

**English Translation of Original Japanese**

*This is a translation of the original notice in Japanese. In the event of any discrepancy, the original notice in Japanese shall prevail.*

*Although the consolidated and non-consolidated financial statements in Japanese were audited, their English translation was not audited.*

Securities Code No. 8848

June 14, 2022

Corrected on June 20, 2022

**To Our Shareholders**

Bunya Miyao  
Representative Director, President  
and CEO  
Leopalace21 Corporation  
2-54-11 Honcho, Nakano-ku, Tokyo

**Notice of the 49th Ordinary General Shareholders' Meeting**

We are pleased to announce that the 49th Ordinary General Shareholders' Meeting of Leopalace21 Corporation ("the Company") will be held as described below.

**If you will not be attending the meeting in person, you can still exercise your voting rights by either of the following methods. Please exercise your voting rights beforehand by either of the following methods no later than 6:00 p.m. on Tuesday, June 28, 2022.**

**[Exercising your voting rights by in writing]**

Please refer to the Reference Materials for the General Shareholders' Meeting on pages 3 to 16 of this document, indicate "for" or "against" for each proposal shown on the enclosed Voting Rights Exercise Form and return it in time for delivery by the deadline mentioned above.

In the event that no indication of "for" or "against" has been made, this shall be treated as the intent of approval.

**[Exercising your voting rights via the Internet]**

Please access the Voting Rights Exercise Site (<https://www.web54.net>), which is designated by the Company. Enter the "Voting Rights Exercise Code" and "Password" noted on the enclosed Voting Rights Exercise Form, examine the Reference Materials for the General Shareholders' Meeting on pages 3 to 16 of this document or the reference materials posted on the Company website, which will be accessible via the Voting Rights Exercise Site, follow the instructions on the screen, and indicate "for" or "against" for each proposal.

In addition, if you exercise your voting rights both by the Voting Rights Exercise Form and via the Internet, the voting via the Internet shall prevail.

If you exercise your voting rights multiple times via the Internet, the voting exercised last shall prevail.

## Details

1. **Date and Time:** June 29, 2022 (Wednesday), 10:00 a.m. (Reception will open at 9:00 a.m.)
2. **Place:** Conference room, Head Office, Leoplace21 Corporation  
2-54-11 Honcho, Nakano-ku, Tokyo

### 3. Agenda for the Meeting

#### Matters to be reported:

1. Report on the Business Report, Consolidated Financial Statements, and Results of Audit of the Consolidated Financial Statements by the Accounting Auditor and the Audit & Supervisory Board for the 49th Fiscal Term (from April 1, 2021 to March 31, 2022)
2. Report on Non-consolidated Financial Statements for the 49th Fiscal Term (from April 1, 2021 to March 31, 2022)

#### Matters to be resolved:

- Proposal No. 1:** Partial Amendment to Articles of Incorporation (System for Electronic Provision of Informational Materials)
- Proposal No. 2:** Election of Ten (10) Directors

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Note: For those attending the meeting in person, please present the enclosed Voting Rights Exercise Form at the reception desk.

Should any amendments be made to the Reference Materials for the General Shareholders' Meeting, the Business Report, Non-consolidated Financial Statements or Consolidated Financial Statements, such amendments will be posted on the Company website (please refer to the URL below).

If you wish your proxy to attend the meeting, the proxy shall be limited to one other shareholder who has the voting right of the Company. In this case, you should submit the letter of attorney and your own Voting Rights Exercise Form evidencing the proxy's authority to represent. Please note that anyone other than a shareholder (e.g., non-shareholding proxy, person accompanying the shareholder) will not be allowed to attend the meeting.

Trust banks and other nominee shareholders (including standing proxies) who have applied in advance to use the electronic voting platform operated by ICJ, Inc. (a joint-venture company established by Tokyo Stock Exchange, Inc. and others) may use this platform other than voting via the Internet to electronically exercise voting rights for the Company's General Shareholders' Meeting.

Up until now, it has been the Company's practice to distribute in writing the "Notice Concerning Resolutions at the Ordinary General Shareholders' Meeting" as the method of providing notification of the results of resolutions after the conclusion of the Ordinary General Shareholders' Meeting. However, starting from the 48th Ordinary General Shareholders' Meeting, the Company will post the results of resolutions on the Company's website (URL shown below), instead of providing them in writing.

We appreciate the understanding of our shareholders on this matter.

<http://eg.leoplace21.com/ir/stocks/meeting.html>

On the day of the General Shareholders' Meeting, we invite all shareholders to dress casually.

Please be advised in advance that no gifts will be distributed to attending shareholders, and no social function will be held after the conclusion of the General Shareholders' Meeting.

# Reference Materials for the General Shareholders' Meeting

## Proposal No. 1: Partial Amendment to Articles of Incorporation

### (System for Electronic Provision of Informational Materials)

1. Rationale for amendment

The Company decided on amending the Articles of Incorporation in line with the introduction of the system for electronic provision of informational materials for general shareholders' meetings in accordance with the proviso of Article 1 of the Supplementary Provision of the Act Partially Amending the Companies Act (Act No. 70 of 2019) to be enforced on September 1, 2022.

- (1) The Company is required to state in the Articles of Incorporation the measures for electronic provision of information contained in the reference materials and other documents for the General Shareholders' Meetings. Article 14. (Measures for Electronic Provision of Information and Others), paragraph 1 in the Proposed Amendment column shall be newly established.
- (2) Article 14. (Measures for Electronic Provision of Information and Others), paragraph 2 in the Proposed Amendment column shall be newly established so that the Company may restrict the scope of the items to be stated in the paper-based documents to be delivered to shareholders who have requested paper-based document delivery by the record date of voting rights among items for which the measures for electronic provision of information contained in the reference materials and other documents for the General Shareholders' Meetings are to be taken, within the scope as prescribed by the Ministry of Justice Order.
- (3) With the introduction of the system for electronic provision of informational materials for the general shareholders' meetings, existing Article 14. (Disclosure of Reference Materials and Other Documents for General Shareholders' Meetings on the Internet and Deemed Provision) will become unnecessary. Existing Article 14. shall be deleted.
- (4) Supplementary provisions shall be established concerning the effectiveness of the above newly introduced and deleted provisions. These supplementary provisions shall be deleted after the appropriate period has elapsed.

2. Details of amendment

Details of the amendment are as follows:

(Proposed amendments are underlined)

Existing Articles of Incorporation	Proposed Amendment
Articles 1. – 13. <Omitted>	Articles 1. – 13. <As per the existent Articles>
<p><u>(Disclosure of Reference Materials and Other Documents for General Shareholders' Meetings on the Internet and Deemed Provision)</u></p> <p>Article 14. <u>The Company, when convening a General Shareholders' Meeting, may consider that it has provided the shareholders by disclosing information on the Internet in accordance with the applicable Ordinance of the Ministry of Justice. The information should be described or presented in the Reference Materials for a General Shareholders' Meeting, Business Reports, Financial Statements and Consolidated Financial Statements.</u></p>	<Deleted>

Existing Articles of Incorporation	Proposed Amendment
<Newly established>	<p><u>(Measures for Electronic Provision of Information and Others)</u>  <u>Article 14.</u></p> <p>14.1 <u>The Company, when convening a General Shareholders' Meeting, shall take measures for the electronic provision of information contained in the Reference Materials and Other Documents for the General Shareholders' Meeting.</u></p> <p>14.2 <u>The Company may refrain from describing all or part of the items for which the measures for electronic provision of information can be taken, as provided by the applicable Ministry of Justice Order, in the documents to be delivered to the shareholders who have requested delivery of the paper-based documents by the record date of voting rights.</u></p>
Articles 15. – 42. <Omitted>	Articles 15. – 42. <As per the existent Articles>
<Newly established>	<p><u>(Supplementary Provisions)</u>  <u>(Transitional Measures for Electronic Provision of Information related to the General Shareholders' Meetings)</u></p>
<Newly established>	<p><u>Article 1.</u></p> <p>1.1 <u>The deletion of Article 14. of the existing Articles of Incorporation (Disclosure of Reference Materials and Other Documents for General Shareholders' Meetings on the Internet and Deemed Provision) and the establishment of Article 14. of the proposed amendments (Measures for Electronic Provision of Information and Others) shall come into force from September 1, 2022, the effective date (hereinafter referred to as the "Effective Date") as provided in the proviso of Article 1. of the Supplementary Provisions of the Act for Partial Revision of the Companies Act (Act No. 70 of 2019).</u></p>

Existing Articles of Incorporation	Proposed Amendment
	<p data-bbox="890 210 1396 613">1.2 <u>Notwithstanding the provisions of the preceding paragraph, Article 14. of the existing Articles of Incorporation (Disclosure of Reference Materials and Other Documents for General Shareholders' Meetings on the Internet and Deemed Provision) shall remain in force with respect to a General Shareholders' Meeting with a date falling within six months from the Effective Date as the date of the General Shareholders' Meeting.</u></p> <p data-bbox="890 613 1396 896">1.3 <u>These Supplementary Provisions shall be deleted as of the date on which six months have elapsed from the Effective Date or as of the date on which three months have elapsed from the General Shareholders' Meeting as specified in the preceding paragraph, whichever is later.</u></p>

## Proposal No. 2: Election of Ten (10) Directors

The term of office of all eight (8) Directors will expire at the conclusion of this Ordinary General Shareholders' Meeting. In that regard, in order to strengthen the corporate governance of the Company, it is proposed that ten (10) Directors (of which four (4) will be Outside Directors) be elected. The candidates for Director are as follows:

### [Reference] Structure of the Board of Directors after the General Shareholders' Meeting

If all candidates are elected as Directors, the Board of Directors will consist of ten (10) Directors: six (6) inside Directors (of which, four (4) will be Executive Directors and two (2) will be non-executive Directors) and four (4) independent Outside Directors with the latter comprising at least one-third of the Directors.

### Skillset Matrix of the Board of Directors

	Attribute							Expertise, Experience, and Knowledge						
	Name	Title	Execution of business	Independency	Nomination and Compensation Committee	Age	Gender	Corporate management	Corporate rehabilitation and business restructuring	Sales and marketing	Quality management	Legal	Finance	Audit
1	Bunya Miyao	Representative Director, President and CEO Chairman of the Board of Directors	Executive		Member	62	Male	○						
2	Mayumi Hayashima	Director and Managing Executive Officer	Executive			49	Female	○		○		○		
3	Naomichi Mochida	Director and Executive Officer	Executive			59	Male	○		○			○	
4	Shinji Takekura	Director and Executive Officer	Executive			50	Male	○		○		○		
5	Akio Yamashita	Director	Non-executive			60	Male	○	○				○	
6	Jin Ryu	Director	Non-executive			38	Male	○	○				○	
7	Akira Watanabe	Director	Non-executive	Independent Outside	Member	75	Male	○	○			○		○
8	Yutaka Nakamura	Director	Non-executive	Independent Outside	Member	63	Male	○			○			
9	Takumi Shibata	Director	Non-executive	Independent Outside	Member	69	Male	○					○	
10	Kan Ishii	Director	Non-executive	Independent Outside	Member	68	Male	○	○				○	

Note: Each of the candidate's stated age is as of the dispatch date of this notice.

Candidate number	Name (Date of birth)	Career summary, and positions and duties in the Company (Significant concurrent positions)	Number of the Company's shares held
1	Re-election  Bunya Miyao (April 14, 1960)  Attendance at the Board of Directors meetings: 25/25  Term of office: 6 years	April 1983      Joined Nakamichi Leasing Co., Ltd. June 1990      Joined Leopalace21 Corporation September 2000      Deputy Manager of the Financial Department, Leopalace21 Corporation July 2008      General Manager of the Resort Business Headquarters, Leopalace21 Corporation July 2010      General Manager of the Management Planning Department, Leopalace21 Corporation July 2012      Administrative Officer, Leopalace21 Corporation April 2013      Executive Officer, Leopalace21 Corporation June 2016      Director and Executive Officer, Leopalace21 Corporation May 2017      Representative in charge of the Management Planning Department, the Public Relations Department, Leopalace21 Corporation April 2018      Director and Managing Executive Officer, Leopalace21 Corporation Representative in charge of Management Planning and Investor Relations, Leopalace21 Corporation May 2019      Representative Director, President and CEO, Leopalace21 Corporation (incumbent) June 2019      Chief of the Business Operation Headquarters, Leopalace21 Corporation May 2022      Chief of the Construction Defects Response Headquarters, Leopalace21 Corporation (incumbent) Significant concurrent positions Director, Leopalace Guam Corporation	9,118 shares
<b>Reasons for nomination as a candidate for Director</b> Mr. Bunya Miyao is fulfilling an appropriate role as Representative Director by taking important management decisions and supervising business execution and others. Moreover, he possesses knowledge about the Company's growth strategy and business promotion gained through his experience overseeing the overall business of the Group as President and CEO, and he has strong leadership and decisiveness. For these reasons, it is judged that his abundant knowledge and ability in the field of management are essential to the Company's management, so the Company has nominated him again as a candidate for Director.			

Candidate number	Name (Date of birth)	Career summary, and positions and duties in the Company (Significant concurrent positions)		Number of the Company's shares held
2	Re-election	April 1996	Joined Leopalace21 Corporation	5,551 shares
	Mayumi Hayashima (April 26, 1973)	April 2009	Deputy General Manager of the Eastern Japan Corporate Sales Department, Leasing Sales Section 3, Leasing Business Division, Leopalace21 Corporation	
	Attendance at the Board of Directors meetings: 25/25	July 2010	General Manager of the Corporate Sales Department, Eastern Japan Section 2, Leasing Business Division, Leopalace21 Corporation	
	Term of office: 3 years	April 2014	General Manager of the Corporate Business Promotion Department, Leopalace21 Corporation	
		April 2015	Administrative Officer, Leopalace21 Corporation	
		April 2018	Executive Officer, Leopalace21 Corporation	
		June 2019	Director and Executive Officer, Leopalace21 Corporation Chief of the Compliance Management Headquarters, Chief Legal Officer (CLO), Leopalace21 Corporation	
		June 2020	Chief of the Compliance Promotion Headquarters, Chief Legal Officer (CLO), Leopalace21 Corporation	
		July 2020	Chief of the Management Headquarters, Leopalace21 Corporation	
		May 2021	Deputy Chief of the Corporate Management Headquarters, Leopalace21 Corporation	
	May 2022	Director and Managing Executive Officer, Leopalace21 Corporation (incumbent) Chief of the Leasing Business Headquarters, Leopalace21 Corporation (incumbent)		
<p><b>Reasons for nomination as a candidate for Director</b></p> <p>Ms. Mayumi Hayashima is fulfilling an appropriate role as Director by taking important management decisions and supervising business execution and others. Moreover, she possesses knowledge about the Company's growth strategy, business promotion and compliance gained through her experience conducting cross-sectional measures, overseeing sales departments and, as Executive Officer, overseeing the legal compliance department. For these reasons, it is judged that her abundant knowledge and ability in the field of management are essential to the Company's management, so the Company has nominated her again as a candidate for Director.</p>				

Candidate number	Name (Date of birth)	Career summary, and positions and duties in the Company (Significant concurrent positions)	Number of the Company's shares held	
3	New election	April 1985	Joined The Mitsui Bank, Limited (now Sumitomo Mitsui Banking Corporation)	42,700 shares
	Naomichi Mochida (September 4, 1962)	June 2007	Joined Leopalace21 Corporation Director, General Manager of the Management Planning Department, Leopalace21 Corporation	
	Attendance at the Board of Directors meetings: -/-	April 2009	Director and Executive Officer, Leopalace21 Corporation Department Manager of the 3rd Sales Department, Leasing Business Division, Leopalace21 Corporation Department Manager of the Broadband Service Promotion Department, Leopalace21 Corporation	
	Term of office: -	April 2010	Head of the Related Businesses Controlling Division, Leopalace21 Corporation	
		June 2010	Executive Officer of Leopalace21 Corporation	
		May 2011	Head of the Corporate Sales Management Division, Leopalace21 Corporation	
		April 2013	Deputy General Manager of the Leasing Business Division, Leopalace21 Corporation	
		April 2014	Managing Executive Officer, Leopalace21 Corporation	
		July 2015	Deputy General Manager of Construction Subcontracting Business Division, Leopalace21 Corporation	
		June 2020	Representative Director of Leopalace Leasing Corporation	
		May 2021	Administrative Officer and Department Manager of the Corporate Sales Planning Department, Leopalace21 Corporation	
		May 2022	Executive Officer, Leopalace21 Corporation (incumbent) Deputy Chief of the Leasing Business Headquarters, Leopalace21 Corporation (incumbent) General Manager of the Corporate Sales Division, Leopalace21 Corporation (incumbent)	
	<p><b>Reasons for nomination as a candidate for Director</b></p> <p>Mr. Naomichi Mochida possesses extensive work experience and achievements in corporate sales and, as Executive Officer, he oversees the corporate sales department and is adequately performing his duties. For these reasons, it is judged that his abundant experience and knowledge are essential to the Company's growth strategy, so the Company has nominated him as a new candidate for Director.</p>			

Candidate number	Name (Date of birth)	Career summary, and positions and duties in the Company (Significant concurrent positions)	Number of the Company's shares held
4	<p>New election</p> <p>Shinji Takekura (May 9, 1972)</p> <p>Attendance at the Board of Directors meetings: -/-</p> <p>Term of office: -</p>	<p>April 1996      Joined Leopalace21 Corporation</p> <p>April 2014      Department Manager of the 1st Construction Subcontracting Business Department, West Japan Region, Leopalace21 Corporation</p> <p>May 2018        Department Manager of the 3rd Construction Subcontracting Business Department, East Japan Region, Leopalace21 Corporation</p> <p>June 2020        Department Manager of the 2nd Wealth Management Department, East Japan Region, and Responsible for the Emergency Response Project for Construction Defects Problem, Leopalace21 Corporation</p> <p>October 2020    Senior Department Manager of the Management Planning Department, Leopalace21 Corporation</p> <p>April 2021        Executive Officer, Leopalace21 Corporation (incumbent)</p> <p>May 2022        Chief of the Corporate Management Headquarters, Leopalace21 Corporation (incumbent) Chief of the Compliance Promotion Headquarters, Chief Legal Officer (CLO), Leopalace21 Corporation (incumbent)</p> <p>Significant concurrent positions Director of Leopalace Power Corporation Director of Leopalace Energy Corporation</p>	4,200 shares
<p><b>Reasons for nomination as a candidate for Director</b></p> <p>Mr. Shinji Takekura possesses extensive work experience and achievements in construction subcontracting business and, as Executive Officer, he oversees the Corporate Management Headquarters and Compliance Promotion Headquarters and is adequately performing his duties. For these reasons, it is judged that his abundant experience and knowledge are essential to the Company's growth strategy, so the Company has nominated him as a new candidate for Director.</p>			

