

**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 7, 2018

**To Our Shareholders**

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

**Notice of the 45th Ordinary General Shareholders' Meeting**

You are cordially invited to attend the 45th 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 Wednesday, June 27, 2018.**

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

Please refer to pages 3 to 12 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 (<https://evote.tr.mufig.jp/>), which is designated by the Company. Enter the "Login ID" and "Temporary Password" noted on the enclosed Voting Rights Exercise Form, examine the Reference Materials for the General Shareholders' Meeting on pages 3 to 12 of this document or the reference materials posted on the Company website, which will be accessible via the Voting Rights Exercise Site, follow the instructions on the screen, and indicate "for" or "against" for each 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 28, 2018 (Thursday), 10:00 a.m. (Reception will open at 9:00 a.m.)
2. **Place:** Leoplace21 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 45th Fiscal Term (from April 1, 2017 to March 31, 2018)
  2. Report on Non-consolidated Financial Statements for the 45th Fiscal Term (from April 1, 2017 to March 31, 2018)  
**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

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

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

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://www.leopalace21.co.jp/ir/stocks/meeting.html>

On the day of the General Shareholders' Meeting, officers and staff 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

In conjunction with distributing to shareholders the profits created through operating activities in the form of cash dividends, the Company's basic policy is to invest for future growth in areas such as real estate, overseas businesses, mergers and acquisitions, IT and research and development in order to maximize mid- to long-term corporate value, thus enhancing shareholder value by raising earnings per share (EPS) and providing stable dividends to shareholders.

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

12 yen per common share of the Company

The total payment of year-end dividends shall amount to 3,025,381,140 yen.

(3) Effective date of payment for dividends of surplus

June 29, 2018

**Proposal No. 2: Amendment to the Articles of Incorporation**

1 Rationale for amendment

The Company would like to add a business purpose in the provision of Article 2 (Purpose) of the existing Articles of Incorporation in response to diversification of its future businesses. In line with this, the item numbers of the Article will be appropriately adjusted.

2 Details of amendment

Details of the amendment are as follows:

(Proposed amendments are underlined)

Existing Articles of Incorporation	Proposed Amendment
<p align="center"><b>Chapter 1 General Provisions</b></p> <p>Article 1. &lt;Omitted&gt; (Purpose)</p> <p>Article 2. &lt;Omitted&gt;     1.-23. &lt;Omitted&gt;             &lt;Newly established&gt;     <u>24.-37.</u> &lt;Omitted&gt;</p> <p>Articles 3.-42. &lt;Omitted&gt;</p>	<p align="center"><b>Chapter 1 General Provisions</b></p> <p>Article 1. &lt;As per the existent articles&gt; (Purpose)</p> <p>Article 2. &lt;As per the existent articles&gt;     1.-23. &lt;As per the existent articles&gt;     <u>24.</u> <u>Services relating to trust</u>             <u>agreement agency business</u>     <u>25.-38.</u> &lt;As per the existent articles&gt;</p> <p>Articles 3.-42. &lt;As per the existent articles&gt;</p>

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

The term of office of all eleven (11) Directors will expire at the conclusion of this Ordinary General Shareholders' Meeting. Accordingly, it is proposed that eleven (11) Directors (of which three (3) will be Outside Directors) be appointed.

The candidates for Director are as follows:

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	Reappointment  Eisei Miyama (November 13, 1957)  Attendance at the Board of Directors meetings: 20/20	<p>October 1977      Joined Leopalace21 Corporation</p> <p>April 1990        General Manager of the 3rd Sales Department, Leopalace21 Corporation</p> <p>June 1990        Director, Leopalace21 Corporation</p> <p>January 1996     Executive Director of Management, Leopalace21 Corporation</p> <p>November 1996   General Manager of the Leasing Business Headquarters, Leopalace21 Corporation</p> <p>April 2003        Senior Managing Director, Leopalace21 Corporation</p> <p>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</p> <p>April 2009        Senior Managing Director and Senior Executive Officer, Leopalace21 Corporation General Manager of the Management Planning Headquarters, Leopalace21 Corporation</p> <p>December 2009   Vice President and Representative Director, Leopalace21 Corporation General Manager of the 1st Sales Department, Leasing Business Division, Leopalace21 Corporation</p> <p>February 2010    President and CEO, Leopalace21 Corporation (incumbent) General Manager of the Marketing and Sales Headquarters, Leopalace21 Corporation</p> <p>June 2010        President and CEO, Leopalace21 Corporation (incumbent)</p> <p>Significant concurrent positions Director, Leopalace Guam Corporation</p>	142,000 shares
<p><b>Reason for nomination as a candidate for Director</b></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 and contributes to increasing the corporate value. 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	Reappointment  Tadahiro Miyama (January 21, 1966)  Attendance at the Board of Directors meetings: 20/20	<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</p> <p>Significant concurrent positions Director, Leopalace Guam Corporation Director, Leopalace21 (Cambodia) Co., Ltd.</p>	16,400 shares
<p><b>Reason for nomination as a candidate for Director</b></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 adequately performing his duties, 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	Reappointment	April 1980	Joined The Sumitomo Bank, Limited (now Sumitomo Mitsui Banking Corporation)	13,600 shares
	Yuzuru Sekiya (September 1, 1957)	April 2004	Manager of Tokyo Credit Business Dept. IV, Sumitomo Mitsui Banking Corporation	
	Attendance at the Board of Directors meetings: 20/20	June 2005	General Manager of Kitakyushu Corporate Business Office, Sumitomo Mitsui Banking Corporation	
		April 2008	Head of Credit Monitoring Dept. of Credit Dept. I, Middle Market Banking Unit, Sumitomo Mitsui Banking Corporation	
		April 2010	Joined Leopalace21 Corporation on loan Executive Officer, Leopalace21 Corporation Deputy General Manager of the Management Headquarters, Leopalace21 Corporation	
		June 2010	Director and Executive Officer, Leopalace21 Corporation	
		May 2011	Deputy General Manager of the Business Management Headquarters, Leopalace21 Corporation	
		April 2012	Director and Managing Executive Officer, Leopalace21 Corporation General Manager of the Business Management Headquarters, Leopalace21 Corporation	
		April 2013	General Manager of the General Planning Headquarters, Leopalace21 Corporation Deputy General Manager of the Business Management Headquarters, Leopalace21 Corporation	
		April 2014	Director and Senior Executive Officer, Leopalace21 Corporation (incumbent) General Manager of the Management Planning Headquarters, Leopalace21 Corporation (incumbent)	
April 2015	General Manager of the Hotel and Resort Business Division, Leopalace21 Corporation			
	Significant concurrent positions Director, Leopalace Guam Corporation			
<p><b>Reason for nomination as a candidate for Director</b></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 adequately performing his duties, 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	Reappointment  Hiroshi Takeda (January 1, 1964)  Attendance at the Board of Directors meetings: 20/20	April 1988	Joined Leopalace21 Corporation	12,900 shares
		April 1999	General Manager of the Kinki Sales Headquarters, Leopalace21 Corporation	
		October 2006	Executive Officer, Leopalace21 Corporation	
		June 2007	Director, Leopalace21 Corporation General Manager of the West Japan Sales Headquarters, Subcontracting Business Headquarters, Leopalace21 Corporation	
		April 2009	Director and Executive Officer, Leopalace21 Corporation General Manager of the Sales Planning Department, Subcontracting Business Division, Leopalace21 Corporation	
		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	
		May 2011	General Manager of the Asset Management Department, Leasing Business Division, Leopalace21 Corporation	
		April 2013	Managing Executive Officer, Leopalace21 Corporation General Manager of the Leasing Business Division, Leopalace21 Corporation	
		April 2014	Senior Executive Officer, Leopalace21 Corporation	
		June 2015	Director and Senior Executive Officer, Leopalace21 Corporation (incumbent)	
		January 2016	Deputy General Manager of the Apartment Construction Subcontracting Business Division, Leopalace21 Corporation	
		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)	
		Significant concurrent positions Director, Morizou Co., Ltd.		
<b>Reason for nomination as a candidate for Director</b>				
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 adequately performing his duties, controlling the construction business. 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.				



