

# Consolidated Financial Statements (Japanese Accounting Standard)

(For the fiscal year ended March 31, 2021)

May 14, 2021

Name of Company Listed: **Leopalace21 Corporation**  
 Code Number: 8848 URL: <http://eg.leopalace21.com/>  
 Representative: Position: President and CEO  
 Name of Contact Person: Position: Executive Officer  
 Scheduled Date of the Ordinary General Shareholders' Meeting: June 29, 2021  
 Scheduled Date of Filing of Securities Report (Japanese only): June 29, 2021  
 Scheduled Date of Commencement of Dividend Payments: —  
 Supplemental Explanatory Material Prepared: Yes  
 Results Briefing Held: Yes (for institutional investors and security analysts)

Stock Listing: Tokyo Stock Exchange  
 Location of Head Office: Tokyo  
 Name: Bunya Miyao  
 Name: Shinji Takekura Telephone: +81-50-2016-2907

## 1. Results for the Fiscal Year ended March 31, 2021 (April 1, 2020 – March 31, 2021)

### (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, 2021	408,959	(5.7)	(29,182)	—	(34,170)	—	(23,680)	—
FY ended March 31, 2020	433,553	(14.2)	(36,473)	—	(36,341)	—	(80,224)	—

(Note) Comprehensive income in the year ended March 31, 2021: (25,445) million yen (—%); year ended March 31, 2020: (79,780) 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, 2021	(84.88)	—	—	(19.1)	(7.1)
FY ended March 31, 2020	(328.77)	—	(195.1)	(14.9)	(8.4)

(Reference) Equity in earnings of affiliates in the year ended March 31, 2021: (44) million yen, year ended March 31, 2020: (72) million yen.

### (2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Equity per share
	Million yen	Million yen	%	Yen
As of March 31, 2021	161,708	3,277	(5.3)	(25.83)
As of March 31, 2020	196,953	1,589	0.7	5.34

(Reference) Total shareholders' equity combined with total accumulated other comprehensive income as of March 31, 2021: (8,494) million yen; as of March 31, 2020: 1,303 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, 2021	(40,816)	11,829	23,571	53,346
FY ended March 31, 2020	(51,639)	39,533	(12,048)	58,916

## 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, 2020	—	0.00	—	0.00	0.00	—	—	—
FY ending March 31, 2021	—	0.00	—	0.00	0.00	—	—	—
FY ending March 31, 2022 (Estimate)	—	0.00	—	0.00	0.00		—	

### 3. Consolidated Earnings Forecasts for the Fiscal Year ending March 31, 2022 (April 1, 2021 – March 31, 2022)\*

(The percentage figures for full year indicate rate of gain or loss compared with 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, 2021	198,000	—	(7,400)	—	(9,700)	—	(11,500)	—	(34.97)
FY ending March 31, 2022	402,900	—	2,000	—	(2,900)	—	(5,600)	—	(17.03)

\* Changes in accounting principles regarding revenue recognition (Corporate Accounting Standards No.29) have been applied for FY ending March 31, 2022. Above consolidated earnings forecasts reflected such changes and do not include comparison with the previous FY and with the same term in the previous FY.

(Notes)

- (1) Changes in major subsidiaries during the subject period (change in specific subsidiaries resulting in a change in the scope of consolidation) : Yes; exclusion of WING MATE CO., LTD.
- (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, 2021: 329,389,515 shares, As of March 31, 2020: 244,882,515 shares
  - (ii) Total treasury stock at term end  
As of March 31, 2021: 561,610 shares, As of March 31, 2020: 771,210 shares
  - (iii) Average number of outstanding shares during the period  
As of March 31, 2021: 279, 003,996 shares, As of March 31, 2020: 244,011,285 shares

### (Reference) Summary of Non-Consolidated Financial Statements

#### 1. Results of the Fiscal Year Ended March 31, 2021 (April 1, 2020 – March 31, 2021)

(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, 2021	392,513	(5.2)	(29,226)	—	(29,005)	—	(18,685)	—
FY ended March 31, 2020	413,844	(13.4)	(36,589)	—	(35,189)	—	(76,617)	—

	Net income per share	Diluted net income per share
	Yen	Yen
FY ended March 31, 2021	(66.97)	—
FY ended March 31, 2020	(313.99)	—

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Equity per share
	Million yen	Million yen	%	Yen
As of March 31, 2021	146,832	(6,724)	(4.8)	(21.63)
As of March 31, 2020	174,153	792	0.3	2.15

(Reference) Shareholders' equity as of March 31, 2021: (7,112) million yen; as of March 31, 2020: 523 million yen

#### 2. Estimation of Non-consolidated Business Results for the Fiscal Year Ending March 31, 2022 (April 1, 2021 – March 31, 2022)\*

(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, 2021	190,300	—	(9,900)	—	(10,900)	—	(33.15)
FY ending March 31, 2022	387,300	—	(2,900)	—	(4,100)	—	(12.47)

\* Changes in accounting principles regarding revenue recognition (Corporate Accounting Standards No.29) have been applied for FY ending March 31, 2022. Above consolidated earnings forecasts reflected such changes and do not include comparison with the previous FY and with the same term in the previous FY.

