

# Ten-Year Consolidated Financial Highlights

For the years ended March 31:	(JPY million)										(USD thousand)	
	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016*	FY2017	FY2018	FY2019	FY2020	FY2020	
Net sales	458,220	454,285	470,883	483,247	511,513	520,488	530,840	505,223	433,553	408,959	3,693,968	
Leasing Business	379,091	383,637	388,562	399,375	410,641	416,594	435,537	426,388	388,939	391,964	3,540,465	
Development Business	62,913	53,369	63,135	61,312	74,160	74,566	76,587	58,992	23,806	—	—	
Elderly Care Business	8,845	9,482	10,171	10,608	10,798	11,536	12,807	13,922	14,620	14,524	131,193	
Hotel, Resort & Other Businesses	7,370	7,795	9,013	11,950	15,913	17,791	5,908	5,919	6,186	2,469	22,308	
Cost of sales	403,572	396,508	401,510	407,433	422,604	427,820	434,762	428,988	408,112	387,872	3,503,504	
Selling, general and administrative expenses	51,278	50,299	55,906	60,992	67,823	69,769	73,147	68,844	61,915	50,269	454,061	
Operating profit (loss)	3,369	7,477	13,467	14,822	21,085	22,898	22,930	7,390	(36,473)	(29,182)	(263,597)	
Leasing Business	4,052	8,750	15,364	20,590	22,848	22,459	26,062	14,987	(20,828)	(19,385)	(175,101)	
Development Business	4,290	2,748	2,951	211	3,340	5,051	3,663	(995)	(5,181)	—	—	
Elderly Care Business	(855)	(742)	(610)	(606)	(1,354)	(1,650)	(1,596)	(846)	(559)	(720)	(6,511)	
Hotel, Resort & Other Businesses	(1,702)	(970)	(981)	(1,257)	(360)	664	(846)	(1,346)	(1,000)	(1,551)	(14,017)	
Adjustments	(2,415)	(2,308)	(3,256)	(4,116)	(3,388)	(3,626)	(4,353)	(4,407)	(8,903)	(7,524)	(67,966)	
EBITDA (Operating profit + depreciation)	9,416	13,161	19,460	22,558	30,700	32,235	34,656	20,336	(24,316)	(18,766)	(169,506)	
Recurring profit (loss)	1,133	11,154	11,368	13,483	19,909	22,355	22,354	7,063	(36,341)	(34,170)	(308,644)	
Net income (loss)	372	13,398	15,730	15,175	19,631	20,401	14,819	(68,662)	(80,224)	(23,680)	(213,897)	
<b>At year-end:</b>												
Total assets	264,783	261,649	288,165	308,882	327,609	337,828	337,257	291,790	196,953	161,708	1,460,652	
Net assets	31,761	56,145	103,354	124,928	144,865	158,870	159,438	81,338	1,589	3,277	29,601	
Interest-bearing debt	51,654	49,026	37,227	44,487	50,824	49,918	53,829	48,047	36,137	35,409	319,835	
Cash and deposit balance	41,477	56,681	74,767	75,221	88,043	104,432	106,543	84,536	60,501	54,863	495,559	
<b>Cash flow:</b>												
Cash flow from operating activities	(3,174)	6,069	15,584	15,715	22,104	27,504	27,338	(7,212)	(51,639)	(40,816)	(368,679)	
Cash flow from investing activities	(3,537)	(6)	(6,929)	(17,550)	(11,087)	(8,653)	(2,336)	7,379	39,533	11,829	106,852	
Cash flow from financing activities	7,245	9,148	8,848	1,747	1,374	(14,048)	(18,354)	(15,181)	(12,048)	23,571	212,908	
Free cash flow (FCF)	(6,712)	6,063	8,654	(1,834)	11,017	18,850	25,001	167	(12,106)	(28,986)	(261,827)	
<b>Amounts per share: (Yen)</b>												
Net assets	187.50	265.32	393.05	475.17	550.94	603.76	630.84	331.87	5.34	(25.83)	(0.23)	
Net income (loss)	2.21	74.85	69.38	57.73	74.68	77.61	58.02	(278.58)	(328.77)	(84.88)	(0.77)	
Cash dividend	—	—	—	—	10.00	22.00	22.00	—	—	—	—	
<b>Index:</b>												
Units under management	556,207	546,204	548,912	554,948	561,961	568,739	570,672	574,798	575,798	573,673	573,673	
Average annual occupancy rate (%)	81.16	82.94	84.58	86.57	87.95	88.53	90.59	88.34	80.78	78.89	78.89	
Construction subcontracting orders received (JPY million)	50,019	73,006	81,139	87,395	86,439	87,139	75,905	64,495	7,814	5,927	53,544	
Equity ratio (%)	12.0	21.5	35.9	40.4	44.2	47.0	47.2	27.7	0.7	(5.3)	(5.3)	
Return on equity (ROE) (%)	1.2	30.5	19.7	13.3	14.6	13.4	9.3	(57.2)	(195.1)	—	—	
Return on assets (ROA) (%)	0.4	4.2	4.1	4.5	6.3	6.7	6.6	2.2	(14.9)	(19.1)	(19.1)	
Dividend payout ratio (%)	—	—	—	—	13.4	28.3	37.9	—	—	—	—	
Debt/equity ratio (%)	1.6	0.9	0.4	0.4	0.4	0.3	0.3	0.6	23.0	(4.4)	(4.4)	
Number of employees	6,165	6,277	6,758	7,339	7,846	7,695	7,690	7,600	7,043	5,082	5,082	

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

(Notes) 1. USD amounts are translated from yen at the rate of JPY110.71 = USD 1.00, the approximate rate prevailing at March 31, 2021.

2. Return on equity (ROE) = Net income/average net assets during the fiscal year x 100

3. Return on assets (ROA) = Recurring income/average total assets during the fiscal year x 100

4. Debt/equity ratio = Interest-bearing debt/(net assets - non-controlling interests)

5. In this report, net income attributable to shareholders of the parent is stated as net income.

6. Regarding the Hotels, Resort & Other Businesses, we added the results of the Hotels & Resort Business to the results of Others for the period from the fiscal year ended March 2011 to the fiscal year ended March 2016, and then we changed the segments in the fiscal year ended March 2018, so we retroactively changed the figures for the fiscal year ended March 2018 to the new segment (Hotels, Resort & Other Businesses).

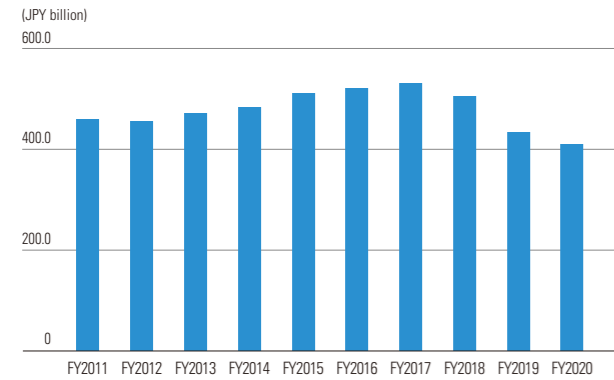
7. Development Business was integrated to Leasing Business from the fiscal year ended March 2021.



# Financial Highlights

## Net sales

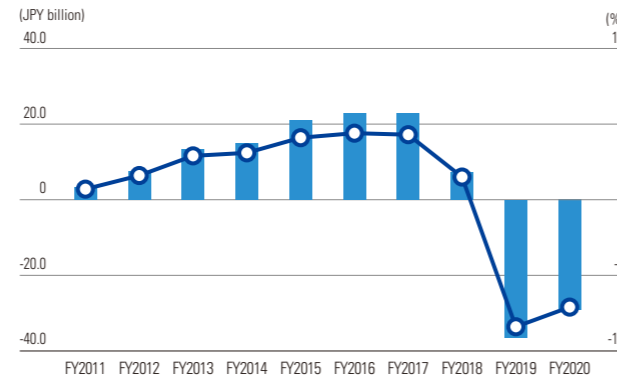
↓ JPY 408.9 billion  
Down 5.7% y/y



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

## Operating profit (loss)

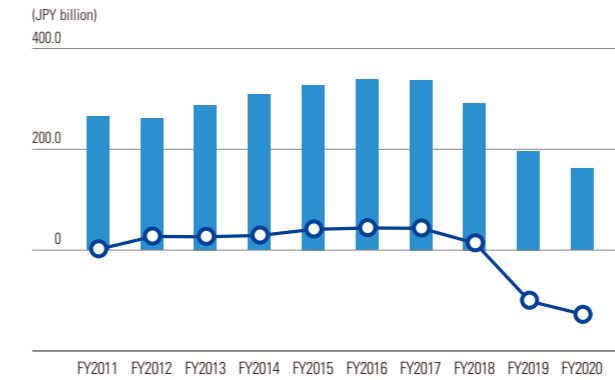
↑ JPY -29.1 billion  
JPY -36.4 billion in fiscal 2019



