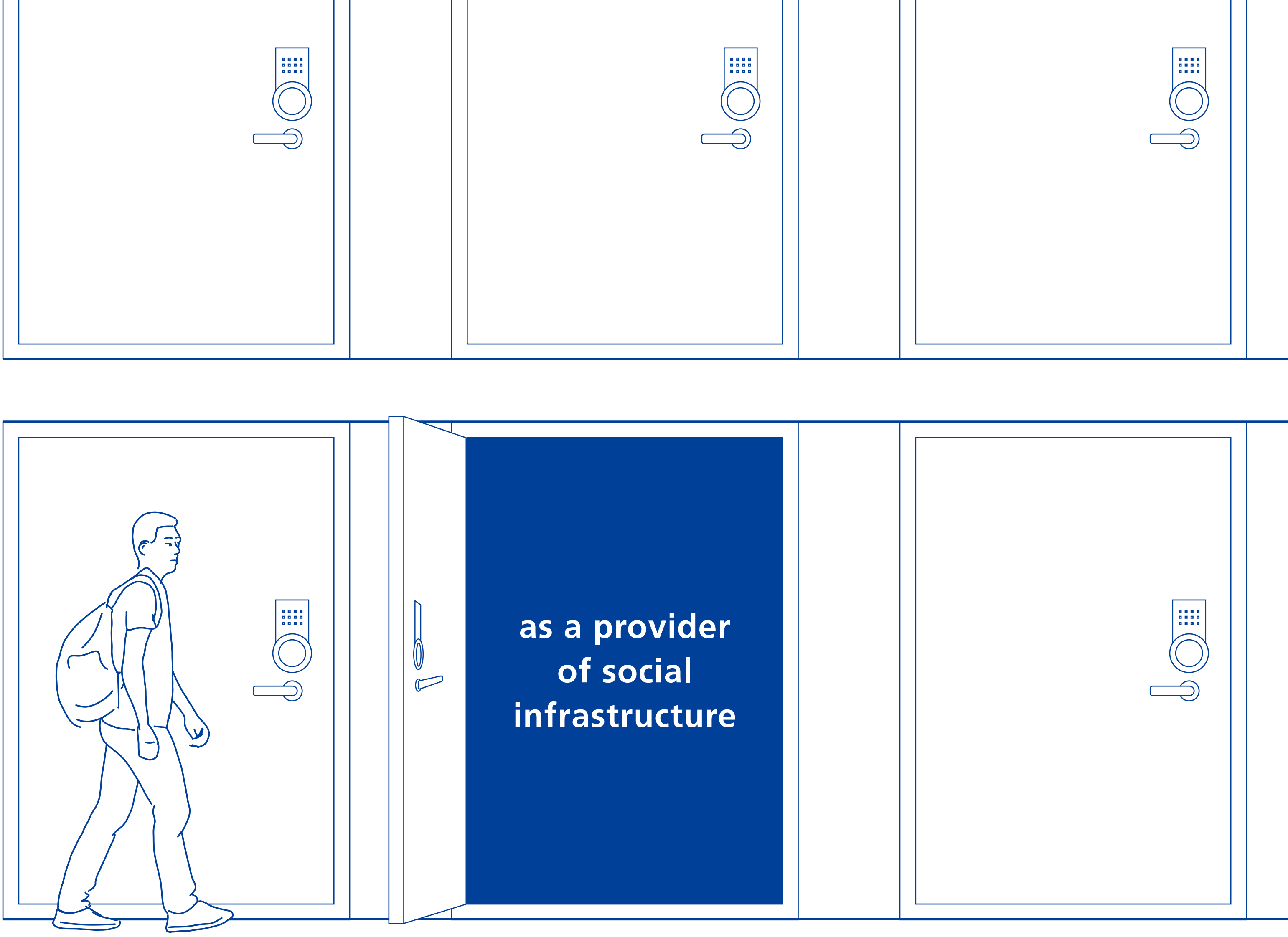


Leopalace21

Integrated Report 2021

For the fiscal year ended March 31, 2021

Leopalace21

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

1.
We keep a close eye on modern-day needs, and strive to create new value in our own unique way, through flexible thinking and dynamic, inclusive teamwork.

2.
We are only happy if our customers are happy. We are constantly working to improve our products, services and technologies and to grow as a company.

3.
We provide new value throughout society as a leading company within the industry, to help create a more comfortable and affluent society.

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, 2020 through March 31, 2021 (fiscal year 2020). 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 how we are working to swiftly resolve the construction defects problem, enhance our purpose (significance of existence) as a company that provides social infrastructure with 570,000 apartments around Japan, and create value. We hope this report helps readers gain a better understanding of the Company.

Long-Term Vision

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

Action Guidelines

"10 Promises" of Leopalace21 Group

1. We will broadly contribute to society through continuous reform and the creation of new value.
2. We will aim to be a reliable and admired company with emphasis on equal opportunities and fair business practices.
3. We will prioritize serving our customers, and listen closely to what they have to say and identify their needs.
4. We will continue to provide valuable products and services in a timely manner, through constant innovation.
5. We will create a comfortable working environment where employees can fully exercise their skills and respect individuality and sense of values.
6. We will create a corporate culture where change and challenge is valued, and independence is respected.
7. We will provide appropriate returns of our results through fair, transparent and healthy business operations.
8. We will continue to grow through accurate identification of environmental changes, reforming our business model in a timely manner.
9. We will contribute to the development of society and the economy, by committing to high ethical standards and complying with the law.
10. We will diligently protect the global environment, and contribute to a prosperous society through corporate activities with close ties to regional communities.

Reference Guidelines

- IIRC 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

First, I would like to express my sincerest gratitude to all of our stakeholders for your exceptional support.

Since assuming my role as President and CEO, I have given top priority to solving the problem of construction defects on our properties, and have been working on this with an unwavering determination. However, in the fiscal year ended March 31, 2021, the COVID-19 pandemic had a major impact on our operations leading to a sluggish occupancy rate. In order to make greater efforts to recover our business performance, we had no choice but to temporarily downscale our construction structure for addressing the construction defects. In addition, although we are progressing with the fundamental structural reforms set up in our business plan at the beginning of the said fiscal year, we deeply apologize that we have had a deficit for the third consecutive year.

Currently, we are continuing with fundamental structural reforms, promoting measures to improve our occupancy rate, and uncompromisingly reducing costs to return to operating profit in the fiscal year ending March 31, 2022. In addition, we have been steadily achieving the targets set out in the short-term repair work plans to fix construction defects.

At Leopalace21, we have social infrastructure for housing amounting to 570,000 managed units, which we have created together with 28,000 apartment owners. The apartment rooms are used as dormitories and company-provided housing by about 80% of Japan’s listed companies. Based on the awareness that we have a role in maintaining this social infrastructure, it is our raison d’être (significance of existence) and social mission to firmly protect and further develop our good track record. In order to fulfill that mission, it is important to both resolve the problem of construction defects as well as achieve the business turnaround.

Dialogue with all stakeholders is essential for solving the problem and recovering our business. Therefore, I sincerely hope that this integrated report will be a catalyst for dialogue with you all.

I deeply ask for your continued understanding and support for the management of Leopalace21.

President and CEO

Contents

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 buildings for up to 30 years

(before 1995, it was two to ten years)

Apartments

Budgeting maintenance and repair costs for a 30-year period

Tenants
Individuals (general)
Companies (dorms/company-leased housing)

Management of rental revenues for a 30-year period

Recruitment and management of tenants for a 30-year period

Leopalace21

Master-lease rents

Property owners

Payments of master lease rents are made to owners regardless of whether or not there are vacancies.
(Rents are reviewed every two years)

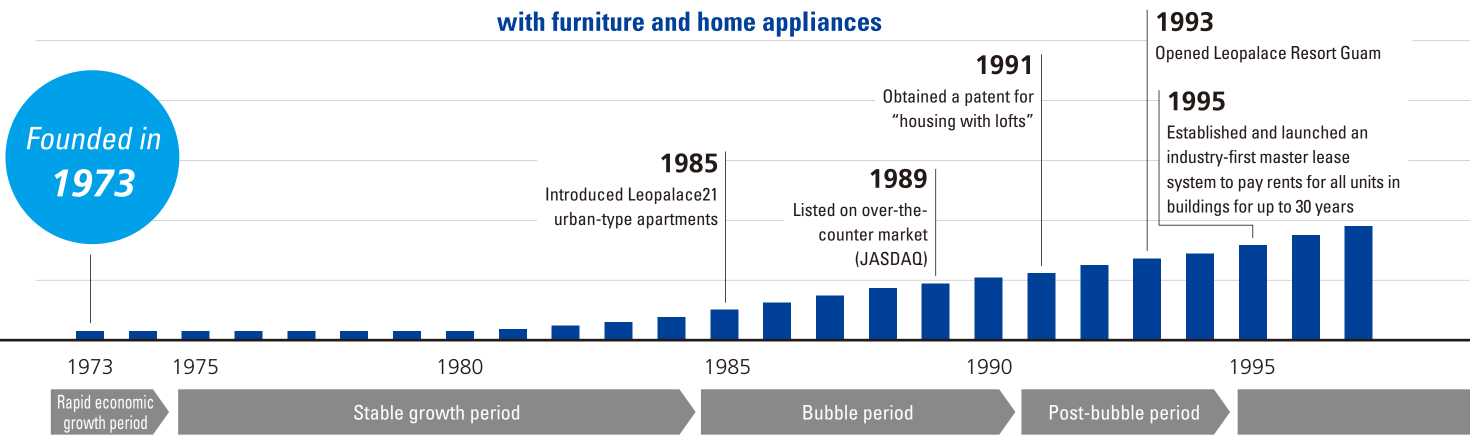
1999

▪ 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

2002

- Challenge/needs

Internet access & video streaming at home

- Value provided

Launched broadband business

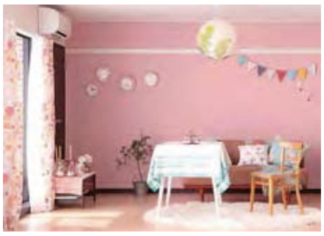
2012

- Challenge/needs

Rooms customized to tenants' preferences

- Value provided

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



2017

- Challenge/needs

Convenient housing

- Value provided

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

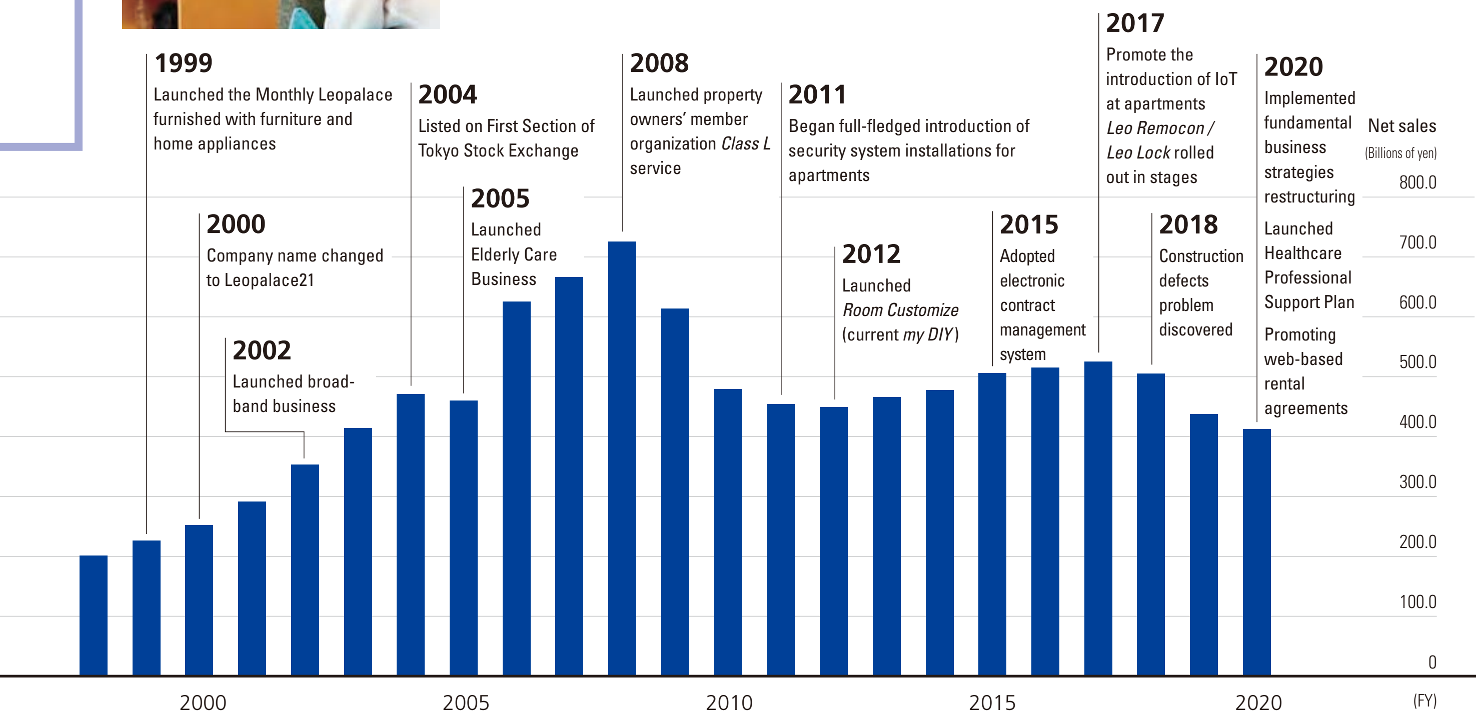
2020

- Challenge/needs

Contactless services for the post-COVID-19 era

- Value provided

Promoting web-based rental agreements



Economic uptrend period | Global recession period | Economic recovery period

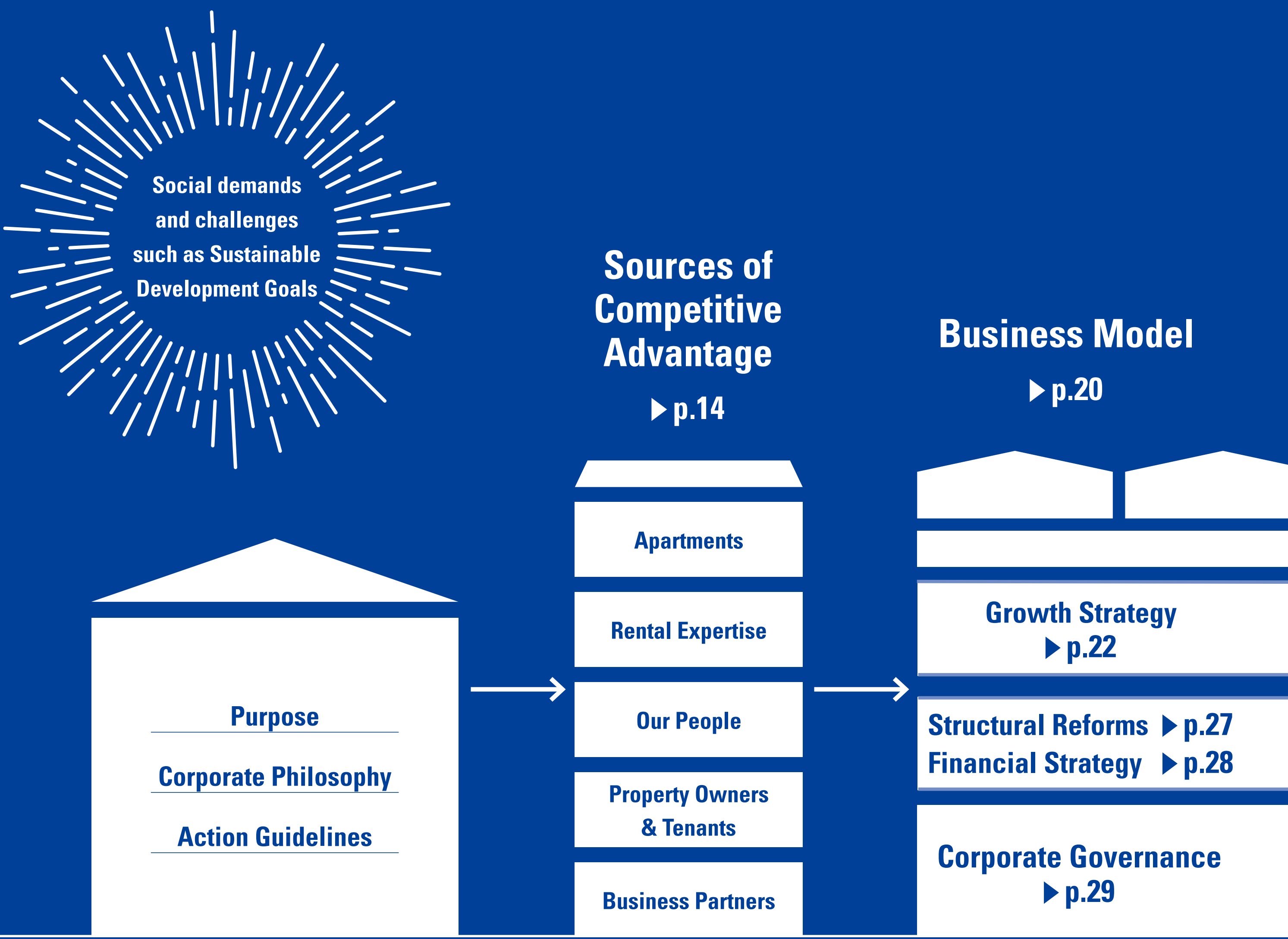
2008
Global financial crisis

2011
Great East Japan Earthquake

2020
Coronavirus disease (COVID-19) pandemic

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.



Materiality

▶ p.44

- Offer Rental Housing with Stable Operation
- Respond to New Lifestyles in Preparation for the Post-COVID-19 Society
- Maintain the Workable Corporate Governance System
- Strengthen Compliance
- Communication with Stakeholders
- Work-Style Reform and HR Development
- Respect for Human Rights
- Attention to the Environment

Long-Term Vision

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

Bunya Miyao, President and CEO

What is the Corporate Purpose of Leopalace21?

Due to the increasing trend of SDGs-related activities aimed at solving social issues, companies are required to clarify their corporate purpose, or raison d'être more than ever before.

Leopalace21 manages and operates approximately 570,000 rental housing units nationwide, mainly in the three major metropolitan areas, mostly targeting single-person households. Based on this, we believe that our corporate purpose is to provide high-quality housing as the basis of safe and secure living for about 20 million single-person households in our society.

In 1999, we started offering *Monthly Leopalace* with convenient furniture and home appliances for temporary use. By expanding rental housing equipped with furniture and home appliances as basic equipment necessary for living to a scale of 570,000 units nationwide, I believe we play a major role in facilitating the relocation of single-person households from an ecological perspective. Meanwhile, we adopted a 30-year master lease system to support the construction, management, and operation of apartments. I also believe it's valuable that we have offered an option of managing apartment to property owners who are worried about how to handle inheritance taxes and asset inheritance.

We will continue to provide high-quality housing as the basis of safe and secure living under a business model that benefits both tenants and property owners.

Our Efforts to Address Construction Defects in Fiscal Year 2020

It has now been two years since I assumed a role as President and CEO. Looking back on the resolution of the construction defects problem, which has been a top priority since my taking office, our investigations of all properties were mostly completed in October 2019. After that, we have been proceeding with repair work, which we have prioritized since the problem became apparent. However, over the same period, our occupancy rate declined and business performance deteriorated, causing us great financial damage. To ensure the survival of the Company, we therefore decided to carry out subsequent repairs while proceeding with the rebuilding of our main business. For this reason, we have downscaled our construction structure since July 2020.

During the four months between September and December 2020, the COVID-19 pandemic impacted our construction work. Despite this, however, we were able to complete the repair works of 2,183 units, whereas our repair target during the period was about 2,000 units. In the following six months from January to June 2021, 6,002 units were completed (as of the end of June 2021), compared to the approximately 6,000 units targeted for repair work during that period.

Fiscal Year 2020 Earnings

The COVID-19 pandemic made fiscal year 2020 a tough year. Due to restrictions placed on human movement, such as two emergency declarations issued mainly in the Tokyo metropolitan area due to COVID-19, it was extremely difficult to acquire new tenants. By customer type, our mainstay corporate customers showed a decrease in personnel transfers, in the number of new graduates hired, and in usage needs due to the cancellation of business trips and training. With respect to individuals and students, we saw decreased demand from students due to the spread of online classes at universities. Foreign customers were restricted from entering the country due to COVID-19 border protection measures, and the number of new immigrants also decreased, impacting demand. According to our analysis, average occupancy rate for the fiscal year ended March 31, 2021 dropped by about 4.85% due to the impact of these factors.

In response to this, in addition to promoting web-based customer service and web-based contract signing, we have been promoting external sales in collaboration with real estate agents. However, the occupancy rate continued to decline, and our average occupancy rate during the fiscal year was 78.89% (the previous year's result was 80.78%).

As a result, in fiscal year 2020, we had net sales of JPY 408.9 billion, an operating loss of JPY 29.1 billion, and a net loss attributable to shareholders of the parent of JPY 23.6 billion. Fiscal year 2021 is anticipated to be a difficult year for our business environment on the whole, and we are implementing even more drastic business structural reforms.

The Progress of Our Business Structural Reforms in Fiscal Year 2020

In fiscal year 2020, we carried out business structural reforms centered on selective concentration. As the basic strategy of this approach, we are shifting from a conventional business diversification strategy to a profitability focus strategy centered on the Leasing Business.

Specifically, in order to optimize our workforce, we have implemented the company-wide voluntary retirement program for the first time since the Company was founded. 1,067 people applied for the voluntary retirement program, and in addition, by revising our benefits package, etc., our annual labor cost has been reduced by about JPY 8.6 billion. We also transferred or withdrew from non-core and unprofitable businesses, withdrew from the hotel business in Japan, transferred 17 residences for rent, transferred subsidiary Enplus Inc. which was engaged in the relocation management business and SA (serviced apartment) business, and liquidated WING MATE CO., LTD. In our overseas business, we transferred a local subsidiary in Vietnam as well as the SA business owned by a local subsidiary in Thailand.

Furthermore, as a result of promoting sales of investment securities, we have reduced our cross-held shares to zero. In addition, we have eliminated the positions of counselor and advisor and shareholder special benefits. Regarding the resort business in Guam that was subject to sale, traffic to Guam has been restricted due to the impact of COVID-19, but we will continue with the withdrawal plan in anticipation of the end of the pandemic.

We are shifting from a business diversification strategy to a profitability focus strategy centered on the Leasing Business.

Financial Strategy

In November 2020, we raised funds from the Fortress Investment Group (FIG) as part of our financial strategy, as we faced a difficult financial situation in which we were concerned about capital deficit due to poor performance stemming from construction defects.

The total amount of funds raised was JPY 57.2 billion, which is broken down to a capital increase of approximately JPY 12 billion through third-party allocation, issuance of preferred stock of Leopalace Power Corporation, a consolidated subsidiary of the Company, of approximately JPY 15 billion, and loans with stock acquisition rights of approximately JPY 30.2 billion. As a result of this funding, FIG's affiliate, Chidori Godo Kaisha, has become a 25% stakeholder. The funds procured are being used for repair work costs, and was used for repayment of subsidiaries' borrowings and as corporate bond redemption funds.

Net assets at the end of the fiscal year were JPY 3.2 billion including financing during the year. However, as a result of funding by subsidiaries issuing preferred stock being recorded as non-controlling interests, under the criteria of the Tokyo Stock Exchange which deducts non-controlling interests from net assets, we currently have an excess debt of JPY 8.1 billion.

In addition, as part of our financial strategy for fiscal year 2021, we changed the total number of authorized shares in June of this year and reduced our capital (share capital reduction) in August.

Regarding the change to our total authorized shares, if the number of potential shares of stock acquisition rights were added to our current number of issued shares, the total number would reach 98% of our 500 million authorized shares, so we raised the total number of authorized shares to 750 million. We believe that this increase will enable flexible financing in the future. Additionally, in our share capital reduction, 81.1 billion yen of our capital stock of 81.2 billion yen was reduced by transfer to capital surplus, the total of which is now 100 million yen.

Due to our difficult financial situation, we raised funds in November 2020 as part of our financial strategy.

Fiscal Year 2021 Business Outlook

For fiscal year 2021, with improvement of occupancy rate towards reconstruction and recovery of business performance as our highest priority, we will promote countermeasures focusing on three pillars: (1) Promotion of area-based strategy, (2) Recovery of room usage balance by corporate clients (intensified connections with existing customers), and (3) Stronger relationships with real estate agents.

With respect to (1) Promotion of area-based strategy, the whole country is divided into seven areas, and one manager, who is equivalent to the CEO there, is assigned to each area. The area manager aims to improve the occupancy rate with the optimal area strategy such as the setting of rent and promotion based on the characteristics of the corresponding area. At the same time, each area manager controls the income and expenditures of the properties in the area for which they are in charge and improves both sales and profits, working to improve both occupancy rates and earnings for our properties.

Regarding (2) Recovery of remaining room usage by corporate clients (intensified connections with existing customers), we will shift from acquiring new customers to expanding the number of our rooms used by existing customers. For corporate clients that are worried about construction defects, we will explain the safety of properties which have been confirmed through combustion experiments, formulate and promote sales strategies for each corporate client, and expand sales activity by top managers themselves.

Furthermore, for (3) Stronger relationships with real estate agents, the ratio of rental contracts through agents which was only 10% in the past, has been significantly increased by utilizing agents referred to by Village House under FIG. By proceeding simultaneously along with the elimination and consolidation of directly managed leasing sales offices, we will optimize contract costs and expand contract opportunities. We have achieved results to a certain extent: the occupancy rate at the beginning of the fiscal year, which used to be lower compared to March at the end of the previous fiscal year, remained almost unchanged from April to August 2021.

Through these measures, we aim to raise the year-end occupancy rate for the fiscal year ending March 2022 to 85.92% (81.72% at the end of the previous fiscal year) and the average occupancy rate to 81.65% (78.89% over the previous year). We are planning to return to profitability on an operating income basis with net sales of JPY 402.9 billion and operating income of JPY 2.0 billion.

New Reforms in Fiscal Year 2021

Based on the business structural reforms centered on selective concentration carried out in fiscal year 2020, in fiscal 2021 we will work on reforms in the two main areas: thorough and rigorous cost reviews by our in-house task force and negotiations on reviewing rents payable to apartment owners in accordance with the master lease contracts.

Our in-house task force was launched in April 2021, the members of which were selected from each business division. Its role is to review each and every cost item one by one, thoroughly manage costs, and strengthen our profitability.

On the other hand, in response to the new subleasing law that came into effect in December 2020, we began to review the rents, which had been frozen at least since the problem of construction defects were discovered. In cases where there is a discrepancy with surrounding rent markets while looking at actual circumstances such as the economic situation and the age of property, we are reviewing the master-lease rents based on the respective contracts with the owners. We have begun to explain and negotiate how to update the master-lease rents, first with the owners whose fixed rents are about to be revised starting from April 2021.

When this is combined with the reduction of costs and selling, general and administrative (SG&A) expenses by our in-house task force, we anticipate a cost reduction effect of JPY 37.1 billion compared to fiscal year 2020.

We will promote thorough and rigorous cost reviews by our in-house task force and the negotiations on reviewing master-lease rents for apartment owners.

Strengthening Governance and Compliance, Including Recurrence Prevention

Our aim is to recover business performance by promoting fundamental business structural reforms, but we believe it is also very important to prevent the recurrence of construction defects that led to the deterioration of our business performance. For this reason, we are working to strengthen governance and raise compliance awareness of our employees.

First, in terms of corporate governance, the majority of the Board of Directors is comprised of outside directors. Three internal directors and five outside directors are appointed (three of whom are independent outside directors). In addition, we are strengthening and monitoring the functions of the Board of Directors, mainly through the operation of the Nomination and Compensation Committee by four outside directors and the President and CEO, and evaluation of the effectiveness of the Board of Directors and the Audit & Supervisory Board. Furthermore, regarding our risk management system, we have established a system to thoroughly manage potential risks. Out of 50 items of recurrence prevention measures, 44 items have been completed, and we are continuing to work on the remaining six items.

On the other hand, regarding raising awareness of compliance, we have set “Compliance First” as one measure to prevent a recurrence, and have established a Compliance Management Headquarters as one of the four headquarters that constitute the corporate structure. May 29th of every year has been designated as *Change Day 5.29*. On May 29, 2020, our second observing the regrettable anniversary, we conducted an employee awareness survey "*Change Day 5.29* Recurrence Prevention Questionnaire" motivated by Change Day, and I sent employees a message from the CEO on the Company intranet. We will continue to raise awareness while positioning May 29 as the day to pledge to prevent a recurrence. In addition, we are now able to get a good idea of the results of our awareness-raising efforts from the "Awareness Survey on Daily Work" conducted for all employees. Owing to the efforts, violations of laws and regulations and harassment cases have decreased, and workplace atmosphere has become more transparent and open.

For Our Stakeholders

Our business model would not be possible without partnerships with apartment owners. We may make requests that do not meet their expectations as we work toward the reconstruction, but we are making every effort to establish a win-win relationship over the long term, and we humbly request their understanding. As for employees, we will definitely reward their contributions to the recovery of business performance once it is complete, and we request their continued efforts.

We have caused a great deal of inconvenience to our shareholders, such as a slump in stock prices and ongoing non-payment of dividends. However, the social significance of our Company and the social value we are creating will surely lead to economic value, so their continued patience until our business performance recovers will be highly appreciated.

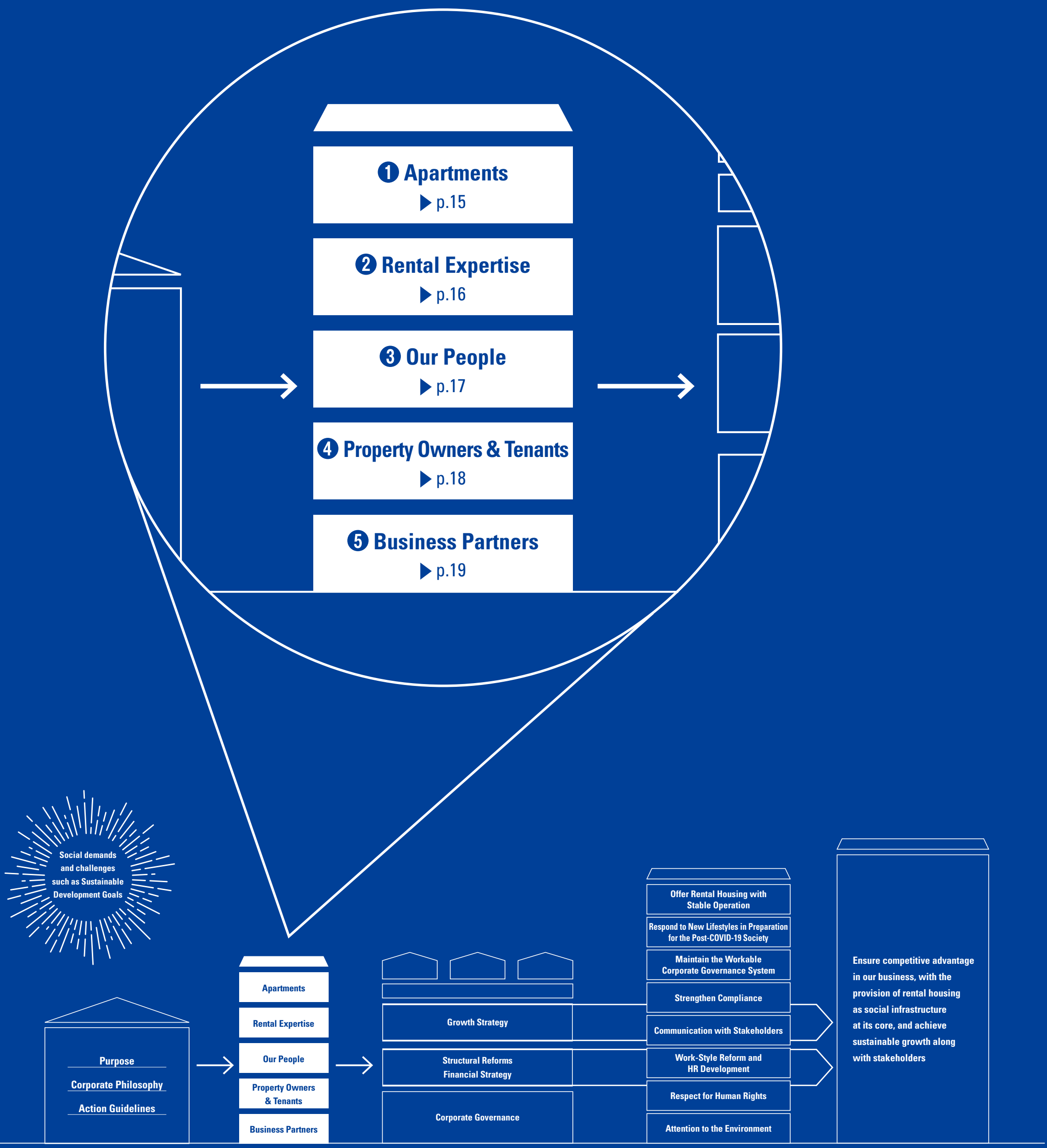
Even amid the current difficult situation, there are some positive signs such as the recovery of our occupancy rate. We sincerely ask for the continued understanding and support of all of our stakeholders for the Company's management.

Bunya Miyao
President and CEO
September 2021

Source of Competitive Advantage

The Competitive Advantage of Leopalace21

Leopalace21 possesses capital with competitive advantage, such as 570,000 units under management, over forty years of accumulated rental expertise, talent with flexible mindsets, and partnerships with property owners and business partners.

