

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 8, 2016

To Our Shareholders

Eisei Miyama
President and CEO
Leopalace21 Corporation
2-54-11 Honcho, Nakano-ku, Tokyo

Notice of the 43rd Ordinary General Shareholders' Meeting

You are cordially invited to attend the 43rd Ordinary General Shareholders' Meeting of Leopalace21 Corporation ("the Company"). The meeting will be held as described below.

If you are unable to attend the meeting, you may exercise your voting rights by either of the following methods. Please exercise your voting rights no later than 6:00 p.m. on Tuesday, June 28, 2016.

[Exercising your voting rights in writing]

Please refer to pages 3 to 15 of the Reference Materials for the General Shareholders' Meeting, indicate "for" or "against" for each agenda item 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, etc.]

Please access the Voting Rights Exercise Site (<http://www.evotep.jp/>), which is designated by the Company. Enter the "Login ID" and "Temporary Password" noted on the enclosed Voting Rights Exercise Form, refer to pages 3 to 15 of the Reference Materials for the General Shareholders' Meeting or reference materials on the Voting Rights Exercise Site, follow the instructions on the screen, and indicate "for" or "against" for each agenda item.

In addition, if you exercise your voting rights both in writing and via the Internet, the voting via the Internet shall prevail.

Details

1. **Date and Time:** June 29, 2016 (Wednesday), 10:00 a.m. (Reception will open at 9:00 a.m.)
2. **Place:** Leopalace21 Corporation, Head Office,
Event Hall on B1 floor
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 43rd Fiscal Term (from April 1, 2015 to March 31, 2016)
2. Report on Non-consolidated Financial Statements for the 43rd Fiscal Term (from April 1, 2015 to March 31, 2016)

Matters to be resolved:

- Proposal No. 1:** Appropriation of Surplus
Proposal No. 2: Amendment to the Articles of Incorporation
Proposal No. 3: Appointment of Eleven (11) Directors
Proposal No. 4: Appointment of Two (2) Audit & Supervisory Board Members

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).

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.

<http://eg.leopalace21.com/>

On the day of the General Shareholders' Meeting, officers and staffs of the Company will be dressed "cool-biz" style, or in suits without neckties, in order to contribute to electricity savings with respect to air-conditioning. 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: Appropriation of Surplus

The return of profits to shareholders is positioned as a key management issue for the Company. In terms of dividends, the Company sets as its basic policy that it will increase shareholder value by increasing earnings per share (EPS) through investments for future growth in areas such as real estate, overseas businesses, mergers and acquisitions, IT, and research and development, and that it provides stable dividend to shareholders, in order to maximize mid- to long-term corporate value.

Based on the above-mentioned policy, in light of such factors as business performance during the fiscal term under review and future business development, it is proposed that the distribution of year-end dividends for the fiscal term under review be as follows.

Matters concerning year-end dividends

(1) Form of dividend

Cash

(2) Allotment of dividends assets and total amount of dividends

10 yen per common share of the Company

The total payment of year-end dividends shall amount to 2,628,743,950 yen.

(3) Effective date of payment for dividends

June 30, 2016

Proposal No. 2: Amendment to the Articles of Incorporation

1. Rationale for amendment

The Company would like to amend items in the purpose to respond to the revision of the Long-Term Care Insurance Act and expand and diversify business.

2. Details of amendment

Details of the amendment are as follows:

(Proposed amendments are underlined)

Existing Articles of Incorporation	Proposed Amendment
<p style="text-align: center;">Chapter 1 General Provisions</p> <p>Article 1. <Omitted> (Purpose)</p> <p>Article 2. 1.–25. <Omitted> 26. <Omitted> <u>Preventative home-visit care under the Long-Term Care Insurance Act</u></p> <p style="text-align: center;"><Omitted></p> <p style="text-align: center;"><u>Preventative day care under the Long-Term Care Insurance Act</u></p> <p style="text-align: center;"><Newly established></p> <p style="text-align: center;"><Omitted></p> <p>27.–34. <Omitted></p> <p>Articles 3.–42. <Omitted></p>	<p style="text-align: center;">Chapter 1 General Provisions</p> <p>Article 1. <As per the existent articles> (Purpose)</p> <p>Article 2. 1.–25. <As per the existent articles> 26. <As per the existent articles> <u>Home-visit service for preventive long-term care and primary home-visit business under the Long-Term Care Insurance Act</u> <As per the existent articles></p> <p style="text-align: center;"><u>Outpatient preventive long-term care and primary outpatient business under the Long-Term Care Insurance Act</u> <u>Regular and as-needed home-visit services for long-term care and nursing care under the Long-Term Care Insurance Act</u></p> <p style="text-align: center;"><As per the existent articles></p> <p>27.–34. <As per the existent articles></p> <p>Articles 3.–42. <As per the existent articles></p>

Proposal No. 3: Appointment of Eleven (11) Directors

The term of office of all nine (9) Directors will expire at the conclusion of this Ordinary General Shareholders’ Meeting. The Company wishes to increase the number of Directors by two (2) persons (of which one (1) will be Outside Director) to reinforce the management structure, and therefore proposes the appointment of eleven (11) Directors (of which nine (9) are candidates for reappointment).

