

**English Translation of Original Japanese**

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

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

Securities Code No. 8848

June 14, 2023

(Commencement date of measures for electronic provision June 7, 2023)

**To Our Shareholders**

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

**Notice of the 50th Ordinary General Shareholders' Meeting**

We are pleased to announce that the 50th Ordinary General Shareholders' Meeting of Leopalace21 Corporation ("the Company") will be held as described below.

In convening this General Shareholders' Meeting, the Company has taken measures for electronic provision and has posted matters subject to measures for electronic provision in the form of "Notice of the 50th Ordinary General Shareholders' Meeting" on the following Internet websites.

**The Company website**

<https://eg.leopalace21.co.jp/ir/stocks/meeting.html>

In addition to the above, the Company has also posted on the following Internet websites.

**Tokyo Stock Exchange website**

<https://www2.jpx.co.jp/tseHpFront/JJK020030Action.do>

(Please access the above TSE website, enter "Leopalace" in the "Issue name (company name)" or our securities code "8848" in "Code" and click on the "Search" button, select "Basic information" then "Documents for public inspection/PR information," and refer to the "Notice of General Shareholders Meeting/Information Materials for a General Shareholders Meeting" under "Filed information available for public inspection.")

**General Shareholders' Meeting Portal website (in Japanese)**

<https://www.soukai-portal.net>

If you will not be attending the meeting in person, you can still exercise your voting rights by either of the following methods. Please exercise your voting rights beforehand by either of the following methods no later than 6:00 p.m. on Wednesday, June 28, 2023.

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

Please refer to the Reference Materials for the General Shareholders' Meeting on pages 5 to 17, which are listed in the matters subject to the measures for electronic provision, indicate "for" or "against" for each proposal shown on the enclosed Voting Rights Exercise Form and return it in time for delivery by the deadline mentioned above.

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

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

Please access the Voting Rights Exercise Site, which is designated by the Company. Examine the Reference Materials for the General Shareholders' Meeting on pages 5 to 17, which are listed in the matters subject to the measures for electronic provision or the reference materials posted on the Company website, which will be accessible via the Voting Rights Exercise Site, follow the instructions on the screen, and indicate "for" or "against" for each proposal.

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

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

## Details

1. **Date and Time:** June 29, 2023 (Thursday), 10:00 a.m. (Reception will open at 9:00 a.m.)
2. **Place:** Conference room, Head Office, Leoplace21 Corporation  
2-54-11 Honcho, Nakano-ku, Tokyo

### 3. Agenda for the Meeting

#### Matters to be reported:

1. Report on the Business Report, Consolidated Financial Statements, and Results of Audit of the Consolidated Financial Statements by the Accounting Auditor and the Audit & Supervisory Board for the 50th Fiscal Term (from April 1, 2022 to March 31, 2023)
2. Report on Non-consolidated Financial Statements for the 50th Fiscal Term (from April 1, 2022 to March 31, 2023)

#### Matters to be resolved:

**Proposal No. 1:** Capital Reserve Reduction and Appropriation of Other Capital Surplus

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

**Proposal No. 3:** Election of One (1) Audit & Supervisory Board Member

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

The paper-based documents sent to shareholders who have requested to receive them exclude the “Notes to Consolidated Financial Statements” of the Consolidated Financial Statements and the “Notes to Non-Consolidated Financial Statements” of the Non-Consolidated Financial Statements in accordance with laws and regulations and Article 14 of the Articles of Incorporation of the Company. Therefore, such documents are a part of the documents audited by the Audit & Supervisory Board Members and the Accounting Auditor in preparing their respective audit reports.

Should any amendments be made to the matters subject to the measures for electronic provision, such amendments will be posted on the respective websites where they are posted.

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

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

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

We appreciate the understanding of our shareholders on this matter.

<https://eg.leopalace21.co.jp/ir/stocks/meeting.html>

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

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

## Reference Materials for the General Shareholders' Meeting

### Proposal No. 1: Capital Reserve Reduction and Appropriation of Other Capital Surplus

1. Purpose of capital reserve reduction and appropriation of other capital surplus

The Company has come to record a deficit of JPY 106,847,975,571 in retained earnings carried forward at the end of the fiscal year ended March 31, 2023. Therefore, as described below, by reducing the amount of capital reserve, the Company intends to eliminate the deficit in retained earnings carried forward and to ensure a flexible and agile capital policy going forward and prepare itself to resume dividend payments as soon as possible, and plans to reduce the amount of capital reserve and transfer the same amount to other capital surplus pursuant to Article 448, paragraph (1) of the Companies Act, and transfer the amount of other capital surplus after the said transfer to retained earnings carried forward in accordance with Article 452 of the Companies Act.

These transactions are accounting transfers within the net assets section, and consequently, the Company's net assets will remain unchanged and will not affect business results.

2. Outline of capital reserve reduction

(1) Amount of capital reserve to be reduced

Capital reserve of JPY 51,235,265,165 will be reduced by JPY 41,235,265,165 and the same amount will be transferred to other capital surplus and the amount of capital reserve after the reduction will be JPY 10,000,000,000.\*

\* If the stock acquisition rights issued by the Company are exercised by the effective date, the amount of capital reserve increased by such exercise will not be subject to reduction, and the amount of capital reserve after the reduction may not be the said amount.

(2) Effective date of capital reserve reduction

June 29, 2023

3. Outline of appropriation of other capital surplus

Subject to the condition that the capital reserve reduction in item 2 above becomes effective, JPY 106,847,975,571 of other capital surplus after the transfer in accordance with item 2 above will be reduced and transferred to retained earnings carried forward to compensate for the deficit, pursuant to Article 452 of the Companies Act. As a result, the amount of retained earnings carried forward after the transfer will be JPY 0.

(1) Accounting item and amount of surplus to be reduced

Other capital surplus JPY 106,847,975,571

(2) Accounting item and amount of surplus to be increased

Retained earnings carried forward JPY 106,847,975,571

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

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

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

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

### Skillset Matrix of the Board of Directors

	Name	Title	Execution of business	Independency	Skills particularly required by Leopalace					
					Corporate management	Structural reforms	Sales and marketing	Compliance and risk management	Quality management	Finance
1	Bunya Miyao	Representative Director, President and CEO Chairman of the Board of Directors	Executive		○	○		○		○
2	Mayumi Hayashima	Director and Managing Executive Officer	Executive			○	○	○		
3	Naomichi Mochida	Director and Executive Officer	Executive			○	○			○
4	Shinji Takekura	Director and Executive Officer	Executive				○	○		○
5	Akio Yamashita	Director	Non-executive		○	○				○
6	Jin Ryu	Director	Non-executive			○	○			○
7	Akira Watanabe	Director	Non-executive	Independent Outside	○	○		○		
8	Yutaka Nakamura	Director	Non-executive	Independent Outside				○	○	
9	Takumi Shibata	Director	Non-executive	Independent Outside		○		○		○
10	Kan Ishii	Director	Non-executive	Independent Outside	○	○				○

Candidate number	Name (Date of birth)	Career summary, and positions and duties in the Company (Significant concurrent positions)	Number of the Company's shares held
1	Re-election  Bunya Miyao (April 14, 1960)  Attendance at the Board of Directors meetings: 21/21  Term of office: 7 years	April 1983      Joined Nakamichi Leasing Co., Ltd. June 1990      Joined Leopalace21 Corporation September 2000      Deputy Manager of the Financial Department, Leopalace21 Corporation July 2008      General Manager of the Resort Business Headquarters, Leopalace21 Corporation July 2010      General Manager of the Management Planning Department, Leopalace21 Corporation July 2012      Administrative Officer, Leopalace21 Corporation April 2013      Executive Officer, Leopalace21 Corporation June 2016      Director and Executive Officer, Leopalace21 Corporation May 2017      Representative in charge of the Management Planning Department, the Public Relations Department, Leopalace21 Corporation April 2018      Director and Managing Executive Officer, Leopalace21 Corporation Representative in charge of Management Planning and Investor Relations, Leopalace21 Corporation May 2019      Representative Director, President and CEO, Leopalace21 Corporation (incumbent) June 2019      Chief of the Business Operation Headquarters, Leopalace21 Corporation May 2022      Chief of the Construction Defects Response Headquarters, Leopalace21 Corporation (incumbent)  Significant concurrent positions Director, Leopalace Guam Corporation	10,258 shares
<p><b>Reasons for nomination as a candidate for Director</b></p> <p>Mr. Bunya Miyao is fulfilling an appropriate role as Representative Director by taking important management decisions and supervising business execution, and has abundant experience and excellent knowledge as one of the Company's senior management. It is judged that his strong leadership and decisiveness are essential to the Company's management as it works toward structural reforms, building a financial base, and resolving management issues, so the Company has nominated him again as a candidate for Director.</p>			

Candidate number	Name (Date of birth)	Career summary, and positions and duties in the Company (Significant concurrent positions)		Number of the Company's shares held
2	Re-election	April 1996	Joined Leopalace21 Corporation	5,551 shares
	Mayumi Hayashima (April 26, 1973)	April 2009	Deputy General Manager of the Eastern Japan Corporate Sales Department, Leasing Sales Section 3, Leasing Business Division, Leopalace21 Corporation	
		July 2010	General Manager of the Corporate Sales Department, Eastern Japan Section 2, Leasing Business Division, Leopalace21 Corporation	
	Attendance at the Board of Directors meetings: 21/21	April 2014	General Manager of the Corporate Business Promotion Department, Leopalace21 Corporation	
		April 2015	Administrative Officer, Leopalace21 Corporation	
	Term of office: 4 years	April 2018	Executive Officer, Leopalace21 Corporation	
		June 2019	Director and Executive Officer, Leopalace21 Corporation Chief of the Compliance Management Headquarters, Chief Legal Officer (CLO), Leopalace21 Corporation	
		June 2020	Chief of the Compliance Promotion Headquarters, Chief Legal Officer (CLO), Leopalace21 Corporation	
		July 2020	Chief of the Management Headquarters, Leopalace21 Corporation	
	May 2021	Deputy Chief of the Corporate Management Headquarters, Leopalace21 Corporation		
May 2022	Director and Managing Executive Officer, Leopalace21 Corporation (incumbent) Chief of the Leasing Business Headquarters, Leopalace21 Corporation (incumbent)			
<p><b>Reasons for nomination as a candidate for Director</b></p> <p>Ms. Mayumi Hayashima is fulfilling an appropriate role as Director by taking important management decisions and supervising business execution and others. As the person overseeing sales departments, she works diligently to resolve customer issues, and she also has knowledge of compliance gained through her experience as Executive Officer overseeing the legal compliance department. For these reasons, it is judged that her abundant knowledge and ability in the field of management are essential to the Company's management, so the Company has nominated her again as a candidate for Director.</p>				



Candidate number	Name (Date of birth)	Career summary, and positions and duties in the Company (Significant concurrent positions)	Number of the Company's shares held	
3	Re-election	April 1985	Joined The Mitsui Bank, Limited (now Sumitomo Mitsui Banking Corporation)	42,700 shares
	Naomichi Mochida (September 4, 1962)	June 2007	Joined Leopalace21 Corporation Director, General Manager of the Management Planning Department, Leopalace21 Corporation	
	Attendance at the Board of Directors meetings: 16/16	April 2009	Director and Executive Officer, Leopalace21 Corporation Department Manager of the 3rd Sales Department, Leasing Business Division, Leopalace21 Corporation Department Manager of the Broadband Service Promotion Department, Leopalace21 Corporation	
	Term of office: 1 year	April 2010	Head of the Related Businesses Controlling Division, Leopalace21 Corporation	
		June 2010	Executive Officer of Leopalace21 Corporation	
		May 2011	Head of the Corporate Sales Management Division, Leopalace21 Corporation	
		April 2013	Deputy General Manager of the Leasing Business Division, Leopalace21 Corporation	
		April 2014	Managing Executive Officer, Leopalace21 Corporation	
		July 2015	Deputy General Manager of Construction Subcontracting Business Division, Leopalace21 Corporation	
		June 2020	Representative Director of Leopalace Leasing Corporation	
		May 2021	Administrative Officer and Department Manager of the Corporate Sales Planning Department, Leopalace21 Corporation	
		May 2022	Executive Officer, Leopalace21 Corporation Deputy Chief of the Leasing Business Headquarters, Leopalace21 Corporation (incumbent) General Manager of the Corporate Sales Division, Leopalace21 Corporation (incumbent)	
		June 2022	Director and Executive Officer, Leopalace21 Corporation (incumbent)	
<p><b>Reasons for nomination as a candidate for Director</b></p> <p>Mr. Naomichi Mochida is fulfilling an appropriate role as Director by taking important management decisions and supervising business execution and others. He has abundant business experience in corporate sales and a high level of knowledge in finance. It is judged that the deep insight he has gained as Representative Director of an affiliated subsidiary that provides corporate housing agency services is essential to the realization of our high value-added services, so the Company has nominated him again as a candidate for Director.</p>				

Candidate number	Name (Date of birth)	Career summary, and positions and duties in the Company (Significant concurrent positions)	Number of the Company's shares held
4	<p>Re-election</p> <p>Shinji Takekura (May 9, 1972)</p> <p>Attendance at the Board of Directors meetings: 16/16</p> <p>Term of office: 1 year</p>	<p>April 1996      Joined Leopalace21 Corporation</p> <p>April 2014      Department Manager of the 1st Construction Subcontracting Business Department, West Japan Region, Leopalace21 Corporation</p> <p>May 2018        Department Manager of the 3rd Construction Subcontracting Business Department, East Japan Region, Leopalace21 Corporation</p> <p>June 2020        Department Manager of the 2nd Wealth Management Department, East Japan Region, and Responsible for the Emergency Response Project for Construction Defects Problem, Leopalace21 Corporation</p> <p>October 2020    Senior Department Manager of the Management Planning Department, Leopalace21 Corporation</p> <p>April 2021        Executive Officer, Leopalace21 Corporation</p> <p>May 2022        Chief of the Corporate Management Headquarters, Leopalace21 Corporation (incumbent) Chief of the Compliance Promotion Headquarters, Chief Legal Officer (CLO), Leopalace21 Corporation (incumbent)</p> <p>June 2022        Director and Executive Officer, Leopalace21 Corporation (incumbent)</p> <p>Significant concurrent positions President and CEO, Leopalace Power Corporation President and CEO, Leopalace Energy Corporation</p>	10,429 shares
<p><b>Reasons for nomination as a candidate for Director</b></p> <p>Mr. Shinji Takekura is fulfilling an appropriate role as Director by taking important management decisions and supervising business execution and others. He oversees the Corporate Management Headquarters and Compliance Promotion Headquarters, and shows strong leadership in medium- to long-term growth strategies and the establishment of compliance systems. He also serves as the chairman of the Sustainability Committee and lead the realization of measures toward the promotion of ESG strategies. For these reasons, it is judged that his abundant experience and knowledge are essential to the Company's growth strategy, so the Company has nominated him again as a candidate for Director.</p>			

