Securities Report

(Report under Article 24, Paragraph 1 of the
Financial Instruments and Exchange Act)
50th Fiscal Year
(from April 1, 2021 to March 31, 2022)

Takara Leben Co., Ltd.

Tekko Building 16F 1-8-2, Marunouchi, Chiyoda-Ku, Tokyo, Japan

(E03997)

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Fiscal Year	50th term (from April 1, 2021 to March 31, 2022)
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Place for public inspection	Kitakanto branch of Takara Leben Co., Ltd. (4-4-1 Takasago, Urawa-ku, Saitama-shi, Saitama) Takara Leben Osaka Branch (4-2-16, Koraibashi, Chuo-ku, Osaka-shi, Osaka) Tokyo Stock Exchange, Inc. (2-1 Nihombashi Kabutocho, Chuo-ku, Tokyo)

Part I. Company Information

I. Company Overview

1. Trends in Major Management Indicators, Etc.

(1) Consolidated management indicators, Etc.

Fiscal term		46th term	47th term	48th term	49th term	50th term
End of fiscal term		March 2018	March 2019	March 2020	March 2021	March 2022
Net sales	(Millions of yen)	110,851	132,005	168,493	148,397	162,744
Ordinary profit	(Millions of yen)	11,792	9,027	11,201	9,933	10,258
Profit attributable to owners of parent	(Millions of yen)	7,367	6,426	5,361	4,693	6,215
Comprehensive income	(Millions of yen)	7,624	6,408	5,202	5,327	6,293
Net assets	(Millions of yen)	42,907	47,734	51,139	54,632	59,601
Total assets	(Millions of yen)	177,588	184,893	195,448	204,315	223,473
Net assets per share	(Yen)	394.90	436.68	467.05	498.78	542.04
Profit per share	(Yen)	68.12	59.33	49.45	43.22	57.10
Diluted profit per share	(Yen)	67.80	59.00	49.11	42.94	56.69
Equity ratio	(%)	24.1	25.6	25.9	26.5	26.5
Return on equity	(%)	18.6	14.3	10.9	9.0	11.0
Price-to-earnings ratio	(Times)	6.8	5.8	7.1	8.6	5.2
Cash flows from operating activities	(Millions of yen)	9,869	22,428	47,708	26,330	23,189
Cash flow from investing activities	(Millions of yen)	(34,463)	(34,347)	(32,136)	(25,090)	(27,871)
Cash flows from financing activities	(Millions of yen)	24,012	3,427	(1,608)	2,654	(1,132)
Cash and cash equivalent at end of year	(Millions of yen)	29,042	20,642	34,605	38,500	32,693
Employees	(Persons)	789	892	973	1,061	1,200
Average number of temporary employees, which is not included in the number of employees		105	113	118	118	111

(Note) As the Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020), etc. from the beginning of the current fiscal year, the major management indicators and other figures for the fiscal year ended March 31, 2022 are after the application of the accounting standard, etc.

(2) Management indicators, etc. of the reporting company

Fiscal term		46th term	47th term	48th term	49th term	50th term
End of fiscal term		March 2018	March 2019	March 2020	March 2021	March 2022
Net sales	(Millions of yen)	85,038	98,823	123,908	96,949	88,949
Ordinary profit	(Millions of yen)	10,214	8,002	10,548	8,682	7,738
Profit	(Millions of yen)	6,376	5,982	4,667	3,257	5,052
Capital stock	(Millions of yen)	4,819	4,819	4,819	4,819	4,819
Number of shares issued	(Shares)	124,000,000	121,000,000	121,000,000	121,000,000	121,000,000
Net assets	(Millions of yen)	38,921	43,143	45,844	47,803	51,447
Total assets	(Millions of yen)	149,229	157,200	150,255	144,796	150,689
Net assets per share	(Yen)	358.09	396.14	420.64	438.12	469.97
Dividends per share	(Yen)	16.00	16.00	19.00	14.00	18.00
Interim dividends per share	(Yen)	5.00	5.00	6.00	4.00	4.00
Profit per share	(Yen)	58.96	55.23	43.05	30.00	46.42
Diluted profit per share	(Yen)	58.68	54.92	42.75	29.80	46.08
Equity ratio	(%)	26.0	27.3	30.4	32.9	34.0
Return on equity	(%)	17.6	14.6	10.5	7.0	10.2
Price-to-earnings ratio	(Times)	7.8	6.2	8.1	12.4	6.4
Dividend payout ratio	(%)	27.1	29.0	44.1	46.7	38.8
Employees	(Persons)	286	296	334	365	343
Average number of temporary employees, which is not included in the number of employees	(Persons)	5	5	10	9	8
Total shareholder return	(%)	96.0	75.8	80.6	88.3	77.0
Benchmark index: TOPIX Total Return Index	(%)	115.9	110.0	99.6	141.5	144.3
Year high	(Yen)	566	482	525	408	378
Year low	(Yen)	437	269	306	290	261

(Notes) 1. The high and low for the year are the stock prices on the First Section of the Tokyo Stock Exchange.

2. As the Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020), etc. from the beginning of the current fiscal year, the major management indicators and other figures for the fiscal year ended March 31, 2022 are after the application of the said accounting standard, etc.