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	Eisei Miyama (November 13, 1957)	October 1977 Joined Leopalace21 Corporation April 1990 General Manager of the 3rd Sales Department, Leopalace21 Corporation June 1990 Director, Leopalace21 Corporation January 1996 Executive Director of Management, Leopalace21 Corporation November 1996 General Manager of the Leasing Business Headquarters, Leopalace21 Corporation April 2003 Senior Managing Director, Leopalace21 Corporation April 2008 Deputy General Manager of the Sales Headquarters, Leopalace21 Corporation General Manager of the Elderly Care Business Headquarters, Leopalace21 Corporation General Manager of the Hotel Business Headquarters, Leopalace21 Corporation April 2009 Senior Managing Director and Senior Executive Officer, Leopalace21 Corporation General Manager of the Management Planning Headquarters, Leopalace21 Corporation December 2009 Vice President and Representative Director, Leopalace21 Corporation General Manager of the 1st Sales Department, Leasing Business Division, Leopalace21 Corporation February 2010 President and CEO, Leopalace21 Corporation (incumbent) General Manager of the Marketing and Sales Headquarters, Leopalace21 Corporation June 2010 President and CEO, Leopalace21 Corporation (incumbent) Significant concurrent positions Director, Leopalace Guam Corporation	132,200 shares
<p>Reason for nomination as a candidate for Director</p> <p>Mr. Eisei Miyama is fulfilling an appropriate role as Director by taking important management decisions and supervising business execution. Moreover, as President and CEO, he demonstrates strong leadership and decisiveness based on his abundant experience in guiding the execution of the Company’s business, such as the formulation of the Leopalace21 Group’s Medium-term Management Plan.</p> <p>For this reason, 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 once more 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
2	Tadahiro Miyama (January 21, 1966)	<p>September 1985 Joined Leopalace21 Corporation</p> <p>October 2002 General Manager of the Sales and Marketing General Headquarters, Leopalace21 Corporation</p> <p>June 2003 Director, Leopalace21 Corporation Deputy General Manager of the Sales and Marketing General Headquarters, Leopalace21 Corporation</p> <p>October 2006 Director and Managing Executive Officer, Leopalace21 Corporation General Manager of the Subcontracting Business Headquarters, Leopalace21 Corporation</p> <p>May 2007 Executive Director of Management, Leopalace21 Corporation</p> <p>April 2009 Executive Director of Management and Managing Executive Officer, Leopalace21 Corporation General Manager of the Sales and Marketing General Headquarters, Leopalace21 Corporation General Manager of the Subcontracting Business Department, Leopalace21 Corporation General Manager of the Subcontracting Sales Department, Leopalace21 Corporation</p> <p>May 2011 Director and Senior Executive Officer, Leopalace21 Corporation General Manager of the Marketing and Sales Headquarters, Leopalace21 Corporation (incumbent) General Manager of the Leasing Business Division, Leopalace21 Corporation</p> <p>April 2012 General Manager of the Apartment Construction Subcontracting Business Division, Leopalace21 Corporation</p> <p>April 2014 Director and Senior Vice President, Leopalace21 Corporation (incumbent) General Manager of the Corporate Business Promotion Headquarters, Leopalace21 Corporation (incumbent)</p> <p>July 2015 General Manager of the Apartment Construction Subcontracting Business Division, Leopalace21 Corporation</p> <p>April 2016 General Manager of the Leasing Business Division, Leopalace21 Corporation (incumbent)</p> <p>Significant concurrent positions Director, Leopalace Leasing Corporation Director, Plaza Guarantee CO., LTD. Director, Asuka SSI Director, Azu Life Care Co., Ltd. Director, Leopalace21 Business Consulting (Shanghai) Co., Ltd. President, Leopalace21 (Shanghai) Property Management Co., Ltd. Director, Leopalace21 (Thailand) CO., LTD. Director, LEOPALACE21 VIETNAM CO., LTD. Director, Leopalace21 (Cambodia) Co., Ltd. Director, LEOPALACE21 PHILIPPINES INC. Director, LEOPALACE21 REAL ESTATE (CAMBODIA) Co., Ltd.</p>	14,200 shares
<p>Reason for nomination as a candidate for Director</p> <p>Mr. Tadahiro Miyama is fulfilling an appropriate role as Director by taking important management decisions and supervising business execution. Moreover, as Senior Vice President, he is actively involved in business execution, planning the Company's global strategy and controlling the marketing and sales and other departments.</p> <p>For this reason, 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 once more 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	Yuzuru Sekiya (September 1, 1957)	<p>April 1980 Joined The Sumitomo Bank, Limited (now Sumitomo Mitsui Banking Corporation)</p> <p>April 2004 Manager of Tokyo Credit Business Dept. IV, Sumitomo Mitsui Banking Corporation</p> <p>June 2005 General Manager of Kitakyushu Corporate Business Office, Sumitomo Mitsui Banking Corporation</p> <p>April 2008 Head of Credit Monitoring Dept. of Credit Dept. I, Middle Market Banking Unit, Sumitomo Mitsui Banking Corporation</p> <p>April 2010 Joined Leopalace21 Corporation on loan Executive Officer, Leopalace21 Corporation Deputy General Manager of the Management Headquarters, Leopalace21 Corporation</p> <p>June 2010 Director and Executive Officer, Leopalace21 Corporation</p> <p>May 2011 Deputy General Manager of the Business Management Headquarters, Leopalace21 Corporation</p> <p>April 2012 Director and Managing Executive Officer, Leopalace21 Corporation General Manager of the Business Management Headquarters, Leopalace21 Corporation</p> <p>April 2013 General Manager of the General Planning Headquarters, Leopalace21 Corporation Deputy General Manager of the Business Management Headquarters, Leopalace21 Corporation</p> <p>April 2014 Director and Senior Executive Officer, Leopalace21 Corporation (incumbent) General Manager of the Management Planning Headquarters, Leopalace21 Corporation (incumbent)</p> <p>April 2015 General Manager of the Hotel and Resort Business Division, Leopalace21 Corporation (incumbent)</p> <p>Significant concurrent positions Director, Leopalace Guam Corporation Director, WING MATE CO., LTD.</p>	12,000 shares
<p>Reason for nomination as a candidate for Director</p> <p>Mr. Yuzuru Sekiya is fulfilling an appropriate role as Director by taking important management decisions and supervising business execution. Moreover, as Senior Executive Officer, he is actively involved in business execution, controlling the management planning department.</p> <p>For this reason, 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 once more 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
4	Hiroshi Takeda (January 1, 1964)	<p>April 1988 Joined Leopalace21 Corporation</p> <p>April 1999 General Manager of the Kinki Sales Headquarters, Leopalace21 Corporation</p> <p>October 2006 Executive Officer, Leopalace21 Corporation</p> <p>June 2007 Director, Leopalace21 Corporation General Manager of the West Japan Sales Headquarters, Subcontracting Business Headquarters, Leopalace21 Corporation</p> <p>April 2009 Director and Executive Officer, Leopalace21 Corporation General Manager of the Sales Planning Department, Subcontracting Business Division, Leopalace21 Corporation</p> <p>April 2010 Director and Executive Officer, Leopalace21 Corporation General Manager of the Western Japan Construction Subcontracting Department, the Construction Subcontracting Business Division, Leopalace21 Corporation General Manager of the Central Japan Construction Subcontracting Department, the Construction Subcontracting Business Division, Leopalace21 Corporation</p> <p>May 2011 General Manager of the Asset Management Department, Leasing Business Division, Leopalace21 Corporation</p> <p>April 2013 Managing Executive Officer, Leopalace21 Corporation General Manager of the Leasing Business Division, Leopalace21 Corporation</p> <p>April 2014 Senior Executive Officer, Leopalace21 Corporation</p> <p>June 2015 Director and Senior Executive Officer, Leopalace21 Corporation (incumbent)</p> <p>January 2016 Deputy General Manager of the Apartment Construction Subcontracting Business Division, Leopalace21 Corporation</p> <p>April 2016 General Manager of the Apartment Construction Subcontracting Business Division, Leopalace21 Corporation (incumbent) Deputy General Manager of the Marketing and Sales Headquarters, Leopalace21 Corporation (incumbent)</p>	11,200 shares
<p>Reason for nomination as a candidate for Director</p> <p>Mr. Hiroshi Takeda is fulfilling an appropriate role as Director by taking important management decisions and supervising business execution. Moreover, as Senior Executive Officer, he is actively involved in business execution, controlling the leasing business and the construction business.</p> <p>For this reason, 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 once more 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
5	Kazuto Tajiri (August 22, 1952)	<p>April 1975 Joined The Kyowa Bank, Ltd. (now Resona Bank, Limited)</p> <p>October 1998 General Manager of Credit 4th Department, The Kyowa Bank, Ltd. (now Resona Bank, Limited)</p> <p>June 2002 General Manager of Credit 2nd Department, The Asahi Bank, Ltd. (now Resona Bank, Limited)</p> <p>March 2003 General Manager of Credit 2nd Department, Saitama Resona Bank, Limited</p> <p>July 2004 Joined Resona Research Institute Co., Ltd. on loan General Manager of Tokyo Consulting Department</p> <p>June 2008 Executive Officer, Head and General Manager of Tokyo Sales Department, Resona Research Institute Co., Ltd.</p> <p>December 2009 Managing Executive Officer, Head of Tokyo Headquarters, Tokyo Sales Department, Saitama Sales Department and Consulting Department, Resona Research Institute Co., Ltd.</p> <p>April 2013 Joined Leopalace21 Corporation Managing Executive Officer, Leopalace21 Corporation General Manager of the Business Management Headquarters, Leopalace21 Corporation</p> <p>June 2013 Director and Managing Executive Officer, Leopalace21 Corporation</p> <p>April 2014 General Manager of the Management Headquarters, Leopalace21 Corporation (incumbent)</p> <p>April 2016 Director and Senior Executive Officer, Leopalace21 Corporation (incumbent)</p>	3,400 shares
<p>Reason for nomination as a candidate for Director</p> <p>Mr. Kazuto Tajiri is fulfilling an appropriate role as Director by taking important management decisions and supervising business execution. Moreover, as Senior Executive Officer, he is actively involved in business execution, controlling the business management department.</p> <p>For this reason, 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 once more 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	Yoshikazu Miike (July 8, 1957)	<p>April 1976 Joined Sankei Co., Ltd.</p> <p>October 1980 Joined Leopalace21 Corporation</p> <p>April 1999 General Manager of the Sales and Marketing General Headquarters, Leopalace21 Corporation</p> <p>June 1999 Director, Leopalace21 Corporation Deputy General Manager of the Sales and Marketing General Headquarters, Leopalace21 Corporation</p> <p>October 2003 Deputy General Manager of the Leasing Business Headquarters, Leopalace21 Corporation</p> <p>October 2006 Director and Managing Executive Officer, Leopalace21 Corporation (incumbent) Representative in charge of the Kyushu region, West Japan Sales Headquarters, Leasing Business Headquarters, Leopalace21 Corporation</p> <p>June 2007 Representative in charge of the West Japan regions, Leasing Business Headquarters, Leopalace21 Corporation</p> <p>April 2008 Representative in charge of the East Japan regions, Leasing Business Headquarters, Leopalace21 Corporation</p> <p>April 2009 General Manager of the Related Business Headquarters, Leopalace21 Corporation General Manager of the Elderly Care Business Department, Leopalace21 Corporation</p> <p>April 2010 General Manager of the Leasing Business Division, Leopalace21 Corporation General Manager of the Western Japan Leasing and Administration Department, Leasing Business Division, Leopalace21 Corporation</p> <p>May 2011 General Manager of the Related Businesses Division, Leopalace21 Corporation</p> <p>February 2012 General Manager of the Hotel and Resort Business Division, Leopalace21 Corporation</p> <p>April 2012 Deputy General Manager of the Related Businesses Division, Leopalace21 Corporation</p> <p>April 2013 General Manager of the Hotel and Resort Business Division, Leopalace21 Corporation</p> <p>April 2015 Deputy General Manager of Hotel and Resort Business Division, Leopalace21 Corporation (incumbent)</p> <p>Significant concurrent positions Representative Director, WING MATE CO., LTD.</p>	69,900 shares
<p>Reason for nomination as a candidate for Director</p> <p>Mr. Yoshikazu Miike is fulfilling an appropriate role as Director by taking important management decisions and supervising business execution. Moreover, as Managing Executive Officer, he is actively involved in business execution, with responsibility for the hotel and resort business-related department.</p> <p>For this reason, 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 once more 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	Hiroyuki Harada (January 7, 1955)	April 1980	Joined NISSANSHA INC.	8,700 shares
		January 1985	Joined Leopalace21 Corporation	
April 1999	General Manager of the Advertising Department, Leopalace21 Corporation			
October 2004	General Manager of the Personnel Department, Leopalace21 Corporation			
May 2007	Executive Officer, Leopalace21 Corporation			
May 2011	General Manager of the General and Legal Affairs Department, Leopalace21 Corporation			
April 2012	Executive Officer, Leopalace21 Corporation General Manager of the Personnel Department, Leopalace21 Corporation			
April 2013	Deputy General Manager of the Business Management Headquarters, Leopalace21 Corporation			
June 2013	Director and Executive Officer, Leopalace21 Corporation			
January 2014	General Manager of the Work-life Balance Promotion Office, Leopalace21 Corporation (incumbent)			
April 2014	Deputy General Manager of the Management Headquarters, Leopalace21 Corporation (incumbent)			
April 2016	Director and Managing Executive Officer, Leopalace21 Corporation (incumbent)			
		Significant concurrent positions Representative Director, Leopalace Smile Co., Ltd.		
Reason for nomination as a candidate for Director				
Mr. Hiroyuki Harada is fulfilling an appropriate role as Director by taking important management decisions and supervising business execution. Moreover, as Managing Executive Officer, he is actively involved in business execution, controlling the personnel and general and legal affairs departments. For this reason, 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 once more as a candidate for Director.				
8	New Candidate Bunya Miyao (April 14, 1960)	April 1983	Joined Nakamichi Leasing Co., Ltd.	3,000 shares
		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 Business Planning Department, Leopalace21 Corporation (incumbent)			
July 2012	Administrative Officer, Leopalace21 Corporation			
		April 2013	Executive Officer, Leopalace21 Corporation (incumbent)	
Reason for nomination as a candidate for Director				
As Executive Officer, Mr. Bunya Miyao is involved in business execution in the areas of management planning, PR, and IR, with responsibility for management planning operations. Moreover, having had experience in the hotel and resort business, as well as financial affairs and accounting, he is well-versed not only in his assigned duties, but also in the Company's business as a whole. For this reason, it is judged that his appointment to the post of Director would be in the interests of the Company, so the Company has nominated him as a new candidate for Director.				
9	Outside Director Tetsuji Taya (December 14, 1963)	April 1987	Joined The Fuji Bank, Limited (now Mizuho Bank, Ltd.)	3,000 shares
		April 2007	Board Member & Managing Director, Industrial Growth Platform, Inc.	
September 2009	Representative Director, Industrial Growth Platform, Inc.			
June 2010	Director, Leopalace21 Corporation (incumbent)			
March 2011	Board Member & Managing Director, Industrial Growth Platform, Inc. (incumbent)			
		Significant concurrent positions Board Member & Managing Director, Industrial Growth Platform, Inc.		
Reason for nomination as a candidate for Outside Director				
Mr. Tetsuji Taya fulfills an appropriate role in supervising the business execution of the Company, using the keen insight accumulated during his career and deep knowledge and experience in corporate management to actively provide 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 Remuneration Committee, thereby increasing the transparency and objectivity of officer appointment and remuneration decision procedures. For this reason, 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 once more as a candidate for Outside 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
10	Outside Director Yoshiko Sasao (April 2, 1960)	April 1984	Joined Recruit Co., Ltd.	300 shares
		April 2000	Joined RECRUIT STAFFING CO., LTD. on loan	
		April 2004	Joined RECRUIT STAFFING CO., LTD. Manager of Marketing Support 1 Division	
		April 2006	Joined Tokyo Electric Power Company, Incorporated	
		November 2007	Joined TEPCO PARTNERS Co, Inc. on loan Managing Director	
		July 2010	Representative Director, TEPCO PARTNERS Co, Inc.	
		June 2015	Director, Leoplace21 Corporation (incumbent)	
		June 2015	Representative Director, SHiDAX BEAUTY CARE MANAGEMENT CORPORATION (incumbent)	
		Significant concurrent positions Representative Director, SHiDAX BEAUTY CARE MANAGEMENT CORPORATION		
<p>Reason for nomination as a candidate for Outside Director</p> <p>Ms. Yoshiko Sasao fulfills an appropriate role in supervising the business execution of the Company, using her keen insight as a senior manager of business corporations and deep knowledge and experience in corporate management to actively provide advice from an independent and fair perspective during the Board of Directors meetings and other meetings. She also serves as a member of the Nomination and Remuneration Committee, thereby increasing the transparency and objectivity of officer appointment and remuneration decision procedures.</p> <p>For this reason, 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 once more as a candidate for Outside Director.</p>				
11	New Candidate Outside Director Tadashi Kodama (November 11, 1947)	April 1970	Joined The Dai-Tokyo Fire & Marine Insurance Co., Ltd. (now Aioi Nissay Dowa Insurance Co., Ltd.)	2,800 shares
		June 2001	Director, Aioi Insurance Co., Ltd. (now Aioi Nissay Dowa Insurance Co., Ltd.)	
		April 2002	Managing Director, Aioi Insurance Co., Ltd.	
		April 2003	Senior Managing Director, Aioi Insurance Co., Ltd.	
		April 2004	Representative Director, President, Aioi Insurance Co., Ltd.	
		April 2010	Representative Director, Vice Chairman of the Board of Directors, Aioi Insurance Co., Ltd.	
		April 2010	Representative Director, Executive Officer, MS&AD Insurance Group Holdings, Inc.	
		October 2010	Representative Director, Vice Chairman of the Board of Directors, Aioi Nissay Dowa Insurance Co., Ltd.	
		June 2011	Director, Vice Chairman of the Board of Directors, Aioi Nissay Dowa Insurance Co., Ltd.	
		June 2012	Senior Advisor, Aioi Nissay Dowa Insurance Co., Ltd.	
		June 2015	Retired from Aioi Nissay Dowa Insurance Co., Ltd.	
<p>Reason for nomination as a candidate for Outside Director</p> <p>The Company believes that Mr. Tadashi Kodama will use his abundant insight as a senior manager of a listed company to provide advice on the overall management of the Company. The Company also believes that increasing the number of Outside Directors and strengthening the supervising functions of the Board of Directors will be beneficial to the Company.</p> <p>For this reason, 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 as a new candidate for Outside Director.</p>				

- Notes: 1. There is no particular interest between any of the candidates and the Company.
2. Mr. Tetsuji Taya, Ms. Yoshiko Sasao and Mr. Tadashi Kodama are candidates for Outside Director. They 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 also assured.
3. Mr. Tetsuji Taya is currently an Outside Director of the Company. His term as an Outside Director will be six years at the conclusion of this General Shareholders' Meeting.
4. Ms. Yoshiko Sasao is currently an Outside Director of the Company. Her term as an Outside Director will be one year at the conclusion of this General Shareholders' Meeting.
5. In accordance with the provisions of Article 427, Paragraph 1 of the Companies Act, the Company has entered into limited liability agreements with Mr. Tetsuji Taya and Ms. Yoshiko Sasao 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 reappointment is approved. We also plan to enter into the said agreement with Mr. Tadashi Kodama if his appointment as Outside Director is approved and he assumes the office of Outside Director.

Proposal No. 4: Appointment of Two (2) Audit & Supervisory Board Members

At the conclusion of this Ordinary General Shareholders' Meeting, the terms of office of Audit & Supervisory Board Members Mr. Masumi Iwakabe and Mr. Masahiko Nakamura will expire. It is therefore proposed that two (2) Audit & Supervisory Board Members (of which one (1) is a candidate for reappointment) be appointed.

The Audit & Supervisory Board has already given consent to this proposal.

