

Consolidated Financial Statements (Japanese Accounting Standard)

May 11, 2018

(For the year ended March 31, 2018)

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|--|--|
| Name of Company Listed: Leopalace21 Corporation | Stock Listing: Tokyo Stock Exchange |
| Code Number: 8848 | URL: http://eg.leopalace21.com/ |
| Representative: Position: President and CEO | Location of Head Office: Tokyo |
| Name of Contact Person: Position: Director | Name: Eisei Miyama |
| Scheduled Date of the Ordinary Shareholders' Meeting: June 28, 2018 | Name: Bunya Miyao Telephone: +81-3-5350-0216 |
| Scheduled Date of Filing of Securities Report (Japanese only): June 28, 2018 | Results Briefing Held: Yes |
| Scheduled Date of Commencement of Dividend Payments: June 28, 2018 | |
| Supplemental Explanatory Material Prepared: Yes | |

1. Results for the Fiscal Year ended March 31, 2018 (April 1, 2017 through March 31, 2018)

(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 | % |
| Year ended March 31, 2018 | 530,840 | 2.0 | 22,930 | 0.1 | 22,354 | -0.0 | 14,819 | -27.4 |
| Year ended March 31, 2017 | 520,488 | 1.8 | 22,898 | 8.6 | 22,355 | 12.3 | 20,401 | 3.9 |

(Note) Comprehensive income in the year ended March 31, 2018: 13,997 million yen (-26.9%); year ended March 31, 2017: 19,153 million yen (-3.8%)

| | 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, 2018 | 58.02 | 57.93 | 9.3 | 6.6 | 4.3 |
| FY ended March 31, 2017 | 77.61 | 77.56 | 13.4 | 6.7 | 4.4 |

(Reference) Equity in earnings of affiliates in FY ended March 31, 2018: (0) million yen, FY ended March 31, 2017: (6) million yen.

(2) Consolidated financial position

| | Total assets | Net assets | Equity ratio | Equity per share |
|----------------------|--------------|-------------|--------------|------------------|
| | Million yen | Million yen | % | Yen |
| As of March 31, 2018 | 337,257 | 159,438 | 47.2 | 630.84 |
| As of March 31, 2017 | 337,828 | 158,870 | 47.0 | 603.76 |

(Reference) Shareholders' equity as of March 31, 2018: 159,044 million yen; as of March 31, 2017: 158,713 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, 2018 | 26,420 | 423 | (20,197) | 98,246 |
| FY ended March 31, 2017 | 27,504 | (8,653) | (14,048) | 91,766 |

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, 2017 | — | 10.00 | — | 12.00 | 22.00 | 5,783 | 28.3 | 3.8 |
| FY ended March 31, 2018 | — | 10.00 | — | 12.00 | 22.00 | 5,546 | 37.9 | 3.6 |
| FY ending March 31, 2019 (Estimate) | — | 10.00 | — | 12.00 | 22.00 | | 37.0 | |

3. Estimation of Consolidated Business Results for the Fiscal Year ending March 31, 2019 (April 1, 2018 through March 31, 2019)

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

| | Net sales | | Operating profit | | Recurring profit | | Net income attributable to shareholders of the parent | | Net income per share |
|--------------------------------------|-------------|-----|------------------|-------|------------------|-------|---|-------|----------------------|
| | Million yen | % | Million yen | % | Million yen | % | Million yen | % | Yen |
| Six months ending September 30, 2018 | 260,400 | 0.6 | 9,200 | -34.2 | 9,700 | -29.8 | 7,200 | -24.1 | 28.56 |
| FY ending March 31, 2019 | 553,000 | 4.2 | 24,500 | 6.8 | 24,000 | 7.4 | 15,000 | 1.2 | 59.50 |

4. Other

- (1) Changes in major subsidiaries during the subject period (change in specific subsidiaries resulting in a change in the scope of consolidation): None
- (2) Changes in accounting principles, procedures or reporting methods used in preparation of financial statements
- (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, 2018: 252,682,515 shares, As of March 31, 2017: 267,443,915 shares
 - (ii) Total treasury stock at term end
As of March 31, 2018: 567,420 shares, As of March 31, 2017: 4,569,920 shares
 - (iii) Average number of outstanding shares during the period
As of March 31, 2018: 255,412,984 shares, As of March 31, 2017: 262,874,243 shares

(Reference) Summary of Non-Consolidated Financial Statements

1. Results of the Fiscal Year Ended March 31, 2018 (April 1, 2017 through March 31, 2018)

(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, 2018 | 505,849 | 1.3 | 21,347 | -1.6 | 21,879 | 0.7 | 14,917 | -27.2 |
| FY ended March 31, 2017 | 499,218 | 0.8 | 21,704 | 6.2 | 21,717 | 9.5 | 20,486 | 5.5 |

| | Net income per share | | Diluted net income per share | |
|-------------------------|----------------------|-------|------------------------------|-------|
| | Yen | | Yen | |
| FY ended March 31, 2018 | | 58.40 | | 58.31 |
| FY ended March 31, 2017 | | 77.93 | | 77.89 |

