

English Translation of Original Japanese

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

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

Securities Code No. 8848

June 12, 2024

(Commencement date of measures for electronic provision June 5, 2024)

To Our Shareholders

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

Notice of the 51st Ordinary General Shareholders' Meeting

We are pleased to announce that the 51st Ordinary General Shareholders' Meeting of Leopalace21 Corporation ("the Company") will be held as described below.

In convening this General Shareholders' Meeting, the Company has taken measures for electronic provision and has posted matters subject to measures for electronic provision in the form of "Notice of the 51st Ordinary General Shareholders' Meeting" on the following Internet websites.

The Company website

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

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

Tokyo Stock Exchange website

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

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

The Portal of Shareholders' Meeting website (in Japanese)

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

If you will not be attending the meeting in person, you can still exercise your voting rights by either of the following methods. Please exercise your voting rights beforehand by either of the following methods no later than 6:00 p.m. on Wednesday, June 26, 2024.

[Exercising your voting rights by in writing]

Please refer to the Reference Materials for the General Shareholders' Meeting on pages 5 to 19, which are listed in the matters subject to the measures for electronic provision, indicate "for" or "against" for each proposal shown on the enclosed Voting Rights Exercise Form and return it in time for delivery by the deadline mentioned above.

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

[Exercising your voting rights via the Internet]

Please access the Voting Rights Exercise Site, which is designated by the Company. Examine the Reference Materials for the General Shareholders' Meeting on pages 5 to 19, which are listed in the matters subject to the measures for electronic provision or the reference materials posted on the Company website, which will be accessible via the Voting Rights Exercise Site, follow the instructions on the screen, and indicate "for" or "against" for each proposal.

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

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

Details

1. **Date and Time:** June 27, 2024 (Thursday), 10:00 a.m. (Reception will open at 9:00 a.m.)
2. **Place:** Conference room, Head Office, Leoplace21 Corporation
2-54-11 Honcho, Nakano-ku, Tokyo

3. Agenda for the Meeting

Matters to be reported:

1. Report on the Business Report, Consolidated Financial Statements, and Results of Audit of the Consolidated Financial Statements by the Accounting Auditor and the Audit & Supervisory Board for the 51st Fiscal Term (from April 1, 2023 to March 31, 2024)
2. Report on Non-consolidated Financial Statements for the 51st Fiscal Term (from April 1, 2023 to March 31, 2024)

Matters to be resolved:

- Proposal No. 1:** Appropriation of Surplus
- Proposal No. 2:** Election of Ten (10) Directors
- Proposal No. 3:** Election of Two (2) Audit & Supervisory Board Members
- Proposal No. 4:** Election of Accounting Auditor

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

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

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

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

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

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

We appreciate the understanding of our shareholders on this matter.

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

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

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

Reference Materials for the General Shareholders' Meeting

Proposal No. 1: Appropriation of Surplus

In addition to increasing corporate value over the medium- to long-term, the Company positions the return of profits to shareholders as one of its key management issues, and has made it a policy to pay continuous and stable dividends by comprehensively considering performance trends, financial conditions, and other factors.

Based on the above policy, the Company proposes the following year-end dividend, taking into account business performance in the fiscal year ended March 31, 2024 and future business development, etc.

Matters concerning the year-end dividend

(1) Type of dividend property

Cash

(2) Allotment of dividend property and the total amount

JPY 5 per share of common stock of the Company

Total amount of dividends: JPY 1,619,289,270

(3) Effective date of dividend of surplus

June 28, 2024

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

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

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

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

Skillset Matrix of the Board of Directors

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

Candidate number	Name (Date of birth)	Career summary, and positions and duties in the Company (Significant concurrent positions)	Number of the Company's shares held
1	Re-election Bunya Miyao (April 14, 1960) Attendance at the Board of Directors meetings: 19/19 Term of office: 8 years	April 1983 Joined Nakamichi Leasing Co., Ltd. June 1990 Joined Leopalace21 Corporation September 2000 Deputy Manager of the Financial Department, Leopalace21 Corporation July 2008 General Manager of the Resort Business Headquarters, Leopalace21 Corporation July 2010 General Manager of the Management Planning Department, Leopalace21 Corporation July 2012 Administrative Officer, Leopalace21 Corporation April 2013 Executive Officer, Leopalace21 Corporation June 2016 Director and Executive Officer, Leopalace21 Corporation May 2017 Representative in charge of the Management Planning Department, the Public Relations Department, Leopalace21 Corporation April 2018 Director and Managing Executive Officer, Leopalace21 Corporation Representative in charge of Management Planning and Investor Relations, Leopalace21 Corporation May 2019 Representative Director, President and CEO, Leopalace21 Corporation (incumbent) June 2019 Chief of the Business Operation Headquarters, Leopalace21 Corporation May 2022 Chief of the Construction Defects Response Headquarters, Leopalace21 Corporation (incumbent) Significant concurrent positions Director, Leopalace Guam Corporation	11,206 shares
<p>Reasons for nomination as a candidate for Director</p> <p>Mr. Bunya Miyao has a background in overseeing all of the Company's group businesses, and has extensive experience in leading the Company's management, as well as strong leadership and decisiveness. He fulfills an appropriate role as Representative Director by taking important management decisions and supervising business execution, and he has worked on stabilizing earnings structure and financial base, promoting structural reforms and DX, and resolving construction defects issues. It is judged that his strong leadership is essential to the Company's management, so the Company has nominated him again as a candidate for Director.</p>			

Candidate number	Name (Date of birth)	Career summary, and positions and duties in the Company (Significant concurrent positions)		Number of the Company's shares held
2	Re-election	April 1996	Joined Leopalace21 Corporation	5,551 shares
	Mayumi Hayashima (April 26, 1973)	April 2009	Deputy General Manager of the Eastern Japan Corporate Sales Department, Leasing Sales Section 3, Leasing Business Division, Leopalace21 Corporation	
	Attendance at the Board of Directors meetings: 19/19	July 2010	General Manager of the Corporate Sales Department, Eastern Japan Section 2, Leasing Business Division, Leopalace21 Corporation	
	Term of office: 5 years	April 2014	General Manager of the Corporate Business Promotion Department, Leopalace21 Corporation	
		April 2015	Administrative Officer, Leopalace21 Corporation	
		April 2018	Executive Officer, Leopalace21 Corporation	
		June 2019	Director and Executive Officer, Leopalace21 Corporation Chief of the Compliance Management Headquarters, Chief Legal Officer (CLO), Leopalace21 Corporation	
		June 2020	Chief of the Compliance Promotion Headquarters, Chief Legal Officer (CLO), Leopalace21 Corporation	
		July 2020	Chief of the Management Headquarters, Leopalace21 Corporation	
		May 2021	Deputy Chief of the Corporate Management Headquarters, Leopalace21 Corporation	
	May 2022	Director and Managing Executive Officer, Leopalace21 Corporation (incumbent) Chief of the Leasing Business Headquarters, Leopalace21 Corporation (incumbent)		
<p>Reasons for nomination as a candidate for Director</p> <p>Ms. Mayumi Hayashima has extensive experience and knowledge in the leasing business division, as well as in overseeing the legal compliance department and implementing cross-departmental measures. She fulfills an appropriate role as Director by taking important management decisions and supervising overall business execution and others, and she has worked to improve profitability. It is judged that her abundant knowledge is essential to the Company's management, so the Company has nominated her again as a candidate for Director.</p>				

Candidate number	Name (Date of birth)	Career summary, and positions and duties in the Company (Significant concurrent positions)	Number of the Company's shares held	
3	Re-election	April 1985	Joined The Mitsui Bank, Limited (now Sumitomo Mitsui Banking Corporation)	42,700 shares
	Naomichi Mochida (September 4, 1962)	June 2007	Joined Leopalace21 Corporation Director, General Manager of the Management Planning Department, Leopalace21 Corporation	
	Attendance at the Board of Directors meetings: 19/19	April 2009	Director and Executive Officer, Leopalace21 Corporation Department Manager of the 3rd Sales Department, Leasing Business Division, Leopalace21 Corporation Department Manager of the Broadband Service Promotion Department, Leopalace21 Corporation	
	Term of office: 2 years	April 2010	Head of the Related Businesses Controlling Division, Leopalace21 Corporation	
		June 2010	Executive Officer of Leopalace21 Corporation	
		May 2011	Head of the Corporate Sales Management Division, Leopalace21 Corporation	
		April 2013	Deputy General Manager of the Leasing Business Division, Leopalace21 Corporation	
		April 2014	Managing Executive Officer, Leopalace21 Corporation	
		July 2015	Deputy General Manager of Construction Subcontracting Business Division, Leopalace21 Corporation	
		June 2020	Representative Director of Leopalace Leasing Corporation	
		May 2021	Administrative Officer and Department Manager of the Corporate Sales Planning Department, Leopalace21 Corporation	
		May 2022	Executive Officer, Leopalace21 Corporation Deputy Chief of the Leasing Business Headquarters, Leopalace21 Corporation (incumbent) General Manager of the Corporate Sales Division, Leopalace21 Corporation (incumbent)	
		June 2022	Director and Executive Officer, Leopalace21 Corporation (incumbent)	
<p>Reasons for nomination as a candidate for Director</p> <p>Mr. Naomichi Mochida has abundant business experience in corporate sales and a high level of knowledge in finance, and fulfills an appropriate role as Director by utilizing the insight he has gained as Representative Director of an affiliated subsidiary that provides corporate housing agency services. It is judged that his knowledge and experience are essential to the realization of our high value-added services, so the Company has nominated him again as a candidate for Director.</p>				

Candidate number	Name (Date of birth)	Career summary, and positions and duties in the Company (Significant concurrent positions)	Number of the Company's shares held
4	<p>Re-election</p> <p>Shinji Takekura (May 9, 1972)</p> <p>Attendance at the Board of Directors meetings: 19/19</p> <p>Term of office: 2 years</p>	<p>April 1996 Joined Leopalace21 Corporation</p> <p>April 2014 Department Manager of the 1st Construction Subcontracting Business Department, West Japan Region, Leopalace21 Corporation</p> <p>May 2018 Department Manager of the 3rd Construction Subcontracting Business Department, East Japan Region, Leopalace21 Corporation</p> <p>June 2020 Department Manager of the 2nd Wealth Management Department, East Japan Region, and Responsible for the Emergency Response Project for Construction Defects Problem, Leopalace21 Corporation</p> <p>October 2020 Senior Department Manager of the Management Planning Department, Leopalace21 Corporation</p> <p>April 2021 Executive Officer, Leopalace21 Corporation</p> <p>May 2022 Chief of the Corporate Management Headquarters, Leopalace21 Corporation (incumbent) Chief of the Compliance Promotion Headquarters, Chief Legal Officer (CLO), Leopalace21 Corporation (incumbent)</p> <p>June 2022 Director and Executive Officer, Leopalace21 Corporation (incumbent)</p> <p>Significant concurrent positions President and CEO, Leopalace Power Corporation President and CEO, Leopalace Energy Corporation</p>	16,761 shares
<p>Reasons for nomination as a candidate for Director</p> <p>Mr. Shinji Takekura has extensive business experience and track record in sales, as well as abundant knowledge from his experience overseeing the Corporate Management Headquarters and Compliance Promotion Headquarters. He fulfills an appropriate role as Director by taking important management decisions and supervising overall business execution and others, and has worked to build a medium- to long-term growth strategy. He also serves as the chairman of the Sustainability Committee and IT Committee and has worked to promote ESG strategies and DX. It is judged that his abundant experience and knowledge are essential to the Company's growth strategy, so the Company has nominated him again as a candidate for Director.</p>			

