

3. Consolidated Earnings Forecasts for the Fiscal Year Ending March 31, 2021 (from April 1, 2020 to March 31, 2021)

Given the current situation regarding COVID-19 and the potential impact 19 on the Group's business activities for the fiscal year ending March 31, 2021, it is difficult to reasonably estimate consolidated earnings forecasts at this time. As a result, the Group has made the decision to not disclose earnings forecasts at this time. An announcement will be made as soon as disclosure of earnings forecasts can be made.

* Notes

(1) Changes in significant subsidiaries during period (Changes in specified subsidiaries resulting in change in scope of consolidation): None

Number of companies added: — (Company name(s))

Number of companies excluded: — (Company name(s))

(2) Changes in accounting policies, changes in accounting estimates, and restatements

1) Changes in accounting policies due to amendment of accounting standards, etc.: None

2) Changes in accounting policies other than 1): None

3) Changes in accounting estimates: None

4) Restatements: None

(3) Number of shares issued and outstanding (common shares)

1) Number of shares issued and outstanding (including treasury shares) at end of period	As of Mar. 31, 2020	53,640,841 shares	As of Mar. 31, 2019	53,629,341 shares
2) Number of treasury shares at end of period	As of Mar. 31, 2020	1,625 shares	As of Mar. 31, 2019	1,525 shares
3) Average number of shares during period	Year ended Mar. 31, 2020	53,636,376 shares	Year ended Mar. 31, 2019	14,792,523 shares

* Financial reports are exempt from audits by certified public accountants or auditing firms.

* Explanation on appropriate use of earnings forecasts, and other notes

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1. Overview of Operating Results, Etc.

(1) Overview of Operating Results for the Fiscal Year Under Review

In the fiscal year under review (fiscal year ended March 31, 2020: from April 1, 2019, to March 31, 2020), the Japanese economy showed a moderate recovery trend due to the effects of various policies of the government and Bank of Japan in the period from the first quarter to the third quarter, but saw considerable slowdown in the fourth quarter with the COVID-19 pandemic. In the hotel industry in which the Group operates, lodging demand from inbound visitors to Japan was steady, centering on major cities, due to government tourism promotion policies, etc. However, from February 2020, inbound visitors to Japan and domestic users decreased considerably due to restrictions on overseas travel imposed by governments around the world as well as due to requests for refrainment from holding events made by the Japanese government, etc.

As factors that materially affect the Group's operating results include the change in the number of hotels under management and change in occupancy rates and average daily rates of hotels under management, the Group was considerably affected by the decrease in occupancy rates and average daily rates of hotels under management due to the impact of the spread of COVID-19.

As a result, the Group's operating results for the fiscal year under review are as follows:

Net sales	5,452 million yen (up 7.2% year on year)
Operating loss	181 million yen (operating loss of 358 million yen in the previous fiscal year)
Ordinary loss	297 million yen (ordinary loss of 704 million yen in the previous fiscal year)
Loss attributable to owners of parent	191 million yen (loss attributable to owners of parent of 2,960 million yen in the previous fiscal year)

In terms of net sales, the opening of four "Best Western" hotels in the previous fiscal year in the Hotel Business and sale of real estate for sale in the Real Estate Business were among the main factors for the increase in sales. On the other hand, the decrease in occupancy rates and average daily rates of hotels under management due to the impact of the spread of COVID-19 from February 2020 was a factor of decrease in sales.

An operating profit was posted from the first quarter to the third quarter due to corporate-wide cost reductions and stable occupancy rates of existing hotels in the Hotel Business. However, the impact of decreased sales in the fourth quarter (as noted above) resulted in the posting of an operating loss.

In terms of profit or loss attributable to owners of parent, extraordinary income was posted due to sale of non-current assets in the Real Estate Business, but posting of ordinary loss, etc. resulted in posting loss attributable to owners of parent.

The following outlines segment business performance.

In the Hotel Business, the results of transactions with external customers—after elimination of intersegment transactions—were net sales of 5,096 million yen (up 2.6% year on year) and operating loss of 35 million yen (operating loss of 48 million yen in the previous fiscal year). Hotel management sales were among the main sales.

