Consolidated Financial Statements (Japanese Accounting Standard)

June 5, 2020

(For the year ended March 31, 2020)

Name of Company Listed: **Leopalace21 Corporation** Stock Listing: Tokyo Stock Exchange
Code Number: 8848 URL: http://eg.leopalace21.com/ Location of Head Office: Tokyo
Representative: Position: President and CEO Name: Bunya Miyao
Name of Contact Person: Position: Executive Officer Name: Kiyoshi Arai Telephone: +81-50-2016-2907
Scheduled Date of the Ordinary Shareholders' Meeting: July 22, 2020
Scheduled Date of Filing of Securities Report (Japanese only): July 22, 2020
Scheduled Date of Commencement of Dividend Payments: -
Supplemental Explanatory Material Prepared: Yes Results Briefing Held: No

1. Results for the Fiscal Year ended March 31, 2020 (April 1, 2019 through March 31, 2020)

(1) Consolidated financial results (Amounts less than one million yen are omitted)

(The percentage figures indicate rate of gain or loss compared with the same period last year)

	Net sales		Operating profit		Recurring profit		Net income attributable to shareholders of the parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY ended March 31, 2020	433,553	-14.2	-36,473	—	-36,341	—	-80,224	—
FY ended March 31, 2019	505,223	-4.8	7,390	-67.8	7,063	-68.4	-68,662	—

(Note) Comprehensive income in the year ended March 31, 2020: -79,780 million yen (-%); year ended March 31, 2019: 70,063 million yen (-%)

	Net income per share	Diluted net income per share	Return on equity	Recurring income / Total capital	Operating profit / Net sales
	Yen	Yen	%	%	%
FY ended March 31, 2020	-328.77	—	-195.1	-14.9	-8.4
FY ended March 31, 2019	-278.58	—	-57.2	2.2	1.5

(Reference) Equity in earnings of affiliates in FY ended March 31, 2020: -72 million yen, FY ended March 31, 2019: 1 million yen.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Equity per share
	Million yen	Million yen	%	Yen
As of March 31, 2020	196,953	1,589	0.7	5.34
As of March 31, 2019	291,790	81,338	27.7	331.87

(Reference) Shareholders' equity as of March 31, 2020: 1,303 million yen; as of March 31, 2019: 80,915 million yen

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of year
	Million yen	Million yen	Million yen	Million yen
FY ended March 31, 2020	-51,639	39,533	-12,048	58,916
FY ended March 31, 2019	-7,212	7,379	-15,181	83,019

2. Dividend Status

	Dividend per share					Total cash dividends (annual)	Dividend payout ratio (consolidated)	Dividend on equity ratio (consolidated)
	End of Q1	End of Q2	End of Q3	End of FY	Annual			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
FY ended March 31, 2019	—	0.00	—	0.00	0.00	—	—	—
FY ended March 31, 2020	—	0.00	—	0.00	0.00	—	—	—
FY ending March 31, 2021 (Estimate)	—	0.00	—	0.00	0.00		—	

3. Estimation of Consolidated Business Results for the Fiscal Year ending March 31, 2021 (April 1, 2020 through March 31, 2021)

(The percentage figures for full year indicate rate of gain or loss compared with the previous FY, while those for the interim period indicate rate of gain or loss compared with the same term in the previous FY)

	Net sales		Operating profit		Recurring profit		Net income attributable to shareholders of the parent		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Six months ending September 30, 2020	213,600	-3.6	-10,600	—	-11,000	—	-14,700	—	-60.24
FY ending March 31, 2021	431,100	-0.6	-9,800	—	-10,200	—	-8,000	—	-32.78

4. Notices

(1) Changes in major subsidiaries during the subject period (change in specific subsidiaries resulting in a change in the scope of consolidation): None

(2) Changes in accounting principles, procedures or reporting methods used in preparation of financial statements and restatements
- (i) Changes in accounting policies accompanying revision of accounting standards, etc.: None
- (ii) Changes in accounting policies other than (i) above: None
- (iii) Changes in accounting estimates: None
- (iv) Restatements: None

(3) Total number of outstanding shares (common stock)
- (i) Total number of outstanding shares at term end (including treasury stock)
  As of March 31, 2020: 244,882,515 shares, As of March 31, 2019: 244,882,515 shares
- (ii) Total treasury stock at term end
  As of March 31, 2020: 771,210 shares, As of March 31, 2019: 1,067,510 shares
- (iii) Average number of outstanding shares during the period
  As of March 31, 2020: 244,011,285 shares, As of March 31, 2019: 246,473,624 shares

(Reference) Summary of Non-Consolidated Financial Statements

1. Results of the Fiscal Year Ended March 31, 2020 (April 1, 2019 through March 31, 2020)

(1) Non-consolidated financial results (The percentage figures indicate rate of gain or loss compared with the previous FY)

	Net sales		Operating profit		Recurring income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY ended March 31, 2020	413,844	-13.4	-36,589	—	-35,189	—	-76,617	—
FY ended March 31, 2019	477,834	-5.5	5,561	-73.9	6,817	-68.8	-68,754	—

	Net income per share	Diluted net income per share
	Yen	Yen
FY ended March 31, 2020	-313.99	—
FY ended March 31, 2019	-278.95	—

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Equity per share
	Million yen	Million yen	%	Yen
As of March 31, 2020	174,153	792	0.3	2.15
As of March 31, 2019	260,700	76,644	29.2	312.69

(Reference) Shareholders' equity as of March 31, 2020: 76,239 million yen; as of March 31, 2019: 76,239 million yen

2. Estimation of Non-consolidated Business Results for the Fiscal Year Ending March 31, 2021 (April 1, 2020 through March 31, 2021)

(The percentage figures for full year represent the change compared with the previous FY, while those for the interim period represent the change compared with the same term in the previous FY)

	Net sales		Recurring profit		Net income		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Yen
Six months ending September 30, 2020	204,100	-2.9	-11,100	—	-14,500	—	-59.42
FY ending March 31, 2021	413,900	0.0	-9,600	—	-7,100	—	-29.09

*Indication regarding the status of auditing:
These financial statements are not subject to auditing by the accounting auditor..