Candidate number	Name (Date of birth)	Career summary, and positions and duties in the Company (Significant concurrent positions)	Number of the Company's shares held
5	Re-election Akio Yamashita (October 23, 1961) Attendance at the Board of Directors Meetings 18/19 Term of office: 3 years	<p>April 1984 Joined Japan Development Bank (now Development Bank of Japan Inc.)</p> <p>January 2006 Joined Morgan Stanley Securities Co., Ltd. (now Morgan Stanley MUFG Securities Co., Ltd.)</p> <p>June 2008 Joined Fortress Investment Group (Japan) GK, Managing Director (incumbent)</p> <p>March 2013 Representative in Japan, Fortress Investment Group (Japan) GK (incumbent)</p> <p>June 2021 Outside Director, Leopalace21 Corporation</p> <p>January 2022 Director, PJC Investments (incumbent) Director, Accordia Golf co., Ltd. (incumbent)</p> <p>June 2022 Director, Leopalace21 Corporation (incumbent)</p> <p>September 2023 Director, Sogo & Seibu Co., Ltd. (incumbent)</p> <p>Significant concurrent positions Representative in Japan and Managing Director, Fortress Investment Group (Japan) GK Director, PJC Investments Director, Accordia Golf co., Ltd. Director, Sogo & Seibu Co., Ltd.</p>	0 shares
	<p>Reasons for nomination as a candidate for Director</p> <p>Mr. Akio Yamashita has extensive work experience and a wide range of knowledge as an officer and employee of financial institutions, and he has a track record of handling numerous projects, including real estate-related business, real estate finance, urban redevelopment funds, management buyouts, and corporate rehabilitation as a representative of an investment fund. It is judged that his abundant experience and wide range of knowledge are essential to the corporate management and structural reforms of the Company, so the Company has nominated him again as a candidate for Director.</p>		
6	Re-election Jin Ryu (June 10, 1984) Attendance at the Board of Directors Meetings 18/19 Term of office: 3 years	<p>April 2010 Joined Morgan Stanley MUFG Securities Co., Ltd.</p> <p>April 2011 Joined RBS Securities Japan Ltd.</p> <p>May 2012 Joined Fortress Investment Group (Japan) GK</p> <p>April 2020 Director, FHK Company (incumbent)</p> <p>December 2020 Managing Director, Fortress Investment Group (Japan) GK (incumbent)</p> <p>June 2021 Outside Director, Leopalace21 Corporation</p> <p>January 2022 Director, PJC Investments (incumbent) Director, Accordia Golf co., Ltd. (incumbent)</p> <p>June 2022 Director, Leopalace21 Corporation (incumbent)</p> <p>September 2023 Representative Director, Sogo & Seibu Co., Ltd. (incumbent)</p> <p>Significant concurrent positions Managing Director, Fortress Investment Group (Japan) GK Director, FHK Company Director, PJC Investments Director, Accordia Golf co., Ltd. Representative Director, Sogo & Seibu Co., Ltd.</p>	0 shares
	<p>Reasons for nomination as a candidate for Director</p> <p>Mr. Jin Ryu has extensive work experience and a wide range of knowledge as an officer and employee of an investment fund, and he has a track record of handling real estate-related business, investments into companies, and corporate rehabilitation. At Board of Directors meetings, he has fulfilled an appropriate role in supervising business execution of the Company from a fair perspective. It is judged that his abundant experience and wide range of knowledge are essential to the Company's growth strategy, so the Company has nominated him again as a candidate for Director.</p>		

Candidate number	Name (Date of birth)	Career summary, and positions and duties in the Company (Significant concurrent positions)	Number of the Company's shares held
7	<p>Re-election Outside Independent</p> <p>Akira Watanabe (February 16, 1947)</p> <p>Attendance at the Board of Directors meetings: 19/19</p> <p>Term of office: 3 years and 11 months</p>	<p>April 1973 Registered as an attorney at law</p> <p>November 2006 External Statutory Auditor, FAST RETAILING CO., LTD.</p> <p>June 2007 Outside Director, MAEDA CORPORATION</p> <p>June 2007 Outside Audit & Supervisory Board Member, KADOKAWA GROUP HOLDINGS, INC. (now KADOKAWA CORPORATION)</p> <p>April 2010 Outside Director, MS&AD Insurance Group Holdings, Inc.</p> <p>March 2013 Outside Director, DUNLOP SPORTS CO., LTD.</p> <p>October 2015 Director, ASIA PILE HOLDINGS CORPORATION (incumbent)</p> <p>September 2018 Partner, Comm & Path Law Office (incumbent)</p> <p>June 2019 Outside Director, Maeda Road Construction Co., Ltd. (incumbent)</p> <p>July 2020 Outside Director, Leoplace21 Corporation (incumbent)</p> <p>June 2022 Outside Director, KADOKAWA CORPORATION</p> <p>Significant concurrent positions Director, ASIA PILE HOLDINGS CORPORATION Outside Director, Maeda Road Construction Co., Ltd. Partner, Comm & Path Law Office</p>	9,470 shares
<p>Reasons for nomination as a candidate for Outside Director and overview of expected roles</p> <p>Mr. Akira Watanabe possesses expertise as an attorney at law and deep knowledge of corporate management accumulated as an outside director of other companies. He fulfills an appropriate role as lead Outside Director in supervising the business execution of the Company from an independent and fair perspective. Moreover, as the chairman of the Nomination and Compensation Committee, he has increased the transparency and objectivity of officer nomination and remuneration decision procedures. It is judged that his high level of expertise in legal affairs and compliance are essential for strengthening the functions of the Company's Board of Directors and enhancing corporate governance, so the Company has nominated him again as a candidate for Outside Director.</p>			
8	<p>Re-election Outside Independent</p> <p>Yutaka Nakamura (September 28, 1958)</p> <p>Attendance at the Board of Directors meetings: 19/19</p> <p>Term of office: 4 years and 4 months</p>	<p>April 1981 Joined National Housing Materials Co., Ltd. (now Panasonic Homes Co., Ltd.)</p> <p>October 2002 Manager of Quality & Environmental Promotion Department, Panasonic Homes Co., Ltd.</p> <p>October 2006 Manager of Quality, Environment & IT Department, Panasonic Homes Co., Ltd.</p> <p>April 2011 Councilor and Manager of Corporate Quality & Environmental Division, Panasonic Homes Co., Ltd.</p> <p>April 2012 Senior Councilor and Manager of Corporate Quality & Environmental Division, Panasonic Homes Co., Ltd.</p> <p>April 2018 Senior Principal for Quality & Customer Satisfaction, Panasonic Homes Co., Ltd.</p> <p>March 2019 Retired from Panasonic Homes Co., Ltd.</p> <p>February 2020 Outside Director, Leoplace21 Corporation (incumbent)</p>	3,782 shares
<p>Reasons for nomination as a candidate for Outside Director and overview of expected roles</p> <p>Mr. Yutaka Nakamura has been involved in quality management and environmental management in the housing industry for many years, and possesses experience in key positions in several organizations in the housing industry. Based on his abundant track record and deep knowledge, he fulfills an appropriate role as Outside Director in supervising the business execution of the Company from an independent and fair perspective. Moreover, as the chairman of the Company's Compliance Committee, he has worked to strengthen and enhance the Company's compliance system. It is judged that his expertise and experience in construction and technologies are essential to supervising and providing advice on the Company's business execution, so Company has nominated him again as a candidate for Outside Director.</p>			

Candidate number	Name (Date of birth)	Career summary, and positions and duties in the Company (Significant concurrent positions)	Number of the Company's shares held
9	<p>Re-election Outside Independent</p> <p>Takumi Shibata (January 8, 1953)</p> <p>Attendance at the Board of Directors Meetings 19/19</p> <p>Term of office: 2 years</p>	<p>April 1976 Joined Nomura Securities Co., Ltd.</p> <p>July 1997 Managing Director, Nomura International plc</p> <p>July 1998 Director, Nomura Securities Co., Ltd.</p> <p>April 2000 Managing Director, Nomura Europe Holdings plc</p> <p>April 2005 President and CEO, Nomura Asset Management Co., Ltd.</p> <p>July 2007 Deputy President and COO, Nomura Holdings, Inc.</p> <p>July 2013 Executive Chairman, Nikko Asset Management Co., Ltd.</p> <p>January 2014 President and COO, Nikko Asset Management Co., Ltd.</p> <p>June 2020 Representative Director, Fiducia, Inc. (incumbent)</p> <p>June 2022 Outside Director, Leoplace21 Corporation (incumbent)</p> <p>July 2022 Outside Director, Nano Summit Co., Ltd. (incumbent)</p> <p>May 2023 Chairman and Representative Director, Terra Foods Corporation Outside Director, Seeds Co., Ltd. (incumbent)</p> <p>June 2023 Outside Director, PJC Investments (incumbent) Outside Director, Accordia Golf co., Ltd. (incumbent)</p> <p>November 2023 Outside Director, Terra Foods Corporation (incumbent)</p> <p>Significant concurrent positions Representative Director, Fiducia, Inc. Outside Director, Terra Foods Corporation Outside Director, Nano Summit Co., Ltd. Outside Director, Seeds Co., Ltd. Outside Director, PJC Investments Outside Director, Accordia Golf co., Ltd.</p>	12,321 shares
<p>Reasons for nomination as a candidate for Outside Director and overview of expected roles</p> <p>Mr. Takumi Shibata possesses broad insight as a corporate manager accumulated through his career, which includes important positions at a securities company and an asset management company, in addition to deep knowledge in asset management and finance. He also fulfills an appropriate role as Outside Director in supervising the business execution of the Company from an independent and fair perspective during the Board of Directors meetings and other meetings. It is judged that his high level of expertise is essential to realizing the structural reforms that the Company aims for and strengthening the functions of the Board of Directors, so the Company has nominated him again as a candidate for Outside Director.</p>			

Candidate number	Name (Date of birth)	Career summary, and positions and duties in the Company (Significant concurrent positions)	Number of the Company's shares held
10	Re-election Outside Independent Kan Ishii (February 11, 1954) Attendance at the Board of Directors Meetings 19/19 Term of office: 2 years	April 1977 Joined Japan Development Bank (now Development Bank of Japan Inc.) October 2008 Managing Executive Officer, Development Bank of Japan Inc. January 2010 Trustee Representative, Japan Airlines Co., Ltd. August 2011 Representative Director President, FUKUOKA JISHO CO., LTD. June 2017 Outside Director, NIPPON PISTON RING CO., LTD. April 2018 Visiting Professor, The Graduate School of Project Design June 2018 Director, The Nishinippon Shimbun April 2019 Specially Appointed Professor, The Graduate School of Project Design (incumbent) June 2021 Advisor, TERRACE MILE, Inc. (incumbent) June 2022 Outside Director, Leopalace21 Corporation (incumbent) Representative Director, PJC Investments (incumbent) Representative Director, President and CEO, Accordia Golf co., Ltd. (incumbent) Significant concurrent positions Specially Appointed Professor, The Graduate School of Project Design Advisor, TERRACE MILE, Inc. Representative Director, PJC Investments Representative Director, President and CEO, Accordia Golf co., Ltd.	0 shares
<p>Reasons for nomination as a candidate for Outside Director and overview of expected roles</p> <p>Mr. Kan Ishii possesses broad insight and experience concerning corporate rehabilitation accumulated through his career, which includes important positions at an investment bank and serving as Trustee Representative of Japan Airlines. He also fulfills an appropriate role as Outside Director in supervising the business execution of the Company from an independent and fair perspective. It is judged that his high level of expertise is essential to realizing the structural reforms that the Company aims for and strengthening the functions of the Board of Directors, so the Company has nominated him again as a candidate for Outside Director.</p>			

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

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

7. Ms. Mayumi Hayashima's name on her family register is Mayumi Tsuboi.
8. The number of shares shown for "Number of the Company's shares held" for each candidate includes shares held in the relevant stockholding association.
9. From September to October 2022, officers and employees of KADOKAWA CORPORATION, for which Mr. Akira Watanabe served as an Outside Director until June 2023, were arrested and indicted on suspicion of bribery in connection with the selection of sponsors for the Tokyo 2020 Olympic and Paralympic Games. Although Mr. Akira Watanabe was an Audit & Supervisory Board Member in 2020 when the alleged incident occurred, he was unaware of the incident until it came to light. After the incident occurred, he investigated the facts from the perspective of governance and compliance, determined the cause, and provided advice to prevent its recurrence.

Proposal No. 3: Election of Two (2) Audit & Supervisory Board Members

The term of office of Audit & Supervisory Board Members Mr. Kenichiro Samejima and Mr. Yoshitaka Murakami will expire at the conclusion of this Ordinary General Shareholders' Meeting. Therefore, it is proposed that two (2) Audit & Supervisory Board Members be elected. The Audit & Supervisory Board has given its consent to this proposal. The candidates for Audit & Supervisory Board Member are as follows:

Candidate number	Name (Date of birth)	Career summary and positions in the Company (Significant concurrent positions)		Number of the Company's shares held
1	Re-election	April 1984	Joined Nikkei House Co., Ltd.	34,800 shares
	Kenichiro Samejima (September 11, 1958)	February 1986	Joined Leopalace21 Corporation	
		April 1999	Department Manager of the Store Management Department, Leopalace World Shinjuku, Leasing Business Division, Leopalace21 Corporation	
		October 1999	Department Manager of the Planning Department, Head Office, Leasing Business Division, Leopalace21 Corporation	
		April 2009	Executive Officer and Department Manager of the Operations Department, Leasing Business, Leopalace21 Corporation	
		February 2010	Department Manager of the Planning and Operations Department, Leasing Business Division, Leopalace21 Corporation	
		April 2012	Department Manager of the Information Systems Department, Leopalace21 Corporation	
		July 2012	Administrative Officer, Leopalace21 Corporation	
		April 2014	Executive Officer, Leopalace21 Corporation	
		July 2019	Management Headquarters, in charge of Information Systems, Leopalace21 Corporation	
		June 2020	Administrative Officer and Head of Audit & Supervisory Board Members Office, Leopalace21 Corporation	
July 2020	Full-time Audit & Supervisory Board Member, Leopalace21 Corporation (incumbent)			
<p>Reasons for nomination as a candidate for Audit & Supervisory Board Member</p> <p>Mr. Kenichiro Samejima has experienced overseeing the leasing business division of the Company and, as Executive Officer, overseeing the information systems department, and through those experiences, he possesses abundant knowledge about the Company's core business and a deep understanding in the Company's operations. Since assuming office as Audit & Supervisory Board Member in July 2020, he has appropriately supervised the duties of Directors, and it is judged that he will contribute to the growth and value improvement of the Group. Therefore, the Company has nominated him again as a candidate for Audit & Supervisory Board Member.</p>				