(2) Non-consolidated financial position

| | Total assets | | Net assets | | Equity ratio | | Equity per share | |
|----------------------|--------------|--|-------------|--|--------------|--|------------------|--|
| | Million yen | | Million yen | | % | | Yen | |
| As of March 31, 2018 | 302,704 | | 153,623 | | 50.7 | | 608.21 | |
| As of March 31, 2017 | 306,739 | | 152,219 | | 49.6 | | 578.54 | |

(Reference) Shareholders' equity as of March 31, 2018: 153,339 million yen; as of March 31, 2017: 152,082 million yen

2. Estimation of Non-consolidated Business Results for the Fiscal Year Ending March 31, 2019 (April 1, 2018 through March 31, 2019)

(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, 2018 | 250,300 | 0.6 | 9,200 | -33.0 | 6,800 | -30.1 | 26.97 | |
| FY ending March 31, 2019 | 523,700 | 3.5 | 22,700 | 3.8 | 14,400 | -3.5 | 57.12 | |

*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 the Company and on certain assumptions that Leopalace21 has judged to be reasonable. Readers should be aware that a variety of factors might cause actual results to differ significantly from these forecasts.

For assumptions of business forecasts and notes on the proper use of these forecasts, please refer to pg. 5 "1. Business Results (1) Analysis of Business Results (Outlook for the next fiscal year).

(Method for the acquisition of supplemental explanatory material)

Supplemental Explanatory Material on quarterly financial statements is scheduled to be posted on the Company's web site on May 11, 2018.

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1. Business Results

(1) Analysis of Business Results

(Million yen)

| | Net sales | Operating profit | Recurring profit | Net income attributable to shareholders of the parent |
|-------------------------|-----------|------------------|------------------|---|
| FY ended March 31, 2018 | 530,840 | 22,930 | 22,354 | 14,819 |
| FY ended March 31, 2017 | 520,488 | 22,898 | 22,355 | 20,401 |
| Difference | 10,351 | 31 | (0) | (5,581) |

During the subject consolidated fiscal year, the domestic economy showed gradual progression supported by improvements in corporate earnings, employment, and corporate earnings.

New housing starts of leased units decreased for the first time in three years (down 4.0% year-on-year), due to the saturation in demand for inheritance tax reduction strategies as well as the environmental change in apartment loans. As the number of vacant houses continues to increase and recovery in nationwide demand becomes difficult, achieving stable occupancy rates requires constructing apartments in areas with high demand, in addition to providing high-quality products and services that meet tenants' needs.

Under these conditions, the Leopalace21 Group (the "Group") announced the Medium-term Management Plan "Creative Evolution 2020" starting in the fiscal year ended March 31, 2018, aiming to create corporate and new social value with the basic policy of "Supporting continuous growth of core businesses in ways that further increase corporate value while constructing a base for growth areas".

As a result, consolidated net sales for the fiscal year under review came to 530,840 million yen (up 2.0% year-on-year). Operating profit was 22,930 million yen (up 0.1% year-on-year), recurring profit was 22,354 million yen (down 0.0% year-on-year), and net income attributable to shareholders of the parent was 14,819 million yen (down 27.4% year-on-year).

On a non-consolidated basis, net sales was 505,849 million yen (up 1.3% year-on-year), operating profit was 21,347 million yen (down 1.6%), recurring income was 21,879 million yen (up 0.7%), and net income was 14,917 million yen (down 27.2%).

(Actual figures by segment)

Effective as of the subject fiscal year, the methods of reportable segment categorization were changed, and previous figures are reclassified according to the revised methods of reportable segment categorization for comparison purposes.

(Million yen)

| | Net sales | | | Operating profit | | |
|----------------------------------|-------------------------|-------------------------|------------|-------------------------|-------------------------|------------|
| | FY ended March 31, 2017 | FY ended March 31, 2018 | Difference | FY ended March 31, 2017 | FY ended March 31, 2018 | Difference |
| Leasing Business | 421,342 | 435,537 | 14,195 | 23,009 | 26,062 | 3,052 |
| Development Business | 80,321 | 76,587 | (3,734) | 5,786 | 3,663 | (2,123) |
| Elderly Care Business | 11,536 | 12,807 | 1,270 | (1,667) | (1,596) | 71 |
| Hotels, Resort, & Other Business | 7,287 | 5,908 | (1,379) | (417) | (846) | (428) |
| Adjustments | - | - | - | (3,812) | (4,353) | (540) |
| Total | 520,488 | 530,840 | 10,351 | 22,898 | 22,930 | 31 |

(i) Leasing Business

In the Leasing Business, the Group provides added-value services such as "my DIY" (formerly known as "Room Customize") which enable tenants to decorate their rooms, internet service "LEONET," and security system installations in alliance with large security companies. Also, in order to achieve stable occupancy rates, the Group is strengthening sales against corporate customers and increasing support for foreign tenants. In the ASEAN region, the Group develops and manages serviced apartments and offices.