The candidates for Audit & Supervisory Board Member are as follows:

Candidate number	Name (Date of birth)	Career summary and positions in the Company (Significant concurrent positions)		Number of the Company's shares held
1	New Candidate Atsunori Nasu (July 11, 1956)	June 1983	Joined JAPAN LIFE Co., Ltd.	600 shares
		May 1987	Joined Leopalace21 Corporation	
		April 2007	General Manager of Leasing Inspection Unit, Leasing Business Division, Leopalace21 Corporation	
		May 2009	General Manager of Business Planning Department, Leasing Business Division, Leopalace21 Corporation	
		July 2010	General Manager of Area Strategies Department, Leopalace21 Corporation	
		April 2012	General Manager of Auditing Department, Leopalace21 Corporation (incumbent)	
		April 2015	Administrative Officer, Leopalace21 Corporation (incumbent)	
		Significant concurrent positions Audit & Supervisory Board Member, Morizou Co., Ltd.		
<p>Reason for nomination as a candidate for Audit & Supervisory Board Member</p> <p>Mr. Atsunori Nasu carries out auditing duties in his current role as General Manager of the Auditing Department, so the Company believes that he will appropriately supervise the Company's management, based on the insight that he has gained through his professional experience to date.</p> <p>For this reason, the Company has nominated him as a new candidate for Standing Audit & Supervisory Board Member.</p>				
2	Outside Audit & Supervisory Board Member Masahiko Nakamura (October 25, 1947)	April 1966	Joined Sendai Regional Taxation Bureau, National Tax Agency	0 shares
		July 1994	Deputy District Director of Musashino Tax Office, National Tax Agency	
		July 2002	District Director of Suginami Tax Office, Tokyo Regional Taxation Bureau, National Tax Agency	
		July 2006	Assistant Regional Commissioner (Fourth Large Enterprise Examination), Tokyo Regional Taxation Bureau, National Tax Agency	
		August 2007	Established Masahiko Nakamura Certified Tax Accountant Office Representative, Masahiko Nakamura Certified Tax Accountant Office (incumbent)	
		June 2010	Audit & Supervisory Board Member, Leopalace21 Corporation (incumbent)	
		July 2015	Outside Audit & Supervisory Board Member, HOMENET Co., Ltd. (incumbent)	
		Significant concurrent positions Representative, Masahiko Nakamura Certified Tax Accountant Office Outside Audit & Supervisory Board Member, HOMENET Co., Ltd.		
<p>Reason for nomination as a candidate for Outside Audit & Supervisory Board Member</p> <p>Mr. Masahiko Nakamura appropriately supervises the Company's management from an objective perspective, using his abundant experience and wealth of expertise in the fields of tax administration and financial accounting accumulated as an employee of the National Tax Agency and a certified tax accountant.</p> <p>For this reason, it is judged that he is the right person to serve as Audit & Supervisory Board Member of the Company, so the Company has nominated him once more as a candidate for Outside Audit & Supervisory Board Member.</p>				

- Notes: 1. There is no particular interest between any of the candidates and the Company.
2. Mr. Masahiko Nakamura is a candidate for Outside Audit & Supervisory Board Member. He is a candidate for independent officer as stipulated in Article 436-2 of the Securities Listing Regulations of Tokyo Stock Exchange, Inc. As the candidate also satisfies the independence criteria set forth by the Company, the Company deems that the independence of the candidate is also assured.
3. Mr. Masahiko Nakamura is currently an Outside Audit & Supervisory Board Member of the Company. His term

as an Audit & Supervisory Board Member will be six years at the conclusion of this General Shareholders' Meeting.

4. In accordance with the provisions of Article 427, Paragraph 1 of the Companies Act, the Company has entered into a limited liability agreement with Mr. Masahiko Nakamura limiting his 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 this agreement if his reappointment is approved.

[Reference]

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

When nominating 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, etc.") that receives remuneration other than officer remuneration from the Company of an amount in the most recent fiscal year that is at least 10 million yen 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, etc. 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 10 million yen 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, 2015 to March 31, 2016)

Items Regarding Status of Group Operations

Overview of Operations

During the fiscal year under review, the domestic economy showed gradual recovery supported by improved corporate earnings, a rosier employment and income environment, and firm personal consumption, despite prospects being uncertain due to a downturn in China's economy, as well as a sharp appreciation of the yen.

In the rental housing industry, recovery from the negative effects of the consumption tax increase progressed, and new housing construction starts of leased units improved for the first time in two years (up 7.1% year on year). On the other hand, while the number of vacant rental housing units continues to increase and a recovery in nationwide demand is difficult to foresee, achieving stable occupancy rates requires supplying housing in limited areas, in addition to providing high-quality and well-equipped products and services that meet tenants' needs.

Amid this condition, the Leopalace21 Group (the "Group") aims to achieve the targets of the Medium-term Management Plan "EXPANDING VALUE," by building a solid management structure focusing on core businesses, comprising the leasing business and the construction business. In addition, the Group aimed to challenge itself with new businesses fields that contribute to the Group's future growth, and it worked to expand its business activity areas.

As a result, consolidated net sales for the fiscal year under review came to 511,424 million yen (up 5.8% year on year). Consolidated operating income was 20,996 million yen (up 42.2%), consolidated recurring income was 19,820 million yen (up 47.6%) and consolidated net income attributable to shareholders of the parent was 19,432 million yen (up 33.9%).

On a non-consolidated basis, net sales were 495,146 million yen (up 2.2% year on year), operating income was 20,444 million yen (up 31.1%), recurring income was 19,825 million yen (up 36.3%), and net income was 19,422 million yen (up 26.7%).

Leasing Business

The occupancy rate at the end of the fiscal year under review was 90.53% (up 1.24 points from the end of the previous fiscal year), and the average occupancy rate for the period was 87.95% (up 1.38 points year on year).

In the leasing business, to establish stable profits led by improved occupancy, the Group implemented measures to promote longer rent periods, such as expanding tenant services including "Room Customize" and providing a website for tenants, as well as further capturing the demand for female and corporate customers by installing security systems in more properties. In addition, the Group aims to increase foreign tenants by refining customer support.

The number of units under management at the end of the fiscal year under review was 561,000 (an increase of 7,000 from the end of the previous fiscal year), and the number of direct offices was 189 (an increase of 1). The number of franchise offices was 130 (a decrease of 11).

As a result of the above, net sales amounted to 410,552 million yen (up 2.8% year on year), and operating income was 22,760 million yen (up 10.9% year on year).

Construction Business

Orders received during the fiscal year under review were 86,439 million yen (down 1.1% from the previous fiscal year) and the orders received outstanding at the end of the fiscal year under review stood at 66,347 million yen (up 14.1% from the end of the previous fiscal year).

In the construction business, the Group focused on supplying apartments in urban areas where a

high occupancy rate is expected, as well as providing high-quality products with improved earthquake resistance and sound insulation. In addition, the Group launched a new brand, attempting to strengthen product competitiveness and refresh its image among tenants, expanded construction variations based on “ideal land use,” and began reconsidering suppliers and product prices to improve profitability.

In addition subsidiary Morizou Co., Ltd. is developing a construction business relating to custom-built detached-house construction that uses Kiso cypress as a building material.

As a result, net sales came to 74,160 million yen (up 21.0% year on year), and operating income was 3,339 million yen (an increase of 3,128 million yen from the previous fiscal year).

Elderly Care Business

Net sales were 10,798 million yen (up 1.8% year on year), and operating loss was 1,354 million yen (a deterioration of 748 million yen from the previous fiscal year). While pressing ahead with expanding facilities, which are a designated growth strategy business, we plan to secure profits by keeping costs in control.

Hotels & Resort Business

Net sales of resort facilities in Guam and hotels in Japan were 11,427 million yen (up 27.7% year on year), and operating loss was 697 million yen (an improvement of 591 million yen from the previous fiscal year).

Other Businesses

In other businesses such as the solar power generation business, the small-amount, short-term insurance business, and the finance business, net sales were 4,485 million yen (up 49.5% year on year), and operating income was 337 million yen (up 979.3% year on year).

Issues to Be Addressed

The Group aims to build solid management strength based on its fundamental policy of “focusing on core businesses and challenging itself with new business fields” as established in its Medium-term Management Plan.

The Group aims to develop the leasing business further as a highly profitable business by taking various steps such as further strengthening sales to corporate clients, among which there is strong demand, addressing tenants’ needs through “Room Customize” and installing security systems, strengthening initiatives targeting foreign students, who demonstrate solid demand, maximizing placement capabilities based on the network of direct offices, franchises offices, and real estate brokers, and reducing costs by reviewing routine property management tasks. In the construction business, the Group will focus on measures such as supplying apartments in urban areas where a high occupancy rate is expected, offering advanced new products, building high-quality apartments that pay attention to earthquake resistance and sound insulation, etc., and expanding construction variations to meet various needs and fostering land-use specialists. In the Medium-term Management Plan, the Group positions the elderly care business as a growth strategy area and will endeavor to expand the number of its care facilities and enhance the services at them through collaboration with the construction business. As a group-wide measure, the Group will also maintain a low cost structure while strategically investing in the costs (personnel, advertising, and sales promotion expenses) necessary to expand future sales and earnings.

- Acquisition of individual clients and the promotion of long-term occupancy

With respect to the leasing business, the Company is required to increase individual and student clients, while corporate clients continue to show a rising trend. The Company's policy is to continue to enhance sales to corporate clients, which have strong demand; however, taking into consideration the fact that corporate clients are easily impacted by economic fluctuations, from the perspective of assuring stable sales and earnings, the Company will also strengthen its efforts to take in individual clients and promote long-term occupancy through measures such as implementing advertising and sales campaigns for individual clients, enhancing services to tenants and improving the quality of the sales office network by strengthening training and guidance.

· Improving earnings power and developing new businesses

For the Group to grow sustainably, it is necessary to improve its earnings power in the leasing business and develop new business domains. The Group has already made efforts to increase its earnings power by enhancing tenant services and implementing measures to increase the value of properties, and to develop new business domains by implementing a "leased roof solar power generation project" through a solar power generation company, operating the rental housing management business through a joint venture in South Korea and by launching the agency business for local real estate and the development and operation of serviced apartments and offices in ASEAN countries. Going forward, the Group will continue to work on developing new business domains, products and services, as well as a new revenue base.

We are currently pressing ahead with new measures aimed at achieving plan targets. We ask shareholders for your continued understanding and support of these endeavors.

Capital Investment

The total amount of capital investment carried out by the Group in the fiscal year under review is 9,630 million yen.

The main components of this were 1,752 million yen for investment on serviced apartments and offices in connection with the leasing business in ASEAN countries, 1,859 million yen for capital investment in connection with the hotels & resort business, 3,163 million yen for acquisition of solar power generation systems in connection with other businesses.

Financing Activities

During the fiscal year under review, the Group procured funds of 21,200 million yen through the issuance of unsecured bonds.

Major Subsidiaries (as of March 31, 2016)

Company Name	Capital	Voting rights ratio	Primary Areas of Business
Leopalace Leasing Corporation	400 million yen	100.0%	Corporate Housing Management /Real Estate Brokerage Business
Plaza Guarantee CO., LTD.	50 million yen	100.0%	Rent Obligation Guarantee Business
Leopalace21 Business Consulting (Shanghai) Co., Ltd.	5,359 thousand RMB	100.0%	Consulting Business
Leopalace21 (Shanghai) Property Management Co., Ltd.	3,079 thousand RMB	100.0%	Real Estate Agency Business

Company Name	Capital	Voting rights ratio	Primary Areas of Business
LEOPALACE21 VIETNAM CO., LTD.	10,787 million VND	100.0%	Real Estate Agency Business
Leopalace21 (Thailand) CO., LTD.	10 million THB	49.0% [51.0%]	Real Estate Agency Business Serviced Apartments Business
Leopalace21 (Cambodia) Co., Ltd.	500 thousand USD	100.0%	Real Estate Agency Business Serviced Apartments Business
LEOPALACE21 REAL ESTATE (CAMBODIA) Co., Ltd.	5 thousand USD	49.0% (49.0%) [51.0%]	Real Estate Business
LEOPALACE21 PHILIPPINES INC.	22,070 thousand Philippine peso	100.0%	Real Estate Agency Business Serviced Offices Business
PT. Leopalace21 Properti Manajemen	2,600,000 thousand IDR	0.0% [100.0%]	Real Estate Agency Business
PT. Leopalace Duasatu Realty	7,089,390 thousand IDR	100.0%	Real Estate Business
Morizou Co., Ltd.	85 million yen	88.2%	Construction Business of Custom-Built Detached Houses
Azu Life Care Co., Ltd.	80 million yen	100.0%	Care Business
Leopalace Guam Corporation	26,000 thousand USD	100.0%	Hotels & Resort Business
WING MATE CO., LTD.	40 million yen	100.0%	Travel Business
Asuka SSI	1,000 million yen	100.0%	Small-Amount, Short-Term Insurance Business
Leopalace Power Corporation	80 million yen	100.0%	Solar Power Generation Business
Leopalace Energy Corporation	20 million yen	100.0% (100.0%)	Electricity Retail Business
Leopalace Smile Co., Ltd.	10 million yen	100.00%	Clerical Work Outsourcing Service Business

- Notes: 1. LEOPALACE21 PHILIPPINES INC., PT. Leopalace21 Properti Manajemen and PT. Leopalace Duasatu Realty were newly established in the fiscal year under review.
2. There was no specified wholly-owned subsidiary as of the end of the fiscal year under review.
3. Figures in parenthesis in the voting rights ratio column indicate indirect ownership ratios, and these are included in the total.
4. Figures in square brackets in the voting rights ratio column indicate ownership ratios of a party with a close relationship and a party that gives consent, and these are not included in the total.

