Leopalace21

Integrated Report 2022

For the fiscal year ended March 31, 2022

Leopalace21 Aims To Realize Our Long-Term Vision by Re-Examining the Purpose, or Our Raison d'Être and by Taking Action Every Day While Embracing Our Corporate Philosophy

Our Purpose

Create new value and provide better living solutions based on the theme of housing

Corporate Philosophy

Creating New Value

Two Major Challenges Business

1

Provide housing for the increasing number of foreign nationals

Editorial Policy

This report is published as an integrated report. The purpose of this report is to enable management to communicate its message to all our stakeholders. We seek to present our management strategy, priority measures, an overview of business conditions, etc. as well as inform readers about our sustainability initiatives. This report covers the fiscal year from April 1, 2021 through March 31, 2022 (fiscal year 2021). The scope is Leopalace21 Corporation (the "Company") and its consolidated subsidiaries in Japan and overseas. Our aim is to publish to the extent possible the latest information available as of the publication date. With the aim of promoting deeper reader comprehension, the report includes macro-economic data relating to our businesses, and the "Data Compilation" section enables readers to understand trends to date. We take care to explain what we present in ways that are readily understandable so that the report serves as an effective communication tool that reaches our many stakeholders.

In this report, we focus on explaining the strengths in managing approximately 560,000 apartment units nationwide and the social challenges we hope to solve by leveraging those strengths. We hope this report helps readers gain a better understanding of the Company.

to be Solved Through
Activities

Long-Term
Vision

2

Environmental initiatives
(Toward carbon neutrality)

Ensure competitive advantage in our business, with the provision of rental housing as social infrastructure at its core, and achieve sustainable growth along with stakeholders

Reference Guidelines
- VRF International Integrated Reporting Framework
- ISO 26000
- GRI Standards

Forward-Looking Statements
Statements made in this integrated report with respect to Leopalace21 current plans, strategies, and future performance that are not historical facts are forward-looking statements involving risks and uncertainties. Leopalace21 cautions that a number of factors could cause actual results to differ materially from such statements due to a number of factors including, but not limited to, general economic conditions in Leopalace21's markets; demand for, and competitive pricing pressure on, Leopalace21's products and services in the marketplace; Leopalace21's ability to continue to win acceptance for its products and services in these highly competitive markets; and movements of currency exchange rates.

To Our Stakeholders

We are celebrating our 50th anniversary from August of this year, and I would like to take this opportunity to thank all of our stakeholders for their support.

Since our founding, our corporate philosophy has been "creating new value," and we have combined various technologies in our studio type apartments in pursuit of providing comfortable housing so that we can remain a leader in our industry. As a result, we have developed a social infrastructure consisting of about 560,000 apartment units under management together with over 26,000 property owners, which are used as dormitories and corporate housing by about 80% of the listed companies in Japan.

Our business performance deteriorated after the construction defects problem came to light in 2018, then again in fiscal year 2020 when the COVID-19 pandemic broke out, and by the end of fiscal year 2020, we fell into excessive liabilities per the Tokyo Stock Exchange definition. However, by steadily implementing fundamental structural reforms, we were able to record positive net income for the first time in four fiscal years in fiscal year 2021, and recorded net assets per the Tokyo Stock Exchange within one year.

Now that our business performance has recovered and we have reached a new stage, we plan to shift our focus to sustainability management in order to enhance our corporate value over the medium- to long-term, while asking ourselves what we must do to grow into a company that is needed by society. In addition, I believe it is important to instill this mindset not only to our management team, but also among all officers and employees.

To this end, we must engage in dialogue with all of our stakeholders, and I sincerely hope that this integrated report will serve as a conversation starter.

I would like to ask for your continued understanding and support of our company's management.

President and CEO

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Our Journey in Value Creation

Leopalace21 has pioneered a variety of industry-first initiatives to provide new value to society

Ever since its establishment in 1973, Leopalace21 has pioneered numerous industry-first initiatives and addressed a variety of housing-related challenges and needs.

1985

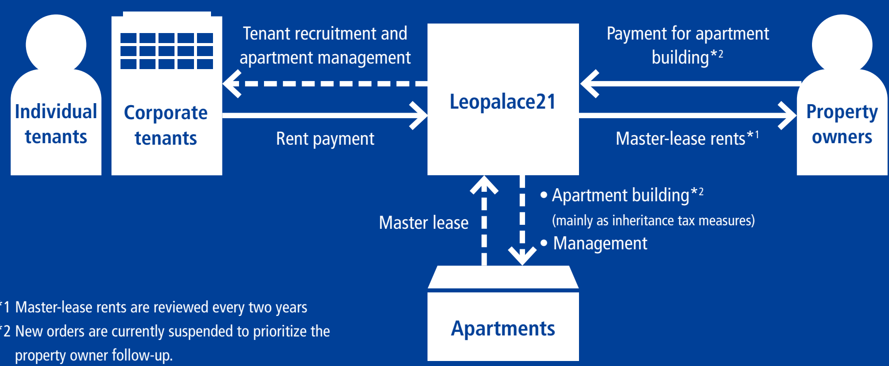
▪ Challenge/needs
Comfortable lifestyles

▪ Value provided
Introduced Leopalace21 urban-type apartments

1995

▪ Challenge/needs
Securely managed apartments

▪ Value provided
Established and launched an industry-first master lease system to pay rents for all units in apartments for up to 30 years
(before 1995, it was two to ten years)

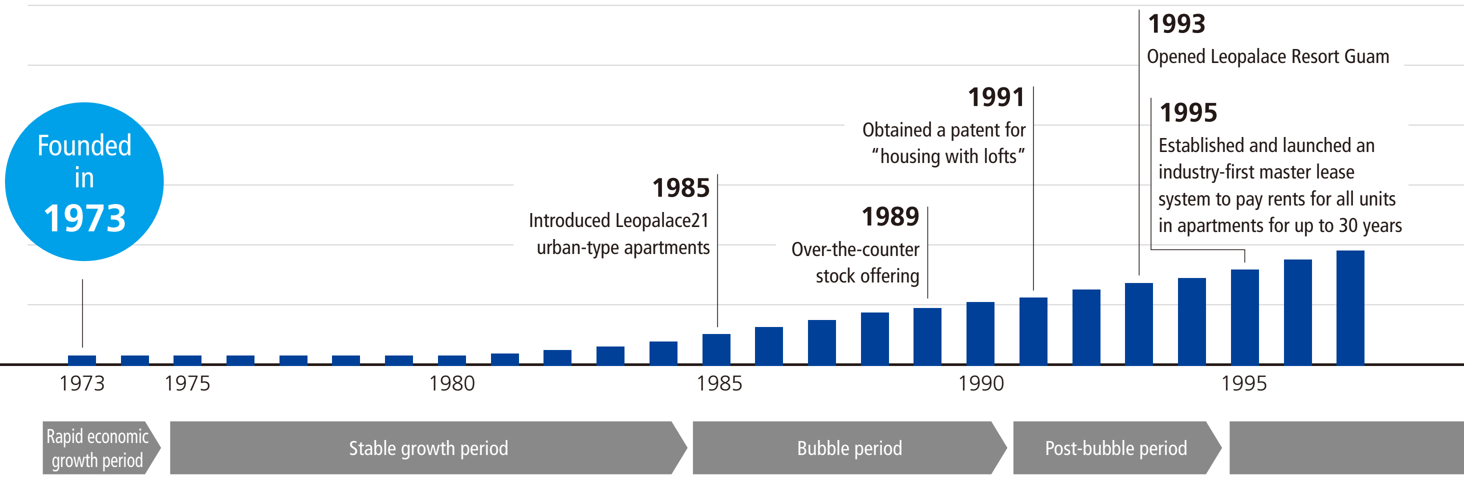


*1 Master-lease rents are reviewed every two years
*2 New orders are currently suspended to prioritize the property owner follow-up.

1999

▪ Challenge/needs
Easy moving/ use as company-leased housing

▪ Value provided
Launched the *Monthly Leopalace* short-term rental service, furnished with furniture and home appliances



2011

- Challenge/needs

Homes where women can feel safe

- Value provided

Began full-fledged introduction of security system installations for apartments

2017

- Challenge/needs

Convenient housing

- Value provided

Promote the introduction of IoT at apartments *Leo Remocon/Leo Lock* rolled out in stages

2002

- Challenge/needs

Internet access & video streaming at home

- Value provided

Launched broadband business

2012

- Challenge/needs

Rooms customized to tenants' preferences

- Value provided

Launched *Room Customize* (current *my DIY*)

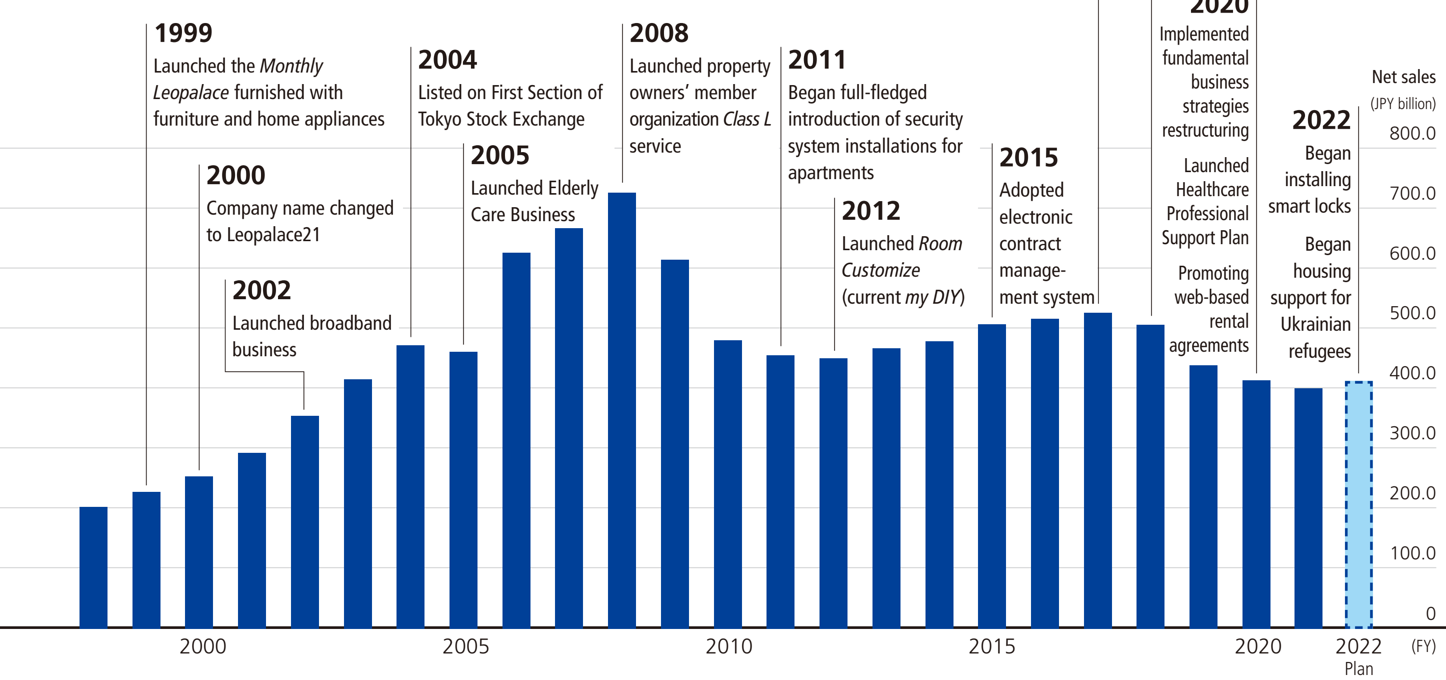
2022

- Challenge/needs

DX promotion & infection prevention countermeasures

- Value provided

Promoting real estate tech



Economic uptrend period | Global recession period | Economic recovery period

2008
Global financial crisis

2011
Great East Japan Earthquake

2020
Coronavirus disease (COVID-19) pandemic

2022
Russia's aggression against Ukraine

Value Creation Process

In the field of rental and other forms of housing, we will strive to solve social challenges by providing innovative services that meet the needs of the times and create new social value, while simultaneously achieving sustainable growth (expanding economic value) for Leopalace21.

Sources of Competitive Advantage p.17

Business Model

Social demands and challenges such as Sustainable Development Goals

Apartments

Leasing Business Expertise

Our People

Property Owners & Tenants

Business Partners

Growth Strategy

Purpose ➡ Corporate

Structural Reforms

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Offer Rental Housing with Stable Operation
Promote Real Estate Tech
Work-Style Reform and HR Development
Respect for Human Rights
Communication with Stakeholders
Maintain the Workable Corporate Governance System
Strengthen Compliance
Environmental Initiatives
Ensure competitive advantage in our business, with the provision of rental housing as social infrastructure at its core, and achieve sustainable growth along with stakeholders
Governance
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Message from the President

Fiscal Year 2021 Earnings

In fiscal year 2021, we recorded net sales of JPY 398.3 billion, operating profit of JPY 1.7 billion, and net income attributable to shareholders of the parent of JPY 11.8 billion. This marked our first operating profit in three fiscal years, with our net income also turning positive due in part to a reversal of provision for losses related to repairs and the recording of deferred tax assets. In addition, an increase in retained earnings and accumulated other comprehensive income brought the total amount of ownership equity plus stock acquisition rights to JPY 1.4 billion, and we eliminated excessive liabilities defined by the Tokyo Stock Exchange. We had started fiscal year 2021 with two management issues in mind: returning to profitability and eliminating excessive liabilities, and we are relieved to have resolved both issues, albeit for a single fiscal year.

The main contributor to this turnaround was thorough cost reductions, or in other words, structural reforms. This included a review of our sales office structure, as well as a review of our workforce through the implementation of a Company-wide voluntary retirement program, both of which were highly effective. However, this was more a function of preparations made in previous years that finally bore fruit, rather than efforts yielding results in a single fiscal year. In addition, from a business standpoint, we were able to contractually adjust the master-lease rents for property owners and thoroughly review lease management costs, which played a major role in returning to operating profitability.

Occupancy Rates

Apartment occupancy rates, which underpins our business performance, bottomed out in fiscal year 2020. In fiscal year 2021, our average occupancy rate recovered above 80%, reaching 81.2%.

I believe that this was largely due to the following factors. First, in order to dispel our reputation associated with the construction defects problem, we began collecting safety data from fire resistance verification tests and explaining this data to our corporate clients, which has helped promote a greater sense of security toward our apartments. Specifically, we began explaining the safety details and the results of the verification tests to the general affairs personnel in charge and their senior officers of our corporate clients in the fall of 2020. Setting aside the issue of whether to repair defective parting walls or not, we were able to foster a sense of security by carefully explaining a third-party written opinion indicating that even if the parting wall was defective, fire would not spread if the defect was in a certain area, and therefore there would be no physical danger to the tenants, and I believe this led to more people moving into our apartments.

The second factor is our collaboration with brokers, which began in earnest around January 2021. Prior to this, brokers had been hesitant to act as intermediaries because Leopalace21 was known as the company with the construction defects problem. We also provided brokers with proper explanations on safety, which helped them feel more confident that it was safe to broker Leopalace21 apartments, and this has helped us build a track record.

Our Efforts to Address Construction Defects in Fiscal Year 2021

With regard to the construction defects problem, our basic policy at the start of fiscal year 2021 was to devote all our efforts to corporate rehabilitation, and we decided to proceed with repairing construction defects while prioritizing apartments by safety. The construction defects are a major management issue, but in light of our business situation, we took a fairly conservative approach in fiscal year 2021. Going forward, we will need to accelerate the repair process while monitoring our corporate rehabilitation status.

This change in approach is partly a reflection of the fact that we initially had not done the best job of understanding and organizing the details of the situation when the construction defects came to light. At the time, we declared that we would rush to fix all the deficiencies without any scientific basis such as empirical data on safety, which led to a large number of apartments being included in the scope of repairs, and this made it difficult to preferentially carry out repairs on those apartments with higher priorities. By making use of these reflections, we believe that in fiscal year 2021 we were able to properly prioritize and carry out repairs steadily and thoroughly.

Business Environment Surrounding Rental Housing

The business environment surrounding rental housing is basically closely related to the demographics of Japan. In other words, we cannot avoid the impact of the declining birthrate and aging and shrinking population in Japan.

On the other hand, it is also true that people relocating has led to greater housing needs than before, and many houses are in need of reconstruction considering their life spans. In addition, the number of single-person households, our target segment, tends to decline at a slower rate compared to the number of family households, which is directly affected by the declining birthrate and aging and shrinking population. Furthermore, we believe that there is no way to avoid taking in foreign workers in order to maintain various industries such as nursing care, manufacturing, and agriculture in Japanese society with a shrinking population going forward. When these factors are combined, we believe that there will be a certain level of demand for apartments for single persons such as ours over a 10-year period, and that it is unlikely for demand to drop sharply.

Management Policy for Fiscal Year 2022

Having returned to profitability for the first time in three fiscal years, we have reaffirmed that it is necessary to look at things from a medium-term perspective and we have formulated a quantitative plan with numerical targets for the next three years through fiscal year 2024. The plan calls for net sales of JPY 429.3 billion, operating profit of JPY 25.2 billion, and net income attributable to shareholders of the parent of JPY 19.4 billion in fiscal year 2024, the final year of the plan. We estimate that we will need an average occupancy rate of 91.3% (81.2% in fiscal year 2021) to achieve these targets.

For fiscal year 2022, the first year of the plan, we summarized what we must undertake now as our management policy and came up with the three focal areas of "constant structural reforms," "promoting sustainability," and "construction defects management."

First, with regard to "constant structural reforms," we plan to complete the transfer of or withdrawal from unprofitable businesses and concentrate on our Leasing Business as we set forth in our structural reforms announced in June 2020. In fiscal year 2021, we successfully reduced costs and SG&A expenses by JPY 41.5 billion per year by cutting leasing operation costs, leasing management costs, and construction and real estate costs, and plan to continue our efforts to reduce costs even further.

Next, for "promoting sustainability," we have listed three associated themes of "strengthening governance," "offering digital transformation (DX) solutions," and "promoting greener operations." As for "offering DX solutions," we formulated and announced a "DX Strategy." With the exception of negotiation and communication, which cannot be performed by a system, we will work on digital transformation and boldly promote unmanned and systematized operations for tasks that have conventionally been performed by people. In addition, contracts and other tasks that used to require in-person meetings are now being handled digitally, and we need to accelerate our efforts in these areas.

With regard to "promoting greener operations," we will work to reduce CO_2 emissions from the apartments we manage. In a business like ours, we must not only control the emissions from our own business activities, but from a broader perspective, we must also consider how we can manage the activities of our tenants and business partners. We will continue to consider setting specific targets and other details.

Regarding "construction defects management," the third focal area in our management policy, we have already announced that we will repair approximately 6,000 units in fiscal year 2022, almost double the units we repaired in fiscal year 2021. As this necessitates reinforcing our construction capabilities, from the starting point we plan to gradually increase the number of units we can repair, and eventually get to a point where we are repairing at least 700 units per month.

Policy on Future Financial Strategy

With respect to our financials, as of March 31, 2022, we eliminated excessive liabilities as defined by the Tokyo Stock Exchange. Our earnings structure is improving and we expect operating profit to recover, so we believe it is unlikely that we will fall into insolvency again. However, in terms of our current financial situation, we are just seeing the light at the end of the tunnel, and there are many things we need to work on.

One of the things we need to work on is to start looking into resuming dividend payments to meet the expectations of our shareholders. We believe that, at least as a publicly listed company, or rather as a stock company, it is our duty to pay dividends. However, it is also true that we are in a fragile financial position, and paying dividends would quickly put us back into excessive liabilities. As such, our near-term vision for our financial strategy is to pay dividends to shareholders and review our debt, and we plan to build the financial base necessary to fulfill this vision. In the process of building our financial base, we would like to resume dividend payments as soon as we are able to, rather than in the final year of the three-year plan.

Reaffirming Leopalace21's Purpose, or Raison d'Être

Amid the challenging environment over the past few years, we made various sacrifices to decisively implement reforms, and the end is finally in sight. And in the course of taking on various initiatives, I've come to reaffirm Leopalace21's Purpose, or raison d'être.

One part of our Purpose is that we are a rare company that provides uniform rental housing across Japan. As I mentioned at the press conference when I became President and CEO, our apartments are located in over 80% of Japanese cities (geographical administrative unit), with a total of 560,000 units. I believe that the fact that we manage such a large number of apartments scattered across Japan makes our Company a part of the social infrastructure, and this in itself is of great value and significance.

Another part of our Purpose is that we offer apartments for single-person households, which is also the foundation of Leopalace21's business model. International students from abroad, students who leave their parents' homes to attend college, and businesspeople relocating alone all need quality single-person apartments. I believe the fact that we meet these needs is in itself a source of great social value.

I had opportunities to hear some comments that support our Purpose and fulfillment. One staffing agency that uses our apartments said, "Even if we win a job order, we can't fulfill the order if we can't prepare a place to live for the people we dispatch. This is why we need Leopalace21 in order to grow our own business." We've heard similar comments from general contractors and various other customers. Many companies, especially those that operate nationwide, have come to us because they feel that as they grow their business, they need a nationwide company like ours that can provide consistent quality and volume.

Every time we hear these encouraging comments, we are reminded that our very existence is part of the social system, and this is why we must not repeat our past mistakes and work to become even more useful to society.

Message for the Future

While we have been in a difficult situation since I became President and CEO, we are finally seeing the results of our reforms in the form of returning to profitability, but we have not yet reached a safe level. As we move forward with further reforms, I would like to once again thank all of our stakeholders for their support and cooperation.

Firstly, since we are in the process of rebuilding our financial base and working to ensure a stable growth trajectory, we would like to ask our shareholders for a little more patience before we begin reinstating shareholder returns, including dividends.

Next, for property owners, we would like to share our mindset that we are working together to enhance not only economic value, but also social value. In our society going forward, being a rental property owner may not bring in a lot of money, although a certain level of return can be expected. We would like to encourage property owners to set their eyes on the social value of providing an asset, in the form of an apartment, that contributes to the local community.

Finally, we are thankful to our employees, as we were able to get the Company on a recovery track as a result of the difficulties they endured, such as voluntary retirement. I intend to reciprocate this by providing new challenging opportunities at the Company and creating a fulfilling workplace.

Although our circumstances remain difficult, we are finally beginning to see some positive signs, such as returning to profitability and eliminating excessive liabilities. I would like to ask all of our stakeholders for their continued understanding and support of the Company's management.

Bunya Miyao

President and CEO
September 2022

Message from the Chief of the Corporate Management Headquarters

Looking Back at Fiscal Year 2021

For fiscal year 2021, we recorded net sales of JPY 398.3 billion and an operating profit of JPY 1.7 billion. Our net income was JPY 11.8 billion, marking our first return to profitability in four fiscal years. In addition, ownership equity and stock acquisition rights totaled JPY 1.4 billion, and as mentioned earlier by President Bunya Miyao, we eliminated excessive liabilities as defined by the Tokyo Stock Exchange.

Looking back on fiscal year 2021, which was a critical stage in the restructuring process, we made a detailed plan at the beginning of the fiscal year and thoroughly reduced costs while addressing issues that had remained unresolved.

To reduce SG&A expenses, we established an in-house task force consisting of members chosen from various business divisions, plus executive officers, to review operations and eliminate and consolidate sales offices. In reviewing operations, we streamlined contracting and other tasks that had been handled by individual sales offices nationwide by consolidating them into our locations in the Tokyo metropolitan area and Osaka, and made changes to these tasks so that they could be handled by contract employees. After carrying out the first Company-wide voluntary retirement program to optimize our workforce, we reduced the number of full-time employees from approximately 7,000 in 2018 to roughly half as of the end of June 2022.

On top of that, we implemented measures to contractually adjust the master-lease rents in accordance with the Rental Housing Lease Management Business Law, which came into effect in December 2020. While taking into account the age of the apartments and other actual circumstances, we proceeded to revise master-lease rents following discussions with the property owners in cases where there were discrepancies with the surrounding rent market.

As a result of these measures, we were able to reduce SG&A expenses by JPY 24.5 billion in fiscal year 2021 compared to fiscal year 2018, and our combined SG&A expenses and cost of sales by JPY 41.5 billion during fiscal year 2021, which greatly contributed to our return to profitability.

Strategy for the Next Three Years

I will now go over our management policy and financial strategy covering the period from fiscal year 2022 to fiscal year 2024. Our major policy is to ensure that we thoroughly move forward with sincerity in dealing with our Group's important issues, such as constant structural reforms, promoting sustainability, and construction defects management. In particular, we believe that strengthening our profitability and stabilizing our financial base, which are also the cornerstones of our structural reforms, are important objectives that we must achieve over the next three years.

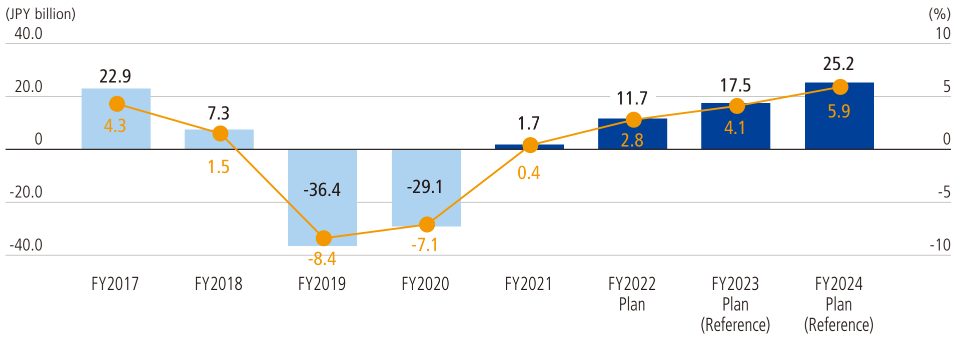
The key to restoring our profitability lies in our strategy to improve our occupancy rate, which dropped sharply in fiscal year 2018. First, we changed our corporate sales strategy in the Leasing Business Division starting in fiscal year 2021 from focusing on acquiring new corporate clients to making proposals to existing corporate clients to expand the number of rooms they use. This approach has produced remarkable results, and occupancy rates have begun to recover. In fiscal year 2022, we will continue to deepen our focus on existing corporate clients and grow our top line.

We also aim to improve our balance sheet, which is currently severely weakened, as soon as possible by boosting profits at the individual business level. Specifically, we have set targets to raise our equity ratio to at least 23% by the end of March 2024 and 30% by the end of March 2025. We plan to achieve these targets by accumulating retained earnings from our business activities, and have no plans to raise new capital or seek external funding. Our lease management business is recurring in nature, generally with little fluctuation in performance, and we expect to achieve our targets in line with our plan.

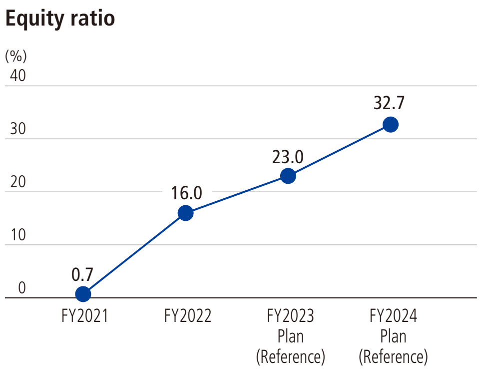
In addition, we, as a publicly listed company, view our current inability to pay dividends as a major problem. Accordingly, we will strengthen our capital position and consider resuming dividend payments from fiscal year 2022 to fiscal year 2024.

In November 2020, we received JPY 30 billion in loans with stock acquisition rights from US-based fund Fortress Investment Group (FIG) to secure funds to address construction defects and other things. Recently, we have received a variety of ideas on ways to boost our corporate value from FIG. Although FIG may exercise its stock acquisition rights in the near future, we believe as a general rule that these funds should be repaid as soon as possible.

Operating Profit and Operating Profit Margin



Financial Strategy for Medium- to Long-Term Growth



At the beginning of my message, I explained that a major factor contributing to our return to net income was the reduction in SG&A expenses and cost of sales, and that we were able to reduce SG&A expenses by JPY 24.5 billion compared to fiscal year 2018, before the construction defects problem came to light. And I believe that the question on the mind of investors now is whether we as an organization can maintain the current SG&A expenses and cost of sales to net sales ratios at a reasonable level with minimal reversal. This is why we will proceed in a straightforward manner with our various structural reform measures over the next three years while constantly being mindful of our need to optimize our cost structure. At the same time, we will also reinstate bonuses for our valued employees and ensure that our in-house task force and other frameworks are functioning properly, while taking into account expenses that we can no further cut down. Furthermore, from a medium- to long-term perspective, we will maintain a lean corporate structure.

Moreover, from the perspective of strengthening our profitability, I believe we need to create a framework for boosting the value of our apartments under management going forward. As the first step of this effort, we started installing smart locks in June 2022. Smart locks dramatically improve tenant convenience by enabling them to unlock the front door using smartphones or other devices, which eliminates the need to visit our office to pick up the key when viewing the apartment or after signing a rental contract. In addition, the increased security provided by the auto-lock feature will help boost the value of existing apartments. This also aligns with societal demands, such as the need for contactless services to prevent the spread of infectious diseases. We are proud to be able to help streamline operations by eliminating the need for rental brokers to make phone calls or provide keys, and by enabling foreign nationals to arrive from Narita Airport and move directly into their rooms. We aim to install smart locks in 440,000 units, or approximately 80% of our units under management by May 2024.

Going forward, we plan to launch initiatives to reduce CO_2 emissions linked to electricity, gas, and other energy sources used in apartments under management through alliances with companies in other industries. The scope of these initiatives will include approximately 560,000 units under management, and we plan to announce specific CO_2 reduction targets. We believe that this endeavor will garner the support of the millennial and Generation Z demographic, who are particularly eager to embrace the SDGs, and will prove effective in rebuilding our corporate brand value. In addition, it will enhance the value of the apartments for property owners and thus stabilize our rental apartment management business. Through these measures, we hope to reduce Scope 3 CO_2 emissions.

Over the next three years, if we are able to make steady progress on our roadmap for structural reforms, figuring out how to maintain the scale of our rental apartment units will be a key focus from fiscal year 2024 onward. In fiscal year 2021 alone, the number of apartments units under management has fallen by approximately 6,300 units. The contracts for most of these units were terminated at the end of the master lease term, and included many unprofitable apartments that were 25 to 30 years old with very small private floor areas. Accordingly, the drop in the number of units under management resulting from reaching the end of the contract term has become one of the factors contributing to the improvement of our profit structure. From fiscal year 2024 onward, we will also actively invest managerial resources in reconstruction and new apartment development. Furthermore, we believe we need to maintain the number of apartments of a certain scale in total.

Role of the Chief of the Corporate Management Headquarters

As the person who primarily oversees the financial aspects of business management, I believe that my highest priority mission is to ensure that no compliance issues ever emerge again. As an example of one of the cases we envision for the near future, we launched a program in August 2022 to encourage internal entrepreneurship by soliciting ideas from within the company. We must prepare a system to enable our employees to take on as many challenges as they want, while minimizing risks when starting new businesses related to our core business or in areas where we have no prior experience, and ensuring compliance and legal backing in the process of nurturing these new businesses. For the sake of the company, and for the sake of the employees who propose business ideas, we must nurture businesses under a framework that prevents compliance problems from ever occurring again.

In terms of finance, as mentioned above, we will build a stable financial base by fiscal year 2024 by accumulating internal reserves from profits generated in our core business and resolving the construction defects problem. Over the medium- to long-term, we intend for our generation to build a strong management foundation in all aspects by expanding business scale, improving earnings power, enhancing various financial indicators, and becoming more useful to society, before passing the company onto the next generation.

We pushed forward with major cost reductions in fiscal year 2021, but going forward, we will focus on creating an environment where employees can enthusiastically work while looking forward to the future. This is an area where I frequently exchange views with President Bunya Miyao and other directors. The in-house start-up backing program described earlier is also positioned as a means to create a new work environment. In addition, we plan to develop and begin operating a personnel system within a few years that will enable younger employees to be appointed as directors and executive officers of group companies. We expect that employees will be much more satisfied and motivated.

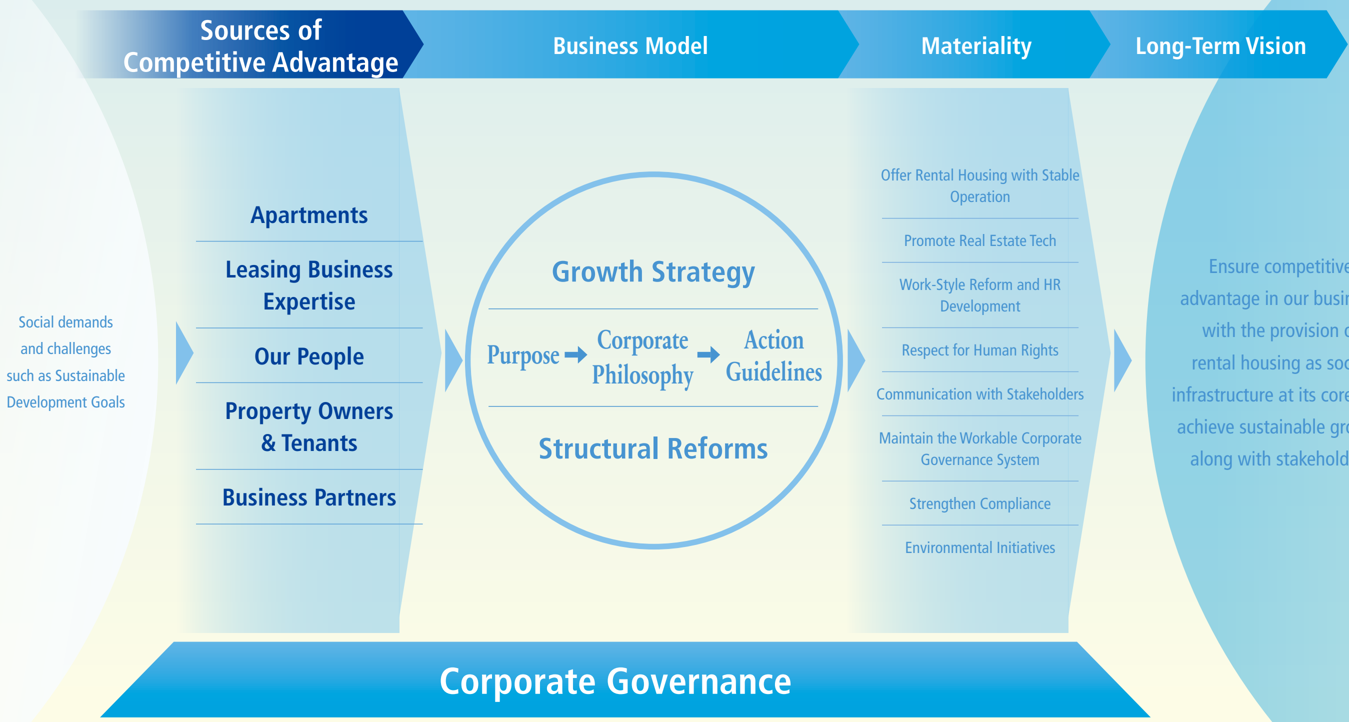
Shinji Takekura

Director, Executive Officer
Chief of the Corporate Management Headquarters
September 2022

Sources of Competitive Advantage

[The Sources of Leopalace21's Competitive Advantage]

Leopalace21 possesses capital with a competitive advantage, such as approximately 560,000 units under management, around fifty years of leasing business expertise, talented staff members with flexible mindsets, and partnerships with property owners and business partners.



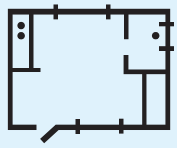
Apartments

Top apartment management units for single-person households in the industry

1 Features

Specialized in **studio type apartments with 560,000 units nationwide**

1 Features



Homogeneous floor plans

2 Strengths

Approx. **280,000** units are used by corporate tenants

Approx. **80%** of listed companies have used units as dorms or company-leased housing

3 Advantages

Equipped with **furniture, home appliances, and internet** in principle

1 Apartment features

Largest scale private landlord in Japan

According to the 2018 Housing and Land Survey (Statistics Bureau of Japan), of the 54 million ordinary households throughout Japan, 19 million of them are rented houses, which means that 35% of Japanese people live in rental housing. Of the approximately 19 million houses for rent throughout Japan, approximately 5.4 million have 29 m² of floor space or less, which is equivalent to the apartments that account for the Company's main business. Based on calculations assuming the above figure, the Company's units under management make up an approximately 10% share (560,000 units/5.44 million households = 10.3%) of our competitive category (houses for rent that have 29 m² of floor space or less).

There are many companies that provide rental housing, ranging from downtown real estate agents to public housing corporation, and given that we provide approximately 560,000 units, we are the largest scale private landlord in Japan.

We specialize in studio type apartments, which mainly target single-person households. Although Japanese population is expected to decline due to declining birthrate and aging population, according to the 2019 Household Projection for Japan (National Institute of Population and Social Security Research), the number of single-person households is expected to continue increasing until 2030 and then gradually start to decrease. In addition, the number of households of the single working age population (age 15 to 64), the Company's target segment, is expected to stay about the same for the next twenty years, hovering around 10 million to 12 million households.

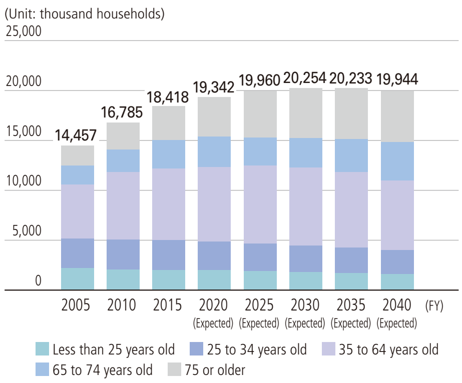
In the studio type apartment market, which accommodates mainly single-person households, the Company boasts the largest scale in Japan. Unlike Japan's demographic trends, this market is expected to grow. We consider this scale and the fact that the market is growing to be two of our greatest strengths.

Number of units under management

567,314 units

(As of the end of March 2022)

Predicted number of single-person households by age



2 Apartment strengths

Have been used by approximately 80% of listed companies in various industries

Companies in all kinds of industries, including construction industry, temporary staffing and outsourcing industry, retail industry, and manufacturing industry, have contracts with us. In addition, approximately 80% of listed companies throughout Japan have used our apartments. The wide range of industries and low level of reliance on any particular companies ensures safe and secure environment for the client companies to use our services. On top of that, because the Company is not affected by the business performance of particular industries or companies, we can constantly secure a stable number of contracts.

Why do customers choose us?

1

Unified point of contact

Because we are capable of providing apartments throughout Japan, we can offer a single point of contact for requesting companies, which reduces the burden faced by our customers.

2

Standardized services nationwide

The apartments we provide are standardized in all regions including grade, floor plan, and major equipment, which helps to reduce unfairness related to company-leased housing among the employees.

3

Expense reduction

We, as one company, can cover a lot of demand, which enables our client companies to reduce brokerage fees and various other expenses.

3 Apartment advantages

Restraining CO_2 emissions by providing apartments equipped with furniture and home appliances

The apartments equipped with furniture and home appliances that we provide have an environmental advantage. When starting living alone and moving into an unfurnished apartment, tenants are required to buy a complete set of furniture and appliances necessary for daily life; when moving into one of our apartments equipped with furniture and home appliances, tenants are not required to purchase furniture and appliances nor they do not need to dispose of them. In addition, such apartments make it possible to reduce the number of belongings that have to be transported upon moving. When looking into the environmental contribution of the above, we learned that we reduced CO_2 emissions by approximately 65,000 t-CO_2 during the fiscal year 2021.

We conclude approximately 380,000 rental contracts per year (actual results for fiscal year 2021). Based on the average number of years that tenants stay in our apartments as well as the number of years before we have to buy replacement furniture and appliances, it is assumed that we can take advantage of the reuse of furniture and appliances for about 99,000 contracts. Considering the CO_2 emissions due to the furniture and appliance manufacturing process and the CO_2 emissions due to the disposal process for about 99,000 apartments, and calculating the CO_2 emissions reduction due to the decreased number of things to transport while moving mainly based on official published values, we found that CO_2 emissions were reduced by 65,000 t-CO_2 for the year. This is equivalent to the CO_2 emissions of 35,000 people based on a conversion to the annual per capita CO_2 emissions for a household person* disclosed by the National Institute for Environmental Studies. Given that our CO_2 emissions (Scope 1 and 2) from business activities for fiscal year 2021 amounted to 15,000 t-CO_2, we achieved a net reduction in emissions by providing apartments equipped with furniture and home appliances, thereby contributing to the environment.

Third-party assurance has been obtained for the approach we used in the calculations and the calculation results.

*Based on research by the Company (Source: The GHG Emissions Data of Japan (FY1990-FY2020), Final Figures, National Institute for Environmental Studies)

Reduction in CO_2 emissions due to apartments equipped with furniture and home appliances

65,203 t-CO_2

Leasing Business Expertise

Unparalleled and original leasing business expertise upgraded in accordance with changing times

Expertise 1 Innovative products & services

Units equipped with furniture and home appliances: approx. 95%	Units equipped with internet: approx. 98%	Industry's largest number of apartments with smart locks: 440,000 rooms planned

*To be installed by May 2024

Expertise 2 High-quality service that meets needs

Japanese-language call center operating hours: 24 hours	Number of foreign languages supported: 6	Units with security systems installed: approx. 315,000
Directly managed leasing sales offices: 109	Provision of plans in line with the times Examples: Healthcare professional support plan, Housing support to Ukrainian refugees	Periodic building inspections: 100 items

*Including six overseas offices

*Differs depending on the building specifications

Expertise 3 Tenant matching capabilities utilizing cutting edge technologies

Approximate total number of web-based contracts: 39,000	Percentage of electronic contracts directly with individual customers: over 70%	Proportion of corporate contracts using *Leo-sign* (electronic contract management system): 34%

*Total since April 2020

*Only rental contracts

*Only rental contracts

*As of the end of March 2022

Leasing business expertise strengths

Ongoing introduction of real estate tech for all kinds of services

As an initiative to improve our services in anticipation of the digital transformation, we have been promoting the introduction of real estate tech that combines real estate services with IT technology. This started with our introduction of the *Leo-sign*, an electronic contract management system for corporate contracts in 2015, and we have since introduced cloud-based security cameras, introduced *Leo Lock* for newly built apartments, and incorporated real estate tech, including web-based contracts to help handle contract-related work. We will continue to introduce real estate tech in order to further improve our services and enhance our leasing business expertise strengths.

2015
- Introduced *Leo-sign*, an electronic contracts for corporate customers
- Launched industry's first use of a tablet device for customers

2017
- Started installation of *Leo Lock*, a smart lock system, for newly built apartments

2019
- Introduced the industry's first nationwide web-based rental contract signing service

2020
- Started non-face-to-face key delivery
- Rolled out web-based customer services in all leasing sales offices
- Formalized launch of web-based room viewing via video call

2021
- Introduced industry's first eKYC, an authentication procedure for parking space contracts
- Started optional use of customer devices for web-based contract signing

2022
- Made it possible to electronically handle all rental contracts
- Introduction of smart locks in steps

Installing smart locks in 440,000 rooms in steps to mark the industry's largest scale

We are installing smart locks that enable customers to unlock the front doors with smartphones or other devices instead of door keys. We have begun installing the smart locks for apartments in which tenants move starting from June 2022. Over the two years through May 2024, we plan to install the locks for 440,000 rooms, or approximately 80% of our rental apartment units under management.