In the Hotel Business, the operation of two brands—the "Best Western" brand of limited service hotels and the "Value The Hotel" brand of extended stay hotels—are at the core of the business. In terms of "Best Western," the opening of "Best Western Plus Hotel Fino Chitose," "Sure Stay Plus Hotel by Best Western Shin-Osaka," "Best Western Hotel Fino Tokyo Akihabara" and "Best Western Plus Hotel Fino Osaka Kitahama" in the previous fiscal year were the factors behind the increase in sales. On the other hand, as many of the hotels are located in urban areas and tourist areas, the considerable decrease in inbound visitors to Japan and domestic users due to the impact of the spread of COVID-19 was a factor of decrease in sales and decrease in profit. In terms of "Value The Hotel," too, the occupancy rates of hotels under management decreased due to the impact of government requests for refrainment from holding various events as well as the weak economic activity.

In the Real Estate Business, the results of transactions with external customers after elimination of intersegment transactions were net sales of 355 million yen (up 205.8% year on year) and operating profit of 73 million yen (up 522.6% year on year). Sales of real estate for sale was the main driver of the sales increase.

(2) Overview of Financial Position for the Fiscal Year Under Review

The following outlines the Group's financial position at the end of the fiscal year under review.

Total assets were 3,990 million yen which is a decrease of 1,345 million yen from the end of the previous fiscal year. The main factors behind the decrease included:

- Decrease in cash and deposits due to deleveraging through the repayment of loans (562 million yen)
- An increase in real estate for sale being transferred from fixed assets (321 million yen)
- Decrease in real estate for sale due to asset disposition (208 million yen)
- Decrease in investment property being transferred to real estate for sale (213 million yen)
- Decrease in investment property due to asset disposition (219 million yen)

Overall, total liabilities decreased by 1,154 million yen from the end of the previous fiscal year to an aggregate of 3,339 million yen. The main factors included repayment of borrowings from the disposition of real estate for sale and the sale of non-current assets, leading to long-term borrowings (including the current portion) decreasing by 896 million yen.

Total net assets decreased by 191 million yen from the end of the previous fiscal year to 651 million yen. The main factors here included the posting of loss attributable to parent of 191 million yen. In addition, with a decrease in the amounts of share capital and legal capital surplus and the disposal of the capital surplus approved by vote at the 145th Ordinary General Meeting of Shareholders held on June 27, 2019, share capital of 7,787 million yen and legal capital surplus of 1,276 million yen were transferred to other capital surplus on September 1, 2019. This resulted in a post-transfer of other capital surplus of 9,063 million yen—of which 8,632 million yen was transferred to retained earnings brought forward.

(3) Overview of Cash Flows for the Fiscal Year Under Review

The Group's cash and cash equivalents decreased by 562 million yen from the end of the previous fiscal year to 874 million yen at the end of the fiscal year under review.

Cash flows from operating activities

Cash flows from operating activities were net inflow of 138 million yen in the fiscal year under review (net outflow of 348 million yen in the previous fiscal year). The main factors for the increase in cash flow included the transfer from investment property to cost of sales of 200 million yen as well as the depreciation of 142 million yen, and decrease in trade receivables of 130 million yen. The main factors of decrease included a loss before income taxes of 172 million yen, and the decrease in other accounts payable of 143 million yen.

Cash flows from investing activities

Cash flows from investing activities saw a net inflow of 332 million yen in the fiscal year under review compared to a net outflow of 839 million yen in the previous fiscal year. The main factor behind the inflow included proceeds from the sale of investment property in the Real Estate Business of 371 million yen.

Cash flows from financing activities

Cash flows from financing activities were net outflow of 1,032 million yen in the fiscal year under review (net inflow of 2,423 million yen in the previous fiscal year). The main factors included repayments of long-term borrowings using the proceeds from sale of real estate for sale and sale of non-current assets of 1,086 million yen.

(4) Future Outlook

Given the current situation regarding COVID-19 and the potential impact on the Group's business activities for the fiscal year ending March 31, 2021, it is difficult to reasonably estimate the consolidated earnings forecasts at this time. As a result, the Group has made the decision to not disclose earnings forecasts at this time. An announcement will be made as soon as disclosure of earnings forecasts can be made.

