Consolidated Financial Results for the
First Three Months of the Fiscal Year Ending on February 28, 2022
[Japanese GAAP]

July 15, 2021

Company name:	TKP Corporation
Stock exchange listing:	Tokyo Stock Exchange
Code number:	3479
URL:	https://www.tkp.jp
Representative:	Takateru Kawano, CEO and Representative Director
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Scheduled date of filing quarterly securities report:	July 15, 2021
Scheduled date of commencing dividend payments:	Not applicable
Availability of supplementary briefing material on quarterly financial results:	Yes
Schedule of financial results briefing session:	Yes (for analysts and institutional investors)

(Amounts of less than one million yen are rounded down)

1. Consolidated financial results for first three month ended on May 31st, 2021 (March 1st, 2021 to May 31st, 2021)

(1) Consolidated operating results

(Percentage figures indicate year-on-year changes)

	Net sales		EBITDA*		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Three months ended on May 31, 2021	10,272	(1.7)	574	56.3	(829)	-	(979)	-	(1,878)	-
Three months ended on May 31, 2020	10,477	0.4	367	(84.6)	(964)	-	(1,288)	-	(1,464)	-

(Note) Comprehensive Income: Three month ended on May 31, 2021: (1,805) million yen (- %)
Three month ended on May 31, 2020: (1,391) million yen (- %)

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended on May 31, 2021	(48.50)	-
Three months ended on May 31, 2020	(38.97)	-

note) EBITDA is calculated by adding depreciation, goodwill amortization, amortization of long-term prepaid expenses, and amortization of intangible assets such as customer-related assets to operating profits / loss.
At the second quarter for the year that ended on February 28, 2021, the Company finalized the provisional accounting treatments for business combinations, and the related figures for the first quarter that ended on May 31, 2020, have been restated accordingly.

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' Equity ratio
As of	Million yen	Million yen	%
May 31, 2021	107,443	37,036	32.7
February 28, 2021	116,946	35,142	28.4

(Reference) Shareholders' Equity as of May 31, 2021: ¥35,159 million
as of February 28, 2021: ¥33,220 million

note) At the second quarter for the year that ended on February 28, 2021, the Company finalized the provisional accounting treatments for business combinations, and the related figures for the first quarter that ended on May 31, 2020, have been restated accordingly.

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended Feb. 28, 2021	―	0.00	―	0.00	0.00
Fiscal year ending Feb. 29, 2022 (actual)	―				
Fiscal year ending Feb. 28, 2022 (forecast)		0.00	―	0.00	0.00

(Note) Changes in dividend forecast subsequent to most recent announcement: None

3. Consolidated financial results forecast for the fiscal year ending February 28, 2022 (March 1, 2021 to February 28, 2022)

(Percentage figures indicate year-on-year changes)

	Net sales		EBITDA		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Full year	48,000	11.3	5,800	88.7	700	-	100	-	-	-

Notes:
1. Changes in profit forecast subsequent to most recent announcement: None
2. Profit attributable to owners of the parent company is undecided. We plan to conduct internal group reorganization during the year ending in February 2022, which may affect tax amount. After such effects are properly calculated, we will disclose respective figures accordingly.

*Notes

(1) Significant changes in scope of consolidation (changes in scope of consolidation of specified subsidiaries): No

(2) Application of accounting treatments particularly necessary in creating quarterly financial statements: No

(3) Changes in accounting policies and accounting estimates
1. Changes in accounting policies due to the revision of accounting standards: No
2. Changes in accounting policies other than those in 1: No
3. Changes in accounting estimates: No
4. Retrospective restatement: No

(4) Number of shares issued (common shares)

1. Number of shares issued (including treasury shares)	as of May 31, 2021	40,104,285 shares	as of Feb. 28,2021	38,422,285 shares
2.Number of shares in treasury	as of May 31, 2021	504,810 shares	as of Feb. 28,2021	504,810 shares
3.Average number of shares outstanding during this quarter (March – May)	as of May 31,2021	38,726,385 shares	as of May 31,2020	37,585,304 shares

* This financial report is not subject to the quarterly review procedures by independent auditors.

* Explanation regarding appropriate use of results forecast and additional notes

(Notes on forward-looking statements)

Forward-looking statements, including the results forecast, contained in this document are based on information available to us and on certain assumptions deemed to be reasonable as of the date of release of this document. Actual business results may differ substantially due to a number of factors. For conditions prerequisite to the results forecast, and the points to be noted in the use thereof, please refer to page 8 “1. Overview of Management Performance (3) Business Forecast for the Future” of the attachment.