By introducing smart locks, we can eliminate the hassle of customers having to visit our offices to pick up keys, and we also believe this measure will be effective for helping to prevent the spread of infectious diseases. Since we have been promoting the online handling of contract procedures for the apartments we manage, we believe the introduction of smart locks will enable us to handle almost all procedures online.

Unlocking is possible by using multiple authentication methods

Use of a smartphone

Activate a smartphone app, and tap the screen to unlock the door.

Use of a smart card

Put a pre-registered smart card or a smartphone equipped with mobile FeliCa functionality to unlock the door.

Use of a PIN

Enter a pre-determined passcode by the numeric keypad to unlock the door.

*FeliCa is a registered trademark or a trademark of Sony Group Corporation or its affiliates.
FeliCa is a contractless IC Card technology developed by Sony Corporation.

Our People

Bringing in diverse talents to carve out a new era with flexible ideas

Shifting the focus of hiring activities from new graduates to mid-career recruitment

Proportion of mid-career hires in the fiscal year 2015: **54.0%**

Proportion of mid-career hires in the fiscal year 2019: **68.5%**

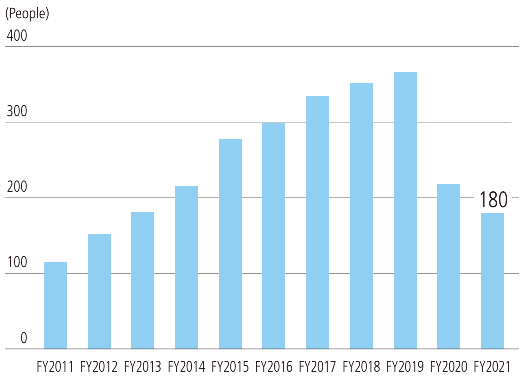
Proportion of mid-career hires in the fiscal year 2021: **100%**

Since started providing Leopalace21 urban-type apartments in 1985, we have offered various products and services that did not exist before, such as short-term stay plans and apartments equipped with furniture and home appliances. We believe that the ideas of our employees contributed greatly to the above achievement, who we hired as new graduates to give them the opportunity to propose new ideas through accumulated experience from scratch.

In recent years, as a result of changing our business portfolio to focus primarily on the Leasing Business, our hiring activities were more focused on mid-career hires rather than new graduates. The former accounted for 54.0% of all our hires in the fiscal year 2015 and 68.5% in the fiscal year 2019, became 100% with no new graduate hires in the fiscal year 2021. In this way, we hope such employees bring about experiences in other industries or other companies to increase the ability to create new innovations by utilizing their ideas, skills, knowledge, and other advantages.

Ensuring diversity and meeting customer needs by hiring foreign national employees

Number of foreign national employees



Leopalace21 believes that a workforce of people from a broad array of backgrounds with diverse values helps create new value, and greatly contributes to the growth of the Company. In addition, multilingual customer support is needed in response to the increase in the number of foreign national workers and international students in Japan. To secure the diverse talents needed to achieve this, we have been proactively recruiting foreign national employees. However, due to the transfer or liquidation of subsidiaries related to the International Business, the number of foreign national employees decreased considerably in the fiscal years 2020 and 2021. Due to the reduction in the International Business, our business structure has been changed to one focused on domestic business. We will continue to employ a certain number of foreign national employees in order to ensure diversity and more effectively respond to the growing needs of foreign national customers.

Employee feedback

I want to be able to do all the work handled by Leopalace Smile.

Takashi Inoue Special subsidiary company Leopalace Smile Co., Ltd.

I've been working at Leopalace Smile for seven years now, and I initially belonged to the shredder team which is mainly responsible for shredding documents. I was later transferred to the printing team. As part of the team, my main jobs are to print important documents such as documents to be distributed to property owners about their apartments, print addresses on the seasonal distributions and postcards. I also handle special types of printing including business cards and ID cards.

The best thing about Leopalace Smile is its cozy atmosphere. Thanks to the atmosphere here, it's easy to talk to each other so we can make recommendations and take other steps to increase work efficiency. Before I came here, I had never experienced a place quite like this, so I think it's a wonderful workplace.

I'm on our printing team right now, but we have various other work teams, too. In the future, I hope to be rotated to other teams so that I can do various types of work. I want to be able to do all the work handled by Leopalace Smile.

The bosses are helpful in terms of my professional and personal life.

Kodai Furuya Special subsidiary company Leopalace Smile Co., Ltd.

I got a job at Leopalace Smile as a result of my high school counselor introducing this company to me. My counselor actually introduced a number of candidate companies, and I decided on Leopalace Smile because of a lot of young employees and a good workplace atmosphere.

After I joined, I was initially responsible for distributing mails. Later on I also started handling printing job including actual printer operations due to the introduction of on-demand printers. Right now, as a member of the office support team, I am directly involved in Leopalace21 work, which includes computer-based data entry, interacting with the Human Resources and General Affairs Department, and handling phone calls.

One good thing about Leopalace Smile is that the bosses here are willing to talk to employees about various problems, including not only work-related issues but also private difficulties, and they are very supportive. I've personally talked to my boss about various things, which has been a big help.

The kinds of work I handle as part of the office support team increase on a daily basis. By fulfilling such work, I hope to contribute to my group, serve as a leader, and help to create an environment that makes it easier for everyone to work.

Employee feedback

Supporting foreign national customers ranging from searching for rooms to their daily life support after moving in.

Liú kǎixīn Manager, International Front Center Shinjuku

I work at the IFC, which stands for International Front Center. The Center specializes in handling overseas customers, and we provide support to foreign national customers that includes searching for rooms, delivering keys, and even the daily lives of customers after they move in. We sometimes provide support even in the cases that are not directly related to our company including cases related to infrastructure necessary for daily life, such as gas opening where no one at the gas company can support in the foreign language.

Currently, our customers from China and Vietnam are increasing. Before the COVID-19 pandemic, Vietnamese customers accounted for 50% of all our customers, and customers from China and Vietnam currently account for around 40% each, with around 20% of our customers coming from English-speaking countries. To respond to this situation, we currently have staff skilled in Mandarin and Cantonese which is used in Guangzhou, as well as South Korean and Vietnamese employees. Regarding English, we have staff members who can speak both Vietnamese and English as well as those who can speak both Chinese and English.

Including my office, the IFC only has a total of seven offices, but I believe we play an important role in terms of concluding contracts with foreign national tenants for Leopalace21 apartments.

Liú kǎixīn Manager, IFC Shinjuku

IFC Shinjuku staff

Property Owners & Tenants

Sharing goals with property owners

In partnership with 26,500 property owners throughout Japan

Our rental apartment management is an extremely long-term land use project. To ensure the smooth operation of this project, we believe it is important to share goals and build relationships of trust with around 26,500 property owners throughout Japan.

Our construction-related departments are currently focusing their resources on quickly resolving the problem of construction defects, and they have suspended accepting orders for new apartments. However, we run 65 offices throughout Japan and are focusing on maintaining and building good relationships with property owners to build new apartments in the future and follow up the problems of property owners.

Bringing comfort and peace of mind to tenants

Dialogue with customers through Customer's Voice

We distribute Customer's Voice internally once a month on the intranet. It is for the purpose of boosting employee engagement and fostering a customer-oriented culture while also improving the quality of customer service at leasing sales offices by sharing customers' feedback throughout the Company. Customer's Voice announces the winners of the Outstanding Customer Service Award (individual/leasing sales office), which is given to those who have been recognized to provide excellent customer service based on responses from customer surveys conducted when customers come to leasing sales offices, as well as the month's Spotlight Award. In addition, it contains tips for improvement and real customers' feedback.

Property owner feedback

Leopalace21's staff are highly conscious about protecting tenants as well as the property of owners.

My relationship with Leopalace21 goes back 30 years. I appreciated this relationship the most when there was a family tragedy. There were issues I didn't understand, such as problems related to inheritance, and there were so many things to worry about that I was honestly on the verge of panicking. Leopalace21's representative was very kind to me, and I managed to protect my property thanks to the accurate advice. I think they are wonderful in protecting not only apartments but also tenants as well as the property of owners.

Ms. Masami Mitsuki

Tenant feedback

I don't have to bring much luggage with me when moving, and Leopalace21's rooms are economical and comfortable to live in.

My job is construction management, so I have been on a lot of business trips and often used Leopalace21's rooms. The best thing about the rooms is that they already have equipment and furnishings, so all I need to bring is my basic luggage to start my daily life in them. Plus, when I leave the rooms, there is no need to dispose of furniture, which offers the major advantage of not having to carry much with me. Before, I stayed at hotels on short-term business trips, but I can cook for myself in Leopalace's rooms. Accordingly I recommend my friends to use Leopalace21's rooms because it is more economical. More recently, Leopalace21 has started handling inquiries in Vietnamese after moving in as well, which gives me a peace of mind. I think it would be even more convenient if foreigners could use a social media community when they search for housing in Japan.

Mr. Nguyen Trung Hieu

Business Partners

Providing value through collaboration with our business partners

Working together with business partners to promptly resolve the construction defects problem and maintain apartment quality

Number of business partners involved in building and facility construction:

approx. 400

Number of cleaning visit partners:

approx. 100

Number of house cleaning partners:

approx. 80

Number of property maintenance partners:

approx. 1,050

Business partner feedback

Focusing on "developing global human resources" and striving for growth based on the same motivations as Leopalace21

Ever since Leopalace21 launched its apartment business, our company has been doing work that is mainly focused on cleaning the inside of apartments as well as the areas outside of buildings.

To help ensure that customers continue to choose Leopalace21's apartments, employees engaged in cleaning work do not simply do their basic jobs. We also regularly hold workshops in an effort to help employees accumulate know-how, share good and bad examples of work throughout the company, and improve our cleaning skills.

Due to inbound demand, we are also promoting the hiring of foreign national workers, we focus on human resource development intended to help us achieve a certain level of performance given different cultures and diversity, and we collaborate with Leopalace21 employees to strive for growth based on the same motivations.

Mr. Satoshi Fujimoto
Representative Director
K.K. Fujimoto

Providing peace of mind to property owners and tenants alongside Leopalace21

Ever since our company was founded, we have handled indoor maintenance and other maintenance work, mainly in Chiba Prefecture.

Every day, we work hard to ensure that property owners can trust us with their important assets and to provide comfortable daily lives that are free of worry to tenants.

During our daily work, we closely collaborate with Leopalace21 staff. Those highly ambitious staff give us advice on how to provide better service to customers, which helps us approach our work with confidence.

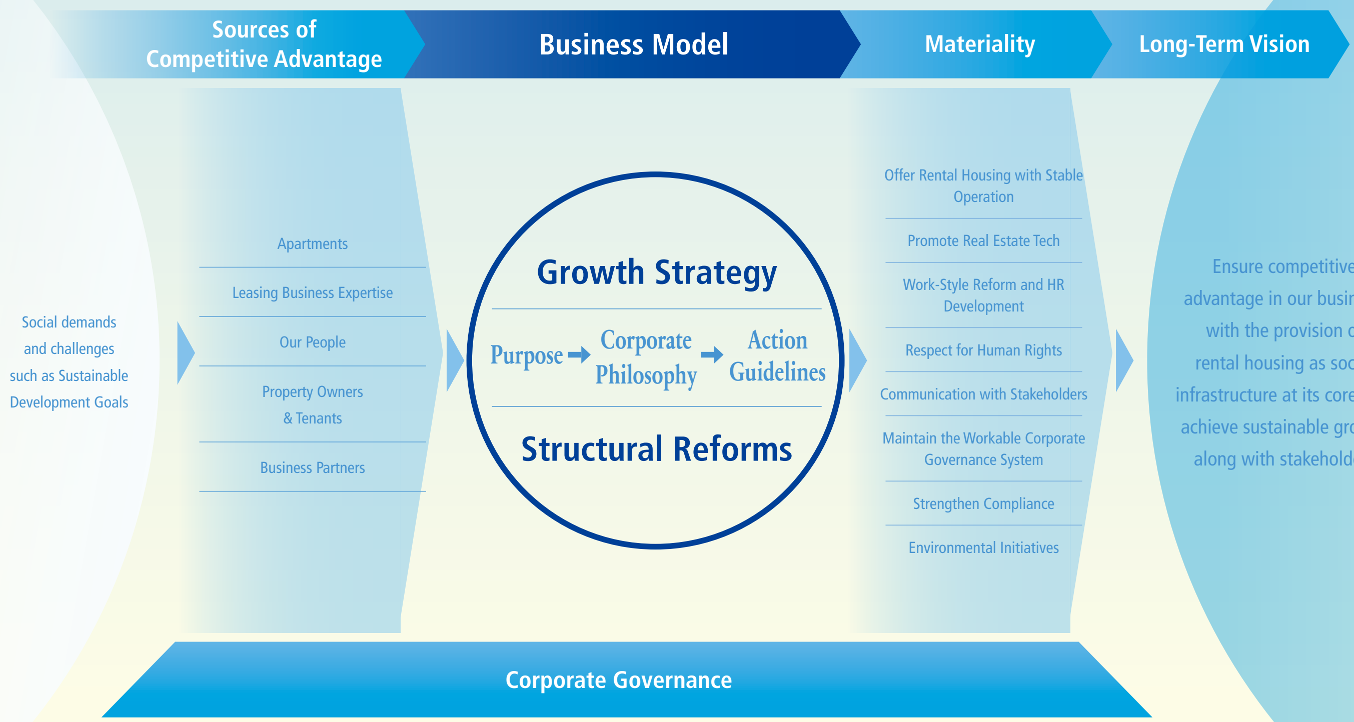
We look forward to more fully exploiting this collaborative system as we do our work, always keeping Leopalace21's corporate philosophy of "creating new value" in mind.

Mr. Toyoaki Takazawa
President and
Representative Director
K.K. Houwa

Business Model

[About Leopalace21's Business Model]

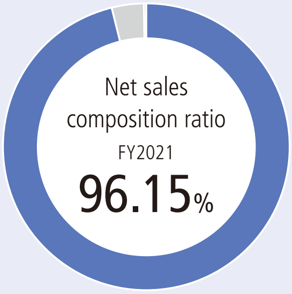
With real estate expertise as its core competency, we have created a unique business model that combines the Leasing Business, which focuses on apartment leasing and management, and the Elderly Care Business, which mainly operates fee-based nursing homes.



Business At a Glance

Leasing Business

We are mainly engaged in leasing and management of leased apartments and other properties through master-lease contracts as well as maintenance work of apartments and others, various rental-related services, broadband services, and construction subcontracting of mainly apartments. We offer two types of rental services: a leasing contract with a contract period of one year or more and a monthly contract with a period of 30 days or more.



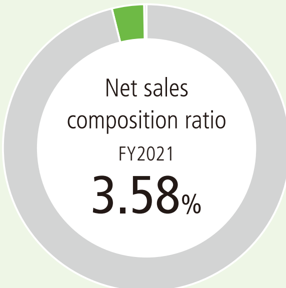
Number of units under management

Approximately 560,000

(As of the end of the fiscal year 2021)

Elderly Care Business

In response to Japan's aging society, we operate group homes, day-care services, short-stay services, and fee-based nursing homes that are closely linked to local communities, and also provide services such as visiting care and in-home nursing care support.



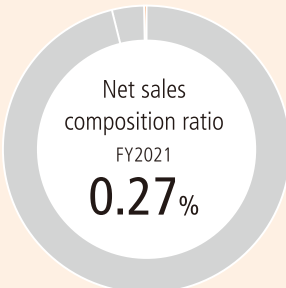
Nursing care facilities

87 facilities

(As of the end of the fiscal year 2021)

Other Businesses

In Guam, we have Leopalace Resort Guam which runs golf courses, a hotel, and other facilities. We plan to sell the property as soon as possible pending the impact of COVID-19.



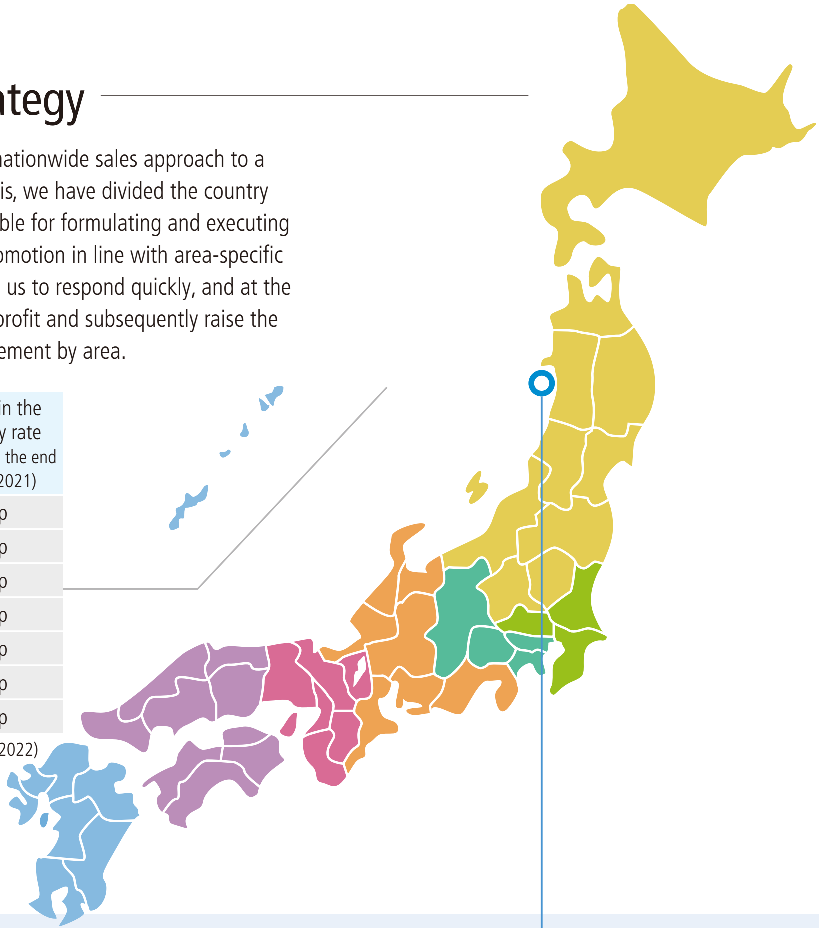
Growth Strategy: Occupancy Rate Improvement Measures

Measure (1) Area Intensive Strategy

To improve the occupancy rate, we have switched from uniform nationwide sales approach to a strategy that aims to achieve optimal sales in each area. To do this, we have divided the country into seven areas and appointed area managers who are responsible for formulating and executing strategy in each area. They implement a strategy and do sales promotion in line with area-specific characteristics. Making decisions on an area-by-area basis allows us to respond quickly, and at the same time, to raise awareness of the need to improve sales and profit and subsequently raise the overall earnings, through implementing revenue and cost management by area.

Departments	Changes in the occupancy rate (compared to the end of March 2021)
East Japan Property Management Department	+3.4p
Tokyo Metropolitan 1st Property Management Department	+4.6p
Tokyo Metropolitan 2nd Property Management Department	+3.2p
Central Japan Property Management Department	+4.0p
Kansai Property Management Department	+3.6p
Chugoku and Shikoku Property Management Department	+1.6p
Kyushu Property Management Department	+1.7p

(As of the end of March 2022)



Case Example

Taking advantage of demand related to the Akita offshore wind power generation project

Fumiaki Takeno
Senior Department Manager
East Japan Property Management Department

Koji Matsubuchi
Deputy Department Manager
East Japan Property Management Department

As a result of introducing the area-specific sales strategy, we achieved results in Tohoku area last year. The driving force was capturing demand related to offshore wind power generation facilities being built off the coast of Akita Prefecture. As a result, we managed to not only improve the occupancy rate but also increase the rent levels.

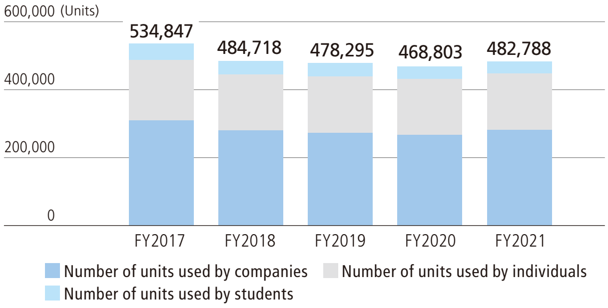
One of the key factors behind the success in meeting demand was strengthened sales activities to local real estate agents. While we are good at predicting demand on a macro level such as demographic trends based on its nationwide operation, local real estate agents have the edge when it comes to understanding the spot demand specific to different regions. We were able to conclude initial contract and expanded it thanks to real estate agents in Noshiro, where the power generation facilities are being set up.

Further expansion of offshore wind power generation is expected due to the growth of renewable energy, and we hope to get hold of the related demand in other areas as well as other area-specific demand by strengthening relationships with local real estate agents.

Measure (2) Establish a Position as the Brains of the Company-Leased Housing Strategy for Corporate Customers

Looking at our tenants by attribute, corporate customers account for approximately 60% of the total tenants. To improve the occupancy rate of our rental apartments which serve as the base of our earnings, we have been promoting the expansion of business with corporate clients, especially by cultivating the business with existing customers. Given the environment surrounding the Company, we set up specialized units to handle business with customers in the five industries, temporary staffing, construction, transportation, food service, and distribution for which we believe we can respond to the issues faced by such customers in the fiscal year 2022. We will implement measures specific to the needs of each company in order to further improve the occupancy rate.

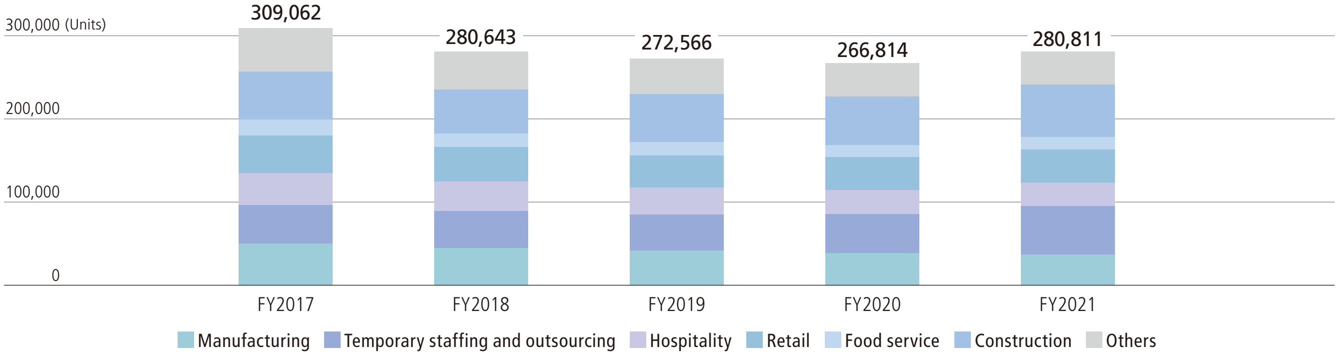
Occupied units by contract type



Promoting top-level sales and other approaches to establish a position as the "brains of the company-leased housing strategy" for customers

One of the strengths of our corporate sales is that wide range of customers in no particular industries use our services. We have been implementing individual strategies for each corporate customer as well as top-level sales to further cultivate business with existing customers. Specifically, we increased the number of sales departments mainly in the Tokyo metropolitan area from five to eight, to carefully analyze the methods for approaching corporate clients based on the industry, region, and other characteristics, and formulate strategies for each corporate customer in line with issues and needs that go beyond just company-leased housing. By doing this, we are aiming to establish ourselves as the "brains of the company-leased housing strategy" for corporate clients.

Changes in occupied units by industry



Corporate client feedback

Expanding business through the proposal of plans in line with company characteristics.

Mr. Satoshi Nagamatsu Manager, General Affairs Section, General Affairs Department, Maruwa Unyu Kikan Co., Ltd.

We have been in business with Leopalace21 since 2004, and the biggest reason for that is speed and responsiveness of the person in charge. The number of rooms in use was in the single digits, and we now use over 200. Due to the nature of our company doing transportation business, sudden transfers are common. In addition, because managers at each sales office handle employee room searches, we used to use non-Leopalace21 apartments as well, but because of Leopalace21's optimal plan proposal based on Maruwa's characteristics, we were able to issue internal instructions to prioritize Leopalace21 apartments when choosing rooms, which simultaneously simplified our work related to company housing and reduced the costs. They are certainly the brains of our company housing strategy. Because the foreign national employees we hire can live in Leopalace21 apartments throughout the country without worry, we can request Leopalace21 to make such arrangements when necessary. Ideally all arrangements and management of company housing should be left to Leopalace21, it would be great if they offer more variation in apartments to respond to diverse needs, such as one-bedroom apartments, other floor plans and variants without furnishings.

Measure (3) Strengthen Ties with Real Estate Agents for Individual Customers

Number of contracts via real estate agents:
35,576
(a YoY increase of 34.2%)

Percentage of individual contracts via real estate agents:
38.9%
(a YoY increase of 6.9 points)

*Results for the fiscal year 2021

Partnership and collaboration with Fortress' subsidiary

Partner up and collaborate with Village House, a rental housing management company, to strengthen sales activities targeting real estate agents who offer rental housing

As part of the occupancy rate improvement measures, we promote partnership and collaboration with Village House, a rental housing management company under the umbrella of the Fortress Investment Group, from which we raised funds. Village House manages low-price rental housing throughout Japan and has a network of approximately 4,000 stores run by partner real estate agents.

Until now, we have responded to requests for housing through directly operated leasing sales offices as a mainstream as well as approximately 5,000 partner real estate agents. By offering our apartments through Village House partner offices, we aimed to expand the range of our potential customer base and increase the number of contracts. As a result, during the fiscal year 2021, our real estate agents concluded 35,576 contracts (a YoY increase of 34.2%), and real estate agent contracts made up 38.9% of all individual contracts (a YoY increase of 6.9 points), both of which were outstanding results.

Our policy is to continue focusing our sales on companies by implementing top-level sales, strengthening our sales structure, and implementing strategies for each corporate customer. At the same time, in terms of sales for individuals, our approach is mainly focused on partnership and collaborating with domestic real estate agents, strengthening our ability to attract customers on the web, and utilizing IFC offices that target foreign national customers. Of these, regarding partnership and collaboration with domestic real estate agents, we hope to increase the number of partner companies in order to simultaneously increase the number of contracts and raise the ratio of contracts via real estate agents.

Measure (4) Attract More Foreign National Customers

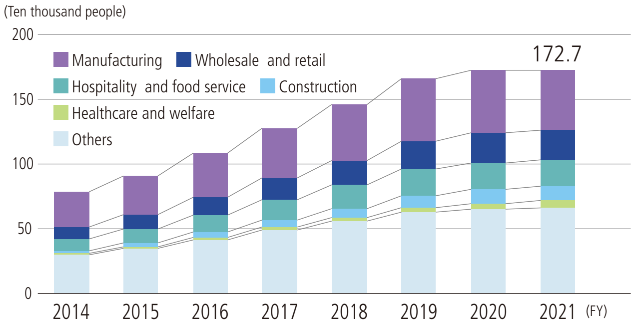
Number of contracts with foreign nationals (individual contracts)
Full-year plan for the fiscal year 2022
13,000
YoY increase of
65%

Efforts to attract foreign national customers (1)

The number of foreign national workers is on the rise due to labor shortages. The number of international students will also increase in post pandemic era

The number of foreign national workers is on the rise in order to solve the labor shortages as Japan's population is declining. In addition, the number of international students was also on an increasing trend except for the period of the COVID-19 pandemic during the last two years. In the post-COVID-19 world, the number of international students is expected to increase again.

Number of foreign national workers



*Status of reporting on the employment of foreign workers (as of October 31, 2021), Ministry of Health, Labour and Welfare

Efforts to attract foreign national customers (2)

Multilingual rental website and expanded rental contract signing without having to meet face-to-face

As a result of the Japanese government relaxing restrictions on entering the country in March 2022, technical interns, international students, and other foreign nationals have once again started coming into Japan. First, we are trying to increase the number of used rooms by strengthening our alliances with registered support organizations for foreign nationals in order to focus on specified skilled workers. More specifically, we are collaborating with registered support organizations to hold seminars for existing corporate clients in the 12 industries subject to the employment of specified skilled workers in order to share information on the future hiring of foreign national employees. It enables us to indirectly support the business development for our corporate clients while taking steps to address not only obvious needs but making potential needs apparent. We believe that cultivating business with existing customers is more efficient than trying to win new customers. In addition, through leasing sales offices capable of providing multilingual support to tenants, we are actively accepting applications from international students, and are also collaborating with real estate agents and study-abroad centers to respond to the demand of international students entering Japan.

Structural Reforms

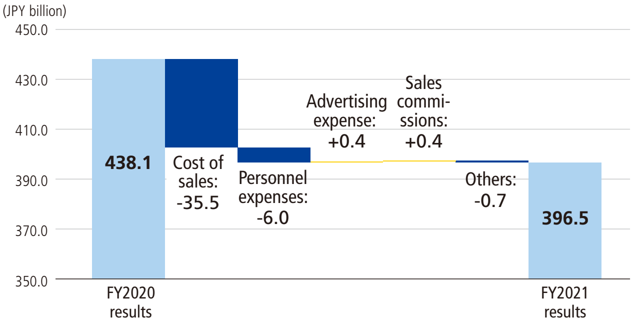
To improve the profit structure, we focus on the Leasing Business, which is our core business. We have been promoting drastic structural reforms aimed at improving the financial strength mainly by reducing costs in the Leasing Business.

Structural reform (1)

Initiatives in the fiscal year 2021

We have been promoting drastic initiatives aimed at improving our financial strength mainly by reducing costs in order to restore our sluggish business performance. During the fiscal year 2021, we focused on cutting down SG&A expenses by reducing the number of leasing sales offices, outsourcing call center work, and taking other steps. We also contractually adjusted the master-lease rent payment to property owners and increased efficiency by reviewing our workflow. As a result, we reduced cost of sales and SG&A expenses by a total of JPY 41.5 billion consisting of approximately JPY 15.9 billion in leasing operation cost, approximately JPY 6.5 billion in leasing management cost, and approximately JPY 10.9 billion in construction and real estate costs.

Cost of sales and SG&A expenses reduction results



Structural reform (2)

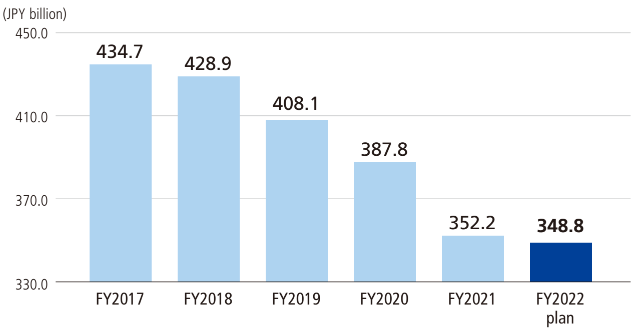
Eliminating excess liabilities per the TSE criteria and our future plan

At the end of the fiscal year 2020, we recorded excessive liabilities of JPY 8.1 billion per the TSE criteria. In response, we continued to implement our drastic business strategy reconstruction policy, which we announced in April 2020, focused our managerial resources on the Leasing Business, which is our core business, and simultaneously continued pursuing drastic structural reforms aimed at improving the financial strength. As a result, we achieved net assets of JPY 1.4 billion and eliminated excessive liabilities per the TSE criteria at the end of the fiscal year 2021. We will continue pursuing structural reforms in an effort to achieve financial stability.

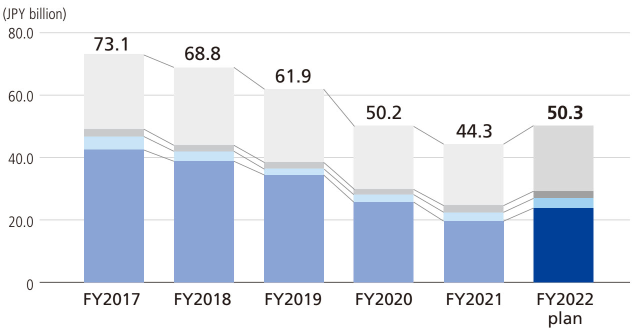
Cost reduction measures in the fiscal year 2022

We are still in the middle of the drastic business strategy reconstruction, so we will continue structural reforms in and after the fiscal year 2022. During the fiscal year 2022, although leasing management cost will increase due to implementation of preventive maintenance for apartments under management, we will continue striving to reduce leasing operation cost by contractually adjusting the master-lease rent paid to property owners. We expect to further reduce cost of sales by an additional JPY 3.4 billion in the fiscal year 2022, including almost same level of construction and real estate costs, where new orders have been suspended. In addition, in SG&A expenses, we will pursue initiatives aimed at reducing costs through increased work efficiency while also striving to optimize our cost structure.

Cost of sales plan



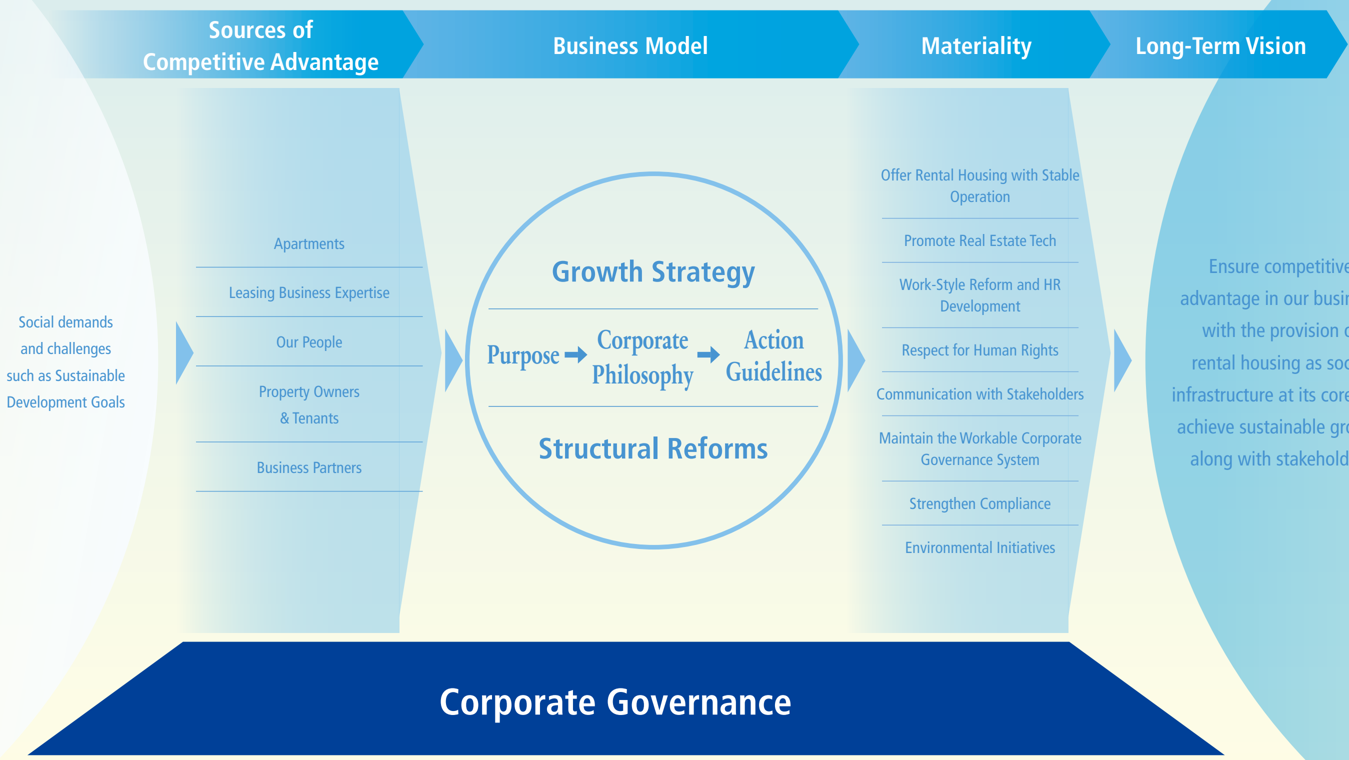
SG&A expenses plan



Corporate Governance

[About Leopalace21's Corporate Governance]

We have appointed four independent outside directors. The board of directors is working to build a robust management system by making appropriate and speedy decisions, strengthening the supervisory functions and compliance system, establishing good relationships with stakeholders, and taking other steps.



Corporate Governance System

Basic approach to Corporate Governance

We consider developing and strengthening corporate governance to be a key management issue. By strengthening corporate governance, we are aiming to realize the corporate philosophy, achieve the management plans, enhance the corporate value over the medium- to long-term, and achieve sustainable growth.

In addition, to realize higher corporate value for all stakeholders, we consider aiming for efficient, fair, and highly transparent management to be the basic approach underpinning our corporate activities.

Based on this approach, the Board of Directors is working to develop management structures, organizations, and systems that will allow us to engage in appropriate and speedy decision making, strengthen the supervisory functions governing the decisions made, establish compliance systems, improve and reinforce internal control systems, and build healthy relationships with stakeholders.

To achieve even faster decision making and smoother business execution, the Board of Directors has established the Corporate Management Council and the Board of Executive Officers. The former convenes to discuss important matters related to overall business execution prior to Board of Directors meetings, while the latter shares information about Company management with the aim of strengthening collaboration so that business execution proceeds smoothly.

The Board of Directors has also established the Nomination and Compensation Committee to handle inquiries and proposals related to the nomination of and compensation for officers, who make up the core of our governance.

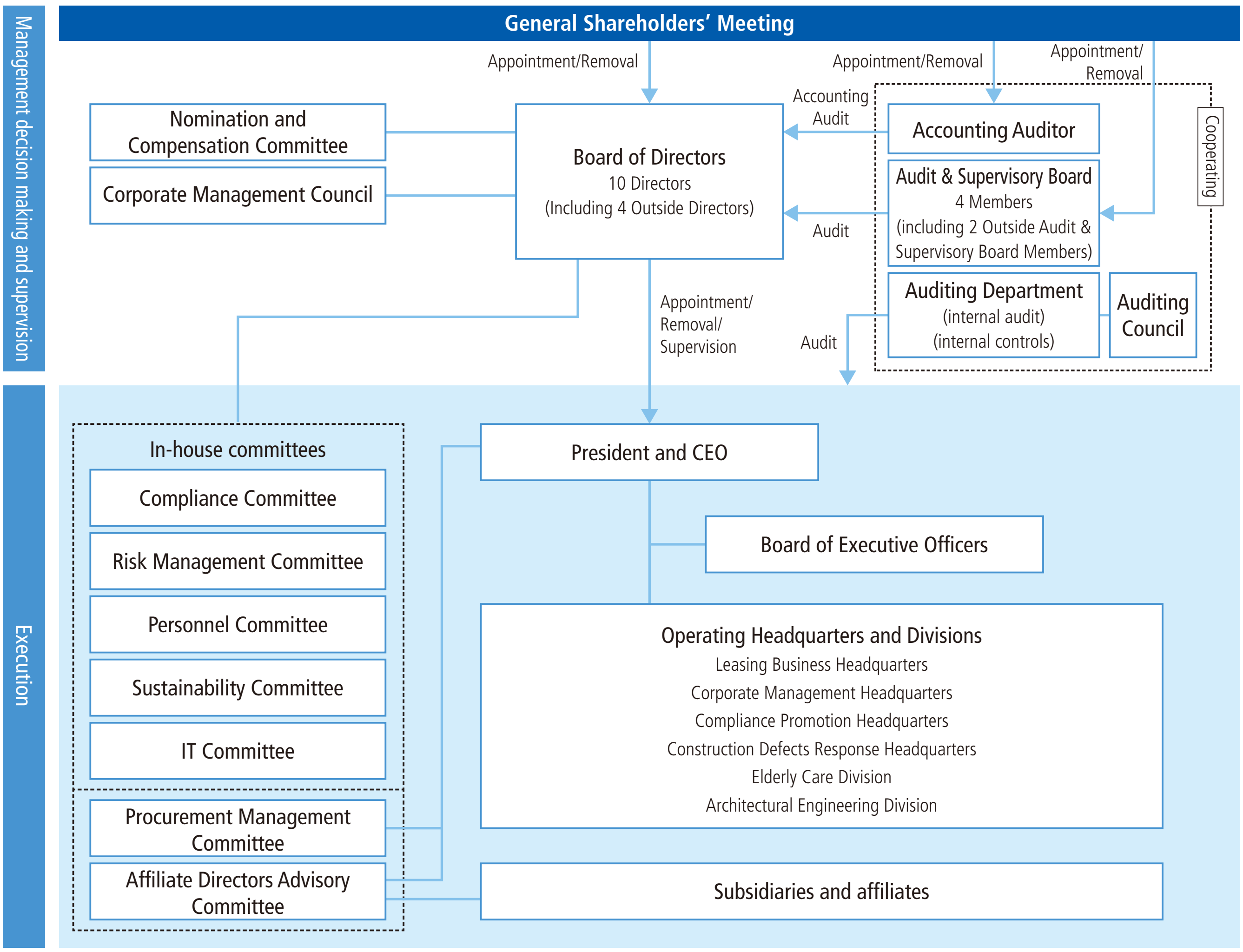
In addition, the Board of Directors has established the Compliance Committee, which prepares and runs legal compliance systems, the Risk Management Committee, which handles risks related to business administration, the Personnel Committee, which discusses human resource utilization, the Sustainability Committee, which pursues initiatives aimed at promoting sustainability, and the IT Committee, which maintains IT environment. These committees consider and offer recommendations on management issues to the Board of Directors so the Board can thoroughly examine them.

Our business operation structure consists of four headquarters: Leasing Business Headquarters, Corporate Management Headquarters, Compliance Promotion Headquarters, and Construction Defects Response Headquarters.

Under this system, we will take steps to clarify the scope of responsibilities and authority and make every effort to further strengthen our corporate governance.

Corporate Governance System

As of June 29, 2022



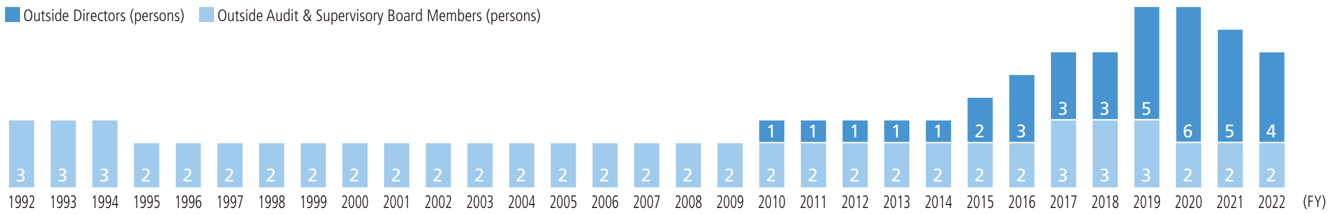
Strengthening Our Management Structure

Progress towards strengthening governance

We have strengthened our corporate governance system in order to achieve the corporate philosophy, attain the management plan, improve the medium- to long-term corporate value, and achieve sustained growth. To apply external points of view to our management, we have been appointing outside Audit & Supervisory Board members for over 25 years, and we appointed outside directors immediately after the global financial crisis, which had a major effect on the management of the Company.

We subsequently increased the number of outside directors to considerably strengthen the supervisory function of the management. We currently have four independent outside directors, making up over one third of all directors. In addition, the Board of Directors has set up various committees and has pursued timely inquiries in order to examine major management issues faced by the Company.

