Summary of (Consolidated) Financial Statements for the Q1 Term of Fiscal Year Ending December 31, 2021 (Japanese Standards)

May 14, 2021

Listed company:	Laox 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) Vice Division Director of Corporate Division		(Name) Manabu Sato TEL: +81-3-5405-8859

Planned Submission Date for the Quarterly Report:	May 14, 2021
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 FY2021 (January 1, 2021 to March 31, 2021)

(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 FY2021	15,271	(30.3)	(1,367)	–	(1,007)	–	(778)	–
Q1 of FY2020	21,906	(24.1)	(1,565)	–	(1,519)	–	(1,917)	–

(Note) Comprehensive income Q1 of FY2021: (734) million yen (–%) Q1 of FY2020: (2,020) million yen (–%)

	Profit per share	Diluted profit per share
	Yen	Yen
Q1 of FY2021	(8.52)	–
Q1 of FY2020	(20.98)	–

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
Q1 of FY2021	53,138	26,826	49.2
FY2020	63,523	27,575	42.2

(For reference) Shareholders' equity Q1 of FY2021: 26,119 million yen FY2020: 26,813 million yen

2. Dividends

	Dividends per share				
	End of Q1	End of Q2	End of Q3	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
FY2020	–	–	–	0.00	0.00
FY2021	–				
FY2021 (forecast)		–	–	0.00	0.00

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

3. Results forecast for FY2021 (from January 1, 2021 to December 31, 2021)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit	
	Million yen	%	Million yen	%	Million yen	%
Full year	92,000	10.9	200	–	100	–

(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: Yes

(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):	Q1 of FY2021	93,335,103
		FY2020	93,335,103
(ii)	Number of shares of treasury stock at the end of period:	Q1 of FY2021	1,918,349
		FY2020	1,918,349
(iii)	Average number of issued shares during period (from the beginning of fiscal year)	Q1 of FY2021	91,416,754
		Q1 of FY2020	91,416,812

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.

○ Contents of attached document

1. Qualitative Information on Consolidated Results

(1) Explanation of operating results

During the first quarter of the fiscal year under review, a state of emergency was declared again in major cities in Japan due to the resurgence of COVID-19 cases, and while it was lifted entirely in March, the outlook for the end of the pandemic remains uncertain. In response, social and economic activities are restricted and have been forced to be temporarily suspended, suggesting that the economic outlook may remain uncertain for an extended period of time.

In the retail industry, in which Laox Co., LTD. (the "Company") operates its core businesses, the environment is increasingly harsh even for food product retailers such as convenience stores and supermarkets as well as pharmaceutical and cosmetics stores such as drugstores, where sales have remained strong thus far, in addition to the difficulties faced by department stores and shopping centers. Meanwhile, sales at retailers without physical stores (e-commerce) grew year on year, implying the growing importance of e-commerce during the pandemic.

In this environment, Laox Group worked continuously to improve its profit structure through comprehensive cost reductions, including negotiations for rent reductions for its stores, and an increase in cash flow by cutting inventories. The Group also focused on strengthening and streamlining its organizational functions and maximizing the synergies of Group companies. In addition, the Company passed a resolution to sell its shares in OGITSU Co., Ltd., MODE ET JACOMO Co., Ltd., and Kowa Sogyo Co., Ltd., which operate a shoe business in the Life & Fashion Business, to ITL Holdings Co., Ltd., in an effort to improve the Group's business structure.

In addition, aiming to generate a new revenue source, the Company worked on reinforcing its business foundations through profitability improvements in the retail business, the Group's core business, and the pursuit of specialization. The Company also focused on market development in China and Southeast Asia where significant growth has been seen. The overseas segment adopted new growth strategies, including preparing for the establishment of a joint venture with a local company in China to enter the Free Trade Zone in Jinan of Shandong Province, which has high growth potential, and preparing to enter the growth market of Hainan Island. The domestic segment developed new forms of stores, renewed existing stores, and improved domestic e-commerce by launching new products.