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

## Total assets

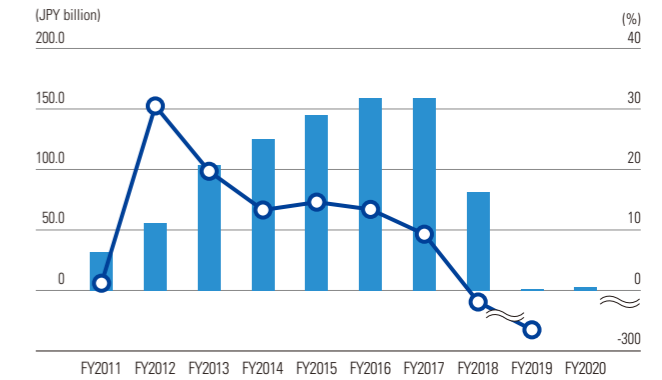
↓ JPY 161.7 billion  
Down 17.9% y/y



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

## Net assets

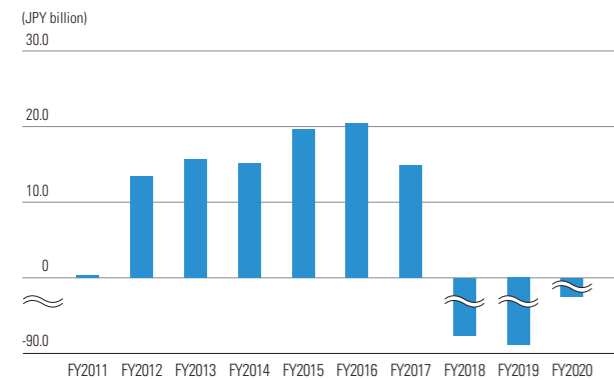
↑ JPY 3.2 billion  
2.1 × fiscal 2019



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

## Net income (loss) attributable to shareholders of the parent

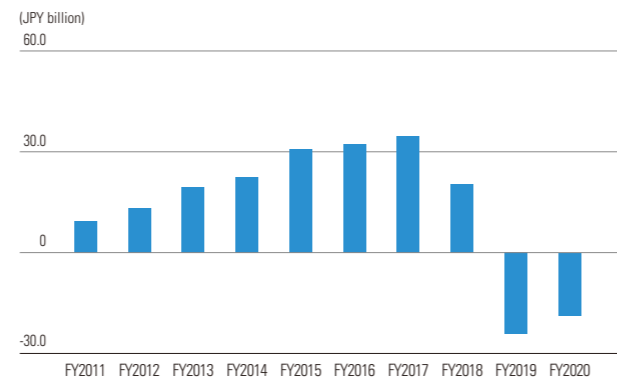
↑ JPY -23.6 billion  
JPY -80.2 billion in fiscal 2019



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

## EBITDA (Operating profit + depreciation)

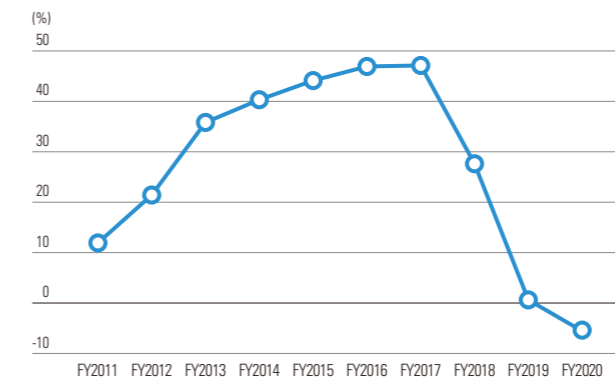
↑ JPY -18.7 billion  
JPY -24.3 billion in fiscal 2019



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

## Equity ratio

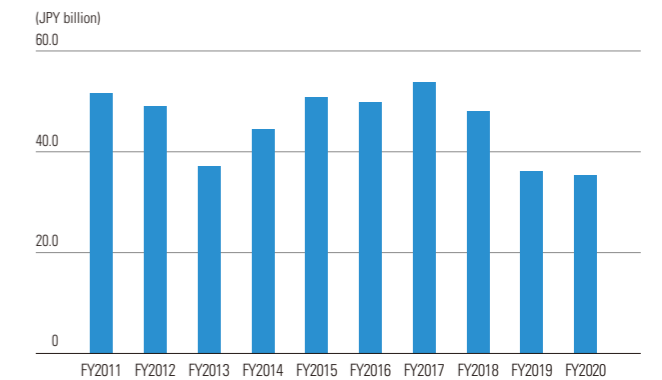
↓ -5.3%  
Down 6.0 points y/y



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

## Interest-bearing debt—incl. lease obligations

↓ JPY 35.4 billion  
Down 1.0% y/y

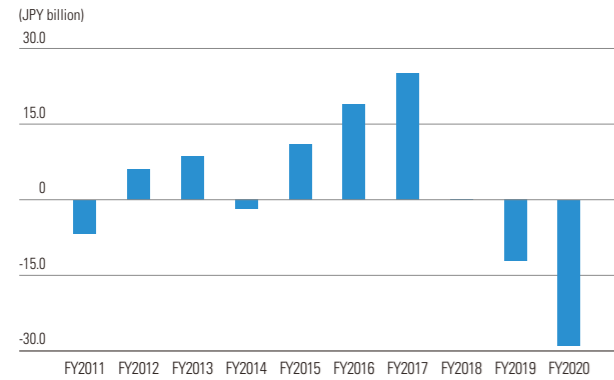


In the last 10 years, we have focused on reducing and curtailing the debt ratio in consideration of our repayment capacity. As a result, our interest-bearing debt was JPY 35.4 billion at the end of the fiscal year ended March 2021.

# Non-Financial Highlights

## Free cash flow

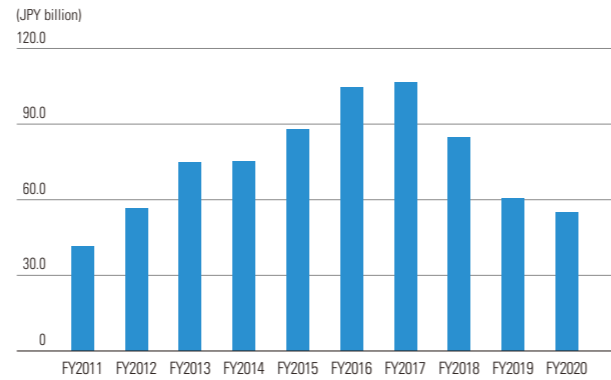
↓ JPY -28.9 billion  
JPY -12.1 billion in fiscal 2019