(5) Significant Events, Etc. to the Going Concern Assumption

In the previous fiscal year, the Group posted an operating loss, ordinary loss, loss attributable to owners of parent and net outflow in operating cash flows for the second consecutive fiscal year. In the fiscal year under review, the Group posted operating profit, ordinary profit and profit attributable to owners of parent through the first three quarters of the fiscal year under review, but decrease in the occupancy rates and average daily rates of hotels under management due to the impact of the spread of COVID-19 from February 2020 which resulted in the overall posting of an operating loss of 181 million yen, an ordinary loss of 297 million yen and loss attributable to owners of parent of 191 million yen.

As part of a new strategic growth plan, the Company has entered into a capital partnership with Star Asia Opportunity III LP, an affiliate of Star Asia Group and implemented capital increases through a third-party allotment to Star Asia Opportunity III LP on November 12, 2018, and March 29, 2019, which has positioned Star Asia Group as the Company's new sponsor. The Company has also taken other initiatives, including entering into an agreement regarding a committed line of credit with Star Asia Opportunity III LP on March 22, 2019, thereby forming a support structure for maintaining a sound financial position. Given these arrangements, the Company anticipates that there will be no problems financially. And while business is affected by COVID-19, the Company is working on negotiating reductions in the rent expenses of lodging facilities, reducing expenses, and strengthening operations under a collaborative relationship formed for the Group's businesses—including the opening and operation of new hotels in the future. As well, with a business partnership entered into on October 25, 2018 with Star Asia Management Ltd., an affiliate of Star Asia Group, the Group's financial standing and business performance are expected to improve going forward.

Overall, given the new strategic plan, the Company deems there to be no material uncertainty over the going concern assumption.

2. Basic Policy on Selection of Accounting Standards

In consideration of the consolidated financial statements' comparability across periods, comparability with other entities, etc., the Group applies Japanese GAAP. Unless there are special changes in the environment, the policy is to continue applying Japanese GAAP.

3. Consolidated Financial Statements and Significant Notes

(1) Consolidated Balance Sheet

(Unit: thousand yen)

	As of March 31, 2019	As of March 31, 2020
Assets		
Current assets		
Cash and deposits	1,615,838	1,053,775
Notes and accounts receivable - trade	296,370	166,393
Real estate for sale	—	112,532
Raw materials and supplies	22,820	21,142
Other	154,471	45,521
Total current assets	2,089,499	1,399,363
Non-current assets		
Property, plant and equipment		
Buildings and structures	963,020	949,815
Accumulated depreciation	(375,312)	(363,344)
Buildings and structures, net	587,708	586,470
Machinery, equipment and vehicles	56,179	56,179
Accumulated depreciation	(27,881)	(33,478)
Machinery, equipment and vehicles, net	28,298	22,701
Tools, furniture and fixtures	361,192	359,072
Accumulated depreciation	(79,307)	(123,870)
Tools, furniture and fixtures, net	281,884	235,202
Land	353,669	248,123
Leased assets	294,604	294,604
Accumulated depreciation	(141,537)	(160,683)
Leased assets, net	153,067	133,921
Total property, plant and equipment	1,404,627	1,226,417
Intangible assets		
Software	43,063	32,075
Other	1,775	1,775
Total intangible assets	44,838	33,850
Investments and other assets		
Investment securities	16,948	16,921
Long-term prepaid expenses	24,882	36,869
Deferred tax assets	14,580	—
Investment property	710,674	—
Accumulated depreciation	(278,874)	—
Investment property, net	431,800	—
Beneficial interests in real estate trust	704,000	673,024
Leasehold and guarantee deposits	603,363	603,034
Other	99	1,373
Allowance for doubtful accounts	—	(872)
Total investments and other assets	1,795,671	1,330,349
Total non-current assets	3,245,137	2,590,616
Total assets	5,334,636	3,989,979

(Unit: thousand yen)