2. History

September 1972	Takara Komuten Co., Ltd. established (share capital 1.7 million yen) in Yamatocho, Itabashi-ku, Tokyo
January 1973	Obtains Tokyo governor's building lots and buildings transaction business license ((1) No. 23405) and starts a real estate business.
May 1974	Moves the main office to Nakaitabashi, Itabashi-ku
June 1975	Purchases Daiichi Takara Building in Nakaitabashi, Itabashi-ku as a main office building
August 1975	Obtains Tokyo governor's construction business permit (General-50, No. 37608)
June 1979	Moves the main office to Daiichi Takara Building
September 1985	Obtains Tokyo governor's money lending business ((1) No. 05714)
May 1986	Establishes Takara Juhan Co., Ltd. to expand the real estate sales and agency business
April 1988	Established Takara Management Co., Ltd.
May 1989	The license held by Takara Juhan Co., Ltd. changes from a Tokyo governor's building lots and buildings transaction business license to a Construction Minister's license ((1) No. 3900)
May 1994	The Condominium Business Division of Takara Juhan Co., Ltd. established
June 1994	Launched sales of condominiums "Leben Heim"
February 1996	The business name of Takara Management Co., Ltd. changes to Leben Community Co., Ltd.
August 1999	Obtains Construction Minister's building lots and buildings transaction business license (license number Construction Minister (1) No. 5924)
September 1999	Absorbs Takara Juhan Co., Ltd.
October 2000	The name of the business changes from Takara Komuten Co., Ltd. to Takara Leben Co., Ltd.
August 2001	The main office moves to Toshima-ku, Tokyo
November 2001	Listed on the JASDAQ market
December 2001	Established TAFUCO Co., Ltd. (present Leben Zestock Co., Ltd.), which provides loan intermediary services
April 2003	Listed on the second section of the Tokyo Stock Exchange
March 2004	Listed on the first section of the Tokyo Stock Exchange
November 2004	Establishes AS Partners Co., Ltd., which engages in a nursing care business.
June 2005	The license changes from a general construction business license to a special construction business license (Special-17)
September 2005	The Trust Beneficiary Rights Sales Business is registered (Kanto Local Finance Bureau Director-General (Baishin) No. 241)
May 2006	The main office moves to Shinjuku Sumitomo Building in Shinjuku-ku, Tokyo
March 2009	Shares in AS Partners Co., Ltd. sold, and AS Partners changes from a consolidated subsidiary to an associate accounted for using the equity method
September 2009	Establishes the Kita-Kanto branch
May 2010	Japan's first capital increase through a rights offering completed
April 2012	Introduced new condominium brand "LEBEN"
October 2012	Takara Housing (present Leben Trust Co., Ltd.), which engages in real estate rental management, becomes a subsidiary
February 2013	Entry to mega-solar business
October 2013	Establishes Takara Asset Management Co., Ltd., which engages in investment management
November 2013	Sunwood Corporation becomes an associate accounted for using the equity method
April 2014	Established Hokuriku sales office
June 2014	Oasis Co., Ltd. (present Takara Leben Realnet Co., Ltd.), which engages in real estate distribution, becomes a subsidiary
October 2014	Nikko Kensetsu Co., Ltd. (present Leben Home Build Co., Ltd.) becomes a subsidiary.
January 2015	Live Net Co., Ltd. (present Takara Leben Tohoku Co., Ltd.) becomes a subsidiary and moves to Sendai-shi, Miyagi
	Jyutakujyouhoukan Co., Ltd. (present Takara Leben West Japan Co., Ltd.) becomes a subsidiary.
January 2016	Nikko Property Co., Ltd. become a subsidiary.
June 2016	Takara Leben Infrastructure Fund, Inc. becomes the first to be listed on the infrastructure fund market
January 2017	Announces NEBEL, a new condominium brand
April 2017	Established Osaka branch and Sapporo sales office
May 2017	Main office moved to Tekko Building, Marunouchi, Chiyoda-ku.
January 2018	PAG Investment Management Ltd. (present Takara PAG Real Estate Advisory Ltd.) becomes a subsidiary

March 2018	Established a representative office of Takara Leben Co., Ltd. in Hanoi, Vietnam
July 2018	Takara Leben Real Estate Investment Corporation listed on the Tokyo Stock Exchange
June 2019	Changed company name from Nikko Property Co., Ltd. to “Leben Trust Co., Ltd.”
October 2019	Leben Trust Co., Ltd. merged with Takara Property Co., Ltd.
February 2021	Establishes Leben Funding LLC., which engages in asset management
April 2021	ACA Clean Energy Co., Ltd. (present Leben Clean Energy Co., Ltd.), which engages in a renewable energy business, becomes a subsidiary
June 2021	Established Nagoya sales office
April 2022	Transferred from the First Section to the Prime Market of the Tokyo Stock Exchange following the Tokyo Stock Exchange’s revision of its market classifications

3. Businesses

The following is a description of the businesses of the major companies in the Takara Leben Group ("the Group").

Takara Leben Co., Ltd. ("the Company") engages mainly in the planning and development, sale, and Liquidation business of the Leben series of new condominiums for sale and an energy business.

Leben Community Co., Ltd., a consolidated subsidiary, primarily focuses on the comprehensive management of condominiums for sale.

Takara Leben Tohoku Co., Ltd., a consolidated subsidiary, sells real estate, particularly in eastern Japan.

Takara Leben West Japan Co., Ltd., a consolidated subsidiary, sells real estate, particularly in western Japan.

Nikko Takara Corporation Co., Ltd., a consolidated subsidiary, engages mainly in the sale of detached houses and a building contractor business.

Takara Leben Realnet Co., Ltd., a consolidated subsidiary, engages mainly in the real estate distribution business.

Leben Zestock Co., Ltd., a consolidated subsidiary, primarily renovates and sells real estate.

Leben Trust Co., Ltd., a consolidated subsidiary, engages mainly in the real estate rental management business.

Takara Asset Management Co., Ltd., a consolidated subsidiary, engages mainly in investment management.

Takara PAG Real Estate Advisory Ltd., a consolidated subsidiary, engages mainly in investment management.

Leben Clean Energy Co., Ltd., a consolidated subsidiary, engages mainly in the renewable energy business.

(Notes)
1. The Company newly acquired all of the issued shares of ACA Clean Energy Co., Ltd., and therefore included the company in the scope of consolidation. ACA Clean Energy Co., Ltd. changed its corporate name to Leben Clean Energy Co., Ltd. as of June 22, 2021.
2. The Company transferred all of its shares in Sunwood Corporation, which was an associate accounted for using the equity method, and excluded the company from the scope of application of the equity method.
3. The name of Nikko Takara Corporation Co., Ltd. changed to Leben Home Build Co., Ltd. on April 1, 2022.

Effective from the current fiscal year, the Company has changed the name of its reportable segment from "Electric Power Generation Business" to "Energy Business." This change is a change in the name of the segment and has no impact on the segment information.

(1) Real estate sales business

The Group plans, develops, and sells new condominiums under the brand names of LEBEN and NEBEL, among other condominiums.

(2) Real estate rental business

The Group rents apartments, condominiums, and offices, etc.

(3) Real estate management business

Leben Community Co., Ltd., a consolidated subsidiary, comprehensively manages condominiums for sale.

(4) Energy business

The Group engages in renewable energy power generation nationwide.

(5) Other business

- Nursing care business

Leben Community Co., Ltd., a consolidated subsidiary, provides day care service for rehabilitation.