–Indication regarding the status of auditing:

These financial statements are not subject to auditing under the Financial Instruments and Exchange Act.

– 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 Leopalace21 (hereinafter the “Company”) and on certain assumptions that the Company 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 p.7 “1. Business Results (4) Future Predictions.”

(Method for the acquisition of supplemental explanatory material)

Supplemental Explanatory Material is planned to be posted on the Company’s website on May 14, 2021.

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# 1. Business Results

## (1) Analysis of Business Results

(Million yen)

	FY ended March 31, 2020	FY ended March 31, 2021	Difference	Percentage change
Net sales	433,553	408,959	(24,594)	(5.7%)
Operating profit (loss)	(36,473)	(29,182)	7,290	— %
Recurring profit (loss)	(36,3341)	(34,170)	2,171	— %
Net income (loss) attributable to shareholders of the parent	(80,224)	(23,680)	56,543	— %

During the subject consolidated fiscal year, the domestic economy remained extremely challenging, as consumer spending and corporate earnings deteriorated sharply due to such factors as the issuance of a declaration of a state of emergency in response to the spread of COVID-19 and requests to stay home and refrain from going out.

The new housing starts of leased units declined for the four years in a row (down 9.4% year on year) due to the tightening of lending terms by financial institutions. In the rental housing market, the number of vacant houses continues to increase, and in order to secure a stable occupancy rate amid difficulty in recovering nationwide demand, we believe it is important to implement a strategy of differentiation by focusing on supplying apartments in the three metropolitan areas where we can expect high occupancy rates in the future and by providing value-added services that leverage our unique strengths.

Under these circumstances, Leopalace21 Corporation with its consolidated subsidiaries (the "Company" and collectively the "Group") posted a significant loss for the two years in a row in the previous consolidated fiscal year, mainly due to a deterioration in the occupancy rates caused by the construction defects. In response, on April 30, 2020, the Company announced "Notice Concerning the Outline of Drastic Business Strategies Reconstruction" and has been continuing to stabilize both business and financial position by implementing strategies centered on "Reconstruct business foundation – selective concentration;" "Implement structural reforms;" and "Restore the trust of society."

Although the business performance headed for recovery following the progress of repair works and resumption of tenant recruitment, the protracted COVID-19 impact contributed sluggish demand due to restraint transfer and reduction of new hires at the corporate customers, promotion of online course lectures at colleges and universities and strict immigration control for foreign nationals.

As a result, net sales for the subject consolidated fiscal year amounted to 408,959 million yen (down 5.7% year on year), and operating loss was 29,182 million yen (a reduced loss of 7,290 million yen year on year) due mainly to a decrease in rent revenues by stagnant occupancy rates, despite 31,885 million yen reduction in cost of sales and SG&A expense year on year. Recurring loss was 34,170 million yen (a reduced loss of 2,171 million yen year on year) due to the funding costs in the fundraising and increased interest expenses. Net loss attributable to shareholders of the parent was 23,680 million yen (a reduced loss of 56,543 million yen year on year) due to impairment loss on non-current assets and goodwill of 4,041 million yen and special severance allowance of 2,479 million yen associated with the voluntary retirement program in the extraordinary losses despite reversal of reserve for losses related to repairs of 15,374 million yen resulting from reduced unit repair cost through volume discount and change in repair method, and gains on sale of investment securities of 4,065 million yen.

(Changes in reportable segments and results by business segment)

From the first quarter of the current fiscal year, we changed the classification of reportable segments. For comparison with the previous fiscal year, the figures for the previous fiscal year were reclassified into the new reportable segments.

(Million yen)

	Net sales			Operating profit		
	FY ended March 31, 2020	FY ended March 31, 2021	Difference	FY ended March 31, 2020	FY ended March 31, 2021	Difference
Leasing Business	412,746	391,964	(20,781)	(25,966)	(19,385)	6,580
Elderly Care Business	14,620	14,524	(96)	(541)	(720)	(179)
Other Businesses	6,186	2,469	(3,716)	(994)	(1,551)	(557)
Adjustments	—	—	—	(8,971)	(7,524)	1,446
Total	433,553	408,959	(24,594)	(36,473)	(29,182)	7,290

### (i) Leasing Business

In the Leasing Business, the Company provides value-added services such as "my DIY" which allows the tenants to customize a selected single wall of the room, promotion of smart apartments which enable remote control of electrical appliances and lock/unlock the door, remote services such as customer interactions via internet, on-line room viewing and web-based contract conclusion,

promotion of the electronic contract management system, and security services in alliance with leading security companies. Also, in order to achieve stable occupancy rates, the Company is strengthening sales to the corporate customers for the apartment use by their employees as a dormitory or corporate housing, and increasing support for the foreign national tenants. In the ASEAN countries, the Company manages serviced apartments and offices through its subsidiaries.

The occupancy rate at the end of the subject fiscal year was 81.72% (down 1.35 points year on year) with average occupancy rate of 78.89% (down 1.89 points year on year). The failure of achieving the initial target was caused mainly by the reduction of demand in corporate customers as a core customer segment due to the spread of COVID-19 pandemic impact although the adverse effect of construction defects problem declined. The number of units under management was 573 thousand (decreased by two thousand year on year).