The occupancy rate at the end of the fiscal year was 93.72% (up 2.06 points from the end of the previous fiscal year) and the average occupancy rate for the period was 90.59% (up 2.06 points year-on-year).

The number of units under management at the end of the fiscal year was 570,000 (increasing 1,000 from the end of the previous fiscal year), the number of direct offices was 189 (no change), and the number of franchise offices was 118 (decreasing 1 from the end of the previous fiscal year).

As a result, net sales amounted to 435,537 million yen (up 3.4% year-on-year), and operating profit was 26,062 million yen (up 13.3% year-on-year).

(ii) Development Business

In the Development Business, the Group focused on supplying apartments in the three metropolitan areas where solid leasing demand is anticipated supported by an increase in population, as well as providing high quality and forefront strategic products. In addition, the Group implemented a new brand attempting to strengthen product competitiveness, expanded construction variations based on "ideal land use", and has begun reconsidering suppliers and product prices to improve profitability.

Also, subsidiary Life Living Co., Ltd. provides development business of condominiums and apartments and subsidiary Morizou Co., Ltd., provides luxury custom-built homes made with Kiso-hinoki.

Orders received during the subject fiscal year amounted to 75,905 million yen (down 13.3% year-on-year) and orders received outstanding stood at 63,966 million yen (down 5.1% from the end of the previous fiscal year).

As a result, net sales came to 76,587 million yen (down 4.6% year-on-year), and operating profit was 3,663 million yen (down 36.7% year-on-year).

(iii) Elderly Care Business

Net sales were 12,807 million yen (up 11.0% year-on-year), and operating loss was 1,596 million yen (loss decrease of 71 million yen year-on-year).

(iv) Hotels, Resort, & Other Business

Net sales of the resort facilities in Guam, hotels in Japan, and other businesses including the finance business were 5,908 million yen (down 18.9% year-on-year) and operating loss was 846 million yen (loss increase of 428 million yen year-on-year).

(Outlook for the next fiscal year)

As for the consolidated business results of the fiscal year ending March 2019, we expect sales of 553,000 million yen (up 4.2% year-on-year), operating profit of 24,500 million yen (up 6.8%), recurring profit of 24,000 million yen (up 7.4%), and net income attributable to shareholders of the parent of 15,000 million yen (up 1.2%).

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.

(2) Analysis of Consolidated Financial Position

(Million yen)

| | Assets | Liabilities | Net assets |
|----------------------|---------|-------------|------------|
| As of March 31, 2018 | 337,257 | 177,819 | 159,438 |
| As of March 31, 2017 | 337,828 | 178,958 | 158,870 |
| Difference | (570) | (1,139) | 568 |

Total assets at the end of the fiscal year decreased 570 million yen from the end of the previous fiscal year to 337,257 million yen. This was mainly attributable to a decrease of 16,750 million yen in land due to sale of assets, despite an increase of 5,546 million yen in investment securities, 2,376 million yen leased assets (net), and 2,111 million yen in cash and cash equivalents.

Total liabilities decreased 1,139 million yen from the end of the previous fiscal year to 177,819 million yen. This primarily reflected a decrease of 3,966 million yen in bonds, 3,956 million yen in liability for retirement benefits due to the establishment of a retirement benefit trust, 2,902 million yen in accounts payable for completed projects, and 1,601 million yen in accrued income taxes, despite an increase of 5,077 million yen in borrowings, 3,271 million yen in accounts payable-other, and 2,800 million yen in lease obligations.

Net assets increased 568 million yen from the end of the previous fiscal year to 159,438 million yen, due to a recording of 14,819 million yen in net income attributable to shareholders of the parent despite a payment of dividends of 5,675 million yen and share repurchases of 8,000 million yen. The ratio of shareholders' equity to assets rose 0.2 points from the end of the previous fiscal year to 47.2%.

(3) Analysis of Cash Flow Position

Cash flow from operating activities was a net inflow of 26,420 million yen (a decrease of 1,083 million yen in net inflow from the previous fiscal year). This was mainly due to 15,150 million yen of income before taxes and minority interests, 11,726 million yen of depreciation and amortization, and 7,594 million yen in impairment loss, despite a decrease of 3,786 million yen in liability for retirement benefits due to the establishment of a retirement benefit trust and income taxes paid of 1,902 million yen.