Candidate number	Name (Date of birth)	Career summary, and positions and duties in the Company (Significant concurrent positions)	Number of the Company's shares held
5	Re-election  Akio Yamashita (October 23, 1961)  Attendance at the Board of Directors Meetings 19/21  Term of office: 2 years	April 1984      Joined Japan Development Bank (now Development Bank of Japan Inc.)  January 2006      Joined Morgan Stanley Securities Co., Ltd. (now Morgan Stanley MUFG Securities Co., Ltd.)  June 2008      Joined Fortress Investment Group (Japan) GK, Managing Director (incumbent)  March 2013      Representative in Japan, Fortress Investment Group (Japan) GK (incumbent)  June 2021      Outside Director, Leopalace21 Corporation  January 2022      Director, PJC Investments (incumbent) Director, Accordia Golf co., Ltd. (incumbent)  June 2022      Director, Leopalace21 Corporation (incumbent)  Significant concurrent positions Representative in Japan and Managing Director, Fortress Investment Group (Japan) GK Director, PJC Investments Director, Accordia Golf co., Ltd.	0 shares
	<p><b>Reasons for nomination as a candidate for Director</b></p> <p>Based on the wide range of knowledge he has cultivated through his extensive work experience as an officer and employee of financial institutions, Mr. Akio Yamashita has been involved in numerous real estate-related business, real estate finance, urban redevelopment funds, management buyouts, corporate rehabilitation and more as a representative of an investment fund. In addition, he fulfills an appropriate role as Director in supervising business execution by actively providing advice from fair perspective during the Board of Directors meetings and other meetings. For these reasons, it is judged that he can maximize the Company's corporate value as a Director of the Company by utilizing his keen insight in finance and his extensive experience in corporate management and structural reforms, so the Company has nominated him again as a candidate for Director.</p>		
6	Re-election  Jin Ryu (June 10, 1984)  Attendance at the Board of Directors Meetings 20/21  Term of office: 2 years	April 2010      Joined Morgan Stanley MUFG Securities Co., Ltd.  April 2011      Joined RBS Securities Japan Ltd.  May 2012      Joined Fortress Investment Group (Japan) GK  April 2020      Director, FHK Company (incumbent)  December 2020      Managing Director, Fortress Investment Group (Japan) GK (incumbent)  June 2021      Outside Director, Leopalace21 Corporation  January 2022      Director, PJC Investments (incumbent) Director, Accordia Golf co., Ltd. (incumbent)  June 2022      Director, Leopalace21 Corporation (incumbent)  Significant concurrent positions Managing Director, Fortress Investment Group (Japan) GK Director, FHK Company Director, PJC Investments Director, Accordia Golf co., Ltd.	0 shares
	<p><b>Reasons for nomination as a candidate for Director</b></p> <p>Based on his extensive work experience as an officer and employee of an investment fund, Mr. Jin Ryu has been involved in many projects, including real estate-related business, investments into companies, and corporate rehabilitation. In addition, he fulfills an appropriate role as Director in supervising business execution by actively providing advice from fair perspective during the Board of Directors meetings and other meetings. For these reasons, it is judged that he can be expected to supervise the execution of duties as a Director of the Company toward the realization of the Company's management plan by strengthening sales and marketing, utilizing his keen insight in finance and his extensive experience in structural reforms and financial restructuring, so the Company has nominated him again as a candidate for Director.</p>		

Candidate number	Name (Date of birth)	Career summary, and positions and duties in the Company (Significant concurrent positions)	Number of the Company's shares held
7	<p>Re-election Outside Independent</p> <p>Akira Watanabe (February 16, 1947)</p> <p>Attendance at the Board of Directors meetings: 21/21</p> <p>Term of office: 2 years and 11 months</p>	<p>April 1973 Registered as an attorney at law</p> <p>November 2006 External Statutory Auditor, FAST RETAILING CO., LTD.</p> <p>June 2007 Outside Director, MAEDA CORPORATION</p> <p>June 2007 Outside Audit &amp; Supervisory Board Member, KADOKAWA GROUP HOLDINGS, INC. (now KADOKAWA CORPORATION)</p> <p>April 2010 Outside Director, MS&amp;AD Insurance Group Holdings, Inc.</p> <p>March 2013 Outside Director, DUNLOP SPORTS CO., LTD.</p> <p>October 2015 Director, ASIA PILE HOLDINGS CORPORATION (incumbent)</p> <p>September 2018 Partner, Comm &amp; Path Law Office (incumbent)</p> <p>June 2019 Outside Director, Maeda Road Construction Co., Ltd. (incumbent)</p> <p>July 2020 Outside Director, Leoplace21 Corporation (incumbent)</p> <p>June 2022 Outside Director, KADOKAWA CORPORATION (incumbent)</p> <p>Significant concurrent positions Director, ASIA PILE HOLDINGS CORPORATION Outside Director, Maeda Road Construction Co., Ltd. Partner, Comm &amp; Path Law Office Outside Director, KADOKAWA CORPORATION</p>	7,889 shares
<p><b>Reasons for nomination as a candidate for Outside Director and overview of expected roles</b></p> <p>Mr. Akira Watanabe fulfills an appropriate role as lead Outside Director in supervising the business execution of the Company from an independent and fair perspective. He also serves as the chairman of the Nomination and Compensation Committee, thereby increasing the transparency and objectivity of officer nomination and remuneration decision procedures. Moreover, he possesses keen insight accumulated through his expertise as an attorney at law and as an outside director of other companies as well as deep knowledge and experience in corporate management. For these reasons, it is judged that he can be expected to strengthen the function of the Company's Board of Directors and establish corporate governance by utilizing his high level of expertise in legal affairs and compliance. Therefore, the Company has nominated him again as a candidate for Outside Director.</p>			
8	<p>Re-election Outside Independent</p> <p>Yutaka Nakamura (September 28, 1958)</p> <p>Attendance at the Board of Directors meetings: 21/21</p> <p>Term of office: 3 years and 4 months</p>	<p>April 1981 Joined National Housing Materials Co., Ltd. (now Panasonic Homes Co., Ltd.)</p> <p>October 2002 Manager of Quality &amp; Environmental Promotion Department, Panasonic Homes Co., Ltd.</p> <p>October 2006 Manager of Quality, Environment &amp; IT Department, Panasonic Homes Co., Ltd.</p> <p>April 2011 Councilor and Manager of Corporate Quality &amp; Environmental Division, Panasonic Homes Co., Ltd.</p> <p>April 2012 Senior Councilor and Manager of Corporate Quality &amp; Environmental Division, Panasonic Homes Co., Ltd.</p> <p>April 2018 Senior Principal for Quality &amp; Customer Satisfaction, Panasonic Homes Co., Ltd.</p> <p>March 2019 Retired from Panasonic Homes Co., Ltd.</p> <p>February 2020 Outside Director, Leoplace21 Corporation (incumbent)</p>	3,151 shares
<p><b>Reasons for nomination as a candidate for Outside Director and overview of expected roles</b></p> <p>Mr. Yutaka Nakamura fulfills an appropriate role as Outside Director in supervising the business execution of the Company by actively providing advice from an independent and fair perspective during the Board of Directors meetings and other meetings, based on his deep knowledge of quality management and environmental management gained in the housing industry and his experience in key positions in several organizations in the housing industry. He also serves as the chairman of the Company's Compliance Committee, where he promotes the strengthening and enhancement of the Company's compliance system. For these reasons, it is judged that he can be expected to strengthen the discipline of the Company's Board of Directors from an independent and fair perspective based on his experience and expertise in construction and technology. Therefore, the Company has nominated him again as a candidate for Outside Director.</p>			

Candidate number	Name (Date of birth)	Career summary, and positions and duties in the Company (Significant concurrent positions)		Number of the Company's shares held
9	Re-election Outside Independent  Takumi Shibata (January 8, 1953)  Attendance at the Board of Directors Meetings 14/16  Term of office: 1 year	April 1976 July 1997 July 1998 April 2000 April 2005 July 2007 July 2013 January 2014 June 2020 June 2022 July 2022 May 2023  Significant concurrent positions Representative Director, Fiducia, Inc. Chairman and Representative Director, Terra Foods Corporation Outside Director, Nano Summit Co., Ltd.	Joined Nomura Securities Co., Ltd. Managing Director, Nomura International plc Director, Nomura Securities Co., Ltd. Managing Director, Nomura Europe Holdings plc President and CEO, Nomura Asset Management Co., Ltd. Deputy President and COO, Nomura Holdings, Inc. Executive Chairman, Nikko Asset Management Co., Ltd. President and COO, Nikko Asset Management Co., Ltd. Representative Director, Fiducia, Inc. (incumbent) Outside Director, Leoplace21 Corporation (incumbent) Outside Director, Nano Summit Co., Ltd. (incumbent) Chairman and Representative Director, Terra Foods Corporation (incumbent)	0 shares
<b>Reasons for nomination as a candidate for Outside Director and overview of expected roles</b> Mr. Takumi Shibata possesses broad insight as a corporate manager accumulated through his career, which includes important positions at a securities company and an asset management company, in addition to deep knowledge in asset management and finance. He also fulfills an appropriate role as Outside Director in supervising the business execution of the Company by actively providing advice from an independent and fair perspective during the Board of Directors meetings and other meetings. For these reasons, it is judged that he can be expected to utilize his high level of expertise to realize the structural reforms that the Company aims for and to strengthen the functions of the Board of Directors. Therefore, the Company has nominated him again as a candidate for Outside Director.				

Candidate number	Name (Date of birth)	Career summary, and positions and duties in the Company (Significant concurrent positions)	Number of the Company's shares held
10	Re-election Outside Independent  Kan Ishii (February 11, 1954)  Attendance at the Board of Directors Meetings 16/16  Term of office: 1 year	April 1977 Joined Japan Development Bank (now Development Bank of Japan Inc.)  October 2008 Managing Executive Officer, Development Bank of Japan Inc.  January 2010 Trustee Representative, Japan Airlines Co., Ltd. August 2011 Representative Director President, FUKUOKA JISHO CO., LTD.  June 2017 Outside Director, NIPPON PISTON RING CO., LTD. April 2018 Visiting Professor, The Graduate School of Project Design June 2018 Director, The Nishinippon Shimbun April 2019 Specially Appointed Professor, The Graduate School of Project Design (incumbent) June 2021 Advisor, TERRACE MILE, Inc. (incumbent) June 2022 Outside Director, Leopalace21 Corporation (incumbent) Representative Director, PJC Investments (incumbent) Representative Director, President and CEO, Accordia Golf co., Ltd. (incumbent)  Significant concurrent positions Specially Appointed Professor, The Graduate School of Project Design Advisor, TERRACE MILE, Inc. Representative Director, PJC Investments Representative Director, President and CEO, Accordia Golf co., Ltd.	0 shares
<p><b>Reasons for nomination as a candidate for Outside Director and overview of expected roles</b></p> <p>Mr. Kan Ishii possesses broad insight and experience concerning corporate rehabilitation accumulated through his career, which includes important positions at an investment bank and serving as Trustee Representative of Japan Airlines. He also fulfills an appropriate role as Outside Director in supervising the business execution of the Company by actively providing advice from an independent and fair perspective during the Board of Directors meetings and other meetings since he assumed office as officer last year. For these reasons, it is judged that he can be expected to realize stability of the Company's financial base and strengthen the functions of the Company's Board of Directors by utilizing his high level of expertise. Therefore, the Company has nominated him again as a candidate for Outside Director.</p>			

- Notes: 1. There is no particular interest between any of the candidates and the Company.
2. Mr. Akira Watanabe, Mr. Yutaka Nakamura, Mr. Takumi Shibata and Mr. Kan Ishii are candidates for Outside Director. These four candidates for Outside Director are candidates for independent officer as stipulated in Article 436-2 of the Securities Listing Regulations of Tokyo Stock Exchange, Inc. As the candidates also satisfy the independence criteria set forth by the Company, the Company deems that the independence of the candidates is assured. In addition, the Company has notified Tokyo Stock Exchange, Inc. of the designation of Mr. Akira Watanabe, Mr. Yutaka Nakamura, Mr. Takumi Shibata and Mr. Kan Ishii as independent officers.
3. Mr. Akio Yamashita and Mr. Jin Ryu both serve as a Managing Director of Fortress Investment Group (Japan) GK. That company is a business entity with ties to Chidori Godo Kaisha, a major shareholder of the Company, and Kaede Godo Kaisha, a major lender to the Company.
4. Mr. Akira Watanabe has held a position at Maeda Road Construction Co., Ltd. as Outside Director. Although there is a business relationship between the said company and the Company, the transaction amount is negligible (accounts for less than 0.1% of the said company's and the Company's consolidated net sales in the most recent fiscal year), and, therefore, the Company deems that this does not affect his independence.
5. Pursuant to the provisions of Article 427, paragraph (1) of the Companies Act, the Company has entered into limited liability agreements with Mr. Akio Yamashita, Mr. Jin Ryu, Mr. Akira Watanabe, Mr. Yutaka Nakamura, Mr. Takumi Shibata and Mr. Kan Ishii, limiting their liability for damages under Article 423, paragraph (1) of the Companies Act, to the minimum limit amount prescribed by laws and regulations. The Company will continue these agreements if their re-election is approved.
6. The Company has entered into a directors and officers liability insurance policy pursuant to Article 430-3, paragraph (1) of the Companies Act with an insurance company, under which all of the Directors are the insureds. The policy details are described in "3. Outline of directors and officers liability insurance policy" under "Items Regarding Directors/Audit & Supervisory Board Members of the Company" of the Business

Report. Furthermore, if each candidate assumes the office of Director, they will be insureds under the policy, and the Company intends to renew the policy during their terms of office.