Based on the above, consolidated net sales for the first quarter of the fiscal year under review decreased 30.3% year on year to 15,271 million yen mainly due to a decrease in sales from the Domestic Retail Business and Life & Fashion Business, in which stores were forced to suspend operations or faced difficulties in attracting customers due to COVID-19, and the temporary postponement of negotiations for real estate trading in Asset Business. Nevertheless, the effect of structural reforms continuing from the previous year contributed to a significant improvement in the Group's profit structure and helped reduce losses. The operating loss was 1,367 million yen (a loss of 1,565 million yen in the same period of the previous year), the ordinary loss was 1,007 million yen (a loss of 1,519 million yen in the same period of the previous year), and the loss attributable to owners of parent was 778 million yen (a loss of 1,917 million yen in the same period of the previous year).

The operating results of each business segment are detailed below.

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

(Domestic Retail Business)

Domestic Retail Business sought to raise revenue amid the sharp decrease in foreign visitors to Japan due to the COVID-19 pandemic. The segment developed new store models, including Laox Dotonbori, which opened in 2020, for customers in Japan to enjoy shopping while also maintaining the function of duty-free shops and renewed existing stores. At the same time, the ratio of customers in Japan among the users of the Group's e-commerce website has been steadily increasing thanks to improvements in domestic e-commerce. Stores were forced to reduce their business hours due to the declaration of another state of emergency following the resurgence of COVID-19 cases from January 2021. Meanwhile, surplus inventories were eliminated by selling goods at discounts, personnel deployment was rationalized, and retail stores were strategically reformed and optimized from 28 locations in the same period of the previous year to eight.

Although there has been a steady increase in new customers living in Japan, primarily because of a decrease in the number of foreign tourists to Japan to effectively zero during the pandemic, a decrease in the number of visitors to stores due to stay-at-home advisories, and changes to the number of operating stores, net sales for the first quarter of the fiscal year under review fell 62.7% year on year to 1,318 million yen. However, the effect of the structural reforms implemented in the previous year, drastic reforms of unprofitable stores, and comprehensive measures taken to reduce costs such as negotiations for rent reduction contributed to a significant reduction in losses, and the segment loss came to 207 million yen (a loss of 749 million yen in the same period of the previous year).

(Overseas Business)

The Overseas Business segment prepared to meet demand for outbound tourism and develop new markets in the fast growing markets of China and Southeast Asia to accelerate new business development as part of the segment's structural reforms amid difficulties in visiting Japan due to the pandemic. In the business targeting the Chinese market, an area of focus for the segment for some time, demand for personal care appliances, cosmetics, and game consoles is high and sales have been growing steadily. The Group has seen consistent growth in business with large household appliance manufacturers. The number of customers at Kurogi Shanghai, the high-end Japanese restaurant operated in Shanghai, remained robust thanks to the high appraisal by external parties in addition to its growing popularity and recognition.

Meanwhile, the Overseas Business segment opened Kurogi Nanjing in March 2021 as a new initiative started in the first quarter of the fiscal year under review. The restaurant is based on a concept different from that of Kurogi Shanghai, and the finest Japanese cuisine served has been well received. The segment prepared for the establishment of a joint venture with a local company, Shandong Janbon Group, to enter the Free Trade Zone in Jinan in Shandong Province, where high economic growth is expected. Moreover, the segment has been advancing new growth strategies, such as preparing to be the first Japanese duty-free shop operator to join the first China International Consumer Products Expo held as part of the Master Plan for the Construction of the Hainan Free Trade Port, which aims to build the largest special economic zone in China, in the rapidly growing market of Hainan Island. The segment is also looking at setting up a joint venture with a local company.

As a result, segment net sales for the first quarter of the fiscal year under review increased substantially year on year, to 4,923 million yen (up 26.9%). Meanwhile, segment profit decreased 81.0% year on year, to 12 million yen, due to active strategic investments made in anticipation of business growth.