Cash flow from investing activities was a net inflow of 423 million yen (an increase of 8,653 million yen in net inflow from the previous fiscal year). This was primarily due to proceeds from sale of property, plant and equipment of 14,121 million yen and proceeds from withdrawal of time deposits of 5,486 million yen, despite payment for purchase of property, plant and equipment of 9,856 million yen and payment for purchase of investment securities of 5,966 million yen.

Cash flow from financing activities was a net outflow of 20,197 million yen (a decrease of 6,148 million yen in net outflow from the previous fiscal year). This was chiefly due to payment for purchases of treasury stock of 8,000 million yen, payment of dividends of 5,675 million yen, and a repayment of finance lease obligations of 6,795 million yen.

As a result, cash and cash equivalents at the end of the consolidated fiscal year under review stood at 98,246 million yen, an increase of 6,480 million yen from the end of the previous fiscal year.

(Reference) Trends in cash flow indicators

| | FY ended March 31, 2014 | FY ended March 31, 2015 | FY ended March 31, 2016 | FY ended March 31, 2017 | FY ended March 31, 2018 |
|--|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
| Equity ratio (%) | 35.9 | 40.4 | 44.2 | 47.0 | 47.2 |
| Market price based equity ratio (%) | 45.2 | 53.5 | 54.6 | 44.7 | 66.3 |
| Ratio of cash flow to interest-bearing debt (year) | 2.4 | 2.8 | 2.3 | 1.8 | 2.0 |
| Interest coverage ratio (ratio) | 9.8 | 13.8 | 23.6 | 39.8 | 37.0 |

Equity ratio: Shareholders' equity/assets

Market price based equity ratio: Market capitalization/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 x 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.

(4) Fundamental Policy on the Distribution of Earnings and Dividends for the Fiscal Year under Review and Next Fiscal Year

To increase shareholders' value, the Company will not only distribute profit earned from business measures in the form of dividends, but will maximize mid- to long-term corporate value and increase EPS (earnings per share) through investments in matters such as real estate, overseas businesses, mergers and acquisitions, IT, and research and development.

In the Medium-term Management Plan, the Group has set a total return ratio target (50% in the fiscal year ending March 2019), and will aim to distribute profit to shareholders by flexibly repurchasing shares while monitoring share price trends, with proceeds from asset sales.

For the subject fiscal year, the Company plans to pay a year-end dividend of 12 yen. The mid-term dividend was 10 yen, meaning a total of 22 yen, with a dividend payout ratio of 37.9% and a total return ratio of 92.3%.

For the next fiscal year, the Company plans a mid-term dividend of 10 yen, a year-end dividend of 12 yen, with a total of 22 yen.

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, 2018 | March 31, 2017 |
|---|----------------|----------------|
| <Assets> | | |
| Current assets | | |
| Cash and cash equivalents | 106,543 | 104,432 |
| Trade receivables | 7,626 | 6,547 |
| Accounts receivable for completed projects | 1,957 | 2,355 |
| Operating loans | 389 | 675 |
| Securities | 462 | 121 |
| Real estate for sale | 952 | 421 |
| Real estate for sale in progress | 2,571 | 1,849 |
| Payment for construction in progress | 458 | 518 |
| Raw materials and supplies | 528 | 526 |
| Prepaid expenses | 3,544 | 2,827 |
| Deferred tax assets | 8,494 | 8,636 |
| Other accounts receivable | 1,027 | 831 |
| Others | 4,249 | 4,228 |
| Allowance for doubtful accounts | (145) | (186) |
| Total current assets | 138,661 | 133,786 |
| Non-current assets | | |
| Property, plant, and equipment | | |
| Buildings and structures | 93,363 | 102,680 |
| Accumulated depreciation | (50,657) | (60,852) |
| Net | 42,705 | 41,827 |
| Machinery, equipment, and vehicles | 21,254 | 21,741 |
| Accumulated depreciation | (8,707) | (7,535) |
| Net | 12,547 | 14,206 |
| Land | 63,638 | 80,388 |
| Leased assets | 31,839 | 24,795 |
| Accumulated depreciation | (15,810) | (11,143) |
| Net | 16,028 | 13,652 |
| Construction in progress | 5,208 | 3,911 |
| Others | 10,990 | 9,770 |
| Accumulated depreciation | (7,775) | (8,489) |
| Net | 3,215 | 1,281 |
| Total property, plant, and equipment | 143,344 | 155,267 |
| Intangible fixed assets | | |
| Goodwill | 2,886 | 3,181 |
| Others | 8,102 | 8,461 |
| Total intangible fixed assets | 10,988 | 11,642 |
| Investments and other assets | | |
| Investment securities | 17,999 | 12,453 |
| Long-term loans | 513 | 516 |
| Bad debts | 1,264 | 1,246 |
| Long-term prepaid expenses | 3,831 | 3,820 |
| Deferred tax assets | 18,268 | 17,486 |
| Others | 3,969 | 3,129 |
| Allowance for doubtful accounts | (2,023) | (2,073) |
| Total investments and other assets | 43,823 | 36,579 |