7. Ms. Mayumi Hayashima's name on her family register is Mayumi Tsuboi.
8. The number of shares shown for "Number of the Company's shares held" for each candidate includes shares held in the relevant stockholding association.
9. From September to October 2022, officers and employees of KADOKAWA CORPORATION, for which Mr. Akira Watanabe serves as an Outside Director, were arrested and indicted on suspicion of bribery in connection with the selection of sponsors for the Tokyo 2020 Olympic and Paralympic Games. Although Mr. Akira Watanabe was an Audit & Supervisory Board Member in 2020 when the alleged incident occurred, he was unaware of the incident until it came to light. After the incident occurred, he investigated the facts from the perspective of governance and compliance, determined the cause, and provided advice to prevent its recurrence.
10. As a result of detailed verification with the Ministry of the Environment and the Ministry of Economy, Trade and Industry in June 2022 regarding the disposal procedures for waste home appliances in the Leasing Business, the Company discovered that there was a violation of the Home Appliances Recycling Act in the said procedures. On March 23, 2023, the Company received an administrative recommendation from the Ministry of the Environment and the Ministry of Economy, Trade and Industry in accordance with Article 16, paragraph (1) of the said Act regarding the violation. Outside Directors Mr. Akira Watanabe and Mr. Yutaka Nakamura were unaware of this incident until it came to light. However, they regularly made advice from the viewpoint of compliance at the Company's Board of Directors meetings and other occasions to alert on such matters. After the incident came to light, they have been working to further strengthen our compliance system, such as by investigating the facts, determining the cause, and providing advice on measures to prevent recurrence. In addition, Outside Directors Mr. Takumi Shibata and Mr. Kan Ishii, who assumed office as Outside Directors of the Company after the incident was discovered, have been providing advice from the viewpoint of compliance at the Company's Board of Directors meetings and other occasions to alert on such matters. In addition, they have been working to further strengthen our compliance system, such as by investigating the facts, determining the cause, and providing advice on measures to prevent recurrence.

### Proposal No. 3: Election of One (1) Audit & Supervisory Board Member

The term of office of Audit & Supervisory Board Member Mr. Takao Yuhara will expire at the conclusion of this Ordinary General Shareholders' Meeting. Therefore, it is proposed that one (1) Audit & Supervisory Board Member be elected.

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

The candidate for Audit & Supervisory Board Member is as follows:

Name (Date of birth)	Career summary, and positions in the Company (Significant concurrent positions)	Number of the Company's shares held
New election Outside Independent  Kazutaka Shimohigoshi (October 4, 1955)  Attendance at the Audit & Supervisory Board meetings: -/  Attendance at the Board of Directors meetings: -/  <b>Reasons for nomination as a candidate for Outside Audit &amp; Supervisory Board Member</b>	October 1979	Joined Asahi Auditing Firm (now KPMG AZSA LLC)
	August 1983	Registered as a Certified Public Accountant
	July 1985	Joined Nihon Keieikeikaku Co., Ltd. (now Alma Co., Ltd.)
	September 1992	Managing Director, Pendel Management Institute (incumbent) Head of Shimohigoshi Certified Public Accountant Office (incumbent)
	June 1993	Registered as a Certified Public Tax Accountant
	January 2007	Representative Partner, Pendel Certified Public Tax Accountant Firm
	June 2009	Auditor, Fourteenforty Research Institute, Inc. (now FFRI Security, Inc.)
	August 2015	Representative Director, JP Consultants Group Co., Ltd (incumbent)
	June 2016	Director and Audit Committee Member, FFRI, Inc. (now FFRI Security, Inc.)
		Significant concurrent positions Representative Director, Pendel Management Institution Inc. Head, Shimohigoshi Accounting Office Representative Director, JP Consultant Group
<p>Mr. Kazutaka Shimohigoshi has a high level of insight in accounting and taxation, which is required of an Outside Audit &amp; Supervisory Board Member who is responsible for accounting audits. JP Consultants Group, of which he is Representative Director, is well versed in the field of asset succession and has been providing tax advice to the Company's property owners since around 2016, and is familiar with the Company's business model. Therefore, the Company has determined that he is needed as an Audit &amp; Supervisory Board Member.</p>		

- Notes:
1. There is no particular interest between Mr. Kazutaka Shimohigoshi and the Company.
  2. Mr. Kazutaka Shimohigoshi is a candidate for Outside Audit & Supervisory Board Member. He is a candidate for independent officer as stipulated in Article 436-2 of the Securities Listing Regulations of Tokyo Stock Exchange, Inc. As the candidate also satisfies the independence criteria set forth by the Company, the Company deems that the independence of the candidate is assured.
  3. Pursuant to the provisions of Article 427, paragraph (1) of the Companies Act, the Company plans to enter into a limited liability agreement with Mr. Kazutaka Shimohigoshi limiting his liability for damages under Article 423, paragraph (1) of the Companies Act, to the minimum limit amount prescribed by laws and regulations.
  4. The Company has entered into a directors and officers liability insurance policy pursuant to Article 430-3, paragraph (1) of the Companies Act with an insurance company, under which all of the Audit & Supervisory Board Members are the insureds. The policy details are described in "3. Outline of directors and officers liability insurance policy" under "Items Regarding Directors/Audit & Supervisory Board Members of the Company" of the Business Report. Furthermore, if the candidate assumes the office of Audit & Supervisory Board Member, he will be an insured under the policy, and the Company intends to renew the policy during his term of office.



**[Reference]**

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

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

- (1) Person who executes business\* of the Leopalace21 Group (\*person who executes business of a corporation or other organization such as director (excluding outside director), corporate executive (*shikkoyaku*), executive officer, business-executing employee, administrative officer, or other officers or employees)
- (2) Major shareholder\* of the Company (\*shareholder who directly or indirectly holds 10% or more of the total voting rights) or a person who executes business thereof
- (3) Person who executes business of a corporation of which the Company is a major investor\* (\*entity who directly or indirectly holds 10% or more of the total voting rights)
- (4) Person for whom the Company is a major transaction counterparty\* (\*a transaction counterparty who provides the Company with goods or services and whose total amount of transactions to the Company in the most recent fiscal year is at least 2% of the total amount of that party's net sales or gross income) or a person who executes business thereof
- (5) Major transaction counterparty of the Company\* (\*a transaction counterparty to whom the Company provides goods or services and whose total amount of transactions with the Company in the most recent fiscal year is at least 2% of the total amount of the Company's net sales) or a person who executes business thereof
- (6) Person who executes business of a major financing institution of the Company\* (\*financing institution from which the Company makes borrowings of an amount in the most recent fiscal year of at least 2% of the total assets of the Company)
- (7) Person who belongs to the audit firm that performs the statutory auditing of the Company
- (8) Accounting specialist such as a certified public accountant, tax specialist such as a certified tax accountant, legal specialist such as an attorney at law or other consultant (hereinafter, collectively, "consultant and the like.") that receives remuneration other than officer remuneration from the Company of an amount in the most recent fiscal year that is at least JPY 10 million or 2% of the total net sales or gross income for that person, whichever is higher, or a person who belongs to such entity in the cases where the consultant and the like is an entity such as a corporation or partnership
- (9) Person who executes business at a company at which a person who executes business of the Company presently serves or within the past three years had served as an outside officer
- (10) In the case of a person/entity who has received a donation from the Company in the most recent fiscal year that is at least JPY 10 million or 2% of the total net sales or gross income for that person/entity, whichever is higher, that person or a person who executes business thereof
- (11) Person who fell under any of the above criteria (1) to (10) within the past three years
- (12) Person who is a relative within the second degree of kinship of or who shares living expenses with a person who falls under any of the above criteria (1) to (10) (provided, however, that such "person who executes business" is limited to persons who execute important business, such as directors (excluding outside directors), corporate executives (*shikkoyaku*), executive officers, business-executing employees, administrative officers and chief division officers for the above criteria (2) to (6), (9) and (10) and such "person who belongs" to an entity is limited to a person possessing the specialist qualifications, such as a certified public accountant or attorney at law for the above criteria (7) and (8))
- (13) Other person who can reasonably be judged as having equivalent conflict of interest with shareholders as the persons who fall under the above criteria (1) to (12)

## **BUSINESS REPORT (from April 1, 2022 to March 31, 2023)**

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

#### **Overview of Operations**

While restrictions on activities associated with the COVID-19 pandemic have eased and economic activities have normalized, the outlook for the Japan's economy remained uncertain due to soaring energy prices and raw material prices and other factors.

The new housing starts of leased units increased for two years in a row (up 5.0% year on year). In order to secure stable occupancy rates in the rental housing market where the number of vacant houses continues to rise due to the declining population, falling birthrate and aging population, the Company believes it is important to focus on serving still growing single-person households, to implement sales strategies that match regional and customer characteristics, to maintain and enhance the value of apartments through proper maintenance, and to provide highly convenient tenant services through the promotion of DX solutions.

Under these circumstances, Leopalace21 Group (the "Group") has been continuing structural reforms which was disclosed in June 2020, concentrating management resources on the core Leasing Business and thoroughly reviewing and reducing all costs, the Group has worked to stabilize the financial base and continuously improve profitability.

As a result, net sales for the fiscal year ended March 31, 2023 became JPY 406,449 million, an increase of 2.0% year on year, and operating profit was JPY 9,879 million, an increase of 456.7% year on year, due to the reduction of cost of sales and SG&A expenses. Recurring profit was JPY 6,526 million, which was compared with JPY (2,151) million for the previous fiscal year, mainly due to interest payment of JPY 4,370 million.

Net income attributable to shareholders of the parent was JPY 19,810 million, an increase of 67.1% year on year, caused by the recording of income taxes-deferred (profit) of JPY 18,538 million due to buildup of deferred tax assets despite the recording of loss related to repairs of JPY 2,544 million due to soaring material prices and an increase in the ratio of subcontracted repair work to eliminate obvious defects by the end of 2024.

#### **Leasing Business**

In the Leasing Business, the Company aims at stable occupancy rates and higher profitability by implementing various measures: providing abundant value-added services such as web-based integrated services which allow a customer complete all steps from searching an apartment to signing a rental contract without the need of face-to-face meeting; promotion of the transition to smart apartments which enables electrical appliances and door locks to be operated by smartphone; further developing corporate customers; working with real estate agents; adopting sales strategies catering for the customer and region specific requirements; and unit rent increase.

The occupancy rate at the end of March 2023 was 88.83% (up 3.73 points from the end of the previous fiscal year) with average occupancy rate of 84.66% (up 3.44 points year on year). The demand recovery for apartment rooms mainly from corporate customers due to the slowdown impact of COVID-19 pandemic and various occupancy rate boosting measures produced positive results. The number of units under management at the end of March 2023 was 561 thousand (down 6,000 from the end of the previous fiscal year). The number of direct leasing sales offices at the end of March 2023 was 109 (no change from the end of the previous fiscal year).

As a result, net sales came to JPY 391,438 million, up 2.2% year on year due to the higher unit rent and improved occupancy rates. Operating profit was increased to JPY 16,887 million, up 118.8% year on year, mainly due to the effect of increased profitability resulting from successful contractual adjustment of master-lease rent with the apartment owners.

#### Elderly Care Business

The Company has been cutting the operational cost by continuous efficiency improvement for the Elderly Care Business. Net sales during the fiscal year ended March 2023 were JPY 13,941 million (down 2.2% year on year), and operating loss was JPY 1,208 million (an increased loss of JPY 418 million year on year) due to a decrease in the number of users for elderly care services concerning about the infection risk of COVID-19. The number of facilities was 87 as of the end of the fiscal year ended March 2023.

#### Other Businesses

Net sales of the Other Businesses including resort facilities in Guam and others, were JPY 1,069 million (up 0.5% year on year due to weaker JPY) and operating loss was JPY 2,706 million (an increased loss of JPY 1,038 million year on year) mainly due to the continuity of a significant decline in occupancy rates in Guam.

### Issues to Be Addressed

The Group sets three management policies for the fiscal year ending March 31, 2024 (FY2023): Stabilize Earnings Structure and Financial Base, Promote Structural Reforms and DX, and Implement Repairs of Construction Defects.

- Stabilize Earnings Structure and Financial Base

- Increasing occupancy rate

- We aim to recover to the level of the fiscal year ended March 31, 2018 by implementing strategies for increasing occupancy rate for each of the following defined customer categories:

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

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

- Foreign national customers: Meet customer needs with shops that can provide multilingual service and strengthen relationships with real estate agencies and international study centers.

- Controlling cost structure

- Although we have continued to cut costs without exceptions since the revelation of the construction defects issue, we will focus on optimizing costs through selective concentration by aggressively addressing areas necessary for sustainable growth (property maintenance, system investment for DX promotion, and human resource investment such as hiring new graduates and raising base salaries).

- Strengthening ownership equity

- We will improve the equity ratio by strengthening profitability as well as realize early shareholder returns through recapitalization.

- Promote Structural Reforms and DX

In addition to continuing to transfer or withdraw from non-core and unprofitable businesses, the we will improve customer convenience and operational efficiency such as by promoting the installation of smart locks, responding to tenant inquiries 24 hours a day using AI-powered speech dialog system and chatbot tools, and supporting the electronic signing of all individual contracts.

- Implement Repairs of Construction Defects

With regard to the issue of construction defects in our constructed properties, we will continue to rebuild our financial base, while strengthening our construction system and steadily proceeding with repairs, with the aim of eliminating obvious defects by the end of 2024.

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

We would also like to express our sincere apologies for the concern and inconvenience caused to our shareholders regarding the administrative recommendation we received from the Ministry of the Environment and the Ministry of Economy, Trade and Industry on March 23, 2023, based on the Home Appliances Recycling Act.