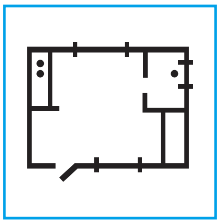


Source of Competitive Advantage 1

Apartments

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

Specialized in **studio apartments with 570,000 units nationwide**



Homogeneous floor plans as a stable service

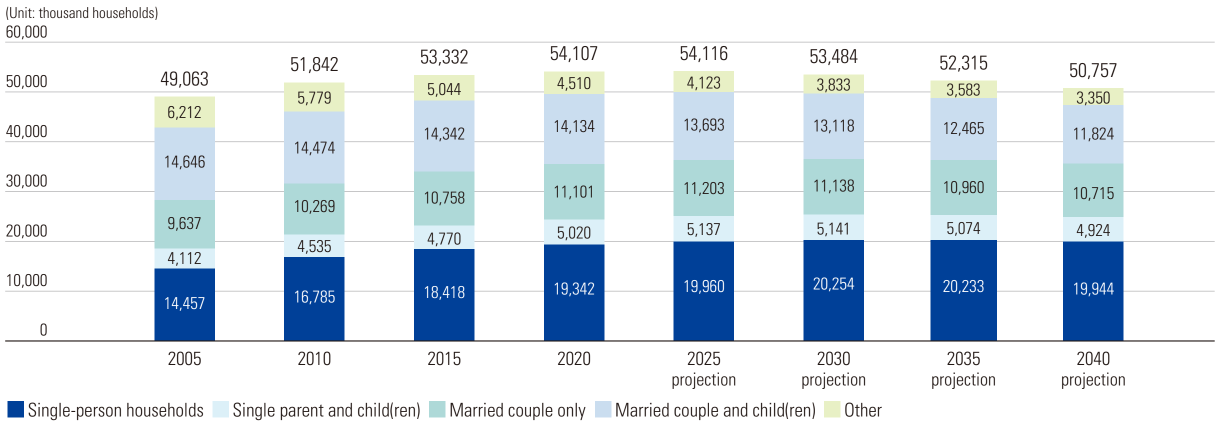
Equipped with **furniture**, **home appliances**, and **internet** in principle

approx. 270,000 units are used by corporate tenants

approx. 80% **of listed companies** use units as **dorms or company-leased housing**

While the Japanese population as a whole is in decline, single-person households are forecast to increase in future

Number of private households by family type



Source: Household projections for Japan (2018) by the National Institute of Population and Social Security Research

Source of Competitive Advantage 2

Rental Expertise

Unparalleled and original rental expertise upgraded in accordance with changing times

Innovative products & services

- Units equipped with furniture and home appliances: approx. 95%
- Units equipped with internet: approx. 98%
- Installation of *Leo Lock* among eligible units (eligible units are those completed since October 2017): 100%
- Total *my DIY* cases: approx. 50,000

Note: *Leo Lock* is an electronic key that enables locking/unlocking and confirmation via smartphone

Note: *my DIY* is a service that allows tenants to change one surface of wallpaper for free

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
- Buildings with security cameras: approx. 15,000
- Directly managed leasing sales offices: 111
- Monthly cleaning visits: 4
- Periodic property inspections: 1 per year
- Contracts through corporate housing services: 220 companies; approx. 79,000 units

Tenant matching capabilities that leverage cutting-edge technology

- Total online customer service cases (online viewings, interviews): approx. 16,000
- Total number of web-based contracts: 17,000
- AI property search (automatic proposal of properties)
- Proportion of corporate contracts using *Leo-sign* (electronic contract management system): 39%

Note: The AI property search imports room search requests and automatically distributes property information that meet preferences

*As of the end of June 2021

Source of Competitive Advantage ❸

Our People

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

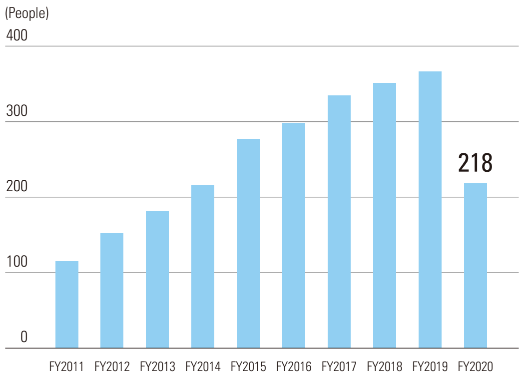
Shifting the focus from new graduates to mid-career recruitment

Proportion of mid-career hires in the fiscal year ended March 31, 2016:	→	Proportion of mid-career hires in the fiscal year ended March 31, 2021:
54.0%		**94.2%**

Ever since launching Leopalace21 urban-type apartments, which were revolutionary at the time in 1985, we have provided novel products and services, such as short-stay plans and apartments equipped with furniture and home appliances. With a master lease system to pay rents for all units in buildings for up to 30 years, we have established a business model that provides a one-stop service handling everything from apartment construction to lease management. It was the employees who contributed the business model creation and execution by their understanding of our strengths through experiences that they built up since joining the Company as new graduates. Recently, we have been shifting the focus from new graduates to mid-career hires in our recruiting in response to our transition to a business portfolio centered on the Leasing Business. By promoting mid-career hiring, we will increase the diversity of our people and enhance our ability to generate innovation by utilizing a variety of ideas, concepts, skills, and knowledge.

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 our 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. In order to secure the diverse talent needed to achieve this, we have been proactively recruiting foreign national employees. As of the end of March 2021, we employ 218 foreign nationals, which is a decrease on last year due to the transfer and liquidation of subsidiaries related to the International Business. While most of our businesses focus on domestic demand, we will continue to employ a certain number of foreign national employees in order to ensure diversity and address customer needs.

Source of Competitive Advantage ④

Property Owners & Tenants

Sharing goals with property owners

Bringing comfort and peace of mind to tenants

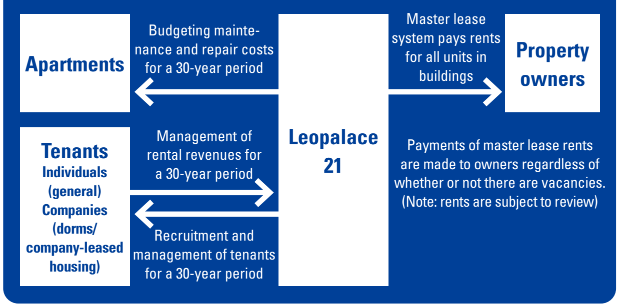
In partnership with 28,000 property owners throughout Japan

Our rental apartment management is an ultra-long-term land use project. Relationships of trust with property owners are crucial to ensure smooth project management.

Nationwide rollout centered on master lease to pay rents for all units in buildings for up to 30 years

We have established a subleasing business model whereby apartments are built on landowners' land, we lease the constructed apartments for 30 years and rent them out to customers, and we pay the property owners (landowners) rent for 30 years.

Master lease system to pay rents for all units in buildings for up to 30 years



Class L Operation

We previously ran *Class L* as a voluntary membership organization for property owners and provided various services, but in April 2021 we waived annual fees and upgraded it to an organization for all of our property owners. By offering a wide range of services to enhance the lives of property owners, we provide a satisfying service lineup for both property owners and their families as a partner that supports the life stages of property owners.

Dialogue with customers through "Customer's Voice"

We distribute an article of "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 as well as improving the quality of customer service at leasing sales offices, by sharing customers' feedback throughout the Company. The article announces the winners of Outstanding Customer Service Award (individual/ leasing sales office), 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, and the moth's Spotlight Award while containing tips for improvement and real customers' feedback.

Corporate customer's voice

Going forward, I have high hopes for products that meet a wide variety of needs, such as more properties and properties that allow pets.

Our company has a lot of staff transfers, and many of our employees are single, so a high percentage of our workforce lives in company-leased housing. Our partnership with Leopalace21 goes back for quite some time. We find it very helpful how Leopalace21 reduces our expenses, makes speedy bulk proposals for the arrangement of rooms for our new graduate intake in April, and how their staff are swift and flexible in their work. I also get the impression that the company is very thorough in handling compliance issues when handing over keys in particular.

However, I do think we would be able to use Leopalace21's services even more in future if they had products that meet a wide variety of needs, such as more properties and properties that allow pets, in order to eliminate mismatches with demand.

KUSURI NO AOKI Co., Ltd.
General Manager,
General Affairs Department
Mr. Daisuke Hasegawa

Source of Competitive Advantage ❺

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. 550

Number of cleaning visit partners:

approx. 100

Number of house cleaning partners:

approx. 80

Number of property maintenance partners:

approx. 1,050

Supplier's voice

Let us, a business partners and Leopalace21 come together to work as one.

Our relationship with Leopalace21 goes back around 25 years, and is primarily centered around maintenance work. We cover the Kanto, Chubu, and part of the Kyushu regions, so I imagine we are one of top companies in terms of the number of properties we handle. In various initiatives, we have been able to help establish maintenance services through mutual exchange of opinions. We are reassured by our stable relationship with Leopalace21, and their vendor-friendly system puts our mind at ease. We are ready to give our all as a business partner, so let us work together as one.

JESS Co., Ltd.
President and Representative Director
Mr. Takashi Matsumura

We will work on property management while seeing ourselves as “apartment concierge.”

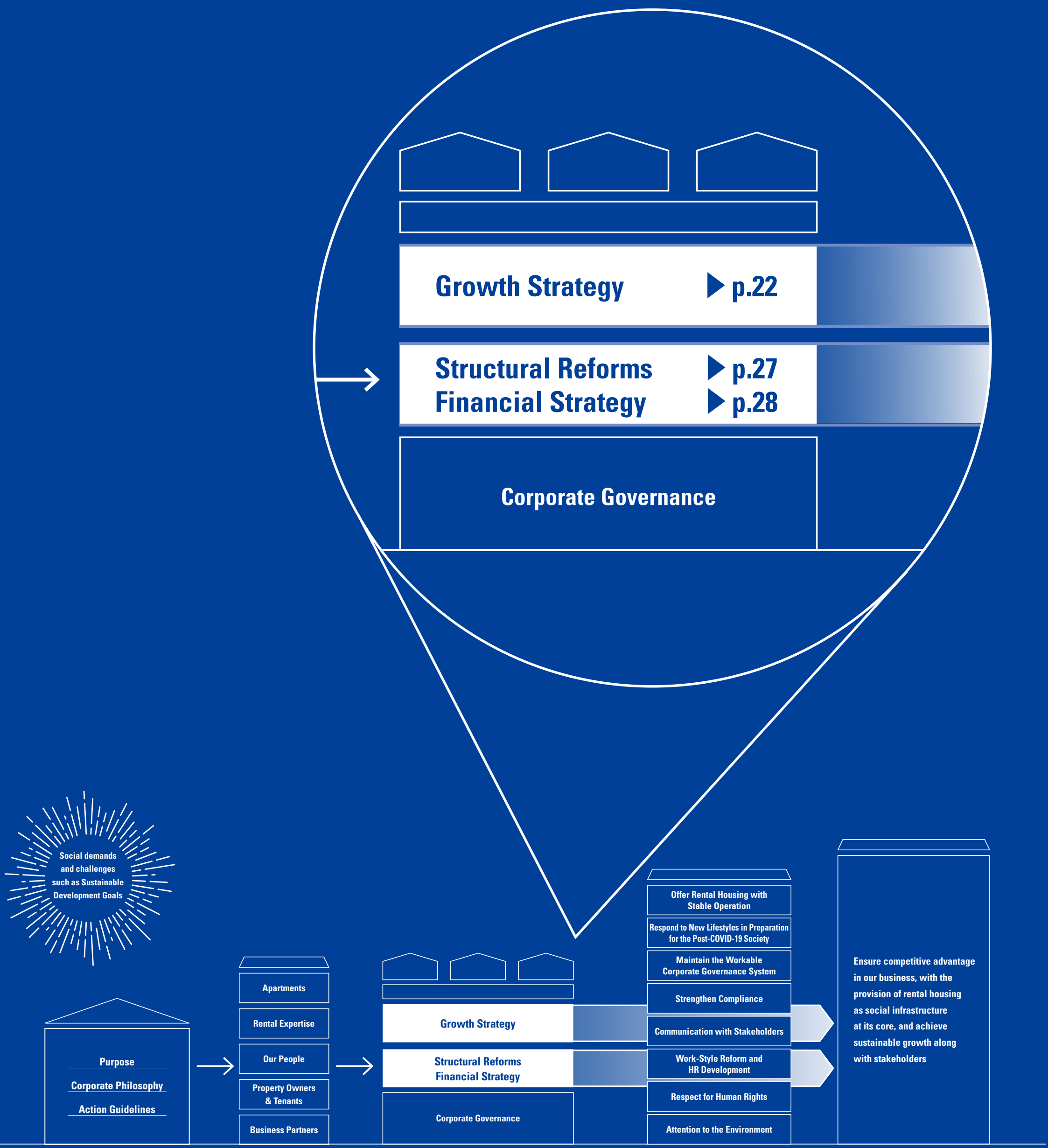
We have been engaged in cleaning the common areas of Leopalace21 properties ever since the company started its apartment business. We make sure to be careful in our work in order to ensure that a wonderful living environment is provided to tenants and that property owners can entrust their valuable assets with peace of mind. Through regular skills training and meetings with Leopalace21 staff, we are committed to developing human resources who can sincerely respond to customer expectations. Going forward, we will continue to see ourselves as “apartment concierge” and work on property management in partnership with Leopalace21.

MCS Co., Ltd.
Representative Director
Ms. Michiyo Endo

Business Model

About Leopalace21's Business Model

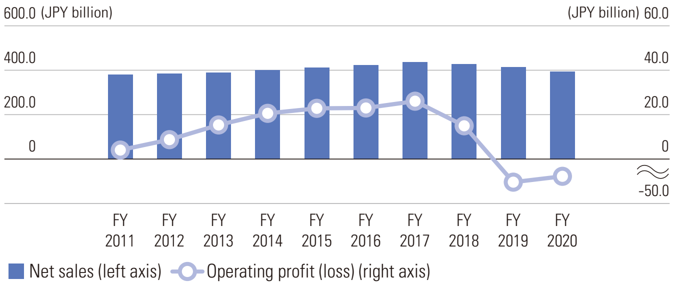
With rental expertise as our core competence, we have established an original business model that integrates the core Leasing Business with the strategic Elderly Care Business.



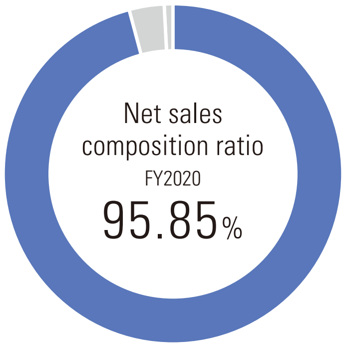
Business at a Glance

Core Business (Leasing Business)

Net Sales and Operating Profit

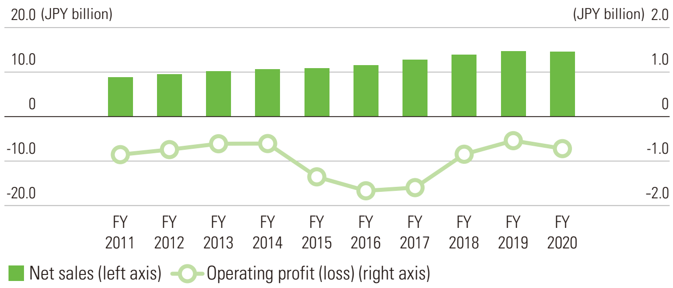


*Figures for FY2016 (ended March 2017), FY2017 (ended March 2018), and FY2018 (ended March 2019) reflect the change in segments to combine the Hotels, Resort & Other Businesses
*Figures for FY2019 (ended March 2020) onward reflect the change in segments to combine the Leasing Business and Development Business

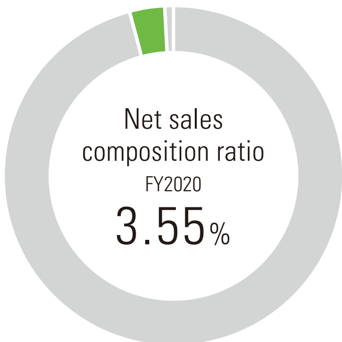


Strategic Business (Elderly Care Business)

Net Sales and Operating Profit

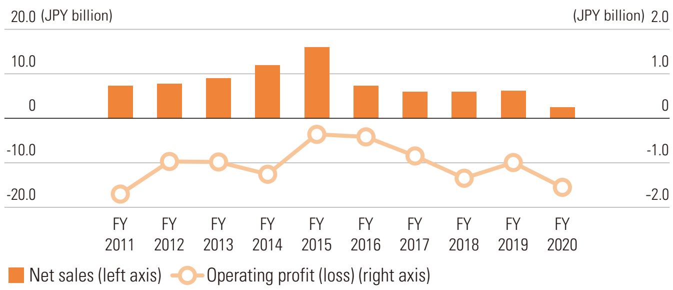


*Figures for FY2016 (ended March 2017), FY2017 (ended March 2018), and FY2018 (ended March 2019) reflect the change in segments to combine the Hotels, Resort & Other Businesses
*Figures for FY2019 (ended March 2020) onward reflect the change in segments to combine the Leasing Business and Development Business

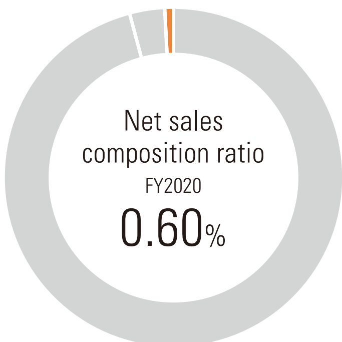


Non-Core Businesses (Other Businesses)

Net Sales and Operating Profit



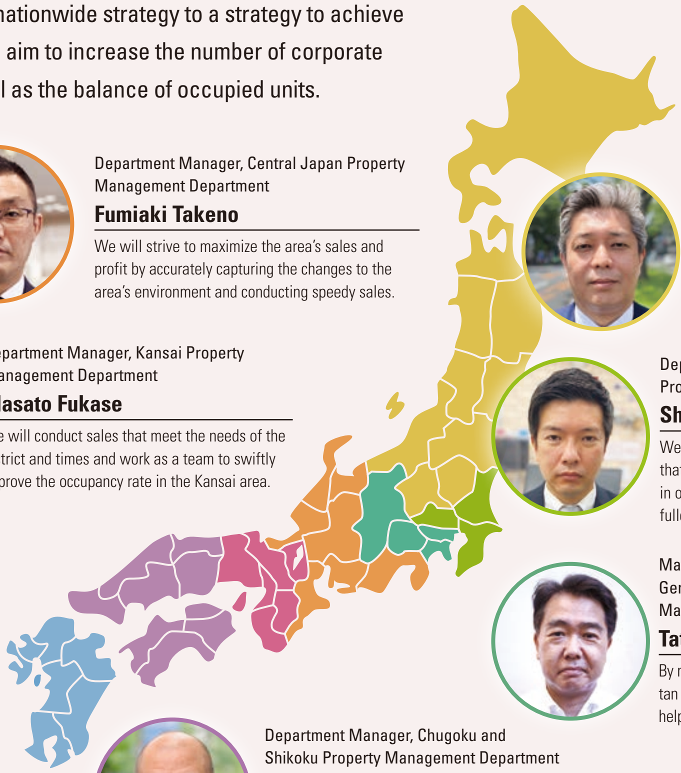
*Figures for FY2016 (ended March 2017), FY2017 (ended March 2018), and FY2018 (ended March 2019) reflect the change in segments to combine the Hotels, Resort & Other Businesses
*Figures for FY2019 (ended March 2020) onward reflect the change in segments to combine the Leasing Business and Development Business



Growth Strategy: Securing Stable Occupancy Rates

Measures to Boost Occupancy Rates (1) Area Intensive Strategy

We will switch from a uniform nationwide strategy to a strategy to achieve optimal sales in each area, and aim to increase the number of corporate and individual contracts as well as the balance of occupied units.



Department Manager, Central Japan Property Management Department
Fumiaki Takeno

We will strive to maximize the area's sales and profit by accurately capturing the changes to the area's environment and conducting speedy sales.

Department Manager, East Japan Property Management Department
Yoshimori Ishizuka

We will speedily respond to analysis of each district and information to boost profits and use community-based outreach to create fans of Leopalace21.

Department Manager, Kansai Property Management Department
Masato Fukase

We will conduct sales that meet the needs of the district and times and work as a team to swiftly improve the occupancy rate in the Kansai area.

Department Manager, Tokyo Metropolitan 2nd Property Management Department
Shinya Fukumitsu

We will formulate strategies and implement measures that address the distinctive characteristics of the district in order to bring out the potential of the area to the fullest, and work on improving sales, cost, and profit.

Department Manager, Kyushu Property Management Department
Kazuhiro Hayashi

We will advance with a goal-oriented mindset, not allowing ourselves to be distracted in order to ensure the success of the project.

Managing Executive Officer
General Manager, Tokyo Metropolitan 1st Property Management Department
Tatsuya Sasaki

By maximizing the property profits of the Tokyo metropolitan area, which has a large number of customers, we will help boost the performance of the Company as a whole.

Department Manager, Chugoku and Shikoku Property Management Department
Yuji Hirahara

We will speedily enact measures that meet the needs of the district based on area analysis, capture demand, and provide value to customers.

Appointment of area managers

Divide the country into seven areas, and appoint an area manager who is responsible for strategy in each area

Up until now, we had executed a uniform, nationwide sales strategy, but we have decided to split the country into seven areas based on the belief that executing detailed strategies that meet the circumstances of each area will be an effective way of boosting occupancy rates. We reformed our system to appoint area managers, who will function as a CEO of each area. These managers will be responsible for strategies that leverage the unique characteristics of each area.

Area strategies and promotions

Implement strategies and promotions that meet the unique characteristics of each area

The characteristics and needs of tenants differ by area. We will therefore work to ensure optimal performance by implementing the necessary strategies and promotions to the target in each area. The crux of the new strategy is moving away from Headquarters-led operation to enable each area to work with speed on deciding how to interact with customers, collect information, and put it into action.

Sales, cost, and profit management for each area

Implement sales, cost, and profit management for each area, and work to improve profitability with an independent profitability approach

In addition to executing sales strategies that meet the unique characteristics of each area, management of sales, cost, and profit will also be conducted by each area. The area managers will also be responsible for deciding how to improve profit, including management costs such as restoring a property to its original state and cleaning, and will work to raise the overall level of earnings by boosting occupancy rates with an eye to enhancing net sales and profit.

Measures to Boost Occupancy Rates

(2) Deepen Relationships with Existing Corporate Customers

We will aim to uncover demand from corporate clients and secure recovery in the balance of occupied units by promoting top-level sales, implementing strategies for each corporate customer, and strengthening ties with company housing agencies.

Message from Corporate Sales Department Manager

Radically Reforming the Conventional Approach

We will be executing a strategy to radically reform our conventional approach. Returning to where we started, we will team up with planning and sales departments to roll out top-level sales and other individual measures that meet the needs of each customer.

In order to recover the trust lost due to the construction defects problem, we will strengthen communication in addition to establishing a status as the "brains of company-leased housing strategy" and boost company-leased housing share of Leopalace21 and achieve an increase the balance of occupied rooms.

Department Manager,
Corporate Sales Department
Department Manager,
Corporate Sales Planning
Department (concurrent post)

Naomichi Mochida

Implement top-level sales

Aim to secure a status as the "brains of company-leased housing strategy"

Under our corporate client sales strategy, we will promote top-level sales by the management team and strengthen the connection with our customers. In order to return to where we started and become the "brains of company-leased housing strategy," we will establish a win-win relationship with customers while solving the issues they face.

Formulate and promote strategies for each corporate customer

Aim to encourage room use by devising and promoting strategies that meet the unique characteristics and needs of customers

We had previously used a uniform strategy for corporate clients. We will change to an approach where we perform an in-depth analysis of customer industry type, area, and characteristics and devise strategies for individual corporate customers as with area intensive strategy, that address the issues and needs of each customer to build a win-win relationship.

Strengthen ties with company housing agencies

Shift from a fully in-house system to a strategy of collaboration with company housing agencies

Up until now, we have carried out sales activities while keeping everything in house. In order to pioneer new fields, we will collaborate with agents to promote the use of rooms among companies with which we do not yet have business. We aim to further increase the number of contracts by reinforcing our relationships.

Growth Strategy: Securing Stable Occupancy Rates

Measures to Boost Occupancy Rates (3) Strengthen Ties with Real Estate Agents for Individual Customers

We will strengthen ties with real estate agents to uncover potential customer segments spread across the country.
Through this measure, we will aim to facilitate growth in the number of contracts for individuals.

Partnership and collaboration with Fortress's subsidiary

Partner and collaborate with Village House, a rental housing management company under the umbrella of Fortress, to strengthen sales activities to real estate agents who offer properties

As part of measures to boost occupancy rates, we will partner and collaborate with rental housing management company Village House, which is a subsidiary of the Fortress Investment Group from which we procured funds. Village House manages low-cost rental housing throughout Japan, and has a network of approximately 3,800 stores run by partner real estate agents. Until now, we have responded to requests for housing through directly operated leasing sales offices as well as approximately 3,000 partner real estate agents, but the focus was on directly operated leasing sales offices. By making offerings of our properties possible through Village House partner stores through the start of this collaboration, we can expect to expand the range of our potential customer base and, as a result, growth in the number of contracts.

Number of contracts with real estate agents:

7,646

approx. 40%

YoY growth

Note: Based on results for Q1 of the fiscal year ending March 2022

Securing More Foreign National Customers and Services for Foreign National Workers

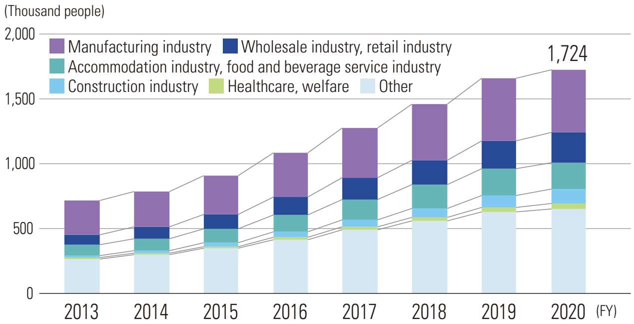
We have been focusing on the growing demand from foreign national customers, such as the international students and foreign national workers who are increasing in number every year, and are working to strengthen our measures to gain customers from this customer segment.

Efforts to secure foreign national customers (1)

Labor shortages mean that the number of foreign national workers will continue to grow

The number of international students is experiencing overall yearly growth, and while the COVID-19 pandemic led to a slight stagnation in FY2020 in the number of foreign national workers to address domestic labor shortages, their number is on the rise. In light of these trends, we expect that rental demand from foreign customers will remain firm.

Number of foreign national workers

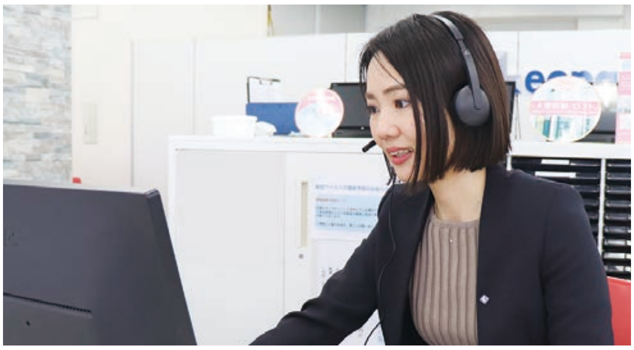


*Status of reporting on the employment of foreign workers by employers (as of October 31, 2020), Ministry of Health, Labour and Welfare

Efforts to secure foreign national customers (2)

Multilingual rental website and enabled rental agreements signed without having to meet face-to-face

Demand from foreign national customers is growing, and their nationalities are becoming increasingly diverse. On our rental website for tenants, property display and search can be performed in five languages, including English and Chinese, and we have established a system that allows tenants to sign rental agreements with peace of mind without having to meet face-to-face before they arrive in Japan.



Growth Strategy: Providing Housing as Social Infrastructure

Post-COVID-19 Strategy

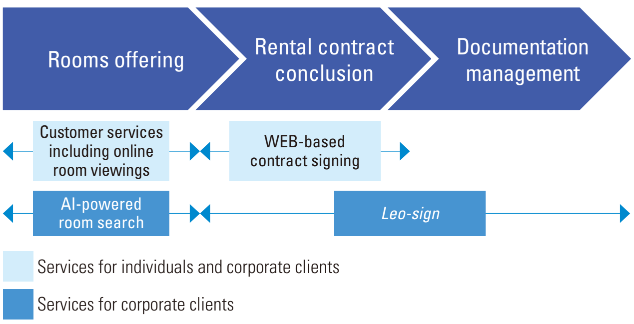
Avoiding the "three Cs" (closed spaces, crowded places, and close-contact settings) is key when dealing with COVID-19, and it will continue to be an effective post-COVID-19 strategy. We will therefore push forward with progress on web-based contracts.

Post-COVID-19 strategy (1)

Promoting web-based rental contracts

Avoiding the "three Cs" is key to preventing infection of COVID-19. We will therefore continue to promote web-based rental contracts even though they are usually signed in person. We started using web-based rental agreements in June 2019, and we will promote remote support further by expanding the use of service.

Introduced advanced IT in each step of rental contract conclusion to promote smarter contract signing and management

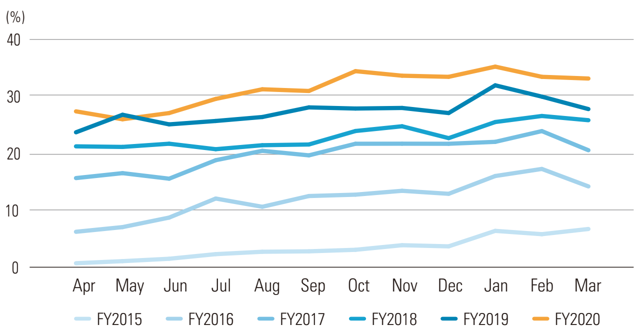


Post-COVID-19 strategy (2)

Leo-sign (electronic contract management system)

As with face-to-face contract signing, the Japanese business custom of stamping contracts with a *hanko* seal remains strongly rooted. With an eye to the post-COVID-19 world, however, we will aim to boost uptake of *Leo-sign* as part of efforts to increase proportion of admin-saving online tasks. We introduced *Leo-sign* in 2015, and it has been already employed for over 30 percent of corporate contracts. We will promote remote rental contract signing by further boosting use of the system.

Proportion of corporate contracts using *Leo-sign*



Structural Reforms

: Returning to Profitability in Operating Profit and Eliminating Excess Liabilities

Strongly Pushing Forward with Structural Reforms Such as Shifting to a Leasing Business-Focused Strategy, Transferring or Withdrawing from Non-Core and Unprofitable Businesses, and Optimizing the Workforce

By thoroughly implementing structural reforms, we are aiming to achieve profitability in operating profit for the fiscal year ending March 2022, profitability in net income and eliminating excess liabilities by the fiscal year ending March 2023.

Structural reform (1)

Initiatives in the fiscal year ended March 2021

Under the drastic structural reforms that were started in June 2020, we have promoted transfer or withdrawal from non-core and unprofitable businesses; we sold domestic hotels and company-owned apartments, transferred Enplus Inc. and the Company's subsidiary in Vietnam, liquidated WING MATE CO., LTD. and the Company's subsidiary in Thailand, and sold investment securities among other activities. We also implemented our first ever voluntary retirement program in an effort to optimize our workforce and reduce costs. In addition, as part of our efforts to clarify management responsibility and reform governance, we have made changes in the management team, curtailed officer compensation, and made redundant the positions of counselor and advisor.

- Completed withdrawal from hotels business in Japan
- Transferred or withdrew from, non-core and unprofitable businesses (transfer of Enplus Inc. and the Company's subsidiary in Vietnam, liquidation of WING MATE CO., LTD. and the Company's subsidiary in Thailand)
- Sold assets (selling investment securities and company-owned apartments)
- Optimized workforce (voluntary retirement program)
- Fulfilled management responsibility (curtail officer compensation, make redundant the positions of counselor and advisor)

Structural reform (2)

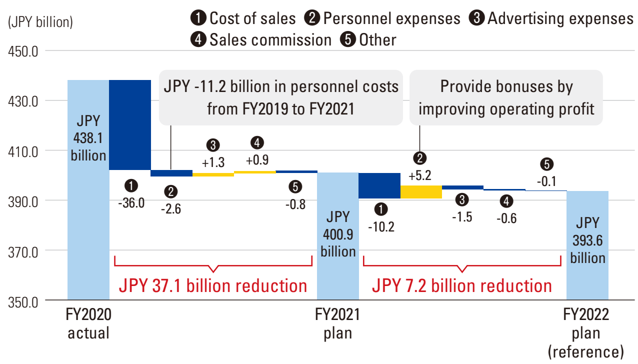
Establishing an internal task force team

In terms of profit structural reforms in the Leasing Business, we will reduce lease operating costs and construction and real estate costs as well as carry out cost reductions across the entire company with no field left untouched. In order to realize these cost reductions, we will ensure thorough cost reductions and management by setting up an internal task force and revise the operational process through the dedicated team. In particular, in terms of lease management costs, we will aim to ensure cost reductions to the scale of JPY 5 billion per year by rationally revising the way we manage costs for rental properties, such as the costs associated with cleaning and restoring room to its original state.

Cost reduction measures from the fiscal year ending March 2022 onward

Continuing the radical structural reforms that have been introduced since the fiscal year ended March 2021, we will concentrate managerial resources on the core Leasing Business while striving to secure stability from both a business and financial perspective.

In addition to cost reductions, we will work to proactively save costs in terms of advertising expenses, as well as sales, general, and administrative (SGA) expenses, which have seen increasing sales commission. Through radical reform of work processes and thorough cost reductions, we will aim to reduce costs and SGA expenses. We expect cost reductions of around JPY 37.1 billion for the fiscal year ending March 2022, and JPY 7.2 billion for the fiscal year ending March 2023.



Financial Strategy: Building a Stable Financial Base

Raising JPY 57 Billion of Funding to Address the Construction Defects Problem and Pay Back Loans

We will aim to build a stable financial base by accelerating improvements to our financial standing by securing funding, while at the same time ensuring flexibility and agility in capital policy by reducing capital and increasing the total number of authorized shares.

Funding

Funding of JPY 57 billion from Fortress Investment Group

In November 2020, we issued third party allotment of shares (approx. JPY 12 billion) and issued preferred shares (JPY 15 billion) of our consolidated subsidiary Leopalace Power to the US-based fund Fortress Investment Group. At the same time, we received financing with share subscription rights (JPY 30 billion), thus the financial arrangement of a total of JPY 57 billion was carried out. This funding has enabled us to secure funds to deal with the construction defects problem and redeem bonds and repay loans due for repayment.

Due to the impacts of the COVID-19 pandemic, we had excess liabilities as stipulated by the listing rules of the Tokyo Stock Exchange as of the end of the fiscal year ended March 2021. We will aim to improve our earnings in order to eliminate excess liabilities within the grace period for delisting standards (extended one year to the end of the fiscal year ending March 2023 per special provisions due to the COVID-19 pandemic).

Reduction of common stock and increase of the total number of issuable shares

Ensuring future flexibility and agility in capital policy to build a stable financial base

With an eye to resuming dividends in future, we reduced the common stock as per the resolution of the Ordinary General Shareholders' Meeting held on June 29, 2021. The reduction of common stock was made by reducing JPY 81.1 billion from JPY 81.2 billion to make JPY 100 million. No changes were made to the number of outstanding shares, and therefore no changes in the number of shares held by investors or net assets per share. The entire amount of capital to be reduced was transferred to other capital surplus.

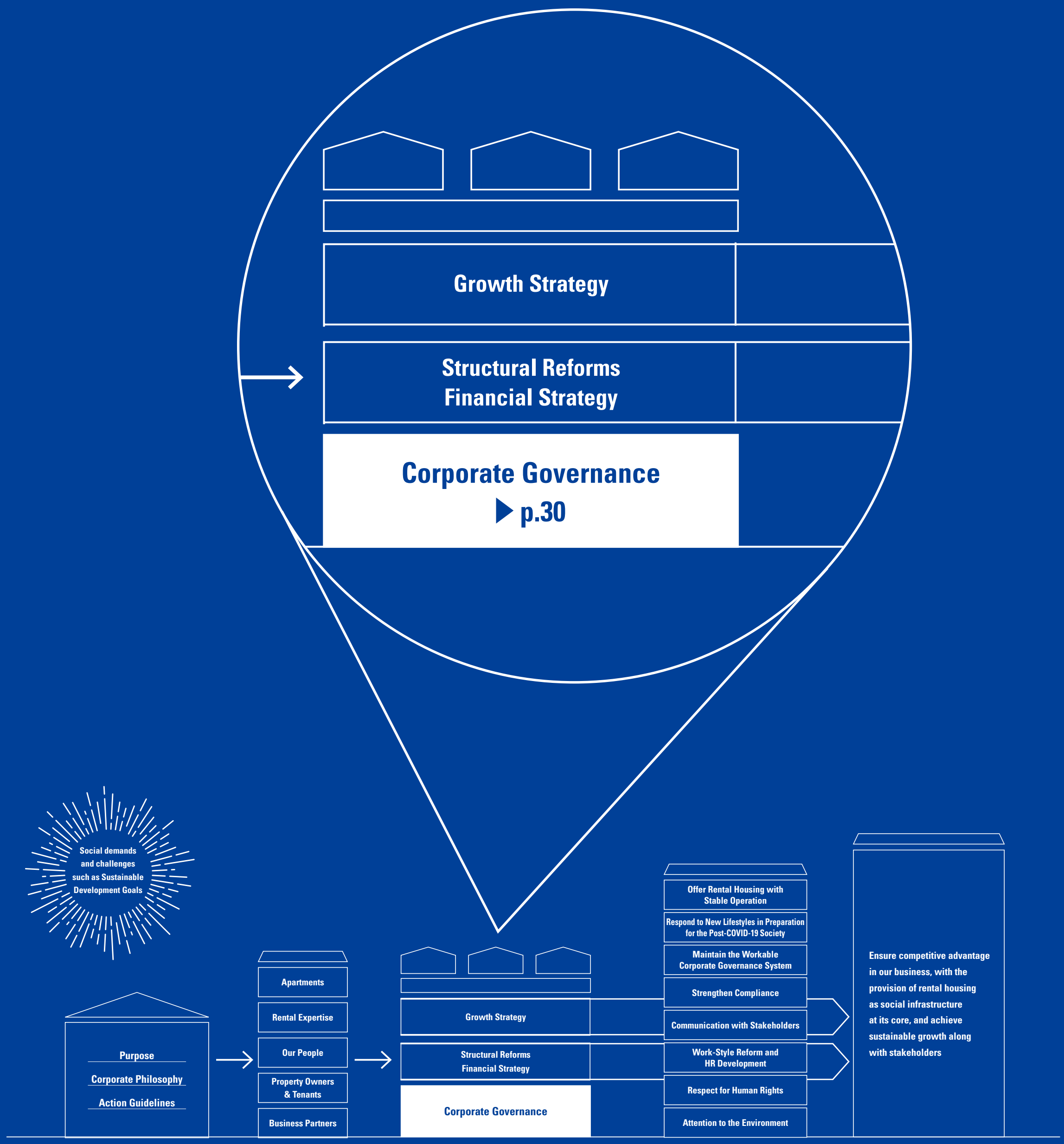
The number of outstanding shares including dilutive shares was 489 million as per 2020 capital policy, bringing the number close to the number of issuable shares of 500 million. In order to ensure flexibility and agility in future capital policy, we increased the number of issuable shares by 250 million to a total of 750 million.