The number of direct leasing offices at the end of the subject fiscal year was 139 (a reduction of 50 year on year) and we continue to increase the operational efficiency and productivity.

The orders received for apartment buildings was 5,927 million yen (down 24.1% year on year) and the outstanding orders as of end of the fiscal year stood at 9,651 million yen (down 65.2% year on year) as a result of the Company's cease of new bookings because of the construction defects problem such as parting walls amid the intensified competition in the metropolitan areas and the changes in the environment of apartment loans.

As a result, net sales came to 391,964 million yen (down 5.0% year on year) and operating loss was 19,385 million yen (a reduction of 6,580 million yen year on year).

#### (ii) Elderly Care Business

The Company has been continuing to improve the operational efficiency of the Elderly Care Business, a strategic growth business, to lower the operational cost but suffered from declined number of users due to the fear of COVID-19 pandemic.

Net sales during the subject fiscal year was 14,524 million yen (down 0.7% year on year), and operating loss was 720 million yen (an increase of loss by 179 million yen year on year). The number of facilities was 87 as of end of the subject fiscal year.

#### (iii) Other Businesses

Net sales of the segment covering resort facilities in Guam and finance business were 2,469 million yen (down 60.1% year on year) and operating loss was 1,551 million yen (an increase of loss by 557 million yen year on year) due to a significant decline in occupancy rates because of COVID-19 pandemic and cutdown operation as a result of sale of hotels in Japan.

## (2) Analysis of Consolidated Financial Position

(Assets, Liabilities, and Net Assets)

(Million yen)

	Assets	Liabilities	Net assets
As of March 31, 2021	161,708	158,431	3,277
As of March 31, 2020	196,953	195,363	1,589
Difference	(35,244)	(36,932)	1,687

Total assets at the end of the subject fiscal year decreased by 35,244 million yen from the end of the previous fiscal year to 161,708 million yen. This was mainly attributable to a decreases of 5,638 million yen in cash and cash equivalents, 2,447 million yen in real estate for sale in progress, 8,583 million yen in securities and investment securities, 2,105 million yen in prepaid expenses and long-term prepaid expenses, as well as 5,774 million yen in land, 4,306 million yen in buildings and structures (net), and 3,691 million yen in leased assets (net) due to the sale of own rental housing and recording of impairment loss.

Total liabilities decreased by 36,932 million yen from the end of the previous fiscal year to 158,431 million yen. This was mainly attributed to a decrease of 5,340 million yen in short and long term advance received, 5,341 million yen in accounts payable – other, 22,738 million yen in reserve for losses related to repairs and 3,644 million yen in reserve for apartment vacancy loss.

Net assets increased by 1,687 million yen from the end of the previous fiscal year to 3,277 million yen. This was mainly due to increases of 5,999 million yen in common stock, 10,026 million yen in capital surplus and 11,366 million yen in non-controlling interests as a result of issuance of new shares through third party allotment and issuance of preferred stock in a Company's consolidated subsidiary despite recording of 23,680 million yen in net loss attributable to shareholders of the parent. The ratio of total shareholders' equity to assets dropped by 6.0 percentage points from the end of the previous fiscal year to minus 5.3%.

## (3) Analysis of Cash Flow Position

Cash flow from operating activities was a net outflow of 40,816 million yen (a reduction of 10,823 million yen in net outflow year on year). This was mainly due to a recording of 10,416 million yen in depreciation, 4,041 million yen of impairment loss, whereas a recording of 22,925 million yen of net loss before taxes and other adjustments, reversal of reserve for losses related to repairs of 15,374 million yen, a decrease of 5,861 million yen in accounts payable, a decrease of 5,327 million yen of advances received and 8,313 million yen of payment related to repairs.

Cash flow from investing activities was a net inflow of 11,829 million yen (a reduction of 27,704 million yen in net inflow year on

year). This was mainly due to 2,328 million yen of expenditure in purchase of property, plant and equipment, whereas 4,167 million yen of proceeds from sale of property, plant and equipment, 5,600 million yen of proceeds from redemption of securities and 4,341 million yen of proceeds from sale of investment securities.

Cash flow from financing activities was a net inflow of 23,571 million yen (a net outflow of 12,048 million yen in the previous fiscal year). This was mainly due to 17,790 million yen of expenditure in repayment of long-term debt and 8,103 million yen of expenditure in payment for redemption of bonds, 4,181 million yen of expenditure in repayment of finance lease obligations and 2,904 million yen of expenditure in payment for funding costs whereas 30,234 million yen of proceeds from long-term debt, 12,035 million yen of proceeds from issuance of shares and 15,000 million yen of proceeds from share issuance to non-controlling shareholders.

As a result, cash and cash equivalents at the end of the subject fiscal year stood at 53,346 million yen, decreased by 5,570 million yen from the end of the previous fiscal year.