We will review our disposal procedures for waste home appliances to ensure that they are appropriate, prevent recurrence, and strengthen and enhance our compliance system.

## **Financing Activities**

Not applicable.

## **Capital Investment**

The total amount of capital investment carried out by the Group in the fiscal year ended March 31, 2023 was JPY 610 million.

The main components of this were JPY 248 million for investment in rental properties in connection with the Leasing Business in Japan and JPY 143 million for investment of an information system in connection with the Leasing Business.

In addition, the Group sold an amount of non-current assets totaling JPY 513 million in the fiscal year ended March 31, 2023.

The main components of this were JPY 507 million for sale of rental properties in connection with the Leasing Business in Japan.

## **Status of Business Transfers, Absorption-Type Demergers, or Incorporation-Type Demergers**

Effective November 1, 2022, 40 of the Company's Elderly Care Business's facilities, excluding 22 private-pay nursing homes, were transferred to our wholly-owned subsidiary, Azu Life Care Co., Ltd.

### Major Subsidiaries (as of March 31, 2023)

Company Name	Capital	Voting Rights Ratio	Major Areas of Operation
Leopalace Leasing Corporation	JPY 400 million	100.0%	Corporate Housing Management Business Real Estate Brokerage Business
Plaza Guarantee Co., Ltd.	JPY 50 million	100.0%	Rent Obligation Guarantee Business
Leopalace Power Corporation	JPY 80 million	69.8%	Solar Power Generation Business
Leopalace Energy Corporation	JPY 20 million	69.8% (69.8%)	Electricity Retail Business
ASUKA SSI	JPY 1,000 million	100.0%	Small-Amount, Short-Term Insurance Business
Leopalace21 Business Consulting (Shanghai) Co., Ltd.	RMB 5,359 thousand	100.0%	Consulting Business
Leopalace21 Singapore Pte. Ltd.	USD 19,039 thousand	100.0%	Investment Consulting Business
Azu Life Care Co., Ltd.	JPY 80 million	100.0%	Elderly Care Business
Leopalace Guam Corporation	USD 26,000 thousand	100.0%	Resort Business
Leopalace Smile Co., Ltd.	JPY 10 million	100.0%	Clerical Work Outsourcing Service Business

- Notes: 1. The Company has excluded Morizou Co., Ltd. and LEOPALACE21 PHILIPPINES INC. from the scope of consolidation from the fiscal year ended March 31, 2023 due to the sale of all shares held by the Company.
2. The Company has excluded Leopalace21 (Thailand) Co., LTD., which was a consolidated subsidiary, from the scope of consolidation from the fiscal year ended March 31, 2023 due to liquidation.
3. The Company has excluded Leopalace21 (Cambodia) Co., Ltd., which was a consolidated subsidiary, from the scope of consolidation from the fiscal year ended March 31, 2023 because of its decrease in materiality.
4. There was no specified wholly-owned subsidiary as of the end of the fiscal year ended March 31, 2023.
5. Figures in parenthesis in the voting rights ratio column indicate indirect ownership ratios, and these are included in the total.

### Major Areas of Operation (as of March 31, 2023)

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

## Major Business Locations of the Group (as of March 31, 2023)

### The Company

Head Office	Nakano-ku, Tokyo
Regional	47 prefectures nationwide
Headquarters	(Leopalace centers: 103 branches) Overseas (Leopalace centers and other 6 branches [People's Republic of China: 4 branches; the Republic of Korea: 1 branch; Taiwan: 1 branch])
Care Facilities	22 facilities nationwide (Tokyo: 2 facilities; Chiba Prefecture: 7 facilities; Saitama Prefecture: 4 facilities; Kanagawa Prefecture: 2 facilities; Ibaraki Prefecture: 2 facilities; Tochigi Prefecture: 4 facilities; Gunma Prefecture: 1 facility)

### Major Subsidiaries

Leopalace Leasing Corporation	Nakano-ku, Tokyo
Plaza Guarantee Co., Ltd.	Nakano-ku, Tokyo
Leopalace Power Corporation	Nakano-ku, Tokyo
Leopalace Energy Corporation	Nakano-ku, Tokyo
ASUKA SSI	Nakano-ku, Tokyo
Leopalace21 Business Consulting (Shanghai) Co., Ltd.	The People's Republic of China
Leopalace21 Singapore Pte. Ltd.	The Republic of Singapore
Azu Life Care Co., Ltd.	Nakano-ku, Tokyo
Leopalace Guam Corporation	Guam (a territory of the U.S.A.)
Leopalace Smile Co., Ltd.	Nakano-ku, Tokyo

## Employees of the Group (as of March 31, 2023)

### 1. Employees of the Group

Segment	Number of Employees	
Leasing Business	2,361	[614]
Elderly Care Business	1,083	[1,152]
Other Businesses	199	[25]
All companies (common)	348	[5]
Total	3,991	[1,796]

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

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

### 2. Employees of the Company

Number of Employees	Change Since Previous FY-End	Average Age	Average Years of Service
2,804 [1,209]	(785)	40 years and 11 months	13 years and 4 months

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

2. The main reason for the decrease in the number of employees by 785 compared to the end of the previous fiscal year was due to an absorption-type split of a portion of the Company's Elderly Care Business to its subsidiary, Azu Life Care Co., Ltd. in November 2022, and the transfer of related Company employees to the above subsidiary.

## Major Lenders (as of March 31, 2023)

Lender	Loan Balance at End of the Fiscal Year 2022 (JPY million)
Kaede Godo Kaisha	30,000

**Items Regarding Shares of the Company (as of March 31, 2023)**

- **Number of shares authorized** 750,000,000 shares
- **Number of shares outstanding** 329,389,515 shares
- **Number of shareholders** 47,232
- **Major shareholders (top 10 shareholders)**

Shareholder Name	Number of Shares Held (thousands of shares)	Percentage of Outstanding Shares (%)
Chidori Godo Kaisha	84,507	25.68
UH Partners 2, Inc.	50,581	15.37
The Master Trust Bank of Japan, Ltd. (Trust Account)	21,197	6.44
MSIP CLIENT SECURITIES	16,591	5.04
HIKARI TSUSHIN, INC.	8,606	2.61
Stockholding Association for Leoplace21's Apartment Owners	6,706	2.03
Stockholding Association for Leoplace21's Business Connection	5,702	1.73
GOLDMAN SACHS INTERNATIONAL	4,374	1.32
STATE STREET BANK AND TRUST COMPANY 505103	4,102	1.24
BNYMS ANV RE BNYMIL RE LF ODEY OPUS FUND	3,682	1.11

Notes: 1. Of the shares held by The Master Trust Bank of Japan, Ltd. (Trust Account) as of March 31, 2023, those held in trust accounts as part of trust bank operations were 6,002 thousand shares.

2. The above percentage of outstanding shares is calculated excluding treasury stock.

- **Shareholder composition**

Financial institutions	8.33%	(27,433 thousand shares)
Foreign corporations	20.72%	(68,249 thousand shares)
Treasury stock	0.10%	(335 thousand shares)
Individuals and other	23.61%	(77,778 thousand shares)
Business corporations and other legal entities	44.99%	(148,187 thousand shares)
Financial instruments business operators	2.25%	(7,404 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 ended March 31, 2023

		2nd series share subscription rights	3rd series share subscription rights	4th series share subscription rights	
Issuance resolution date		July 28, 2016	August 28, 2017	August 28, 2018	
Amount paid in for share subscription rights		Payment not required	Payment not required	Payment not required	
Value of property to be contributed upon exercise of share subscription rights		JPY 100 per 1 share subscription right (JPY 1 per share)	JPY 100 per 1 share subscription right (JPY 1 per share)	JPY 100 per 1 share subscription right (JPY 1 per share)	
Issue price of shares and amount incorporated into capital in case of issuance due to exercise of share subscription rights		Issue price: JPY 548; amount incorporated into capital: JPY 274	Issue price: JPY 529; amount incorporated into capital: JPY 265	Issue price: JPY 333; amount incorporated into capital: JPY 167	
Exercise period		From August 19, 2016 through August 18, 2046	From September 15, 2017 through September 14, 2047	From September 15, 2018 through September 14, 2048	
Status of officers' holdings	Directors (excluding Outside Directors)	Number of share subscription rights	115 units	108 units	118 units
		Number of underlying shares	11,500 shares of common stock	10,800 shares of common stock	11,800 shares of common stock
		Number of holders	1 person	1 person	2 persons
	Audit & Supervisory Board Members	Number of share subscription rights	—	—	—
		Number of underlying shares	—	—	—
		Number of holders	—	—	—

**2. Share subscription rights delivered as consideration for execution of duties to employees and others during the fiscal year ended March 31, 2023**

Not applicable.

**3. Other share subscription rights**

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

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

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

### 1. Directors and Audit & Supervisory Board Members (as of March 31, 2023)

Name	Title	Duties in the Company and Significant Concurrent Positions
Bunya Miyao	Representative Director, President and CEO	President and CEO / Chief of the Construction Defects Response Headquarters Representative Director, Leopalace Guam Corporation
Mayumi Hayashima	Director	Managing Executive Officer / Chief of the Leasing Business Headquarters
Naomichi Mochida	Director	Executive Officer / Deputy Chief of the Leasing Business Headquarters / General Manager of the Corporate Sales Division
Shinji Takekura	Director	Executive Officer / Chief of the Corporate Management Headquarters / Senior Department Manager of the Management Planning Department (concurrent) / Chief of the Compliance Promotion Headquarters, Chief Legal Officer (CLO) Director of Leopalace Power Corporation Director of Leopalace Energy Corporation
Akio Yamashita	Director	Representative in Japan and Managing Director, Fortress Investment Group (Japan) GK Director, PJC Investments Director, Accordia Golf co., Ltd.
Jin Ryu	Director	Managing Director, Fortress Investment Group (Japan) GK Director, FHK Company Director, PJC Investments Director, Accordia Golf co., Ltd.
Akira Watanabe	Director	Director, ASIA PILE HOLDINGS CORPORATION Outside Director, Maeda Road Construction Co., Ltd. Partner, Comm & Path Law Office Outside Director, KADOKAWA CORPORATION (Audit & Supervisory Committee Member)
Yutaka Nakamura	Director	
Takumi Shibata	Director	Representative Director, Fiducia, Inc. Outside Director, Nano Summit Co., Ltd.
Kan Ishii	Director	Specially Appointed Professor, The Graduate School of Project Design Advisor, TERRACE MILE, Inc. Representative Director, PJC Investments Representative Director, President and CEO, Accordia Golf co., Ltd.
Jiro Yoshino	Full-time Audit & Supervisory Board Member	
Kenichiro Samejima	Full-time Audit & Supervisory Board Member	
Takao Yuhara	Audit & Supervisory Board Member	Outside Director, T. HASEGAWA CO., LTD.
Yoshitaka Murakami	Audit & Supervisory Board Member	

Notes: 1. Mr. Akira Watanabe, Mr. Yutaka Nakamura, Mr. Takumi Shibata and Mr. Kan Ishii serve as Outside Directors of the Company.

2. Mr. Jiro Yoshino and Mr. Takao Yuhara serve as Outside Audit & Supervisory Board Members of the Company.

3. Mr. Akira Watanabe is a qualified lawyer.
4. Audit & Supervisory Board Member Mr. Takao Yuhara has experience including CFO of a listed company and Audit & Supervisory Board Member Mr. Yoshitaka Murakami has experience including First Deputy Commissioner of the National Tax Agency and audit & supervisory board member of a listed company. Thus, they have considerable knowledge of finance and accounting.
5. The Company has designated Outside Directors Mr. Akira Watanabe, Mr. Yutaka Nakamura, Mr. Takumi Shibata and Mr. Kan Ishii, and Outside Audit & Supervisory Board Members Mr. Jiro Yoshino and Mr. Takao Yuhara as independent officers stipulated by Tokyo Stock Exchange, Inc. and has registered with the Stock Exchange accordingly.
6. Changes in positions and duties of Directors after the end of the fiscal year 2022 are as follows:

Name	New Positions and Duties	Former Positions and Duties	Date of Change
Shinji Takekura	Director, Executive Officer Chief of the Corporate Management Headquarters Chief of the Compliance Promotion Headquarters, Chief Legal Officer (CLO) (concurrent)	Director, Executive Officer Chief of the Corporate Management Headquarters Senior Department Manager of the Management Planning Department (concurrent) Chief of the Compliance Promotion Headquarters, Chief Legal Officer (CLO) (concurrent)	May 1, 2023

## 2. Outline of limited liability agreement

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

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

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

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

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

## 4. Retired Directors and Audit & Supervisory Board Members during the fiscal year ended March 31, 2023

Directors Mr. Shigeru Ashida and Mr. Kazuyasu Fujita retired from office at the conclusion of the 49th Ordinary General Shareholders' Meeting held on June 29, 2022, due to the expiry of their terms of office.

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

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

The Company adopted a resolution on the policy for determining the content of individual remuneration for Directors and others at the Board of Directors meeting held on June 24, 2022. In this resolution of the Board of Directors, the Board of Director consulted with the Nomination and Compensation Committee in advance on the content to be resolved, and received a report from the Committee.

Furthermore, as for individual remuneration and others for Directors for the fiscal year ended March 31, 2023, the Board of Directors has confirmed that the method for determining the content of remuneration and others and the determined content of remuneration and others are consistent with the determination policy resolved by the Board of Directors and the report from the Nomination and Compensation Committee is respected, and judged that the content reflects the policy.

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

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

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

The remuneration for Executive Directors has two components: annual performance-based remuneration, which varies according to the percentage of achievement of single fiscal year management targets, as a basis, and incentive remuneration, which is paid only when dividends are distributed to shareholders. Incentive remuneration may be paid in the form of monetary or non-monetary remuneration.

To Non-executive Directors, only the basic remuneration shall be paid as a fixed remuneration, in light of their duties.