Goal of common stock reduction	To ensure future flexibility and agility in capital policy
Summary of common stock reduction	Pre-reduction common stock: JPY 81,282,359,829 → post-reduction common stock: JPY 100,000,000
Method of common stock reduction	Transfer the entire amount of common stock to be reduced (JPY 81,182,359,829) to other capital surplus without changing outstanding number of shares.

Corporate Governance

About Leopalace21's Corporate Governance

Welcoming two new outside directors, the board of directors is working to build a robust management system by making appropriate and speedy decisions, strengthening the supervisory function and compliance system, and establishing good relationships with stakeholders.



Corporate Governance

Discussion at the Board of Directors

Bunya Miyao
President and CEO

Shigeru Ashida
Director and Managing Executive Officer

Measures to Improve Occupancy Rates

Miyao In order to improve occupancy rates, we first of all need to establish a system that enables monthly reporting of sales, cost, and profit management. If we cannot analyze the previous month result, it essentially means we are not conducting the *check* and *act* parts of the plan-do-check-act cycle. We need to pay renewed attention to income and expenditure control – including costs and sales, general and administrative (SGA) expenses – without focusing solely on the top line.

Ashida Rather than confirming the results of various measures, we need to make sure we can timely grasp the status of progress in order to improve occupancy rates. We should constantly optimize our organization and allocation of personnel to ensure that we do not have staff shortages in the field. At the same time as implementing measures, we also need to enact far-reaching, comprehensive cost reductions.

Hayashima Our analysis of failure factors and market value analysis are not sufficient. By making visible the sales, cost, and profit of each of the seven areas, we should be able to perform causal analysis. Area managers should adjust their respective approach accordingly in the next month, and examine the results of doing so. Responsibility for results should also be made clear, and the area managers will be in charge of that.

Watanabe I got the impression that matters pointed out at the Board of Directors meetings were not being promptly enacted in operating departments. They should speedily come up with measures to resolve the month's challenges and put them into action.

Fujita I found it necessary to foster a company culture that the operating departments should follow through until action item progress checklists from meetings are ticked for completion. I am afraid that many proposals do not come with clear mentioning of deadlines and cost-effectiveness. People should be aware that deadlines, costs, required personnel, and cost-effectiveness are mandatory when making a proposal.

Nakamura We need to clarify measures to achieve profit targets on a monthly basis, and analyze the progress of target achievement for failure reasons and countermeasures. We should organize KPIs and KGIs and keep an eye on them. It is necessary to clarity a feasible business portfolio and appoint candidates for the next generation of the management team to work on a concrete roadmap for realizing the new business portfolio and to assign each theme for them to tackle.

Proposals submitted to the Board of Directors

The Company held 43 Board of Directors meetings in the fiscal year ended March 2020, and 25 in the fiscal year ended March 2021.

While the Board of Directors faced a reduction of proposals related to the board structure, compensation for the officers, construction defects problem and recurrence prevention, it faced an increase in proposals related to business and financial strategy and structural reforms.

In addition to passing resolutions on proposals, at Board of Directors meetings held in the fiscal year ended March 2021, the Board monitored sales results and project progress status for each department on a monthly basis.

The Board had a series of lively discussions on how to recover the business performance and drive the restructuring of the Company.

Business and Financial Strategy

- The fiscal year ended March 2020 saw discussions focused on establishing drastic business strategies reconstruction.
- The fiscal year ended March 2021 saw an increase in proposals aimed at rebuilding the business base and strengthening the financial base, such as bolstering the profitability of the Leasing Business, capital policy, and selling assets, in order to execute the drastic business strategies reconstruction.

Structural Reforms

- The Board had the discussions about formulating and implementing specific measures to carry out drastic structural reforms.
- The Board confirmed that steady progress had been made as a result of the discussion held and decisions made at Board of Directors meetings, on the items such as the partial transfer of non-core businesses, implementation of the first ever voluntary retirement program, and the closures and consolidations of leasing sales offices.

Mayumi Hayashima
Director and Executive Officer

Akira Watanabe
Outside Director

Kazuyasu Fujita
Outside Director

Yutaka Nakamura
Outside Director

Drastic Business Structure Reforms

Miyao It is necessary to review the cost of sales as a structural reform to somehow reduce the breakeven point. To this end, a review of workflows, personnel rotation, and systemization are vital. We also need to keep an eye on whether implementation of the voluntary retirement program is leading to work overload for some departments and staff members.

Ashida The various comments received from outside directors at meetings of the Board of Directors create a sense of urgency among operating departments and provide many insights. We need to optimize the allocation of personnel and integrate similar tasks performed across departments.

Hayashima Each business division must prioritize its tasks as they face reduced personnel and cost constraints. They need to review routine tasks in order to increase efficiency and the managers of organizations must make the decision to stop low-priority tasks.

Watanabe We need to thoroughly reform the way we think. It is very important to leave behind the mindset we had during our period of high performance, and repeatedly work to boost our motivation to overcome the financial difficulties.

Fujita I got the impression that satisfaction with the status quo runs through all areas. Bold reforms are necessary for rebuilding. If we do not break through the barriers of mindset, physical ability, and system, we will not be able to rebuild the business in a true sense of corporate rehabilitation.

Nakamura I feel that there is a necessity for drastic structural reforms to enable operating departments to independently and autonomously formulate and implement measures toward rebuilding the business. Having the management team who can make decisions free from past constraints is the biggest point in the structural reform. It is first of all necessary to reset operations other than those that directly link to current sales and profit as well as those that seek to promote growth strategy for the near future.

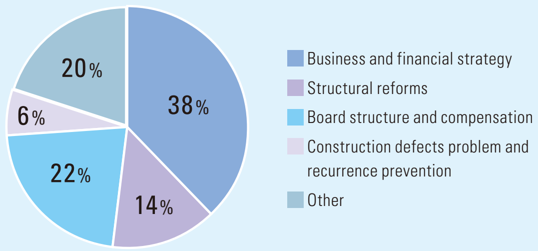
Board Structure and Compensation

- While there was a reduction in the number of proposals compared to the fiscal year ended March 2020, the Board had a series of discussions on how to improve the effectiveness of the Board of Directors, covering topics such as revision of detailed regulations regarding the selection of candidates for officers; revision of rules regarding the election, dismissal, compensation, and discipline of officers of affiliated companies; an abolition of the advisory system.

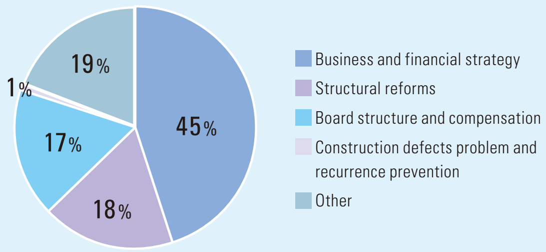
Construction Defects Problem and Recurrence Prevention

- As a result of ongoing discussions held ever since the discovery of the construction defects problem, the establishment of a system and the formulation of a course of action and roadmap have reached a satisfactory outcome.
- In the fiscal year ended March 2021, the Construction Defects Response Headquarters was primarily responsible for dealing with the construction defects problem, and so was the Compliance Promotion Headquarters for dealing with prevention of recurrence.
- While the proportion of proposals related to this issue did fall, the Board of Directors continued to monitor it on an ongoing basis as a priority issue.

Proposals submitted to the Board of Directors in the fiscal year ended March 2020



Proposals submitted to the Board of Directors in the fiscal year ended March 2021



Corporate Governance System and Initiatives

Basic approach to Corporate Governance

We consider developing and strengthening corporate governance to be one of our most important management issues. By strengthening corporate governance, we are aiming to realize our corporate philosophy, achieve our management plans, enhance corporate value over the medium to long term, and achieve sustainable growth. In order to realize a higher corporate value for all stakeholders, we place aiming for efficient, fair, and transparent management as the basic approach underpinning our corporate activities.

Based on this approach, we are working to develop management frameworks, structures, and systems that will allow us to engage in appropriate and speedy decision making, strengthen our monitoring and oversight functions of decision making, establish compliance systems, improve and reinforce internal control systems, and build healthy relationships with stakeholders.

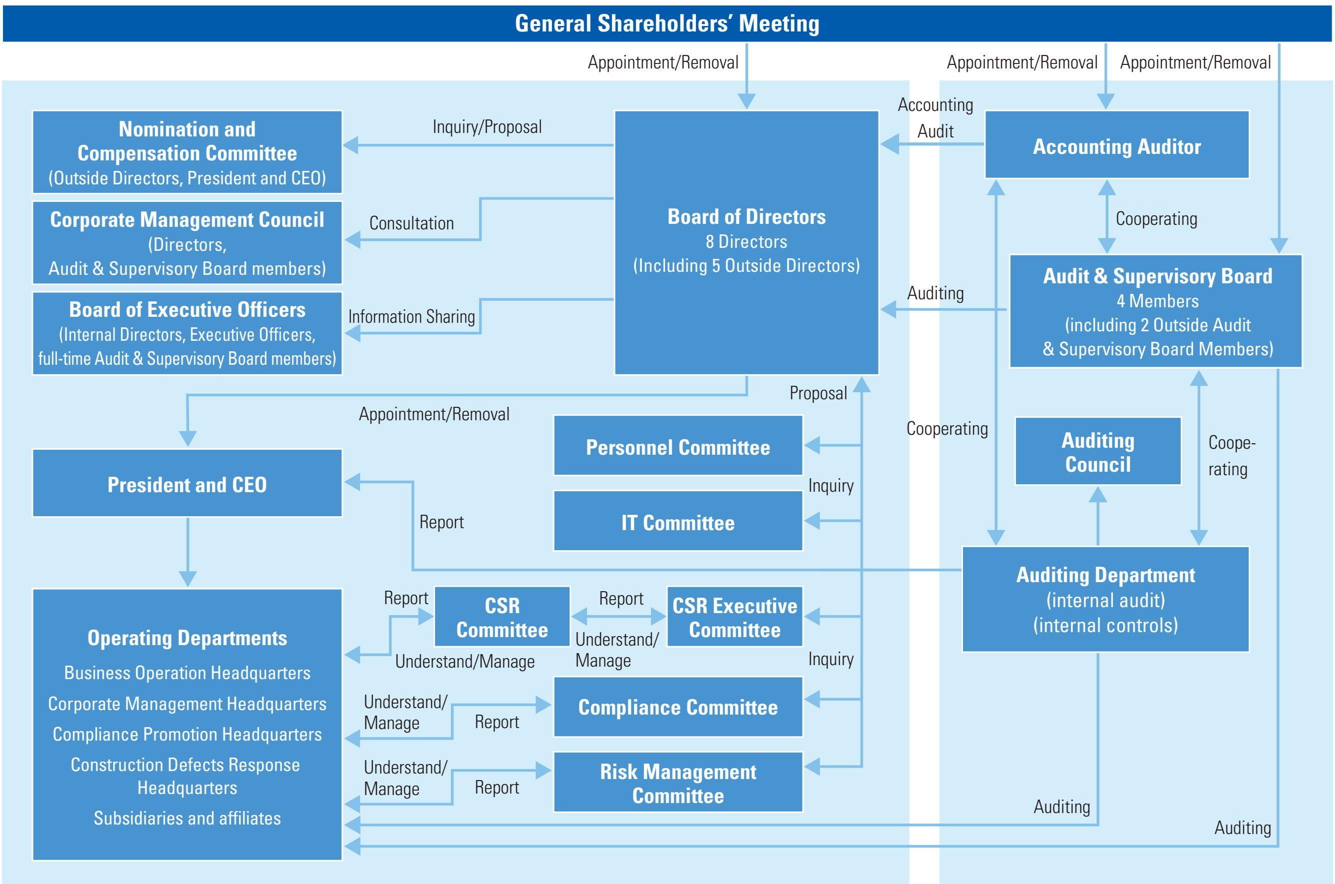
For the purpose of achieving even faster management decision making and smoother business execution, the Board of Directors has established the Corporate Management Council and the Board of Executive Officers. The former convenes to discuss important matters related to overall business execution prior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

Also, the Board of Directors has established a number of meeting bodies including the Nomination and Compensation Committee, Risk Management Committee, Compliance Committee, Personnel Committee, IT Committee, CSR Executive Committee, and CSR Committee, to discuss key management issues. The meeting bodies discuss key management issues for which the Board of Directors consults, and they offer the recommendations to the Board of Directors so the Board can thoroughly examine them. The management structure comprises the four headquarters: the Business Operation Headquarters, the Corporate Management Headquarters, the Compliance Promotion Headquarters, and the 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, 2021

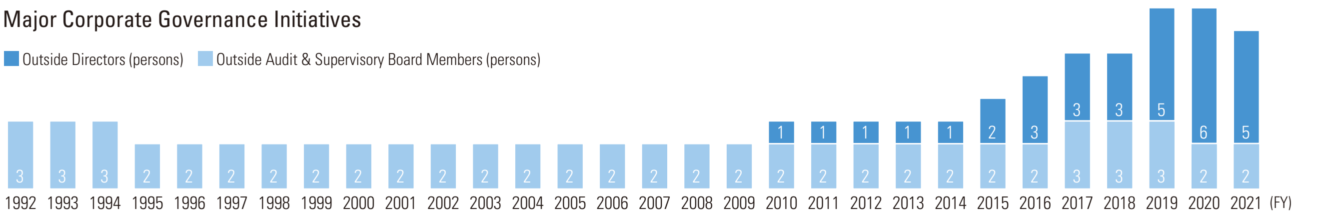


Progress towards strengthening governance

We have strengthened our corporate governance system in order to achieve our corporate philosophy, attain our management plan, improve our 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 collapse of the Lehman Brothers, which had a major effect on the management of the Company.

We subsequently increased the number of outside directors to further strengthen the supervisory function of our management. With five outside directors, a majority of directors are outside directors. The composition of directors is well-balanced, with directors possessing experience in areas such as corporate management, corporate rehabilitation and business restructuring, and legal affairs. In addition, the Board of Directors has established committees to examine major management issues in the Company and provide advisory as appropriate.

Major Corporate Governance Initiatives



Compliance Committee	July 2006 1st meeting
Risk Management Committee	May 2008 1st meeting
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
CSR Executive Committee	April 2018 1st meeting

Members of each established body, etc.

Position	Name	Board of Directors	Corporate Management Council	Board of Executive Officers	Nomination and Compensation Committee	Risk Management Committee	Compliance Committee	Personnel Committee	IT Committee	CSR Executive Committee	CSR Committee
President and CEO	Bunya Miyao	◎	◎	◎	○	◎	○	◎	○	○	○
Director	Shigeru Ashida	○	○	○		○	○	○	◎	◎	◎
Director	Mayumi Hayashima	○	○	○		○	○	○	○	○	
Outside Director	Akira Watanabe	○	○		○	○	○				
Outside Director	Kazuyasu Fujita	○	○		◎	○	○				
Outside Director	Yutaka Nakamura	○	○		○	○	◎				
Outside Director	Akio Yamashita	○	○		○	○	○				
Outside Director	Jin Ryu	○	○			○	○				
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	—			8		6	2	4	2	8	1
Employees	—			3		7	2	4	5		11
Outside Experts, etc.	—					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.

Strengthening Our Management Structure

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. This committee consists of the President and CEO as well as outside directors, and—in order to ensure the independence and neutrality of the committee—all the committee members other than the President and CEO are appointed only from outside directors.

Members	Chairperson : an outside director (independent outside director) Committee members : the President and CEO and three outside directors (of which two are independent outside 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 the 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 ending March 2021	7
Main deliberation content	The committee mainly deliberated on the nomination and removal of directors and Audit & Supervisory Board members as well as officer compensation recommendations. In particular, during the previous fiscal year ended in March 2021, the committee held deep deliberations on the appointment of the President and CEO, the policy of having a majority of outside directors, and the selection of outside director candidates based on this policy.

Reasons for appointing new outside directors

We appointed five outside directors with the aim of obtaining objective advice on decision-making and strengthening the supervisory function of our management. Outside directors attend important meetings such as Board of Directors meetings and provide a variety of advice that contributes to the enhancement of our corporate value from an objective perspective. We consider objective decision-making to be particularly important when it comes to the appointment of officers and setting their compensation.

Name	Reason for appointment
Akio Yamashita	Mr. Yamashita possesses abundant experience as an officer and employee of financial institutions and other organizations. He has also been involved in various projects spanning real estate related businesses, real estate finance, urban redevelopment funds, management buyouts, and corporate rehabilitation. We believe that he can leverage his deep insights and in-depth expertise and experience of corporate management to contribute to our growth strategy. Therefore, the Company has appointed him as an outside director.
Jin Ryu	Mr. Ryu possesses an extensive track record and experience as officer and employee of investment funds. He has also been involved in various projects in the real estate related business and corporate investment and revitalization. We believe that he can leverage his deep insights and in-depth expertise and experience of corporate management to contribute to our growth strategy. Therefore, the Company has appointed him as an outside director.

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. As of June 29, 2021, there were a total of eight directors, of which five were appointed as outside directors. This means that outside directors are in the majority, and over one in three are independent outside directors.

The Company requires its directors to have an extremely broad range of expertise, experience, and knowledge, and so many of the appointed directors possess multiple of the required qualities. Particular focus is paid to knowledge of corporate management, corporate rehabilitation and business restructuring, quality management, and legal affairs 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	Executive Position	Indepen-dency	Nomina-tion and Compen-sation Committee	Age	Diversity	Corporate Manage-ment	Corporate Rehabil-itation, Business Restruc-turing	Sales and Marketing	Quality Manage-ment	Legal	Account-ing and Tax Affairs	Finance	IR	Global	Audit
1	Bunya Miyao	President and CEO Chairman of the Board of Directors		Member	61	Male	○							○	○	
2	Shigeru Ashida	Director and Managing Executive Officer			56	Male	○		○			○				
3	Mayumi Hayashima	Director and Executive Officer			48	Female	○		○		○					
4	Akira Watanabe	Director	Indepen-dent Outside	Member	74	Male	○	○			○					○
5	Kazuyasu Fujita	Director	Indepen-dent Outside	Member	74	Male	○	○	○	○				○		
6	Yutaka Nakamura	Director	Indepen-dent Outside	Member	62	Male				○						
7	Akio Yamashita	Director	Outside	Member	59	Male	○	○					○			
8	Jin Ryu	Director	Outside		36	Male, foreign national	○	○					○			

Note: Ages of each director are listed as of June 7, 2021

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 eight directors, including five outside directors. In order to improve corporate value, we consider it important to deliberate on nominating suitable directors, and making compensation recommendations, which we have incorporated in the decision-making process by the Nomination and Compensation Committee with outside directors as its members.

In addition to regularly meeting once a month, 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 ended March 2021, we evaluated the function and others 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. In the evaluation for the fiscal year ended March 2021, we confirmed that the Board of Directors and governance system functioned effectively in general.

More specifically, based on the evaluation of the Board of Directors in the previous fiscal year, we steadily implemented structural reform, strengthened the profitability of the Leasing Business, and worked on initiatives aimed at resolving the problem of construction defects.

For the fiscal year ending March 2022, the Board of Directors agreed to implement the business plan as a top priority and to monitor the progress of initiatives aimed at implementing 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 so that the Board can discuss, make decisions, and instruct necessary corrections.

Priority issues during the fiscal year ended March 31, 2021	
1. Steadily implement structural reforms 2. Strengthen the profitability of the Leasing Business 3. Support the initiatives aimed at resolving the problem of construction defects	
Positive points	**Points to be improved**
• Transfer or withdrawal from non-core unprofitable businesses • Formulation and implementation of policy and strategy relating to raising funds as a capital policy • Achievement of repair plan by June 2021 • Restart of tenant recruitment, shift to handling repair works in-house	• Postponing the formulation of a medium-term management strategy due to focusing on the construction defects problem • Boosting employee motivation and improving performance • Occupancy rates plan not achieved • Visualizing costs related to construction defects, funds management (already dealt with)

Priority issues during the fiscal year ending March 31, 2022
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

Board members' compensation

In order to set directors' compensation at an appropriate level, it is decided through deliberations of the Nomination and Compensation Committee. Comprising outside directors and the President and CEO, this committee is chaired by Mr. Fujita, an outside director. In addition, the compensation of Audit & Supervisory Board members is decided through deliberations of the Audit & Supervisory Board. Officer compensation has been curtailed since February 2019, and the scale of reductions to officer compensation has been revised as announced on February 12, 2021 (see the table below for more details).

Curtailment of officer compensation (April 2021–March 2022)	
President and CEO	60%
Other Internal Directors	40 – 45%
Full-time Audit & Supervisory Board members	35%
Executive Officers	35 – 40%

Messages from Outside Directors

I was appointed as outside director after the company to which I belong became a sponsor of Leopalace21. The Company has a solid customer base and an established business model. While the Company does have attractive points like these, it is currently struggling with the construction defects problem. I would like to take a hands-on approach to bring out the potential of the Company and work together with the members of the management to bring the business back on track.

Since I have become involved with Leopalace21, I have come to feel that the Company has positive aspects other than its customer base and business model. That is to say, the energy of the employees. The younger generation of Japan are said to have been mollycoddled with a pressure-free upbringing. But when I look at how seriously and energetically the Company's employees approach their work, I think there will be no problem in getting the business back on track as long as proper methods are used.

I believe that what we need to achieve this goal is completely novel expertise and a sense of speed and leadership in our work. By bringing these aspects into play, I hope to swiftly resolve the Company's issues and rapidly restore its performance.

Another important point is committing to achieving the numerical targets. We need to set specific and feasible quantitative targets for the management team and right down to the frontline employees, fully commit to these targets, and achieve them. Up until now, the Company had been in a negative spiral with regard to the construction defects problem, but moving forward, I would like to see us create a positive spiral triggered by boosting the monthly occupancy rate. The results of this are already starting to appear.

Outside Director
Representative in Japan, Fortress Investment Group (Japan)
Managing Director
Akio Yamashita

I have been working closely with the management team and employees since November 2020, before I was appointed as an outside director. During this time, I strongly felt that there are still a lot of outstanding employees in the Company and that many employees believe in the Company revival and are giving their all to their work on a day-to-day basis. I would also like to serve as a member of the Company and work together with employees to rebuild it, with an even greater sense of personal involvement than ever before.

Outside Director
Fortress Investment Group (Japan)
Managing Director
Jin Ryu

I see my role as leveraging my extensive experience in corporate and real estate investment to make hypotheses, using numbers to shed light on facts, and explaining them in words that anyone would understand. There is a high possibility of taking the wrong course of action if we make management decisions when it is not clear which of the many facts are important, and which are not. Visualizing important matters is therefore helpful in making the correct management decisions in future, such as in which areas we should concentrate managerial resources.

To be quite frank, the Company is currently in a crisis situation, and the management team is also aware that they should have a higher sense of urgency. Among the matters at hand, we first need to solve the issue of financing. It is important to shed light on facts, show employees effective measures to stop the outflow of funds, and put those measures into action. In order to get out of this crisis situation and achieve recovery in performance, it is vital for each and every employee to understand what needs to be done and why it needs doing, commit to target figures, and work with a sense of speed in the limited time available.

Corporate Governance

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 training

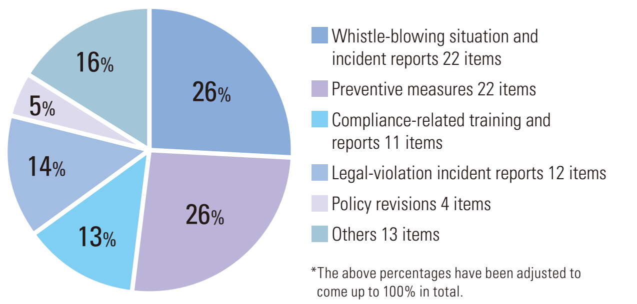
Compliance training was conducted in the fiscal year ended March 2021 as detailed below. Additionally, we made efforts to instill a compliance mindset in all employees by frequently posting internal notices about compliance.

E-Learning, training, etc. related to compliance (18 times)	
Promotion of understanding of the compliance-first policy	11 times
Harassment prevention (for managers)	2 times
Basic knowledge about sexual harassment and how to deal with it (for non-managers)	1 time
Training to reflect on the construction defects problem and prevention of recurrence	1 time
Surveys on compliance	2 times
Call for essays on the subject of "Leopalace21 10 years from now"	1 time

Compliance Committee

With one of the outside directors serving as the chairman, the Compliance Committee consists of members that include lawyers and other external experts. To strengthen governance, the committee develops various compliance measures, such as enhancing training and reinforcing information management systems, as well as strengthening monitoring systems and identifying problems for improvement.

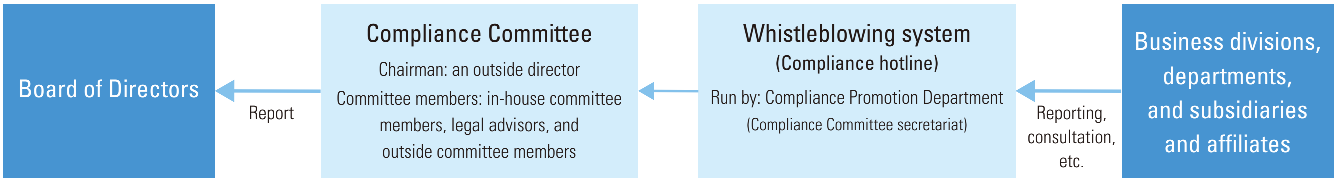
Compliance Committee deliberations content (April 2020–March 2021)



*The above percentages have been adjusted to come up to 100% in total.

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 started operating 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.



Whistleblowing compliance management system certification registration

The whistleblowing system of our Group has been registered for the Whistleblowing Compliance Management System (WCMS) certification regime introduced by the Consumer Affairs Agency. The Whistleblowing Compliance Management System Certification (self-declaration of conformity system) regime is a system whereby a business evaluates its own internal reporting system, is registered as a business with self-declaration of conformity if it meets the certification criteria via the screening of the designated registration organization, and is granted the right to use the WCMS symbol.

Whistleblowing Compliance Management System

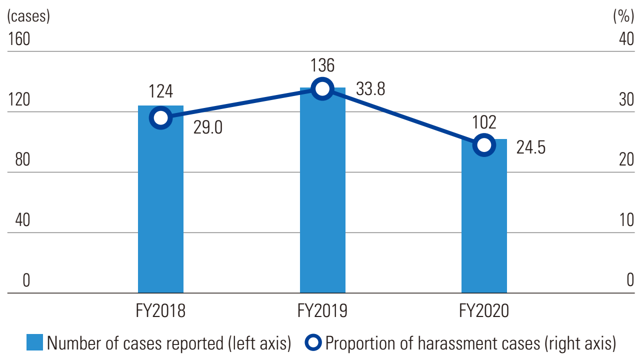
Declaration to eliminate harassment

Declaration to eliminate harassment
1. We will not tolerate harassment.
2. We will not overlook any acts of harassment.
3. We will make serious efforts to eliminate acts of harassment.

In accordance with the declaration to eliminate harassment, in particular, in the fiscal year ended March 2021, we implemented harassment prevention training sessions held from September to October for managerial employees to learn the necessary knowledge and skills to prevent harassment, and E-learning courses in October for non-managerial employees to acquire basic knowledge about sexual harassment and methods for preventing sexual harassment. In February 2021, a harassment field survey was conducted among all officers and employees in order to gain an understanding of current circumstances in the workplace. The results of the survey and six awareness-raising documents for preventing harassment have been posted internally.

Steady progress has been made toward transforming the mindsets of employees, and the proportion of all types of harassment in the whistleblowing system in the fiscal year ended March 2021 fell in comparison to the previous year.

Proportion of cases of harassment in the whistleblowing 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. The President and CEO serves as chair of this Risk Management Committee, while other members of the Committee comprise 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, the general manager of the Compliance Promotion Headquarters reports on the status of risk management to the Board of Directors on a quarterly basis.

Review of the risk management method

To manage both materialized and potential risks, in October 2019 and January 2020, we invited external instructors to hold risk management training sessions and workshops for the senior managers of each department as well as the top management of the subsidiaries and affiliates.

In the fiscal year ended March 2021, we identified risks in each department, organized response methods with dead lines in accordance with the size of the risk, and calculated potential costs. Based on the six major risk types and fifteen sub-types shown in the risk type table below, action is taken upon the results of analysis of major and minor risks for each department which are reevaluated through the risk management system of the Risk Management Committee.

Risk type table

External factors	(1) Risks relating to changes in external environment The risk of a major impact on performance due to a delay in addressing changes to legal, political, economic, and/or social phenomena (2) Country risks (3) Disaster risks	**Compliance**	(1) Legal violation/lawsuit risks (2) Compliance risks The risk of incurring losses due to the signing of inappropriate contracts, harassment, or other factors
Strategy/ governance	(1) Strategy risks The risk of a major impact on performance due to flawed strategy of the Company, in items such as management plans (2) Managerial risks The risk of the failure of managerial functions due to factors such as the absence of a decision-maker due to unforeseen circumstances, etc. (3) Contractor/subsidiary management risks	**Operations**	(1) Operational risks (2) Information management risks (3) Personnel risks (4) System risks
Financial	(1) Market risks (2) Liquidity risks The risk of incurring losses due to inability to raise funds or termination of transactions due to factors such as credit uncertainties of the Company (3) Default risks	**Reputation**	The risk of incurring losses due to reports in the mainstream media, reputation, gossip, rumors, etc.

Responding to disaster risks — to protect the social infrastructure of 570,000 units

With the Leasing Business as our core business, we are able to exist thanks to the use by customers of buildings we construct, manage, and operate. For this reason, it is our social mission to swiftly respond to 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 earthquake, typhoon, concentrated 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.

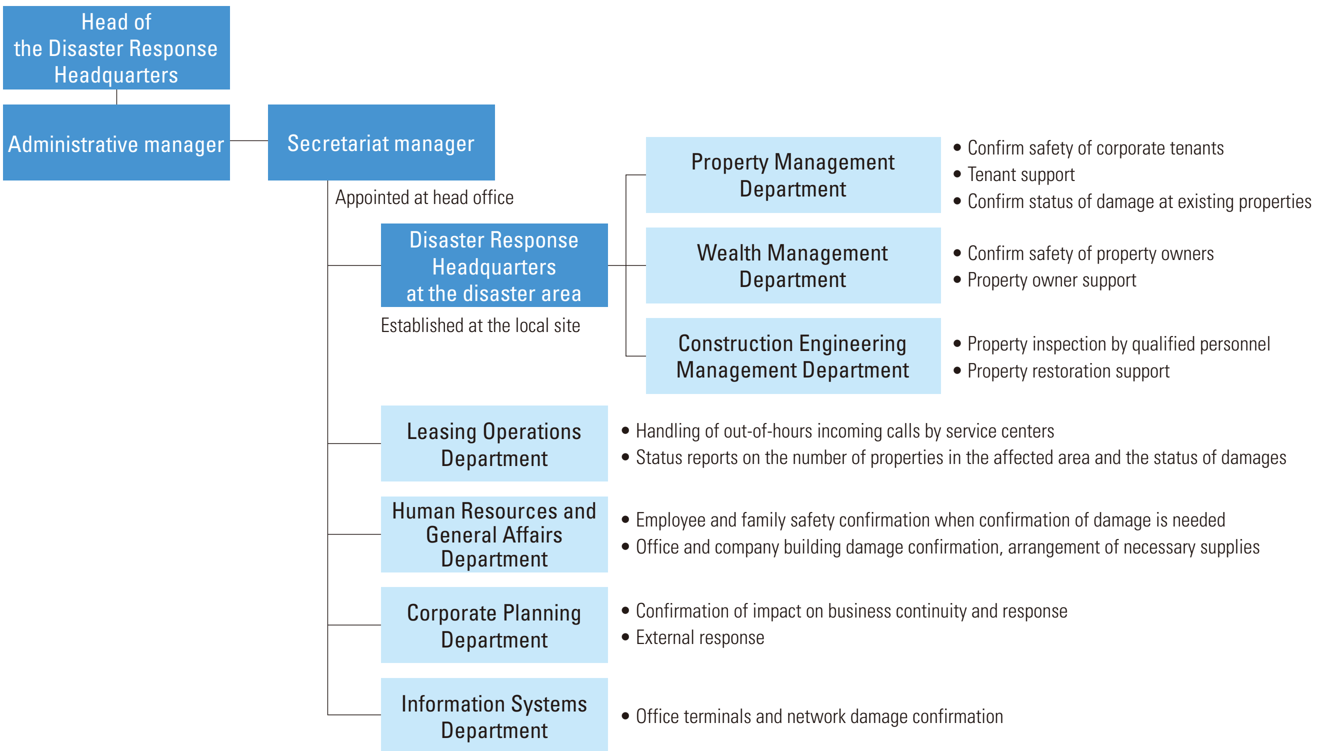
Disaster Response Policy

Under the Disaster Response Policy, the roles of relevant departments are clarified with an end-to-end system whereby secretariats are established at head office in accordance with disaster type and scale and a Disaster Response Headquarters is established at the location of the disaster. The policy also stipulates criteria for activation and dissolution of Disaster Response Headquarters, preliminary preparations for assessing internal damages, initial disaster response, and measures for recovery from internal and business damages.

In particular, in an effort to mitigate damage to business, we conduct building inspections and promote awareness among tenants with regards to typhoons and other disasters for which prevention activities are possible.

From a business continuity plan perspective, post-disaster response is stipulated as follows: tenants safety confirmation procedure; property owners safety confirmation and damage confirmation procedure; plan to dispatch staff in accordance with disaster scale; provision of rescue materials; procedures for property inspections in disaster areas and the subsequent repairs and insurance response. The Disaster Response Policy and manuals that detail these measures are also stored in paper format at each Group branch and office in anticipation of power cuts and damage to IT devices in the event of a disaster.