Candidate number	Name (Date of birth)	Career summary, and positions and duties in the Company (Significant concurrent positions)	Number of the Company's shares held
5	<p>Re-election</p> <p>Akio Yamashita (October 23, 1961)</p> <p>Attendance at the Board of Directors Meetings 17/18</p> <p>Term of office: 1 year</p>	<p>April 1984      Joined Japan Development Bank (now Development Bank of Japan Inc.)</p> <p>January 2006    Joined Morgan Stanley Securities Co., Ltd. (now Morgan Stanley MUFG Securities Co., Ltd.)</p> <p>June 2008        Joined Fortress Investment Group (Japan) GK, Managing Director (incumbent)</p> <p>March 2013      Representative in Japan, Fortress Investment Group (Japan) GK (incumbent)</p> <p>June 2021        Outside Director, Leopalace21 Corporation (incumbent)</p> <p>January 2022    Director, PJC Investments (incumbent) Director, Accordia Next Golf Co., Ltd. (incumbent) Director, Accordia Golf Management Co., Ltd. (incumbent) Director, Accordia Golf co., Ltd. (incumbent) Director, Green Golf Management Co., Ltd. (incumbent) Director, Next Golf Management Corporation (incumbent)</p> <p>Significant concurrent positions Representative in Japan and Managing Director, Fortress Investment Group (Japan) GK Director, PJC Investments Director, Accordia Next Golf Co., Ltd. Director, Accordia Golf Management Co., Ltd. Director, Accordia Golf co., Ltd. Director, Green Golf Management Co., Ltd. Director, Next Golf Management Corporation</p>	0 shares
<p><b>Reasons for nomination as a candidate for Director</b></p> <p>Mr. Akio Yamashita fulfills an appropriate role as Outside Director in supervising the business execution of the Company by actively providing advice from fair perspective during the Board of Directors meetings and other meetings. He also serves as a member of the Nomination and Compensation Committee, thereby increasing the transparency and objectivity of officer nomination and remuneration decision procedures. Moreover, he possesses extensive work experience and achievements as an officer and employee of financial institutions and others. He has been involved in many projects, including real estate-related business, real estate finance, urban redevelopment funds, management buyouts, and corporate rehabilitation. For these reasons, it is judged that his keen insight and deep knowledge and experience in corporate management can be effectively incorporated into the Company's growth strategy, and the Company has therefore nominated him again as a candidate for Director.</p>			

Candidate number	Name (Date of birth)	Career summary, and positions and duties in the Company (Significant concurrent positions)	Number of the Company's shares held
6	<p>Re-election</p> <p style="text-align: center;">Jin Ryu (June 10, 1984)</p> <p>Attendance at the Board of Directors Meetings 18/18</p> <p>Term of office: 1 year</p>	<p>April 2010      Joined Morgan Stanley MUFG Securities Co., Ltd.</p> <p>April 2011      Joined RBS Securities Japan Ltd.</p> <p>May 2012        Joined Fortress Investment Group (Japan) GK</p> <p>April 2020       Director, FHK Company (incumbent)</p> <p>December 2020   Managing Director, Fortress Investment Group (Japan) GK (incumbent)</p> <p>June 2021       Outside Director, Leopalace21 Corporation (incumbent)</p> <p>January 2022    Director, PJC Investments (incumbent)  Director, Accordia Next Golf Co., Ltd. (incumbent)  Director, Accordia Golf Management Co., Ltd. (incumbent)  Director, Accordia Golf co., Ltd. (incumbent)  Director, Green Golf Management Co., Ltd. (incumbent)  Director, Next Golf Management Corporation (incumbent)</p> <p>Significant concurrent positions  Managing Director, Fortress Investment Group (Japan) GK  Director, FHK Company  Director, PJC Investments  Director, Accordia Next Golf Co., Ltd.  Director, Accordia Golf Management Co., Ltd.  Director, Accordia Golf co., Ltd.  Director, Green Golf Management Co., Ltd.  Director, Next Golf Management Corporation</p>	0 shares
<p><b>Reasons for nomination as a candidate for Director</b></p> <p>Mr. Jin Ryu fulfills an appropriate role as Outside Director in supervising the business execution of the Company by actively providing advice during the Board of Directors meetings and other meetings He possesses extensive work experience and achievements as an officer and employee of an investment fund. He has been involved in many projects, including real estate-related business, investments into companies, and corporate rehabilitation. For these reasons, it is judged that his keen insight and deep knowledge and experience in corporate management can be effectively incorporated into the Company's growth strategy, and the Company has therefore nominated him again as a candidate for Director.</p>			

Candidate number	Name (Date of birth)	Career summary, and positions and duties in the Company (Significant concurrent positions)	Number of the Company's shares held
7	<p>Re-election Outside Independent</p> <p>Akira Watanabe (February 16, 1947)</p> <p>Attendance at the Board of Directors meetings: 24/25</p> <p>Term of office: 1 year and 11 months</p>	<p>April 1973 Registered as an attorney at law</p> <p>November 2006 External Statutory Auditor, FAST RETAILING CO., LTD.</p> <p>June 2007 Outside Director, MAEDA CORPORATION</p> <p>June 2007 Outside Audit &amp; Supervisory Board Member, KADOKAWA GROUP HOLDINGS, INC. (now KADOKAWA CORPORATION) (incumbent)</p> <p>April 2010 Outside Director, MS&amp;AD Insurance Group Holdings, Inc.</p> <p>March 2013 Outside Director, DUNLOP SPORTS CO., LTD.</p> <p>October 2015 Director, ASIA PILE HOLDINGS CORPORATION (incumbent)</p> <p>September 2018 Partner, Comm &amp; Path Law Office (incumbent)</p> <p>June 2019 Outside Director, Maeda Road Construction Co., Ltd. (incumbent)</p> <p>July 2020 Outside Director, Leoplace21 Corporation (incumbent)</p> <p>Significant concurrent positions Outside Audit &amp; Supervisory Board Member, KADOKAWA CORPORATION Director, ASIA PILE HOLDINGS CORPORATION Outside Director, Maeda Road Construction Co., Ltd. Partner, Comm &amp; Path Law Office</p>	5,987 shares
<p><b>Reasons for nomination as a candidate for Outside Director and overview of expected roles</b></p> <p>Mr. Akira Watanabe fulfills an appropriate role as lead Outside Director in supervising the business execution of the Company by actively providing advice from an independent and fair perspective during the Board of Directors meetings and other meetings. He also serves as a member of the Nomination and Compensation Committee, thereby increasing the transparency and objectivity of officer nomination and remuneration decision procedures. Moreover, he possesses keen insight accumulated through his expertise as an attorney at law and as an outside director of other companies as well as deep knowledge and experience in corporate management. For these reasons, it is judged that he can make a contribution based on his experience and knowledge regarding legal compliance, and he can play a role in supervising business execution in the Board of Directors from an independent and fair perspective. Therefore, the Company has nominated him again as a candidate for Outside Director.</p>			
8	<p>Re-election Outside Independent</p> <p>Yutaka Nakamura (September 28, 1958)</p> <p>Attendance at the Board of Directors meetings: 23/25</p> <p>Term of office: 2 years and 4 months</p>	<p>April 1981 Joined National Housing Materials Co., Ltd. (now Panasonic Homes Co., Ltd.)</p> <p>October 2002 Manager of Quality &amp; Environmental Promotion Department, Panasonic Homes Co., Ltd.</p> <p>October 2006 Manager of Quality, Environment &amp; IT Department, Panasonic Homes Co., Ltd.</p> <p>April 2011 Councilor and Manager of Corporate Quality &amp; Environmental Division, Panasonic Homes Co., Ltd.</p> <p>April 2012 Senior Councilor and Manager of Corporate Quality &amp; Environmental Division, Panasonic Homes Co., Ltd.</p> <p>April 2018 Senior Principal for Quality &amp; Customer Satisfaction, Panasonic Homes Co., Ltd.</p> <p>March 2019 Resigned from Panasonic Homes Co., Ltd.</p> <p>February 2020 Outside Director, Leoplace21 Corporation (incumbent)</p>	2,392 shares
<p><b>Reasons for nomination as a candidate for Outside Director and overview of expected roles</b></p> <p>Mr. Yutaka Nakamura fulfills an appropriate role as Outside Director in supervising the business execution of the Company by actively providing advice from an independent and fair perspective during the Board of Directors meetings and other meetings. He also serves as a member of the Nomination and Compensation Committee, thereby increasing the transparency and objectivity of officer nomination and remuneration decision procedures. Moreover, he serves as the chairman of the Compliance Committee, thereby strengthening and enhancing the Company's compliance system.</p> <p>After joining Panasonic Homes Co., Ltd, he consistently was involved in quality and environmental management, achieving strong results in lifting that company's quality and environmental management to the top level in the industry. Moreover, he has experience in serving in important positions at multiple organizations in the housing industry. Although he has never participated in the management of a company in the past other than as an Outside Director or Outside Audit &amp; Supervisory Board Member, he possesses keen insight accumulated through the aforementioned careers and deep knowledge and experience in the fields of quality control and environmental management. For these reasons, it is judged that he can make a contribution based on his experience and knowledge regarding construction and technology, and he can play a role in supervising business execution in the Board of Directors from an independent and fair perspective. Therefore, the Company has nominated him again as a candidate for Outside Director.</p>			

Candidate number	Name (Date of birth)	Career summary, and positions and duties in the Company (Significant concurrent positions)		Number of the Company's shares held
9	New election Outside Independent  Takumi Shibata (January 8, 1953)	April 1976	Joined Nomura Securities Co., Ltd.	- shares
	Attendance at the Board of Directors Meetings -/-  Term of office: -	July 1997 July 1998 April 2000 April 2005 July 2007 July 2013 January 2014 June 2020	Managing Director, Nomura International plc Director, Nomura Securities Co., Ltd. Managing Director, Nomura Europe Holdings plc President and CEO, Nomura Asset Management Co., Ltd. Deputy President and COO, Nomura Holdings, Inc. Executive Chairman, Nikko Asset Management Co., Ltd. President and COO, Nikko Asset Management Co., Ltd. Representative Director, Fiducia, Inc. (incumbent)	
<b>Reasons for nomination as a candidate for Outside Director and overview of expected roles</b>				
Mr. Takumi Shibata possesses keen insight as a manager accumulated through his career, which includes important positions at a securities company and an asset management company, in addition to deep knowledge and experience in asset management and finance. The Company expects that he will utilize this knowledge to supervise, give advice, etc. with regard to business execution from a professional perspective as well as to contribute to, supervise, etc. the appointment of the Company's officer candidates and the determination of officer remuneration and the like from an independent and fair standpoint. For these reasons, it is judged that his knowledge and ability are essential to the Company's management, so the Company has nominated him as a new candidate for Outside Director.				
10	New election Outside Independent  Kan Ishii (February 11, 1954)	April 1977	Joined Japan Development Bank (now Development Bank of Japan Inc.)	- shares
	Attendance at the Board of Directors Meetings -/-  Term of office: -	October 2008 January 2010 August 2011 June 2017 April 2018 June 2018 April 2019 June 2021	Managing Executive Officer, Development Bank of Japan Inc. Trustee Representative, Japan Airlines Co., Ltd. Representative Director President, FUKUOKA JISHO CO., LTD. Outside Director, NIPPON PISTON RING CO., LTD. Visiting Professor, The Graduate School of Project Design Director, The Nishinippon Shimbun Specially Appointed Professor, The Graduate School of Project Design (incumbent) Advisor, TERRACE MILE, Inc. (incumbent)	
<b>Reasons for nomination as a candidate for Outside Director and overview of expected roles</b>				
Mr. Kan Ishii possesses keen insight as a manager accumulated through his career, which includes important positions at an investment bank and an operating company and serving as Trustee Representative of Japan Airlines, in addition to deep knowledge and experience in corporate rehabilitation. The Company expects that he will utilize this knowledge to supervise, give advice, etc. with regard to business execution from a professional perspective as well as to contribute to, supervise, etc. the appointment of the Company's officer candidates and the determination of officer remuneration and the like from an independent and fair standpoint. For these reasons, it is judged that his knowledge and ability are essential to the Company's management, so the Company has nominated him as a new candidate for Outside Director.				

- Notes: 1. There is no particular interest between any of the candidates and the Company.
2. Mr. Akira Watanabe, Mr. Yutaka Nakamura, Mr. Takumi Shibata and Mr. Kan Ishii are candidates for Outside Director. These four candidates for Outside Director are candidates for independent officer as stipulated in Article 436-2 of the Securities Listing Regulations of Tokyo Stock Exchange, Inc. As the candidates also satisfy the independence criteria set forth by the Company, the Company deems that the independence of the candidates is assured. In addition, the Company has notified Tokyo Stock Exchange, Inc. of the designation of Mr. Akira Watanabe, Mr. Yutaka Nakamura, Mr. Takumi Shibata and Mr. Kan Ishii as independent officers.

3. Mr. Akio Yamashita and Mr. Jin Ryu both serve as a Managing Director of the Fortress Investment Group LLC. That company is a business entity with ties to Chidori Godo Kaisha, a major shareholder of the Company, and Kaede Godo Kaisha, a major lender to the Company.
4. Mr. Akira Watanabe has held a position at Maeda Road Construction Co., Ltd. as Outside Director. Although there is a business relationship between said company and the Company, the transaction amount is negligible (accounts for less than 0.1% of said company's and the Company's consolidated net sales in the most recent fiscal year), and, therefore, the Company deems that this does not affect his independence.
5. Pursuant to the provisions of Article 427, paragraph (1) of the Companies Act, the Company has entered into limited liability agreements with Mr. Akira Watanabe, Mr. Yutaka Nakamura, Mr. Akio Yamashita and Mr. Jin Ryu limiting their liability for damages under Article 423, paragraph (1) of the Companies Act, to the minimum limit amount prescribed by laws and regulations. The Company will continue these agreements if their re-election is approved.
6. If the election of Mr. Takumi Shibata and Mr. Kan Ishii is approved, pursuant to the provisions of Article 427, paragraph (1) of the Companies Act, the Company plans to enter into limited liability agreements with them limiting their liability for damages under Article 423, paragraph (1) of the Companies Act, to the minimum limit amount prescribed by laws and regulations.
7. The Company has entered into a directors and officers liability insurance policy pursuant to Article 430-3, paragraph (1) of the Companies Act with an insurance company, under which all of the Directors are the insureds. The policy details are described on page 28 of the Business Report. Furthermore, if each candidate assumes the office of Director, they will be insureds under the policy, and the Company intends to renew the policy during their term of office.
8. Ms. Mayumi Hayashima's name on her family register is Mayumi Tsuboi.
9. The number of shares shown for "Number of the Company's shares held" for each candidate includes shares held in the relevant stockholding association.

**[Reference]**

**Independence Criteria for the Company's Outside Officers  
(Directors and Audit & Supervisory Board Members)**

When electing Outside Directors or Outside Audit & Supervisory Board Members of the Company, in order for a nominee to be recognized as independent, the nominee must not fall under any of the criteria set forth below.

- (1) Person who executes business\* of the Leoplace21 Group (\*person who executes business of a corporation or other organization such as director (excluding outside director), corporate executive (*shikkoyaku*), executive officer, business-executing employee, administrative officer, or other officers or employees)
- (2) Major shareholder\* of the Company (\*shareholder who directly or indirectly holds 10% or more of the total voting rights) or a person who executes business thereof
- (3) Person who executes business of a corporation of which the Company is a major investor\* (\*entity who directly or indirectly holds 10% or more of the total voting rights)
- (4) Person for whom the Company is a major transaction counterparty\* (\*a transaction counterparty who provides the Company with goods or services and whose total amount of transactions to the Company in the most recent fiscal year is at least 2% of the total amount of that party's net sales or gross income) or a person who executes business thereof
- (5) Major transaction counterparty of the Company\* (\*a transaction counterparty to whom the Company provides goods or services and whose total amount of transactions with the Company in the most recent fiscal year is at least 2% of the total amount of the Company's net sales) or a person who executes business thereof
- (6) Person who executes business of a major financing institution of the Company\* (\*financing institution from which the Company makes borrowings of an amount in the most recent fiscal year of at least 2% of the total assets of the Company)
- (7) Person who belongs to the audit firm that performs the statutory auditing of the Company
- (8) Accounting specialist such as a certified public accountant, tax specialist such as a certified tax accountant, legal specialist such as an attorney at law or other consultant (hereinafter, collectively, "consultant and the like.") that receives remuneration other than officer remuneration from the Company of an amount in the most recent fiscal year that is at least JPY 10 million or 2% of the total net sales or gross income for that person, whichever is higher, or a person who belongs to such entity in the cases where the consultant and the like is an entity such as a corporation or partnership
- (9) Person who executes business at a company at which a person who executes business of the Company presently serves or within the past three years had served as an outside officer
- (10) In the case of a person/entity who has received a donation from the Company in the most recent fiscal year that is at least JPY 10 million or 2% of the total net sales or gross income for that person/entity, whichever is higher, that person or a person who executes business thereof
- (11) Person who fell under any of the above criteria (1) to (10) within the past three years
- (12) Person who is a relative within the second degree of kinship of or who shares living expenses with a person who falls under any of the above criteria (1) to (10) (provided, however, that such "person who executes business" is limited to persons who execute important business, such as directors (excluding outside directors), corporate executives (*shikkoyaku*), executive officers, business-executing employees, administrative officers and chief division officers for the above criteria (2) to (6), (9) and (10) and such "person who belongs" to an entity is limited to a person possessing the specialist qualifications, such as a certified public accountant or attorney at law for the above criteria (7) and (8))
- (13) Other person who can reasonably be judged as having equivalent conflict of interest with shareholders as the persons who fall under the above criteria (1) to (12)

(Attachments)

**BUSINESS REPORT (from April 1, 2021 to March 31, 2022)**

**Items Regarding Status of Group Operations**

**Overview of Operations**

The corporate earnings showed a recovery trend in the domestic economy during the fiscal year under review as a result of implementing infection prevention measures and boosting economic activities in parallel in the prolonged effect from COVID-19 pandemic. The outlook, however, remained uncertain because of concerns about the reemergence of infection due to outbreak of the Omicron variant and Russian invasion into Ukraine.

The new housing starts of leased units increased for the first time in five years (up 9.2% year on year). In the rental housing market, the number of vacant houses continues to increase, and in order to secure a stable occupancy rates amid difficulty in recovering nationwide demand, it is important to implement strategy package comprising: focus on supplying apartments in the three metropolitan areas where high occupancy rates are expected in the future; keep and enhance the property value through carrying out appropriate maintenance; implement area intensive strategy to cater for the respective business requirements and customer characteristics; and promote DX solutions for attracting customers by providing convenient services such as web-based contract signing, and other tenant services.

Under these circumstances, Leoplace21 Group (the “Group”) took selective concentration approach with prioritized allocation of the management resources into the Leasing Business, a core business, and continued structural reforms to fundamentally improve the business structure in accordance with announcement on structural reforms in June 2020. The Company strives to stabilize the business and financial position and continuously improve the profitability through cost-cutting efforts across the board.

As a result, net sales for the fiscal year ended March 31, 2022 became JPY 398,366 million, a decrease of 2.6% year on year and operating profit was JPY 1,774 million, compared with operating loss of JPY 29,182 million, due to the reduction of cost of sales and SGAE amounting to JPY 41,550 million against the previous fiscal year. The recording of interest expenses of JPY 4,474 million made recurring loss of JPY 2,151 million, a reduction of JPY 32,018 million in recurring loss against the previous fiscal year.

The Company managed to record net income attributable to shareholders of the parent of JPY 11,854 million, which is the first time recording a profit in four fiscal years since the fiscal year ended March 31, 2018, compared with net loss attributable to shareholders of the parent of JPY 23,680 million for the previous fiscal year. The improvement was mainly contributed by the recording of the reversal of provision for losses related to repairs of JPY 11,959 million because of lowered unit repair cost by insourcing repairs and tightened control on supplier selection combined with reduced number of buildings to be repaired due to updated deficiency judgment and demolition, and the recording of income taxes – deferred of negative JPY 4,401 million.

The Company has adopted the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) from the beginning of the fiscal year ended March 31, 2022. For the fiscal year ended March 31, 2022, net sales have been increased by JPY 1,325 million, cost of sales has been reduced by JPY 1,580 million, and operating profit has been increased by JPY 2,905 million, recurring loss has been decreased by the same amount, and income before taxes and other adjustments has been increased by the same amount.