*Explanation on the proper use of the business forecasts, and other special notices:

(Note on the business forecasts and other forward-looking statements)

The business forecasts and other forward-looking statements contained in this report are based on information currently available to the Company and on certain assumptions that Leopalace21 has judged to be reasonable. Readers should be aware that a variety of factors might cause actual results to differ significantly from these forecasts. For assumptions of business forecasts and notes on the proper use of these forecasts, please refer to pg. 6 "1. Business Results (4) Outlook for the next fiscal year.

(Method for the acquisition of supplemental explanatory material)

Supplemental explanatory material is planned to be posted on the Company's web site on June 5, 2020.

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1. Business Results

(1) Analysis of Business Results

Before explanations concerning business results, we sincerely apologize to our apartment owners, tenants, other parties concerned and all stakeholders for the distress and trouble caused by construction defects related to parting walls, discrepancies of insulation materials in parting walls, exterior wall structures not meeting qualifications certified by the Minister with authority, defects in the ceiling, and noncompliant parting walls in fire-proof structure with the specifications certified by the Minister (hereinafter collectively "Construction Defects such as Parting Walls" confirmed in certain apartments constructed by Leopalace21.

The Company takes seriously the defects problem which should not have been caused by a construction company dealing in apartment buildings. We will continue to conduct repair works of apartments in unison and make every effort to prevent recurrence of such a problem.

(Million yen)

	Net sales	Operating profit	Recurring profit	Net income attributable to shareholders of the parent
FY ended March 31, 2020	433,553	-36,473	-36,341	-80,224
FY ended March 31, 2019	505,223	7,390	7,063	-68,662
Difference	-71,669	-43,864	-43,404	-11,561

During the subject consolidated fiscal year, although the domestic economy showed gradual progression supported by improvements in employment and individual income, we are afraid that the economic prospects have very much worsened because of slow economic activities on a global scale due to COVID-19 impact.

New housing starts of leased units decreased three years in a row (down 14.2% year-on-year), due to the financial institutions' stringent loan screening policy for apartment loans. As the number of vacant houses continues to increase and recovery in nationwide demand becomes difficult, achieving stable occupancy rates requires differentiation strategy, which means constructing apartments in areas with high demand, in addition to providing value-added products and services that meet tenants' needs.

Under these conditions, Leopalace21 (the "Company") aims to achieve targets of its Medium-term Management Plan "Creative Evolution 2020" by creating corporate value and new social value, under the basic policy of "supporting continuous growth of core businesses in ways that further increase corporate value while constructing a base for growth areas". Also, in order to resolve the problem concerning construction defects as soon as possible, we have been intensively working on to carry out repair works.

As a result, company earnings deteriorated, and consolidated net sales for the subject fiscal year came to 433,553 million yen (down 14.2% year-on-year). Operating loss was 36,473 million yen (operating profit of 7,390 million yen for previous fiscal year) and recurring loss was 36,341 million yen (recurring profit of 7,063 million yen for previous fiscal year). Net loss attributable to shareholders of the parent was 80,224 million yen (down 11,561 million yen compared to the previous fiscal year). This was due to extraordinary losses of 24,395 million yen recorded as a reserve for repairs and other incidental expenses related to construction defects, 7,620 million yen recorded as an impairment loss for non-current assets and goodwill, and 21,485 million yen recorded as income taxes adjustment (loss).

(Actual figures by segment)

(Million yen)

	Net sales			Operating profit		
	FY ended March 31, 2019	FY ended March 31, 2020	Difference	FY ended March 31, 2019	FY ended March 31, 2020	Difference
Leasing Business	426,388	388,939	-37,449	14,987	-20,828	-35,815
Development Business	58,992	23,806	-35,185	-995	-5,181	-4,185
Elderly Care Business	13,922	14,620	698	-846	-559	286
Hotels, Resort, & Other Business	5,919	6,186	266	-1,346	-1,000	346
Adjustments	—	—	—	-4,407	-8,903	-4,496
Total	505,223	433,553	-71,669	7,390	-36,473	-43,864

(i) Leasing Business

In the Leasing Business, we provide value-added services such as “my DIY,” which enables tenants to decorate their rooms, and smart apartments which enable remote control of electrical appliances and door locks. We also offer the industry-first electronic rental agreement service, security systems in alliance with large security companies. In addition, to achieve stable occupancy rates, we are strengthening sales towards corporate customers to respond to their dormitory and housing demand and increasing support for foreign tenants. In the ASEAN region, we develop and manage serviced apartments and offices.

Since new tenant recruitments on properties were delayed because of prioritization on priority investigations and belated organizational response to support repair works, as well as restricted demand for new hires and relocations because of COVID-19 impact in the busiest months, the occupancy rate at the end of the subject fiscal year was 83.07% (down 1.26 points from the end of the previous fiscal year) and the average occupancy rate was 80.78% (down 7.56 points year-on-year). The number of units under management at the end of the subject fiscal year was 575 thousand (increased by one thousand from the end of the previous fiscal year).

As a result, net sales amounted to 388,939 million yen (down 8.8% year-on-year) and operating loss was 20,828 million yen (operating profit of 14,987 million yen for the previous fiscal year) due to decrease of rent income and others caused by deterioration of the occupancy rate and increase of 3,178 million yen in reserve for apartment vacancy loss.

(ii) Development Business

In the Development Business, we focused on supplying apartments in the three metropolitan areas where solid leasing demand is anticipated supported by an increase in population. In addition, we expanded construction variations to propose ideal land use, and have begun reviewing suppliers and product prices to improve profitability.

Also, Morizou Co., Ltd., a subsidiary, provides luxury custom-built homes made of Kiso-hinoki, Japanese cypress.

As a result of orders becoming sluggish due to intensified competition in the metropolitan areas and changes in the environment of apartment loans, in addition to stop taking new orders for apartment construction because of the construction defect problems, orders received during the subject fiscal year amounted to 7,814 million yen (down 87.9% year-on-year) and orders received outstanding stood at 27,696 million yen (down 55.6% from the end of the previous fiscal year).

