

FOR IMMEDIATE RELEASE

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Notice Concerning Consolidated Subsidiary's Concluding Pro Rata Reinsurance Contracts

Leopalace21 Corporation (Headquarters: Nakano, Tokyo; President and CEO: Bunya Miyao; the "Company") announced that Asuka SSI, a Company's consolidated subsidiary, was going to conclude pro rata reinsurance contracts for all of its insurance contracts in accordance with the resolution of the Company's Board of Directors.

1. Purpose of concluding pro rata reinsurance contracts

Asuka SSI has been concluding reinsurance contracts to prepare for payment of insurance claims in the event of a major disaster or earthquake disaster. Considering the increasing natural disasters in the recent years, Asuka SSI determined to transfer the risks through concluding pro rata reinsurance contracts for all the insurance contracts on a certain percentage. The solvency margin ratio for Asuka SSI for the fiscal year ended March 2021 was 631.7% (Note), and it is expected to exceed 2,000% with the reinsurance arrangement.

(Note) The solvency margin ratio is an index showing how much the insurance company has the solvency margin for risks that exceed the normal risks, and 200% is usually considered to be sufficient.

2. Outline of the pro rata reinsurance contracts

By concluding pro rata reinsurance contracts, a certain percentage of the insurance contracts underwritten by Asuka SSI will be reinsured to the reinsurance companies. If Asuka SSI pays an insurance claim, the reinsurance company will compensate for the insurance claim based on the reinsurance terms and conditions.

3. Impact on business performance

The impact on the Company's business performance is currently under scrutiny, and we will promptly inform you if it is found to have a material impact on the business performance in the future.

END