Major Corporate Governance Initiatives



Compliance Committee	July 2006 1st meeting
Risk Management Committee	May 2008 1st meeting
Sustainability Committee (formerly called the CSR Committee)	July 2008 1st meeting
Personnel Committee	April 2009 1st meeting
IT Committee	February 2011 1st meeting
Nomination and Compensation Committee	March 2016 1st meeting
Affiliate Directors Advisory Committee	July 2021 1st meeting
Procurement Management Committee	March 2022 1st meeting

Members of each established body

Position	Name	Board of Directors	Corporate Management Council	Board of Executive Officers	Nomination and Compensation Committee	Compliance Committee	Risk Management Committee	Personnel Committee	Sustainability Committee	IT Committee
President and CEO	Bunya Miyao	◎	◎	◎	○	○	◎	◎	○	○
Director	Mayumi Hayashima	○	○	○		○	○	○		○
Director	Naomichi Mochida	○	○	○			○	○		
Director	Shinji Takekura	○	○	○		○	○	○	◎	◎
Director	Akio Yamashita	○	○		○					
Director	Jin Ryu	○	○		○					
Outside Director	Akira Watanabe	○	○		◎	○	○			
Outside Director	Yutaka Nakamura	○	○		○	◎	○			
Outside Director	Takumi Shibata	○	○		○	○	○			
Outside Director	Kan Ishii	○	○		○	○	○			
Audit & Supervisory Board Member	Kenichiro Samejima	(Notes 2)	○	○		○	○	○	○	○
Audit & Supervisory Board Member	Yoshitaka Murakami	(Notes 2)	○							
Outside Audit & Supervisory Board Member	Jiro Yoshino	(Notes 2)	○	○		○	○	○		○
Outside Audit & Supervisory Board Member	Takao Yuhara	(Notes 2)	○							
Executive Officers	—			10		2	3	6	1	2
Employees	—					1	2	1	11	4
Affiliated companies	—								5	
Outside Experts and others	—					2	2			

Notes 1. ◎ indicates a chairperson, while ○ indicates a member.
2. All Audit & Supervisory Board members attend meetings of the Board of Directors, and they supervise the execution of business by the directors.

Nomination and Compensation Committee

We have established the Nomination and Compensation Committee as an advisory body to the Board of Directors in order to deliberate on the fairness and appropriateness of officer appointment/removal, compensation and other issues to ensure the transparency and accountability of our management. The Nomination and Compensation Committee consists of outside directors, President and CEO, and non-executive directors.

Members	Chairperson: an independent outside director Committee members: three independent outside directors, President and CEO, and two non-executive directors
Objective	To ensure the appropriateness of decisions related to officer candidates nomination and compensation recommendations
Role	This committee handles the nomination, removal as well as the compensation composition and levels for President and CEO, directors, Audit & Supervisory Board members, and executive officers considering the company business performance and other factors for objective deliberation. The committee reports the results of such deliberation to the Board of Directors.
Number of meetings held in the fiscal year 2021	7
Main deliberation content	We discussed the appointment of directors and executive officers, and deliberated on personnel, compensation, and evaluation systems for directors, Audit & Supervisory Board members, and executive officers. Regarding officer compensation, we specifically reviewed the ratio of performance-linked compensation because it was low relative to fixed compensation, and it was suggested that the ratio of compensation linked to performance and individual evaluations should be increased. In addition, we changed the final determination process for self-reported evaluation items related to directors and executive officers. The old process based on a self-reporting system was changed to the new process in which the evaluation items are finalized based on discussion at the Nomination and Compensation Committee. There have been cases where self-reported evaluation results were changed in accordance with the outcome of discussions. Director and executive officer evaluations are implemented based on evaluation items finalized through discussion, and will be held twice a year instead of once a year as they used to be, so as to clarify each officer’s contribution to the Company performance. The Committee has deliberated cases for promotion and demotion as and when required.

Board members’ compensation

The objective of the Company’s director compensation is to provide an incentive for the directors to maximize the performance of their duties in order to achieve the management plan and improve the corporate value in the medium- to long-term. Director compensation consists of four components: basic remuneration, stock options, annual bonuses, and medium-term management plan period bonuses. Based on the deliberation of the Nomination and Compensation Committee, in order to strengthen the performance-linked incentives going forward, we plan to abolish fixed-amount of basic remuneration and introduce a performance-based annual compensation that is linked to the level of performance achievement. In addition, we plan to revise the compensation system to specify the fact that bonuses and stock options will only be provided when profits are returned to the shareholders through dividend payments, share buybacks or the like.

About the reduced officer compensation amount ratio	
President and CEO	60%
Other Internal Directors	40–45%
Full-time Audit & Supervisory Board members	35%
Executive Officers	35–40%

Skills of officers

The Board of Directors is aiming to strengthen our governance system and to flexibly and promptly solve problems. We reviewed the skill set of the Board of Directors as necessary given the business environment and other factors. Effective June 29, 2022, the Board consists of ten directors in total, of which four appointed as independent outside directors, so that more than one-third are independent outside directors.

The Company requires its directors to have an extremely broad range of expertise, experience, and knowledge, and therefore many of the appointed directors possess multiple of the required qualities. Particular focus is given to knowledge of corporate management, corporate rehabilitation and business restructuring, quality management, legal affairs, and finance when appointing outside directors. We expect that directors will be able to leverage these skills to make significant contribution to the Company's efforts to implement structural reforms and strive to recover performance and trust.

Skill set matrix

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

Note: Ages of each director are listed as of June 29, 2022

Expected roles of outside directors and results

In order to obtain objective advice on decision-making and strengthen the supervisory function of the management, we have appointed four independent outside directors and are increasing the effectiveness of our governance. Below, we describe the roles that we expect independent outside directors to play, the results they have achieved for us, and the aspirations of newly appointed directors.

Outside director Akira Watanabe

Possessed knowledge

- Specialized knowledge as a lawyer
- Experience as an outside director at other companies

Expected role

Mr. Watanabe is expected to use the keen insight and deep knowledge of company management he has gained through the experience as an outside director at other companies in order to offer advice on strengthening the operations and running of the Board of Directors. In addition, we believe he will be able to contribute in the legal affairs and compliance areas as well based on his keen insight as a lawyer.

Achieved results

When I was first appointed as an outside director, I found that the Board of Directors meetings were nothing more than reporting sessions, and lack of required information prevented active discussions for making decisions. I offered strict comments from various angles ranging from the way of preparing proposals to format of discussion including necessary information. I am confident that such feedback made significant improvements in the operation of the Board of Directors meetings and contributed to increased effectiveness of the Board of Directors. Consequently the operating departments started to consider matters more comprehensively, and the Board of Executive Officers has become more active in discussing the matters.

Outside director Yutaka Nakamura

Possessed knowledge

- Knowledge of quality management and environmental management through the experience in a housing manufacturer
- Experience gained through important positions with multiple organizations in the housing industry

Expected role

Mr. Nakamura got his professional start at Panasonic Homes Co., Ltd., where he developed the career in quality management and environmental management, and he successfully elevated that company to the top level in the industry in those areas. Therefore, we believe he will contribute to the Company by providing operational support for resolving the construction defects problem, in maintaining apartments under management, by establishing management system for improving quality, and by taking steps in addressing climate change.

Achieved results

As the chair of the Compliance Committee, I have been working on strengthening and fleshing out the compliance system. In addition, I took advantage of my long experience in the fields of quality and environmental management at the housing manufacturer in order to strengthen the systems for preventing problems in new product development and construction site management, to offer ideas of proper handling of incidents, and to propose preventive measures to avoid the recurrence of problem. In terms of work quality, to help attain the planned goals by overcoming organizational barriers, I proposed that a task force is established to confirm results and review policies on a monthly basis. The task force looked into the reduction of cost of sales and SG&A expenses and it contributed to recording net income for the fiscal year 2021.

Outside director **Takumi Shibata**

Possessed knowledge

- Keen insight as a part of the management gained during his career in the securities and asset management companies
- Deep knowledge and experience related to asset management and finance

Expected role

We expect Mr. Shibata to be involved in and supervise the decision-making process in the selection of the officer candidates, their compensation from an independent and impartial viewpoint. We invited him to join the Board of Directors so that he will comprehensively monitor and supervise the corporate management, and provide advice based on his extensive global experience.

Aspirations as a new director

With my long experience in the capital market, I would like to act always considering the interests of our minority shareholders. Of course, as the Company recovers, I will also help find ways to ensure that we are accepted by society and can contribute even more to society than in the past.

I hope to use my experience for the benefit of the Company including my involvement in the management of a major securities group and a major asset management company; my relatively extensive overseas experience; my participation in regular workshops involving chairpersons and vice-chairpersons to be performed by outside directors at UK-based listed companies; and my previous work as a director at publicly listed companies in Canada and Italy.

Outside director **Kan Ishii**

Possessed knowledge

- Keen management insight cultivated by successively holding important positions at investment banking and business companies
- Deep knowledge and experience in corporate rehabilitation gained by working as a trustee representative of Japan Airlines Co., Ltd.

Expected role

We invited Mr. Ishii because we expect him to utilize his knowledge in supervising the business execution and advising us from a specialized perspective. He is expected to provide detailed advice in the formulation of the future business strategy and financial strategy. We also believe he will utilize his corporate rehabilitation experience to actively communicate with the aim of helping to rebuild our damaged brand caused by bad reputation, and thereby revitalize the Company.

Aspirations as a new director

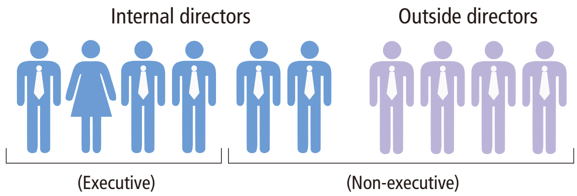
My understanding is that I was appointed for the knowledge I have gained over the years of corporate rehabilitation in particular. Based on that experience, I know that good companies have well-functioning systems in place which are clear regarding the way they operate, who is responsible for what, and how the motivation works in the Company. My role is to provide a boost to ensure that these systems work well. In addition, as an outside director at the listed-company, I believe that one particular basic is essential: although major shareholders are obviously important, minority shareholders are equally important. In the case of the Company, many of our minority shareholders are the property owners, so I will particularly stick to the basic principle.

Initiatives Aimed at Improving Effectiveness

The Board of Directors

The Board of Directors focuses on both ensuring agile management and achieving comprehensive supervisory functions, and it currently consists of ten directors, including four outside directors. To improve our corporate value, we believe it is important to appoint suitable directors and determine their compensation, and we have incorporated deliberation by the Nomination and Compensation Committee which is made up of outside directors, into the determination process.

In addition to regular monthly meetings, the Board of Directors flexibly convenes meetings as necessary to make important management decisions, monitor how business is being executed, and supervise the execution of duties by directors.



Evaluation of the effectiveness of the Board of Directors

After the end of the fiscal year 2021, we evaluated the function and other duties to be fulfilled by the Board of Directors, mainly to improve management issues. The evaluation method was an individual evaluation using a questionnaire targeting all the board members. The secretariat of the Board of Directors reported the aggregated and analyzed results to the Board of Directors, and discussions were held. As a result, for the fiscal year 2021, we confirmed that our Board of Directors and governance system generally functioned effectively.

More specifically, based on the evaluation of the Board of Directors for the previous fiscal year, we steadily implemented structural reforms to turn the business back on track, boosting the profitability of the Leasing Business, and strengthening communication between the management team and employees as initiatives to make improvements related to management issues identified in the fiscal year 2021.

In the recent evaluation of the Board of Directors, the Board agreed to implement the business plan as a top priority and to monitor the progress of below-mentioned initiatives, hold timely discussions and make decisions including any necessary corrections: formulating a medium-term management strategy, boosting the profitability of the Leasing Business, and strengthening the risk and crisis management system.

Priority issues during the fiscal year 2021	
1. Implement structural reforms to turn the business back on track 2. Boost the profitability of the Leasing Business 3. Strengthen communication between the management team and employees	
Positive points	**Points to be improved**
• Contractual adjustment of the master-lease rent • Occupancy rate improvement • Review of costs by an in-house task force • Achievement of positive operating profit and net income • Branch office visits by the management team	• Formulation of a new roadmap that includes the company's brand strategy • Completion of withdrawal from non-core unprofitable businesses • Further strengthening of crisis management system

Priority issues during the fiscal year 2022
1. Formulate a medium-term management strategy 2. Boost the profitability of the Leasing Business 3. Strengthen the risk and crisis management system

Risk Management

Restructuring of the risk management framework

In order to grasp and manage Company-wide risks and strengthen our risk management framework, the Group has put in place a Risk Management Committee as an advisory body to the Board of Directors. President and CEO serves as chair of this Risk Management Committee, while other members of the Committee comprise Chief of the Corporate Management Headquarters, Senior Department Manager of the Compliance Promotion Department, and external experts such as lawyers. The Committee not only monitors risk management status, but also plans and implements training sessions and works to mitigate or prevent risks from materializing. Each department identifies and analyzes risks related to the work it is in charge of, formulates a risk response plan to manage these risks, and reports the results to the Risk Management Committee.

The Risk Management Committee regularly meets once a month and whenever the chair determines that an extraordinary meeting is required. It offers consultation and guidance to ensure that risk is appropriately managed by each department. Furthermore, Chief of the Compliance Promotion Headquarters reports on the status of risk management to the Board of Directors on a quarterly basis.

Reviewing how we run our Risk Management Committee

During the fiscal year 2021, we reviewed how we run our Risk Management Committee. More specifically, we assigned an order of priority to the risks we respond to within the committee, and we changed how the committee is run so that higher priority risks are handled first.

In addition, we switched from report-based committee operations to discussion-based operations. The objective behind this decision is to more actively express opinions in order to devise policies that are effective on a deeper level. The committee will be used as a forum for discussing risk measure policies related to high-priority matters, including risk reduction and prevention measures.

Responding to disaster risks—to protect the social infrastructure of 560,000 units

With the Leasing Business as our core business, we are able to exist thanks to the use by customers of apartments we construct, manage, and operate. For this reason, it is our social mission to swiftly respond to the building damage and direct damage to customers including injuries and promptly enact countermeasures.

In 2010, we established a Disaster Response Policy in the aim of swiftly grasping internal damages such as safety of employees and damage to company office buildings and facilities and business damages such as damage to apartment buildings managed and operated as part of businesses in which we engage, and safety of tenants and property owners in preparation for earthquakes, typhoons, torrential downpours and infectious diseases. The policy is set for obtaining basic information needed for restoration activities and initiatives to prevent the spread of damage and is revised as necessary. The Disaster Response Policy is also the backbone of our business continuity plan.

In addition, to prevent disaster damage, we are complying with laws related to customers who move in to Company-managed apartments by distributing hazard maps when they sign rental contracts and selling disaster prevention goods. As a provider of social infrastructure, we consider it our responsibility to explain risks related to daily life that will affect the customers after they move in, and to respond to such risks in advance.

Cover Story
Sources of Competitive Advantage
Business Model
Corporate Governance
Materiality
Data Section

Compliance

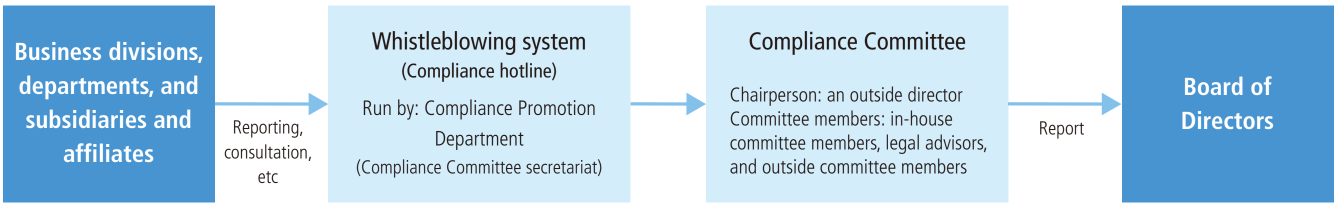
To entrench an enduring compliance-first policy within the organization, we established the Compliance Promotion Headquarters, with the Compliance Promotion Department at its core, which verifies the legal compliance of Company-wide businesses and products and also builds and operates information management systems, thereby promoting the development of an organizational framework with strong internal controls.

Compliance system

We established the Compliance Promotion Department in response to the problem of construction defects in order to fundamentally review and rebuild a solid compliance and risk management framework for the Group. The Compliance Promotion Department plans and drafts the construction of new systems, and verifies the legal compliance of the Group's new businesses, services, products, etc. The Compliance Promotion Department also takes the lead in sharing information with our design, construction, and other departments as well as subsidiaries and affiliates, reconstructing systems for sharing risk information in the field throughout the Group, and actively carrying out training and other initiatives aimed at providing knowledge and raising awareness of compliance. In this way, the department strives to foster an organizational culture defined by our compliance-first policy, thereby setting the stage for successful management.

Compliance consulting service

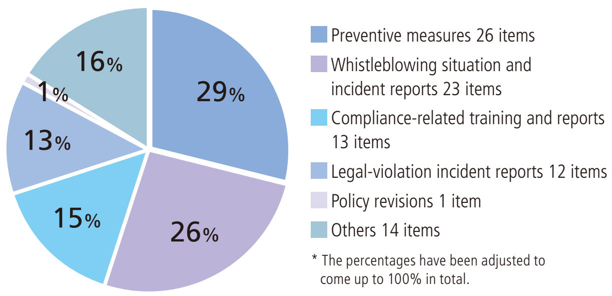
To handle cases where legal violations or similar acts by officers and employees are discovered, the Group has established compliance hotline services to deal with the associated consultation and reporting in-house (the Compliance Promotion Headquarters), outside of the company (a law firm), and for Audit & Supervisory Board members (the Audit & Supervisory Board). We have also established a business partners hotline to handle cases involving our business partners. We also have established a Compliance Mailbox so that we can promptly respond to any incidents that may occur by receiving a wide variety of information and consultations from Company officers and employees and having a system to discover potential risks.



Compliance Committee

The Compliance Committee has a chairperson who is mutually elected and appointed from among the outside directors. The committee's members include lawyers and other external experts. The committee plans and drafts measures related to compliance, including fleshing out and strengthening the training and information management systems, while also striving to strengthen the monitoring systems, understand problem areas, and make other improvements. During the fiscal year 2021, the committee deliberated on recurrence-prevention measures, the whistleblowing situation, compliance-related training reporting, and other issues.

Compliance Committee deliberations content (April 2021–March 2022)



Compliance training

The Group implements compliance training that utilizes E-learning in an effort to boost the compliance awareness of all its employees. During the fiscal year 2021, we conducted a Recurrence Prevention Questionnaire targeting all officers and employees, and also implemented risk management training. We have been also striving to raise the compliance awareness of all our employees by taking other steps, such as implementing harassment prevention training.

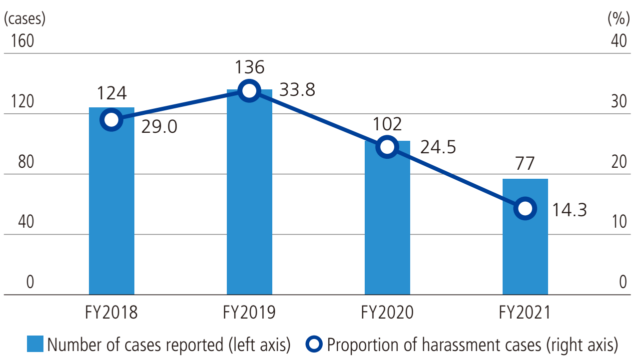
Training related to compliance (16 times)

Details	Targets	Number of times
E-learning aimed at understanding the importance of compliance through a compliance-first mindset	Mid-career employees	As necessary
Compliance training for the Elderly Care Business Division	Elderly Care Business Division area managers, facility managers, and vice facility managers	once
Recurrence Prevention Questionnaire	All officers and employees	once
Harassment prevention training	High-level managers	once
Harassment prevention training	Managers	once
Harassment field survey	All officers and employees	once
Call for compliance slogans	All officers and employees	once
Risk management training	All officers and employees	7 times
Information management training	All officers and employees	3 times

Declaration to eliminate harassment

In April of 2020, in an effort to maintain a healthy work environment, improve trust relationships in the workplace, and thereby achieve a lively company with a pleasant work atmosphere, the Group formulated a basic policy on the elimination of harassment and announced the declaration to eliminate harassment as a corporate responsibility. In accordance with this declaration, the Group implemented training aimed at preventing harassment as part of its compliance-related training. In addition, we conduct a harassment field survey targeting all officers and employees. As a result of the above initiatives, the number of whistleblowing has been on a decreasing trend since the number peaked during the fiscal year 2019, and the number of reported harassment incidents in particular has decreased, so we believe we have achieved progress in terms of the measures.

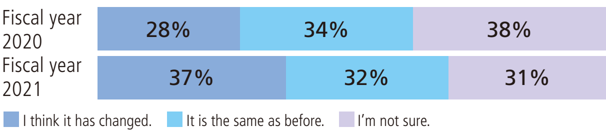
Proportion of cases of harassment in the whistleblowing system



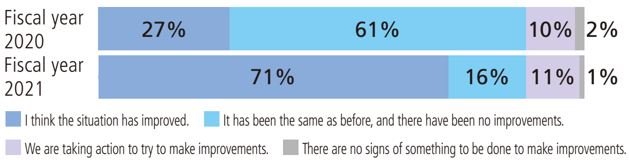
Changes in compliance awareness

As we continue to pursue initiatives aimed at reforming our corporate culture and embedding a compliance-first approach into our business, we have been also conducting regular awareness surveys targeting all Group officers and employees. Based on the recent awareness survey, over 70% of the officers and employees responded that the overall compliance awareness has improved, so we believe that we have made steady progress on reforming our corporate culture and raising this awareness.

Q. Do you think our corporate culture has changed in a good way?



Q. Has there been any change in the awareness of compliance around you compared to before the discovery of the construction defects problem?



Why do you think the corporate culture has changed?

- Everyone has been more careful before taking action.
- The culture of making policy decisions without considering compliance risks has been steadily improving.
- Because we have created an environment that makes it easy to share information between the members of the sales office.
- I think we have more employees who view things from the customer's perspective instead of from the company's.

Why don't you think the corporate culture has changed?

- Not enough opinions of people in the field have been considered.
- Our corporate culture has been gradually becoming more open so that employees can raise issues and requests to superiors. We are however still pushing things forward without making enough consideration of future consequences.
- I don't think we have actually changed until our customers start saying that things have changed for us.

Directors and Audit & Supervisory Board Members

Internal Directors (As of June 29, 2022)

Executive

Representative Director, President and CEO
Chief of the Construction Defects Response Headquarters

Bunya Miyao

Apr. 1983 Joined Nakamichi Leasing Co., Ltd.
Jun. 1990 Joined Leopalace21 Corporation
Sep. 2000 Deputy Manager of the Financial Department
Jul. 2008 General Manager of the Resort Business Headquarters
Jul. 2010 General Manager of the Corporate Planning Department
Jul. 2012 Administrative Officer
Apr. 2013 Executive Officer
Jun. 2016 Director and Executive Officer
May 2017 Representative in charge of the Corporate Planning Department and Public Relations Department
Apr. 2018 Director and Managing Executive Officer, Representative in charge of Corporate Planning and Investor Relations
May 2019 President and CEO (current)
Jun. 2019 Chief of the Business Operation Headquarters
May 2022 Chief of the Construction Defects Response Headquarters (current)

Executive

Director and Managing Executive Officer
Chief of the Leasing Business Headquarters

Mayumi Hayashima

Apr. 1996 Joined Leopalace21 Corporation
Apr. 2009 Deputy Department Manager of the Eastern Japan Corporate Sales Department, Leasing Sales Section 3, Leasing Business Division
Jul. 2010 Department Manager of the Corporate Sales Department, Eastern Japan Section 2, Leasing Business Division
Apr. 2014 Department Manager of the Corporate Business Promotion Department
Apr. 2015 Administrative Officer
Apr. 2018 Executive Officer
Jun. 2019 Director and Executive Officer, Chief of the Compliance Management Headquarters, Chief Legal Officer (CLO)
Jun. 2020 Chief of the Compliance Promotion Headquarters, Chief Legal Officer (CLO)
Jul. 2020 Chief of the Management Headquarters
May 2021 Deputy Chief of the Corporate Management Headquarters
May 2022 Director, Managing Executive Officer (current)
Chief of the Leasing Business Headquarters (current)

Executive

Director and Executive Officer,
Deputy Chief of the Leasing Business Headquarters, General Manager of the Corporate Sales Division

Naomichi Mochida

Apr. 1985 Joined Mitsui Bank, Limited (now Sumitomo Mitsui Banking Corporation)
Jun. 2007 Joined Leopalace21 Corporation as Director, General Manager of the Corporate Planning Department
Apr. 2009 Director and Executive Officer Department Manager of the 3rd Sales Department, Leasing Business Division Department Manager of the Broadband Business Promotion Department
Apr. 2010 Head of the Related Businesses Controlling Division
Jun. 2010 Executive Officer
May 2011 Head of the Corporate Sales Management Division
Apr. 2013 Deputy General Manager of the Leasing Business Division
Apr. 2014 Managing Executive Officer
Jul. 2015 Deputy General Manager of the Construction Subcontracting Business Division
Jun. 2020 Representative Director of Leopalace Leasing Corporation
May 2021 Administrative Officer and Department Manager of the Corporate Sales Planning Department
May 2022 Executive Officer
Deputy Chief of the Leasing Business Headquarters (current)
General Manager of the Corporate Sales Division (current)
Jun. 2022 Director and Executive Officer (current)

Executive

Director and Executive Officer,
Chief of the Corporate Management Headquarters, Senior Department Manager, Corporate Planning Department
Chief of the Compliance Promotion Headquarters, Chief Legal Officer (CLO)

Shinji Takekura

Apr. 1996 Joined Leopalace21 Corporation
Apr. 2014 Department Manager of the 1st Construction Subcontracting Business Department, West Japan Region
May 2018 Department Manager of the 3rd Construction Subcontracting Business Department, East Japan Region
Jun. 2020 Department Manager of the 2nd Wealth Management Department, East Japan Region, and responsible for the Emergency Response Project for Construction Defects Problem
Oct. 2020 Senior Department Manager of the Corporate Planning Department (current)
Apr. 2021 Executive Officer
May 2022 Chief of the Corporate Management Headquarters (current)
Chief of the Compliance Promotion Headquarters, Chief Legal Officer (CLO) (current)
Jun. 2022 Director and Executive Officer (current)

Non-executive

Director

Akio Yamashita

Apr. 1984 Joined Japan Development Bank (now Development Bank of Japan Inc.)
Jan. 2006 Joined Morgan Stanley Securities Co., Ltd. (now Morgan Stanley MUFG Securities Co., Ltd.)
Jun. 2008 Joined Fortress Investment Group, Managing Director (current)
Mar. 2013 Representative in Japan, Fortress Investment Group (current)
Jun. 2021 Outside Director, Leopalace21 Corporation
Jan. 2022 Director, PJC Investments (current)
Director, Accordia Next Golf Co., Ltd. (current)
Director, Accordia Golf Management Co., Ltd. (current)
Director, Accordia Golf Co., Ltd. (current)
Director, Green Golf Management Co., Ltd. (current)
Director, Next Golf Management Corporation (current)
Jun. 2022 Director, Leopalace21 Corporation (current)

Non-executive

Director

Jin Ryu

Apr. 2010 Joined Morgan Stanley MUFG Securities Co., Ltd.
Apr. 2011 Joined RBS Securities Japan Ltd.
May 2012 Joined Fortress Investment Group
Dec. 2020 Managing Director, Fortress Investment Group (current)
Jun. 2021 Outside Director, Leopalace21 Corporation
Jan. 2022 Director, PJC Investments (current)
Director, Accordia Next Golf Co., Ltd. (current)
Director, Accordia Golf Management Co., Ltd. (current)
Director, Accordia Golf Co., Ltd. (current)
Director, Green Golf Management Co., Ltd. (current)
Director, Next Golf Management Corporation (current)
Jun. 2022 Director, Leopalace21 Corporation (current)

Outside Directors (As of June 29, 2022)

Non-executive

Outside Director

Akira Watanabe

Apr. 1973 Registered as an attorney at law
Nov. 2006 External Statutory Auditor, FAST RETAILING CO., LTD.
Jun. 2007 Outside Director, MAEDA CORPORATION
Outside Audit & Supervisory Board Member, KADOKAWA GROUP HOLDINGS, INC. (now KADOKAWA CORPORATION)
Apr. 2010 Outside Director, MS&AD Insurance Group Holdings, Inc.
Mar. 2013 Outside Director, DUNLOP SPORTS CO., LTD.
Oct. 2015 Director, ASIA PILE HOLDINGS CORPORATION (current)
Sep. 2018 Partner, Comm & Path Law Office (current)
Jun. 2019 Outside Director, MAEDA ROAD CONSTRUCTION Co., Ltd. (current)
Jul. 2020 Outside Director, Leopalace21 Corporation (current)
Jun. 2022 Outside Director, KADOKAWA CORPORATION (current)

Non-executive

Outside Director

Yutaka Nakamura

Apr. 1981 Joined National Housing Materials Co., Ltd. (now Panasonic Homes Co., Ltd.)
Oct. 2002 Manager, Quality & Environmental Promotion Department, Panasonic Homes Co., Ltd.
Oct. 2006 Manager, Quality, Environment & IT Department, Panasonic Homes Co., Ltd.
Apr. 2011 Councilor, Manager of Corporate Quality & Environmental Division, Panasonic Homes Co., Ltd.
Apr. 2012 Senior Councilor, Manager of Corporate Quality & Environmental Division, Panasonic Homes Co., Ltd.
Apr. 2018 Senior Principal for Quality & Customer Satisfaction, Panasonic Homes Co., Ltd.
Mar. 2019 Retired from position at Panasonic Homes Co., Ltd.
Feb. 2020 Outside Director, Leopalace21 Corporation (current)

Non-executive

Outside Director

Takumi Shibata

Apr. 1976 Joined Nomura Securities Co., Ltd.
Jul. 1997 Managing Director, Nomura International plc.
Jul. 1998 Director, Nomura Securities Co., Ltd.
Apr. 2000 Managing Director, Nomura Europe Holdings plc.
Apr. 2005 President and CEO, Nomura Asset Management Co., Ltd.
Jul. 2007 Deputy President and COO, Nomura Holdings, Inc.
Jul. 2013 Executive Chairman, Nikko Asset Management Co., Ltd.
Jan. 2014 President and COO, Nikko Asset Management Co., Ltd.
Jun. 2020 Representative Director, Fiducia, Inc. (current)
Jun. 2022 Outside Director, Leopalace21 Corporation (current)

Non-executive

Outside Director

Kan Ishii

Apr. 1977 Joined Japan Development Bank (now Development Bank of Japan Inc.)
Oct. 2008 Managing Executive Officer, Development Bank of Japan Inc.
Jan. 2010 Trustee Representative, Japan Airlines Co., Ltd.
Aug. 2011 Representative Director President, FUKUOKA JISHO CO., LTD.
June 2017 Outside Director, NIPPON PISTON RING CO., LTD.
Apr. 2018 Visiting Professor, The Graduate School of Project Design
Jun. 2018 Director, The Nishinippon Shimbun
Apr. 2019 Specially Appointed Professor, The Graduate School of Project Design (current)
June 2021 Advisor, TERRACE MILE, Inc. (current)
June 2022 Outside Director, Leopalace21 Corporation (current)
June 2022 Representative Director, President and CEO, Accordia Golf Co., Ltd. (current; as of June 30, 2022)

Audit & Supervisory Board Members (As of June 29, 2022)

Full-time Outside Audit & Supervisory Board Member

Jiro Yoshino

Apr. 1978 Joined The Dai-Tokyo Fire & Marine Insurance Co., Ltd. (now Aioi Nissay Dowa Insurance Co., Ltd.)
Apr. 2011 Executive Officer, Aioi Nissay Dowa Insurance Co., Ltd.
Apr. 2012 Managing Executive Officer, Aioi Nissay Dowa Insurance Co., Ltd. Executive Officer, MS&AD Insurance Group Holdings, Inc.
Jun. 2013 Full-time Audit & Supervisory Board Member, MS&AD Insurance Group Holdings, Inc.
Jun. 2017 Outside Full-time Audit & Supervisory Board Member, Leopalace21 Corporation (current)

Full-time Audit & Supervisory Board Member

Kenichiro Samejima

Apr. 1984 Joined Nikkei House Co., Ltd.
Feb. 1986 Joined Leopalace21 Corporation
Apr. 1999 Department Manager of the Store Management Department, Leopalace World Shinjuku, Leasing Business Division
Oct. 1999 Department Manager of the Planning Department, Head Office, Leasing Business Division
Apr. 2009 Executive Officer and Department Manager of the Operations Department, Leasing Business
Feb. 2010 Department Manager of the Planning and Operations Department, Leasing Business Division
Apr. 2012 Department Manager of the Information Systems Department
Jul. 2012 Administrative Officer
Apr. 2014 Executive Officer
Jul. 2019 Management Headquarters, in charge of Information Systems
Jun. 2020 Administrative Officer and Head of Audit & Supervisory Board Members Office
Jul. 2020 Full-time Audit & Supervisory Board Member (current)

Outside Audit & Supervisory Board Member

Takao Yuhara

Apr. 1969 Joined NIPPON CHEMICAL INDUSTRIAL CO., LTD.
May 1971 Joined Sony Corporation
Jun. 2003 Corporate Senior Vice President and Group CFO, Corporate Executive Officer, Sony Corporation
Dec. 2007 Managing Executive Officer, Zensho Co., Ltd. (now ZENSHO HOLDINGS CO., LTD.)
Jun. 2008 Audit & Supervisory Board Member, Ricoh Company, Ltd.
May 2011 Managing Executive Director and CFO, Zensho Co., Ltd.
Jun. 2013 Audit & Supervisory Board Member, mofiria Corporation
Jun. 2014 Auditor, KAMEDA SEIKA CO., LTD.
Jun. 2015 Outside Audit & Supervisory Board Member, Leopalace21 Corporation (current)
Dec. 2015 Auditor, T. HASEGAWA CO., LTD.
Dec. 2019 Outside Director, T. HASEGAWA CO., LTD. (current)

Audit & Supervisory Board Member

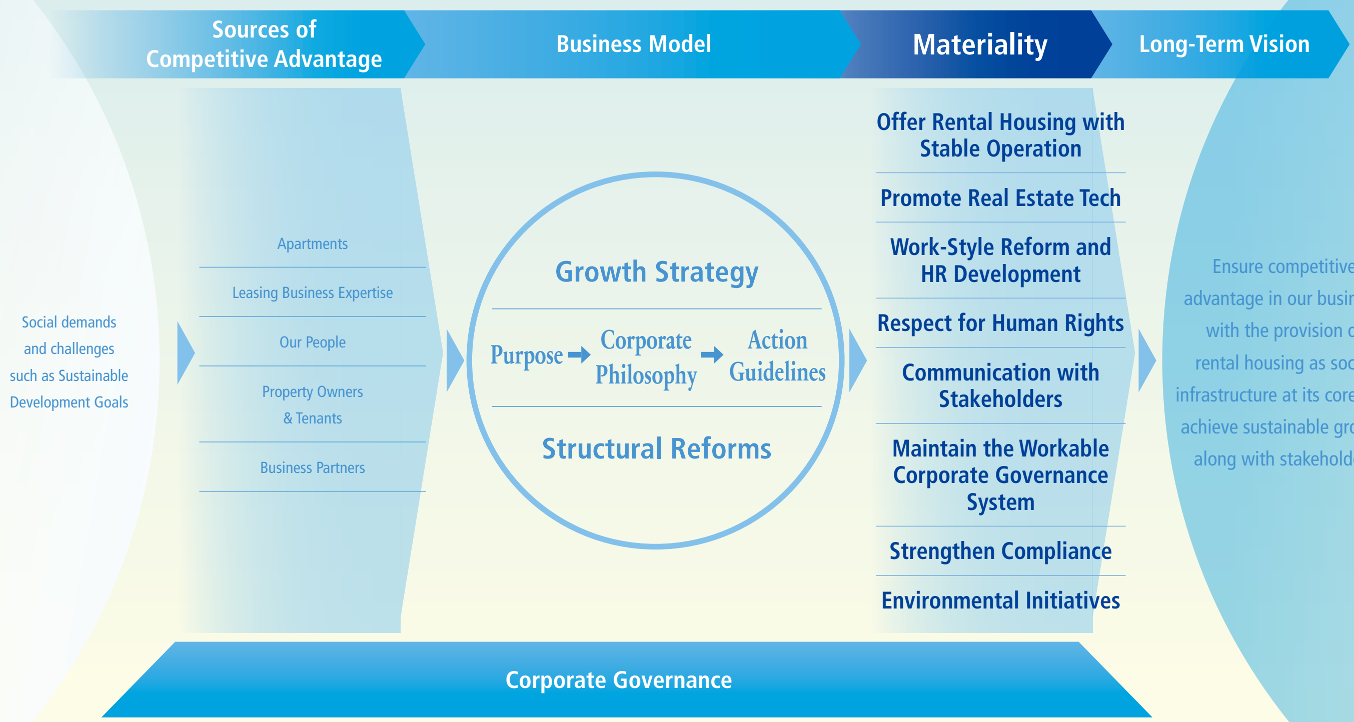
Yoshitaka Murakami

Apr. 1972 Joined Ministry of Finance
Jun. 1983 Consul at Consulate-General of Japan in Hong Kong
Feb. 1987 Director, Banking Bureau, Ministry of Finance
Jul. 1998 Large Enterprise Examination and Criminal Investigation Deputy Commissioner, National Tax Agency
Jun. 2000 Taxation Deputy Commissioner, National Tax Agency
Jun. 2003 First Deputy Commissioner, National Tax Agency
Oct. 2005 Senior Executive Officer, East Nippon Expressway Company Limited
Jun. 2011 Full-time Audit & Supervisory Board Member, Credit Saison Co., Ltd.
Jun. 2019 Outside Director, Leopalace21 Corporation
Jul. 2020 Audit & Supervisory Board Member, Leopalace21 Corporation (current)

Materiality

[About Leopalace21's Materiality]

Leopalace21 has identified the materiality by organizing them into ESG categories, is promoting efforts to solve the issues therein, and is conducting its business activities with the aim of achieving sustainability management.



Materiality Management

Driven by the corporate philosophy of creating new value, Leopalace21 seeks to meet the expectations of all stakeholders by conducting activities aimed at fostering a sustainable society in line with the needs of the times.

Achieving a sustainable society

Leopalace21 conducts business activities to realize sustainability management by linking the Sustainable Development Goals (SDGs) with our own sustainability activities. We are promoting activities to resolve materiality while engaged in our main business by identifying materiality for 2030 and setting KPI targets for each fiscal year. By responding to the needs and demands of society and promoting sustainability activities, we aim to contribute to solving social challenges and improve the sustainability of our business.

Reviewing the materiality in light of current Company and socio-economic conditions

In the fiscal year 2022, we have revised the materiality while taking into account current Company and socio-economic conditions. Specifically, we have identified the promotion of real estate tech, which is a pillar of our sustainability management, as a new materiality, and determined the introduction of smart locks as a KPI.

As a framework for identifying the materiality, we first identify social challenges related to the Company, and then consider whether those issues represent opportunity or risk. The materiality are organized into ESG categories.

Handling construction defects was identified as one of the materiality unique to the Company. In order to ensure the execution of publicly announced repair completion plan and prevent similar issues from reoccurring, we designated two KPIs for the materiality under the purview of governance, and continue to address them as important issues.

Step 1
Identify social challenges related to the Company

Step 2
Determine whether issue represent opportunity or risk in the fiscal year 2022

Step 3
Organize the materiality into ESG category

Step 4
Receive approval from Sustainability Committee

Leopalace21's Materiality

Based on our corporate philosophy of creating new value, Leopalace21 is working to meet the expectations of all its stakeholders and to help build a sustainable society tailored to the needs of our time. Following this, we have identified a number of important materiality in consideration of the changing needs of stakeholders, social and environmental challenges, and our required response to ISO26000 and various other guidelines.

Social challenges	Opportunities and risks relevant to the Company*
Shrinking labor force because of falling birthrate and aging population	○ Increased demand for housing for single-person households to respond to growing number of single-person households, foreign national workers, and students ○ Increasing number of elderly people ○ Growing demand for nursing care ● Excess supply of apartments ● Increasing number of abandoned houses ● Shortage of nursing care staff
Employment issues	○ Creation of jobs to compensate for the declining population of working age ○ Multiple ways of working and respect for diversity ○ Pursuit of comfortable working environment ○ Growing demand for shared offices ● Shortage of workers
Demographic trends	○ Population concentration in the three major metropolitan areas ○ Corporate customers' continuing demand for housing in areas other than the three major metropolitan areas ● Intense competition in acquiring orders for new apartment buildings
Innovations in digital technology	○ Expanding demand due to electronic commerce growth ○ Enhanced convenience for the benefit of people who live in remote areas and foreign national customers ● Systems and services becoming obsolete due to rapid advances in ICT ● Reduced relocations due to the popularization of remote working ● More university classes held online ● Cyberattack threat
Rising demand for convenient living conditions	○ Changes to living environments as a result of COVID-19 impact ○ Improving daily life through ICT advancement ● Dilapidated apartment buildings ● Shift in customer needs
Tighter checks on corporate governance	○ Increase number/ratio of independent outside directors ○ Diversity in the Board of Directors ○ Requirement for dialogue with shareholders
Climate change: realizing recycling and eco-friendly society	○ Wider spread of energy-saving net-zero energy houses (ZEH) ○ Growing interest in the use of renewable energy ○ Realizing carbon neutrality in 2050 ● Increasing interest in green-minded society ● Frequent occurrence of natural disasters

*○ Denotes opportunities ● Denotes risks

Materiality	Related SDGs	KPIs (Fiscal year 2022)
Offer Rental Housing with Stable Operation S	9, 11, 12, 16	• Implement measures to improve occupancy rate (end of March: 88.44%; annual average: 85.05%) • Increase number of foreign tenants (13,000 individual contracts) • Promote diagnostic building inspections (100 check items, 36,000 buildings)
Promote Real Estate Tech S	9, 11	• Install smart locks (in 440,000 units by May 2024)
Work-Style Reform and HR Development S	4, 5, 8, 10, 17	• Conduct training for foreign national nursing care staff (monthly, 12 times) • Implement 360-degree assessments (target: 642 managers below Senior Department Managers) • Execute systematic human resources development (career development support: 628 persons, future managers training: 114 persons) • Promote the use of paid leave (83% utilization rate) • Promote health and productivity management (reduce number of smokers to 25% by 2024)
Respect for Human Rights S		• Employ persons with disabilities (maintain 2.3% employment rate) • Sustain employee retention rate in the special subsidiary (maintain 83%) • Create jobs for Leopalace Smile (jobs related to security cameras, replacement of apartment locks and keys, document sending, etc.) (outsource the jobs 100% to Smile)
Communication with Stakeholders S G	11, 16, 17	• Share customer feedback with all employees (12 times a year/once a month) • Hold engagement meetings with institutional investors (100 companies) • Hold engagement meetings with financial institutions (200 times a year) • Hold property owner briefing sessions (90 times a year) • Deliver in-house newsletters (60 times a year) • Implement customer satisfaction surveys (once a year at subsidiaries)
Maintain the Workable Corporate Governance System G	8, 16	• Maintain dialogue between directors and employees (12 sessions) • Eliminate obvious defects by end of 2024 (number of repaired units by end of March 2023: 6,000)
Strengthen Compliance G	8, 16, 17	• Ensure to respond to submissions to Suggestion Box for Management (response rate: 100%) • Operate the whistleblowing system (number of cases accepted: 80 cases) • Send in-house notices to improve trust in whistleblowing (6 times)
Environmental Initiatives E	3, 7, 11, 13, 15	• Reduce Scope1 and 2 CO_2 emissions (to 46% of FY2016 level by FY2030) • Promote paperless operations (reduce annual paper usage by 15%)

S Offer Rental Housing with Stable Operation

KPI

Targets for the fiscal year 2022

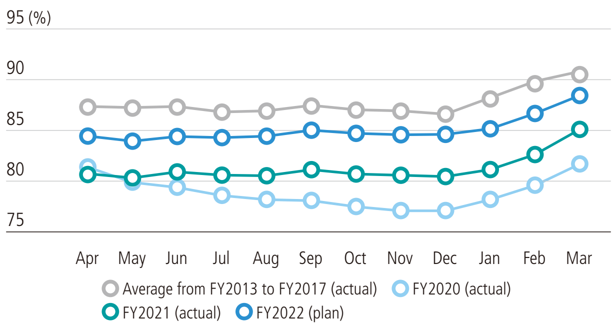
- Implement measures to improve occupancy rate (end of March: 88.44%; annual average: 85.05%)
- Increase number of foreign tenants (13,000 individual contracts)
- Promote diagnostic building inspections (100 check items, 36,000 buildings)

Leopalace21's initiatives

Implement measures to improve occupancy rates and increase number of foreign tenants

Improving the occupancy rates is essential to the stable provision of rental housing, and we are promoting measures to improve occupancy rates by focusing on specific customer groups: corporates, individuals, students, and foreign nationals. For the fiscal year 2022, the core of our business strategy is to acquire foreign workers and international students as tenants, who are supposed to increasingly enter Japan. We will not only improve occupancy rates by capturing this demand, but also actively work to resolve social issues by offering housing that ensures that foreign nationals can enter into contracts without worry. To this end, in addition to offering multilingual support, we are working to build relationships with organizations that support foreign workers.