Major Areas of Operation (as of March 31, 2016)

Segment	Areas of Activity
Leasing Business	Leasing and management of apartments, etc., various leasing-related services, broadband service, repair work, corporate housing management business, real estate brokerage business, rent obligation guarantee business, consulting business, etc.
Construction Business	Contracted construction work for apartments, etc., contracted installation work for solar power generation systems, contracted construction for custom-built detached houses, etc.
Elderly Care Business	Operation of elderly care facilities
Hotels & Resort Business	Operation of hotel and resort facilities
Other Businesses	Solar power generation, small-amount, short-term insurance, financing activities, clerical work outsourcing service business, etc.

Major Business Locations of the Group (as of March 31, 2016)

The Company

Head Office	Nakano-ku, Tokyo
Regional	47 prefectures nationwide
Headquarters	(Leopalace centers: 182 branches; construction sales: 60 branches) Overseas (Leopalace centers: 7 branches [People's Republic of China: 4 branches; South Korea: 2 branches; Taiwan: 1 branch])
Hotels	6 facilities nationwide (Asahikawa, Sapporo, Sendai, Nagoya, Okayama, Hakata)
Care Facilities	61 facilities nationwide (Tokyo: 4 facilities; Chiba Prefecture: 16 facilities; Saitama Prefecture: 22 facilities; Kanagawa Prefecture: 3 facilities; Ibaraki Prefecture: 8 facilities; Tochigi Prefecture: 6 facilities; Gunma Prefecture: 2 facilities)

Major Subsidiaries

Leopalace Leasing Corporation	Nakano-ku, Tokyo
Plaza Guarantee CO., LTD.	Nakano-ku, Tokyo
Leopalace21 Business Consulting (Shanghai) Co., Ltd.	The People's Republic of China
Leopalace21 (Shanghai) Property Management Co., Ltd.	The People's Republic of China
LEOPALACE21 VIETNAM CO., LTD.	The Socialist Republic of Vietnam
Leopalace21 (Thailand) CO., LTD.	The Kingdom of Thailand
Leopalace21 (Cambodia) Co., Ltd.	The Kingdom of Cambodia
LEOPALACE21 REAL ESTATE (CAMBODIA) Co., Ltd.	The Kingdom of Cambodia
LEOPALACE21 PHILIPPINES INC.	The Republic of the Philippines
PT. Leopalace21 Properti Manajemen	The Republic of Indonesia
PT. Leopalace Duasatu Realty	The Republic of Indonesia
Morizou Co., Ltd.	Shibuya-ku, Tokyo
Azu Life Care Co., Ltd.	Nakano-ku, Tokyo
Leopalace Guam Corporation	Guam (a trust territory under the U.S.A.)
WING MATE CO., LTD.	Nakano-ku, Tokyo
Asuka SSI	Nakano-ku, Tokyo
Leopalace Power Corporation	Nakano-ku, Tokyo
Leopalace Energy Corporation	Nakano-ku, Tokyo
Leopalace Smile Co., Ltd.	Nakano-ku, Tokyo

Employees of the Group (as of March 31, 2016)

1. Employees of the Group

Segment	Number of Employees	
Leasing Business	3,402	[440]
Construction Business	1,790	[30]
Elderly Care Business	1,179	[1,061]
Hotels & Resort Business	1,077	[105]
Other Businesses	50	[-]
All companies (common)	348	[11]
Total	7,846	[1,647]

Notes: 1. The number of employees represents a number of employees at work, and for the number of temporary employees (casual workers and contract workers), the average annual number is indicated separately in square brackets.

2. The number of employees indicated as all companies (common) is the number belonging to general administrative departments.

2. Employees of the Company

Number of Employees	Change Since Previous FY	Average Age	Average Years of Service
6,413 [1,540]	+264	35 years and 11 months	7 years and 9 months

Note: The number of employees represents a number of employees at work, and for the number of temporary employees (casual workers and contract workers), the average annual number is indicated separately in square brackets.

Major Lenders (as of March 31, 2016)

Lender	Loan Balance at End of the Fiscal Year under Review (millions of yen)
Mizuho Bank, Ltd.	10,250
Sumitomo Mitsui Banking Corporation	4,880

Items Regarding Shares of the Company

- **Number of shares authorized** 500,000,000 shares
- **Number of shares outstanding** 267,443,915 shares
- **Number of shareholders** 48,476
- **Major shareholders (top 10 shareholders)**

Shareholder Name	Number of Shares Held (thousands of shares)	Percentage of Outstanding Shares (%)
Japan Trustee Services Bank, Ltd. (Trust Account)	42,389	16.12
STATE STREET BANK AND TRUST COMPANY 505225	10,583	4.02
The Master Trust Bank of Japan, Ltd. (Trust Account)	9,883	3.75
MSIP CLIENT SECURITIES	5,931	2.25
Stockholding Association for Leopalace21's Business Connection	5,773	2.19
MELLON BANK, N.A. AS AGENT FOR ITS CLIENT MELLON OMNIBUS US PENSION	5,524	2.10
STATE STREET BANK AND TRUST COMPANY 505103	4,697	1.78
BBH for Fidelity Low-Priced Stock Fund (Principal All Sector Subportfolio)	4,619	1.75
JP MORGAN CHASE BANK 380634	3,976	1.51
STATE STREET BANK AND TRUST COMPANY	3,892	1.48

Notes: 1. Although the Company holds 4,569 thousand shares of treasury stock, the Company is excluded from the above major shareholders.

2. Of the shares listed above, those held in trust accounts as part of trust bank operations are as follows:

Japan Trustee Services Bank, Ltd. (Trust Account) 41,781 thousand shares

The Master Trust Bank of Japan, Ltd. (Trust Account) 9,805 thousand shares

3. The above shareholding ratios are calculated excluding treasury stock.

- **Shareholder composition**

Financial instruments business operations	1.70%	(4,536 thousand shares)
Financial institutions	23.07%	(61,712 thousand shares)
Foreign corporations	54.55%	(145,884 thousand shares)
Treasury stocks	1.71%	(4,569 thousand shares)
Individuals and other	16.57%	(44,327 thousand shares)
Business corporations and other legal entities	2.40%	(6,412 thousand shares)

Share Subscription Rights and Others

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

Issuance resolution date		June 29, 2009	
Amount to be paid in for share subscription rights		Payment not required	
Value of property to be contributed upon exercise of share subscription rights		82,600 yen per 1 share subscription right (826 yen per share)	
Issue price of shares and amount incorporated into capital in case of issuance due to exercise of share subscription rights		Issue price: 1,103 yen; amount incorporated into capital: 552 yen	
Exercise period		From August 18, 2011 through June 27, 2019	
Status of officers' holdings	Directors (excluding Outside Directors)	Number of share subscription rights	30 units
		Number of underlying shares	3,000 shares of common stock
		Number of holders	1 person
	Audit & Supervisory Board Members	Number of share subscription rights	60 units
		Number of underlying shares	6,000 shares of common stock
		Number of holders	2 persons

Note: The above share subscription rights are those granted to Directors and Audit & Supervisory Board Members while they were serving at the Company as employees.

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

1. Directors and Audit & Supervisory Board Members

(as of March 31, 2016)

Name	Title	Duties in the Company and Significant Concurrent Positions
Eisei Miyama	President and CEO	President and CEO Director, Leopalace Guam Corporation
Tadahiro Miyama	Director	Senior Vice President/General Manager of the Marketing and Sales Headquarters/General Manager of the Corporate Business Promotion Headquarters (concurrent)/General Manager of the Apartment Construction Subcontracting Business Division (concurrent) Director, Leopalace Leasing Corporation Director, Plaza Guarantee CO., LTD. Director, Leopalace21 Business Consulting (Shanghai) Co., Ltd. President, Leopalace21 (Shanghai) Property Management Co., Ltd. Director, Leopalace21 (Thailand) CO., LTD. Director, LEOPALACE21 VIETNAM CO., LTD. Director, Leopalace21 (Cambodia) Co., Ltd. Director, LEOPALACE21 REAL ESTATE (CAMBODIA) Co., Ltd. Director, LEOPALACE21 PHILIPPINES INC. Director, Azu Life Care Co., Ltd. Director, Asuka SSI
Yuzuru Sekiya	Director	Senior Executive Officer/General Manager of the Management Planning Headquarters/General Manager of the Hotel and Resort Business Division (concurrent) Director, Leopalace Guam Corporation
Hiroshi Takeda	Director	Senior Executive Officer/General Manager of the Leasing Business Division/Deputy General Manager of the Apartment Construction Subcontracting Business Division (concurrent) Director, Leopalace Leasing Corporation Director, Plaza Guarantee CO., LTD. Director, Asuka SSI
Kazuto Tajiri	Director	Managing Executive Officer/General Manager of the Management Headquarters
Yoshikazu Miike	Director	Managing Executive Officer/Deputy General Manager of the Hotel and Resort Business Division Representative Director, WING MATE CO., LTD.
Hiroyuki Harada	Director	Executive Officer/Deputy General Manager of the Management Headquarters/General Manager of the Work-life Balance Promotion Office (concurrent) Representative Director, Leopalace Smile Co., Ltd.
Tetsuji Taya	Director	Board Member & Managing Director, Industrial Growth Platform, Inc.
Yoshiko Sasao	Director	Representative Director, SHiDAX BEAUTY CARE MANAGEMENT CORPORATION
Masumi Iwakabe	Standing Audit & Supervisory Board Member	Outside Audit & Supervisory Board Member, FUJIWARA STEEL MATERIALS CO., LTD.
Mutsuhiro Yamada	Standing Audit & Supervisory Board Member	
Masahiko Nakamura	Audit & Supervisory Board Member	Representative, Masahiko Nakamura Certified Tax Accountant Office Outside Audit & Supervisory Board Member, HOMENET Co., Ltd.

Name	Title	Duties in the Company and Significant Concurrent Positions
Takao Yuhara	Audit & Supervisory Board Member	Outside Audit & Supervisory Board Member, Ricoh Company, Ltd. Outside Audit & Supervisory Board Member, mofria Corporation Outside Auditor, KAMEDA SEIKA CO., LTD. Outside Audit & Supervisory Board Member, T. HASEGAWA CO., LTD.

- Notes: 1. Mr. Tetsuji Taya and Ms. Yoshiko Sasao serve as Outside Directors of the Company.
2. Mr. Masahiko Nakamura and Mr. Takao Yuhara serve as Outside Audit & Supervisory Board Members of the Company.
3. Mr. Masahiko Nakamura is certified as a licensed tax accountant, and possesses considerable finance and accounting knowledge.
4. The Company has appointed all four Outside Directors and Audit & Supervisory Board Members as independent officers stipulated by the Tokyo Stock Exchange and has registered with the Stock Exchange accordingly.
5. In accordance with the provisions of Article 427, Paragraph 1 of the Companies Act, the Company has entered into a limited liability agreement with each Outside Director and Outside Audit & Supervisory Board Member limiting his/her liability for damages under Article 423, Paragraph 1 of the Companies Act, to the minimum limit amount prescribed by laws and regulations.
6. There is no particular relationship between the Company and FUJIWARA STEEL MATERIALS CO., LTD. where Standing Audit & Supervisory Board Member Mr. Masumi Iwakabe serves as Outside Audit & Supervisory Board Member.
7. Effective April 1, 2016, the positions and duties of Directors have been changed as follows.

Name	New Positions and Duties	Former Positions and Duties
Tadahiro Miyama	Director and Senior Vice President General Manager of the Marketing and Sales Headquarters General Manager of the Corporate Business Promotion Headquarters (concurrent) General Manager of the Leasing Business Division (concurrent)	Director and Senior Vice President General Manager of the Marketing and Sales Headquarters General Manager of the Corporate Business Promotion Headquarters (concurrent) General Manager of the Apartment Construction Subcontracting Business Division (concurrent)
Hiroshi Takeda	Director and Senior Executive Officer Deputy General Manager of the Marketing and Sales Headquarters General Manager of the Apartment Construction Subcontracting Business Division (concurrent)	Director and Senior Executive Officer General Manager of the Leasing Business Division Deputy General Manager of the Apartment Construction Subcontracting Business Division (concurrent)
Kazuto Tajiri	Director and Senior Executive Officer General Manager of the Management Headquarters	Director and Managing Executive Officer General Manager of the Management Headquarters
Hiroyuki Harada	Director and Managing Executive Officer Deputy General Manager of the Management Headquarters General Manager of the Work-life Balance Promotion Office (concurrent)	Director and Executive Officer Deputy General Manager of the Management Headquarters General Manager of the Work-life Balance Promotion Office (concurrent)

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

Audit & Supervisory Board Member, Mr. Koichi Fujiwara retired at the conclusion of the 42nd Ordinary General Shareholders' Meeting held on June 26, 2015, due to the expiry of his term of office.