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

## Cash and deposits balance

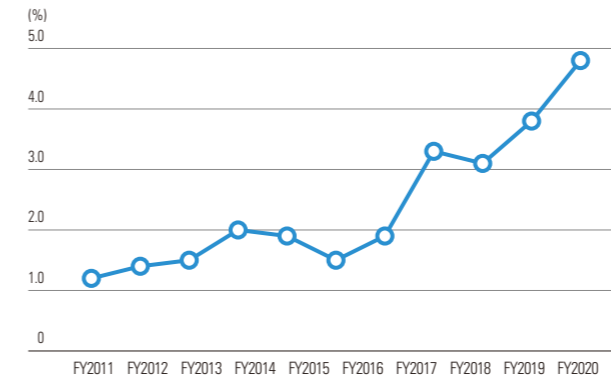
↓ JPY 54.8 billion  
Down 9.3% y/y



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

## No. of employees on childcare leave

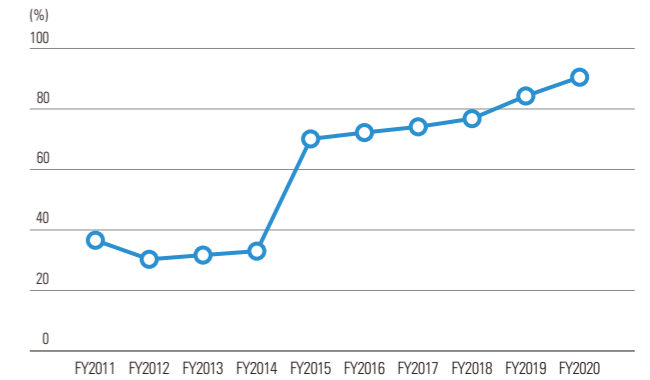
↑ 4.8 %  
Up 1.0 point y/y



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

## Ratio of paid leave usage

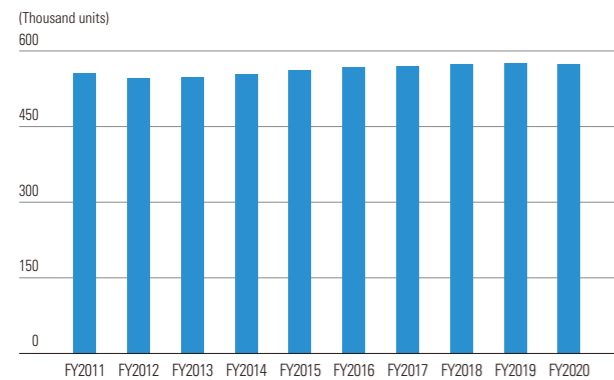
↑ 90.5 %  
Up 6.2 points y/y



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

## Units under management

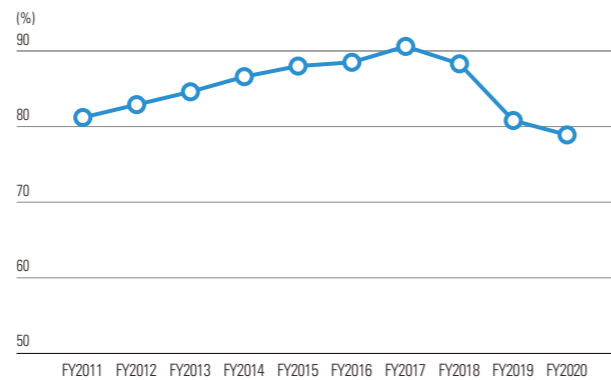
↓ 573,673 units  
Down 0.4% y/y



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

## Average annual occupancy rate

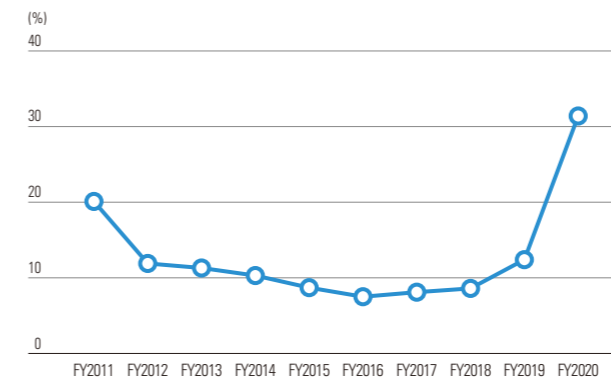
↓ 78.9 %  
Down 1.9 points y/y



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

## Rate of workforce turnover

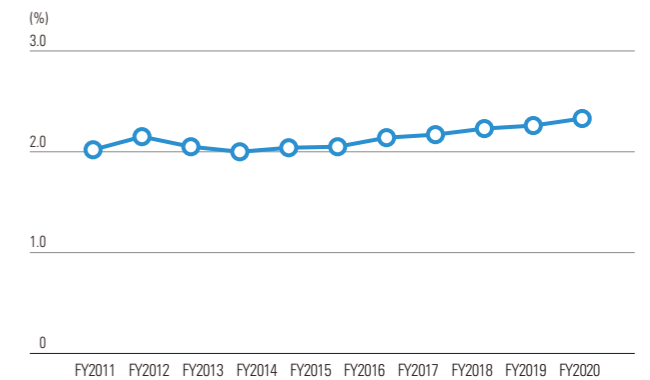
↑ 31.4 %  
Up 19.0 points y/y



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

## Ratio of employees with disabilities

↑ 2.33 %  
Up 0.07 points y/y



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

# Financial Section

## Management's Discussion and Analysis

### 1. Operating Environment

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

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

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

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

### 2. Analysis of Business Results

#### (1) Net Sales

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

#### Net Sales by Segment

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

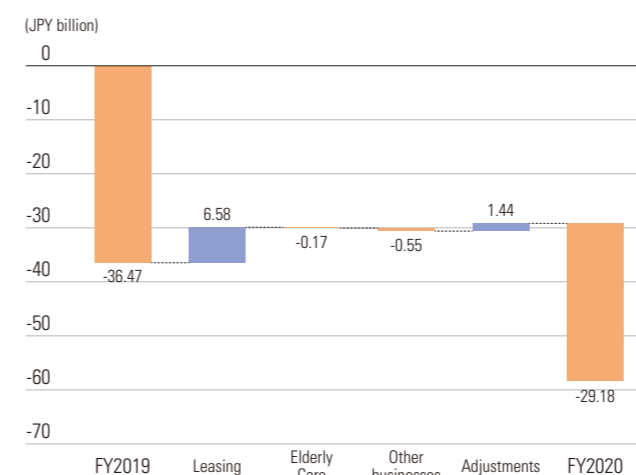
#### (2) Earnings

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

#### Operating Profit by Segment

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

#### Change in Operating Profit



#### (3) Segment Information

##### Leasing Business

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

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

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

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

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

##### Elderly Care Business

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

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

##### Other Businesses

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

### 3. Analysis of Consolidated Financial Position

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

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

Total liabilities decreased by JPY 36,932 million from the end of

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

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

## (2) Cash Flow Position

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

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

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

As a result, cash and cash equivalents at the end of the fiscal year ended March 2021 was JPY 53,346 million, decreased by JPY 5,570 million from the end of the previous fiscal year.

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

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

### (1) Management Policies

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

#### (i) Drastic restructuring

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

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

#### (ii) Improving occupancy rates

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

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

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

### Financial Strategy

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

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

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

### (2) Key Issues to Address

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

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

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

### (3) Business Environment

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

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

Under these circumstances, we need to turnaround the business by acquiring the additional corporate demand for providing their employees with company-provided housing or dormitories. We will keep realizing our purpose as a provider of social infrastructure for housing amounting to 570,000 managed units.

# Financial Section

## Consolidated Balance Sheet

Leopalace21 Corporation and consolidated subsidiaries  
March 31, 2021 and 2020

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

The accompanying notes are an integral part of these statements.

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

The accompanying notes are an integral part of these statements.

## Financial Section

# Consolidated Statement of Income

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

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

The accompanying notes are an integral part of these statements.

## Financial Section

# Consolidated Statement of Comprehensive Income

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

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

The accompanying notes are an integral part of these statements.

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

## Financial Section

# Consolidated Statement of Changes in Equity

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

	JPY million											
	Shareholders' equity					Accumulated other comprehensive income						
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Net unrealized gains on other securities	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Share Subscription rights	Non-controlling interests	Total net assets
Balance as of March 31, 2019	75,282	45,148	(38,635)	(655)	81,140	280	(176)	(327)	(224)	404	17	81,338
Issuance of new shares	—	—	—	—	—	—	—	—	—	—	—	—
Net income attributable to shareholders of the parent	—	—	(80,224)	—	(80,224)	—	—	—	—	—	—	(80,224)
Disposal of treasury stock	—	—	(47)	181	134	—	—	—	—	—	—	134
Change in the scope of consolidation	—	—	33	—	33	—	—	—	—	—	—	33
Change in share of parent from transactions with non-controlling interests	—	—	—	—	—	—	—	—	—	—	—	—
Net change of items other than shareholders' equity	—	—	—	—	—	766	(103)	(218)	444	(135)	(0)	307
Total change during period	—	—	(80,238)	181	(80,056)	766	(103)	(218)	444	(135)	(0)	(79,748)
Balance as of March 31, 2020	75,282	45,148	(118,874)	(473)	1,083	1,047	(280)	(546)	220	269	16	1,589
Issuance of new shares	5,999	5,999	—	—	11,999	—	—	—	—	—	—	11,999
Net income attributable to shareholders of the parent	—	—	(23,680)	—	(23,680)	—	—	—	—	—	—	(23,680)
Disposal of treasury stock	—	—	(32)	128	96	—	—	—	—	—	—	96
Change in the scope of consolidation	—	—	—	—	—	—	—	—	—	—	—	—
Share change of the parent company concerning the business with non-controlling shareholder	—	4,026	—	—	4,026	—	—	—	—	—	—	4,026
Net change of items other than shareholders' equity	—	—	—	—	—	(1,047)	(1,596)	403	(2,240)	119	11,366	9,245
Total change during period	5,999	10,026	(23,712)	128	(7,557)	(1,047)	(1,596)	403	(2,240)	119	11,366	1,687
Balance as of March 31, 2021	81,282	55,174	(142,586)	(344)	(6,474)	(0)	(1,877)	(142)	(2,019)	388	11,383	3,277

	USD thousand (Note 1)											
	Shareholders' equity					Accumulated other comprehensive income						
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Net unrealized gains on other securities	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Share Subscription rights	Non-controlling interests	Total net assets
Balance as of March 31, 2020	679,996	407,809	(1,073,743)	(4,275)	9,786	9,457	(2,533)	(4,933)	1,989	2,429	151	14,357
Issuance of new shares	54,195	54,195	—	—	108,391	—	—	—	—	—	—	108,391
Net income attributable to shareholders of the parent	—	—	(213,897)	—	(213,897)	—	—	—	—	—	—	(213,897)
Disposal of treasury stock	—	—	(290)	1,162	871	—	—	—	—	—	—	871
Change in the scope of consolidation	—	—	—	—	—	—	—	—	—	—	—	—
Share change of the parent company concerning the business with non-controlling shareholder	—	36,368	—	—	36,368	—	—	—	—	—	—	36,368
Net change of items other than shareholders' equity	—	—	—	—	—	(9,459)	(14,420)	3,645	(20,234)	1,076	102,667	83,509
Total change during period	54,195	90,564	(214,188)	1,162	(68,266)	(9,459)	(14,420)	3,645	(20,234)	1,076	102,667	15,243
Balance as of March 31, 2021	734,191	498,373	(1,287,931)	(3,113)	(58,479)	(1)	(16,954)	(1,288)	(18,244)	3,506	102,819	29,601

The accompanying notes are an integral part of these statements.

## Financial Section

# Consolidated Statement of Cash Flows

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

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

The accompanying notes are an integral part of these statements.



## Financial Section

# Notes to Consolidated Financial Statements

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

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

The accompanying notes are an integral part of these statements.