| | | |
|---------------------------------|----------------|----------------|
| Total non-current assets | 198,156 | 203,489 |
| Deferred assets | | |
| Allowance for doubtful accounts | 440 | 552 |
| Total deferred assets | 440 | 552 |
| Total assets | 337,257 | 337,828 |

(Million yen)

| | March 31, 2018 | March 31, 2017 |
|--|----------------|----------------|
| <Liabilities> | | |
| Current liabilities | | |
| Accounts payable | 4,245 | 2,826 |
| Accounts payable for completed projects | 9,283 | 12,186 |
| Short-term borrowings | 1,210 | — |
| Long-term debt due within one year | 1,754 | 1,263 |
| Bonds due within one year | 3,966 | 3,966 |
| Lease obligations | 5,960 | 4,647 |
| Accounts payable-other | 22,337 | 19,066 |
| Accrued income taxes | 942 | 2,544 |
| Advances received | 39,964 | 40,003 |
| Customer advances for projects in progress | 4,592 | 5,381 |
| Reserve for warranty obligations on completed projects | 389 | 412 |
| Reserve for fulfillment of guarantees | 1,158 | 1,082 |
| Asset retirement obligations | 43 | 43 |
| Others | 4,363 | 4,101 |
| Total current liabilities | 100,212 | 97,524 |
| Non-current liabilities | | |
| Bonds | 12,069 | 16,035 |
| Long-term debt | 16,643 | 13,267 |
| Lease obligations | 12,226 | 10,739 |
| Long-term advances received | 15,853 | 16,614 |
| Lease/guarantee deposits received | 6,989 | 7,152 |
| Deferred tax liabilities | 122 | 148 |
| Reserve for Directors' compensation | 10 | — |
| Reserve for apartment vacancy loss | 3,044 | 3,183 |
| Liability for retirement benefit | 7,338 | 11,295 |
| Asset retirement obligations | 84 | 77 |
| Others | 3,224 | 2,920 |
| Total non-current liabilities | 77,606 | 81,433 |
| Total liabilities | 177,819 | 178,958 |
| <Net assets> | | |
| Shareholders' equity | | |
| Common stock | 75,282 | 75,282 |
| Capital surplus | 45,235 | 45,235 |
| Retained earnings | 37,839 | 39,923 |
| Treasury stock | (430) | (3,660) |
| Total shareholders' equity | 157,926 | 156,779 |
| Accumulated other comprehensive income | | |
| Net unrealized gains on "other securities" | 586 | 574 |
| Foreign currency translation adjustments | 872 | 2,027 |
| Remeasurements of defined benefit plans | (341) | (668) |
| Total accumulated other comprehensive income | 1,117 | 1,933 |
| Share subscription rights | 284 | 136 |
| Non-controlling interests | 109 | 20 |
| Total net assets | 159,438 | 158,870 |
| Total liabilities and net assets | 337,257 | 337,828 |

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

(Million yen)

| | FY ended March 31, 2018 (Apr. 2017–Mar. 2018) | FY ended March 31, 2017 (Apr. 2016–Mar. 2017) |
|--|---|---|
| Net sales | | |
| Sales from Leasing Business | 435,537 | 421,342 |
| Sales from Development Business | 76,587 | 80,321 |
| Sales from Other Business | 18,715 | 18,824 |
| Total net sales | 530,840 | 520,488 |
| Cost of sales | | |
| Cost of Leasing Business | 359,262 | 351,228 |
| Cost of Development Business | 55,201 | 57,293 |
| Cost of Other Business | 20,298 | 19,297 |
| Total cost of sales | 434,762 | 427,820 |
| Gross profit | 96,077 | 92,668 |
| Selling, general, and administrative expenses | | |
| Advertising expenses | 4,235 | 3,816 |
| Sales commission expense | 2,289 | 2,278 |
| Transfer to reserve for bad debt | 51 | 39 |
| Directors' compensation | 799 | 742 |
| Salary and bonuses | 33,408 | 32,469 |
| Transfer to reserve for Directors' compensation | 10 | — |
| Retirement benefit cost | 1,844 | 1,818 |
| Rent expense | 2,769 | 2,724 |
| Depreciation and amortization | 2,679 | 1,649 |
| Taxes and public charges | 4,965 | 4,972 |
| Other | 20,093 | 19,259 |
| Total selling, general, and administrative expenses | 73,147 | 69,769 |
| Operating profit | 22,930 | 22,898 |
| Non-operating income | | |
| Interest income | 109 | 80 |
| Dividend income | 162 | 118 |
| Valuation gains of investment securities | 186 | 166 |
| Foreign exchange gain | — | 36 |
| Other | 216 | 170 |
| Total non-operating income | 674 | 572 |
| Non-operating expenses | | |
| Interest expenses | 783 | 734 |
| Bond issuance fee | 212 | 241 |
| Foreign exchange losses | 137 | — |
| Equity in losses of affiliated companies | 0 | 6 |
| Other | 115 | 133 |
| Total non-operating expenses | 1,250 | 1,115 |
| Recurring profit | 22,354 | 22,355 |