The Company sold the shares in Life Living Co., Ltd., which was a consolidated subsidiary, and therefore the orders received and outstanding orders of Life Living Co., Ltd. are not included in the consolidated results

Consequently, net sales came to 23,806 million yen (down 59.6% year-on-year) and operating loss was 5,181 million yen (a loss increase of 4,185 million yen compared to the previous fiscal year).

(iii) Elderly Care Business

The profitability of the Elderly Care Business, a strategic growth business, improved due to increases in the occupancy rate of existing facilities, and is steadily transitioning to turn profitable.

Net sales were 14,620 million yen (up 5.0% year-on-year) and operating loss was 559 million yen (improvement of 286 million yen year-on-year).

(iv) Hotels, Resort & Other Business

Net sales of the Hotels, Resort & Other Business, including resort facilities in Guam, hotels in Japan, travelling business and finance business, were 6,186 million yen (up 4.5% year-on-year) and operating loss was 1,000 million yen (an improvement of 346 million yen year-on-year).

(2) Analysis of Consolidated Financial Position

(Million yen)

	Assets	Liabilities	Net assets
As of March 31, 2020	196,953	195,363	1,589
As of March 31, 2019	291,790	210,452	81,338
Difference	-94,837	-15,088	-79,748

Total assets at the end of the fiscal year decreased by 94,837 million yen from the end of the previous fiscal year to 196,953 million yen. This was mainly attributable to a decrease of 24,034 million yen in cash and cash equivalents, a decrease of 16,678 million yen in buildings and structures (net) due to sale of rental use housing and hotels and posting impairment loss and others, 12,328 million yen in land, 4,534 million yen in leased assets (net), 4,043 million yen in securities and investment securities, and 22,352 million yen in deferred tax assets.

Total liabilities decreased by 15,088 million yen from the end of the previous fiscal year to 195,363 million yen. This was mainly due to an increase of 5,540 million yen in reserve for losses related to repairs and 3,178 million yen in reserve for apartment vacancy loss, whereas a decrease of 11,909 million yen in interest-bearing debt, 5,056 million yen in short and long-term advances received, and 3,469 million yen in accounts payable for completed projects.

Net assets decreased by 79,748 million yen from the end of the previous fiscal year to 1,589 million yen. This was mainly due to an increase of 766 million yen in net unrealized gains on "other securities,” and a recording of 80,224 million yen in net loss attributable to shareholders of the parent. The ratio of shareholders’ equity to assets dropped by 27.0 points from the end of the previous fiscal year to 0.7%.

(3) Analysis of Cash Flow Position

Cash flow from operating activities was a net outflow of 51,639 million yen (an increase of net outflow of 44,427 million yen compared to the previous fiscal year). This was mainly due to a recording of 12,157 million yen in depreciation, 7,620 million yen of impairment loss and an increase of 21,501 million yen in reserve for losses related to repairs, and an increase of 3,178 million yen in reserve for apartment vacancy loss, whereas a recording of 58,013 million yen of net loss before taxes and other adjustments, 7,973 million yen of gain on sales of property, plant and equipment, 2,368 million yen of gain on sale of investment securities, a decrease of 5,032 million yen of advances received and 18,855 million yen of payment related to repairs.

Cash flow from investing activities was a net inflow of 39,533 million yen (an increase of 32,154 million yen in net inflow compared to the previous fiscal year). This was mainly due to a recording of 3,601 million yen of purchase of property, plant and equipment, whereas a recording of 32,057 million yen of proceeds from sale of property, plant and equipment and 8,213 million yen of proceeds from sale of investment securities.

Cash flow from financing activities was a net outflow of 12,048 million yen (a decrease of 3,132 million yen in net outflow from the previous fiscal year). This was mainly due to 5,093 million yen of repayment of lease obligations and 6,955 million yen of repayment of debt and redemption of bonds.

As a result, cash and cash equivalents at the end of the subject fiscal year stood at 58,916 million yen, decreased by 24,102 million yen from the end of the previous fiscal year.

(Reference) Trends in cash flow indicators

	FY ended March 31, 2016	FY ended March 31, 2017	FY ended March 31, 2018	FY ended March 31, 2019	FY ended March 31, 2020
Equity ratio (%)	44.2	47.0	47.2	27.7	0.7
Market price based equity ratio (%)	54.6	44.7	66.3	18.5	33.0
Ratio of cash flow to interest-bearing debt (year)	2.3	1.8	2.0	—	—
Interest coverage ratio	23.6	39.8	38.2	—	—

Equity ratio: Shareholders' equity/total assets
Market price based equity ratio: Market capitalization/total assets
Ratio of cash flow to interest-bearing debt: Interest-bearing debt/cash flow
Interest coverage ratio: Cash flow/interest paid

(Note 1) Ratios are calculated based on consolidated financial data.
(Note 2) Market capitalization is calculated as closing price at the end of the fiscal year multiplied by shares outstanding at the end of the fiscal year (excluding treasury stock).
(Note 3) Cash flow is cash flow from operations from the Consolidated Statements of Cash Flow. Interest-bearing debt is all of the debt noted on the Consolidated Balance Sheets on which interest is being paid.
(Note 4) Ratio of cash flow to interest- bearing debt and interest coverage ratio for FY ended March 2019 and FY ended March 2020 are omitted since cash flow from operations is negative.

(4) Outlook for the Next Fiscal Year

As for the consolidated business results of the fiscal year ending March 2021, we forecast sales of 431,100 million yen (down 0.6% year-on-year), operating loss of 9,800 million yen (an improvement of 26,673 million yen compared year-on-year), recurring loss of 10,200 million yen (an improvement of 26,141 million yen year-on-year), and net income attributable to shareholders of the parent of 8,000 million yen (an improvement of 72,224 million yen year-on-year).

Please refer to a separate announcement of the "Notice Concerning Implementing Structural Reforms based on Strategic Review Results for Drastic Business Strategies Reconstruction" disclosed today for details.