In addition, in order to ensure the flexibility and speediness of the capital policy, and in accordance with the resolution at the 48th Ordinary General Shareholders' Meeting held on June 29, 2021, the Company reduced the common stock on August 10, 2021 by JPY 81,182 million from JPY 81,282 million to make an amount of common stock of JPY 100 million.

#### Leasing Business

In Leasing Business, the Company provides abundant value-added services such as support for remote services such as web-based customer services, apartment viewing and rental contract signing, my DIY which allows the tenants to customize a selected single wall of the room, promotion of the transition to smart apartments which enables electrical appliances and door locks, to be operated by smartphone, and security services in collaboration with large security companies. In order to achieve stable occupancy rates, the Company has been strengthening tie with real estate agents as well as implementing area intensive approach which deals with area specific requirements.

The occupancy rate as of March 31, 2022 was 85.10% (up 3.38 points from the end of the previous fiscal year) with average occupancy rate of 81.22% (up 2.33 points year on year). The demand for apartment rooms was recovering due to the slowdown impact of COVID-19 pandemic, restored demand by corporate customers which had been subdued, and successful measure of strengthened tie with real estate agents. The number of units under management was 567 thousand (a decrease of 6,300 from the end of the previous fiscal year).

The number of direct leasing sales offices as of March 31, 2022 was 109 (a reduction of 30 from the end of the previous fiscal year). That reflected efforts to increase the operational efficiency and productivity.

The orders received was JPY 2,792 million (down 52.9% year on year) and the backlog of orders was JPY 6,133 million (down 36.5% from the end of the previous fiscal year) due to the suspension of new orders for apartment buildings and others against the backdrop of construction defect issues for parting walls.

In terms of profit and loss, despite the increasing occupancy rate, net sales came to JPY 383,043 million (down 2.3% year on year) due to the lowered unit rent resulting from the impact of COVID-19 pandemic and the reduction of construction subcontracting business. Operating profit was JPY 7,719 million due to the reduction of management cost and SGAE, contractual adjustment of master-lease rent and reversal of provision for apartment vacancy loss based on aggregated impact of improving profitability of our management units (operating loss of JPY 19,385 million was recorded in the fiscal year ended March 31, 2021).

#### Elderly Care Business

The Company has been cutting the operational cost by continuous efficiency improvement for the Elderly Care Business. Net sales during the fiscal year ended March 31, 2022 were JPY 14,258 million (down 1.8% year on year), and operating loss was JPY 789 million (a deterioration of JPY 68 million year on year) due to a decrease in the number of users for elderly care services as a result of the concerns about the infection risk of COVID-19. The number of facilities was 87 as of the end of the fiscal year ended March 31, 2022.

#### Other Businesses

Net sales of the Other Businesses including resort facilities in Guam were JPY 1,064 million (down 56.9% year on year) and operating loss was JPY 1,668 million (a deterioration of JPY 116 million year on year) mainly due to a significant decline in occupancy rates in Guam because of COVID-19 pandemic.

## Issues to Be Addressed

The Group sets three management policies for the fiscal year ending March 31, 2023 (FY2022): Constant Structural Reforms, Promoting Sustainability, and Construction Defects Management.

- Constant Structural Reforms

Increasing occupancy rate

We aim to achieve our targets by implementing strategies for increasing occupancy rate for each of the following defined customer categories:

Corporate customers: Deploy top sales representation, boost sales structure, and implement strategies tailored to the individual company to increase market share and increase the room usage balance.

Individual customers: Liaise and partner with real estate agencies and strengthen web-based customer attraction.

Foreign national customers: Increase usage by specified skilled workers through strengthening liaisons with companies that support foreign national human resources and organizations that can offer specific support to ensure a safe and comfortable living and working environment.

Capture demand from foreign national students by proactively meeting customer needs with shops that can provide multilingual service and by liaising with real estate agencies and international study centers.

Controlling cost structure

In addition to reducing costs through continuation of contractual adjustment of master-lease rent carried out since last year and business streamlining efforts (outsourcing of call center operation, and centralization of rental contracts to metropolitan areas), we are working to generate profits and strengthen ownership equity by optimizing the cost structure through certain cost-focused initiatives and selective concentration in operations to provide for maintenance to maintain and improve property values for the future, for recording provision for bonuses, and for various sales measures, etc. necessary to improve earnings.

- Promoting Sustainability

We aim to achieve sustainable growth and improve corporate value over the medium to long term by increasing operational sustainability through promoting business activities conducive to environmental, social and economic sustainability, while offering products and services that meet contemporary needs by promoting digital transformation (DX) focused on Real Estate Tech including the use of web-based customer attraction and contract signing, and use of accumulated data.

As one of our initiatives for the Sustainable Development Goals (SDGs), we aim to reduce the Scope 1 and 2 CO<sub>2</sub> emissions from facilities related to the Company (emissions from the use of electricity and gas, and vehicle gasoline), by 26% by FY2030 when compared with FY2016.

- Construction Defects Management

In response to the problem of construction defects that have occurred in the Company's constructed properties, we will make steady progress in repairing the

construction defects while working to restore the financial foundation with the aim of completely eliminating obvious defects by 2024.

Moreover, keeping recurrence prevention at the top of management's priorities, we are continuing initiatives to avoid similar incidents taking place by concentrating on the following policies: Fundamental Reform of the Corporate Culture, Restructuring of the System for Compliance and Risk Management, and Revision of the Construction Business Framework. In addition to providing progress status reports on repair work, we present the information on the Company's website.

We aim to recover our business performance further and restore trust by steadily implementing the above measures. We ask shareholders for your continued understanding and support of these endeavors.

### **Significant Events Relating to Going Concern Assumption**

The Group recorded an operating loss in the previous fiscal year for two consecutive years and a net loss attributable to shareholders of the parent as well as negative cash flows from operating activities for three consecutive years; therefore, there were events or conditions that raise significant doubt about the Company's going concern assumption.

In order to resolve this situation, the Group raised in November 2020 funds by issuance of new shares through third-party allotment, by a loan with share subscription rights, and by issuance of preferred stock by a consolidated subsidiary Leopalace Power Corporation to raise total funds of JPY 57,215 million.

Furthermore, the Group has been engaged in measures for drastic structural reforms such as transferring or withdrawing from non-core and unprofitable businesses, contractual adjustment of master-lease rent as a result of agreement with the property owners, and reduction of management cost for improved financial position. The Company has been also working to improve occupancy rates to stabilize the business performance by accelerating customer acquisition through aggressive use of real estate agents network and promotion of remote services, such as web-based customer service, apartment viewing and contract signing.

In the fiscal year ended March 31, 2022, the Company recorded operating profit of JPY 1,774 million and net income attributable to shareholders of the parent of JPY 11,854 million and thus attained profitability.

In terms of cash liquidity, the balance of cash and deposits as of March 31, 2022 was JPY 45,523 million, which is sufficient funds to carry on as a going concern for the present time.

Consequently, the Group believes that there are no significant uncertainties regarding the going concern assumption as of March 31, 2022.

### **Capital Investment**

The total amount of capital investment carried out by the Group in the fiscal year under review was JPY 1,487 million.

The main components of this were JPY 598 million for investment in rental properties in connection with the Leasing Business in Japan, JPY 683 million for investment of an information system in connection with the company overall, and JPY 93 million for investment of an information system in connection with the Leasing Business.

In addition, the Group sold an amount of non-current assets totaling JPY 1,458 million in the fiscal year under review.

The main components of this were JPY 1,454 million for sale of rental properties in connection with the Leasing Business overseas.

## Financing Activities

Not applicable.

## Major Subsidiaries (as of March 31, 2022)

Company Name	Capital	Voting Rights Ratio	Major Areas of Operation
Leopalace Leasing Corporation	JPY 400 million	100.0%	Corporate Housing Management Business Real Estate Brokerage Business
Plaza Guarantee Co., Ltd.	JPY 50 million	100.0%	Rent Obligation Guarantee Business
Leopalace Power Corporation	JPY 80 million	68.1%	Solar Power Generation Business
Leopalace Energy Corporation	JPY 20 million	68.1% (68.1%)	Electricity Retail Business
ASUKA SSI	JPY 1,000 million	100.0%	Small-Amount, Short-Term Insurance Business
Leopalace21 Business Consulting (Shanghai) Co., Ltd.	5,359 thousand RMB	100.0%	Consulting Business
Leopalace21 (Thailand) CO., LTD.	247,681 thousand THB	100.0%	(Note) 2
Leopalace21 (Cambodia) Co., Ltd.	18,750 thousand USD	100.0%	(Note) 2
LEOPALACE21 PHILIPPINES INC.	262,674 thousand Philippine Peso	100.0%	Serviced Offices Business
Leopalace21 Singapore Pte. Ltd.	35,749 thousand SGD	100.0%	Investment Consulting Business
Morizou Co., Ltd.	JPY 85 million	88.2%	Construction Business of Custom-Built Detached Houses
Azu Life Care Co., Ltd.	JPY 80 million	100.0%	Elderly Care Business
Leopalace Guam Corporation	26,000 thousand USD	100.0%	Resort Business
Leopalace Smile Co., Ltd.	JPY 10 million	100.0%	Clerical Work Outsourcing Service Business

- Notes: 1. The Company has excluded PT. Leopalace Duasatu Realty and one other entity, which were consolidated subsidiaries, from the scope of consolidation from the fiscal year under review because of their decrease in materiality.
2. Decisions to liquidate Leopalace21 (Cambodia) Co., Ltd. and Leopalace21 (Thailand) CO., LTD., were made at meetings of the Board of Directors held on September 29, 2021, and February 25, 2022, respectively, and currently those liquidation procedures are in process.
3. There was no specified wholly-owned subsidiary as of the end of the fiscal year under review.
4. Figures in parenthesis in the voting rights ratio column indicate indirect ownership ratios, and these are included in the total.

## Major Areas of Operation (as of March 31, 2022)

Segment	Areas of Operation
Leasing Business	Leasing and management of apartments, repair work, broadband service, rent obligation guarantee business, corporate housing management business, solar power generation business, small-amount, short-term insurance business, serviced offices business, real estate brokerage business, contracted construction work for apartments and custom-built detached houses, etc.
Elderly Care Business	Operation of elderly care facilities
Other Businesses	Operation of resort facilities, finance business, clerical work outsourcing service business, etc.

## Major Business Locations of the Group (as of March 31, 2022)

### The Company

Head Office	Nakano-ku, Tokyo
Regional	47 prefectures nationwide
Headquarters	(Leopalace centers: 103 branches) Overseas (Leopalace centers and other 7 branches [People's Republic of China: 4 branches; the Republic of Korea: 1 branch; Taiwan: 1 branch; Myanmar: 1 branch])
Care Facilities	62 facilities nationwide (Tokyo: 4 facilities; Chiba Prefecture: 16 facilities; Saitama Prefecture: 22 facilities; Kanagawa Prefecture: 3 facilities; Ibaraki Prefecture: 8 facilities; Tochigi Prefecture: 7 facilities; Gunma Prefecture: 2 facilities)

### Major Subsidiaries

Leopalace Leasing Corporation	Nakano-ku, Tokyo
Plaza Guarantee Co., Ltd.	Nakano-ku, Tokyo
Leopalace Power Corporation	Nakano-ku, Tokyo
Leopalace Energy Corporation	Nakano-ku, Tokyo
ASUKA SSI	Nakano-ku, Tokyo
Leopalace21 Business Consulting (Shanghai) Co., Ltd.	The People's Republic of China
Leopalace21 (Thailand) CO., LTD.	The Kingdom of Thailand
Leopalace21 (Cambodia) Co., Ltd.	The Kingdom of Cambodia
LEOPALACE21 PHILIPPINES INC.	The Republic of the Philippines
Leopalace21 Singapore Pte. Ltd.	The Republic of Singapore
Morizou Co., Ltd.	Toda-shi, Saitama
Azu Life Care Co., Ltd.	Nakano-ku, Tokyo
Leopalace Guam Corporation	Guam (a territory of the U.S.A.)
Leopalace Smile Co., Ltd.	Nakano-ku, Tokyo

## Employees of the Group (as of March 31, 2022)

### 1. Employees of the Group

Segment	Number of Employees	
Leasing Business	2,588	[327]
Elderly Care Business	1,138	[1,220]
Other Businesses	229	[20]
All companies (common)	401	[3]
Total	4,356	[1,570]

Notes: 1. The number of employees indicates the number of full-time employees. The average annual number of temporary employees (part-time workers and dispatched workers) is indicated separately in square brackets.

2. The number of employees indicated as all companies (common) is the number of those working in administrative departments.

### 2. Employees of the Company

Number of Employees	Change Since Previous FY	Average Age	Average Years of Service
3,589 [1,233]	(583)	40 years and 3 months	11 years and 6 months

Notes: 1 The number of employees indicates the number of full-time employees. The average annual number of temporary employees (part-time workers and dispatched workers) is indicated separately in square brackets.

2. The number of employees decreased by 583 employees since the end of the previous fiscal year, and the main reason was due to the voluntary retirements.

## Major Lenders (as of March 31, 2022)

Lender	Loan Balance at End of the Fiscal Year under Review (JPY million)
Kaede Godo Kaisha	30,000

## Items Regarding Shares of the Company (as of March 31, 2022)

- **Number of shares authorized** 750,000,000 shares
- **Number of shares outstanding** 329,389,515 shares
- **Number of shareholders** 50,972
- **Major shareholders (top 10 shareholders)**

Shareholder Name	Number of Shares Held (thousands of shares)	Percentage of Outstanding Shares (%)
Chidori Godo Kaisha	84,507	25.69
Ardisia Investment, Inc.	50,581	15.37
The Master Trust Bank of Japan, Ltd. (Trust Account)	24,470	7.44
Noriyasu Shimada	13,045	3.96
STATE STREET BANK AND TRUST COMPANY 505103	9,389	2.85
MSIP CLIENT SECURITIES	6,334	1.92
Stockholding Association for Leoplace21's Apartment Owners	6,115	1.85
Stockholding Association for Leoplace21's Business Connection	5,706	1.73
GOLDMAN SACHS INTERNATIONAL	3,967	1.20
JP JPMSE LUX RE J.P. MORGAN SEC PLCEQ CO	3,859	1.17

- Notes: 1. At the Ordinary General Shareholders' Meeting held on June 29, 2021, amendments to the Articles of Incorporation were made and the number of shares authorized was increased by 250,000,000 shares to 750,000,000 shares, effective that day.
2. Of the shares held by The Master Trust Bank of Japan, Ltd. (Trust Account) as of March 31, 2022, those held in trust accounts as part of trust bank operations were 10,206 thousand shares.
3. The above percentage of outstanding shares is calculated excluding treasury stock.
4. The Company confirmed that an absorption-type merger with UH Partners 2 as the surviving company and Ardisia Investment, Inc. as the non-surviving company was conducted on March 31, 2022, and that all shares of the Company held by Ardisia Investment were transferred to UH Partners 2 as a result of the submission of a Statement of Changes and a Statement of Large-Volume Holdings on April 7, 2022.

### ● Shareholder composition

Financial institutions	9.27%	(30,524 thousand shares)
Foreign corporations	18.47%	60,827 thousand shares)
Treasury stock	0.15%	(493 thousand shares)
Individuals and other	27.97%	(92,150 thousand shares)
Business corporations and other legal entities	42.87%	(141,220 thousand shares)
Financial instruments business operators	1.27%	(4,173 thousand shares)

## Share Subscription Rights and Others

### 1. Share subscription rights delivered as consideration for execution of duties and held by officers of the Company as of the final day of the fiscal year under review

		2nd series share subscription rights	3rd series share subscription rights	4th series share subscription rights	
Issuance resolution date		July 28, 2016	August 28, 2017	August 28, 2018	
Amount paid in for share subscription rights		Payment not required	Payment not required	Payment not required	
Value of property to be contributed upon exercise of share subscription rights		JPY 100 per 1 share subscription right (JPY 1 per share)	JPY 100 per 1 share subscription right (JPY 1 per share)	JPY 100 per 1 share subscription right (JPY 1 per share)	
Issue price of shares and amount incorporated into capital in case of issuance due to exercise of share subscription rights		Issue price: JPY 548; amount incorporated into capital: JPY 274	Issue price: JPY 529; amount incorporated into capital: JPY 265	Issue price: JPY 333; amount incorporated into capital: JPY 167	
Exercise period		From August 19, 2016 through August 18, 2016	From September 15, 2017 through September 14, 2017	From September 15, 2018 through September 14, 2018	
Status of officers' holdings	Directors (excluding Outside Directors)	Number of share subscription rights	197 units	216 units	226 units
		Number of underlying shares	19,700 shares of common stock	21,600 shares of common stock	22,600 shares of common stock
		Number of holders	2 persons	2 persons	3 persons
	Audit & Supervisory Board Members	Number of share subscription rights	—	—	—
		Number of underlying shares	—	—	—
		Number of holders	—	—	—

**2. Share subscription rights delivered as consideration for execution of duties to employees and others during the fiscal year under review**

Not applicable.

**3. Other share subscription rights**

**Share subscription rights issued for a loan with share subscription rights in accordance with the resolution of the Board of Directors on September 30, 2020**

Aggregate number of share subscription rights	159,748,700 units
Class and number of shares underlying share subscription rights	159,748,700 shares of common stock (1 share per share subscription right)
Amount paid in for share subscription rights	JPY 1.35 per share subscription right
Date of payment of share subscription rights	November 2, 2020
Value of property to be contributed upon exercise of share subscription rights	JPY 142 per share
Exercise period of share subscription rights	From November 2, 2020 through November 2, 2025
Issue price of shares and amount incorporated into capital in case of issuance due to exercise of share subscription rights	Issue price: JPY 143.350 Amount incorporated into capital: JPY 71.675
Conditions for exercise of share subscription rights	No share subscription rights may be exercised in part.
Allotment method and scheduled allottee	All issued share subscription rights were allotted to Chidori Godo Kaisha, a related business entity of Fortress Investment Group LLC, through third-party allotment.
Balance of loan with share subscription rights	JPY 30,000 million

## Items Regarding Directors/Audit & Supervisory Board Members of the Company

### 1. Directors and Audit & Supervisory Board Members (as of March 31, 2022)

Name	Title	Duties in the Company and Significant Concurrent Positions
Bunya Miyao	Representative Director, President and CEO	President and CEO / Chief of the Business Operation Headquarters Director, Leoplace Guam Corporation
Shigeru Ashida	Director	Managing Executive Officer / Chief of the Corporate Management Headquarters / Chief of the Construction Defects Response Headquarters (concurrent) President and CEO, Leoplace Power Corporation
Mayumi Hayashima	Director	Executive Officer / Chief of the Compliance Promotion Headquarters, Chief Legal Officer (CLO)/ Deputy Chief of the Corporate Management Headquarters (concurrent)
Kazuyasu Fujita	Director	Representative Director and President, Management Consulting Partner, Inc.
Yutaka Nakamura	Director	
Akira Watanabe	Director	Outside Audit & Supervisory Board Member, KADOKAWA CORPORATION Director, ASIA PILE HOLDINGS CORPORATION Outside Director, Maeda Road Construction Co., Ltd. Partner, Comm & Path Law Office
Akio Yamashita	Director	Representative in Japan and Managing Director, Fortress Investment Group (Japan) GK Director, PJC Investments Director, Accordia Next Golf Co., Ltd. Director, Accordia Golf Management Co., Ltd. Director, Accordia Golf co., Ltd. Director, Green Golf Management Co., Ltd. Director, Next Golf Management Corporation
Jin Ryu	Director	Managing Director, Fortress Investment Group (Japan) GK Director, FHK Company Director, PJC Investments Director, Accordia Next Golf Co., Ltd. Director, Accordia Golf Management Co., Ltd. Director, Accordia Golf co., Ltd. Director, Green Golf Management Co., Ltd. Director, Next Golf Management Corporation
Jiro Yoshino	Full-time Audit & Supervisory Board Member	
Kenichiro Samejima	Full-time Audit & Supervisory Board Member	
Takao Yuhara	Audit & Supervisory Board Member	Outside Audit & Supervisory Board Member, KAMEDA SEIKA CO., LTD. Outside Director, T. HASEGAWA CO., LTD.
Yoshitaka Murakami	Audit & Supervisory Board Member	

Notes: 1. Mr. Kazuyasu Fujita, Mr. Yutaka Nakamura, Mr. Akira Watanabe, Mr. Akio Yamashita, and Mr. Jin Ryu serve as Outside Directors of the Company.  
2. Mr. Jiro Yoshino and Mr. Takao Yuhara serve as Outside Audit & Supervisory Board Members of the Company.  
3. Mr. Akira Watanabe is a qualified lawyer.  
4. The Company has designated Outside Directors Mr. Kazuyasu Fujita, Mr. Yutaka Nakamura and Mr. Akira

Watanabe, and Outside Audit & Supervisory Board Members Mr. Jiro Yoshino and Mr. Takao Yuhara as independent officers stipulated by Tokyo Stock Exchange, Inc. and has registered with the Stock Exchange accordingly.