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	Reappointment	April 1975	Joined The Kyowa Bank, Ltd. (now Resona Bank, Limited)	5,500 shares
	Kazuto Tajiri (August 22, 1952)	October 1998	General Manager of Credit 4th Department, The Kyowa Bank, Ltd. (now Resona Bank, Limited)	
		June 2002	General Manager of Credit 2nd Department, The Asahi Bank, Ltd. (now Resona Bank, Limited)	
		March 2003	General Manager of Credit 2nd Department, Saitama Resona Bank, Limited	
		July 2004	Joined Resona Research Institute Co., Ltd. on loan General Manager of Tokyo Consulting Department	
		June 2008	Executive Officer, Head and General Manager of Tokyo Sales Department, Resona Research Institute Co., Ltd.	
		December 2009	Managing Executive Officer, Head of Tokyo Headquarters, Tokyo Sales Department, Saitama Sales Department and Consulting Department, Resona Research Institute Co., Ltd.	
		April 2013	Joined Leopalace21 Corporation Managing Executive Officer, Leopalace21 Corporation General Manager of the Business Management Headquarters, Leopalace21 Corporation	
		June 2013	Director and Managing Executive Officer, Leopalace21 Corporation	
		April 2014	General Manager of the Management Headquarters, Leopalace21 Corporation (incumbent)	
April 2016		Director and Senior Executive Officer, Leopalace21 Corporation (incumbent)		
<p><b>Reason for nomination as a candidate for Director</b></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 adequately performing his duties, controlling the 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>				
6	Reappointment	April 1980	Joined NISSANSHA INC.	12,100 shares
	Hiroyuki Harada (January 7, 1955)	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)	
		May 2018	General Manager of the Healthcare Promotion Office (incumbent)	
<p>Significant concurrent positions President and Representative Director, PLAZA Guarantee CO., LTD.</p>				
<p><b>Reason for nomination as a candidate for Director</b></p> <p>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 adequately performing his duties, controlling the personnel, general and legal affairs 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
7	Reappointment  Bunya Miyao (April 14, 1960)  Attendance at the Board of Directors meetings: 19/20	April 1983 June 1990 September 2000 July 2008 July 2010 July 2012 April 2013 June 2016 May 2017  April 2018	Joined Nakamichi Leasing Co., Ltd. Joined Leopalace21 Corporation Deputy Manager of the Financial Department, Leopalace21 Corporation General Manager of the Resort Business Headquarters, Leopalace21 Corporation General Manager of the Management Planning Department, Leopalace21 Corporation Administrative Officer, Leopalace21 Corporation Executive Officer, Leopalace21 Corporation Director and Executive Officer, Leopalace21 Corporation Representative in charge of the Management Planning Department, the Public Relations Department, Leopalace21 Corporation Director and Managing Executive Officer, Leopalace21 Corporation (incumbent) Representative in charge of Management Planning and Investor Relations, Management Planning Department, Leopalace21 Corporation (incumbent)	5,100 shares
<p><b>Reason for nomination as a candidate for Director</b></p> <p>Mr. Bunya Miyao is fulfilling an appropriate role as Director by taking important management decisions and supervising business execution. Moreover, as Managing Executive Officer, he is adequately performing his duties, controlling the management planning and investor relations 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.</p>				
8	New Candidate  Hiromi Ito (May 6, 1960)  Attendance at the Board of Directors meetings: -/-	April 1983 March 2000 November 2001 October 2003 March 2006 April 2007 April 2009 June 2011 April 2015 April 2017	Joined The Kyowa Bank, Ltd. (now Resona Bank, Limited) Branch Manager of Tsu Branch, The Asahi Bank, Ltd. (now Resona Bank, Limited) Branch Manager of Akamondori Branch, The Asahi Bank, Ltd. General Manager of Sales 3rd Department, Shin-Toshin Sales Division, Resona Bank, Limited General Manager of Sales 2nd Department, Shin-Toshin Sales Division, Resona Bank, Limited Branch Manager of Kawasaki Branch, Resona Bank, Limited Executive Officer, Representative in charge of the Tokyo Metropolitan area, Resona Bank, Limited Executive Officer, Representative in charge of the Osaka area, Resona Bank, Limited Joined Resona Business Service Co., Ltd. Senior Managing Director, Resona Business Service Co., Ltd. Joined Leopalace21 Corporation Managing Executive Officer, Leopalace21 Corporation (incumbent) Deputy General Manager of the Management Headquarters, Leopalace21 Corporation (incumbent)	6,300 shares
<p><b>Reason for nomination as a candidate for Director</b></p> <p>Mr. Hiromi Ito possesses extensive work experience and achievements related to finance &amp; accounting and business administration. As a Managing Executive Officer, he is adequately performing his duties, controlling the finance &amp; accounting and information systems departments. For this reason, it is judged that his abundant experience and knowledge can be effectively incorporated into the Company's growth strategy, so the Company has nominated him 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
9	Reappointment Outside Director Independent Officer  Tadashi Kodama (November 11, 1947)	April 1970	Joined The Dai-Tokyo Fire & Marine Insurance Co., Ltd. (now Aioi Nissay Dowa Insurance Co., Ltd.)	5,200 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.	
	Attendance at the Board of Directors meetings: 19/20	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.		
	June 2016	Outside Director, Leoplace21 Corporation (incumbent)		
<p><b>Reason for nomination as a candidate for Outside Director</b></p> <p>Mr. Tadashi Kodama fulfills an appropriate role in supervising the business execution of the Company, using his keen insight accumulated through his career as a senior manager of a listed company 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.</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 Outside Director.</p>				
10	Reappointment Outside Director Independent Officer  Tetsuji Taya (December 14, 1963)	April 1987	Joined The Fuji Bank, Limited (now Mizuho Bank, Ltd.)	3,700 shares
		June 1998	Joined Merrill Lynch Securities Co., Ltd.	
		April 2003	Managing Director, Industrial Revitalization Corporation of Japan	
		April 2007	Board Member & Managing Director, Industrial Growth Platform, Inc.	
	Attendance at the Board of Directors meetings: 18/20	September 2009	Representative Director, Acting CEO, Industrial Growth Platform, Inc.	
		June 2010	Outside Director, Leoplace21 Corporation (incumbent)	
		March 2011	Board Member & Managing Director, Industrial Growth Platform, Inc. (incumbent)	
		Significant concurrent positions Board Member & Managing Director, Industrial Growth Platform, Inc.		
<p><b>Reason for nomination as a candidate for Outside Director</b></p> <p>Mr. Tetsuji Taya fulfills an appropriate role in supervising the business execution of the Company, using his keen insight accumulated through his career as a senior manager 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.</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 Outside Director.</p>				

Candidate number	Name (Date of birth)	Career summary, and positions and duties in the Company (Significant concurrent positions)	Number of the Company's shares held
11	Reappointment Outside Director Independent Officer  Yoshiko Sasao (April 2, 1960)  Attendance at the Board of Directors meetings: 19/20	April 1984      Joined Recruit Co., Ltd. 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 June 2012      President and Representative Director, TEPCO PARTNERS Co, Inc. June 2015      Outside Director, Leopalace21 Corporation (incumbent) June 2015      President and Representative Director, SHIDAX BEAUTY CARE MANAGEMENT CORPORATION April 2017      Executive Officer, Hasegawa holdings Co., Ltd. (now HITOWA Holdings Co., Ltd.) April 2017      President and Representative Director, Hasegawa Social Works Co., Ltd. (now HITOWA Social Works Co., Ltd.) May 2018      Executive Officer (Responsible for Work Style Reform), JDC Corporation (incumbent)  Significant concurrent positions Executive Officer (Responsible for Work Style Reform), JDC Corporation	2,500 shares
<p><b>Reason for nomination as a candidate for Outside Director</b></p> <p>Ms. Yoshiko Sasao fulfills an appropriate role in supervising the business execution of the Company, using her keen insight accumulated through her career as a senior manager 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>			

- Notes: 1. There is no particular interest between any of the candidates and the Company.
2. Mr. Tadashi Kodama, Mr. Tetsuji Taya and Ms. Yoshiko Sasao 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. Tadashi Kodama has held positions at Aioi Nissay Dowa Insurance Co., Ltd. as Representative Director, Vice Chairman of the Board of Directors, and Senior Advisor. In June 2015 he retired from said company, and in June 2016 he assumed the office of Outside Director of the Company. Although there is a business relationship between said company and the Company, the transaction amount is negligible (accounts for less than 0.1% of said company's and the Company's separate consolidated net sales) and, therefore, does not affect his independence.
4. Mr. Tetsuji Taya has held positions at Industrial Growth Platform, Inc. as Board Member & Managing Director. Although there is a business relationship between said company and the Company, the transaction amount is negligible (accounts for less than 0.1% of said company's and the Company's separate consolidated net sales) and, therefore, does not affect his independence.
5. Mr. Tadashi Kodama is currently an Outside Director of the Company. His term as an Outside Director will be two years at the conclusion of this General Shareholders' Meeting.
6. Mr. Tetsuji Taya is currently an Outside Director of the Company. His term as an Outside Director will be eight years at the conclusion of this General Shareholders' Meeting.
7. Ms. Yoshiko Sasao is currently an Outside Director of the Company. Her term as an Outside Director will be three years at the conclusion of this General Shareholders' Meeting.
8. In accordance with the provisions of Article 427, Paragraph 1 of the Companies Act, the Company has entered into limited liability agreements with Mr. Tadashi Kodama, 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.

**[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, 2017 to March 31, 2018)**

### **Items Regarding Status of Group Operations**

#### **Overview of Operations**

During the fiscal year under review, the domestic economy showed gradual recovery supported by improvements in corporate earnings, employment, and personal income.

New housing starts of leased units decreased for the first time in three years (down 4.0% year on year), due to the saturation in demand for inheritance tax reduction strategies as well as the environmental change in apartment loans. In the rental housing industry in Japan, as the number of vacant units continues to increase and recovery in nationwide demand becomes difficult, achieving stable occupancy rates requires concentrated supply of properties in areas where occupancy rates are forecasted to remain high in the future, while at the same time following a strategy of differentiation by providing value-added services.