(Million yen)

| | FY ended March 31, 2018 (Apr. 2017–Mar. 2018) | FY ended March 31, 2017 (Apr. 2016–Mar. 2017) |
|--|---|---|
| Extraordinary income | | |
| Gain on sales of property, plant and equipment | 927 | 408 |
| Total extraordinary income | 927 | 408 |
| Extraordinary losses | | |
| Loss on sale of property, plant and equipment | 27 | 314 |
| Loss on retirement of property, plant and equipment | 112 | 149 |
| Impairment loss | 7,594 | 589 |
| Loss on cancellations | 66 | — |
| Compensation for damage | 330 | — |
| Disaster loss | — | 88 |
| Total extraordinary losses | 8,131 | 1,142 |
| Income before taxes and other adjustments | 15,150 | 21,622 |
| Income taxes — current | 856 | 3,245 |
| Income taxes – refund | — | (3) |
| Income taxes – deferred | (519) | (2,031) |
| Total income taxes | 337 | 1,210 |
| Net income | 14,813 | 20,411 |
| Net income attributable to non-controlling interests | (6) | 10 |
| Net income attributable to shareholders of the parent | 14,819 | 20,401 |

Consolidated Statements of Comprehensive Income

(Million yen)

| | FY ended March 31, 2018 (Apr. 2017–Mar. 2018) | FY ended March 31, 2017 (Apr. 2016–Mar. 2017) |
|---|---|---|
| Net income | 14,813 | 20,411 |
| Other comprehensive income | | |
| Net unrealized gains on “other securities” | 12 | 139 |
| Foreign currency translation adjustments | (1,161) | (1,624) |
| Remeasurements of defined benefit plans | 327 | 226 |
| Share of other comprehensive income of associates | 6 | 0 |
| Total other comprehensive income | (815) | (1,257) |
| Comprehensive income | 13,997 | 19,153 |
| (Breakdown) | | |
| Comprehensive income attributable to shareholders of the parent | 14,003 | 19,143 |
| Comprehensive income attributable to non-controlling interests | (6) | 10 |

(3) Consolidated Statements of Changes in Net Assets

Fiscal year ended March 31, 2017 (April 2016–March 2017)

(Million yen)

| | Shareholders' equity | | | | |
|--|----------------------|-----------------|-------------------|----------------|---------|
| | Common stock | Capital surplus | Retained earnings | Treasury stock | Total |
| Balance at the previous year-end | 75,282 | 45,235 | 24,779 | (3,660) | 141,636 |
| Change in the fiscal year | | | | | |
| Deficit disposition | | | (5,257) | | (5,257) |
| Net income | | | 20,401 | | 20,401 |
| Acquisition of treasury stock | | | | (0) | (0) |
| Changes in items other than shareholders' equity (net) | | | | | |
| Total change in the fiscal year | — | — | 15,143 | (0) | 15,143 |
| Balance at the current year-end | 75,282 | 45,235 | 39,923 | (3,660) | 156,779 |

| | 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 | 435 | 3,651 | (895) | 3,190 | 18 | 20 | 144,865 |
| Change in the fiscal year | | | | | | | |
| Deficit disposition | | | | | | | (5,257) |
| Net income | | | | | | | 20,401 |
| Acquisition of treasury stock | | | | | | | (0) |
| Changes in items other than shareholders' equity (net) | 139 | (1,624) | 226 | (1,257) | 118 | (0) | (1,138) |
| Total change in the fiscal year | 139 | (1,624) | 226 | (1,257) | 118 | (0) | 14,004 |
| Balance at the current year-end | 574 | 2,027 | (668) | 1,933 | 136 | 20 | 158,870 |

Fiscal year ended March 31, 2018 (April 2017–March 2018)