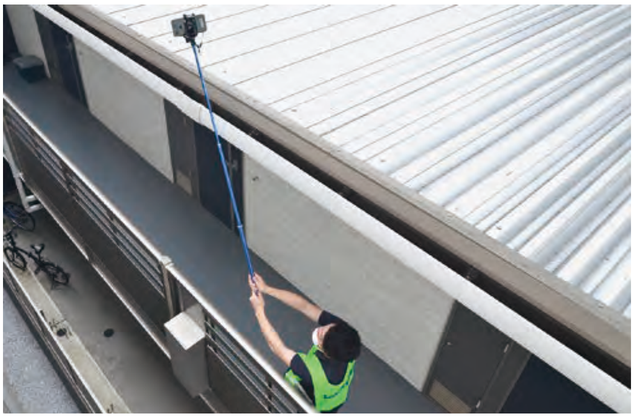
Occupancy Rate Plan



Promote diagnostic building inspections

In principle, Leopalace21 has been implementing an annual building inspection to assure peace of mind for property owners and comfort for tenants. In order to enhance the management services, Leopalace21 increased the check items from 50 to 100 items during inspections from July 2021.

In the fiscal year 2022, we will be putting effort in preventative maintenance in addition to inspections to preserve the quality of apartments under management. We will focus on improving apartment values so that the tenants can live with comfort in old apartments.



S Promote Real Estate Tech

KPI

Targets for the fiscal year 2022

- Install smart locks (in 440,000 units by May 2024)

Leopalace21's initiatives

Install smart locks

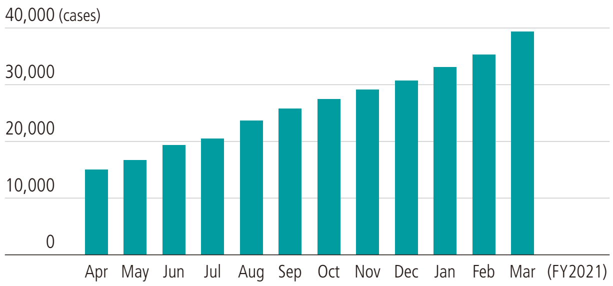
Smart locks allow tenants to access their homes without keys using a smartphone or other device, and Leopalace21 has begun installing such locks on 440,000 units, or roughly 80% of units under management since June 2022. This system will make it unnecessary to visit offices to pick up keys when doing room viewings or upon signing rental agreements, which not only reduces time and effort, but also makes it possible to lower face-to-face interactions, thereby effectively limiting the spread of infectious diseases. In addition, auto-locking and other functions offer better security, which will lead to increased rental property values for the apartments we manage.

Tenants can select their own passcode and leave the house without hassle, and can easily share the code with roommates or family members without duplicating keys. For companies using apartments as dormitories, the system will improve company benefits by increasing employee convenience and is expected to reduce the workload of management personnel by removing the need for spare keys and other issues.

In addition, foreign customers can go directly to their apartment immediately after arriving in Japan, reducing travel time drastically on the unfamiliar transportation network, and helping them start their new lives in Japan with peace of mind and comfort.

Recent years have seen increased requirements for contactless handling in the real estate industry as well in response to societal demand for advancements in digital transformation and countermeasures against infectious diseases. In combination with web-based contract signing, all procedures related to rental property agreements will be conducted online.

Number of web-based contract signing (total)



S

Work-Style Reform and HR Development (1)

KPI

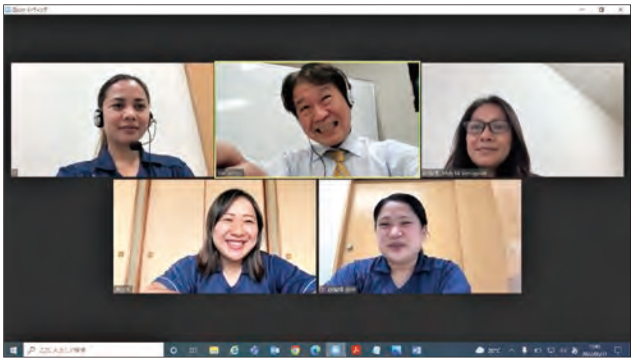
Targets for the fiscal year 2022

- Conduct training for foreign national nursing care staff (monthly, 12 times)
- Implement 360-degree assessments (target: 642 managers below Senior Department Managers)

Leopalace21's initiatives

Conduct training for foreign national nursing care staff

In response to the growing number of foreign national nursing care staff as a solution to chronic labor shortage problem in the nursing care industry, we held monthly training sessions for such employees to improve skills, with a total of 12 sessions held in the fiscal year 2021. Our goal is to nurture personnel who will be able to work in Japan long term, so we provide Japanese language course that offers workplace communication skills using dedicated teaching materials that simulate real conversations that occur in nursing care. In addition, we help these employees learn the kanji characters and honorific language that will aid them in acquiring nursing care qualifications and passing the Japanese Language Proficiency Test.



Implement 360-degree assessments

Leopalace21 has introduced a multi-faceted evaluation system with 360-degree assessments as part of our effort to implement a fair and transparent evaluation system. Preparations began in the fiscal year 2020, and we began 360-degree assessments on all senior department managers in December 2020. In the fiscal year 2021, the system was expanded to include lower managers than senior department managers, and in the fiscal year 2022, it will be further expanded to include executive officers.

S Work-Style Reform and HR Development (2)

KPI

Targets for the fiscal year 2022

- Execute systematic human resources development (career development support: 628 persons, future managers training: 114 persons)
- Promote the use of paid leave (83% utilization rate)
- Promote health and productivity management (reduce number of smokers to 25% by 2024)

Leopalace21's initiatives

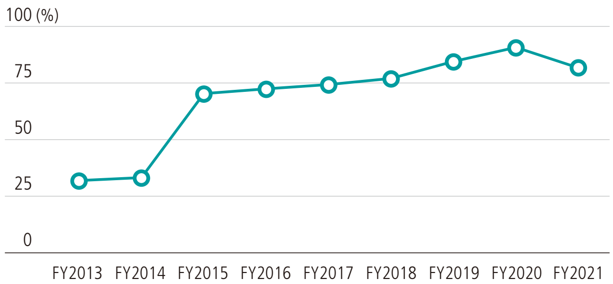
Execute systematic human resources development

Employees are required to create their own career plans regularly and meet with supervisors in order to ensure their own career development in the best way possible. In addition, the Human Resources and General Affairs Department takes a lead role in offering career development support and training for the next-generation managers to support the implementation of their career plans. The goal is to create a workplace where each employee can harness their high ambitions with clear goals that show individual purpose and achievement they aim at.

Promote the use of paid leave

Leopalace21 considers work-life balance promotion an important issue, and part of this include creating a system and work environment that makes it easy for employees to take paid leave. More specifically, we encourage employees to take a five-day planned leave in summer and winter, and three-day leave (called "refreshment vacation") which can be used anytime throughout the year. We have also a half-day and hourly paid leave system. In addition, we have implemented a care leave system for employees raising children or who have family members requiring nursing care. For the fiscal year 2021, the paid leave utilization rate was 81.7%.

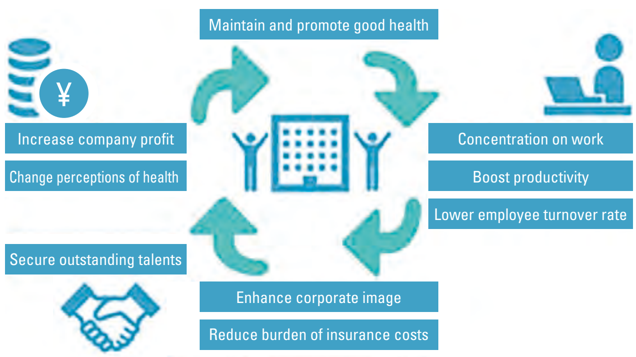
Paid leave utilization rate



Promote health and productivity management

Based on the belief that the mental and physical health of each and every employee is a driving force of innovation, we support the health of our employees and actively promote a health and productivity management strategy. Our efforts are focused not only on physical health but also mental health, as can be seen in hiring resident public health nurses and clinical psychologists in 2018, and the formulation and promotion of mental health plans, which launched in October 2020. In addition, since the Company has a high percentage of smoking employees, we have begun a non-smoking campaign to reduce the smoking rate down to 25% by 2024.

Health and Productivity Management Cycle:
Good physical and mental health helps the Company grow



Materiality

S Respect for Human Rights

KPI

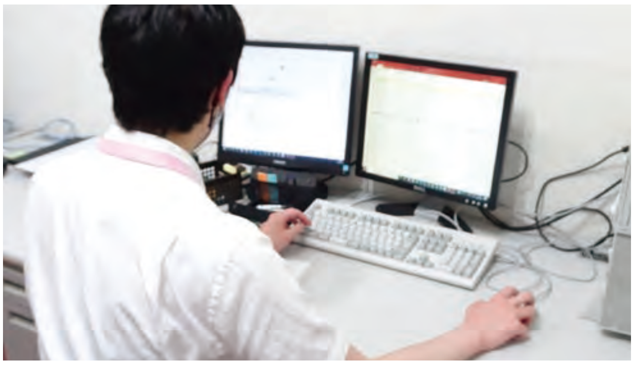
Targets for the fiscal year 2022

- Employ persons with disabilities (maintain 2.3% employment rate)
- Sustain employee retention rate in the special subsidiary (maintain 83%)
- Create jobs for Leopalace Smile (jobs related to security cameras, replacement of apartment locks and keys, document sending, etc.) (outsource the jobs 100% to Smile)

Leopalace21's initiatives

Employ persons with disabilities, and sustain employee retention rate in the special subsidiary

We established Leopalace Smile Co., Ltd. in August 2009 with the goal of expanding the hiring of persons with disabilities, and received approval for the company to operate as a special subsidiary in November 2009. The company handles sorting and shipping of various types of posts for companies in the Leopalace Group, and it handles a wide range of other works as well, including the creation of important customer documents. The employment of persons with disabilities is not only a means of complying with statutory employment rates. We believe sustaining employee retention rate is also an important indicator to help people with disabilities realize independent lives.



Create jobs for Leopalace Smile (jobs related to security cameras, replacement of apartment locks and keys, document sending, tracing floor plans, etc.)

Leopalace Smile handles a wide range of outsourced operations. Leopalace Smile employees are now engaged in jobs previously done by employees in the leasing management departments, including analysis and processing of security camera footage, resetting of apartment locks and keys, sending documents for tenants, tracing floor plans, and the like. In addition to creating jobs that promotes the employment of people with disabilities, outsourcing to Leopalace Smile has significantly reduced the workload of employees in the leasing management departments and improved productivity across the Group as a whole.

SG Communication with Stakeholders

KPI

Targets for the fiscal year 2022

- Share customer feedback with all employees (12 times a year/once a month)
- Hold engagement meetings with institutional investors (100 companies)
- Hold engagement meetings with financial institutions (200 times a year)
- Hold property owner briefing sessions (90 times a year)
- Deliver in-house newsletters (60 times a year)
- Implement customer satisfaction surveys (once a year at subsidiaries)

Leopalace21's initiatives

Share customer feedback with all employees

We conduct surveys of customers who visit our leasing sales offices and publish the results internally once a month. Based on the responses received, outstanding cases of customer service are recognized with the Outstanding Customer Service Award (individual/leasing sales office), and particularly exceptional cases are recognized with the Monthly Spotlight Award. These awards are presented alongside identified areas for improvement and real customer feedback in the aim of improving the quality of customer service provided at leasing sales offices and boosting employee engagement and fostering a customer-oriented culture by sharing customer feedback throughout the Company. This initiative was started in the fiscal year 2020, and we plan to continue it in the fiscal year 2022 and beyond.

Hold engagement meetings with institutional investors

With a dedicated IR team acting as the point of contact, we conduct engagement meetings with institutional investors and analysts from Japan and overseas throughout the year. In individual meetings, the Chief of the Corporate Management Headquarters acts as the main speaker. We also strive to incorporate feedback from markets into our management with by holding meetings where the President and CEO also participates. Last year, we also conducted shareholder relations activities and meetings from an ESG perspective in addition to investor relations meetings. In this way, we have increased communication with investors concerning not only short-term performance, but also the medium- to long-term improvement of corporate value.

Hold engagement meetings with financial institutions

In anticipation of the resumption of apartment construction order acceptance in the future, we will actively communicate with financial institutions in the fiscal year 2022. By carefully explaining our financial condition and business overview to each institution, we aim to build new business relationships or restore the transaction.

Hold property owner briefing sessions

The Company has long been regularly holding property owner briefing sessions throughout the country as a way for the property owners to interact with Company employees. We strive to regain the trust of property owners by explaining corporate policy and building and maintaining a relationship of mutual trust. In the fiscal year 2021, the sessions could not be held due to the COVID-19 pandemic, and instead we posted a message from the President and CEO on the website. In the fiscal year 2022, we will enhance communication with owners in a safe and secure manner while monitoring the status of the COVID-19 pandemic.

Deliver in-house newsletters

The history of our in-house newsletter *Leoleo* goes back over 20 years. In 2010, the publication was moved from its previous paper-based format to online. With improved flexibility, the editorial team increased the frequency of issue and posted 75 articles a year against the planned 60 in fiscal year 2021. The Public Relations and Advertising Section of the Corporate Planning Department is in charge of the publication. Articles are written based on interviews with various departments and Group companies and are published in a format that enables mutual communication between employees, with a *LeoLike!* button and a comment field.

Implement customer satisfaction surveys (once a year at subsidiaries)

Sustainability activities are carried out throughout the Group. In addition to communication with customers, our subsidiaries Plaza Guarantee Co., Ltd. and Leopalace Leasing Corporation also conduct an annual customer satisfaction survey to improve corporate activities and Group-wide services.

G Maintain the Workable Corporate Governance System

KPI

Targets for the fiscal year 2022

- **Maintain dialogue between directors and employees (12 sessions)**
- **Eliminate obvious defects by end of 2024 (number of repaired units by end of March 2023: 6,000)**

Leopalace21's initiatives

Dialogue between directors and employees

As part of measures to ensure the effectiveness of governance and prevent recurrence of problems, we provide opportunities for dialogue between directors and employees. In the fiscal year 2021, President and CEO and other directors visited remote branches from the head office in person to get a chance to exchange views with employees, and a total of 26 Town Meetings were held in each region via web connection from the visited sites. The details of these meetings are published in the company newsletter in an effort to share information and ensure transparency. In the fiscal year 2022, we will continue to hold Town Meetings in the same manner, not only to gather information on issues related to business activities, but also to improve work styles and make the Company a rewarding place to work.

Eliminate obvious defects by the end of 2024

The Company is proceeding with repair works at the same time as it is proceeding with good-faith discussions with property owners and relevant government agencies, while providing detailed explanations to tenants and obtaining their understanding. The repair works are proceeding with priority given to vacant units where new tenant recruitment is pending in buildings found to be defective. As of the end of June 2022, we have completed repair works on approximately 51,000 units. The plan for July 2022 and beyond is, first and foremost, to carry out repair works on approximately 6,000 units by March 2023 with the goal of eliminating obvious defects in the construction defects problem by the end of 2024.

(as of end of June 2022)

Series	Total number of buildings	Number of obviously defective buildings	Total number of units in obviously defective buildings	Repairs, etc. required	Repair completed
Nail/ 6 series	15,283	7,754	121,825	88,376	45,386
Other series	23,802	4,616	71,830	54,639	5,946
Total	39,085	12,370	193,655	143,015	51,332

Materiality

G Strengthen Compliance

KPI

Targets for the fiscal year 2022

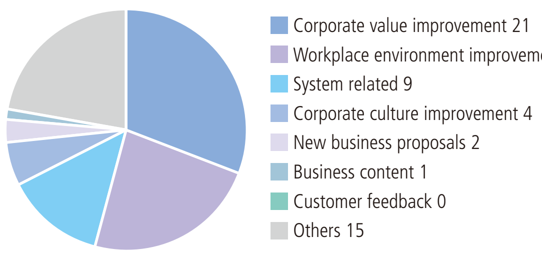
- Ensure to respond to submissions to Suggestion Box for Management (response rate: 100%)
- Operate the whistleblowing system (number of cases accepted: 80 cases)
- Send in-house notices to improve trust in whistleblowing (6 times)

Leopalace21's initiatives

Ensure to respond to submissions to Suggestion Box for Management

This system has been in operation since 2019 as a mechanism to deliver employee suggestions directly to the management team. Submissions of suggestions for improvement are divided into several categories, including improvements of corporate value, corporate culture, and workplace environment. In the fiscal year 2021, like the preceding fiscal year, submissions on Corporate Value Improvement was the largest category. Management not only listens to what is submitted, but also responds 100% of the time, thereby ensuring two-way communication between employees and management.

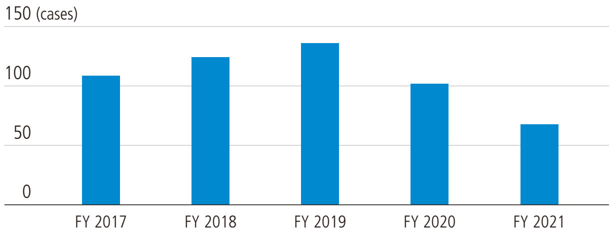
Number of submissions to our Suggestion Box for Management
(fiscal year 2021)



Operate the whistleblowing system

In order to measure whether the whistleblowing system is operating properly, we multiply the number of employees by a certain percentage and set the result as the target for the number of whistleblower reports we expect to receive. For the fiscal year 2022 the target is 80 submissions received.

Number of whistleblower submissions received



Send in-house notices to improve trust in whistleblowing

The Company operates a whistleblowing system called the Compliance Hotline. Three contact points have been set up depending on what the whistleblower wishes to report: Internal Hotline, External Hotline, and Audit & Supervisory Board Member Hotline.

The Company's whistleblower regulations have been revised in accordance with the enactment of the Revised Whistleblower Protection Act in June 2022. To ensure the system is running reliably, we have posted the key revisions, such as stronger protection of informants in-house, and we have established a dedicated page on the company intranet for whistleblowing to publicize the system and promote its use.

E Environmental Initiatives

TCFD recommendations
Governance

The Group has established a Sustainability Committee under the Board of Directors that meets every three months to promote initiatives related to sustainability management on which the Board of Directors instructs the whole company as part of the Group's business. The Board of Directors, through deliberation and consultation, exercises oversight over climate-related issues, which are positioned as important issues in sustainability management, and in the fiscal year 2021, the Board approved the setting of targets for reducing CO_2 emissions.

The Sustainability Committee is chaired by the Sustainability Officer and is composed of persons in charge of sustainability from each department. The Committee discusses and examines measures to promote environmental initiatives, which the Company identifies as a materiality.

Board of Directors

Sustainability Committee

Chairperson: Chief of the Corporate Management Headquarters (Sustainability Officer)

Members: President and CEO, Deputy Chief of the Corporate Management Headquarters, persons in charge of sustainability from each department and Group companies, etc.

Leasing Business Headquarters	Architectural Engineering Division	Elderly Care Business Division	Corporate Management Headquarters	Compliance Promotion Headquarters	Auditing Department	Group companies (not all)

Roles in the management system

Board of Directors
The Board of Directors is the body that decides basic management strategies and plans. With respect to addressing climate change, the Board determines policy based on deliberations at the Sustainability Committee and the Risk Management Committee, receives reports on the activities of these committees, and exercises oversight over them.

Sustainability Officer
When the Board of Directors makes decisions on environment-related policies, including climate-related issues, the Sustainability Officer leads the discussion and plays a central role in consulting the Sustainability Committee.

Sustainability Committee
The Sustainability Committee shares the status of sustainability progress throughout the Group by reporting on the status of activities for each materiality related to the areas of environment, society, and governance that the committee members, who represent relevant internal departments and Group companies, are working on as part of their business activities. In addition, the Committee sets numerical targets for environmental activities, including climate change, manages the status of their achievement, reports on important matters to the Board of Directors, and, together with the Risk Management Committee, reports to the Board of Directors on the risks posed by climate change.

TCFD recommendations
Strategy

We have conducted scenario analysis as indicated below for the purpose of evaluating the financial impact and business impact under different scenarios (see table below), examining the resilience of our strategy and response to climate change risks and opportunities, and connecting them to future business strategies.

Since the Leasing Business accounts for more than 90% of our sales, the scope of the scenario analysis is the Leasing Business segment (construction, leasing, and management of apartments). In addition, since we have identified and disclosed materiality up to 2030 in line with the SDGs, the time frame for the scenario analysis was also assumed to be 2030.

Reference scenario

Category	Scenario overview	Main reference scenarios
1.5°C	Scenario in which policies and regulations are implemented to achieve a decarbonized society and the global temperature increase from pre-industrial times is limited to less than 1.5°C. The transition risk is high, but the physical risk is low compared to the 4°C scenario.	• IEA World Energy Outlook 2021 Net Zero Emissions by 2050 Scenario • IPCC RCP2.6
4°C	No new policies or regulations will be introduced, and global CO_2 emissions will continue to increase. The transition risk is low, but the physical risk is high.	• IEA World Energy Outlook 2021 Stated Policies Scenario • IPCC RCP8.5

*For parameters not specified in the 1.5°C scenario, the 2°C scenario is applied.

Scenario analysis steps

Step1
Identify important climate-related risks and opportunities and set parameters

- Identify climate-related risks and opportunities
- Assess risks and opportunities of high importance
- Set parameters related to highly important risks and opportunities

Step2
Identify and define range of scenarios

- Identify relevant scenarios that are closely related to the existing scenarios based on Step 1 information and others.
- Establish the likely scenario based on prospective social conditions.

Step3
Evaluate business impacts under each scenario

- Quantitatively and qualitatively evaluate the financial impact of each of the scenarios considered as important climate-related risks and opportunities identified in Step 2

Step4
Consider strategies and further responses to climate-related risks and opportunities

- Formulate the Company strategies for climate-related risks and opportunities
- Consider further measures

Identified risks/opportunities and their business/financial impacts

The scenario analysis we conducted identified the risks and opportunities indicated below. We have already begun efforts to address the increased costs associated with carbon taxes, including setting Scope 1 and 2 reduction targets. In the future, we will discuss further measures for each risk and opportunity, such as starting full-scale development of ZEH apartments, and take appropriate measures.

Category		Category	Outline	Business/financial impact 1.5°C	Business/financial impact 4°C
Risks	Transition risks	Policy and legal	Increase in operating costs due to tighter regulations such as carbon taxes	Medium	Medium
		Technology	Increased construction costs for new properties	Large	Large
		Market	Low evaluation by investors as a company with inadequate response to climate change	Large	Large
		Reputation	Corporate customers refusing to do business with us due to delay in environmental response	Medium	Medium
	Physical risks	Acute	Decline in sales due to weather disasters	Small	Small
		Chronic	Increased costs due to longer construction periods resulting from longer heat waves	Medium	Medium
Opportunities		Products and services	Increased sales due to increased demand for environmentally friendly apartments (construction)	Small	Small
			Increased sales by providing environmentally friendly apartments (leasing)	Small	Small
			Increased sales due to the new production lines by corporate customers which are engaged in environmental business (leasing)	Small	Small
		Resilience	Restoration demand for repairs after flood damage (construction)	Medium	Medium

Impact levels
Large: Impact on sales of JPY 5 billion or more/significant impact on operations
Medium: Impact on sales of JPY 500 million or more but less than JPY 5 billion/mid-level impact on operations
Small: Impact on sales of less than JPY 500 million/minor impact on operations

Cover Story
Sources of Competitive Advantage
Business Model
Corporate Governance
Materiality
Data Section

TCFD recommendations

Risk management

The Group has established a Risk Management Committee under the Board of Directors to comprehensively identify and manage company-wide risks. Risks are being evaluated and addressed according to six broad classifications. Risks related to climate change are positioned as external factors in the risk classification. Climate change-related risks identified or periodically reviewed by the Sustainability Committee are communicated to the Risk Management Committee as appropriate and shared as Company-wide risks. The Sustainability Committee and the Risk Management Committee take the lead in coordinating with relevant departments to study, formulate, and implement countermeasures against climate change-related risks. Monitoring, including verification of effectiveness, is conducted as appropriate by the relevant departments, and the results are reported to the Sustainability Committee and the Risk Management Committee, which then share them with the Board of Directors.

Risk classification table

External factors	1. Risks of changes in the external environment 2. Country risks 3. Disaster risks	Compliance	1. Legal violations and lawsuit risks 2. Compliance risks
Strategy and governance	1. Strategy risks 2. Management risks 3. Contractor/subsidiary management risks	Operations	1. Operational risks 2. Information management risks 3. Personnel risks 4. System risks
Finance	1. Market risks 2. Liquidity risks 3. Default risks	Reputation	Risk of incurring losses caused by media reports, reputation, rumors, and hearsay

Risk management framework

Board of Directors

Risk Management Committee

Chairperson: President and CEO
Members: Directors, Audit & Supervisory Board members, and relevant departments within the Company, as well as committee members, counsel, directors, auditors, etc. from outside the Company

Sustainability Committee

Chairperson: Chief of the Corporate Management Headquarters
Members: President and CEO, Deputy Chief of the Corporate Management Headquarters, relevant departments within the Company, etc.

Departments and Group Companies

Roles in the management system

Board of Directors

The Board receives reports from the Sustainability Committee and the Risk Management Committee on the status and response to climate change risk management and exercises oversight over them.

Risk Management Committee

While tracking and managing Company-wide risks, the Risk Management Committee shares climate change-related risks reported by each department with the Sustainability Committee as appropriate. It also assesses climate change-related risks communicated to it by the Sustainability Committee.

Sustainability Committee

The Sustainability Committee controls and manages climate change-related risks and reevaluates them as appropriate. Its work is shared with the Risk Management Committee as appropriate and reported to the Board of Directors on a regular basis.

Materiality

TCFD recommendations

Metrics and targets

We have been compiling and disclosing our total CO_2 emissions from business activities since fiscal year 2016, and the total results for each fiscal year are shown on our website and in the integrated reports.

By the end of fiscal year 2021 we had already achieved the target we set in 2020 to reduce the Scope 1 and 2 CO_2 emissions—emissions from the use of electricity and gas, and vehicle gasoline—of our facilities by 26% by fiscal year 2030 compared to fiscal year 2016.

One of the major factors that led to a significant reduction in CO_2 emissions was our reorganization and streamlining of businesses, which resulted in a reduction of leasing sales offices through structural reforms of the main business and the transfer or withdrawal from non-core and unprofitable businesses. For Scope 1 and 2 emissions, we revised the reduction target values starting in fiscal year 2022 and will work to further reduce them in the future.

In the future, we will work to identify and reduce Scope 3—CO_2 emissions indirectly generated upstream and downstream of our business activities—in order to further contribute to environmental protection. Since most of our Scope 3 emissions come from the use of electricity and gas by tenants, we are currently taking measures such as changing the lighting fixtures of managed properties to LEDs. Since our Scope 3 CO_2 emissions are expected to increase in the future as the occupancy rate rises, we will work to further reduce Scope 3 through the development and sale of ZEH apartments and the use of renewable energy in managed apartments.

Scope 1 and 2 reduction targets

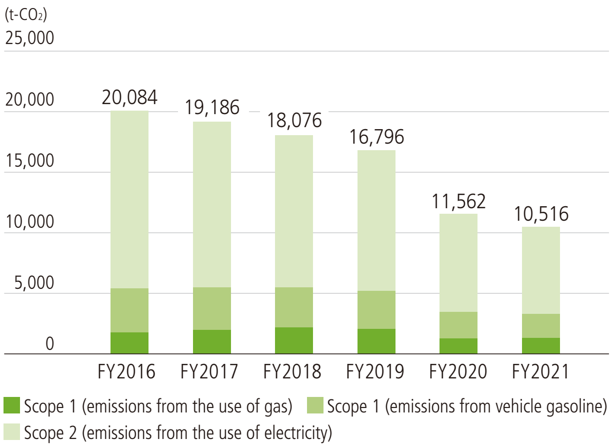
46% reduction by FY 2030 compared to FY 2016

*Target value changed starting in FY 2022

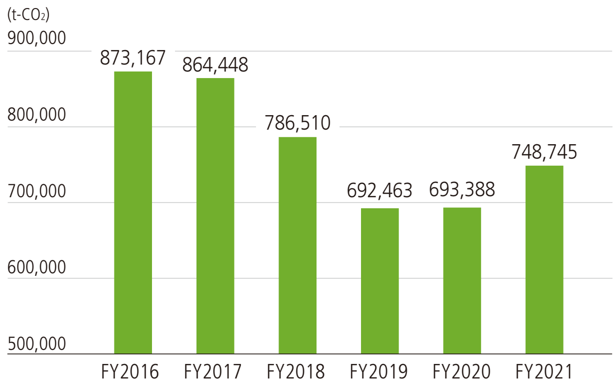
Scope 1, 2, 3 results

Item	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021
Scope 1	5,392	5,467	5,518	5,218	3,473	3,284
Scope 2	14,692	13,719	12,558	11,578	8,089	7,232
Scope 3	873,167	864,448	786,510	692,463	693,388	748,745

Scope 1, 2



Scope 3



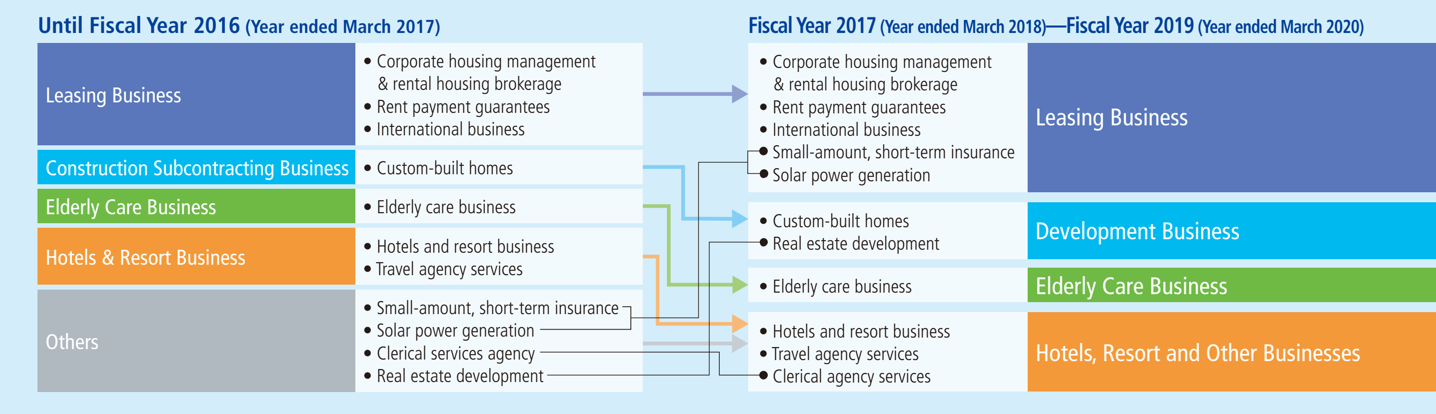
Ten-Year Consolidated Financial Highlights

For the years ended March 31:	FY2012	FY2013	FY2014	FY2015
Net sales	454,285	470,883	483,247	511,513
Leasing Business	383,637	388,562	399,375	410,641
Development Business	53,369	63,135	61,312	74,160
Elderly Care Business	9,482	10,171	10,608	10,798
Hotel, Resort & Other Businesses	7,795	9,013	11,950	15,913
Cost of sales	396,508	401,510	407,433	422,604
Selling, general and administrative expenses	50,299	55,906	60,992	67,823
Operating profit (loss)	7,477	13,467	14,822	21,085
Leasing Business	8,750	15,364	20,590	22,848
Development Business	2,748	2,951	211	3,340
Elderly Care Business	(742)	(610)	(606)	(1,354)
Hotel, Resort & Other Businesses	(970)	(981)	(1,257)	(360)
Adjustments	(2,308)	(3,256)	(4,116)	(3,388)
EBITDA (Operating profit + depreciation)	13,161	19,460	22,558	30,700
Recurring profit (loss)	11,154	11,368	13,483	19,909
Net income (loss)	13,398	15,730	15,175	19,631
At fiscal year-end: (JPY million)				
Total assets	261,649	288,165	308,882	327,609
Net assets	56,145	103,354	124,928	144,865
Interest-bearing debt	49,026	37,227	44,487	50,824
Cash and deposits balance	56,681	74,767	75,221	88,043
Cash flows: (JPY million)				
Cash flows from operating activities	6,069	15,584	15,715	22,104
Cash flows from investing activities	(6)	(6,929)	(17,550)	(11,087)
Cash flows from financing activities	9,148	8,848	1,747	1,374
Free cash flows (FCF)	6,063	8,654	(1,834)	11,017
Amounts per share: (JPY)				
Net assets	265.32	393.05	475.17	550.94
Net income (loss)	74.85	69.38	57.73	74.68
Cash dividend	—	—	—	10.00
Index:				
Units under management	546,204	548,912	554,948	561,961
Average annual occupancy rate (%)	82.94	84.58	86.57	87.95
Construction subcontracting orders received (JPY million)	73,006	81,139	87,395	86,439
Equity ratio (%)	21.5	35.9	40.4	44.2
Return on equity (ROE) (%)	30.5	19.7	13.3	14.6
Return on assets (ROA) (%)	4.2	4.1	4.5	6.3
Dividend payout ratio (%)	—	—	—	13.4
Debt/equity ratio (%)	0.9	0.4	0.4	0.4
Number of employees	6,277	6,758	7,339	7,846

*With changes in accounting policies at subsidiaries in the Leasing Business, consolidated accounts reported in the past have been retroactively revised, and historical data for past fiscal years shown here reflects these retroactive revisions

(Notes) 1. Return on equity (ROE) = Net income/average ownership equity during the fiscal year x 100
2. Return on assets (ROA) = Recurring profit/average total assets during the fiscal year x 100
3. Debt/equity ratio = Interest-bearing debt/(net assets – non-controlling interests)
4. In this report, net income attributable to shareholders of the parent is stated as net income.

Changes in Business Portfolio



(JPY million)						(USD thousand)
FY2016*	FY2017	FY2018	FY2019	FY2020	FY2021	FY2021
520,488	530,840	505,223	433,553	408,959	**398,366**	**3,254,893**
416,594	435,537	426,388	388,939	391,964	**383,043**	**3,129,699**
74,566	76,587	58,992	23,806	—	**—**	**—**
11,536	12,807	13,922	14,620	14,524	**14,258**	**116,498**
17,791	5,908	5,919	6,186	2,469	**1,064**	**8,695**
427,820	434,762	428,988	408,112	387,872	**352,289**	**2,878,416**
69,769	73,147	68,844	61,915	50,269	**44,302**	**361,976**
22,898	22,930	7,390	(36,473)	(29,182)	**1,774**	**14,500**
22,459	26,062	14,987	(20,828)	(19,385)	**7,719**	**63,073**
5,051	3,663	(995)	(5,181)	—	**—**	**—**
(1,650)	(1,596)	(846)	(559)	(720)	**(789)**	**(6,453)**
664	(846)	(1,346)	(1,000)	(1,551)	**(1,668)**	**(13,631)**
(3,626)	(4,353)	(4,407)	(8,903)	(7,524)	**(3,486)**	**(28,487)**
32,235	34,656	20,336	(24,316)	(18,766)	**11,127**	**90,916**
22,355	22,354	7,063	(36,341)	(34,170)	**(2,151)**	**(17,582)**
20,401	14,819	(68,662)	(80,224)	(23,680)	**11,854**	**96,858**
337,828	337,257	291,790	196,953	161,708	**145,430**	**1,188,255**
158,870	159,438	81,338	1,589	3,277	**11,034**	**90,158**
49,918	53,829	48,047	36,137	35,409	**33,045**	**270,002**
104,432	106,543	84,536	60,501	54,863	**45,523**	**371,953**
27,504	27,338	(7,212)	(51,639)	(40,816)	**(4,460)**	**(36,447)**
(8,653)	(2,336)	7,379	39,533	11,829	**886**	**7,241**
(14,048)	(18,354)	(15,181)	(12,048)	23,571	**(5,886)**	**(48,096)**
18,850	25,001	167	(12,106)	(28,986)	**(3,574)**	**(29,205)**
603.76	630.84	331.87	5.34	(25.83)	**3.25**	**0.03**
77.61	58.02	(278.58)	(328.77)	(84.88)	**36.04**	**0.29**
22.00	22.00	—	—	—	**—**	**—**
568,739	570,672	574,798	575,798	573,673	**567,314**	**567,314**
88.53	90.59	88.34	80.78	78.89	**81.22**	**81.22**
87,139	75,905	64,495	7,814	5,927	**2,792**	**22,812**
47.0	47.2	27.7	0.7	(5.3)	**0.7**	**0.7**
13.4	9.3	(57.2)	(195.1)	—	**—**	**—**
6.7	6.6	2.2	(14.9)	(19.1)	**(1.4)**	**(1.4)**
28.3	37.9	—	—	—	**—**	**—**
0.3	0.3	0.6	23.0	(4.4)	**23.2**	**23.2**
7,695	7,690	7,600	7,043	5,082	**4,356**	**4,356**

5. Regarding the Hotels, Resort & Other Businesses, we added the results of the Hotels & Resort Business to the results of Others for the period from the fiscal year 2010 to the fiscal year 2015, and then we changed the segments in the fiscal year 2017, so we retroactively changed the figures for the fiscal year 2017 to the new segment (Hotels, Resort & Other Businesses).
6. Development Business was integrated to Leasing Business from the fiscal year 2020.

From Fiscal Year 2020 (Year ended March 2021)

Reference: Fiscal Year 2021 (JPY million)

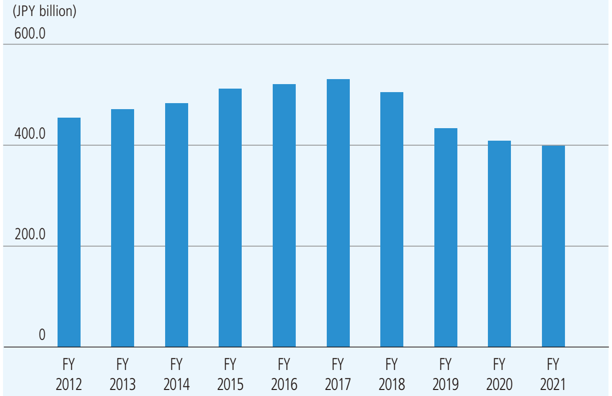
		Net sales	Operating profit (loss)
Core Business	Leasing Business Development Business (Leasing Segment)	383,043	7,719
Strategic Business	Elderly Care Business	14,258	(789)
Non-core Businesses	Other Businesses	1,064	(1,668)

Financial Highlights

Net sales

JPY **398.3** billion

Down 2.6 % y/y



Net sales have been on an upward trend since the fiscal year 2009, reaching a peak in the fiscal year 2017, as the Company thoroughly strengthened the profitability of the Leasing Business. However, problem of construction defects resulted in a halt to taking applications for tenants and thereby a decrease in occupancy rates, which combined with the effect of the COVID-19 pandemic has led to a decrease in earnings for the past four fiscal years.

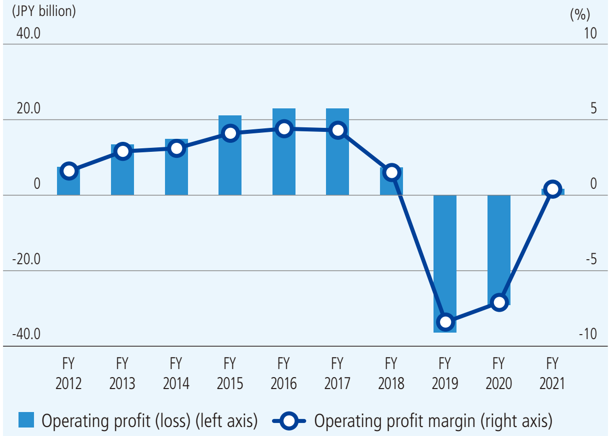
Operating profit (loss) / Operating profit margin

JPY **1.7** billion

JPY -29.1 billion in fiscal year 2020

0.4%

-7.1% in fiscal year 2020

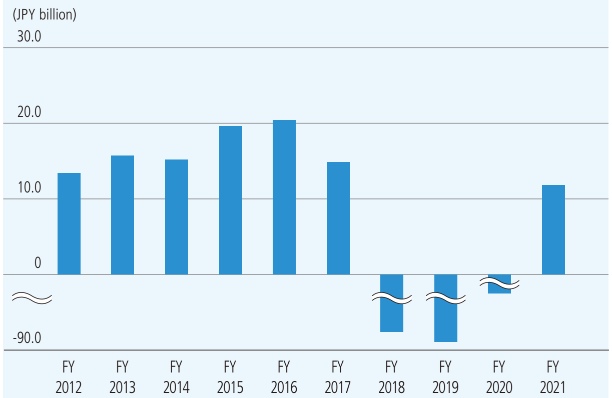


Profits in the Leasing Business continued to increase from fiscal year 2011 when efforts to improve profitability began to bear fruit, but the construction defects problem in fiscal year 2019 and the COVID-19 pandemic that started in fiscal year 2020 resulted in an operating loss for two consecutive fiscal years. We were able to return to profitability in the fiscal year 2021 for the first time in three years with thorough cost reductions.