3. Directors' and Audit & Supervisory Board Members' Remuneration

Category	Number of Persons	Total Amount
Directors (Outside Directors)	9 (2)	302 million yen (21 million yen)
Audit & Supervisory Board Members (Outside Audit & Supervisory Board Members)	5 (3)	45 million yen (12 million yen)
Total (Outside Directors and Audit & Supervisory Board Members)	14 (5)	347 million yen (34 million yen)

Note: Among the above-mentioned figures, there includes one Outside Audit & Supervisory Board Member who retired on June 26, 2015.

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	Tetsuji Taya	Board Member & Managing Director, Industrial Growth Platform, Inc.	There are no particular relationships with the Company requiring specific mention.
Director	Yoshiko Sasao	Representative Director, SHiDAX BEAUTY CARE MANAGEMENT CORPORATION	There are no particular relationships with the Company requiring specific mention.
Audit & Supervisory Board Member	Masahiko Nakamura	Representative, Masahiko Nakamura Certified Tax Accountant Office Outside Audit & Supervisory Board Member, HOMENET Co., Ltd.	Despite a capital relationship and sales transactions with HOMENET Co., Ltd., the conditions of transactions are comparable with a general trading partner, and there are no particular relationships with the Company to note, including the capital relationship. There are no other relationships requiring specific mention between the Company and the other entities at which concurrent positions are held.
Audit & Supervisory Board Member	Takao Yuhara	Outside Audit & Supervisory Board Member, Ricoh Company, Ltd. Outside Audit & Supervisory Board Member, mofiria Corporation Outside Auditor, KAMEDA SEIKA CO., LTD. Outside Audit & Supervisory Board Member, T. HASEGAWA CO., LTD.	Despite sales transactions with Ricoh Group, the conditions are comparable with a general trading partner, and there are no particular relationships with the Company to note. There are no other relationships requiring specific mention between the Company and the other entities at which concurrent positions are held.

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
Director	Tetsuji Taya	14/16	–	Mr. Taya uses his abundant knowledge and experience as well as his insight as a manager 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.
Director	Yoshiko Sasao	13/13	–	Ms. Sasao uses her abundant knowledge and experience as well as her insight as a manager 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.
Audit & Supervisory Board Member	Koichi Fujiwara	3/3	3/3	Mr. Fujiwara has advanced knowledge in various fields from his abundant business experience, and provides advice and suggestions.

Title	Name	Attendance of the Board of Directors Meetings	Attendance of the Audit & Supervisory Board Meetings	Key Activities
Audit & Supervisory Board Member	Masahiko Nakamura	16/16	10/10	Mr. Nakamura has abundant experience and expert knowledge as a certified tax accountant. He has objectively conducted proper supervision of the management of the Company.
Audit & Supervisory Board Member	Takao Yuhara	12/13	7/7	Mr. Yuhara has abundant experience and expert knowledge as an audit & supervisory board member of several companies. He has objectively conducted proper supervision of the management of the Company.

Note: Activities of Mr. Koichi Fujiwara, Outside Audit & Supervisory Board Member, up until his retirement on June 26, 2015 are described, while activities of Ms. Yoshiko Sasao and Mr. Takao Yuhara, Outside Audit & Supervisory Board Members, since their assumption of office on June 26, 2015, are described.

Status of Accounting Auditor

1. Name of Accounting Auditor

Grant Thornton Taiyo LLC

2. Amount of Accounting Auditor Remuneration in the Fiscal Year under Review

Segment	Amount Paid
Remuneration for services stipulated in Article 2, Paragraph 1 of the Certified Public Accountants Act	92 million yen
Remuneration for services other than practices stipulated in Article 2, Paragraph 1 of the Certified Public Accountants Act	–
Total amount owed to Accounting Auditor by the Company and its subsidiaries in the form of cash or other financial benefit	105 million yen

- 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 remuneration for services stipulated in Article 2, Paragraph 1 of the Certified Public Accountants Act is the total of the two.
2. 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 auditing time plans and remuneration amount for the fiscal year under review after comparing the auditing plan and actual results of the previous fiscal year 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.
3. Of the Company’s major subsidiaries, Leopalace Guam Corporation uses the accounting audit services (audits pursuant to the provisions in the Companies Act and the Financial Instruments Exchange Act, including overseas laws and regulations corresponding to these acts) of other certified public accountants or audit firms (including those outside Japan that possess certification equivalent to these certifications) other than the Accounting Auditor of the Company.

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

In the event that there is an obstacle preventing the Accounting Auditor from performing their duties, the Audit & Supervisory Board, if it is deemed necessary, will determine the content of a proposal to be proposed to a general shareholders’ meeting concerning the dismissal or non-reappointment of the 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 based on unanimous approval by the Audit & Supervisory Board Members. In this case, an Audit & Supervisory Board member selected by the Audit & Supervisory Board shall present a report stating the purport of the dismissal of the Accounting Auditor and the reasons therefor to the first general shareholders’ meeting convened after the dismissal.

Corporate Structure and Policies

The Company resolved at its Board of Directors meeting held on August 31, 2015 to partially revise the Company's basic policy regarding the establishment of systems for ensuring appropriate business operations ("the Basic Policy on the Establishment of an Internal Control System").

The content and operational status of the aforementioned basic policy as it exists after the revision are presented below.

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 the cornerstone of all of its corporate activities. This is exemplified by the President and CEO of the Company, whose role is to continuously share the spirit of this charter with all officers and employees of the Group.
- (b) The Group shall secure a compliance system through the establishment of a Corporate Ethics Charter, an internal reporting system, and a Compliance Committee as an advisory body of the Board of Directors. The Compliance Committee is composed of the Company's President and CEO as the chairman and outside experts such as lawyers. It plans and implements various measures concerning compliance of the Group such as education and training and the improvement and reinforcement of the information control system as part of measures to strengthen corporate governance of the Group. The Compliance Committee shall also strengthen a monitoring system based on Compliance Regulations and strive to identify and understand problems and make improvements.
- (c) The Company's Board of Directors is composed of independent Outside Directors called on to strengthen the function to oversee the legality of the decision-making and the business operations by the Board of Directors, and to ensure the transparency and fairness of management.
- (d) 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 and shall revise the audit method in the Auditing Department if necessary. In addition, in order to maintain sound internal controls, the Company shall establish an audit meeting, to perform monitoring and risk management of business activities in the Group, as well as to 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.
- (e) The Company's Legal Affairs Department shall fulfill checks and balances function within the Group and provide guidance so that, if a compliance violation was found by its officers and employees, it shall be immediately consulted with or reported to the Company's Legal Affairs Department. The Group provides a clause about the protection

of whistleblowers to the Internal Report Regulations to the effect that, if its officers and employees recognized an act, etc., which is doubtful based on laws and regulations and the Articles of Incorporation, the Company shall prohibit treating the employee unfavorably by the reason of consultation and report.

- (f) The Compliance Regulations, related individual regulations, guidelines and manuals, etc., shall continue to be developed to build a system to ensure conformity of the fulfillment of duties of officers and employees in the Group with laws and regulations and the Articles of Incorporation.

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

The President and CEO of the Company shall appoint the Director in charge of the 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.

(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 risk. The Risk Management Committee is composed of the Company's President and CEO as the chairman and members including outside experts, such as lawyers.
- (b) The Risk Management Committee shall confirm the development and operational status of the Risk Management Regulations for risk management of the Group and related individual regulations, guidelines and manuals, etc., and make plans to train officers and employees of the Group. The Company's Director in charge of Management Planning Headquarters 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 was found in business operations, the Auditing Department shall immediately notify the Company's President and CEO, as well as the department in charge of its details of the degree of loss to be thereby 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 an appropriate number of members and hold regular meetings once a month, while

extraordinary meetings can be called at any time as required, in order for decisions to be made on critical management matters as well as to monitor business performance.

- (b) As a prior deliberative organ of the Board of Directors, regular meetings of the Corporate Management Council shall be held to discuss business operation policies and its implementation and to consider measures to be taken.
- (c) The Company shall set up a Medium-term Management Plan for the Group, and determine the priority objective 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 extracted and counter measures 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 prior approval of the Board of Directors, the Corporate Management Council, or the officers of the Company in charge of the respective subsidiary for important matters of corporate management, and report such matters to them, in accordance with the decision-making standards of the Company.
- (b) The management of subsidiaries of the Company shall be supervised by the Director in charge of the Management Planning Headquarters. The Company's Director in charge of the Management Planning Headquarters shall periodically hold a meeting with the affiliated companies liaison committee to smoothly exchange information and promote group activities, and receive reports from the subsidiaries as necessary.
- (c) Director in charge 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 Director in charge of the responsible department shall make periodic reports on the condition of progress in the management of subsidiaries by exchanging information in regular and timely manners with the subsidiary to the Board of Directors and the Corporate Management Council.
- (d) The Company's Auditing Department and Audit & Supervisory Board Member shall conduct a regular or special audit of subsidiary and then report to the Company's President and CEO and the Auditing Council.

(6) Systems for 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 the Company's Audit & Supervisory Board Member requests to assign an

employee to assist with the duties of the Audit & Supervisory Board Member, the Company's Board of Directors shall nominate an employee assisting Audit & Supervisory Board Member from the members of the Company's Auditing Department after consultation with the Company's Audit & Supervisory Board Member.

- (b) In assisting the duties of Audit & Supervisory Board Members of the Company, the right of command over the nominated employee shall be transferred to the Company's Audit & Supervisory Board Members to ensure independence from the Company's Board of Directors. The appointed employee shall submit to the orders of the Audit & Supervisory Board Members when supporting their duties. An evaluation of the support work of Audit & Supervisory Board Member's duties shall be conducted by the Company's Audit & Supervisory Board Member. The Company's Audit & Supervisory Board Member and the Director in charge of the Personnel Department shall confer about personnel changes and treatment.

(7) Systems for Directors and Employees, as well as Directors, Audit & Supervisory Board Members, Employees, etc. of Subsidiaries to Report to Audit & Supervisory Board Members, Other Systems of Reporting to Audit & Supervisory Board Members, and Other Systems to Secure Effective Conduct of 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. The Company's Audit & Supervisory Board Members may always require officers and employees of the Group to report 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 monitor and inspect each department of the Group and Audit & Supervisory Board Members of subsidiary through periodic hearings and on-the-spot audits.
- (c) The Company's Audit & Supervisory Board Members, by the independence and authority based on the Audit & Supervisory Board Regulations and the Auditing Standards for the Audit & Supervisory Board Members, shall ensure the effectiveness of the audit, and maintain close cooperation with the Auditing Department and the Accounting Auditors to promote the achievement of their outcomes by receiving reports of audit situation of the 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 redemptions 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 Company's 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 all 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 appointing a person responsible for preventing unlawful demands in all offices and places of business. General Affairs Department 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 for Ensuring 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, appointment of Outside Directors, establishment of the Auditing Department as well as the Legal Affairs Department, and establishment of the internal reporting system and related regulations.

During the fiscal year under review, while continuing to operate the existing system by holding 12 meetings of the Compliance Committee, conducting internal audits and holding audit meetings, the Company strengthened its efforts to secure transparency and fairness of corporate management by increasing the number of Outside Directors to two at the Ordinary General Shareholders' Meeting held in June 2015. In addition, the Company raised the

awareness of officers and employees of the Group by providing compliance training on a regular basis and maintained appropriate conditions.

(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 of the Management Headquarters as the person generally responsible for the retention and management, as provided for in Document Handling Regulations and Information Management Regulations.

During the fiscal year under review, the Company continued to operate existing systems and maintained appropriate conditions.

(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, which were developed on the basis of Risk Management Regulations.

During the fiscal year under review, while continuing to operate the existing systems, the Company maintained appropriate conditions by adding outside members to the Risk Management Committee and reinforcing risk management with new professional insights added from outside the Group.

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

After preliminary deliberation by the Corporate Management Council, decisions have been made at meetings of the Board of Directors, as the governing body. On the other hand, to review the progress of business plans, business monitoring 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.

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

(5) Systems About 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 execution of 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 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.

During the fiscal year under review, the Company held meetings of the Group Executive Council twice, in addition to the meetings mentioned above, exchanged information among executives of the Company and those of its subsidiaries, and discussed future business growth.

Of the systems for ensuring the appropriateness of business operations by each company of the Group, the department or section responsible for the Company's subsidiaries supervised and managed the compliance system and the risk management system, while the Auditing Department and the Audit & Supervisory Board Members of the Company audited subsidiaries, thereby maintaining appropriate conditions.

(6) Systems for 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 for employees to assist with the duties of the Audit & Supervisory Board Members.