Amid these conditions, the Leopalace21 Group (the “Group”) announced the three-year Medium-term Management Plan “Creative Evolution 2020” starting in the fiscal year ended March 31, 2018. With its basic policy of “Supporting continuous growth of core businesses in ways that further increase corporate value while constructing a base for growth areas,” the Group strove for creating corporate value and new social value.

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

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

#### **Leasing Business**

In the Leasing Business, to establish stable occupancy, the Group provided abundant added value with services such as “my DIY” which enables tenants to freely arrange their rooms, “LEONET” which provides tenants with a broad range of features to enhance internet experience, and security services in collaboration with large security companies. The Group also addressed demand for corporate dormitories and corporate housing and enhanced support system for foreign tenants. In addition, in the ASEAN region, the Group is conducting the development and operation of serviced apartments and offices.

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

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

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

#### **Development Business**

In the Development Business, the Group focused on activities to secure orders in the three major metropolitan areas, where populations continue to increase and high occupancy rates are

expected in the future, while strategically investing in high-quality, cutting-edge products. In addition, the Group launched a new brand attempting to strengthen product competitiveness and refresh its image among tenants, expanded construction variations to realize “ideal land use,” while reviewing product prices and supply channels to improve profitability.

Also, the Group has been soliciting and selling real estate specified joint enterprise products that enable small-sum investment in “LOVIE” rental condominiums located in the center of Tokyo.

Subsidiary Life Living Co., Ltd. provides development business of condominiums and apartments, and subsidiary Morizou Co., Ltd. provides construction business of custom-built detached houses made of Kiso hinoki cypress.

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

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

#### Elderly Care Business

Net sales were 12,807 million yen (up 11.0% year on year), and operating loss was 1,596 million yen (an improvement of 71 million yen from the previous fiscal year).

#### Hotels, Resort & Other Businesses

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

### Issues to Be Addressed

The Group has started its “Creative Evolution 2020” Medium-term Management Plan, which runs for three years from fiscal 2017. Taking as its basic policy “Supporting continuous growth of core businesses in ways that further increase corporate value while constructing a base for growth areas,” the Group aims to create corporate value as well as new social value by executing each of the following strategies.

#### Business Strategies (Cash flow generation for value creation)

- Core businesses ..... Balance apartment supply and management & operation, deploy with more concentration and more diversification
- Growth businesses ..... Focus on the Elderly Care Business and International Business, which are less exposed to the aging, shrinking domestic population, achieve profitability

In the Leasing Business, in order to secure a favorable competitive position in the rental housing market, where vacant units continue to increase, the Group will differentiate ourselves by offering value-added features such as homes equipped with furniture and household appliances, Internet (LEONET) and IoT capabilities (Leo Remocon), and will consider a third form of contract in addition to rental contracts and monthly contracts. Also, with companies expected to increase their hiring to combat lack of staff, to reliably capture corporate housing demand, the Company mainly strives to reduce the operational burden on corporate customers through corporate sales specialized for each industry, and by unifying the point of contact for contracts. Further, in order to capture the growth in the ASEAN region caused by the expansion of businesses from Japan, with its falling population, the Group is expanding the development and operation of serviced apartments and offices in the ASEAN region.

In the Development Business (Construction and Real Estate Development Businesses), as well as offering high-quality, high value-added products and services restricted to major metropolitan areas where demand is high, in light of the number of taxable persons increasing significantly due to revisions to the Inheritance Tax Act, the Group will focus on diversifying construction so as to be able to respond to a range of needs.

In Elderly Care Business, which has been designated a growth strategy business, the Group will strive to improve profitability by rightsizing the personnel structure, and the Group will establish care facilities in response to the ageing of society.

Financial Strategies (Value creation via balance sheet management)

- Introduction of ROIC management ..... Shift away from profit and loss-centric management to balance sheet management, with the aim of value creation and optimal capital structure

\* ROIC (Return on Invested Capital) = After-tax operating profit / (interest-bearing debt + net assets)

- Enhance asset and capital efficiency ..... Make active use of operating cash flow, and of cash flow from sale of assets, for investments in future growth and for shareholder returns
- Enriched shareholder returns ..... By introducing the total return ratio target, the Group will seek to deliver shareholder returns that include share buybacks

The Group is 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 10,674 million yen.

The main components of this were 2,595 million yen for investment in rental properties in connection with the leasing business in Japan, 1,022 million yen for investment in serviced apartments in connection with the leasing business in ASEAN countries, 4,299 million yen for capital investment in connection with the hotels & resort business, and 616 million yen for construction of an information system in connection with all businesses.

## Financing Activities

After giving consideration to the capital efficiency of the Group in the fiscal year under review, the Group procured funds of 4,000 million yen for funds to refinance loans receivable inside the Group and 1,400 million yen as funds to start a lease business inside the Group.



**Major Subsidiaries** (as of March 31, 2018)

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
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
Asuka SSI	1,000 million yen	100.0%	Small-Amount, Short-Term Insurance Business
Enplus Inc.	312 million yen	66.7%	Relocation Management Business
Leopalace21 Business Consulting (Shanghai) Co., Ltd.	5,359 thousand RMB	100.0%	Consulting Business
LEOPALACE21 VIETNAM CO., LTD.	20,196 million VND	100.0%	Serviced Apartments Business Real Estate Agency Business
Leopalace21 (Thailand) CO., LTD.	10,000 thousand THB	49.0% [51.0%]	Serviced Apartments Business Real Estate Agency Business
Leopalace21 (Cambodia) Co., Ltd.	500 thousand USD	100.0%	Serviced Apartments Business Real Estate Agency Business
LEOPALACE21 PHILIPPINES INC.	22,070 thousand Philippine peso	100.0%	Serviced Offices Business Real Estate Introduction Business
PT. Leopalace Duasatu Realty	7,161,000 thousand IDR	100.0%	Real Estate Business
Leopalace21 Singapore Pte. Ltd.	8,850 thousand USD	100.0%	Investment Consulting Business
Life Living Co., Ltd.	100 million yen	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
Leopalace Smile Co., Ltd.	10 million yen	100.0%	Clerical Work Outsourcing Service Business

- Notes:
1. The Company purchased shares of Enplus Inc., making it into a consolidated subsidiary 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, 2018)

Segment	Areas of Activity
Leasing Business	Leasing and management of apartments, etc., repair work, broadband service, rent obligation guarantee business, corporate housing management business, solar power generation business, small-amount, short-term insurance business, etc.
Development Business	Contracted construction work for apartments and custom-built detached houses, etc., development of condominiums, etc.
Elderly Care Business	Operation of elderly care facilities
Hotels, Resort & Other Businesses	Operation of hotel and resort facilities, financing activities, clerical work outsourcing service business, etc.

## Major Business Locations of the Group (as of March 31, 2018)

### 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; the Republic of Korea: 2 branches; Taiwan: 1 branch])
Hotels	4 facilities nationwide (Sapporo, Sendai, Nagoya, Hakata)
Care Facilities	62 facilities nationwide (Tokyo: 4 facilities; Chiba Prefecture: 16 facilities; Saitama Prefecture: 22 facilities; Kanagawa Prefecture: 3 facilities; Ibaraki Prefecture: 8 facilities; Tochigi Prefecture: 7 facilities; Gunma Prefecture: 2 facilities)

### Major Subsidiaries

Leopalace Leasing Corporation	Nakano-ku, Tokyo
Plaza Guarantee CO., LTD.	Nakano-ku, Tokyo
Leopalace Power Corporation	Nakano-ku, Tokyo
Leopalace Energy Corporation	Nakano-ku, Tokyo
Asuka SSI	Nakano-ku, Tokyo
Enplus Inc.	Chiyoda-ku, Tokyo
Leopalace21 Business Consulting (Shanghai) 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 PHILIPPINES INC.	The Republic of the Philippines
PT. Leopalace Duasatu Realty	The Republic of Indonesia
Leopalace21 Singapore Pte. Ltd.	The Republic of Singapore
Life Living Co., Ltd.	Shibuya-ku, Tokyo
Morizou Co., Ltd.	Nakano-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
Leopalace Smile Co., Ltd.	Nakano-ku, Tokyo

## Employees of the Group (as of March 31, 2018)

### 1. Employees of the Group

Segment	Number of Employees	
Leasing Business	3,628	[446]
Development Business	1,844	[20]
Elderly Care Business	1,187	[1,252]
Hotels, Resort & Other Businesses	612	[111]
All companies (common)	419	[11]
Total	7,690	[1,840]

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 of those belonging to management department.