Candidate number	Name (Date of birth)	Career summary and positions in the Company (Significant concurrent positions)		Number of the Company's shares held
2	Re-election	April 1972	Joined Ministry of Finance	0 shares
	Yoshitaka Murakami (February 12, 1948)	July 1993	Assistant Regional Commissioner (Management and Coordination), Tokyo Regional Taxation Bureau	
		July 1998	Deputy Commissioner (Large Enterprise Examination and Criminal Investigation), National Tax Agency	
	Attendance at the Audit & Supervisory Board meetings: 15/15	June 2000	Deputy Commissioner (Taxation), National Tax Agency	
		June 2003	First Deputy Commissioner, National Tax Agency	
	Attendance at the Board of Directors meetings: 19/19	October 2005	Senior Managing Director, East Nippon Expressway Company Limited	
		June 2011	Full-time Audit & Supervisory Board Member, Credit Saison Co., Ltd.	
		June 2019	Outside Director, Leopalace21 Corporation	
	July 2020	Audit & Supervisory Board Member, Leopalace21 Corporation (incumbent)		
<p>Reasons for nomination as a candidate for Audit & Supervisory Board Member</p> <p>Mr. Yoshitaka Murakami possesses expertise and abundant experience in finance, accounting, and taxation gained through his experience serving as First Deputy Commissioner of National Tax Agency and as Full-time Audit & Supervisory Board Member of Credit Saison Co., Ltd. for eight years. Since assuming office as Audit & Supervisory Board Member in July 2020, he has been conducting appropriate supervision of business execution from an independent and fair perspective. The Company expects that he will continue to contribute to monitoring and supervising the Company's management and therefore, the Company has nominated him as a candidate for Audit & Supervisory Board Member.</p>				

- Notes: 1. There is no particular interest between any of candidates and the Company.
2. Pursuant to the provisions of Article 427, paragraph (1) of the Companies Act, the Company has entered into a limited liability agreement with Mr. Kenichiro Samejima and Mr. Yoshitaka Murakami respectively, limiting their liability for damages under Article 423, paragraph (1) of the Companies Act, to the minimum limit amount prescribed by laws and regulations. The Company will continue these agreements if their re-election is approved.
3. The Company has entered into a directors and officers liability insurance policy pursuant to Article 430-3, paragraph (1) of the Companies Act with an insurance company, under which all of the Audit & Supervisory Board Members are the insureds. The policy details are described in "3. Outline of directors and officers liability insurance policy" under "Items Regarding Directors/Audit & Supervisory Board Members of the Company" of the Business Report. Furthermore, if the candidates assume the office of Audit & Supervisory Board Member, they will be an insured under the policy, and the Company intends to renew the policy during his term of office.

[Reference]

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

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

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

Proposal No. 4: Election of Accounting Auditor

The Company's accounting auditor, Grant Thornton Taiyo LLC, will retire from the position of accounting auditor due to the expiration of its term of office at the conclusion of this General Shareholders' Meeting, and the Company proposes the election of a new accounting auditor.

The proposal is based on the decision of the Audit & Supervisory Board.

The Audit & Supervisory Board has nominated Ernst & Young ShinNihon LLC as a candidate for the accounting auditor because, in consideration of the length of time during which Grant Thornton Taiyo LLC has been auditing the Company, the appointment of Ernst & Young ShinNihon LLC is expected to provide a fresh perspective on auditing. In addition, the Audit & Supervisory Board has comprehensively considered the expertise, independence, quality control system, size, and other factors of Ernst & Young ShinNihon LLC, and has determined that the firm is qualified to serve as the Company's accounting auditor.

The name, address of principal office, and history of the accounting auditor candidate are as follows.

Name	Ernst & Young ShinNihon LLC	
Address of principal office	Hibiya Mitsui Tower, Tokyo Midtown Hibiya 1-1-2 Yuraku-cho, Chiyoda-ku, Tokyo 100-0006	
History	April 2000	Established Century Ota Showa & Co. as a merger of Showa Ota & Co. and Century Audit Corporation
	July 2001	Renamed ShinNihon & Co.
	July 2008	Renamed ShinNihon LLC
	July 2018	Renamed Ernst & Young ShinNihon LLC
Overview	Capital	JPY 1,158 million
	Personnel composition	Certified public accountant 3,073 Those who passed the certified public accountant examination and the like 1,197 <u>Others</u> 1,583 Total 5,853
	Number of clients audited	3,780

(As of March 31, 2024)

BUSINESS REPORT (from April 1, 2023 to March 31, 2024)

Items Regarding Status of Group Operations

Overview of Operations

Although it is necessary to pay attention to the effects of global monetary tightening, a slowdown in the Chinese economy and other factors, the economy remained in a state of gradual recovery under improving employment and income conditions during the fiscal year ended March 31, 2024.

The number of new housing starts for the rental market declined by 2.0% YoY and the number of vacant houses continues to increase in the rental housing market. In order to ensure a stable occupancy rate amid the difficulty of increased vacant houses due to the declining population, falling birthrate, and aging population, the Company believes it is important to target single-person households, which are expected to continue to increase; implement sales strategies that match regional and customer characteristics; keep and increase property values through appropriate maintenance; and provide highly convenient services by introducing real estate tech solutions.

Under these circumstances, the Leoplace21 group (the “Group”) has worked to stabilize its earnings structure and financial base by focusing on optimizing costs through selective concentration, while strengthening profitability by increasing occupancy rates and average unit rent.

As a result, net sales for the fiscal year ended March 31, 2024 amounted to JPY 422,671 million, up 4.0% year on year, due to an increase in the average unit rent and average occupancy rate in the fiscal year. Operating profit was JPY 23,313 million, up 136.0% year on year, due to improved profitability from declined cost of rent payment to the apartment owners resulting from contractual adjustments of master-lease rent, despite higher restoration cost of the rental properties and increased maintenance cost. Recurring profit was JPY 19,476 million, up 198.4% year on year, mainly due to interest expenses and funding costs.

Net income attributable to shareholders of the parent was JPY 42,062 million, up 112.3% year on year, achieving the second consecutive year of growth in both revenue and profit, mainly due to the recording of JPY 26,564 million in income taxes-deferred (profit) because of an increase in deferred tax assets, despite recording of JPY 2,730 million in loss related to repairs due to soaring material prices and an increase in the ratio of subcontracted work to eliminate obvious defects by the end of 2024.

EBITDA for the fiscal year ended March 31, 2024 was JPY 27,974 million, an increase of 70.1% year on year.

Leasing Business

In Leasing Business, the Company has been striving to secure stable occupancy rates through various measures. They included online contract conclusion that allows everything from room search to contract signing without face-to-face meetings, promotion of smart apartments which enable electrical appliances and door locks to be operated with a smartphone, establishing a position as the brains behind the company-leased housing for corporate customers, strengthening relationships with real estate agents, and implementing detailed sales strategies tailored to the specific characteristics and requirements of each client and area. The Company has been trying to improve profitability by reviewing unit rents and others as well.

For the fiscal year ended March 31, 2024, the occupancy rate at the end of the period was 88.03%, down 0.80 points from the end of the previous fiscal year, with an average occupancy rate of 85.99%, up 1.33 points YoY. The number of units under management

was 554 thousand, a reduction of 6.8 thousand units from the end of the previous fiscal year.

In addition, the Company has undertaken office consolidation initiatives to enhance business efficiency by implementing digital technologies in line with its DX strategy. As a result, the number of direct leasing sales offices at the end of the period was 72, a reduction of 37 offices from the end of the previous fiscal year.

Consequently, net sales for the fiscal year ended March 31, 2024 increased by 4.1% YoY to JPY 407,489 million due to elevated average unit rent and an improved occupancy rate. Operating profit was JPY 30,386 million, a growth of 79.9% YoY, due to the increased revenue and improved profitability resulting from the favorable cost structure.

Elderly Care Business

In Elderly Care Business, due to efforts of various revenue boosting measures and continued cost control, net sales increased by 0.5% YoY to JPY 14,007 million and operating loss amounted to JPY 621 million, a reduction of loss by JPY 587 million YoY.

The number of facilities at the end of the fiscal year ended March 31, 2024 was 85, a reduction of 2 from the end of the previous fiscal year.

Other Businesses

Other Businesses segment, which includes the operation of Guam resort facilities, reported net sales of JPY 1,175 million, up 9.9% YoY, and operating loss of JPY 2,391 million, a reduction of loss by JPY 314 million YoY. The result was caused by the continued sluggish occupancy rate of Guam resort facilities amid the reduced number of visitors to Guam which did not reach the level prior to the COVID-19 pandemic, although the occupancy rate temporarily increased due to usage by individuals, including workers engaged in typhoon damage reconstruction efforts.

Issues to Be Addressed

The Group sets four management policies for the fiscal year ending March 31, 2025 (FY2024): 1. Construction Defects Management, 2. Strengthen Profitability, 3. Promote Sustainability Management, and 4. Prepare Framework for Mid- to Long-term Growth.

1. Construction Defects Management

The projected number of units to be repaired is approximately 16,400 units as of the end of April 2024.

In order to eliminate obvious defects by the end of 2024, we will strive to accelerate repairs by perseveringly negotiating for occupied rooms and properties managed by other companies, and in the event of difficulties, considering measures including arbitration based on third-party opinions.

2. Strengthen Profitability

By setting flexible asking rents that match area characteristics and reviewing monthly plan products, average unit rent for new contracts for the fiscal year ended March 31, 2024 improved to a level higher than before the revelation of the construction defects problem.

In the fiscal year ending March 31, 2025, as part of our “profit optimization strategy,” we will aim to further expand profitability by increasing the average unit rent for all

occupied units through appropriate pricing and implementing measures to improve the occupancy rate.

3. Promote Sustainability Management

We are moving forward with DX initiatives such as smart locks, online contracts, and chatbot support, and we aim to establish a sustainable position as a real estate tech company by continuing to strengthen our DX strategy to achieve improvement in customer convenience and the Group's operational efficiency.

Moreover, as part of human capital management, we will strive to increase the added value provided by the Company by building relationships of mutual support through collaboration between the company and employees, so that we can make significant contributions to customers and society.

4. Prepare Framework for Mid- to Long-term Growth

In preparation for resuming orders for construction of apartments, etc., we established a new department which is responsible for development business in May 2024, and we are working to build a structure that will enable us to resume development business in the future.

In addition, to rebuild our brand which was damaged by the issue of construction defects, we will improve employee engagement by restructuring our internal branding and take various measures as a social infrastructure company whose purpose is "to create new value and provide better living solutions based on the theme of housing."

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

Financing Activities

During the fiscal year ended March 31, 2024, the Group raised JPY 30,000 million from Biwa Godo Kaisha, an affiliated entity of Fortress Investment Group LLC (hereinafter "FIG"), as of December 25, 2023 for the purpose of refinancing loans.

In addition, on the same date, we made an early repayment of JPY 30,000 million in loans from Kaede Godo Kaisha, an affiliated entity of FIG.

Capital Investment

The total amount of capital investment carried out in the fiscal year ended March 31, 2024 was JPY 319 million. The main component of this was JPY 154 million for renewing central monitoring equipment and air conditioning equipment at the Head Office, etc.

Major Subsidiaries (as of March 31, 2024)

Company Name	Capital	Voting Rights Ratio	Major Areas of Operation
Leopalace Leasing Corporation	JPY 400 million	100.0%	Corporate Housing Management Business Real Estate Brokerage Business
Plaza Guarantee Co., Ltd.	JPY 100 million	100.0%	Rent Obligation Guarantee Business
Leopalace Power Corporation	JPY 80 million	71.4%	Solar Power Generation Business
ASUKA SSI	JPY 1,000 million	100.0%	Small-Amount, Short-Term Insurance Business
Leopalace21 Business Consulting (Shanghai) Co., Ltd.	RMB 5,359 thousand	100.0%	Consulting Business
Leopalace21 Singapore Pte. Ltd.	USD 12,539 thousand	100.0%	Investment Consulting Business
Azu Life Care Co., Ltd.	JPY 80 million	100.0%	Elderly Care Business
Leopalace Guam Corporation	USD 26,000 thousand	100.0%	Resort Business
Leopalace Smile Co., Ltd.	JPY 10 million	100.0%	Clerical Work Outsourcing Service Business

Notes: 1. The Company transferred all shares of ASPENN INVESTMENTS PTE. LTD., which were held by LEOPALACE21 SINGAPORE PTE. LTD. Consequently, ASPENN INVESTMENTS PTE. LTD. and its subsidiary were excluded from the scope of consolidation.