5. Changes in positions and duties of Directors after the end of the fiscal year under review are as follows:

Name	New Positions and Duties	Former Positions and Duties	Date of Change
Bunya Miyao	Representative Director, President and CEO Chief of the Construction Defects Response Headquarters	Representative Director, President and CEO Chief of the Business Operation Headquarters	May 1, 2022
Shigeru Ashida	Director and Managing Executive Officer	Director and Managing Executive Officer Chief of the Corporate Management Headquarters Chief of the Construction Defects Response Headquarters (concurrent)	May 1, 2022
Mayumi Hayashima	Director and Managing Executive Officer Chief of the Leasing Business Headquarters	Director, Executive Officer Chief of the Compliance Promotion Headquarters, CLO Deputy Chief of the Corporate Management Headquarters (concurrent)	May 1, 2022

## 2. Outline of limited liability agreement

Pursuant to the provisions of Article 427, paragraph (1) of the Companies Act, the Company has entered into limited liability agreements with Directors (excluding Directors who are Executive Directors) and Audit & Supervisory Board Members to limit their liability for damages under Article 423, paragraph (1) of the Companies Act. The limit of the liabilities under such agreements shall be the minimum limit amount prescribed by laws and regulations.

## 3. Outline of directors and officers liability insurance policy

The Company has entered into a directors and officers liability insurance policy pursuant to Article 430-3, paragraph (1) of the Companies Act with an insurance company. The scope of insureds includes Directors, Audit & Supervisory Board Members, Executive Officers, and significant employees under the Companies Act, and the insurance premiums are not borne by the insureds.

The insurance policy covers the cost of damages payment, legal expenses, etc. to be borne by the insured arising from claims for damages from shareholders, third parties, etc.

However, to ensure that the properness of performance of duties by the insureds is not impaired, the insurance policy does not cover losses in cases where claims for damages arise from criminal acts and others of the insureds.

## 4. Retired Directors and Audit & Supervisory Board Members during the fiscal year under review

Directors Mr. Tadashi Kodama, Mr. Tetsuji Taya, and Mr. Hisafumi Koga retired from office at the conclusion of the 48th Ordinary General Shareholders' Meeting held on June 29, 2021, due to the expiry of their terms of office.

## **5. Directors' and Audit & Supervisory Board Members' remuneration and others**

### **(1) Things including the policy for determining the content of board members' remuneration and others**

The Company adopted a resolution on the policy for determining the content of individual remuneration for Directors and others at the Board of Directors meeting held on February 24, 2021. In this resolution of the Board of Directors, the Board of Director consulted with the Nomination and Compensation Committee in advance on the content to be resolved, and received a report from the Committee.

Furthermore, as for individual remuneration and others for Directors for the fiscal year under review, the Board of Directors has confirmed that the method for determining the content of remuneration and others and the determined content of remuneration and others are consistent with the determination policy resolved by the Board of Directors and the report from the Nomination and Compensation Committee is respected, and judged that the content reflects the policy.

Details of the policy for determining the content of individual remuneration and others for Directors are as follows:

#### **(a) Basic policy**

The Company's basic policy is to have a remuneration system for Directors – specifically regarding decisions on the amount of remuneration and others for Directors or the method of calculating it – that will contribute to enhancing the Company's business performance and corporate value over a diverse range.

The remuneration for Executive Directors has four components: the basic remuneration as fixed remuneration, stock options, which are designed to boost medium- to long-term Company performance and corporate value by sharing the advantages and disadvantages of stock price fluctuations with the shareholders, annual bonuses on the attainment of single fiscal year management targets, and bonuses for the medium-term management plan period on the attainment of the medium-term management plan.

To Outside Directors, only the basic remuneration shall be paid, in light of their duties.

In the development of the remuneration system, the Company creates a remuneration table in light of each Director's duties and related risk, taking into account other companies' remuneration level, the Company's business performance and employees' salary level, and determines the system based on this table.

#### **(b) Policy for determining the amount of monetary remuneration (basic remuneration, annual bonuses and bonuses for the Medium-term Management Plan period)**

The basic remuneration is determined based on a basic remuneration table, which is developed in light of duties and related risk for each position.

For the annual performance bonuses, whether or not the bonuses are paid, and the amount of the bonuses paid are determined based on the annual bonuses table, which is developed in light of duties and related risk for each position, in view of quantitative factors such as the Company's business performance and qualitative factors such as strengthening of the management base, according to assessment made by comprehensively taking into account a degree of contribution and expectation of each Director.

For the performance bonuses for the Medium-term Management Plan period, whether or not the bonuses are paid, and the amount of the bonuses paid are determined based on the medium-term bonuses table, which is developed in light

of duties and related risk for each position, in view of quantitative factors such as the Company's business performance and qualitative factors such as strengthening of the management base, according to assessment made by comprehensively taking into account a degree of contribution of each Director.

- (c) Policy for determining the content and amount or the method for numerical calculation of non-monetary remuneration and others.

For stock options as stock-based remuneration that fall under non-monetary remuneration and others, whether or not the stock options are granted, and the number of units granted are determined based on the stock option table, which is developed in light of duties and related risk for each position, according to the assessment made by comprehensively taking into account the Company's business performance and a degree of contribution of each Director.

- (d) Policy for determining the ratio to the amount of each individual remuneration

For the remuneration ratio by type of Executive Directors, the content of individual remuneration for Directors shall be determined by the ratio in the remuneration table by type based on a board members' remuneration system determined by the Board of Directors.

A rough indication for the ratio by type shall be the following composition ratio in adequate performance ratings. However, the bonuses for the Medium-term Management Plan period are not included.

Position	Monetary remuneration	Non-monetary remuneration and others
Representative Director	83%	17%
Director	82% – 83%	17% – 18%

The composition ratio in basic remuneration, annual bonuses and non-monetary remuneration is as follows:

Position	Basic remuneration	Annual performance bonuses	Non-monetary remuneration
Representative Director	53%	30%	17%
Director	49% – 53%	30% – 32%	17% – 18%

- (e) Policy for determining the timing or conditions for providing remuneration and others to Directors

For the basic remuneration, the annual amount shall be determined and this remuneration amount shall be prorated by the number of months in office and paid as monthly remuneration.

For the annual bonuses, the annual amount shall be determined and this remuneration amount shall be paid at a certain timing.

For the bonuses for the Medium-Term Management Plan period, the amount for the covered period shall be determined after the period of the Medium-term Management Plan ends, and this remuneration amount shall be paid by adding it to the annual bonuses for the next fiscal year.

For the stock options, the annual number of share subscription rights granted shall be determined, and become exercisable after the grantee retires as board member of the Group.

(f) Matters regarding determination of the content of individual remuneration for Directors and others

For the amount of individual remuneration, determination of the specific content shall be delegated to Representative Director, President and CEO based on resolution of the Board of Directors.

The content of delegated authority shall be determination of assessment based on the performance of the business of which the Executive Director is in charge, and each remuneration amount shall be determined based on the remuneration table by type of remuneration in accordance with the outcome of assessment.

To ensure that the authority is appropriately exercised by Representative Director, President and CEO, the Board of Directors shall make the Nomination and Compensation Committee deliberate the specific content of individual remuneration that is prepared by Representative Director, President and CEO, and receive a report from the Committee. The above delegated Representative Director, President and CEO must make the determination based on the content of the report.

The Nomination and Compensation Committee has been set up as an advisory organization for the Board of Directors in order to ensure appropriateness of the amount of individual remuneration. The Nomination and Compensation Committee shall be operated in accordance with the provisions of the Nomination and Compensation Committee Rules.

The Nomination and Compensation Committee assesses reasonableness of the board members' remuneration system and submits a report to the Board of Directors. In addition, the committee objectively assesses the examination process for determination of individual remuneration by Representative Director, President and CEO to which authority for the individual remuneration amount was delegated based on a resolution of the Board of Directors, and submits a report to the Board of Directors. This way the Company ensures reasonableness, objectivity and transparency of individual assessment and remuneration amount for board members.

## (2) Total amount of remuneration and others in the fiscal year under review

Category	Total amount of remuneration and others (JPY million)	Total amount of remuneration and others by type (JPY million)			Number of eligible board members (persons)
		Basic remuneration	Performance-linked remuneration and others	Non-monetary remuneration and others	
Directors (of which, Outside Directors)	124 (63)	124 (63)	– (–)	– (–)	11 (8)
Audit & Supervisory Board Members (of which, Outside Audit & Supervisory Board Members)	38 (19)	38 (19)	– (–)	– (–)	4 (2)
Total (of which, Outside Directors and Audit & Supervisory Board Members)	162 (82)	162 (82)	– (–)	– (–)	15 (10)

- Notes:
1. Among the above-mentioned figures, there includes three Directors who retired on June 29, 2021.
  2. The date of resolution at the General Shareholders' Meeting on remuneration for Directors of the Company and others is June 29, 2017. It was resolved that the amount of monetary remuneration for Directors is JPY 800 million or less per year (of which the amount of remuneration for Outside Directors is JPY 100 million or less per year, and which does not include employee salaries for Directors concurrently serving as employees), the amount of non-monetary remuneration (amount of stock options as stock-based remuneration) for Directors (excluding Outside Directors) is JPY 300 million or less per year (not including employee salaries for Directors concurrently serving as employees), and the individual remuneration amount is left to the discretion of the Board of Directors. The number of Directors related to the resolution as at the conclusion of the General Shareholders' Meeting was 11 (including three Outside Directors).
  3. It was resolved at the Ordinary General Shareholders' Meeting held on June 29, 2004, that the amount of monetary remuneration for the Company's Audit & Supervisory Board Members is JPY 60 million or less per year. The number of Audit & Supervisory Board Members related to the resolution as at the conclusion of the General Shareholders' Meeting was four.
  4. Directors' remuneration has been determined by Bunya Miyao, Representative Director, President and CEO in accordance with the policy described in (1) (f) above.

## Items Regarding Outside Officers

### 1. Significant Concurrent Positions of Outside Officers and Their Relationships with the Company

Title	Name	Significant Concurrent Positions	Relationships with the Company
Director	Kazuyasu Fujita	Representative Director and President, Management Consulting Partner, Inc.	There are no particular relationships with the Company requiring specific mention.
Director	Akira Watanabe	Outside Audit & Supervisory Board Member, KADOKAWA CORPORATION Director, ASIA PILE HOLDINGS CORPORATION Outside Director, Maeda Road Construction Co., Ltd. Partner, Comm & Path Law Office	There are business transaction relationships between Maeda Road Construction Co., Ltd. and the Company, however, the transactions are conducted under the same conditions as with other general companies. There are no particular relationships with the Company requiring specific mention.  In addition, there are no other relationships requiring specific mention between the Company and the other entities at which concurrent positions are held.
Director	Akio Yamashita	Representative in Japan and Managing Director, Fortress Investment Group (Japan) GK Director, PJC Investments Director, Accordia Next Golf Co., Ltd. Director, Accordia Golf Management Co., Ltd. Director, Accordia Golf co., Ltd. Director, Green Golf Management Co., Ltd. Director, Next Golf Management Corporation	Fortress Investment Group LLC is a business entity with ties to Chidori Godo Kaisha, a major shareholder of the Company, and Kaede Godo Kaisha, a major lender to the Company.
Director	Jin Ryu	Managing Director, Fortress Investment Group (Japan) GK Director, FHK Company Director, PJC Investments Director, Accordia Next Golf Co., Ltd. Director, Accordia Golf Management Co., Ltd. Director, Accordia Golf co., Ltd. Director, Green Golf Management Co., Ltd. Director, Next Golf Management Corporation	Fortress Investment Group LLC is a business entity with ties to Chidori Godo Kaisha, a major shareholder of the Company, and Kaede Godo Kaisha, a major lender to the Company.
Audit & Supervisory Board Member	Takao Yuhara	Outside Audit & Supervisory Board Member, KAMEDA SEIKA CO., LTD. Outside Director, T. HASEGAWA CO., LTD.	There are no particular relationships with the Company requiring specific mention.

## 2. Key Activities in the Fiscal Year under Review

Title	Name	Attendance of the Board of Directors Meetings	Attendance of the Audit & Supervisory Board Meetings	Key activities and Overview of Duties in Relation to the Role Expected of Outside Directors
Director	Kazuyasu Fujita	25/25	-	Mr. Fujita expressed his opinions on the overall management mainly based on his abundant insight as a senior manager of a listed company. He has fulfilled an appropriate role to ensure the reasonableness and appropriateness of decision-making by the Board of Directors particularly by providing supervision, advice, etc. on business turnaround as well as construction and technologies from a specialist standpoint. In addition, as a member of the Nomination and Compensation Committee, he served the supervisory function in processes of nominating candidates for the Company's officer and determining board members' remuneration from an objective and neutral viewpoint.
Director	Yutaka Nakamura	23/25	-	Mr. Nakamura expressed his opinions on the overall management mainly based on his deep experience and knowledge in the housing industry. He has fulfilled an appropriate role to ensure the reasonableness and appropriateness of decision-making by the Board of Directors particularly by providing supervision, advice, etc. on quality management and environmental management in construction work from a specialist standpoint. In addition, as a member of the Nomination and Compensation Committee, he served the supervisory function in processes of nominating candidates for the Company's officer and determining board members' remuneration from an objective and neutral viewpoint.
Director	Akira Watanabe	24/25	-	Mr. Watanabe used his specialized knowledge as an attorney at law and deep knowledge and experience in corporate management as an outside director at other companies to provide advice on the overall management of the Company and to make comments in order to ensure the reasonableness and appropriateness of decision-making by the Board of Directors. In addition, as a member of the Nomination and Compensation Committee, he served the supervisory function in processes of nominating candidates for the Company's officer and determining board members' remuneration from an objective and neutral viewpoint.

Title	Name	Attendance of the Board of Directors Meetings	Attendance of the Audit & Supervisory Board Meetings	Key activities and Overview of Duties in Relation to the Role Expected of Outside Directors
Director	Akio Yamashita	17/18	-	Mr. Yamashita expressed his opinions on the overall management based on his abundant work experience and achievements as an officer and employee of financial institutions. He has appropriately provided suggestions to ensure the reasonableness and appropriateness of decision-making by the Board of Directors particularly by providing supervision, advice, etc. on the real estate related businesses, corporate rehabilitation and business restructuring, and finance from a specialist standpoint. In addition, as a member of the Nomination and Compensation Committee, he served the supervisory function in processes of nominating candidates for the Company's officer and determining board members' remuneration from an objective and neutral viewpoint.
Director	Jin Ryu	18/18	-	Mr. Ryu expressed his opinions on the overall management based on his abundant work experience and achievements as an officer and employee of an investment fund. He has appropriately provided suggestions to ensure the reasonableness and appropriateness of decision-making by the Board of Directors particularly by providing supervision, advice, etc. on the real estate related businesses, corporate rehabilitation and business restructuring, and finance from a specialist standpoint.
Audit & Supervisory Board Member	Jiro Yoshino	25/25	13/13	Mr. Yoshino has abundant experience and expert knowledge as an executive officer and audit & supervisory board member of listed companies. He has objectively conducted proper supervision of the management of the Company.
Audit & Supervisory Board Member	Takao Yuhara	22/25	13/13	Mr. Yuhara has abundant experience and expert knowledge as an audit & supervisory board member of several companies after serving in positions such as that of CFO of a listed company. He has objectively conducted proper supervision of the management of the Company.

Note: The records for Outside Director Mr. Akio Yamashita and Mr. Jin Ryu cover the period since they assumed office on June 29, 2021.

## Status of Accounting Auditor

### 1. Name of Accounting Auditor

Grant Thornton Taiyo LLC

### 2. Amount of Remuneration and others

Segment	Amount Paid
Amount of Accounting Auditor remuneration and others in the fiscal year under review	JPY 97 million
Total amount owed to Accounting Auditor by the Company and its subsidiaries in the form of cash or other financial benefit	JPY 110 million

- Notes: 1. In the audit agreement between the Company and the Accounting Auditor, the auditor remuneration pursuant to the Companies Act and the amount of auditor remuneration pursuant to the Financial Instruments and Exchange Act are not separated, and because essentially the two cannot be separated, the above amount of Accounting Auditor remuneration and others in the fiscal year under review is the total of the two.
2. Other than the Accounting Auditor remuneration for the fiscal year under review, the Company paid JPY 6 million in the fiscal year under review as additional remuneration pertaining to the previous fiscal year.
3. The Audit & Supervisory Board, taking into consideration the "Practical Guidelines for Cooperation with Financial Auditors" released by the Japan Audit & Supervisory Board Members Association, carried out an investigation into the appropriateness of the audit schedule and the remuneration amount for the fiscal year under review after comparing the auditing plan of the previous fiscal year with the actual audits conducted and confirming the trends of the auditing time and the remuneration amount. As a result, the Audit & Supervisory Board gave their consent to the amount of remuneration for the Accounting Auditor in accordance with Article 399, paragraph (1) of the Companies Act.
4. Of the Company's major subsidiaries, some of the overseas subsidiaries use the accounting audit services of certified public accountants or audit firms (including those who have equivalent certificates in foreign countries), including member firms of Grant Thornton which belong to the same network as that of the Company's Accounting Auditor.

### 3. Policy Regarding Discharge or Non-reappointment of Accounting Auditor

If the Company's Audit & Supervisory Board determines that any of the provisions of Article 340, paragraph (1) of the Companies Act applies with respect to the Accounting Auditor, it shall dismiss the Accounting Auditor with the unanimous approval of the Audit & Supervisory Board Members. In this case, an Audit & Supervisory Board Member appointed by the Audit & Supervisory Board shall present a report stating the purport of the dismissal of the Accounting Auditor and the reasons therefor at the first general shareholders' meeting convened after the dismissal.

Where the Audit & Supervisory Board deems there are problems with the suitability, independence, reliability, etc., of the Accounting Auditor, it will determine the content of a proposal to be proposed at a general shareholders' meeting concerning the dismissal or non-reappointment of the Accounting Auditor.