(Notes on supplementary information for the quarterly financial results and briefing on the quarterly financial results)

We are going to hold a briefing on the quarterly financial results for institutional investors and analysts on Friday, July 16, 2021. The actual proceedings and details of the briefing, along with the supplementary information on the quarterly financial results to be presented at the briefing, will be posted on our website, at our earliest convenience after the briefing session.

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1. Qualitative overview of quarterly performance

(1) Overview of management performance for the quarter

During the quarter that ended in May 2021, the overall business environment for TKP Group remained difficult as certain social activities continued to be restricted due to government measures to prevent the pandemic as well as another state of emergency declaration in major cities of Japan such as Tokyo on April 25th. Although the state of emergency declaration was lifted on June 21st, the outlook to the end of the pandemic in Japan is still uncertain.

Under such circumstances, we decided and executed the selection and concentration to the core businesses. We have decided to downsize our food and beverage catering service business as this sub-segment has been significantly negatively impacted by the pandemic. At the same time, we eliminated certain costs such as fixed cost items as well as sold some properties. By doing so, we have secured enough amount of working capital. On the other hand, as effective countermeasures against the pandemic are getting to be clearer, compared to 12 months ago, when the first state of emergency was declared, the use of our services such as business meetings, accommodations as well as serviced offices has started to see a certain level of recovery. Therefore, the pandemic related impact to us during the quarter under review was limited.

As a result, sales for the quarter that ended in May 2021 dropped 1.7% from a year earlier to 10,272 million yen. EBITDA rose by 56.3% to reach 574 million yen. Operating loss was reduced to 829 million yen from 964 million yen recorded a year ago. Ordinary loss also shrank to 979 million yen from 1,288 million yen last year. We lost some tenants at Regus Japan due to the pandemic, which were replaced by other tenants. This departure of some tenants caused impairment of customer related intangible assets, amounting to 1,635 million yen. Due to this impairment, net loss attributable to the owners of the parent finalized at 1,878 million yen. A year ago, equivalent net loss for the quarter was 1,464 million yen.

Consolidated performance (Million yen)

	Three months ended in May 2020	Three months ended in May 2021	YoY change
Net sales	10,447	10,272	(1.7%)
EBITDA	367	574	56.3%
Operating profit (loss)	(964)	(829)	-
Ordinary profit (loss)	(1,288)	(979)	-
Profit (loss) attributable to owners of parent	(1,464)	(1,878)	-

note) At the second quarter for the year that ended on February 28, 2021, the Company finalized the provisional accounting treatments for business combinations, and the related figures for the first quarter that ended on May 31, 2020 have been restated accordingly.

Overview of performance by companies

The TKP Group has a single business segment, the space regeneration and distribution business. However, for the reference, TKP and Regus Japan operating results are disclosed separately below.

i) TKP (non-consolidated basis)

(Million yen)

	Three months ended in May 2020	Three months ended in May 2021	YoY change
Net sales	5,410	5,466	1.0%
Gross profit	1,266	1,368	8.0%
Sales, General & Administrative Expenses	2,150	1,860	(13.5%)
EBITDA	(674)	(275)	-
Operating profit (loss)	(884)	(491)	-

During the first three months that ended in May 2021, TKP opened one new facility and closed 11 facilities as these locations became unprofitable due to the pandemic. As a result, TKP operates 241 facilities as of the end of May 2021.

Although the general economic activities were continuously under restrictions as the Japanese government conducted various countermeasures to prevent virus spread as well as declaring the state of emergencies again, the magnitude of such restriction, in contrast to the one last year, turned out to be milder. This helped to recover the demand for our facilities such as business meetings and training sessions, as well as our hotels for accommodation purposes. We have, therefore, managed to grow our revenue from last year's level. To be more specific, net sales excluding cancellation related penalty income rose to 5,127 million yen for the quarter under review, from 2,841 million yen recorded a year earlier. Greatly thanks to the cost reduction executed last year, our EBITDA improved to negative 275 million yen from negative 623 million yen for the corresponding period last year. Similarly operating loss also improved to 491 million yen from 833 million yen, recorded 12 months ago.