### 1. Basis of Presenting Consolidated Financial Statements

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

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

The translation of the Japanese yen amounts into U.S. dollars is prepared solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2021, which was JPY 110.71 to USD 1.00. Such translation should not be construed as a representation that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange. Certain amounts in the previous year’s financial statements have been reclassified to conform to the current fiscal year’s presentation.

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

### 2. Going concern assumption

There are no issues applicable to the going concern assumption.

### 3. Summary of Significant Accounting Policies

#### (1) Consolidation

Names of significant subsidiaries (20 in total)

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

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

The accompanying consolidated financial statements as of March 31, 2021 include the accounts of the Company and its 20 (24 as of March 31, 2020) subsidiaries and four associated companies Woori & Leo PMC Co., Ltd, Ancora Residential Fund LP, PT TEGUH BINA KARYA, and Learn JP Corp. in equity method (together, “the Companies”). The fiscal year closing dates of these four companies are different from the consolidated balance sheet date. The respective financial statements of the Companies were used for consolidation.

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

The balance sheet dates of Leopalace Guam Corporation and other 11 subsidiaries are all the same, being December 31. For the consolidated entities whose fiscal year ends different from that of the Company but within 3 months, their financial results are used in the preparation of consolidated financial statements. When significant transactions occur to those subsidiaries between their fiscal year ends and the Company’s fiscal year end, those transactions are necessarily adjusted to consolidate.

#### (2) Cash and deposits or cash equivalents

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

### (3) Inventories

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

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

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

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

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

### (4) Securities

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

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

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

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

### (5) Derivative financial instruments and hedge accounting

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

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

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

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

for machinery, equipment and vehicles, and 5 to 10 years for tools, furniture and fixtures.

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

### (7) Intangible fixed asset

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

### (8) Long-term prepaid expenses

Long-term prepaid expenses are amortized evenly over a period mainly from 5 to 7 years for master lease rent.

### (9) Stock issue expenses

Stock issue expenses are charged to funding costs when incurred.

### (10) Allowance for doubtful accounts

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

### (11) Liability for retirement benefit

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

Actuarial gains/losses, which are prorated according to the straight-line method over a specified period (5 years) within the average remaining service years of employees at the time of accrual, are amortized starting from the next fiscal year of the respective accruals. Unrecognized actuarial gains/losses are posted after tax effects, as the cumulative amount of adjustments attributed to accumulated other comprehensive income in the net assets. Certain consolidated subsidiaries have adopted a simplified method of calculation with liability for retirement benefits and retirement benefits expense. Under this simplified method, retirement benefit obligation is deemed to be equal to the amount which would be required to pay if all eligible employees voluntarily retire at the end of the fiscal year.

### (12) Provision for losses related to repairs

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

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

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

(ii) Accounting estimates per item

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

The Company provided the provision for losses related to repairs based on the assumed amount in accordance with the actual defects rate to be prepared for possible repair expenses and associated expenses for the apartment buildings constructed by the Company. The Company has built the provision provided for repairing all the significant defects that the Company has recognized and there should not be any further expenses which may incur in the future.

The Company employed the following methods.

a. Repair expenses

Sort out the repairs by the types of defects and repair method and calculate the number of defective rooms based on the defective rate as a result of the all-building investigations, which is then multiplied by the actual unit cost or estimated unit cost.

b. Leasing expenses

Estimate the number of months for leasing the apartment buildings which other companies manage but not the Company, which is then multiplied by the actual monthly rent.

c. Investigation expenses

Calculate the number of rooms which are yet to be investigated and of which repair completion needs to be confirmed, which is then multiplied by the actual unit expenses for commission payable to the first-class architects.

d. Relocation expenses

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

The way of calculating the repair expenses and associated expenses has been changed from the unit cost which was based on own construction department's estimate to the estimated unit cost prepared by the external construction companies. In addition,

lowered unit repair cost was attributable to placing batch orders and by employing a new construction method, insourcing for a part of repair works, and impact from revised repairing plan.

In case of changes in conditions and assumptions based on which the estimate was prepared, provision for losses related to repairs may be changed in the consolidated financial statements for the fiscal year ending March 2022.

### (13) Provision for apartment vacancy loss

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

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

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

(ii) Accounting estimates per item

The Company employed below specific method for estimation. Compare the sum of revenue from the tenant for the rent and associated services considering the occupancy rate projection for individual apartments and sum of expenses which consist of master lease rent and management expenses. In case the sum of expenses exceeds the sum of revenue for a certain apartment, multiply the monthly deficit by the remaining number of contract months.

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

The Company made occupancy rate projection considering the apartment's surrounding conditions, room demand and impact of COVID-19 spread as step one; adjusted the step one result by taking account of the results of suspended tenant recruitment which may be required because of repair works as step two.

In case of changes in conditions and assumptions based on which the estimate was prepared, provision for apartment vacancy loss may be changed in the consolidated financial statements for the fiscal year ending March 2022.

#### (14) Provision for warranty obligations on completed projects

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

#### (15) Provision for fulfillment of guarantees

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

#### (16) Revenues and costs of construction contracts

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

#### (17) Advances received

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

#### (18) Amortization method and period of goodwill

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

#### (19) Income taxes

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

#### (20) Leased assets

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

#### (21) Foreign currency transactions

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

#### (22) Foreign currency financial statements

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

#### (23) Interest capitalization

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

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

#### (24) Consumption taxes

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

#### (25) Earnings per share

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

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

### 4. Additional Information

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

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

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

#### (a) Summary

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

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

#### (b) Effective date

The new standards will be effective from the beginning of the fiscal year ending March 2022.

#### (c) Impact of the application of the relevant accounting standards

The impact of the application of Accounting Standard for Revenue Recognition on consolidated financial statements is currently being evaluated.

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

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

#### (a) Summary

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

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

#### (b) Effective date

The new standards will be effective from the beginning of the fiscal year ending March 2022.

#### (c) Impact of the application of the relevant accounting standards

The impact of the application of the Accounting Standard for Measurement of Fair Value on consolidated financial statements has not been determined at this time.

#### (3) Applied Accounting Standard for Disclosure of Accounting Estimates

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

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

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

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

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

## 5. Cash and Cash Equivalents

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

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

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

For the year ended March 2021

None

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

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

## 6. Financial Instruments

(1) The financial instruments and related disclosures

(a) Policy for financial instruments

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

accounting estimates such as the recoverability of deferred tax assets are made.

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

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

Operating receivables and loans outstanding are exposed to credit risk.

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

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

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

Loans payable are mainly for the purpose of raising funds necessary for the repair works, and lease obligations related to finance lease transactions are mainly for investment in facilities, and the longest repayment date is 6 years subsequent to the fiscal year end.

As of end of the year ended March 2021, there was no balance of derivative transactions.

(c) Risk management for financial instruments

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

Regarding securities and investment securities, the Company

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

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

(d) Supplementary explanations on fair value of financial instruments

Fair value of financial instruments is measured based on the quoted market price, or reasonably assessed value if a quoted market price is not available.

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

(2) Fair value of financial instruments

The carrying value on the consolidated balance sheet and fair value of financial instruments as of March 31, 2021 and 2020 as well as the differences between these values are described below. Financial instruments whose fair values appear to be extremely difficult to determine are not included in the table.

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

\*Notes:

- (i) Operating loans, long-term loans and bad debts have deductions of their respective allowance for doubtful accounts, which are recorded separately.
- (ii) As of March 31, 2021, current portion of long-term debt of JPY 144 million are included in long-term debt.

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

\*Notes:

- (i) Operating loans, long-term loans and bad debts have deductions of their respective allowance for doubtful accounts, which are recorded separately.  
(ii) As of March 31, 2020, bonds due within one year of JPY 3,066 million, and current portion of long-term debt of JPY 2,659 million are included in long-term debt.

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

\*Notes:

- (i) Operating loans, long-term loans and bad debts have deductions of their respective allowance for doubtful accounts, which are recorded separately.  
(ii) As of March 31, 2021, current portion of long-term debt of USD 1,033 thousand are included in long-term debt.