This forward-looking statement is based on the information which is available on the date of release, but actual results may differ significantly from these forecasts due to various factors.

(Risk information related to novel coronavirus infection disease)

There is a possibility of the following consequences in our business because of global spread of COVID-19 disease. We see risk may exist other than the following projection and such risk may take longer effect than our anticipation.

(i) Leasing Business
There is a risk of reduction in the occupancy rate and belated the rent from tenants due to the overall sluggish economic activities, which may pose impact on the Leasing Business.

(ii) Development Business
Possible reduction in the orders intake for construction subcontracting and belated construction due to contractors' work suspension may result in stagnation for Development Business.

(iii) Elderly Care Business

Decrease in the usage of facilities due to fear infection risks may bring about business deterioration for Elderly Care Business.

(iv) Hotels, Resort and Other Businesses

Delay in demand recovery for travelling may cause slow business performance for Hotels, Resort and Other Businesses.

(v) Repair works

The delay and suspension of repair works may affect the Company's financial conditions and business performance.

(5) Significant Events Relating to Going Concern Assumption

The Group recorded operating loss in the subject fiscal year and net loss attributable to shareholders of the parent as well as negative operating cash flow for two consecutive years due to Construction Defects such as Parting Walls confirmed in our apartments. As the Company's consolidated net assets failed to satisfy the required standard at the end of the previous fiscal year and the Company posted operating loss in the subject fiscal year, there is a relevant item with respect to Leopalace Power Corporation, a subsidiary of the Company and its loan agreement with a financial institution for which the Company acts as guarantor. The Company does not meet the financial covenant in the loan agreement. As a result, there are events or circumstances that raise significant doubts about the Company's going concern assumption.

The Company has been concentrating its management resources on the repair works and accelerate with organizational efforts so that it can resume the tenant recruitment as soon as possible. The recovery of business performance is indispensable for surely implementing the repair works. Therefore, we decided on reallocating manpower and physical resources including a voluntary retirement program by temporarily downsizing the scale and organizational based on "Notice Concerning Implementing Structural Reforms based on Strategic Review Results for Drastic Business Strategies Reconstruction" disclosed today, and temporarily reduce the scale of repair works and organizational setup from July 2020 , in order to improve the business performance and restore financial conditions.

With regard to funding, while maintaining a sound financial balance, the Company endeavors to secure stable funds necessary for its business activities and maintain liquidity by selling the Company owned properties, thereby securing sufficient funds to meet anticipated demand based on its funding plans.

As to the conflict with the financial covenant, the financial institution confirmed that they will not exercise the right of forfeiture of the benefit of time.

Consequently, the Company believes that there are no significant uncertainties regarding the going concern assumption.

2. Basic Approach to Selection of Accounting Standards

The Group prepares consolidated financial statements according to the Japanese accounting standards in consideration of comparability in terms of the period of consolidated financial statements and comparability among companies. As for the application of the International Financial Reporting Standards (IFRS), we will take the appropriate actions in light of the change in the ratio of foreign shareholders and movements of other companies in the same industry in Japan, among other factors.

3. Consolidated Financial Statements
(1) Consolidated Balance Sheets

(Million yen)

	March 31, 2020	March 31, 2019
<Assets>		
Current assets		
Cash and cash equivalents	60,501	84,536
Trade receivables	7,260	6,908
Accounts receivable for completed projects	532	1,709
Operating loans	132	256
Securities	5,951	1,254
Real estate for sale	1,189	1,027
Real estate for sale in progress	2,797	5,554
Payment for construction in progress	725	680
Raw materials and supplies	539	565
Prepaid expenses	3,053	2,952
Other accounts receivable	1,242	1,198
Others	4,543	4,255
Allowance for doubtful accounts	-164	-142
Total current assets	**88,304**	**110,757**
Non-current assets		
Property, plant, and equipment		
Buildings and structures	64,333	88,833
Accumulated depreciation	-40,469	-48,291
Net	23,863	40,542
Machinery, equipment, and vehicles	20,690	21,414
Accumulated depreciation	-10,892	-10,228
Net	9,798	11,185
Land	36,893	49,221
Leased assets	30,756	32,178
Accumulated depreciation	-23,558	-20,446
Net	7,197	11,732
Construction in progress	208	3,470
Others	16,817	15,283
Accumulated depreciation	-9,244	-8,220
Net	7,572	7,062
Total property, plant, and equipment	**85,534**	**123,215**
Intangible fixed assets		
Goodwill	127	2,324
Others	5,376	7,250
Total intangible fixed assets	**5,504**	**9,575**
Investments and other assets		
Investment securities	8,163	16,903
Long-term loans	1,025	501
Fixed operating receivables	225	214
Long-term prepaid expenses	2,250	3,252
Deferred tax assets	1,297	23,650
Others	5,328	4,333
Allowance for doubtful accounts	-905	-941
Total investments and other assets	**17,385**	**47,914**
Total non-current assets	**108,424**	**180,705**
Deferred assets		
Bond issuance fee	224	327
Total deferred assets	**224**	**327**
Total assets	**196,953**	**291,790**

(Million yen)