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

#### **(b) Policy for determining the amount of monetary remuneration (annual performance-based remuneration and incentive remuneration)**

The amount of annual performance-based remuneration is determined in accordance with an evaluation based on a remuneration table, which comprehensively takes into account consolidated net sales, consolidated net income, and the degree of contribution of each Director, and is developed in light of duties and related risk for each position, in order to raise awareness of responsibility for improving performance for each fiscal year's management targets.

Changes in consolidated net sales and consolidated net income, including the fiscal year ended March 31, 2023, are shown in "Changes in Assets and Income (Loss) of the Corporate Group" (included only in the Japanese version of this document).

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

in accordance with an evaluation that comprehensively takes into account the Company's business performance and a degree of contribution of each Director. Incentive remuneration shall be paid only when the Company distributes dividends to shareholders during the fiscal year.

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

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

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

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

A rough indication for the ratio by type shall be the following composition ratio in adequate performance ratings and upon the payment of non-monetary remuneration and others.

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

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

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

Upon the payment of incentive remuneration, the annual amount shall be determined and this remuneration amount shall be paid at a certain timing.

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

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

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

The reason for delegating the authority is based on the Company's judgment that the Representative Director, President and CEO is most knowledgeable about the environment and business conditions, etc. surrounding the Group, and is able to comprehensively determine the amount of remuneration and others to Directors.

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

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

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

## (2) Total amount of remuneration and others in the fiscal year ended March 31, 2023

Category	Total amount of remuneration and others (JPY million)	Total amount of remuneration and others by type (JPY million)			Number of eligible board members (persons)
		Basic remuneration	Performance-linked remuneration and others	Non-monetary remuneration and others	
Directors (of which, Outside Directors)	142 (46)	142 (46)	– (–)	– (–)	12 (5)
Audit & Supervisory Board Members (of which, Outside Audit & Supervisory Board Members)	38 (19)	38 (19)	– (–)	– (–)	4 (2)
Total (of which, Outside Directors and Audit & Supervisory Board Members)	180 (65)	180 (65)	– (–)	– (–)	16 (7)

- Notes:
1. Among the above-mentioned figures, there includes two Directors who retired on June 29, 2022.
  2. The date of resolution at the General Shareholders' Meeting on remuneration for Directors of the Company and others is June 29, 2017. It was resolved that the amount of monetary remuneration for Directors is JPY 800 million or less per year (of which the amount of remuneration for Outside Directors is JPY 100 million or less per year, and which does not include employee salaries for Directors concurrently serving as employees), the amount of non-monetary remuneration (amount of stock options as stock-based remuneration) for Directors (excluding Outside Directors) is JPY 300 million or less per year (not including employee salaries for Directors concurrently serving as employees), and the individual remuneration amount is left to the discretion of the Board of Directors. The number of Directors related to the resolution as at the conclusion of the General Shareholders' Meeting was 11 (including three Outside Directors).
  3. It was resolved at the Ordinary General Shareholders' Meeting held on June 29, 2004, that the amount of monetary remuneration for the Company's Audit & Supervisory Board Members is JPY 60 million or less per year. The number of Audit & Supervisory Board Members related to the resolution as at the conclusion of the General Shareholders' Meeting was four.
  4. Directors' remuneration has been determined by Bunya Miyao, Representative Director, President and CEO in accordance with the policies, etc. described in (1) (f) above.

## Items Regarding Outside Officers

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

Title	Name	Significant Concurrent Positions	Relationships with the Company
Director	Akira Watanabe	Director, ASIA PILE HOLDINGS CORPORATION Outside Director, Maeda Road Construction Co., Ltd. Partner, Comm & Path Law Office Outside Director, KADOKAWA CORPORATION (Audit & Supervisory Committee Member)	There are business transaction relationships between Maeda Road Construction Co., Ltd. and the Company, however, the transactions are conducted under the same conditions as with other general companies. There are no particular relationships with the Company requiring specific mention.  In addition, there are no other relationships requiring specific mention between the Company and the other entities at which concurrent positions are held.
Director	Takumi Shibata	Representative Director, Fiducia, Inc. Outside Director, Nano Summit Co., Ltd.	There are no particular relationships with the Company requiring specific mention.
Director	Kan Ishii	Specially Appointed Professor, The Graduate School of Project Design Advisor, TERRACE MILE, Inc. Representative Director, PJC Investments Representative Director, President and CEO, Accordia Golf co., Ltd.	There are no particular relationships with the Company requiring specific mention.
Audit & Supervisory Board Member	Takao Yuhara	Outside Director, T. HASEGAWA CO., LTD.	There are no particular relationships with the Company requiring specific mention.



## 2. Key Activities in the Fiscal Year ended March 31, 2023

Title	Name	Attendance of the Board of Directors Meetings	Attendance of the Audit & Supervisory Board Meetings	Key activities and Overview of Duties in Relation to the Role Expected of Outside Directors
Director	Akira Watanabe	21/21	-	Mr. Watanabe used his specialized knowledge as an attorney at law and deep knowledge and experience in corporate management as an outside director at other companies to provide advice on the overall management of the Company and to make comments in order to ensure the reasonableness and appropriateness of decision-making by the Board of Directors as lead Outside Director. In addition, as chairman of the Nomination and Compensation Committee, he served the supervisory function in processes of nominating candidates for the Company's officer and determining board members' remuneration from an objective and neutral viewpoint.
Director	Yutaka Nakamura	21/21	-	Mr. Nakamura expressed his opinions on the overall management based on his deep experience and knowledge in the housing industry. He has fulfilled an appropriate role to ensure the reasonableness and appropriateness of decision-making by the Board of Directors particularly by providing supervision, advice, etc. on quality management and environmental management in construction work from a specialist standpoint. He also served as the chairman of the Compliance Committee and promoted the strengthening and enhancement of the Company's compliance system.
Director	Takumi Shibata	14/16	-	Mr. Shibata expressed his opinions on the overall management based on his experience in key positions at securities companies and asset management companies. He has fulfilled an appropriate role to ensure the reasonableness and appropriateness of decision-making by the Board of Directors particularly by providing advice, etc. on finance from a specialist standpoint. In addition, as a member of the Nomination and Compensation Committee, he served the supervisory function in processes of nominating candidates for the Company's officer and determining board members' remuneration from an objective and neutral viewpoint.

Title	Name	Attendance of the Board of Directors Meetings	Attendance of the Audit & Supervisory Board Meetings	Key activities and Overview of Duties in Relation to the Role Expected of Outside Directors
Director	Kan Ishii	16/16	-	Mr. Ishii expressed his opinions on the overall management based on his experience in important positions at an investment bank and an operating company, and as a Trustee Representative of Japan Airlines. He has fulfilled an appropriate role to ensure the reasonableness and appropriateness of decision-making by the Board of Directors particularly by providing advice, etc. on corporate rehabilitation from a specialist standpoint. In addition, as a member of the Nomination and Compensation Committee, he served the supervisory function in processes of nominating candidates for the Company's officer and determining board members' remuneration from an objective and neutral viewpoint.
Audit & Supervisory Board Member	Jiro Yoshino	21/21	15/15	Mr. Yoshino has abundant experience and expert knowledge as an executive officer and audit & supervisory board member of listed companies. He has objectively conducted proper supervision of the management of the Company.
Audit & Supervisory Board Member	Takao Yuhara	20/21	14/15	Mr. Yuhara has abundant experience and expert knowledge as an audit & supervisory board member of several companies after serving in positions such as that of CFO of a listed company. He has objectively conducted proper supervision of the management of the Company.

Note: The records for Outside Director Mr. Takumi Shibata and Mr. Kan Ishii cover the period since they assumed office on June 29, 2022.

#### · Outline of the Company's Response to Misconduct

As a result of detailed verification with the Ministry of the Environment and the Ministry of Economy, Trade and Industry in June 2022 regarding the disposal procedures for waste home appliances in the Leasing Business, the Company discovered that there was a violation of the Home Appliances Recycling Act in the said procedures. On March 23, 2023, the Company received an administrative recommendation from the Ministry of the Environment and the Ministry of Economy, Trade and Industry in accordance with Article 16, paragraph (1) of the said Act regarding the violation.

Outside Directors Mr. Akira Watanabe and Mr. Yutaka Nakamura were unaware of this incident until it came to light. However, they regularly made advice from the viewpoint of compliance at the Company's Board of Directors meetings and other occasions to alert on such matters. After the incident came to light, they have been working to further strengthen our compliance system, such as by investigating the facts, determining the cause, and providing advice on measures to prevent recurrence.

In addition, Outside Directors Mr. Takumi Shibata and Mr. Kan Ishii, who assumed office as Outside Directors of the Company after the incident was discovered, have

been providing advice from the viewpoint of compliance at the Company's Board of Directors meetings and other occasions to alert on such matters. In addition, they have been working to further strengthen our compliance system, such as by investigating the facts, determining the cause, and providing advice on measures to prevent recurrence.

## Status of Accounting Auditor

### 1. Name of Accounting Auditor

Grant Thornton Taiyo LLC

### 2. Amount of Remuneration and others

Segment	Amount Paid
Amount of Accounting Auditor remuneration and others in the fiscal year ended March 31, 2023	JPY 97 million
Total amount owed to Accounting Auditor by the Company and its subsidiaries in the form of cash or other financial benefit	JPY 112 million

- Notes: 1. In the audit agreement between the Company and the Accounting Auditor, the auditor remuneration pursuant to the Companies Act and the amount of auditor remuneration pursuant to the Financial Instruments and Exchange Act are not separated, and because essentially the two cannot be separated, the above amount of Accounting Auditor remuneration and others in the fiscal year ended March 31, 2023 is the total of the two.
2. Other than the Accounting Auditor remuneration for the fiscal year ended March 31, 2023, the Company paid JPY 9 million in the fiscal year ended March 31, 2023 as additional remuneration pertaining to the previous fiscal year.
3. The Audit & Supervisory Board, taking into consideration the “Practical Guidelines for Cooperation with Financial Auditors” released by the Japan Audit & Supervisory Board Members Association, carried out an investigation into the appropriateness of the audit schedule and the remuneration amount for the fiscal year ended March 31, 2023 after comparing the auditing plan of the previous fiscal year with the actual audits conducted and confirming the trends of the auditing time and the remuneration amount. As a result, the Audit & Supervisory Board gave their consent to the amount of remuneration for the Accounting Auditor in accordance with Article 399, paragraph (1) of the Companies Act.
4. Of the Company’s major subsidiaries, some of the overseas subsidiaries use the accounting audit services of certified public accountants or audit firms (including those who have equivalent certificates in foreign countries), including member firms of Grant Thornton which belong to the same network as that of the Company’s Accounting Auditor.

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

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

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

## **Corporate Structure and Policies**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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

Furthermore, the Company received an investigation report on the construction defects problem from the External Investigation Committee. Although the Company has completed or is in the process of implementing all the items of the recurrence preventive measures that were established on May 29, 2019, verifying the effectiveness of the measures and implementing the PDCA cycle is an issue.

The Compliance Committee, with an Outside Director as its chairman and as a result of a major review of the contents of deliberations and composition of the committee, has become more lively in its discussions, and it can be assessed as sufficiently fulfilling its check-and-balance functions of the Company's executive bodies. During the fiscal year ended March 31, 2023, the Compliance Committee held 12 meetings.

However, the transition to a compliance-first, self-driven organization centered on compliance coordinators in charge of promoting compliance at each business site, has not progressed, and strengthening the functions of compliance coordinators is a future issue.

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

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

During the fiscal year ended March 31, 2023, these existing systems continued to

operate and were maintained in an appropriate state, but cases in which the management of important information has been inadequate has been confirmed. In order to further strengthen the information management system, the Company will work to thoroughly inculcate the Information Management Regulations by means of training and others.

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

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

During the fiscal year ended March 31, 2023, by holding 12 meetings of the Risk Management Committee, the Company continued to operate the existing systems and conducted risk management taking into account professional insights from outside members of the Risk Management Committee.

Furthermore, while each business division identified potential risks based on the recurrence preventive measures after receiving an investigation report on the construction defects problem from the External Investigation Committee, priority has been given to incident cases based on past causes, and company-wide management of potential risks is a future issue.

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

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

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

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

During the fiscal year ended March 31, 2023, the Company held these meetings on a regular basis, and as needed, and made timely decisions through measures including participation via a telephone conference system and resolutions in writing to maintain appropriate conditions.

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

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

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

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

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

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

During the fiscal year ended March 31, 2023, an employee was assigned to assist Audit & Supervisory Board Members in the execution of their duties.

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

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

During the fiscal year ended March 31, 2023, Audit & Supervisory Board Members strengthened the effectiveness of audits by Audit & Supervisory Board Members by exchanging opinions with the President and CEO on issues to be addressed by the Company.

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

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

The systems have been constructed to evaluate internal controls by the Auditing Department, and an internal control report for the 49th fiscal term was submitted on June 29, 2022.

During the fiscal year ended March 31, 2023, the Company continued to evaluate the status of the development and operation of its internal control system.

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

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

During the fiscal year ended March 31, 2023, the Company conducted its corporate activities free from any relationships with antisocial forces.

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

The return of profits to shareholders is positioned as a key management issue for the Company. However, given the current business performance, it is with sincere regret that the Company has decided not to pay a year-end dividend for the fiscal year ended March 31, 2023.

Going forward, the Company will strive to strengthen its ownership equity by improving profitability and compensate for the deficit through recapitalization, and aims to provide shareholder returns soon.