Notes:

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

**Assets**

**Cash and deposits**

**Trade receivables and accounts receivable for completed projects**

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

**Securities and investment securities**

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

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

**Operating loans**

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

**Long-term loans**

**Bad debts**

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

**Liabilities**

**Electronically recorded obligations**

**Accounts payable and accounts payable for completed projects**

**Account payable-other**

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

**Long-term debt,**

**Lease obligations**

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

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

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

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

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

March 31, 2021	JPY million			
	Due within 1 year	Due after 1 year through 5 years	Due after 5 years through 10 years	Due after 10 years
Cash and deposits	54,863	—	—	—
Trade receivables and accounts receivable for completed projects	8,455	—	—	—
Securities and investment securities				
Held-to-maturity debt securities				
(1) Government and municipal bonds	100	300	200	—
(2) Corporate bonds	—	—	—	—
Other securities with maturities				
(1) Government and municipal bonds	—	—	36	—
(2) Bonds (Corporate bonds)	—	—	—	824
(3) Others	—	—	—	861
Operating loans	22	36	19	8
Long-term loans	14	606	12	462
Bad debts	—	—	—	249
<b>Total</b>	<b>63,456</b>	<b>942</b>	<b>268</b>	<b>2,406</b>

March 31, 2020	JPY million			
	Due within 1 year	Due after 1 year through 5 years	Due after 5 years through 10 years	Due after 10 years
Cash and deposits	60,501	—	—	—
Trade receivables and accounts receivable for completed projects	7,792	—	—	—
Securities and investment securities				
Held-to-maturity debt securities				
(1) Government and municipal bonds	200	200	500	—
(2) Corporate bonds	—	—	—	—
Other securities with maturities				
(1) Government and municipal bonds	150	—	36	—
(2) Bonds (Corporate bonds)	5,600	—	—	824
(3) Others	—	—	—	866
Operating loans	46	52	21	12
Long-term loans	145	414	18	447
Bad debts	—	—	—	225
<b>Total</b>	<b>74,436</b>	<b>666</b>	<b>575</b>	<b>2,376</b>

March 31, 2021	USD thousand			
	Due within 1 year	Due after 1 year through 5 years	Due after 5 years through 10 years	Due after 10 years
Cash and cash equivalents	495,559	—	—	—
Trade receivables and accounts receivable for completed projects	76,377	—	—	—
Securities and investment securities				
Held-to-maturity debt securities				
(1) Government and municipal bonds	903	2,709	1,806	—
(2) Corporate bonds	—	—	—	—
Other securities with maturities				
(1) Government and municipal bonds	—	—	325	—
(2) Bonds (Corporate bonds)	—	—	—	7,445
(3) Others	—	—	—	7,784
Operating loans	203	326	176	73
Long-term loans	129	5,480	113	4,177
Bad debts	—	—	—	2,251
<b>Total</b>	<b>573,173</b>	<b>8,516</b>	<b>2,421</b>	<b>21,732</b>

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

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

March 31, 2020	JPY million					
	Due within 1 year	Due after 1 through 2 years	Due after 2 through 3 years	Due after 3 through 4 years	Due after 4 through 5 years	Due after 5 years
Short-term borrowings	847	—	—	—	—	—
Bonds	3,066	3,066	1,971	—	—	—
Long-term debt	2,659	2,639	2,437	1,396	1,405	7,771
Lease obligations	4,344	3,113	1,151	238	28	—
<b>Total</b>	<b>10,918</b>	<b>8,818</b>	<b>5,560</b>	<b>1,634</b>	<b>1,434</b>	<b>7,771</b>

March 31, 2021	USD thousand					
	Due within 1 year	Due after 1 through 2 years	Due after 2 through 3 years	Due after 3 through 4 years	Due after 4 through 5 years	Due after 5 years
Short-term borrowings	—	—	—	—	—	—
Bonds	—	—	—	—	—	—
Long-term debt	1,033	893	973	1,062	271,902	1,707
Lease obligations	28,306	10,640	2,501	639	174	—
<b>Total</b>	<b>29,339</b>	<b>11,534</b>	<b>3,475</b>	<b>1,701</b>	<b>272,076</b>	<b>1,707</b>

## 7. Securities

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

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

March 31, 2020	JPY million		
	Consolidated balance sheet amount	Fair value	Difference
<b>Securities whose fair value exceeds the consolidated balance sheet amount:</b>			
Government and municipal bonds	905	915	10
Corporate bonds	—	—	—
Others	—	—	—
Subtotal	905	915	10
<b>Securities whose fair value does not exceed the consolidated balance sheet amount:</b>			
Government and municipal bonds	—	—	—
Corporate bonds	—	—	—
Others	—	—	—
Subtotal	—	—	—
Total	905	915	10

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

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

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

Note:

### March 31, 2021

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

March 31, 2020	JPY million		
	Consolidated balance sheet amount	Acquisition cost	Difference
<b>Securities whose consolidated balance sheet amount exceeds their acquisition cost:</b>			
Stock	1,610	100	1,510
Bonds:			
Government and municipal bonds	112	111	0
Corporate bonds	—	—	—
Others	—	—	—
Others	—	—	—
Subtotal	1,722	211	1,510
<b>Securities whose consolidated balance sheet amount does not exceed their acquisition cost:</b>			
Stock	12	13	(0)
Bonds:			
Government and municipal bonds	74	74	(0)
Corporate bonds	—	—	—
Others	—	—	—
Others	—	—	—
Subtotal	86	87	(0)
Total	1,808	299	1,509

Note:

#### March 31, 2020

Unlisted shares of JPY 2,935 million, shares in unconsolidated subsidiary and associates of JPY 1,060 million, unlisted bonds (corporate bonds and subordinate corporate bonds) of JPY 6,424 million, subordinate beneficiary rights to loans and account receivable in trust of JPY 866 million, and investments in silent partnership of JPY 114 million, are not included in the other securities given above, because they have no fair value and assigning them fair market prices is recognized to be extremely difficult. The Company acquired the unlisted bonds (subordinate corporate bonds) and the subordinate beneficiary rights to loans and accounts receivable in trust, as a result of the securitization of non-recourse apartment loans that financial institutions had loaned to clients as funds for paying construction charges to the Company.

March 31, 2021	USD thousand		
	Consolidated balance sheet amount	Acquisition cost	Difference
<b>Securities whose consolidated balance sheet amount exceeds their acquisition cost:</b>			
Stock	—	—	—
Bonds:			
Government and municipal bonds	—	—	—
Corporate bonds	—	—	—
Others	—	—	—
Others	—	—	—
Subtotal	—	—	—
<b>Securities whose consolidated balance sheet amount does not exceed their acquisition cost:</b>			
Stock	—	—	—
Bonds:			
Government and municipal bonds	326	328	(2)
Corporate bonds	—	—	—
Others	—	—	—
Others	—	—	—
Subtotal	326	328	(2)
Total	326	328	(2)

Note:

#### March 31, 2021

Unlisted shares of USD 15,871 thousand, shares in unconsolidated subsidiary and associates of USD 12,074 thousand, unlisted bonds (corporate bonds and subordinate corporate bonds) of USD 7,445 thousand, subordinate beneficiary rights to loans and accounts receivable in trust of USD 7,784 thousand, and investments in silent partnership of USD 1,023 thousand, are not included in the other securities given above, because they have no fair value and assigning them fair market prices is recognized to be extremely difficult. The Company acquired the unlisted bonds (subordinate corporate bonds) and the subordinate beneficiary rights to loans and accounts receivable in trust, as a result of the securitization of non-recourse apartment loans that financial institutions had loaned to clients as funds for paying construction charges to the Company.

(3) Proceeds from sales of other securities and gain or loss on these sales for the years ended March 31, 2021 and 2020 are summarized as follows:

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



March 31, 2020	JPY million		
	Proceeds from sale	Gain on sale in total	Loss on sale in total
Stock	4,782	2,368	—
Bonds:			
Government and municipal bonds	—	—	—
Corporate bonds	—	—	—
Others	—	—	—
Others	3,400	977	—
Total	8,182	3,346	—

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

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

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

## 8. Derivative Transactions

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

For the year ended March 31, 2021

None

For the year ended March 31, 2020

None

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

For the year ended March 31, 2021

None

For the year ended March 31, 2020

None

## 9. Main Properties

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

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

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

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

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

March 31, 2021

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

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

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

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

For the domestic business, which has been in a continuous

operating loss, the book values of shared assets were reduced to the recoverable amount, and the amount of the reduction was recorded as impairment loss.

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

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

March 31, 2020

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

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

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

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

flows at 5.7%, while net realizable value is determined based on publicly appraised value.

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

The recoverable amount of shared assets is measured based on the net selling price based on the value in use and posted prices.

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

## 10. Bad Debts

Bad debts are claims as stipulated under Article 32, Paragraph 1, and Item 10 of the Regulation concerning Financial Statements. Bad debts on March 31, 2021 and 2020 consist of the following:

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

## 11. Income Taxes

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

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

\*Notes:

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

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

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

\*Notes:

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

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

March 31, 2020	JPY million						Total
	Due within 1 year	Due after 1 through 2 years	Due after 2 through 3 years	Due after 3 through 4 years	Due after 4 through 5 years	Due after 5 years	
Tax loss carryforwards *(iii)	7,197	4,596	664	816	1,174	27,717	42,165
Valuation allowance	(7,197)	(4,596)	(664)	(816)	(1,103)	(27,666)	(42,045)
Deferred tax asset	—	—	—	—	70	50	120*(iv)

\*Notes:

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

(iv) Deferred tax assets of JPY 120 million are recorded for tax loss carryforwards of JPY 42,165 million (the amount multiplied by the statutory tax rate).The Company does not recognize a valuation allowance for such tax loss carryforwards to the extent that it is deemed recoverable based on projected future taxable income.

March 31, 2021	USD thousand						Total
	Due within 1 year	Due after 1 through 2 years	Due after 2 through 3 years	Due after 3 through 4 years	Due after 4 through 5 years	Due after 5 years	
Tax loss carryforwards *(v)	41,246	5,526	6,890	9,351	6,953	393,337	463,306
Valuation allowance	(41,246)	(5,526)	(6,890)	(9,351)	(6,932)	(393,195)	(463,143)
Deferred tax asset	—	—	—	—	21	141	163*(vi)

\*Notes:

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

(vi) Deferred tax assets of USD 163 thousand dollars are recorded for tax loss carryforwards of USD 463,306 thousand (the amount multiplied by the statutory tax rate).The Company does not recognize a valuation allowance for such tax loss carryforwards to the extent that it is deemed recoverable based on projected future taxable income.