System diagram in the event of a natural disaster　I. Natural disaster such as earthquake, storm and flood damage; fire; leak of hazardous substances



Corporate Governance

Directors and Audit & Supervisory Board Members

Internal Directors (as of June 29, 2021)

President and CEO
Chief of the Business Operation 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, the 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 (current)

Director, Managing Executive Officer,
Chief of the Corporate Management Headquarters,
Chief of the Construction Defects Response Headquarters (concurrent)

Shigeru Ashida

Apr. 1988 Joined Leopalace21 Corporation
Nov. 2003 Deputy Manager of the Financial Department
Apr. 2010 General Manager of the Corporate Planning Department
May 2012 General Manager of the Business Operation Department
Apr. 2013 Administrative Officer
Apr. 2014 Executive Officer
Jun. 2019 Director and Managing Executive Officer (current), Chief of the Emergency Headquarters for Construction Defects
Jul. 2020 Chief of the Corporate Planning Headquarters
May 2021 Chief of the Corporate Management Headquarters (current), Chief of the Construction Defects Response Headquarters (current)

Director, Executive Officer, Chief of the Compliance Promotion Headquarters, CLO*,
Deputy Chief of the Corporate Management Headquarters (concurrent) *CLO: Chief Legal Officer

Mayumi Hayashima

Apr. 1996 Joined Leopalace21 Corporation
Apr. 2009 Deputy Department Manager of the Eastern Japan Corporate Sales Department Leasing Section3, Leasing Business Division
Jul. 2010 Department Manager of the Corporate Sales Department, Eastern Japan Section2, 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 (current), Chief of the Compliance Management Headquarters, Chief Legal Officer (CLO)
Jun. 2020 Chief of the Compliance Promotion Headquarters, Chief Legal Officer (CLO) (current)
Jul. 2020 Chief of the Management Headquarters
May 2021 Deputy Chief of the Corporate Management Headquarters (current)

Outside Directors (as of June 29, 2021)

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
Jun. 2007 Outside Audit & Supervisory Board Member, KADOKAWA GROUP HOLDINGS, INC. (now KADOKAWA CORPORATION) (current)
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)

Outside Director

Kazuyasu Fujita

Apr. 1965 Joined the Osaka Prefectural Government
Nov. 1970 Joined Toyo Shutter Co., Ltd.
Oct. 1999 Business Administration Manager, Toyo Shutter Co., Ltd.
Jun. 2000 Director, Manager of Business Promotion Department and Purchasing Department, Toyo Shutter Co., Ltd.
Jun. 2002 President and Representative Director, Toyo Shutter Co., Ltd.
Apr. 2006 President and Representative Director, Executive Officer for General Supervision, Toyo Shutter Co., Ltd.
Jun. 2010 Special Adviser, Toyo Shutter Co., Ltd.
Jun. 2011 Resigned from Toyo Shutter Co., Ltd.
Sep. 2011 Established Management Consulting Partners Inc., President and Representative Director, Management Consulting Partner, Inc. (current)
Feb. 2020 Outside Director, Leopalace21 Corporation (current)

Outside Director

Yutaka Nakamura

Apr. 1981 Joined National Housing Materials Co., Ltd. (now Panasonic Homes Co., Ltd.)
Oct. 2002 Manager of Quality & Environmental Promotion Department, Panasonic Homes Co., Ltd.
Oct. 2006 Manager of 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 Resigned from Panasonic Homes Co., Ltd.
Feb. 2020 Outside Director, Leopalace21 Corporation (current)

Outside Directors (as of June 29, 2021)

Outside 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 (current)

Outside 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 (current)

Audit & Supervisory Board Members (as of June 29, 2021)

Full-time Audit & Supervisory Board Member (Outside)

Jiro Yoshino

Apr. 1978 Joined The Dai-Tokyo Fire & Marine Insurance Co., Ltd. (now 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 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)

Audit & Supervisory Board Member (Outside)

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. (current)
Jun. 2015 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

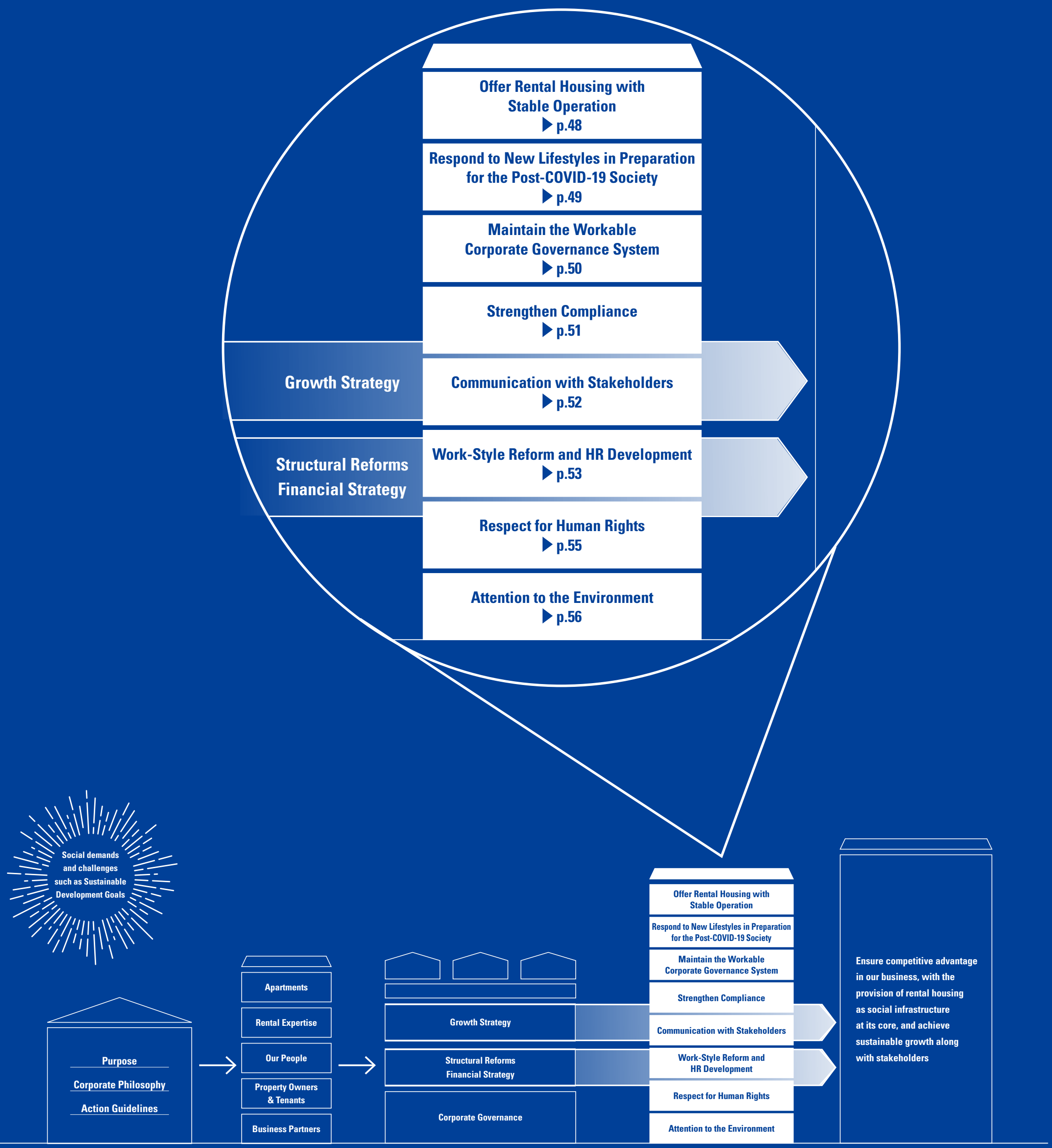
Yoshitaka Murakami

Apr. 1972 Joined Ministry of Finance
Jul. 1993 Management and Co-ordination Assistant Regional Commissioner, Tokyo Regional Taxation Bureau
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

Leopalace21's Material Issues

Leopalace21 has identified material issues from two perspectives—those which it aims to resolve through its business operations and those for which it should concentrate on strengthening its management foundation, and working on efforts to respond to challenges.



Leopalace21's 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

The Sustainable Development Goals (SDGs) are global targets for the years 2016 to 2030 that were adopted at the United Nations Summit in September 2015. They consist of 17 universal goals and 169 targets, which are applied to all countries including developed countries, addressing challenges such as disparities, sustainable consumption and production, and climate change. The Company strives to meet the needs and demands of society and contribute to solving the issues through initiatives which are in line with our Basic CSR Action Policy.

Updating material issues given the current socioeconomic climate and the Company's own business conditions

The Company initially identified the material issues for the fiscal year ended March 2021, and updated them considering the current socioeconomic climate as well as the Company's own business conditions.

The Company extracted social challenges that are related to the Company's business and analyzed them whether they would be risks or challenges for the Company for the fiscal year ending March 2022.

Replacing the existing Environment, Social and Governance segmentation, the Company categorized material issues into those which it aims to resolve through its business operations and those for which it should concentrate on strengthening its management foundation.

Handling construction defects problem was a materiality unique to the Company. The Company is making sure that the problem receives continued priority by setting two KPIs related to material issues in the governance field, to ensure the execution of publicly announced repair completion plan and to avoid a recurrence of the same problem.

Step 1
Extract social challenges relevant to the Company

Step 2
Ascertaining the opportunities and risks for the fiscal year ending March 2022

Step 3
Identifying material issues in two categories: those which it aims to resolve through its business operations and those for which it should concentrate on strengthening its management foundation

Step 4
Approval by the CSR Committee

Leopalace21's Materiality Issues

Based on Leopalace21's corporate philosophy of creating new value, the Company strives to meet the expectations of all stakeholders, and make every effort to contribute to a sustainable society. In accordance with this approach, the Company has identified material issues as priority challenges in response to the changing needs of its stakeholders, social and environmental problems, and the requirements of ISO26000 as well as other standards and guidelines.

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

* ○ denotes opportunities and ● denotes risks

Updated material issues

Leopalace21 initially identified the material issues for the fiscal year ended March 31, 2021, and updated them considering the current socioeconomic climate as well as the Company's own business conditions. Replacing the existing Environment, Social and Governance segmentation, the Company categorized material issues into those which it aims to resolve through its business operations and those for which it should concentrate on strengthening its management foundation.

Materiality			Related SDGs	KPI
Challenges the Company aims to resolve through its business operations	Offer rental housing with stable operation	S	9, 11, 12, 16	• Implement measures for increasing occupancy rates (end of Mar. 2022: 85.92%; average during FY2021: 81.65%) • Promote the diagnostic inspection of apartment buildings by Leopalace21's own engineers (70% of inspection carried out by Leopalace21's own engineers)
	Respond to new lifestyles in preparation for the post-COVID-19 society	S	9, 11, 16	• Promote web-based customer services and web-based contract signing (number of web-based rental contracts: 25,000 during FY2021)
Challenges for which the Company should concentrate on strengthening its management foundation	Maintain the workable corporate governance system	G	8, 16	• Dialogue between Directors and employees (four times a year) • Complete repair of all obvious construction defects by the end of 2024
	Strengthen compliance	G	8, 16, 17	• Implement measures to prevent the recurrence of the construction defects problem and disclose the state of progress (twice a year) • Ensure to respond to posts to the suggestion box for management (100% response rate) • Make use of the whistleblowing system (100 cases received) Note: the receipt of a certain number of reports proves that the system is being run properly
	Communication with stakeholders	S G	11, 16, 17	• Share customer feedback with all employees (12 times a year/once a month) • Hold property owner briefing sessions (90 times a year) • Hold engagement meetings with institutional investors (meetings with investors from 100 companies) • Deliver in-house newsletters (60 times a year)
	Work-style reform and HR development	S	4, 5, 8, 10, 17	• Organize training sessions for foreign national nursing care staff (12 times a year/once a month) • Implement 360-degree assessment (target number of employees: 644) • Paid leave acquisition rate (acquisition rate: 85%) • Promote health and productivity management (ratio of fitness habits: 70% or more; ratio of overweight and obesity: 28% or less)
	Respect for human rights	S		• Employment of persons with disabilities (maintain employment ratio of 2.3%) • Create jobs for Leopalace Smile, for roles such as the provision of security camera recordings, replacement of apartment locks and keys, document mail service (outsource 100% of specified jobs to Leopalace Smile)
	Attention to the environment	E	3, 7, 11, 13, 15	• CO_2 emissions reduction for Scope 1 and 2 (achieve 26% reduction in FY2030 in comparison to FY2016) • Engage in electricity saving by use of energy-saving lighting (lighting replacement opportunities by LED lighting: 100%) • Reduce paper consumption (reduce consumption by 20% compared to FY2020 result)

Materiality

S Offer Rental Housing with Stable Operation

KPI

Targets to be completed by the end of the fiscal year ending March 2022

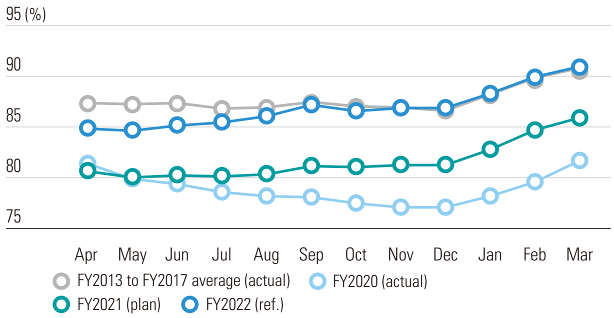
- Implement measures for increasing occupancy rates (end of Mar. 2022: 85.92%; average during FY2021: 81.65%)
- Promote the diagnostic inspection of apartment buildings by Leopalace21's own engineers (70% of inspection carried out by Leopalace21's own engineers)

Leopalace21's initiatives

Implement measures for increasing occupancy rates

In order to ensure the provision of rental housing with stable operation, we consider it essential to boost the occupancy rate. To this end, we are taking measures to improve occupancy rates in accordance with customer types, such as corporate, individual, student, and foreign national. Particular measures include: area intensive strategy, whereby the country is split into seven areas and measures are taken in accordance with the unique characteristics of the area; recovery in the balance of occupied rooms by corporate clients, whereby we will seek to boost use among existing corporate clients through top-level sales; and strengthening ties with real estate agents for individuals, whereby we will aim to boost agreements made via real estate agents by working with Village House. Through these measures, we are aiming to increase the number of contracts and the balance of occupied rooms.

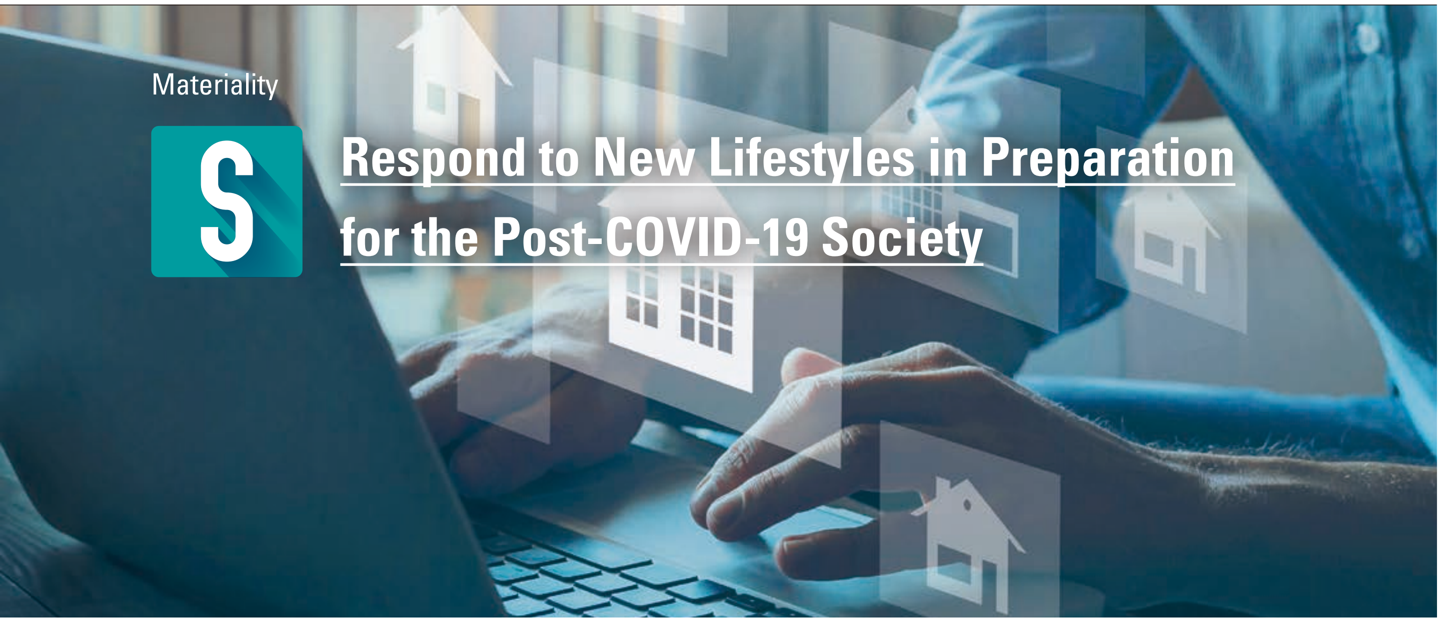
Plan for occupancy rates



Promote the diagnostic inspection of apartment buildings by Leopalace21's own engineers

Leopalace21 has been implementing an annual building inspection as a matter of principle to ensure peace of mind for property owners and to provide comfort for tenants to live in the apartments that Leopalace21 manages. In order to enhance the management services, Leopalace21 increased the number of check items from 50 to 100 per building in July 2021.

Leopalace21's own engineers will perform most of the periodic building checks to ensure good quality inspections and record the state of building wear and tear by assigning five levels in place of four for more accurate diagnosis to determine the priority for repair.



Materiality

S Respond to New Lifestyles in Preparation for the Post-COVID-19 Society

KPI

Targets to be completed by the end of the fiscal year ending March 2022

- Promote web-based customer services and web-based contract signing (number of web-based rental contracts: 25,000 during FY2021)

Leopalace21's initiatives

Promote web-based customer services and web-based contract signing

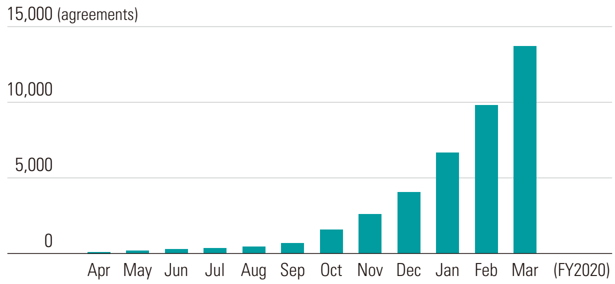
It is important to avoid closed spaces, crowded places, and close-contact settings in order to prevent the spread of COVID-19, and we have been promoting web-based customer services and rental contract signing that are usually carried out in person.

Concerning web-based customer services in particular, we can assist customers' apartment-hunting and deal with various inquiries via video calling from anywhere they like such as their home. The customers can enjoy the same level of services including receiving information about rooms without visiting Leopalace21 leasing offices. We also run online room viewings, which is a real-time service of video calling which enables a customer to take a look at the room and to talk to a Leopalace21 staff.

Written documents have typically been the norm for rental agreements, and shifting to web-based rental contract signing proved difficult. Overcoming these obstacles, we now also provide web-based rental contract signing services that enable customers to complete rental agreement procedures without coming into direct contact, such as filling out housing applications and submission of personal identification documents online and the explanation of important matters via video calls.

By making customer services, room viewings, and rental contracts signing possible online, we can avoid the "3Cs" and improve convenience for those relocating from remote areas without having to visit the leasing sales offices.

Number of web-based rental contract signing (cumulative total)



Materiality

G Maintain the Workable Corporate Governance System

KPI

Targets to be completed by the end of the fiscal year ending March 2022

- Dialogue between Directors and employees (four times a year)
- Complete repair of all obvious construction defects by the end of 2024

Leopalace21's initiatives

Dialogue between Directors and employees

We set up opportunities for dialogue between Directors and employees as part of efforts to ensure effective governance and measures to prevent recurrence. In the fiscal year ended March 2020, we were able to conduct dialogue with employees in regional areas under the regional small meetings initiative. We were not able to conduct this initiative in the fiscal year ended March 2021 due to the effects of the COVID-19 pandemic and our sluggish business performance. However, we plan to run both online and face-to-face meetings regularly from the fiscal year ending March 2022 onward.

With participants recruited via self-nomination, the initiative is designed to facilitate proactive exchange of opinions rather than just being one-way communications from Directors. We also work to ensure transparency by reporting the content on the Company intranet.

Complete repair of all obvious construction defects by the end of 2024

We are proceeding with repair works in good faith, on the basis of discussions with property owners and relevant government authorities. In addition, we proceed with repair works upon gaining the understanding of tenants by giving thorough explanations. To give an update on the most recent status of repairs, we have completed works for the 2,000 units we aimed to repair from September to December 2020, and we also achieved our target of 6,000 repaired units for January to June 2021. Following on from this, we have continued to carry out repair works while disclosing monthly progress reports. We aim to completely repair all obvious construction defects by the end of 2024.

(As of July 31, 2021)

Series	Total number of buildings	Number of obviously defective buildings	Total number of units in obviously defective buildings	Requires repair, etc.*	Repairs complete
Nail/ 6 series	15,283	7,746	121,652	95,444	43,992
Other series	23,802	5,010	78,193	69,939	4,641
Total	39,085	12,756	199,845	165,383	48,633

*Includes units that have not yet been surveyed

Materiality

G Strengthen Compliance

KPI

Targets to be completed by the end of the fiscal year ending March 2022

- Implement measures to prevent the recurrence of the construction defects problem and disclose the state of progress (twice a year)
- Ensure to respond to posts to the suggestion box for management (100% response rate)
- Make use of the whistleblowing system (100 cases received)

Note: the receipt of a certain number of reports proves that the system is being run properly

Leopalace21's initiatives

Implement measures to prevent the recurrence of the construction defects problem and disclose the state of progress

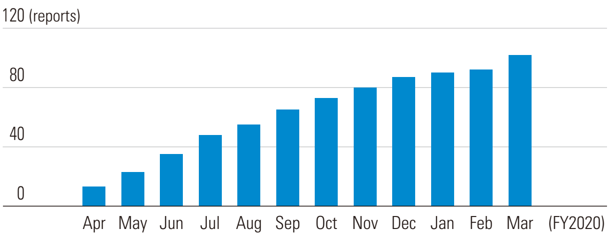
We publish status updates regarding the measures to prevent recurrence in response to the construction defects problem announced in May 2019 via our website in order to communicate progress to a wide audience.

More specifically, we outline progress of each item of the three major categories of the measures to prevent recurrence: 1. fundamental reform of the corporate culture; 2. restructuring of the system for compliance and risk management; and 3. revision of the construction business framework. Measures to prevent recurrence continue to be positioned as one of our most important management challenges. As we work on building a strong system through continued implementation and reforms, we communicate our commitment and resolve toward measures to prevent recurrence by giving progress updates on an ongoing basis to a wide external audience.

Make use of the whistleblowing system

In order to evaluate whether the whistleblowing system is being operated appropriately, we run the system with targets set for the number of reports received by multiplying the number of employees by a certain percentage. For the fiscal year ended March 2021, we continued the previous fiscal year's target of 100 reports received.

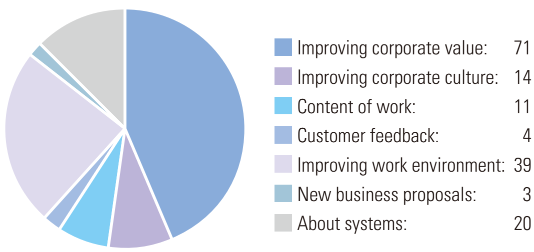
Number of incident reports received (total)



Ensure to respond to posts to the suggestion box for management

In July 2019, we started operating a suggestion box for management as a system for employees to make direct suggestions to the management. Submissions to this suggestion box are divided into seven categories that include improving our corporate value, improving our corporate culture, and improving our work environment. In the fiscal year ended March 2021, submissions concerning improving corporate culture were most numerous. The management team does not just read the posts, but replies to 100% of submissions, thereby enabling mutual communication between employees and the management team.

Number of posts to the suggestion box for management



Materiality

G S

Communication with Stakeholders

KPI

Targets to be completed by the end of the fiscal year ending March 2022

- Share customer feedback with all employees (12 times a year/once a month)
- Hold property owner briefing sessions (90 times a year)
- Hold engagement meetings with institutional investors (meetings with investors from 100 companies)
- Deliver in-house newsletters (60 times a year)

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 answers received, outstanding cases of customer service are recognized with the Outstanding Customer Service Awards (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 ended March 2021, and we plan to continue it from the fiscal year ending March 2022 onward.

Hold engagement meetings with institutional investors

With 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 Executive Officer and Senior Department Manager of the Corporate Planning Department 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. In addition to individual meetings, we also hold twice-yearly financial results briefings and participate in conferences held by securities firms.

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 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 all over Japan 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 ended March 2021, we managed to hold 87 briefing sessions for over 3,000 participants, including online sessions. While we are reviewing the way we hold these briefing sessions in light of the impact of the COVID-19 pandemic, we also plan to primarily conduct briefings online in the fiscal year ending March 2022.

In addition to the property owner briefing sessions, we deliver video messages from the President and CEO via *Class L*, our portal site for all property owners.

Deliver in-house newsletters

The history of our in-house newsletter *Leoleo* goes back over 20 years. At first, we distributed a paper-based newsletter to all employees once a month. Newly joined employees around head office were primarily selected for the *Leoleo* editorial team, who worked to publish easy-to-understand articles from their perspectives as new employees.

In 2010, the publication was moved from its existing paper-based format to online. Since the editorial team are now free to choose how often to communicate information, over 50 articles a year are posted. The Public Relations Group 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.

Materiality

S Work-Style Reform and HR Development (1)

KPI

Targets to be completed by the end of the fiscal year ending March 2022

- Organize training sessions for foreign national nursing care staff (12 times a year/once a month)
- Implement 360-degree assessment (target number of employees: 644)

Leopalace21's initiatives

Organize training sessions for foreign national nursing care staff

In response to the growing number of foreign staff as a solution to chronic labor shortages in the nursing care industry, we conduct training sessions in the aim of improving staff skills. Using dedicated teaching material and through conversation that actually occurs in nursing care settings, the training sessions do not only improve the necessary communication skills for working in the nursing care fields, including the Japanese language skills needed for nursing, but also aim to develop personnel who will be able to work in Japan over the long term, with course content covering the acquisition of nursing care qualifications and study of kanji characters and honorifics targeted for Japanese language proficiency test.

Implement 360-degree assessment

As part of our personnel evaluation system based in fairness and transparency, we have introduced a multi-faceted evaluation system with 360-degree assessments. In the previous fiscal year, we held seminars taught by external instructors and briefings about 360-degree assessment for senior department managers throughout the Company. In December 2020, we introduced 360-degree assessment for senior department managers across the Company. In the current fiscal year, we are aiming to roll out the system to include in the scope lower managers than senior department managers level.

Materiality

S Work-Style Reform and HR Development (2)

KPI

Targets to be completed by the end of the fiscal year ending March 2022

- Paid leave acquisition rate (acquisition rate: 85%)
- Promote health and productivity management
  (ratio of fitness habits: 70% or more*1; ratio of overweight and obesity: 28% or less*2)

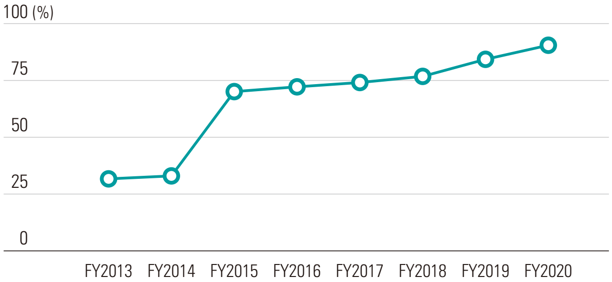
*1 Exercising at least 30 minutes once a week
*2 BMI of 25 or more; national average: 26.3% (National Health and Nutrition Survey 2019, Ministry of Health, Labour and Welfare)

Leopalace21's initiatives

Paid leave acquisition rate

We consider work-life balance promotion an important issue, and part of this includes creating a system and work environment that make it easy for our employees to use their paid leave entitlement. More specifically, we are promoting the usage of the planned five-day annual leave in summer and winter as well as the three-day refreshment leave, which can be used anytime throughout the year. We have also introduced a half-day paid leave and hourly paid leave system. These efforts, along with the impact of the voluntary retirement system, resulted in a paid leave acquisition rate of 90.5% in the fiscal year ended March 2021, a considerable improvement over the ratio of 31.7% in the fiscal year ended March 2014.

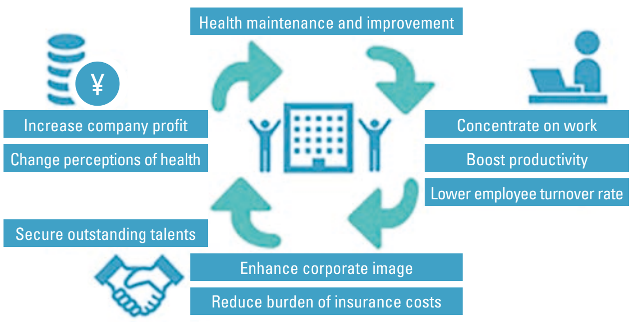
Paid leave acquisition rate



Promote health and productivity management

Based on the belief that the mental and physical health of each and every employee is a driving force for innovation, we support the health of employees and proactively implement a health and productivity management strategy. With the officer in charge of human resources responsible for health promotion, we proactively offer health supports to improve employee health literacy and promote good health with full-time health nurses and clinical psychotherapists. The key themes of the strategy seek to create a workplace environment where employees can thrive energetically, including: 1. mental health promotion plan; 2. support for balancing work with treatment for conditions such as cancer and cerebrovascular disease; and 3. improvement of health index figures. The rate of obesity among our employees is higher than the national average. To address this, we conduct internal awareness-raising activities to reduce the rate of obesity while seeking to boost the ratio of employees with regular exercise habits.

Health and Productivity Management Cycle:
Physical and Mental Health is a Key to the Company Growth



Materiality

S Respect for Human Rights

KPI

Targets to be completed by the end of the fiscal year ending March 2022

- Employment of persons with disabilities (maintain employment ratio of 2.3%)
- Create jobs for Leopalace Smile, for roles such as the provision of security camera recordings, replacement of apartment locks and keys, and document mail service (outsource 100% of specified jobs to Leopalace Smile)

Leopalace21's initiatives

Employment of persons with disabilities

We are aiming to expand our hiring of persons with disabilities. To do so, we established Leopalace Smile Co., Ltd. in August 2009 and received the authorization as a special subsidiary company in November 2009. This company currently handles the Leopalace Group's mail sorting, shipping, and related outsourced work. Our operations are aimed at achieving the normalization of persons with disabilities in society.

Create jobs for Leopalace Smile, for roles such as the provision of security camera recordings, replacement of apartment locks and keys, and document mail service

A wide variety of tasks are outsourced to Leopalace Smile. Tasks that used to be carried out by staff of leasing services departments are now conducted by Leopalace Smile employees, such as mail sorting and sending, analysis and processing of security camera videos, resetting of apartment key equipment, and sending documents to tenants. This not only allows us to create work to promote the employment of persons with disabilities, but also significantly reduce the working hours of leasing services department staff by outsourcing to Leopalace Smile, helping to improve productivity across the entire Group.

Materiality

E

Attention to the Environment (1)

KPI

Targets to be completed by the end of the fiscal year ending March 2022

- CO_2 emissions reduction for Scope 1 and 2
  (achieve 26% reduction in FY2030 in comparison to FY2016)

Leopalace21's initiatives

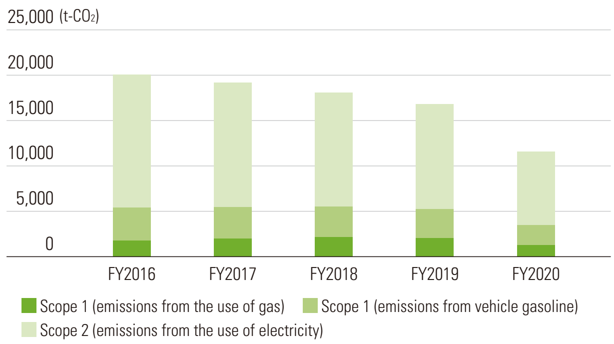
CO_2 emissions reduction for Scope 1 and 2

We have set a goal of reducing the Scope 1 and 2 CO_2 emissions—emissions from the use of electricity and gas, and vehicle gasoline—of our facilities by 26% in FY2030 compared to FY2016.

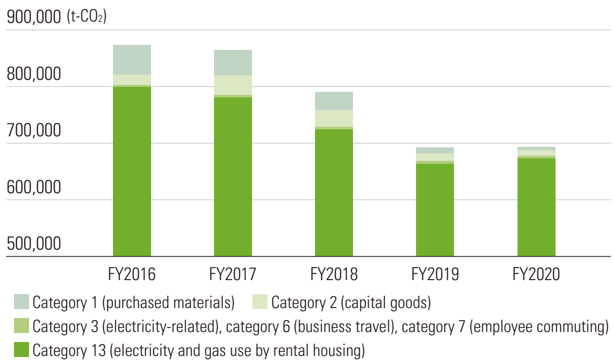
In line with this goal, we started disclosing our total CO_2 emissions in FY2016, and the total results for each fiscal year are shown on our website and in the integrated reports. Furthermore, regarding our totalization process and results, we have obtained the guarantee of an independent third party to increase the reliability of the information we present. Each of our employees will continue to maintain an awareness of the environment as they go about their work, and as a company we will continue to conduct environmental protection activities, including the reduction of company cars and the green procurement of business supplies.

While setting targets for reductions to Scope 1 and 2 emissions, it is important to identify the processes that should be focused on for environmental conservation by gaining an understanding of the emissions that occur in upstream and downstream business activities. Based on this belief, our Scope 3 emissions are mainly from electricity and gas usage by tenants, which we address by taking measures such as using LED lighting. Also, we consider the way we lease apartments equipped with furniture and home appliances to be eco-friendly in and of itself, because tenants can move in with just one suitcase, reducing the waste that is produced when moving and minimizing energy consumption when moving belongings.

CO_2 emissions (Scope 1 and 2)



CO_2 emissions (Scope 3)



Materiality

E Attention to the Environment (2)

KPI

Targets to be completed by the end of the fiscal year ending March 2022

- Engage in electricity saving by use of energy-saving lighting (lighting replacement opportunities by LED lighting: 100%)
- Reduce paper consumption (reduce consumption by 20% compared to FY2020 result)

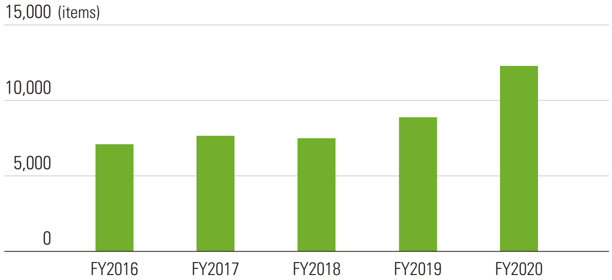
Leopalace21's initiatives

Engage in electricity saving by use of energy-saving lighting

Leopalace21 manages approximately 57,000 apartments across Japan. We recognize that we also have a responsibility to take measures to address the environmental burden of electricity usage by tenants. We replace approximately 10,000 items of lighting equipment installed in private room spaces a year. As we do so, we are proactively replacing fittings with LED lightbulbs, with a future goal of 100% LED lighting.

In addition to energy reductions in private room spaces, we are also looking into rolling out measures to reduce the electricity used in common areas, such as adjusting the time lights are turned on and off by season.