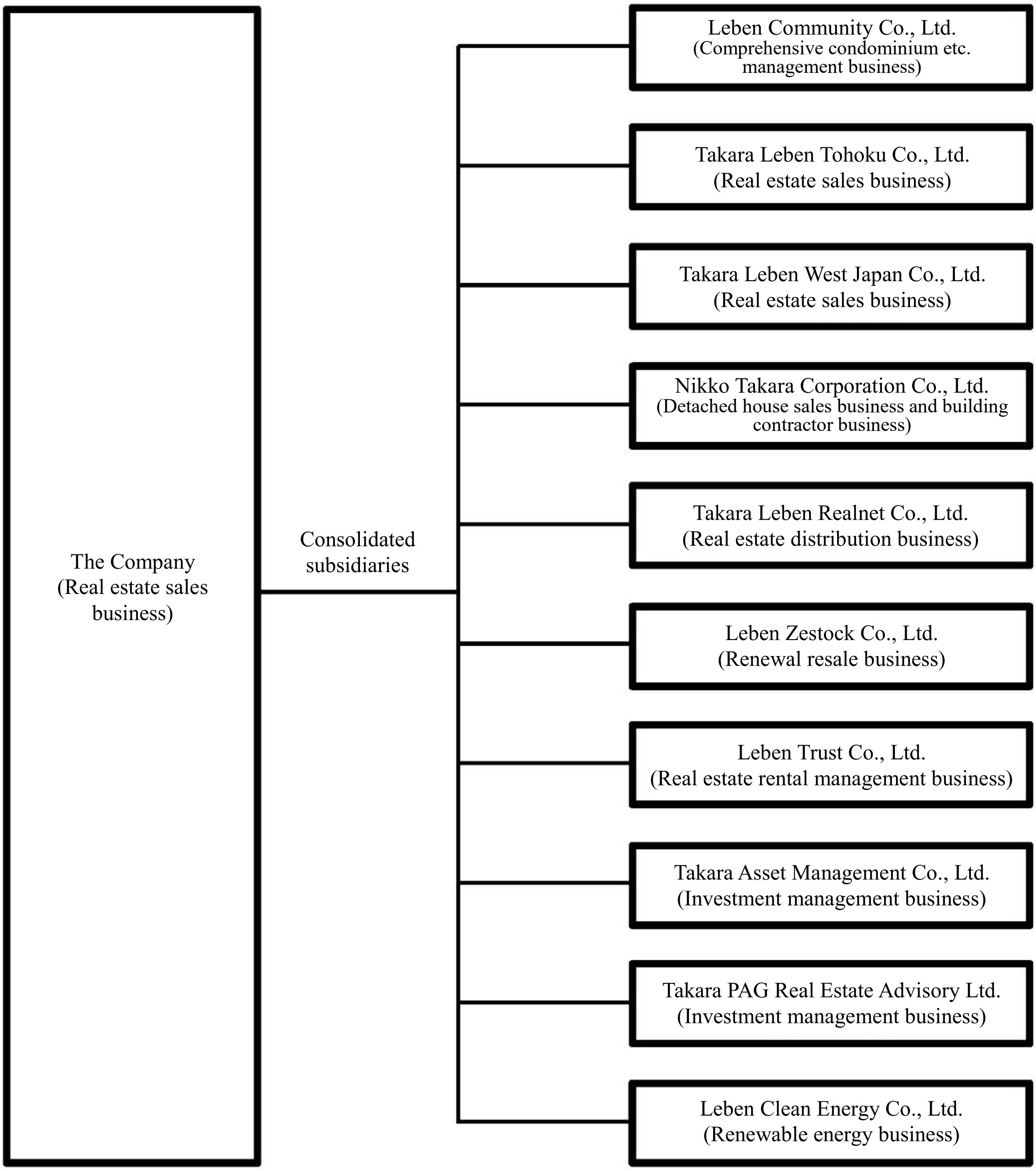
- Construction business

Nikko Takara Corporation Co., Ltd., a consolidated subsidiary, engages in the construction business.

- Other business

The Group engages in businesses other than the above, including a sales agency business, investment management business, and hotel business.

The chart below shows the Group's businesses.



4. Subsidiaries and Associates

Company name	Address	Capital stock (Millions of yen)	Main business	Percentage of voting rights held by the Company (%)	Relationships with the Company
(Consolidated subsidiaries) Leben Community Co., Ltd.	Chiyoda-ku, Tokyo	60	Real estate management business	100.0	Some officers hold concurrent positions.
Takara Leben Tohoku Co., Ltd.	Sendai-shi, Miyagi	110	Real estate sales business	100.0	–
Takara Leben West Japan Co., Ltd.	Matsuyama-shi, Ehime	98	Real estate sales business	100.0	Some officers hold concurrent positions.
Nikko Takara Corporation Co., Ltd. (Note 3)	Yokohama-shi, Kanagawa	200	Real estate sales business	100.0	Some officers hold concurrent positions.
Takara Leben Realnet Co., Ltd.	Chuo-ku, Tokyo	30	Real estate distribution business	100.0	Some officers hold concurrent positions. Financial assistance received
Leben Zestock Co., Ltd.	Chiyoda-ku, Tokyo	10	Real estate purchase and resale business	100.0	Some officers hold concurrent positions. Financial assistance received
Leben Trust Co., Ltd.	Yokohama-shi, Kanagawa	60	Real estate rental management business	100.0	Some officers hold concurrent positions.
Takara Asset Management Co., Ltd.	Chiyoda-ku, Tokyo	250	Investment management business	100.0	Some officers hold concurrent positions.
Takara PAG Real Estate Advisory Ltd.	Minato-ku, Tokyo	50	Investment management business	60.0	–
Leben Clean Energy Co., Ltd. (Notes 1 and 4)	Chuo-ku, Tokyo	655	Renewable energy business	100.0	Financial assistance received
Other 14 companies					
(Associate accounted for using the equity method) Minato (limited liability company)	Shibuya-ku, Tokyo	108	Overseas business	34.0	–
Other 2 companies					

(Notes)
1. The Company newly acquired all of the issued shares of ACA Clean Energy Co., Ltd., and therefore included the company in the scope of consolidation. ACA Clean Energy Co., Ltd. changed its corporate name to Leben Clean Energy Co., Ltd. as of June 22, 2021.
2. The Company transferred all of its shares in Sunwood Corporation, which was an associate accounted for using the equity method, and excluded the company from the scope of application of the equity method.
3. The name of Nikko Takara Corporation Co., Ltd. changed to Leben Home Build Co., Ltd. on April 1, 2022.
4. The company is a specified subsidiary.

5. Employees

(1) Employees at consolidated companies

As of March 31, 2022

Segment name	Employees (persons)
Real estate sales business	1,200 (111)
Real estate rental business	
Real estate management business	
Energy business	
Other	
Total	1,200 (111)

(Notes) 1. The number of employees is the number of full-time employees.

2. The numbers in parentheses are not included in the numbers of employees. They are the numbers of temporary employees in the past year calculated on the assumption that each employee worked eight hours a day.

3. The Group's organization is not structured according to business types. The same employee engages in multiple types of business.

4. The number of employees increased 139 from the end of the previous fiscal year chiefly because Leben Clean Energy Co., Ltd. (former ACA Clean Energy Co., Ltd.) has become a consolidated subsidiary.

(2) Employees at the reporting company

As of March 31, 2022

Employees (persons)	Average age	Average years of service	Average annual salary (yen)
343 (8)	36.1	6.4	7,441,000

Segment name	Employees (persons)
Real estate sales business	343 (8)
Real estate rental business	
Energy business	
Other	
Total	343 (8)

(Notes) 1. The number of employees is the number of full-time employees.

2. The numbers in parentheses are not included in the numbers of employees. They are the numbers of temporary employees in the past year calculated on the assumption that each employee worked eight hours a day.

