

Summary of (Consolidated) Financial Statements for the Six Months Ended June 30, 2024 (Japanese Standards)

August 9, 2024

Listed company: Laox Holdings Co., Ltd. Stock exchange: Tokyo Stock Exchange
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Planned Submission Date for the Interim Report: August 9, 2024
Planned Starting Date for Dividend Payments: -
Supplementary Documents for Interim Results: No
Interim Results Briefing: No

(Rounded down to nearest million yen)

1. Consolidated Results for the Six Months Ended June 30, 2024 (January 1, 2024 to June 30, 2024)

(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	%
Six months ended June 30, 2024	27,747	17.2	(775)	-	(581)	-	(90)	-
Six months ended June 30, 2023	23,683	(1.8)	(995)	-	(856)	-	1,610	-

(Note) Comprehensive income Six months ended June 30, 2024: (61) million yen (-%)
Six months ended June 30, 2023: 1,646 million yen (1,844.1%)

	Profit per share	Diluted profit per share
	Yen	Yen
Six months ended June 30, 2024	(0.99)	-
Six months ended June 30, 2023	17.62	-

(Note) A provisional settlement of accounts pertaining to the business combination was implemented as of the end of FY2023. The consolidated financial results for the six months ended June 30, 2023, are based on the amounts after reflecting this review.

(2) Consolidated financial position

	Total assets		Net assets		Equity ratio	
	Million yen	%	Million yen	%	Million yen	%
As of June 30, 2024	41,206		22,345			54.2
FY2023	46,262		22,406			48.4

(For reference) Equity As of June 30, 2024: 22,334 million yen FY2023: 22,396 million yen

2. Dividends

	Dividends per share				
	End of Q1	End of Q2	End of Q3	Year-end	Total
FY2023	Yen -	Yen -	Yen -	Yen 0.00	Yen 0.00
FY2024	-	-	-	-	-
FY2024 (forecast)	-	-	-	0.00	0.00

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

3. Results forecast for FY2024 (from January 1, 2024 to December 31, 2024)

(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	68,000	13.0	1,200	321.2	950	71.0	1,200	(41.3)	13.13

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

* Notes

(1) Important changes in scope of consolidation in the six months ended June 30, 2024: Yes

Newly consolidated: 3 companies Shaddy Global Foods Co., Ltd., Laox EC Strategy Co., Ltd.,
 Laox Business Support Co., Ltd.

Excluded from consolidation: -

(2) Application of accounting specific to the preparation of interim 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):

Six months ended June 30, 2024	93,335,103 shares
FY2023	93,335,103 shares
Six months ended June 30, 2024	1,918,474 shares
FY2023	1,918,464 shares
Six months ended June 30, 2024	91,416,631 shares
Six months ended June 30, 2023	91,416,706 shares

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

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

* This summary of interim 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

The forward-looking statements in this document are based on the information available to Laox Holdings Co., Ltd. as of the end of the first half of the fiscal year under review.

A provisional settlement of accounts pertaining to the business combination was implemented as of the end of FY2023. The figures in the consolidated financial results for the six months ended June 30, 2023, are based on the amounts after reflecting the review of the initially allocated amounts of the acquisition costs.

(1) Explanation of operating results

During the six months ended June 30, 2024, the Japanese economy showed a recovery in corporate activities and personal consumption amid the normalization of economic activities. The moderate recovery of the economy is expected to continue as an improvement in the employment and income situation of major companies has already started. Meanwhile, the outlook remained uncertain due to the rise in prices of resources and raw materials due to the impact of financial and capital markets including the ending of the BOJ's negative interest rate policy and the rapid depreciation of the yen since April, and the resulting price increases, budget-minded customer spending, and rising geopolitical risks.

Against this backdrop, the Group is steadily implementing its business strategy to realize its mission of “proposing a rich and varied lifestyle, or ‘Global Life Style’ and supporting its evolution and creation” and regrowth of business. In the Gift Solution business, to secure profit and streamline operations, we have implemented measures to mitigate the impacts of shrinking markets and rising prices through thorough cost control by suspending certain sales promotion measures and reforming our organizational, operational, and personnel structure. The Retail Business was steady due to the optimized product strategy as to product lineup, prices, and sales promotion.

Hence, consolidated results for the six months ended June 30, 2024, were net sales of 27,747 million yen (up 17.2% year on year) and an operating loss of 775 million yen (a loss of 995 million yen in the same period of the previous year), helped by the increased number of inbound tourists. Due to the impact of the rapid depreciation of the yen, a foreign exchange gain of 214 million yen was recorded, resulting in an ordinary loss of 581 million yen (a loss of 856 million yen in the same period of the previous year). In addition, due to recording a reversal of allowance for loss on contracts of 581 million yen, loss attributable to owners of parent was 90 million yen (a profit of 1,610 million yen in the same period of the previous year).