### 2. Employees of the Company

Number of Employees	Change Since Previous FY	Average Age	Average Years of Service
6,494 [1,559]	-48	36 years and 11 months	8 years and 11 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, 2018)

Lender	Loan Balance at End of the Fiscal Year under Review (millions of yen)
Mizuho Bank, Ltd.	13,117
Sumitomo Mitsui Banking Corporation	5,221

## Items Regarding Shares of the Company

- **Number of shares authorized** 500,000,000 shares
- **Number of shares outstanding** 252,682,515 shares
- **Number of shareholders** 44,404
- **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)	39,202	15.54
The Master Trust Bank of Japan, Ltd. (Trust Account)	10,056	3.98
THE BANK OF NEW YORK MELLON SA/NV 10	7,279	2.88
STATE STREET BANK AND TRUST COMPANY	6,825	2.70
Stockholding Association for Leoplace21's Business Connection	5,592	2.21
THE BANK OF NEW YORK MELLON 140040	5,166	2.04
THE BANK OF NEW YORK MELLON 140044	4,896	1.94
STATE STREET BANK AND TRUST COMPANY 505223	4,755	1.88
TAIYO HANEI FUND, L. P.	4,719	1.87
STATE STREET BANK AND TRUST CLIENT OMNIBUS ACCOUNT OM02 505002	4,184	1.65

Notes: 1. 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) 38,367 thousand shares

The Master Trust Bank of Japan, Ltd. (Trust Account) 9,793 thousand shares

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

- **Shareholder composition**

Financial instruments business operations	1.73%	(4,357 thousand shares)
Financial institutions	23.43%	(59,212 thousand shares)
Foreign corporations	58.29%	(147,277 thousand shares)
Treasury stocks	0.22%	(567 thousand shares)
Individuals and other	13.89%	(35,106 thousand shares)
Business corporations and other legal entities	2.44%	(6,160 thousand shares)

## Share Subscription Rights and Others

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

			1st series share subscription rights	2nd series share subscription rights	3rd series share subscription rights
Issuance resolution date			June 29, 2009	July 28, 2016	August 28, 2017
Amount to be paid in for share subscription rights			Payment not required	Payment not required	Payment not required
Value of property to be contributed upon exercise of share subscription rights			82,600 yen per 1 share subscription right (826 yen per share)	100 yen per 1 share subscription right (1 yen per share)	100 yen per 1 share subscription right (1 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	Issue price: 548 yen; amount incorporated into capital: 274 yen	Issue price: 529 yen; amount incorporated into capital: 265 yen
Exercise period			From August 18, 2011 through June 27, 2019	From August 19, 2016 through August 18, 2046	From September 15, 2017 through September 14, 2047
Status of officers' holdings	Directors (excluding Outside Directors)	Number of share subscription rights	40 units	1,416 units	1,473 units
		Number of underlying shares	4,000 shares of common stock	141,600 shares of common stock	147,300 shares of common stock
		Number of holders	2 persons	8 persons	8 persons
	Audit & Supervisory Board Members	Number of share subscription rights	10 units	—	—
		Number of underlying shares	1,000 shares of common stock	—	—
		Number of holders	1 person	—	—

Note: The above 1st series share subscription rights are those granted to Directors and Audit & Supervisory Board Members while they were serving at the Company as employees.

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

		3rd series share subscription rights	
Issuance resolution date		August 28, 2017	
Amount to be paid in for share subscription rights		Payment not required	
Value of property to be contributed upon exercise of share subscription rights		100 yen per 1 share subscription right (1 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: 529 yen; amount incorporated into capital: 265 yen	
Exercise period		From September 15, 2017 through September 14, 2047	
Status of delivery to employees	Employees of the Company	Number of share subscription rights	1,288 units
		Number of underlying shares	128,800 shares of common stock
		Number of holders	15 persons
	Officers of subsidiaries	Number of share subscription rights	67 units
		Number of underlying shares	6,700 shares of common stock
		Number of holders	9 persons

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

### 1. Directors and Audit & Supervisory Board Members

(as of March 31, 2018)

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) Director, Leopalace Leasing Corporation Director, Plaza Guarantee CO., LTD. Director, Asuka SSI Director, Leopalace21 Business Consulting (Shanghai) 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, Life Living Co., Ltd. Director, Azu Life Care Co., Ltd. Director, Leopalace Guam Corporation
Yuzuru Sekiya	Director	Senior Executive Officer/General Manager of the Management Planning Headquarters Director, Leopalace Guam Corporation
Hiroshi Takeda	Director	Senior Executive Officer/Deputy General Manager of the Marketing and Sales Headquarters/General Manager of the Apartment Construction Subcontracting Business Division (concurrent)/General Manager of the Subcontracting Sales Department 3 (concurrent) President and Representative Director, Morizou Co., Ltd. Director, Life Living Co., Ltd.
Kazuto Tajiri	Director	Senior Executive Officer/General Manager of the Management Headquarters
Yoshikazu Miike	Director	Managing Executive Officer President and Representative Director, WING MATE CO., LTD.
Hiroyuki Harada	Director	Managing Executive Officer/Deputy General Manager of the Management Headquarters/General Manager of the Work-life Balance Promotion Office (concurrent) President and Representative Director, Plaza Guarantee CO., LTD.
Bunya Miyao	Director	Executive Officer/Representative in charge of the Management Planning Department, the Public Relations Department, Management Planning Headquarters
Tadashi Kodama	Director	
Tetsuji Taya	Director	Board Member & Managing Director, Industrial Growth Platform, Inc.
Yoshiko Sasao	Director	President and Representative Director, Hasegawa Social Works Co., Ltd. (now HITOWA Social Works Co., Ltd.)
Atsunori Nasu	Standing Audit & Supervisory Board Member	Audit & Supervisory Board Member, Morizou Co., Ltd.
Jiro Yoshino	Standing Audit & Supervisory Board Member	

Name	Title	Duties in the Company and Significant Concurrent Positions
Masahiko Nakamura	Audit & Supervisory Board Member	Representative, Masahiko Nakamura Certified Tax Accountant Office
Takao Yuhara	Audit & Supervisory Board Member	Outside Auditor, KAMEDA SEIKA CO., LTD. Outside Audit & Supervisory Board Member, T. HASEGAWA CO., LTD.

- Notes: 1. Mr. Tadashi Kodama, Mr. Tetsuji Taya and Ms. Yoshiko Sasao serve as Outside Directors of the Company.
2. Ms. Yoshiko Sasao, Director, retired from her position as President and Representative Director of Hasegawa Social Works Co., Ltd. (now HITOWA Social Works Co., Ltd.) in March 2018.
3. Mr. Jiro Yoshino, Mr. Masahiko Nakamura and Mr. Takao Yuhara serve as Outside Audit & Supervisory Board Members of the Company.
4. Mr. Masahiko Nakamura, Audit & Supervisory Board Member, is certified as a licensed tax accountant, and possesses considerable finance and accounting knowledge.
5. Mr. Masahiko Nakamura, Audit & Supervisory Board Member, retired from his position as Outside Audit & Supervisory Board Member of HOMENET Co., Ltd. in June 2017.
6. Mr. Takao Yuhara, Audit & Supervisory Board Member, retired from his position as Outside Audit & Supervisory Board Member of mofria Corporation in June 2017.
7. The Company has appointed all six Outside Directors and Audit & Supervisory Board Members as independent officers stipulated by Tokyo Stock Exchange, Inc. and has registered with the Stock Exchange accordingly.
8. 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.
9. Changes in positions and duties of Directors after the end of the fiscal year under review are as follows:

Name	New Positions and Duties	Former Positions and Duties	Date of Change
Bunya Miyao	Director and Managing Executive Officer Representative in charge of Management Planning and Investor Relations, Management Planning Headquarters	Director and Executive Officer Representative in charge of the Management Planning Department, the Public Relations Department, Management Planning Headquarters	April 1, 2018
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 Deputy General Manager of the Marketing and Sales Headquarters General Manager of the Apartment Construction Subcontracting Business Division (concurrent) General Manager of the Subcontracting Sales Department 3 (concurrent)	May 1, 2018
Hiroyuki Harada	Director and Managing Executive Officer Deputy General Manager of the Management Headquarters General Manager of the Work-life Balance Promotion Office (concurrent) General Manager of the Healthcare Promotion Office (concurrent)	Director and Managing Executive Officer Deputy General Manager of the Management Headquarters General Manager of the Work-life Balance Promotion Office (concurrent)	May 1, 2018



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

Audit & Supervisory Board Member, Mr. Mutsuhiro Yamada retired at the conclusion of the 44th Ordinary General Shareholders' Meeting held on June 29, 2017, due to the expiry of his term of office.

## 3. Directors' and Audit & Supervisory Board Members' Remuneration, Etc.

Category	Number of Persons	Total Amount
Directors (Outside Directors)	11 (3)	610 million yen (46 million yen)
Audit & Supervisory Board Members (Outside Audit & Supervisory Board Members)	5 (3)	44 million yen (25 million yen)
Total (Outside Directors and Audit & Supervisory Board Members)	16 (6)	655 million yen (71 million yen)

Notes: 1. Among the above-mentioned figures, there includes one Audit & Supervisory Board Member who retired on June 29, 2017.

2. The amount of remuneration, etc. for Directors, includes 77 million yen of expenses related to share subscription rights granted as stock options as stock-based remuneration recorded during the fiscal year under review.