During the fiscal year under review, no employee was appointed to assist Audit & Supervisory Board Members, who executed their duties smoothly.

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

The systems to report to Audit & Supervisory Board Members and the systems to secure effective conduct of 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 and maintained appropriate conditions by exchanging opinions with the President and CEO on issues to be addressed by the Company.

(8) Systems to Ensure Reliable Financial Reporting

The system has been constructed to evaluate internal controls by the Auditing Department, and an internal control report for the 42nd fiscal term was submitted on June 26, 2015.

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 Corporate Ethics Charter and rules for excluding antisocial forces, and has developed a system therefor.

During the fiscal year under review, the Company implemented 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. In terms of dividends, the Company sets as its basic policy that it will increase shareholder value by increasing earnings per share (EPS) through investments for future growth in areas such as real estate, overseas businesses, mergers and acquisitions, IT, and research and development, and that it provides stable dividend to shareholders, in order to maximize mid- to long-term corporate value.

Based on the above-mentioned policy, the Company will pay a year-end dividend for the fiscal term under review of 10 yen per share.

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, 2016)

(millions of yen)

ASSETS	
Current assets	114,185
Cash and cash equivalents	88,043
Trade receivables	6,779
Accounts receivable for completed projects	1,992
Operating loans	885
Securities	880
Real estate for sale / property inventories	21
Payment for construction in progress	785
Raw materials and supplies	588
Prepaid expenses	2,847
Deferred tax assets	5,659
Other accounts receivable	1,630
Other	4,283
Allowance for doubtful accounts	(212)
Fixed assets	212,033
Property, plant and equipment	172,036
Buildings and structures	57,979
Machinery, equipment, and vehicles	16,105
Land	84,241
Leased assets	9,417
Construction in progress	2,444
Other	1,848
Intangible assets	9,334
Goodwill	1,530
Other	7,804
Investments and other assets	30,661
Investment securities	8,230
Long-term loans	544
Bad debt	1,256
Long-term prepaid expenses	3,686
Deferred tax assets	16,734
Other	2,232
Allowance for doubtful accounts	(2,023)
Deferred assets	671
Bond issuance cost	671
Total assets	326,890

CONSOLIDATED BALANCE SHEET (as of March 31, 2016) (Continued)

(millions of yen)

Liabilities	
Current liabilities	95,384
Accounts payable	2,606
Accounts payable for completed projects	12,193
Short-term borrowings	265
Current portion of long-term debt	1,412
Bonds due within one year	4,326
Lease obligations	3,054
Accounts payable—other	19,229
Accrued expenses	5
Accrued income taxes	2,919
Advances received	38,701
Customer advances for projects in progress	5,026
Reserve for warranty obligations on completed projects	447
Reserve for fulfillment of guarantees	860
Asset retirement obligations	34
Other	4,301
Non-current liabilities	85,294
Bonds	20,001
Long-term debt	14,106
Lease obligations	7,659
Long-term advances received	18,950
Lease/guarantee deposits received	7,516
Deferred tax liabilities	208
Reserve for apartment vacancy loss	3,802
Liability for retirement benefit	10,224
Asset retirement obligations	69
Other	2,754
Total liabilities	180,679
Net Assets	
Shareholders' equity	142,982
Common stock	75,282
Capital surplus	45,235
Retained earnings	26,125
Treasury stock	(3,660)
Accumulated other comprehensive income	3,190
Net unrealized gains on "other securities"	435
Foreign currency translation adjustments	3,651
Remeasurements of defined benefit plans	(895)
Share subscription rights	18
Non-controlling interests	20
Total net assets	146,211
Total liabilities and net assets	326,890

CONSOLIDATED STATEMENT OF OPERATIONS (from April 1, 2015 to March 31, 2016)
(millions of yen)

Net sales	511,424
Sales from Leasing Business	410,552
Sales from Construction Business	74,160
Sales from Other Business	26,712
Cost of sales	422,604
Cost of sales from Leasing Business	344,246
Cost of sales from Construction Business	54,236
Cost of sales from Other Business	24,122
Gross profit	88,820
Selling, general and administrative expenses	67,823
Operating profit	20,996
Non-operating income	517
Interest income	43
Dividend income	77
Valuation gains of investment securities	77
Gain from amortization of deposits payable	102
Compensation income	61
Other	153
Non-operating expenses	1,693
Interest expenses	944
Commission fee	171
Foreign exchange losses	267
Equity in losses of affiliated companies	9
Other	300
Recurring profit	19,820
Extraordinary income	26
Gain on sale of property, plant and equipment	26
Extraordinary losses	785
Loss on sale of property, plant and equipment	1
Loss on disposal of property, plant and equipment	147
Loss on evaluation of investment securities	19
Impairment loss	616
Income before taxes and other adjustments	19,061
Income taxes—current	2,999
Income taxes—refund	(19)
Income taxes—deferred	(3,347)
Income before minority interests	19,429
Minority stockholders' loss	(2)
Net income attributable to shareholders of the parent	19,432

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

(from April 1, 2015 to March 31, 2016)

(millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of April 1, 2015	75,282	51,501	427	(3,660)	123,550
Change during period					
Deficit disposition		(6,266)	6,266		-
Net income attributable to shareholders of the parent			19,432		19,432
Acquisition of treasury stock				(0)	(0)
Net change of items other than shareholders' equity					-
Total change during period	-	(6,266)	25,698	(0)	19,431
Balance as of March 31, 2016	75,282	45,235	26,125	(3,660)	142,982

(millions of yen)

	Accumulated other comprehensive income				Share subscription rights	Minority 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, 2015	379	3,545	(1,021)	2,904	18	0	126,473
Change during period							
Deficit disposition							-
Net income attributable to shareholders of the parent							19,432
Acquisition of treasury stock							(0)
Net change of items other than shareholders' equity	55	105	125	286	-	20	306
Total change during period	55	105	125	286	-	20	19,738
Balance as of March 31, 2016	435	3,651	(895)	3,190	18	20	146,211

Notes to Consolidated Financial Statements

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

(1) Scope of consolidation

(a) Number of consolidated subsidiaries and names of principal consolidated subsidiaries of Leopalace21 Corporation (the “Company”)

Number of consolidated subsidiaries:	21
Principal consolidated subsidiaries:	Leopalace Leasing Corporation Plaza Guarantee CO., LTD. Leopalace21 Business Consulting (Shanghai) Co., Ltd. Leopalace21 (Shanghai) Property Management Co., Ltd. LEOPALACE21 VIETNAM CO., LTD. Leopalace21 (Thailand) CO., LTD. Leopalace21 (Cambodia) Co., Ltd. LEOPALACE21 REAL ESTATE (CAMBODIA) Co., Ltd. LEOPALACE21 PHILIPPINES INC. PT.Leopalace21 Properti Manajemen PT.Leopalace Duasatu Realty Morizou Co., Ltd. Azu Life Care Co., Ltd. Leopalace Guam Corporation WING MATE CO., LTD. ASUKA SSI Leopalace Power Corporation Leopalace Energy Corporation Leopalace Smile Co., Ltd.

(b) Status of non-consolidated subsidiaries

Not applicable.

(2) Application of equity method

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

Non-consolidated subsidiaries accounted for by the equity method:	Not applicable.
Number of affiliates accounted for by the equity method:	1
Name of principal affiliate:	Woori & Leo PMC Co., Ltd.

(b) Names, etc. of non-consolidated subsidiaries and affiliates not accounted for by the equity method

Not applicable.

(c) Special note on the application of equity method

As the fiscal year-end of Woori & Leo PMC Co., Ltd. is different from the consolidated balance sheet date, the financial statements of the company as of its fiscal year-end and for its 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

We have included LEOPALACE21 PHILIPPINES INC., PT.Leopalace21 Properti Manajemen, and

PT.Leopalace Duasatu Realty, all of which are newly established companies, into the scope of consolidation effective the fiscal year under review.

- (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 Leopalace21 Business Consulting (Shanghai) Co., Ltd., Leopalace21 (Shanghai) Property Management Co., Ltd., LEOPALACE21 VIETNAM CO., LTD., Leopalace21 (Thailand) CO., LTD., Leopalace21 (Cambodia) Co., Ltd., LEOPALACE21 REAL ESTATE (CAMBODIA) Co., Ltd., Leopalace Guam Corporation, Leopalace Guam Distributing Corporation, Leopalace Guam Service Corporation, LEOPALACE21 PHILIPPINES INC., PT.Leopalace21 Properti Manajemen, PT.Leopalace Duasatu Realty, and WING MATE CO., LTD. is December 31 of each year. As the difference between this date and the consolidated balance sheet date is within three months, their financial statements as of December 31 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.

The former settlement date of Morizou Co., Ltd. was September 30, and therefore up until now its financial statements used when preparing the consolidated financial statements had been based on a provisional settlement as of the consolidated settlement date in accordance with the actual settlement. However, the consolidated settlement date has been changed to the end of February as of the fiscal year under review, and since the difference between that company's settlement date and the consolidated settlement date is less than three months, the financial statement as of the settlement date has been used, and adjustments necessary for preparing the consolidated financial statements have been made for important transactions that took place between that company's settlement date and the consolidated settlement date.

The fiscal year under review for the consolidated financial results is the eleven-month period from April 1, 2015 until February 29, 2016.

(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

Other securities with available fair market values are stated at fair market value at the end of the fiscal year of each consolidated subsidiaries. Unrealized gains and losses are directly included in net assets. The cost of securities sold is determined by the moving-average method.

Other securities without available fair market values are stated at cost determined by the moving-average method.

Investments in silent partnership, etc. are reported using the equity method, based on the latest financial statements available.

Inventories

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 declining in profitability of assets)

Derivatives

Stated at fair market value

(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 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 the consolidated 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 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 residual value of zero.

Long-term prepaid expenses:

Evenly amortized mainly over the following period

Prepaid master-lease rents: 3–5 years

(c) Provision of significant allowance and provisions

Allowance for doubtful accounts

The Companies maintain an allowance for doubtful accounts to reserve 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.

Reserve for warranty obligations on completed projects

Reserve for warranty obligations on completed projects is provided to reserve 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 the completed projects.

Reserve 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.

Reserve for apartment vacancy loss

With regard to the leasing business of the Company, reserve 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 rental income and expected future occupancy rates for each rental property.

(d) Recognition of significant revenues and costs

Recognition of net sales of completed construction contracts and cost of sales of completed construction contracts

- (i) Construction contracts in which the outcome of the construction activity is deemed certain by the end of the fiscal year under review

Percentage-of-completion method (Progress of construction is estimated based on the method of the ratio of actual cost incurred to total cost.)

- (ii) Other construction contracts

Completed-contract method

(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 each balance sheet date. The foreign exchange gains and losses from translation are recognized in the consolidated statement of operations. The assets and liabilities of overseas subsidiaries are translated into Japanese yen at the current exchange rates as of each balance sheet date, and revenues and expenses are translated into Japanese yen at the average exchange rates of the fiscal year. Foreign currency translation adjustments are included in translation adjustments as a separate component of net assets.

(f) Significant hedge accounting

- (i) Method of hedge accounting

For interest rate swaps, special treatment is applied since the swaps satisfy the requirements for special treatment.

- (ii) Hedging instruments and hedged items

Hedging instruments: Interest rate swaps

Hedged item: Borrowings

- (iii) Hedging policy

For the purpose of avoiding future market interest rate rising risks, the Companies implement hedging within the scope of liabilities to be hedged.

- (iv) Method of assessing hedge effectiveness

An assessment of hedge effectiveness as of the consolidated balance sheet date is not provided because the interest rate swaps satisfy the requirements for special treatment.

(g) Amortization and amortization period of goodwill

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

(h) 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 remaining after deducting pension assets from retirement benefit obligations based on estimated amounts at the end of the fiscal year under review.

Past service costs are amortized by the straight-line method over a specified period (5 years) within the average remaining service years of employees at the time of accrual.

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 and unrecognized past service costs 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 fiscal year under review is the benefit formula basis.

Accounting for national and local consumption taxes

National and local consumption taxes are excluded from transaction amounts. However, ASUKA SSI, a consolidated subsidiary, includes national and local consumption taxes in operating expenses and general and administrative expenses.

The nondeductible portion of consumption taxes related to fixed assets is recorded as long-term prepaid expenses and amortized evenly over 5 years.

Interest capitalization

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

Capitalized interests included in carrying amount of property, plant and equipment of Leopalace Guam Corporation were 2,194 million yen as of March 31, 2016.