(Million yen)

| | Shareholders' equity | | | | |
|--|----------------------|-----------------|-------------------|----------------|---------|
| | Common stock | Capital surplus | Retained earnings | Treasury stock | Total |
| Balance at the previous year-end | 75,282 | 45,235 | 39,923 | (3,660) | 156,779 |
| Change in the fiscal year | | | | | |
| Deficit disposition | | | (5,675) | | (5,675) |
| Net income | | | 14,819 | | 14,819 |
| Acquisition of treasury stock | | | | (8,000) | (8,000) |
| Disposal of treasury stock | | 1 | | 2 | 3 |
| Retirement of treasury stock | | (1) | (11,227) | 11,228 | — |
| Changes in items other than shareholders' equity (net) | | | | | |
| Total change in the fiscal year | — | — | (2,083) | 3,230 | 1,146 |
| Balance at the current year-end | 75,282 | 45,235 | 37,839 | (430) | 157,926 |

| | 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 | 574 | 2,027 | (668) | 1,933 | 136 | 20 | 158,870 |
| Change in the fiscal year | | | | | | | |
| Deficit disposition | | | | | | | (5,675) |
| Net income | | | | | | | 14,819 |
| Acquisition of treasury stock | | | | | | | (8,000) |
| Disposal of treasury stock | | | | | | | 3 |
| Retirement of treasury stock | | | | | | | — |
| Changes in items other than shareholders' equity (net) | 12 | (1,154) | 327 | (815) | 147 | 89 | (578) |
| Total change in the fiscal year | 12 | (1,154) | 327 | (815) | 147 | 89 | 568 |
| Balance at the current year-end | 586 | 872 | (341) | 1,117 | 284 | 109 | 159,438 |

(4) Consolidated Statements of Cash Flows

(Million yen)

| | FY ended March 31, 2018 (Apr. 2017–Mar. 2018) | FY ended March 31, 2017 (Apr. 2016–Mar. 2017) |
|---|---|---|
| Cash flows from operating activities | | |
| Income before taxes and minority interests | 15,150 | 21,622 |
| Depreciation | 11,726 | 9,336 |
| Impairment loss | 7,594 | 589 |
| Disaster loss | — | 88 |
| Loss on compensation for damage | 330 | — |
| Amortization of goodwill | 522 | 428 |
| Increase (decrease) in reserve for doubtful accounts | 28 | 201 |
| Increase (decrease) in liability for retirement benefits | (3,786) | 1,297 |
| Increase (decrease) in reserve for apartment vacancy loss | (138) | (619) |
| Interest and dividend income | (271) | (199) |
| Interest expense | 783 | 734 |
| Foreign exchange loss (gain) | 137 | (36) |
| Equity in losses (earnings) of affiliated companies | 0 | 6 |
| Loss (gain) from evaluation of investment securities | (186) | (166) |
| Loss (gain) on sale of property, plant and equipment | (899) | (94) |
| Write-offs of property, plant and equipment | 112 | 149 |
| Decrease (increase) in accounts receivable | (252) | 633 |
| Decrease (increase) in real estate for sale in progress | (960) | (139) |
| Decrease (increase) in work in process | 60 | 272 |
| Decrease (increase) in long-term prepaid expenses | 369 | 324 |
| Increase (decrease) in accounts payable | (1,105) | (883) |
| Increase (decrease) in customer advances for projects in progress | (789) | 296 |
| Increase (decrease) in advances received | (823) | (3,141) |
| Increase (decrease) in guarantee deposits received | (159) | (407) |
| Increase (decrease) in accrued consumption taxes | 934 | (6) |
| Other | 302 | 1,473 |
| Subtotal | 28,682 | 31,760 |
| Interest and dividends received | 355 | 273 |
| Interest paid | (714) | (690) |
| Income taxes paid | (1,902) | (3,839) |
| Net cash provided by operating activities | 26,420 | 27,504 |
| Cash flows from investing activities | | |
| Purchase of property, plant and equipment | (9,856) | (4,318) |
| Proceeds from sale of property, plant and equipment | 14,121 | 16,744 |
| Payment for purchase of intangible assets | (818) | (959) |
| Payment for purchase of investment securities | (5,966) | (2,761) |
| Proceeds from sale of investment securities | 22 | 14 |
| Payment for purchase of shares in subsidiaries | (401) | (5,402) |
| Payment for loans | (8) | (22) |
| Proceeds from collection of loans | 14 | 22 |
| Payment for deposit of fixed deposits | (1,500) | (11,878) |
| Proceeds from withdrawal of fixed deposits | 5,486 | 1,200 |
| Other | (670) | (1,292) |
| Net cash provided by (used in) investing activities | 423 | (8,653) |