3. Bonuses and extra wages are included in the calculation of the average annual salary.

4. The Company's organization is not structured according to business type. The same employee engages in multiple types of business.

(3) Labor union

No labor union has been organized. Labor-management relations are good.

II. Business Overview

1. Management Policy, Management Environment and Challenges to Address

The forward-looking statements below are based on judgments of the Group as of the end of the fiscal year under review.

(1) Management policy

The following is the corporate vision and corporate mission.

<u>Corporate vision: what we should be</u>

Think happiness and make the happiness.

We will think more seriously than anyone else about people's happiness and happy lives
and provide homes that will give shape to individual dreams.

We will think more deeply than anyone else about the happiness of communities and society
and contribute to the development of communities where everyone can live with a sense of security.

We will think more positively than anyone else about tomorrow's happiness
and propose the creation of a sustainable, environmentally friendly environment.

Think happiness and make the happiness.
That is the job of the Takara Leben Group.

<u>Corporate mission: our attitude</u>

Creating together

A sense of excitement

We value the sense of excitement shared with customers
and create new value in the market together with them.

A sincere attitude

We have a sincere attitude towards our partners and
create together with them the safety and security of people and society.

Ability to get things done

Employees, each of whom has the ability to get things done,
achieve sustainable growth together.

(2) Management strategies, etc.

<Overview of the strategies>

The Company announced in May 2021 a new mid-term management plan leading up to the fiscal year ending March 31, 2025 and a long-term vision of the Group: National Brand Establishment: Become a "company trusted by all stakeholders" as the professional of space/city/renewable energy development. The plan has the following seven pillars:

(1) Further growth of core businesses
(2) Maximize group synergy
(3) Optimize business portfolio
(4) Establishment of a stable financial ground
(5) Improvement of productivity and creation of new services through promotion of DX

(6) Proactive ESG considerations

(7) Personnel development and establishment of the rewarding workplace environment

<Specific strategies>

a) New built-for-sale condominiums business

The basic policy is that this business, as the core business, will rebuild the stable nationwide supply system. The Group will develop new condominiums for sale under the brand names Leben and NEBEL in the Tokyo area and in major regional cities. The Group will primarily target families, single households, and DINKs in the Tokyo area and active senior citizens in major regional cities. In the medium term, the Group aims to sell 2,500 condominium units annually.

b) New detached house business

The basic policy is for the business which can provide a short-term return to play a role that complements the new built-for-sale condominiums business. The Group will enhance area marketing, rebuild the purchase and supply system and strive to establish a short-term return cycle.

c) Renovation and resale business

The basic policy is to establish a stable renewal business cycle. To respond to demand for used homes, which has been increasing in recent years, the Group will strive to maintain a proper inventory, making full use of its real estate network.

d) Liquidation business

The basic policy is to invest 30 billion yen to 50 billion yen every fiscal year. The Group will promote rental residential property development and work to optimize the asset portfolio. When the Company sells assets to Takara Leben Real Estate Investment Corporation, the Company obtains appraisal reports and examines the range of transaction prices. These sales are subject to necessary internal approval.

e) Real estate rental business

As a recurring revenue business, this business’s basic policy is to generate a stable profit. The Group will build a portfolio consisting primarily of residential and office properties.

f) Real estate management business

The basic policy for this business as a recurring revenue business is to make a stable profit. The Group will add to the number of managed units and launch business that will derive from real estate management to expand revenue opportunities.

g) Energy business (former Electric power generation business)

In this business, the Group will continue to develop power plants and purchase power generation facilities that have already begun operating. The Group will strive to build a business model that does not depend on feed-in tariffs. When the Company sells assets to Takara Leben Real Estate Investment Corporation, the Company obtains business valuation reports for the assets from external experts as needed and examines the range of transaction prices. These sales are subject to necessary internal approval.

h) Other business

The basic policy is to expand peripheral businesses derived from other businesses. The Group will aim to expand business and leverage advantages of scale and make sure to tap into revenue opportunities derived from other segments.

i) Overseas business

Overseas, the Group will engage primarily in the real estate sales business, which will complement the domestic business. The Group will operate a real estate sales business in Southeast Asia for some time to come.

(3) Objective indicators to assess performance versus management targets, etc.

The Company manages business, considering equity ratio, loan to value, debt-equity ratio, and ROE. The targets are an equity ratio of 30% or more, a loan to value ratio below 60%, a debt-equity ratio below 2.5, and an ROE of 13% or more.

(4) Operating environment

The business environment surrounding the Group is changing rapidly due to a variety of factors, including a declining birthrate and aging population, a decreasing working population, and the advancement of AI. The Group will flexibly and promptly respond to these changes to maximize corporate value and realize its vision: Think happiness and make the happiness.

Specific issues that the Group should address are described in (5) Business and financial issues to be addressed.

(5) Business and financial issues to be addressed

(i) Attitude toward the real estate market

In the real estate sales business, the Group's core business, relatively significant changes in performance occur due to a range of changes in the external environment, including market trends. The Group strives to build a business model where performance is not significantly affected by the external environment by consistently developing and supplying products that respond to the stable demand that exists instead of investment products.

The liquidation business also tends to be significantly affected by the external environment. The Group will strive to improve safety by acquiring and developing assets in considering of the balance of the entire portfolio.

(ii) Active engagement in ESG practices

The Group has set four key CSR themes, creating lifestyles with value, forming communities, providing comfortable high-quality spaces, and developing environments and culture, and has identified 15 key issues in line with these themes. The Group will increase its efforts to address the key issues to enhance its corporate value and be a company that is needed by society.

Currently, businesses are being required to implement environmental initiatives to contribute to he achievement of a decarbonized society, such as the reduction of greenhouse gas emissions and the use of renewable energy, in response to climate change and increasingly severe natural disasters. The Group will contribute to the achievement of a decarbonized society by providing ZEH (net zero energy house) condominiums, developing renewable energy power plants that the Group has been developing for some years, and promoting the PPA (power purchase agreement) model where power generation companies and consumers directly enter into agreements.

(iii) Strengthening the financial base

In the real estate sales business, the Group's core business, the Group, in principle, acquires commercial land and existing profit-generating real estate with money borrowed from financial institutions and other entities. Interest-bearing debt tends to increase with the expansion of business. The Group will strive to stabilize its financial position by keeping the equity ratio stable and setting limits on the loan to value ratio (LTV) and debt-equity ratio and strengthen its financial base by diversifying financing methods.

(iv) Hiring and developing human resources

As the Group is expanding its business domains and the geographic areas in which it does business, the number of personnel needed is increasing. The Group will recruit new graduates and mid-career employees more actively in its hiring of good human resources. Meanwhile, to build a strong organizational structure, the Group will continue striving to cultivate its middle-level employees.

(v) Promoting Digital Transformation (DX)

As digitalization has been advancing rapidly in recent years, the Group believes that it is necessary to use more digital solutions that are directly linked to the improvement of customer convenience and the increase of corporate value in addition to providing existing services to maintain the Group's competitive advantage.