	March 31, 2020	March 31, 2019
<Liabilities>		
Current liabilities		
Electronically recorded obligations - operating	176	897
Accounts payable	3,376	4,037
Accounts payable for completed projects	1,245	4,715
Short-term borrowings	847	1,070
Long-term debt due within one year	2,659	2,768
Bonds due within one year	3,066	3,966
Lease obligations	4,344	5,320
Accounts payable-other	14,935	14,922
Accrued income taxes	840	798
Advances received	31,997	34,635
Customer advances for projects in progress	1,783	3,651
Reserve for warranty obligations on completed projects	117	347
Reserve for fulfillment of guarantees	1,200	1,138
Reserve for losses related to repairs	8,302	50,707
Reserve for apartment vacancy loss	11,715	8,826
Asset retirement obligations	44	44
Others	3,354	3,919
Total current liabilities	**90,006**	**141,765**
Non-current liabilities		
Bonds	5,037	8,103
Long-term debt	15,650	18,318
Lease obligations	4,532	8,501
Long-term advances received	9,451	11,869
Lease/guarantee deposits received	6,286	6,599
Reserve for loss related to repairs	47,945	-
Deferred tax liabilities	5	5
Reserve for apartment vacancy loss	4,191	3,902
Liability for retirement benefit	8,701	8,213
Asset retirement obligations	89	86
Others	3,465	3,086
Total non-current liabilities	**105,357**	**68,687**
Total liabilities	**195,363**	**210,452**
<Net assets>		
Shareholders' equity		
Common stock	75,282	75,282
Capital surplus	45,148	45,148
Retained earnings	-118,874	-38,635
Treasury stock	-473	-655
Total shareholders' equity	**1,083**	**81,140**
Accumulated other comprehensive income		
Net unrealized gains on "other securities"	1,047	280
Foreign currency translation adjustments	-280	-176
Remeasurements of defined benefit plans	-546	-327
Total accumulated other comprehensive income	**220**	**-224**
Share subscription rights	**269**	**404**
Non-controlling interests	**16**	**17**
Total net assets	**1,589**	**81,338**
Total liabilities and net assets	**196,953**	**291,790**

(2) Consolidated Statements of Operations and Consolidated Statements of Comprehensive Income

Consolidated Statements of Operations

(Million yen)

	FY ended March 31, 2020 (Apr. 2019–Mar. 2020)	FY ended March 31, 2019 (Apr. 2018–Mar. 2019)
Net sales		
Sales from Leasing Business	388,939	426,388
Sales from Development Business	23,806	58,992
Sales from Other Business	20,807	19,842
Total net sales	**433,553**	**505,223**
Cost of sales		
Cost of Leasing Business	368,094	363,651
Cost of Development Business	19,415	44,597
Cost of Other Business	20,601	20,739
Total cost of sales	**408,112**	**428,988**
Gross profit	**25,441**	**76,235**
Selling, general, and administrative expenses		
Advertising expenses	1,964	3,008
Sales commission expense	2,111	1,978
Transfer to reserve for bad debt	117	112
Directors' compensation	493	997
Salary and bonuses	26,282	30,134
Transfer to reserve for Directors' compensation	-	-10
Retirement benefit cost	1,878	1,809
Rent expense	2,899	2,727
Depreciation and amortization	2,582	2,731
Taxes and public charges	5,958	5,221
Other	17,626	20,132
Total selling, general, and administrative expenses	**61,915**	**68,844**
Operating profit	**-36,473**	**7,390**
Non-operating income		
Interest income	146	113
Dividend income	181	172
Investment returns from anonymous associations	977	-
Gain on valuation of investment securities	166	185
Foreign exchange gain	-	148
Investment profit by equity method	-	1
Other	317	270
Total non-operating income	**1,788**	**891**
Non-operating expenses		
Interest expenses	624	748
Bond issuance fee	161	191
Foreign exchange losses	157	-
Investment loss by equity method	72	-
Commission income refund	255	-
Other	384	278
Total non-operating expenses	**1,656**	**1,218**
Recurring profit	**-36,341**	**7,063**

(Million yen)

	FY ended March 31, 2020 (Apr. 2019–Mar. 2020)	FY ended March 31, 2019 (Apr. 2018–Mar. 2019)
Extraordinary income		
Gain on sale of property, plant and equipment	8,945	245
Gain on sale of investment securities	2,368	-
Gain on reversal of subscription rights to shares	17	-
Gain on cancelling contracts	350	-
Total extraordinary income	**11,681**	**245**
Extraordinary losses		
Loss on sale of property, plant and equipment	972	0
Loss on retirement of property, plant and equipment	71	117
Impairment loss	7,620	7,560
Provision of reserve for losses related to repairs	21,501	50,707
Loss related to repairs	2,894	4,079
Loss on sale of shares in subsidiaries	2	
Provision of reserve for apartment vacancy loss	-	9,684
Special severance allowance	227	-
Repair expenses	63	-
Total extraordinary losses	**33,353**	**72,148**
Income before taxes and other adjustments	**-58,013**	**-64,840**
Income taxes－current	726	756
Income taxes adjustments	21,485	3,124
Total income taxes	**22,211**	**3,880**
Net income	**-80,224**	**-68,720**
Net income attributable to non-controlling interests	**-0**	**-58**
Net income attributable to shareholders of the parent	**-80,224**	**-68,662**

Consolidated Statements of Comprehensive Income

(Million yen)

	FY ended March 31, 2020 (Apr. 2019–Mar. 2020)	FY ended March 31, 2019 (Apr. 2018–Mar. 2019)
Net income	**-80,224**	**-68,720**
Other comprehensive income		
Net unrealized gains on “other securities”	766	-306
Foreign currency translation adjustments	-100	-1,045
Remeasurements of defined benefit plans	-218	14
Share of other comprehensive income of associates	-3	-4
Total other comprehensive income	**444**	**-1,342**
Comprehensive income	**-79,780**	**-70,063**
(Breakdown)		
Comprehensive income attributable to shareholders of the parent	-79,779	-70,004
Comprehensive income attributable to non-controlling interests	-0	-58

(3) Consolidated Statements of Changes in Net Assets

Fiscal year ended March 31, 2019 (April 2018–March 2019)

(Million yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total
Balance at the previous year-end	75,282	45,235	37,839	-430	157,926
Change in the fiscal year					
Dividend of surplus			-3,025		-3,025
Net loss attributable to shareholders of parent			-68,662		-68,662
Disposal of treasury stock					
Acquisition of treasury stock				-5,012	-5,012
Retirement of treasury stock			-4,787	4,787	—
Change in the scope of consolidation			—		—
Change in share of parent from transactions with non-controlling interests		-86			-86
Changes in items other than shareholders' equity (net)					
Total change in the fiscal year	—	-86	-76,474	-225	-76,786
Balance at the current year-end	75,282	45,148	-38,635	-655	81,140