(Life & Fashion Business)

In the gift sales business, online sales of gifts to celebrate children's school and college entrances were strong and grew significantly, and sales of gifts also steadily increased at stores across Japan despite the harsh market environment. In January, the Gift Expo, an event attended by nationwide stores and suppliers, was held online for the first time, in which the Company achieved significant results in new products, campaign sales, and other areas. The Company has also been working to improve products to meet demand for confectionery, specialty gourmet products, and other products for private consumption.

As a result, although the expected outcomes were obtained from various business strategies, sales decreased year on year due in part to the reduced number of ceremonies such as weddings and funerals and voluntary restraint. The structural reforms including distribution reforms continuing from the previous fiscal year and liquidation of unprofitable business together with the comprehensive cutting of costs such as selling, general and administrative expenses have produced a significant change in the earnings structure. As a consequence, the segment loss was reduced year on year.

The environment surrounding the shoe business continued to be difficult due to the reduced business hours of department stores constituting major sales channels, stay-at-home advisories, and a decline in consumer confidence, resulting in a considerable year-on-year decrease in net sales. The loss has been reduced by the adjustment of unprofitable stores and a decrease in inventory as part of the ongoing structural reforms.

Net sales for the first quarter of the fiscal year under review decreased 18.8% year on year, to 8,073 million yen, due to the reduced business hours of department stores and other retail stores in response to COVID-19. Although the segment posted a loss of 426 million yen (a loss of 616 million yen in the same period of the previous year), profit improved thanks to thorough cost cutting and structural reforms continuing from the previous fiscal year.

(Asset Business)

While the Asset Business continued to streamline the commercial facilities under its management and sell idle properties of the Group, it was affected by the reduction in business hours of commercial facilities and restaurants under its management due to the declaration of another state of emergency in response to an increase in the number of COVID-19 cases. Other factors included a decrease in customer numbers at Chiba Port Town and Riverwalk Kitakyushu, a decline in consumer confidence, and the temporary suspension and postponement of negotiations for real estate trading. Meanwhile, Kakogawa Yamatoyashiki Co. Ltd. achieved results exceeding the previous year thanks to seasonal events and product exhibitions. Laox Media Solutions held a number of events, including one to support the recovery from the Great East Japan Earthquake, despite being affected by a reduction in the number of events due to COVID-19.

As a result, net sales for the first quarter of the fiscal year under review decreased 79.0% from the first quarter of the fiscal year under review, to 957 million yen, and the segment loss was 347 million yen (profit of 58 million yen in the same period of the previous year) due to a temporary postponement in the scheduled sale of large property.

(2) Explanation of financial conditions

(Assets)

Total assets at the end of the first quarter of the fiscal year under review amounted to 53,138 million yen (63,523 million yen at the end of the previous fiscal year). The decrease in total assets was attributable primarily to decreases of 6,493 million yen in notes and accounts receivable - trade, 752 million yen in inventories, and 2,266 million yen in investments and other assets, gross.

(Liabilities)

Total liabilities came to 26,312 million yen (35,947 million yen at the end of the previous fiscal year). The decrease in liabilities was a result mainly of decreases in notes and accounts payable - trade of 4,355 million yen and short-term borrowings of 4,158 million yen.

(Net assets)

Total assets came to 26,826 million yen (27,575 million yen at the end of the previous fiscal year). The decrease in net assets resulted principally from a decrease of 778 million yen in retained earnings.

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

For matters related to the full-year consolidated financial forecasts, refer to the release, “Notice of Revision of Business Result Forecasts” dated today.