To respond to market needs in a timely manner, the Group will actively invest to enable employees it improve their digital technology literacy, increase their ability to innovate, and enhance their ability to act while assessing cost effectiveness, and will advance digital transformation and innovation in its value chains.

2. Business Risks

Of the matters regarding business and accounting situations, etc. described in the financial statements in security reports, the main risks that the operator recognizes as having the possibility of significantly impacting the financial condition, business performance, or cash flow condition of consolidated companies are as follows.

The forward-looking statements in this document are based on the judgment of the Group as of the end of the consolidated fiscal year under review.

a) Earthquakes and other natural disasters

The direct impact of earthquakes and other natural disasters on the Company and its contractors, construction companies, etc., or difficulty in procuring construction materials caused by earthquakes and other natural disasters could lead to delays in construction and affect the Company's sales and returns. In that case, the Group's results and financial position could be affected. To mitigate risk, the Company has expanded the areas where it supplies condominiums, and it now supplies condominiums nationwide which has dispersed this risk.

b) Statutory regulations

The Group's businesses are regulated by laws, including the National Land Use Planning Act, Real Estate Brokerage Act, Building Standards Act, City Planning Act, Act on Controls, etc. on Money Lending, Act on Promotion of Proper Condominium Management, and Long-Term Care Insurance Act as well as the ordinances of local governments and other regulations. New laws and regulations and ordinances or revisions to laws and regulations and ordinances could cause new burdens and adversely affect the Group's results and business development.

The Group has become a member of industry associations and other organizations to gather necessary, accurate information. The Compliance & Risk Management Committee develops compliance systems.

c) Dependence on borrowings

The Group raises funds for purchasing land for condominiums and other purchase funds chiefly through borrowings from financial institutions. The ratio of interest-bearing debt to total assets at the end of the fiscal year under review stood at 57.3%. Any constraints on funding due to the worsening of financial market conditions or other reasons, or sharp rises in interest rates could adversely affect the Group's results and financial position.

To mitigate this risk, the Group has set a loan to value ratio (LTV) target at less than 60% and a debt-equity ratio target at less than 2.5 to avoid excessive dependence on borrowings and is striving to establish a stable funding environment by diversifying its financing methods.

d) Effects of buyer sentiment

The new built-for-sale condominiums business, the Group's main business, tends to be affected by buyer sentiment. Buyer sentiment is affected by economic trends, housing tax, consumption tax, land price trends and interest rate trends, among other factors. A significant decline in buyer sentiment could adversely affect the Group's results and financial position.

e) Effects of housing loans

Customers who purchase condominiums often use housing loans provided by the Japan Housing Finance Agency and financial institutions. Extremely inactive lending attitudes of those institutions chiefly due to changes in financial market conditions could adversely affect the Group's results and financial position.

f) Impact on supply trends

In the new built-for-sale condominiums business, the Group's main business, supply trends are likely to be affected by land purchase prices, changes in subcontracting prices paid to subcontractors and trends in financial markets. Anything significantly impacting the above factors that influence supply trends could significantly affect the Group's results and financial position.

g) Effects of competition, etc.

The Group operates a nationwide real estate sales business. Excessive price competition in specific areas could cause the periods of sales activities to become prolonged or increase the difficulty of selling real estate at the expected prices. In that case, the Group's results and financial position could be affected.

To mitigate the risk, the Group strives to avoid excessive price competition by accurately determining the activities of competitors and flexibly adjusting the timing of sales and sales prices.

h) Subcontractors

The Group requests its subcontractors build condominiums. Any increase in the amounts of construction contracts due to the increase of the price of building materials or labor costs could lower the profit margin. Any failure of the construction company, the subcontractor, could cause a delay in construction work or a breach of contract. A construction company's failure to fulfill their warranties could adversely affect the Group's results and financial position.

i) Opposition from residents living near condominium construction sites

There may be opposition from residents living near condominium construction sites due to noise during construction work, insufficient sunshine, environmental issues, etc. Any changes in construction plans, extension of construction periods, and additional costs incurred could adversely affects the Group's results and financial position.

Thus when building a condominium, the Group takes into consideration the environment surrounding the construction site and examines relevant laws and ordinances of local governments to formulate a development plan. The Group gives presentations to residents before construction starts to increase their understanding.

j) Possibility of litigation, etc.

The Group carefully examines the construction of condominiums from different perspectives. However, litigation resulting from defects in buildings or soil contamination may occur, and there may be changes in construction plans because of the litigation. In that case, the Group's results and financial position could be affected.

k) Impact of a decline in asset value

Any decline in the value of the inventories or non-current assets of the Company due to any worsening of economic condition or the real estate market could lead to inventory writedowns or impairment losses, which in turn could have adverse affects on the Group's results and financial position. The Group puts its non-current assets in different groups according to the projects they belong to. The groups are deemed to be the smallest unit for revenue generation and the Group's determination of signs of impairment. The Group decides whether it should recognize an impairment loss in each asset group where there are signs of impairment based on usage, actual revenue generated, net realizable value and other factors. The Group records impairment loss for an asset group when it determines that impairment must be recognized, assuming that the appraisal value of the real estate obtained from outside experts is the recoverable value.

l) Personal information

The Group handles a large amount of personal information in the sale and management of condominiums and other real estate. Any leakage of personal information could adversely affect the Group's results and financial position.

The Group has thus introduced software to prevent the leakage of personal information that it handles and manages. The Group has also formulated regulations, created a manual for employees and provides training to employees to prevent the leakage of information.

3. Management's Analysis of Financial Position, Operating Results and Cash Flows

(1) Overview of operating results, etc.

a. State of operating results

During the fiscal year under review, corporate activities and consumer spending were intermittently restricted in Japan due to COVID-19. With increased vaccinations and regulations, COVID-19 cases subsided, but the number of cases started to rise toward the end of 2021 due to the arrival of the COVID-19 variant. While the number of new COVID-19 cases reported remained at a certain level, quasi-emergency measures were discontinued on March 21, 2022. Due to the end of the measures, the flow of people increased and restaurants that were closed reopened. Social and economic activities are gradually normalizing.

In the real estate sales market in which the Group operates, consumer appetite was strong during the pandemic, although changes were seen in what customers were seeking from residences as the number of people working at home increased. Upward trends are continued in demand for convenient locations and daily life and compact condominiums, reflecting diversified end-users' lifestyles caused by a continued increase in single-person households and dual-income households and changes in consumer values. Meanwhile, demand in regional urban centers remains strong, thanks in part to the demand of active seniors, which continues to be high, and the trend of compact city development.