(Gift Solution Business)

In this business segment, we mainly sell confectionery as gifts, miscellaneous goods and lifestyle-related goods. We have entered the casual gift market aggressively in addition to the conventional return gift business, with a pop-up shop of THE SWEETS, a confectionery private brand (PB), opened for the first time in the Tokai area at Central Japan International Airport to expand the new fan base, while continuing sales in existing market areas.

Moreover, at Shady EXPO2024 held in April, we announced our intention to acquire new customers and add more customer contacts nationwide by using Shady App developed in February. We also introduced SDY Thanks Plus in advance, a points issuance and management platform that started in May as a powerful tool to acquire product conversion demand from various projects of local governments and corporate welfare events.

As sales declined due to a delay in responding to changes in consumer behavior in the formal gift market including a changed need for return gifts, we strove to increase the added value of our products, while reviewing prices and cutting costs.

As a result, segment net sales for the six months ended June 30, 2024, decreased 9.7% year on year to 15,180 million yen, and segment loss was 280 million yen (a loss of 232 million yen in the same period of the previous year).

(Retail Business)

In the Retail Business segment, we strive to attract inbound tourists at tax-free shops and expand the sales of high-gross-margin products. At apparel shops visited mainly by domestic customers, we saw sales of a new product category which is less affected by the seasons gaining share, and also continued our effort to acquire a new customer base. The business is growing steadily due to measures to improve profitability, despite the impact of higher purchasing costs due to the depreciation of the yen and rising raw material costs.

As a result, consolidated results for the six months ended June 30, 2024, were net sales of 11,506 million yen (up 168.7% year on year) and segment profit of 184 million yen (up 60.9% year on year), helped mainly by the increased number of inbound tourists.

(Trading Business)

In this business segment, Kurogi, a Japanese restaurant operated by a subsidiary in China, strove to acquire new customers and increase customer awareness, while conveying the merits of Japanese foods and Japanese hospitality. Meanwhile, since last year, we restructured unprofitable businesses in order to respond to changes in the Chinese market.

As a result, segment net sales for the six months ended June 30, 2024, fell 78.8% year on year to 418 million yen, and segment profit was 28 million yen (a loss of 98 million yen in the same period of the previous year) due to the effects of the structural reforms from last year.

(Asset Service Business)

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

to improve profits by replacing tenants, attracting new business types, improving cash flow, and reducing costs in order to make effective use of managed commercial properties and group real estate.

As a result, segment net sales for the six months ended June 30, 2024, increased 3.3% year on year to 641 million yen due to winning tenants for vacant properties gradually, and segment loss was 114 million yen (a loss of 239 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 end of the first half of the fiscal year under review amounted to 41,206 million yen (46,262 million yen at the end of the previous fiscal year). This was mainly due to a decrease of 1,061 million yen in cash and deposits and a decrease of 3,266 million yen in notes and accounts receivable–trade.

(Liabilities)

Total liabilities came to 18,861 million yen (23,855 million yen at the end of the previous fiscal year). This was mainly due to decrease of 2,362 million yen in notes and accounts payable–trade, 711 million yen in electronically recorded obligations–operating, 724 million yen in allowance for loss on contracts, and 1,051 million yen in current liabilities and others.

(Net assets)

Total net assets came to 22,345 million yen (22,406 million yen at the end of the previous fiscal year). The drop in net assets was attributable primarily to a decrease of 90 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 1,089 million yen from the end of the previous fiscal year to 9,053 million yen.

(Cash flow from operating activities)

Net cash used in operating activities amounted to 935 million yen in the six months ended June 30, 2024, compared with net cash used in operating activities of 1,820 million yen in the first half of the previous year.

This was mainly due to decrease in allowance for loss on contracts of 724 million yen, trade payables of 3,264 million yen, contract liabilities of 609 million yen, and accounts payable and accrued expenses of 436 million yen, despite depreciation and amortization of 425 million yen and a decrease in trade receivables of 3,676 million yen.

(Cash flow from investing activities)

Net cash used in investing activities amounted to 167 million yen in the six months ended June 30, 2024, compared with net cash used in investing activities of 474 million yen in the six months ended June 30, 2023.

This was mainly due to the purchase of property, plant and equipment of 50 million yen and the purchase of intangible assets of 65 million yen, and the purchase of investment securities of 70 million yen.