2. There was no specified wholly-owned subsidiary as of the end of the fiscal year ended March 31, 2024.

Major Areas of Operation (as of March 31, 2024)

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

Major Business Locations of the Group (as of March 31, 2024)

The Company

Head Office	Nakano-ku, Tokyo
Regional	47 prefectures nationwide
Headquarters	(Leopalace centers: 67 branches) Overseas (Leopalace centers and other 5 branches [People's Republic of China: 4 branches; the Republic of Korea: 1 branch])
Care Facilities	22 facilities nationwide (Tokyo: 2 facilities; Chiba Prefecture: 7 facilities; Saitama Prefecture: 4 facilities; Kanagawa Prefecture: 2 facilities; Ibaraki Prefecture: 2 facilities; Tochigi Prefecture: 4 facilities; Gunma Prefecture: 1 facility)

Major Subsidiaries

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

Employees of the Group (as of March 31, 2024)

1. Employees of the Group

Segment	Number of Employees	
Leasing Business	2,212	[753]
Elderly Care Business	1,084	[1,059]
Other Businesses	175	[30]
All companies (common)	382	[19]
Total	3,853	[1,861]

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

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

2. Employees of the Company

Number of Employees	Change Since Previous FY-End	Average Age	Average Years of Service
2,690 [1,002]	(114)	41 years and 5 months	13 years and 10 months

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

Major Lenders (as of March 31, 2024)

Lender	Loan Balance at End of the Fiscal Year 2023 (JPY million)
Biwa Godo Kaisha	29,845

Items Regarding Shares of the Company (as of March 31, 2024)

- **Number of shares authorized** 750,000,000 shares
- **Number of shares outstanding** 329,389,515 shares
- **Number of shareholders** 41,552
- **Major shareholders (top 10 shareholders)**

Shareholder Name	Number of Shares Held (thousands of shares)	Percentage of Outstanding Shares (%)
Chidori Godo Kaisha	84,507	26.09
UH Partners 2, Inc.	50,581	15.61
The Master Trust Bank of Japan, Ltd. (Trust Account)	22,984	7.09
Custody Bank of Japan, Ltd. (Trust Account)	11,912	3.67
HIKARI TSUSHIN, INC.	8,606	2.65
MSIP CLIENT SECURITIES	7,497	2.31
Stockholding Association for Leopalace21's Apartment Owners	6,988	2.15
MLI FOR CLIENT GENERAL OMNI NON COLLATERAL NON TREATY-PB	6,519	2.01
Stockholding Association for Leopalace21's Business Connection	5,532	1.70
Stockholding Association for Leopalace21's Employees	3,062	0.94

Notes: 1. Of the shares held above, those held in trust accounts as part of trust bank operations are as follows.

The Master Trust Bank of Japan, Ltd. (Trust Account): 10,499 thousand shares (of which, 10,346 thousand shares are established in investment trusts and 153 thousand shares are established in pension trusts)

Custody Bank of Japan, Ltd. (Trust Account): 3,836 thousand shares (of which, 3,592 thousand shares are established in investment trusts and 244 thousand shares are established in pension trusts)

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

Treasury stock does not include Company stock owned by the stock grant trust for the employees.

• Shareholder composition

Financial institutions	11.95%	(39,368 thousand shares)
Foreign corporations	15.33%	(50,498 thousand shares)
Treasury stock	1.68%	(5,531 thousand shares)
Individuals and other	21.90%	(72,137 thousand shares)
Business corporations and other legal entities	45.38%	(149,482 thousand shares)
Financial instruments business operators	3.76%	(12,371 thousand shares)

Share Subscription Rights and Others

1. Share subscription rights delivered as consideration for execution of duties and held by officers of the Company as of the final day of the fiscal year ended March 31, 2024

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

2. Share subscription rights delivered as consideration for execution of duties to employees and others during the fiscal year ended March 31, 2024

Not applicable.

3. Other share subscription rights

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

Aggregate number of share subscription rights	159,748,700 units
Class and number of shares underlying share subscription rights	159,748,700 shares of common stock (1 share per share subscription right)
Amount paid in for share subscription rights	JPY 1.35 per share subscription right
Date of payment of share subscription rights	November 2, 2020
Value of property to be contributed upon exercise of share subscription rights	JPY 142 per share
Exercise period of share subscription rights	From November 2, 2020 through November 2, 2025
Issue price of shares and amount incorporated into capital in case of issuance due to exercise of share subscription rights	Issue price: JPY 143.350 Amount incorporated into capital: JPY 71.675
Conditions for exercise of share subscription rights	No share subscription rights may be exercised in part.
Allotment method and scheduled allottee	All issued share subscription rights were allotted to Chidori Godo Kaisha, a related business entity of Fortress Investment Group LLC, through third-party allotment.
Balance of loan with share subscription rights	JPY 29,845 million

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

1. Directors and Audit & Supervisory Board Members (as of March 31, 2024)

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

Name	Title	Duties in the Company and Significant Concurrent Positions
Kazutaka Shimohigoshi	Audit & Supervisory Board Member	Head, Shimohigoshi Accounting Office Representative Director, Pendel Management Institution Inc. Representative Director, JP Consultant Group Partner Certified Public Tax Accountant, Pendel Certified Public Tax Accountant Firm

Notes: 1. Mr. Akira Watanabe, Mr. Yutaka Nakamura, Mr. Takumi Shibata and Mr. Kan Ishii serve as Outside Directors of the Company.
2. Mr. Jiro Yoshino and Mr. Kazutaka Shimohigoshi serve as Outside Audit & Supervisory Board Members of the Company.
3. Mr. Akira Watanabe is a qualified lawyer.
4. Audit & Supervisory Board Member Mr. Yoshitaka Murakami has experience including First Deputy Commissioner of the National Tax Agency and audit & supervisory board member of a listed company, and Audit & Supervisory Board Member Mr. Kazutaka Shimohigoshi is qualified as a certified public accountant and certified public tax accountant. Thus, they have considerable knowledge of finance and accounting.
5. The Company has designated Outside Directors Mr. Akira Watanabe, Mr. Yutaka Nakamura, Mr. Takumi Shibata and Mr. Kan Ishii, and Outside Audit & Supervisory Board Members Mr. Jiro Yoshino and Mr. Kazutaka Shimohigoshi as independent officers stipulated by Tokyo Stock Exchange, Inc. and has registered with the Stock Exchange accordingly.

2. Outline of limited liability agreement

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

3. Outline of directors and officers liability insurance policy

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

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

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

4. Retired Directors and Audit & Supervisory Board Members during the fiscal year ended March 31, 2024

Audit & Supervisory Board Member Mr. Takao Yuhara retired from office at the conclusion of the 50th Ordinary General Shareholders' Meeting held on June 29, 2023, due to the expiry of his term of office.

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

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

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

Furthermore, as for individual remuneration and others for Directors for the fiscal year ended March 31, 2024, the Board of Directors has confirmed that the method for determining the content of remuneration and others and the determined content of remuneration and others are consistent with the determination policy resolved by the Board of Directors and the report from the Nomination and Compensation Committee is respected, and judged that the content reflects the policy.

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

(a) Basic policy

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

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

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

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

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

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

Changes in consolidated net sales and consolidated net income, including the fiscal year ended March 31, 2024, are shown in "Changes in Assets and Income (Loss) of the Corporate Group" (included only in the Japanese version of this document).

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(2) Total amount of remuneration and others in the fiscal year ended March 31, 2024

Category	Total amount of remuneration and others (JPY million)	Total amount of remuneration and others by type (JPY million)			Number of eligible board members (persons)
		Basic remuneration	Performance-linked remuneration and others	Non-monetary remuneration and others	
Directors (of which, Outside Directors)	161 (48)	161 (48)	– (–)	– (–)	10 (4)
Audit & Supervisory Board Members (of which, Outside Audit & Supervisory Board Members)	41 (20)	41 (20)	– (–)	– (–)	5 (3)
Total (of which, Outside Directors and Audit & Supervisory Board Members)	202 (69)	202 (69)	– (–)	– (–)	15 (7)

- Notes:
1. Among the above-mentioned figures, there includes one Audit & Supervisory Board Member who retired on June 29, 2023.
 2. The date of resolution at the General Shareholders' Meeting on remuneration for Directors of the Company and others is June 29, 2017. It was resolved that the amount of monetary remuneration for Directors is JPY 800 million or less per year (of which the amount of remuneration for Outside Directors is JPY 100 million or less per year, and which does not include employee salaries for Directors concurrently serving as employees), the amount of non-monetary remuneration (amount of stock options as stock-based remuneration) for Directors (excluding Outside Directors) is JPY 300 million or less per year (not including employee salaries for Directors concurrently serving as employees), and the individual remuneration amount is left to the discretion of the Board of Directors. The number of Directors related to the resolution as at the conclusion of the General Shareholders' Meeting was 11 (including three Outside Directors).
 3. It was resolved at the Ordinary General Shareholders' Meeting held on June 29, 2004, that the amount of monetary remuneration for the Company's Audit & Supervisory Board Members is JPY 60 million or less per year. The number of Audit & Supervisory Board Members related to the resolution as at the conclusion of the General Shareholders' Meeting was four.
 4. Directors' remuneration has been determined by Bunya Miyao, Representative Director, President and CEO in accordance with the policies, etc. described in (1) (f) above.

Items Regarding Outside Officers

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

Title	Name	Significant Concurrent Positions	Relationships with the Company
Director	Akira Watanabe	Director, ASIA PILE HOLDINGS CORPORATION Outside Director, Maeda Road Construction Co., Ltd. Partner, Comm & Path Law Office	There are business transaction relationships between Maeda Road Construction Co., Ltd. and the Company, however, the transactions are conducted under the same conditions as with other general companies. There are no particular relationships with the Company requiring specific mention. In addition, there are no other relationships requiring specific mention between the Company and the other entities at which concurrent positions are held.
Director	Takumi Shibata	Representative Director, Fiducia, Inc. Outside Director, Terra Foods Corporation Outside Director, Nano Summit Co., Ltd. Outside Director, Seeds Co., Ltd. Outside Director, PJC Investments Outside Director, Accordia Golf co., Ltd.	There are no particular relationships with the Company requiring specific mention.
Director	Kan Ishii	Specially Appointed Professor, The Graduate School of Project Design Advisor, TERRACE MILE, Inc. Representative Director, PJC Investments Representative Director, President and CEO, Accordia Golf co., Ltd.	There are no particular relationships with the Company requiring specific mention.
Audit & Supervisory Board Member	Kazutaka Shimohigoshi	Head, Shimohigoshi Accounting Office Representative Director, Pendel Management Institution Inc. Representative Director, JP Consultant Group Partner Certified Public Tax Accountant, Pendel Certified Public Tax Accountant Firm	There are no particular relationships with the Company requiring specific mention.

2. Key Activities in the Fiscal Year ended March 31, 2024

Title	Name	Attendance of the Board of Directors Meetings	Attendance of the Audit & Supervisory Board Meetings	Key activities and Overview of Duties in Relation to the Role Expected of Outside Directors
Director	Akira Watanabe	19/19	-	Mr. Watanabe used his specialized knowledge as an attorney at law and deep knowledge and experience in corporate management as an outside director at other companies to provide advice on the overall management of the Company and to make comments in order to ensure the reasonableness and appropriateness of decision-making by the Board of Directors as lead Outside Director. In addition, as chairman of the Nomination and Compensation Committee, he served the supervisory function in processes of nominating candidates for the Company's officer and determining board members' remuneration from an objective and neutral viewpoint.
Director	Yutaka Nakamura	19/19	-	Mr. Nakamura expressed his opinions on the overall management based on his deep experience and knowledge in the housing industry. He has fulfilled an appropriate role to ensure the reasonableness and appropriateness of decision-making by the Board of Directors particularly by providing supervision, advice, etc. on quality management and environmental management in construction work from a specialist standpoint. He also served as the chairman of the Compliance Committee and promoted the strengthening and enhancement of the Company's compliance system.
Director	Takumi Shibata	19/19	-	Mr. Shibata expressed his opinions on the overall management based on his experience in key positions at securities companies and asset management companies. He has fulfilled an appropriate role to ensure the reasonableness and appropriateness of decision-making by the Board of Directors particularly by providing advice, etc. on finance from a specialist standpoint. In addition, as a member of the Nomination and Compensation Committee, he served the supervisory function in processes of nominating candidates for the Company's officer and determining board members' remuneration from an objective and neutral viewpoint.

Title	Name	Attendance of the Board of Directors Meetings	Attendance of the Audit & Supervisory Board Meetings	Key activities and Overview of Duties in Relation to the Role Expected of Outside Directors
Director	Kan Ishii	19/19	-	Mr. Ishii expressed his opinions on the overall management based on his experience in important positions at an investment bank and an operating company, and as a Trustee Representative of Japan Airlines. He has fulfilled an appropriate role to ensure the reasonableness and appropriateness of decision-making by the Board of Directors particularly by providing advice, etc. on corporate rehabilitation from a specialist standpoint. In addition, as a member of the Nomination and Compensation Committee, he served the supervisory function in processes of nominating candidates for the Company's officer and determining board members' remuneration from an objective and neutral viewpoint.
Audit & Supervisory Board Member	Jiro Yoshino	19/19	15/15	Mr. Yoshino has abundant experience and expert knowledge as an executive officer and audit & supervisory board member of listed companies. He has objectively conducted proper supervision of the management of the Company.
Audit & Supervisory Board Member	Kazutaka Shimohigoshi	14/14	10/10	Mr. Shimohigoshi has abundant experience as head of a certified public accountant office and partner of a certified public tax accountant firm, as well as expert knowledge in finance, accounting and taxation. He has objectively conducted proper supervision of the management of the Company.

Note: The records for Outside Audit & Supervisory Board Member Kazutaka Shimohigoshi cover the period since he assumed office on June 29, 2023.