Sales per square meter, which is a key performance indicator (KPI) in TKP operation, has been calculated including cancellation related penalty income. On that basis, the number went down on year-on-year basis.

Sales per square meter for meeting rooms (yen)

	Average in Q1
FY ended in Feb. 2021	7,403
FY ending in Feb. 2022	6,904
year-on-year change	(499)

Note: Sales are the total of meeting room rental fees and ancillary charges, such as optional and catering fees.

ii) Regus Japan

(Million yen)

	Three months ended in May 2020	Three months ended in May 2021	YoY change
Net sales	4,456	4,208	(5.5%)
Gross profit	1,547	1,111	(28.1%)
Sales, General & Administrative Expenses	1,275	1,397	9.6%
EBITDA	1,034	492	(52.4%)
Operating profit (loss)	271	(286)	-

During the first three months that ended in May 2021, Regus Japan opened two new facilities (one of the two is a hybrid type with TKP). As a result, Regus Japan operates 164 facilities as of the end of May 2021.

The average contract period for Regus Japan is between 12 to 18 months, longer than TKP's rental meeting room business. Thanks to this, the negative impact from the pandemic was limited during the first three months of the last fiscal year. Although the negative impacts were eventually felt during the course of the last fiscal year, such negative effects already stopped at the end of the last fiscal year that ended in February 2021. As we speak today, the sentiment is already recovering. Furthermore, since many corporates in Japan are seeking to develop flexible working style due to the pandemic, we decided to continue our active investment and opening new facilities, corresponding to the growing demand for flexible office market in Japan.

As a result of such actions, the average occupancy rate of all the Regus Japan's facilities, which is an important KPI, turned out to be 67.4%. The corresponding figure for the same period last year was 75.8%. Net sales dropped by 5.5% to reach 4,208 million yen. EBITDA finalized at 492 million yen, a reduction of 52.4%. Operating loss, after deducting amortization of goodwill related to the acquisition, as well as deducting impairment charges of 596 million yen related to the customer related assets, came in at 286 million yen. Last year, we made 271 million yen of operating profit.

Occupancy rate trend at Regus Japan

FY			Q1	Q2	Q3	Q4
Feb. '21	All the facilities		**75.8%**	**71.5%**	**68.5%**	**67.5%**
		Less than two years since opening	42.8%	38.6%	39.6%	43.8%
		More than two years since opening	81.9%	79.3%	76.3%	74.2%
Feb. '22	All the facilities		**67.4%**	**-**	**-**	**-**
		Less than two years since opening	48.1%	-	-	-
		More than two years since opening	73.3%	-	-	-
Y-Y change in all the facilities			**(8.4pt)**	**-**	**-**	**-**

The pandemic is causing serious damage to people's health and life, and the physical activities such as movement and meetings are being restricted. However, as the vaccination rates increases, this unprecedented situation is expected to end. So, we believe, it is critically important for all the involving parties, regardless of being public or private, to make all-out efforts to accelerate the vaccination process. We, as a group, are of the view that we should also proactively and urgently implement measures as a private company to normalize this society and economy. These measures should be viewed as utmost important priority for this company to sustainably grow.

Ever since our foundation, we have been in the business of space regeneration and distribution business, providing better usage of spaces available in accordance with the social needs. As a Japanese leader of flexible office business, we now operate at more than 400 locations nationwide, corresponding to the customer demand from time to time, as well as expanding into ancillary businesses with extensive service network. Our accumulated know-how of operating flexible spaces should certainly enable us to provide the one-stop solution to the vaccination venue and related operations such as guiding general public in orderly manner, as well as securing enough number of medical professionals.

Utilizing such know-how, we have started to offer some of our facilities at free of charge as venues for workplace vaccination program which was authorized by the Japanese government and started on June 21st. Also, in order to support SMEs that are not really capable of setting up their own workplace vaccination programs, we quickly have setup and opened “TKP Workplace Vaccination Center” where vaccination related operations including arranging medical professionals are readily available. Furthermore, among ten APA brand hotels we operate, three of them are already wholly leased up by the relevant authorities as facilities dedicated to mild-case COVID-19 patients. We are doing our very best to help normalize the Japanese economy. Due to the repeated spread of COVID-19 infection, the outlook remains uncertain, but we are determined to continue to work as united group to the utmost without giving in to this situation.