	Accumulated other comprehensive income				Share subscription rights	Non-controlling interests	Total net assets
	Net unrealized gains on "other securities"	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total			
Balance at the previous year-end	586	872	-341	1,117	284	109	159,438
Change in the fiscal year							
Dividend of surplus							-3,025
Net loss attributable to shareholders of parent							-68,662
Disposal of treasury stock							
Acquisition of treasury stock							-5,012
Retirement of treasury stock							—
Change in the scope of consolidation							
Change in share of parent from transactions with non-controlling interests							-86
Changes in items other than shareholders' equity (net)	-306	-1,049	14	-1,342	120	-92	-1,313
Total change in the fiscal year	-306	-1,049	14	-1,342	120	-92	-78,100
Balance at the current year-end	280	-176	-327	-224	404	17	81,338

Fiscal year ended March 31, 2020 (April 2019–March 2020)

(Million yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total
Balance at the previous year-end	75,282	45,148	-38,635	-655	81,140
Change in the fiscal year					
Dividend of surplus					
Net loss attributable to shareholders of parent			-80,224		-80,224
Disposal of treasury stock			-47	181	134
Acquisition of treasury stock					
Retirement of treasury stock					
Change in the scope of consolidation			33		33
Change in share of parent from transactions with non-controlling interests					
Changes in items other than shareholders' equity (net)					
Total change in the fiscal year	—	-	-80,238	181	-80,056
Balance at the current year-end	75,282	45,148	-118,874	-473	1,083

	Accumulated other comprehensive income				Share subscription rights	Non-controlling interests	Total net assets
	Net unrealized gains on "other securities"	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total			
Balance at the previous year-end	280	-176	-327	-224	404	17	81,338
Change in the fiscal year							
Dividend of surplus							
Net loss attributable to shareholders of parent							-80,224
Disposal of treasury stock							134
Acquisition of treasury stock							
Retirement of treasury stock							
Change in the scope of consolidation							33
Change in share of parent from transactions with non-controlling interests							
Changes in items other than shareholders' equity (net)	766	-103	-218	444	-135	-0	309
Total change in the fiscal year	766	-103	-218	444	-135	-0	-79,748
Balance at the current year-end	1,047	-280	-546	220	269	16	1,589

(4) Consolidated Statements of Cash Flows

(Million yen)

	FY ended March 31, 2020 (Apr. 2019–Mar. 2020)	FY ended March 31, 2019 (Apr. 2018–Mar. 2019)
Cash flows from operating activities		
Income before taxes and minority interests	-58,013	-64,840
Depreciation	12,157	12,945
Impairment loss	7,620	7,560
Increase (decrease) in reserve for losses related to repairs	21,501	50,707
Loss related to repairs	2,894	4,079
Amortization of goodwill	260	560
Increase (decrease) in reserve for doubtful accounts	40	-1,105
Increase (decrease) in liability for retirement benefits	413	895
Increase (decrease) in reserve for apartment vacancy loss	3,178	9,684
Interest and dividend income	-327	-285
Interest expense	624	748
Foreign exchange loss (gain)	157	-148
Equity in losses (earnings) of affiliated companies	72	-1
Loss (gain) on sale of property, plant and equipment	-7,973	-245
Write-offs of property, plant and equipment	71	117
Loss (gain) from evaluation of investment securities	-166	-185
Loss (gain) from sale of investment securities	-2,368	-
Investment loss (incomes) from anonymous associations	-977	-
Gain on reversal of subscription rights to shares	-17	-
Gain on cancelling contracts	-350	-
Loss (gain) on sale of shares of subsidiaries	2	
Decrease (increase) in accounts receivable	1,095	1,310
Decrease (increase) in real estate for sale in progress	-852	-3,058
Decrease (increase) in work in process	-46	-222
Decrease (increase) in long-term prepaid expenses	878	571
Increase (decrease) in accounts payable	-1,922	-8,125
Increase (decrease) in customer advances for projects in progress	-1,868	-940
Increase (decrease) in advances received	-5,032	-9,311
Increase (decrease) in guarantee deposits received	-383	-372
Increase (decrease) in accrued consumption taxes	113	-890
Other	-2,810	-2,612
Subtotal	-32,029	-3,166
Interest and dividends received	455	465
Interest paid	-574	-749
Payment related to repairs	-18,855	-2,960
Income taxes paid	-635	-800
Net cash provided by operating activities	**-51,639**	**-7,212**
Cash flows from investing activities		
Purchase of property, plant and equipment	-3,601	-7,718
Proceeds from sale of property, plant and equipment	32,057	10,059
Payment for purchase of intangible assets	-142	-1,083
Payment for purchase of investment securities	-1,082	-231
Proceeds from sale of investment securities	8,213	21
Payment for sale of shares in subsidiaries due to change in scope of consolidation	-101	-
Proceeds from sale of shares in subsidiaries due to change in scope of consolidation	4,292	
Payment for loans	-657	-1

Proceeds from collection of loans	960	14
Payment for deposit of fixed deposits	-68	-1,500
Proceeds from withdrawal of fixed deposits	-	8,126
Other	-335	-308
Net cash provided by (used in) investing activities	**39,533**	**7,379**

(Million yen)

	FY ended March 31, 2019 (Apr. 2018–Mar. 2019)	FY ended March 31, 2018 (Apr. 2017–Mar. 2018)
Cash flows from financing activities		
Proceeds from short-term debt	-	1,070
Repayment of short-term debt	-222	-50
Proceeds from long-term debt	-	3,960
Repayment of long-term debt	-2,767	-2,397
Repayment of finance lease obligations	-5,093	-5,640
Payment for redemption of bonds	-3,966	-3,966
Payment for purchase of treasury stock	-	-5,012
Purchase of shares in subsidiaries not resulting in change in scope of consolidation	-	-112
Payment of dividends to non-controlling interests	-	-8
Proceeds from exercise of stock options	0	-
Payment of dividends	-	-3,025
Net cash provided by (used in) financing activities	**-12,048**	**-15,181**
Effect of exchange rate changes on cash and cash equivalents	**51**	**-213**
Net increase (decrease) in cash and cash equivalents	**-24,102**	**-15,227**
Cash and cash equivalents at beginning of period	**83,019**	**98,246**
Cash and cash equivalents at end of period	**58,916**	**83,019**

(5) Notes Regarding Consolidated Financial Statements

(Notes regarding the premise of the Company as a going concern)

There are no relevant items.