## 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	President and Representative Director, Hasegawa Social Works Co., Ltd. (now HITOWA Social Works Co., Ltd.)	There are no particular relationships with the Company requiring specific mention.
Audit & Supervisory Board Member	Masahiko Nakamura	Representative, Masahiko Nakamura Certified Tax Accountant Office	There are no particular relationships with the Company requiring specific mention.
Audit & Supervisory Board Member	Takao Yuhara	Outside Auditor, KAMEDA SEIKA CO., LTD. Outside Audit & Supervisory Board Member, T. HASEGAWA CO., LTD.	There are no particular relationships with the Company requiring specific mention.

- Notes:
- Ms. Yoshiko Sasao, Outside Director, retired from her position as President and Representative Director of Hasegawa Social Works Co., Ltd. (now HITOWA Social Works Co., Ltd.) in March 2018.
  - Mr. Masahiko Nakamura, Outside Audit & Supervisory Board Member, retired from his position as Outside Audit & Supervisory Board Member of HOMENET Co., Ltd. in June 2017. 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.
  - Mr. Takao Yuhara, Outside Audit & Supervisory Board Member, retired from his position as Outside Audit & Supervisory Board Member of mofiria Corporation in June 2017. There are no particular relationships between mofiria Corporation and the Company requiring specific mention.

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

Title	Name	Attendance of the Board of Directors Meetings	Attendance of the Audit & Supervisory Board Meetings	Key Activities
Director	Tadashi Kodama	19/20	–	Mr. Kodama uses his abundant knowledge as a senior manager of a listed company 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	Tetsuji Taya	18/20	–	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	19/20	–	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.

<b>Title</b>	<b>Name</b>	<b>Attendance of the Board of Directors Meetings</b>	<b>Attendance of the Audit &amp; Supervisory Board Meetings</b>	<b>Key Activities</b>
Audit & Supervisory Board Member	Jiro Yoshino	17/17	10/10	Mr. Yoshino has abundant experience and expert knowledge as an executive officer and audit & supervisory board member of listed companies. He has objectively conducted proper supervision of the management of the Company.
Audit & Supervisory Board Member	Masahiko Nakamura	19/20	13/13	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	19/20	13/13	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: Activity of Mr. Jiro Yoshino, Outside Audit & Supervisory Board Member, since his assumption of office on June 29, 2017, is 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, some of the overseas subsidiaries use the accounting audit services of certified public accountants or audit firms (including those who have equivalent certificates in foreign countries), including member firms of Grant Thornton which belongs to the same network as that of the Company’s Accounting Auditor.

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

If the Company’s Audit & Supervisory Board determines that any of the provisions of Article 340, Paragraph 1 of the Companies Act applies with respect to the Accounting Auditor, it shall dismiss the Accounting Auditor with the unanimous approval of the Audit & Supervisory Board Members. In this case, an Audit & Supervisory Board member 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.

Where the Audit & Supervisory Board deems there are problems with the suitability, independence or reliability of the Accounting Auditor, it 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.

## Corporate Structure and Policies

### 1. Systems to Ensure Appropriate Business Operations

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

- (a) The Company and its subsidiaries (“the Group”) shall conduct business based on its corporate philosophy of “creating new value.” As part of that process, the Company created a Corporate Ethics Charter. The Company shall be determined to establish legal and social compliance as 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 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 Members shall conduct a regular or special audit of each 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. 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 Rules 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 subsidiaries 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 Rules 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 to Ensure Appropriate Business Operations**

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

The compliance system has been fully developed with the establishment of the Corporate Ethics Charter, establishment of the Compliance Committee, 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 and conducting internal audits, the Company ensures compliance with laws and regulations and other rules. 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 Management Regulations and Information Management Regulations.

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

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

After preliminary deliberation by the Corporate Management Council, decisions have been made after deliberation at the Board of Directors meetings, 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 for Reporting of Matters Concerning Execution of Duties of Directors of the Company's Subsidiaries, and Other Systems to Ensure Appropriate Business Operations in the Group**

The systems for ensuring appropriate business operations by the Group have been fully developed with a report given to the Board of Directors of the Company in accordance with the Affiliated Companies Management Regulations. In addition, affiliated companies liaison committee meetings have been held periodically to review the progress of business plans and receive the necessary reports from subsidiaries. The Company dispatches Directors to subsidiaries to strengthen monitoring functions and ensure appropriateness of business operations.

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, while the Company's Legal Affairs Department and Management Planning Department oversaw the entire Group comprehensively, the department or section responsible for the Company's subsidiaries supervised and managed the compliance system and the risk management system, and the Auditing Department and the Audit & Supervisory Board

Members of the Company audited subsidiaries, 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 in the Audit & Supervisory Board Rules and the Auditing Standards 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, 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**

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 Rules 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 44th fiscal term was submitted on June 29, 2017.

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

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

Among systems for excluding antisocial forces, the Company has stipulated the rules for excluding antisocial forces in the Corporate Ethics Charter, etc., 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 Company's basic policy regarding shareholder return is to aim not only to distribute to shareholders the profits created through operating activities in the form of cash dividends, but also to invest for future growth in areas such as real estate, overseas business, mergers and acquisitions, IT, and research and development to maximize mid- to long-term corporate value, thereby enhancing shareholder value by raising earnings per share (EPS).

The Company aims to put significant effort into shareholder returns. It introduced a total return ratio target (50% in the fiscal year ending March 31, 2020) in the Medium-term Management Plan and will flexibly execute share buybacks while keeping an eye on stock price trends, using the cash flow from sale of assets as the source of funds.

The Company plans to pay a year-end dividend for the fiscal term under review of 12 yen per share. An annual dividend with the addition of an interim dividend of 10 yen will be 22 yen, dividend payout ratio will be 37.9%, and total return ratio will be 92.3%.

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, 2018)

(millions of yen)

<b>ASSETS</b>	
<b>Current assets</b>	<b>138,661</b>
Cash and cash equivalents	106,543
Trade receivables	7,626
Accounts receivable for completed projects	1,957
Operating loans	389
Securities	462
Real estate for sale	952
Real estate for sale in progress	2,571
Payment for construction in progress	458
Raw materials and supplies	528
Prepaid expenses	3,544
Deferred tax assets	8,494
Other accounts receivable	1,027
Others	4,249
Allowance for doubtful accounts	(145)
<b>Non-current assets</b>	<b>198,156</b>
<b>Property, plant and equipment</b>	<b>143,344</b>
Buildings and structures	42,705
Machinery, equipment, and vehicles	12,547
Land	63,638
Leased assets	16,028
Construction in progress	5,208
Other	3,215
<b>Intangible fixed assets</b>	<b>10,988</b>
Goodwill	2,886
Others	8,102
<b>Investments and other assets</b>	<b>43,823</b>
Investment securities	17,999
Long-term loans	513
Bad debts	1,264
Long-term prepaid expenses	3,831
Deferred tax assets	18,268
Others	3,969
Allowance for doubtful accounts	(2,023)
<b>Deferred assets</b>	<b>440</b>
Bond issuance cost	440
<b>Total assets</b>	<b>337,257</b>

**CONSOLIDATED BALANCE SHEET** (as of March 31, 2018) *(Continued)*

(millions of yen)

<b>LIABILITIES</b>	
<b>Current liabilities</b>	<b>100,212</b>
Electronically recorded obligations - operating	1,451
Accounts payable	4,245
Accounts payable for completed projects	7,832
Short-term borrowings	1,210
Current portion of long-term debt	1,754
Bonds due within one year	3,966
Lease obligations	5,960
Accounts payable—other	22,337
Accrued income taxes	942
Advances received	39,964
Customer advances for projects in progress	4,592
Reserve for warranty obligations on completed projects	389
Reserve for fulfillment of guarantees	1,158
Asset retirement obligations	43
Others	4,363
<b>Non-current liabilities</b>	<b>77,606</b>
Bonds	12,069
Long-term debt	16,643
Lease obligations	12,226
Long-term advances received	15,853
Lease/guarantee deposits received	6,989
Deferred tax liabilities	122
Reserve for Directors' compensation	10
Reserve for apartment vacancy loss	3,044
Liability for retirement benefit	7,338
Asset retirement obligations	84
Others	3,224
<b>Total liabilities</b>	<b>177,819</b>
<b>NET ASSETS</b>	
<b>Shareholders' equity</b>	<b>157,926</b>
Common stock	75,282
Capital surplus	45,235
Retained earnings	37,839
Treasury stock	(430)
<b>Accumulated other comprehensive income</b>	<b>1,117</b>
Net unrealized gains on "other securities"	586
Foreign currency translation adjustments	872
Remeasurements of defined benefit plans	(341)
<b>Share subscription rights</b>	<b>284</b>
<b>Non-controlling interests</b>	<b>109</b>
<b>Total net assets</b>	<b>159,438</b>
<b>Total liabilities and net assets</b>	<b>337,257</b>

**CONSOLIDATED STATEMENT OF OPERATIONS** (from April 1, 2017 to March 31, 2018)

(millions of yen)