(2) Overview of Financial Position

Current assets

Current assets as of the end of this quarter dropped by 5,058 million yen from the end of last fiscal year to become 16,314 million yen. Main reasons for this include a reduction of cash & deposits by 4,998 million yen and a reduction of accounts receivable by 1,143 million yen.

Non-current assets

Non-current assets as of the end of this quarter dropped by 4,443 million yen from the end of last fiscal year to become 91,129 million yen. Main reasons for this include an amortization of goodwill by 587 million yen, an impairment of customer-related intangible assets by 1,772 million yen, and a reduction of fixed tangible assets by 2,414 million yen.

Current liabilities

Current liabilities as of the end of this quarter dropped by 9,318 million yen from the end of last fiscal year to become 17,636 million yen. Main reasons for this include a reduction of current portion of long-term borrowings by 4,493 million yen, a reduction of income taxes payable by 2,754 million yen, and a reduction of accounts payable by 264 million yen.

Non-current liabilities

Non-current liabilities as of the end of this quarter dropped by 2,078 million yen from the end of last fiscal year to become 52,770 million yen. Main reasons for this include a reduction of long-term borrowings by 1,260 million yen, a reduction of corporate bond by 673 million yen, and a reduction of deferred tax liabilities by 543 million yen.

Net assets

Net assets as of the end of this quarter rose by 1,894 million yen from the end of last fiscal year to become 37,036 million yen. Main reasons for this include an increase in paid-in capital by 1,879 million yen, an increase of capital surplus by 1,877 million yen, and a drop of retained earnings by 1,878 million yen.

(3) Explanation on future outlook including consolidated profit forecast

There is no change on the full-year profit forecast from the one disclosed in our "consolidated financial results for the fiscal year ending February 28, 2021".

2. Consolidated quarterly financial statements and notes

(1) Consolidated quarterly balance sheet

(Million yen)

	Fiscal year ended Feb. 28, 2021 (as of February 28, 2021)	Q1 ended May 31, 2021 (as of May 31, 2021)
Assets		
Current assets		
Cash & deposits	15,195	10,197
Accounts receivable	3,318	2,175
Others	2,875	3,958
Allowance for doubtful debts	(17)	(16)
Total current assets	21,373	16,314
Non-current assets		
Property, plant & equipment		
Buildings and structures, net	24,805	24,901
Tools, furniture and fixtures, net	973	948
Lease assets, net	2,524	2,621
Land	10,193	7,585
Construction in progress	219	246
Others, net	18	16
Total property, plant & equipment	38,735	36,320
Intangible assets		
Goodwill	37,102	36,515
Customer related assets	4,945	3,172
Others	148	154
Total intangible assets	42,196	39,842
Investments and other assets		
Investment securities	1,326	1,400
Leasehold and guarantee deposits	9,998	10,017
Deferred tax assets	2,251	2,505
Others	1,064	1,042
Total investments and other assets	14,641	14,966
Total non-current assets	95,573	91,129
Total assets	116,946	107,443
Liabilities		
Current Liabilities		
Accounts payable	706	441
Income taxes payable	3,157	402
Short-term borrowings	-	33
Current portion of corporate bonds	855	1,350
Current portion of long-term borrowings	11,048	6,555
Others	11,187	8,853
Total current liabilities	26,955	17,636
Non-current liabilities		
Corporate bond	3,634	2,961
Long-term borrowings	44,480	43,219
Deferred tax liabilities	1,510	967
Lease obligations	1,770	2,163
Asset disposition related obligations	2,628	2,673
Others	823	784
Total non-current liabilities	54,849	52,770
Total liabilities	81,804	70,407

(Million yen)

	Fiscal year ended Feb. 28, 2021 (as of February 28, 2021)	First quarter ended May 31, 2021 (as of May 31, 2021)
Net assets		
Shareholders' equity		
Paid-in capital	12,448	14,328
Capital surplus	14,466	16,343
Retained earnings	6,128	4,250
Treasury shares	(17)	(17)
Total shareholders' equity	33,025	34,904
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	277	328
Deferred gains or loss on hedges	(111)	(124)
Foreign currency translation adjustment	28	50
Total accumulated other comprehensive income	194	254
Share acquisition rights	75	63
Non-controlling interests	1,846	1,813
Total net assets	35,142	37,036
Total liabilities and net assets	116,946	107,443

(2) Consolidated quarterly statement of income and comprehensive income

Consolidated statement of income for the first three months of the year

(Million yen)