(Reference) Trends in cash flow indicators

	FY ended March 31, 2017	FY ended March 31, 2018	FY ended March 31, 2019	FY ended March 31, 2020	FY ended March 31, 2021
Equity ratio (%)	47.0	47.2	27.7	0.7	(5.3)
Market price based equity ratio (%)	44.7	66.3	18.5	33.0	31.1
Ratio of cash flow to interest-bearing debt (year)	1.8	2.0	—	—	—
Interest coverage ratio	39.8	38.2	—	—	—

Equity ratio: Total shareholders' equity combined with total accumulated other comprehensive income / 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 and FY ended March 2021 are omitted since cash flow from operations is negative.

#### (4) Future Predictions

Concerning consolidated earnings forecasts for the consolidated fiscal year ending March 2022, we made estimation of net sales of 402,900 million yen, operating profit of 2,000 million yen, recurring loss of 2,900 million yen and net loss attributable to shareholders of the parent of 5,600 million yen.

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) Elderly Care Business

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

(iii) Other Businesses

Lifting travel restrictions and delay in demand recovery for travelling may cause slow business performance for Hotels, Resort and Other Businesses.

(iv) Repair works

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

#### (5) Significant Events Relating to Going Concern Assumption

The Group recorded an operating loss in the previous fiscal year and a 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.

During the subject consolidated fiscal year, the Group continued to implement repair works and resume recruitment of tenants, and its business performance was on a recovery track. However, as a result of the impact of COVID-19, demand was sluggish due to factors such as restrained transfers in corporate clients, the main customers of Leasing Business. As a result, the Group recorded an operating loss of 29,182 million yen and a net loss attributable to the shareholders of the parent of 23,680 million yen, resulting in a negative operating cash flow of 40,816 million yen.

As a result, there are events or circumstances that raise significant doubt about the Company's ability to continue as a going concern.

To resolve this situation, the Company raised on November 2, 2020 a total funds of 57,215 million yen by issuance of new shares through a third-party allotment, issuance of the stock acquisition rights in connection with the loan, and issuance of preferred stock by its consolidated subsidiary, Leoplace Power Corporation.

In addition, based on the "Notice Concerning Implementing Structural Reforms based on Strategic Review Results for Drastic Business Strategies Reconstruction" disclosed on 5 June, 2020, the Group has reviewed and implemented various cost reduction measures, including a transfer of or withdrawal from non-core and unprofitable businesses (sale of real estate and investment securities, transfer or winding-up of subsidiaries), offering of the voluntary retirement, reduction of executive remuneration, and review of personnel cost structure in tandem with revision of a revised human resources management system, reduction of fixed costs through restraint of management costs in Leasing Business and restructuring of leasing offices, reduction of SG&A expenses such as advertising and sales promotion expenses, and abolishment of shareholders benefit plan.

In the fiscal year ending March 2022, the Company will continue to carry out the same efforts, and strive to improve our business results and financial condition by promoting remote services such as customer interactions via internet, online room viewing and web-based contract conclusion, strengthening ties with real estate agents network for recruiting tenants, and employing region-oriented sales strategies coupled with responsibility of controlling income and expenditure to increase occupancy rates for stable operations; and by implementing strict cost control and managing the repair works plan for stable financial condition.

At the end of the subject fiscal year, the Company had cash and cash equivalents of 54,863 million yen, a sufficient funds to continue operations for foreseeable future.

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, 2021	March 31, 2020
<b>&lt;Assets&gt;</b>		
<b>Current assets</b>		
Cash and cash equivalents	54,863	60,501
Trade receivables	7,930	7,260
Accounts receivable for completed projects	524	532
Operating loans	86	132
Securities	100	5,951
Real estate for sale	180	1,189
Real estate for sale in progress	349	2,797
Payment for construction in progress	238	725
Raw materials and supplies	497	539
Prepaid expenses	2,076	3,053
Accounts receivable	1,819	1,242
Others	4,112	4,543
Allowance for doubtful accounts	(182)	(164)
<b>Total current assets</b>	<b>72,598</b>	<b>88,304</b>
<b>Non-current assets</b>		
Property, plant, and equipment		
Buildings and structures (net)	19,557	23,863
Machinery, equipment, and vehicles (net)	8,589	9,798
Land	31,118	36,893
Leased assets (net)	3,506	7,197
Construction in progress	82	208
Others (net)	7,198	7,572
<b>Total property, plant, and equipment</b>	<b>70,052</b>	<b>85,534</b>
Intangible fixed assets		
Goodwill	12	127
Others	4,161	5,376
<b>Total intangible fixed assets</b>	<b>4,173</b>	<b>5,504</b>
Investments and other assets		
Investment securities	5,431	8,163
Long-term loans	1,096	1,025
Long-term trade receivables	249	225
Long-term prepaid expenses	1,121	2,250
Deferred tax assets	2,194	1,297
Others	5,443	5,328
Allowance for doubtful accounts	(651)	(905)
<b>Total investments and other assets</b>	<b>14,883</b>	<b>17,385</b>
<b>Total non-current assets</b>	<b>89,109</b>	<b>108,424</b>
<b>Deferred assets</b>	<b>–</b>	<b>224</b>
<b>Total assets</b>	<b>161,708</b>	<b>196,953</b>