2. Quarterly Consolidated Financial Statements and Important Notes

(1) Quarterly consolidated balance sheet

(Million yen)

	FY2020 (As of December 31, 2020)	First quarter of FY2021 (As of March 31, 2021)
Assets		
Current assets		
Cash and deposits	12,857	13,704
Notes and accounts receivable - trade	16,579	10,086
Inventories	8,388	7,635
Other	6,865	5,467
Allowance for doubtful accounts	(312)	(275)
Total current assets	44,377	36,618
Non-current assets		
Property, plant and equipment	6,459	6,299
Intangible assets	2,365	2,175
Investments and other assets		
Other	11,030	8,776
Allowance for doubtful accounts	(772)	(784)
Total investments and other assets	10,257	7,991
Total non-current assets	19,082	16,465
Deferred assets	62	54
Total assets	63,523	53,138

(Million yen)

	FY2020 (As of December 31, 2020)	First quarter of FY2021 (As of March 31, 2021)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	9,618	5,262
Electronically recorded obligations - operating	2,218	2,003
Short-term borrowings	5,837	1,678
Current portion of long-term borrowings	1,271	1,287
Income taxes payable	489	584
Provisions	505	522
Asset retirement obligations	50	485
Other	8,618	7,975
Total current liabilities	28,610	19,801
Non-current liabilities		
Long-term borrowings	658	638
Provisions	98	104
Retirement benefit liability	1,470	1,473
Asset retirement obligations	1,514	935
Other	3,594	3,358
Total non-current liabilities	7,337	6,510
Total liabilities	35,947	26,312
Net assets		
Shareholders' equity		
Capital	23,000	23,000
Capital surplus	19,303	19,303
Retained earnings	(13,547)	(14,325)
Treasury shares	(2,419)	(2,419)
Total shareholders' equity	26,335	25,557
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(5)	48
Foreign currency translation adjustment	471	522
Remeasurements of defined benefit plans	11	(8)
Total accumulated other comprehensive income	477	562
Share acquisition rights	16	5
Non-controlling interests	744	701
Total net assets	27,575	26,826
Total liabilities and net assets	63,523	53,138

(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 FY2020 (From January 1 to March 31, 2020)	First quarter of FY2021 (From January 1 to March 31, 2021)
Net sales	21,906	15,271
Cost of sales	16,760	11,930
Gross profit	5,146	3,341
Selling, general and administrative expenses	6,711	4,708
Operating profit (loss)	(1,565)	(1,367)
Non-operating income		
Interest income	51	56
Share of profit of entities accounted for using equity method	25	40
Foreign exchange gains	4	343
Other	44	11
Total non-operating income	126	452
Non-operating expenses		
Interest expenses	36	33
Loss on investments in securities	20	–
Rent expenses on land and buildings	5	27
Other	17	31
Total non-operating expenses	80	92
Ordinary profit (loss)	(1,519)	(1,007)
Extraordinary income		
Gain on sale of non-current assets	–	8
Gain on sale of shares of subsidiaries and associates	74	–
Subsidy income	–	11
Gain on reversal of share acquisition rights	1	11
Total extraordinary income	76	31
Extraordinary losses		
Loss on liquidation of stores	27	4
Contract cancellation fees	228	–
Loss on suspension of store operations	111	21
Other	194	6
Total extraordinary losses	562	32
Profit (loss) before income taxes	(2,005)	(1,009)
Income taxes - current	71	31
Income taxes - deferred	(103)	(221)
Total income taxes	(31)	(189)
Profit (loss)	(1,973)	(819)
Profit (loss) attributable to non-controlling interests	(56)	(41)
Profit (loss) attributable to owners of parent	(1,917)	(778)

Quarterly consolidated statement of comprehensive income

First quarter

(Million yen)

	First quarter of FY2020 (From January 1 to March 31, 2020)	First quarter of FY2021 (From January 1 to March 31, 2021)
Profit (loss)	(1,973)	(819)
Other comprehensive income		
Valuation difference on available-for-sale securities	(1)	55
Foreign currency translation adjustment	(42)	54
Remeasurements of defined benefit plans, net of tax	2	(21)
Share of other comprehensive income of entities accounted for using equity method	(5)	(3)
Total other comprehensive income	(46)	84
Comprehensive income	(2,020)	(734)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(1,964)	(694)
Comprehensive income attributable to non-controlling interests	(55)	(40)

(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

(Application of accounting specific to the preparation of quarterly consolidated financial statements)

Tax expenses for the Company and some of its consolidated subsidiaries are calculated by rationally estimating an effective tax rate for profit before income taxes for the fiscal year including the first quarter under review after the application of tax effect accounting and multiplying profit/loss before income taxes for the first quarter under review by the estimated effective tax rate.