Status of Accounting Auditor

1. Name of Accounting Auditor

Grant Thornton Taiyo LLC

2. Amount of Remuneration and others

Segment	Amount Paid
Amount of Accounting Auditor remuneration and others in the fiscal year ended March 31, 2024	JPY 97 million
Total amount owed to Accounting Auditor by the Company and its subsidiaries in the form of cash or other financial benefit	JPY 112 million

- Notes: 1. In the audit agreement between the Company and the Accounting Auditor, the auditor remuneration pursuant to the Companies Act and the amount of auditor remuneration pursuant to the Financial Instruments and Exchange Act are not separated, and because essentially the two cannot be separated, the above amount of Accounting Auditor remuneration and others in the fiscal year ended March 31, 2024 is the total of the two.
2. Other than the Accounting Auditor remuneration for the fiscal year ended March 31, 2024, the Company paid JPY 10 million in the fiscal year ended March 31, 2024 as additional remuneration pertaining to the previous fiscal year.
3. The Audit & Supervisory Board, taking into consideration the “Practical Guidelines for Cooperation with Financial Auditors” released by the Japan Audit & Supervisory Board Members Association, carried out an investigation into the appropriateness of the audit schedule and the remuneration amount for the fiscal year ended March 31, 2024 after comparing the auditing plan of the previous fiscal year with the actual audits conducted and confirming the trends of the auditing time and the remuneration amount. As a result, the Audit & Supervisory Board gave their consent to the amount of remuneration for the Accounting Auditor in accordance with Article 399, paragraph (1) of the Companies Act.
4. Of the Company’s major subsidiaries, some of the overseas subsidiaries use the accounting audit services of certified public accountants or audit firms (including those who have equivalent certificates in foreign countries), including member firms of Grant Thornton which belong to the same network as that of the Company’s Accounting Auditor.

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

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

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

4. Matters Related to Disposition of Suspension of Business Received by the Accounting Auditor in the Past Two Years

Overview of Disciplinary Action Announced by the Financial Services Agency on December 26, 2023

(1) Recipient of the disposition: Grant Thornton Taiyo LLC

(2) Description of the disposition

- Suspension of business involving conclusion of new engagement for three months
(from January 1, 2024 to March 31, 2024; excluding, however, business involving renewal of audit engagement with the auditees already covered by audit engagement with the recipient, or conclusion of new audit engagement necessitated by the listing of such existing auditees)
- Business improvement order (for improvement in the operation control framework)
- Prohibition of involvement of the partners gravely responsible for the misconduct which constituted the reason for the disposition, in certain areas of the business of the audit firm (inspection pertaining to audit work) for three months (from January 1, 2024 to March 31, 2024)

* In addition, the commencement of an appeal examination proceeding was decided on the same date with respect to the order for payment of surcharge of approximately JPY 96 million.

(3) Reason for the disposition

Two certified public accountants who were partners of Grant Thornton Taiyo LLC attested, in negligence of due care, financial documents containing material misstatements as they contained no material misstatements, in their audit of financial documents including the amendment report of a company.

Corporate Structure and Policies

1. Systems to Ensure Appropriate Business Operations

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

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

The department is also responsible for the support, progress management and monitoring functions of the compliance-related operations conducted by business departments, as well as legal functions such as confirming contracts and handling lawsuits.

- (f) For the system that proactively implements compliance-related measures, the Group appoints compliance managers and coordinators and assigns them to business sites.

For the system that ensures compliance concerns are not overlooked, in the event that a violation of Group compliance or the possibility of such a violation is discovered, the compliance managers and coordinators are to take the initiative and implement necessary measures.

- (g) The internal reporting system has been established, and whistle-blowing hotlines have been set up both inside and outside the Company to instruct officers and employees of the Group to immediately consult about or report any compliance violations. The Group conducts periodic surveys on the employees' awareness with a view to grasp risks at an early stage and to gauge the degree of compliance awareness. The Group provides a clause about the protection of whistleblowers in the Internal Report Regulations to the effect that, if its officers and employees recognized an act and others, which is questionable based on laws and regulations and the Articles of Incorporation, the Company shall prohibit treating that whistleblower unfavorably on the grounds of consulting about or reporting the violation.
- (h) The Auditing Department, which oversees the internal control function and the internal audit function, shall be established as a department under the direct supervision of the Company's President and CEO. The Auditing Department shall examine the business audit items and implementation methods. In addition, the Auditing Department shall perform monitoring and risk management of business activities in the Group, as well as implement governance strengthening and promote creation of the appropriate financial statements and compliance with regulations, enabling the Group to conserve assets and efficiently carry out its business activities. The Company holds Auditing Council meetings to increase the effectiveness of the auditing system.
- (i) The Company works continuously to develop the compliance regulations, related individual regulations, guidelines, manuals, etc. and to periodically organize the compliance-centered training programs according to job level and job duties so that the Company can enhance the compliance awareness by officers and employees in the Group. In addition, in order to instill the concept that promoting compliance enhances corporate value, the Company evaluates compliance-promoting initiatives and gives multi-directional feedback on a regular basis within the framework of the performance appraisal system.
- (j) The Company promotes active dialogue between the management team and all the stakeholders so that it leads to the development of a customer-oriented corporate culture by increasing the transparency of management and fostering mutual understanding.

- (k) Through the establishment of these systems, the Group has positioned at its core the development of a corporate culture that respects the importance of compliance. The Group pursues the concept of “compliance-first” by mutually integrating a structure that ensures systematic compliance with laws and regulations spearheaded by the Compliance Promotion Headquarters and a structure that uses the Auditing Department’s audits and internal reporting system to ensure that illegalities are not overlooked.

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

The President and CEO of the Company shall appoint the Chief of the Corporate Management Headquarters of the Company as the person generally responsible for the retention and management of information on the execution of the duties of Directors. As to the retention and management of information on the execution of duties of Directors, the information, which is recorded in documents or electromagnetic record media, shall be organized and retained based on Document Handling Regulations and Information Management Regulations. The Company conducts training with the aim of strengthening the information management system and strictly manages information.

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

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

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

- (a) The Company shall set up the Board of Directors to enhance business performance through appropriate and rapid decision-making, responding flexibly to changes in the business and management environment. The Board of Directors shall be composed of members with diverse backgrounds, and composed of an appropriate number of members and consider the enhancement of monitoring functions. The Board of Directors shall hold regular meetings once a month, while extraordinary meetings can be called at any time as required, in order to make decisions on critical management matters as well as to monitor the status of business performance.

- (b) As a prior deliberative organ of the Board of Directors, the Corporate Management Council shall meet regularly to discuss business operation policies and their implementation and to consider measures to be taken.
- (c) The Company shall formulate a Medium-term Management Plan for the Group, and determine the priority objectives and budgetary allocation of the whole group every fiscal year to materialize the relevant plan.
- (d) The progress of income and expenditure plans and other important business plans of each department and subsidiary shall be reviewed monthly or appropriately by the Board of Directors and other bodies, where problems will be identified and countermeasures will be executed.

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

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

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

- (a) When an Audit & Supervisory Board Member of the Company requests to have an employee assigned to assist with the duties of the Audit & Supervisory Board Member, the Company's Board of Directors shall designate an employee to assist the Audit & Supervisory Board Member from the members of the Company's Auditing Department after consultation with the Audit & Supervisory Board Member.

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

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

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

(8) Systems to Ensure Reliable Financial Reporting

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

(9) Systems Development to Exclude All Antisocial Forces

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

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

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

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

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

The Compliance Committee, with an Outside Director as its chairman and as a result of a major review of the contents of deliberations and composition of the committee, has become more active in its discussions, and it can be assessed as sufficiently fulfilling its check-and-balance functions of the Company's executive bodies. During the fiscal year ended March 31, 2024, the Compliance Committee held 12 meetings.

Moreover, regarding the transition to a compliance-first, self-driven organization centered on compliance managers and coordinators in charge of promoting compliance at each business site, 82% of employees responded in a compliance awareness survey conducted in February that they had received compliance training by compliance managers and coordinators at each business site. Although compliance managers and coordinators have been functioning to a certain extent,

further strengthening their functions is a future issue.

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

Systems for retaining and managing information have been developed with a Director in charge as the person responsible for the retention and management, to ensure that information management managers and information management staff are assigned to each department and that information management by responsible departments is maintained appropriately, based on the management system stipulated in the Document Handling Regulations, Information Management Regulations, and Detailed Rules of the Information Management Regulations. In addition, a “compliance webpage” has been set up in the top menu of the Company’s internal portal website, allowing easy access for checking manuals and work flows.

During the fiscal year ended March 31, 2024, these existing systems continued to operate, and in order to further strengthen the information management system, the Company has worked to thoroughly inculcate the Information Management Regulations by including questions concerning information management in compliance awareness surveys conducted for all employees in September and February.

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

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

During the fiscal year ended March 31, 2024, by holding 12 meetings of the Risk Management Committee, the Company continued to operate the existing systems and conducted risk management taking into account professional insights from outside members of the Risk Management Committee.

In order to strengthen the management system for potential risks, the Company has established clear risk evaluation criteria and commenced the process of confirming and discussing with each business division whether risks are being comprehensively understood and managed.

Regarding the structure for collecting and verifying risk information, the Company has built a process to extract potential risks that may materialize from the complaint and inquiry information managed by each business division, confirm the facts, and verify them with specialized departments.

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

Organizational decisions are made after deliberations at the Board of Directors meetings following preliminary deliberations by the Corporate Management Council. In addition, starting from the fiscal year ended March 31, 2024, the Company enhanced the precision of proposals by introducing a preliminary review before the submission of proposals to the Corporate Management Council. On the other hand, to review the progress of business plans, Board of Executive Officers meetings, whose main purpose is reviewing and discussing, and affiliated companies liaison committee meetings have been held, in addition to Board of Directors meetings. As such, systems for ensuring the efficient execution of duties have been fully developed.

Moreover, in October 2023, the Rules of the Board of Directors and the Rules of the

Audit & Supervisory Board were revised to clearly state that any Outside Director or Audit & Supervisory Board Member may convene an outside officers liaison meeting to share information and exchange opinions, thereby creating a system for mutual cooperation. Based on this system, the Company strives to increase the effectiveness of management supervision of execution of duties by Directors, by having pertinent opinions expressed by Outside Directors and Audit & Supervisory Board Members at various meetings, including the meetings of the Board of Directors.

During the fiscal year ended March 31, 2024, the Company held these meetings on a regular basis, and as needed, and made timely decisions through measures including participation via an online conference system and resolutions in writing to maintain appropriate conditions.

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

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

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

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

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

During the fiscal year ended March 31, 2024, an employee was assigned to assist Audit & Supervisory Board Members in the execution of their duties.

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

The systems for reporting to Audit & Supervisory Board Members and the systems to secure effective audits by Audit & Supervisory Board Members have been fully

developed by stipulating them in the Audit & Supervisory Board Regulations and the Auditing Standards for the Audit & Supervisory Board Members. Audit & Supervisory Board Members cooperate closely with the Auditing Department and the Accounting Auditor.

During the fiscal year ended March 31, 2024, Audit & Supervisory Board Members strengthened the effectiveness of audits by Audit & Supervisory Board Members by exchanging opinions with the President and CEO on issues to be addressed by the Company.

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

(8) Systems to Ensure Reliable Financial Reporting

The systems have been constructed to evaluate internal controls by the Auditing Department, and an internal control report for the 50th fiscal term was submitted on June 29, 2023.

During the fiscal year ended March 31, 2024, the Company continued to evaluate the status of the development and operation of its internal control system.

(9) Systems Development to Exclude All Antisocial Forces

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

During the fiscal year ended March 31, 2024, the Company conducted its corporate activities free from any relationships with antisocial forces.

3. Policy on Determination of Dividends of Surplus and Others

The Company recognizes that returning profits to shareholders is an important management issue and has made it a basic policy to strengthen profitability and pay continuous and stable dividends in order to secure dividend resources. However, in light of its recent financial situation, the Company had prioritized strengthening its earning power and stabilizing the financial base, and had continued to pay no dividends since March 2019.

The Company has revised its dividend policy in order to enhance returns to shareholders by resuming dividend payments as soon as possible, since it has made progress in recovering business performance and improving its financial position by continuing to implement structural reforms, as well as building a structure with a view to resuming dividend payments in the fiscal year 2021 and beyond.

In response to these circumstances, the Company repurchased JPY 3,466 million of treasury stock in the fiscal year ended March 31, 2024 as a return to shareholders, and has decided to resume dividend payments as a means of further returning profits to shareholders.

For the fiscal year ended March 31, 2024, the Company plans to pay a year-end dividend of JPY 5 per share.

Furthermore, for the fiscal year ending March 31, 2025, the Company plans to pay an interim dividend of JPY 5 and a year-end dividend of JPY 5, annual dividend of JPY 10 per share.

Note: The portions of amounts and number of shares stated in this Business Report less than the display unit are omitted (always rounded down).