(Changes in significant components of deferred tax assets and liabilities)

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

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

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

Information concerning reconciliation of the differences between the normal effective statutory tax rate and the actual effective tax rate is omitted, since net losses before tax were recorded in March 2020 and March 2021.

## 12. Short-term Borrowings and Long-term Debt

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

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

Note:

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

(2) The amounts of long-term debt and lease obligations (excluding their current portion) scheduled for repayment in five years from fiscal year ended March 31, 2021 are as follows:

	JPY million			
	Due after 1 through 2 years	Due after 2 through 3 years	Due after 3 through 4 years	Due after 4 through 5 years
Long-term debt	98	107	117	30,102
Lease obligations	1,178	276	70	19

	USD thousand			
	Due after 1 through 2 years	Due after 2 through 3 years	Due after 3 through 4 years	Due after 4 through 5 years
Long-term debt	893	973	1,062	271,902
Lease obligations	10,640	2,501	639	174

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

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

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

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

Note:

Within the assets pledged as collateral, cash and deposits, others (current assets) and JPY 36 million in investment securities are pledged as collateral for investees of consolidated subsidiaries and lenders of client's housing loans, and there are no liabilities with collateral.

(5) Securities and investment securities which have been deposited with the Legal Affairs Bureau on March 31, 2021 and 2020 are as follows:

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

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

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

Notes:

(i) Figures in parentheses represent the current portion.

(ii) The corporate bonds were redeemed on November 11, 2020, prior to the maturity date.

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

13. Retirement Benefit Plans

(1) Outline of retirement benefit plans

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

reference to job level and length of service.

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

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

(2) Defined benefit pension plan

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

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

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

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

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

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

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

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

Note:

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

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

	JPY million		USD thousand
	2021	2020	2021
Actuarial gains/losses	(403)	73	(3,645)
Total	(403)	73	(3,645)

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

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

(g) Matters concerning pension assets are as follows:

(1) Major components of pension assets

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

Note:

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

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

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

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

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

(3) Defined contribution pension plan

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

## 14. Stock Options

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

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

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

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

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

(a) Outline of stock options:

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

\* Note:

Reported by converting to the number of shares

**(b) Stock option transactions:**

Number of stock options as of the fiscal year ended March 31, 2021 is reported by converting to the number of shares.

**Number of stock options:**

	2016 Stock Option	2017 Stock Option	2018 Stock Option
<b>Non-vested (number of shares)</b>			
Previous fiscal year-end	—	—	—
Granted	—	—	—
Forfeited	—	—	—
<b>Vested</b>			
Outstanding	—	—	—
<b>Vested (number of shares)</b>			
Previous fiscal year-end	171,000	190,300	225,900
Vested	—	—	—
Exercised	61,500	68,800	79,300
Forfeited	—	400	—
Outstanding	109,500	121,100	146,600

**Price information (JPY):**

	2016 Stock Option	2017 Stock Option	2018 Stock Option
Exercise price	1	1	1
Average stock price at exercise	212	212	199
Fair value at the grant date	547	528	332

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

None

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

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

**15. Gain on Sale of Property, Plant and Equipment**

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

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

**16. Loss on Sale of Property, Plant and Equipment**

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

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

**17. Loss on Retirement of Non-current Assets**

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

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

**18. Loss related to repairs**

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

**19. Provision for losses related to repairs**

For the year ended March 2021

None

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

**20. Reversal of provision for losses related to repairs**

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

For the fiscal year ended March 2020

None

## 21. Special severance allowance

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

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

## 22. Repair expenses

For the year ended March 2021

None

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

## 23. Rental Properties

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

(USD 34,712 thousand) and JPY 1,407 million, respectively.

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

### March 31, 2021

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

### March 31, 2020

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

### March 31, 2021

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

Notes:

- Book values recorded on the consolidated balance sheets are the amount after deducting accumulated depreciation and accumulated impairment loss from acquisition cost.
- For the years ended March 31, 2021 and 2020, the main decreases are due to the sale of rental properties of JPY2,085 million (USD 18,833 thousand) and JPY 11,714 million, and impairment losses of JPY 3,843 million (USD 34,712 thousand) and JPY 1,407 million, respectively.
- Fair values as of the end of the fiscal years are calculated by the Company mainly based on "Real-estate appraisal standards".

## 24. Asset Retirement Obligations

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

## 25. Supplemental Information to the Statement of Changes in Equity

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

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

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

\*Notes:

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

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

Type	Class of shares issued upon exercise of SARs	Number of shares issued upon exercise of SARs				Outstanding as of March 31, 2021	
		April 1, 2020	Increase	Decrease	March 31, 2021	JPY million	USD thousand
5th series SAR*	Common stock	—	159,748,700	—	159,748,700	215	1,947
SARs as stock option	—	—	—	—	—	172	1,558
Total	—	—	159,748,700	—	159,748,700	388	3,506

\*Note:

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

(c) Matters concerning dividends for the year ended March 31, 2021 are as follows:

None

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

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

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

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

\*Note:

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

(b) Stock acquisition rights (SAR) and treasury share acquisition rights for the year ended March 31, 2020 are as follows:

Type	Class of shares issued upon exercise of SARs	Number of shares issued upon exercise of SARs				Outstanding as of March 31, 2020
		April 1, 2019	Increase	Decrease	March 31, 2020	JPY million
SARs as stock option	—	—	—	—	—	269
Total	—	—	—	—	—	269

(c) Matters concerning dividends for the year ended March 31, 2020 are as follows:

None

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

## 26. Leased assets

### (1) Finance lease transactions

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

### (2) Operating lease transactions

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

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

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

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

Note:

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

## 27. Guarantee Obligations

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

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

## 28. Segment Information

### (1) Overview of Reportable Segments

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

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

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

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

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

### (3) Changes in Reportable Segments

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

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



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

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

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

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

Notes:

(i) Breakdown of adjustments is as follows:

Segment profit (loss)

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

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

Segment assets

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

Increase in non-current assets and intangible assets

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

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

## Related information

### 1. Products and services

Information concerning products and services is omitted, since similar information is reported in "28. Segment Information."

### 2. Geographic area

#### (1) Sales

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

#### (2) Plant, property, and equipment

##### March 31, 2021

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

##### March 31, 2020

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

##### March 31, 2021

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

### 3. Major customers

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

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

##### March 31, 2021

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

##### March 31, 2020

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

##### March 31, 2021

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

#### Information concerning goodwill amortization and unamortized balance by reportable segments

##### March 31, 2021

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

Note:

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

##### March 31, 2020

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

Note:

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

##### March 31, 2021

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

Note:

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

### Information concerning gain on negative goodwill by reportable segments

For the years ended March 31, 2021 and 2020.

None

### 29. Amounts per Share

The following tables set forth the net assets and net income per share of common stock for the years ended March 31, 2021 and 2020:

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

Notes:

- (i) Diluted net income per share is not indicated because net loss per share is indicated, although there are potential common shares with dilutive effects.
- (ii) Basis of computation of basic and diluted net income per share for the year ended March 31, 2021 and 2020 is as follows:

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

### 30. Related Party Transactions

For the year ended March 31, 2021 and 2020.

None

### 31. Business Combinations

Business Combination under common control

None

### 32. Other

The following tables set forth quarterly information for the year ended March 31, 2021:

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

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

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

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

### 33. Subsequent Events

#### Reduction of common stock

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

#### (1) Purpose of reduction of common stock

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

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

#### (2) Main points in reduction of common stock

##### (a) Reduced amount of common stock

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

##### (b) Method of reduction

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

#### (3) Timeline in 2021

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

#### (4) Impact on the Company's financial result

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

**To the Board of Directors of  
LEOPALACE21 Corporation**
**Opinion**

We have audited the consolidated financial statements of LEOPALACE21 Corporation and its consolidated subsidiaries (the Group), which comprise the Consolidated Balance Sheet as at March 31, 2021, and the Consolidated Statement of Profit or Loss, Consolidated Statement of Other Comprehensive Income, Consolidated Statement of Changes in Equity and Consolidated Statement of Cash Flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

**Convenience Translation**

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2021 are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note X to the consolidated financial statements.

**Basis for Opinion**

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

**Key Audit Matters**

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

**Consideration of the going concern assumption**
**Contents of major audit considerations and reasons for decision**

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

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

The company has increased the occupancy rate by promoting remoteness such as customer service, previews, and contracts on the Web, strengthening customer service by actively utilizing intermediaries, developing sales strategies on an area-by-area basis, and changing to a system for managing income and expenditures. The company has strive to improve business performance and financial condition while improving and stabilizing

the business side, while striving to stabilize the financial side by optimizing master lease rent, reducing management costs, adjusting repair work schedules, etc. The company has determined that it has sufficient funds to continue its business and that there is no significant uncertainty regarding the going concern assumption.