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, 2023)

(JPY million)

<b>ASSETS</b>	
<b>Current assets</b>	<b>66,752</b>
Cash and deposits	53,560
Trade receivables	8,121
Accounts receivable for completed projects	432
Real estate for sale	273
Payment for construction in progress	159
Raw materials and supplies	775
Prepaid expenses	1,320
Other accounts receivable	710
Others	4,425
Allowance for doubtful accounts	(3,027)
<b>Non-current assets</b>	<b>99,796</b>
<b>Property, plant and equipment</b>	<b>61,364</b>
Buildings and structures	19,165
Machinery, equipment, and vehicles	6,596
Land	31,220
Leased assets	1,546
Construction in progress	119
Others	2,716
<b>Intangible fixed assets</b>	<b>2,612</b>
Others	2,612
<b>Investments and other assets</b>	<b>35,819</b>
Investment securities	5,384
Long-term loans	510
Bad debts	249
Long-term prepaid expenses	422
Deferred tax assets	25,152
Others	5,877
Allowance for doubtful accounts	(1,778)
<b>Total assets</b>	<b>166,548</b>

**CONSOLIDATED BALANCE SHEET (as of March 31, 2023) (Continued)**

(JPY million)

<b>LIABILITIES</b>	
<b>Current liabilities</b>	<b>61,724</b>
Accounts payable	2,549
Accounts payable for completed projects	34
Current portion of long-term debt	59
Lease obligations	1,155
Accounts payable—other	12,673
Accrued income taxes	451
Advances received	34,134
Customer advances for projects in progress	144
Provision for warranty obligations on completed projects	4
Provision for fulfillment of guarantees	603
Provision for losses related to repairs	6,053
Others	3,860
<b>Non-current liabilities</b>	<b>71,901</b>
Long-term debt	30,359
Lease obligations	275
Long-term advances received	6,399
Lease/guarantee deposits received	7,548
Provision for losses related to repairs	11,530
Deferred tax liabilities	13
Provision for apartment vacancy loss	3,590
Liability for retirement benefit	9,714
Others	2,470
<b>Total liabilities</b>	<b>133,625</b>
<b>NET ASSETS</b>	
<b>Shareholders' equity</b>	<b>20,128</b>
Common stock	100
Capital surplus	136,240
Retained earnings	(116,006)
Treasury stock	(205)
<b>Accumulated other comprehensive income</b>	<b>3,986</b>
Net unrealized gains on other securities	(97)
Foreign currency translation adjustments	4,117
Remeasurements of defined benefit plans	(32)
<b>Share subscription rights</b>	<b>284</b>
<b>Non-controlling interests</b>	<b>8,522</b>
<b>Total net assets</b>	<b>32,922</b>
<b>Total liabilities and net assets</b>	<b>166,548</b>

**CONSOLIDATED STATEMENT OF INCOME** (from April 1, 2022 to March 31, 2023)

(JPY million)

<b>Net sales</b>	<b>406,449</b>
Sales from Leasing Business	391,438
Sales from Other Businesses	15,011
<b>Cost of sales</b>	<b>353,163</b>
Cost of sales from Leasing Business	336,132
Cost of sales from Other Businesses	17,031
<b>Gross profit</b>	<b>53,285</b>
<b>Selling, general and administrative expenses</b>	<b>43,406</b>
<b>Operating profit</b>	<b>9,879</b>
<b>Non-operating income</b>	<b>1,210</b>
Interest income	227
Dividend income	72
Valuation gains of investment securities	129
Foreign exchange gains	386
Share of profit of entities accounted for using equity method	14
Other	380
<b>Non-operating expenses</b>	<b>4,563</b>
Interest expenses	4,370
Other	192
<b>Recurring profit</b>	<b>6,526</b>
<b>Extraordinary income</b>	<b>75</b>
Gains on sale of property, plant and equipment	29
Gain on liquidation of subsidiaries	45
<b>Extraordinary losses</b>	<b>3,754</b>
Loss on sale of property, plant and equipment	44
Loss on retirement of property, plant and equipment	181
Impairment loss	830
Loss related to repairs	2,544
Loss on sale of subsidiary stock	153
<b>Income before taxes and other adjustments</b>	<b>2,847</b>
Income taxes	702
Income taxes—deferred	(18,538)
<b>Net income</b>	<b>20,682</b>
Net income attributable to non-controlling interests	872
<b>Net income attributable to shareholders of the parent</b>	<b>19,810</b>



## **CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

**(from April 1, 2022 to March 31, 2023)**

(JPY million)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the previous year-end	100	136,345	(135,749)	(302)	392
Change in the fiscal year					
Net income attributable to shareholders of the parent			19,810		19,810
Acquisition of treasury stock				(0)	(0)
Disposal of treasury stock		(24)		97	72
Change in the scope of consolidation			(67)		(67)
Change in share of parent from transactions with non-controlling interests		(80)			(80)
Changes in items other than shareholders' equity (net)					
<b>Total change during period</b>	–	<b>(105)</b>	<b>19,743</b>	<b>97</b>	<b>19,735</b>
<b>Balance at the current year-end</b>	<b>100</b>	<b>136,240</b>	<b>(116,006)</b>	<b>(205)</b>	<b>20,128</b>

(JPY million)

	Accumulated other comprehensive income				Share subscription rights	Non-controlling interests	Total net assets
	Net unrealized gains on other securities	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total			
Balance at the previous year-end	(39)	746	(31)	675	357	9,608	11,034
Change in the fiscal year							
Net income attributable to shareholders of the parent							19,810
Acquisition of treasury stock							(0)
Disposal of treasury stock							72
Change in the scope of consolidation							(67)
Change in share of parent from transactions with non-controlling interests							(80)
Changes in items other than shareholders' equity (net)	(58)	3,371	(1)	3,311	(72)	(1,086)	2,152
<b>Total change during period</b>	<b>(58)</b>	<b>3,371</b>	<b>(1)</b>	<b>3,311</b>	<b>(72)</b>	<b>(1,086)</b>	<b>21,888</b>
<b>Balance at the current year-end</b>	<b>(97)</b>	<b>4,117</b>	<b>(32)</b>	<b>3,986</b>	<b>284</b>	<b>8,522</b>	<b>32,922</b>

# Notes to Consolidated Financial Statements

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

(1) Scope of consolidation

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

Number of consolidated subsidiaries: 13

Principal consolidated subsidiaries: Leopalace Leasing Corporation  
Plaza Guarantee Co., Ltd.  
Leopalace Power Corporation  
Leopalace Energy Corporation  
ASUKA SSI  
Leopalace21 Business Consulting (Shanghai) Co., Ltd.  
Leopalace21 Singapore Pte. Ltd.  
Azu Life Care Co., Ltd.  
Leopalace Guam Corporation  
Leopalace Smile Co., Ltd.

(b) Status of non-consolidated subsidiaries

Number of non-consolidated subsidiaries: 5

Name of principal non-consolidated subsidiary: TRUMAN HOLDING LIMITED

Reason for exclusion from scope of consolidation:

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

(2) Application of equity method

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

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

Name of non-consolidated subsidiary: TRUMAN HOLDING LIMITED

Number of affiliates accounted for by the equity method: 3

Names of affiliates: Ancora Residential Fund LP  
PT TEGUH BINA KARYA  
Leopalace Green Energy Corporation

(b) Special note on the application of equity method

With regard to companies whose fiscal-year- end is different from the consolidated balance sheets date, the financial statements of the companies as of their fiscal year-end and for their fiscal year are used in the preparation of the Company's consolidated financial statements.

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

(a) Changes in the scope of consolidation

The Company has excluded Morizou Co., Ltd. and LEOPALACE21 PHILIPPINES INC., which were consolidated subsidiaries of the Company, from the scope of consolidation from the fiscal year ended March 31, 2023 due to the sale of all of the Company's shares in these companies. The Company has excluded Leopalace21 (Thailand) CO., LTD., which was a consolidated subsidiary of the Company, from the scope of consolidation from the fiscal year ended March 31, 2023 due to its liquidation.

The Company has excluded Leopalace21 (Cambodia) Co., Ltd., which was a consolidated subsidiary of the Company, from the scope of consolidation from the fiscal year ended March 31, 2023 due to its decreased importance.

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

The Company has included Leopalace Green Energy Corporation in the scope of application of equity method from the fiscal year ended March 31, 2023 due to its new establishment during the said fiscal year.

The Company has excluded Woori & Leo PMC Co., Ltd. and Learn JP Corp. from the scope of application of equity method from the fiscal year ended March 31, 2023 due to the sale of all of the Company's shares in these companies.

(4) Fiscal year-ends of consolidated subsidiaries

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

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

(5) Summary of accounting policies

(a) Valuation bases and methods for significant assets

Securities

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

Other securities

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

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

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

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

Inventories

Real estate for sale and real estate for sale in progress

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

Payment for construction in progress

Primarily stated at cost determined by the specific identification method

#### Raw materials and supplies

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

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

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

Depreciated by the straight-line method

Useful lives of major assets are as follows:

Buildings and structures: 22–47 years

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

Depreciated by the declining-balance method

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

Useful lives of major assets are as follows:

Buildings and structures: 15–50 years

Machinery, equipment, and vehicles: 17 years

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

Property, plant and equipment of overseas subsidiaries:

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

Useful lives of major assets are as follows:

Buildings and structures: 20–40 years

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

Intangible fixed assets (except for leased assets):

Amortized by the straight-line method

Useful lives of major assets are as follows:

Software for internal use: 5 years

Leased assets:

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

Long-term prepaid expenses:

Evenly amortized mainly over the following period

Prepaid master-lease rent: 5–7 years

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

#### (c) Provision of significant allowance and provisions

Allowance for doubtful accounts

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

#### Provision for warranty obligations on completed projects

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

#### Provision for fulfillment of guarantees

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

#### Provision for losses related to repairs

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

#### Provision for apartment vacancy loss

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

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

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

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

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

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

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

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

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

- (f) Amortization and amortization period of goodwill

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

- (g) Other important matters for preparing consolidated financial statements

Accounting method for retirement benefit

- (1) Method of attributing expected retirement benefits to the period

In the calculation of retirement benefit obligations, the method of attributing expected retirement benefits to the period up to the end of the fiscal year ended March 31, 2023 is on the benefit formula basis.

- (2) Method of amortizing actuarial differences

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.

- (3) Adoption of a simplified accounting method at small enterprises, etc.

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

Interest capitalization

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

Capitalized interest included in the carrying amount of property, plant and equipment of Leopalace Guam Corporation was JPY 385 million as of March 31, 2023.

## 2. Changes in Accounting Policies

### Application of Accounting Standard for Fair Value Measurement

The Company adopted the new accounting policy stipulated by the “Guidance on Accounting Standard for Measurement of Fair Value” (ASBJ Guidance No. 31, June 17, 2021, hereinafter the “Guidance”) from the beginning of the fiscal year ended March 31, 2023. The Company determined to apply the new accounting policy prescribed by the Guidance prospectively in accordance with the transitional treatment prescribed in Section 27-2 of the Guidance. This change has no impact on the consolidated financial statements.

## 3. Changes in Presentation

### Consolidated Statement of Income

The item of employment adjustment subsidy (JPY 15 million in the fiscal year ended March 31, 2023) was separately shown under non-operating income until the previous fiscal year. Since the amount of the item became immaterial for the fiscal year ended March 31, 2023, it is included in other under non-operating income.

## 4. Notes regarding Accounting Estimates

### (1) Deferred tax assets

(a) Amount recorded in the consolidated financial statements for the fiscal year ended March 31, 2023

(JPY million)

	As of March 31, 2023
Deferred tax assets	25,152

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

Deferred tax assets are recorded for schedulable deductible temporary differences and losses carried forward for tax purposes after determining the recoverability by using the estimated taxable income based on future profitability. For the fiscal year ended March 31, 2023, the Company recorded deferred tax assets of JPY 22,061 million.

Although the Company has losses carried forward for tax purposes in the fiscal year ended March 31, 2023, deferred tax assets have been recorded because the business structure has become one that ensures stable profits through the contractual adjustment of master-lease rent and other measures, and future taxable income before taxable or deductible temporary differences is expected.

The estimate of taxable income is made in a basis of future business plans, and the significant assumptions used for the estimate include the number of rental agreements and contract unit prices. The estimate is also made based on the assumption that it is possible to maintain certain unit prices even as the age of the properties supplied increases.

Recoverability of deferred tax assets depends on the estimated future taxable income. As a result, if conditions or assumptions used as the premise of these estimates are changed, the amount of deferred tax assets may vary in the consolidated financial statements for the fiscal year ending March 31, 2024.

(2) Provision for losses related to repairs

(a) Amounts recorded in the consolidated financial statements for the fiscal year ended March 31, 2023

(JPY million)

	As of March 31, 2023
Provision for losses related to repairs (Current liabilities)	6,053
Provision for losses related to repairs (Non-current liabilities)	11,530
Total	17,583

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

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

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

All important defects recognized at present are subject to recording of provision, and the Company considers that there is no important defect for which additional provision will be required in the future.

The specific calculation method is as follows:

a. Repair work expenses

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

b. Expenses for relocation and others

For properties managed by the Company, the expenses are calculated by multiplying the number of properties from which relocation is expected to be required due to repair work by actual unit price of relocation expenses and others.

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

If conditions or assumptions used as the premise of these estimates are changed, the amount of provision recorded may vary in the consolidated financial statements for the fiscal year ending March 31, 2024.

(3) Provision for apartment vacancy loss

(a) Amounts recorded in the consolidated financial statements for the fiscal year ended March 31, 2023

(JPY million)

	As of March 31, 2023
Provision for apartment vacancy loss	3,590



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

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

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

For expected future occupancy rates, an estimate is made in light of circumstances around the property and demand.

If conditions or assumptions used as the premise of these estimates are changed, the amount of provision recorded may vary in the consolidated financial statements for the fiscal year ending March 31, 2024.

## 5. Notes to Consolidated Balance Sheets

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

#### (a) Assets pledged as collateral

Cash and deposits	JPY 86 million
Real estate for sale	JPY 38 million
Others (Current assets)	JPY 275 million
Buildings and structures	JPY 4,321 million
Machinery, equipment, and vehicles	JPY 0 million
Land	JPY 24,137 million
Others (Intangible fixed assets)	JPY 1,096 million
Investment securities	JPY 2,231 million
Others (Investments and other assets)	JPY 107 million
Total	JPY 32,295 million

#### (b) Secured liabilities

Current portion of long-term debt	JPY 59 million
Long-term debt	JPY 30,359 million

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

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

Deposit for housing construction warranty	JPY 771 million
Advanced payment certificate in accordance with Payment Services Act	JPY 332 million
Deposit for operation stipulated in Building Lots and Buildings Transaction Business Act	JPY 70 million
Deposit for operation stipulated in Insurance Business Act	JPY 200 million
Deposit for housing defect warranty	JPY 105 million

(2) Accumulated depreciation of property, plant and equipment JPY 90,757 million

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

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

### (4) Guarantee obligations

Guarantee obligations for financial institutions for customers who have a housing loan	JPY 240 million
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## 6. Notes to Consolidated Statements of Changes in Net Assets

### (1) Number of issued shares

Class of shares	April 1, 2022	Increase	Decrease	March 31, 2023
Common stock	329,389,515 shares	–	–	329,389,515 shares

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

Class of shares	April 1, 2022	Increase	Decrease	March 31, 2023
Common stock	493,610 shares	1 share	158,400 shares	335,211 shares

- Notes: 1. The increase of one share in the number of treasury stock of common stock is the result of the purchase of odd-lot shares.  
2. The decrease of 158,400 shares in the number of treasury stock of common stock is the result of the exercise of share subscription rights.

