free stores reviewed their merchandising strategy to promote selling products of higher quality.

Barneys Japan strove to increase customer traffic by selling 100th anniversary special items and held off-site events, but saw sluggish sales because the autumn and winter apparel season started late due to longer summer heat.

As a result, segment net sales for the first nine months of the fiscal year under review increased 285.2% year on year to 8,695 million yen due to the restarting of inbound stores and consolidation of Barney Japan, while segment loss was 294 million yen (a loss of 241 million yen in the same period of the previous year) due to lower profitability associated with an increased percentage of apparel sales from sale-events.

(Trading Business)

The Trading Business segment implemented structural reform including business contraction of underperforming business, while responding to a change in hot-selling products in the wholesale business and online sale business of subsidiaries in China. Segment net sales for the first nine months of the fiscal year under review decreased 55.3% year on year to 2,529 million yen, and segment loss was 159 million yen (a loss of 163 million yen in the same period of the previous year).

(Asset & Service Business)

The Asset & Service Business is expected to see a positive effect of an earnings recovery as we acquire tenants for our commercial facilities successfully. We will continue taking measures to revitalize the facilities.

As a result, segment net sales for the first nine months of the fiscal year under review decreased 44.9% year on year to 882 million yen, and segment loss was 254 million yen (a profit of 458 million yen in the same period of the previous year).

(2) Explanation of financial conditions

(Assets)

Total assets at the third quarter of the fiscal year under review amounted to 42,032 million yen (40,944 million yen at the end of the previous fiscal year). This was mainly due to an increase of 4,087 million yen in inventories and a 1,448 million yen increase in investments and other assets due to the incorporation of Barneys Japan Co., Ltd. as a subsidiary, despite a 3,950 million yen decrease in notes and accounts receivable–trade.

(Liabilities)

Total liabilities came to 19,946 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 1,350 million yen, and asset retirement obligations of 541 million yen, despite a decrease in notes and accounts payable–trade of 2,341 million yen and electronically recorded obligations - operating of 385 million yen.

(Net assets)

Total net assets came to 22,086 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 1,705 million yen in retained earnings.

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

In the Gift Solution Business and Retail Business, each of our subsidiaries may record higher net sales for the fourth quarter which coincides with the year-end gift season and the Christmas sale, etc. than those for the rest of the year. In addition to this seasonal fluctuation, with an effort to expand sales channels during busy seasons and controlling expenses, we expect consolidated earnings to be at the forecast level (announced on August 10, 2023) at present.

The forecasts are based on information available at the present time and actual information may differ from the forecasts due to various factors.

2. Quarterly Consolidated Financial Statements and Important Notes

(1) Quarterly consolidated balance sheet

(Million yen)

	FY2022 (As of December 31, 2022)	First nine months of FY2023 (As of September 30, 2023)
Assets		
Current assets		
Cash and deposits	10,480	10,101
Notes and accounts receivable - trade	13,037	9,086
Inventory	3,806	7,847
Others	3,912	4,377
Allowance for doubtful accounts	(823)	(838)
Total current assets	30,412	30,574
Non-current assets		
Property, plant and equipment	5,337	5,369
Intangible assets	1,224	1,107
Investments and other assets		
Others	7,505	8,474
Allowance for doubtful accounts	(3,534)	(3,493)
Total investments and other assets	3,970	4,980
Total non-current assets	10,532	11,458
Deferred assets	0	0
Total assets	40,944	42,032

(Million yen)

	FY2022 (As of December 31, 2022)	First nine months of FY2023 (As of September 30, 2023)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	7,914	5,573
Electronically recorded obligations - operating	1,960	1,574
Short-term borrowings	1,200	2,550
Income taxes payable	79	21
Provisions	264	361
Allowance for loss on contracts	319	241
Others	5,371	4,997
Total current liabilities	17,109	15,319
Non-current liabilities		
Long-term borrowings	91	165
Provisions	244	178
Allowance for loss on contracts	253	863
Retirement benefit liability	1,035	1,001
Asset retirement obligations	312	854
Others	1,568	1,562
Total non-current liabilities	3,507	4,626
Total liabilities	20,617	19,946
Net assets		
Shareholders' equity		
Capital	100	100
Capital surplus	17,652	17,652
Retained earnings	4,364	6,070
Treasury shares	(2,419)	(2,419)
Total shareholders' equity	19,697	21,403
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2	-
Foreign currency translation adjustment	614	669
Remeasurements of defined benefit plans	3	2
Total accumulated other comprehensive income	619	672
Share acquisition rights	10	10
Total net assets	20,327	22,086
Total liabilities and net assets	40,944	42,032