(Million yen)

| | FY ended March 31, 2018 (Apr. 2017–Mar. 2018) | FY ended March 31, 2017 (Apr. 2016–Mar. 2017) |
|---|---|---|
| Cash flows from financing activities | | |
| Proceeds from short-term debt | 2,455 | 200 |
| Repayment of short-term debt | (1,250) | (265) |
| Proceeds from long-term debt | 4,303 | 235 |
| Repayment of long-term debt | (1,268) | (1,423) |
| Repayment of finance lease obligations | (6,795) | (3,212) |
| Payment for redemption of bonds | (3,966) | (4,326) |
| Payment for purchase of treasury stock | (8,000) | (0) |
| Payment of dividends to non-controlling interests | (3) | — |
| Proceeds from exercise of stock options | 2 | — |
| Payment of dividends | (5,675) | (5,257) |
| Net cash provided by (used in) financing activities | (20,197) | (14,048) |
| Effect of exchange rate changes on cash and cash equivalents | (166) | 137 |
| Net increase (decrease) in cash and cash equivalents | 6,480 | 4,940 |
| Cash and cash equivalents at beginning of period | 91,766 | 86,826 |
| Cash and cash equivalents at end of period | 98,246 | 91,766 |

(5) Notes Regarding Consolidated Financial Statements
(Notes Regarding the Premise of the Company as a Going Concern)

There are no relevant items.

(Segment Information)

Fiscal Year ended March 31, 2017 (April 1, 2016 through March 31, 2017)

(Million yen)

| | Reportable Segment | | | | | Adjustments (Note 1) | Consolidated Total (Note 2) |
|--|---------------------|-------------------------|--------------------------|--|------------------|-------------------------|-----------------------------------|
| | Leasing Business | Development Business | Elderly Care Business | Hotels, Resort, & Other Business | Segment Total | | |
| Net sales | | | | | | | |
| Sales to customers | 421,342 | 80,321 | 11,536 | 7,287 | 520,488 | — | 520,488 |
| Inter-segment sales and transfers | 32 | 610 | — | 3,230 | 3,872 | (3,872) | — |
| Total | 421,374 | 80,931 | 11,536 | 10,517 | 524,361 | (3,872) | 520,488 |
| Segment earnings (or loss) | 23,009 | 5,786 | (1,667) | (417) | 26,711 | (3,812) | 22,898 |
| Segment assets | 121,642 | 20,834 | 2,918 | 54,915 | 200,310 | 137,517 | 337,828 |
| Other items | | | | | | | |
| Depreciation | 6,484 | 184 | 81 | 1,377 | 8,129 | 1,207 | 9,336 |
| Increase in property, plant and equipment, and intangible assets | 9,171 | 87 | 123 | 2,790 | 12,173 | 1,568 | 13,741 |

Fiscal Year ended March 31, 2018 (April 1, 2017 through March 31, 2018)

(Million yen)

| | Reportable Segment | | | | | Adjustments (Note 2) | Consolidated Total (Note 3) |
|--|---------------------|-------------------------|--------------------------|--|------------------|-------------------------|-----------------------------------|
| | Leasing Business | Development Business | Elderly Care Business | Hotels, Resort, & Other Business | Segment Total | | |
| Net sales | | | | | | | |
| Sales to customers | 435,537 | 76,584 | 12,807 | 5,908 | 530,840 | — | 530,840 |
| Inter-segment sales and transfers | 131 | 65 | — | 3,541 | 3,738 | (3,738) | — |
| Total | 435,669 | 76,652 | 12,807 | 9,449 | 534,578 | (3,738) | 530,840 |
| Segment earnings (or loss) | 26,062 | 3,663 | (1,596) | (846) | 27,283 | (4,353) | 22,930 |
| Segment assets | 112,516 | 19,572 | 3,553 | 56,808 | 192,450 | 144,807 | 337,257 |
| Other items | | | | | | | |
| Depreciation | 7,946 | 195 | 106 | 1,278 | 9,526 | 2,199 | 11,726 |
| Increase in property, plant and equipment, and intangible assets | 14,207 | 117 | 93 | 5,369 | 19,787 | 637 | 20,424 |

Note 1: Breakdown of adjustments is as follows.

Segment earnings (or loss)

(Million yen)

| | FY ended March 31, 2018 | FY ended March 31, 2017 |
|----------------------------|-------------------------|-------------------------|
| Inter-segment eliminations | (243) | (277) |
| Corporate expenses* | (4,109) | (3,349) |
| Total | (4,353) | (3,626) |

*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, 2018 | FY ended March 31, 2017 |
| Surplus operating funds, long-term investment capital, and assets which do not belong to reportable segments | 144,807 | 137,517 |

| Increase in property, plant and equipment, and intangible assets | | (Million yen) |
|--|-------------------------|-------------------------|
| | FY ended March 31, 2018 | FY ended March 31, 2017 |
| Capital investments which do not belong to reportable segments | 637 | 1,568 |

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