### (3) Dividends of surplus

#### (a) Cash dividends paid

Not applicable.

#### (b) Dividend payments whose record date is in the fiscal year ended March 31, 2023 but whose effective date is in the following fiscal year

Not applicable.

### (4) Share subscription rights as of March 31, 2023

Class of shares subject to share subscription rights	Common stock
Number of shares subject to share subscription rights	159,899,500 shares
Unexercised share subscription rights	JPY 284 million

## 7. Financial Instruments

### (1) Status of financial instruments

#### (a) Policy for financial instruments

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

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

Operating receivables and loans outstanding are exposed to credit risks of customers. Foreign currency denominated debts and credits originated in conjunction with overseas business development are exposed to exchange risk.

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

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

Borrowings and lease obligations related to finance lease transactions are for the funding mainly for repair works and investment in facilities, respectively, and the longest repayment date is 4 years and 9 months subsequent to fiscal year-end.

There are no derivatives transaction balances remaining as of the end of the fiscal year ended March 31, 2023.

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

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

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

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

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

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

(2) Fair value of financial instruments

The carrying amount on the consolidated balance sheets and fair value of financial instruments as of March 31, 2023 as well as the difference between these values are shown below.

(JPY million)

	Carrying amount	Fair value	Difference
(1) Investment securities (*2)	1,915	1,915	(0)
(2) Long-term loans	510		
Allowance for doubtful accounts (*3)	(112)		
	398	419	20
(3) Bad debts	249		
Allowance for doubtful accounts (*3)	(249)		
	—	—	—
<b>Total assets</b>	<b>2,314</b>	<b>2,335</b>	<b>20</b>
(1) Long-term debt (*4)	30,418	29,586	(831)
(2) Lease obligations	1,431	1,441	10
<b>Total liabilities</b>	<b>31,849</b>	<b>31,028</b>	<b>(820)</b>

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

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

(JPY million)

Item	As of March 31, 2023
Unlisted shares	1,695
Shares of non-consolidated subsidiaries and affiliates	1,653
Investments in silent partnerships	119
<b>Total</b>	<b>3,468</b>

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

(\*4) As of March 31, 2023, current portion of long-term debt of JPY 59 million is included in long-term debt.

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

(JPY million)

	Due within 1 year	Due after 1 year through 5 years	Due after 5 years through 10 years	Due after 10 years
Cash and deposits	53,560			
Trade receivables	8,121			
Investment securities				
Held-to-maturity debt securities		100	200	
Other securities with maturities		36	–	1,676
Long-term loans	19	50	8	432
Bad debts	–	–	–	249
<b>Total</b>	<b>61,701</b>	<b>186</b>	<b>208</b>	<b>2,358</b>

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

(JPY million)

	Due within 1 year	Due after 1 year through 5 years	Due after 5 years through 10 years	Due after 10 years
Long-term debt	59	30,359	–	–
Lease obligations	1,155	275	–	–
<b>Total</b>	<b>1,215</b>	<b>30,634</b>	<b>–</b>	<b>–</b>

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

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

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

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

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

(JPY million)

Item	Fair value			
	Level 1	Level 2	Level 3	Total
Investment securities				
Other securities				
Government and municipal bonds	35	–	–	35
Bonds (corporate bonds)	–	778	–	778
Others	–	800	–	800
Total assets	35	1,579	–	1,615

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

(JPY million)

Item	Fair value			
	Level 1	Level 2	Level 3	Total
Investment securities				
Held-to-maturity debt securities				
Government and municipal bonds	300	–	–	300
Long-term loans	–	419	–	419
Total assets	300	419	–	720
Long-term debt	–	29,586	–	29,586
Lease obligations	–	1,441	–	1,441
Total liabilities	–	31,028	–	31,028

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

Investment securities

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

Long-term loans

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

Long-term debt and lease obligations

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

## 8. Rental Properties

The Company possesses rental apartments in major cities and regional cities throughout Japan. Also, some consolidated subsidiaries possess rental housing and buildings for rent. For the fiscal year ended March 31, 2023, income arising from these rental properties was JPY 516 million. Also, the changes in the carrying amount on the consolidated balance sheets of rental properties during the fiscal year ended March 31, 2023, and the fair value as of the said date were as follows:

(JPY million)

Carrying amount			Fair value as of March 31, 2023
Balance as of April 1, 2022	Increase/decrease	Balance as of March 31, 2023	
6,920	(838)	6,082	8,811

- Notes: 1. The carrying amount on the consolidated balance sheets is the amount after deducting accumulated depreciation and accumulated impairment loss from acquisition cost.
2. The main decrease for the fiscal year ended March 31, 2023 was sale of buildings for rent of JPY 817 million.
3. Fair value as of the end of the fiscal year ended March 31, 2023 is calculated by the Company mainly based on "Real-estate appraisal standards."



## 9. Revenue Recognition

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

(JPY million)

	Reportable segments				Adjustments	Amount stated in consolidated financial statements
	Leasing Business	Elderly Care Business	Other Businesses	Total		
Net sales						
Rent income	299,494	–	–	299,494	–	299,494
Ancillary service income	44,762	–	–	44,762	–	44,762
Maintenance	35,761	–	–	35,761	–	35,761
Rental guarantee	4,295	–	–	4,295	–	4,295
Company housing agency fee	837	–	–	837	–	837
Roof lease solar power generation	2,717	–	–	2,717	–	2,717
Construction subcontracting	1,222	–	–	1,222	–	1,222
Other	381	13,941	1,069	15,392	–	15,392
Revenue from contracts with customers	389,471	13,941	1,069	404,482	–	404,482
Furniture insurance	1,966	–	–	1,966	–	1,966
Other revenue	1,966	–	–	1,966	–	1,966
Sales to customers	391,438	13,941	1,069	406,449	–	406,449

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

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

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

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

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

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

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

(3) Information for understanding amounts of revenue for the fiscal year ended March 31, 2023 and the next fiscal year onward

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

(JPY million)

	As of March 31, 2023
Receivables from contracts with customers (beginning balance)	8,618
Receivables from contracts with customers (ending balance)	8,121
Contract assets (beginning balance)	443
Contract assets (ending balance)	432
Contract liabilities (beginning balance)	39,153
Contract liabilities (ending balance)	40,678

Receivables from contracts with customers are included in “Trade receivables,” contract assets are included in “Accounts receivable for completed projects” and contract liabilities are included in “Advances received,” “Customer advances for projects in progress,” and “Long-term advances received” in the consolidated financial statements.

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

Revenue recognized in the fiscal year ended March 31, 2023 included in the balance of contract liabilities at the beginning of the fiscal year was JPY 30,929 million.

(b) Transaction price allocated to remaining performance obligations

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

(JPY million)

	As of March 31, 2023
Within 1 year	302,235
After 1 year	133,798
Total	436,034

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

## 10. Per Share Information

Net assets per share	JPY 73.29
Net income per share	JPY 60.22

## 11. Other Notes

Business combinations, etc.

Transaction under common control, etc.

Based on the resolution of the Board of Directors meeting held on August 26, 2022, the Company implemented an absorption-type company split in which 40 facilities, excluding 22 fee-based nursing homes, of its Elderly Care Business were transferred to its wholly owned subsidiary, Azu Life Care Co., Ltd.

### 1. Overview of the transaction

#### (1) Name and description of the subject business

Name of business: Elderly Care Business

Description of business: Nursing care business

#### (2) Date of business combination

November 1, 2022

#### (3) Legal form of business combination

Absorption-type company split, with the Company as the splitting company and Azu Life Care Co., Ltd. as the succeeding company.

#### (4) Name of company following the combination

Azu Life Care Co., Ltd.

#### (5) Other matters related to the overview of the transaction

##### (a) Purpose of the transaction

In the environment surrounding the nursing care industry, the number of people requiring nursing care is increasing due to the super aging society, and the related market is expanding. On the other hand, combined with the increase in the number of facilities and the difficulty in recruiting caregivers, competition among companies in the industry is intensifying. In this environment, the purpose of the transaction is to establish a flexible organizational structure to provide better services to customers in a timely manner by integrating businesses and accelerating decision-making.

##### (b) Details of allocation of shares in the split

Since the absorption-type company split was conducted between the Company and its wholly owned subsidiary, no shares or other consideration were allocated or otherwise delivered upon the absorption-type company split.

### 2. Overview of accounting procedures performed

In accordance with the "Accounting Standard for Business Combination" and the "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures," the transaction was treated as a transaction under common control.

## 12. Subsequent Events

The Board of Directors has decided on May 12, 2023 to submit a proposal on capital reserve reduction and appropriation of other capital surplus to the 50th Ordinary General Shareholders' Meeting which is scheduled for June 29, 2023.

### (1) Purpose of capital reserve reduction and appropriation of other capital surplus

The Company has come to record a deficit of JPY 106,847,975,571 in retained earnings carried forward at the end of the fiscal year ended March 31, 2023.

The Company therefore intends to eliminate the deficit in retained earnings carried forward by reducing the amount of capital reserve and appropriating other capital surplus as described below, as well as to ensure a flexible and agile capital policy going forward and a structure that will enable the Company to resume dividend payments as soon as possible.

### (2) Details of capital reserve reduction

Capital reserve of JPY 51,235,265,165 will be reduced by JPY 41,235,265,165 and the same amount will be transferred to other capital surplus and the amount of capital reserve after reduction will be JPY 10,000,000,000 in accordance with Article 448, Paragraph 1 of the Companies Act.

\* If the stock acquisition rights issued by the Company are exercised by the effective date, the amount of capital reserve increased by such exercise will not be subject to reduction, and the amount of capital reserve after the reduction may not be the said amount.

### (3) Details of appropriation of other capital surplus

Subject to the condition that the capital reserve reduction in item (2) above becomes effective, JPY 106,847,975,571 of other capital surplus after the transfer in accordance with item (2) above will be reduced and transferred to retained earnings carried forward to compensate for the deficit, pursuant to Article 452 of the Companies Act. As a result, the amount of retained earnings carried forward after the transfer based on March 31, 2023 will be JPY 0.

#### (a) Accounting item and amount of surplus to be reduced

Other capital surplus	JPY 106,847,975,571
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#### (b) Accounting item and amount of surplus to be increased

Retained earnings carried forward	JPY 106,847,975,571
-----------------------------------	---------------------

### (4) Schedule for capital reserve reduction and appropriation of other capital surplus

- |                             |  |
|-----------------------------|--|
| (a) May 12, 2023            | Date of approval at the Board of Directors                       |
| (b) June 26, 2023 (planned) | Final date for creditors to file objections                      |
| (c) June 29, 2023 (planned) | Date of resolution at the Ordinary General Shareholders' Meeting |
| (d) June 29, 2023 (planned) | Effective date   |

### (5) Outlook

These transactions are accounting transfers within the net assets section, and consequently, the Company's net assets will remain unchanged and will not affect business results. The matter is subject to approval at the 50th Ordinary General Shareholders' Meeting to be held on June 29, 2023.

## NON-CONSOLIDATED FINANCIAL STATEMENTS

### NON-CONSOLIDATED BALANCE SHEET (as of March 31, 2023)

(JPY million)

<b>ASSETS</b>	
<b>Current assets</b>	<b>63,354</b>
Cash and deposits	47,857
Trade receivables	7,174
Accounts receivable for completed projects	432
Payment for construction in progress	159
Supplies	704
Prepaid expenses	1,279
Other accounts receivable	369
Deposits paid	2,377
Short-term loans receivable from subsidiaries and affiliates	2,540
Others	634
Allowance for doubtful accounts	(174)
<b>Non-current assets</b>	<b>90,258</b>
<b>Property, plant and equipment</b>	<b>30,433</b>
Buildings	3,719
Structures	50
Machinery and equipment	0
Tools, furniture and fixtures	125
Land	22,505
Leased assets	4,015
Construction in progress	15
<b>Intangible fixed assets</b>	<b>1,523</b>
Software	983
Others	539
<b>Investments and other assets</b>	<b>58,301</b>
Investment securities	3,429
Shares in subsidiaries and affiliates	23,829
Long-term loans	510
Long-term loans receivable from subsidiaries and affiliates	4,774
Bad debts	247
Long-term prepaid expenses	419
Deferred tax assets	22,061
Others	3,426
Allowance for doubtful accounts	(397)
<b>Total assets</b>	<b>153,612</b>

**NON-CONSOLIDATED BALANCE SHEET (as of March 31, 2023) (Continued)**

(JPY million)

<b>LIABILITIES</b>	
<b>Current liabilities</b>	<b>58,857</b>
Accounts payable	2,519
Accounts payable for completed projects	34
Lease obligations	2,604
Accounts payable—other	11,677
Accrued income taxes	127
Advances received	31,777
Customer advances for projects in progress	144
Deposits received	2,838
Provision for warranty obligations on completed projects	4
Provision for losses related to repairs	6,053
Others	1,076
<b>Non-current liabilities</b>	<b>70,300</b>
Long-term debt	30,000
Lease obligations	1,422
Long-term advances received	6,399
Lease/guarantee deposits received	7,528
Retirement benefit reserves	8,788
Provision for losses related to repairs	11,530
Provision for apartment vacancy loss	3,590
Others	1,040
<b>Total liabilities</b>	<b>129,158</b>
<b>NET ASSETS</b>	
<b>Shareholders' equity</b>	<b>24,267</b>
Common stock	100
Capital surplus	131,221
Capital reserve	51,235
Other capital surplus	79,986
Retained earnings	(106,847)
Other retained earnings	(106,847)
Retained earnings carried forward	(106,847)
Treasury stock	(205)
<b>Valuation and translation adjustments</b>	<b>(97)</b>
Net unrealized gains on other securities	(97)
<b>Share subscription rights</b>	<b>284</b>
<b>Total net assets</b>	<b>24,454</b>
<b>Total liabilities and net assets</b>	<b>153,612</b>