(Million yen)

	March 31, 2021	March 31, 2020
<b>&lt;Liabilities&gt;</b>		
<b>Current liabilities</b>		
Electronically recorded obligations -operating	19	176
Accounts payable	3,172	3,376
Accounts payable for completed projects	514	1,245
Short-term borrowings	—	847
Current portion of long-term loans payable	114	2,659
Bonds due within one year	—	3,066
Lease obligations	3,133	4,344
Accounts payable -other	9,593	14,935
Accrued income taxes	696	840
Advances received	28,239	31,997
Customer advances for projects in progress	541	1,783
Reserve for warranty obligations on completed projects	67	117
Reserve for fulfillment of guarantees	2,783	1,200
Reserve for losses related to repairs	3,777	8,302
Reserve for apartment vacancy loss	9,301	11,715
Asset retirement obligations	30	44
Others	3,811	3,354
<b>Total current liabilities</b>	<b>65,798</b>	<b>90,006</b>
<b>Non-current liabilities</b>		
Bonds	—	5,037
Long-term debt	30,615	15,650
Lease obligations	1,544	4,532
Long-term advances received	7,869	9,451
Lease/guarantee deposits received	6,423	6,286
Reserve for losses related to repairs	29,732	47,945
Deferred tax liabilities	9	5
Reserve for apartment vacancy loss	2,960	4,191
Liability for retirement benefits	9,650	8,701
Asset retirement obligations	63	89
Others	3,763	3,465
<b>Total non-current liabilities</b>	<b>92,633</b>	<b>105,357</b>
<b>Total liabilities</b>	<b>158,431</b>	<b>195,363</b>
<b>&lt;Net assets&gt;</b>		
<b>Shareholders' equity</b>		
Common stock	81,282	75,282
Capital surplus	55,174	45,148
Retained earnings	(142,586)	(118,874)
Treasury stock	(344)	(473)
<b>Total shareholders' equity</b>	<b>(6,474)</b>	<b>1,083</b>
<b>Accumulated other comprehensive income</b>		
Net unrealized gains on "other securities"	(0)	1,047
Foreign currency translation adjustments	(1,877)	(280)
Remeasurements of defined benefit plans	(142)	(546)
<b>Total accumulated other comprehensive income</b>	<b>(2,019)</b>	<b>220</b>
<b>Share subscription rights</b>	<b>388</b>	<b>269</b>
<b>Non-controlling interests</b>	<b>11,383</b>	<b>16</b>
<b>Total net assets</b>	<b>3,277</b>	<b>1,589</b>
<b>Total liabilities and net assets</b>	<b>161,708</b>	<b>196,953</b>

**(2) Consolidated Statement of Income and Consolidated Statement of Comprehensive Income**  
**Consolidated Statement of Income**

(Million yen)

	FY ended March 31, 2021 (Apr 2020–Mar 2021)	FY ended March 31, 2020 (Apr 2019–Mar 2020)
<b>Net sales</b>	<b>408,959</b>	<b>433,553</b>
Sales from Leasing Business	391,964	412,746
Sales from Other Businesses	16,994	20,807
<b>Cost of sales</b>	<b>387,872</b>	<b>408,112</b>
Cost of sales from Leasing Business	370,872	387,510
Cost of sales from Other Businesses	17,000	20,601
<b>Gross profit</b>	<b>21,086</b>	<b>25,441</b>
<b>Selling, general and administrative expense</b>	<b>50,269</b>	<b>61,915</b>
Advertising expenses	2,302	1,964
Sales commission expense	1,852	2,111
Provision of allowance for doubtful account	107	117
Directors' bonuses	351	493
Salary and bonuses	19,218	26,282
Retirement benefit cost	1,883	1,878
Rent	2,944	2,899
Depreciation	2,202	2,582
Taxes	5,695	5,958
Other	13,708	17,626
<b>Operating profit (loss)</b>	<b>(29,182)</b>	<b>(36,473)</b>
<b>Non-operating income</b>		
Interest income	66	146
Dividend income	84	181
Investment returns from anonymous associations	–	977
Valuation gains of investment securities	141	166
Foreign exchange gains	110	–
Employment adjustment subsidy	243	–
Other	438	317
<b>Total non-operating income</b>	<b>1,084</b>	<b>1,788</b>
<b>Non-operating expenses</b>		
Interest expenses	2,171	624
Bond issuance cost	251	161
Foreign exchange loss	–	157
Funding costs	2,904	–
Equity in losses of affiliated companies	44	72
Commission income refund	–	255
Other	700	384
<b>Total non-operating expenses</b>	<b>6,072</b>	<b>1,656</b>
<b>Recurring profit</b>	<b>(34,170)</b>	<b>(36,341)</b>

(Million yen)