	As of March 31, 2019	As of March 31, 2020
Liabilities		
Current liabilities		
Notes and accounts payable - trade	3,446	150
Short-term borrowings	800,000	746,800
Current portion of long-term borrowings	550,300	372,548
Lease obligations	13,953	16,123
Accounts payable - other	462,338	316,640
Accrued expenses	97,401	78,408
Income taxes payable	22,064	4,037
Deposits received	31,919	30,458
Other	50,340	132,357
Total current liabilities	2,031,761	1,697,520
Non-current liabilities		
Long-term borrowings	1,731,339	1,013,239
Lease obligations	203,352	187,229
Deferred tax liabilities	44	36
Long-term accounts payable - other	229,427	163,819
Leasehold and guarantee deposits received	20,367	14,413
Retirement benefit liability	11,227	8,087
Asset retirement obligations	162,687	164,151
Other	102,128	90,230
Total non-current liabilities	2,460,571	1,641,202
Total liabilities	4,492,332	3,338,723
Net assets		
Shareholders' equity		
Share capital	7,884,980	99,000
Capital surplus	1,276,128	432,581
Retained earnings	(8,318,002)	122,582
Treasury shares	(2,972)	(2,988)
Total shareholders' equity	840,134	651,175
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	100	81
Total accumulated other comprehensive income	100	81
Share acquisition rights	2,070	—
Total net assets	842,304	651,256
Total liabilities and net assets	5,334,636	3,989,979

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

(Unit: thousand yen)

	Year ended March 31, 2019 (from April 1, 2018, to March 31, 2019)	Year ended March 31, 2020 (from April 1, 2019, to March 31, 2020)
Net sales	5,084,051	5,451,516
Cost of sales	617,542	784,220
Gross profit	4,466,509	4,667,296
Selling, general and administrative expenses	4,824,832	4,848,604
Operating profit (loss)	(358,323)	(181,308)
Non-operating income		
Interest income	2,127	150
Dividend income	3	2
Subsidy income	5,748	1,923
Other	1,686	468
Total non-operating income	9,564	2,543
Non-operating expenses		
Interest expenses	153,965	86,022
Commission expenses	9,870	27,920
Share issuance costs	114,882	—
Expenses on prepayment of borrowings	49,213	—
Other	27,707	4,633
Total non-operating expenses	355,637	118,575
Ordinary profit (loss)	(704,397)	(297,341)
Extraordinary income		
Gain on sales of non-current assets	—	133,179
Gain on bargain purchase	51,172	—
Other	5,000	—
Total extraordinary income	56,172	133,179
Extraordinary losses		
Loss on retirement of non-current assets	1,452	—
Impairment loss	2,251,848	7,374
Other	—	727
Total extraordinary losses	2,253,300	8,102
Profit (loss) before income taxes	(2,901,525)	(172,263)
Income taxes - current	4,908	4,182
Income taxes - deferred	53,682	14,580
Total income taxes	58,590	18,762
Profit (loss)	(2,960,115)	(191,025)
Profit (loss) attributable to owners of parent	(2,960,115)	(191,025)

(Consolidated Statement of Comprehensive Income)

(Unit: thousand yen)

	Year ended March 31, 2019 (from April 1, 2018, to March 31, 2019)	Year ended March 31, 2020 (from April 1, 2019, to March 31, 2020)
Profit (loss)	(2,960,115)	(191,025)
Other comprehensive income		
Valuation difference on available-for-sale securities	(12)	(19)
Total other comprehensive income	(12)	(19)
Comprehensive income	(2,960,127)	(191,044)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(2,960,127)	(191,044)
Comprehensive income attributable to non-controlling interests	—	—

(3) Consolidated Statement of Changes in Equity
Year ended March 31, 2019 (from April 1, 2018, to March 31, 2019)

(Unit: thousand yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	6,608,852	—	(5,395,628)	(2,972)	1,210,252
Changes during period					
Issuance of new shares	1,276,128	1,276,128			2,552,257
Profit (loss) attributable to owners of parent			(2,960,115)		(2,960,115)
Reversal of revaluation reserve for land			37,740		37,740
Net changes in items other than shareholders' equity					
Total changes during period	1,276,128	1,276,128	(2,922,374)	—	(370,118)
Balance at end of period	7,884,980	1,276,128	(8,318,002)	(2,972)	840,134