(Segment information, etc.)

[Segment information]

I. First quarter of FY2020 (from January 1 to March 31, 2020)

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
	Domestic Retail Business	Overseas Business	Life & Fashion Business	Asset Business			
Sales							
Sales to extremal clients	3,537	3,878	9,940	4,549	21,906	–	21,906
Internal sales or transfers between segments	0	4	54	13	72	(72)	–
Total	3,538	3,883	9,994	4,562	21,979	(72)	21,906
Segment profit (loss)	(749)	64	(616)	58	(1,242)	(323)	(1,565)

(Notes) 1. Segment loss adjustment of 323 million yen includes elimination of inter-segment transactions of 99 million yen and whole company expenses not divided into each reporting segment of 422 million yen. Whole company expenses mainly consist of personnel expenses and general management expenses not belonging to reporting segments.

2. Segment profit (loss) is adjusted to operating loss in the quarterly consolidated statement of income.

II. First quarter of FY2021 (from January 1 to March 31, 2021)

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
	Domestic Retail Business	Overseas Business	Life & Fashion Business	Asset Business			
Sales							
Sales to extremal clients	1,318	4,923	8,073	957	15,271	–	15,271
Internal sales or transfers between segments	16	–	35	2	54	(54)	–
Total	1,335	4,923	8,108	959	15,326	(54)	15,271
Segment profit (loss)	(207)	12	(426)	(347)	(969)	(398)	(1,367)

(Notes) 1. Segment loss adjustment of 398 million yen includes elimination of inter-segment transactions of 23 million yen and whole company expenses not divided into each reporting segment of 422 million yen. Whole company expenses mainly consist of personnel expenses and general management expenses not belonging to reporting segments.

2. Segment profit (loss) is adjusted to operating loss in the quarterly consolidated statement of income.

2. Matters concerning changes in reporting segments, etc.

In response to changes in the business environment caused primarily by the COVID-19 pandemic, the Group has been working to bolster the profitability of the retail business that is its foundation and to strengthen its business foundations through the pursuit of specialization. Aiming for more appropriate disclosure of management information, as a result of a review of the classifications for managing financial performance within the Group, it has decided to change the reporting segments to Domestic Retail Business, Overseas Business, Life & Fashion Business, and Asset Business.

The segment information for the first three months of the previous fiscal year has been recalculated accordingly.

(Subsequent events)

(Transfer of subsidiary stock)

The Board of Directors of the Company passed a resolution at a meeting on March 26, 2021, to transfer all the stock of the Company's consolidated subsidiaries, MODE ET JACOMO Co., Ltd., Kowa Sogyo Co., Ltd. and OGITSU Co., Ltd. held by the Company to ITL Holdings Co., Ltd. The Company signed the share transfer agreement on the same day and completed the transfer on April 30, 2021.

Associated with this transfer of shares, MODE ET JACOMO Co., Ltd., Kowa Sogyo Co., Ltd. and OGITSU Co., Ltd. and the other four subsidiaries will be excluded from the scope of consolidation.

(1) Reasons for the share transfer

The COVID-19 pandemic has forced a prohibition on foreigners entering Japan for sightseeing purposes that has not yet been lifted, causing the number of international visitors to Japan to decline significantly, and synergistic effects are not expected for the Loax Group. In addition, department stores, the major sales channel of these consolidated subsidiaries, were closed to business, and even after resuming operations, they are struggling to attract customers due to the continuing COVID-19 pandemic and the decline of consumer confidence. Therefore, they are working to reinforce D2C sales through e-commerce and social media channels.