## **Corporate Structure and Policies**

### **1. Systems to Ensure Appropriate Business Operations**

#### **(1) Systems for Execution of Duties by Directors and Employees of the Company as well as Its Subsidiaries to Ensure Compliance with Laws and Regulations and the Articles of Incorporation**

- (a) The Company and its subsidiaries (“the Group”) shall conduct business based on its corporate philosophy of “creating new value.” As part of that process, the Company created a Corporate Ethics Charter. The Company shall be determined to establish legal and social compliance as its most important policy (compliance-first) in the business execution and as the cornerstone of all of its corporate activities. This is exemplified by the President and CEO of the Company and the Chief of the Compliance Promotion Headquarters, and concurrently serving as the Chief Legal Officer (CLO), whose role is to continuously share the spirit of this charter with all officers and employees of the Group.
- (b) The Company’s Board of Directors, of which independent Outside Directors should consist of at least one-third, develops the control environment including compliance system and enhances the function for overseeing the legality of the decision-making and the execution of business of the Board of Directors to ensure the transparency and fairness of management.
- (c) The Company established the Compliance Committee as an advisory body to the Board of Directors to ensure a system related to compliance. The Committee is composed of one of the Outside Directors as the chairman and members including external experts such as attorneys at law. The Compliance Committee, as part of the Group’s efforts of strengthening governance, plans and implements the measures regarding the Group’s compliance framework, including reinforcing training and the information management system, and monitors the corporate activities in accordance with the compliance regulations to identify the issues for improvement. In cases of suspected violations of laws and regulations, the Compliance Committee will have the authority to suspend operations.
- (d) The Company established the Compliance Promotion Headquarters headed by the Chief of the Compliance Promotion Headquarters, and concurrently serving as the Chief Legal Officer (CLO), who manages all the matters related to the legal compliance. The Compliance Promotion Headquarters is responsible for planning and implementing measures to promote the Group’s compliance as well as making improvements to develop the autonomous corporate culture.
- (e) The Company created, under the Compliance Promotion Headquarters, the Compliance Promotion Department, which is responsible for the planning and drafting functions related to compliance promotion within the Group, as well as for the function of checking the legal compliance, which is separated from business departments, particularly for verifying the products, such as buildings, comply with related laws and regulations. The department is also responsible for the support, progress management and monitoring functions of the compliance-related operations conducted by business departments, as well as legal functions such as confirming contracts and handling lawsuits.

- (f) For the system that ensures compliance concerns are not overlooked, the Group assigns compliance coordinators to business sites to make compliance measures known and report any violations of laws and regulations. The internal reporting system has also been established, and whistle-blowing hotlines have been set up both inside and outside the Company to instruct officers and employees of the Group to immediately consult about or report any compliance violations. The Group conducts periodic surveys on the employees' awareness with a view to grasp risks at an early stage and to gauge the degree of compliance awareness. The Group provides a clause about the protection of whistleblowers in the Internal Report Regulations to the effect that, if its officers and employees recognized an act and others, which is questionable based on laws and regulations and the Articles of Incorporation, the Company shall prohibit treating that person unfavorably on the grounds of consulting about or reporting the violation.
- (g) The Auditing Department, which oversees the internal control function and the internal audit function, shall be established as a department under the direct supervision of the Company's President and CEO. The Auditing Department shall examine the business audit items and implementation methods. In addition, the Auditing Department shall perform monitoring and risk management of business activities in the Group, as well as implement governance strengthening and promote creation of the appropriate financial statements and compliance with regulations, enabling the Group to conserve assets and efficiently carry out its business activities. The Company holds Auditing Council meetings to increase the effectiveness of the auditing system.
- (h) The Company works continuously to develop the compliance regulations, related individual regulations, guidelines, manuals, etc. and to periodically organize the compliance-centered training programs according to job level and job duties so that the Company can enhance the compliance awareness by officers and employees in the Group. In addition, in order to instill the concept that promoting compliance enhances corporate value, the performance appraisal system may include the measurement in terms of proactively demonstrating compliance behavior and a multi-directional personnel rating method.
- (i) The Company promotes active dialogue between the management team and all the stakeholders so that it leads to the development of a customer-oriented corporate culture by increasing the transparency of management and fostering mutual understanding.
- (j) Through the establishment of these systems, the Group has positioned at its core the development of a corporate culture that respects the importance of compliance. The Group pursues the concept of "compliance-first" by mutually integrating a structure that ensures systematic compliance with laws and regulations spearheaded by the Compliance Promotion Headquarters and a structure that uses the Auditing Department's audits and internal reporting system to ensure that illegalities are not overlooked.

## **(2) Systems for Retention and Management of Information on Execution of Duties by Directors**

The President and CEO of the Company shall appoint the Chief of the Corporate Management Headquarters of the Company as the person generally responsible for the retention and management of information on the execution of the duties of Directors. As to the retention and management of information on the execution of duties of Directors, the information, which is recorded in documents or electromagnetic record media, shall be organized and retained based on Document

Handling Regulations and Information Management Regulations. The Company conducts training with the aim of strengthening the information management system and strictly manages information.

**(3) Regulations and Systems Concerning Management of Risk of Loss by the Company as well as Its Subsidiaries**

- (a) The Company shall establish a Risk Management Committee as an advisory organ of its Board of Directors to comprehensively identify and manage the Group's various risks. The Risk Management Committee is composed of the Company's President and CEO as the chairman and members including outside experts, such as attorneys at law.
- (b) The Risk Management Committee shall confirm the development and operational status of the Risk Management Regulations, related individual regulations, guidelines, manuals, etc. for the risk management of the Group, and conduct training for officers and employees of the Group. The Company's Chief of the Compliance Promotion Headquarters, and concurrently serving as the Chief Legal Officer (CLO), shall submit quarterly reports on risk management of the Group to the Company's Board of Directors.
- (c) The Company's Auditing Department shall audit the conditions for the execution of business for each department of the Group. If an act with a risk of loss is found in business operations, the Auditing Department shall immediately notify the Company's President and CEO, as well as the department in charge, of the details of the risk and the level of loss that could be incurred.

**(4) Systems to Ensure the Efficient Fulfillment of Duties by Directors**

- (a) The Company shall set up the Board of Directors to enhance business performance through appropriate and rapid decision-making, responding flexibly to changes in the business and management environment. The Board of Directors shall be composed of members with diverse backgrounds, and composed of an appropriate number of members and consider the enhancement of monitoring functions. The Board of Directors shall hold regular meetings once a month, while extraordinary meetings can be called at any time as required, in order to make decisions on critical management matters as well as to monitor the status of business performance.
- (b) As a prior deliberative organ of the Board of Directors, the Corporate Management Council shall meet regularly to discuss business operation policies and their implementation and to consider measures to be taken.
- (c) The Company shall formulate a Medium-term Management Plan for the Group, and determine the priority objectives and budgetary allocation of the whole group every fiscal year to materialize the relevant plan.
- (d) The progress of income and expenditure plans and other important business plans of each department and subsidiary shall be reviewed monthly or appropriately by the Board of Directors and other bodies, where problems will be identified and countermeasures will be executed.

**(5) Systems for Reporting of Matters Concerning Execution of Duties of Directors of the Company's Subsidiaries, and Other Systems to Ensure Appropriate Business Operations in the Group**

- (a) The Affiliated Companies Management Regulations shall be applied to subsidiaries of the Company. Each subsidiary shall obtain approval of the Board of Directors or the officers of the Company in charge of the respective subsidiary for important matters of corporate management in accordance with the decision-making standards of the Company and ensure the appropriateness of business operations.
- (b) The Chief of the Corporate Management Headquarters shall supervise the management of subsidiaries of the Company. The Company's Chief of the Corporate Management Headquarters shall periodically hold a meeting with the affiliated companies liaison committee to smoothly exchange information and promote group activities, and mutually exchange reports between the Company and its subsidiaries as necessary.
- (c) The chief of the responsible department shall supervise and manage business conducted by subsidiaries to establish a compliance system and a risk management system in line with measures based on management plans and efficient business execution while respecting the independency of subsidiaries. The chief of the responsible department shall exchange information with subsidiaries on a regular basis and as needed and make regular reports on the progress in the management of subsidiaries to the Board of Directors and the Corporate Management Council.
- (d) The Company's Auditing Department and Audit & Supervisory Board Members shall conduct a regular or special audit of each subsidiary while cooperating with Audit & Supervisory Board Members of subsidiaries and then report to the Company's President and CEO and the Auditing Council.

**(6) Matters Concerning Employees when Audit & Supervisory Board Members Request the Secondment of Employees to Assist with Duties, Matters Concerning the Independence of Those Employees from Directors and Matters for Securing Effective Direction of Audit & Supervisory Board Members**

- (a) When an Audit & Supervisory Board Member of the Company requests to have an employee assigned to assist with the duties of the Audit & Supervisory Board Member, the Company's Board of Directors shall designate an employee to assist the Audit & Supervisory Board Member from the members of the Company's Auditing Department after consultation with the Audit & Supervisory Board Member.
- (b) In regards to the assistance in the duties of Audit & Supervisory Board Members of the Company, the right of command over the designated employee shall be transferred to the Company's Audit & Supervisory Board Members to ensure independence from the Company's Board of Directors. The designated employee shall submit to the orders of the Audit & Supervisory Board Members when supporting their duties. The Company's Audit & Supervisory Board shall conduct a performance evaluation of the designated employee on their support work of Audit & Supervisory Board Members' duties. The Company's Audit & Supervisory Board Members and the General Manager of the Human Resources and General Affairs Department shall confer about personnel changes and treatment.

**(7) Systems for Directors and Employees, as well as Directors, Audit & Supervisory Board Members, Employees and others of Subsidiaries to Report to Audit & Supervisory Board Members, Other Systems of Reporting to Audit & Supervisory Board Members, and Other Systems to Secure Effective Audits by Audit & Supervisory Board Members**

- (a) Officers and employees of the Group shall make reports on matters possibly causing serious damage and losses to the Group, illegal acts and other necessary important matters to the Company's Audit & Supervisory Board Members as necessary based on laws and regulations, and internal regulations such as the Audit & Supervisory Board Regulations and the Auditing Standards for the Audit & Supervisory Board Members. In order to ensure thorough reporting to the Audit & Supervisory Board Members, officers and employees shall be made aware of the relevant system and reminded on a regular basis. The Company's Audit & Supervisory Board Members may also require officers and employees to report at any time as necessary.
- (b) The Company's Audit & Supervisory Board Members shall attend the meetings of important committees such as the Board of Directors, the Corporate Management Council, the Compliance Committee, the Risk Management Committee, and affiliated companies liaison committee to understand the process of important decision-making and the conditions of the execution of the duties by Directors of the Group, and may peruse important documents about the fulfillment of such duties, such as circular memos for approval. The Company's Audit & Supervisory Board Members shall periodically exchange opinions with the Company's President and CEO, and carry out monitoring and inspections through periodic interviews and on-site audits of each department of the Group and Audit & Supervisory Board Members of subsidiaries.
- (c) The Company's Audit & Supervisory Board Members, based on the independence and authority granted according to the Audit & Supervisory Board Regulations and the Auditing Standards for the Audit & Supervisory Board Members, shall ensure the effectiveness of audits, and maintain close cooperation with the Auditing Department and the Accounting Auditors to promote the achievement of their outcomes by receiving audit status reports of each group section from the Auditing Department.
- (d) The Group shall prohibit unfavorable treatment of officers and employees of the Group who have reported to the Company's Audit & Supervisory Board Members on the grounds of having made the report, and fully enforce this rule.
- (e) In the case where an Audit & Supervisory Board Member demands payments in advance or reimbursement of expenses incurred for duties executed, the subject expenses or liabilities shall immediately be paid or reimbursed, excluding the case where such expenses or the liabilities are not necessary for the execution of the duties of the Audit & Supervisory Board Member.

**(8) Systems to Ensure Reliable Financial Reporting**

For the purpose of securing reliable financial reporting of the Company and effective and proper submission of internal control reports by the Company as provided in the Financial Instruments and Exchange Act, the Group shall set up a structure to establish and apply a proper internal control system under the command of the Company's President and CEO, continue to evaluate whether or not the structure will function properly, make necessary corrections, and ensure conformity with the Financial Instruments and Exchange Act and other applicable laws and regulations.

## **(9) Systems Development to Exclude All Antisocial Forces**

- (a) The Group's Corporate Ethics Charter shall clearly set out the Group's determination to "oppose all antisocial forces." The Group is committed to eliminating any possible ties, and dealing resolutely, with any antisocial forces or organizations posing a threat to public order or safety.
- (b) The Group shall enact detailed regulations for opposing antisocial forces and establish a system that will not yield to unlawful demands from antisocial forces by designating a person responsible for preventing unlawful demands in all offices and places of business. The Human Resources and General Affairs Department and the Compliance Promotion Headquarters of the Company shall be generally responsible for establishing the system, and the system shall be established by consulting with the Compliance Committee, the Risk Management Committee, related departments and external professional organizations.

## **2. Overview of Operation Status of Systems to Ensure Appropriate Business Operations**

### **(1) Systems for Execution of Duties by Directors and Employees of the Company as well as Its Subsidiaries to Ensure Compliance with Laws and Regulations and the Articles of Incorporation**

The compliance system has been fully developed with the establishment of the Corporate Ethics Charter, establishment of the Compliance Committee, election of Outside Directors, establishment of the Auditing Department as well as the Compliance Promotion Department, and establishment of the internal reporting system and related regulations.

Furthermore, the Company received an investigation report on the construction defects problem from the External Investigation Committee. Although the Company has completed all the items of the recurrence preventive measures that were established on May 29, 2019, the Company will continue carrying out the specific measures that need to be continued.

During the fiscal year under review, by holding 12 meetings of the Compliance Committee and conducting internal audits, the Company ensures compliance with laws and regulations and other rules.

To strengthen the check-and-balance functions of the Company's executive bodies, an Outside Director was appointed to chair the Compliance Committee in the 47th fiscal term. As a result of a major review of the contents of deliberations and composition of the committee, the discussions have become more lively and the committee can be assessed as functioning effectively.

However, the authority and responsibilities of the compliance coordinators in charge of promoting compliance at each business site have not been clearly defined, and revising the system of compliance coordinators is a future issue.

### **(2) Systems for Retention and Management of Information on Execution of Duties by Directors**

Systems for retaining and managing information have been fully developed by the management system with the Director in charge as the person responsible for the retention and management, as provided for in Document Handling Regulations and Information Management Regulations.

During the fiscal year under review, these existing systems continued to operate and were maintained in an appropriate state, but occasional cases in which the management of important information has been inadequate. In order to further strengthen the information management system, the Company will work to thoroughly inculcate the Information Management Regulations by means of training and others.

### **(3) Regulations and Systems Concerning Management of Risk of Loss by the Company as well as Its Subsidiaries**

Risk management systems have been fully developed with the establishment of the Risk Management Committee and the management system stipulated by Risk Management Regulations.

During the fiscal year under review, the Company continued to operate the existing systems and conducted risk management taking into account professional insights from outside members of the Risk Management Committee.

Furthermore, while each business division identified potential risks based on the recurrence preventive measures after receiving an investigation report on the construction defects problem from the External Investigation Committee, the measures to take are currently being determined and company-wide management of potential risks is a future issue.

In addition, work has commenced on systematic investigations and analyses of specific individual repair requests and other complaints, such as by preparing a complaint handling manual, and building an organizational system that can collect risk information and respond appropriately and promptly.

### **(4) Systems to Ensure the Efficient Fulfillment of Duties by Directors**

Organizational decisions are made after deliberations at the Board of Directors meetings following preliminary deliberations by the Corporate Management Council. On the other hand, to review the progress of business plans, Board of Executive Officers meetings, whose main purpose is reviewing, and affiliated companies liaison committee meetings have been held, in addition to Board of Directors meetings. As such, systems for ensuring the efficient execution of duties have been fully developed.

In addition, Outside Directors and Audit & Supervisory Board Members hold outside officers meetings as necessary at which information is shared and opinions exchanged. Based on this, pertinent opinions will be expressed at the various meetings, beginning with meetings of the Board of Directors, and management supervision of execution of duties by Directors will be made more effective.

During the fiscal year under review, the Company held these meetings on a regular basis, and as needed, and made timely decisions through measures including participation via a telephone conference system and resolutions in writing to maintain appropriate conditions.

### **(5) Systems for Reporting of Matters Concerning Execution of Duties of Directors of the Company's Subsidiaries, and Other Systems to Ensure Appropriate Business Operations in the Group**

The systems for ensuring appropriate business operations by the Group have been fully developed with a report given to the Board of Directors of the Company in accordance with the Affiliated Companies Management Regulations. In addition,

affiliated companies liaison committee meetings have been held periodically to review the progress of business plans and receive the necessary reports from subsidiaries. The Company dispatches Directors to subsidiaries to strengthen monitoring functions and ensure appropriateness of business operations.

Of the systems for ensuring the appropriateness of business operations by each company of the Group, while the Company's Compliance Promotion Department and Corporate Planning Department oversaw the entire Group comprehensively, the department or section responsible for the Company's subsidiaries supervised and managed the compliance system and the risk management system, and the Auditing Department and the Audit & Supervisory Board Members of the Company audited subsidiaries.

**(6) Matters Concerning Employees when Audit & Supervisory Board Members Request the Secondment of Employees to Assist with Duties, Matters Concerning the Independence of Those Employees from Directors and Matters for Securing Effective Direction of Audit & Supervisory Board Members**

Rules on the right of command and the authority over personnel issues such as employee evaluations have been stipulated in the Audit & Supervisory Board Regulations and the Auditing Standards for employees who assist with the duties of the Audit & Supervisory Board Members.

During the fiscal year under review, an employee was assigned to assist Audit & Supervisory Board Members in the execution of their duties.

**(7) Systems for Directors and Employees, as well as Directors, Audit & Supervisory Board Members, Employees and others of Subsidiaries to Report to Audit & Supervisory Board Members, Other Systems of Reporting to Audit & Supervisory Board Members, and Other Systems to Secure Effective Audits by Audit & Supervisory Board Members**

The systems for reporting to Audit & Supervisory Board Members and the systems to secure effective audits by Audit & Supervisory Board Members have been fully developed by stipulating them in the Audit & Supervisory Board Regulations and the Auditing Standards for the Audit & Supervisory Board Members. Audit & Supervisory Board Members cooperate closely with the Auditing Department and the Accounting Auditor.

During the fiscal year under review, Audit & Supervisory Board Members strengthened the effectiveness of audits by Audit & Supervisory Board Members by exchanging opinions with the President and CEO on issues to be addressed by the Company.

Also, in order to allow the systems for reporting to Audit & Supervisory Board Members to work appropriately, the Audit & Supervisory Board encouraged the Board of Directors to report more promptly.

**(8) Systems to Ensure Reliable Financial Reporting**

The systems have been constructed to evaluate internal controls by the Auditing Department, and an internal control report for the 48th fiscal term was submitted on June 29, 2021.

During the fiscal year under review, the Company continued to evaluate the status of the development and operation of its internal control system.

### **(9) Systems Development to Exclude All Antisocial Forces**

Among systems for excluding antisocial forces, the Company has stipulated the rules for excluding antisocial forces in the Corporate Ethics Charter and others, and has developed a system therefor.

During the fiscal year under review, the Company conducted its corporate activities free from any relationships with antisocial forces.

### **3. Policy on Determination of Dividends of Surplus and Others**

The return of profits to shareholders is positioned as a key management issue for the Company. However, given the current business performance, it is with sincere regret that the Company has decided not to pay a year-end dividend for the fiscal year under review.

Going forward, the Company will strive to generate profits and strengthen the financial base through constant structural reforms, and aims to provide shareholder returns.

Note: The portions of amounts and number of shares stated in this Business Report less than the display unit are omitted (always rounded down).