2. Changes in Accounting Policies

Application of accounting policies related to business combinations

Starting in the fiscal year under review, the Accounting Standard for Business Combinations (ASBJ Statement No. 21 on September 13, 2013; hereinafter referred to as the "Business Combinations Accounting Standard"), the Accounting Standard for Consolidated Financial Statements (ASBJ Statement No. 22 on September 13, 2013; hereinafter referred to as the "Consolidated Accounting Standard"), the Accounting Standard for Business Divestitures (ASBJ Statement No. 7 on September 13, 2013; hereinafter referred to as the "Business Divestitures Accounting Standard"), and other standards have been applied, and the Company changed accounting methods to those recording differences from fluctuations in equity that the Company holds in subsidiaries, for which the Company continues to control as capital surplus, and recording acquisition-related expenses as expenses for a consolidated fiscal year when the relevant expenses incur. The Company also changed accounting methods to those reflecting a review of the distribution amount of acquisition costs following the finalization of preliminary accounting processing for business combinations that are carried out on or after the beginning of the fiscal year under review to consolidated financial statements for the period to which the business combination belongs. Moreover, the Company changed the presentation of net income, etc., and the presentation of minority interests to non-controlling interests.

The Company applies the Business Combinations Accounting Standard and other standards in compliance with the transitional handling as set forth in Paragraph 58-2 (4) of the Business Combinations Accounting Standard, Paragraph 44-5 (4) of the Consolidated Accounting Standard and Paragraph 57-4 (4) of the Business Divestitures Accounting Standard, and it applied these standards from the beginning of the fiscal year under review and will continue to apply them in the future.

There is no impact on the consolidated financial statements from the changes described above.

3. Changes in Presentation

Consolidated Statement of Operations

Since the monetary significance of “Gain from cancellation of contracted work” (13 million yen in the fiscal year under review) and “Gain on adjustment of accounts payable” (16 million yen in the fiscal year under review) has decreased, these have been recorded in “Other” in “Non-operating income” from the fiscal year under review.

4. Notes to Consolidated Balance Sheet

(1) Assets pledged as collateral and secured liabilities:

(a) Assets pledged as collateral

Cash and cash equivalents	17 million yen
Investment securities	55 million yen
Total	72 million yen

(b) Securities and investment securities which have been deposited with the Legal Affairs Bureau:

Deposit for operation stipulated in Building Lots and Buildings Transaction Business Act	45 million yen
Deposit for housing construction warranty against defects	976 million yen
Deposit for housing sale warranty against defects	109 million yen
Advanced payment certificate in accordance with Payment Services Act	678 million yen

(2) Accumulated depreciation of property, plant and equipment 98,185 million yen

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

Machinery, equipment, and vehicles	155 million yen
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(4) Liabilities on guarantee

Liabilities on guarantee for financial institutions for customers who have a housing loan	838 million yen
Liabilities on guarantee for financial institutions for customers who have a membership loan	3 million yen

5. Notes to Consolidated Statement of Changes in Net Assets

(1) Number of issued shares

Class of shares	April 1, 2015	Increase	Decrease	March 31, 2016
Common stock	267,443,915 shares	–	–	267,443,915 shares

(2) Number of shares of treasury stock

Class of shares	April 1, 2015	Increase	Decrease	March 31, 2016
Common stock	4,569,430 shares	90 shares	–	4,569,520 shares

Note: The increase of 90 shares in the total number of shares of common stock in treasury was due to purchase of shares less than one unit.

(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

Resolution	Class of shares	Total amount of dividends (millions of yen)	Source of dividends	Dividends per share (yen)	Record date	Effective date
Ordinary General Shareholders' Meeting held on June 29, 2016	Common shares	2,628	Retained earnings	10	March 31, 2016	June 30, 2016

(4) Share subscription rights as of March 31, 2016

	Share subscription rights as stock options
Class of shares subject to share subscription rights	Common stock
Number of shares subject to share subscription rights	65,000 shares
Unexercised share subscription rights	18 million yen

6. Financial Instruments

(1) Status of financial instruments

(a) Policy for financial instruments

The Companies are mainly involved in raising funds (mostly bank borrowing and corporate bond issuance) needed for capital investment to carry out the leasing business and the construction business. Temporary excess funds are invested in highly secure financial assets, and short-term working capital is raised by borrowing from the bank.

The Companies conduct derivative transactions primarily for the purpose of avoiding interest rate and exchange rate risks, and has a policy not to conduct speculative trading.

(b) Nature of financial instruments and risks arising therefrom

Operating receivables such as trade receivables and accounts receivable for completed projects are exposed to credit risk.

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

Securities and investment securities are mainly held-to-maturity securities and shares of the

companies with which the Company has a business relationship, and those securities are exposed to market risk.

Almost all accounts payable and accounts payable for completed projects which are operating payables are scheduled to be paid within one year.

Borrowings, bonds, and lease obligations related to finance lease transactions are mainly for the purpose of raising funds necessary for investment in facilities, and the longest repayment date is 15 years subsequent to fiscal year end.

Derivative transactions the Companies use are interest rate swaps with the purpose of avoiding risks of future fluctuations in interest rate for borrowings. Interest rate swaps adopted by the Company are exposed to the risk of changes in market interest rates. For details of hedging instruments, hedged items, hedging policies, assessment of hedge effectiveness of hedge accounting, please refer to “1. Notes to Important Items That Form the Basis of Preparing Consolidated Financial Statements, etc., (5) Summary of accounting policies, (f) Significant hedge accounting.”

(c) Risk management for financial instruments

Credit risk management for operating receivables and loans outstanding follows the “Receivables management rules.” While each business division manages the extension of credit to its customers, it is also organized 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 securities, the Company considers the relationship with the trading partner companies and constantly re-evaluates its holdings.

The basic policy on derivatives trading is determined by the board of directors, and the execution and administration of derivatives transactions are conducted in accordance with the Company’s “Derivatives Trading Management Rules.” The derivatives trading management situation is periodically reported to the board of directors for comprehensive risk management. We believe that we have little credit risk associated with nonfulfillment of contracts by counterparties because we enter into derivative contracts only with domestic financial institutions with high credit ratings.

Operating 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 Companies.

(d) Supplementary explanations on fair value of financial instruments

Fair value of financial instruments are measured based on the quoted market price, or reasonably assessed value if a quoted market price is not available.

Fair value of financial instruments for which quoted market price is not available is calculated based on changeable factors, and the value might differ if different assumptions are used.

The contracted amounts for “Derivatives” in “(2) Fair value of financial instruments” below should not be, in themselves, considered indicative of the volume of market risk associated with the derivatives.

(2) Fair value of financial instruments

The carrying amount on the consolidated balance sheet and fair value of financial instruments as of March 31, 2016 as well as the differences between these values are described below. Financial instruments whose fair values appear to be extremely difficult to determine are not included in the table.

(millions of yen)

	Carrying amount	Fair value	Difference
(1) Cash and cash equivalents	88,043	88,043	–
(2) Trade receivables and accounts receivable for completed projects	8,772	8,772	–
(3) Securities and investment securities			
(a) Held-to-maturity debt securities	1,502	1,533	30
(b) “Other securities”	2,955	2,955	–
(4) Operating loans	885		
Allowance for doubtful accounts (*1)	(112)		
Net	773	965	192
(5) Long-term loans	544		
Allowance for doubtful accounts (*1)	(86)		
Net	457	457	–
(6) Bad debt	1,256		
Allowance for doubtful accounts (*1)	(1,256)		
Net	–	–	–
Total assets	102,504	102,726	222
(1) Accounts payable and accounts payable for completed projects	14,800	14,800	–
(2) Short-term borrowings	265	265	–
(3) Bonds (*2)	24,327	24,425	98
(4) Long-term debt (*2)	15,518	15,866	347
(5) Lease obligations	10,713	10,801	88
Total liabilities	65,624	66,158	534
Derivatives	–	–	–

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

(*2) As of March 31, 2016, current portion of long-term debt of 1,412 million yen and bonds due within one year of 4,326 million yen are included in long-term debt and bonds, respectively.

Note 1: Matters concerning the calculation method for the fair value of financial instruments, and matters concerning securities and derivatives

Assets

(1) Cash and cash equivalents, (2) Trade receivables and accounts receivable for completed projects

These assets are stated at carrying amount as they are settled in the short-term and their fair values approximate their carrying amount.

(3) Securities and investment securities

Shares are stated at the stock exchange quoted price; bonds are stated at either the stock exchange quoted price or the price presented by transacting financial institutions.

Information on securities by holding purpose is shown below.

(a) Held-to-maturity debt securities

The carrying amount on the consolidated balance sheet and fair value of held-to-maturity debt securities by type as well as the differences between these values are described below.

(millions of yen)

	Type	Carrying amount	Fair value	Difference
Debt securities whose fair value exceeds their carrying amount	(1) Government and municipal bonds	1,502	1,533	30
	(2) Corporate bonds	—	—	—
	(3) Others	—	—	—
	Subtotal	1,502	1,533	30
Debt securities whose carrying amount exceeds their fair value	(1) Government and municipal bonds	—	—	—
	(2) Corporate bonds	—	—	—
	(3) Others	—	—	—
	Subtotal	—	—	—
Total		1,502	1,533	30

(b) Other securities

The carrying amount on the consolidated balance sheet and fair value of other securities by type as well as the differences between these values are described below.

(millions of yen)

	Type	Carrying amount	Fair value	Difference
Securities whose carrying amount exceeds their acquisition cost	(1) Stock	1,040	446	593
	(2) Bonds			
	(a) Government and municipal bonds	1,863	1,829	34
	(b) Corporate bonds	—	—	—
	(c) Others	—	—	—
	(3) Others	—	—	—
Subtotal		2,904	2,276	628
Securities whose acquisition cost exceeds their carrying amount	(1) Stock	12	13	(0)
	(2) Bonds			
	(a) Government and municipal bonds	38	38	(0)
	(b) Corporate bonds	—	—	—
	(c) Others	—	—	—
	(3) Others	—	—	—
Subtotal		50	51	(1)
Total		2,955	2,328	627

(4) Operating loans

The fair value of operating loans is stated at the net present value, which is calculated by discounting the principal with interest by the discount rate (i.e. the estimated interest rate for new transaction).

(5) Long-term loans, (6) Bad debt

The fiscal year-end outstanding balances are calculated mainly using expected future cash flows of the potentially recoverable principal and interest.

Liabilities

(1) Accounts payable and accounts payable for completed projects, (2) Short-term borrowings

These liabilities are stated at carrying amount as they are settled in the short-term and their fair values approximate their carrying amount.

(4) Long-term debt, (5) Lease obligations

These liabilities are stated at the net present value, which is calculated by discounting the principal with interest by the discount rate (i.e. the estimated interest rate for new borrowings or lease transaction).

(3) Bonds

Bonds issued by the Company are privately offered, and their fair value is stated at the net present value, which is calculated by discounting the principal with interest by the discount rate (i.e. the current market interest rate in consideration of residual value and credit risk).

Derivatives trading

(1) Derivatives to which hedge accounting is not applied

Not applicable.

(2) Derivatives to which hedge accounting is applied

(millions of yen)

Method of hedge accounting	Transaction	Hedged item	Contract amount, etc.	Due after 1 year	Fair value
Exceptional treatment for interest rate swaps	Interest rate swaps Floating rate receipt/ Fixed rate payment	Long-term debt	158	58	(Note)

(Note) Interest rate swaps that qualify for the exceptional treatment are accounted for with the long-term debt, and their fair value is included in the fair value of the long-term debt.

Note 2: Financial instruments whose fair value appear to be extremely difficult to determine

(millions of yen)

	Carrying amount
Other securities	
(1) Unlisted shares	2,815
(2) Unlisted bonds	
Subordinate corporate bonds	824
(3) Others	
Subordinate beneficiary rights of loans and accounts receivable in trust	886
Investments in silent partnership	125
Total	4,652

As they have no market value, and as it is understood that it is extremely difficult to estimate their future cash flow, the above financial instruments are not included in “Assets: (3) (b) Other securities.”

Note 3: The scheduled redemption amount of monetary claims and investment securities with maturity subsequent to fiscal year end

(millions of yen)

	Due within 1 year	Due after 1 year through 5 years	Due after 5 years through 10 years	Due after 10 years
Cash and cash equivalents	88,043	–	–	–
Trade receivables and accounts receivable for completed projects	8,772	–	–	–
Securities and investment securities				
Held-to-maturity debt securities	150	1,020	300	–
Other securities with maturities	780	1,113	–	1,711
Operating loans	180	593	83	27
Long-term loans	12	31	42	458
Bad debt	–	–	–	1,256
Total	97,938	2,758	425	3,453

Note 4: Scheduled repayment amount of loans payable and other interest-bearing debt subsequent to fiscal year end

(millions of yen)

	Due within 1 year	Due after 1 year through 5 years	Due after 5 years through 10 years	Due after 10 years
Short-term borrowings	265	–	–	–
Bonds	4,326	14,964	5,037	–
Long-term debt	1,412	4,311	6,310	3,484
Lease obligations	3,054	7,657	1	–
Total	9,057	26,932	11,349	3,484

7. Rental Properties

The Company possesses rental apartments in major cities and regions throughout Japan. Also, some of consolidated subsidiaries possess rental housing, serviced apartments, and buildings for rent. For the year ended March 31, 2016, income arising from these rental properties was 4,355 million yen, and impairment loss was 605 million yen.