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET (as of March 31, 2024)

(JPY million)

ASSETS	
Current assets	82,428
Cash and deposits	68,627
Trade receivables	7,670
Accounts receivable for completed projects	628
Real estate for sale	129
Payment for construction in progress	182
Raw materials and supplies	533
Prepaid expenses	1,757
Other accounts receivable	964
Others	4,838
Allowance for doubtful accounts	(2,904)
Non-current assets	122,571
Property, plant and equipment	59,137
Buildings and structures	18,923
Machinery, equipment, and vehicles	5,750
Land	31,661
Leased assets	1,488
Construction in progress	219
Others	1,093
Intangible fixed assets	1,358
Others	1,358
Investments and other assets	62,075
Investment securities	4,827
Long-term loans	506
Bad debts	273
Long-term prepaid expenses	359
Deferred tax assets	51,730
Others	7,573
Allowance for doubtful accounts	(3,194)
Total assets	205,000

CONSOLIDATED BALANCE SHEET (as of March 31, 2024) (Continued)

(JPY million)

LIABILITIES	
Current liabilities	64,158
Accounts payable	2,875
Accounts payable for completed projects	104
Current portion of long-term debt	620
Lease obligations	297
Accounts payable—other	15,036
Accrued income taxes	423
Advances received	33,855
Customer advances for projects in progress	227
Provision for warranty obligations on completed projects	19
Provision for fulfillment of guarantees	926
Provision for losses related to repairs	6,660
Others	3,111
Non-current liabilities	69,161
Long-term debt	29,225
Lease obligations	737
Long-term advances received	5,662
Lease/guarantee deposits received	7,214
Provision for losses related to repairs	8,679
Provision for apartment vacancy loss	4,683
Provision for stock benefits	529
Liability for retirement benefit	10,011
Others	2,417
Total liabilities	133,320
NET ASSETS	
Shareholders' equity	58,729
Common stock	100
Capital surplus	30,121
Retained earnings	32,867
Treasury stock	(4,359)
Accumulated other comprehensive income	5,175
Net unrealized gains on other securities	(85)
Foreign currency translation adjustments	5,330
Remeasurements of defined benefit plans	(69)
Share subscription rights	242
Non-controlling interests	7,532
Total net assets	71,679
Total liabilities and net assets	205,000

CONSOLIDATED STATEMENT OF INCOME (from April 1, 2023 to March 31, 2024)

(JPY million)

Net sales	422,671
Sales from Leasing Business	407,489
Sales from Other Businesses	15,182
Cost of sales	353,836
Cost of sales from Leasing Business	337,594
Cost of sales from Other Businesses	16,241
Gross profit	68,835
Selling, general and administrative expenses	45,521
Operating profit	23,313
Non-operating income	1,352
Interest income	61
Dividend income	95
Gains on valuation of investment securities	108
Foreign exchange gains	582
Gains on redemption of deposit	93
Other	411
Non-operating expenses	5,190
Interest expenses	3,622
Funding costs	962
Share of loss of entities accounted for using equity method	248
Other	356
Recurring profit	19,476
Extraordinary income	633
Gains on sale of property, plant and equipment	9
Gains on sale of shares in subsidiaries	618
Gain on liquidation of subsidiaries	4
Extraordinary losses	3,104
Loss on sale of property, plant and equipment	0
Loss on retirement of property, plant and equipment	38
Impairment loss	26
Loss related to repairs	2,730
Loss on valuation of shares of subsidiaries	26
Loss on closure of offices	282
Income before taxes and other adjustments	17,005
Income taxes	616
Income taxes—deferred	(26,564)
Net income	42,953
Net income attributable to non-controlling interests	891
Net income attributable to shareholders of the parent	42,062

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(from April 1, 2023 to March 31, 2024)

(JPY million)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the previous year-end	100	136,240	(116,006)	(205)	20,128
Change in the fiscal year					
Deficit disposition		(106,847)	106,847		-
Net income attributable to shareholders of the parent			42,062		42,062
Acquisition of treasury stock				(6,116)	(6,116)
Disposal of treasury stock		730		1,962	2,692
Change in the scope of consolidation			(36)		(36)
Change in share of parent from transactions with non-controlling interests		(0)			(0)
Changes in items other than shareholders' equity (net)					
Total change during period	-	(106,118)	148,873	(4,153)	38,600
Balance at the current year-end	100	30,121	32,867	(4,359)	58,729

(JPY million)

	Accumulated other comprehensive income				Share subscription rights	Non-controlling interests	Total net assets
	Net unrealized gains on other securities	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total			
Balance at the previous year-end	(97)	4,117	(32)	3,986	284	8,522	32,922
Change in the fiscal year							
Deficit disposition							-
Net income attributable to shareholders of the parent							42,062
Acquisition of treasury stock							(6,116)
Disposal of treasury stock							2,692
Change in the scope of consolidation							(36)
Change in share of parent from transactions with non-controlling interests							(0)
Changes in items other than shareholders' equity (net)	12	1,212	(36)	1,188	(42)	(989)	156
Total change during period	12	1,212	(36)	1,188	(42)	(989)	38,757
Balance at the current year-end	(85)	5,330	(69)	5,175	242	7,532	71,679

Notes to Consolidated Financial Statements

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

(1) Scope of consolidation

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

Number of consolidated subsidiaries: 11

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

(b) Status of non-consolidated subsidiaries

Number of non-consolidated subsidiaries: 3

Name of principal non-consolidated subsidiary: TRUMAN HOLDING LIMITED

Reason for exclusion from scope of consolidation:

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

(2) Application of equity method

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

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

Name of non-consolidated subsidiary: TRUMAN HOLDING LIMITED

Number of affiliates accounted for by the equity method: 3

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

(b) Special note on the application of equity method

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

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

(a) Changes in the scope of consolidation

The Company has excluded ASPENN INVESTMENTS PTE. LTD. and its subsidiary from the scope of consolidation from the fiscal year ended March 31, 2024, due to the sale of all the shares of ASPENN INVESTMENTS PTE. LTD. that were held by LEOPALACE21 SINGAPORE PTE. LTD.

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

Not applicable.

(4) Fiscal year-ends of consolidated subsidiaries

Among the consolidated subsidiaries, the fiscal year-end of Leopalace Guam Corporation and three other companies is December 31 of each year. As the difference between the said date and the consolidated balance sheets date is within three months, their financial statements as of the said date are used in the preparation of the Company's consolidated financial statements. When significant transactions occur at those subsidiaries between their fiscal year-end and the consolidated balance sheets date, these transactions are included in consolidation as necessary.

(5) Summary of accounting policies

(a) Valuation bases and methods for significant assets

Securities

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

Other securities

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

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

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

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

Inventories

Real estate for sale and real estate for sale in progress

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

Payment for construction in progress

Primarily stated at cost determined by the specific identification method

Raw materials and supplies

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

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

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

Depreciated by the straight-line method

Useful lives of major assets are as follows:

Buildings and structures: 22–47 years

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

Depreciated by the declining-balance method

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

Useful lives of major assets are as follows:

Buildings and structures: 15–50 years

Machinery, equipment, and vehicles: 17 years

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

Property, plant and equipment of overseas subsidiaries:

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

Useful lives of major assets are as follows:

Buildings and structures: 20–40 years

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

Intangible fixed assets (except for leased assets):

Amortized by the straight-line method

Useful lives of major assets are as follows:

Software for internal use: 5 years

Leased assets:

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

Long-term prepaid expenses:

Evenly amortized mainly over the following period

Prepaid master-lease rent: 5–7 years

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

(c) Provision of significant allowance and provisions

Allowance for doubtful accounts

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

Provision for warranty obligations on completed projects

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

Provision for fulfillment of guarantees

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

Provision for losses related to repairs

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

Provision for apartment vacancy loss

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

Provision for stock benefits

In order to provide for the delivery of Company shares to employees, the amount of the estimated benefit amount to be borne in the current fiscal year is recorded.

(d) Recognition of significant revenues and costs

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

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

Leasing Business operations mainly comprise the leasing and management of rental properties through bulk leasing of apartments, etc. contracted for construction, leasing and management of the Company's own properties, repair work for apartments, etc., various leasing-related services and broadband services, and contracted construction work for apartments, etc. For these transactions, the Company determines that performance obligations are satisfied at the time the contractual conditions are implemented, and revenue is recognized at that point in time.

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

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

consideration received from customers.

For obligations, etc. primarily related to apartment rentals, revenue is recognized based on the "Accounting Standard for Lease Transactions" (ASBJ Statement No. 13, March 30, 2007).

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

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

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

(f) Amortization and amortization period of goodwill

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

(g) Other important matters for preparing consolidated financial statements

Accounting method for retirement benefit

- Method of attributing expected retirement benefits to the period
In the calculation of retirement benefit obligations, the method of attributing expected retirement benefits to the period up to the end of the fiscal year ended March 31, 2024 is on the benefit formula basis.
- Method of amortizing actuarial differences
Actuarial differences, which are prorated according to the straight-line method over a specified period (5 years) within the average remaining service years of employees at the time of accrual in each fiscal year, are amortized starting in the next fiscal year of the respective accruals.
- Accounting method for unrecognized actuarial differences
Unrecognized actuarial differences are recorded in remeasurements of defined benefit plans in accumulated other comprehensive income under net assets after adjusting for tax effects.
- Adoption of a simplified accounting method at small enterprises, etc.
Certain consolidated subsidiaries apply a simplified accounting method in which the calculation of liability for retirement benefit and retirement benefit cost is carried out by using a method in which the retirement benefit obligations are deemed to be the amount of retirement benefits to be paid in cases where all eligible employees retired on a voluntary basis at the fiscal year-end date.

Interest capitalization

Leopalace Guam Corporation capitalized the interest paid on borrowings for real estate

development business during the development period into the acquisition cost of property, plant and equipment.

Capitalized interest included in the carrying amount of property, plant and equipment of Leopalace Guam Corporation was JPY 412 million as of March 31, 2024.

2. Notes regarding Accounting Estimates

(1) Deferred tax assets

(a) Amount recorded in the consolidated financial statements for the fiscal year ended March 31, 2024

(JPY million)

	As of March 31, 2024
Deferred tax assets	51,730

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

Deferred tax assets are recorded for schedulable deductible temporary differences and losses carried forward for tax purposes after determining the recoverability by using the estimated taxable income based on future profitability. For the fiscal year ended March 31, 2024, the deferred tax assets recorded in the consolidated financial statements were JPY 51,730 million, of which JPY 49,124 million was recorded by the Company.

The Company has established a business structure which can ensure stable profits as a result of the progress in the reduction of fixed costs through the improvement of occupancy rate and contractual adjustment of master-lease rent and other measures, due to its ongoing radical structural reform. As a result, the Company again generated taxable income before losses carried forward in the fiscal year ended March 31, 2024. While the Company generated significant tax losses in the past fiscal years, future taxable income before taxable or deductible temporary differences is expected in a few fiscal years to come, in view of the stabilized profit structure and in consideration of the factors such as the circumstances behind such significant tax losses, the Company’s business plans and their progress status in the past fiscal years, trends of taxable income or tax losses in the past fiscal years as well as the fiscal year ended March 31, 2024. As such, the Company recorded deferred tax assets based on the estimated amount of taxable income before taxable or deductible temporary differences for the reasonably estimable future period in accordance with the company classification stipulated by the “Implementation Guidance on Recoverability of Deferred Tax Assets” (ASBJ Guidance No. 26).

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

Recoverability of deferred tax assets depends on the estimated future taxable income. As a result, if conditions or assumptions used as the premise of these estimates are changed, the amount of deferred tax assets may vary in the consolidated financial statements for the fiscal year ending March 31, 2025.

(2) Provision for losses related to repairs

(a) Amounts recorded in the consolidated financial statements for the fiscal year ended March 31, 2024

(JPY million)

	As of March 31, 2024
Provision for losses related to repairs (Current liabilities)	6,660
Provision for losses related to repairs (Non-current liabilities)	8,679
Total	15,339

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

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

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

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

The specific calculation method of such provisions are as follows:

a. Repair work expenses

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

b. Inconvenience fees and other expenses

Concerning inspection and repair work for the properties managed by other companies, inconvenience fees for owners and tenants, along with outsourcing expenses paid to property management companies for handling tenants, disclosing information and other proceedings are calculated by multiplying the estimated number of properties considered in need of inspection and repair, by the unit cost predetermined by the Company.

c. Expenses for relocation and others

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

As for repair work expenses and incidental expenses, the Company strives to make more reasonable and more highly accurate estimates of amounts, taking into account estimates presented by external business operators, changes in estimated unit price due to a decline in the rate of insourcing of repair work, effects of review of construction schedule and others. If conditions or assumptions used as the premise of these estimates are changed, the amount of provision recorded may vary in the consolidated financial statements for the fiscal year ending March 31, 2025.

(3) Provision for apartment vacancy loss

(a) Amounts recorded in the consolidated financial statements for the fiscal year ended March 31, 2024

(JPY million)

	As of March 31, 2024
Provision for apartment vacancy loss	4,683

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

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

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

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

If conditions or assumptions used as the premise of these estimates are changed, the amount of provision recorded may vary in the consolidated financial statements for the fiscal year ending March 31, 2025.