	FY ended March 31, 2021 (Apr 2020–Mar 2021)	FY ended March 31, 2020 (Apr 2019–Mar 2020)
<b>Extraordinary income</b>		
Gains on sale of property, plant and equipment	225	8,945
Gains on sale of investment securities	4,065	2,368
Gains on reversal of share acquisition rights	–	17
Gains on cancellation of contracts	–	350
Gains on sale of shares in the subsidiary	0	–
Reversal of reserve for losses related to repairs	15,374	–
<b>Total extraordinary income</b>	<b>19,664</b>	<b>11,681</b>
<b>Extraordinary losses</b>		
Loss on sale of property, plant and equipment	18	972
Loss on retirement of property, plant and equipment	114	71
Impairment loss	4,041	7,620
Provision of reserve for losses related to repairs	–	21,501
Loss related to repairs	982	2,894
Loss on sale of shares in the subsidiary	–	2
Loss on sale of investment securities	114	–
Repair costs	–	63
Special severance allowance	2,479	227
Retirement benefit cost	427	–
Loss on liquidation of affiliates	151	–
Loss on valuation of investment securities	90	–
<b>Total extraordinary losses</b>	<b>8,419</b>	<b>33,353</b>
<b>Income (loss) before taxes and other adjustments</b>	<b>(22,925)</b>	<b>(58,013)</b>
<b>Income taxes</b>	<b>280</b>	<b>22,211</b>
Corporate, inhabitant and enterprise taxes	710	726
Income taxes adjustment	(429)	21,485
<b>Net income (loss)</b>	<b>(23,205)</b>	<b>(80,224)</b>
<b>Net income (loss) attributable to non-controlling interests</b>	<b>475</b>	<b>(0)</b>
<b>Net income (loss) attributable to shareholders of the parent</b>	<b>(23,680)</b>	<b>(80,224)</b>

## Consolidated Statement of Comprehensive Income

(Million yen)

	FY ended March 31, 2021 (Apr 2020–Mar 2021)	FY ended March 31, 2020 (Apr 2019–Mar 2020)
<b>Net income (loss)</b>	<b>(23,205)</b>	<b>(80,224)</b>
Other comprehensive income		
Net unrealized gains on “other securities”	(1,047)	766
Foreign currency translation adjustments	(1,597)	(100)
Remeasurements of defined benefit plans	403	(218)
Share of other comprehensive income of entities using equity method	0	(3)
<b>Total other comprehensive income</b>	<b>(2,240)</b>	<b>444</b>
<b>Comprehensive income</b>	<b>(25,445)</b>	<b>(79,780)</b>
(Breakdown)		
Comprehensive income attributable to shareholders of the parent	(25,920)	(79,779)
Comprehensive income attributable to non-controlling interests	474	(0)

### (3) Consolidated Statements of Changes in Net Assets

Fiscal year ended March 31, 2021 (April 2020 – March 2021)

(Million yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total
Balance at the previous year-end	75,282	45,148	(118,874)	(473)	1,083
Change in the fiscal year					
Issuance of new shares	5,999	5,999			
Net loss attributable to shareholders of parent			(23,680)		(23,680)
Disposal of treasury stock			(32)	128	96
Change in the scope of consolidation					—
Change in share of parent from transactions with non-controlling interests		4,026			4,026
Changes in items other than shareholders' equity (net)					
Total change in the FY	5,999	10,026	(23,712)	128	(7,557)
Balance at the current year-end	81,282	55,174	(142,586)	(344)	(6,474)

	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	1,047	(280)	(546)	(220)	269	16	1,589
Change in the fiscal year							
Issuance of new shares							11,999
Net loss attributable to shareholders of parent							(23,680)
Disposal of treasury stock							96
Change in the scope of consolidation							—
Change in share of parent from transactions with non-controlling interests							4,026
Changes in items other than shareholders' equity (net)	(1,047)	(1,596)	403	(2,240)	119	11,366	9,245
Total change in the FY	(1,047)	(1,596)	403	(2,240)	119	11,366	1,687
Balance at the current year-end	(0)	(1,877)	(142)	(2,019)	388	11,383	3,277

**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					
Issuance of new shares					
Net loss attributable to shareholders of parent			(80,224)		(80,224)
Disposal of treasury stock			(47)	181	134
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 FY	—	—	(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							
Issuance of new shares							—
Net loss attributable to shareholders of parent							(80,224)
Disposal of treasury stock							134
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)	307
Total change in the FY	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, 2021 (Apr 2020–Mar 2021)	FY ended March 31, 2020 (Apr 2019–Mar 2020)
<b>Cash flows from operating activities</b>		
Income before taxes and minority interests	(22,925)	(58,013)
Depreciation	10,416	12,157
Impairment loss	4,041	7,620
Increase (decrease) in reserve for losses related to repairs	–	21,501
Reversal of reserve for losses related to repairs	(15,374)	
Loss related to repairs	982	2,894
Special severance allowance	2,479	
Amortization of goodwill	6	260
Increase (decrease) in allowance for doubtful accounts	340	40
Increase (decrease) in liability for retirement benefits	1,360	413
Increase (decrease) in reserve for apartment vacancy loss	(3,644)	3,178
Losses on liquidation of subsidiaries and affiliates	151	–
Interest and dividend income	(150)	(327)
Interest expense	2,171	624
Funding costs	2,904	–
Foreign exchange loss (gain)	(110)	157
Equity in losses (earnings) of affiliated companies	44	72
Loss (gain) on sale of property, plant and equipment	(206)	(7,973)
Loss on retirement of property, plant and equipment	114	71
Loss (gain) from valuation of investment securities	(50)	(166)
Loss (gain) from sale of investment securities	(3,951)	(2,368)
Investment loss (returns) 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	(0)	2
Decrease (increase) in accounts receivable	(579)	1,095
Decrease (increase) in real estate for sale in progress	3,432	(852)
Decrease (increase) in payment for construction in progress	486	(46)
Decrease (increase) in long-term prepaid expenses	744	878
Increase (decrease) in accounts payable	(5,861)	(1,922)
Increase (decrease) in customer advances for projects in progress	(1,241)	(1,868)
Increase (decrease) in advances received	(5,327)	(5,032)
Increase (decrease) in guarantee deposits received	603	(383)
Increase (decrease) in accrued consumption taxes	(421)	113
Other	1,804	(2,810)
Subtotal	(27,759)	(32,029)
Interest and dividends received	154	455
Interest paid	(1,500)	(574)
Payment related to repairs	(8,313)	(18,855)
Payment of special severance allowance	(2,479)	
Income taxes paid	(918)	(635)
<b>Net cash provided by operating activities</b>	<b>(40816)</b>	<b>(51,639)</b>