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, 2016 were as follows:

(millions of yen)

Carrying amount			Fair value as of March 31, 2016
Balance as of April 1, 2015	Increase/decrease	Balance as of March 31, 2016	
63,819	339	64,159	66,145

- Notes:
1. Carrying amount recorded on the consolidated balance sheet is the amount after deducting accumulated depreciation and accumulated impairment loss from acquisition cost.
 2. The main increase/decrease for the fiscal year under review was purchase of serviced apartments of 1,278 million yen and impairment loss of 605 million yen, respectively.
 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.”

8. Per Share Information

- | | |
|-----------------------------|------------|
| 1. Net assets per share | 556.06 yen |
| 2. Basic earnings per share | 73.92 yen |

9. Events after the Reporting Period

Not applicable.

NON-CONSOLIDATED FINANCIAL STATEMENTS

NON-CONSOLIDATED BALANCE SHEET (as of March 31, 2016)

(millions of yen)

ASSETS	
Current assets	101,794
Cash and cash equivalents	78,458
Trade receivables	5,455
Accounts receivable for completed projects	1,839
Operating loans	885
Securities	780
Real estate for sale / property inventories	21
Payment for construction in progress	732
Supplies	420
Prepaid expenses	2,668
Deferred tax assets	5,292
Other accounts receivable	1,415
Deposits paid	2,920
Short-term loans receivable from subsidiaries and affiliates	524
Other	590
Allowance for doubtful accounts	(212)
Fixed assets	192,496
Property, plant and equipment	111,101
Buildings	25,610
Structures	306
Machinery and equipment	153
Vehicles	0
Tools, furniture and fixtures	1,283
Land	72,815
Leased assets	9,362
Construction in progress	1,570
Intangible assets	7,495
Investments and other assets	73,898
Investment securities	6,611
Stocks of subsidiaries and affiliates	39,117
Long-term loans	525
Long-term loans receivable from subsidiaries and affiliates	7,245
Bad debt	1,256
Long-term prepaid expenses	3,246
Deferred tax assets	15,950
Other	1,847
Allowance for doubtful accounts	(1,902)
Deferred assets	671
Bond issuance cost	671
Total assets	294,962

NON-CONSOLIDATED BALANCE SHEET (as of March 31, 2016) *(Continued)*

(millions of yen)

Liabilities	
Current liabilities	90,540
Accounts payable	2,576
Accounts payable for completed projects	11,757
Current portion of long-term debt	200
Bonds due within one year	4,326
Lease obligations	3,038
Accounts payable—other	17,807
Accrued income taxes	2,747
Advances received	38,737
Customer advances for projects in progress	4,486
Deposits received	4,204
Reserve for warranty obligations on completed projects	447
Other	209
Non-current liabilities	67,689
Bonds	20,001
Long-term debt	500
Lease obligations	7,604
Long-term advances received	18,950
Lease/guarantee deposits received	7,497
Retirement benefit reserves	9,281
Reserve for apartment vacancy loss	3,802
Other	51
Total liabilities	158,229
Net Assets	
Shareholders' equity	136,279
Common stock	75,282
Capital surplus	45,235
Legal capital surplus	45,235
Retained earnings	19,422
Other retained earnings	19,422
Retained earnings brought forward	19,422
Treasury stock	(3,660)
Valuation and translation adjustments	435
Net unrealized gains on "other securities"	435
Share subscription rights	18
Total net assets	136,732
Total liabilities and net assets	294,962

NON-CONSOLIDATED STATEMENT OF OPERATIONS**(from April 1, 2015 to March 31, 2016)**

	(millions of yen)
Net sales	495,146
Sales from Leasing Business	409,194
Sales from Construction Business	72,807
Sales from Other Business	13,145
Cost of sales	408,212
Cost of sales from Leasing Business	342,996
Cost of sales from Construction Business	53,707
Cost of sales from Other Business	11,508
Gross profit	86,933
Selling, general and administrative expenses	66,489
Operating profit	20,444
Non-operating income	894
Interest and dividend income	370
Other	524
Non-operating expenses	1,513
Interest expenses	828
Commission fee	132
Foreign exchange losses	282
Other	268
Recurring profit	19,825
Extraordinary income	23
Gain on sale of property, plant and equipment	23
Extraordinary losses	770
Loss on sale of property, plant and equipment	0
Loss on disposal of property, plant and equipment	82
Loss on evaluation of investment securities	19
Loss on evaluation of shares of subsidiaries and affiliates	51
Impairment loss	616
Income before income taxes	19,078
Income taxes—current	2,829
Income taxes—deferred	(3,172)
Net income	19,422

NON-CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS
(from April 1, 2015 to March 31, 2016)

(millions of yen)

	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, 2015	75,282	50,306	1,194	51,501	(6,266)	(6,266)	(3,660)	116,857
Change during period								
Transfer to other capital surplus from legal capital surplus		(5,071)	5,071	–				–
Deficit disposition			(6,266)	(6,266)	6,266	6,266		–
Net income					19,422	19,422		19,422
Acquisition of treasury stock							(0)	(0)
Net change of items other than shareholders' equity								
Total change during period	–	(5,071)	(1,194)	(6,266)	25,688	25,688	(0)	19,421
Balance as of March 31, 2016	75,282	45,235	–	45,235	19,422	19,422	(3,660)	136,279

(millions of yen)

	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, 2015	379	379	18	117,254
Change during period				
Transfer to other capital surplus from legal capital surplus				–
Deficit disposition				–
Net income				19,422
Acquisition of treasury stock				(0)
Net change of items other than shareholders' equity	55	55	–	55
Total change during period	55	55	–	19,477
Balance as of March 31, 2016	435	435	18	136,732

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 by the moving-average method

Other securities

Other securities with available fair market values are stated at fair market value at the end of the fiscal year. Unrealized gains and losses are directly included in net assets. The cost of securities sold is determined by the moving-average method.

Other securities without available fair market values are stated at cost determined by the moving-average method.

Investments in silent partnership are reported using the equity method, based on the latest financial statements available.

Inventories

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 declining in profitability of assets)

(2) Depreciation and amortization of fixed 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 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 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 residual value of zero.

Long-term prepaid expenses:

Evenly amortized mainly over the following period

Prepaid master-lease rents: 3–5 years

(3) Accounting for deferred assets

Bond issuance cost

Evenly amortized over the redemption period

(4) Provision of allowance and provisions

Allowance for doubtful accounts

The Companies maintain an allowance for doubtful accounts to reserve 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.

Reserve for warranty obligations on completed projects

Reserve for warranty obligations on completed projects is provided to reserve 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 the completed projects.

Retirement benefit reserves

To prepare for employees' retirement benefits, retirement benefit reserves are provided for based on projected retirement benefit obligations as of the balance sheet date.

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.

Past service costs are amortized by the straight-line method over a specified period (5 years) within the average remaining service years of employees at the time of accrual.

Reserve for apartment vacancy loss

With regard to the leasing business of the Company, reserve 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 rental income and expected future occupancy rates for each rental property.

(5) Recognition of significant revenues and costs

Recognition of net sales of completed construction contracts and cost of sales of completed construction contracts

(a) Construction contracts in which the outcome of the construction activity is deemed certain by the end of the fiscal year under review

Percentage-of-completion method (Progress of construction is estimated based on the method of the ratio of actual cost incurred to total cost.)

(b) Other construction contracts

Completed-contract method

(6) 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 each balance sheet date. The foreign exchange gains and losses from translation are recognized in the statement of operations.

(7) Other important matters for preparing non-consolidated financial statements

Accounting for national and local consumption taxes

National and local consumption taxes are excluded from transaction amounts. The nondeductible portion of consumption taxes related to fixed assets is recorded as long-term prepaid expenses and amortized evenly over 5 years.

2. Changes in Presentation

Non-Consolidated Balance Sheet

“Long-term loans receivable from subsidiaries and associates,” which was included in “Long-term loans” under “Investments and other assets” in the previous fiscal year, is posted as a separate item in the fiscal year under review because its monetary significance increased.

“Long-term loans receivable from subsidiaries and associates” in the previous fiscal year was 238 million yen.

3. Notes to Non-consolidated Balance Sheet

(1) Assets pledged as collateral and secured liabilities:

(a) Assets pledged as collateral:

Cash and cash equivalents	17 million yen
Investment securities	55 million yen
Total	72 million yen

(b) Investment securities which have been deposited with the Legal Affairs Bureau:

Deposit for operation stipulated in Building Lots and Buildings	
Transaction Business Act	45 million yen
Deposit for housing construction warranty	976 million yen
Deposit for housing defect warranty	109 million yen
Advanced payment certificate in accordance with Payment Services Act	678 million yen

(2) Accumulated depreciation of property, plant and equipment 56,249 million yen

(3) Liabilities on guarantee

Liabilities on guarantee for financial institutions for customers who have a housing loan	838 million yen
Liabilities on guarantee for financial institutions for customers who have a membership loan	3 million yen
Liabilities on guarantee for borrowings of subsidiaries	14,425 million yen
Liabilities on guarantee for lease contracts of subsidiaries	7 million yen
Liabilities on guarantee for suppliers of subsidiaries	2 million yen

(4) Monetary claims and liabilities to subsidiaries and affiliates (excluding those classified separately in the Balance Sheet)

Short-term monetary claims	334 million yen
Short-term monetary liabilities	828 million yen
Long-term monetary liabilities	14 million yen

4. Notes to Non-consolidated Statement of Operations

Transactions with subsidiaries and affiliates

Sales to subsidiaries and affiliates	7,161 million yen
Purchases, etc. from subsidiaries and affiliates	7,388 million yen
Non-operating transactions	444 million yen

5. Notes to Non-consolidated Statement of Changes in Net Assets

Number of shares of treasury stock

Class of shares	April 1, 2015	Increase	Decrease	March 31, 2016
Common stock	4,569,430 shares	90 shares	–	4,569,520 shares

Note: The increase of 90 shares in the total number of shares of common stock in treasury was due to purchase of shares less than one unit.

6. Tax Effect Accounting

Significant components of deferred tax assets and liabilities

(millions of yen)

Deferred tax assets:

Loss carried forward for tax purposes	20,410
Impairment loss	10,573
Retirement benefit reserves	2,844
Bonuses payable	1,280
Loss on devaluation of fixed assets	1,226
Reserve for apartment vacancy loss	1,172
Loss on devaluation of stock	1,092
Advances from customers for rent income	727
Allowance for doubtful accounts	647
Deposits received	388
Loss on devaluation of real estate for sale / property inventories	364
Software	277
Accrued enterprise tax	255
Accounts payable—other	179
Reserve for warranty obligations on completed projects	138
Sales promotion cost	120
Asset retirement obligations	115
Others	405
Sub-total	42,220
Less: valuation allowance	(20,761)
Total deferred tax assets	21,458

Deferred tax liabilities:

Non-current asset retirement expenses	(5)
Adjustment of gain/loss on transfer (buildings)	(18)
Net unrealized gain on other securities	(192)
Total deferred tax liabilities	(215)
Net deferred tax assets	21,243

Changes in Presentation

Since the monetary significance of “Bad debt loss” (74 million yen in the fiscal year under review), “Low-value assets” (10 million yen in the fiscal year under review) and “Sales discount for construction contracts” (10 million yen in the fiscal year under review) in “Deferred tax assets” has decreased, these have been recorded in “Others” under “Deferred tax assets” from the fiscal year under review.

7. Related Party Transactions

(1) Affiliates, etc.

(millions of yen)

Attribute	Name	Percentage of share ownership	Relation	Transaction	Transaction amount	Account	Balance as of March 31, 2016
Subsidiary	Leopalace Power Corporation	Direct 100.0%	Installment of solar power systems on a contract basis	Lending of funds	–	Long-term loans receivable from subsidiaries and affiliates	5,200

Notes: 1. Transaction conditions and policies to decide transaction conditions

When lending funds to Leopalace Power Corporation, interest rates are decided taking into account the market rate of interest and others.

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

(2) Directors and major individual shareholders

(millions of yen)

Attribute	Name	Percentage of share ownership	Relation	Transaction	Transaction amount	Account	Balance as of March 31, 2016
Close relative of director	Toshiko Miyoshi	–	–	Leasing of land and buildings	26	–	–

Notes: 1. Toshiko Miyoshi is a close relative of Tadahiro Miyama, Director of the Company.

2. Transaction conditions and policies to decide transaction conditions

Rental prices and other conditions for leasing of land and buildings are the same as for transactions with third parties.

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

8. Per Share Information

Net assets per share 520.07 yen

Basic earnings per share 73.88 yen

9. Events after the Reporting Period

Not applicable.

10. Matters Regarding Company Subject to Consolidated Dividend Regulations

Not applicable.