<b>Net sales</b>	<b>530,840</b>
Sales from Leasing Business	435,537
Sales from Development Business	76,587
Sales from Other Businesses	18,715
<b>Cost of sales</b>	<b>434,762</b>
Cost of sales from Leasing Business	359,262
Cost of sales from Development Business	55,201
Cost of sales from Other Businesses	20,298
<b>Gross profit</b>	<b>96,077</b>
<b>Selling, general and administrative expenses</b>	<b>73,147</b>
<b>Operating profit</b>	<b>22,930</b>
<b>Other income</b>	<b>674</b>
Interest income	109
Dividend income	162
Gain on valuation of investment securities	186
Others	216
<b>Other expenses</b>	<b>1,250</b>
Interest expenses	783
Bond issuance cost	212
Foreign exchange losses	137
Equity in losses of affiliated companies	0
Others	115
<b>Recurring profit</b>	<b>22,354</b>
<b>Extraordinary income</b>	<b>927</b>
Gain on sale of property, plant and equipment	927
<b>Extraordinary losses</b>	<b>8,131</b>
Loss on sale of property, plant and equipment	27
Loss on retirement of property, plant and equipment	112
Impairment loss	7,594
Loss on cancellations	66
Compensation for damage	330
<b>Income before income taxes</b>	<b>15,150</b>
Income taxes—current	856
Income taxes—deferred	(519)
<b>Net income</b>	<b>14,813</b>
Net loss attributable to non-controlling interests	(6)
<b>Net income attributable to shareholders of the parent</b>	<b>14,819</b>

## CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

(from April 1, 2017 to March 31, 2018)

(millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of April 1, 2017	75,282	45,235	39,923	(3,660)	156,779
Change during period					
Dividends of surplus			(5,675)		(5,675)
Net income attributable to shareholders of the parent			14,819		14,819
Acquisition of treasury stock				(8,000)	(8,000)
Disposal of treasury stock		1		2	3
Retirement of treasury stock		(1)	(11,227)	11,228	-
Net change of items other than shareholders' equity					
<b>Total change during period</b>	-	-	<b>(2,083)</b>	<b>3,230</b>	<b>1,146</b>
<b>Balance as of March 31, 2018</b>	<b>75,282</b>	<b>45,235</b>	<b>37,839</b>	<b>(430)</b>	<b>157,926</b>

(millions of yen)

	Accumulated other comprehensive income				Share subscription rights	Non-controlling interests	Total net assets
	Net unrealized gains on "other securities"	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance as of April 1, 2017	574	2,027	(668)	1,933	136	20	158,870
Change during period							
Dividends of surplus							(5,675)
Net income attributable to shareholders of the parent							14,819
Acquisition of treasury stock							(8,000)
Disposal of treasury stock							3
Retirement of treasury stock							-
Net change of items other than shareholders' equity	12	(1,154)	327	(815)	147	89	(578)
<b>Total change during period</b>	<b>12</b>	<b>(1,154)</b>	<b>327</b>	<b>(815)</b>	<b>147</b>	<b>89</b>	<b>568</b>
<b>Balance as of March 31, 2018</b>	<b>586</b>	<b>872</b>	<b>(341)</b>	<b>1,117</b>	<b>284</b>	<b>109</b>	<b>159,438</b>



## 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:	25
Principal consolidated subsidiaries:	Leopalace Leasing Corporation Plaza Guarantee CO., LTD. Leopalace Power Corporation Leopalace Energy Corporation Asuka SSI Enplus Inc. Leopalace21 Business Consulting (Shanghai) Co., Ltd. LEOPALACE21 VIETNAM CO., LTD. Leopalace21 (Thailand) CO., LTD. Leopalace21 (Cambodia) Co., Ltd. LEOPALACE21 PHILIPPINES INC. PT. Leopalace Duasatu Realty Leopalace21 Singapore Pte. Ltd. Life Living Co., Ltd. Morizou Co., Ltd. Azu Life Care Co., Ltd. Leopalace Guam Corporation WING MATE CO., LTD. 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

The Group has included Enplus Inc., ASPENN Investments Pte. Ltd. and International Commercial Warehousing Services Co., Ltd., which are newly acquired companies, into the scope of consolidation effective from 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 Leoplace Guam Corporation and other 14 companies is December 31 of each year, and the fiscal year end of Morizou Co., Ltd. is the end of February of each year. As the difference between these dates and the consolidated balance sheet date is within three months, their financial statements as of these dates are used in the preparation of the Company's consolidated financial statements.

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

(5) Summary of accounting policies

(a) Valuation bases and methods for significant assets

Securities

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

Other securities

Other securities with available fair market values are stated at fair market value at the end of the fiscal year of the Company and each of the 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.

Contributions to limited investment partnerships, etc. are reported using the equity method, based on the latest financial statements available.

Inventories

Real estate for sale and real estate for sale in progress

Stated at cost determined based on 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)

Payment for construction in progress

Stated at cost determined based on the specific identification method

Raw materials and supplies

Primarily stated at the last purchase cost method (figures on the balance sheet are determined based on the method of writing down the book value in accordance with the 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 and facilities accompanying buildings and structures obtained on or after April 1, 2016 are depreciated by the straight-line method.

Useful lives of major assets are as follows:

Buildings and structures: 15–50 years

Machinery, equipment, and vehicles: 17 years

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

Property, plant and equipment of 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 fixed assets (except for leased assets):

Amortized by the straight-line method

Useful lives of major assets are as follows:

Software for internal use: 5 years

Leased assets:

Depreciated and amortized by the straight-line method based on the lease term as the useful life and 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 Group maintains 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

With regard to the development business, 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 Directors' compensation

In order to provide for payment of bonuses to Directors, the Company records the estimated burden for the fiscal year under review based on the estimated future payment of bonuses.

#### 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 the consolidated 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 the consolidated balance sheet date, and revenues and expenses are translated into Japanese yen at the average exchange rates of the fiscal year. Foreign exchange gains and losses from translation are included in foreign currency translation adjustments and non-controlling interests as a separate component of net assets.

#### (f) Significant hedge accounting

- (i) Method of hedge accounting

For interest rate swaps, exceptional treatment is applied since the swaps satisfy the requirements for exceptional 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 Group implements 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 exceptional treatment.

(g) Amortization and amortization period of goodwill

Goodwill is amortized evenly 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 on the benefit formula basis.

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

*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.

The nondeductible portion of consumption taxes related to non-current 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 335 million yen as of March 31, 2018.

## **2. Changes in Presentation**

*Consolidated Balance Sheet*

Since the monetary significance of "accrued expenses" under "current liabilities" (2 million yen in the fiscal year under review), previously presented separately, has decreased, this has been recorded in "others" in the fiscal year under review.

*Consolidated Statement of Operations*

Since the monetary significance of "amortization of deposits received income" under "other income" (31 million yen in the fiscal year under review), previously presented separately, has decreased, this has been recorded in "others" in the fiscal year under review.

Since the monetary significance of "commission fee" under "other income" (42 million yen in the fiscal year under review), previously presented separately, has decreased, this has been recorded in "others" in the fiscal year under review.

### 3. 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
Others (Intangible fixed assets)	669 million yen
Investment securities	55 million yen
Others (Investments and other assets)	131 million yen
Total	872 million yen

(b) Secured liabilities

Long-term debt	704 million yen
Current portion of long-term debt	27 million yen

Of the assets pledged as collateral described in (a) above, cash and cash equivalents and investment securities have been pledged as collateral to companies in which consolidated subsidiaries have invested and to lenders of housing loans to customers, and there are no secured liabilities.

(c) Securities, investment securities and others (investments and other assets) which have been deposited with the Legal Affairs Bureau

Deposit for operation stipulated in Building Lots and Buildings	
Transaction Business Act	40 million yen
Deposit for housing construction warranty	1,104 million yen
Deposit for housing defect warranty	109 million yen
Advanced payment certificate in accordance with Payment and Settlement Regulations	628 million yen

(2) Accumulated depreciation of property, plant and equipment 82,950 million yen

(3) Reduction entry amount deducted from the acquisition cost of property, plant and equipment  
Machinery, equipment, and vehicles 155 million yen

(4) Liabilities on guarantee

Liabilities on guarantee for financial institutions for customers who have a housing loan	589 million yen
Liabilities on guarantee for financial institutions for customers who have a membership loan	3 million yen

#### 4. Notes to Consolidated Statement of Changes in Net Assets

##### (1) Number of issued shares

Class of shares	April 1, 2017	Increase	Decrease	March 31, 2018
Common stock	267,443,915 shares	–	14,761,400 shares	252,682,515 shares

Note: The decrease of 14,761 thousand shares in the number of shares of common stock issued is due to the retirement of treasury stock by resolution of the Board of Directors.

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

Class of shares	April 1, 2017	Increase	Decrease	March 31, 2018
Common stock	4,569,920 shares	10,761,900 shares	14,764,400 shares	567,420 shares

Notes: 1. The increase of 10,761 thousand shares in the number of treasury shares of common stock is the result of an increase of 10,761 thousand shares due to the acquisition of treasury stock by resolution of the Board of Directors and an increase of 0 thousand shares due to the purchase of fractional shares.