(Cash flow from financing activities)

Net cash used in financing activities amounted to 51 million yen in the six months ended June 30, 2024, compared with net cash provided by financing activities of 899 million yen in the six months ended June 30, 2023.

This was mainly due to the repayment of lease liabilities of 37 million yen and the repayment of long-term borrowings of 14 million yen.

(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 Recording of Extraordinary Income and Revision to the Forecast of Consolidated Financial Results” released today.

2. Interim Consolidated Financial Statements and Important Notes

(1) Interim consolidated balance sheet

(Million yen)

	FY2023 (As of December 31, 2023)	Six months ended June 30, 2024 (As of June 30, 2024)
Assets		
Current assets		
Cash and deposits	11,156	10,095
Notes and accounts receivable–trade	13,516	10,249
Inventory	6,737	6,814
Others	3,957	3,649
Allowance for doubtful accounts	(318)	(282)
Total current assets	35,050	30,527
Non-current assets		
Property, plant and equipment	5,375	5,240
Intangible assets	1,072	967
Investments and other assets		
Others	8,269	7,802
Allowance for doubtful accounts	(3,504)	(3,352)
Total investments and other assets	4,764	4,450
Total non-current assets	11,212	10,659
Deferred assets	-	20
Total assets	46,262	41,206

(Million yen)

	FY2023 (As of December 31, 2023)	Six months ended June 30, 2024 (As of June 30, 2024)
Liabilities		
Current liabilities		
Notes and accounts payable–trade	8,363	6,000
Electronically recorded obligations–operating	2,004	1,292
Short-term borrowings	2,550	2,550
Income taxes payable	51	30
Provisions	276	337
Allowance for loss on contracts	232	46
Others	5,834	4,783
Total current liabilities	19,313	15,040
Non-current liabilities		
Long-term borrowings	192	177
Provisions	150	112
Allowance for loss on contracts	809	272
Retirement benefit liability	976	912
Asset retirement obligations	857	859
Others	1,554	1,486
Total non-current liabilities	4,542	3,820
Total liabilities	23,855	18,861
Net assets		
Shareholders' equity		
Capital	100	100
Capital surplus	17,652	17,652
Retained earnings	6,407	6,317
Treasury shares	(2,419)	(2,419)
Total shareholders' equity	21,740	21,650
Accumulated other comprehensive income		
Foreign currency translation adjustment	651	679
Remeasurements of defined benefit plans	4	4
Total accumulated other comprehensive income	655	684
Share acquisition rights	10	10
Total net assets	22,406	22,345
Total liabilities and net assets	46,262	41,206

(2) Interim consolidated statement of income and interim consolidated statement of comprehensive income

Interim consolidated statement of income

(Million yen)

	Six months ended June 30, 2023 (From January 1 to June 30, 2023)	Six months ended June 30, 2024 (From January 1 to June 30, 2024)
Net sales	23,683	27,747
Cost of sales	17,004	18,375
Gross profit	6,679	9,371
Selling, general and administrative expenses	7,674	10,147
Operating profit (loss)	(995)	(775)
Non-operating income		
Interest income	10	10
Foreign exchange gains	187	214
Others	26	19
Total non-operating income	223	244
Non-operating expenses		
Interest expenses	4	4
Share of loss of entities accounted for using equity method	18	23
Rent expenses on land and buildings	30	-
Commission expenses	-	15
Others	30	7
Total non-operating expenses	84	50
Ordinary loss	(856)	(581)
Extraordinary income		
Reversal of allowance for loss on contracts	-	581
Gain on bargain purchase	3,855	-
Others	31	0
Total extraordinary income	3,887	582
Extraordinary losses		
Loss on valuation of inventories	436	62
Contractual losses	108	-
Provision for loss on contracts	796	-
Others	92	25
Total extraordinary losses	1,433	87
Profit (loss) before income taxes	1,597	(87)
Total income taxes	(13)	2
Profit (loss)	1,610	(90)
Profit (loss) attributable to owners of parent	1,610	(90)

Interim consolidated statement of comprehensive income

(Million yen)

	Six months ended June 30, 2023 (From January 1 to June 30, 2023)	Six months ended June 30, 2024 (From January 1 to June 30, 2024)
Profit (loss)	1,610	(90)
Other comprehensive income		
Valuation difference on available-for-sale securities	(2)	-
Foreign currency translation adjustment	38	28
Remeasurements of defined benefit plans, net of tax	(0)	(0)
Total other comprehensive income	36	28
Comprehensive income	1,646	(61)
(Breakdown)		
Comprehensive income attributable to owners of parent	1,646	(61)

(3) Interim consolidated statement of cash flows

(Million yen)