## CONSOLIDATED FINANCIAL STATEMENTS

### CONSOLIDATED BALANCE SHEET (as of March 31, 2022)

(JPY million)

<b>ASSETS</b>	
<b>Current assets</b>	<b>60,161</b>
Cash and deposits	45,523
Trade receivables	8,618
Accounts receivable for completed projects	443
Securities	200
Real estate for sale	693
Payment for construction in progress	213
Raw materials and supplies	405
Prepaid expenses	1,634
Other accounts receivable	730
Others	3,954
Allowance for doubtful accounts	(2,255)
<b>Non-current assets</b>	<b>85,269</b>
<b>Property, plant and equipment</b>	<b>64,652</b>
Buildings and structures	18,852
Machinery, equipment, and vehicles	7,534
Land	31,269
Leased assets	1,976
Construction in progress	92
Other	4,926
<b>Intangible fixed assets</b>	<b>3,136</b>
Goodwill	6
Others	3,130
<b>Investments and other assets</b>	<b>17,480</b>
Investment securities	5,180
Long-term loans	1,126
Bad debts	267
Long-term prepaid expenses	577
Deferred tax assets	6,596
Others	4,647
Allowance for doubtful accounts	(914)
<b>Total assets</b>	<b>145,430</b>

**CONSOLIDATED BALANCE SHEET** (as of March 31, 2022) (Continued)

(JPY million)

<b>LIABILITIES</b>	
<b>Current liabilities</b>	<b>59,542</b>
Accounts payable	2,552
Accounts payable for completed projects	427
Current portion of long-term debt	53
Lease obligations	1,992
Accounts payable—other	9,123
Accrued income taxes	1,304
Advances received	31,733
Customer advances for projects in progress	268
Provision for warranty obligations on completed projects	7
Provision for fulfillment of guarantees	2,187
Provision for losses related to repairs	1,941
Provision for apartment vacancy loss	4,218
Others	3,732
<b>Non-current liabilities</b>	<b>74,854</b>
Long-term debt	30,429
Lease obligations	569
Long-term advances received	7,151
Lease/guarantee deposits received	7,382
Provision for losses related to repairs	16,145
Deferred tax liabilities	11
Provision for apartment vacancy loss	1,414
Liability for retirement benefit	9,525
Others	2,222
<b>Total liabilities</b>	<b>134,396</b>
<b>NET ASSETS</b>	
<b>Shareholders' equity</b>	<b>392</b>
Common stock	100
Capital surplus	136,345
Retained earnings	(135,749)
Treasury stock	(302)
<b>Accumulated other comprehensive income</b>	<b>675</b>
Net unrealized gains on other securities	(39)
Foreign currency translation adjustments	746
Remeasurements of defined benefit plans	(31)
<b>Share subscription rights</b>	<b>357</b>
<b>Non-controlling interests</b>	<b>9,608</b>
<b>Total net assets</b>	<b>11,034</b>
<b>Total liabilities and net assets</b>	<b>145,430</b>

**CONSOLIDATED STATEMENT OF INCOME** (from April 1, 2021 to March 31, 2022)

(JPY million)

<b>Net sales</b>	<b>398,366</b>
Sales from Leasing Business	383,043
Sales from Other Businesses	15,322
<b>Cost of sales</b>	<b>352,289</b>
Cost of sales from Leasing Business	336,339
Cost of sales from Other Businesses	15,950
<b>Gross profit</b>	<b>46,077</b>
<b>Selling, general and administrative expenses</b>	<b>44,302</b>
<b>Operating profit</b>	<b>1,774</b>
<b>Non-operating income</b>	<b>827</b>
Interest income	34
Dividend income	65
Gain on valuation of investment securities	129
Foreign exchange gains	1
Employment adjustment subsidy	242
Others	354
<b>Non-operating expenses</b>	<b>4,754</b>
Interest expenses	4,474
Share of loss of entities accounted for using equity method	162
Others	117
<b>Recurring loss</b>	<b>(2,151)</b>
<b>Extraordinary income</b>	<b>12,080</b>
Gain on sale of property, plant and equipment	120
Gain on sale of investment securities	0
Reversal of provision for losses related to repairs	11,959
<b>Extraordinary losses</b>	<b>234</b>
Loss on retirement of property, plant and equipment	45
Impairment loss	118
Loss on closure of offices	69
<b>Income before income taxes</b>	<b>9,693</b>
Income taxes—current	1,444
Income taxes—deferred	(4,401)
<b>Net income</b>	<b>12,650</b>
Net income attributable to non-controlling interests	795
<b>Net income attributable to shareholders of the parent</b>	<b>11,854</b>

## **CONSOLIDATED STATEMENT OF CHANGES IN Equity**

**(from April 1, 2021 to March 31, 2022)**

(JPY million)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of April 1, 2021	81,282	55,174	(142,586)	(344)	(6,474)
Cumulative effects of changes in accounting policies			(4,963)		(4,963)
Restated balance after changes in accounting policies	81,282	55,174	(147,550)	(344)	(11,438)
Change during period					
Reduction of common stock	(81,182)	81,182			-
Net income attributable to shareholders of the parent			11,854		11,854
Disposal of treasury stock		(10)		41	30
Change in the scope of consolidation			(53)		(53)
Change in share of parent from transactions with non-controlling interests		(1)			(1)
Net change of items other than shareholders' equity					
<b>Total change during period</b>	<b>(81,182)</b>	<b>81,170</b>	<b>11,800</b>	<b>41</b>	<b>11,830</b>
<b>Balance as of March 31, 2022</b>	<b>100</b>	<b>136,345</b>	<b>(135,749)</b>	<b>(302)</b>	<b>392</b>

(JPY million)

	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 accumulated other comprehensive income			
Balance as of April 1, 2021	(0)	(1,877)	(142)	(2,019)	388	11,383	3,277
Cumulative effects of changes in accounting policies							(4,963)
Restated balance after changes in accounting policies	(0)	(1,877)	(142)	(2,019)	388	11,383	(1,686)
Change during period							
Reduction of common stock							-
Net income attributable to shareholders of the parent							11,854
Disposal of treasury stock							30
Change in the scope of consolidation							(53)
Change in share of parent from transactions with non-controlling interests							(1)
Net change of items other than shareholders' equity	(38)	2,623	111	2,695	(30)	(1,774)	890
<b>Total change during period</b>	<b>(38)</b>	<b>2,623</b>	<b>111</b>	<b>2,695</b>	<b>(30)</b>	<b>(1,774)</b>	<b>12,721</b>
<b>Balance as of March 31, 2022</b>	<b>(39)</b>	<b>746</b>	<b>(31)</b>	<b>675</b>	<b>357</b>	<b>9,608</b>	<b>11,034</b>

# Notes to Consolidated Financial Statements

## 1. Important Items That Form the Basis of Preparing Consolidated Financial Statements

(1) Scope of consolidation

(a) Number of consolidated subsidiaries and names of principal consolidated subsidiaries of Leoplace21 Corporation (the "Company")

Number of consolidated subsidiaries: 18

Principal consolidated subsidiaries: Leoplace Leasing Corporation  
Plaza Guarantee Co., Ltd.  
Leopalace Power Corporation  
Leopalace Energy Corporation  
ASUKA SSI  
Leopalace21 Business Consulting (Shanghai) Co., Ltd.  
Leopalace21 (Thailand) CO., LTD.  
Leopalace21 (Cambodia) Co., Ltd.  
LEOPALACE21 PHILIPPINES INC.  
Leopalace21 Singapore Pte. Ltd.  
Morizou Co., Ltd.  
Azu Life Care Co., Ltd.  
Leopalace Guam Corporation  
Leopalace Smile Co., Ltd.

(b) Status of non-consolidated subsidiaries

Number of non-consolidated subsidiaries: 3

Name of principal non-consolidated subsidiary: TRUMAN HOLDING LIMITED

Reason for exclusion from scope of consolidation:

Non-consolidated subsidiaries are excluded from the scope of consolidation because the total assets, net sales, net income or loss (corresponding to the ownership held by the Company) and retained earnings (corresponding to the ownership held by the Company) of the non-consolidated subsidiaries have no material impact on the consolidated financial statements.

(2) Application of equity method

(a) Numbers of non-consolidated subsidiaries and affiliates accounted for by the equity method and names of principal such companies

Number of non-consolidated subsidiaries accounted for by the equity method: 1

Name of non-consolidated subsidiary: TRUMAN HOLDING LIMITED

Number of affiliates accounted for by the equity method: 4

Names of affiliates: Woori & Leo PMC Co., Ltd.  
Ancora Residential Fund LP  
PT TEGUH BINA KARYA  
Learn JP Corp.

(b) Special note on the application of equity method

Although the fiscal year-end of entities accounted for by the equity method are different from the consolidated balance sheet date, the financial statements of the companies as of their fiscal year-end and for their fiscal year are used in the preparation of the Company's consolidated financial statements.

(3) Changes in the scope of consolidation and application of equity method

(a) Changes in the scope of consolidation

The Company has excluded PT. Leopalace Dusatatu Realty and other one entity from the scope of consolidation from the fiscal year under review due to a decrease in materiality.

(b) Changes in the scope of application of equity method

Not applicable.

(4) Fiscal year-ends of consolidated subsidiaries

Among the consolidated subsidiaries, the fiscal year-end of Leopalace Guam Corporation and nine other companies is December 31 of each year. As the difference between the said date and the consolidated balance sheet date is within three months, their financial statements as of the said date are used in the preparation of the Company's consolidated financial statements.

When significant transactions occur at those subsidiaries between their fiscal year-end and the consolidated balance sheet date, these transactions are included in consolidation as necessary.

(5) Summary of accounting policies

(a) Valuation bases and methods for significant assets

Securities

Held-to-maturity debt securities are stated at amortized cost (straight-line method).

Other securities

Securities other than shares, etc. without a market price are stated at fair market value.

Unrealized gains and losses are directly included in net assets. The cost of securities sold is determined by the moving-average method.

Shares, etc. without a market price are stated at cost determined by the moving-average method.

Investments in silent partnerships and others are reported using the equity method, based on the latest financial statements available as at the closing dates stipulated by the respective partnership contracts.

Inventories

Real estate for sale and real estate for sale in progress

Primarily stated at cost determined by the specific identification method (figures on the balance sheet are determined based on the method of writing down the book value in accordance with the decline in profitability of assets)

Payment for construction in progress

Primarily stated at cost determined by the specific identification method

Raw materials and supplies

Primarily stated at cost determined by the last purchase cost method (figures on the balance sheet are determined based on the method of writing down the book value in accordance with the decline in profitability of assets)

(b) Depreciation and amortization of significant depreciable and amortizable assets

Rental property, plant and equipment of the Company and consolidated subsidiaries in Japan (except for leased assets):

Depreciated by the straight-line method

Useful lives of major assets are as follows:

Buildings and structures: 22–47 years

Property, plant and equipment other than the above of the Company and consolidated subsidiaries in Japan (except for leased assets):

Depreciated by the declining-balance method

However, buildings (excluding accompanying facilities) obtained on or after April 1, 1998 and facilities accompanying buildings and structures obtained on or after April 1, 2016 are depreciated by the straight-line method.

Useful lives of major assets are as follows:

Buildings and structures: 15–50 years

Machinery, equipment, and vehicles: 17 years

Tools, furniture and fixtures (Other in property, plant and equipment): 5–10 years

Property, plant and equipment of overseas subsidiaries:

Depreciated by the straight-line method based on the local GAAP

Useful lives of major assets are as follows:

Buildings and structures: 20–40 years

Tools, furniture and fixtures (Other in property, plant and equipment): 3–5 years

Intangible fixed assets (except for leased assets):

Amortized by the straight-line method

Useful lives of major assets are as follows:

Software for internal use: 5 years

Leased assets:

Depreciated and amortized by the straight-line method based on the lease term as the useful life and a residual value of zero.

Long-term prepaid expenses:

Evenly amortized mainly over the following period

Prepaid master-lease rent: 5–7 years

Nondeductible portion of consumption taxes related to non-current assets: 5 years

(c) Provision of significant allowance and provisions

Allowance for doubtful accounts

The Group maintains an allowance for doubtful accounts to provide for potentially uncollectible receivables such as accounts receivable and loans. An estimated uncollectible amount is provided at the amount estimated by either using the historical rate of credit loss in the case of general receivables, or based on individual consideration of collectibility in the case of specific receivables such as highly doubtful receivables.

Provision for warranty obligations on completed projects

With regard to the Leasing Business, provision for warranty obligations on completed projects is provided to provide for the Company's compensation expenses regarding its execution of warranty obligations under defect liabilities in the future pertaining to completed projects. It is calculated using the percentage of the past execution of warranty obligations on completed projects.

#### Provision for fulfillment of guarantees

In order to provide for losses attributable to its rent payment guarantee business, the Company's consolidated subsidiary, Plaza Guarantee Co., Ltd., records the amount of loss expected based on the rate of past guarantee fulfillments.

#### Provision for losses related to repairs

An amount of loss estimated based on ratio of defects and others is recorded to prepare for the incurrence of repair work expenses and incidental expenses related to construction defects of properties (apartments) constructed by the Company.

#### Provision for apartment vacancy loss

With regard to the Leasing Business, provision to prepare for the risk of vacancy losses on apartment units managed under master lease agreements is provided according to the projected loss that could occur during a logically predictable period. It is based on estimated losses resulting from current rent to pay as a subleasing company and expected future occupancy rates for each rental property.

#### (d) Recognition of significant revenues and costs

The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and relevant ASBJ regulations, and it has recognized revenue at the time the control of promised goods or services is transferred to the customer at the amount expected to be received upon exchange of said goods or services.

Details of major performance obligations in major businesses of the Company and its consolidated subsidiaries related to revenue from contracts with customers, and the timing the performance obligations are typically satisfied (when revenue is typically recognized), are as follows. The amount of the consideration does not include important financial components.

Leasing Business operations mainly comprise the leasing and management of apartment buildings. For these transactions, the Company determines that performance obligations are satisfied at the time the contractual conditions are implemented, and revenue is recognized at that point in time.

For key money, reduction of rent, and handling charge for monthly rental contract, revenue is recognized evenly over a certain period of time as the performance obligations are satisfied, by using the tenants' average staying period in the apartment as a period for satisfying the performance obligations.

As for LEONET viewing fee, because the service providers are third parties and the Company's performance obligation is to arrange for the service to be provided, the Company has determined that it acts as an agent in the transactions and revenue is recognized at the net amount derived by deducting the amount paid to those parties from the amount of consideration received from customers.

(e) Foreign currency translation of important foreign currency-denominated assets and liabilities into Japanese yen

All monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the current exchange rates as of the consolidated balance sheet date. The foreign exchange gains and losses from translation are recognized in the consolidated statement of income. The assets and liabilities of overseas subsidiaries are translated into Japanese yen at the current exchange rates as of the balance sheet date of overseas subsidiaries, and revenues and expenses are translated into Japanese yen at the average exchange rates of the fiscal year. Foreign exchange gains and losses from translation are included in foreign currency translation adjustments and non-controlling interests as a separate component of net assets.

(f) Amortization and amortization period of goodwill

Goodwill is amortized evenly over the period of the future economic benefits. However, goodwill is amortized in a lump sum when incurred if the amount is minimal.

(g) Other important matters for preparing consolidated financial statements

*Recognition of liability for retirement benefit*

To prepare for employees' retirement benefits, liability for retirement benefit is recorded at the amount deemed to have accrued at the end of the fiscal year under review based on the estimated amount of retirement benefit obligations at the end of the fiscal year under review. Actuarial differences, which are prorated according to the straight-line method over a specified period (5 years) within the average remaining service years of employees at the time of accrual in each fiscal year, are amortized starting in the next fiscal year of the respective accruals.

Unrecognized actuarial differences are posted, factoring in tax effects, as remeasurements of defined benefit plans in accumulated other comprehensive income under net assets.

In the calculation of retirement benefit obligations, the method of attributing expected retirement benefits to the period up to the end of the fiscal year under review is on the benefit formula basis.

Certain consolidated subsidiaries apply a simplified accounting method in which the calculation of liability for retirement benefit and retirement benefit cost is carried out by using a method in which the retirement benefit obligations are deemed to be the amount of retirement benefits to be paid in cases where all eligible employees retired on a voluntary basis at the fiscal year-end date.

*Interest capitalization*

Leopalace Guam Corporation capitalized the interest paid on borrowings for real estate development business during the development period into the acquisition cost of property, plant and equipment.

Capitalized interest included in the carrying amount of property, plant and equipment of Leopalace Guam Corporation was JPY 341 million as of March 31, 2022.

## 2. Changes in Accounting Policies

### *Application of Accounting Standard for Revenue Recognition, etc.*

The Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and relevant ASBJ regulations from the beginning of the fiscal year under review, and it has recognized revenue at the time the control of promised goods or services is transferred to the customer at the amount expected to be received upon exchange of said goods or services.

As a result, instead of recognizing revenue in one go at the time of signing the contract, for key money, reduction of rent, handling charge for monthly rental contract, and other handling charges for service provision, such revenues have been divided by the tenants’ average staying period in the apartment on a pro rata basis.

As for LEONET viewing fee, etc., for which revenue was previously recognized at the gross amount of consideration received from customers, revenue is now recognized at the net amount derived by deducting the amount paid to the service suppliers from the amount received from customers.

The application of the Accounting Standard for Revenue Recognition and relevant ASBJ regulations is subject to the transitional treatment provided for in the proviso to paragraph 84 of the Accounting Standard for Revenue Recognition. The cumulative effect of the retrospective application, assuming the new accounting policy had been applied to periods prior to the beginning of the fiscal year under review was added to or deducted from the opening balance of retained earnings of the fiscal year under review, and thus the new accounting policy was applied from such opening balance; provided, however, that the new accounting policy was not retrospectively applied to contracts for which nearly all the revenue amounts had been recognized according to the previous treatment in periods prior to the beginning of the fiscal year under review, by applying the method provided for in paragraph 86 of the Accounting Standard for Revenue Recognition. Furthermore, by applying the method set forth in item (1) of the supplementary provisions of paragraph 86 of the Accounting Standard for Revenue Recognition, modifications to contracts carried out prior to the beginning of the fiscal year under review were accounted for based on the contractual terms after all contract modifications were reflected. Consequently, this cumulative effect was added to or deducted from the opening balance of retained earnings of the fiscal year under review.

As a result, for the fiscal year ended March 31, 2022, net sales increased by JPY 1,325 million, cost of sales decreased by JPY 1,580 million, and operating profit increased by JPY 2,905 million, recurring loss decreased by the same amount, and income before income taxes increased by the same amount. The beginning balance of retained earnings was reduced by JPY 4,963 million. Furthermore, for the fiscal year ended March 31, 2022, net assets per share decreased by JPY 6.26 and net income per share increased by JPY 8.83.

### *Application of Accounting Standard for Fair Value Measurement, etc.*

The Company has applied the “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019) and relevant ASBJ regulations from the beginning of the fiscal year under review, and it has applied the new accounting policy provided for by the Accounting Standard for Fair Value Measurement, etc. prospectively in accordance with the transitional measures provided for in paragraph 19 of the Accounting Standard for Fair Value Measurement, and paragraph 44-2 of the “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019). The effect of the application on the consolidated financial statements is immaterial.

In addition, the Company has added, to the Note “7. Financial Instruments,” notes disclosing matters regarding the breakdown by fair value level of financial instruments, etc.

### 3. Changes in Presentation

#### *Consolidated Balance Sheet*

The item of operating loans (JPY 63 million in the fiscal year under review) was separately shown under current assets until the previous fiscal year. Since the amount of the item became immaterial for the fiscal year under review, it is included in others under current assets.

The item of asset retirement obligations (JPY 26 million in the fiscal year under review) was separately shown under current liabilities until the previous fiscal year. Since the amount of the item became immaterial for the fiscal year under review, it is included in others under current liabilities.

The item of asset retirement obligations (JPY 54 million in the fiscal year under review) was separately shown under non-current liabilities until the previous fiscal year. Since the amount of the item became immaterial for the fiscal year under review, it is included in others under non-current liabilities.