3. Notes to Consolidated Balance Sheet

(1) Assets pledged as collateral and secured liabilities

(a) Assets pledged as collateral

Cash and deposits	JPY 95 million
Real estate for sale	JPY 38 million
Others (Current assets)	JPY 247 million
Buildings and structures	JPY 4,184 million
Machinery, equipment, and vehicles	JPY 0 million
Land	JPY 24,098 million
Others (Intangible fixed assets)	JPY 321 million
Investment securities	JPY 2,225 million
Total	JPY 31,211 million

(b) Secured liabilities

Current portion of long-term debt	JPY 620 million
Long-term debt	JPY 29,225 million

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

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

Deposit for housing construction warranty	JPY 771 million
Advanced payment certificate in accordance with Payment Services Act	JPY 332 million
Deposit for operation stipulated in Building Lots and Buildings Transaction Business Act	JPY 60 million
Deposit for operation stipulated in Insurance Business Act	JPY 200 million
Deposit for housing defect warranty	JPY 105 million
Others	JPY 0 million

(2) Accumulated depreciation of property, plant and equipment JPY 89,835 million

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

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

(4) Guarantee obligations

Guarantee obligations for financial institutions for customers who have a housing loan	JPY 216 million
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4. Notes to Consolidated Statement of Changes in Equity

(1) Number of issued shares

Class of shares	April 1, 2023	Increase	Decrease	March 31, 2024
Common stock	329,389,515 shares	–	–	329,389,515 shares

(2) Number of shares of treasury stock

Class of shares	April 1, 2023	Increase	Decrease	March 31, 2024
Common stock	335,211 shares	17,615,950 shares	6,256,800 shares	11,694,361 shares

- Notes: 1. The increase in the number of shares of treasury stock of common stock comprises an increase of 50 shares due to the purchase of odd-lot shares, the acquisition of 11,453,200 shares based on the resolution of the Board of Directors on July 5, 2023, and the acquisition of 6,162,700 shares by the stock grant trust for the employees.
2. The decrease in the number of shares of treasury stock of common stock comprises a decrease of 94,100 shares resulting from the exercise of share subscription rights and a decrease of 6,162,700 shares resulting from the disposal to the stock grant trust for the employees.
3. The number of shares of treasury stock as of March 31, 2024 includes 6,162,700 shares held by the stock grant trust for the employees.

(3) Dividends of surplus

(a) Cash dividends paid

Not applicable.

(b) Dividend payments whose record date is in the fiscal year ended March 31, 2024 but whose effective date is in the following fiscal year

Resolution	Class of shares	Source of funds for dividends	Total amount of dividends (JPY million)	Dividend per share (JPY)	Record date	Effective date
June 27, 2024 Ordinary General Shareholders' Meeting	Common stock	Retained earnings	1,619	5	March 31, 2024	June 28, 2024

Note: The total amount of dividends based on the resolution at the Ordinary General Shareholders' Meeting on June 27, 2024 includes JPY 30 million dividends for the Company's stock held by the stock grant trust for the employees.

(4) Share subscription rights as of March 31, 2024

Class of shares subject to share subscription rights	Common stock
Number of shares subject to share subscription rights	159,805,400 shares
Unexercised share subscription rights	JPY 242 million

5. Financial Instruments

(1) Status of financial instruments

(a) Policy for financial instruments

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

(b) Nature of financial instruments and risks arising therefrom

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

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

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

Borrowings and lease obligations related to finance lease transactions are for the funding mainly for repair works and investment in facilities, respectively, and the longest repayment date is 5 years and 1 month subsequent to fiscal year-end.

There are no derivatives transaction balances remaining as of the end of the fiscal year ended March 31, 2024.

(c) Risk management for financial instruments

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

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

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

(d) Supplementary explanations on fair value of financial instruments

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

(2) Fair value of financial instruments

The carrying amount on the consolidated balance sheets and fair value of financial instruments as of March 31, 2024 as well as the difference between these values are shown below.

(JPY million)

	Carrying amount	Fair value	Difference
(1) Investment securities (*2)	1,520	1,517	(2)
(2) Long-term loans	506		
Allowance for doubtful accounts (*3)	(111)		
	394	414	19
(3) Bad debts	273		
Allowance for doubtful accounts (*3)	(273)		
	—	—	—
Total assets	1,914	1,931	16
(1) Long-term debt (*4)	29,845	29,349	(495)
(2) Lease obligations	1,034	1,034	(0)
Total liabilities	30,879	30,383	(496)

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

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

(JPY million)

Item	As of March 31, 2024
Unlisted shares	1,679
Shares of non-consolidated subsidiaries and affiliates	1,497
Investments in silent partnerships	130
Total	3,307

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

(*4) As of March 31, 2024, current portion of long-term debt of JPY 620 million is included in long-term debt.

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

(JPY million)

	Due within 1 year	Due after 1 year through 5 years	Due after 5 years through 10 years	Due after 10 years
Cash and deposits	68,627			
Trade receivables	7,670			
Investment securities				
Held-to-maturity debt securities (government bonds)	–	300	–	–
Other securities with maturities	–	36	–	1,268
Long-term loans	22	46	4	432
Bad debts	–	–	–	273
Total	76,320	382	4	1,973

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

(JPY million)

	Due within 1 year	Due after 1 year through 5 years	Due after 5 years through 10 years	Due after 10 years
Long-term debt	620	29,225	–	–
Lease obligations	297	735	1	–
Total	917	29,960	1	–

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

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

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

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

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

(JPY million)

Item	Fair value			
	Level 1	Level 2	Level 3	Total
Investment securities				
Other securities				
Government bonds	35	–	–	35
Bonds (corporate bonds)	–	394	–	394
Others	–	789	–	789
Total assets	35	1,183	–	1,219

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

(JPY million)

Item	Fair value			
	Level 1	Level 2	Level 3	Total
Investment securities				
Held-to-maturity debt securities (government bonds)	298	–	–	298
Long-term loans	–	414	–	414
Total assets	298	414	–	712
Long-term debt	–	29,349	–	29,349
Lease obligations	–	1,034	–	1,034
Total liabilities	–	30,383	–	30,383

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

Investment securities

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

Long-term loans

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

Long-term debt and lease obligations

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

6. Rental Properties

The Company possesses rental apartments in major cities and regional cities throughout Japan. Also, some consolidated subsidiaries possess rental housing and buildings for rent. For the fiscal year ended March 31, 2024, income arising from these rental properties was JPY 396 million. Also, the changes in the carrying amount on the consolidated balance sheets of rental properties during the fiscal year ended March 31, 2024, and the fair value as of the said date were as follows:

(JPY million)

Carrying amount			Fair value as of March 31, 2024
Balance as of April 1, 2023	Increase/decrease	Balance as of March 31, 2024	
6,082	(983)	5,098	7,460

- Notes: 1. The carrying amount on the consolidated balance sheets is the amount after deducting accumulated depreciation and accumulated impairment loss from acquisition cost.
2. The main decrease for the fiscal year ended March 31, 2024 was sale of logistics warehouses of JPY 882 million.
3. Fair value as of the end of the fiscal year ended March 31, 2024 is calculated by the Company mainly based on "Real-estate appraisal standards."

7. Revenue Recognition

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

(JPY million)

	Reportable segments				Adjustments	Amount stated in consolidated financial statements
	Leasing Business	Elderly Care Business	Other Businesses	Total		
Net sales						
Ancillary service income	28,757	–	–	28,757	–	28,757
Maintenance	35,466	–	–	35,466	–	35,466
Company housing agency fee	932	–	–	932	–	932
Roof lease solar power generation	2,704	–	–	2,704	–	2,704
Construction subcontracting	670	–	–	670	–	670
Other	–	14,007	864	14,871	–	14,871
Revenue from contracts with customers	68,531	14,007	864	83,402	–	83,402
Rent income	315,399	–	–	315,399	–	315,399
Ancillary service income	17,238	–	–	17,238	–	17,238
Rental guarantee	4,223	–	–	4,223	–	4,223
Furniture insurance	1,989	–	–	1,989	–	1,989
Other	108	–	311	419	–	419
Other revenue	338,958	–	311	339,269	–	339,269
Sales to customers	407,489	14,007	1,175	422,671	–	422,671

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

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

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

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

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

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

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

(3) Information for understanding amounts of revenue for the fiscal year ended March 31, 2024 and the next fiscal year onward

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

(JPY million)

	As of March 31, 2024
Receivables from contracts with customers (beginning balance)	3,108
Receivables from contracts with customers (ending balance)	2,768
Contract assets (beginning balance)	432
Contract assets (ending balance)	628
Contract liabilities (beginning balance)	10,890
Contract liabilities (ending balance)	9,104

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

Contract assets are mainly unclaimed trade receivables of revenue from construction subcontracting contracts recognized based on the estimated percentage of completion.

Contract liabilities are mainly ancillary service fees and maintenance fees for which performance obligations have not been satisfied at the end of the fiscal year.

Revenue recognized in the fiscal year ended March 31, 2024 included in the balance of contract liabilities at the beginning of the fiscal year was JPY 4,369 million.

(b) Transaction price allocated to remaining performance obligations

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

(JPY million)

	As of March 31, 2024
Within 1 year	28,575
After 1 year	15,460
Total	44,036

Note: This table describes remaining performance obligations for ancillary service income (those related to revenues from contracts with customers) and maintenance from among the classification for disaggregation shown in "(1) Information on disaggregation of revenues from contracts with customers."

8. Per Share Information

Net assets per share	JPY 201.15
Net income per share	JPY 130.91

Note: The number of shares of the Company's stock held by the stock grant trust for the employees is included, for the purpose of calculating net income per share, in the number of shares of treasury stock deducted in the calculation of the average number of outstanding shares during the term. Furthermore, for the purpose of calculating net assets per share, it is included in the number of shares of treasury stock deducted from the total number of outstanding shares at term end. The number of shares of said treasury stock at term end: 6,162,700 shares
The average number of shares of said treasury stock during the term: 286,245 shares

9. Other Notes

(Additional Information)

(Transactions in which shares of the Company's stock are issued to employees, etc. through a trust)
Based on the resolution of the Board of Directors meeting held on February 28, 2024, the Company has decided to introduce the stock grant trust for the employees plan (Hereinafter referred to as the "Plan."), an incentive plan for employees, with the aim of enhancing the Company's corporate value over the medium to long term by enhancing investment in human resources and employee engagement through the expansion of the welfare system for the Company's employees (Hereinafter referred to as "Employees."), and raising awareness of the Company's business performance and rising stock prices from the same perspective as shareholders and management through employees holding common stock of the Company (Hereinafter referred to as "the Company's shares.").

(1) Outline of transactions

This is an incentive plan under which a trust (the "Trust") is established with money contributed by the Company as the source of funds, the Trust acquires the Company's shares, and the Company's shares are delivered through the Trust to Employees who satisfy certain requirements based on points awarded to them. Such points are granted according to the Employees' grade and performance evaluation, etc., in accordance with the stock granting regulations established by the Board of Directors of the Company, and the number of the Company's shares to be delivered to each Employee is determined by the number of points awarded.

The acquisition of the Company's shares by the Trust will be funded entirely by the Company, so there will be no burden on Employees.

(2) Shares of the Company remaining in the trust

The Company's shares remaining in the trust are recorded as treasury stock under net assets at their book value in the trust (excluding the amount of incidental expenses). The book value of such treasury stock for the fiscal year ended March 31, 2024 was JPY 2,649 million and the number of shares was 6,162,700.

(3) Book value of loans recorded under the gross amount method

Not applicable.

10. Subsequent Events

Not applicable.

NON-CONSOLIDATED FINANCIAL STATEMENTS

NON-CONSOLIDATED BALANCE SHEET (as of March 31, 2024)

(JPY million)

ASSETS	
Current assets	76,972
Cash and deposits	62,076
Trade receivables	6,939
Accounts receivable for completed projects	628
Payment for construction in progress	182
Supplies	426
Prepaid expenses	1,693
Other accounts receivable	619
Deposits paid	2,334
Short-term loans receivable from subsidiaries and affiliates	1,712
Others	629
Allowance for doubtful accounts	(272)
Non-current assets	115,879
Property, plant and equipment	28,668
Buildings	3,575
Structures	45
Machinery and equipment	0
Tools, furniture and fixtures	101
Land	22,466
Leased assets	2,408
Construction in progress	70
Intangible fixed assets	1,141
Software	601
Others	539
Investments and other assets	86,069
Investment securities	3,029
Shares in subsidiaries and affiliates	25,100
Long-term loans	506
Long-term loans receivable from subsidiaries and affiliates	5,725
Bad debts	270
Long-term prepaid expenses	353
Deferred tax assets	49,124
Others	3,552
Allowance for doubtful accounts	(1,593)
Total assets	192,851

NON-CONSOLIDATED BALANCE SHEET (as of March 31, 2024) (Continued)

(JPY million)

LIABILITIES	
Current liabilities	60,176
Accounts payable	2,844
Accounts payable for completed projects	104
Current portion of long-term debt	620
Lease obligations	1,063
Accounts payable—other	13,604
Accrued income taxes	115
Advances received	31,786
Customer advances for projects in progress	227
Deposits received	2,523
Provision for warranty obligations on completed projects	19
Provision for losses related to repairs	6,660
Others	605
Non-current liabilities	67,120
Long-term debt	29,225
Lease obligations	1,114
Long-term advances received	5,662
Lease/guarantee deposits received	7,181
Liability for retirement benefit	9,023
Provision for losses related to repairs	8,679
Provision for apartment vacancy loss	4,683
Provision for stock benefits	529
Others	1,019
Total liabilities	127,296
NET ASSETS	
Shareholders' equity	65,397
Common stock	100
Capital surplus	25,103
Capital reserve	10,000
Other capital surplus	15,103
Retained earnings	44,554
Other retained earnings	44,554
Retained earnings carried forward	44,554
Treasury stock	(4,359)
Valuation and translation adjustments	(85)
Net unrealized gains on other securities	(85)
Share subscription rights	242
Total net assets	65,555
Total liabilities and net assets	192,851

NON-CONSOLIDATED STATEMENT OF INCOME**(from April 1, 2023 to March 31, 2024)**

(JPY million)