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

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

**Audit response**

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

- In order to evaluate the estimated balance of funds, the following audit procedures were mainly carried out on the underlying profit plan.
  - We verified its consistency with the latest budget approved by management. Further to that, we also evaluated the accuracy of the estimate by conducting a comparative analysis of the profit plan of the previous year and the actual results thereafter.
  - We discussed with the management regarding the estimated number of rental contracts, the estimated number of contracted units, and the estimation of rent income, and conducted a trend analysis from past results.
  - We asked management about the progress forecast, the number of consensus opinions and the estimated amount of optimization, and evaluated the feasibility, regarding the optimization of master lease rent. In addition, we grasped the status of the agreement by the end of April 2021 and conducted a comparative analysis with the forecast.
  - We performed inquiries and discussed with management and others regarding the reduction of administrative costs, and confirmed the consistency of their answers with the past results and internal documents of the company.
- We examined the evaluation of uncertainty by management that reflects certain risks regarding the income and expenditure improvement measures reflected in the profit plan.
- We verified the consistency of the financial plan with the profit plan and the balance sheet plan.
- We inquired management about the additional measures for the company when future income and expenditure improvement did not progress as planned, and evaluated its feasibility.

**Provision for losses related to repairs**
**Contents of major audit considerations and reasons for decision**

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

In addition to the deficiencies in the barriers such as the back of the hut announced in April 2018, the company investigated all the properties it had constructed that are related with construction deficiencies announced in May 2018, February and May 2019. When any deficiencies are found, it has been decided to carry out repair work to comply with the legal specifications, and a construction deficiency countermeasures headquarters has been set up to investigate the construction property. In addition, for properties that were found to be inadequate by this survey, repair work is being carried out in sequence while coordinating with tenants and property owners.

In order to prepare for repair work costs and incidental costs related to deficiencies in construction properties,

the company considers the type of deficiency, lease rent managed by other companies constructed by the company, investigation by first-class architects, and resident's relocation cost burden. After considering these factors, the amount required for them is reasonably estimated, and a provision for losses related to repairs is recorded.

Estimating the provision for losses related to repairs involves the important judgment of management regarding the construction method and period of repair work, and how to deal with related parties including regulatory agencies, tenants and property owners. In addition, repair work costs and incidental costs are being continuously reviewed in consideration of changes in ordering methods and construction methods, partial in-house sourcing of outsourced work, and review of construction schedules. There is uncertainty in the estimation of the provision because the assumptions of the provision calculation are significantly affected by these situations.

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

#### Audit response

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

- We asked the management about the method and implementation schedule of the survey and repair work, and evaluated the feasibility based on the content of the report to the regulatory agency, the in-house personnel system related to the survey, the contract status with the repair company, etc.
- We compared the total number of properties subject to provision calculation with the company documents that were obtained from the past and analyzed the increases or decreases from the end of the previous consolidated fiscal year. We verified the consistency with other recognized information.
- We recalculated the deficiency rate used in the provision calculation.
- We inquired management regarding the estimated unit price of repair work, obtained the estimated unit price calculation material, and carried out the following audit procedures.
  - For those estimated unit price calculated based on the actual unit price, we recalculated the estimated unit price calculation after matching the voucher between the estimated unit price calculation document and the invoice for outsourcing costs. Further, we conducted a comparative analysis of past estimates and subsequent actual results and we confirmed that the actual values were used in the provision calculation after determining that there were no abnormal or non-recurring factors in the difference.
  - For those estimated unit price based on the estimate from an external contractor, we recalculated after matching the voucher between the estimated unit price calculation material and the estimate such as outsourcing costs.
- For the incidental costs, we performed a comparative analysis with past results regarding the unit price used in the calculation.
- We recalculated the amount of provision for losses related to repairs.
- We viewed the contents of the report to the regulatory agency and the status of discussions at the Risk Management Committee and the Compliance Committee, it was confirmed that important construction deficiencies that were not covered by the provision were not recognized.

#### Provision for apartment vacancy loss

##### Contents of major audit considerations and reasons for decision

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

The company rents (master lease rents) the constructed and delivered apartments and subleases them to general residents. As a result, the company prepares for the occurrence of vacancy loss due to the master lease contract, and the amount of loss expected to occur within a reasonably estimatable period based on the leased rent and future forecast occupancy rate for each individual rental property is recorded as a provision for apartment vacancy loss.

The provision for apartment vacancy loss is calculated by comparing the total income, which is the sum of rent income and other incidental income for each individual rental property, multiplied by the future occupancy rate, with the total expenditure, which is the sum of the master lease rent and management costs. It is calculated by multiplying the negative balance of the property whose total expenditure exceeds the total income by the remaining months of the lease contract.

The future forecast occupancy rate is calculated by making a primary estimate based on the surrounding conditions and demand of the property, and then making a secondary correction calculation in consideration of the impact of the suspension of tenant recruitment due to repair work.

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

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

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

#### Audit response

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

- Regarding the process related to the recording of provision for apartment vacancy loss, we mainly evaluated the design and operation status of the following internal controls (this includes the review and approval processes by management and others).
  - Determination and change of recruited rent
  - Future forecast occupancy rate estimate
  - Registration of master lease rent
- We compared the rent used to calculate the estimated rent income with the amount of rent offered as of the end of the fiscal year stored in the company's business management system.
- We inquired the management about the assumption of estimating the occupancy rate, and confirmed that it is consistent with any available external information.
- We conducted a comparative analysis of the monthly changes in the future forecast occupancy rate with past trends. In addition, we evaluated the accuracy of the estimation by comparing the occupancy rate estimated in the previous year with the actual results thereafter.
- Regarding the prospect of optimizing the master lease rent within the remaining contract period, we inquired management about the progress forecast, the number of consensus opinions and the estimated amount of optimization, and evaluated its feasibility.
- We verified the estimation method and grasped the agreement status by the end of April 2021 to confirm the consistency with the estimate regarding the estimated amount of rent optimization.
- We evaluated the validity of the correction calculation of the future forecast occupancy rate by confirming the consistency with the repair work schedule regarding the number of units for which the suspension of resident recruitment will be lifted after the end of the fiscal year.

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

### Responsibilities of Management and Audit & Supervisory Board Members and the Audit & Supervisory Board for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan.

Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over the Group's financial reporting process.

### Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures of the consolidated financial statements are in accordance with accounting standards generally accepted in Japan, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.


We communicate with Audit & Supervisory Board Members and the Audit & Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Audit & Supervisory Board Members and the Audit & Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.


From the matters communicated with Audit & Supervisory Board Members and the Audit & Supervisory Board, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Takefumi Sato 

Takefumi Sato  
Designated Engagement Partner  
Certified Public Accountant

Hidetoshi Nakano 

Hidetoshi Nakano  
Designated Engagement Partner  
Certified Public Accountant

Daishi Nishimura 

Daishi Nishimura  
Designated Engagement Partner  
Certified Public Accountant

Grant Thornton Taiyo LLC  
Tokyo, Japan  
18, Oct, 2021

# Data Compilation

## Social Key Performance Indicators

The Company engages in sustainable management initiatives under the leadership of the CSR Committee, which is chaired by the CSR officer, in collaboration with divisions and departments. The CSR Committee reports on the progress of initiatives in line with the five themes of the Basic CSR Action Policy, based on the quantitative targets set by each division and department, and moves initiatives to the next phase of the PDCA cycle. For the fiscal year ending March 2022, we updated the material issues identified for the previous fiscal year considering the current socioeconomic climate as well as the Company's own business conditions, and set KPIs for each materiality. Key topics and KPIs are approved by the CSR Committee, and these are periodically reported to the Board of Directors to conduct CSR activities.

### Governance

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

### Employee Composition (Parent company)

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

### Work-Life Balance (Parent company)

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

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

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

### Support for Employees Seeking to Obtain Qualifications

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

### Community Contributions

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

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

### Labor Safety and Health

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

### Stakeholder Communication Initiatives

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

### Certified Employees (as of March 2021)

(People)

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

### Efforts to Reduce our Environmental Impact

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

## Leasing Business Data

### Units Under Management

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

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

### Fiscal Year-End Occupancy Rates by Region

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

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

### Occupied Units by Contract Type

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

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

### Number of Leasing Sales Offices and Sales Personnel

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

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

### Subsidiary Equipments and Services

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

### Monthly Occupancy Rates for the Past 10 Years

	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
FY2011	81.09	80.64	80.87	80.45	80.50	81.05	80.43	80.69	80.54	81.65	82.73	83.40
FY2012	81.77	82.18	82.69	82.53	82.90	83.13	82.59	82.55	82.29	83.39	84.48	84.81
FY2013	83.32	83.67	83.69	83.50	83.84	84.28	84.23	84.31	84.12	85.61	86.92	87.47
FY2014	86.00	86.03	85.96	85.63	85.78	86.33	86.14	86.10	85.69	87.24	88.65	89.29
FY2015	87.88	87.61	87.59	87.32	87.26	87.70	87.26	87.14	86.89	88.38	89.80	90.53
FY2016	88.97	88.55	88.60	87.95	87.78	88.31	87.50	87.41	86.97	88.41	90.18	91.66
FY2017	90.51	90.28	90.55	89.75	89.88	90.21	89.73	89.69	89.44	90.83	92.43	93.72
FY2018	92.82	92.76	92.10	90.45	89.41	88.40	87.24	86.38	85.26	85.38	85.57	84.33
FY2019	82.35	81.95	81.40	80.67	80.21	80.07	79.49	79.21	78.91	80.19	81.82	83.07
FY2020	81.40	79.91	79.43	78.56	78.18	78.09	77.46	77.09	77.07	78.16	79.60	81.72

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

### Ratio of General Contracts and Monthly Contracts Over 10 Years

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

	General contracts	Monthly contracts
FY2011	79.8	20.2
FY2012	82.9	17.1
FY2013	85.8	14.2
FY2014	88.4	11.6
FY2015	89.8	10.2
FY2016	90.0	10.0
FY2017	91.1	8.9
FY2018	94.1	5.9
FY2019	93.2	6.8
FY2020	93.9	6.1



## Orders

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

(JPY million)

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

## Wealth Management Offices and Personnel

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

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

## Elderly Care Business Data

### Number of Facilities

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

(Facilities)

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

### Utilization Rate

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

(Utilization rate, %)

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

## External Environment

### Number of New Housing Starts

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

(Thousand units)

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

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

### Number of Households

The number of households in Japan is expected to decline starting 2025 due to the nation's trends of an aging population and low fertility rate. On the other hand, the number of single-person households is expected to continue increasing until 2030.