In the Tokyo metropolitan area, the number of condominium units supplied increased 23.5% from the previous fiscal year, to 33,636 (survey by Real Estate Economic Institute Co., Ltd.) partly due to a reaction to a decline in supply amid the pandemic in 2020. The supply-demand balance continues to be favorable, with the number of condominium units supplied remaining at the 30,000 level in recent years. The average sales price continued to rise and hit a record high for the third consecutive year.

The number of nationwide condominium units supplied increased 29.5% from the previous year, to 77,552 (survey by Real Estate Economic Institute Co., Ltd.), reflecting a reaction to a decrease in supply in the previous fiscal year due to COVID-19. In these conditions, the Group was the fifth largest condominium developer based on the number of condominium units supplied sold. As an independent general real estate developer, the Company plays a role in the maintenance of stable supply in the real estate sales market.

In the liquidation business, the Noda Nakazato Logistics Facility, the Company's first logistics facility, was completed in Noda, Chiba Prefecture in March 2022. The construction of the logistics facility is a new initiative in the liquidation business, one of the Company's major segments. It is also a project for the optimization of the liquidation business of the asset portfolio, where the assets are mainly residential properties and office buildings in major cities in the Kanto, Kansai and Chukyo areas.

The Company announced its new mid-term management plan on May 14, 2021. It will engage in CSR activities beyond the growth of profit through its business to help resolve social issues and achieve the Sustainable Development Goals (SDGs) and to earn the trust of society and diverse stakeholders, while considering their happiness and helping them to achieve it, to secure sustainable development.

In the fiscal year under review, the Company recorded consolidated net sales of ¥162,744 million (¥148,397 million in the previous year), consolidated operating profit of ¥11,877 million (¥10,789 million in the previous year), consolidated ordinary profit of ¥10,258 million (¥9,933 million in the previous year) and profit attributable to owners of parent of ¥6,215 million (¥4,693 million in the previous year).

Effective from the current fiscal year, the Company has adopted "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020), etc. Therefore, explanations regarding operating results for the current fiscal year are provided without stating the amount of increase or decrease compared to the previous fiscal year or the percentage change from the previous fiscal year.

For details, please refer to V. Financial Information, 1. Consolidated Financial Statements, (1) Consolidated financial statements, Notes (Changes in Accounting Policy).

<Net sales>

Effective from the current fiscal year, the Company has changed the name of its reportable segment from "Electric Power Generation Business" to "Energy Business." This change is a change in the name of the segment and has no impact on the segment information.

In the real estate sales business, net sales amounted to ¥109,152 million, reflecting sales of 1,830 units of new built-for-sale condominiums (including JV equity interests), profit-generating real estate, as well as new detached houses and used condominiums.

In the real estate rental business, net sales stood at ¥5,950 million due to rental revenues of apartments, condominiums and offices, etc.

In the real estate management business, net sales came to ¥5,856 million due to management fees, etc. from 69,335 units managed.

In the energy business, net sales were ¥34,248 million, including revenues from sales of power generation facilities that were already operating and revenues from the sale of electricity generated by other electric power generation facilities.
In other business, net sales were ¥7,536 million, reflecting contracts for construction works, orders for large-scale repair works, and commission income, etc.
As a result, consolidated net sales in the fiscal year under review stood at ¥162,744 million (¥148,397 million in the previous year).

<Cost of sales>
The cost of sales was ¥129,626 million (¥118,469 million in the previous year), reflecting an increase in revenue from sales of power generation facilities that were already operating.

<Selling, general and administrative expenses>
Selling, general and administrative expenses were ¥21,240 million (¥19,139 million in the previous year), chiefly due to an increase in staff following the expansion of business.

<Non-operating income and expenses>
Non-operating income came to ¥684 million (¥687 million in the previous year), explained mainly by a fall in share of profit of entities accounted for using the equity method for equity-method affiliates.
Non-operating expenses stood at ¥2,303 million (compared with ¥1,542 million in the previous fiscal year) mainly due to an increase in interest expenses resulting from the acquisition of consolidated subsidiaries.

<Extraordinary income and losses>
Extraordinary income came to ¥37 million, reflecting a gain on negative goodwill.
Extraordinary losses were ¥845 million (¥2,761 million in the previous year), primarily due to the recording of impairment losses.

The operating results of each business segment are detailed below.

<Real estate sales business>
Revenues from the real estate sales business amounted to ¥109,152 million (¥117,200 million in the previous fiscal year), as a result of revenues of ¥68,912 million from the sales of new built-for-sale condominiums, revenues of ¥23,571 million from the sale of profit-generating real estate, and revenues of ¥16,668 million from the sales of new detached houses and used condominiums, etc.

<Real estate rental business>
Revenues from the real estate rental business amounted to ¥5,950 million (¥5,753 million in the previous fiscal year), including rent revenues from the rental of apartments, condominium units and offices.

<Real estate management business>
Revenues from the real estate management business representing management fees from 69,335 units under management amounted to ¥5,856 million (¥5,446 million in the previous fiscal year).

<Energy business>
Revenues from the energy business amounted to ¥34,248 million (¥13,485 million in the previous year) including revenue from sales of power generation facilities that were already operating and revenues from the sale of electricity generated by other electric power generation facilities.

<Other business>
Revenues from other business totaled ¥7,536 million (¥6,512 million in the previous year) including revenues from contracts for construction works, orders for large-scale repair works, and commission income, etc.

b. Financial position

With regard to the status of consolidated assets, liabilities and net assets of the Group for the fiscal year under review, total assets increased ¥19,157 million from the end of the previous fiscal year, to ¥223,473 million, mainly reflecting steady purchase of business assets.

<Current assets>

Current assets rose ¥16,938 million from the end of the previous fiscal year, to ¥142,625 million, chiefly due to an increase in inventories resulting from new purchases and transfers of business assets to inventories.

<Non-current assets>

Non-current assets increased ¥2,260 million from the end of the previous fiscal year, to ¥80,792 million, mainly due to an increase in business assets as a result of change in the scope of consolidation.

<Current liabilities>

Current liabilities increased ¥19,360 million from the end of the previous fiscal year to ¥75,010 million, mainly due to an increase in short-term borrowings and transfers between long-term and short-term borrowings and bonds.

<Non-current liabilities>

Non-current liabilities decreased ¥5,172 million from the end of the previous fiscal year to ¥88,860 million, mainly due to transfers between long-term and short-term borrowings and bonds.

<Net assets>

Net assets increased ¥4,969 million from the end of the previous fiscal year, to ¥59,601 million, chiefly because the recorded amount of profit attributable to owners of parent exceeded amounts such as dividends of surplus.

c. Cash flows

Cash and cash equivalents ("funds") as of March 31, 2022 amounted to ¥32,693 million, a decrease of ¥5,806 million from March 31, 2021.

<Cash flows from operating activities>

Net cash provided by operating activities was ¥23,189 million (cash provided of ¥26,330 million in the previous fiscal year). This mainly reflects a decrease in inventories.