### 4. Notes regarding Accounting Estimates

#### (1) Deferred tax assets

(a) Amount recorded in the consolidated financial statements for the fiscal year under review

(JPY million)

	As of March 31, 2022
Deferred tax assets	6,596

(b) Information on the content of significant accounting estimates for identified items

Deferred tax assets are recorded for schedulable deductible temporary differences and losses carried forward for tax purposes after determining the recoverability by using the estimated taxable income based on future profitability.

The estimate of taxable income based on future profitability is made in a basis of future business plans, and the significant assumptions used for the estimate include the number of rental agreements, number of units under contracts, rent revenues, contractual adjustment of master-lease rent, and reduction of administration costs. In addition, the estimate is made based on the assumptions that the impact of COVID-19 on results of operations will be limited because both implementing infection prevention measures and boosting economic activities are progressing, and that stagnated leasing demand from foreign nationals will recover to the pre-pandemic level due to the relaxation of immigration restrictions.

Recoverability of deferred tax assets depends on the estimated future taxable income. As a result, if conditions or assumptions used as the premise of these estimates are changed, the amount of deferred tax assets may vary in the consolidated financial statements for the next fiscal year.

(2) Provision for losses related to repairs

(a) Amounts recorded in the consolidated financial statements for the fiscal year under review

(JPY million)

	As of March 31, 2022
Provision for losses related to repairs (Current liabilities)	1,941
Provision for losses related to repairs (Non-current liabilities)	16,145
Total	18,086

(b) Information on the content of significant accounting estimates for identified items

The Company has established the Construction Defects Response Headquarters and pursued all-building investigations of construction defects released in May 2018, February 2019 and May 2019 in addition to the construction defects in parting walls in attics released in April 2018. For properties in which defects were identified sequentially, repair works have been implemented in order to comply with legal requirements.

An amount of loss estimated based on ratio of defects and others was recorded as provision for losses related to repairs to prepare for the incurrence of repair work expenses and incidental expenses related to construction defects of properties (apartments) constructed by the Company. All important defects recognized at present are subject to recording of provision, and the Company considers that there is no important defect for which additional provision will be required in the future.

The specific calculation method is as follows:

a. Repair work expenses

The number of properties with defects is estimated based on ratio of defects found through all-building investigations for each repairing method according to types of defects, and the expenses are calculated by multiplying the estimate by actual unit price or estimated unit price.

b. Subleasing expenses (expenses to compensate for the rent of vacancies of properties managed by other companies)

The expenses are calculated by multiplying the anticipated subleasing period for each property managed by other companies by actual value of rent and others.

c. Expenses for relocation and others

Mainly for properties managed by other companies, the expenses are calculated by multiplying the number of properties from which relocation is expected to be required by actual unit price of relocation expenses and others.

As for repair work expenses and incidental expenses, the Company strives to make more reasonable and more highly accurate estimates of amounts, taking into account estimates presented by external business operators, changes in estimated unit price due to change from outsourcing to insourcing of some repair works, effects of review of construction schedule and others.

If conditions or assumptions used as the premise of these estimates are changed, the amount of provision recorded may vary in the consolidated financial statements for the next fiscal year.

(3) Provision for apartment vacancy loss

(a) Amounts recorded in the consolidated financial statements for the fiscal year under review

(JPY million)

	As of March 31, 2022
Provision for apartment vacancy loss (Current liabilities)	4,218
Provision for apartment vacancy loss (Non-current liabilities)	1,414
Total	5,632

(b) Information on the content of significant accounting estimates for identified items

With regard to the Leasing Business, provision to prepare for the risk of vacancy losses on apartment units managed under master lease agreements is provided according to the projected loss that could occur during a logically predictable period. It is based on estimated losses resulting from current rent to pay as a subleasing company and expected future occupancy rates for each rental property.

As the specific calculation method, the amount is calculated by comparing gross income, which was obtained by multiplying the total of rent income and other incidental income for each rental property by expected future occupancy rates, with gross expenditure, which is the total of master-lease rent to pay as a subleasing company and management cost, and then multiplying the negative amount of difference for any properties whose gross expenditure exceeds their gross income by the number of remaining months of fixed rent period under master lease agreement.

For expected future occupancy rates, an estimate is primarily made in light of circumstances around the property, demand and impact of the spread of COVID-19, and then adjustments are made to it, taking into account effects of suspension of tenant recruitment due to repair works. If conditions or assumptions used as the premise of these estimates are changed, the amount of provision recorded may vary in the consolidated financial statements for the next fiscal year.

## 5. Notes to Consolidated Balance Sheet

### (1) Assets pledged as collateral and secured liabilities

#### (a) Assets pledged as collateral

Cash and deposits	JPY 99 million
Real estate for sale	JPY 38 million
Others (Current assets)	JPY 244 million
Buildings and structures	JPY 4,813 million
Machinery, equipment, and vehicles	JPY 1 million
Land	JPY 24,988 million
Others (Intangible fixed assets)	JPY 1,052 million
Investment securities	JPY 2,261 million
Others (Investments and other assets)	JPY 103 million
Total	JPY 33,604 million

#### (b) Secured liabilities

Current portion of long-term debt	JPY 53 million
Long-term debt	JPY 30,429 million

Of the assets pledged as collateral described in (a) above, cash and deposits, others (current assets) and JPY 35 million of investment securities have been pledged as collateral to customers and other lenders, and there are no secured liabilities.

#### (c) Investments and other assets which have been deposited with the Legal Affairs Bureau (Others)

Deposit for housing construction warranty	JPY 726 million
Advanced payment certificate in accordance with Payment Services Act	JPY 332 million
Deposit for operation stipulated in Building Lots and Buildings Transaction Business Act	JPY 70 million
Deposit for operation stipulated in Insurance Business Act	JPY 200 million
Deposit for housing defect warranty	JPY 214 million
Others	JPY 2 million

(2) Accumulated depreciation of property, plant and equipment JPY 88,623 million

### (3) Reduction entry amount deducted from the acquisition cost of property, plant and equipment

Machinery, equipment, and vehicles	JPY 155 million
Tools, furniture and fixtures	
(Property, plant and equipment and other)	JPY 44 million

### (4) Guarantee obligations

Guarantee obligations for financial institutions for customers who have a housing loan	JPY 392 million
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## 6. Notes to Consolidated Statement of Changes in Equity

### (1) Number of issued shares

Class of shares	April 1, 2021	Increase	Decrease	March 31, 2022
Common stock	329,389,515 shares	–	–	329,389,515 shares

### (2) Number of shares of treasury stock

Class of shares	April 1, 2021	Increase	Decrease	March 31, 2022
Common stock	561,610 shares	–	68,000 shares	493,610 shares

Note: The decrease of 68 thousand shares in the number of treasury stock of common stock is the result of the exercise of share subscription rights.

### (3) Dividends of surplus

#### (a) Cash dividends paid

Not applicable.

#### (b) Dividend payments whose record date is in the fiscal year under review but whose effective date is in the following fiscal year

Not applicable.

### (4) Share subscription rights as of March 31, 2022

Class of shares subject to share subscription rights	Common stock
Number of shares subject to share subscription rights	160,057,900 shares
Unexercised share subscription rights	JPY 357 million

## 7. Financial Instruments

### (1) Status of financial instruments

#### (a) Policy for financial instruments

The Group's policy is to raise necessary funds mainly through bank borrowings and issuance of corporate bonds in light of its capital investment plan in a normal condition. Temporary excess funds are invested in highly secured financial assets, and short-term working capital is raised by borrowing from the bank.

#### (b) Nature of financial instruments and risks arising therefrom

Operating receivables and loans outstanding are exposed to credit risks of customers.

Foreign currency denominated debts and credits originated in conjunction with overseas business development are exposed to exchange risk.

Securities and investment securities include mainly held-to-maturity debt securities and shares of the companies with which the Company has a business or capital alliances and others, and they are exposed to risks of fluctuations in market prices and credit risks of the share-issuing organizations.

Almost all accounts payable, accounts payable for completed projects and accounts payable—other which are trade payables are scheduled to be paid within one year.

Borrowings and lease obligations related to finance lease transactions are for the funding mainly for repair works and investment in facilities, respectively, and the longest repayment date is 5 years and 9 months subsequent to fiscal year-end.

There are no derivatives transaction balances remaining as of the end of the fiscal year under review.

#### (c) Risk management for financial instruments

Credit risk management for operating receivables and loans outstanding follows the "Receivables Management Rules." Each business division manages the extension of credit to its customers while striving for early detection and loss reduction of accounts where collection is doubtful due to worsening credit or similar problems.

Regarding securities and investment securities, the Company periodically investigates and understands the share price and the financial condition of the share-issuing organization. In addition, for items other than held-to-maturity debt securities, the Company considers the relationship with the trading partner companies and constantly re-evaluates its holdings.

Trade payables and borrowings are exposed to liquidity risk, but this risk is monitored by various means such as the preparation of a monthly financial plan by each company in the Group.

#### (d) Supplementary explanations on fair value of financial instruments

Fair value of financial instruments is calculated based on fluctuating factors, and the value might differ if different assumptions are used.

(2) Fair value of financial instruments

The carrying amount on the consolidated balance sheet and fair value of financial instruments as of March 31, 2022 as well as the difference between these values are shown below.

(JPY million)

	Carrying amount	Fair value	Difference
(1) Securities and investment securities (*2)	2,179	2,180	0
(2) Long-term loans	1,126		
Allowance for doubtful accounts (*3)	(140)		
	985	908	(77)
(3) Bad debts	267		
Allowance for doubtful accounts (*3)	(267)		
	—	—	—
Total assets	3,165	3,089	(76)
(1) Long-term debt (*4)	30,483	29,682	(800)
(2) Lease obligations	2,562	2,575	12
Total liabilities	33,045	32,257	(787)

(\*1) Information on cash is omitted, and information on deposits, trade receivables, accounts payable, accounts payable for completed projects and accounts payable—other is omitted because the fair value approximates the carrying amount since they are settled within a short period of time.

(\*2) Shares, etc. without a market price are not included in “(1) Securities and investment securities.” The carrying amount of these financial instruments is as follows:

(JPY million)

Item	As of March 31, 2022
Unlisted shares	1,694
Shares of non-consolidated subsidiaries and affiliates	1,394
Investments in silent partnerships	111
Total	3,201

(\*3) Long-term loans and bad debts have deductions of their respective allowance for doubtful accounts, which are recorded separately.

(\*4) As of March 31, 2022, current portion of long-term debt of JPY 53 million is included in long-term debt.

Note 1: Scheduled redemption amount of monetary claims and investment securities with maturity subsequent to fiscal year-end

(JPY million)

	Due within 1 year	Due after 1 year through 5 years	Due after 5 years through 10 years	Due after 10 years
Cash and deposits	45,523	–	–	–
Trade receivables	8,618	–	–	–
Securities and investment securities				
Held-to-maturity debt securities	200	100	200	–
Other securities with maturities	–	–	36	1,681
Long-term loans	18	644	21	441
Bad debts	–	–	–	267
<b>Total</b>	<b>54,360</b>	<b>744</b>	<b>257</b>	<b>2,389</b>

Note 2: Scheduled repayment amount of loans payable and other interest-bearing debt subsequent to fiscal year-end

(JPY million)

	Due within 1 year	Due after 1 year through 5 years	Due after 5 years through 10 years	Due after 10 years
Long-term debt	53	30,317	111	–
Lease obligations	1,992	569	–	–
<b>Total</b>	<b>2,046</b>	<b>30,887</b>	<b>111</b>	<b>–</b>

(3) The breakdown by fair value level of financial instruments, etc.

Fair values of financial instruments are classified into the following three levels depending on the observability and significance of inputs used in the fair value measurement.

- Level 1 fair value: Fair value determined based on the quoted price formed in an active market for the asset or liability of which the fair value is determined, among observable inputs for fair value measurement
- Level 2 fair value: Fair value determined using inputs related to the measurement of the fair value other than inputs of Level 1, among observable inputs for fair value measurement
- Level 3 fair value: Fair value determined using unobservable inputs for fair value measurement

If multiple inputs that have a significant impact on the fair value measurement are used, the fair value is classified to the lowest priority level of fair value measurement to which each input belongs.

## (a) Financial instruments recorded at fair value on the consolidated balance sheet

(JPY million)

Item	Fair value			
	Level 1	Level 2	Level 3	Total
Securities and investment securities				
Other securities				
Government and municipal bonds	35	–	–	35
Bonds (corporate bonds)	–	806	–	806
Others	–	836	–	836
Total assets	35	1,642	–	1,678

## (b) Financial instruments other than those recorded at fair value on the consolidated balance sheet

(JPY million)

Item	Fair value			
	Level 1	Level 2	Level 3	Total
Securities and investment securities				
Held-to-maturity debt securities				
Government and municipal bonds	502	–	–	502
Long-term loans	–	908	–	908
Total assets	502	908	–	1,410
Long-term debt	–	29,682	–	29,682
Lease obligations	–	2,575	–	2,575
Total liabilities	–	32,257	–	32,257

Note: Explanation of valuation techniques and inputs used to determine fair value

Securities and investment securities

Government bonds are assessed using the quoted price. Because government bonds are traded in an active market, their fair value is classified as Level 1 fair value. On the other hand, fair value of bonds (corporate bonds) and other (subordinate beneficiary rights) held by the Company is classified as Level 2 fair value since these bonds are traded infrequently in a market and their price is not deemed as a quoted price in an active market.

Long-term loans

Fair value of long-term loans is classified as Level 2 fair value since it is determined using the discounted cash flow method based on the future cash flow and an interest rate equal to an appropriate index, such as the yield of government bonds, plus credit spread, for each loan classified according to a certain period of time and by credit risk categories used for credit management.

Long-term debt and lease obligations

Their fair value is classified as Level 2 fair value since it is determined using the discounted cash flow method based on the principal with interest and an interest rate that takes into account the remaining period of respective debts and credit risks.

## 8. Rental Properties

The Company possesses rental apartments in major cities and regional cities throughout Japan. Also, some consolidated subsidiaries possess rental housing and buildings for rent. For the fiscal year ended March 31, 2022, income arising from these rental properties was JPY 504 million. Also, the changes in the carrying amount on the consolidated balance sheet of rental properties during the fiscal year under review, and the fair value as of March 31, 2022 were as follows:

(JPY million)

Carrying amount			Fair value as of March 31, 2022
Balance as of April 1, 2021	Increase/decrease	Balance as of March 31, 2022	
8,092	(1,171)	6,920	9,754

- Notes: 1. The carrying amount on the consolidated balance sheet is the amount after deducting accumulated depreciation and accumulated impairment loss from acquisition cost.
2. The main decrease for the fiscal year under review was sale of serviced apartments of JPY 1,178 million.
3. Fair value as of the end of the fiscal year under review is calculated by the Company mainly based on "Real-estate appraisal standards."

## 9. Revenue Recognition

(1) Information on disaggregation of revenues from contracts with customers

(JPY million)

	Reportable segments				Adjustments	Amount stated in consolidated financial statements
	Leasing Business	Elderly Care Business	Other Businesses	Total		
Net sales						
Rent income	278,740	–	–	278,740	–	278,740
Ancillary service income	53,517	–	–	53,517	–	53,517
Maintenance	35,315	–	–	35,315	–	35,315
Rental guarantee	4,559	–	–	4,559	–	4,559
Furniture insurance	3,744	–	–	3,744	–	3,744
Company housing agency fee	788	–	–	788	–	788
Roof lease solar power generation	2,775	–	–	2,775	–	2,775
Construction subcontracting	3,145	–	–	3,145	–	3,145
Other	456	14,258	1,064	15,779	–	15,779
Revenue from contracts with customers	383,043	14,258	1,064	398,366	–	398,366
Other revenue	–	–	–	–	–	–
Sales to customers	383,043	14,258	1,064	398,366	–	398,366

(2) Information that forms the basis to understand revenue from contracts with customers

The Group recognizes revenue from contracts with customers based on the five-step approach detailed below.

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognize revenue when the entity satisfies a performance obligation

Information that forms the basis to understand revenue is as described in “1. Important Items That Form the Basis of Preparing Consolidated Financial Statements, (5) Summary of accounting policies, (d) Recognition of significant revenues and costs.”

(3) Information for understanding amounts of revenue for the fiscal year under review and the next fiscal year onward

(a) Balance of contract assets and contract liabilities, etc.

(JPY million)

	As of March 31, 2022
Receivables from contracts with customers (beginning balance)	7,930
Receivables from contracts with customers (ending balance)	8,618
Contract assets (beginning balance)	524
Contract assets (ending balance)	443
Contract liabilities (beginning balance)	41,613
Contract liabilities (ending balance)	39,153

Contract assets are included in “Accounts receivable for completed projects” and contract liabilities are included in “Advances received,” “Customer advances for projects in progress,” and “Long-term advances received” in the consolidated financial statements.

Contract assets are mainly unclaimed trade receivables of revenue from construction subcontracting contracts recognized based on the estimated percentage of completion. Contract liabilities are mainly rents for which performance obligations have not been satisfied at the end of the fiscal year.

Revenue recognized in the fiscal year under review included in the balance of contract liabilities at the beginning of the fiscal year was JPY 32,509 million.

Contract liabilities decreased by JPY 2,460 million in the fiscal year under review mainly due to the reversal of contract liabilities by revenue recognition despite an increase in the beginning balance by the application of the Accounting Standard for Revenue Recognition and relevant ASBJ regulations.

(b) Transaction price allocated to remaining performance obligations

The total amount of transaction price allocated to remaining performance obligations and timing when revenue is expected to be recognized are as follows:

(JPY million)

	As of March 31, 2022
Within 1 year	289,104
After 1 year	133,860
Total	422,965

Note: This table describes, by applying practical expedients, remaining performance obligations for rent income, ancillary service income and maintenance from among the classification for disaggregation shown in “(1) Information on disaggregation of revenues from contracts with customers.”

## 10. Per Share Information

Net assets per share	JPY 3.25
Net income per share	JPY 36.04

## 11. Subsequent Events

Not applicable.