**NON-CONSOLIDATED STATEMENT OF INCOME****(from April 1, 2022 to March 31, 2023)**

(JPY million)

<b>Net sales</b>	<b>391,259</b>
Sales from Leasing Business	383,550
Sales from Other Businesses	7,708
<b>Cost of sales</b>	<b>341,316</b>
Cost of sales from Leasing Business	333,514
Cost of sales from Other Businesses	7,801
<b>Gross profit</b>	<b>49,942</b>
<b>Selling, general and administrative expenses</b>	<b>38,687</b>
<b>Operating profit</b>	<b>11,254</b>
<b>Non-operating income</b>	<b>2,515</b>
Interest and dividend income	1,518
Valuation gains of investment securities	129
Other	866
<b>Non-operating expenses</b>	<b>4,648</b>
Interest expenses	4,531
Other	117
<b>Recurring profit</b>	<b>9,121</b>
<b>Extraordinary income</b>	<b>73</b>
Gains on sale of property, plant and equipment	27
Gain on liquidation of subsidiaries	45
<b>Extraordinary losses</b>	<b>4,294</b>
Loss on sale of property, plant and equipment	42
Loss on retirement of property, plant and equipment	171
Impairment loss	382
Loss related to repairs	2,544
Provision of allowance for doubtful accounts	810
Loss on sale of subsidiary stock	225
Loss on valuation of shares in subsidiaries	62
Loss on devaluation of stock of shares of subsidiaries and affiliates	55
<b>Income before income taxes</b>	<b>4,900</b>
Income taxes	127
Income taxes—deferred	(17,921)
<b>Net income</b>	<b>22,695</b>

## NON-CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(from April 1, 2022 to March 31, 2023)

(JPY million)

	Shareholders' equity							
	Common stock	Capital surplus			Retained earnings		Treasury stock	Total shareholders' equity
		Capital reserve	Other capital surplus	Total capital surplus	Other retained earnings	Total retained earnings		
Balance at the previous year-end	100	51,235	81,171	132,406	(129,543)	(129,543)	(302)	2,660
Change in the fiscal year								
Net income					22,695	22,695		22,695
Acquisition of treasury stock							(0)	(0)
Disposal of treasury stock			(24)	(24)			97	72
Decrease by corporate division - split-off type			(1,160)	(1,160)				(1,160)
Changes in items other than shareholders' equity (net)								
<b>Total change during period</b>	<b>-</b>	<b>-</b>	<b>(1,185)</b>	<b>(1,185)</b>	<b>22,695</b>	<b>22,695</b>	<b>97</b>	<b>21,607</b>
<b>Balance at the current year-end</b>	<b>100</b>	<b>51,235</b>	<b>79,986</b>	<b>131,221</b>	<b>(106,847)</b>	<b>(106,847)</b>	<b>(205)</b>	<b>24,267</b>

(JPY million)

	Valuation and translation adjustments		Share subscription rights	Total net assets
	Net unrealized gains on other securities	Total valuation and translation adjustments		
Balance at the previous year-end	(39)	(39)	357	2,979
Change in the fiscal year				
Net income				22,695
Acquisition of treasury stock				(0)
Disposal of treasury stock				72
Decrease by corporate division - split-off type				(1,160)
Changes in items other than shareholders' equity (net)	(58)	(58)	(72)	(131)
<b>Total change during period</b>	<b>(58)</b>	<b>(58)</b>	<b>(72)</b>	<b>21,475</b>
<b>Balance at the current year-end</b>	<b>(97)</b>	<b>(97)</b>	<b>284</b>	<b>24,454</b>



# Notes to Non-consolidated Financial Statements

## 1. Significant Accounting Policies

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

#### Securities

##### Shares of subsidiaries and affiliates

Stated at cost determined by the moving-average method

##### Other securities

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

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

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

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

#### Inventories

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

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

##### Payment for construction in progress

Primarily stated at cost determined by the specific identification method

##### Supplies

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

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

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

Depreciated by the straight-line method

Useful lives of major assets are as follows:

Buildings: 22–47 years

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

Depreciated by the declining-balance method

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

Useful lives of major assets are as follows:

Buildings: 15–50 years

Tools, furniture and fixtures: 5–10 years

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

Amortized by the straight-line method

Useful lives of major assets are as follows:

Software for internal use: 5 years

Leased assets:

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

Long-term prepaid expenses:

Evenly amortized mainly over the following period

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

(3) Provision of allowance and provisions

Allowance for doubtful accounts

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

Provision for warranty obligations on completed projects

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

Retirement benefit reserves

To prepare for employees' retirement benefits, retirement benefit reserves are provided based on the estimated amount of retirement benefit obligations at the end of the fiscal year ended March 31, 2023.

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 fiscal year of the respective accruals.

Provision for losses related to repairs

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

Provision for apartment vacancy loss

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

(4) Recognition of revenues and costs

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

Details of major performance obligations in major businesses of the Company related to revenue from contracts with customers, and the timing the performance obligations are typically satisfied (when revenue is typically recognized), are as follows.

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

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

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

The consideration for transactions related to the Leasing Business is received in accordance with the terms of the contract and generally prior to the satisfaction of performance obligations, and the amount of the consideration does not include important financial components.

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

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

## **2. Changes in Accounting Policies**

### **Application of Accounting Standard for Fair Value Measurement**

The Company adopted the new accounting policy stipulated by the "Guidance on Accounting Standard for Measurement of Fair Value" (ASBJ Guidance No. 31, June 17, 2021, hereinafter the "Guidance") from the beginning of the fiscal year ended March 31, 2023. The Company determined to apply the new accounting policy prescribed by the Guidance prospectively in accordance with the transitional treatment prescribed in Section 27-2 of the Guidance. This change has no impact on the non-consolidated financial statements.

### 3. Notes regarding Accounting Estimates

(1) Deferred tax assets

- (a) Amount recorded in the non-consolidated financial statements for the fiscal year ended March 31, 2023

(JPY million)

	As of March 31, 2023
Deferred tax assets	22,061

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

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

Although the Company has losses carried forward for tax purposes in the fiscal year ended March 31, 2023, deferred tax assets have been recorded because the business structure has become one that ensures stable profits through the contractual adjustment of master-lease rent and other measures, and future taxable income before taxable or deductible temporary differences is expected.

The estimate of taxable income is made in a basis of future business plans, and the significant assumptions used for the estimate include the number of rental agreements and contract unit prices. The estimate is also made based on the assumption that it is possible to maintain certain unit prices even as the age of the properties supplied increases.

Recoverability of deferred tax assets depends on the estimated future taxable income. As a result, if conditions or assumptions used as the premise of these estimates are changed, the amount of deferred tax assets may vary in the non-consolidated financial statements for the fiscal year ending March 31, 2024.

(2) Provision for losses related to repairs

- (a) Amount recorded in the non-consolidated financial statements for the fiscal year ended March 31, 2023

(JPY million)

	As of March 31, 2023
Provision for losses related to repairs (Current liabilities)	6,053
Provision for losses related to repairs (Non-current liabilities)	11,530
Total	17,583

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

Information has been omitted because it has been provided in "Notes to Consolidated Financial Statements, 4. Notes regarding Accounting Estimates, (2)."

(3) Provision for apartment vacancy loss

- (a) Amount recorded in the non-consolidated financial statements for the fiscal year ended March 31, 2023

(JPY million)

	As of March 31, 2023
Provision for apartment vacancy loss	3,590

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

Information has been omitted because it has been provided in "Notes to Consolidated Financial Statements, 4. Notes regarding Accounting Estimates, (3)."

#### 4. Notes to Non-consolidated Balance Sheets

(1) Assets pledged as collateral and secured liabilities

(a) Assets pledged as collateral

Cash and deposits	JPY 86 million
Deposits paid	JPY 275 million
Short-term loans receivable from subsidiaries and affiliates	JPY 2,506 million
Others (Current assets)	JPY 38 million
Buildings	JPY 3,521 million
Structures	JPY 41 million
Machinery and equipment	JPY 0 million
Land	JPY 22,398 million
Others (Intangible fixed assets)	JPY 321 million
Investment securities	JPY 2,231 million
Stocks of subsidiaries and affiliates	JPY 476 million
Long-term loans receivable from subsidiaries and affiliates	JPY 4,774 million
Total	JPY 36,674 million

(b) Secured liabilities

Long-term loans JPY 30,000 million

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

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

Deposit for housing construction warranty	JPY 771 million
Advanced payment certificate in accordance with Payment Services Act	JPY 332 million
Deposit for operation stipulated in Building Lots and Buildings Transaction Business Act	JPY 35 million
Deposit for housing defect warranty	JPY 105 million

(2) Accumulated depreciation of property, plant and equipment JPY 44,177 million

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

Tools, furniture and fixtures JPY 18 million

(4) Guarantee obligation

Guarantee obligation for financial institutions for customers who have a housing loan JPY 240 million

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

Short-term monetary claims	JPY 1,716 million
Short-term monetary liabilities	JPY 2,607 million
Long-term monetary liabilities	JPY 1,154 million

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

Transactions with subsidiaries and affiliates

Sales to subsidiaries and affiliates	JPY 3,326 million
Purchases from subsidiaries and affiliates	JPY 1,287 million
Non-operating transactions	JPY 570 million

## 6. Notes to Non-consolidated Statements of Changes in Net Assets

Number of shares of treasury stock

Class of shares	April 1, 2022	Increase	Decrease	March 31, 2023
Common stock	493,610 shares	1 share	158,400 shares	335,211 shares

- Notes: 1. The increase of one share in the number of treasury stock of common stock is the result of the purchase of odd-lot shares.  
2. The decrease of 158,400 shares in the number of treasury stock of common stock is the result of the exercise of share subscription rights.

## 7. Tax Effect Accounting

Significant components of deferred tax assets and liabilities

(JPY million)

### Deferred tax assets:

Loss carried forward for tax purposes	46,303
Provision for losses related to repairs	6,081
Loss on devaluation of stock of shares of subsidiaries and affiliates	3,146
Retirement benefit reserves	3,040
Impairment loss	1,394
Provision for apartment vacancy loss	1,241
Accrued bonuses	575
Advances from customers	304
Deposits received	147
Software	131
Asset retirement obligations	109
Accounts payable—other	68
Others	350
<hr/> Sub-total	<hr/> 62,895
Valuation allowance for losses carried forward for tax purposes	(34,872)
Valuation allowance for total deductible temporary difference and others	(5,944)
<hr/> Sub-total	<hr/> (40,817)
<hr/> Total deferred tax assets	<hr/> 22,078

### Deferred tax liabilities:

Fixed asset retirement expenses	(2)
Adjustment of gain/loss on transfer (buildings)	(14)
<hr/> Total deferred tax liabilities	<hr/> (17)
<hr/> Net deferred tax assets	<hr/> 22,061

## 8. Revenue Recognition

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

## 9. Related Party Transactions

### (1) Affiliates and others

Attribute	Name	Percentage of share ownership	Relation	Transaction	Transaction amount (JPY million)	Account	Balance as of March 31, 2023 (JPY million)
Subsidiary	Leopalace Leasing Corporation	Directly owning 100.0%	Financing support	Lending of funds (Note)1	1,007	Short-term loans receivable from subsidiaries and affiliates	2,166
				Collection of funds (Note)1	2,929		
				Receipt of interest (Note)1	77		
			Leasing of fixtures equipped with company-managed properties	Acquisition of leased assets (Note)2	240	Lease obligations (Short-term)	1,593
				Repayment of lease obligations (Note)2	2,351		
				Payment of interest (Note)2	144		
Subsidiary	Plaza Guarantee Co., Ltd.	Directly owning 100.0%	Guarantee of rental income receivables	Acceptance of subrogated payments	5,445	Trade receivables	1,153
Subsidiary	Azu Life Care Co., Ltd.	Directly owning 100.0%	Financing support	Receipt of interest (Note)1	50	Short-term loans receivable from subsidiaries and affiliates	340
				Long-term loans receivable from subsidiaries and affiliates	2,210		
Succession by absorption-type company split (Note)3	Succeeded assets	1,896	Succeeded liabilities	736	-	-	

- Notes: 1. As for lending of funds, we reasonably determine interest rates taking into consideration market interest rates.
2. Transaction prices of lease transactions are determined in accordance with price negotiating that gives consideration to market prices and others.
3. Details regarding the absorption-type company split are described in “Notes to Consolidated Financial Statements, 11. Other Notes, Business combinations, etc.”
4. Consumption taxes were not included in the transaction amount above.

### (2) Officers, principal individual shareholders, and others

Attribute	Name	Percentage of share ownership	Relation	Business description or occupation	Transaction	Transaction amount (JPY million)	Account	Balance as of March 31, 2023 (JPY million)
Officer of a subsidiary	Masamichi Soma	-	Land and building lease	Director of a subsidiary	Apartment lease	14	-	-

- Notes: 1. Mr. Masamichi Soma is a Director of the Company’s consolidated subsidiary, Azu Life Care Co., Ltd.
2. The lease price of land and buildings is based on the same terms and conditions as those applied to other parties not related to the Company.
3. Consumption taxes were not included in the transaction amount above.

## **10. Per Share Information**

Net assets per share	JPY 73.45
Net income per share	JPY 68.98

## **11. Subsequent Events**

Information has been omitted because it has been provided in “Notes to Consolidated Financial Statements, 12. Subsequent Events.”

## **12. Matters Regarding Company Subject to Consolidated Dividend Regulations**

Not applicable.