	First quarter previous year (From March 1st, 2020 to May 31st, 2020)	First quarter this year (From March 1st, 2021 to May 31st, 2021)
Net sales	10,447	10,272
Cost of sales	7,702	7,683
Gross Profit	2,744	2,588
Selling, general and administrative expenses	3,709	3,418
Operating profit (loss)	(964)	(829)
Non-operating income		
Interest income	0	0
Dividend income	—	1
Compensations	193	16
Subsidies	13	45
Others	27	11
Total non-operating income	235	74
Non-operating expenses		
Interest on borrowings	136	145
Interest on corporate bonds	5	4
Commission paid	169	47
Foreign exchange loss	182	1
Others	64	25
Total non-operating expenses	559	224
Ordinary profit (loss)	(1,288)	(979)
Extraordinary gains		
Fixed asset disposition related gains	128	322
Subsidy for employment adjustment	218	-
Others	-	12
Total extraordinary gains	347	334
Extraordinary losses		
Evaluation losses on investment securities	180	-
Impairment	100	1,751
Losses related to COVID-19 pandemic	246	-
Others	70	31
Total extraordinary losses	598	1,782
Profit (Loss) before income tax	(1,539)	(2,427)
Income taxes	351	250
Income taxes – adjustment	(416)	(814)
Total income taxes	(65)	(563)
Net profit (loss)	(1,473)	(1,864)
Net profit (loss) attributable to non-controlling interests	(9)	13
Net profit (loss) attributable to owners of parent	(1,464)	(1,878)

Consolidated statement of comprehensive income for the first three months of the year

(Million yen)

	First quarter previous year (From March 1st, 2020 to May 31st, 2020)	First quarter this year (From March 1st, 2021 to May 31st, 2021)
Net profit (loss)	(1,473)	(1,864)
Other comprehensive income		
Valuation difference on other marketable securities	31	51
Deferred gains or losses on hedges	65	(13)
Foreign currency translation adjustment	(14)	21
Total other comprehensive income	81	59
Comprehensive income	(1,391)	(1,805)
(Breakdown)		
Comprehensive income attributable to owners of parent	(1,382)	(1,818)
Comprehensive income attributable to non-controlling interests	(9)	13

(3) Notes to the consolidated quarterly financial statements

(notes concerning the going concern assumption)
Not applicable

(notes related to the significant change in shareholders' equity)
During the first three months for this fiscal year, paid-in capital and capital surplus rose by 1,879 million yen, respectively due to the executions of share acquisition rights (#4 tranche & #7 tranche). As a result of these actions, our paid-in capital rose to 14,328 million yen and our capital surplus amounted to 16,343 million yen.

(additional information)
(Financial covenants)
The financial covenants indicated below were attached to a syndicated loan agreement to us that entered into on September 30, 2014 to finance the capital investment on office buildings and hotel banquet halls. In the event we fail to meet the financial covenants, multiple number of the lenders may request to forfeit the benefit of time or accelerate the repayment clause with respect to all of the obligations associated with the syndicated loan agreement.

(1) Total net assets stated in the non-consolidated balance sheet as of the end of the fourth quarters of fiscal years from the fiscal year ended February 28, 2015 (including the fiscal year ended February 28, 2015) shall be maintained at 75% or more to the value of the total net assets as of the end of the immediately preceding fourth quarter or as of the end of February 28, 2014, whichever higher.

(2) Ordinary profit as of the end of the fourth quarters of fiscal years from the fiscal year ended February 28, 2015 (including the fiscal year ended February 28, 2015) shall not be negative on a non-consolidated basis for two consecutive fiscal years.

(3) The ratio of the total interest-bearing debts recorded at the non-consolidated balance sheets as of the end of the fourth quarters of fiscal years from the fiscal year ended February 28, 2015 (including the fiscal year ended February 28, 2015) divided by non-consolidated EBITDA shall not exceed 7.0 times for two consecutive fiscal years.

The contract amount and balance of debt under this agreement are outlined below.

		First quarter this year (May 31st, 2021)
Contract amount		¥1,750 million
Balance	Current portion of long-term borrowings	¥255 million
	Long-term borrowings	¥193 million

At the end of the fourth quarter of the fiscal year that ended on February 28, 2021, we did not meet the terms of the financial covenants attached to the aforementioned syndicated loan. However, the financial institutions already agreed to waive their claims to forfeit the benefit of time.