<Cash flows from investing activities>

Net cash used in investing activities was ¥27,871 million (cash used of ¥25,090 million in the previous fiscal year). This was chiefly due to purchase of property, plant and equipment.

<Cash flows from financing activities>

Net cash used in financing activities was ¥1,132 million (cash provided of ¥2,654 million in the previous fiscal year). This is primarily attributable to repayment of loans payable.

d. Results for production, orders received and sales

a) Actual net sale (Millions of yen)

Segment name	Previous Consolidated Fiscal Year (From April 1, 2020 to March 31, 2021)	Current Consolidated Fiscal Year (From April 1, 2021 to March 31, 2022)
Real estate sales business	117,200	109,152
Real estate rental business	5,753	5,950
Real estate management business	5,446	5,856
Energy business	13,485	34,248
Total reportable segments	141,885	155,207
Other	6,512	7,536
Total	148,397	162,744

(Note) Inter-segment transactions are eliminated.

b) Number of units contracted during the year

Segment name	Previous Consolidated Fiscal Year (From April 1, 2020 to March 31, 2021)		Current Consolidated Fiscal Year (From April 1, 2021 to March 31, 2022)		Year-on-Year (%)
	Number of units	Amounts (millions of yen)	Number of units	Amounts (millions of yen)	
Real estate sales business	2,310	106,736	2,753	133,002	124.6
Total	2,310	106,736	2,753	133,002	124.6

c) Balance of contract

Segment name	Previous Consolidated Fiscal Year (March 31, 2021)		Current Consolidated Fiscal Year (March 31, 2022)		Year-on-Year (%)
	Number of units	Amounts (millions of yen)	Number of units	Amounts (millions of yen)	
Real estate sales business	944	37,272	1,403	61,122	164.0
Total	944	37,272	1,403	61,122	164.0

(2) Details of analysis and examination concerning the state of operating results, etc. from the perspective of the management

The details of understanding, analysis and examination concerning the state of operating results, etc. for the Group from the perspective of the management are as follows.

Matters concerning the future stated below are based on assessments as of the end of the fiscal year under review.

a. Details of understanding, analysis and examination concerning the state of operating results and the like for the fiscal year under review

Looking at the operating results of the Group in the fiscal year under review, in the new built-for-sale condominiums business of the real estate sales business, the Group's core business, customer requirements for housing changed during the COVID-19 pandemic, but their willingness to buy condominiums did not change significantly. There was good progress in sales. A total of 1,830 units (including units belonging to joint ventures) were delivered. In the energy business, both sales and profit rose from the previous year chiefly due to the sale of power generation facilities that were already operating, including the LS Chiba Katsuura Power Generation Facility, one of the Company's largest power generation facilities.

Of the external environmental factors that affect the Group's operating results, the main factor is the market environment. Of the internal environmental factors, the Group closely monitors dependence on borrowings. The real estate sales business, its core business, is financed through borrowings. For stable business growth, the Group aims to secure adequate equity capital and in principle limits the ratio of borrowings to 60%. The loan to value ratio at the end of the fiscal year under review was 57.3%, which is below this limit.

Regarding financial resources and the liquidity of funds, the Group raises part of its funds for land acquisition and construction through borrowings from financial institutions and other entities through its real estate sales business, the core business. The

Group has concluded commitment line agreements with major banks and other financial institutions, which makes quick funding possible. With the expansion of business domains and the growth of the investment business in recent years, borrowings are on the rise. Nevertheless, the Group believes that it can secure stable funding by establishing an investment recovery cycle, improving the equity ratio, and building an appropriate portfolio.

b. Significant accounting estimates and the assumptions used for them

Of the accounting estimates used in the preparation of the consolidated financial statements and the assumptions used for the estimates, important estimates and assumptions are stated in V. Financial Status, 1. Consolidated Financial Statements Etc., (1) Notes to consolidated financial statements (Significant accounting estimates).

(3) Factors that have a significant impact on operating results

The real estate sales business, the Group's core business, tends to be affected by buyer sentiment and trends in supply due to suppliers. Buyer sentiment is likely to be affected by economic trends, interest rate trends, housing tax, consumption tax, land price trends and other factors. Supply trends are likely to be affected by land purchase costs, changes in subcontracting prices paid to general contractors and other subcontractors, failures of subcontractors, trends in financial markets and other factors. Changes in the factors above could significantly affect the Group's operating results.

4. Important Contracts Etc. Related to Management

(Business combination through acquisition)

At an extraordinary meeting of the Board of Directors held on April 12, 2021, the Company resolved to acquire all of the issued shares of Leben Clean Energy Co., Ltd. (the name of the business was changed from ACA Clean Energy Co., Ltd. on June 22, 2021) and make it a consolidated subsidiary. The Company entered into a share transfer agreement on the same date. Under the share transfer agreement, the Company acquired the shares in Leben Clean Energy on April 13, 2021.

For details, please refer to V. Financial Information, 1. Consolidated Financial Statements, (1) Consolidated financial statements, Notes (Business Combination).

(Shifting to a holding company structure through a company split)

At a meeting of the Board of Directors held on March 14, 2022, the Company decided that it will change its structure to a holding company structure on October 3, 2022 (planned) and resolved to begin preparing for the change. At a meeting of the Board of Directors held on May 30, 2022, the Company resolved to enter into an absorption-type company split agreement related to the change to a holding company structure with a wholly owned subsidiary, Takara Leben West Japan Co., Ltd. (hereinafter "the Succeeding Company," the name of the business will change to Takara Leben Co., Ltd. on October 1, 2022). On the same day, the Company entered into an absorption-type company split agreement with the Succeeding Company. For details, please see V. Financial Information, 1. Consolidated Financial Statements, (1) Consolidated financial statements, Notes (Changes in Accounting Policy).

5. Research and Development

Not applicable.

III. Facilities

1. Overview of Capital Expenditure, Etc.

The total amount of capital expenditure, etc. in the fiscal year under review was ¥25,400 million. Of that amount, business assets purchased amounted to ¥25,208 million, and Other amounted to ¥192 million.

2. Major Facilities

Major facilities of the Group are listed below.

(1) Company submitting the report

As of March 31, 2022

Name of the office (Location)	Segment name	Description of facilities	Book value (millions of yen)						Employees (persons)
			Buildings and structures	Machinery, equipment and vehicles	Land (m^2)	Lease assets	Other	Total	
Head office (Chiyoda-ku, Tokyo)	Real estate sales business	Administrative operation facilities	309	2	– (–)	–	220	533	343 (8)
Rental condominiums, etc. (Itabashi-ku, Tokyo, etc.)	Real estate rental business	Condominiums for rent, retail facilities and offices for rent	6,029	17	27,375 (77,359.02)	276	2,661	36,361	–
Mega solar power plants (Shiojiri-shi, Nagano, etc.)	Energy business	Mega solar power plants	19	4,606	599 (334,595.02)	–	17	5,243	–

(Notes) 1. The book value of Other is primarily that of construction in progress.
2. The numbers in parentheses are not included in the numbers of employees. They are the numbers of temporary employees in the past year calculated on the assumption that each employee worked eight hours a day.