	Six months ended June 30, 2023 (From January 1 to June 30, 2023)	Six months ended June 30, 2024 (From January 1 to June 30, 2024)
Cash flow from operating activities		
Profit (loss) before income taxes	1,597	(87)
Depreciation	407	425
Increase (decrease) in allowance for doubtful accounts	22	(197)
Increase (decrease) in provision for bonuses	(89)	63
Increase (decrease) in retirement benefit liability	(3)	(63)
Increase (decrease) in allowance for loss on contracts	594	(724)
Interest and dividend income	(10)	(10)
Interest expenses	4	4
Foreign exchange losses (gains)	(83)	(95)
Share of loss (profit) of entities accounted for using equity method	18	23
Loss (gain) on sale and retirement of property, plant and equipment	59	9
Gain on bargain purchase	(3,855)	-
Loss on valuation of inventories	436	62
Decrease (increase) in trade receivables	3,711	3,676
Decrease (increase) in inventory	(488)	(92)
Increase (decrease) in trade payables	(2,681)	(3,264)
Decrease (increase) in accounts receivable	540	235
Decrease (increase) in prepaid expenses	(446)	227
Increase (decrease) in contract liabilities	(147)	(609)
Increase (decrease) in accounts payable - other, and accrued expenses	(1,109)	(436)
Increase (decrease) in accrued consumption taxes	(81)	(137)
Others	(159)	111
Subtotal	(1,766)	(880)
Interest and dividends received	10	12
Interest paid	(4)	(4)
Loss payment on liquidation of business	-	(51)
Income taxes refund (paid)	(60)	(10)
Net cash provided by (used in) operating activities	(1,820)	(935)
Cash flow from investing activities		
Payments into time deposits	(597)	(625)
Proceeds from withdrawal of time deposits	599	625
Purchase of property, plant and equipment	(303)	(50)
Proceeds from sale of property, plant and equipment	4	1
Purchase of intangible assets	(63)	(65)
Purchase of investment securities	-	(70)
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	-
Payments of leasehold and guarantee deposits	(65)	(140)
Proceeds from refund of leasehold and guarantee deposits	207	78
Payments for asset retirement obligations	(21)	-
Subsidies received	-	78
Others	15	1
Net cash provided by (used in) investing activities	(474)	(167)

	Six months ended June 30, 2023 (From January 1 to June 30, 2023)	Six months ended June 30, 2024 (From January 1 to June 30, 2024)
Cash flow from financing activities		
Net increase (decrease) in short-term borrowings	850	-
Proceeds from long-term borrowings	100	-
Repayments of long-term borrowings	(10)	(14)
Repayments of lease liabilities	(40)	(37)
Others	(0)	(0)
Net cash provided by (used in) financing activities	899	(51)
Effect of exchange rate change on cash and cash equivalents	42	63
Net increase (decrease) in cash and cash equivalents	(1,353)	(1,089)
Beginning balance of cash and cash equivalents	9,681	10,143
Interim balance of cash and cash equivalents	8,327	9,053

(4) Notes to the interim 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.)

[Segment information]

Six months ended June 30, 2023 (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 interim consolidated statement of income (Note) 2
	Gift Solution Business	Retail Business	Trading Business	Asset & Service Business			
Net sales							
Sales to external 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 profit (loss)	(232)	114	(98)	(239)	(455)	(540)	(995)

- (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. Information concerning impairment loss on fixed assets or goodwill, etc. of each reporting segment

(Material gain on bargain purchase)

In the Retail Business segment, negative goodwill (gain on bargain purchase) has been generated in association with the acquisition of shares in Barneys Japan Co., Ltd. to make the company a consolidated subsidiary from the six months ended June 30, 2024. The negative goodwill recorded due to this transaction is 3,855 million yen.

A material review of the initially allocated amounts of the acquisition costs due to the provisional settlement of accounts pertaining to the business combination is reflected in the amount of negative goodwill. Gain on bargain purchase is recognized as an extraordinary profit and is not included in the above segment profit.

Six months ended June 30, 2024 (from January 1 to June 30, 2024)

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 interim consolidated statement of income (Note) 2
	Gift Solution Business	Retail Business	Trading Business	Asset & Service Business			
Net sales							
Sales to external clients	15,180	11,506	418	641	27,747	-	27,747
Internal sales or transfers between segments	85	32	13	160	291	(291)	-
Total	15,266	11,539	431	801	28,039	(291)	27,747
Segment profit (loss)	(280)	184	28	(114)	(181)	(593)	(775)

- (Notes)
1. Segment profit adjustment of (593) million yen includes elimination of inter-segment transactions of 6 million yen and whole company expenses not divided into each reporting segment of (599) 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.