## NON-CONSOLIDATED FINANCIAL STATEMENTS

### NON-CONSOLIDATED BALANCE SHEET (as of March 31, 2022)

(JPY million)

<b>ASSETS</b>	
<b>Current assets</b>	<b>53,159</b>
Cash and deposits	37,025
Trade receivables	7,700
Accounts receivable for completed projects	385
Payment for construction in progress	199
Supplies	338
Prepaid expenses	1,579
Other accounts receivable	639
Deposits paid	2,124
Short-term loans receivable from subsidiaries and affiliates	2,898
Others	473
Allowance for doubtful accounts	(205)
<b>Non-current assets</b>	<b>79,683</b>
<b>Property, plant and equipment</b>	<b>34,891</b>
Buildings	4,436
Structures	94
Machinery and equipment	1
Tools, furniture and fixtures	213
Land	23,645
Leased assets	6,497
Construction in progress	2
<b>Intangible fixed assets</b>	<b>2,088</b>
Software	586
Software in progress	962
Others	539
<b>Investments and other assets</b>	<b>42,704</b>
Investment securities	3,485
Shares in subsidiaries and affiliates	25,494
Long-term loans	512
Long-term loans receivable from subsidiaries and affiliates	5,438
Bad debts	266
Long-term prepaid expenses	567
Deferred tax assets	4,139
Others	3,540
Allowance for doubtful accounts	(741)
<b>Total assets</b>	<b>132,842</b>

**NON-CONSOLIDATED BALANCE SHEET (as of March 31, 2022) (Continued)**

(JPY million)

<b>LIABILITIES</b>	
<b>Current liabilities</b>	<b>54,853</b>
Accounts payable	2,517
Accounts payable for completed projects	27
Lease obligations	4,299
Accounts payable—other	8,436
Accrued income taxes	153
Advances received	29,423
Customer advances for projects in progress	144
Deposits received	2,680
Provision for warranty obligations on completed projects	7
Provision for losses related to repairs	1,941
Provision for apartment vacancy loss	4,218
Others	1,004
<b>Non-current liabilities</b>	<b>75,010</b>
Long-term debt	30,000
Lease obligations	2,959
Long-term advances received	7,151
Lease/guarantee deposits received	7,342
Retirement benefit reserves	9,191
Provision for losses related to repairs	16,145
Provision for apartment vacancy loss	1,414
Others	804
<b>Total liabilities</b>	<b>129,863</b>
<b>NET ASSETS</b>	
<b>Shareholders' equity</b>	<b>2,660</b>
Common stock	100
Capital surplus	132,406
Legal capital surplus	51,235
Other capital surplus	81,171
Retained earnings	(129,543)
Other retained earnings	(129,543)
Retained earnings brought forward	(129,543)
Treasury stock	(302)
<b>Valuation and translation adjustments</b>	<b>(39)</b>
Net unrealized gains on other securities	(39)
<b>Share subscription rights</b>	<b>357</b>
<b>Total net assets</b>	<b>2,979</b>
<b>Total liabilities and net assets</b>	<b>132,842</b>

**NON-CONSOLIDATED STATEMENT OF INCOME****(from April 1, 2021 to March 31, 2022)**

(JPY million)

<b>Net sales</b>	<b>382,822</b>
Sales from Leasing Business	372,170
Sales from Other Businesses	10,651
<b>Cost of sales</b>	<b>341,647</b>
Cost of sales from Leasing Business	331,360
Cost of sales from Other Businesses	10,287
<b>Gross profit</b>	<b>41,174</b>
<b>Selling, general and administrative expenses</b>	<b>38,803</b>
<b>Operating profit</b>	<b>2,370</b>
<b>Non-operating income</b>	<b>1,293</b>
Interest and dividend income	675
Gain on valuation of investment securities	129
Others	489
<b>Non-operating expenses</b>	<b>4,714</b>
Interest expenses	4,631
Others	82
<b>Recurring loss</b>	<b>(1,050)</b>
<b>Extraordinary income</b>	<b>11,969</b>
Reversal of provision for losses related to repairs	11,959
Others	9
<b>Extraordinary losses</b>	<b>671</b>
Loss on retirement of property, plant and equipment	24
Impairment loss	3
Provision of allowance for doubtful accounts	369
Loss on valuation of shares in subsidiaries	203
Loss on closure of offices	69
<b>Income before income taxes</b>	<b>10,247</b>
Income taxes—current	153
Income taxes—deferred	(4,157)
<b>Net income</b>	<b>14,251</b>

## **NON-CONSOLIDATED STATEMENT OF CHANGES IN Equity**

**(from April 1, 2021 to March 31, 2022)**

(JPY million)

	Shareholders' equity							
	Common stock	Capital surplus			Retained earnings		Treasury stock	Total shareholders' equity
		Legal capital surplus	Other capital surplus	Total capital surplus	Other retained earnings	Total retained earnings		
Balance as of April 1, 2021	81,282	51,235	–	51,235	(139,285)	(139,285)	(344)	(7,112)
Cumulative effects of changes in accounting policies					(4,509)	(4,509)		(4,509)
Restated balance after changes in accounting policies	81,282	51,235	–	51,235	(143,794)	(143,794)	(344)	(11,621)
Change during period								
Reduction of common stock	(81,182)		81,182	81,182				–
Net income					14,251	14,251		14,251
Disposal of treasury stock			(10)	(10)			41	30
Net change of items other than shareholders' equity								
<b>Total change during period</b>	<b>(81,182)</b>	<b>–</b>	<b>81,171</b>	<b>81,171</b>	<b>14,251</b>	<b>14,251</b>	<b>41</b>	<b>14,282</b>
<b>Balance as of March 31, 2022</b>	<b>100</b>	<b>51,235</b>	<b>81,171</b>	<b>132,406</b>	<b>(129,543)</b>	<b>(129,543)</b>	<b>(302)</b>	<b>2,660</b>

(JPY million)

	Valuation and translation adjustments		Share subscription rights	Total net assets
	Net unrealized gains on other securities	Total valuation and translation adjustments		
Balance as of April 1, 2021	(0)	(0)	388	(6,724)
Cumulative effects of changes in accounting policies				(4,509)
Restated balance after changes in accounting policies	(0)	(0)	388	(11,233)
Change during period				
Reduction of common stock				–
Net income				14,251
Disposal of treasury stock				30
Net change of items other than shareholders' equity	(38)	(38)	(30)	(69)
<b>Total change during period</b>	<b>(38)</b>	<b>(38)</b>	<b>(30)</b>	<b>14,213</b>
<b>Balance as of March 31, 2022</b>	<b>(39)</b>	<b>(39)</b>	<b>357</b>	<b>2,979</b>

# Notes to Non-consolidated Financial Statements

## 1. Significant Accounting Policies

### (1) Valuation bases and methods for assets

#### Securities

##### Shares of subsidiaries and affiliates

Stated at cost determined by the moving-average method

##### Other securities

Securities other than shares, etc. without a market price are stated at fair market value.

Unrealized gains and losses are directly included in net assets. The cost of securities sold is determined by the moving-average method.

Shares, etc. without a market price are stated at cost determined by the moving-average method.

Investments such as investments in silent partnerships are reported using the equity method, based on the latest financial statements available.

#### Inventories

##### Real estate for sale and real estate for sale in progress

Primarily stated at cost determined by the specific identification method (figures on the balance sheet are determined based on the method of writing down the book value in accordance with the decline in profitability of assets)

##### Payment for construction in progress

Primarily stated at cost determined by the specific identification method

##### Supplies

Primarily stated at cost determined by the last purchase cost method (figures on the balance sheet are determined based on the method of writing down the book value in accordance with the decline in profitability of assets)

### (2) Depreciation and amortization of non-current assets

#### Rental property, plant and equipment (except for leased assets):

Depreciated by the straight-line method

Useful lives of major assets are as follows:

Buildings: 22–47 years

#### Property, plant and equipment other than the above (except for leased assets):

Depreciated by the declining-balance method

However, buildings (excluding accompanying facilities) obtained on or after April 1, 1998 and facilities accompanying buildings and structures obtained on or after April 1, 2016 are depreciated by the straight-line method.

Useful lives of major assets are as follows:

Buildings: 15–50 years

Tools, furniture and fixtures: 5–10 years

#### Intangible fixed assets (except for leased assets):

Amortized by the straight-line method

Useful lives of major assets are as follows:

Software for internal use: 5 years

Leased assets:

Depreciated and amortized by the straight-line method based on the lease term as the useful life and a residual value of zero.

Long-term prepaid expenses:

Evenly amortized mainly over the following period

Prepaid master-lease rent:	5–7 years
Nondeductible portion of consumption taxes related to non-current assets:	5 years

(3) Provision of allowance and provisions

Allowance for doubtful accounts

The Company maintains an allowance for doubtful accounts to provide for potentially uncollectible receivables such as accounts receivable and loans. An estimated uncollectible amount is provided at the amount estimated by either using the historical rate of credit loss in the case of general receivables, or based on individual consideration of collectibility in the case of specific receivables such as highly doubtful receivables.

Provision for warranty obligations on completed projects

With regard to the Leasing Business, provision for warranty obligations on completed projects is provided to provide for the Company's compensation expenses regarding its execution of warranty obligations under defect liabilities in the future pertaining to completed projects. It is calculated using the percentage of the past execution of warranty obligations on completed projects.

Retirement benefit reserves

To prepare for employees' retirement benefits, retirement benefit reserves are provided at the amount deemed to have accrued at the end of the fiscal year under review based on the estimated amount of retirement benefit obligations at the end of the fiscal year under review. Actuarial differences, which are prorated according to the straight-line method over a specified period (5 years) within the average remaining service years of employees at the time of accrual in each fiscal year, are amortized starting in the next fiscal year of the respective accruals.

Provision for losses related to repairs

An amount of loss estimated based on ratio of defects and others is recorded to prepare for the incurrence of repair work expenses and incidental expenses related to construction defects of properties (apartments) constructed by the Company.

Provision for apartment vacancy loss

With regard to the leasing business, provision to prepare for the risk of vacancy losses on apartment units managed under master lease agreements is provided according to the projected loss that could occur during a logically predictable period. It is based on estimated losses resulting from current rent to pay as a subleasing company and expected future occupancy rates for each rental property.

(4) Recognition of revenues and costs

The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and relevant ASBJ regulations, and it has recognized revenue at the time the control of promised goods or services is transferred to the customer at the amount expected to be received upon exchange of said goods or services. The amount of the consideration does not include important financial components.

Details of major performance obligations in major businesses of the Company related to revenue

from contracts with customers, and the timing the performance obligations are typically satisfied (when revenue is typically recognized), are as follows.

Leasing Business operations mainly comprise the leasing and management of apartment buildings. For these transactions, the Company determines that performance obligations are satisfied at the time the contractual conditions are implemented, and revenue is recognized at that point in time.

For key money, reduction of rent, and handling charge for monthly rental contract, revenue is recognized evenly over a certain period of time as the performance obligations are satisfied, by using the tenants' average staying period in the apartment as a period for satisfying the performance obligations.

As for LEONET viewing fee, because the service providers are third parties and the Company's performance obligation is to arrange for the service to be provided, the Company has determined that it acts as an agent in the transactions and revenue is recognized at the net amount derived by deducting the amount paid to those parties from the amount of consideration received from customers.

(5) Foreign currency translation of foreign currency-denominated assets and liabilities into Japanese yen

All monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the current exchange rates as of the balance sheet date. The foreign exchange gains and losses from translation are recognized in the statement of income.

## 2. Changes in Accounting Policies

### *Application of Accounting Standard for Revenue Recognition, etc.*

The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and relevant ASBJ regulations from the beginning of the fiscal year under review, and it has recognized revenue at the time the control of promised goods or services is transferred to the customer at the amount expected to be received upon exchange of said goods or services.

As a result, instead of recognizing revenue in one go at the time of signing the contract, for key money, reduction of rent, handling charge for monthly rental contract, and other handling charges for service provision, such revenues have been divided by the tenants' average staying period in the apartment on a pro rata basis.

As for LEONET viewing fee, etc., for which revenue was previously recognized at the gross amount of consideration received from customers, revenue is now recognized at the net amount derived by deducting the amount paid to the service suppliers from the amount received from customers.

The application of the Accounting Standard for Revenue Recognition and relevant ASBJ regulations is subject to the transitional treatment provided for in the proviso to paragraph 84 of the Accounting Standard for Revenue Recognition. The cumulative effect of the retrospective application, assuming the new accounting policy had been applied to periods prior to the beginning of the fiscal year under review was added to or deducted from the opening balance of retained earnings of the fiscal year under review, and thus the new accounting policy was applied from such opening balance; provided, however, that the new accounting policy was not retrospectively applied to contracts for which nearly all the revenue amounts had been recognized according to the previous treatment in periods prior to the beginning of the fiscal year under review, by applying the method provided for in paragraph 86 of the Accounting Standard for Revenue Recognition. Furthermore, by applying the method set

forth in item (1) of the supplementary provisions of paragraph 86 of the Accounting Standard for Revenue Recognition, modifications to contracts carried out prior to the beginning of the fiscal year under review were accounted for based on the contractual terms after all contract modifications were reflected. Consequently, this cumulative effect was added to or deducted from the opening balance of retained earnings of the fiscal year under review.

As a result, for the fiscal year ended March 31, 2022, net sales decreased by JPY 501 million, cost of sales decreased by JPY 1,580 million, and operating profit increased by JPY 1,079 million, recurring loss decreased by the same amount, and income before income taxes increased by the same amount. The beginning balance of retained earnings brought forward was reduced by JPY 4,509 million. Furthermore, for the fiscal year ended March 31, 2022, net assets per share decreased by JPY 10.43 and net income per share increased by JPY 3.28.

*Application of Accounting Standard for Fair Value Measurement, etc.*

The Company has applied the “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019) and relevant ASBJ regulations from the beginning of the fiscal year under review, and it has applied the new accounting policy provided for by the Accounting Standard for Fair Value Measurement, etc. prospectively in accordance with the transitional measures provided for in paragraph 19 of the Accounting Standard for Fair Value Measurement, and paragraph 44-2 of the “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019). The effect of the application on the non-consolidated financial statements is immaterial.

### **3. Changes in Presentation**

*Non-consolidated Balance Sheet*

The items of operating loans (JPY 63 million in the fiscal year under review) and real estate for sale (JPY 97 million in the fiscal year under review) were separately shown under current assets until the previous fiscal year. Since the amount of each item became immaterial for the fiscal year under review, they are included in others under current assets.

*Non-consolidated Statement of Income*

The item of employment adjustment subsidy (JPY 0 million in the fiscal year under review) was separately shown under other income until the previous fiscal year. Since the amount of the item became immaterial for the fiscal year under review, it is included in others under non-operating income.

The item of gain on sale of investment securities (JPY 0 million in the fiscal year under review) was separately shown under extraordinary income until the previous fiscal year. Since the amount of the item became immaterial for the fiscal year under review, it is included in others under extraordinary income.

#### 4. Notes regarding Accounting Estimates

(1) Deferred tax assets

(a) Amount recorded in the non-consolidated financial statements for the fiscal year under review

(JPY million)

	As of March 31, 2022
Deferred tax assets	4,139

(b) Information on the content of significant accounting estimates for identified items

Deferred tax assets are recorded for schedulable deductible temporary differences and losses carried forward for tax purposes after determining the recoverability by using the estimated taxable income based on future profitability.

The estimate of taxable income based on future profitability is made in a basis of future business plans, and the significant assumptions used for the estimate include the number of rental agreements, number of units under contracts, rent revenues, contractual adjustment of master-lease rent, and reduction of administration costs. In addition, the estimate is made based on the assumptions that the impact of COVID-19 on results of operations will be limited because both implementing infection prevention measures and boosting economic activities are progressing, and that stagnated leasing demand from foreign nationals will recover to the pre-pandemic level due to the relaxation of immigration restrictions.

Recoverability of deferred tax assets depends on future taxable income. As a result, if conditions or assumptions used as the premise of these estimates are changed, the amount of deferred tax assets may vary in the non-consolidated financial statements for the next fiscal year.

(2) Provision for losses related to repairs

Information has been omitted because it has been provided in "Notes to Consolidated Financial Statements, 4. Notes regarding Accounting Estimates."

(3) Provision for apartment vacancy loss

Information has been omitted because it has been provided in "Notes to Consolidated Financial Statements, 4. Notes regarding Accounting Estimates."

## 5. Notes to Non-consolidated Balance Sheet

### (1) Assets pledged as collateral and secured liabilities

#### (a) Assets pledged as collateral

Cash and deposits	JPY 99 million
Deposits paid	JPY 244 million
Short-term loans receivable from subsidiaries and affiliates	JPY 2,850 million
Others (Current assets)	JPY 38 million
Buildings	JPY 4,201 million
Structures	JPY 81 million
Machinery and equipment	JPY 1 million
Land	JPY 23,538 million
Others (Intangible fixed assets)	JPY 321 million
Investment securities	JPY 2,261 million
Stocks of subsidiaries and affiliates	JPY 476 million
Long-term loans receivable from subsidiaries and affiliates	JPY 5,365 million
Total	JPY 39,480 million

#### (b) Secured liabilities

Long-term loans	JPY 30,000 million
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Of the assets pledged as collateral in (a) above, cash and deposits, deposits paid and JPY 35 million of investment securities have been pledged as collateral to customers and other lenders, and there are no secured liabilities.

#### (c) Investments and other assets which have been deposited with the Legal Affairs Bureau

Deposit for housing construction warranty	JPY 726 million
Advanced payment certificate in accordance with Payment Services Act	JPY 332 million
Deposit for operation stipulated in Building Lots and Buildings Transaction Business Act	JPY 35 million
Deposit for housing defect warranty	JPY 214 million
Others	JPY 2 million

(2) Accumulated depreciation of property, plant and equipment JPY 48,397 million

(3) Reduction entry amount deducted from the acquisition cost of property, plant and equipment

Tools, furniture and fixtures	JPY 44 million
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#### (4) Guarantee obligation

Guarantee obligation for financial institutions for customers who have a housing loan	JPY 392 million
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(5) Monetary claims and liabilities to subsidiaries and affiliates (excluding those classified separately in the Balance Sheet)

Short-term monetary claims	JPY 342 million
Short-term monetary liabilities	JPY 3,322 million
Long-term monetary liabilities	JPY 2,402 million

## 6. Notes to Non-consolidated Statement of Income

Transactions with subsidiaries and affiliates

Sales to subsidiaries and affiliates	JPY 4,007 million
Purchases from subsidiaries and affiliates	JPY 1,892 million
Non-operating transactions	JPY 594 million

## 7. Notes to Non-consolidated Statement of Changes in Equity

Number of shares of treasury stock

Class of shares	April 1, 2021	Increase	Decrease	March 31, 2022
Common stock	561,610 shares	–	68,000 shares	493,610 shares

Note: The decrease of 68 thousand shares in the number of treasury stock of common stock is the result of the exercise of share subscription rights.

## 8. Tax Effect Accounting

Significant components of deferred tax assets and liabilities

(JPY million)

### Deferred tax assets:

Loss carried forward for tax purposes	46,987
Provision for losses related to repairs	6,256
Loss on devaluation of stock of shares of subsidiaries and affiliates	3,185
Retirement benefit reserves	3,179
Provision for apartment vacancy loss	1,948
Impairment loss	1,035
Advances from customers	258
Software	190
Deposits received	168
Asset retirement obligations	108
Accounts payable—other	55
Others	414
Sub-total	63,790
Valuation allowance for losses carried forward for tax purposes	(45,589)
Valuation allowance for total deductible temporary difference and others	(14,042)
Sub-total	(59,632)
Total deferred tax assets	4,158

### Deferred tax liabilities:

Fixed asset retirement expenses	(3)
Adjustment of gain/loss on transfer (buildings)	(15)
Total deferred tax liabilities	(18)
Net deferred tax assets	4,139

## 9. Revenue Recognition

This description is omitted because the relevant information is described in “Notes to Consolidated Financial Statements, 9. Revenue Recognition.”

## 10. Related Party Transactions

### Affiliates and others

Attribute	Name	Percentage of share ownership	Relation	Transaction	Transaction amount (JPY million)	Account	Balance as of March 31, 2022 (JPY million)	
Subsidiary	Leopalace Leasing Corporation	Directly owning 100.0%	Leasing of fixtures equipped with company-managed properties	Financing support	Lending of funds (Note)1	1,201	Short-term loans receivable from subsidiaries and affiliates	300
					Collection of funds (Note)1	3,283		
					Receipt of interest (Note)1	128		
					Acquisition of leased assets (Note)2	306	Lease obligations (Short-term)	2,537
					Repayment of lease obligations (Note)2	2,355		
					Payment of interest (Note)2	211		
Subsidiary	Azu Life Care Co., Ltd.	Directly owning 100.0%	Financing support	Lending of funds (Note)1	100	Short-term loans receivable from subsidiaries and affiliates	2,550	
					Receipt of interest (Note)1			49

Notes: 1. As for lending of funds, we reasonably determine interest rates taking into consideration market interest rates.

2. Transaction prices of lease transactions are determined in accordance with price negotiating that gives consideration to market prices and others.

3. Consumption taxes were not included in the transaction amount above.

## 11. Per Share Information

Net assets per share	JPY 7.97
Net income per share	JPY 43.33

## 12. Subsequent Events

Not applicable.

## 13. Matters Regarding Company Subject to Consolidated Dividend Regulations

Not applicable.