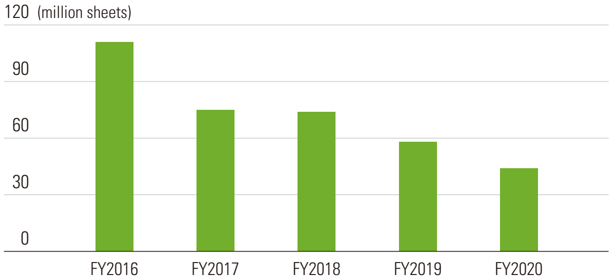
Number of lighting equipment items (in rooms) replaced



Reduce paper consumption

The amount of paper we use in our head office, branches and offices throughout Japan is falling on a yearly basis. We reduce paper usage of all Company officers and employees by, for example, working to reform individual employee mindsets and running meetings using tablets. At the same time, we have also reduced the amount of paper used for customer-facing work through the electronic contract management system we have introduced in 2015 and the web-based rental contract signing that was launched across Japan in 2020. In addition, we expanded the scope of digitized services for individuals in June 2021, by launching the electronic contract signing service for parking spaces. These efforts have enabled us to go paperless and digitize all rental contractual procedures we conclude with customers, with the exception of fixed-term rental agreements, which must be signed in writing by law.

Paper usage (number of sheets in A4 size)



Ten-Year Consolidated Financial Highlights

For the years ended March 31:	FY2011	FY2012	FY2013	FY2014
Net sales	458,220	454,285	470,883	483,247
Leasing Business	379,091	383,637	388,562	399,375
Development Business	62,913	53,369	63,135	61,312
Elderly Care Business	8,845	9,482	10,171	10,608
Hotel, Resort & Other Businesses	7,370	7,795	9,013	11,950
Cost of sales	403,572	396,508	401,510	407,433
Selling, general and administrative expenses	51,278	50,299	55,906	60,992
Operating profit (loss)	3,369	7,477	13,467	14,822
Leasing Business	4,052	8,750	15,364	20,590
Development Business	4,290	2,748	2,951	211
Elderly Care Business	(855)	(742)	(610)	(606)
Hotel, Resort & Other Businesses	(1,702)	(970)	(981)	(1,257)
Adjustments	(2,415)	(2,308)	(3,256)	(4,116)
EBITDA (Operating profit + depreciation)	9,416	13,161	19,460	22,558
Recurring profit (loss)	1,133	11,154	11,368	13,483
Net income (loss)	372	13,398	15,730	15,175
At year-end:				
Total assets	264,783	261,649	288,165	308,882
Net assets	31,761	56,145	103,354	124,928
Interest-bearing debt	51,654	49,026	37,227	44,487
Cash and deposit balance	41,477	56,681	74,767	75,221
Cash flow:				
Cash flow from operating activities	(3,174)	6,069	15,584	15,715
Cash flow from investing activities	(3,537)	(6)	(6,929)	(17,550)
Cash flow from financing activities	7,245	9,148	8,848	1,747
Free cash flow (FCF)	(6,712)	6,063	8,654	(1,834)
Amounts per share: (Yen)				
Net assets	187.50	265.32	393.05	475.17
Net income (loss)	2.21	74.85	69.38	57.73
Cash dividend	—	—	—	—
Index:				
Units under management	556,207	546,204	548,912	554,948
Average annual occupancy rate (%)	81.16	82.94	84.58	86.57
Construction subcontracting orders received (JPY million)	50,019	73,006	81,139	87,395
Equity ratio (%)	12.0	21.5	35.9	40.4
Return on equity (ROE) (%)	1.2	30.5	19.7	13.3
Return on assets (ROA) (%)	0.4	4.2	4.1	4.5
Dividend payout ratio (%)	—	—	—	—
Debt/equity ratio (%)	1.6	0.9	0.4	0.4
Number of employees	6,165	6,277	6,758	7,339

*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. USD amounts are translated from yen at the rate of JPY110.71 = USD 1.00, the approximate rate prevailing at March 31, 2021.
2. Return on equity (ROE) = Net income/average net assets during the fiscal year x 100
3. Return on assets (ROA) = Recurring income/average total assets during the fiscal year x 100
4. Debt/equity ratio = Interest-bearing debt/(net assets – non-controlling interests)

Reorganized Business Portfolio

Until Fiscal Year 2016 (Year ended March 2017)

Leasing Business
- Corporate housing management & rental housing brokerage
- Rental payment guarantees
- International business

Construction Business
- Custom-built homes

Elderly Care Business
- Elderly care business

Hotels & Resort Business
- Hotels and resort business
- Travel agency services

Others
- Small-amount, short-term insurance
- Solar power generation
- Clerical services agency
- Real estate development

Fiscal Year 2017 (Year ended March 2018)**–Fiscal Year 2019** (Year ended March 2020)

Leasing Business
- Corporate housing management & rental housing brokerage
- Rental payment guarantees
- International business
- Small-amount, short-term insurance
- Solar power generation

Development Business
- Custom-built homes
- Real estate development

Elderly Care Business
- Elderly care business

Hotels, Resort and Other Businesses
- Hotels and resort business
- Travel agency services
- Clerical agency services

	(JPY million)						(USD thousand)
	FY2015	FY2016*	FY2017	FY2018	FY2019	FY2020	FY2020
	511,513	520,488	530,840	505,223	433,553	408,959	3,693,968
	410,641	416,594	435,537	426,388	388,939	391,964	3,540,465
	74,160	74,566	76,587	58,992	23,806	—	—
	10,798	11,536	12,807	13,922	14,620	14,524	131,193
	15,913	17,791	5,908	5,919	6,186	2,469	22,308
	422,604	427,820	434,762	428,988	408,112	387,872	3,503,504
	67,823	69,769	73,147	68,844	61,915	50,269	454,061
	21,085	22,898	22,930	7,390	(36,473)	(29,182)	(263,597)
	22,848	22,459	26,062	14,987	(20,828)	(19,385)	(175,101)
	3,340	5,051	3,663	(995)	(5,181)	—	—
	(1,354)	(1,650)	(1,596)	(846)	(559)	(720)	(6,511)
	(360)	664	(846)	(1,346)	(1,000)	(1,551)	(14,017)
	(3,388)	(3,626)	(4,353)	(4,407)	(8,903)	(7,524)	(67,966)
	30,700	32,235	34,656	20,336	(24,316)	(18,766)	(169,506)
	19,909	22,355	22,354	7,063	(36,341)	(34,170)	(308,644)
	19,631	20,401	14,819	(68,662)	(80,224)	(23,680)	(213,897)
	327,609	337,828	337,257	291,790	196,953	161,708	1,460,652
	144,865	158,870	159,438	81,338	1,589	3,277	29,601
	50,824	49,918	53,829	48,047	36,137	35,409	319,835
	88,043	104,432	106,543	84,536	60,501	54,863	495,559
	22,104	27,504	27,338	(7,212)	(51,639)	(40,816)	(368,679)
	(11,087)	(8,653)	(2,336)	7,379	39,533	11,829	106,852
	1,374	(14,048)	(18,354)	(15,181)	(12,048)	23,571	212,908
	11,017	18,850	25,001	167	(12,106)	(28,986)	(261,827)
	550.94	603.76	630.84	331.87	5.34	(25.83)	(0.23)
	74.68	77.61	58.02	(278.58)	(328.77)	(84.88)	(0.77)
	10.00	22.00	22.00	—	—	—	—
	561,961	568,739	570,672	574,798	575,798	573,673	573,673
	87.95	88.53	90.59	88.34	80.78	78.89	78.89
	86,439	87,139	75,905	64,495	7,814	5,927	53,544
	44.2	47.0	47.2	27.7	0.7	(5.3)	(5.3)
	14.6	13.4	9.3	(57.2)	(195.1)	—	—
	6.3	6.7	6.6	2.2	(14.9)	(19.1)	(19.1)
	13.4	28.3	37.9	—	—	—	—
	0.4	0.3	0.3	0.6	23.0	(4.4)	(4.4)
	7,846	7,695	7,690	7,600	7,043	5,082	5,082

5. In this report, net income attributable to shareholders of the parent is stated as net income.
6. 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 ended March 2011 to the fiscal year ended March 2016, and then we changed the segments in the fiscal year ended March 2018, so we retroactively changed the figures for the fiscal year ended March 2018 to the new segment (Hotels, Resort & Other Businesses).
7. Development Business was integrated to Leasing Business from the fiscal year ended March 2021.

From Fiscal Year 2020 (Year ended March 2021) **Reference: Fiscal Year 2020** (JPY million)

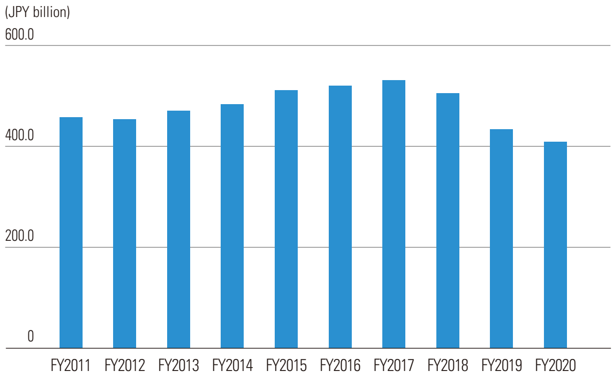
		Net sales	Operating profit (loss)
Core Business	**Leasing Business** **Development Business** **(Leasing Segment)**	391,964	(19,385)
Strategic Business	**Elderly Care Business**	14,524	(720)
Non-core Businesses	**Other Businesses**	2,469	(1,551)

Financial Highlights

Net sales

JPY **408.9** billion

Down 5.7% y/y



Starting in the fiscal year ended March 2010, net sales were continuously increasing, reaching a peak in the fiscal year ended March 2018—due in part to our efforts to strengthen the profitability of the Leasing Business. However, our sales declined for the third year in a row starting in the fiscal year ended March 2019, due to the construction defects problem causing us to suspend tenant recruitment for rooms, which led to a decrease in occupancy rates, as well as the effects of the COVID-19 pandemic.

Operating profit (loss)

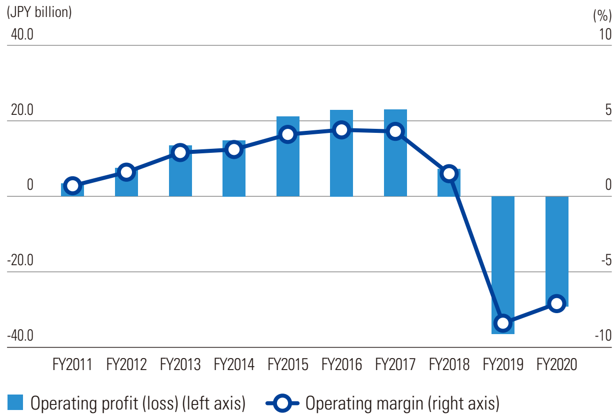
JPY **-29.1** billion

JPY -36.4 billion in fiscal 2019

Operating margin

-7.1 %

-8.4% in fiscal 2019

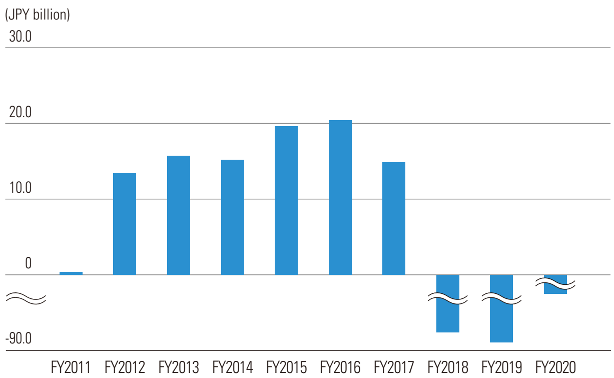


Profits had been rising from the fiscal year ended March 2012, when the results of efforts to strengthen the profitability of the Leasing Business began to emerge. However, with the construction defects problem in the fiscal year ended March 2020 and the COVID-19 pandemic in the fiscal year ended March 2021, an operating loss has been recorded for two consecutive years with a marked decrease in profit.

Net income (loss) attributable to shareholders of the parent

JPY **-23.6** billion

JPY -80.2 billion in fiscal 2019

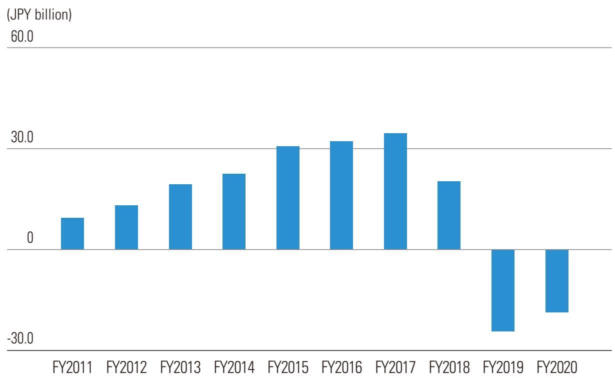


As with operating profit, net income attributable to shareholders of the parent had been increasing since the fiscal year ended March 2012, when the results of efforts to strengthen the profitability of the Leasing Business began to emerge. However, we recorded an impairment loss in the fiscal year ended March 2018 as a result of selling Company-owned apartments. Furthermore, from the fiscal year ended March 2019, we have recorded provision for losses related to repairs, which has led to a fall in business profitability and brought about a net loss for the three consecutive fiscal years.

EBITDA (Operating profit + depreciation)

JPY **-18.7** billion

JPY -24.3 billion in fiscal 2019



Our EBITDA—the combination of operating profit and depreciation—had been increasing from the fiscal year ended March 2012 to the fiscal year ended March 2018 thanks to increased operating profit as a result of a recovery in profitability and higher depreciation stemming from proactive capital investments in new businesses. However, our EBITDA has declined for three years in a row starting in the fiscal year ended March 2019 due to falling operating profit.

Total assets

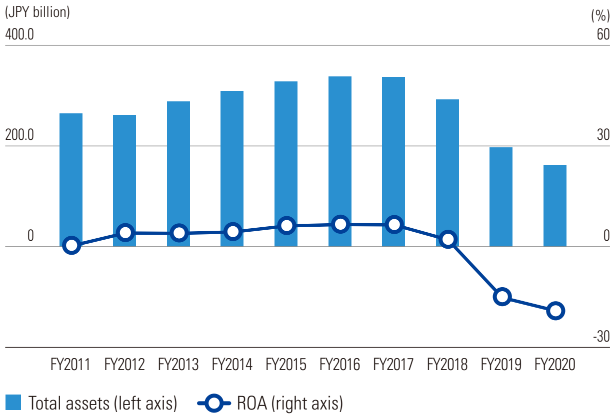
JPY **161.7** billion

Down 17.9% y/y

ROA

-19.1 %

-14.9% in fiscal 2019



Our ROA recovered rapidly after returning to the black in the fiscal year ended March 2012, climbing to 6.6% in the fiscal year ended March 2018. However, profit has significantly dropped from the fiscal year ended March 2019, and ROA has been negative for the most recent two years in a row.

Net assets

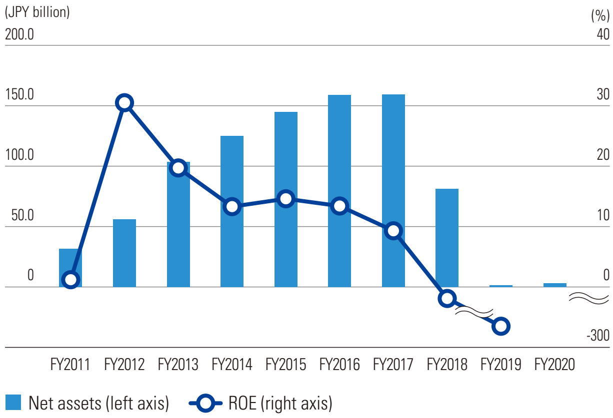
JPY **3.2** billion

2.1 × fiscal 2019

ROE

—

-195.1% in fiscal 2019

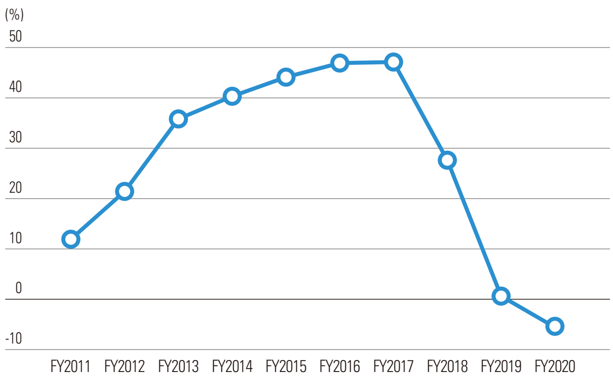


As a result of our earnings steadily increasing due to our Leasing Business in particular, our ROE hovered in the 10% range starting in the fiscal year ended March 2015. It subsequently declined at the same time net assets fell due to a major drop in profit. While net assets rose in response to an increase in capital in the fiscal year ended March 2021, equity was negative.

Equity ratio

-5.3 %

Down 6.0 points y/y

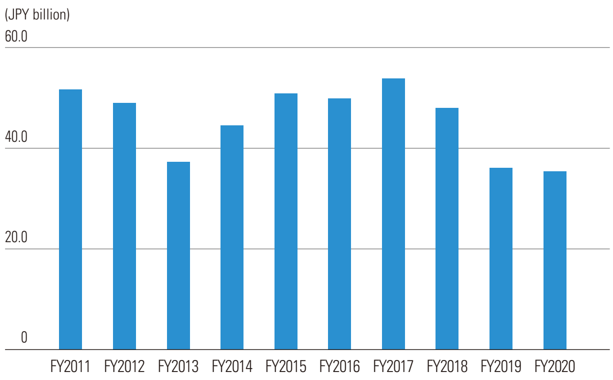


Concerning the equity ratio over the past ten years, in step with a recovery in earnings, we have endeavored to secure financial soundness. Accordingly, the equity ratio rose to 47.2% during the fiscal year ended March 2018. However, the equity ratio once again fell as a result of worsening business profits since the fiscal year ended March 2019, falling to -5.3% at the end of the fiscal year ended March 2021.

Interest-bearing debt —incl. lease obligations

JPY **35.4** billion

Down 1.0% y/y

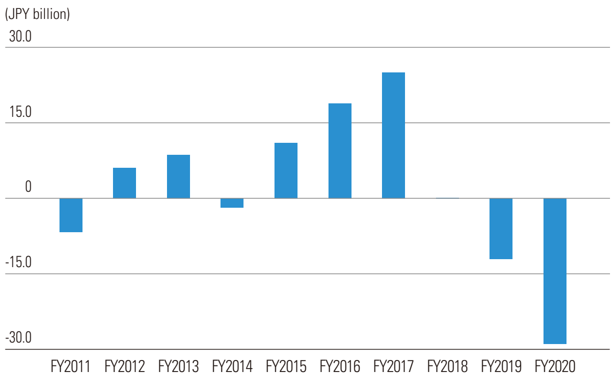


In the last 10 years, we have focused on reducing and curtailing the debt ratio in consideration of our repayment capacity. As a result, our interest-bearing debt was JPY 35.4 billion at the end of the fiscal year ended March 2021.

Free cash flow

JPY **-28.9** billion

JPY -12.1 billion in fiscal 2019

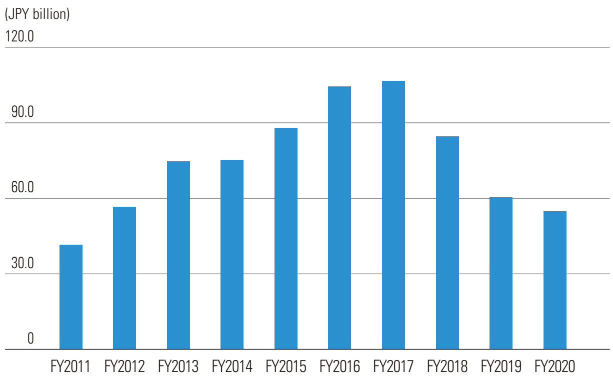


We have increased our cash flows from operating activities mainly in the form of net income before tax adjustments since the global financial crisis, and as a result of curtailing the outflow of cash used for capital investments and other investing activities, we achieved continued growth in free cash flow. However, as a result of declining profits from the fiscal year ended March 2019 onward, cash flows from operating activities became negative from the fiscal year ended March 2020, and free cash flow was negative for two consecutive years.

Cash and deposits balance

JPY **54.8** billion

Down 9.3% y/y

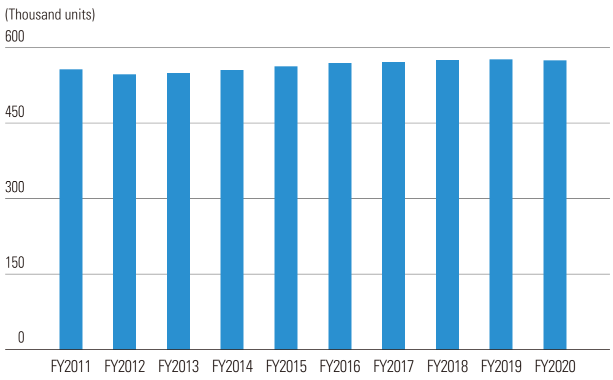


As a result of an increase in our cash flows from operating activities, curtailing the outflow of cash used for capital investments and other investing activities, and moreover selling off owned assets, our cash and deposits balance continued to increase until the end of the fiscal year ended March 2018. Due to factors that included our cash flows from operating activities becoming negative starting in the fiscal year ended March 2019, our cash and deposits balance has been falling.

Units under management

573,673 units

Down 0.4% y/y

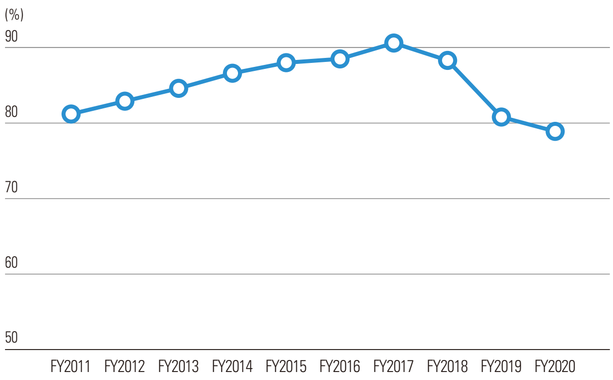


Because expanding our number of units under management strengthens our earnings base, we strived to expand the number of units under management by supplying more properties in areas where we expect strong tenant demand, with a focus on Japan's three major metropolitan areas in particular. We are currently focused on improving the occupancy rate of properties we already manage as opposed to increasing the quantity of properties. At the end of the fiscal year ended March 2021, our units under management fell by around 2,000 compared to the previous year to 573,673.

Average annual occupancy rate

78.9 %

Down 1.9 points y/y



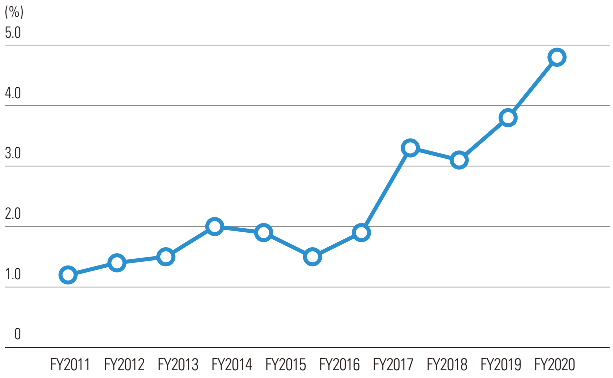
Our rental housing occupancy rates tend to follow a cycle of peaking in March ahead of the new school year and before new company recruits head off to work, before typically decreasing in April, then gradually picking up again. In order to eliminate falls in occupancy as a result of this cycle, we promote measures to encourage long-term tenancies, and our average annual occupancy rate had been gradually increasing. However, occupancy rates have been falling for three years running as a result of the construction defects problem and the COVID-19 pandemic.

Non-Financial Highlights

No. of employees on childcare leave

4.8%

Up 1.0 point y/y

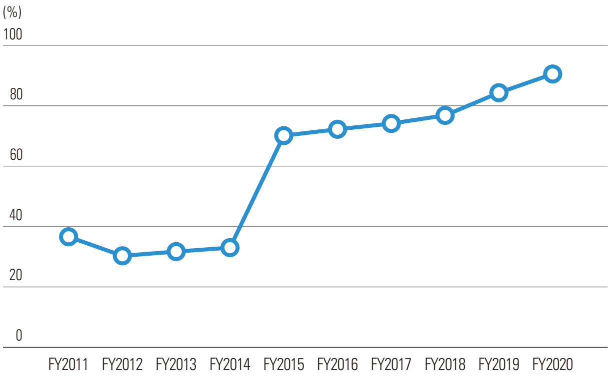


Under the guidance of the Japanese government, work-style reform for both men and women are gaining momentum. This includes awareness of working styles and associated changes in behavior. To this end, we have been taking steps towards developing a workplace environment with systems in place to make it easier for employees to request childcare leave, in addition to considering improvements to work-life balance, such as reducing the amount of overtime work and encouraging increased use of paid leaves. As a result, uptake of childcare leave has been on the rise, reaching a record high of 4.8% in the fiscal year ended March 2021.

Ratio of paid leave usage

90.5%

Up 6.2 points y/y

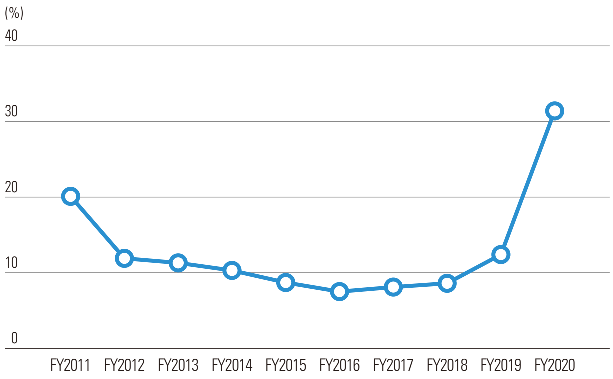


The dissemination of work-style reform implemented by the Company has caused a shift in employees' sense of value attributed to work, from one that prioritized long working hours to one that emphasizes productivity. With efforts to promote the use of paid leave, such as the planned five-day annual leave in summer and winter and the three-day refreshment leave, which can be used anytime throughout the year, the rate of usage of paid leaves has continually surpassed 70%. During the previous fiscal year, the voluntary retirement program led to an increased uptake of paid leave before retirement, leading to a temporary rise in the rate of usage.

Rate of workforce turnover

31.4%

Up 19.0 points y/y

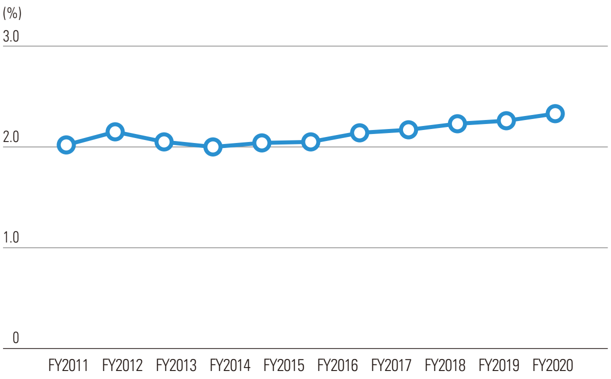


The Company places utmost importance on human resources, and implements employee training programs and other measures that help all employees express their diverse individuality and harness their capabilities. In addition to this, we aim to build pleasant workplaces where people enjoy work, in an effort to improve issues with long working hours that are specific to this industry. As a result, while the rate of workforce turnover fell to 12.4% in the fiscal year ended March 2020, the fiscal year ended March 2021 saw a temporary uptick in the rate of workforce turnover due to the implementation of the voluntary retirement program.

Ratio of employees with disabilities

2.33%

Up 0.07 points y/y



Leopalace21 believes that providing a place for a workforce of people from a broad array of backgrounds with diverse values to thrive helps create new value, and greatly contributes to the growth of our Company. With regard to the employment of persons with disabilities, we established the special subsidiary company Leopalace Smile in August 2009. While complying with the legally prescribed employment quota of persons with disabilities, we provide workplaces where all employees can work with a higher sense of fulfilment.

Financial Section

Management's Discussion and Analysis

1. Operating Environment

The domestic economy, apart from some parts of the industries that showed signs of recovery, remained extremely challenging, as consumer spending was sluggish and corporate earnings deteriorated sharply due to such factors as the issuance of a declaration of a state of emergency in response to the spread of COVID-19 pandemic and requests to stay home and refrain from going out.

The new housing starts of leased units declined for the four years in a row (down 9.4% year on year) due to the tightening of lending terms by financial institutions. In the rental housing market, the number of vacant houses continues to increase, and in order to secure a stable occupancy rate amid difficulty in recovering nationwide demand, the Company believes it is important to implement a differentiation strategy by providing value-added services and by focusing on supplying apartments in the three metropolitan areas where high occupancy rates are expected in the future.

Under these circumstances, Leopalace21 Group (the "Group") posted a significant loss for the two years in a row in the previous fiscal year, mainly due to a deterioration in the occupancy rates caused by the construction defects. The Company announced, on April 30, 2020, "Drastic Business Strategies Reconstruction" and has been continuing to stabilize both business and financial position by implementing strategies centered on Reconstruct business foundation – selective concentration; Implement structural reforms; and Restore the trust of society.

Although the business performance headed for recovery following the progress of repair works and resumption of tenant recruitment, the protracted COVID-19 impact contributed sluggish demand due to restraint transfer and reduction of new hires at the corporate customers, promotion of online course lectures at colleges and universities and strict immigration control for foreign nationals.

2. Analysis of Business Results

(1) Net Sales

Net sales for the consolidated fiscal year ended March 2021 amounted to JPY 408,959 million (down 5.7% year on year). The decrease was mainly caused by the protracted COVID-19 impact which resulted in corporate customers' demand restraint in job transfers, in hiring new graduates, and cancellation of business trips and group trainings. Prevailed online course lectures at colleges and universities and strict immigration control for foreign nationals were another factors which played negatively in the business.

Net Sales by Segment

(JPY million)	FY 2019	FY2020	Change
Leasing Business	412,746	**391,964**	**(20,781)**
Elderly Care Business	14,620	**14,524**	**(96)**
Other Businesses	6,186	**2,469**	**(3,716)**
Total	433,553	**408,959**	**(24,594)**

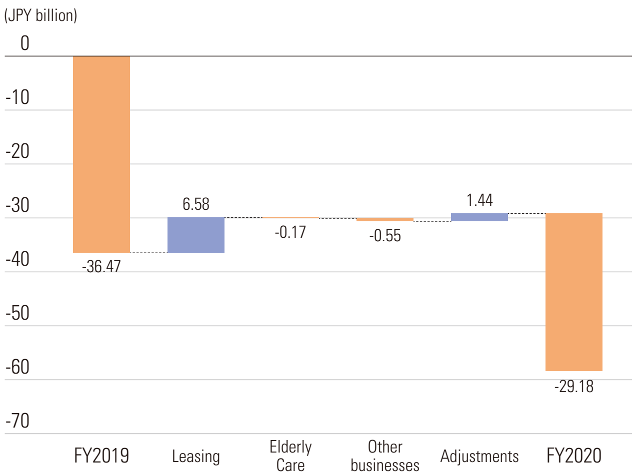
(2) Earnings

Operating loss was JPY 29,182 million (a reduced loss of JPY 7,290 million year on year) due mainly to a decrease in rent revenues by stagnant occupancy rates, despite JPY 31,885 million reduction in cost of sales and SGA expense year on year. Recurring loss was JPY 34,170 million (a reduced loss of JPY 2,171 million year on year) due to the incurrence of funding costs and increased interest expenses. Net loss attributable to shareholders of the parent was JPY 23,680 million (a reduced loss of JPY 56,543 million year on year) mainly due to recording of impairment loss on non-current assets and goodwill of JPY 4,041 million and special severance allowance of JPY 2,479 million associated with the voluntary retirement program in extraordinary losses despite reversal of provision for losses related to repairs of JPY 15,374 million resulting from lowered unit repair cost through placing batch orders and by employing a new repair method, and gains on sale of investment securities of JPY 4,065 million.

Operating Profit by Segment

(JPY million)	FY 2019	FY2020	Change
Leasing Business	(25,966)	**(19,385)**	**6,580**
Elderly Care Business	(541)	**(720)**	**(179)**
Other Businesses	(994)	**(1,551)**	**(557)**
Adjustments	(8,971)	**(7,524)**	**1,446**
Total	(36,473)	**(29,182)**	**7,290**

Change in Operating Profit



(3) Segment Information

Leasing Business

The Company offers *my DIY* which enables the tenant to customize one of the walls of the room to their tastes, smart apartment functionality to lock/unlock the door and control home appliances through smart phones, high level of remote customer support by web-based customer services, room viewing and contract signing, and security systems in alliance with large security companies as a part of the value-added services. In addition, to achieve stable occupancy rates, the Company has been strengthening sales activities towards corporate customers to respond to their dormitory and company housing demand and increasing support for foreign tenants. The subsidiaries in the ASEAN region operate serviced apartments and serviced offices in the respective countries.

Since the demand continued slow centered on the corporate customers, the major customer group, resulting from the spread of COVID-19 pandemic albeit diminishing impact from the construction defects problem, the occupancy rate at the end of the consolidated fiscal year ended March 2021 was 81.72% (down 1.35 points from the end of the previous fiscal year) and the average occupancy rate was 78.89% (down 1.89 points year on year). The number of units under management at the end of the consolidated fiscal year ended March 2021 was 573 thousand (decreased by two thousand from the end of the previous fiscal year).

The Company has been improving the efficiency in sales and operation through promoting web-based contract signing and use of real estate agents, which enabled the lean operation with 139 direct leasing sales offices at the end of the consolidated fiscal year ended March 2021 (decreased by 50 from the end of the previous fiscal year).

As a result of orders becoming sluggish due to intensified competition in the metropolitan areas and changes in the environment of apartment loans, in addition to stop taking new orders for apartment construction because of the construction defects problem such as parting walls, orders received during the consolidated fiscal year amounted to JPY 5,927 million (down 24.1% year on year) and the orders received outstanding stood at JPY 9,651 million (down 65.2% from the end of the previous fiscal year).

As a result, net sales amounted to JPY 391,964 million (down 5.0% year on year) and operating loss was JPY 19,385 million (an increase of JPY 6,580 million year on year).

Elderly Care Business

The Company has been improving the profitability of the Elderly Care Business, a strategic growth business, through continuous operational reformation and cost control. However the users of the facilities decreased due to the risk of infection of COVID-19.

Net sales were JPY 14,524 million (down 0.7% year on year) and operating loss was JPY 720 million (increased loss of JPY 179 million year on year). The number of facilities was 87 at the end of March 2021.

Other Businesses

Net sales of the Other Businesses, including resort facilities in Guam and finance business, were JPY 2,469 million (down 60.1% year on year) and operating loss was JPY 1,551 million (increased loss of JPY 557 million year on year) as a result of sharply declined occupancy rate of Guam resort facilities impacted by the spread of COVID-19 pandemic and downscaled operation due to the transfer of hotels business in Japan.

3. Analysis of Consolidated Financial Position

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

Total assets at the end of the fiscal year decreased by JPY 35,244 million from the end of the previous fiscal year to JPY 161,708 million. This was mainly attributable to a decrease of following items: JPY 5,638 million in cash and deposits, JPY 2,447 million in real estate for sales in process, JPY 8,583 million in securities and investment securities as a result of sale of those securities for the purpose of securing the stable operating funds, JPY 2,105 million in prepaid expenses and long-term prepaid expenses, JPY 5,774 million in land due to the sale or impairment losses of real estate for sale, JPY 4,306 million in buildings and structures (net), and JPY 3,691 million in leased assets (net).