Net income (loss) attributable to shareholders of the parent

JPY **11.8** billion

JPY -23.6 billion in fiscal year 2020

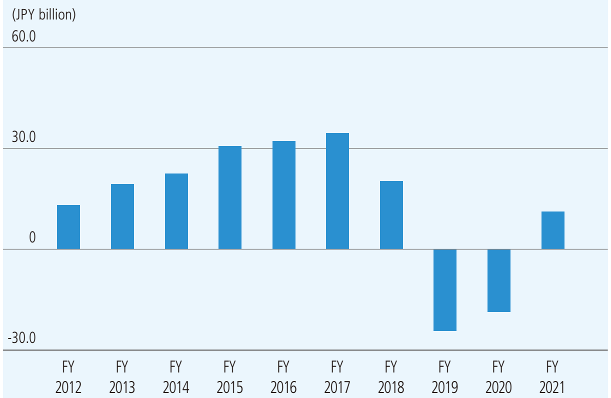


As seen in the operating profits, net income had been increasing since the fiscal year 2011, when efforts to improve profitability of the Leasing Business began to bear fruit. In fiscal year 2018, sale of apartments owned by the Company resulted in an impairment loss. We then posted a net loss for three years starting in fiscal year 2018 due to provision for losses related to repairs and decreased business earnings. The fiscal year 2021 marked the first time in four years that we posted a net income due to reversal of provision for losses related to repairs and recording deferred tax assets.

EBITDA (Operating profit + depreciation)

JPY **11.1** billion

JPY -18.7 billion in fiscal year 2020



EBITDA, the sum of operating profit and depreciation, has been on an increasing trend between fiscal year 2011 and fiscal year 2017, due to increased operating profit from earnings recovery and an increase in depreciation from active capital investment in new businesses. EBITDA in fiscal years 2019 and 2020 was negative mainly due to a decrease in operating profit in fiscal year 2018. In the fiscal year 2021, EBITDA turned to positive because of recording operating profit for the first time in three years.

Total assets

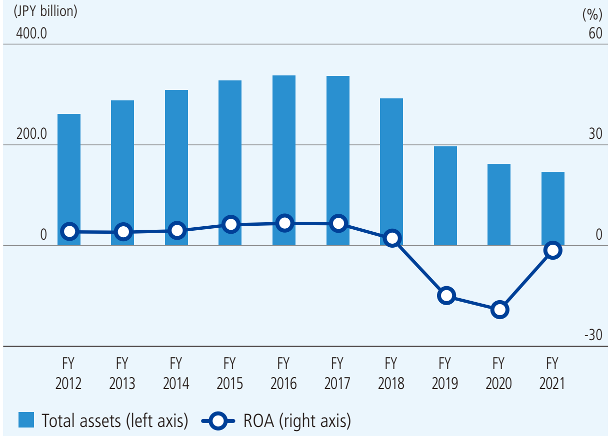
JPY **145.4** billion

Down 10.1% y/y

ROA

-1.4%

-19.1% in fiscal year 2020



ROA recovered rapidly after returning to profitability in fiscal year 2011, reaching 6.6% in fiscal year 2017. Profits then fell sharply from fiscal year 2018, bottoming out at negative 19.1% in fiscal year 2020. In the fiscal year 2021, as a result of cost reductions leading to earnings recovery, the index has risen to negative 1.4%.

Net assets

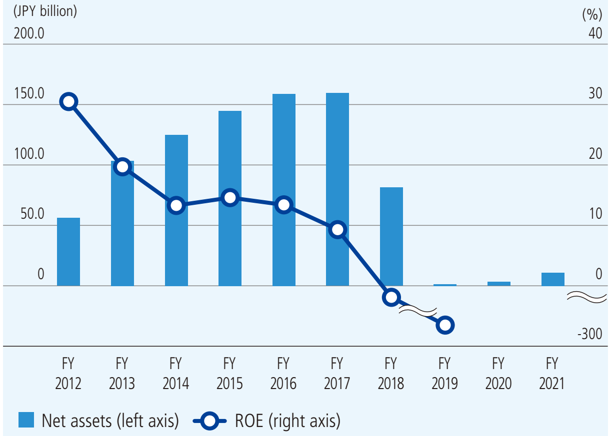
JPY **11.0** billion

3.4 times compared to fiscal year 2020

ROE

—

(— in fiscal year 2020)

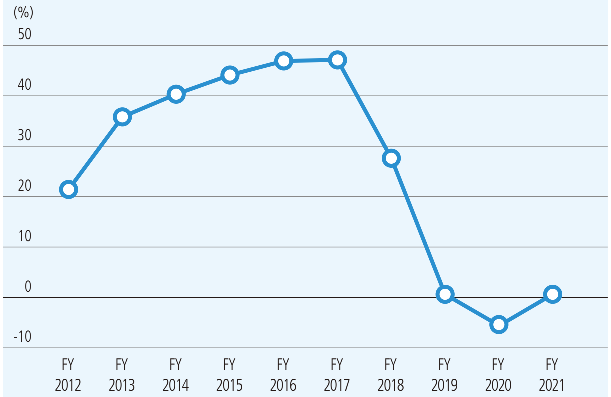


ROE hovered around 10% from fiscal year 2014, as a result of steadily expanding earnings primarily in the Leasing Business. ROE is currently in a slump due to decreased profits.

Equity ratio

0.7%

-5.3% in fiscal year 2020

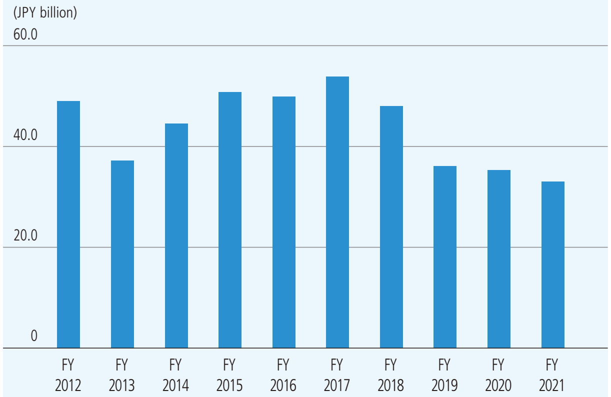


In the past decade, equity ratio was increased to 47.2% by the end of fiscal year 2017 resulting from our efforts to secure financial security as we recovered earnings. However, it began dropping in fiscal year 2018 due to declining business earnings, and stood at negative 5.3% at the end of fiscal year 2021. While retained earnings decreased due to a retroactive application of revenue recognition accounting standard, net income attributable to shareholders of the parent of JPY 11.854 billion and an increase in foreign currency translation adjustments returned the equity ratio to positive in the fiscal year 2021 for the first time in two years.

Interest-bearing debt—incl. lease obligations

JPY **33.0** billion

Down 6.7% y/y

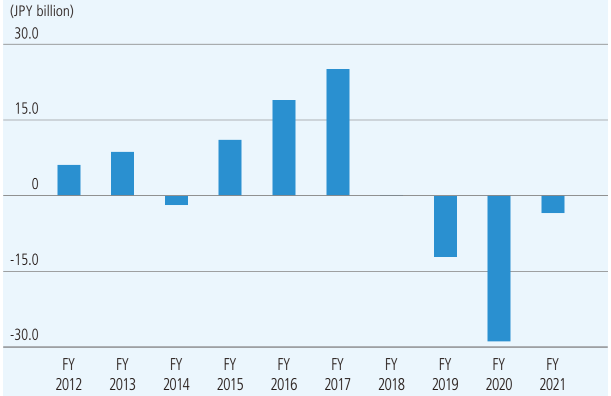


In the last 10 years, we have focused on reducing and curtailing the debt ratio in consideration of our repayment capacity. As a result, our interest-bearing debt was JPY 33.0 billion at the end of the fiscal year 2021.

Free cash flows

JPY **-3.5** billion

JPY -28.9 billion in fiscal year 2020

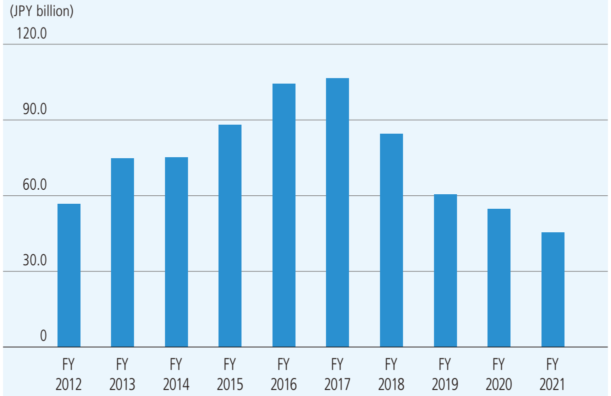


After the global financial crisis, there was a continued increase in free cash flows due to increases in operating cash flows and restraints on investment cash flows. However, operating cash flows turned negative in fiscal year 2018 due to declining profits. Free cash flows have remained negative for three years, but we were able to significantly reduce the negative margin by earnings recovery in the fiscal year 2021.

Cash and deposits balance

JPY **45.5** billion

Down 17.0% y/y

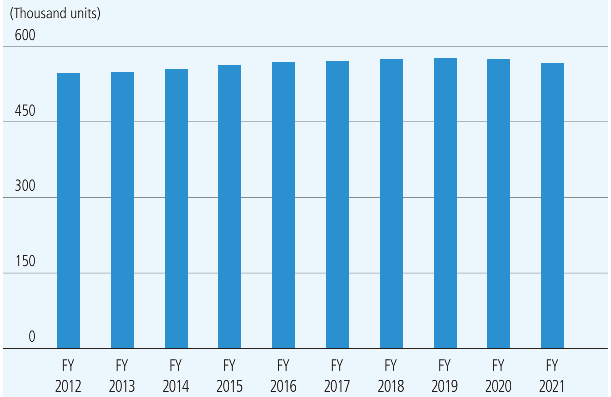


The balance of cash and deposits continued to increase until the end of fiscal year 2017 due to increases in operating cash flows, restraints on cash flows for investments in capital and other areas, and the sale of held assets. The balance of cash and deposits has been trending downwards since fiscal year 2018 mainly due to negative operating cash flows.

Units under management

567,314 units

Down 6,359 units y/y

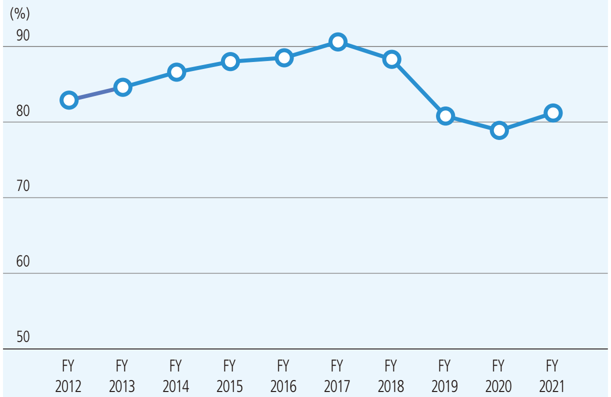


Expanding the number of units under management leads to a stronger earnings base, so we worked to raise that number by increasing apartment supply mainly in the three major metropolitan areas where we can expect strong occupancy demand. We are now focusing on improving occupancy rates in apartments we currently manage rather than increasing the number of apartments. The number of units under management at the end of the fiscal year 2021 stood at 567,314, a decrease of approximately 6,000 units compared to the end of the previous fiscal year.

Average annual occupancy rate

81.2%

Up 2.3 points y/y



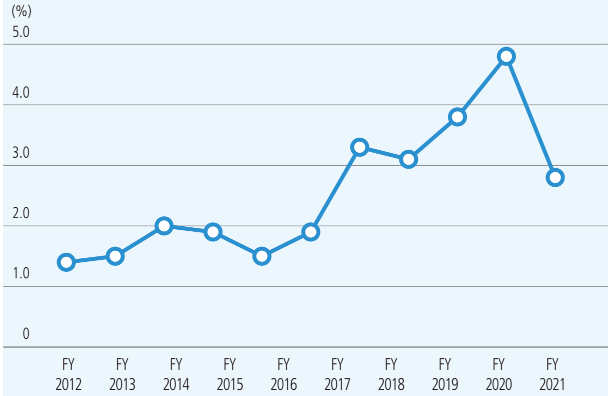
Occupancy rates of the apartment units under management have a cycle of reaching the peak in March, drop in the following April, and then gradually rise. In order to offset the cyclical decreases in occupancy rates, we implemented measures to promote long-term occupancy, and the annual average occupancy rates gradually went up. Mainly due to the effect of construction defects problem, the occupancy rate fell over the past three years starting in fiscal year 2018. Fiscal year 2021 saw an increase for the first time in four years due to a recovery in occupancy demand which was previously suppressed mainly by corporate customers, and due to successful result of various measures including strengthening relationships with real estate agents.

Non-Financial Highlights

No. of employees on childcare leave

2.8%

Down 2.0 points y/y

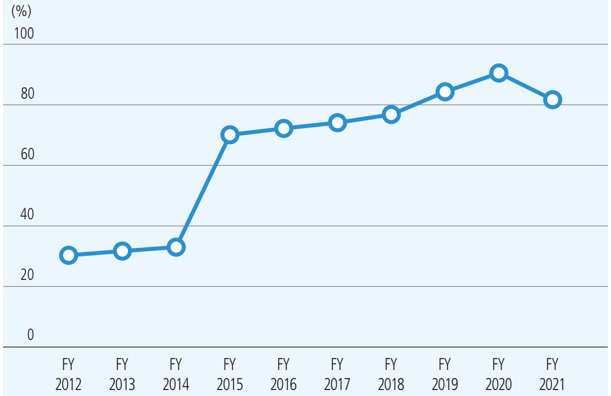


We have been working to improve our working environment by giving due consideration to achieving work-life balance by reducing overtime work, increasing the percentage of people taking paid leave, and by creating a framework that makes it easier to take childcare leave. We calculate the number of employees taking childcare leave divided by the number of all employees as the childcare leave acquisition rate. The rate dropped 2.8% in the fiscal year 2021 because more women take this leave than men at the Company and the percentage of women who left the Company was high last fiscal year.

Rate of paid leave usage

81.7%

Down 8.8 points y/y

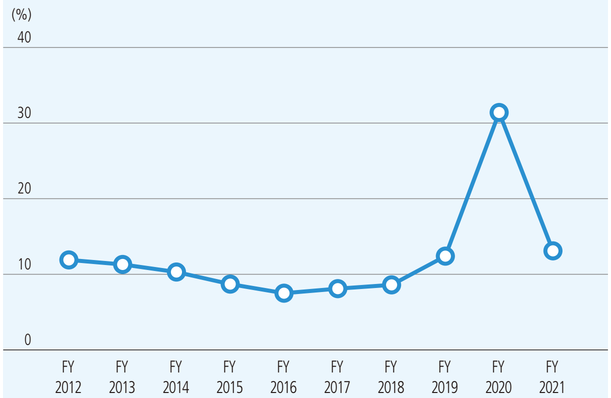


We have achieved a rate of 70% of employees taking paid leave through the acceptance of work-style reforms promoted by the Company, and through allowing five days of planned leave in summer/winter, three days of undefined leave (called "refresh vacation"), and through the improvement of other systems. In the fiscal year 2020, the number of employees taking leave before leaving the Company increased due to the implementation of the voluntary retirement system, which resulted in a temporary increase in the rate of employees taking paid leave, but in the fiscal year 2021, the rate settled back down to the level it was before the fiscal year 2020.

Rate of workforce turnover

13.1%

Down 18.3 points y/y

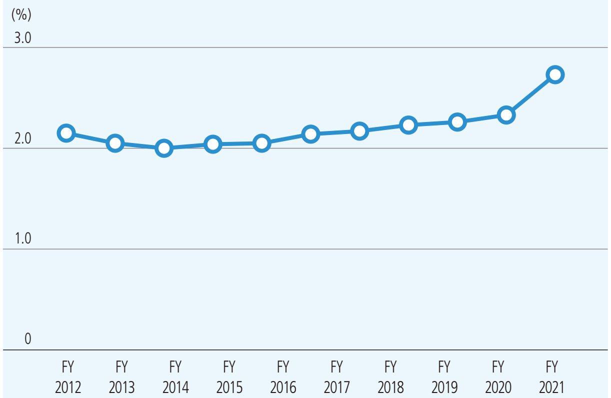


The Company considers our human resources to be very important, and as such we have established an employee training system and other measures that allow all employees to demonstrate their own diverse individuality and abilities. In addition, we are promoting to build a more comfortable work environment that is easy to work in in order to tackle the issue of long working hours, an issue that is particular to this industry. The turnover rate temporarily increased in the fiscal year 2020 due to the introduction of the voluntary retirement system, but the rate for the fiscal year 2021 dropped back to the level where it was before the fiscal year 2020.

Rate of employees with disabilities

2.73%

Up 0.4 points y/y



The Company believes that providing an environment for a broad range of personnel from diverse backgrounds and with different values contributes to the creation of new value, and greatly helps the Company grow. We established a special subsidiary called Leopalace Smile which employs people with disabilities in August 2009. We want to provide a rewarding place to work for all people, and since achieving the statutory employment rate, the rate has continued to increase year by year.

Financial Section
Management's Discussion and Analysis

1. Operating Environment
The corporate earnings showed a recovery trend in the domestic economy during the fiscal year 2021 as a result of implementing infection prevention measures and boosting economic activities in parallel in the prolonged effect from COVID-19 pandemic. The outlook however remained uncertain because of outbreak of the Omicron variant and Russian invasion into Ukraine.

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

Under these circumstances, Leopalace21 Group (the "Group") took selective concentration approach with prioritized allocation of the management resources into the Leasing Business, a core business, and continued structural reforms to fundamentally improve the business structure in accordance with announcement on structural reforms dated June 5, 2020. The Company strives to stabilize the business and financial position and continuously improve the profitability through cost-cutting efforts across the board.

Concerning COVID-19 impact, the Company believes that the business environment ameliorates following the Japanese government decision of stepwise easing the border controls and supposedly increasing foreign national workers and international students entry into Japan.

2. Analysis of Business Results
(1) Net Sales

Net sales for the consolidated fiscal year 2021 amounted to JPY 398,366 million (down 2.6% year on year). The decrease was mainly caused by the lowered unit rent resulting from the impact of COVID-19 pandemic and the reduction of construction subcontracting business.

Net Sales by Segment

(JPY million)	FY 2020	FY 2021	Change
Leasing Business	391,964	**383,043**	**(8,921)**
Elderly Care Business	14,524	**14,258**	**(266)**
Other Businesses	2,469	**1,064**	**(1,405)**
Total	408,959	**398,366**	**(10,592)**

(2) Earnings

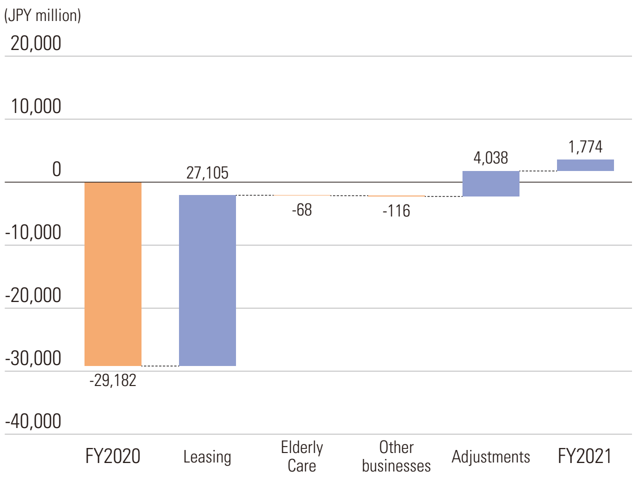
Operating profit was JPY 1,774 million, compared with operating loss of JPY 29,182 million during the fiscal year 2020, due to the reduction of cost of sales and SG&A expenses amounting to JPY 41,550 million against the previous fiscal year. The recording of interest expenses of JPY 4,474 million made recurring loss of JPY 2,151 million, a reduction of JPY 32,018 million in recurring loss against the previous fiscal year.

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

Operating Profit by Segment

(JPY million)	FY 2020	FY 2021	Change
Leasing Business	(19,385)	**7,719**	**27,105**
Elderly Care Business	(720)	**(789)**	**(68)**
Other Businesses	(1,551)	**(1,668)**	**(116)**
Adjustments	(7,524)	**(3,486)**	**4,038**
Total	(29,182)	**1,774**	**30,957**

■ **Change in Operating Profit**



(3) Segment Information

Leasing Business

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

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

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

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

As a result, despite the increasing occupancy rate, net sales came to JPY 383,043 million (down 2.3% year on year) due to the lowered unit rent resulting from the impact of COVID-19 pandemic and the reduction of construction subcontracting business. Operating profit was JPY 7,719 million due to the reduction of management cost and SG&A expenses, contractual adjustment of master-lease rent as a result of agreement with the property owners and reversal of provision for apartment vacancy loss based on aggregated impact of improving profitability of our management units (operating loss of JPY 19,385 million was recorded in the fiscal year 2020).

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 2021 were JPY 14,258 million (down 1.8% year on year), and operating loss was JPY 789 million (a deterioration of JPY 68 million year on year) due to a decrease in the number of users for elderly care services as a result of being concerned about the infection risk of COVID-19. The number of facilities was 87 as of the end of the fiscal year 2021.

Other Businesses

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

3. Analysis of Consolidated Financial Position

(1) Position of Assets, Liabilities, and Net assets

Total assets at the end of March 2022 decreased by JPY 16,278 million from the end of the previous fiscal year to JPY 145,430 million. This was mainly attributable to the decrease of the following items: JPY 9,340 million in cash and deposits, JPY 1,088 million in other accounts receivable, JPY 1,055 million in machinery, equipment, and vehicles (net), JPY 1,529 million in leased assets (net), JPY 2,272 million in others (net) – non-current assets, and JPY 1,030 million in others (net) – intangible fixed assets, whereas recorded the increase of JPY 4,402 million in deferred tax assets and JPY 2,336 million in allowance for doubtful accounts.

Total liabilities decreased by JPY 24,035 million from the end of the previous fiscal year to JPY 134,396 million. This was mainly attributed to the decrease of the following items: JPY 2,116 million in in lease obligations, JPY 15,422 million in provision for losses related to repairs, and JPY 6,629 million in provision for apartment vacancy loss.

Total net assets increased by JPY 7,757 million from the end of the previous fiscal year to JPY 11,034 million. This was mainly due to an increase of JPY 2,623 million in foreign currency translation adjustments and the recording of JPY 11,854 million in net income attributable to shareholders of the parent, on the other hand, non-controlling interests decreased by JPY 1,774 million as a result of dividend payment to a non-controlling shareholder by a consolidated subsidiary and its payment for purchased treasury stock, and retained earnings decreased by JPY 4,963 million resulting from retrospective application of the Accounting Standard for Revenue Recognition as of the beginning of the fiscal year ended March 2022. The equity ratio improved by 6.0 points from the end of the previous fiscal year to 0.7%.

(2) Cash Flow Position

Cash flows from operating activities was a net outflow of JPY 4,460 million, a reduction of JPY 36,355 million in net outflow year on year. This was mainly due to a recording of JPY 9,693 million in income before income taxes, JPY 9,352 million in depreciation and amortization, and JPY 2,355 million in increase in allowance for doubtful accounts, whereas JPY 11,959 million in reversal of provision for losses related to repairs, JPY 6,629 million for the decrease in provision for apartment vacancy loss, JPY 2,188 million for the decrease in advances received, JPY 4,455 million in interest paid, and JPY 2,172 million in payment related to repairs paid were recorded.

Cash flows from investing activities was a net inflow of JPY 886 million, a reduction of JPY 10,943 million in net inflow year on year. This was mainly due to JPY 1,180 million of proceeds from sale of investment securities.

Cash flows from financing activities was a net outflow of JPY 5,886 million, which is compared with a net inflow of JPY 23,571 million in the previous fiscal year. This was mainly due to JPY 3,239 million of expenditure in repayment of finance lease obligations, JPY 1,400 million of expenditure in payment for purchase of treasury stock by a consolidated subsidiary, and JPY 1,171 million of expenditure in payment of dividends to non-controlling shareholders.

As a result, cash and cash equivalents at the end of the fiscal year ended March 2022 became JPY 44,023 million, decreased by JPY 9,322 million from the end of the previous fiscal year.

4. Management Policies, Key Issues to Address, and Business Environment

Forward-looking statements in the discussion below are based on judgments by the Company as of the time of preparing this integrated report.

(1) Management Policies

The Group sets the management policies for the fiscal year 2022 consisting of the three components: Constant structural reforms, Promoting sustainability, and Construction defects management.

Cost structural reforms

We aim to continue cost structure controls and achieve increased occupancy rate.

(i) Controlling cost structure

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

(ii) Increasing occupancy rate

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

Corporate customers:

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

Individual customers:

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

Foreign national customers:

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

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

Promoting sustainability

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

As one of our initiatives for the Sustainable Development Goals (SDGs), we aim to reduce the Scope 1 and 2 CO_2 emissions from facilities related to the Company (emissions from the use of electricity and gas, and vehicle gasoline), by 46% by FY2030 when compared with FY2016.

Construction defects management

In response to the problem of construction defects that have occurred in the Company's constructed apartments, we will make steady progress in repairing the construction defects while working to restore the financial foundation with the aim of completely eliminating obvious defects by 2024. We have completed the repairs for about 51,000 units by the end of June 2022 and continue another 6,000 units by the end of March 2023 to eliminate all obvious defects by the end of 2024.

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

https://www.leopalace21.co.jp/info/en/

(2) Key Issues to Address

We announced in the Annual Securities Report dated June 29, 2021 (from April 1, 2020 to March 31, 2021, available in Japanese language only) that the Company recorded excessive liabilities of JPY 8,105 million for the financial results ended March 2021. We entered into the grace period for delisting dated June 29, 2021 caused by the Company's state of excessive liabilities reported in the fiscal year 2020, in accordance with the Tokyo Stock Exchange's Securities Listing Regulations.

We have been engaged in during the fiscal year 2021 continued drastic structural reforms such as transferring or withdrawing from non-core and unprofitable businesses, and cost-cutting efforts, in combination with improving occupancy rates by implementing measures such as longer reach of customers through the strengthened tie with real estate agents network, and initiative of web-based customer services, apartment viewing and rental contract signing.

As a result, the Company recorded the net sales of JPY 398,366 million, operating profit of JPY 1,774 million, recurring loss of JPY 2,151 million, net income attributable to shareholders of the parent of JPY 11,854 million, and net assets of JPY 1,425 million as shown in the "Financial Statements (Japanese Accounting Standard) for the fiscal year 2022" dated May 13, 2021. The excessive liabilities were therefore eliminated at the end of the fiscal year.

We expect increased sales and profit for the fiscal year 2022 year on year due to planned increased occupancy rate and cost reduction effect as a result of structural reforms. We prepared the plans for the fiscal year 2023 and the fiscal year 2024 which indicate continuous growth in sales and operating profit. Additional structural reform measures and sales efforts enables us to realize operating profit of JPY 17,500 million and JPY 25,200 million for the two fiscal years. In addition to strengthening capital by recording net income, we start to consider from fiscal year 2022 to fiscal year 2024 implementing shareholders return such as payment of dividends and share buybacks.

We remain committed to make further efforts in improving efficiency, strengthening management structure and implementing sales initiatives in order to further enhance the corporate value.

(3) Business Environment

Regarding population trends, a factor affecting the business environment as a mid to long-term point of view, the total number of households in Japan is expected to decline after the peak of 2025 but single-person households is expected to increase up to 2030 and keep the level of about 20 million households till 2040. Net domestic migration to the three major metro regions (inflows exceed outflows) will continue. Furthermore, the population aged 65 or over will mark 30% of the total population in 2025 and continue to rise for the following years. The decreasing trend in productive population (aged 15 – 64) will continue and a planned increase in foreign workers will partly compensate for the lacking workforce in the aging society.

Although the new housing starts of leased units increased for the first time in five years (up 9.2% year on year), the number of vacant houses continues to increase in the rental housing market.

Under these circumstances, we need to turnaround the business by acquiring the additional corporate demand for providing their employees with company-provided housing or dormitories. We will keep realizing our purpose as a provider of social infrastructure for housing amounting to 560,000 managed units.

Financial Section

Consolidated Balance Sheet

Leopalace21 Corporation and consolidated subsidiaries
March 31, 2022 and 2021

	Notes	JPY million		USD thousand (Note 1)
		2022	2021	2022
ASSETS				
Current assets:				
Cash and deposits	3, 6, 7, 13	45,523	54,863	371,953
Trade receivables	7	8,618	7,930	70,415
Accounts receivable for completed projects	7	443	524	3,620
Securities	3, 7, 8, 13	200	100	1,636
Real estate for sale	3, 12, 13	693	180	5,668
Real estate for sale in process	3	—	349	—
Payment for construction in progress		213	238	1,741
Raw materials and supplies	3	405	497	3,316
Prepaid expenses		1,634	2,076	13,355
Other accounts receivable		730	1,819	5,968
Others		3,954	4,199	32,307
Allowance for doubtful accounts	3, 7, 12	(2,255)	(182)	(18,430)
Total current assets		60,161	72,598	491,555
Non-current assets:				
Property, plant and equipment:	3, 10, 12, 16, 17, 18, 27			
Buildings and structures	3, 13, 16, 17, 18	56,173	53,778	458,973
Accumulated depreciation		(37,321)	(34,220)	(304,935)
Net		18,852	19,557	154,038
Machinery, equipment, and vehicles	3, 10, 13, 16, 17, 18	20,794	20,601	169,903
Accumulated depreciation		(13,260)	(12,011)	(108,342)
Net		7,534	8,589	61,561
Land	10, 13, 16, 17	31,269	31,118	255,486
Leased assets	3, 18, 25	26,461	28,924	216,208
Accumulated depreciation		(24,485)	(25,418)	(200,057)
Net		1,976	3,506	16,151
Construction in progress	10	92	82	759
Others	10, 13, 16, 17, 18	18,483	18,358	151,021
Accumulated depreciation		(13,557)	(11,160)	(110,770)
Net		4,926	7,198	40,250
Total property, plant and equipment		64,652	70,052	528,247
Intangible fixed assets:				
Goodwill	3, 10, 27	6	12	51
Others	13, 18	3,130	4,161	25,576
Total intangible fixed assets		3,136	4,173	25,627
Investments and other assets:				
Investment securities	7, 8, 13	5,180	5,431	42,331
Long-term loans	7	1,126	1,096	9,201
Bad debts	7, 11	267	249	2,183
Long-term prepaid expenses	3	577	1,121	4,715
Deferred tax assets	3, 4, 12	6,596	2,194	53,897
Others		4,647	5,443	37,971
Allowance for doubtful accounts	3, 7, 12	(914)	(651)	(7,475)
Total investments and other assets		17,480	14,883	142,825
Total non-current assets		85,269	89,109	696,700
Total assets		145,430	161,708	1,188,255

The accompanying notes are an integral part of these statements.

	Notes	JPY million		USD thousand (Note 1)
		2022	2021	**2022**
LIABILITIES AND NET ASSETS				
Current liabilities:				
Accounts payable	7	**2,552**	3,172	**20,858**
Accounts payable for completed projects	7	**427**	514	**3,491**
Current portion of long-term debt	7, 13	**53**	114	**438**
Lease obligations	7, 13	**1,992**	3,133	**16,282**
Accounts payable – other	7, 12	**9,123**	9,593	**74,542**
Accrued income taxes		**1,304**	696	**10,657**
Advances received	3, 12	**31,733**	28,239	**259,279**
Customer advances for projects in progress		**268**	541	**2,191**
Provision for warranty obligations on completed projects	3, 12	**7**	67	**63**
Provision for fulfillment of guarantees	3, 12	**2,187**	2,783	**17,870**
Provision for losses related to repairs (short-term)	3, 12	**1,941**	3,777	**15,859**
Provision for apartment vacancy loss (short-term)	3, 12	**4,218**	9,301	**34,464**
Others		**3,732**	3,861	**30,495**
Total current liabilities		**59,542**	65,798	**486,494**
Non-current liabilities:				
Long-term debt	7, 13	**30,429**	30,615	**248,626**
Lease obligations	7, 13	**569**	1,544	**4,655**
Long-term advances received	3	**7,151**	7,869	**58,434**
Lease/guarantee deposits received		**7,382**	6,423	**60,319**
Provision for losses related to repairs		**16,145**	29,732	**131,920**
Deferred tax liabilities	12	**11**	9	**96**
Provision for apartment vacancy loss	3, 12	**1,414**	2,960	**11,559**
Liability for retirement benefit	3, 14	**9,525**	9,650	**77,829**
Others		**2,222**	3,826	**18,160**
Total non-current liabilities		**74,854**	92,633	**611,603**
Total liabilities		**134,396**	158,431	**1,098,097**
Net assets				
Shareholders' equity:				
Common stock: Authorized: 500,000,000 shares in 2022 and 2021 Issued: 329,389,515 shares in 2022 and 2021	24, 32	**100**	81,282	**817**
Capital surplus	32	**136,345**	55,174	**1,114,022**
Retained earnings		**(135,749)**	(142,586)	**(1,109,157)**
Treasury stock: 493,610 shares in 2022 and 561,610 shares in 2021	24	**(302)**	(344)	**(2,475)**
Total shareholders' equity		**392**	(6,474)	**3,206**
Accumulated other comprehensive income:				
Net unrealized gains (losses) on other securities	12	**(39)**	(0)	**(318)**
Foreign currency translation adjustments	3	**746**	(1,877)	**6,096**
Remeasurements of defined benefit plans	14	**(31)**	(142)	**(256)**
Total accumulated other comprehensive income		**675**	(2,019)	**5,521**
Share subscription rights		**357**	388	**2,919**
Non-controlling interests		**9,608**	11,383	**78,510**
Total net assets		**11,034**	3,277	**90,158**
Total liabilities and net assets		**145,430**	161,708	**1,188,255**

The accompanying notes are an integral part of these statements.

Financial Section

Consolidated Statement of Income

Leopalace21 Corporation and consolidated subsidiaries
For the years ended March 31, 2022 and 2021

	Notes	JPY million		USD thousand (Note 1)
		2022	2021	**2022**
Net sales	27, 32	**398,366**	408,959	**3,254,893**
Sales from Leasing Business		**383,043**	391,964	**3,129,699**
Sales from Other Businesses		**15,322**	16,994	**125,194**
Cost of sales		**352,289**	387,872	**2,878,416**
Cost of sales from Leasing Business		**336,339**	370,872	**2,748,093**
Cost of sales from Other Businesses		**15,950**	17,000	**130,322**
Gross profit		**46,077**	21,086	**376,477**
Selling, general and administrative expenses		**44,302**	50,269	**361,976**
Advertising expenses		**2,718**	2,302	**22,210**
Sales commission expense		**2,328**	1,852	**19,021**
Transfer to allowance for bad debt		**2,202**	107	**17,994**
Directors' bonuses		**302**	351	**2,469**
Salary and bonuses		**14,960**	19,218	**122,236**
Retirement benefit cost		**1,263**	1,883	**10,326**
Rent expense		**2,517**	2,944	**20,571**
Depreciation and amortization		**2,079**	2,202	**16,992**
Taxes and public charges		**4,530**	5,695	**37,013**
Others		**11,399**	13,708	**93,140**
Operating profit (loss)	27	**1,774**	(29,182)	**14,500**
Non-operating income		**827**	1,084	**6,762**
Interest income		**34**	66	**285**
Dividend income		**65**	84	**536**
Gains on valuation of investment securities		**129**	141	**1,054**
Foreign exchange gain		**1**	110	**11**
Employment adjustment subsidy		**242**	243	**1,979**
Others		**354**	438	**2,895**
Non-operating expenses		**4,754**	6,072	**38,845**
Interest expenses		**4,474**	2,171	**36,560**
Funding costs		**—**	2,904	**—**
Share of loss of entities accounted for using equity method		**162**	44	**1,325**
Others		**117**	951	**959**
Recurring profit (loss)		**(2,151)**	(34,170)	**(17,582)**
Extraordinary income		**12,080**	19,664	**98,705**
Gain on sale of property, plant and equipment		**120**	225	**981**
Gain on sale of investment securities		**0**	4,065	**4**
Gain on sale of shares in the subsidiary		**—**	0	**—**
Reversal of provision for losses related to repairs		**11,959**	15,374	**97,718**
Extraordinary losses	14	**234**	8,419	**1,918**
Loss on sale of property, plant and equipment		**—**	18	**—**
Loss on retirement of property, plant and equipment		**45**	114	**375**
Impairment loss		**118**	4,041	**971**
Loss related to repairs		**—**	982	**—**
Loss on sale of investment securities		**—**	114	**—**
Special severance allowance		**—**	2,479	**—**
Retirement benefit cost		**—**	427	**—**
Loss on liquidation of subsidiaries and associated companies		**—**	151	**—**
Loss on valuation of investment securities		**—**	90	**—**
Loss on closure of offices		**69**	—	**570**
Income (loss) before income taxes		**9,693**	(22,925)	**79,204**
Income taxes	3	**(2,956)**	280	**(24,156)**
Current		**1,444**	710	**11,806**
Deferred		**(4,401)**	(429)	**(35,962)**
Net income (loss)		**12,650**	(23,205)	**103,306**
Net income (loss) attributable to non-controlling interests		**795**	475	**6,502**
Net income (loss) attributable to shareholders of the parent	29	**11,854**	(23,680)	**96,858**

The accompanying notes are an integral part of these statements.

Financial Section

Consolidated Statement of Comprehensive Income

Leopalace21 Corporation and consolidated subsidiaries
For the years ended March 31, 2022 and 2021

	Notes	JPY million		USD thousand (Note 1)
		2022	2021	2022
Net income (loss)		12,650	(23,205)	103,360
Other comprehensive income (loss)				
Net unrealized gains (losses) on other securities	12	(38)	(1,047)	(317)
Foreign currency translation adjustments	3	2,623	(1,597)	21,436
Remeasurements of defined benefit plans	14	111	403	908
Share of other comprehensive income of entities accounted for using equity method		1	0	15
Total		2,697	(2,240)	22,043
Comprehensive income (loss)		15,348	(25,445)	125,404
Comprehensive income (loss) attributable to shareholders of the parent		14,550	(25,920)	118,882
Comprehensive income (loss) attributable to non-controlling interests		798	474	6,521

The accompanying notes are an integral part of these statements.

	Notes	JPY million		USD thousand (Note 1)
		2022	2021	2022
Net unrealized gains (losses) on other securities				
Amount accrued in the fiscal year		(38)	2,555	(316)
Rearrangements and adjustments		—	(4,065)	—
Amount before tax effects adjustments		(38)	(1,509)	(316)
Tax effects		0	462	—
Net unrealized gains (losses) on other securities		(38)	(1,047)	(317)
Foreign currency translation adjustments	3			
Amount accrued in the fiscal year		2,623	(1,591)	21,436
Rearrangements and adjustments		—	(6)	—
Amount before tax effects adjustments		2,623	(1,597)	21,436
Tax effects		—	—	—
Foreign currency translation adjustments		2,623	(1,597)	21,436
Remeasurements of defined benefit plans				
Amount accrued in the fiscal year		57	(75)	469
Rearrangements and adjustments		53	478	439
Amount before tax effects adjustments		111	403	908
Tax effects		—	—	—
Remeasurements of defined benefit plans		111	403	908
Share of other comprehensive income of entities accounted for using equity method				
Amount accrued in the fiscal year		1	0	15
Total		2,697	(2,240)	22,043

Financial Section

Consolidated Statement of Changes in Equity

Leopalace21 Corporation and consolidated subsidiaries
For the years ended March 31, 2022 and 2021

	JPY million											
	Shareholders' equity					Accumulated other comprehensive income						
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Net unrealized gains (losses) on other securities	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Share Subscription rights	Non-controlling interests	Total net assets
Balance as of March 31, 2020	75,282	45,148	(118,874)	(473)	1,083	1,047	(280)	(546)	220	269	16	1,589
Cumulative effect due to change in accounting policy					—							—
Balance at the previous year-end reflecting the change in accounting policy	75,282	45,148	(118,874)	(473)	1,083	1,047	(280)	(546)	220	269	16	1,589
Issuance of new shares	5,999	5,999			11,999							11,999
Capital reduction					—							—
Net income (loss) attributable to shareholders of the parent			(23,680)		(23,680)							(23,680)
Disposal of treasury stock			(32)	128	96							96
Change in the scope of consolidation					—							—
Change in share of parent from transactions with non-controlling interests		4,026			4,026							4,026
Net change of items other than shareholders' equity						(1,047)	(1,596)	403	(2,240)	119	11,366	9,245
Total change during period	5,999	10,026	(23,712)	128	(7,557)	(1,047)	(1,596)	403	(2,240)	119	11,366	1,687
Balance as of March 31, 2021	81,282	55,174	(142,586)	(344)	(6,474)	(0)	(1,877)	(142)	(2,019)	388	11,383	3,277
Cumulative effect due to change in accounting policy			**(4,963)**		**(4,963)**							**(4,963)**
Balance at the previous year-end reflecting the change in accounting policy	**81,282**	**55,174**	**(147,550)**	**(344)**	**(11,438)**	**(0)**	**(1,877)**	**(142)**	**(2,019)**	**388**	**11,383**	**(1,686)**
Issuance of new shares					**—**							**—**
Capital reduction	**(81,182)**	**81,182**			**—**							**—**
Net income (loss) attributable to shareholders of the parent			**11,854**		**11,854**							**11,854**
Disposal of treasury stock		**(10)**		**41**	**30**							**30**
Change in the scope of consolidation			**(53)**		**(53)**							**(53)**
Change in share of parent from transactions with non-controlling interests		**(1)**			**(1)**							**(1)**
Net change of items other than shareholders' equity						**(38)**	**2,623**	**111**	**2,695**	**(30)**	**(1,774)**	**890**
Total change during period	**(81,182)**	**81,170**	**11,800**	**41**	**11,830**	**(38)**	**2,623**	**111**	**2,695**	**(30)**	**(1,774)**	**12,721**
Balance as of March 31, 2022	**100**	**136,345**	**(135,749)**	**(302)**	**392**	**(39)**	**746**	**(31)**	**675**	**357**	**9,608**	**11,034**

	USD thousand (Note 1)											
	Shareholders' equity					Accumulated other comprehensive income						
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Net unrealized gains (losses) on other securities	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Share Subscription rights	Non-controlling interests	Total net assets
Balance as of March 31, 2021	664,125	450,812	(1,165,020)	(2,816)	(52,898)	(1)	(15,336)	(1,165)	(16,503)	3,171	93,007	26,776
Cumulative effect due to change in accounting policy			**(40,557)**		**(40,557)**							**(40,557)**
Balance at the previous year-end reflecting the change in accounting policy	**664,125**	**450,812**	**(1,205,578)**	**(2,816)**	**(93,456)**	**(1)**	**(15,336)**	**(1,165)**	**(16,503)**	**3,171**	**93,007**	**(13,780)**
Issuance of new shares					**—**							**—**
Capital reduction	**(663,308)**	**663,308**			**—**							**—**
Net income (loss) attributable to shareholders of the parent			**96,858**		**96,858**							**96,858**
Disposal of treasury stock		**(88)**		**341**	**252**							**252**
Change in the scope of consolidation			**(438)**		**(438)**							**(438)**
Change in share of parent from transactions with non-controlling interests		**(10)**			**(10)**							**(10)**
Net change of items other than shareholders' equity						**(317)**	**21,433**	**908**	**22,024**	**(251)**	**(14,496)**	**7,276**
Total change during period	**(663,308)**	**663,209**	**96,420**	**341**	**96,662**	**(317)**	**21,433**	**908**	**22,024**	**(251)**	**(14,496)**	**103,938**
Balance as of March 31, 2022	**817**	**1,114,022**	**(1,109,157)**	**(2,475)**	**3,206**	**(318)**	**6,096**	**(256)**	**5,521**	**2,919**	**78,510**	**90,158**

The accompanying notes are an integral part of these statements.