Net sales	403,461
Sales from Leasing Business	399,751
Sales from Other Businesses	3,710
Cost of sales	337,714
Cost of sales from Leasing Business	334,054
Cost of sales from Other Businesses	3,659
Gross profit	65,747
Selling, general and administrative expenses	40,830
Operating profit	24,916
Non-operating income	1,782
Interest and dividend income	449
Gains on valuation of investment securities	108
Foreign exchange gains	581
Other	642
Non-operating expenses	4,819
Interest expenses	3,713
Funding costs	962
Other	143
Recurring profit	21,879
Extraordinary income	4
Gain on liquidation of subsidiaries	4
Extraordinary losses	4,277
Loss on sale of property, plant and equipment	0
Loss on retirement of property, plant and equipment	37
Impairment loss	26
Loss related to repairs	2,730
Provision of allowance for doubtful accounts	1,174
Loss on valuation of shares in subsidiaries	26
Loss on closure of offices	282
Income before income taxes	17,606
Income taxes	115
Income taxes—deferred	(27,063)
Net income	44,554

NON-CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(from April 1, 2023 to March 31, 2024)

(JPY million)

	Shareholders' equity							
	Common stock	Capital surplus			Retained earnings		Treasury stock	Total shareholders' equity
		Capital reserve	Other capital surplus	Total capital surplus	Other retained earnings	Total retained earnings		
					Retained earnings carried forward			
Balance at the previous year-end	100	51,235	79,986	131,221	(106,847)	(106,847)	(205)	24,267
Change in the fiscal year								
Transfer from capital reserve to other capital surplus		(41,235)	41,235	-				-
Deficit disposition			(106,847)	(106,847)	106,847	106,847		-
Net income					44,554	44,554		44,554
Acquisition of treasury stock							(6,116)	(6,116)
Disposal of treasury stock			730	730			1,962	2,692
Changes in items other than shareholders' equity (net)								
Total change during period	-	(41,235)	(64,882)	(106,117)	151,401	151,401	(4,153)	41,130
Balance at the current year-end	100	10,000	15,103	25,103	44,554	44,554	(4,359)	65,397

(JPY million)

	Valuation and translation adjustments		Share subscription rights	Total net assets
	Net unrealized gains on other securities	Total valuation and translation adjustments		
Balance at the previous year-end	(97)	(97)	284	24,454
Change in the fiscal year				
Transfer from capital reserve to other capital surplus				-
Deficit disposition				-
Net income				44,554
Acquisition of treasury stock				(6,116)
Disposal of treasury stock				2,692
Changes in items other than shareholders' equity (net)	12	12	(42)	(29)
Total change during period	12	12	(42)	41,100
Balance at the current year-end	(85)	(85)	242	65,555

Notes to Non-consolidated Financial Statements

1. Significant Accounting Policies

(1) Valuation bases and methods for assets

Securities

Shares of subsidiaries and affiliates

Stated at cost determined by the moving-average method

Other securities

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

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

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

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

Inventories

Real estate for sale and real estate for sale in progress

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

Payment for construction in progress

Primarily stated at cost determined by the specific identification method

Supplies

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

(2) Depreciation and amortization of non-current assets

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

Depreciated by the straight-line method

Useful lives of major assets are as follows:

Buildings: 22–47 years

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

Depreciated by the declining-balance method

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

Useful lives of major assets are as follows:

Buildings: 15–50 years

Tools, furniture and fixtures: 5–10 years

Intangible fixed assets (except for leased assets):

Amortized by the straight-line method

Useful lives of major assets are as follows:

Software for internal use: 5 years

Leased assets:

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

Long-term prepaid expenses:

Evenly amortized mainly over the following period

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

(3) Provision of allowance and provisions

Allowance for doubtful accounts

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

Provision for warranty obligations on completed projects

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

Liability for retirement benefit

To prepare for employees' retirement benefits, liability for retirement benefit is recorded based on the estimated amount of retirement benefit obligations at the end of the fiscal year ended March 31, 2024.

Actuarial differences, which are prorated according to the straight-line method over a specified period (5 years) within the average remaining service years of employees at the time of accrual in each fiscal year, are amortized starting in the next fiscal year of the respective accruals.

Provision for losses related to repairs

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

Provision for apartment vacancy loss

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

Provision for stock benefits

In order to provide for the delivery of Company shares to employees, the amount of the estimated benefit amount to be borne in the current fiscal year is recorded.

(4) Recognition of revenues and costs

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

to be received upon exchange of said goods or services.

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

Leasing Business operations mainly comprise the leasing and management of rental properties through bulk leasing of apartments, etc. contracted for construction, leasing and management of the Company's own properties, repair work for apartments, etc., various leasing-related services and broadband services, and contracted construction work for apartments, etc. For these transactions, the Company determines that performance obligations are satisfied at the time the contractual conditions are implemented, and revenue is recognized at that point in time.

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

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

For obligations, etc. primarily related to apartment rentals, revenue is recognized based on the "Accounting Standard for Lease Transactions" (ASBJ Statement No. 13, March 30, 2007).

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

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

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

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

(b) Accounting method for retirement benefit

The accounting method for unrecognized actuarial differences for retirement benefit differs from the accounting method used in the consolidated financial statements.

2. Changes in Presentation

Non-Consolidated Statement of Income

"Foreign exchange gains" (JPY 417 million in the fiscal year ended March 31, 2023), which had been included in "Other" under "Non-operating income" until the previous fiscal year, has been presented separately from the fiscal year ended March 31, 2024 due to its increased monetary significance.

3. Notes regarding Accounting Estimates

(1) Deferred tax assets

(a) Amount recorded in the non-consolidated financial statements for the fiscal year ended March 31, 2024

(JPY million)

	As of March 31, 2024
Deferred tax assets	49,124

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

Information has been omitted because it has been provided in "Notes to Consolidated Financial Statements, 2. Notes regarding Accounting Estimates, (1)."

(2) Provision for losses related to repairs

(a) Amount recorded in the non-consolidated financial statements for the fiscal year ended March 31, 2024

(JPY million)

	As of March 31, 2024
Provision for losses related to repairs (Current liabilities)	6,660
Provision for losses related to repairs (Non-current liabilities)	8,679
Total	15,339

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

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

(3) Provision for apartment vacancy loss

(a) Amount recorded in the non-consolidated financial statements for the fiscal year ended March 31, 2024

(JPY million)

	As of March 31, 2024
Provision for apartment vacancy loss	4,683

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

Information has been omitted because it has been provided in "Notes to Consolidated Financial Statements, 2. Notes regarding Accounting Estimates, (3)."

4. Notes to Non-consolidated Balance Sheet

(1) Assets pledged as collateral and secured liabilities

(a) Assets pledged as collateral

Cash and deposits	JPY 95 million
Deposits paid	JPY 247 million
Short-term loans receivable from subsidiaries and affiliates	JPY 1,703 million
Others (Current assets)	JPY 38 million
Buildings	JPY 3,426 million
Structures	JPY 36 million
Machinery and equipment	JPY 0 million
Land	JPY 22,359 million
Others (Intangible fixed assets)	JPY 321 million
Investment securities	JPY 2,225 million
Shares in subsidiaries and affiliates	JPY 2,576 million
Long-term loans receivable from subsidiaries and affiliates	JPY 5,725 million
Total	JPY 38,756 million

(b) Secured liabilities

Current portion of long-term debt	JPY 620 million
Long-term debt	JPY 29,225 million

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

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

Deposit for housing construction warranty	JPY 771 million
Advanced payment certificate in accordance with Payment Services Act	JPY 332 million
Deposit for operation stipulated in Building Lots and Buildings Transaction Business Act	JPY 25 million
Deposit for housing defect warranty	JPY 105 million
Other	JPY 0 million

(2) Accumulated depreciation of property, plant and equipment JPY 39,025 million

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

Tools, furniture and fixtures	JPY 18 million
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(4) Guarantee obligation

Guarantee obligation for financial institutions for customers who have a housing loan	JPY 216 million
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(5) Monetary claims and liabilities to subsidiaries and affiliates (excluding those classified separately in the Balance Sheets)

Short-term monetary claims	JPY 1,811 million
Short-term monetary liabilities	JPY 1,864 million
Long-term monetary liabilities	JPY 387 million

5. Notes to Non-consolidated Statement of Income

Transactions with subsidiaries and affiliates

Sales to subsidiaries and affiliates	JPY 2,328 million
Purchases from subsidiaries and affiliates	JPY 1,138 million
Non-operating transactions	JPY 579 million

6. Notes to Non-consolidated Statement of Changes in Equity

Number of shares of treasury stock

Class of shares	April 1, 2023	Increase	Decrease	March 31, 2024
Common stock	335,211 shares	17,615,950 shares	6,256,800 shares	11,694,361 shares

- Notes: 1. The increase in the number of shares of treasury stock of common stock comprises an increase of 50 shares due to the purchase of odd-lot shares, the acquisition of 11,453,200 shares based on the resolution of the Board of Directors on July 5, 2023, and the acquisition of 6,162,700 shares by the stock grant trust for the employees.
2. The decrease in the number of shares of treasury stock of common stock comprises a decrease of 94,100 shares resulting from the exercise of share subscription rights and a decrease of 6,162,700 shares resulting from the disposal to the stock grant trust for the employees.
3. The number of shares of treasury stock as of March 31, 2024 includes 6,162,700 shares held by the stock grant trust for the employees.

7. Tax Effect Accounting

Significant components of deferred tax assets and liabilities

(JPY million)

Deferred tax assets:

Loss carried forward for tax purposes	39,747
Provision for losses related to repairs	5,306
Retirement benefit reserves	3,121
Loss on devaluation of stock of shares of subsidiaries and affiliates	3,076
Provision for apartment vacancy loss	1,620
Impairment loss	1,343
Accrued bonuses	1,054
Allowance for doubtful accounts	430
Software	216
Advances received	215
Others	659
Sub-total	56,792
Valuation allowance for total deductible temporary difference and others	(7,651)
Sub-total	(7,651)
Total deferred tax assets	49,141

Deferred tax liabilities:

Fixed asset retirement expenses	(3)
Adjustment of gain/loss on transfer (buildings)	(13)
Total deferred tax liabilities	(16)
Net deferred tax assets	49,124

8. Revenue Recognition

This description is omitted because the relevant information is described in “Notes to Consolidated Financial Statements, 7. Revenue Recognition.”

9. Related Party Transactions

Affiliates and others

Attribute	Name	Percentage of share ownership	Relation	Transaction	Transaction amount (JPY million)	Account	Balance as of March 31, 2024 (JPY million)
Subsidiary	Leopalace Leasing Corporation	Directly owning 100.0%	Financing support	Lending of funds (Note)1	900	Short-term loans receivable from subsidiaries and affiliates	1,703
				Collection of funds (Note)1	2,166		
				Receipt of interest (Note)1	40		
			Leasing of fixtures equipped with company-managed properties	Repayment of lease obligations (Note)2	1,454	Lease obligations (Short-term)	846
				Payment of interest (Note)2	82	Lease obligations (Long-term)	420
Subsidiary	Plaza Guarantee Co., Ltd.	Directly owning 100.0%	Guarantee of rental income receivables	Acceptance of subrogated payments	14,854	Trade receivables	1,237
			Financing support	Lending of funds (Note)1	1,000	—	—
				Receipt of interest (Note)1	6		
			Underwriting of capital increase (Note)3	2,099			
Subsidiary	Azu Life Care Co., Ltd.	Directly owning 100.0%	Financing support	Receipt of interest (Note)1	51	Long-term loans receivable from subsidiaries and affiliates	2,550
Subsidiary	Leopalace Guam Corporation	Directly owning 100.0%	Financing support	Lending of funds (Note)1	1,174	Long-term loans receivable from subsidiaries and affiliates	2,816
				Receipt of interest (Note)1	155		

- Notes: 1. As for lending of funds, we reasonably determine interest rates taking into consideration market interest rates.
2. Transaction prices of lease transactions are determined in accordance with price negotiating that gives consideration to market prices and others.
3. Of the underwriting of capital increase, JPY 1,000 million was due to the conversion of debt into equity (debt/equity swap).
4. In the fiscal year ended March 31, 2024, allowance for doubtful accounts of JPY 1,174 million was provided for the long-term loans extended to Azu Life Care Co., Ltd.
5. Consumption taxes were not included in the transaction amount above.

10. Per Share Information

Net assets per share	JPY 205.58
Net income per share	JPY 138.67

Note: The number of shares of the Company's stock held by the stock grant trust for the employees is included, for the purpose of calculating net income per share, in the number of shares of treasury stock deducted in the calculation of the average number of outstanding shares during the term. Furthermore, for the purpose of calculating net assets per share, it is included in the number of shares of treasury stock deducted from the total number of outstanding shares at term end.
The number of shares of said treasury stock at term end: 6,162,700 shares
The average number of shares of said treasury stock during the term: 286,245 shares

11. Other Notes

(Additional Information)

(Transactions in which shares of the Company's stock are issued to employees, etc. through a trust)

Information has been omitted because it has been provided in "Notes to Consolidated Financial Statements, 9. Other Notes."

12. Subsequent Events

Not applicable.

13. Matters Regarding Company Subject to Consolidated Dividend Regulations

Not applicable.