Total liabilities decreased by JPY 36,932 million from the end of the previous fiscal year to JPY 158,431 million. This was mainly attributable to a decrease of following items: JPY 5,340 million in advances received and long-term advances received because of decreased monthly rental contracts, JPY 5,341 million in accounts payable – other due to reduced expenses, JPY 22,738 million in provision for losses related to repairs and JPY 3,644 million in provision for apartment vacancy loss.

Net assets increased by JPY 1,687 million from the end of the previous fiscal year to JPY 3,277 million. This was mainly due to an increase of JPY 5,999 million in common stock, JPY 10,026 million in capital surplus and JPY 11,366 million in non-controlling interests as a result of issuance of new shares through third party allotment and issuance of preferred stock in a Company's consolidated subsidiary despite recording of JPY 23,680 million in net loss attributable to shareholders of the parent. The ratio of total shareholders' equity to assets dropped by 6.0 points from the end of the previous fiscal year to minus 5.3%.

(2) Cash Flow Position

Cash flow from operating activities was a net outflow of JPY 40,816 million (a reduction of JPY 10,823 million in net outflow year on year). This was mainly due to a recording of JPY 10,416 million in depreciation, JPY 4,041 million of impairment loss, whereas a recording of JPY 22,925 million of net loss before income taxes and other adjustments, reversal of provision for losses related to repairs of JPY 15,374 million, a decrease of JPY 5,861 million in accounts payable, a decrease of JPY 5,327 million of advances received and JPY 8,313 million of payment related to repairs.

Cash flow from investing activities was a net inflow of JPY 11,829 million (a reduction of JPY 27,704 million in net inflow year on year). This was mainly due to JPY 2,328 million of expenditure in purchase of property, plant and equipment, whereas JPY 4,167 million of proceeds from sale of property, plant and equipment, JPY 5,600 million of proceeds from redemption of securities and JPY 4,341 million of proceeds from sale of investment securities.

Cash flow from financing activities was a net inflow of JPY 23,571 million (a net outflow of JPY 12,048 million in the previous fiscal year). This was mainly due to JPY 17,790 million of expenditure in repayment of long-term debt and JPY 8,103 million of expenditure in payment for redemption of bonds, JPY 4,181 million of expenditure in repayment of finance lease obligations and JPY 2,868 million of expenditure in payment for funding costs whereas JPY 30,234 million of proceeds from long-term debt, JPY 11,999 million of proceeds from issuance of shares and JPY 15,000 million of proceeds from share issuance to non-controlling shareholders.

As a result, cash and cash equivalents at the end of the fiscal year ended March 2021 was JPY 53,346 million, decreased by JPY 5,570 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 Company will continue to pursue the policy set forth in the "Drastic Business Strategies Reconstruction" announced on April 30, 2020 and will invest management resources in the core Leasing Business through selection and concentration. It will also continue to implement structural reforms to drastically improve our corporate structure starting in the fiscal year ended March 2021. The Company will strive to stabilize the business and finances, improve the balance of revenues and expenditures on a sustainable basis, and strive to realize excessive liabilities elimination. Below are the more specifics about implementing the policy with related timeline.

(i) Drastic restructuring

As part of structural reforms, the Company implemented various measures to reduce SGA expenses. The measures include withdrawal from non-core and unprofitable businesses such as sale of real estate and investment securities and transfer or liquidation of subsidiaries. In addition, the Company reviewed its personnel cost structure and offered a voluntary retirement; reduced executive remuneration; terminated contracts with advisors and counselors; reduced payroll cost including various allowances cutdown in tandem with a revised human resources management system. The Company further implemented the reduction of the cost of revenue from operations and cost of management in Leasing Business including the fixed cost of the leasing sales offices through reorganization; abolished the shareholders benefit plan; reduced the advertising and sales promotion expenses; cut down the commission expenses through reviewing outsourcing contracts; and lowered the IT system related expenses.

In the fiscal year ending March 2022, the Company is continuing structural reforms to reform the profitability structure, and are planning to significantly reduce these costs as some measures bring about the full 12-month reduction effect which were executed in the middle of fiscal year ended March 2021.

(ii) Improving occupancy rates
Since the Leasing Business, being our core business, is a recurring revenue business model, it is essential to improve occupancy rates in order to stabilize the business as a goal.

In the second half of the fiscal year ended March 2021, despite the impact of COVID-19 remained unchanged, the occupancy rates gradually increased as a result of efforts in utilizing IT, such as web-based customer services including online room viewing and web-based contract signing, and in strengthening ties with real estate agents network for recruiting tenants.

In addition to continue and strengthen the above measures in the fiscal year ending March 2022, the Company will increase its sales efforts with specific targets such as corporate customers, individual customers and foreign national customers and reorganize the Leasing Business by implementing area intensive strategy for providing quicker response to the market requirements and allocating human resources to realize the goal.

Financial Strategy

At the end of the fiscal year ended March 2021, the Company had cash and deposits of 54,863 million yen, a sufficient funds to continue operations for foreseeable future. The Company will continue to monitor liquidity on hand in the future.

In order to ensure the flexibility and speediness of the capital policy, the Company has decided to reduce the common stock, as stipulated in Article 447, Paragraph 1 of the Company Act. There will be no change in the total number of outstanding shares and there will be no effect on the number of shares held by all shareholders. In addition, there will be no change in net assets and in net assets per share. Please see the details in 33. Subsequent Events.

The Company's outstanding number of shares including dilutive securities as a result of capital policy executed November 2020 was 489,138,215 shares. The Company increased by the resolution of the Ordinary General Shareholders' Meeting held on June 29, 2021 the number of authorized shares to 750,000,000 in preparation for ensuring the speedy fundraising in the future.

(2) Key Issues to Address

The Company announced the recurring loss of JPY 34,170 million due to drastic decline in operating revenues resulting from a declaration of a state of emergency in response to the spread of COVID-19 and economic impact by requests to stay home and refrain from going out. Consequently, the Company's liabilities exceeded its assets by 8,494 million yen.

The Tokyo Stock Exchange has changed a part of the Securities Listing Regulations and extended the grace period from one year to two years in case a company incurs excessive liabilities due to the impact of spread of COVID-19. The Company has been therefore granted the extension of the grace period from April 1, 2021 to March 31, 2023.

The Company will eliminate the excessive liabilities at the end of the fiscal year ending March 2023 through implementing the above mentioned measures, on the assumption that the share subscription rights are not exercised. The Company will inform the results quarterly.

(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 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.

The number of new housing starts of leased units continued to decline for the four consecutive years as we mentioned in 1. Operating Environment.

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 570,000 managed units.

Financial Section

Consolidated Balance Sheet

Leopalace21 Corporation and consolidated subsidiaries
March 31, 2021 and 2020

	Notes	JPY million		USD thousand (Note 1)
		2021	2020	2021
ASSETS				
Current assets:				
Cash and deposits	3, 5, 6, 12	**54,863**	60,501	**495,559**
Trade receivables	6	**7,930**	7,260	**71,636**
Accounts receivable for completed projects	6	**524**	532	**4,740**
Operating loans	6	**86**	132	**779**
Securities	3, 6, 7, 12	**100**	5,951	**904**
Real estate for sale	3, 11, 12	**180**	1,189	**1,634**
Real estate for sale in process	3	**349**	2,797	**3,160**
Payment for construction in progress		**238**	725	**2,152**
Raw materials and supplies	3	**497**	539	**4,497**
Prepaid expenses		**2,076**	3,053	**18,759**
Other accounts receivable		**1,819**	1,242	**16,430**
Others		**4,112**	4,543	**37,149**
Allowance for doubtful accounts	3, 6, 11	**(182)**	(164)	**(1,646)**
Total current assets		**72,598**	88,304	**655,758**
Non-current assets:				
Property, plant and equipment:	3, 9, 11, 15, 16, 17, 28			
Buildings and structures	3, 12, 15, 16, 17	**53,778**	64,333	**485,758**
Accumulated depreciation		**(34,220)**	(40,469)	**(309,103)**
Net		**19,557**	23,863	**176,654**
Machinery, equipment, and vehicles	3, 9, 12, 15, 16, 17	**20,601**	20,690	**186,081**
Accumulated depreciation		**(12,011)**	(10,892)	**(108,491)**
Net		**8,589**	9,798	**77,589**
Land	9, 12, 15, 16	**31,118**	36,893	**281,080**
Leased assets	3, 17, 26	**28,924**	30,756	**261,261**
Accumulated depreciation		**(25,418)**	(23,558)	**(229,591)**
Net		**3,506**	7,197	**31,670**
Construction in progress	9	**82**	208	**742**
Other	9, 12, 15, 16, 17	**18,358**	16,817	**165,827**
Accumulated depreciation		**(11,160)**	(9,244)	**(100,804)**
Net		**7,198**	7,572	**65,022**
Total property, plant and equipment		**70,052**	85,534	**632,759**
Intangible fixed assets:				
Goodwill	3, 9, 28	**12**	127	**113**
Others	12, 17	**4,161**	5,376	**37,585**
Total intangible fixed assets		**4,173**	5,504	**37,699**
Investments and other assets:				
Investment securities	6, 7, 12	**5,431**	8,163	**49,059**
Long-term loans	6	**1,096**	1,025	**9,900**
Bad debts	6, 10	**249**	225	**2,251**
Long-term prepaid expenses	3	**1,121**	2,250	**10,128**
Deferred tax assets	3, 4, 11	**2,194**	1,297	**19,817**
Others		**5,443**	5,328	**49,164**
Allowance for doubtful accounts	3, 6, 11	**(651)**	(905)	**(5,888)**
Total investments and other assets		**14,883**	17,385	**134,434**
Total non-current assets		**89,109**	108,424	**804,893**
Deferred assets:				
Bond issuance cost	3	**—**	224	**—**
Total deferred assets		**—**	224	**—**
Total assets		**161,708**	196,953	**1,460,652**

The accompanying notes are an integral part of these statements.

	Notes	JPY million		USD thousand (Note 1)
		2021	2020	2021
LIABILITIES AND NET ASSETS				
Current liabilities:				
Electronically recorded obligations – operating	6	19	176	176
Accounts payable	6	3,172	3,376	28,659
Accounts payable for completed projects	6	514	1,245	4,650
Short-term borrowings	6, 12	—	847	—
Current portion of long-term debt	6, 12	114	2,659	1,033
Bonds due within one year	6	—	3,066	—
Lease obligations	6, 12	3,133	4,344	28,306
Accounts payable – other	6, 11	9,593	14,935	86,656
Accrued income taxes		696	840	6,294
Advances received	3, 11	28,239	31,997	255,075
Customer advances for projects in progress		541	1,783	4,888
Provision for warranty obligations on completed projects	3, 11	67	117	609
Provision for fulfillment of guarantees	3, 11	2,783	1,200	25,139
Provision for losses related to repairs (short-term)	3, 11	3,777	8,302	34,116
Provision for apartment vacancy loss (short-term)	3, 11	9,301	11,715	84,018
Asset retirement obligations	11, 24	30	44	277
Others		3,811	3,354	34,427
Total current liabilities		65,798	90,006	594,329
Non-current liabilities:				
Bonds	6, 7, 12	—	5,037	—
Long-term debt	6, 12	30,615	15,650	276,540
Lease obligations	6, 12	1,544	4,532	13,955
Long-term advances received	3	7,869	9,451	71,079
Lease/guarantee deposits received		6,423	6,286	58,019
Deferred tax liabilities	11	9	5	87
Provision for losses related to repairs		29,732	47,945	268,563
Provision for apartment vacancy loss	3, 11	2,960	4,191	26,741
Liability for retirement benefit	3, 13	9,650	8,701	87,167
Asset retirement obligations	11, 24	63	89	572
Others		3,763	3,465	33,994
Total non-current liabilities		92,633	105,357	836,721
Total liabilities		158,431	195,363	1,431,050
Net assets				
Shareholders' equity:				
Common stock: Authorized: 500,000,000 shares in 2021 and 2020 Issued: 329,389,515 shares in 2021 and 244,882,515 shares in 2020	25, 33	81,282	75,282	734,191
Capital surplus	33	55,174	45,148	498,373
Retained earnings		(142,586)	(118,874)	(1,287,931)
Treasury stock: 561,610 shares in 2021 and 771,210 shares in 2020	25	(344)	(473)	(3,113)
Total shareholders' equity		(6,474)	1,083	(58,479)
Accumulated other comprehensive income:				
Net unrealized gains on other securities	11	(0)	1,047	(1)
Foreign currency translation adjustments	3	(1,877)	(280)	(16,954)
Remeasurements of defined benefit plans	13	(142)	(546)	(1,288)
Total accumulated other comprehensive income		(2,019)	220	(18,244)
Share subscription rights		388	269	3,506
Non-controlling interests		11,383	16	102,819
Total net assets		3,277	1,589	29,601
Total liabilities and net assets		161,708	196,953	1,460,652

The accompanying notes are an integral part of these statements.

Consolidated Statement of Income

Leopalace21 Corporation and consolidated subsidiaries
For the years ended March 31, 2021 and 2020

	Notes	JPY million		USD thousand (Note 1)
		2021	2020	**2021**
Net sales	28, 32	**408,959**	433,553	**3,693,968**
Sales from Leasing Business		**391,964**	412,746	**3,540,465**
Sales from Other Businesses		**16,994**	20,807	**153,502**
Cost of sales		**387,872**	408,112	**3,503,504**
Cost of sales from Leasing Business		**370,872**	387,510	**3,349,945**
Cost of sales from Other Businesses		**17,000**	20,601	**153,558**
Gross profit		**21,086**	25,441	**190,463**
Selling, general and administrative expenses		**50,269**	61,915	**454,061**
Advertising expenses		**2,302**	1,964	**20,799**
Sales commission expense		**1,852**	2,111	**16,734**
Transfer to allowance for bad debt		**107**	117	**971**
Directors' bonuses		**351**	493	**3,176**
Salary and bonuses		**19,218**	26,282	**173,594**
Retirement benefit cost		**1,883**	1,878	**17,015**
Rent expense		**2,944**	2,899	**26,599**
Depreciation and amortization		**2,202**	2,582	**19,898**
Taxes and public charges		**5,695**	5,958	**51,446**
Other		**13,708**	17,626	**123,824**
Operating profit	28	**(29,182)**	(36,473)	**(263,597)**
Non-operating income		**1,084**	1,788	**9,799**
Interest income		**66**	146	**598**
Dividend income		**84**	181	**759**
Investment returns from anonymous associations		**—**	977	**—**
Gains on valuation of investment securities		**141**	166	**1,278**
Foreign exchange gain		**110**	—	**999**
Employment adjustment subsidy		**243**	—	**2,200**
other		**438**	317	**3,962**
Non-operating expenses		**6,072**	1,656	**54,846**
Interest expenses		**2,171**	624	**19,610**
Bond issuance cost		**251**	161	**2,270**
Foreign exchange losses		**—**	157	**—**
Funding costs		**2,904**	—	**26,238**
Share of loss of entities accounted for using equity method		**44**	72	**402**
Commission income refund		**—**	255	**—**
Other		**700**	384	**6,324**
Recurring profit		**(34,170)**	(36,341)	**(308,644)**
Extraordinary income		**19,664**	11,681	**177,622**
Gain on sale of property, plant and equipment		**225**	8,945	**2,035**
Gain on sale of investment securities		**4,065**	2,368	**36,717**
Gain on reversal of share subscription rights		**—**	17	**—**
Gain on cancelling contracts		**—**	350	**—**
Gain on sale of shares in the subsidiary		**0**	—	**0**
Reversal of provision for losses related to repairs		**15,374**	—	**138,869**
Extraordinary losses	13	**8,419**	33,353	**76,050**
Loss on sale of property, plant and equipment		**18**	972	**165**
Loss on retirement of property, plant and equipment		**114**	71	**1,029**
Impairment loss		**4,041**	7,620	**36,505**
Provision for losses related to repairs		**—**	21,501	**—**
Loss related to repairs		**982**	2,894	**8,874**
Loss on sale of shares in subsidiaries		**—**	2	**—**
Loss on sale of investment securities		**114**	—	**1,029**
Repair expenses		**—**	63	**—**
Special severance allowance		**2,479**	227	**22,392**
Retirement benefit cost		**427**	—	**3,861**
Loss on liquidation of subsidiaries and associated companies		**151**	—	**1,372**
Loss on valuation of investment securities		**90**	—	**818**
Income before income taxes		**(22,925)**	(58,013)	**(207,072)**
Income taxes	3	**280**	22,211	**2,530**
Current		**710**	726	**6,413**
Deferred		**(429)**	21,485	**(3,882)**
Net income		**(23,205)**	(80,224)	**(209,603)**
Net loss attributable to non-controlling interests		**475**	(0)	**4,294**
Net loss attributable to shareholders of the parent	29	**(23,680)**	(80,224)	**(213,897)**

The accompanying notes are an integral part of these statements.

Consolidated Statement of Comprehensive Income

Leopalace21 Corporation and consolidated subsidiaries
For the years ended March 31, 2021 and 2020

	Notes	JPY million		USD thousand (Note 1)
		2021	2020	**2021**
Net income		**(23,205)**	(80,224)	**(209,603)**
Other comprehensive income				
Net unrealized gains on other securities	11	**(1,047)**	766	**(9,459)**
Foreign currency translation adjustments	3	**(1,597)**	(100)	**(14,433)**
Remeasurements of defined benefit plans	13	**403**	(218)	**3,645**
Share of other comprehensive income of entities accounted for using equity method		**0**	(3)	**6**
Total		**(2,240)**	444	**(20,240)**
Comprehensive income		**(25,445)**	(79,780)	**(229,843)**
Comprehensive income attributable to shareholders of the parent		**(25,920)**	(79,779)	**(234,132)**
Comprehensive income attributable to non-controlling interests		**474**	(0)	**4,288**

The accompanying notes are an integral part of these statements.

	Notes	JPY million		USD thousand (Note 1)
		2021	2020	**2021**
Net unrealized gains on other securities				
Amount accrued in the fiscal year		**2,555**	1,691	**23,084**
Rearrangements and adjustments		**(4,065)**	(586)	**(36,717)**
Amount before tax effects adjustments		**(1,509)**	1,105	**(13,633)**
Tax effects		**462**	(338)	**4,174**
Net unrealized gains on other securities		**(1,047)**	766	**(9,459)**
Foreign currency translation adjustments	3			
Amount accrued in the fiscal year		**(1,591)**	(100)	**(14,373)**
Rearrangements and adjustments		**(6)**	—	**(59)**
Amount before tax effects adjustments		**(1,597)**	(100)	**(14,433)**
Tax effects		**—**	—	**—**
Foreign currency translation adjustments		**(1,597)**	(100)	**(14,433)**
Remeasurements of defined benefit plans				
Amount accrued in the fiscal year		**(75)**	(249)	**(680)**
Rearrangements and adjustments		**478**	175	**4,325**
Amount before tax effects adjustments		**403**	(73)	**3,645**
Tax effects		**—**	(144)	**—**
Remeasurements of defined benefit plans		**403**	(218)	**3,645**
Share of other comprehensive income of entities accounted for using equity method				
Amount accrued in the fiscal year		**0**	(3)	**6**
Total		**(2,240)**	444	**(20,240)**

Financial Section

Consolidated Statement of Changes in Equity

Leopalace21 Corporation and consolidated subsidiaries
For the years ended March 31, 2021 and 2020

	JPY million											
	Shareholders' equity					Accumulated other comprehensive income						
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Net unrealized gains 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, 2019	75,282	45,148	(38,635)	(655)	81,140	280	(176)	(327)	(224)	404	17	81,338
Issuance of new shares					—							—
Net income attributable to shareholders of the parent			(80,224)		(80,224)							(80,224)
Disposal of treasury stock			(47)	181	134							134
Change in the scope of consolidation			33		33							33
Change in share of parent from transactions with non-controlling interests					—							—
Net change of items other than shareholders' equity						766	(103)	(218)	444	(135)	(0)	307
Total change during period	—		(80,238)	181	(80,056)	766	(103)	(218)	444	(135)	(0)	(79,748)
Balance as of March 31, 2020	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
Net income 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					—							—
Share change of the parent company concerning the business with non-controlling shareholder		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

	USD thousand (Note 1)											
	Shareholders' equity					Accumulated other comprehensive income						
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Net unrealized gains 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	679,996	407,809	(1,073,743)	(4,275)	9,786	9,457	(2,533)	(4,933)	1,989	2,429	151	14,357
Issuance of new shares	54,195	54,195			108,391							108,391
Net income attributable to shareholders of the parent			(213,897)		(213,897)							(213,897)
Disposal of treasury stock			(290)	1,162	871							871
Change in the scope of consolidation					—							—
Share change of the parent company concerning the business with non-controlling shareholder		36,368			36,368							36,368
Net change of items other than shareholders' equity					—	(9,459)	(14,420)	3,645	(20,234)	1,076	102,667	83,509
Total change during period	54,195	90,564	(214,188)	1,162	(68,266)	(9,459)	(14,420)	3,645	(20,234)	1,076	102,667	15,243
Balance as of March 31, 2021	734,191	498,373	(1,287,931)	(3,113)	(58,479)	(1)	(16,954)	(1,288)	(18,244)	3,506	102,819	29,601

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, 2021 and 2020

	Notes	JPY million		USD thousand (Note 1)
		2021	2020	2021
Cash flows from operating activities:				
Income before income taxes		(22,925)	(58,013)	(207,072)
Depreciation and amortization		10,416	12,157	94,090
Impairment loss	9, 28	4,041	7,620	36,505
Increase in provision for losses related to repairs		—	21,501	—
Reversal of provision for losses related to repairs	20	(15,374)	—	(138,869)
Loss related to repairs	18	982	2,894	8,874
Special severance allowance for severance	21	2,479	—	22,392
Amortization of goodwill		6	260	61
Increase (decrease) in allowance for doubtful accounts	3	340	40	3,075
Increase (decrease) in liability for retirement benefits	3	1,360	413	12,291
Increase (decrease) in provision for apartment vacancy loss	3	(3,644)	3,178	(32,921)
Losses on liquidation of subsidiaries and associated companies		151	—	1,372
Interest and dividend income		(150)	(327)	(1,357)
Interest expense		2,171	624	19,610
Funding costs	3	2,904	—	26,238
Foreign exchange loss (gain)	3	(110)	157	(999)
Equity in losses (earnings) of affiliated companies using equity method		44	72	402
Loss (gain) on sale of property, plant and equipment		(206)	(7,973)	(1,869)
Loss on retirement of property, plant and equipment	17	114	71	1,029
Loss (gain) on valuation of investment securities		(50)	(166)	(459)
Loss (gain) on sale of investment securities		(3,951)	(2,368)	(35,688)
Investment loss (returns) from anonymous associations		—	(977)	—
Gain on reversal of share subscription rights		—	(17)	—
Gain on cancelling contracts		—	(350)	—
Loss (gain) on sale of shares in subsidiaries		(0)	2	(0)
Decrease (increase) in accounts receivable		(579)	1,095	(5,234)
Decrease (increase) in real estate for sale in process		3,432	(852)	31,002
Decrease (increase) in payment for construction in progress		486	(46)	4,396
Decrease (increase) in long-term prepaid expenses	3	744	878	6,724
Increase (decrease) in accounts payable		(5,861)	(1,922)	(52,940)
Increase (decrease) in customer advances for projects in progress		(1,241)	(1,868)	(11,217)
Increase (decrease) in advances received		(5,327)	(5,032)	(48,123)
Increase (decrease) in guarantee deposits received		603	(383)	5,454
Increase (decrease) in accrued consumption taxes		(421)	113	(3,807)
Other		1,804	(2,810)	16,296
Subtotal		(27,759)	(32,029)	(250,741)
Interest and dividends received		154	455	1,398
Interest paid		(1,500)	(574)	(13,557)
Payment related to repairs paid		(8,313)	(18,855)	(75,088)
Payment of special severance allowance	21	(2,479)	—	(22,392)
Income taxes paid		(918)	(635)	(8,299)
Net cash provided by operating activities		(40,816)	(51,639)	(368,679)

The accompanying notes are an integral part of these statements.

	Notes	JPY million		USD thousand (Note 1)
		2021	2020	**2021**
Cash flows from investing activities:				
Payment for purchase of property, plant and equipment		**(2,328)**	(3,601)	**(21,029)**
Proceeds from sale of property, plant and equipment		**4,167**	32,057	**37,645**
Payment for purchase of intangible assets		**(509)**	(142)	**(4,605)**
Proceeds from redemption of securities		**5,600**	—	**50,582**
Payment for purchase of investment securities		**(363)**	(1,082)	**(3,282)**
Proceeds from sale of investment securities		**4,341**	8,213	**39,210**
Proceeds from liquidation of subsidiaries		**18**	—	**163**
Payments for sale of shares in subsidiaries due to change in scope of consolidation		**(92)**	(101)	**(835)**
Proceeds from sale of shares in subsidiaries due to change in scope of consolidation		**7**	4,292	**71**
Payment for loans		**(36)**	(657)	**(328)**
Proceeds from collection of loans		**57**	960	**519**
Payments for deposit of time deposits		**(4)**	(68)	**(44)**
Proceeds from withdrawal of time deposits		**67**	—	**614**
Other		**904**	(335)	**8,171**
Net cash provided by (used in) investing activities		**11,829**	39,533	**106,852**
Cash flows from financing activities:				
Repayment of short-term debt		**(847)**	(222)	**(7,657)**
Proceeds from long-term debt		**30,234**	—	**273,099**
Repayment of long-term debt		**(17,790)**	(2,767)	**(160,693)**
Repayment of finance lease obligations		**(4,181)**	(5,093)	**(37,772)**
Proceeds from issuance of shares		**11,999**	—	**108,391**
Proceeds from issuance of stock acquisition rights		**215**	—	**1,946**
Payment of funding costs		**(2,868)**	—	**(25,913)**
Payment for redemption of bonds		**(8,103)**	(3,966)	**(73,191)**
Proceeds from share issuance to non-controlling shareholders		**15,000**	—	**135,489**
Payment of dividends to non-controlling shareholders		**(87)**	—	**(790)**
Proceeds from exercise of stock options		**0**	0	**1**
Net cash provided by (used in) financing activities		**23,571**	(12,048)	**212,908**
Effect of exchange rate changes on cash and cash equivalents		**(154)**	51	**(1,394)**
Net increase (decrease) in cash and cash equivalents		**(5,570)**	(24,102)	**(50,313)**
Cash and cash equivalents at beginning of year		**58,916**	83,019	**532,170**
Cash and cash equivalents at end of year	5	**53,346**	58,916	**481,857**

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, 2021 and 2020

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, 2021, which was JPY 110.71 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 (20 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.
PT. Leopalace Duasatu Realty
Leopalace21 Singapore Pte. Ltd.
Morizou Co., Ltd.
Azu Life Care Co., Ltd.
Leopalace Guam Corporation
Leopalace Smile Co., Ltd.

LEOPALACE21 VIETNAM CO., LTD., Enplus Inc. and another subsidiary have been excluded from the scope of consolidation in the consolidated fiscal year ended March 2021 because the Company has sold its all shares. WING MATE CO.,LTD. was dissolved and excluded from the scope of consolidation in the consolidated fiscal year ended March 2021.

The accompanying consolidated financial statements as of March 31, 2021 include the accounts of the Company and its 20 (24 as of March 31, 2020) 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 but did not include it 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 11 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 Development Business includes the reduced book value which is caused by the declined contribution of inventories to profitability.

	JPY million		USD thousand
Item	**2021**	2020	**2021**
Loss from inventory revaluation	**41**	634	**376**

(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 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.

(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 2021

	JPY million	USD thousand
Fiscal year ended March	2021	2021
Provision for losses related repairs (current liabilities)	3,777	34,116
Provision for losses related repairs (non-current liabilities)	29,732	268,563
Total	33,509	302,679

(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. The Company has built the provision provided for repairing all the significant defects that the Company has recognized and there should 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. Investigation expenses
Calculate the number of rooms which are yet to be investigated and of which repair completion needs to be confirmed, which is then multiplied by the actual unit expenses for commission payable to the first-class architects.

d. Relocation expenses
Calculate the number of rooms which other companies mainly manage, which is then multiplied by the actual unit cost for relocation.

The way of calculating the repair expenses and associated expenses has been changed from the unit cost which was based on own construction department's estimate to the estimated unit cost prepared by the external construction companies. In addition, lowered unit repair cost was attributable to placing batch orders and by employing a new construction method, insourcing for a part of repair works, and impact from revised repairing plan.

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 2022.

(13) Provision for apartment vacancy loss

Provision for vacancy losses 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 2021

	JPY million	USD thousand
Fiscal year ended March	2021	2021
Provision for apartment vacancy loss (current liabilities)	9,301	84,018
Provision for apartment vacancy loss (non-current liabilities)	2,960	26,741
Total	12,262	110,759

(ii) Accounting estimates per item

The Company employed below specific method for estimation. Compare the sum of revenue from the tenant for the rent and associated services considering the occupancy rate projection for individual apartments and 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, multiply the monthly deficit by the remaining number of contract months.

The Company applied in the above calculation the revised master lease rent which is to be agreed with the apartment owners through consultation process, instead of actual master lease rent as of the end of March 2021.

The Company made occupancy rate projection considering the apartment's surrounding conditions, room demand and impact of COVID-19 spread 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 2022.

(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) Revenues and costs of construction contracts

In recognizing construction revenues and costs of constructions in process, the percentage-of-completion method is applied to such contracts in which the outcome of the construction activity is deemed certain by the end of the fiscal year, while the completed contract method is applied to other constructions. Progress rate of construction is estimated based on the method of the ratio of actual cost incurred to total estimated cost.

(17) Advances received

With respect to advances received, such as rent, the Company reports the portion corresponding to more than a year in "long-term advances received" under "non-current liabilities," and the portion corresponding to a year or less in "advances received" under "current liabilities." This allows the Company to more clearly present the characteristics and actual transactions of the Company's leasing business.

(18) 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 takes place.

(19) 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.

(20) 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.

(21) 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.

(22) 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.

(23) Interest capitalization

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

Capitalized interests included in carrying value of property, plant and equipment were JPY 300 million (USD 2,712 thousand) as of March 31, 2021.

(24) Consumption taxes

National and local consumption taxes are basically excluded from transaction amounts. However, transaction amounts of Asuka SSI, a consolidated subsidiary, include national and local consumption taxes. The nondeductible portion of consumption taxes on the purchase of assets is recorded as long-term prepaid expenses and amortized evenly over 5 years.

(25) 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.

4. Additional Information

(1) Unapplied Accounting Standards for Revenue Recognition and related Implementation Guidances

- Accounting Standard for Revenue Recognition (ASBJ Statement No.29 issued on March 31, 2020 by Accounting Standards Board of Japan)
- Implementation Guidance on Accounting Standard for Revenue Recognition (ASBJ Guidance No.30 issued on March 26, 2021 by Accounting Standards Board of Japan)

- Implementation Guidance on Disclosures about Fair Value of Financial Instruments (ASBJ Guidance No.19 issued on March 31, 2020 by Accounting Standards Board of Japan)

(a) Summary
The International Accounting Standards Board (IASB) and Financial Accounting Standards Board (FASB) jointly developed the converged accounting standards for revenue recognition and announced, "Revenue from Contracts with Customers" (IFRS 15 in IASB and Topic 606 in FASB) in May 2014. IFRS 15 is effective for annual reporting periods beginning on or after January 1, 2018 and Topic 606 is effective for annual reporting periods beginning on or after December 15, 2017. Accounting Standards Board of Japan (ASBJ) then developed and announced ASBJ Statement No.29, ASBJ Guidance No.30 and ASBJ Guidance No.19 to progress with the change.

ASBJ developed the accounting standards for revenue recognition by adopting the basic rules in IFRS 15, for the basic policy that is to be consistent with IFRS 15 and to take advantage of the financial compatibility with IFRS 15. Additionally, considering the accounting practices that Japan has carried out so far, substitutive treatments have been supplemented the new standard without affecting the financial comparability.

(b) Effective date
The new standards will be effective from the beginning of the fiscal year ending March 2022.

(c) Impact of the application of the relevant accounting standards
The impact of the application of Accounting Standard for Revenue Recognition on consolidated financial statements is currently being evaluated.

(2) Unapplied Accounting Standards for Fair Value Measurement and related Implementation Guidances

- Accounting Standard for Fair Value Measurement (ASBJ Statement No.30 issued on July 4, 2019 by Accounting Standards Board of Japan)
- Accounting Standard for Measurement of Inventories (ASBJ Standard No.9 issued on July 4, 2019 by Accounting Standards Board of Japan)
- Accounting Standard for Financial Instruments (ASBJ Statement No.10 issued on July 4, 2019 by Accounting Standards Board of Japan)
- Implementation Guidance on Accounting Standard for Fair Value Measurement (ASBJ Guidance No.31 issued on July 4, 2019 by Accounting Standards Board of Japan)
- Implementation Guidance on Disclosures about Fair Value of Financial Instruments (ASBJ Guidance No.19 issued on March 31, 2020 by Accounting Standards Board of Japan)

(a) Summary
Considering nearly identical details of fair value measurement by the International Accounting Standards Board (IASB) and the Financial Accounting Standards Board (FASB), namely IFRS 13 "Fair Value Measurement" under International Financial Reporting Standards (IFRS) and Topic 820 of "Fair Value Measurement" in the Accounting Standards Codification under U.S. GAAP Accounting Standards, the Accounting Standards Board of Japan disclosed the "Accounting Standards for Fair Value Measurement" in an effort to ensure Japanese GAAP is consistent with international accounting principles principally with respect to the guidance and disclosures about fair value of financial instruments.

The Accounting Standards Board of Japan adopted a basic policy that a uniform calculation method should be employed in the development of the accounting standard for improving the comparability of financial statements between the companies in and outside Japan and accepted the provisions of IFRS No. 13. In addition, the Accounting Standards Board of Japan accepted the other handling of individual items without affecting the financial comparability of financial statements, considering the accounting practices that had been conducted so far in Japan.

(b) Effective date
The new standards will be effective from the beginning of the fiscal year ending March 2022.

(c) Impact of the application of the relevant accounting standards
The impact of the application of the Accounting Standard for Measurement of Fair Value on consolidated financial statements has not been determined at this time.

(3) Applied Accounting Standard for Disclosure of Accounting Estimates

Accounting Standards for the Disclosure of Accounting Estimates (ASBJ Statement No. 31 issued on March 31, 2020 by Accounting Standards Board of Japan) has been applied for the consolidated financial statements for the fiscal year ended March 2021 and notes are provided to the consolidated financial statements.

In accordance with the transitional handling stated in item 11 provisory clause of ASBJ Statement No. 31, the impact to the previous fiscal year ended March 2020 is not mentioned in the notes.

(4) Accounting estimates for the spread of COVID-19 and its impact

The Companies assume that the spread of COVID-19 and the resulting economic sluggishness will continue for the time being and affect their overall business.

In particular the Leasing Business, our mainstay business, will remain weak due to suppressed job reassignment and reduced number of new hires by the corporate customers, prevailing online class lectures in the universities and restrictive immigration policy affecting the inbound foreign workers and students. Although the assumption is made that the spread of COVID-19 will lessen in the second half of the fiscal year ending March 2022, the impact remains for the rest of the fiscal year. Based on the assumption, accounting estimates such as the recoverability of deferred tax assets are made.

In the event of a change in the time for the ending of COVID-19 pandemic and its impact on the economic environment due to uncertainty in the assumptions used in the estimates, this may have an impact on the companies' financial position and results of operations.