Financial Section

Consolidated Statement of Cash Flows

Leopalace21 Corporation and consolidated subsidiaries
For the years ended March 31, 2022 and 2021

	Notes	JPY million		USD thousand (Note 1)
		2022	2021	2022
Cash flows from operating activities:				
Income (loss) before income taxes		9,693	(22,925)	79,204
Depreciation and amortization		9,352	10,416	76,415
Impairment loss	10, 27	118	4,041	971
Reversal of provision for losses related to repairs	20	(11,959)	(15,374)	(97,718)
Loss related to repairs	19	—	982	—
Special severance allowance for severance	21	—	2,479	—
Amortization of goodwill		7	6	58
Increase (decrease) in allowance for doubtful accounts	3	2,355	340	19,242
Increase (decrease) in liability for retirement benefits	3	(14)	1,360	(122)
Increase (decrease) in provision for apartment vacancy loss	3	(6,629)	(3,644)	(54,165)
Losses on liquidation of subsidiaries and associated companies		—	151	—
Interest and dividend income		(100)	(150)	(821)
Interest expense		4,474	2,171	36,560
Funding costs	3	—	2,904	—
Foreign exchange loss (gain)	3	(1)	(110)	(11)
Equity in losses (earnings) of affiliated companies using equity method		162	44	1,325
Loss (gain) on sale of property, plant and equipment		(120)	(206)	(981)
Loss on retirement of property, plant and equipment	18	45	114	375
Loss (gain) on valuation of investment securities		(129)	(50)	(1,054)
Loss (gain) on sale of investment securities		(0)	(3,951)	(4)
Investment loss (returns) from anonymous associations		—	(0)	—
Decrease (increase) in accounts receivable		(523)	(579)	(4,275)
Decrease (increase) in real estate for sale in process		2	3,432	23
Decrease (increase) in payment for construction in progress		25	486	205
Decrease (increase) in long-term prepaid expenses	3	535	744	4,378
Increase (decrease) in accounts payable		(1,029)	(5,861)	(8,409)
Increase (decrease) in customer advances for projects in progress		(272)	(1,241)	(2,230)
Increase (decrease) in advances received		(2,188)	(5,327)	(17,879)
Increase (decrease) in guarantee deposits received		701	603	5,727
Increase (decrease) in accrued consumption taxes		121	(421)	992
Others		(2,023)	1,804	(16,534)
Subtotal		2,603	(27,759)	21,272
Interest and dividends received		105	154	861
Interest paid		(4,455)	(1,500)	(36,406)
Payment related to repairs paid		(2,172)	(8,313)	(17,753)
Payment of special severance allowance	21	—	(2,479)	—
Income taxes paid		(541)	(918)	(4,421)
Net cash provided by operating activities		(4,460)	(40,816)	(36,447)

The accompanying notes are an integral part of these statements.

	Notes	JPY million		USD thousand (Note 1)
		2022	2021	2022
Cash flows from investing activities:				
Payment for purchase of property, plant and equipment		**(705)**	(2,328)	**(5,763)**
Proceeds from sale of property, plant and equipment		**1,458**	4,167	**11,913**
Payment for purchase of intangible assets		**(781)**	(509)	**(6,387)**
Proceeds from redemption of securities		**—**	5,600	**—**
Payment for purchase of investment securities		**(313)**	(363)	**(2,565)**
Proceeds from sale of investment securities		**1,180**	4,341	**9,647**
Proceeds from liquidation of subsidiaries		**—**	18	**—**
Payments for sale of shares in subsidiaries resulting in change in scope of consolidation		**—**	(92)	**—**
Proceeds from sale of shares in subsidiaries resulting in change in scope of consolidation		**—**	7	**—**
Payment for loans		**(31)**	(36)	**(254)**
Proceeds from collection of loans		**73**	57	**601**
Payments for deposit of time deposits		**—**	(4)	**—**
Proceeds from withdrawal of time deposits		**17**	67	**139**
Others		**(10)**	904	**(89)**
Net cash provided by (used in) investing activities		**886**	11,829	**7,241**
Cash flows from financing activities:				
Repayment of short-term debt		**—**	(847)	**—**
Proceeds from long-term debt		**—**	30,234	**—**
Repayment of long-term debt		**(75)**	(17,790)	**(615)**
Repayment of finance lease obligations		**(3,239)**	(4,181)	**(26,470)**
Proceeds from issuance of shares		**—**	11,999	**—**
Proceeds from issuance of stock acquisition rights		**—**	215	**—**
Payment of funding costs		**—**	(2,868)	**—**
Payment for redemption of bonds		**—**	(8,103)	**—**
Payment for purchase of treasury stock by a consolidated subsidiary		**(1,400)**	—	**(11,438)**
Payment for acquisition of shares in subsidiaries not resulting in change in scope of consolidation		**(0)**	—	**(2)**
Proceeds from share issuance to non-controlling shareholders		**—**	15,000	**—**
Payment of dividends to non-controlling shareholders		**(1,171)**	(87)	**(9,570)**
Proceeds from exercise of stock options		**0**	0	**0**
Net cash provided by (used in) financing activities		**(5,886)**	23,571	**(48,096)**
Effect of exchange rate changes on cash and cash equivalents		**220**	(154)	**1,805**
Net increase (decrease) in cash and cash equivalents		**(9,240)**	(5,570)	**(75,497)**
Cash and cash equivalents at beginning of year		**53,346**	58,916	**435,872**
Decrease in cash and cash equivalents on exclusion from consolidation		**(82)**	—	**(676)**
Cash and cash equivalents at end of year	6	**44,023**	53,346	**359,698**

The accompanying notes are an integral part of these statements.

Notes to Consolidated Financial Statements

Leopalace21 Corporation and consolidated subsidiaries
For the years ended March 31, 2022 and 2021

1. Basis of Presenting Consolidated Financial Statements

The accompanying consolidated financial statements of Leopalace21 Corporation ("the Company") have been prepared in accordance with the provisions of Financial Instruments and Exchange Act of Japan, its related accounting regulations and in conformity with accounting principles generally accepted in Japan, which are different in certain respects, as to application and disclosure requirements from International Financial Reporting Standards.

The accompanying consolidated financial statements have been reformatted and translated into English (with certain expanded disclosure) from the consolidated financial statements of the Company prepared in accordance with accounting principles generally accepted in Japan and filed with the Financial Services Agency as required by the Financial Instruments and Exchange Act of Japan.

The translation of the Japanese yen amounts into U.S. dollars is prepared solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2022, which was JPY 122.39 to USD 1.00. Such translation should not be construed as a representation that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange. Certain amounts in the previous year's financial statements have been reclassified to conform to the current fiscal year's presentation.

Figures are rounded down to the nearest JPY 1,000,000 or USD 1,000.

2. Going Concern Assumption

There are no issues applicable to the going concern assumption.

3. Summary of Significant Accounting Policies

(1) Consolidation

Names of significant subsidiaries (18 in total)

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

PT. Leopalace Duasatu Realty and another subsidiary have been excluded from the scope of consolidation in the consolidated fiscal year ended March 2022 because the importance of these companies has declined.

The accompanying consolidated financial statements as of March 31, 2022 include the accounts of the Company and its 18 (20 as of March 31, 2021) subsidiaries and four associated companies Woori & Leo PMC Co., Ltd, Ancora Residential Fund LP, PT TEGUH BINA KARYA, and Learn JP Corp. in equity method (together, "the Companies"). The fiscal year closing dates of these four companies are different from the consolidated balance sheet date. The respective financial statements of the Companies were used for consolidation.

The Company holds the shares in TRUMAN HOLDINGS LIMITED and two other companies but did not include them in the companies where the Company applies the equity method for consolidation. The total assets, sales, net income (loss) and retained earnings both on an equity method basis and other items do not make material impact on the consolidated financial statements.

The balance sheet dates of Leopalace Guam Corporation and other 9 subsidiaries are all the same, being December 31. For the consolidated entities whose fiscal year ends different from that of the Company but within 3 months, their financial results are used in the preparation of consolidated financial statements. When significant transactions occur to those subsidiaries between their fiscal year ends and the Company's fiscal year end, those transactions are necessarily adjusted to consolidate.

(2) Cash and deposits or cash equivalents

For the purpose of the statement of cash flows, the Company considers all highly liquid investments with insignificant risk of change in value and maturities of generally three months or less as cash and deposits. These include cash on hand, demand deposits at banks and highly liquid short-term investments with negligible risk of fluctuation in value and maturities of less than three months. Cash equivalents, on the other hand, is defined as those including maturities of greater than three months.

(3) Inventories

Real estate for sale and real estate for sale in process are primarily stated at cost (presented in net book value less write-down when profitability declines) determined by the specific identification method.

Costs on construction contracts in progress are primarily stated at cost determined by the specific identification method.

Raw materials and supplies are primarily stated at cost (presented in net book value less write-down when profitability declines) determined by the last purchase price method.

Cost of sales for the Leasing Business includes the reduced book value which is caused by the declined contribution of inventories to profitability.

	JPY million		USD thousand
Item	**2022**	2021	**2022**
Loss from inventory revaluation	—	41	—

(4) Securities

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

Other securities with available fair values are stated at fair value at the end of the fiscal year of each consolidated company. Other securities without available fair values are stated at cost by the moving-average method.

Unrealized gains or losses on these securities are reported, net of income taxes, as a separate component of net assets. Cost of securities sold is computed using the moving-average method.

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

(5) Derivative financial instruments and hedge accounting

Accounting principles are fair value method. But there is no derivative transaction with/without hedge accounting during the fiscal year ended March 2022 and 2021.

(6) Property, plant and equipment (except for leased assets)

Property, plant and equipment for rent of the Company and domestic consolidated subsidiaries are stated at cost. Depreciation is computed generally on the straight-line basis. The useful lives are principally from 22 to 47 years for buildings and structures for rent.

Property, plant and equipment other than above of the Company and domestic consolidated subsidiaries are stated at cost. Depreciation is computed generally by the declining-balance method. However, buildings (excluding facilities attached to buildings) obtained on or after April 1, 1998, and facilities attached to buildings and structures obtained on or after April 1, 2016, are depreciated by the straight-line method. The useful lives are principally from 15 to 50 years for buildings and structures, 17 years for machinery, equipment and vehicles, and 5 to 10 years for tools, furniture and fixtures.

Property, plant and equipment of the consolidated overseas subsidiaries are depreciated by the straight-line method based on the local GAAP. The useful lives are principally from 20 to 40 years for buildings and structures and from 3 to 5 years for tools, furniture and fixtures.

(7) Intangible fixed asset

Software for internal use is amortized on a straight-line basis over the estimated useful life of 5 years.

(8) Long-term prepaid expenses

Long-term prepaid expenses are amortized evenly over a period mainly from 5 to 7 years for master lease rent and 5 years for non-deductible consumption taxes on non-current assets.

(9) Stock issue expenses

Stock issue expenses are charged to funding costs when incurred.

(10) Allowance for doubtful accounts

The Companies maintain an allowance for doubtful accounts to reserve for potentially uncollectible receivables. A provision for general doubtful receivables is provided by applying a certain reserve percentage of the receivables based on experience from past transactions. A specific allowance is recorded for the estimated amount to be uncollectible based on the customers' financial condition or other pertinent factors.

(11) Liability for retirement benefit

In conjunction with the calculation of retirement benefit obligations, the method for attributing projected retirement benefits for the period up to the current fiscal end is based on a straight-line basis.

Actuarial gains/losses, 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, are amortized starting from the next fiscal year of the respective accruals. Unrecognized actuarial gains/losses are posted after tax effects, as the cumulative amount of adjustments attributed to accumulated other comprehensive income in the net assets. Certain consolidated subsidiaries have adopted a simplified method of calculation with liability for retirement benefits and retirement benefits expense. Under this simplified method, retirement benefit obligation is deemed to be equal to the amount which would be required to pay if all eligible employees voluntarily retire at the end of the fiscal year.

(12) Provision for losses related to repairs

In order to reserve for the losses related to repairs, an estimated amount of provision is recorded based on the defect rate, etc.

(i) The amount stated in the fiscal year ended March 2022 and 2021

	JPY million		USD thousand
	2022	2021	**2022**
Provision for losses related repairs (current liabilities)	**1,941**	3,777	**15,859**
Provision for losses related repairs (non-current liabilities)	**16,145**	29,732	**131,920**
Total	**18,086**	33,509	**147,779**

(ii) Accounting estimates per item

The Company established the Emergency Headquarters for Construction Defects and carried out all-building investigations related to the announcement of parting wall defects in the attics in April 2018 and other defects in May 2018, in February and May 2019. The Company has been repairing the defects which were identified at the investigations to make them to comply with the related laws and regulations.

The Company provided the provision for losses related to repairs based on the assumed amount in accordance with the actual defects rate to be prepared for possible repair expenses and associated expenses for the apartment buildings constructed by the Company. In the fiscal year ended March 2022, a reversal of provision for loss on repairs of JPY 11,959 million (USD 97,718 thousand) was recorded due to a reduction in the unit repair cost as a result of batched ordering efforts, allocating in-house manpower resources for repairs, and agreements with property owners to change repair methods; and a decrease in the number of buildings requiring repairs as a result of revised judgement related to construction defects as well as building demolition agreed upon with the owners.

The Company has built the provision provided for repairing all the significant defects that the Company has recognized and there would not be any further expenses which may incur in the future.

The Company employed the following methods.

a. Repair expenses
   Sort out the repairs by the types of defects and repair method and calculate the number of defective rooms based on the defective rate as a result of the all-building investigations, which is then multiplied by the actual unit cost or estimated unit cost.
b. Leasing expenses
   Estimate the number of months for leasing the apartment buildings which other companies manage but not the Company, which is then multiplied by the actual monthly rent.
c. Relocation expenses
   Calculate the number of rooms which other companies mainly manage, which is then multiplied by the actual unit cost for relocation.

The Company has been striving to calculate more reasonable and highly accurate provision regarding repair costs and incidental costs per unit considering some of the estimates presented by external contractors and resulting from some of the outsourced work into in-house repairs; and the change in the estimated unit price due to updated deficiency judgment.

In case of changes in conditions and assumptions based on which the estimate was prepared, provision for losses related to repairs may be changed in the consolidated financial statements for the fiscal year ending March 2023.

(13) Provision for apartment vacancy loss

Provision for vacancy loss on apartment units managed under master lease agreements is calculated according to the projected loss that could incur during a reasonably estimable period to prepare for the risk of increasing vacancies. It is based on estimated losses resulting from current rental income and expected future occupancy rates for each rental property managed by the Leasing Business Division of the Company and included in the cost of sale of the Leasing Business Division.

(i) The amount stated in the fiscal year ended March 2022 and 2021

	JPY million		USD thousand
	2022	2021	**2022**
Provision for apartment vacancy loss (current liabilities)	**4,218**	9,301	**34,464**
Provision for apartment vacancy loss (non-current liabilities)	**1,414**	2,960	**11,559**
Total	**5,632**	12,262	**46,024**

(ii) Accounting estimates per item

The Company employed below specific method for estimation. The Company compares the sum of revenue from the tenant for the rent and associated services considering the occupancy rate projection for individual apartments with sum of expenses which consist of master lease rent and management expenses. In case the sum of expenses exceeds the sum of revenue for a certain apartment, the provision is calculated by multiplying the monthly deficit by the remaining number of months for fixed rent period of master lease agreements.

The Company made occupancy rate projection considering the apartment's surrounding conditions and room demand as step one; adjusted the step one result by taking account of the results of suspended tenant recruitment which may be required because of repair works as step two.

In case of changes in conditions and assumptions based on which the estimate was prepared, provision for apartment vacancy loss may be changed in the consolidated financial statements for the fiscal year ending March 2023.

(14) Provision for warranty obligations on completed projects

Provision for warranty obligations on completed projects is accrued to reserve for execution of warranty obligations under defect liabilities in the future. It is calculated using the percentage of the past execution of warranty obligations on the completed projects.

(15) Provision for fulfillment of guarantees

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

(16) Amortization method and period of goodwill

The Company has adopted a policy whereby goodwill is amortized on a straight-line basis over the period in which the economic benefits are expected to be realized. However, if the amount is negligible, it is amortized at once when it is recognized.

(17) Income taxes

Income taxes comprise corporate, inhabitant and enterprise taxes.

The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

(18) Leased assets

Leased assets are depreciated by the straight-line method over the lease-term of respective assets as their useful lives with no residual value.

(19) Foreign currency transactions

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

(20) Foreign currency financial statements

The assets and liabilities of consolidated overseas subsidiaries are translated into Japanese yen at the spot exchange rates as of each balance sheet date, and income and expenses are translated at the average exchange rates of the fiscal year. Foreign currency translation adjustments resulting from the translation of assets, liabilities and net assets are reclassified into foreign currency translation adjustments and non-controlling interests.

(21) Interest capitalization

Leopalace Guam Corporation, a consolidated subsidiary, of which interest paid on borrowing for real estate development business for the development period capitalized it into acquisition cost of property, plant and equipment.

Capitalized interests included in carrying value of property, plant and equipment were JPY 341 million (USD 2,788 thousand) as of March 31, 2022.

(22) Earnings per share

Basic earnings per share of common stock is computed by net income available to common shareholders divided by the weighted-average number of common stock outstanding for the period.

Diluted earnings per share of common stock reflects the potential dilution that could occur if securities or other contracts to issue common stock were converted or exercised into common stock or resulted in the issuance of common stock.

(23) Accounting Standard for Revenue Recognition

The Company has adopted the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, issued on March 31, 2020, hereinafter the "Accounting Standard for Revenue Recognition") and related Guidance from the beginning of the fiscal year ended March 2022. The Company recognizes revenues at the amount expected to be received in exchange for the promised goods or services when control of the promised goods or services is transferred to the customer.

The following is a summary of the main performance obligations in the Company's and its consolidated subsidiaries' primary businesses relating to the revenues from contracts with customers and a point in time or a period of time at or over which such performance obligations are fulfilled (a point in time or a period of time at or over which revenues are recognized).

In the Leasing Business, the Company primarily leases and manages apartments. For these transactions, the performance obligation is deemed to be performed when the contractual conditions are fulfilled, and revenue is recognized at that time. Accordingly, key money, rent discounts, monthly contract fees, and various service fees, etc., which were previously recognized at the time of contract, are now recognized as revenue on a pro-rata basis over the average period of occupancy.

In addition, for LEONET video subscription fees, which were previously recognized as revenue at the gross amount received from customers, the Company now recognizes revenue at the net amount received from customers less amounts paid to suppliers. The Company considers that it is dealing with a third-party service provider as an agent and it is the Company's performance obligation to arrange for such service to be provided.

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

4. Changes in Accounting Policies

(1) Application of Accounting Standard for Revenue Recognition (Basis for recording significant revenues and expenses)

The Company has adopted the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, issued on March 31, 2020, hereinafter the "Accounting Standard for Revenue Recognition") and related Guidance from the beginning of the fiscal year ended March 2022. The Company recognizes revenues at the amount expected to be received in exchange for the promised goods or services when control of the promised goods or services is transferred to the customer.

Accordingly, key money, rent discounts, monthly contract fees, and various service fees, etc., which were previously recognized at the time of contract, are now recognized as revenue on a pro-rata basis over the average period of occupancy.

In addition, for LEONET video subscription fees, which were previously recognized as revenue at the gross amount received from customers, the Company now recognizes revenue at the net amount received from customers less amounts paid to suppliers.

The Company has followed the transitional treatment prescribed in the proviso of Paragraph 84 of the Accounting Standard for Revenue Recognition. The cumulative effect of retrospective application of the new accounting policy prior to the beginning of the fiscal year ended March 2022 is added to or deducted from retained earnings at the beginning of the fiscal year ended March 2022, and the new accounting policy is applied from the balance at the beginning of the fiscal year ended March 2022.

However, the new accounting policy has not been applied retrospectively to contracts for which almost all revenue amounts were recognized prior to the beginning of the fiscal year ended March 2022 in accordance with the previous treatment, applying the method prescribed in Paragraph 86 of the Accounting Standard for Revenue Recognition. In addition, the Company has applied the method prescribed in Paragraph 86 and Note (1) of the Revenue Recognition Standards and accounted for changes in contract terms prior to the beginning of the fiscal year ended March 2022 based on the contract terms after reflecting all changes in contract terms and the cumulative effect of such changes. The cumulative effect of these changes is added to or deducted from retained earnings at the beginning of the fiscal year ended March 2022.

As a result, for the fiscal year ended March 2022, net sales increased by JPY 1,325 million (USD 10,827 thousand), cost of sales decreased by JPY 1,580 million (USD 12,915 thousand), operating profit increased by 2,905 million (USD 23,743 thousand), ordinary loss decreased by the same amount, and income before income taxes increased by the same amount. The balance of retained earnings at the beginning of the period was decreased by JPY 4,963 million (USD 40,557 thousand).

The impact on per share information is stated in the relevant section.

The Company has not presented a note on revenue recognition for the fiscal year ended March 2021 in accordance with the transitional treatment prescribed in Paragraph 89-3 of the Accounting Standard for Revenue Recognition.

(2) Application of Accounting Standard for Fair Value Measurement and related Guidance

The Company has adopted Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019, hereinafter the "Accounting Standard for Fair Value Measurement") from the beginning of the fiscal year ended March 2022, and has applied prospectively the new accounting policy prescribed in the Accounting Standard for Fair Value Measurement in accordance with the transitional treatment stipulated in Paragraph 19 of the Accounting Standard for Fair Value Measurement and Paragraph 44-2 of the "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019). The impact of this change on the consolidated financial statements is immaterial.

The Company has also included notes on the breakdown of the fair value of financial instruments by level in the notes to "Financial Instruments." In accordance with the transitional treatment stipulated in Paragraph 7-4 of the "Implementation Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No. 19, July 4, 2019), the Company however has not presented such notes related to the previous consolidated fiscal year ended March 2021 in this report.

(3) Changes in presentation method

(a) Consolidated Balance Sheet

The amount of operating loans under current assets, which was separately presented in the consolidated fiscal year ended March 2021, is included in others in the consolidated fiscal year ended March 2022, as it has become insignificant in terms of amount. The consolidated balance sheet for the fiscal year ended March 2021 has been reclassified to reflect this change in presentation.

As a result, JPY 86 million (USD 705 thousand) presented as operating loans under current assets in the consolidated balance sheet for the fiscal year ended March 2021 has been reclassified as others.

Electronically recorded obligations-operating under current liabilities, which was separately presented in the consolidated fiscal year ended March 2021, is included in others in the consolidated fiscal year ended March 2022 because it has become insignificant in terms of amount. The consolidated balance sheet for the fiscal year ended March 2021 has been reclassified to reflect this change in presentation.

As a result, JPY 19 million (USD 159 thousand) presented as electronically recorded obligations-operating under current liabilities in the consolidated balance sheet for the fiscal year ended March 2021 has been reclassified as others.

Asset retirement obligations under current liabilities and asset retirement obligations under non-current liabilities, which were separately presented in the consolidated fiscal year ended March 2021, are included in others in the consolidated fiscal year ended March 2022 because they have become insignificant in terms of amount. The consolidated balance sheet for the fiscal year ended March 2021 has been reclassified to reflect these changes in presentation.

As a result, JPY 30 million (USD 251 thousand) presented as asset retirement obligations under current liabilities and JPY 63 million (USD 517 thousand) presented as asset retirement obligations under non-current liabilities in the consolidated balance sheets for the fiscal year ended March 2021 have been reclassified as others.

(b) Consolidated Statement of Income
Bond issuance cost under non-operating expenses, which was separately presented in the consolidated fiscal year ended March 2021, is included in other in the consolidated fiscal year ended March 2022 because it has become insignificant in terms of amount. The consolidated statement of income for the fiscal year ended March 2021 has been reclassified to reflect this change in presentation.

As a result, JPY 251 million (USD 2,053 thousand) presented as bond issuance cost in non-operating expenses in the consolidated statement of income for the fiscal year ended March 2021 has been reclassified as other.

5. Accounting Standard for Revenue Recognition

(1) Information on the breakdown of revenues from contracts with customers

Information on the breakdown of revenues from contracts with customers is presented in Notes (27. Segment Information).

(2) Basis for understanding revenue from contracts with customers

The Group recognizes revenue from contracts with customers based on the following five-step approach.
Step 1: Identify the contracts with customers.
Step 2: Identify the fulfillment obligations in the contracts.
Step 3: Calculate the transaction prices.
Step 4: Allocate the transaction prices to the fulfillment obligations in the contracts.
Step 5: Recognize revenue when the obligation is fulfilled.

Information that provides a basis for understanding revenues and expenses is presented in Notes (Basis of Presenting Consolidated Financial Statements) 3. Summary of Significant Accounting Policies (23) Accounting Standard for Revenue Recognition (Basis for recording significant revenues and expenses.)

(3) Information about the relationship between contractual obligations with customers and cash flows from such contracts, and the amount and timing of revenue expected to be recognized in the fiscal year ended March 2023 or later from contracts with customers that exist at the end of the fiscal year ended March 2022

(a) Balance of contractual assets and liabilities

March 31, 2022	JPY million	USD thousand
Receivables arising from contracts with customers (beginning balance)	**7,930**	**64,800**
Receivables arising from contracts with customers (ending balance)	**8,618**	**70,415**
Contractual assets (beginning balance)	**524**	**4,288**
Contractual assets (ending balance)	**443**	**3,620**
Contractual liabilities (beginning balance)	**41,613**	**340,007**
Contractual liabilities (ending balance)	**39,153**	**319,905**

In the consolidated financial statements, credits arising from contracts with customers are recorded in accounts receivable, contractual assets are recorded in accounts receivable for completed projects; contractual liabilities are recorded in advances received, customer advances for projects in progress, and long-term advances received.

Contractual assets consist primarily of unbilled accounts receivable related to revenues recognized based on the measurement of the stage of completion of construction contracts. Contractual liabilities consist primarily of rents for which performance obligations have not been fulfilled as of the end of the fiscal year.

The amount of revenue recognized in the fiscal year ended March 2022 that was included in the contractual liability at the beginning balance was JPY 32,509 million (USD 265,623 thousand).

Contractual liabilities decreased by JPY 2,460 million (USD 20,101 thousand) in the fiscal year ended March 2022. This was mainly due to an increase in the beginning balance as a result of the application of the revenue recognition accounting standard, while there was a reversal of the beginning balance due to the revenue recognition.

(b) Transaction price allocated to remaining performance obligations

The aggregate transaction price allocated to the remaining performance obligations and the period over which revenue is expected to be recognized are as follows:

March 31, 2022	JPY million	USD thousand
Equal or less than one year	**289,104**	**2,362,156**
More than one year	**133,860**	**1,093,722**
Total	**422,965**	**3,455,879**

(Note) The practical expedient method is applied, and the table shows the remaining performance obligations related to rent, incidental services, and maintenance, etc., in (a) Information on the breakdown of revenues from contracts with customers.

6. Cash and Cash Equivalents

A reconciliation between cash and cash equivalents in the consolidated balance sheet and consolidated statement of cash flows are as follows:

	JPY million		USD thousand
	2022	2021	**2022**
Cash and deposits in the consolidated balance sheet	**45,523**	54,863	**371,953**
Time deposits with original maturities of more than three months	**(1,500)**	(1,517)	**(12,255)**
Cash and cash equivalents in the consolidated statement of cash flows	**44,023**	53,346	**359,698**

7. Financial Instruments

(1) The financial instruments and related disclosures

(a) Policy for financial instruments

The Companies are mainly involved in raising funds (mostly bank borrowing and corporate bond issuance) needed for planned capital investments excluding special cases. Temporary excess funds are invested in highly secured financial assets, and short-term working capital is raised by borrowing from the bank.

(b) Nature and extent of risks arising from financial instruments

Operating receivables and loans outstanding are exposed to credit risk.

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

Securities and investment securities are mainly held-to-maturity securities and shares of the companies with which the Company has a business or capital alliance, and those securities are exposed to market risk and credit risk associated with the issuers.

Almost all electronically recorded obligations, accounts payable, accounts payable for completed projects which are operating liabilities, and account payable-other are scheduled to be paid within one year.

Loans payable are mainly for the purpose of raising funds necessary for the repair works, and lease obligations related to finance lease transactions are mainly for investment in facilities, and the longest repayment date is 5 years and 9 months subsequent to the fiscal year end.

As of end of the year ended March 2022, there was no balance of derivative transactions.

(c) Risk management for financial instruments

Credit risk management for operating receivables and loans outstanding follows the "Receivables management rules". While each business division manages the extension of credit to its customers, and each division is also organized for early detection and loss reduction of accounts where collection is doubtful due to worsening credit or similar problems.

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

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

(d) Supplementary explanations on fair value of financial instruments

Fair value of financial instruments whose quoted market price is not available is calculated based on a fluctuating factor, and the value might differ if different assumptions are used.

(2) Fair value of financial instruments

The carrying value on the consolidated balance sheet and fair value of financial instruments as of March 31, 2022 and 2021 as well as the differences between these values are described below. The table does not include the financial instruments whose market prices do not exist.

March 31, 2022	JPY million		
	Carrying value	Fair value	Difference
(1) Securities and investment securities	**2,179**	**2,180**	**0**
(2) Long-term loans	**1,126**		
Allowance for doubtful accounts *(iii)	**(140)**		
Net	**985**	**908**	**(77)**
(3) Bad debts	**267**		
Allowance for doubtful accounts *(iii)	**(267)**		
Net	**—**	**—**	**—**
Total	**3,165**	**3,089**	**(76)**
(1) Long-term debt *(iv)	**30,483**	**29,682**	**(800)**
(2) Lease obligations	**2,562**	**2,575**	**12**
Total	**33,045**	**32,257**	**(787)**

*Notes:

(i) Cash is not stated, and deposits, accounts receivable, accounts payable, accounts payable for completed projects and accounts payable-other are not stated because they are settled in a short period of time and their fair value approximates their book value.

(ii) The following financial instruments are not included in "(1) Securities and investment securities" because they do not have market prices. The carrying amounts of such financial instruments on the consolidated balance sheets are as follows.

March 31, 2022	JPY million
Unlisted stocks	**1,694**
Shares in unconsolidated subsidiaries and affiliates	**1,394**
Investment in anonymous association	**111**
Total	**3,201**

(iii) Allowance for doubtful accounts provided individually for long-term loans and fixed operating claims is deducted.

(iv) As of March 31, 2022, bonds due within one year of JPY 53 million are included in long-term debt.

March 31, 2021	JPY million		
	Carrying value	Fair value	Difference
(1) Cash and deposits	54,863	54,863	—
(2) Trade receivables and accounts receivable for completed projects	8,455	8,455	—
(3) Securities and investment securities	638	643	5
(4) Operating loans	86		
Allowance for doubtful accounts *(ii)	(3)		
Net	83	91	8
(5) Long-term loans	1,096		
Allowance for doubtful accounts *(ii)	(79)		
Net	1,016	1,016	—
(6) Bad debts	249		
Allowance for doubtful accounts *(ii)	(249)		
Net	—	—	—
Total	65,056	65,070	14
(1) Electronically recorded obligations	19	19	—
(2) Accounts payable and accounts payable for completed projects	3,687	3,687	—
(3) Accounts payable-other	9,593	9,593	—
(4) Long-term debt *(iii)	30,730	30,030	(699)
(5) Lease obligations	4,678	4,641	(37)
Total	48,709	47,972	(737)

*Notes:

(i) The following financial instruments are not included in "(3) Securities and investment securities" because they do not have market prices. The carrying amounts of such financial instruments on the consolidated balance sheets are as follows.

March 31, 2021	JPY million
Unlisted stocks	1,757
Shares in unconsolidated subsidiaries and affiliates	1,336
Unlisted bonds (corporate bonds and subordinated bonds)	824
Subordinated beneficiary interests in loans and monetary claims trusts	861
Investment in anonymous association	113
Total	4,893

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

(iii) As of March 31, 2021, current portion of long-term debt of JPY 144 million are included in long-term debt.

March 31, 2022	USD thousand		
	Carrying value	Fair value	Difference
(1) Securities and investment securities	**17,810**	**17,818**	**7**
(2) Long-term loans	**9,201**		
Allowance for doubtful accounts *(iii)	**(1,145)**		
Net	**8,055**	**7,421**	**(633)**
(3) Bad debts	**2,183**		
Allowance for doubtful accounts *(iii)	**(2,183)**		
Net	**—**	**—**	**—**
Total	**25,866**	**25,240**	**(626)**
(1) Long-term debt *(iv)	**249,064**	**242,525**	**(6,539)**
(2) Lease obligations	**20,938**	**21,040**	**102**
Total	**270,002**	**263,566**	**(6,436)**

*Notes:

(i) Cash is not stated, and deposits, accounts receivable, accounts payable, accounts payable for completed projects and accounts payable-other are not stated because they are settled in a short period of time and their fair value approximates their book value.

(ii) The following financial instruments are not included in "(1) Securities and investment securities" because they do not have market prices. The carrying amounts of such financial instruments on the consolidated balance sheets are as follows.

March 31, 2022	USD thousand
Unlisted stocks	**13,846**
Shares in unconsolidated subsidiaries and affiliates	**11,395**
Investment in anonymous association	**913**
Total	**26,156**

(iii) Allowance for doubtful accounts provided individually for long-term loans and fixed operating claims is deducted.

(iv) As of March 31, 2022, bonds due within one year of USD 438 thousand million are included in long-term debt.

(3) The scheduled redemption amounts of monetary claims and investment securities with maturity subsequent to fiscal year end

March 31, 2022	JPY million			
	Due within 1 year	Due after 1 year through 5 years	Due after 5 years through 10 years	Due after 10 years
Cash and deposits	**45,523**	**—**	**—**	**—**
Trade receivables and accounts receivable for completed projects	**8,618**	**—**	**—**	**—**
Securities and investment securities				
Held-to-maturity debt securities				
(1) Government and municipal bonds	**200**	**100**	**200**	**—**
(2) Corporate bonds	**—**	**—**	**—**	**—**
Other securities with maturities				
(1) Government and municipal bonds	**—**	**—**	**36**	**—**
(2) Bonds (Corporate bonds)	**—**	**—**	**—**	**824**
(3) Others	**—**	**—**	**—**	**857**
Long-term loans	**18**	**644**	**21**	**441**
Bad debts	**—**	**—**	**—**	**267**
Total	**54,360**	**744**	**257**	**2,389**

March 31, 2021	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	54,863	—	—	—
Trade receivables and accounts receivable for completed projects	8,455	—	—	—
Securities and investment securities				
Held-to-maturity debt securities				
(1) Government and municipal bonds	100	300	200	—
(2) Corporate bonds	—	—	—	—
Other securities with maturities				
(1) Government and municipal bonds	—	—	36	—
(2) Bonds (Corporate bonds)	—	—	—	824
(3) Others	—	—	—	861
Operating loans	22	36	19	8
Long-term loans	14	606	12	462
Bad debts	—	—	—	249
Total	63,456	942	268	2,406

March 31, 2022	USD thousand			
	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	**371,953**	**—**	**—**	**—**
Trade receivables and accounts receivable for completed projects	**70,415**	**—**	**—**	**—**
Securities and investment securities				
Held-to-maturity debt securities				
(1) Government and municipal bonds	**1,634**	**817**	**1,634**	**—**
(2) Corporate bonds	**—**	**—**	**—**	**—**
Other securities with maturities				
(1) Government and municipal bonds	**—**	**—**	**294**	**—**
(2) Bonds (Corporate bonds)	**—**	**—**	**—**	**6,734**
(3) Others	**—**	**—**	**—**	**7,002**
Long-term loans	**154**	**5,267**	**174**	**3,603**
Bad debts	**—**	**—**	**—**	**2,183**
Total	**444,158**	**6,084**	**2,103**	**19,524**

(4) Scheduled repayment amounts of bonds payable, long-term debt, lease obligations, and other interest-bearing debt subsequent to fiscal year end are as follows:

March 31, 2022	JPY million					
	Due within 1 year	Due after 1 through 2 years	Due after 2 through 3 years	Due after 3 through 4 years	Due after 4 through 5 years	Due after 5 years
Short-term borrowings	—	—	—	—	—	—
Bonds	—	—	—	—	—	—
Long-term debt	**53**	**62**	**73**	**30,084**	**97**	**111**
Lease obligations	**1,992**	**465**	**77**	**26**	**0**	—
Total	**2,046**	**528**	**150**	**30,110**	**97**	**111**

March 31, 2021	JPY million					
	Due within 1 year	Due after 1 through 2 years	Due after 2 through 3 years	Due after 3 through 4 years	Due after 4 through 5 years	Due after 5 years
Short-term borrowings	—	—	—	—	—	—
Bonds	—	—	—	—	—	—
Long-term debt	114	98	107	117	30,102	189
Lease obligations	3,133	1,178	276	70	19	—
Total	3,248	1,277	384	188	30,121	189

March 31, 2022	USD thousand					
	Due within 1 year	Due after 1 through 2 years	Due after 2 through 3 years	Due after 3 through 4 years	Due after 4 through 5 years	Due after 5 years
Short-term borrowings	—	—	—	—	—	—
Bonds	—	—	—	—	—	—
Long-term debt	**438**	**513**	**597**	**245,808**	**793**	**913**
Lease obligations	**16,282**	**3,805**	**634**	**213**	**1**	—
Total	**16,720**	**4,319**	**1,231**	**246,021**	**794**	**913**

(5) Matters concerning the breakdown of the fair value of financial instruments by level

The fair value of financial instruments is classified into the following three levels based on the observability and materiality of the inputs used to calculate fair value.

Level 1 fair value: Fair value calculated based on quoted market prices for assets or liabilities for which such fair value is calculated in an active market among the inputs used to calculate observable fair value.

Level 2 fair value: Fair value calculated using inputs other than Level 1 inputs to the calculation of observable fair value among the inputs used to calculate observable fair value.

Level 3 fair value: Fair value calculated using inputs related to the calculation of unobservable fair value.

When multiple inputs that have a significant impact on the calculation of fair value are used, fair value is classified to the level with the lowest priority in the calculation of fair value among the levels to which each of those inputs belongs.

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

March 31, 2022	JPY million			
	Level 1	Level 2	Level 3	Total
Securities and investment securities				
Other securities				
Government bonds, municipal bonds, etc.	**35**	—	—	**35**
Credits (corporate bonds)	—	**806**	—	**806**
Others	—	**836**	—	**836**
Total	**35**	**1,642**	—	**1,678**

March 31, 2022	USD thousand			
	Level 1	Level 2	Level 3	Total
Securities and investment securities				
Other securities				
Government bonds, municipal bonds, etc.	293	—	—	293
Credits (corporate bonds)	—	6,588	—	6,588
Others	—	6,834	—	6,834
Total	293	13,422	—	13,715

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

March 31, 2022	JPY million			
	Level 1	Level 2	Level 3	Total
Securities and investment securities				
Held-to-maturity securities				
Government bonds, municipal bonds, etc.	502	—	—	502
Long-term loans	—	908	—	908
Total	502	908	—	1,410
Long-term debt	—	29,682	—	29,682
Lease obligations	—	2,575	—	2,575
Total	—	32,257	—	32,257

March 31, 2022	USD thousand			
	Level 1	Level 2	Level 3	Total
Securities and investment securities				
Held-to-maturity securities				
Government bonds, municipal bonds, etc.	4,103	—	—	4,103
Long-term loans	—	7,421	—	7,421
Total	4,103	7,421	—	11,524
Long-term debt	—	242,525	—	242,525
Lease obligations	—	21,040	—	21,040
Total	—	263,566	—	263,566

Note:
Explanation of valuation methods used in the fair value measurement and on inputs related to the fair value measurement;

Securities and investment securities
Government bonds are valued using quoted market prices. Since government bonds are traded in active markets, their fair value is classified as Level 1 fair value. On the other hand, bonds (corporate bonds) and other (subordinated beneficiary rights) held by the Company are classified as Level 2 fair value because they are traded infrequently in the market and are not considered quoted prices in an active market.

Long-term loans
The fair values of long-term loans are categorized by period for each credit risk under credit management. They are calculated using the discounted present value method based on the interest rate obtained by adding a credit spread to the future cash flows and an appropriate index such as the yield of government bonds. They are classified as Level 2 fair value.

Long-term debt and lease obligations
The fair values of these items are determined using the discounted present value method based on the sum of the principal and interest, plus an interest rate that takes into account the remaining term of the debt and credit risk. They are classified as Level 2 fair value.

8. Securities

(1) On March 31, 2022 and 2021, information with respect to held-to-maturity debt securities for which market prices are available is summarized as follows:

March 31, 2022	JPY million		
	Consolidated balance sheet amount	Fair value	Difference
Securities whose fair value exceeds the consolidated balance sheet amount:			
Government and municipal bonds	**300**	**301**	**1**
Corporate bonds	—	—	—
Others	—	—	—
Subtotal	**300**	**301**	**1**
Securities whose fair value does not exceed the consolidated balance sheet amount:			
Government and municipal bonds	**200**	**200**	**(0)**
Corporate bonds	—	—	—
Others	—	—	—
Subtotal	**200**	**200**	**(0)**
Total	**501**	**502**	**0**

March 31, 2021	JPY million		
	Consolidated balance sheet amount	Fair value	Difference
Securities whose fair value exceeds the consolidated balance sheet amount:			
Government and municipal bonds	602	607	5
Corporate bonds	—	—	—
Others	—	—	—
Subtotal	602	607	5
Securities whose fair value does not exceed the consolidated balance sheet amount:			
Government and municipal bonds	—	—	—
Corporate bonds	—	—	—
Others	—	—	—
Subtotal	—	—	—
Total	602	607	5

March 31, 2022	USD thousand		
	Consolidated balance sheet amount	Fair value	Difference
Securities whose fair value exceeds the consolidated balance sheet amount:			
Government and municipal bonds	2,454	2,467	13
Corporate bonds	—	—	—
Others	—	—	—
Subtotal	2,454	2,467	13
Securities whose fair value does not exceed the consolidated balance sheet amount:			
Government and municipal bonds	1,641	1,635	(5)
Corporate bonds	—	—	—
Others	—	—	—
Subtotal	1,641	1,635	(5)
Total	4,095	4,103	7

(2) Investment securities classified as other securities as of March 31, 2022 and 2021 are as follows:

March 31, 2022	JPY million		
	Consolidated balance sheet amount	Acquisition cost	Difference
Securities whose consolidated balance sheet amount exceeds their acquisition cost:			
Stock	—	—	—
Bonds:			
Government and municipal bonds	—	—	—
Corporate bonds	—	—	—
Others	—	—	—
Others	—	—	—
Subtotal	—	—	—
Securities whose consolidated balance sheet amount does not exceed their acquisition cost:			
Stock	—	—	—
Bonds:			
Government and municipal bonds	35	36	(0)
Corporate bonds	806	824	(17)
Others	836	857	(20)
Others	—	—	—
Subtotal	1,678	1,717	(39)
Total	1,678	1,717	(39)

Note:

March 31, 2022

Unlisted shares of JPY 1,694 million, shares in unconsolidated subsidiary and associates of JPY 1,394 million, and investments in silent partnership of JPY 111 million, are not included in the other securities given above, because they have no fair value and assigning them fair market prices is recognized to be extremely difficult. The Company acquired the unlisted bonds (subordinate corporate bonds) and the subordinate beneficiary rights to loans and accounts receivable in trust, as a result of the securitization of non-recourse apartment loans that financial institutions had loaned to clients as funds for paying construction charges to the Company.