The financial covenants indicated below were attached to a syndicated loan agreement we entered into on January 29, 2020 to refinance the funding raised to acquire Regus Japan. In the event we fail to meet the financial covenants, multiple number of the lenders may request to forfeit the benefit of time or accelerate the repayment clause with respect to all of the obligations associated with the syndicated loan agreement.

(1) The consolidated net leverage ratio* shall be below the values outlined in the figure below as of the end of the second and fourth quarters of fiscal years from the fiscal year ended February 29, 2020 (including the fiscal year ended February 29, 2020, and with each being for the most recent 12-month period), with both values remaining positive.

Net leverage ratio: α
Fiscal year ended February 29, 2020: α 6.50 First half ending August 31, 2020: α≦6.25 Fiscal year ending February 28, 2021: α≦6.00 First half ending August 31, 2021: α≦5.75 Fiscal year ending February 28, 2022: α≦5.50 First half ending August 31, 2022: α≦5.25 Fiscal year ending February 28, 2023: α≦5.00 First half ending August 31, 2023: α≦4.75 Fiscal year ending February 29, 2024: α≦4.50 First half ending August 31, 2024: α≦4.25

* Net leverage ratio = (net interest-bearing debt − (accounts receivable + inventories - accounts payable)) / (operating profit + depreciation (including lease depreciation) + goodwill amortization + amortization of long-term prepaid expenses + acquisition-related costs − repayment of lease obligations)

(2) Total net assets stated in the consolidated balance sheet as of the end of the second and fourth quarters of fiscal years from the fiscal year ended February 29, 2020 (including the fiscal year ended February 29, 2020) shall be maintained at 80% or more of the value of total net assets as of the end of the preceding second and fourth quarters, respectively, and at least ¥24.7 billion.

(3) Total net assets stated in the consolidated balance sheet as of the end of the second and fourth quarters of fiscal years from the fiscal year ended February 29, 2020 (including the fiscal year ended February 29, 2020) shall be maintained at 30% or more of total assets for the corresponding periods.

(4) Ordinary profit as of the end of the second and fourth quarters of fiscal years from the fiscal year ended February 29, 2020 (including the fiscal year ended February 29, 2020) shall not be negative on a consolidated basis.

The contract amount and balance of debt under this agreement are outlined below.

		Fiscal year ended February 28, 2021
Contract amount		¥25,000 million
Balance	Current portion of long-term borrowings	¥2,004 million
	Long-term borrowings	¥14,502 million

At the end of the fourth quarter of the fiscal year that ended on February 28, 2021, we did not meet the terms of the financial covenants attached to the aforementioned syndicated loan. However, the financial institutions already agreed to waive their claims to forfeit the benefit of time.

The financial covenants indicated below were attached to a syndicated loan agreement we entered into on March 31, 2020 to refinance then existing loan agreement. In the event we fail to meet the financial covenants, multiple number of the lenders may request to forfeit the benefit of time or accelerate the repayment clause with respect to all of the obligations associated with the syndicated loan agreement.

(1) The consolidated net leverage ratio* shall be below the values outlined in the figure below as of the end of the second and fourth quarters of fiscal years from the fiscal year ended February 29, 2020 (including the fiscal year ended February 29, 2020, and with each being for the most recent 12-month period), with both values remaining positive.

Net leverage ratio: α
Fiscal year ended February 29, 2020: α 6.50
First half ending August 31, 2020: α≦6.25
Fiscal year ending February 28, 2021: α≦6.00
First half ending August 31, 2021: α≦5.75
Fiscal year ending February 28, 2022: α≦5.50
First half ending August 31, 2022: α≦5.25
Fiscal year ending February 28, 2023: α≦5.00
First half ending August 31, 2023: α≦4.75
Fiscal year ending February 29, 2024: α≦4.50
First half ending August 31, 2024: α≦4.25

* Net leverage ratio = (net interest-bearing debt − (accounts receivable + inventories - accounts payable)) / (operating profit + depreciation (including lease depreciation) + goodwill amortization + amortization of long-term prepaid expenses + acquisition-related costs − repayment of lease obligations)

(2) Total net assets stated in the consolidated balance sheet as of the end of the second and fourth quarters of fiscal years from the fiscal year ended February 29, 2020 (including the fiscal year ended February 29, 2020) shall be maintained at 80% or more of the value of total net assets as of the end of the preceding second and fourth quarters, respectively, and at least ¥24.7 billion.