2. The decrease of 14,764 thousand shares in the number of treasury shares of common stock is the result of a decrease of 14,761 thousand shares due to the retirement of treasury stock by resolution of the Board of Directors and a decrease of 3 thousand shares due to the exercise of stock options.

##### (3) Dividends of surplus

###### (a) Cash dividends paid

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, 2017	Common stock	3,154	Retained earnings	12	March 31, 2017	June 30, 2017
Meeting of the Board of Directors held on November 10, 2017	Common stock	2,521	Retained earnings	10	September 30, 2017	December 11, 2017

###### (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 28, 2018	Common stock	3,025	Retained earnings	12	March 31, 2018	June 29, 2018

##### (4) Share subscription rights as of March 31, 2018

	Share subscription rights as stock options
Class of shares subject to share subscription rights	Common stock
Number of shares subject to share subscription rights	597,500 shares
Unexercised share subscription rights	284 million yen

## 5. Financial Instruments

### (1) Status of financial instruments

#### (a) Policy for financial instruments

The Group is involved in raising funds (mostly bank borrowing and corporate bond issuance) based on a capital investment plan. Temporary excess funds are invested in highly secure financial assets, and short-term working capital is raised by borrowing from the bank.

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

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

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

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

Securities and investment securities include mainly held-to-maturity debt securities and shares, etc. related to business or capital alliances, etc., and they are exposed to risks of fluctuations in market prices and credit risks of the share issuing organizations.

Almost all electronically recorded obligations - operating, 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 14 years subsequent to fiscal year end.

Derivative transactions the Group uses 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 risks of fluctuations in market interest rates. For details of hedging instruments, hedged items, hedging policies, method of assessing hedge effectiveness of hedge accounting, please refer to “(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 debt 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. The Company believes that it has little credit risk associated with nonfulfillment of contracts by counterparties because it enters 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 Group.

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

Fair value of financial instruments is 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, 2018 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	106,543	106,543	–
(2) Trade receivables and accounts receivable for completed projects	9,584	9,584	–
(3) Securities and investment securities			
(a) Held-to-maturity debt securities	1,334	1,348	13
(b) Other securities	2,683	2,683	–
(4) Operating loans	389		
Allowance for doubtful accounts (*1)	(43)		
Net	346	410	64
(5) Long-term loans	513		
Allowance for doubtful accounts (*1)	(96)		
Net	417	417	–
(6) Bad debts	1,264		
Allowance for doubtful accounts (*1)	(1,253)		
Net	10	10	–
<b>Total assets</b>	<b>120,920</b>	<b>120,998</b>	<b>78</b>
(1) Electronically recorded obligations - operating	1,451	1,451	–
(2) Accounts payable and accounts payable for completed projects	12,078	12,078	–
(3) Short-term borrowings	1,210	1,210	–
(4) Bonds (*2)	16,035	16,063	28
(5) Long-term debt (*2)	18,398	18,531	133
(6) Lease obligations	18,186	18,218	32
<b>Total liabilities</b>	<b>67,359</b>	<b>67,552</b>	<b>193</b>
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, 2018, bonds due within one year of 3,966 million yen and current portion of long-term debt of 1,754 million yen are included in bonds and long-term debt, 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	1,334	1,348	13
	(2) Corporate bonds	—	—	—
	(3) Others	—	—	—
	Subtotal	1,334	1,348	13
Debt securities whose carrying amount exceeds their fair value	(1) Government and municipal bonds	—	—	—
	(2) Corporate bonds	—	—	—
	(3) Others	—	—	—
	Subtotal	—	—	—
Total		1,334	1,348	13

(b) Other securities

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

(millions of yen)

	Type	Carrying amount	Acquisition cost	Difference
Securities whose carrying amount exceeds their acquisition cost	(1) Stock	1,314	460	854
	(2) Bonds			
	(a) Government and municipal bonds	1,006	992	13
	(b) Corporate bonds	—	—	—
	(c) Others	—	—	—
	(3) Others	—	—	—
	Subtotal	2,321	1,452	868
Securities whose acquisition cost exceeds their carrying amount	(1) Stock	323	346	(22)
	(2) Bonds			
	(a) Government and municipal bonds	38	38	(0)
	(b) Corporate bonds	—	—	—
	(c) Others	—	—	—
	(3) Others	—	—	—
	Subtotal	362	384	(22)
	Total	2,683	1,837	846

(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 debts

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

### Liabilities

- (1) Electronically recorded obligations - operating, (2) Accounts payable and accounts payable for completed projects, (3) 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) 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 the remaining period and credit risk).

- (5) Long-term debt, (6) 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).

### 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	8	–	(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 appears to be extremely difficult to determine

(millions of yen)

Item	Carrying amount
Other securities	
(1) Unlisted shares	4,595
(2) Unlisted bonds (corporate bonds and subordinate corporate bonds)	6,424
(3) Others	
Subordinate beneficiary rights of loans and accounts receivable in trust	875
Contributions to limited investment partnerships	2,549
Total	14,444

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: 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	106,543	–	–	–
Trade receivables and accounts receivable for completed projects	9,584	–	–	–
Securities and investment securities				
Held-to-maturity debt securities	420	800	100	–
Other securities with maturities	40	6,602	–	1,699
Operating loans	122	213	33	19
Long-term loans	9	32	12	459
Bad debts	–	10	–	1,253
<b>Total</b>	<b>116,720</b>	<b>7,658</b>	<b>146</b>	<b>3,431</b>

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	1,210	–	–	–
Bonds	3,966	12,069	–	–
Long-term debt	1,754	6,041	7,125	3,476
Lease obligations	5,960	12,226	–	–
<b>Total</b>	<b>12,890</b>	<b>30,337</b>	<b>7,125</b>	<b>3,476</b>

## 6. Rental Properties

The Company possesses rental apartments in major cities and regions throughout Japan. Also, some of consolidated subsidiaries possess rental housing and buildings for rent, and develop and possess serviced apartments. For the fiscal year ended March 31, 2018, income arising from these rental properties was 2,773 million yen, and impairment loss was 7,476 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, 2018 were as follows:

(millions of yen)

Carrying amount			Fair value as of March 31, 2018
Balance as of April 1, 2017	Increase/decrease	Balance as of March 31, 2018	
61,745	(16,975)	44,769	49,516

Notes: 1. The carrying amount on the consolidated balance sheet is the amount after deducting accumulated depreciation and accumulated impairment loss from acquisition cost.

2. The main increase for the fiscal year under review was investment in serviced apartments in ASEAN countries of 1,942 million yen, and the main decreases for the fiscal year under review were sale of rental apartments of 12,739 million yen and impairment loss of 7,476 million yen.

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.”

## **7. Per Share Information**

Net assets per share	630.84 yen
Basic earnings per share	58.02 yen

## **8. Events after the Reporting Period**

Not applicable.

## NON-CONSOLIDATED FINANCIAL STATEMENTS

### NON-CONSOLIDATED BALANCE SHEET (as of March 31, 2018)

(millions of yen)

<b>ASSETS</b>	
<b>Current assets</b>	<b>105,573</b>
Cash and cash equivalents	78,590
Trade receivables	6,433
Accounts receivable for completed projects	1,818
Operating loans	389
Securities	40
Real estate for sale	389
Real estate for sale in progress	291
Payment for construction in progress	442
Supplies	421
Prepaid expenses	3,121
Deferred tax assets	7,213
Other accounts receivable	877
Deposits paid	2,415
Short-term loans receivable from subsidiaries and affiliates	2,550
Others	705
Allowance for doubtful accounts	(127)
<b>Non-current assets</b>	<b>196,691</b>
<b>Property, plant and equipment</b>	<b>99,504</b>
Buildings	23,247
Structures	329
Machinery and equipment	60
Vehicles	0
Tools, furniture and fixtures	1,082
Land	54,327
Leased assets	17,622
Construction in progress	2,834
<b>Intangible fixed assets</b>	<b>6,846</b>
<b>Investments and other assets</b>	<b>90,340</b>
Investment securities	16,724
Stocks of subsidiaries and affiliates	46,377
Long-term loans	508
Long-term loans receivable from subsidiaries and affiliates	4,096
Bad debts	1,264
Long-term prepaid expenses	3,305
Deferred tax assets	16,716
Others	3,238
Allowance for doubtful accounts	(1,890)
<b>Deferred assets</b>	<b>440</b>
Bond issuance cost	440
<b>Total assets</b>	<b>302,704</b>

**NON-CONSOLIDATED BALANCE SHEET** (as of March 31, 2018) *(Continued)*

(millions of yen)