(Million yen)

	FY ended March 31, 2021 (Apr 2020–Mar 2021)	FY ended March 31, 2020 (Apr 2019–Mar 2020)
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(2,328)	(3,601)
Proceeds from sale of property, plant and equipment	4,167	32,057
Payment for purchase of intangible assets	(509)	(142)
Proceeds from redemption of securities	5,600	–
Payment for purchase of investment securities	(363)	(1,082)
Proceeds from sale of investment securities	4,341	8,213
Proceeds from liquidation of subsidiaries	18	–
Payment for sale of shares in subsidiaries due to change in scope of consolidation	(92)	(101)
Proceeds from sale of shares in subsidiaries due to change in scope of consolidation	7	4,292
Payment for loans	(36)	(657)
Proceeds from collection of loans	57	960
Payment for deposit of fixed deposits	(4)	(68)
Proceeds from withdrawal of fixed deposits	67	–
Other	904	(335)
<b>Net cash provided by (used in) investing activities</b>	<b>11,829</b>	<b>39,533</b>
<b>Cash flows from financing activities</b>		
Repayment of short-term debt	(847)	(222)
Proceeds from long-term debt	30,234	–
Repayment of long-term debt	(17,790)	(2,767)
Repayment of finance lease obligations	(4,181)	(5,093)
Proceeds from issuance of shares	12,035	–
Proceeds from issuance of stock acquisition rights	215	–
Payment of funding costs	(2,904)	–
Payment for redemption of bonds	(8,103)	(3,966)
Proceeds from share issuance to non-controlling shareholders	15,000	–
Payment of dividends to non-controlling interests	(87)	–
Proceeds from exercise of stock options	0	0
<b>Net cash provided by (used in) financing activities</b>	<b>23,571</b>	<b>(12,048)</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>(154)</b>	<b>51</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(5,570)</b>	<b>(24,102)</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>58,916</b>	<b>83,019</b>
<b>Cash and cash equivalents at end of period</b>	<b>53,346</b>	<b>58,916</b>

## (5) Notes Regarding Consolidated Financial Statements

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

There are no relevant items.

### (Additional information)

(Accounting assumption related to spread of COVID-19)

We assumed that the COVID-19 impact may continue in the fiscal year ending March 2022 with gradual reduction of such impact in the second half of the fiscal year and accordingly made an accounting estimate for recoverability of deferred tax assets.

The assumption may, however, include uncertainties such as time of ceasing COVID-19 infection along with its changeable economic impact may affect the Group's financial position and business results.

### (Segment Information)

#### (1) Overview of Reportable Segment

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 three reportable segments: Leasing Business, Elderly Care Business, and Other Businesses. Leasing Business operations comprise the leasing and management of apartment buildings and other properties, maintenance work, 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. Elderly Care Business operates elderly care facilities. Other Businesses operate Guam resort facilities and finance business.

(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.

(3) Changes in Reportable Segment

The Company changed starting from the fiscal year ended March 2021 to three reportable segments of Leasing Business, Elderly Care Business, and Other Businesses from the previous four segments of Leasing Business, Development Business, Elderly Care Business and Hotels, Resort & Other Businesses. This is because the Company undertook the drastic business strategies reconstruction and shifted from a business diversification strategy to a profitability focus strategy centered on Leasing Business. Leasing Business now include the previous Development Business as it aims to strengthen relation with the apartment owners and to offer comprehensive proposals for using their real estate properties. As the Company has a policy of withdrawing from hotel and resort business, previous Hotels, Resort & Other Businesses are now reclassified into Other Businesses. The information by Reportable Segment given below reflect the new classification.