(Thousand households)

	2010	2015	2020 (projection)	2025 (projection)	2030 (projection)	2035 (projection)	2040 (projection)
Single-person households	16,785	18,418	19,342	19,960	20,254	20,233	19,944
Of which, under age 25	2,060	2,021	2,009	1,879	1,781	1,681	1,584
Of which, age 25–34	2,999	2,987	2,830	2,795	2,705	2,558	2,429
Of which, age 35–64	6,745	7,157	7,479	7,774	7,809	7,577	6,968
Of which, age 65 or older	4,980	6,253	7,025	7,512	7,959	8,418	8,963
Married couple	10,269	10,758	11,101	11,203	11,138	10,960	10,715
Married couple with child(ren)	14,474	14,342	14,134	13,693	13,118	12,465	11,824
Single parent with child(ren)	4,535	4,770	5,020	5,137	5,141	5,074	4,924
Other	5,779	5,044	4,510	4,123	3,833	3,583	3,350
Total	51,842	53,332	54,107	54,116	53,484	52,315	50,757

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

### Number of Vacant Homes in Japan

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

	1988	1993	1998	2003	2008	2013	2018
Number of vacant houses for rent (thousand units)	2,336	2,619	3,520	3,675	4,127	4,292	4,327
Houses for rent (thousand units)	14,015	15,691	16,730	17,166	17,770	18,519	19,065
Ratio of vacant dwellings (%)	14.3	14.3	17.4	17.6	18.8	18.8	18.5

Source: Housing and Land Survey (2018), the Ministry of Internal Affairs and Communications

\*Rate of vacant homes = number of vacant housings for rent / (number of vacant housings for rent + houses for rent)

### Projected Future Population of Japan

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

(Thousand people)

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

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

# Corporate Profile

## Corporate Data

(As of March 31, 2021)

Company Name: Leopalace21 Corporation  
 Head Office: 2-54-11 Honcho, Nakano-ku, Tokyo 164-8622  
 TEL: +81-3-5350-0001 (Main phone number)  
 Established: August 17, 1973  
 Common stock: JPY 100 million (As of August 10, 2021)  
 Operations: Construction, leasing and sales of apartments, condominiums, and residential housing; development and operation of resort facilities; broadband business; and elderly care business, etc.  
 Number of Employees: 5,082 (consolidated basis)  
 4,172 (non-consolidated basis)

## Members of Board of Directors and Auditors

(As of June 29, 2021)

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

**Audit & Supervisory Board Members**  
 Full-time Audit & Supervisory Board Member (Outside): Jiro Yoshino  
 Full-time Audit & Supervisory Board Member: Kenichiro Samejima  
 Audit & Supervisory Board Member (Outside): Takao Yuhara  
 Audit & Supervisory Board Member: Yoshitaka Murakami

## Major Shareholders (Top 10)

(As of March 31, 2021)

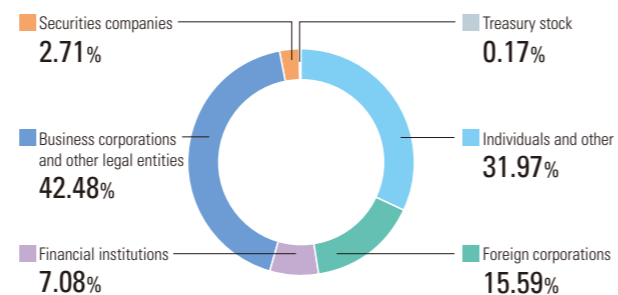
Shareholder Name (honorific titles are omitted)	Number of Shares (thousands of shares)	Percentage of Outstanding Shares
1 Chidori Godo Kaisha	84,507	25.69
2 Ardisia Investment, Inc	48,683	14.80
3 Noriyasu Shimada	11,474	3.48
4 STATE STREET BANK AND TRUST COMPANY 505103	9,295	2.82
5 The Master Trust Bank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

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

## Corporate Data (As of March 31, 2021)

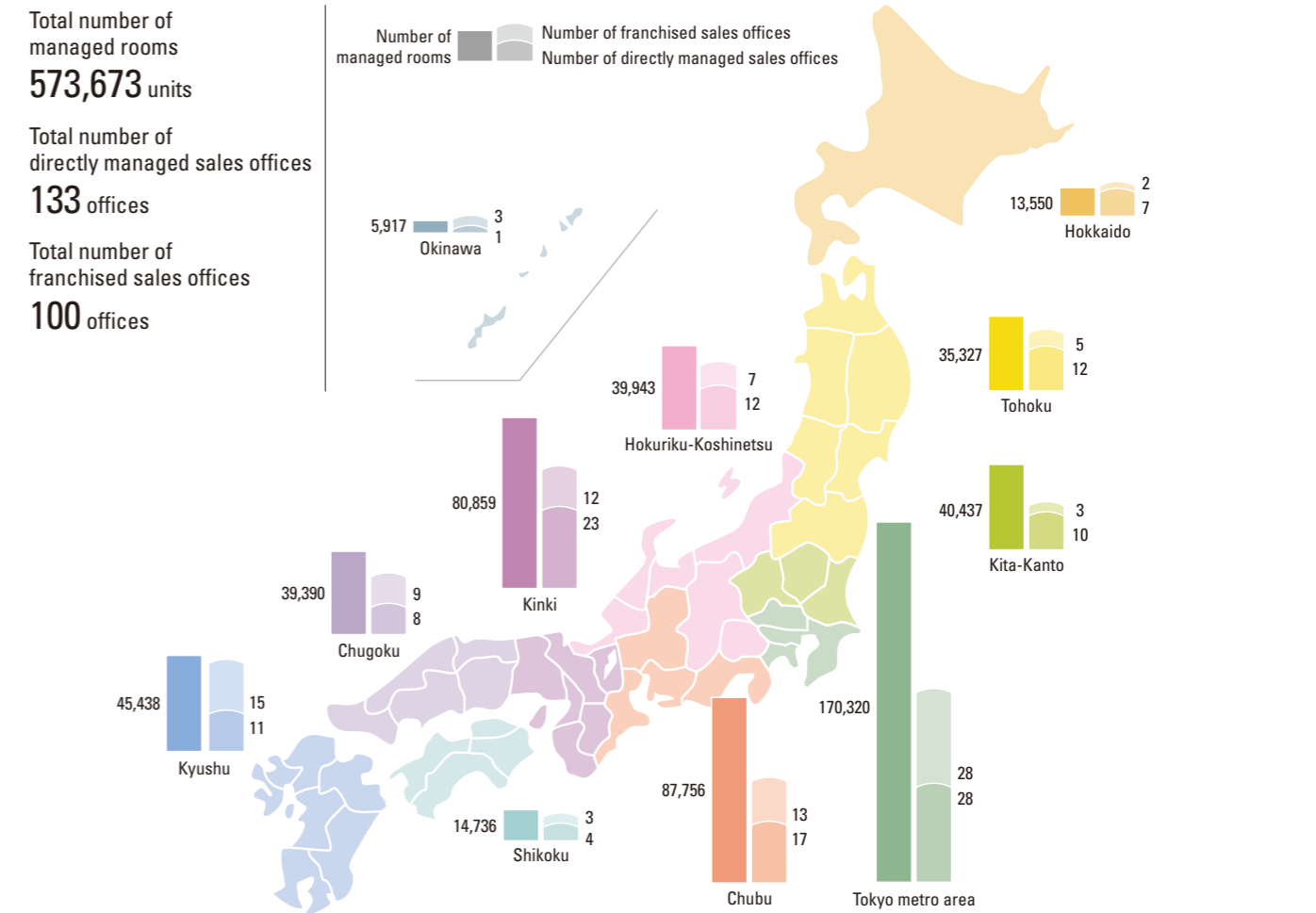
Number of shares authorized: 500,000,000  
 Number of shares outstanding: 329,389,515  
 Number of shareholders: 60,798  
 Listing: First Section of the Tokyo Stock Exchange  
 Administrator of Shareholder Registry: Sumitomo Mitsui Trust Bank, Limited

## Shareholder Composition (As of March 31, 2021)



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

(As of March 31, 2021)



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