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

Quarterly consolidated statement of income

First nine months

(Million yen)

	First nine months of FY2022 (From January 1 to September 30, 2022)	First nine months of FY2023 (From January 1 to September 30, 2023)
Net sales	37,874	39,642
Cost of sales	27,710	28,240
Gross profit	10,164	11,402
Selling, general and administrative expenses	10,773	12,825
Operating profit (loss)	(609)	(1,423)
Non-operating income		
Interest income	15	16
Foreign exchange gains	449	294
Reversal of allowance for doubtful accounts	-	64
Others	38	34
Total non-operating income	503	409
Non-operating expenses		
Interest expenses	20	9
Share of loss of entities accounted for using equity method	99	29
Rent expenses on land and buildings	10	43
Others	50	40
Total non-operating expenses	181	123
Ordinary loss	(288)	(1,136)
Extraordinary income		
Gain on reversal of asset retirement obligations	356	-
Gain on bargain purchase	-	4,368
Others	80	39
Total extraordinary income	437	4,407
Extraordinary losses		
Loss on liquidation of stores	114	90
Loss on suspension of store operations	58	-
Loss on valuation of inventories	-	436
Contractual losses	67	149
Provision for loss on contracts	22	795
Extra retirement payments	98	25
Others	72	85
Total extraordinary losses	434	1,582
Profit (loss) before income taxes	(285)	1,688
Income taxes	(62)	(17)
Profit (loss)	(222)	1,705
Loss attributable to non-controlling interests	(2)	-
Profit (loss) attributable to owners of parent	(219)	1,705

Quarterly consolidated statement of comprehensive income

First nine months

(Million yen)

	First nine months of FY2022 (From January 1 to September 30, 2022)	First nine months of FY2023 (From January 1 to September 30, 2023)
Profit (loss)	(222)	1,705
Other comprehensive income		
Valuation difference on available-for-sale securities	8	(2)
Foreign currency translation adjustment	105	55
Remeasurements of defined benefit plans, net of tax	7	(0)
Share of other comprehensive income of entities accounted for using equity method	17	-
Total other comprehensive income	138	52
Comprehensive income	(84)	1,758
(Breakdown)		
Comprehensive income attributable to owners of parent	(81)	1,758
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.)

First nine months of FY2022 (from January 1 to September 30, 2022)

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

	Reporting segment				Total	Amount of adjustment (Note) 1	Amount reported in quarterly consolidated statement of income (Note) 2
	Gift Solution Business	Retail Business	Trading Business	Asset & Service Business			
Net sales							
Sales to extremal clients	28,352	2,257	5,660	1,603	37,874	-	37,874
Internal sales or transfers between segments	37	-	8	-	45	(45)	-
Total	28,390	2,257	5,668	1,603	37,919	(45)	37,874
Segment profit (loss)	109	(241)	(163)	458	162	(771)	(609)

- (Notes)
1. Segment profit adjustment of (771) million yen includes elimination of inter-segment transactions of 94 million yen and whole company expenses not divided into each reporting segment of (866) million yen. Whole company expenses mainly consist of personnel expenses and general management expenses that do not belong to reporting segments.
 2. Segment profit (loss) is adjusted to operating loss in the consolidated statement of income.

First nine months of FY2023 (from January 1 to September 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	27,534	8,695	2,529	882	39,642	-	39,642
Internal sales or transfers between segments	85	11	10	106	213	(213)	-
Total	27,619	8,707	2,540	989	39,856	(213)	39,642
Segment profit (loss)	89	(294)	(159)	(254)	(618)	(805)	(1,423)

- (Notes)
1. Segment profit adjustment of (805) million yen includes elimination of inter-segment transactions of 50 million yen and whole company expenses not divided into each reporting segment of (856) 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 making a fresh 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 nine months 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 10,101 million yen at the end of the third quarter of the fiscal year under review 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.