	Accumulated other comprehensive income			Share acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Revaluation reserve for land	Total accumulated other comprehensive income		
Balance at beginning of period	112	37,740	37,852	2,070	1,250,174
Changes during period					
Issuance of new shares					2,552,257
Profit (loss) attributable to owners of parent					(2,960,115)
Reversal of revaluation reserve for land		(37,740)	(37,740)		—
Net changes in items other than shareholders' equity	(12)	—	(12)	—	(12)
Total changes during period	(12)	(37,740)	(37,753)	—	(407,870)
Balance at end of period	100	—	100	2,070	842,304

Year ended March 31, 2020 (from April 1, 2019, to March 31, 2020)

(Unit: thousand yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	7,884,980	1,276,128	(8,318,002)	(2,972)	840,134
Changes during period					
Issuance of new shares	1,041	1,041			2,082
Capital reduction	(7,787,021)	7,787,021			—
Deficit disposition		(8,631,609)	8,631,609		—
Profit (loss) attributable to owners of parent			(191,025)		(191,025)
Purchase of treasury shares				(15)	(15)
Net changes in items other than shareholders' equity					
Total changes during period	(7,785,980)	(843,548)	8,440,584	(15)	(188,959)
Balance at end of period	99,000	432,581	122,582	(2,988)	651,175

	Accumulated other comprehensive income		Share acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Total accumulated other comprehensive income		
Balance at beginning of period	100	100	2,070	842,304
Changes during period				
Issuance of new shares				2,082
Capital reduction				—
Deficit disposition				—
Profit (loss) attributable to owners of parent				(191,025)
Purchase of treasury shares				(15)
Net changes in items other than shareholders' equity	(19)	(19)	(2,070)	(2,089)
Total changes during period	(19)	(19)	(2,070)	(191,048)
Balance at end of period	81	81	—	651,256

(4) Consolidated Statement of Cash Flows

(Unit: thousand yen)

	Year ended March 31, 2019 (from April 1, 2018, to March 31, 2019)	Year ended March 31, 2020 (from April 1, 2019, to March 31, 2020)
Cash flows from operating activities		
Profit (loss) before income taxes	(2,901,525)	(172,263)
Depreciation	234,995	141,816
Impairment loss	2,251,848	7,374
Amortization of goodwill	17,317	—
Gain on bargain purchase	(51,172)	—
Increase (decrease) in allowance for doubtful accounts	(100)	872
Increase (decrease) in retirement benefit liability	1,112	(3,140)
Interest and dividend income	(2,129)	(152)
Interest expenses	153,965	86,022
Loss (gain) on investments in investment partnerships	(186,863)	—
Loss (gain) on sales and retirement of non-current assets	1,452	(133,179)
Transfer from investment property to cost of sales	—	200,445
Decrease (increase) in trade receivables	(61,751)	129,976
Decrease (increase) in inventories	(8,176)	1,678
Decrease (increase) in prepaid expenses	(58,350)	77,178
Increase (decrease) in trade payables	(20,370)	(3,296)
Increase (decrease) in accounts payable - other	177,493	(142,662)
Increase (decrease) in advances received	(15,268)	(15,465)
Increase (decrease) in leasehold and guarantee deposits received	(27,595)	(5,954)
Other, net	154,677	86,783
Subtotal	(340,441)	256,033
Interest and dividends received	2,129	152
Interest paid	(126,588)	(86,251)
Income taxes paid	(30,632)	(31,855)
Income taxes refund	147,326	—
Net cash provided by (used in) operating activities	(348,206)	138,079
Cash flows from investing activities		
Purchase of property, plant and equipment	(154,920)	(38,049)
Proceeds from sales of investment property	—	370,642
Purchase of investment securities	(504,730)	—
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	314,264	—
Loan advances	(331,895)	—
Payments of leasehold and guarantee deposits	(215,025)	(83)
Other, net	53,197	(987)
Net cash provided by (used in) investing activities	(839,109)	331,522
Cash flows from financing activities		
Proceeds from short-term borrowings	2,025,000	—
Repayments of short-term borrowings	(374,134)	(53,200)
Proceeds from long-term borrowings	1,304,964	190,000
Repayments of long-term borrowings	(2,069,495)	(1,085,852)
Proceeds from issuance of shares	1,586,761	—
Other, net	(49,712)	(82,613)
Net cash provided by (used in) financing activities	2,423,384	(1,031,665)
Net increase (decrease) in cash and cash equivalents	1,236,069	(562,063)
Cash and cash equivalents at beginning of period	199,769	1,435,838
Cash and cash equivalents at end of period	1,435,838	873,775