(4) Net sales, Operating loss, Assets and Liabilities and other items by Reportable Segment

**Fiscal Year ended March 2021 (April 1, 2020 – March 31, 2021)**

(Million yen)

	Reportable segments				Adjustments (Note 1)	Amount stated in Consolidated Statement of Income (Note 2)
	Leasing Business	Elderly Care Business	Other Businesses	Total		
Net sales						
Sales to customers	391,964	14,524	2,469	408,959	—	408,959
Inter-segment sales and transfers	143	—	603	747	(747)	—
Total	392,108	14,524	3,073	409,706	(747)	408,959
Segment profit (or loss)	(19,385)	(720)	(1,551)	(21,658)	(7,524)	(29,182)
Segment Asset	71,800	3,557	20,881	96,239	65,469	161,708
Other items						
Depreciation	7,456	47	1,097	8,601	1,815	10,416
Increase in non-current assets and intangible fixed assets	2,204	26	154	2,386	608	2,994

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

(Million yen)

	Reportable segments				Adjustments (Note 1)	Amount stated in Consolidated Statement of Income (Note 2)
	Leasing Business	Elderly Care Business	Other Businesses	Total		
Net sales						
Sales to customers	412,746	14,620	6,186	433,553	—	433,553
Inter-segment sales and transfers	209	—	2,410	2,620	(2,620)	—
Total	412,956	14,620	8,596	436,174	(2,620)	433,553
Segment profit (or loss)	(25,966)	(541)	(994)	(27,502)	(8,971)	(36,473)

Segment Asset	86,250	3,470	27,452	117,173	79,779	196,953
Other items						
Depreciation	8,464	100	1,441	10,005	2,151	12,157
Increase in non-current assets and intangible fixed assets	3,353	0	480	3,833	45	3,879

Note 1: Breakdown of adjustments is as follows.

Segment loss (Million yen)		
	FY ended March 31, 2021	FY ended March 31, 2020
Inter-segment eliminations	169	(85)
Corporate expenses*	(7,693)	(8,885)
Total	(7,524)	(8,971)

\*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, 2021	FY ended March 31, 2020
Surplus operating funds, long-term investment capital, and assets which do not belong to reportable segments	65,469	79,779

Increase in property, plant and equipment, and intangible fixed assets (Million yen)		
	FY ended March 31, 2021	FY ended March 31, 2020
Capital investments which do not belong to reportable segments	608	45

Note 2: Segment loss is adjusted to the operating loss on the Consolidated Statement of Income

### (Related Information)

#### Fiscal Year ended March 31, 2021 (April 1, 2020 – March 31, 2021)

##### 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
49,316	19,412	512	667	143	70,052

##### 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 statement of income, we left out the description of related matters.

#### Fiscal Year ended March 31, 2020 (April 1, 2019 – 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 statement of income, 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, 2021 (April 1, 2020 – March 31, 2021)**

(Million yen)

	Leasing Business	Elderly Care Business	Other Businesses	Segment Total/Adjustments	Total
Impairment losses	3,950	8	82	–	4,041

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

(Million yen)

	Leasing Business	Elderly Care Business	Other Businesses	Segment Total/Adjustments	Total
Impairment losses	2,471	51	5,097	–	7,620

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

**Fiscal Year ended March 31, 2021 (April 1, 2020 – March 31, 2021)**

(Million yen)

	Leasing Business	Elderly Care Business	Other Businesses	Segment Total/Adjustments	Total
Amortization of goodwill	6	–	–	–	6
Unamortized balance of goodwill	12	–	–	–	12

(Note) We recorded 107 million yen of impairment loss on goodwill in Leasing Business.

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

(Million yen)

	Leasing Business	Elderly Care Business	Other Business	Segment Total/Adjustments	Total
Amortization of goodwill	260	–	–	–	260
Unamortized Balance of goodwill	127	–	–	–	127

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

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

**Fiscal Year ended March 31, 2021 (April 1, 2020 – March 31, 2021) and Fiscal Year ended March 31, 2020 (April 1, 2019 – March 31, 2020)**

There is no relevant information.

**(Information per share)**

	<b>Fiscal Year ended March 31, 2021 (Apr 2020 – Mar 2021)</b>	<b>Fiscal Year ended March 31, 2020 (Apr 2019 – Mar 2020)</b>
Net assets per share	(25.83) yen	5.34 yen
Net loss per share	84.88 yen	328.77 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:

	<b>Fiscal Year ended March 31, 2021 (Apr 2020 – Mar 2021)</b>	<b>Fiscal Year ended March 31, 2020 (Apr 2019 – Mar 2020)</b>
Net loss attributable to shareholders of the parent (million yen)	23,680	80,224
Amount not attributable to common stock (million yen)	—	—
Net loss attributable to common stock (million yen)	23,680	80,224
Basic weighted-average shares during the year (thousands of shares)	279,003	244,011
Dilutive securities without dilutive effects and excluded from calculation of diluted net income per share	—	—

**(Significant events occurring after the balance sheet date)**

(Reduction of common stock)

The Company made the decision, under the approval of the Board of Directors on May 14, 2021 to submit a proposal on reduction of common stock to the Ordinary General Shareholders' Meeting to be held on June 29, 2021.

For details, please refer to "Notice Concerning Reduction of Common Stock" which was disclosed on May 14, 2021.