(Additional information)

(Matters relating to the change in the purpose of holding the non-current assets)

Due to the change in the purpose of holding a part of the non-current assets during the subject fiscal year, 49 million yen in buildings and structures, 344 million yen in land, and 4 million yen in others were reclassified to 102 million yen in real estate for sale and 295 million yen in real estate for sale in progress.

(Reserve for loss related to repairs)

The total amount of reserve for loss related to repairs was recorded in the current liabilities. In light of the progress of the repair works, we reclassified a part of reserve in the non-current liabilities which is not allocated for the cost to be incurred within one year.

(Accounting assumption related to spread of COVID-19)

We assume that the spread of COVID-19 and resultant sluggish economy will affect our business for the time being and expect the occupancy rates in our main Leasing Business lacks buoyancy until June 2020. Based on the above assumption, we examined the recoverability of deferred tax assets.

We made best possible estimation based on the available information at the time of preparing the consolidated financial statements, yet we cannot avoid the influence on our financial conditions and business performance depending on changes in the assumptions including the state of COVID-19 spread and economic consequences.

(Segment Information)

(1) Overview of Reportable Segments

The Company's reportable segments are the components for which separate financial information is available, and whose operating results are reviewed regularly by the board of directors in order to determine allocation of resources and assess segment performance.

There are four reportable segments: the Leasing Business, Development Business, Elderly Care Business, and Hotels, Resort & Other Businesses. The Leasing Business operations comprise the leasing and management of apartment buildings and other properties, internet service, rent obligation guarantee, company residence agency business, solar power generation business, small-amount short-term insurance business, real estate brokerage business, and management of serviced apartments and offices. The Development Business operations comprise the construction subcontracting of apartments, detached houses. The Elderly Care Business operates elderly care facilities. The Hotels, Resort and Other Business operates hotels and resort facilities etc.

(2) Calculation Method for Sales, Profits and Losses, Assets, Liabilities and other Items by Reportable Segment

The accounting methods for reportable segments are in accordance to accounting policies adopted in the preparation of consolidated financial statements. The reportable segment profits (losses) represent operating profits (losses). Inter-segment sales and transfers are based on prevailing market prices.

Fiscal Year ended March 31, 2020 (April 1, 2019 through March 31, 2020)

(Million yen)

	Reportable Segment					Adjustments (Note 1)	Consolidated Total (Note 2)
	Leasing Business	Development Business	Elderly Care Business	Hotels, Resort, & Other Business	Segment Total		
Net sales							
Sales to customers	388,939	23,806	14,620	6,186	433,553	-	433,553
Inter-segment sales and transfers	257	27	-	2,410	2,695	-2,695	-
Total	389,197	23,834	14,620	8,596	436,249	-2,695	433,553
Segment earnings (or loss)	-20,828	-5,181	-559	-1,000	-27,569	-8,903	-36,473
Segment assets	75,099	11,150	3,470	27,452	117,173	79,779	196,953
Other items							
Depreciation	8,351	112	100	1,441	10,005	2,151	12,157
Increase in property, plant and equipment, and intangible assets	3,269	83	0	480	3,833	45	3,879

Fiscal Year ended March 31, 2019 (April 1, 2018 through March 31, 2019)

(Million yen)

	Reportable Segment					Adjustments (Note 2)	Consolidated Total (Note 3)
	Leasing Business	Development Business	Elderly Care Business	Hotels, Resort, & Other Business	Segment Total		
Net sales							
Sales to customers	426,388	58,992	13,922	5,919	505,223	-	505,223
Inter-segment sales and transfers	226	1	-	3,632	3,859	-3,859	-
Total	426,615	58,993	13,922	9,551	509,083	-3,859	505,223
Segment earnings (or loss)	14,987	-995	-846	-1,346	11,798	-4,407	7,390
Segment assets	96,770	25,854	3,587	55,274	181,487	110,303	291,790
Other items							
Depreciation	8,940	219	104	1,480	10,745	2,200	12,945
Increase in property, plant and equipment, and intangible assets	7,068	154	40	1,614	8,878	909	9,788

Note 1: Breakdown of adjustments is as follows.

Segment earnings (or loss) (Million yen)

	FY ended March 31, 2020	FY ended March 31, 2019
Inter-segment eliminations	-91	-166
Corporate expenses*	-8,812	-4,240
Total	-8,903	-4,407

*Corporate expenses consist mainly of general administrative expenses for administrative departments that are not part of reportable segments.

Segment assets (Million yen)

	FY ended March 31, 2020	FY ended March 31, 2019
Surplus operating funds, long-term investment capital, and assets which do not belong to reportable segments	79,779	110,303

Increase in property, plant and equipment, and intangible assets (Million yen)

	FY ended March 31, 2020	FY ended March 31, 2019
Capital investments which do not belong to reportable segments	45	909

Note 2: Segment profit (loss) is adjusted to the operating profit on the Consolidated Statements of Operations

(Related Information)

Fiscal Year ended March 31, 2020 (April 1, 2019 through March 31, 2020)

1. Information by product and service
   As we disclosed the information by segment, we left out the information by product and service.

2. Information by country/region
   (1) Sales
   As the sales to customers amounted more than 90% of the total sales on the consolidated statements of operations, we left out the description.
   (2) Non-current Assets

(Million yen)

Japan	US Territory of Guam	Thailand	Cambodia	Others	Total
62,071	21,586	887	755	232	85,534

3. Information by major customer
   As there are no customers to whom the sales accounts for more than 10% of the total sales on the consolidated statements of operations, we left out the description of related matters.

Fiscal Year ended March 31, 2019 (April 1, 2018 through March 31, 2019)

1. Information by product and service
   As we disclosed the information by segment, we left out the information by product and service.