(5) Notes to Consolidated Financial Statements

(Notes on the Going Concern Assumption)

Not applicable.

(Additional Information)

Transfer from non-current assets to real estate for sale

In the second quarter, the 320,657 thousand yen in real estate for rent, etc. that had been posted to “Land” and “Investment property” was transferred to “Real estate for sale” due to changing the purpose of holding.

Adjustment of the amounts of deferred tax assets and deferred tax liabilities due to change in the tax rate for income taxes

The Company reduced share capital to 99,000 thousand yen on September 1, 2019. Pro forma standard taxation of corporate enterprise tax (factor-based enterprise tax) thus no longer applies. In conjunction, the effective statutory tax rate used to calculate deferred tax assets and deferred tax liabilities was changed from 30.6% to 33.6% for temporary differences expected to reverse in or after the fiscal year beginning April 1, 2019. The impact of this tax rate change on the consolidated financial statements is minor.

(Segment Information)

I. Year ended March 31, 2019 (from April 1, 2018, to March 31, 2019)

1. Outline of reportable segments

The Group's reportable segments are components of the Company and its subsidiaries for which discrete financial statements are available, and are regularly reviewed by the board of directors and the corporate strategy committee to make decisions about resources to be allocated and assess business performance.

The Company engages in business activities by forming comprehensive strategies for Japan and abroad for discrete business services based on financial statements that are discretely presented for the components of the Company and its subsidiaries. The Company sets "Hotel Business" and "Real Estate Business" as its reportable segments.

"Hotel Business" engages in hotel management, consulting, operation and franchising operations. "Real Estate Business" engages in real estate leasing, transaction and development operations.

2. Methods of calculation of the amounts of net sales, profit or loss, assets, liabilities and other items for each reportable segment

Profit or loss of a reportable segment is the figure on the basis of operating profit or loss.

Intersegment net sales or transfers are mainly based on market price.

3. Information about the amounts of net sales, profit or loss, assets, liabilities and other items for each reportable segment

(Unit: thousand yen)

	Reportable segment			Other	Total	Reconciliation (Note 1)	Amount on consolidated financial statements
	Hotel Business	Real Estate Business	Total				
Net sales							
Net sales to external customers	4,967,884	116,167	5,084,051	—	5,084,051	—	5,084,051
Intersegment net sales or transfers	—	—	—	—	—	—	—
Total	4,967,884	116,167	5,084,051	—	5,084,051	—	5,084,051
Segment profit (loss)	(48,494)	11,685	(36,809)	—	(36,809)	(321,515)	(358,323)
Segment assets	3,485,964	290,725	3,776,690	—	3,776,690	1,557,946	5,334,636
Other items							
Depreciation	189,944	21,221	211,166	—	211,166	661	211,827
Increase in property, plant and equipment, and intangible assets	1,031,777	—	1,031,777	—	1,031,777	—	1,031,777

Notes: 1. Reconciliation is as follows:

- Net sales is the amount of elimination of intersegment transactions.
- Segment profit or loss is the general and administrative expenses of the company submitting the consolidated financial statements that are not attributable to reportable segments.
- Segment assets is the corporate assets of the company submitting the consolidated financial statements that are not attributable to reportable segments. The main items are working funds (cash and deposits), long-term investment funds (investment securities), and the assets of administrative divisions.
- Depreciation is the depreciation of administrative divisions of the company submitting the consolidated financial statements that are not attributable to reportable segments.