(3) Total net assets stated in the consolidated balance sheet as of the end of the second and fourth quarters of fiscal years from the fiscal year ended February 29, 2020 (including the fiscal year ended February 29, 2020) shall be maintained at 30% or more of total assets for the corresponding periods.

(4) Ordinary profit as of the end of the second and fourth quarters of fiscal years from the fiscal year ended February 29, 2020 (including the fiscal year ended February 29, 2020) shall not be negative on a consolidated basis.

The contract amount and balance of debt under this agreement are outlined below.

		Fiscal year ended February 28, 2021
Contract amount		¥2,500 million
Balance	Current portion of long-term borrowings	¥250 million
	Long-term borrowings	¥2,000 million

At the end of the fourth quarter of the fiscal year that ended on February 28, 2021, we did not meet the terms of the financial covenants attached to the aforementioned syndicated loan. However, the financial institutions already agreed to waive their claims to forfeit the benefit of time.

(Impact of COVID-19 pandemic)

We are currently still experiencing negative impacts from the pandemic including the reduction in demand for rental meeting / conference room as well as accommodations / food & beverages. As a result, our financial position, business performance and cash flows were negatively affected. Although the overall economy is gradually recovering from the large-scale economic recession during the first round of state of emergency which was issued on April 2020, the outlook for the economy to our future business performance remains unclear.

Amid such environment, based upon currently available information and intelligence, we assume that the pandemic will be eventually subdued toward the end of February 2022. Alongside with this, we also assume that our own business performance will improve.

Based on these assumptions, we estimated future cash flows—an important component of accounting estimates—with regard to impairment losses on non-current assets (including goodwill). As a result, we booked an impairment loss on non-current assets of ¥1,751 million at the end of the first quarter of the year ending on February 28, 2022.
The aforementioned assumptions are subject to a high degree of uncertainty, and if the COVID-19 pandemic takes longer to subside due possibly to the variants or others, and if the negative impacts to us prolongs, we may record other impairment losses in the future.

(sub-segment information)

【Segment information】
Details are omitted since we have only one segment, which is space regeneration and distribution business.

(Business combinations)
(Finalization of provisional accounting treatments for business combinations)
With regard to the business combinations with Shinagawa Haizennin Shokaijo Y.K. on August 31, 2019, and with the 13 companies of Regus Taiwan on September 30, 2019, a provisional accounting treatment was used in the first quarter of the fiscal year ended February 29, 2021, but the accounting treatment was finalized at the second quarter of the fiscal year ended February 28, 2021. In accordance with the finalization of the aforementioned provisional accounting treatments, significant revisions to the initial allocation of acquisition costs were reflected in the comparative information included in the consolidated financial statements for the first quarter of fiscal year ending in February 28, 2022. For the first quarter of last fiscal year, SG&A dropped by 3 million yen due to this revision. Therefore, on the comparison, operating profit, ordinary profit and pretax profit for this first quarter under review rose by 3 million yen, respectively, and net profit attributable to owners of parents increased by 6 million yen.

(Significant subsequent events)
Not applicable

3. Others
Significant events concerning the going concern assumption

Due to the COVID-19 pandemic during the first quarter of this fiscal year, we recorded ordinary loss of 979 million. This situation should be viewed as significant events concerning the going concern assumption. At the end of the last fiscal year ended in February 2021, we have breached some covenant clauses imposed upon some syndicate loans we borrowed in the past. However, all the financial institutions already agreed to waive their claims to forfeit the benefit of time.

In reaction to the spread of the COVID-19 infection, priority measures such as declaration of the state of emergency and prevention of spread continue to be issued nationwide, making economic activities in the market being restrained. Our rental conference room business and catering related demand as well as the accommodation businesses are having certain level of difficulty. Despite this situation, our EBITDA remained to be positive by adjusting the service scale according to the demand in pandemic, such as reducing the food and beverage service and strengthening the provision of rental conference rooms as rental offices. In terms of financial conditions, we have secured solid working capital and build a stable financial base by concluding commitment line agreements and overdraft agreements with the financial institutions. We have also issued and executed share acquisition rights through third-party allotment, which further solidified our financial soundness.

Based on the above, we declare that there is no significant uncertainty regarding our going concern assumptions.