5. Cash and Cash Equivalents

(1) 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
	2021	2020	**2021**
Cash and deposits in the consolidated balance sheet	**54,863**	60,501	**495,559**
Time deposits with original maturities of more than three months	**(1,517)**	(1,585)	**(13,702)**
Cash and cash equivalents in the consolidated statement of cash flows	**53,346**	58,916	**481,857**

(2) Major assets and liabilities related to the company which were excluded from consolidation as a result of the Company's sale of shares in the company

For the year ended March 2021

None

The breakdown of assets and liabilities at the time of sale of shares in Life Living Co., Ltd., selling price and revenue from the sale, which excluded Life Living Co., Ltd. from consolidation, for the year ended March 31, 2020 were as follows.

	JPY million
	2020
Current assets	5,435
Non-current assets	722
Goodwill	953
Current liabilities	(1,389)
Non-current liabilities	(12)
Loss on sale of shares	(2)
Sale value	5,706
Cash and cash equivalents	(1,414)
Proceeds from sale	4,292

6. 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 6 years subsequent to the fiscal year end.

As of end of the year ended March 2021, 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 is measured based on the quoted market price, or reasonably assessed value if a quoted market price is not available.

Fair value of financial instruments 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, 2021 and 2020 as well as the differences between these values are described below. Financial instruments whose fair values appear to be extremely difficult to determine are not included in the table.

	JPY million		
March 31, 2021	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 *(i)	(3)		
Net	83	91	8
(5) Long-term loans	1,096		
Allowance for doubtful accounts *(i)	(79)		
Net	1,016	1,016	—
(6) Bad debts	249		
Allowance for doubtful accounts *(i)	(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 *(ii)	30,730	30,030	(699)
(5) Lease obligations	4,678	4,641	(37)
Total	48,709	47,972	(737)

*Notes:

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

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

March 31, 2020	JPY million		
	Carrying value	Fair value	Difference
(1) Cash and deposits	60,501	60,501	—
(2) Trade receivables and accounts receivable for completed projects	7,792	7,792	—
(3) Securities and investment securities	2,713	2,724	10
(4) Operating loans	132		
Allowance for doubtful accounts *(i)	(5)		
Net	126	140	13
(5) Long-term loans	1,025		
Allowance for doubtful accounts *(i)	(83)		
Net	942	942	—
(6) Bad debts	225		
Allowance for doubtful accounts *(i)	(225)		
Net	—	—	—
Total	72,077	72,102	24
(1) Electronically recorded obligations	176	176	—
(2) Accounts payable and accounts payable for completed projects	4,622	4,622	—
(3) Accounts payable-other	14,935	14,935	—
(4) Short-term borrowings	847	847	—
(5) Bonds *(ii)	8,103	8,117	14
(6) Long-term debt *(ii)	18,310	18,436	126
(7) Lease obligations	8,877	9,705	828
Total	55,872	56,841	969

*Notes:

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

(ii) As of March 31, 2020, bonds due within one year of JPY 3,066 million, and current portion of long-term debt of JPY 2,659 million are included in long-term debt.

March 31, 2021	USD thousand		
	Carrying value	Fair value	Difference
(1) Cash and deposits	**495,559**	**495,559**	**—**
(2) Trade receivables and accounts receivable for completed projects	**76,377**	**76,377**	**—**
(3) Securities and investment securities	**5,764**	**5,811**	**47**
(4) Operating loans	**779**		
Allowance for doubtful accounts *(i)	**(29)**		
Net	**750**	**829**	**79**
(5) Long-term loans	**9,900**		
Allowance for doubtful accounts *(i)	**(718)**		
Net	**9,181**	**9,181**	**—**
(6) Bad debts	**2,251**		
Allowance for doubtful accounts *(i)	**(2,251)**		
Net	**—**	**—**	**—**
Total	**587,632**	**587,760**	**127**
(1) Electronically recorded obligations	**176**	**176**	**—**
(2) Accounts payable and accounts payable for completed projects	**33,309**	**33,309**	**—**
(3) Accounts payable-other	**86,656**	**86,656**	**—**
(4) Long-term debt *(ii)	**277,574**	**271,254**	**(6,319)**
(5) Lease obligations	**42,261**	**41,923**	**(337)**
Total	**439,978**	**433,321**	**(6,657)**

*Notes:

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

(ii) As of March 31, 2021, current portion of long-term debt of USD 1,033 thousand are included in long-term debt.

Notes:

(a) Matters concerning the calculation method for the fair value of financial instruments and securities

Assets

Cash and deposits

Trade receivables and accounts receivable for completed projects

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

Securities and investment securities

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

For notes to securities by holding purposes, please refer to “7. Securities”.

Operating loans

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

Long-term loans

Bad debts

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

Liabilities

Electronically recorded obligations

Accounts payable and accounts payable for completed projects

Account payable-other

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

Long-term debt,

Lease obligations

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

(b) Financial instruments whose fair value appear to be extremely difficult to recognize

	JPY million		USD thousand
Item	**2021**	2020	**2021**
Unlisted shares	**1,757**	2,935	**15,871**
Unconsolidated subsidiaries and associates	**1,336**	1,060	**12,074**
Unlisted bonds (subordinate corporate bonds)	**824**	6,424	**7,445**
Subordinate beneficiary rights to loans and accounts receivable in trust	**861**	866	**7,784**
Investments in silent partnership	**113**	114	**1,023**
Total	**4,893**	11,400	**44,199**

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

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

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, 2020	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	60,501	—	—	—
Trade receivables and accounts receivable for completed projects	7,792	—	—	—
Securities and investment securities				
Held-to-maturity debt securities				
(1) Government and municipal bonds	200	200	500	—
(2) Corporate bonds	—	—	—	—
Other securities with maturities				
(1) Government and municipal bonds	150	—	36	—
(2) Bonds (Corporate bonds)	5,600	—	—	824
(3) Others	—	—	—	866
Operating loans	46	52	21	12
Long-term loans	145	414	18	447
Bad debts	—	—	—	225
Total	74,436	666	575	2,376

March 31, 2021	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 cash equivalents	**495,559**	—	—	—
Trade receivables and accounts receivable for completed projects	**76,377**	—	—	—
Securities and investment securities				
Held-to-maturity debt securities				
(1) Government and municipal bonds	**903**	**2,709**	**1,806**	—
(2) Corporate bonds	—	—	—	—
Other securities with maturities				
(1) Government and municipal bonds	—	—	**325**	—
(2) Bonds (Corporate bonds)	—	—	—	**7,445**
(3) Others	—	—	—	**7,784**
Operating loans	**203**	**326**	**176**	**73**
Long-term loans	**129**	**5,480**	**113**	**4,177**
Bad debts	—	—	—	**2,251**
Total	**573,173**	**8,516**	**2,421**	**21,732**

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

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, 2020	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	847	—	—	—	—	—
Bonds	3,066	3,066	1,971	—	—	—
Long-term debt	2,659	2,639	2,437	1,396	1,405	7,771
Lease obligations	4,344	3,113	1,151	238	28	—
Total	10,918	8,818	5,560	1,634	1,434	7,771

March 31, 2021	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	**1,033**	**893**	**973**	**1,062**	**271,902**	**1,707**
Lease obligations	**28,306**	**10.640**	**2,501**	**639**	**174**	—
Total	**29,339**	**11,534**	**3,475**	**1,701**	**272,076**	**1,707**

7. Securities

(1) On March 31, 2021 and 2020, information with respect to held-to-maturity debt securities for which market prices are available is summarized as follows:

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, 2020	JPY million		
	Consolidated balance sheet amount	Fair value	Difference
Securities whose fair value exceeds the consolidated balance sheet amount:			
Government and municipal bonds	905	915	10
Corporate bonds	—	—	—
Others	—	—	—
Subtotal	905	915	10
Securities whose fair value does not exceed the consolidated balance sheet amount:			
Government and municipal bonds	—	—	—
Corporate bonds	—	—	—
Others	—	—	—
Subtotal	—	—	—
Total	905	915	10

March 31, 2021	USD thousand		
	Consolidated balance sheet amount	Fair value	Difference
Securities whose fair value exceeds the consolidated balance sheet amount:			
Government and municipal bonds	**5,438**	**5,485**	**47**
Corporate bonds	—	—	—
Others	—	—	—
Subtotal	**5,438**	**5,485**	**47**
Securities whose fair value does not exceed the consolidated balance sheet amount:			
Government and municipal bonds	—	—	—
Corporate bonds	—	—	—
Others	—	—	—
Subtotal	—	—	—
Total	**5,438**	**5,485**	**47**

(2) Investment securities classified as other securities as of March 31, 2021 and 2020 are as follows:

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, 2020	JPY million		
	Consolidated balance sheet amount	Acquisition cost	Difference
Securities whose consolidated balance sheet amount exceeds their acquisition cost:			
Stock	1,610	100	1,510
Bonds:			
Government and municipal bonds	112	111	0
Corporate bonds	—	—	—
Others	—	—	—
Others	—	—	—
Subtotal	1,722	211	1,510
Securities whose consolidated balance sheet amount does not exceed their acquisition cost:			
Stock	12	13	(0)
Bonds:			
Government and municipal bonds	74	74	(0)
Corporate bonds	—	—	—
Others	—	—	—
Others	—	—	—
Subtotal	86	87	(0)
Total	1,808	299	1,509

Note:

March 31, 2020

Unlisted shares of JPY 2,935 million, shares in unconsolidated subsidiary and associates of JPY 1,060 million, unlisted bonds (corporate bonds and subordinate corporate bonds) of JPY 6,424 million, subordinate beneficiary rights to loans and account receivable in trust of JPY 866 million, and investments in silent partnership of JPY 114 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	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	**326**	**328**	**(2)**
Corporate bonds	—	—	—
Others	—	—	—
Others	—	—	—
Subtotal	**326**	**328**	**(2)**
Total	**326**	**328**	**(2)**

Note:
March 31, 2021
Unlisted shares of USD 15,871 thousand, shares in unconsolidated subsidiary and associates of USD 12,074 thousand, unlisted bonds (corporate bonds and subordinate corporate bonds) of USD 7,445 thousand, subordinate beneficiary rights to loans and accounts receivable in trust of USD 7,784 thousand, and investments in silent partnership of USD 1,023 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, 2021 and 2020 are summarized as follows:

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, 2020	JPY million		
	Proceeds from sale	Gain on sale in total	Loss on sale in total
Stock	4,782	2,368	—
Bonds:			
Government and municipal bonds	—	—	—
Corporate bonds	—	—	—
Others	—	—	—
Others	3,400	977	—
Total	8,182	3,346	—

March 31, 2021	USD thousand		
	Proceeds from sale	Gain on sale in total	Loss on sale in total
Stock	**46,535**	**36,717**	**1,029**
Bonds:			
Government and municipal bonds	—	—	—
Corporate bonds	—	—	—
Others	—	—	—
Others	—	—	—
Total	**46,535**	**36,717**	**1,029**

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

	JPY million		USD thousand
	2021	2020	**2021**
Investment securities (stocks)	**1,336**	1,060	**12,074**
Of which, investment in joint venture	**83**	77	**755**

8. Derivative Transactions

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

For the year ended March 31, 2021

None

For the year ended March 31, 2020

None

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

For the year ended March 31, 2021

None

For the year ended March 31, 2020

None

9. Main Properties

(1) Breakdown of major property, plant and equipment:

	JPY million		USD thousand
	2021	2020	**2021**
Residential properties for rent	**3,303**	7,334	**29,834**
Domestic hotels	**—**	1,401	**—**
Head office and branches	**24,097**	25,940	**217,665**
Leopalace Resort Manenggon Hills Guam	**19,412**	21,586	**175,348**
Leopalace Power (solar power systems)	**7,861**	8,896	**71,013**

(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
	2021	2020	**2021**
Machinery, equipment, and vehicles	**155**	155	**1,400**
Other (non-current assets)	**44**	—	**405**

(3) The Companies recognize impairment loss on the following asset groups for the years ended March 31, 2021 and 2020:

March 31, 2021

Purpose	Category	Location	Impairment loss	
			JPY million	USD thousand
Rental assets (Apartment buildings and others, 18 units)	Building and Structures	Hakata-ku, Fukuoka-shi etc.	**1,254**	**11,329**
	Land		**2,299**	**20,773**
Hotel	Land	Chigusa-ku, Nagoya-shi	**82**	**746**
Rental assets (Serviced apartment)	Building and Structures	Sriracha District, Chonburi, Thailand	**177**	**1,602**
	Land		**110**	**996**
	Others (non-current assets)		**1**	**9**
Shared assets	Others (non-current assets)	Elderly Care Business Division, Koga-shi, Ibaraki, etc.	**8**	**73**
Others	Goodwill	—	**107**	**973**
Total			**4,041**	**36,505**

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.

March 31, 2020

Purpose	Category	Location	Impairment loss JPY million
Rental assets (Apartment buildings and others, 3 units)	Land	Minami-ku, Yokohama-shi etc.	285
Hotel	Buildings and Structures	Chigusa-ku, Nagoya-shi	298
	Land		941
	Construction in progress		41
Resort facilities	Buildings and Structures	Guam	2,749
	Land		1,068
Rental assets (Serviced apartments)	Buildings and Structures	Bangkok, Thailand	191
	Land		111
Rental assets (Serviced apartments)	Buildings and Structures	Phnom Penh, Cambodia	693
Business assets	Software	Nakano-ku, Tokyo	45
Shared assets	Buildings and Structures	Construction Subcontracting Division, Nakano-ku, Tokyo etc.	102
	Land		59
Shared assets	Buildings and Structures	Elderly Care Division, Kanuma-shi, Tochigi etc.	51
Others	Goodwill	—	982
Total			7,620

The Companies recognized each property in domestic rental assets as a unit, domestic shared assets as a business division, and group the overseas assets by managerial accounting segmentation. In addition, the Companies group by company the assets which a part of consolidated subsidiaries possess.

The Companies wrote down book values of rental assets, a hotel, resort facilities, and others whose profitability significantly declined, to recoverable amount and recognized the reduced values as impairment losses.

Recoverable amount of rental assets, a hotel, and others are measured in the higher of their values in use or their net realizable values. Recoverable amount of overseas real estates for lease and resort facilities was based on the appraisal value by a real estate appraiser. Value in use is computed by discounting its future cash flows at 5.7%, while net realizable value is determined based on publicly appraised value.

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 based on the net selling price based on the value in use and posted prices.

In addition, for the goodwill posted when the Company acquired Morizou Co. Ltd., 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.

10. 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, 2021 and 2020 consist of the following:

	JPY million		USD thousand
	2021	2020	**2021**
Bad debts	**70**	70	**638**
Others	**178**	154	**1,613**
Total	**249**	225	**2,251**

11. Income Taxes

(1) Significant components of deferred tax assets and liabilities as of March 31, 2021 and 2020 are as follows:

	JPY million		USD thousand
	2021	2020	**2021**
Deferred tax assets:			
Loss carried forward for tax purposes *(ii)	**51,292**	42,165	**463,306**
Provision for losses related to repairs	**10,260**	17,223	**92,680**
Impairment loss	**5,627**	7,288	**50,827**
Provision for apartment vacancy loss	**3,754**	4,870	**33,914**
Retirement benefit liability	**2,957**	4,346	**26,715**
Provision for fulfillment of guarantees	**962**	415	**8,698**
Advances received	**720**	683	**6,510**
Elimination of unrealized gain	**455**	513	**4,116**
Excess amortization on software	**262**	377	**2,374**
Allowance for doubtful accounts	**260**	332	**2,348**
Advances from customers	**184**	254	**1,665**
Deposits received	**164**	202	**1,485**
Asset retirement obligations	**118**	145	**1,066**
Accounts payable - other	**84**	168	**767**
Others	**1,283**	1,667	**11,591**
Sub total	**78,390**	80,655	**708,070**
Valuation allowance for tax loss carryforwards *(ii)	**(51,274)**	(42,045)	**(463,143)**
Valuation allowance for deductible temporary differences	**(24,893)**	(36,769)	**(224,850)**
Less: valuation allowance *(i)	**(76,167)**	(78,814)	**(687,993)**
Total deferred tax assets	**2,222**	1,840	**20,076**
Deferred tax liabilities:			
Provision for special depreciation	**(20)**	(66)	**(189)**
Net unrealized gain on other securities	**—**	(462)	**—**
Fixed asset retirement expenses	**(17)**	(19)	**(158)**
Total deferred tax liabilities	**(38)**	(548)	**(346)**
Net deferred tax assets	**2,184**	1,292	**19,730**

*Notes:

(i) The valuation allowance decreased by JPY 2,646 million from the previous fiscal year. The increase was JPY 9,229 million in valuation allowance for loss carryforwards due to disappointing business result whereas major decreases were JPY 6,962 million in valuation allowance for provision for losses related to repairs, JPY 1,421 million in valuation allowance for retirement benefit liability, JPY 1,123 million in valuation allowance for impairment loss as a result of sale of own properties during the previous fiscal year and JPY 2,368 million in valuation allowance for temporary differences.

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

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 *(i)	**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*** (ii)

*Notes:

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

(ii) 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, 2020	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)	7,197	4,596	664	816	1,174	27,717	42,165
Valuation allowance	(7,197)	(4,596)	(664)	(816)	(1,103)	(27,666)	(42,045)
Deferred tax asset	—	—	—	—	70	50	120*(iv)

*Notes:

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

(iv) Deferred tax assets of JPY 120 million are recorded for tax loss carryforwards of JPY 42,165 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	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)	**41,246**	**5,526**	**6,890**	**9,351**	**6,953**	**393,337**	**463,306**
Valuation allowance	**(41,246)**	**(5,526)**	**(6,890)**	**(9,351)**	**(6,932)**	**(393,195)**	**(463,143)**
Deferred tax asset	—	—	—	—	**21**	**141**	**163*** (vi)

*Notes:

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

(vi) Deferred tax assets of USD 163 thousand dollars are recorded for tax loss carryforwards of USD 463,306 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.

(Changes in significant components of deferred tax assets and liabilities)
The items of Loss on valuation of real estate for sale, accrued enterprise tax, loss on valuation of property, plant and equipment, provision for warranty obligations on completed project, sales promotion cost, and accrued bonuses were individually shown in deferred tax assets for the previous fiscal year. Since the amount of each item became immaterial for the fiscal year ended March 2021, they were included in others. Notes for March31, 2020 reflected the changes.

Consequently, loss on valuation of real estate for sale of JPY 206 million, accrued enterprise tax of JPY 100 million, provision for warranty obligations on completed project of JPY 57 million, sales promotion cost of JPY 8 million and accrued bonuses of JPY 7 million were classified in others.

(2) Reconciliation of the differences between the normal effective statutory tax rate and the actual effective tax rate for the year ended March 31, 2021 and 2020:

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 2020 and March 2021.

12. Short-term Borrowings and Long-term Debt

(1) Short-term borrowings, long-term debt and lease obligations on March 31, 2021 and 2020 consist of the following:

	JPY million		USD thousand
	2021	2020	**2021**
Short-term borrowings	**—**	847	**—**
Current portion of long-term debt, with average interest rate of 4.26%	**114**	2,659	**1,033**
Current portion of lease obligations, with average interest rate of 2.69%	**3,133**	4,344	**28,306**
Long-term debt, due 2022 to 2027, with average interest rate of 14.34%	**30,615**	15,650	**276,540**
Long-term lease obligations, due 2022 to 2026, with average interest rate of 3.04%	**1,544**	4,532	**13,955**
Total	**35,409**	28,034	**319,835**

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, 2021 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	**98**	**107**	**117**	**30,102**
Lease obligations	**1,178**	**276**	**70**	**19**

	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	**893**	**973**	**1,062**	**271,902**
Lease obligations	**10,640**	**2,501**	**639**	**174**

(3) Assets pledged as collateral for short-term borrowings and long-term debt on March 31, 2021 and 2020 are as follows:

	JPY million		USD thousand
	2021	2020	**2021**
Cash and deposits	**126**	130	**1,145**
Real estate for sale	**37**	—	**342**
Others (current assets)	**242**	251	**2,191**
Buildings and structures	**5,094**	54	**46,014**
Machinery, equipment, and vehicles	**45**	83	**408**
Land	**24,988**	—	**225,708**
Others (intangible fixed assets)	**1,010**	730	**9,126**
Investment securities	**2,339**	36	**21,132**
Others (investments and other assets)	**100**	108	**904**
Total	**33,985**	1,395	**306,975**

(4) Liabilities with collateral at March 31, 2021 and 2020 are as follows:

	JPY million		USD thousand
	2021	2020	**2021**
Current portion of long-term debt	**65**	76	**591**
Long-term debt	**30,437**	629	**274,925**
Total	**30,502**	706	**275,517**

Note:
Within the assets pledged as collateral, cash and deposits, others (current assets) and JPY 36 million 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, 2021 and 2020 are as follows:

	JPY million		USD thousand
	2021	2020	**2021**
Deposit for housing construction warranty	**788**	1,156	**7,118**
Advanced payment certificate in accordance with Payment Services Act	**332**	628	**2,998**
Deposit for operation stipulated in Building Lots and Buildings Transaction Business Act	**100**	95	**908**
Deposit for business security under the Insurance Business Act	**201**	120	**1,815**
Deposit for housing defect warranty	**109**	109	**984**
Others	**2**	9	**21**

(6) Bond balances on March 31, 2021 and 2020 consist of the following:

			JPY million		USD thousand
Company name	Name of bond	Issuance date	**2021**	2020	**2021**
Leopalace21 Corporation	14th unsecured straight bond	September 30, 2015	**—** **(—)**	4,403 (1,666)	**—** **(—)**
Leopalace21 Corporation	15th unsecured straight bond	September 30, 2015	**—** **(—)**	3,700 (1,400)	**—** **(—)**
Total			**—** **(—)**	8,103 (3,066)	**—** **(—)**

Notes:
(i) Figures in parentheses represent the current portion.
(ii) The corporate bonds were redeemed on November 11, 2020, prior to the maturity date.

Company name	Name of bond	Interest rate (%)	Collateral	Date of maturity
Leopalace21 Corporation	14th unsecured straight bond	0.13	None	September 30, 2022
Leopalace21 Corporation	15th unsecured straight bond	0.63	None	September 30, 2022

13. 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
	2021	2020	**2021**
Beginning balance of retirement benefit obligations	**13,576**	13,215	**122,631**
Service cost	**1,159**	1,468	**10,470**
Interest cost	**48**	67	**440**
Actuarial gains and losses accrued	**68**	11	**622**
Retirement benefits paid	**(742)**	(1,186)	**(6,710)**
Decrease due to a large number of leavers	**(4,451)**	—	**(40,209)**
Others	**(8)**	—	**(76)**
Closing balance of retirement benefit obligations	**9,650**	13,576	**87,167**

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

	JPY million		USD thousand
	2021	2020	**2021**
Beginning balance of pension assets	**4,874**	5,001	**44,031**
Expected return on plan assets	**28**	111	**254**
Actuarial gains and losses accrued	**(5)**	(238)	**(47)**
Retirement benefits paid	**(62)**	—	**(567)**
Decrease due to large number of leavers	**(4,834)**	—	**(43,672)**
Closing balance of pension assets	**—**	4,874	**—**

(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
	2021	2020	**2021**
Funded retirement benefit obligations	**—**	13,576	**—**
Pension assets	**—**	(4,874)	**—**
	—	8,701	**—**
Unfunded retirement benefit obligations	**9,650**	—	**87,167**
Net amount of the liabilities and assets posted in the consolidated balance sheet	**9,650**	8,701	**87,167**
Liability for retirement benefit	**9,650**	8,701	**87,167**
Net amount of the liabilities and assets posted in the consolidated balance sheet	**9,650**	8,701	**87,167**

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

	JPY million		USD thousand
	2021	2020	**2021**
Service cost	**1,159**	1,468	**10,470**
Interest cost	**48**	67	**440**
Expected return on plan assets	**(28)**	(111)	**(254)**
Amortization of actuarial gain or loss	**434**	175	**3,926**
Retirement benefit expenses related to the defined benefit plan	**1,614**	1,599	**14,582**
Premium severance pay (Note)	**2,479**	227	**22,392**
Loss on partial termination of retirement benefit plan (Note)	**427**	—	**3,861**

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
	2021	2020	**2021**
Actuarial gains/losses	**(403)**	73	**(3,645)**
Total	**(403)**	73	**(3,645)**

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

	JPY million		USD thousand
	2021	2020	**2021**
Unrecognized actuarial gains/losses	**142**	546	**1,288**
Total	**142**	546	**1,288**

(g) Matters concerning pension assets are as follows:

(1) Major components of pension assets

	2021	2020
Bonds	—	99%
Shares	—	—
Others	—	1%
Total	—	100%

Note:
Total of pension assets is the amount contributed to retirement benefits trust from the lump-sum retirement distribution plan. The Company cancelled the retirement benefits trust during the fiscal year ended March 2021.

(2) Method of determining the long-term expected rate of return

There was nothing applicable as the Company cancelled the retirement benefits trust.

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

	2021	2020
Discount rate	**0.03 – 0.81%**	0.03 – 0.89%
Expected long-term rate of return on pension assets	**—%**	1.43%

(3) Defined contribution pension plan

The necessary contribution amount for the defined contribution plan was JPY 408 million (USD 3,687 thousand) and JPY 566 million for the years ended March 31, 2021 and 2020, respectively.

14. Stock Options

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

	JPY million		USD thousand
	2021	2020	**2021**
Selling, general and administrative expenses	—	15	—

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

	JPY million		USD thousand
	2021	2020	**2021**
Gain on reversal of share subscription rights	—	17	—

(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, 2021 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	171,000	190,300	225,900
Vested	—	—	—
Exercised	61,500	68,800	79,300
Forfeited	—	400	—
Outstanding	109,500	121,100	146,600

Price information (JPY):

	2016 Stock Option	2017 Stock Option	2018 Stock Option
Exercise price	1	1	1
Average stock price at exercise	212	212	199
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.

15. Gain on Sale of Property, Plant and Equipment

Gain on sale of non-current assets for the years ended March 31, 2021 and 2020 are as follows:

	JPY million		USD thousand
	2021	2020	**2021**
Buildings and structures	**12**	3,137	**115**
Machinery, equipment, and vehicles	**0**	0	**3**
Land	**212**	5,808	**1,916**
Total	**225**	8,945	**2,035**

16. Loss on Sale of Property, Plant and Equipment

Loss on sale of non-current assets for the years ended March 31, 2021 and 2020 are as follows:

	JPY million		USD thousand
	2021	2020	**2021**
Buildings and structures	**4**	697	**40**
Machinery, equipment, and vehicles	**—**	0	**—**
Land	**13**	274	**123**
Others (Property, plant and equipment)	**0**	—	**1**
Total	**18**	972	**165**

17. Loss on Retirement of Non-current Assets

Loss on disposal of non-current assets for the years ended March 31, 2021 and 2020 are as follows:

	JPY million		USD thousand
	2021	2020	**2021**
Buildings and structures	**52**	64	**477**
Machinery, equipment, and vehicles	**3**	1	**34**
Leased assets	**7**	0	**68**
Others (Property, plant and equipment)	**11**	3	**104**
Others (Intangible fixed asset)	**38**	1	**344**
Total	**114**	71	**1,029**

18. Loss related to repairs

For the year ended March 2020 and the year ended March 2021, repair costs and incidental expenses are incurred as repair works to the defect properties constructed by the Company.

19. Provision for losses related to repairs

For the year ended March 2021

None

For the year ended March 2020, the Company recorded the provision for estimated losses related to repairs based on the rate of construction defects and other factors in order to prepare for the repair costs and incidental expenses for the construction defects related to the properties constructed by the Company.

20. Reversal of provision for losses related to repairs

The reversal of provision was made reflecting a lowered unit repair cost placing batch orders and by employing a new construction method for the fiscal year ended March 2021.

For the fiscal year ended March 2020

None

21. Special severance allowance

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.

For the year ended March 2020, the special severance allowance was paid to the employees who left the Company as a result of sale of the three domestic hotels in Sapporo, Sendai and Hakata.

22. Repair expenses

For the year ended March 2021

None

For the year ended March 2020, the repair expenses were related to the repairs conducted for the properties which were sold in the previous fiscal years.

23. Rental Properties

The Companies possesses rental apartments in major cities and regions throughout Japan. Some subsidiaries possess serviced apartments in addition to rental residences and office buildings. For the years ended March 31, 2021 and 2020, income arising from these rental properties are JPY 502 million (USD 4,539 thousand) and JPY 910 million, and impairment losses are JPY 3,843 million (USD 34,712 thousand) and JPY 1,407 million, respectively.

Furthermore, the changes in book value of rental properties during the years ended March 31, 2021 and 2020, and the fair value as of March 31, 2021 and 2020 and increase (decrease) during the period are as follows:

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, 2020

JPY million			
Balance as of April 1, 2019	Increase/(Decrease)	Balance as of March 31, 2020	Fair value as of March 31, 2020
27,036	(13,150)	13,886	17,585

March 31, 2021

USD thousand			
Balance as of April 1, 2020	Increase/(Decrease)	Balance as of March 31, 2021	Fair value as of March 31, 2021
125,427	**(52,333)**	**73,093**	**98,090**

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, 2021 and 2020, the main decreases are due to the sale of rental properties of JPY2,085 million (USD 18,833 thousand) and JPY 11,714 million, and impairment losses of JPY 3,843 million (USD 34,712 thousand) and JPY 1,407 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”.

24. Asset Retirement Obligations

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

25. Supplemental Information to the Statement of Changes in Equity

(1) 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	USD thousand
5th series SAR*	Common stock	—	159,748,700	—	159,748,700	**215**	**1,947**
SARs as stock option	—	—	—	—	—	**172**	**1,558**
Total	—	—	159,748,700	—	159,748,700	**388**	**3,506**

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

(2) Main changes in equity for the year ended March 31, 2020

(a) Shares issued and treasury stocks for the year ended March 31, 2020 are as follows:

	Shares			
Type of shares	April 1, 2019	Increase	Decrease	March 31, 2020
Shares issued				
Common stock	244,882,515	—	—	244,882,515
Total	244,882,515	—	—	244,882,515
Treasury stock				
Common stock	1,067,510	—	296,300*	771,210
Total	1,067,510	—	296,300*	771,210

*Note:
A decrease of 296 thousand shares in treasury stock is resulting from the exercise of subscription rights to shares.

(b) Stock acquisition rights (SAR) and treasury share acquisition rights for the year ended March 31, 2020 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, 2020
		April 1, 2019	Increase	Decrease	March 31, 2020	JPY million
SARs as stock option	—	—	—	—	—	269
Total	—	—	—	—	—	269

(c) Matters concerning dividends for the year ended March 31, 2020 are as follows:
None

There were no dividends with record dates in the consolidated fiscal year ended March 2020 but with effective dates in the following fiscal year.

26. 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 lives, with no residual value.

(2) Operating lease transactions

Future minimum lease payments related to non-cancelable operating leases subsequent to March 31, 2021 and 2020 are as follows:

March 31, 2021	JPY million		
	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)**

March 31, 2020	JPY million		
	Future lease payments	Prepaid lease payments	Differences
Due within one year	234,427 (234,225)	805 (805)	233,622 (233,420)
Due after one year	100,070 (99,774)	1,089 (1,089)	98,981 (98,684)
Total	334,498 (333,999)	1,894 (1,894)	332,603 (332,104)

March 31, 2021	USD thousand		
	Future lease payments	Prepaid lease payments	Differences
Due within one year	**2,054,104** **(2,052,864)**	**4,867** **(4,867)**	**2,049,237** **(2,047,997)**
Due after one year	**822,652** **(820,687)**	**5,522** **(5,522)**	**817,129** **(815,165)**
Total	**2,876,756** **(2,873,551)**	**10,389** **(10,389)**	**2,866,366** **(2,863,162)**

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

27. Guarantee Obligations

Guaranteed obligations as of March 31, 2021 and 2020 are as follows:

	JPY million		USD thousand
	2021	2020	**2021**
Guarantee obligations to financial institutions for customers who have a home mortgage	**430**	468	**3,890**
Guarantee obligations to financial institutions for customers who have a membership loan	**—**	3	**—**
Total	**430**	472	**3,890**

28. 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

The Company had four reportable segments, the Leasing Business, the Development Business, the Elderly Care Business, the Hotels, Resort and Other Businesses and changed them into the aforementioned three segments. It reflected the Group's redirection from business diversification strategy to profit-oriented strategy centered on the Leasing Business as a result of implementing a drastic business restructuring. The Leasing Business integrated the previous Development Business because it strengthens relations with the property owners and provide comprehensive proposals related to their owned properties. As a result, sales and cost of sales for the Development Business which were separately reported in the fiscal year ended March 2020, have been included in those for the Leasing Business. Specifically, sales for the Development Business of JPY 23,806 million and cost of sales for the Development Business of JPY 19,415 million were included in sales for the Leasing Business and cost of sales for the Leasing Business respectively for the consolidated statement of income for the year ended March 2020. The Company renamed the Hotels, Resort and Other Businesses to the Other Businesses because of the decision of withdrawing the business of hotels and resort.

The reportable segment information for the fiscal year ended March 2021 was reclassified into the current reportable segment structure for disclosure purposes.

(4) Information Regarding Sales, Losses, Assets, Liabilities, and other Items by Reportable Segment for the years ended March 31, 2021 and 2020 are as follows:

	JPY million					
	Reportable segment				Adjustments	Consolidated Total
March 31, 2021	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**

	JPY million					
	Reportable segment				Adjustments	Consolidated Total
March 31, 2020	Leasing Business	Elderly Care Business	Other Businesses	Segment Total		
Sales						
Sales to customers	412,746	14,620	6,186	433,553	—	433,553
Inter-segment sales and transfers	209	—	2,410	2,620	(2,620)	—
Total	412,956	14,620	8,596	436,174	(2,620)	433,553
Segment profit (loss)	(25,966)	(541)	(994)	(27,502)	(8,971)	(36,473)
Segment assets	86,250	3,470	27,452	117,173	79,779	196,953
Other items						
Depreciation	8,464	100	1,441	10,005	2,151	12,157
Increase in property, plant and equipment and intangible fixed assets	3,353	0	480	3,833	45	3,879

	USD thousand					
	Reportable segment				Adjustments	Consolidated Total
March 31, 2021	Leasing Business	Elderly Care Business	Other Businesses	Segment Total		
Sales						
Sales to customers	**3,540,465**	**131,193**	**22,308**	**3,693,968**	**—**	**3,693,968**
Inter-segment sales and transfers	**1,295**	**—**	**5,455**	**6,751**	**(6,751)**	**—**
Total	**3,541,761**	**131,193**	**27,764**	**3,700,719**	**(6,751)**	**3,693,968**
Segment profit (loss)	**(175,101)**	**(6,511)**	**(14,017)**	**(195,631)**	**(67,966)**	**(263,597)**
Segment assets	**648,541**	**32,137**	**188,610**	**869,289**	**591,362**	**1,460,652**
Other items						
Depreciation	**67,350**	**433**	**9,910**	**77,694**	**16,396**	**94,090**
Increase in property, plant and equipment and intangible fixed assets	**19,913**	**239**	**1,399**	**21,552**	**5,494**	**27,047**

Notes:

(i) Breakdown of adjustments is as follows:

Segment profit (loss)

	JPY million		USD thousand
	2021	2020	**2021**
Inter-segment eliminations	**169**	(85)	**1,529**
Corporate expenses*	**(7,693)**	(8,885)	**(69,495)**
Total	**(7,524)**	(8,971)	**(67,966)**

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

Segment assets

	JPY million		USD thousand
	2021	2020	**2021**
Surplus operating funds, long-term investment funds and assets not belonging to any reportable segments	**65,469**	79,779	**591,362**

Increase in non-current assets and intangible assets

	JPY million		USD thousand
	2021	2020	**2021**
Capital expenditures which do not belonging to any reportable segments	**608**	45	**5,494**

(ii) Segment loss is adjusted to operating 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 “28. 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, 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, 2020

JPY million					
Japan	Trust territory of U.S.A. Guam	Kingdom of Thailand	Kingdom of Cambodia	Other	Total
62,071	21,586	887	755	232	85,534

March 31, 2021

USD thousand					
Japan	Trust territory of U.S.A. Guam	Kingdom of Thailand	Kingdom of Cambodia	Other	Total
445,460	**175,349**	**4,625**	**6,029**	**1,294**	**632,759**

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, 2021

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

March 31, 2020

	JPY million				
	Leasing Business	Elderly Care Business	Other Businesses	Adjustments	Consolidated total
Impairment loss	2,471	51	5,097	—	7,620

March 31, 2021

	USD thousand				
	Leasing Business	Elderly Care Business	Other Businesses	Adjustments	Consolidated total
Impairment loss	**35,686**	**73**	**746**	**—**	**36,505**

Information concerning goodwill amortization and unamortized balance by reportable segments

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, 2020

	JPY million				
	Leasing Business	Elderly Care Business	Other Businesses	Adjustments	Consolidated total
Goodwill amortization	260	—	—	—	260
Balance	127	—	—	—	127

Note:
The Company posted impairment loss of JPY 982 million for goodwill in the Leasing Business segment. The Company sold all the shares in Life Living Co., Ltd. in the year ended March 2020 and excluded it from the scope of consolidation, which resulted in the reduction of goodwill by JPY 953 million in the Leasing Business.