2. Segment profit or loss is reconciled to operating profit or loss on the consolidated financial statements.

3. A portion of "Investments and other assets" was transferred to "Property, plant and equipment" due to changing the purpose of holding.

II. Year ended March 31, 2020 (from April 1, 2019, to March 31, 2020)

1. Outline of reportable segments

The Group's reportable segments are components of the Company and its subsidiaries for which discrete financial statements are available, and are regularly reviewed by the board of directors and the corporate strategy committee to make decisions about resources to be allocated and assess business performance.

The Company engages in business activities by forming comprehensive strategies for Japan and abroad for discrete business services based on financial statements that are discretely presented for the components of the Company and its subsidiaries. The Company sets "Hotel Business" and "Real Estate Business" as its reportable segments.

"Hotel Business" engages in hotel management, consulting, operation and franchising operations. "Real Estate Business" engages in real estate leasing, transaction and development operations.

2. Methods of calculation of the amounts of net sales, profit or loss, assets, liabilities and other items for each reportable segment

Profit or loss of a reportable segment is the figure on an operating profit or loss basis.

Intersegment net sales or transfers is mainly based on market price.

3. Information about the amounts of net sales, profit or loss, assets, liabilities and other items for each reportable segment

(Unit: thousand yen)

	Reportable segment			Other	Total	Reconciliation (Note 1)	Amount on consolidated financial statements
	Hotel Business	Real Estate Business	Total				
Net sales							
Net sales to external customers	5,096,232	355,284	5,451,516	—	5,451,516	—	5,451,516
Intersegment net sales or transfers	—	—	—	—	—	—	—
Total	5,096,232	355,284	5,451,516	—	5,451,516	—	5,451,516
Segment profit (loss)	(35,033)	72,748	37,714	—	37,714	(219,023)	(181,308)
Segment assets	3,203,373	149,788	3,353,162	—	3,353,162	636,817	3,989,979
Other items							
Depreciation	131,650	1,975	133,625	—	133,625	375	134,000
Increase in property, plant and equipment, and intangible assets	39,046	—	39,046	—	39,046	—	39,046

Notes: 1. Reconciliation is as follows:

- Net sales is the amount of elimination of intersegment transactions.
- Segment profit or loss is the general and administrative expenses of the company submitting the consolidated financial statements that are not attributable to reportable segments.
- Segment assets is the corporate assets of the company submitting the consolidated financial statements that are not attributable to reportable segments. The main items are working funds (cash and deposits), long-term investment funds (investment securities), and the assets of administrative divisions.
- Depreciation is the depreciation of administrative divisions of the company submitting the consolidated financial statements that are not attributable to reportable segments.

2. Segment profit or loss is reconciled to operating profit or loss on the consolidated financial statements.

3. As stated under additional information, real estate for rent, etc. that had been posted to "Land" and "Investment property" was transferred to "Real estate for sale" due to changing the purpose of holding.

(Per Share Information)

	Year ended March 31, 2019 (from April 1, 2018, to March 31, 2019)	Year ended March 31, 2020 (from April 1, 2019, to March 31, 2020)
Book value per share	15.67 yen	12.14 yen
Basic earnings (loss) per share	(200.11 yen)	(3.56 yen)
Diluted earnings per share	— yen	— yen

Notes: 1. The basis for calculation of “Basic earnings (loss) per share” is as follows:

	Year ended March 31, 2019 (from April 1, 2018, to March 31, 2019)	Year ended March 31, 2020 (from April 1, 2019, to March 31, 2020)
Basic earnings (loss) per share		
Profit (loss) attributable to owners of parent	(2,960,115 thousand yen)	(191,025 thousand yen)
Amount not attributable to common shareholders	— thousand yen	— thousand yen
Profit (loss) attributable to owners of parent of common shares	(2,960,115 thousand yen)	(191,025 thousand yen)
Average number of common shares during period	14,792,523 shares	53,636,376 shares

2. Due to posting basic loss per share, “Diluted earnings per share” is not presented even though there are potential shares.

(Significant Subsequent Events)

Not applicable.