<b>LIABILITIES</b>	
<b>Current liabilities</b>	<b>90,771</b>
Electronically recorded obligations - operating	1,451
Accounts payable	2,759
Accounts payable for completed projects	7,468
Current portion of long-term debt	200
Bonds due within one year	3,966
Lease obligations	6,265
Accounts payable—other	21,379
Accrued income taxes	475
Advances received	37,856
Customer advances for projects in progress	4,320
Deposits received	4,121
Reserve for warranty obligations on completed projects	342
Others	165
<b>Non-current liabilities</b>	<b>58,309</b>
Bonds	12,069
Long-term debt	100
Lease obligations	13,475
Long-term advances received	15,850
Lease/guarantee deposits received	6,960
Retirement benefit reserves	6,748
Reserve for Directors' compensation	10
Reserve for apartment vacancy loss	3,044
Others	52
<b>Total liabilities</b>	<b>149,081</b>
<b>NET ASSETS</b>	
<b>Shareholders' equity</b>	<b>152,752</b>
Common stock	75,282
Capital surplus	45,235
Legal capital surplus	45,235
Retained earnings	32,664
Other retained earnings	32,664
Retained earnings brought forward	32,664
Treasury stock	(430)
<b>Valuation and translation adjustments</b>	<b>586</b>
Net unrealized gains on "other securities"	586
<b>Share subscription rights</b>	<b>284</b>
<b>Total net assets</b>	<b>153,623</b>
<b>Total liabilities and net assets</b>	<b>302,704</b>



**NON-CONSOLIDATED STATEMENT OF OPERATIONS**

(from April 1, 2017 to March 31, 2018)

	(millions of yen)
<b>Net sales</b>	<b>505,849</b>
Sales from Leasing Business	429,394
Sales from Development Business	63,636
Sales from Other Businesses	12,818
<b>Cost of sales</b>	<b>412,919</b>
Cost of sales from Leasing Business	356,319
Cost of sales from Development Business	45,198
Cost of sales from Other Businesses	11,400
<b>Gross profit</b>	<b>92,930</b>
<b>Selling, general and administrative expenses</b>	<b>71,582</b>
<b>Operating profit</b>	<b>21,347</b>
<b>Other income</b>	<b>1,652</b>
Interest and dividend income	1,153
Others	499
<b>Other expenses</b>	<b>1,121</b>
Interest expenses	603
Foreign exchange losses	245
Others	271
<b>Recurring profit</b>	<b>21,879</b>
<b>Extraordinary income</b>	<b>915</b>
Gain on sale of property, plant and equipment	915
<b>Extraordinary losses</b>	<b>8,092</b>
Loss on sale of property, plant and equipment	27
Loss on retirement of property, plant and equipment	73
Impairment loss	7,594
Loss on cancellations	66
Compensation for damage	330
<b>Income before income taxes</b>	<b>14,702</b>
Income taxes—current	244
Income taxes—deferred	(459)
<b>Net income</b>	<b>14,917</b>

## NON-CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

(from April 1, 2017 to March 31, 2018)

(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, 2017	75,282	45,235	–	45,235	34,650	34,650	(3,660)	151,507
Change during period								
Dividends of surplus					(5,675)	(5,675)		(5,675)
Net income					14,917	14,917		14,917
Acquisition of treasury stock							(8,000)	(8,000)
Disposal of treasury stock			1	1			2	3
Retirement of treasury stock			(1)	(1)	(11,227)	(11,227)	11,228	–
Net change of items other than shareholders' equity								
<b>Total change during period</b>	–	–	–	–	<b>(1,986)</b>	<b>(1,986)</b>	<b>3,230</b>	<b>1,244</b>
<b>Balance as of March 31, 2018</b>	<b>75,282</b>	<b>45,235</b>	<b>–</b>	<b>45,235</b>	<b>32,664</b>	<b>32,664</b>	<b>(430)</b>	<b>152,752</b>

(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, 2017	574	574	136	152,219
Change during period				
Dividends of surplus				(5,675)
Net income				14,917
Acquisition of treasury stock				(8,000)
Disposal of treasury stock				3
Retirement of treasury stock				–
Net change of items other than shareholders' equity	12	12	147	159
<b>Total change during period</b>	<b>12</b>	<b>12</b>	<b>147</b>	<b>1,404</b>
<b>Balance as of March 31, 2018</b>	<b>586</b>	<b>586</b>	<b>284</b>	<b>153,623</b>

# Notes to Non-consolidated Financial Statements

## 1. Significant Accounting Policies

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

#### Securities

##### Shares of subsidiaries and affiliates

Stated at cost determined by the moving-average method

##### Other securities

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.

Contributions to limited investment partnerships are reported using the equity method, based on the latest financial statements available.

#### Inventories

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

Stated at cost determined based on 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)

##### Payment for construction in progress

Stated at cost determined based on the specific identification method

##### Supplies

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

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

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

Depreciated by the straight-line method

Useful lives of major assets are as follows:

Buildings: 22–47 years

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

Depreciated by the declining-balance method

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

Useful lives of major assets are as follows:

Buildings: 15–50 years

Tools, furniture and fixtures: 5–10 years

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

Amortized by the straight-line method

Useful lives of major assets are as follows:

Software for internal use: 5 years

Leased assets:

Depreciated and amortized by the straight-line method based on the lease term as the useful life and 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 Company maintains 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

With regard to the development business, 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 and pension assets as of the balance sheet date.

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.

Reserve for Directors' compensation

In order to provide for payment of bonuses to Directors, the Company records the estimated burden on for the fiscal year under review based on the estimated future payment of bonuses.

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 the 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 non-current assets is recorded as long-term prepaid expenses and amortized evenly over 5 years.

## 2. 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) Secured liabilities

The above assets have been pledged as collateral to companies in which consolidated subsidiaries have invested and to lenders of housing loans to customers, and there are no secured liabilities.

- (c) Securities, investment securities and others (investments and other assets) which have been deposited with the Legal Affairs Bureau

Deposit for operation stipulated in Building Lots and Buildings	
Transaction Business Act	40 million yen
Deposit for housing construction warranty	1,104 million yen
Deposit for housing defect warranty	109 million yen
Advanced payment certificate in accordance with Payment and Settlement Regulations	628 million yen

- (2) Accumulated depreciation of property, plant and equipment 52,511 million yen

- (3) Liabilities on guarantee

Liabilities on guarantee for financial institutions for customers who have a housing loan	589 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	18,162 million yen
Liabilities on guarantee for lease contracts of subsidiaries	3 million yen
Liabilities on guarantee for suppliers of subsidiaries	7 million yen

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

Short-term monetary claims	602 million yen
Short-term monetary liabilities	1,493 million yen
Long-term monetary liabilities	1,434 million yen

### 3. Notes to Non-consolidated Statement of Operations

Transactions with subsidiaries and affiliates

Sales to subsidiaries and affiliates	4,548 million yen
Purchases, etc. from subsidiaries and affiliates	5,081 million yen
Non-operating transactions	608 million yen

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

Number of shares of treasury stock

Class of shares	April 1, 2017	Increase	Decrease	March 31, 2018
Common stock	4,569,920 shares	10,761,900 shares	14,764,400 shares	567,420 shares

- Notes:
1. The increase of 10,761 thousand shares in the number of treasury shares of common stock is the result of an increase of 10,761 thousand shares due to the acquisition of treasury stock by resolution of the Board of Directors and an increase of 0 thousand shares due to the purchase of fractional shares.
  2. The decrease of 14,764 thousand shares in the number of treasury shares of common stock is the result of a decrease of 14,761 thousand shares due to the retirement of treasury stock by resolution of the Board of Directors and a decrease of 3 thousand shares due to the exercise of stock options.

## 5. Tax Effect Accounting

Significant components of deferred tax assets and liabilities

(millions of yen)

<b>Deferred tax assets:</b>	
Loss carried forward for tax purposes	16,017
Impairment loss	5,234
Retirement benefit reserves	3,597
Bonuses payable	1,533
Loss on devaluation of stock of shares of subsidiaries and affiliates	1,076
Reserve for apartment vacancy loss	932
Allowance for doubtful accounts	617
Loss on devaluation of property, plant and equipment	589
Software	443
Advances from customers for rent income	359
Deposits received	307
Accounts payable—other	288
Loss on devaluation of real estate for sale	237
Asset retirement obligations	120
Accrued enterprise tax	110
Reserve for warranty obligations on completed projects	104
Sales promotion cost	96
Others	553
<hr/> Sub-total	<hr/> 32,220
Less: valuation allowance	(8,009)
<hr/> Total deferred tax assets	<hr/> 24,211
 <b>Deferred tax liabilities:</b>	
Fixed asset retirement expenses	(5)
Adjustment of gain/loss on transfer (buildings)	(16)
Net unrealized gain on other securities	(259)
<hr/> Total deferred tax liabilities	<hr/> (281)
<hr/> Net deferred tax assets	<hr/> 23,929

## 6. 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, 2018
Subsidiary	Leopalace Power Corporation	Direct 100.0%	Maintenance and management of solar power systems, etc.	Guarantee against loans	16,752	—	—

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

The Company provides guarantees against loans from financial institutions, and receives guarantee premiums that are calculated based on the value of the guarantee. The transaction amount is the outstanding year-end balance of the guarantee against loans.

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, 2018
Close relative of director	Toshiko Miyoshi	—	Leasing of land and buildings	Leasing of apartments	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.

## 7. Per Share Information

Net assets per share	608.21 yen
Basic earnings per share	58.40 yen

## 8. Events after the Reporting Period

Not applicable.

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

Not applicable.