March 31, 2021	JPY million		
	Consolidated balance sheet amount	Acquisition cost	Difference
Securities whose consolidated balance sheet amount exceeds their acquisition cost:			
Stock	—	—	—
Bonds:			
Government and municipal bonds	—	—	—
Corporate bonds	—	—	—
Others	—	—	—
Others	—	—	—
Subtotal	—	—	—
Securities whose consolidated balance sheet amount does not exceed their acquisition cost:			
Stock	—	—	—
Bonds:			
Government and municipal bonds	36	36	(0)
Corporate bonds	—	—	—
Others	—	—	—
Others	—	—	—
Subtotal	36	36	(0)
Total	36	36	(0)

Note:

March 31, 2021

Unlisted shares of JPY 1,757 million, shares in unconsolidated subsidiary and associates of JPY 1,336 million, unlisted bonds (corporate bonds and subordinate corporate bonds) of JPY 824 million, subordinate beneficiary rights to loans and accounts receivable in trust of JPY 861 million, and investments in silent partnership of JPY 113 million, are not included in the other securities given above, because they have no fair value and assigning them fair market prices is recognized to be extremely difficult. The Company acquired the unlisted bonds (subordinate corporate bonds) and the subordinate beneficiary rights to loans and accounts receivable in trust, as a result of the securitization of non-recourse apartment loans that financial institutions had loaned to clients as funds for paying construction charges to the Company.

March 31, 2022	USD thousand		
	Consolidated balance sheet amount	Acquisition cost	Difference
Securities whose consolidated balance sheet amount exceeds their acquisition cost:			
Stock	—	—	—
Bonds:			
Government and municipal bonds	—	—	—
Corporate bonds	—	—	—
Others	—	—	—
Others	—	—	—
Subtotal	—	—	—
Securities whose consolidated balance sheet amount does not exceed their acquisition cost:			
Stock	—	—	—
Bonds:			
Government and municipal bonds	**293**	**296**	**(3)**
Corporate bonds	**6,588**	**6,734**	**(146)**
Others	**6,834**	**7,002**	**(168)**
Others	—	—	—
Subtotal	**13,715**	**14,034**	**(318)**
Total	**13,715**	**14,034**	**(318)**

Note:

March 31, 2022

Unlisted shares of USD 13,846 thousand, shares in unconsolidated subsidiary and associates of USD 11,395 thousand, and investments in silent partnership of USD 913 thousand, are not included in the other securities given above, because they have no fair value and assigning them fair market prices is recognized to be extremely difficult. The Company acquired the unlisted bonds (subordinate corporate bonds) and the subordinate beneficiary rights to loans and accounts receivable in trust, as a result of the securitization of non-recourse apartment loans that financial institutions had loaned to clients as funds for paying construction charges to the Company.

(3) Proceeds from sales of other securities and gain or loss on these sales for the years ended March 31, 2022 and 2021 are summarized as follows:

March 31, 2022	JPY million		
	Proceeds from sale	Gain on sale in total	Loss on sale in total
Stock	**60**	**0**	—
Bonds:			
Government and municipal bonds	—	—	—
Corporate bonds	—	—	—
Others	—	—	—
Others	—	—	—
Total	**60**	**0**	—

March 31, 2021	JPY million		
	Proceeds from sale	Gain on sale in total	Loss on sale in total
Stock	5,151	4,065	114
Bonds:			
Government and municipal bonds	—	—	—
Corporate bonds	—	—	—
Others	—	—	—
Others	—	—	—
Total	5,151	4,065	114

March 31, 2022	USD thousand		
	Proceeds from sale	Gain on sale in total	Loss on sale in total
Stock	**490**	**4**	**—**
Bonds:			
Government and municipal bonds	**—**	**—**	**—**
Corporate bonds	**—**	**—**	**—**
Others	**—**	**—**	**—**
Others	**—**	**—**	**—**
Total	**490**	**4**	**—**

(4) Investment in non-consolidated subsidiaries and associates included in investment securities of the consolidated balance sheet is as follows:

	JPY million		USD thousand
	2022	2021	**2022**
Investment securities (stocks)	**1,394**	1,336	**11,395**
Of which, investment in joint venture	**94**	83	**773**

9. Derivative Transactions

(1) Derivative transaction not subjected to the application of hedge accounting

For the year ended March 31, 2022

None

For the year ended March 31, 2021

None

(2) Derivative transaction subjected to the application of hedge accounting

For the year ended March 31, 2022

None

For the year ended March 31, 2021

None

10. Main Properties

(1) Breakdown of major property, plant and equipment

	JPY million		USD thousand
	2022	2021	**2022**
Residential properties for rent	**3,266**	3,303	**26,686**
Head office and branches	**23,887**	24,097	**195,176**
Leopalace Resort Manenggon Hills Guam	**20,331**	19,412	**166,123**
Leopalace Power (solar power systems)	**6,932**	7,861	**56,646**

(2) Due to acceptance of national subsidies, the following reduction entry amount is deducted from the acquisition cost of relevant assets:

	JPY million		USD thousand
	2022	2021	**2022**
Machinery, equipment, and vehicles	**155**	155	**1,266**
Tools, instruments, and fixtures (other in non-current assets)	**44**	44	**367**

(3) The Companies recognize impairment loss on the following asset groups for the years ended March 31, 2022 and 2021:

March 31, 2022

Purpose	Category	Location	Impairment loss	
			JPY million	USD thousand
Business-use assets and shared assets	Buildings and structures	Morizou Co. Ltd. (Toda City, Saitama Prefecture)	**105**	**865**
	Machinery, equipment and vehicles		**0**	**5**
	Leased assets		**0**	**4**
	Others (non-current assets)		**0**	**2**
	Others (intangible fixed assets)		**7**	**63**
Shared assets	Others (intangible fixed assets)	Elderly Care Business Division (located in Fujimi City, Saitama Prefecture and other places)	**3**	**30**
Total			**118**	**971**

The Companies recognized each property in domestic rental assets as a unit, and group the overseas assets by managerial accounting segmentation. In addition, assets owned by some consolidated subsidiaries are grouped on a company basis.

For the domestic business, which has been in a continuous operating loss, the book values of business-use assets and shared assets were reduced to the recoverable amount, and the amount of the reduction was recorded as impairment loss.

The recoverable amount of business-use assets and shared assets is measured according to the net selling price based on the value in use.

March 31, 2021

Purpose	Category	Location	Impairment loss
			JPY million
Rental assets (Apartment buildings and others, 18 units)	Building and Structures	Hakata-ku, Fukuoka City, Fukuoka Prefecture, etc.	1,254
	Land		2,299
Hotel	Land	Chigusa-ku, Nagoya City, Aichi Prefecture	82
Rental assets (Serviced apartment)	Building and Structures	Sriracha District, Chonburi, Thailand	177
	Land		110
	Others (non-current assets)		1
Shared assets	Others (non-current assets)	Elderly Care Business Division, Koga-City, Ibaraki, etc.	8
Others	Goodwill	—	107
Total			4,041

The Companies recognized each property in domestic rental assets as a unit, and group the overseas assets by managerial accounting segmentation. In addition, assets owned by some consolidated subsidiaries are grouped on a company basis.

The Companies wrote down book values of rental assets and a hotel which were determined to be sold and rental assets whose profitability significantly declined, to recoverable amount and recognized the reduced values as impairment losses.

Recoverable amount of rental assets and a hotel are measured in their net realizable values.

For the domestic business, which has been in a continuous operating loss, the book values of shared assets were reduced to the recoverable amount, and the amount of the reduction was recorded as impairment loss.

The recoverable amount of shared assets is measured according to the net selling price based on the value in use.

In addition, for the goodwill posted when the Company acquired Enplus Inc., the Company recorded all of the unamortized balance of the goodwill as impairment loss because profitability in the original business plan examined at the time of acquisition was no longer expected.

11. Bad Debts

Bad debts are claims as stipulated under Article 32, Paragraph 1, and Item 10 of the Regulation concerning Financial Statements. Bad debts on March 31, 2022 and 2021 consist of the following:

	JPY million		USD thousand
	2022	2021	**2022**
Bad debts	**70**	70	**577**
Others	**196**	178	**1,605**
Total	**267**	249	**2,183**

12. Income Taxes

(1) Significant components of deferred tax assets and liabilities as of March 31, 2022 and 2021 are as follows:

	JPY million		USD thousand
	2022	2021	**2022**
Deferred tax assets:			
Loss carried forward for tax purposes *(ii)	**59,879**	51,292	**489,249**
Provision for losses related to repairs	**6,256**	10,260	**51,116**
Impairment loss	**6,072**	5,627	**49,617**
Retirement benefit liability	**3,286**	2,957	**26,852**
Provision for apartment vacancy loss	**1,948**	3,754	**15,919**
Allowance for doubtful accounts	**877**	260	**7,170**
Advances received	**833**	720	**6,810**
Provision for fulfillment of guarantees	**756**	962	**6,183**
Elimination of unrealized gain	**408**	455	**3,336**
Advances from customers	**258**	184	**2,112**
Excess amortization on software	**190**	262	**1,553**
Deposits received	**168**	164	**1,379**
Asset retirement obligations	**115**	118	**945**
Accounts payable - other	**55**	84	**457**
Others	**1,899**	1,283	**15,523**
Sub total	**83,008**	78,390	**678,227**
Valuation allowance for tax loss carryforwards *(ii)	**(58,266)**	(51,274)	**(476,073)**
Valuation allowance for deductible temporary differences	**(18,142)**	(24,893)	**(148,231)**
Less: valuation allowance *(i)	**(76,408)**	(76,167)	**(624,305)**
Total deferred tax assets	**6,599**	2,222	**53,922**
Deferred tax liabilities:			
Provision for special depreciation	**—**	(20)	**—**
Fixed asset retirement expenses	**(14)**	(17)	**(121)**
Total deferred tax liabilities	**(14)**	(38)	**(121)**
Net deferred tax assets	**6,584**	2,184	**53,801**

*Notes:

(i) The valuation allowance increased by JPY 240 million (USD 1,968 thousand) from the previous fiscal year. The increase was JPY 6,691 million (USD 54,673 thousand) in valuation allowance for loss carryforwards as a result of the Company's effective statutory tax rate being increased from 30.6% to 34.6%, whereas major decreases were JPY 4,779 million (USD 39,053 thousand) in valuation allowance for provision for losses related to repairs, and JPY 2,029 million (USD 16,585 thousand) in valuation allowance for apartment vacancy loss due to the easing trend of the impact of the COVID-19 and the improvement of property profitability.

(ii) Loss carryforwards for tax purposes and deferred tax assets carried forward by due date.

March 31, 2022	JPY million						
	Due within 1 year	Due after 1 through 2 years	Due after 2 through 3 years	Due after 3 through 4 years	Due after 4 through 5 years	Due after 5 years	Total
Tax loss carryforwards *(i)	**677**	**844**	**1,158**	**826**	**1,416**	**54,955**	**59,879**
Valuation allowance	**(677)**	**(844)**	**(1,158)**	**(826)**	**(842)**	**(53,916)**	**(58,266)**
Deferred tax asset	**—**	**—**	**—**	**—**	**573**	**1,039**	**1,612***(ii)

*Notes:

(i) Tax loss carryforwards are calculated by multiplying the statutory tax rate.

(ii) Deferred tax assets of JPY 1,612 million are recorded for tax loss carryforwards of JPY 59,879 million (the amount multiplied by the statutory tax rate).The Company does not recognize a valuation allowance for such tax loss carryforwards to the extent that it is deemed recoverable based on projected future taxable income.

March 31, 2021	JPY million						
	Due within 1 year	Due after 1 through 2 years	Due after 2 through 3 years	Due after 3 through 4 years	Due after 4 through 5 years	Due after 5 years	Total
Tax loss carryforwards *(iii)	4,566	611	762	1,035	769	43,546	51,292
Valuation allowance	(4,566)	(611)	(762)	(1,035)	(767)	(43,530)	(51,274)
Deferred tax asset	—	—	—	—	2	15	18*(iv)

*Notes:

(iii) Tax loss carryforwards are calculated by multiplying the statutory tax rate.

(iv) Deferred tax assets of JPY 18 million are recorded for tax loss carryforwards of JPY 51,292 million (the amount multiplied by the statutory tax rate).The Company does not recognize a valuation allowance for such tax loss carryforwards to the extent that it is deemed recoverable based on projected future taxable income.

March 31, 2022	USD thousand						
	Due within 1 year	Due after 1 through 2 years	Due after 2 through 3 years	Due after 3 through 4 years	Due after 4 through 5 years	Due after 5 years	Total
Tax loss carryforwards *(v)	**5,532**	**6,901**	**9,465**	**6,756**	**11,571**	**449,022**	**489,249**
Valuation allowance	**(5,532)**	**(6,901)**	**(9,465)**	**(6,756)**	**(6,886)**	**(440,530)**	**(476,073)**
Deferred tax asset	**—**	**—**	**—**	**—**	**4,684**	**8,491**	**13,175***(vi)

*Notes:

(v) Tax loss carryforwards are calculated by multiplying the statutory tax rate.

(vi) Deferred tax assets of USD 489,249 thousand dollars are recorded for tax loss carryforwards of USD 13,175 thousand (the amount multiplied by the statutory tax rate).The Company does not recognize a valuation allowance for such tax loss carryforwards to the extent that it is deemed recoverable based on projected future taxable income.

(2) Reconciliation of the differences between the normal effective statutory tax rate and the actual effective tax rate for the year ended March 31, 2022 and 2021:

	2022	2021
Effective statutory tax rate	**34.6%**	—
(Adjustment)		
Impact of decrease in valuation allowances	**(65.1)**	—
Difference in tax rates between consolidated subsidiaries	**(2.8)**	—
Entertainment expenses and other items not permanently deductible for income tax purposes	**0.6**	—
Equalization of residential taxes	**1.7**	—
Others	**0.5**	—
Effective tax rate after application of tax effect accounting	**(30.5)**	—

Information concerning reconciliation of the differences between the normal effective statutory tax rate and the actual effective tax rate is omitted, since net losses before tax were recorded in March 2021.

(3) Revision of deferred tax assets and deferred tax liabilities due to the change in income tax rates

As of August 10, 2021, the Company reduced its capital to JPY 100 million, which made the pro forma standard taxation of corporate enterprise tax inapplicable. Consequently, the effective statutory tax rate used to calculate deferred tax assets and deferred tax liabilities was changed from 30.6% to 34.6%. As a result of the change in tax rate, the amount of deferred tax assets (after deducting the amount of deferred tax liabilities) increased by JPY 475 million (USD 3,882 thousand) and income taxes-deferred decreased by the same amount.

(4) The amount stated in the fiscal year ended March 2022

	JPY million		USD thousand
	2022	2021	**2022**
Deferred tax assets	**6,596**	2,194	**53,897**

(5) Information on significant accounting estimates for identified items

Deferred tax assets are recognized for the recoverability of scheduled deductible temporary differences and tax loss carryforwards based on the Company's estimate of future taxable income from earnings. The Company recorded a deferred tax asset of JPY 4,139 million (USD 33,823 thousand) in the fiscal year ended March 31, 2022.

The Company has been experiencing a decline in occupancy rate due to the construction defects problem announced in April 2018 and the impact of the COVID-19 infection in the fiscal year ended March 31, 2021. However, due to the continuation of drastic structural reforms, the Company returned to profitability for the first time in four fiscal years since the fiscal year ended March 31, 2018.

In the consolidated fiscal year ended March 2022, the Company did not generate taxable income and has tax loss carryforwards. Since the Company expects to generate taxable income before temporary differences and other adjustments in the future, it has recorded deferred tax assets.

Estimates of taxable income are based on future business plans, the key assumptions of which are rent income, contractual adjustment of master lease rent and reduction of leasing management costs. The impact of the COVID-19 infection on our business performance is limited, as both infection control measures and economic activities are progressing, and demand from foreign nationals, which had been stagnant, will be recovering to the level before the COVID-19 spread due to the easing of entry restrictions.

Since the recoverability of deferred tax assets depends on estimates of future taxable income, any change in the conditions or assumptions on which these estimates are based may have a material effect on the amount of deferred tax assets in the consolidated financial statements for the fiscal year ending March 2023.

13. Short-term Borrowings and Long-term Debt

(1) Short-term borrowings, long-term debt and lease obligations on March 31, 2022 and 2021 consist of the following:

	JPY million		USD thousand
	2022	2021	**2022**
Current portion of long-term debt, with average interest rate of 8.10%	**53**	114	**438**
Current portion of lease obligations, with average interest rate of 2.02%	**1,992**	3,133	**16,282**
Long-term debt, due 2023 to 2027, with average interest rate of 14.41%	**30,429**	30,615	**248,626**
Long-term lease obligations, due 2023 to 2027, with average interest rate of 2.70%	**569**	1,544	**4,655**
Total	**33,045**	35,409	**270,002**

Note:
The average interest rates above are calculated in weighted average in terms of the fiscal year-end balance of the borrowings and debts. Please note, however, that the current portion of lease obligations and lease obligations (net of the current portion) are recorded in the consolidated balance sheet in the amount before deducting the interest portion from total lease liabilities for certain consolidated subsidiaries, and that such lease obligations are not included in the calculation of the average interest rate.

(2) The amounts of long-term debt and lease obligations (excluding their current portion) scheduled for repayment in five years from fiscal year ended March 31, 2022 are as follows:

	JPY million			
	Due after 1 through 2 years	Due after 2 through 3 years	Due after 3 through 4 years	Due after 4 through 5 years
Long-term debt	**62**	**73**	**30,084**	**97**
Lease obligations	**465**	**77**	**26**	**0**

	USD thousand			
	Due after 1 through 2 years	Due after 2 through 3 years	Due after 3 through 4 years	Due after 4 through 5 years
Long-term debt	**513**	**597**	**245,808**	**793**
Lease obligations	**3,805**	**634**	**213**	**1**

(3) Assets pledged as collateral for short-term borrowings and long-term debt on March 31, 2022 and 2021 are as follows:

	JPY million		USD thousand
	2022	2021	**2022**
Cash and deposits	**99**	126	**812**
Real estate for sale	**38**	37	**310**
Others (current assets)	**244**	242	**1,998**
Buildings and structures	**4,813**	5,094	**39,330**
Machinery, equipment, and vehicles	**1**	45	**13**
Land	**24,988**	24,988	**204,171**
Others (intangible fixed assets)	**1,052**	1,010	**8,600**
Investment securities	**2,261**	2,339	**18,477**
Others (investments and other assets)	**103**	100	**849**
Total	**33,604**	33,985	**274,565**

(4) Liabilities with collateral at March 31, 2022 and 2021 are as follows:

	JPY million		USD thousand
	2022	2021	**2022**
Current portion of long-term debt	**53**	65	**438**
Long-term debt	**30,429**	30,437	**248,626**
Total	**30,483**	30,502	**249,064**

Note:
Within the assets pledged as collateral, cash and deposits, others (current assets) and JPY 35 million (USD 293 thousand) in investment securities are pledged as collateral for investees of consolidated subsidiaries and lenders of client's housing loans, and there are no liabilities with collateral.

(5) Securities and investment securities which have been deposited with the Legal Affairs Bureau on March 31, 2022 and 2021 are as follows:

	JPY million		USD thousand
	2022	2021	**2022**
Deposit for housing construction warranty	**726**	788	**5,932**
Advanced payment certificate in accordance with Payment Services Act	**332**	332	**2,712**
Deposit for operation stipulated in Building Lots and Buildings Transaction Business Act	**70**	100	**576**
Deposit for business security under the Insurance Business Act	**200**	201	**1,641**
Deposit for housing defect warranty	**214**	109	**1,755**
Others	**2**	2	**19**

14. Retirement Benefit Plans

(1) Outline of retirement benefit plans

The Companies have an unfunded defined benefit pension plan and a defined contribution pension plan to provide for employees' retirement benefits. The defined benefit plan is a lump-sum retirement distribution plan (unfunded, but certain plans are funded as the Companies have adopted a retirement benefit trust for the lump-sum retirement distribution plan), and the amounts of retirement benefits are provided mainly based on accumulated points in reference to job level and length of service.

Also, retirement allowances may be paid with a premium for retired employees.

Certain consolidated subsidiaries have adopted a simplified method in calculating the liability for retirement benefits and retirement benefit liabilities expense. Since the amount is immaterial, it is included in following notes based on the general rule.

(2) Defined benefit pension plan

(a) List of adjustments between the balances of retirement benefit obligations at the beginning and end of year are as follows:

	JPY million		USD thousand
	2022	2021	**2022**
Beginning balance of retirement benefit obligations	**9,650**	13,576	**78,849**
Service cost	**983**	1,159	**8,036**
Interest cost	**39**	48	**326**
Actuarial gains and losses accrued	**(56)**	68	**(459)**
Retirement benefits paid	**(1,092)**	(742)	**(8,923)**
Decrease due to a large number of leavers	**—**	(4,451)	**—**
Others	**—**	(8)	**—**
Closing balance of retirement benefit obligations	**9,525**	9,650	**77,829**

(b) List of adjustments between the balances of pension assets at the beginning and end of year are as follows:

	JPY million		USD thousand
	2022	2021	**2022**
Beginning balance of pension assets	**—**	4,874	**—**
Expected return on plan assets	**—**	28	**—**
Actuarial gains and losses accrued	**—**	(5)	**—**
Retirement benefits paid	**—**	(62)	**—**
Decrease due to large number of leavers	**—**	(4,834)	**—**
Closing balance of pension assets	**—**	—	**—**

(c) List of adjustments between the closing balances of retirement benefit obligations and pension assets and the liabilities and assets related to the retirement benefit posted in the consolidated balance sheet are as follows:

	JPY million		USD thousand
	2022	2021	**2022**
Funded retirement benefit obligations	**—**	—	**—**
Pension assets	**—**	—	**—**
Unfunded retirement benefit obligations	**9,525**	9,650	**77,829**
Net amount of the liabilities and assets posted in the consolidated balance sheet	**9,525**	9,650	**77,829**
Liability for retirement benefit	**9,525**	9,650	**77,829**
Net amount of the liabilities and assets posted in the consolidated balance sheet	**9,525**	9,650	**77,829**

(d) Retirement benefit expenses and breakdown amounts are as follows:

	JPY million		USD thousand
	2022	2021	**2022**
Service cost	**983**	1,159	**8,036**
Interest cost	**39**	48	**326**
Expected return on plan assets	**—**	(28)	**—**
Amortization of actuarial gain or loss	**53**	434	**439**
Retirement benefit expenses related to the defined benefit plan	**1,077**	1,614	**8,802**
Premium severance pay (Note)	**—**	2,479	**—**
Loss on partial termination of retirement benefit plan (Note)	**—**	427	**—**

Note:
Premium severance pay and loss on partial termination of retirement benefit plan are recorded as special severance allowance and retirement benefit cost in extraordinary losses.

(e) Items posted as the remeasurements of defined benefit plans (before tax effects) are as follows:

	JPY million		USD thousand
	2022	2021	**2022**
Actuarial gains/losses	**(111)**	(403)	**(908)**
Total	**(111)**	(403)	**(908)**

(f) Cumulative items posted as the remeasurements of defined benefit plans (before tax effects) are as follows:

	JPY million		USD thousand
	2022	2021	**2022**
Unrecognized actuarial gains/losses	**31**	142	**256**
Total	**31**	142	**256**

(g) Matters concerning pension assets are as follows:
None

(h) Main calculation basis for actuarial assumptions are as follows (shown as weighted average):

	2022	2021
Discount rate	**0.03 – 0.64%**	0.03 – 0.81%

(3) Defined contribution pension plan

The necessary contribution amount for the defined contribution plan was JPY 368 million (USD 3,010 thousand) and JPY 408 million for the years ended March 31, 2022 and 2021, respectively.

15. Stock Options

(1) Stock option expenses recorded relating to stock options:

None

(2) Gain recorded relating to unused and expired share subscription rights

None

(3) Outline of stock options and activities are as follows:

(a) Outline of stock options:

	2016 Stock Option	2017 Stock Option	2018 Stock Option
Title and number of grantees	8 Directors (excluding outside Directors) and 12 executive officers of Leopalace21 Corporation	8 Directors (excluding outside Directors) and 15 executive officers of Leopalace21 Corporation, and 9 Directors of subsidiaries	8 Directors (excluding outside Directors) and 16 executive officers of Leopalace21 Corporation, and 15 Directors of subsidiaries
Type and number of stock options*	Common stock: 252,700 shares	Common stock: 282,800 shares	Common stock: 348,000 shares
Grant date	August 18, 2016	September 14, 2017	September 14, 2018
Vesting conditions	Not applicable vesting conditions are specified	Not applicable vesting conditions are specified	Not applicable vesting conditions are specified
Vesting period	Not applicable period of service is specified	Not applicable period of service is specified	Not applicable period of service is specified
Exercise period	From August 19, 2016 to August 18, 2046	From September 15, 2017 to September 14, 2047	From September 15, 2018 to September 14, 2048

Note:
Reported by converting to the number of shares

(b) Stock option transactions:

Number of stock options as of the fiscal year ended March 31, 2022 is reported by converting to the number of shares.

Number of stock options:

	2016 Stock Option	2017 Stock Option	2018 Stock Option
Non-vested (number of shares)			
Previous fiscal year-end	—	—	—
Granted	—	—	—
Forfeited	—	—	—
Vested	—	—	—
Outstanding	—	—	—
Vested (number of shares)			
Previous fiscal year-end	109,500	121,100	146,600
Vested	—	—	—
Exercised	18,700	21,400	27,900
Forfeited	—	400	—
Outstanding	90,800	99,700	118,700

Price information (JPY):

	2016 Stock Option	2017 Stock Option	2018 Stock Option
Exercise price	1	1	1
Average stock price at exercise	144	144	144
Fair value at the grant date	547	528	332

(4) Estimate method of fair value of stock options:

None

(5) Estimate method of the number of stock options vested:

Due to the difficulty in rationally estimating the actual number of stock options that will be forfeited in the future, the actual number of forfeited stock options is adopted in the estimate.

16. Gain on Sale of Property, Plant and Equipment

Gain on sale of non-current assets for the years ended March 31, 2022 and 2021 are as follows:

	JPY million		USD thousand
	2022	2021	**2022**
Buildings and structures	**82**	12	**671**
Machinery, equipment, and vehicles	**—**	0	**—**
Land	**34**	212	**281**
Others (Property, plant and equipment)	**3**	—	**27**
Total	**120**	225	**981**

17. Loss on Sale of Property, Plant and Equipment

Loss on sale of non-current assets for the years ended March 31, 2022 and 2021 are as follows:

	JPY million		USD thousand
	2022	2021	**2022**
Buildings and structures	**—**	4	**—**
Land	**—**	13	**—**
Others (Property, plant and equipment)	**—**	0	**—**
Total	**—**	18	**—**

18. Loss on Retirement of Non-current Assets

Loss on disposal of non-current assets for the years ended March 31, 2022 and 2021 are as follows:

	JPY million		USD thousand
	2022	2021	**2022**
Buildings and structures	**37**	52	**307**
Machinery, equipment, and vehicles	**—**	3	**—**
Leased assets	**—**	7	**—**
Others (Property, plant and equipment)	**8**	11	**66**
Others (Intangible fixed asset)	**0**	38	**1**
Total	**45**	114	**375**

19. Loss Related to Repairs

For the year ended March 2022

None

For the year ended March 2021, repair costs and incidental expenses are incurred as repair works to the defect properties constructed by the Company.

20. Reversal of Provision for Losses Related to Repairs

For the fiscal year ended March 2022, it was due to a reduction in unit repair cost as a result of efforts to place batched orders, use in-house manpower resources for repair works, and agreements with property owners to change repairing methods; due to a decrease in the number of apartment buildings because of reviewed defects judgment criteria and demolition agreements with property owners.

For the fiscal year ended March 2021

The reversal of provision was made reflecting a lowered unit repair cost placing batch orders and by employing a new construction method.

21. Special Severance Allowance

For the year ended March 2022

None

For the year ended March 2021, the special severance allowance was paid to the employees who left the Company by applying for the voluntary retirement program.

22. Rental Properties

The Companies possesses rental apartments in major cities and regions throughout Japan. Some subsidiaries possess rental residences and rental buildings. For the years ended March 31, 2022 and 2021, income arising from these rental properties are JPY 504 million (USD 4,123 thousand) and JPY 502 million, and impairment losses are JPY - million (USD - thousand) and JPY 3,843 million, respectively.

Furthermore, the changes in book value of rental properties during the years ended March 31, 2022 and 2021, and the fair value as of March 31, 2022 and 2021 and increase (decrease) during the period are as follows:

March 31, 2022

JPY million			
Balance as of April 1, 2021	Increase/(Decrease)	Balance as of March 31, 2022	Fair value as of March 31, 2022
8,092	**(1,171)**	**6,920**	**9,754**

March 31, 2021

JPY million			
Balance as of April 1, 2020	Increase/(Decrease)	Balance as of March 31, 2021	Fair value as of March 31, 2021
13,886	(5,793)	8,092	10,859

March 31, 2022

USD thousand			
Balance as of April 1, 2021	Increase/(Decrease)	Balance as of March 31, 2022	Fair value as of March 31, 2022
66,117	**(9,571)**	**56,546**	**79,700**

Notes:

(i) Book values recorded on the consolidated balance sheets are the amount after deducting accumulated depreciation and accumulated impairment loss from acquisition cost.

(ii) For the years ended March 31, 2022 and 2021, the main decreases are due to the sale of rental properties of JPY1,178 million (USD 9,625 thousand) and JPY 2,085 million, and impairment losses of JPY - million (USD - thousand) and JPY 3,843 million, respectively.

(iii) Fair values as of the end of the fiscal years are calculated by the Company mainly based on “Real-estate appraisal standards”.

23. Asset Retirement Obligations

Disclosure is omitted due to immateriality in the consolidated financial statements.

24. Supplemental Information to the Statement of Changes in Equity

(1) Main changes in equity for the year ended March 31, 2022

(a) Shares issued and treasury stocks for the year ended March 31, 2022 are as follows:

	Shares			
Type of shares	April 1, 2021	Increase	Decrease	March 31, 2022
Shares issued				
Common stock	329,389,515	—	—	329,389,515
Total	329,389,515	—	—	329,389,515
Treasury stock				
Common stock *	561,610	—	68,000	493,610
Total	561,610	—	68,000	493,610

*Note:
A decrease of 68 thousand shares in treasury stock is due to exercise of subscription rights to shares.

(b) Stock acquisition rights (SAR) and treasury share acquisition rights for the year ended March 31, 2022 are as follows:

Type	Class of shares issued upon exercise of SARs	Number of shares issued upon exercise of SARs				Outstanding as of March 31, 2022	
		April 1, 2021	Increase	Decrease	March 31, 2022	JPY million	USD thousand
5th series SAR*	Common stock	159,748,700	—	—	159,748,700	**215**	**1,762**
SARs as stock option	—	—	—	—	—	**141**	**1,157**
Total	—	159,748,700	—	—	159,748,700	**357**	**2,919**

*Note:
An increase of 159,748 thousand shares in the 5th series of stock acquisition rights in the year ended March 31, 2022 is due to the issuance of stock acquisition rights.

(c) Matters concerning dividends for the year ended March 31, 2022 are as follows:
None

There are no dividends with record dates in the consolidated fiscal year ended March 2022 but with effective dates in the following fiscal year.

(2) Main changes in equity for the year ended March 31, 2021

(a) Shares issued and treasury stocks for the year ended March 31, 2021 are as follows:

	Shares			
Type of shares	April 1, 2020	Increase	Decrease	March 31, 2021
Shares issued				
Common stock *(i)	244,882,515	84,507,000	—	329,389,515
Total	244,882,515	84,507,000	—	329,389,515
Treasury stock				
Common stock *(ii)	771,210	—	209,600	561,610
Total	771,210	—	209,600	561,610

*Notes:
(i) An increase of 84,507 thousand shares in common stock is resulting from the third party allotment with the payment due on November 2, 2020.
(ii) A decrease of 209 thousand shares in treasury stock is due to exercise of subscription rights to shares.

(b) Stock acquisition rights (SAR) and treasury share acquisition rights for the year ended March 31, 2021 are as follows:

Type	Class of shares issued upon exercise of SARs	Number of shares issued upon exercise of SARs				Outstanding as of March 31, 2021
		April 1, 2020	Increase	Decrease	March 31, 2021	JPY million
5th series SAR*	Common stock	—	159,748,700	—	159,748,700	215
SARs as stock option	—	—	—	—	—	172
Total	—	—	159,748,700	—	159,748,700	388

*Note:
An increase of 159,748 thousand shares was from new shares issuance in exercise of new share acquisition rights.

(c) Matters concerning dividends for the year ended March 31, 2021 are as follows:
None

There were no dividends with record dates in the consolidated fiscal year ended March 2021 but with effective dates in the following fiscal year.

25. Leased Assets

(1) Finance lease transactions

The Company primarily leases furniture and electronic appliances to apartments in their leasing business. Leased assets are depreciated in the straight-line method over the lease-term of respective assets as their useful life, with no residual value.

(2) Operating lease transactions

Future minimum lease payments related to non-cancelable operating leases subsequent to March 31, 2022 and 2021 are as follows:

	JPY million		
March 31, 2022	Future lease payments	Prepaid lease payments	Differences
Due within one year	**216,521** **(216,396)**	**332** **(332)**	**216,189** **(216,064)**
Due after one year	**88,810** **(88,701)**	**282** **(282)**	**88,528** **(88,419)**
Total	**305,332** **(305,098)**	**614** **(614)**	**304,718** **(304,484)**

	JPY million		
March 31, 2021	Future lease payments	Prepaid lease payments	Differences
Due within one year	227,409 (227,272)	538 (538)	226,871 (226,733)
Due after one year	91,075 (90,858)	611 (611)	90,464 (90,246)
Total	318,485 (318,130)	1,150 (1,150)	317,335 (316,980)

	USD thousand		
March 31, 2022	Future lease payments	Prepaid lease payments	Differences
Due within one year	**1,769,111** **(1,768,093)**	**2,712** **(2,712)**	**1,766,398** **(1,765,380)**
Due after one year	**725,638** **(724,747)**	**2,306** **(2,306)**	**723,331** **(722,440)**
Total	**2,494,750** **(2,492,840)**	**5,019** **(5,019)**	**2,489,730** **(2,487,820)**

Note:
Future minimum lease payments fixed under master lease agreements in leasing business are shown in parentheses.

26. Guarantee Obligations

Guaranteed obligations as of March 31, 2022 and 2021 are as follows:

	JPY million		USD thousand
	2022	2021	**2022**
Guarantee obligations to financial institutions for customers who have a home mortgage	**392**	430	**3,208**
Total	**392**	430	**3,208**

27. Segment Information

(1) Overview of Reportable Segments

The Company's reportable segments are the components for which separate financial information is available, and whose operating results are reviewed regularly by the board of directors in order to determine allocation of resources and assess segment performance.

The Company comprises three segments, the Leasing Business, the Elderly Care Business and the Other Businesses.

The Leasing Business operations comprise the leasing and management of apartment rooms and other properties, repair works, broadband internet service, rent obligation guarantee, company residence agency business, solar power generation business, and small-amount short-term insurance business, real estate brokerage, running serviced apartments and serviced offices and others. The Elderly Care Business operates elderly care facilities. The Other Businesses operate resort facilities in Guam, financing business and others.

(2) Calculation Method for Sales, Profits or Losses, Assets, Liabilities, and other Items by Reportable Segment

The accounting methods for reportable segments are in accordance to accounting policies adopted in the preparation of consolidated financial statements. The reportable segment profits (or losses) represent operating profits (or losses). Inter-segment sales and transfers are based on prevailing market prices.

(3) Changes in Reportable Segments

As described in 3. Summary of Significant Accounting Policies (23) Accounting Standard for Revenue Recognition (Basis for recording significant revenues and expenses), the Company adopted "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and other related accounting standards from the beginning of the fiscal year ended March 2022, and changed accounting method for revenue recognition, as well as the measurement method of profit or loss by business segment.

As a result of this change, compared with the previous method, net sales and income of the Leasing Business increased by JPY 1,325 million (USD 10,827 thousand) and JPY 2,905 million (USD 23,743 thousand), respectively, in the consolidated fiscal year ended March 2022.

(4) Information Regarding Sales, Profits (Losses), Assets, Liabilities, and other Items by Reportable Segment for the years ended March 31, 2022 and 2021 are as follows:

March 31, 2022	JPY million					
	Reportable segment				Adjustments *(i)	Consolidated Total *(ii)
	Leasing Business	Elderly Care Business	Other Businesses	Segment Total		
Sales						
Rent income	**278,740**	—	—	**278,740**	—	**278,740**
Ancillary service income	**53,517**	—	—	**53,517**	—	**53,517**
Maintenance	**35,315**	—	—	**35,315**	—	**35,315**
Rental guarantee	**4,559**	—	—	**4,559**	—	**4,559**
Company housing agency fee	**788**	—	—	**788**	—	**788**
Roof lease solar power generation	**2,775**	—	—	**2,775**	—	**2,775**
Construction subcontracting	**3,145**	—	—	**3,145**	—	**3,145**
Other	**456**	**14,258**	**1,064**	**15,779**	—	**15,779**
Sales from contracts with customer	**379,299**	**14,258**	**1,064**	**394,621**	—	**394,621**
Furniture insurance	**3,744**	—	—	**3,744**	—	**3,744**
Other sales	**3,744**	—	—	**3,744**	—	**3,744**
Sales to customers	**383,043**	**14,258**	**1,064**	**398,366**	—	**398,366**
Inter-segment sales and transfers	**76**	—	**249**	**326**	**(326)**	—
Total	**383,120**	**14,258**	**1,314**	**398,692**	**(326)**	**398,366**
Segment profit (loss)	**7,719**	**(789)**	**(1,668)**	**5,261**	**(3,486)**	**1,774**
Segment assets	**63,393**	**3,261**	**21,369**	**88,024**	**57,406**	**145,430**
Other items						
Depreciation	**6,480**	**32**	**1,087**	**7,600**	**1,752**	**9,352**
Increase in property, plant and equipment, and intangible fixed assets	**1,596**	**5**	**22**	**1,624**	**513**	**2,137**

March 31, 2021	JPY million					
	Reportable segment				Adjustments	Consolidated Total
	Leasing Business	Elderly Care Business	Other Businesses	Segment Total		
Sales						
Sales to customers	391,964	14,524	2,469	408,959	—	408,959
Inter-segment sales and transfers	143	—	603	747	(747)	—
Total	392,108	14,524	3,073	409,706	(747)	408,959
Segment profit (loss)	(19,385)	(720)	(1,551)	(21,658)	(7,524)	(29,182)
Segment assets	71,800	3,557	20,881	96,239	65,469	161,708
Other items						
Depreciation	7,456	47	1,097	8,601	1,815	10,416
Increase in property, plant and equipment and intangible fixed assets	2,204	26	154	2,386	608	2,994

March 31, 2022	USD thousand					
	Reportable segment				Adjustments *(i)	Consolidated Total *(ii)
	Leasing Business	Elderly Care Business	Other Businesses	Segment Total		
Sales						
Rent income	**2,277,478**	**—**	**—**	**2,277,478**	**—**	**2,277,478**
Ancillary service income	**437,269**	**—**	**—**	**437,269**	**—**	**437,269**
Maintenance	**288,549**	**—**	**—**	**288,549**	**—**	**288,549**
Rental guarantee	**37,257**	**—**	**—**	**37,257**	**—**	**37,257**
Company housing agency fee	**6,440**	**—**	**—**	**6,440**	**—**	**6,440**
Roof lease solar power generation	**22,674**	**—**	**—**	**22,674**	**—**	**22,674**
Construction subcontracting	**25,701**	**—**	**—**	**25,701**	**—**	**25,701**
Other	**3,730**	**116,498**	**8,695**	**128,925**	**—**	**128,925**
Sales from contracts with customer	**3,099,102**	**116,498**	**8,695**	**3,224,296**	**—**	**3,224,296**
Furniture insurance	**30,596**	**—**	**—**	**30,596**	**—**	**30,596**
Other sales	**30,596**	**—**	**—**	**30,596**	**—**	**30,596**
Sales to customers	**3,129,699**	**116,498**	**8,695**	**3,254,893**	**—**	**3,254,893**
Inter-segment sales and transfers	**625**	**—**	**2,042**	**2,667**	**(2,667)**	**—**
Total	**3,130,324**	**116,498**	**10,738**	**3,257,560**	**(2,667)**	**3,254,893**
Segment profit (loss)	**63,073**	**(6,453)**	**(13,631)**	**42,988**	**(28,487)**	**14,500**
Segment assets	**517,960**	**26,645**	**174,605**	**719,210**	**469,044**	**1,188,255**
Other items						
Depreciation	**52,947**	**263**	**8,887**	**62,098**	**14,317**	**76,415**
Increase in property, plant and equipment, and intangible fixed assets	**13,046**	**42**	**186**	**13,275**	**4,192**	**17,467**

Notes:

(i) Breakdown of adjustments is as follows:

Segment profit (loss)

	JPY million		USD thousand
	2022	2021	**2022**
Inter-segment eliminations	**153**	169	**1,252**
Corporate expenses*	**(3,639)**	(7,693)	**(29,740)**
Total	**(3,486)**	(7,524)	**(28,487)**

*Corporate expenses consist mainly of general administrative expenses for administrative departments that are not part of reportable segments.

Segment assets

	JPY million		USD thousand
	2022	2021	**2022**
Surplus operating funds, long-term investment funds and assets not belonging to any reportable segments	**57,406**	65,469	**469,044**

Increase in non-current assets and intangible assets

	JPY million		USD thousand
	2022	2021	**2022**
Capital expenditures which do not belonging to any reportable segments	**513**	608	**4,192**

(ii) Segment profit (loss) is adjusted to operating profit (loss) on the consolidated statement of income.

Related information

1. Products and services

Information concerning products and services is omitted, since similar information is reported in “27. Segment Information”.

2. Geographic area

(1) Sales

Information concerning sales by geographic area is omitted, since more than 90% of sales reported in the consolidated statement of income are generated in Japan.

(2) Plant, property, and equipment

March 31, 2022

JPY million					
Japan	Trust territory of U.S.A. Guam	Kingdom of Thailand	Kingdom of Cambodia	Other	Total
44,212	**20,331**	**0**	**0**	**107**	**64,652**

March 31, 2021

JPY million					
Japan	Trust territory of U.S.A. Guam	Kingdom of Thailand	Kingdom of Cambodia	Other	Total
49,316	19,412	512	667	143	70,052

March 31, 2022

USD thousand					
Japan	Trust territory of U.S.A. Guam	Kingdom of Thailand	Kingdom of Cambodia	Other	Total
361,239	**166,123**	**2**	**0**	**881**	**528,247**

3. Major customers

Information concerning sales to major customers is omitted, since no sales to any particular customer exceed 10% of sales reported in the consolidated statement of income.

Information concerning impairment loss on non-current assets by reportable segments

March 31, 2022

	JPY million				
	Leasing Business	Elderly Care Business	Other Businesses	Adjustments	Consolidated total
Impairment loss	**115**	**3**	**—**	**—**	**118**

March 31, 2021

	JPY million				
	Leasing Business	Elderly Care Business	Other Businesses	Adjustments	Consolidated total
Impairment loss	3,950	8	82	—	4,041

March 31, 2022

	USD thousand				
	Leasing Business	Elderly Care Business	Other Businesses	Adjustments	Consolidated total
Impairment loss	**940**	**30**	**—**	**—**	**971**

Information concerning goodwill amortization and unamortized balance by reportable segments

March 31, 2022

	JPY million				
	Leasing Business	Elderly Care Business	Other Businesses	Adjustments	Consolidated total
Goodwill amortization	**7**	**—**	**—**	**—**	**7**
Balance	**6**	**—**	**—**	**—**	**6**

March 31, 2021

	JPY million				
	Leasing Business	Elderly Care Business	Other Businesses	Adjustments	Consolidated total
Goodwill amortization	6	—	—	—	6
Balance	12	—	—	—	12

Note:

The Company posted impairment loss of JPY 107 million for goodwill in the Leasing Business.