March 31, 2021

	USD thousand				
	Leasing Business	Elderly Care Business	Other Businesses	Adjustments	Consolidated total
Goodwill amortization	**61**	**—**	**—**	**—**	**61**
Balance	**113**	**—**	**—**	**—**	**113**

Note:
The Company posted impairment loss of USD 973 thousand for goodwill in the Leasing Business.

Information concerning gain on negative goodwill by reportable segments
For the years ended March 31, 2021 and 2020.
None

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, 2021 and 2020:

	JPY		USD
	2021	2020	**2021**
Net assets	**(25.83)**	5.34	**(0.23)**
Net loss attributable to shareholders of the parent	**84.88**	328.77	**0.76**

Notes:
(i) Diluted net income per share is not indicated 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, 2021 and 2020 is as follows:

	JPY million		USD thousand
	2021	2020	**2021**
Net loss attributable to shareholders of the parent	**23,680**	80,224	**213,897**
Amount not attributable to common stock	**—**	—	**—**
Net loss attributable to common stock	**23,680**	80,224	**213,897**
Basic weighted-average shares during the year (Thousands of shares)	**279,003**	244,011	**244,011**
Dilutive securities without dilutive effects and excluded from calculation of diluted net income per share.		—	

30. Related Party Transactions

For the year ended March 31, 2021 and 2020.
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, 2021:

Cumulative period	First quarter	Second quarter	Third quarter	Full-year
Net sales (JPY million)	**103,986**	**208,647**	**308,326**	**408,959**
Income (loss) before income taxes (JPY million)	**(15,012)**	**(17,034)**	**(23,900)**	**(22,925)**
Net income (loss) attributable to shareholders of the parent (JPY million)	**(14,123)**	**(17,571)**	**(25,003)**	**(23,680)**
Net income (loss) per share (JPY)	**(57.84)**	**(71.95)**	**(95.18)**	**(84.88)**

Accounting period	First quarter	Second quarter	Third quarter	Full-year
Net income (loss) per share (JPY)	**(57.84)**	**(14.11)**	**(24.82)**	**4.02**

Cumulative period	First quarter	Second quarter	Third quarter	Full-year
Net sales (USD thousand)	**939,268**	**1,884,628**	**2,784,994**	**3,693,968**
Income (loss) before income taxes (USD thousand)	**(135,606)**	**(153,867)**	**(215,885)**	**(207,072)**
Net income (loss) attributable to shareholders of the parent (USD thousand)	**(127,569)**	**(158,713)**	**(225,843)**	**(213,897)**
Net income (loss) per share (USD)	**(0.52)**	**(0.65)**	**(0.86)**	**(0.76)**

Accounting period	First quarter	Second quarter	Third quarter	Full-year
Net income (loss) per share (USD)	**(0.52)**	**(0.12)**	**(0.22)**	**(0.03)**

33. Subsequent Events

Reduction of common stock

The Company determined, under the approval of the Board of Directors on May 14, 2021, to submit a proposal on reduction of common stock to the Ordinary General Shareholders' Meeting held on June 29, 2021. The proposal was approved at the Ordinary General Shareholders' Meeting.

(1) Purpose of reduction of common stock

In order to ensure the flexibility and speediness of the capital policy, the Company has decided to reduce the common stock, as stipulated in Article 447, Paragraph 1 of the Companies Act.

There will be no change in the total number of outstanding shares and there will be no effect on the number of shares held by all shareholders. In addition, there will be no change in net assets and in net assets per share.

(2) Main points in reduction of common stock

(a) Reduced amount of common stock

Reduce common stock by JPY 81,182,359,829 from JPY 81,282,359,829 to make the common stock of JPY 100,000,000.

(b) Method of reduction

There will be no change in the total number of outstanding shares. The entire amount of the reduction, JPY 81,182,359,829, will be transferred to other capital surplus.

(3) Timeline in 2021

May 14 (Board of Directors Meeting)	Approval at the Board of Directors Meeting
June 29 (General Shareholders' Meeting)	Approval at the General Shareholders' Meeting
July 30	Expiration of period for creditors' making objections
August 10	Effective date

(4) Impact on the Company's financial result

The above measure involves reassignments of funds within the net assets category with no changes in the amount of net assets and will not have any impact on the Company's business performance.

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, 2021, and the Consolidated Statement of Profit or Loss, Consolidated Statement of Other 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, 2021, 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, 2021 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 Note X 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.

Consideration of the going concern assumption

Contents of major audit considerations and reasons for decision

The company posted an operating loss of 36,473 million yen in the previous consolidated fiscal year and 29,182 million yen in the current consolidated fiscal year. We have determined that there is an event or situation that raises significant doubt on the Company's ability to continue as a going concern.

If significant uncertainty regarding the going concern assumption is still found even after taking measures to resolve or improve the event or situation, it is necessary to note these matters concerning the going concern assumption in the consolidated financial statements. The company estimates its cash balance on the basis of its profit plan and considers significant uncertainties regarding the going concern assumption.

The company has increased the occupancy rate by promoting remoteness such as customer service, previews, and contracts on the Web, strengthening customer service by actively utilizing intermediaries, developing sales strategies on an area-by-area basis, and changing to a system for managing income and expenditures. The company has strive to improve business performance and financial condition while improving and stabilizing the business side, while striving to stabilize the financial side by optimizing master lease rent, reducing management costs, adjusting repair work schedules, etc. The company has determined that it has sufficient funds to continue its business and that there is no significant uncertainty regarding the going concern assumption.

In estimating the future fund balance and the profit plan that forms the basis for such estimates, the number of rental contracts, the number of units under contract, rental income, optimization of master lease rent, and reduction of management costs are important assumptions. These assumptions involve significant management judgment and uncertainty.

For this reason, we have determined that this matter concerning the going concern assumption, is a key audit matter.

Audit response
In considering whether significant uncertainties exist regarding the Company's ability to continue as a going concern, we mainly conducted the following audit procedures.

● In order to evaluate the estimated balance of funds, the following audit procedures were mainly carried out on the underlying profit plan.

- We verified its consistency with the latest budget approved by management. Further to that, we also evaluated the accuracy of the estimate by conducting a comparative analysis of the profit plan of the previous year and the actual results thereafter.
- We discussed with the management regarding the estimated number of rental contracts, the estimated number of contracted units, and the estimation of rent income, and conducted a trend analysis from past results.
- We asked management about the progress forecast, the number of consensus opinions and the estimated amount of optimization, and evaluated the feasibility, regarding the optimization of master lease rent. In addition, we grasped the status of the agreement by the end of April 2021 and conducted a comparative analysis with the forecast.
- We performed inquiries and discussed with management and others regarding the reduction of administrative costs, and confirmed the consistency of their answers with the past results and internal documents of the company.

● We examined the evaluation of uncertainty by management that reflects certain risks regarding the income and expenditure improvement measures reflected in the profit plan.

● We verified the consistency of the financial plan with the profit plan and the balance sheet plan.

● We inquired management about the additional measures for the company when future income and expenditure improvement did not progress as planned, and evaluated its feasibility.

Provision for losses related to repairs

Contents of major audit considerations and reasons for decision
As of March 31, 2021, the balance of provision for losses related to repairs on the consolidated balance sheet is 33,509 million yen. In addition, the related important assumptions are described in [Notes] (3. Summary of Significant Accounting Policies) (12).

In addition to the deficiencies in the barriers such as the back of the hut announced in April 2018, the company investigated all the properties it had constructed that are related with construction deficiencies announced in May 2018, February and May 2019. When any deficiencies are found, it has been decided to carry out repair work to comply with the legal specifications, and a construction deficiency countermeasures headquarters has been set up to investigate the construction property. In addition, for properties that were found to be inadequate by this survey, repair work is being carried out in sequence 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 managed by other companies constructed by the company, investigation by first-class architects, and resident's relocation cost burden. After considering these factors, the amount required for them is reasonably estimated, and a provision for losses related to repairs is recorded.

Estimating the provision for losses related to repairs involves the important judgment of management regarding the construction method and period of repair work, and how to deal with related parties including regulatory agencies, tenants and property owners. In addition, repair work costs and incidental costs are being continuously reviewed in consideration of changes in ordering methods and construction 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 this is a key audit matter.

Audit response

In considering the provision for losses related to repairs, we mainly carried out the following audit procedures.

● We asked the management about 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, etc.

● We compared the total number of properties subject to provision calculation with the company documents that were obtained from 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 carried out the following audit procedures.

- For those estimated unit price calculated based on the actual unit price, we recalculated the estimated unit price calculation after matching the voucher between the estimated unit price calculation document and the invoice for outsourcing costs. Further, we conducted a comparative analysis of past estimates and subsequent actual results and we 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.
- For those estimated unit price based on the estimate from an external contractor, we recalculated after matching the voucher between the estimated unit price calculation material and the estimate such as outsourcing costs.

● 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 viewed the contents of the report to the regulatory agency and the status of discussions at the Risk Management Committee and the Compliance Committee, it was confirmed that important construction deficiencies that were not covered by the provision were not recognized.

Provision for apartment vacancy loss

Contents of major audit considerations and reasons for decision

As of March 31, 2021, the balance of provision for apartment vacancy loss on the consolidated balance sheet is 12,262 million yen. In addition, the related significant assumptions are described in [Notes] (3. Summary of Significant Accounting Policies) (13).

The company rents (master lease rents) the constructed and delivered apartments and subleases them to general residents. As a result, the company prepares for the occurrence of vacancy loss due to the master lease contract, and the amount of loss expected to occur within a reasonably estimatable period based on the leased 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 comparing the total income, which is the sum of rent income and other incidental income for each individual rental property, multiplied by the future occupancy rate, with the total expenditure, which is the sum of the master lease rent and management costs. It is calculated by multiplying the negative balance of the property whose total expenditure exceeds the total income by the remaining months of the lease contract.

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 correction calculation in consideration of the impact of the suspension of tenant recruitment due to repair work.

In addition, the master lease rent is calculated by reflecting the estimated amount of rent optimization within the remaining contract period in the rent based on the contract as of the end of the fiscal year.

The prospect of optimizing the master lease rent, the estimation of the occupancy rate, and rent income, there are significant management judgments and uncertainties.

For this reason, we have determined that this is a key audit matter.

Audit response

In considering the estimation of the provision for apartment vacancy loss, we mainly carried out the following audit procedures.

● Regarding the process related to the recording of provision for apartment vacancy loss, we mainly evaluated the design and operation status of the following internal controls (this includes the review and approval processes by management and others).

- Determination and change of recruited rent
- Future forecast occupancy rate estimate
- Registration of master lease rent

● We compared the rent used to calculate the estimated rent income with the amount of rent offered as of the end of the fiscal year stored in the company's business management system.

● We inquired the management about the assumption of estimating the occupancy rate, and confirmed that it is 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.

● Regarding the prospect of optimizing the master lease rent within the remaining contract period, we inquired management about the progress forecast, the number of consensus opinions and the estimated amount of optimization, and evaluated its feasibility.

● We verified the estimation method and grasped the agreement status by the end of April 2021 to confirm the consistency with the estimate regarding the estimated amount of rent optimization.

● We evaluated the validity of the correction calculation of the future forecast occupancy rate by confirming the consistency with the repair work schedule regarding the number of units for which the suspension of resident recruitment will be lifted after the end of the fiscal year.

- We recalculated the corrected future forecast occupancy rate and provision for apartment vacancy loss.

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
18, Oct ,2021

Data Compilation

Social Key Performance Indicators

The Company engages in sustainable management initiatives under the leadership of the CSR Committee, which is chaired by the CSR officer, in collaboration with divisions and departments. The CSR Committee reports on the progress of initiatives in line with the five themes of the Basic CSR Action Policy, based on the quantitative targets set by each division and department, and moves initiatives to the next phase of the PDCA cycle. For the fiscal year ending March 2022, 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 CSR Committee, and these are periodically reported to the Board of Directors to conduct CSR activities.

Governance

	FY2018	FY2019	FY2020
Outside directors	3	7	6
Female directors	1	2	1
Directors' compensation (JPY million)	595	228	170
Directors (excluding outside directors)	495	131	56
Audit & Supervisory Board members (excluding outside ASB members)	19	13	16
Outside directors and ASB members	80	83	97

Employee Composition (Parent company)

	FY2018			FY2019			FY2020		
	Total	Men	Women	Total	Men	Women	Total	Men	Women
No. of employees	6,331	4,395	1,936	5,814	4,035	1,779	4,169	2,671	1,498
No. of regular employees	5,833	4,142	1,691	5,461	3,830	1,631	3,864	2,499	1,365
No. of temporary hires	498	253	245	353	205	148	305	172	133
Average age	37 years, 7 months	38 years, 7 months	35 years, 2 months	38 years, 8 months	39 years, 3 months	36 years, 4 months	39 years, 0 months	40 years, 0 months	37 years, 3 months
Average cumulative years of service	9 years, 7 months	10 years, 10 months	6 years, 7 months	10 years, 6 months	11 years, 10 months	7 years, 6 months	10 years, 6 months	12 years, 0 months	7 years, 10 months

Work-Life Balance (Parent company)

	FY2018			FY2019			FY2020		
	Total	Men	Women	Total	Men	Women	Total	Men	Women
Total number of working hours per month	173.0			166.3			160.3		
Overtime work hours per month	15.0			13.3			11.4		
No. of employees with reduced working hours	199	11	188	277	15	262	216	3	213
No. of employees on childcare leave	238	55	183	268	37	231	246	47	199
Ratio of paid leave usage	76.8%	74.4%	82.6%	84.3%	83.1%	87.1%	90.5%	92.4%	86.1%
Ratio of workforce turnover	8.6%	7.2%	12.0%	12.4%	11.2%	15.1%	31.4%	35.9%	20.8%
Ratio of new hires	19.1%	18.2%	20.3%	22.1%	17.3%	28.3%	16.7%	18.2%	14.3%

Diversity (Consolidated (excluding Guam), Parent company + Leopalace Smile for employees with disabilities)

	FY2018			FY2019			FY2020		
	Total	Men	Women	Total	Men	Women	Total	Men	Women
No. of employees with disabilities (annual average)	161.9			154.0			107.9		
% of employees with disabilities (annual average rate)	2.23%			2.26%			2.33%		
No. of mandatory retirees that have been rehired	31	24	7	21	17	4	22	15	7
No. of foreign national employees	351	144	207	366	143	223	218	89	129
No. of foreign national managers	25	20	5	26	20	6	22	16	6
No. of people newly employed	725	336	389	523	229	294	329	149	180
Gender ratio for new hires	100.0%	46.3%	53.7%	100.0%	44.7%	55.3%	100.0%	45.3%	54.7%
No. of managers	1,758	1,648	110	1,671	1,549	122	1,061	987	74
Gender ratio for managers	100.0%	93.7%	6.3%	100.0%	92.7%	7.3%	100.0%	93.0%	7.0%

Support for Employees Seeking to Obtain Qualifications

	FY2018	FY2019	FY2020
No. of employees using support for obtaining qualifications	368	266	170
No. of employees using support system for obtaining specified qualifications	245	144	69
No. of employees in program for language skills improvement	15	13	6
No. of employees awarded an incentive payment for obtaining Takken qualification	108	109	95

Community Contributions

	FY2018	FY2019	FY2020
No. of cleanup campaign participants	6,142	2,309	1,002
Of which, in vicinity of existing properties	—*	0	0
Of which, in vicinity of construction sites	6,142	2,309	1,002
Total sum of donations (thousands of yen)	3,754	3,708	1,998
No. joining observation tours and OTJ training at Leopalace Smile	417	111	0

*Cleanup campaign was held all together in the management center of 170 branches once in fiscal 2018.

Labor Safety and Health

	FY2018	FY2019	FY2020
No. of labor accidents	55	56	46
Accidents requiring time off work	14	21	19
Accidents not requiring time off work	41	35	27

Stakeholder Communication Initiatives

	FY2018	FY2019	FY2020
No. of property owner briefing sessions	517	381	87
No. of IR events (meetings for individual investors, etc.)	19	5	6
Career-support activity programs	35	0	0

Certified Employees (as of March 2021)

(People)

Real estate broker	717
Rental property manager	408
General insurance solicitor (basic course/fire insurance course)	661
Architect (first-class, second-class)	244
Building construction management engineer (1st Grade, 2nd Grade)	194
Certified skilled worker of financial planning (1st Grade, 2nd Grade)	204
Land surveyor, Assistant land surveyor	23
Care worker	720
Care support specialist	205
Home-visit care worker (1st Grade, 2nd Grade)	345

Efforts to Reduce our Environmental Impact

	FY2018	FY2019	FY2020
CO_2 emissions from the use of electricity and gas use (t-CO_2)	14,730	13,624	9,350
Head office and branches	6,185	6,343	4,647
Azumi En nursing care facilities	6,056	4,899	4,395
Leopalace hotels	2,489	2,381	307
CO_2 emissions from vehicle gasoline (t-CO_2)	3,345	3,172	2,212
Scope 3 CO_2 emissions (t-CO_2)	786,510	692,463	693,388
Category 1 (purchased materials)	31,263	10,898	5,850
Category 2 (capital goods)	29,835	12,692	9,621
Category 3 (electricity-related)			
Category 6 (business travel)	4,338	5,701	4,931
Category 7 (employee commuting)			
Category 13 (electricity and gas use by rental housing)	724,543	663,171	672,987

Leasing Business Data

Units Under Management

As of March 31, 2021, units under management —the earnings base for our Leasing Business— numbered 573,673, marking a slight decline for the first time in eight years. The number of units under management plateaued or fell in each region except for the Tokyo metropolitan area.

(Units)

	FY2018	FY2019	FY2020
Hokkaido	13,909	13,866	13,550
Tohoku	35,652	35,623	35,327
Kita-Kanto	40,494	40,494	40,437
Tokyo metro area	170,358	171,080	170,320
Hokuriku-Koshinetsu	40,003	39,981	39,943
Chubu	88,194	88,086	87,756
Kinki	80,861	81,011	80,859
Chugoku	39,208	39,415	39,390
Shikoku	14,691	14,736	14,736
Kyushu-Okinawa	51,428	51,506	51,355
Total	574,798	575,798	573,673

Fiscal Year-End Occupancy Rates by Region

Although the occupancy rate declined in many regions of Japan due to the effects of the construction defects problem and the COVID-19 pandemic, the amount of the decline is decreasing. The regions of Hokkaido, Hokuriku-Koshinetsu, and Kinki saw improved results.

(%)

	FY2018	FY2019	FY2020
Hokkaido	69.0	73.1	69.8
Tohoku	84.8	84.7	83.0
Kita-Kanto	80.3	77.2	77.3
Tokyo metro area	86.0	84.9	81.8
Hokuriku-Koshinetsu	79.1	79.1	80.6
Chubu	85.1	81.9	80.3
Kinki	83.1	81.5	81.8
Chugoku	88.0	87.0	86.5
Shikoku	84.3	83.4	82.6
Kyushu-Okinawa	87.6	87.4	86.5
Total	88.3	80.8	78.9

Occupied Units by Contract Type

We are strengthening our marketing efforts aimed at corporate customers, where we can expect stable, long-term earnings. As of March 31, 2021, there was a significant decrease in the number of corporate contracts for apartments compared to individuals and students due to the effects of the construction defects problem as well as reduced personnel rotation and training as a result of the COVID-19 pandemic. As a result, the number of corporate contracts for apartments at the end of the fiscal year ended March 2021 was 266,814 units, down 2.1% from a year earlier.

	FY2018		FY2019		FY2020	
	Units	%	Units	%	Units	%
Corporate	280,643	57.9	272,566	57.0	266,814	56.9
Of which, foreign national (%)	—	5.6	—	6.0	—	5.3
Individuals	163,318	33.7	165,594	34.6	164,441	35.1
Of which, foreign national (%)	—	4.7	—	5.4	—	5.6
Students	40,757	8.4	40,135	8.4	37,548	8.0
Of which, foreign national (%)	—	29.1	—	35.2	—	32.4
Total	484,718	100.0	478,295	100.0	468,803	100.0

Number of Leasing Sales Offices and Sales Personnel

As a result of the voluntary retirement system implemented in the fiscal year ended March 2021, the number of sales personnel has fallen, with 1,047 sales personnel at the end of the fiscal year ended March 2021, marking a 21.8% decline on the previous year. To compensate for the reduction in personnel, in the leasing business, we are reducing the number of directly managed sales offices and shifting to a sales structure that utilizes real estate agents.

	FY2018	FY2019	FY2020
No. of leasing sales offices	302	295	239
Of which, Leopalace Centers	189	189	139
Of which, Leopalace Partners (franchisees)	113	106	100
No. of leasing sales personnel	1,494	1,339	1,047

Subsidiary Equipments and Services

	FY2018	FY2019	FY2020
Security systems installed (cumulative, units)	308,944	313,382	314,776
Security cameras installed (cumulative, buildings)	14,410	14,671	14,749
No. of incoming calls to Services Centers	387,398	382,518	380,343
Of which, inquiries	254,334	266,644	237,564
Of which, maintenance-related	106,508	92,762	114,988
Of which, complaints or claims	26,556	23,112	27,791
No. of web-based rental agreements	0	392	13,697

Monthly Occupancy Rates for the Past 10 Years

(%)

	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
FY2011	81.09	80.64	80.87	80.45	80.50	81.05	80.43	80.69	80.54	81.65	82.73	83.40
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

*Occupancy rate = number of units under contract/number of units under management at the end of each month

Ratio of General Contracts and Monthly Contracts Over 10 Years

While the proportion of monthly contracts has been falling over the past 10 years, the proportion of general contracts without a fixed contract period has grown from 79.8% in the fiscal year ended March 2012 to 93.9% for the fiscal year ended March 2021. In this way, the proportion of units under a more stable leasing contract is on the rise.

(%)

	General contracts	Monthly contracts
FY2011	79.8	20.2
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

Orders

After the discovery of the construction defects problem, we stopped booking activities for new properties and focused on following up with property owners, meaning that the orders received for apartments, etc., fell significantly with a 47.5% year-on-year decline. However, subsidiary Morizou saw a year-on-year increase in orders received for custom-built homes, with orders totaling JPY 3,381 billion.

(JPY million)

	FY2018	FY2019	FY2020
Building categories			
Apartments	56,859	4,852	2,546
Elderly care facilities	931	156	0
Stores & commercial space	1,934	280	0
Custom-built homes by subsidiary Morizou	4,771	2,526	3,381
Solar power systems	0	0	0
Total	64,495	7,814	5,927

Wealth Management Offices and Personnel

In accordance with the business portfolio changes in the fiscal year ended March 2021, we established Wealth Management Departments under the umbrella of the Leasing Business Division to strengthen our connection with property owners and regain their trust, and the previous construction subcontracting sales departments in the Development Business were transferred. We set branches in each area to enable close follow-up with property owners.

	FY2020
No. of offices	65
No. of sales personnel	319

Elderly Care Business Data

Number of Facilities

We have positioned our Elderly Care Business as a growth strategy business, and our plan is to work on increasing the stability of this business to handle Japan's aging population. At the end of March 2021, we had a total of 87 facilities, which was the same as the past two years.

(Facilities)

	FY2018	FY2019	FY2020
Fee-based homes	21	21	21
Day services, Short stays	64	64	64
Group homes	2	2	2
Total	87	87	87

Utilization Rate

The utilization rate of fee-based homes for seniors and group homes as well as short stays remained high, exceeding 90%. We are focusing on temporary-type offerings, notably day services and short stays, and the utilization rate of both is relatively stable, although impacted by the COVID-19 pandemic in the fiscal year ended March 2021.

(Utilization rate, %)

	FY2018	FY2019	FY2020
Day services	72.6	72.8	67.1
Short stays	93.6	95.6	92.1
Fee-based homes & group homes	91.6	92.4	93.0

External Environment

Number of New Housing Starts

The number of new housing starts in FY2020 decreased by 8.1% year on year. Starts for housings for rent also fell for the fourth consecutive year, with a 9.4% year-on-year decrease to 303,000 units. However, starts of rental units of less than 30 square meters aimed mainly at single-person households rose 1.0% year on year to 53,000 units.

(Thousand units)

	FY2018	FY2019	FY2020
Rental housing	390	335	303
Of which, under 30m^2	73	53	53
Other	563	549	509
Total	953	884	812

Source: Housing starts statistics, the Ministry of Land, Infrastructure, Transport, and Tourism

Number of Households

The number of households in Japan is expected to decline starting 2025 due to the nation's trends of an aging population and low fertility rate.
On the other hand, the number of single-person households is expected to continue increasing 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 (2018), the National Institute of Population and Social Security Research

Number of Vacant Homes in Japan

Amid the concentration of populations in cities, the number of vacant homes is growing, especially in rural areas. According to the Housing and Land Survey, the number of vacant houses for rent is 4.3 million, meaning that roughly one in five are vacant. In order to operate our business in such tough circumstances, it is essential to enhance the added value of the properties we manage.

	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 dwellings (%)	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
*Rate 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 has been falling after peaking in 2008. It is predicted that the population will be 119.13 million in 2030, falling below 120 million. On the other hand, the population of advanced elderly age (75 years or older) is estimated to increase until 2030, and the proportion of the population that is 75 years or older continues to gradually increase.

(Thousand people)

	2010	2015	2020 (projection)	2025 (projection)	2030 (projection)	2035 (projection)	2040 (projection)
Age 0–14	1,680	1,589	1,507	1,407	1,321	1,246	1,194
Age 15–64	8,103	7,629	7,406	7,170	6,875	6,494	5,978
Age 65–74	1,517	1,734	1,747	1,497	1,428	1,522	1,681
Age 75 or older	1,407	1,613	1,872	2,180	2,288	2,260	2,239
Unknown	98	145					
Total	128,060	127,090	125,320	122,540	119,130	115,220	110,920
Proportion age 75 or older (%)	11.0	12.7	14.9	17.8	19.2	19.6	20.2

Source: Annual Report on the Ageing Society 2021, Cabinet Office

Corporate Profile

Corporate Data
(As of March 31, 2021)

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 (As of August 10, 2021)
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:	5,082 (consolidated basis) 4,172 (non-consolidated basis)

Members of Board of Directors and Auditors
(As of June 29, 2021)

Directors

President and CEO	Bunya Miyao
Director	Shigeru Ashida
Director	Mayumi Hayashima
Director (Outside)	Akira Watanabe
Director (Outside)	Kazuyasu Fujita
Director (Outside)	Yutaka Nakamura
Director (Outside)	Akio Yamashita
Director (Outside)	Jin Ryu

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, 2021)

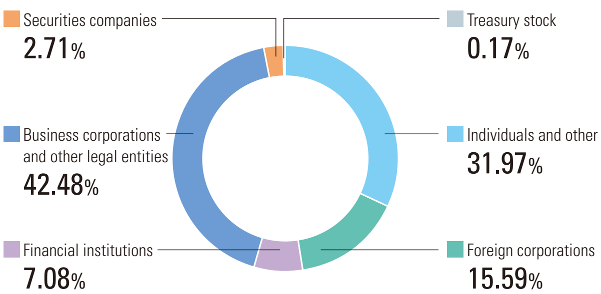
	Shareholder Name (honorific titles are omitted)	Number of Shares (thousands of shares)	Percentage of Outstanding Shares
1	Chidori Godo Kaisha	84,507	25.69
2	Ardisia Investment, Inc	48,683	14.80
3	Noriyasu Shimada	11,474	3.48
4	STATE STREET BANK AND TRUST COMPANY 505103	9,295	2.82
5	The Master Trust Bank of Japan, Ltd. (Trust Account)	6,416	1.95
6	JPMBL RE NOMURA INTERNATIONAL PLC 1 COLL EQUITY	5,415	1.64
7	Stockholding Association for Leopalace21's Business Connection	5,319	1.61
8	SBI SECURITIES Co., Ltd.	5,029	1.52
9	Stockholding Association for Leopalace21's Apartment Owners	4,712	1.43
10	Stockholding Association for Leopalace21's Employees	3,093	0.94

Note 1. Of the shares held by The Master Trust Bank of Japan, Ltd. (Trust Account) as of March 31, 2021, those held in trust accounts as part of trust bank operations were 4,441 thousand shares.
2. The above percentages of outstanding shares are calculated excluding treasury stock.
3. The number of shares outstanding increased by 84,507 thousand shares through the issuance of new shares through a third-party allotment with a payment date of November 2, 2020.

Corporate Data (As of March 31, 2021)

Number of shares authorized:	500,000,000
Number of shares outstanding:	329,389,515
Number of shareholders:	60,798
Listing:	First Section of the Tokyo Stock Exchange
Administrator of Shareholder Registry:	Sumitomo Mitsui Trust Bank, Limited

Shareholder Composition (As of March 31, 2021)



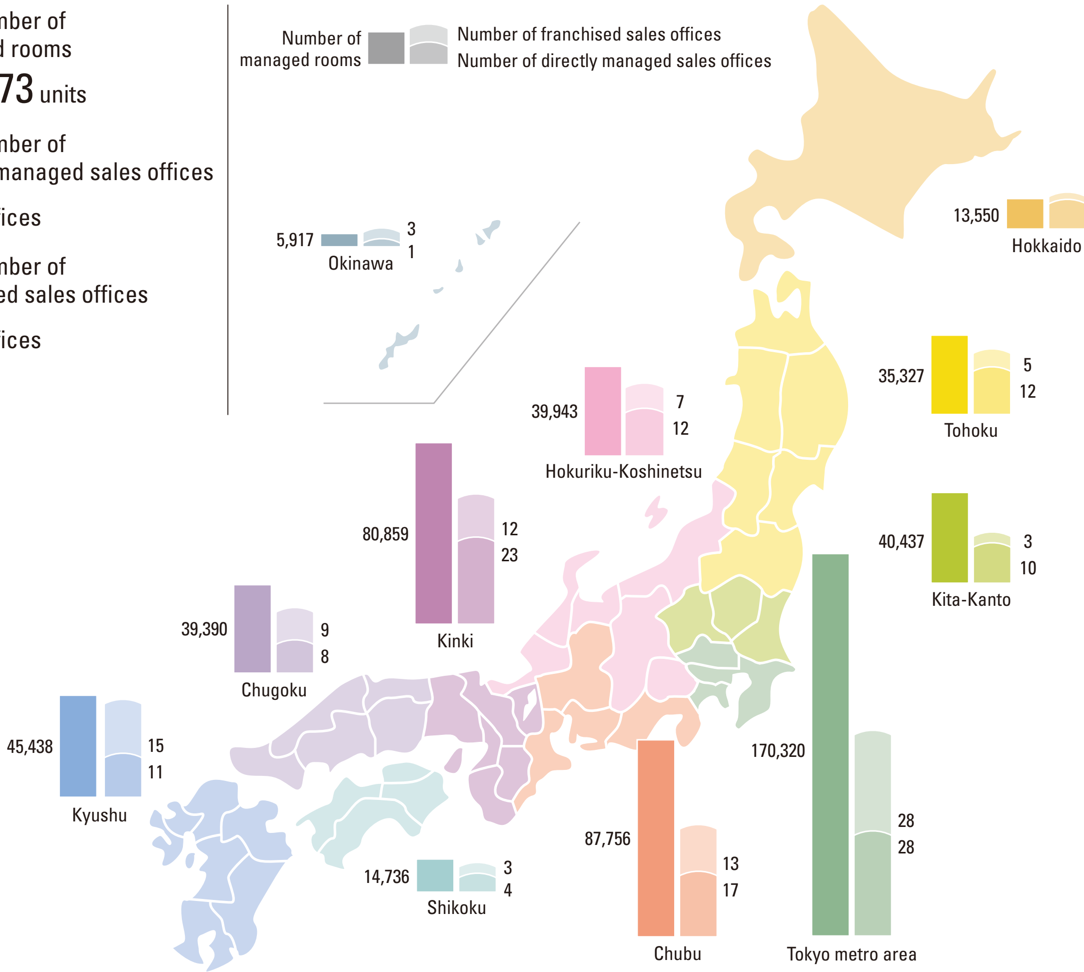
Number of Apartment Rooms under Management and Domestic Leasing Sales Offices by Region

(As of March 31, 2021)

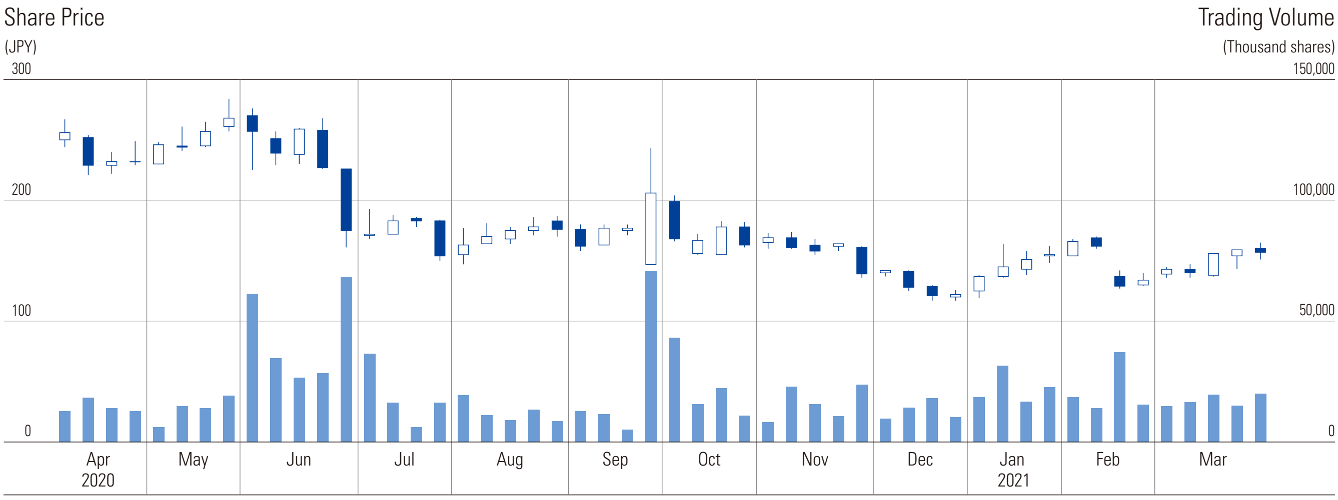
Total number of managed rooms
573,673 units

Total number of directly managed sales offices
133 offices

Total number of franchised sales offices
100 offices



Share Price and Trading Volume (As of March 31, 2021)



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