In this environment, the IT and system development capabilities of ITL Holdings Co., Ltd., which manages multiple IT companies, coincide with the DX strategy of these companies. This leads to further expectations of their growth, which influenced the Company's decision to transfer the stock to ITL Holdings, Co., Ltd.

(2) Names of subsidiaries whose stock is being transferred

MODE ET JACOMO Co., Ltd., Kowa Sogyo Co., Ltd. and OGITSU Co., Ltd.

(3) Name of the stock recipient

ITL Holdings Co., Ltd.

(4) Number of shares to be transferred, transfer price and the number of shares held before and after transfer

	MODE ET JACOMO Co., Ltd.	Kowa Sogyo Co., Ltd.	OGITSU Co., Ltd.
Number of shares held before transfer	6,000 shares	14,000 shares	12,200 shares
Number of shares transferred	6,000 shares	14,000 shares	12,200 shares
Number of shares held after transfer	– shares	– shares	– shares
Transfer price	Not disclosed based on the contract with the transferee.		
Profit or loss on transfer	Being examined		

(5) Date of stock transfer

April 30, 2021

(6) Reporting segment in which the transferred companies are included

Life & Fashion Business

3. Other

Significant events, etc. concerning the going concern assumption

Laox Group posted an operating loss in three consecutive fiscal years, resulting in a situation that may cause significant doubt about the going concern assumption. However, the Group holds cash and deposits of 13,704 million yen as of the end of the first three months of the fiscal year under review, thereby securing necessary working capital. In addition, the Group is taking the following measures to resolve this significant event.

- The Domestic Retail Business is soliciting voluntary retirement and promptly putting store employees on leave and reducing costs by closing unprofitable stores and reducing various fixed expenses amid the continuing pandemic-induced restrictions on people entering Japan, which has significantly decreased the number of overseas travelers to Japan which are major customers of the business. The segment will develop stores with new concepts offering product lines that focus on food, increase the merchandise provided to meet customer demand in the areas of existing stores, renew sales floors, and take other measures to expand the target customers with the goal of increasing sales.
- The rapidly growing Overseas Business will improve its product supply system and supply chains to meet demand for products made in Japan in the Chinese market to reach customers who have visited Japan in the past and facilitate their repeat purchasing on the Company’s shopping website. In addition to the large e-commerce platforms, T-mall Global, Suning.com, and Kaola.com, in China, the segment will operate a Laox flagship store on Lazada, the largest e-commerce platform in Southeast Asia, to increase its revenue base in China and Southeast Asia. The Overseas Business will also improve its efforts to acquire new customers through live commerce and other means.
- Amid the decline in the gift sales business in the Life & Fashion Business segment due to the postponement and cancellation of ceremonies such as weddings and nationwide vendors which constituting major sales channels suspending operations due to the pandemic, the segment is implementing structural reforms including a reform of distribution, the liquidation of unprofitable businesses and thorough cost reduction including the reduction of SG&A expenses. Beyond just demand for mid-year and year-end gifts, the segment will increase the development of original merchandise focusing on confections to increase its market share and meet demand for private and casual gifts.
- The real estate business in the Asset Business segment will continue to work to increase profitability by streamlining the existing facilities it operates and selling idle properties. Further, the segment will increase the real estate agency and trading transactions that started in the latter half of the fiscal year 2019 to steadily accumulate profit from brokerage and trading.
- With the goal of increasing synergy across the Group, it will adjust the number of employees for more efficient organizational management, reduce personnel expenses and SG&A expenses according to the revised number of employees, and improve total costs to build a system that ensures profitability. The Group will also establish a reform project team across the Group's functions to resolve its business issues.

Based on the above, the Group believes that there is no material uncertainty regarding the going concern assumption.