March 31, 2022

	USD thousand				
	Leasing Business	Elderly Care Business	Other Businesses	Adjustments	Consolidated total
Goodwill amortization	**58**	**—**	**—**	**—**	**58**
Balance	**51**	**—**	**—**	**—**	**51**

Information concerning gain on negative goodwill by reportable segments

For the years ended March 31, 2022 and 2021.

None

28. Revenues from Contracts with Customers

Revenues are not separately presented for revenues derived from contracts with customers and other revenues.

The amount of revenue from contracts with customers is presented in “27. Segment information (4) Information Regarding Sales, Income (Losses), Assets, Liabilities, and other Items by Reportable Segment”.

29. Amounts per Share

The following tables set forth the net assets and net income per share of common stock for the years ended March 31, 2022 and 2021.

	JPY		USD
	2022	2021	**2022**
Net assets	**3.25**	(25.83)	**0.027**
Net income (loss) attributable to shareholders of the parent	**36.04**	(84.88)	**0.294**
Diluted net income per share	**32.23**	—	**0.263**

Notes:

(i) Diluted net income per share is not indicated for the year ended March 31, 2021 because net loss per share is indicated, although there are potential common shares with dilutive effects.

(ii) Basis of computation of basic and diluted net income per share for the year ended March 31, 2022 and 2021 are as follows:

	JPY million		USD thousand
	2022	2021	**2022**
Net income (loss) per share			
Net income (loss) attributable to shareholders of the parent	**11,854**	(23,680)	**96,858**
Amount not attributable to common stock	**—**	—	**—**
Net income (loss) attributable to common stock	**11,854**	(23,680)	**96,858**
Basic weighted-average shares during the year (Thousands of shares)	**328,888**	279,003	**328,888**
Diluted net income per share			
Adjustments of net income (loss) attributable to shareholders of the parent	**—**	—	**—**
The number of increase in common stock (Thousands of shares)	**38,927**	—	**38,927**
Dilutive securities without dilutive effects and excluded from calculation of diluted net income per share		—	

Note:

As stated in 4.Additional Information (1) Application of Accounting Standard for Revenue Recognition (Basis for recording significant revenues and expenses), the Company has adopted the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and other related standards and followed the transitional treatment stipulated in the proviso of paragraph 84 of the Accounting Standard for Revenue Recognition.

As a result, net assets per share decreased by JPY 6.26 (USD 0.051), net income per share increased by JPY 8.83 (USD 0.072), and diluted net income per share increased by JPY 7.90 (USD 0.065) for the fiscal year ended March 2022.

30. Related Party Transactions

For the year ended March 31, 2022 and 2021.

None

31. Business Combinations

Business Combination under common control

None

32. Other

The following tables set forth quarterly information for the year ended March 31, 2022.

Cumulative period	First quarter	Second quarter	Third quarter	Full-year
Net sales (JPY million)	**10,244**	**199,550**	**297,470**	**398,366**
Income (loss) before income taxes (JPY million)	**(329)**	**1,945**	**7,572**	**9,693**
Net income (loss) attributable to shareholders of the parent (JPY million)	**(957)**	**647**	**5,865**	**11,854**
Net income (loss) per share (JPY)	**(2.91)**	**1.97**	**17.83**	**36.04**

Accounting period	First quarter	Second quarter	Third quarter	Full-year
Net income (loss) per share (JPY)	**(2.91)**	**4.88**	**15.87**	**18.21**

Cumulative period	First quarter	Second quarter	Third quarter	Full-year
Net sales (USD thousand)	**819,059**	**1,630,446**	**2,430,514**	**3,254,893**
Income (loss) before income taxes (USD thousand)	**(2,668)**	**15,895**	**61,875**	**79,204**
Net income (loss) attributable to shareholders of the parent (USD thousand)	**(7,822)**	**5,291**	**47,925**	**96,858**
Net income (loss) per share (USD)	**(0.024)**	**(0.016)**	**0.146**	**0.294**

Accounting period	First quarter	Second quarter	Third quarter	Full-year
Net income (loss) per share (USD)	**(0.024)**	**0.040**	**0.130**	**0.149**

33. Subsequent Events

(1) Important company split

The Company determined, under the approval of the Board of Directors on August 26, 2022, to transfer the Company's Elderly Care Business to its wholly owned subsidiary, Azu Life Care, Inc.(hereinafter "Azu Life Care, Inc."), effective on November 1, 2022, by means of an absorption-type company split (hereinafter "Company Split").

(a) Purpose of the Company Split

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 this transfer 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) Business description and book value of the assets and liabilities to be split as of March 31, 2022

Business description	Elderly Care Business
Assets to be split	JPY 1,805 million (USD 14,754 thousand)
Liabilities to be split	JPY 780 million (USD 6,374 thousand)

(c) Method of the Company Split

The Company will be the splitting company and Azu Life Care will be the succeeding company in the Company Split.

(d) Overview of succeeding company as of March 31, 2022

Name	Azu Life Care Co., Ltd.
Address	1-12-8, Hon-cho, Nakano-ku, Tokyo, Japan
Representative	Hiroshi Takeda, Representative Director
Capital	JPY 80 million (USD 653 thousand)
Net assets	JPY (1,977) million (USD -16,158 thousand)
Total assets	JPY 895 million (USD 7,319 thousand)
Business description	Elderly Care Business

(e) Effective date of the Company Split

November 1, 2022

(f) Details of allocation of shares in the Company Split

Since the Company Split will be conducted between the Company and its wholly owned subsidiary, no shares or other consideration will be allocated upon the Company Split.

(g) Overview of the planned accounting treatment

The transaction will be accounted as a transaction under the common control based on "Accounting Standard for Business Combinations" and "Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures".

(2) Transfer the shares in the important subsidiary

The Company determined, under the approval of the Board of Directors on September 9, 2022, to transfer the whole shares in Morizou Co., Ltd. (hereinafter "Morizou"), a consolidated subsidiary of the Company, and the transfer has completed on October 1, 2022.

(a) Reasons for the share transfer

The Company has built a capital relationship with Morizou and created synergy effects in the construction business since March 2015. The Company has decided to transfer its shares in Morizou considering optimal allocation of management resources throughout the Company group in the future and for the further growth of Morizou.

(b) Name of the purchaser

GRANDES, Inc.

(c) Effective date of the share transfer

October 1, 2022

(d) Name and business description of the subsidiary to be transferred and relationship with the Company

Name	Morizou Co., Ltd.
Business description	Design, construction and supervision of custom-built detached houses; Renovation and maintenance
Relationship with the Company	The Company has business relationship with Morizou in referral of customers. The Company lends funds to Morizou.

(e) Number of shares transferred, value and profit/loss of the transfer, and shareholding after the transfer

Number of owned shares to transfer	170,000 shares
Value of the transfer	JPY 1
Profit/loss of the transfer	Extraordinary loss of about JPY 30 million (USD 245 thousand) will be recorded on a consolidated basis for the first half of fiscal year ending March 2023.
Number of owned shares after the transfer	0 shares

Grant Thornton

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
LEOPALACE21 Corporation

Opinion

We have audited the consolidated financial statements of LEOPALACE21 Corporation and its consolidated subsidiaries (the Group), which comprise the Consolidated Balance Sheet as at March 31, 2022, and the Consolidated Statement of Income, Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Equity and Consolidated Statement of Cash Flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2022 are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Notes to the consolidated financial statements.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Judgments regarding the recoverability of deferred tax assets of LEOPALACE21 Corporation

Description of Key Audit Matter

As of March 31, 2022, the balance of deferred tax assets on the consolidated balance sheet is 6,596 million yen, as stated in [Notes] (12. Income Taxes) The amount stated in the fiscal year ended March 2022, which accounts for 59.8% of net assets. Of this amount, parent company LEOPALACE21 Corporation (hereinafter the Company) posted 4,139million yen. The Conpamy has started experiencing a decline in their business performance triggered by construction defect problems including parting wall defects in the attics announced in April 2018. On the other hand, the Company has attempted to stabilize revenue by strengthening customer attracton of broker network and promoting digitization such as online services, previews and contract, while reduced costs by optimizing master lease rent and reducing management expenses. As a result, income and expendirue have improved compared to the previous consolidated fiscal year, however, the Company does not generate taxable income and has tax loss carryforwards for the year ended March 31, 2022.
Under these circumstances, since the Company has become able to secure profits due to an improvement in income and expenditure especially from the second half onwards and taxable income before temporary differences and other adjustments is expected to arise in the next fiscal year, it records

deferred tax assets for the amounts considered recoverable based on its estimate of future taxable income before the addition or subtraction of temporary differences.

Key assumptions in the earnings plan that underlie estimates of future taxable income are the number of rent contracts, the units already under contract, rent income, and optimization of master lease rent and reduction of management costs. These assumptions involve significant management judgement including the impact of the COVID-19 infection and are subject to uncertainty

Based on the above, we have determined that the matter relating to the recoverability of the Company's deferred tax assets is a key audit matter.

Auditor's response

In order to assess the adequacy of judgments regarding the recoverability of the Company's deferred tax assets, we mainly performed the following audit procedures.

- We understood and assessed the design and operating effectiveness of internal controls related to assessing recoverability of deferred tax assets.
- We examined the appropriateness of classification by the Company based on the "Implementation Guidance on Recoverability of Deferred Tax Assets."
- With regard to future deductible temporary differences and tax loss carryforwards, we examined the year in which they are expected to be resolved.
- In order to evaluate estimates of future taxable income, we mainly performed the following audit procedures on the underlying earnings plan.
  - In addition to verifying consistency with the most recent budget approved by management, we evaluated the uncertainty of estimates by comparatively analyzing past earnings plans and subsequent results.
  - With regard to the number of rent contracts, the number of contracted units, and rent income estimates, we discussed with management and conducted a trend analysis based on past performance.
  - We discussed with management whether the impact of COVID-19 would be a detriment to earnings plans, and considered whether the assumptions made by management in making estimates were overly optimistic.
  - With regard to optimization of master lease rent, we compared and analyzed the plans of the past years and the subsequent results, inquired management about the expected number of agreements and the expected amount of adjustment in the future, and evaluated the feasibility.

- With regard to reduction of management costs, we inquired and discussed with management, confirmed the progress, and evaluated the feasibility.
- We discussed with management regarding additional measures to be taken by the Company in case that future earnings plans should not proceed as planned, and considered management's assessment of uncertainty.

Estimate of provision for losses related to repairs

Description of Key Audit Matter

As of March 31, 2022, the balance of provision for losses related to repairs on the consolidated balance sheet is 18,086 million yen, and reversal of provision for losses related to repairs of 11,959 million yen was recorded on the consolidated statement of income. In addition, the related important assumptions are described in [Notes] (3. Summary of Significant Accounting Policies (12)).

The Company has set up construction deficiency countermeasures headquarters and investigated all the properties it had constructed that are related with construction deficiencies announced in May 2018, February and May 2019 in addition to the deficiencies in the barriers such as the back of the hut announced in April 2018. When any deficiencies are found, the Company continuously carries out repair work to comply with the legal specifications while coordinating with tenants and property owners.

In order to prepare for repair work costs and incidental costs related to deficiencies in construction properties, the Company considers the type of deficiency, lease rent constructed by the Company and managed by other companies, and resident's relocation cost burden. After considering these factors, the amount required for them is reasonably estimated based on incident rate of deficiencies, and a provision for losses related to repairs is recorded. For the year ended March 31, 2022, reversal of provision for losses related to repairs was recorded due to a reduction in the unit repair cost as a result of batched ordering efforts, allocating in-house manpower resources for repairs, agreements with property owners to change repair methods, a decrease in the number of buildings requiring repairs as a result of revised judgement related to construction defects as well as building demolition agreed upon with the owners.

Estimating the provision for losses related to repairs involves the significant judgment of management regarding the repair methods and period of repair work, and how to deal with related parties including regulatory agencies, tenants and property owners. In addition, estimated unit costs of repair work and incidental relating expenses are being continuously reviewed in consideration of changes in repair methods, partial in-house sourcing of outsourced work, and review of construction schedules. There is uncertainty in the estimation of the provision because the assumptions of the provision calculation are significantly affected by these situations.

For this reason, we have determined that estimate of provision for losses related to repairs is a key audit matter.

Auditor's response

In considering the provision for losses related to repairs, we mainly performed the following audit procedures.

- We inquired management regarding the method and implementation schedule of the survey and repair work, and evaluated the feasibility based on the content of the report to the regulatory agency, the in-house personnel system related to the survey, the contract status with the repair company, and so forth.
- We compared the total number of properties subject to provision calculation with the company documents that we obtained in the past and analyzed the increases or decreases from the end of the previous consolidated fiscal year. We verified the consistency with other recognized information.
- We recalculated the deficiency rate used in the provision calculation.
- We inquired management regarding the estimated unit price of repair work, obtained the estimated unit price calculation material, and mainly performed the following audit procedures.
    - For those estimated unit price calculation based on the actual unit price, we recalculated the estimated unit price after matching the estimated unit price calculation material and the invoice for

outsourcing costs on a test basis.

- We conducted a comparative analysis of past estimates and subsequent results, and confirmed that the actual values were used in the provision calculation after determining that there were no abnormal or non-recurring factors in the difference from the analysis.

- For the agreements with property owners to change repair methods and agreements of building demolition with the owners, we inspected contracts and confirmed their existence.
- For the incidental costs, we performed a comparative analysis with past results regarding the unit price used in the calculation.
- We recalculated the amount of provision for losses related to repairs.
- We inspected the contents of the report to the regulatory agency and the status of discussions at the Risk Management Committee and the Compliance Committee, and confirmed that important construction deficiencies that were not covered by the provision were not recognized.

Estimate of provision for apartment vacancy loss

Description of Key Audit Matter

As of March 31, 2022, the balance of provision for apartment vacancy loss on the consolidated balance sheet is 5,632 million yen. In addition, the related significant assumptions are described in [Notes] (3. Summary of Significant Accounting Policies (13)).

The Company rents apartments constructed by the Company (master lease rent) and subleases them to general residents. The company prepares for the occurrence of vacancy loss arising from the master lease contract, and the amount of loss expected to occur within a reasonably estimated period based on the rent and future forecast occupancy rate for each individual rental property is recorded as a provision for apartment vacancy loss.

The provision for apartment vacancy loss is calculated by multiplying the negative balance of the property whose total expenditure exceeds the total income by the remaining months of the master lease contract over fixed rent months. The total income is the sum of rent income and other incidental income for each individual rental property multiplied by the future occupancy rate, while the total expenditure is the sum of the master lease

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rent and management costs.
The future forecast occupancy rate is calculated by making a primary estimate based on the surrounding conditions and demand of the property, and then making a secondary adjustment calculation in consideration of the impact of the suspension of tenant recruitment due to repair work.
In estimating the future forecast occupancy rate, there are significant management judgments and uncertainties.

For this reason, we have determined that estimate of provision for apartment vacancy loss is a key audit matter.

Auditor's response
In considering the estimate of the provision for apartment vacancy loss, we mainly performed the following audit procedures.

- Regarding the process related to the recording of provision for apartment vacancy loss, we mainly evaluated the design and operating effectiveness of the following internal controls (this included examination over the review and approval processes by management and others).
  - Determination and change of recruiting rent
  - Estimate of future forecast occupancy rate
  - Registration of master lease rent
- We understood the contents of master lease rent contracts and confirmed the rationality of the estimated period.
- We compared the rent used to calculate the estimated rent income with the amount of rent recruited as of the end of the fiscal year stored in the company's business management system.
- We inquired management about the assumption of estimating the future forecast occupancy rate, and confirmed that it was consistent with any available external information.
- We conducted a comparative analysis of the monthly changes in the future forecast occupancy rate with past trends. In addition, we evaluated the accuracy of the estimation by comparing the occupancy rate estimated in the previous year with the actual results thereafter, and evaluated whether management bias in estimates and the uncertainty of estimates existed.

- In order to verify the rationality of adjustment calculation of the future forecast occupancy rate, we confirmed the consistency between the number of units for which the suspension of resident recruitment would be lifted after the end of the fiscal year and the repair work schedule.
- We recalculated the adjusteded future forecast occupancy rate and provision for apartment vacancy loss.

Other Information

The other information comprises the information included in Integrated report 2022, but does not include the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information. Those charged with governance are responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over the Group's other information reporting process.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Audit & Supervisory Board Members and the Audit & Supervisory Board for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan.

Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.
As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures of the consolidated financial statements are in accordance with accounting standards generally accepted in Japan, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with Audit & Supervisory Board Members and the Audit & Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Audit & Supervisory Board Members and the Audit & Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with Audit & Supervisory Board Members and the Audit & Supervisory Board, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Takefumi Sato

Takefumi Sato
Designated Engagement Partner
Certified Public Accountant

Hidetoshi Nakano

Hidetoshi Nakano
Designated Engagement Partner
Certified Public Accountant

Daishi Nishimura

Daishi Nishimura
Designated Engagement Partner
Certified Public Accountant

Grant Thornton Taiyo LLC
Tokyo, Japan
25 October, 2022

Data Compilation

Social Key Performance Indicators

The Company engages in sustainable management initiatives under the leadership of the Sustainability Committee, which is chaired by the sustainability officer, in collaboration with departments and Group companies. The Sustainability Committee reports on the progress of initiatives in line with the five themes of the Basic Sustainability Action Policy based on the quantitative targets set by each department and Group company, and moves initiatives to the next phase of the PDCA cycle. For the fiscal year 2021, we updated the material issues identified for the previous fiscal year considering the current socioeconomic climate as well as the Company's own business conditions, and set KPIs for each materiality. Key topics and KPIs are approved by the Sustainability Committee, and these are periodically reported to the Board of Directors, thereby conducting sustainability activities.

Governance

	FY2019	FY2020	FY2021
Outside directors	7	6	5
Female directors	2	1	1
Directors' compensation (JPY million)	228	170	160
Directors (excluding outside directors)	131	56	60
Audit & Supervisory Board members (excluding outside ASB members)	13	16	18
Outside directors and ASB members	83	97	82

Employee Composition (on a non-consolidated basis)

	FY2019			FY2020			FY2021		
	Total	Men	Women	Total	Men	Women	Total	Men	Women
No. of employees	5,814	4,035	1,779	4,169	2,671	1,498	4,454	2,400	2,054
No. of regular employees	5,461	3,830	1,631	3,864	2,499	1,365	3,561	2,241	1,320
No. of temporary hires	353	205	148	305	172	133	893	159	734
Average age	38 years, 8 months	39 years, 3 months	36 years, 4 months	39 years, 0 months	40 years, 0 months	37 years, 3 months	40 years, 3 months	41 years, 6 months	38 years, 1 month
Average cumulative years of service	10 years, 6 months	11 years, 10 months	7 years, 6 months	10 years, 6 months	12 years, 0 months	7 years, 10 months	11 years, 3 months	13 years, 1 month	8 years, 1 month

Work-Life Balance (on a non-consolidated basis)

	FY2019			FY2020			FY2021		
	Total	Men	Women	Total	Men	Women	Total	Men	Women
Total number of working hours per month	166.3			160.3			165.3		
Overtime work hours per month	13.3			11.4			11.3		
No. of employees with reduced working hours	277	15	262	216	3	213	228	9	219
No. of employees on childcare leave	268	37	231	246	47	199	122	23	99
Rate of paid leave usage	84.3%	83.1%	87.1%	90.5%	92.4%	86.1%	81.7%	79.6%	85.6%
Workforce turnover rate	12.4%	11.2%	15.1%	31.4%	35.9%	20.8%	13.1%	11.8%	16.0%
Ratio of new hires	22.1%	17.3%	28.3%	16.7%	18.2%	14.3%	22.6%	17.3%	29.3%

Diversity (Consolidated (excluding Guam), Non-consolidated basis but with Leopalace Smile for employees with disabilities)

	FY2019			FY2020			FY2021		
	Total	Men	Women	Total	Men	Women	Total	Men	Women
No. of employees with disabilities (annual average)	154.0			107.9			103.1		
% of employees with disabilities (annual average rate)	2.26%			2.33%			2.73%		
No. of mandatory retirees that have been rehired	21	17	4	22	15	7	19	12	7
No. of foreign national employees	366	143	223	218	89	129	180	63	117
No. of foreign national managers	26	20	6	22	16	6	19	14	5
No. of people newly employed	523	229	294	329	149	180	275	115	160
Gender ratio for new hires	100.0%	44.7%	55.3%	100.0%	45.3%	54.7%	100.0%	41.8%	58.2%
No. of managers	1,671	1,549	122	1,061	987	74	815	753	62
Gender ratio for managers	100.0%	92.7%	7.3%	100.0%	93.0%	7.0%	100.0%	92.4%	7.6%

Support for Employees Seeking to Obtain Qualifications

	FY2019	FY2020	FY2021
No. of employees using support for obtaining qualifications	266	170	179
No. of employees using support system for obtaining specified qualifications	144	69	78
No. of employees in program for language skills improvement	13	6	7
No. of employees awarded an incentive payment for obtaining Takken qualification	109	95	94

Community Contributions

	FY2019	FY2020	FY2021
No. of cleanup campaign participants	2,309	1,002	0
Of which, in vicinity of existing properties	0	0	0
Of which, in vicinity of construction sites	2,309	1,002	0
Total sum of donations (JPY thousand)	3,708	1,998	1,073
No. joining observation tours and OTJ training at Leopalace Smile	111	0	76

Labor Safety and Health

	FY2019	FY2020	FY2021
No. of labor accidents	56	46	33
Accidents requiring time off work	21	19	14
Accidents not requiring time off work	35	27	19

Stakeholder Communication Initiatives

	FY2019	FY2020	FY2021
No. of property owner briefing sessions	381	87	0
No. of dialogue with institutional investors	204	95	103

Certified Employees (as of March 2022)

(People)

Real estate broker	636
Rental property manager	403
General insurance solicitor (basic course/fire insurance course)	500
Architect (first-class, second-class)	207
Building construction management engineer (1st Grade, 2nd Grade)	165
Certified skilled worker of financial planning (1st Grade, 2nd Grade)	190
Land surveyor, Assistant land surveyor	19
Care worker	687
Care support specialist	185
Home-visit care worker (1st Grade, 2nd Grade)	308

Efforts to Reduce Environmental Impact

	FY2019	FY2020	FY2021
CO_2 emissions from the use of electricity and gas use (t-CO_2)	13,624	9,350	8,528
Head office and branches	6,343	4,647	3,499
Azumi En nursing care facilities	4,899	4,395	5,029
Leopalace hotels	2,381	307	0
CO_2 emissions from vehicle gasoline (t-CO_2)	3,172	2,212	1,988
Scope 3 CO_2 emissions (t-CO_2)	692,463	693,388	748,745
Category 1 (purchased materials)	10,898	5,850	83
Category 2 (capital goods)	12,692	9,621	5,041
Category 3 (electricity-related) Category 6 (business travel) Category 7 (employee commuting)	5,701	4,931	4,217
Category 13 (electricity and gas use by tenants in rental housing)	663,171	672,987	739,403

Leasing Business Data

Units Under Management

The number of units under management forms the income foundation for the Leasing Business, and at the end of fiscal year 2021, that number stood at 567,314 after two years of decline. The number of units under management decreased in all regions, including greater metropolitan Tokyo.

(Units)

	FY2019	FY2020	FY2021
Hokkaido	13,866	13,550	13,390
Tohoku	35,623	35,327	35,099
Kita-Kanto	40,494	40,437	40,260
Tokyo metro area	171,080	170,320	167,446
Hokuriku-Koshinetsu	39,981	39,943	39,793
Chubu	88,086	87,756	87,030
Kinki	81,011	80,859	79,796
Chugoku	39,415	39,390	39,010
Shikoku	14,736	14,736	14,714
Kyushu-Okinawa	51,506	51,355	50,776
Total	575,798	573,673	567,314

Fiscal Year-End Occupancy Rates by Region

Occupancy rates increased in all regions year-on-year due to implementation of regional strategies, deepening relationships with existing corporate customers, strengthening relationships with real estate agents, and other measures to improve occupancy, and due to the reduced impact of COVID-19.

(%)

	FY2019	FY2020	FY2021
Hokkaido	73.1	69.8	77.9
Tohoku	84.7	83.0	85.1
Kita-Kanto	77.2	77.3	82.0
Tokyo metro area	84.9	81.8	85.3
Hokuriku-Koshinetsu	79.1	80.6	83.1
Chubu	81.9	80.3	84.8
Kinki	81.5	81.8	85.4
Chugoku	87.0	86.5	88.0
Shikoku	83.4	82.6	84.4
Kyushu-Okinawa	87.4	86.5	88.3
Total	80.8	78.9	81.2

Occupied Units by Contract Type

The fiscal year 2021 saw an increase in both corporate and individual contracted units year-on-year, due to continued improvement in sales to corporate customers expected to generate stable, long-term earnings, the reduced impact of COVID-19, and other measures. Meanwhile, immigration restrictions caused a decrease in the number of international students in Japan, which resulted in a reduced number of student contracts year-on-year.

	FY2019		FY2020		FY2021	
	Units	%	Units	%	Units	%
Corporate	272,566	57.0	266,814	56.9	280,811	58.2
Of which, foreign nationals (%)	—	6.0	—	5.3	—	5.2
Individuals	165,594	34.6	164,441	35.1	167,380	34.7
Of which, foreign nationals (%)	—	5.4	—	5.6	—	5.8
Students	40,135	8.4	37,548	8.0	34,597	7.2
Of which, foreign nationals (%)	—	35.2	—	32.4	—	26.1
Total	478,295	100.0	468,803	100.0	482,788	100.0

Number of Leasing Sales Offices and Sales Personnel

In the fiscal year 2021, we reduced the number of directly-managed Leopalace Center and Leopalace Partners offices by strengthening relationships with real estate agents. We have switched directions from reducing personnel numbers to increasing them, and at the end of the fiscal year 2021 had 1,064 employees.

	FY2019	FY2020	FY2021
No. of leasing sales offices	295	239	206
Of which, Leopalace Centers	189	139	109
Of which, Leopalace Partners (franchisees)	106	100	97
No. of leasing sales personnel	1,339	1,047	1,064

Ancillary Equipments and Services

	FY2019	FY2020	FY2021
Security systems installed (cumulative, units)	313,382	314,776	315,196
Security cameras installed (cumulative, buildings)	14,671	14,749	14,758
No. of incoming calls to Services Centers	382,518	380,343	235,791
Of which, inquiries	266,644	237,564	119,702
Of which, maintenance-related	92,762	114,988	93,872
Of which, complaints or claims	23,112	27,791	22,217
No. of web-based agreement (cumulative since April 2020)	—	13,697	39,338

Monthly Occupancy Rates for the Past 10 Years

(%)

	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
FY2012	81.77	82.18	82.69	82.53	82.90	83.13	82.59	82.55	82.29	83.39	84.48	84.81
FY2013	83.32	83.67	83.69	83.50	83.84	84.28	84.23	84.31	84.12	85.61	86.92	87.47
FY2014	86.00	86.03	85.96	85.63	85.78	86.33	86.14	86.10	85.69	87.24	88.65	89.29
FY2015	87.88	87.61	87.59	87.32	87.26	87.70	87.26	87.14	86.89	88.38	89.80	90.53
FY2016	88.97	88.55	88.60	87.95	87.78	88.31	87.50	87.41	86.97	88.41	90.18	91.66
FY2017	90.51	90.28	90.55	89.75	89.88	90.21	89.73	89.69	89.44	90.83	92.43	93.72
FY2018	92.82	92.76	92.10	90.45	89.41	88.40	87.24	86.38	85.26	85.38	85.57	84.33
FY2019	82.35	81.95	81.40	80.67	80.21	80.07	79.49	79.21	78.91	80.19	81.82	83.07
FY2020	81.40	79.91	79.43	78.56	78.18	78.09	77.46	77.09	77.07	78.16	79.60	81.72
FY2021	80.65	80.32	80.91	80.59	80.53	81.13	80.70	80.58	80.45	81.14	82.62	85.10

*Occupancy rate = The number of contracted units (excluding the ones for which the settlement procedure is completed following the contract termination) divided by number of units under management.

Ratio of General Contracts and Monthly Contracts Over 10 Years

Ratio of monthly contracts have been declining over the past 10 years, while the proportion of more stable leasing contracts is increasing in general contracts without a fixed contract period increasing from 82.9% in the fiscal year 2012 to 93.6% in the fiscal year 2021.

(%)

	General contracts	Monthly contracts
FY2012	82.9	17.1
FY2013	85.8	14.2
FY2014	88.4	11.6
FY2015	89.8	10.2
FY2016	90.0	10.0
FY2017	91.1	8.9
FY2018	94.1	5.9
FY2019	93.2	6.8
FY2020	93.9	6.1
FY2021	93.6	6.4

Orders

After the discovery of the construction defects problem, we suspended accepting orders for new apartments and put our efforts into following up with property owners, which resulted in a sharp 95.2% drop in apartment and other orders year-on-year.

(JPY million)

	FY2019	FY2020	FY2021
Building categories			
Apartments	4,852	2,546	123
Elderly care facilities	156	0	0
Stores & commercial space	280	0	0
Custom-built homes by subsidiary Morizou	2,526	3,381	2,669
Solar power systems	0	0	0
Total	7,814	5,927	2,792

Wealth Management Offices and Personnel

In accordance with the business portfolio changes in the fiscal year 2020, the Wealth Management Department was established under the Leasing Business Division to strengthen ties with property owners and restore trust, and it took over the development project function formerly handled by the Building Contract Sales Department. Branches have been set up in various regions in order to carefully follow up with property owners.

	FY2021
No. of offices	65
No. of sales personnel	214

Elderly Care Business Data

Number of Facilities

We have positioned elderly care as a strategic business, and our plan is to stabilize these operations in order to better handle Japan's aging population. At the end of March 2022, we had a total of 87 facilities, a number unchanged since the end of March 2019.

(Facilities)

	FY2019	FY2020	FY2021
Fee-based nursing homes	21	21	21
Day-care services, Short-stays	64	64	64
Group homes	2	2	2
Total	87	87	87

Utilization Rate

The utilization rate at fee-based nursing homes, group homes, and short-stay facilities remains high at roughly 90%. We are focusing on day-care services and short-stay facilities, and while the impact of the spread of COVID-19 continued into the fiscal year 2021, the utilization rates remained relatively stable.

(Utilization rate, %)

	FY2019	FY2020	FY2021
Day-care services	72.8	67.1	65.9
Short-stays	95.6	92.1	91.1
Fee-based nursing homes & group homes	92.4	93.0	89.4

External Environment

Number of New Housing Starts

New housing starts in the fiscal year 2021 increased 6.6% year-on-year. Construction of rental units increased for the first time in five years to 330,000 units, a 9.2% increase year-on-year. Meanwhile, the number of units under 30 square meters (mainly for single occupancy) dropped to 50,000 units, a 6.9% decrease from the previous year.

(Thousand units)

	FY2019	FY2020	FY2021
Rental housing	335	303	331
Of which, under 30m^2	53	53	50
Other	549	509	535
Total	884	812	866

Source: Housing starts statistics, the Ministry of Land, Infrastructure, Transport, and Tourism

Number of Households

The declining birth rate and aging population of Japan is expected to result in decreased household numbers from 2025. However, the number of single-person households is expected to continue to increase until 2030.

(Thousand households)

	2010	2015	2020 (projection)	2025 (projection)	2030 (projection)	2035 (projection)	2040 (projection)
Single-person households	16,785	18,418	19,342	19,960	20,254	20,233	19,944
Of which, under age 25	2,060	2,021	2,009	1,879	1,781	1,681	1,584
Of which, age 25–34	2,999	2,987	2,830	2,795	2,705	2,558	2,429
Of which, age 35–64	6,745	7,157	7,479	7,774	7,809	7,577	6,968
Of which, age 65 or older	4,980	6,253	7,025	7,512	7,959	8,418	8,963
Married couple	10,269	10,758	11,101	11,203	11,138	10,960	10,715
Married couple with child(ren)	14,474	14,342	14,134	13,693	13,118	12,465	11,824
Single parent with child(ren)	4,535	4,770	5,020	5,137	5,141	5,074	4,924
Other	5,779	5,044	4,510	4,123	3,833	3,583	3,350
Total	51,842	53,332	54,107	54,116	53,484	52,315	50,757

Source: Household projections for Japan (2019), the National Institute of Population and Social Security Research

Number of Vacant Homes in Japan

With concentration of population in urban centers, the number of vacant homes, particularly in rural areas, is increasing. According to the Housing and Land Survey of Japan, the number of vacant rental properties stands at 4.3 million, or roughly one in every five houses are vacant. In order to operate in such a harsh business environment, we must improve the added value of apartments under management.

	1988	1993	1998	2003	2008	2013	2018
Number of vacant houses for rent (thousand units)	2,336	2,619	3,520	3,675	4,127	4,292	4,327
Houses for rent (thousand units)	14,015	15,691	16,730	17,166	17,770	18,519	19,065
Ratio of vacant houses (%)	14.3	14.3	17.4	17.6	18.8	18.8	18.5

Source: Housing and Land Survey (2018), the Ministry of Internal Affairs and Communications
*Ratio of vacant homes = number of vacant housings for rent / (number of vacant housings for rent + houses for rent)

Projected Future Population of Japan

The population of Japan peaked in 2008 and has been declining ever since. The population is expected to fall below 120 million to 119.13 million in 2030. Meanwhile the elderly population aged 75 or over is expected to increase until 2030, meaning that the proportion of people over the age of 75 is also gradually increasing.

(Ten thousand people)

	2010	2015	2020	2025 (projection)	2030 (projection)	2035 (projection)	2040 (projection)
Age 0–14	1,680	1,595	1,503	1,407	1,321	1,246	1,194
Age 15–64	8,103	7,735	7,509	7,170	6,875	6,494	5,978
Age 65–74	1,517	1,752	1,742	1,497	1,428	1,522	1,681
Age 75 or older	1,407	1,627	1,867	2,180	2,288	2,260	2,239
Unknown	98						
Total	12,806	12,709	12,532	12,254	11,913	11,522	11,092
Proportion age 75 or older (%)	11.0	12.8	14.8	17.8	19.2	19.6	20.2

Source: Annual Report on the Ageing Society 2022, Cabinet Office

Corporate Profile

Corporate Data
(As of March 31, 2022)

Company Name:	Leopalace21 Corporation
Head Office:	2-54-11 Honcho, Nakano-ku, Tokyo 164-8622 TEL: +81-3-5350-0001 (Main phone number)
Established:	August 17, 1973
Common stock:	JPY 100 million
Operations:	Construction, leasing and sales of apartments, condominiums, and residential housing; development and operation of resort facilities; broadband business; and elderly care business, etc.
Number of Employees:	4,356 (consolidated basis) 3,589 (non-consolidated basis)

Directors and Audit & Supervisory Board Members
(As of June 29, 2022)

Director	
President and CEO	Bunya Miyao
Director	Mayumi Hayashima
	Naomichi Mochida
	Shinji Takekura
	Akio Yamashita
	Jin Ryu
Director (Outside)	Akira Watanabe
	Yutaka Nakamura
	Takumi Shibata
	Kan Ishii
Audit & Supervisory Board Members	
Full-time Audit & Supervisory Board Member (Outside)	Jiro Yoshino
Full-time Audit & Supervisory Board Member	Kenichiro Samejima
Audit & Supervisory Board Member (Outside)	Takao Yuhara
Audit & Supervisory Board Member	Yoshitaka Murakami

Major Shareholders (Top 10) (As of March 31, 2022)

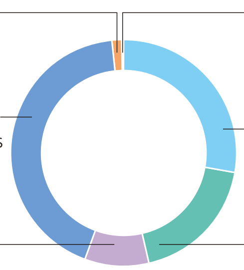
	Shareholder Name (honorific titles are omitted)	Number of Shares (thousands of shares)	Percentage of Outstanding Shares
1	Chidori Godo Kaisha	84,507	25.69
2	Ardisia Investment, Inc.	50,581	15.37
3	The Master Trust Bank of Japan, Ltd. (Trust Account)	24,470	7.44
4	Noriyasu Shimada	13,045	3.96
5	STATE STREET BANK AND TRUST COMPANY 505103	9,389	2.85
6	MSIP CLIENT SECURITIES	6,334	1.92
7	Stockholding Association for Leopalace21's Apartment Owners	6,115	1.85
8	Stockholding Association for Leopalace21's Business Connection	5,706	1.73
9	GOLDMAN SACHS INTERNATIONAL	3,967	1.20
10	JP JPMSE LUX RE J.P. MORGAN SEC PLC EQ CO	3,859	1.17

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

Corporate Data (As of March 31, 2022)

Number of shares authorized:	750,000,000
Number of shares outstanding:	329,389,515
Number of shareholders:	50,972
Listing:	Prime Market of the Tokyo Stock Exchange
Administrator of shareholder registry:	Sumitomo Mitsui Trust Bank, Limited

Shareholder Composition (As of March 31, 2022)



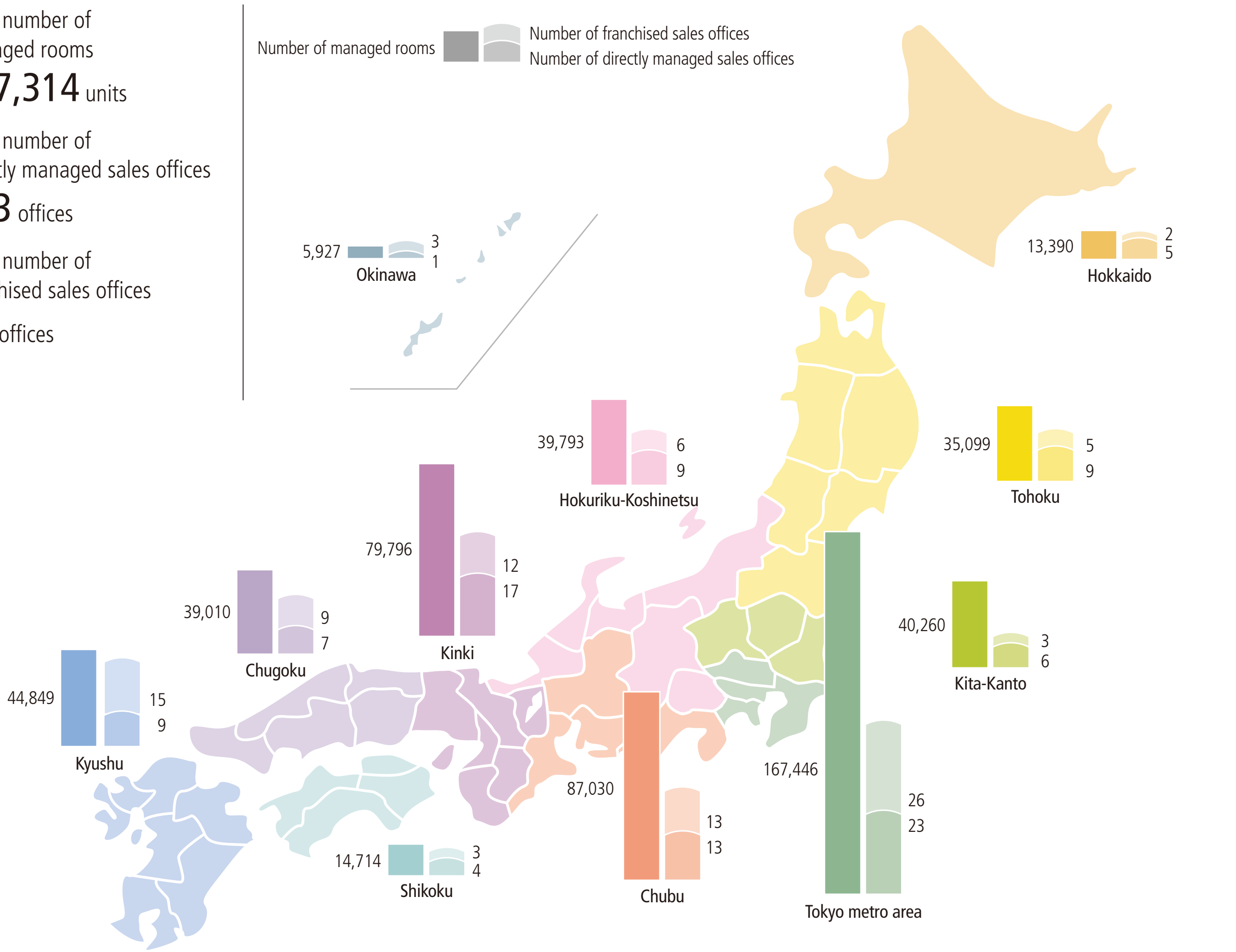
*Percentage figures have been adjusted.

Number of Apartment Rooms under Management and Domestic Leasing Sales Offices by Region
(As of March 31, 2022)

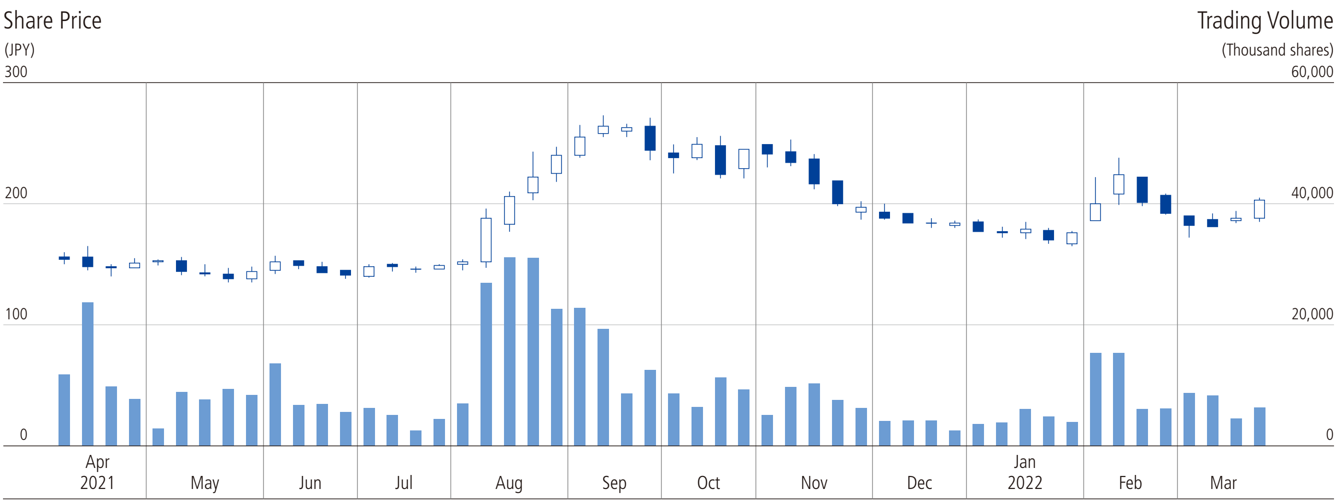
Total number of managed rooms
567,314 units

Total number of directly managed sales offices
103 offices

Total number of franchised sales offices
97 offices



Share Price and Trading Volume (As of March 31, 2022)



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