2. Information by country/region
   (1) Sales
   As the sales to customers amounted more than 90% of the total sales on the consolidated statements of operations, we left out the description.
   (2) Non-current Assets

(Million yen)

Japan	US Territory of Guam	Thailand	Cambodia	Others	Total
93,654	26,632	1,170	1,555	202	123,215

3. Information by major customer

As there are no customers to whom the sales accounts for more than 10% of the total sales on the consolidated statements of operations, we left out the description of related matters.

(Information related to the impairment losses on non-current assets by reportable segment)

Fiscal Year ended March 31, 2020 (April 1, 2019 through March 31, 2020)

(Million yen)

	Leasing Business	Development Business	Elderly Care Business	Hotels, Resort, & Other Business	Segment Total/Adjustments	Total
Impairment losses	1,327	1,144	51	5,097	-	7,620

Fiscal Year ended March 31, 2019 (April 1, 2018 through March 31, 2019)

(Million yen)

	Leasing Business	Development Business	Elderly Care Business	Hotels, Resort, & Other Business	Segment Total/Adjustments	Total
Impairment losses	7,560	-	-	-	-	7,560

(Information related to the amortization of goodwill and balance of goodwill by reportable segment)

Fiscal Year ended March 31, 2020 (April 1, 2019 through March 31, 2020)

(Million yen)

	Leasing Business	Development Business	Elderly Care Business	Hotels, Resort, & Other Business	Segment Total/Adjustments	Total
Amortization of goodwill	45	215	-	-	-	260
Balance of goodwill	127	-	-	-	-	127

(Note) We recorded 982 million yen of impairment loss on goodwill in Development Business. As we sold all the shares in Life Living Co.,Ltd. and put it out of consolidation, the goodwill decreased by 953 million yen in the subject fiscal year.

Fiscal Year ended March 31, 2019 (April 1, 2018 through March 31, 2019)

(Million yen)

	Leasing Business	Development Business	Elderly Care Business	Hotels, Resort, & Other Business	Segment Total/Adjustments	Total
Amortization of goodwill	45	515	-	-	-	560
Unamortized Balance of goodwill	173	2,151	-	-	-	2,324

(Information related to the gain on negative goodwill by reportable segment)

Fiscal Year ended March 31, 2020 (April 1, 2019 through March 31, 2020) and Fiscal Year ended March 31, 2019 (April 1, 2018 through March 31, 2019)

There is no relevant information.

(Information per share)

	Fiscal Year ended March 31, 2020 (April 1, 2019 through March 31, 2020)	Fiscal Year ended March 31, 2019 (April 1, 2018 through March 31, 2019)
Net assets per share	5.34 yen	331.87 yen
Net loss per share	328.77 yen	278.58 yen

(Note) 1. Diluted net income per share are not stated because a net loss was recorded for the subject fiscal year.

2.The basis for calculation for net loss per share is as follows:

	Fiscal Year ended March 31, 2020 (April 1, 2019 through March 31, 2020)	Fiscal Year ended March 31, 2019 (April 1, 2018 through March 31, 2019)
Net loss attributable to shareholders of the parent (million yen)	80,224	68,662
Amount not attributable to common stock (million yen)	—	—
Net loss attributable to common stock (million yen)	80,224	68,662
Basic weighted-average shares during the year (thousands of shares)	244,011	246,473
Dilutive securities without dilutive effects and excluded from calculation of diluted net income per share	—	New stock acquisition rights (620)

(Information related to the important contingencies)

There is no relevant information.

(Schedule on cost of sales)

(1) Schedule on cost of sales for Leasing Business

	Fiscal Year ended March 31, 2020 (April 1, 2019 through March 31, 2020)		Fiscal Year ended March 31, 2019 (April 1, 2018 through March 31, 2019)	
Breakdown	Amount (million yen)	Composition ratio (%)	Amount (million yen)	Composition ratio (%)
Rental expenses	287,151	78.9	281,671	78.2
Depreciation	332	0.1	593	0.2
Cost of maintenance work	5,943	1.6	6,786	1.9
Cost of installation of home security systems	415	0.1	2,331	0.6
Cost of mail order, goods and others	34	0.0	48	0.0
Other expenses	61,005	16.7	58,953	16.4
Cost of internet services	9,575	2.6	9,668	2.7
Cost of sales for Leasing Business	364,457	100.0	360,053	100.0

(2) Schedule on cost of sales for Development Business

	Fiscal Year ended March 31, 2020 (April 1, 2019 through March 31, 2020)		Fiscal Year ended March 31, 2019 (April 1, 2018 through March 31, 2019)	
Breakdown	Amount (million yen)	Composition ratio (%)	Amount (million yen)	Composition ratio (%)
Cost of material	3,657	23.3	10,491	30.5
Outsourcing expenses	5,645	36.1	16,217	47.2
Expenses	1,988	12.7	4,778	13.9
(Personnel expenses*) *inside Expenses	(1,171)	(7.5)	(2,960)	(8.6)
Cost of sales for construction subcontracting business	11,291	72.1	31,486	91.6

Land	1,421	9.1	-	-
Outsourcing expenses	1,013	6.5	-	-
Cost of material	277	1.8	-	-
Expenses	289	1.8	-	-
(Personnel expenses*) *inside Expenses	(142)	(0.9)	-	-
Direct costs	720	4.6	2,836	8.3
Expenses	2	0.0	40	0.1
Loss on evaluation of inventories	634	4.1	-	-
Cost of sales for real estate business	4,359	27.9	2,877	8.4
Cost of sales for Development Business	15,651	100.0	34,363	100.0

(Note) The method of calculating costs is based on actual individual costs.

(3) Schedule on cost of sales for Other Businesses

	Fiscal Year ended March 31, 2020 (April 1, 2019 through March 31, 2020)		**Fiscal Year ended March 31, 2019 (April 1, 2018 through March 31, 2019)**	
Breakdown	Amount (million yen)	Composition ratio (%)	Amount (million yen)	Composition ratio (%)
Cost of sales for Elderly Care Business	10,325	91.5	10,249	90.1
Cost of sales for Hotels business in Japan	958	8.5	1,120	9.9
Cost of sales for Other Businesses	11,283	100.0	11,369	100.0