(2) Domestic subsidiaries

As of March 31, 2022

Company name	Name of the office (Location)	Segment name	Description of facilities	Book value (millions of yen)						Employees (persons)
				Buildings and structures	Machinery, equipment and vehicles	Land (m^2)	Lease assets	Other	Total	
Leben Community Co., Ltd.	Head office (Chiyoda-ku, Tokyo)	Real estate management business	Administrative operation facilities	87	0	– (–)	–	60	148	398 (91)
Takara Leben Tohoku Co., Ltd.	Head office (Sendai-shi, Miyagi)	Real estate sales business	Administrative operation facilities	44	–	– (–)	–	0	44	77
Takara Leben West Japan Co., Ltd.	Head office (Matsuyama-shi, Ehime)	Real estate sales business	Administrative operation facilities	34	10	26 (1,130.26)	12	6	91	45
Nikko Takara Corporation Co., Ltd.	Head office (Yokohama-shi, Kanagawa)	Real estate sales business	Administrative operation facilities	20	0	– (–)	–	13	34	89
Takara Leben Realnet Co., Ltd.	Head office (Chuo-ku, Tokyo)	Real estate distribution business	Administrative operation facilities	0	–	– (–)	–	0	1	38
Leben Zestock Co., Ltd.	Head office (Chiyoda-ku, Tokyo)	Real estate purchase and resale business	Administrative operation facilities	14	–	– (–)	–	4	18	21
Leben Trust Co., Ltd.	Head office (Yokohama-shi, Kanagawa)	Real estate rental management business	Administrative operation facilities	26	0	– (–)	–	7	34	61 (9)
Takara Asset Management Co., Ltd.	Head office (Chiyoda-ku, Tokyo)	Investment management business	Administrative operation facilities	12	–	– (–)	–	4	17	12 (1)
Takara PAG Real Estate Advisory Ltd.	Head office (Minato-ku, Tokyo)	Investment management business	Administrative operation facilities	16	–	– (–)	1	2	20	13
Leben Clean Energy Co., Ltd.	Head office (Chuo-ku, Tokyo)	Energy business	Administrative operation facilities	1	3	– (–)	–	2	6	103 (2)
Solar Field 9 LLC, etc.	Solar power plants (Houki-cho, Tottori, etc.)	Energy business	Mega solar power plants	102	3,898	190 (255,390.45)	–	995	5,186	–

(Notes) 1. The book value of Other is primarily that of tools, furniture and fixtures, construction in progress, software.
2. The numbers in parentheses in the “number of employees” column are not included in the numbers of employees. They are the numbers of temporary employees in the past year calculated on the assumption that each employee worked eight hours a day.

(3) Overseas subsidiaries

The information is omitted because it is insignificant.

3. Planned Construction and Retirement of Facilities, Etc.

(1) Construction of new important facilities, etc.

Not applicable.

(2) Retirement of important facilities, etc.

Not applicable.

IV. Information on the Reporting Company

1. Stock Information

(1) Total number of shares, etc.

a. Total number of shares

Type	Number of authorized shares (shares)
Common stock	248,000,000
Total	248,000,000

b. Number of shares issued

Type	Number of shares issued at the end of the fiscal year (shares) (March 31, 2022)	Number of shares issued as of the filing date (shares) (June 24, 2022)	Stock exchange on which the Company is listed	Details
Common stock	121,000,000	121,000,000	First Section, Tokyo Stock Exchange (As of the end of the fiscal year) Prime Market (As of the date of submission)	Standard shares in the Company whose rights are not limited. The number of shares in a share unit is 100.
Total	121,000,000	121,000,000	–	–

(2) Information on the share acquisition rights, etc.

(i) Description of stock option plan

Share acquisition rights issued under the Companies Act are as follows.

a. 1st series of share acquisition rights (Class B share acquisition rights)

Date of resolution	June 22, 2012
Classification and number of persons to whom rights are granted (persons)	Seven Directors of the Company One Executive Officer of the Company
Number of share acquisition rights*	76
Class, descriptions, and number of shares to be issued upon exercise of share acquisition rights (shares)*	30,400 common shares (Note 1)
Amount to be paid upon exercise of share acquisition rights (yen)*	400 (Note 2)
Exercise period of share acquisition rights*	From July 10, 2012, to July 9, 2052
Issue price for shares that will be issued through the exercise of share acquisition rights and the amount booked as share capital (yen)*	Issue price 51,700 Amount booked as share capital 25,850 (Note 3)
Conditions for exercise of share acquisition rights*	(Note 4)
Matters concerning the transfer of share acquisition rights*	The acquisition of share acquisition rights by transfer shall require the approval of the Company's Board of Directors.
Matters regarding grant of share acquisition rights accompanying reorganization*	(Note 5)

* The information is as of the end of the fiscal year under review (March 31, 2022). Because the information as of May 31, 2022 is mostly the same as that as of March 31, 2022, the information as of May 31, 2022 is omitted.

(Notes) 1. The class of shares underlying share acquisition rights is the common stock of the Company. The number of shares underlying share acquisition rights ("Number of Granted Shares") is 400.

If the Company executes a split or reverse split of its common stock after the allotment date of the share acquisition rights, the Company will adjust the Number of Granted Shares using the formula below. The resulting number of shares shall be rounded down to the nearest natural number.

Number of Granted Shares after adjustment = Number of Granted Shares before adjustment × Stock split ratio or reverse stock split ratio

If the Number of Granted Shares needs to be adjusted when the Company executes a merger, a demerger, a free allotment of shares, or on other occasions after the date of allotment of the share acquisition rights, the Number of Granted Shares shall be adjusted appropriately within a reasonable degree. The adjustment of the Number of Granted Shares described in this item shall apply only to the number of shares underlying the share acquisition rights that are not exercised at the time of the adjustment.

2. The value of the property to be contributed when share acquisition rights are exercised shall be ¥1 for a share to be delivered at the time of exercise of the share acquisition rights multiplied by the number of shares to be granted.

3. (a) The amount of share capital to be increased due to the issuance of shares upon the exercise of the share acquisition rights shall be half of the maximum amount of increase in share capital, etc., that is calculated pursuant to Article 17, Paragraph 1 of the Corporate Accounting Rules, and any fraction of less than one (1) yen resulting from the calculation shall be rounded up to the nearest one (1) yen.

(b) The amount by which the legal capital surplus increases through the issuance of shares upon the exercise of share acquisition rights shall be obtained by subtracting the increase in the amount of share capital set out in (a) above from the upper limit of the increase in the amounts of stated share capital and other items described in (a) above.

4. (1) (a) The share acquisition rights holder may exercise the share acquisition rights allotted to him/her from the day following the day when he/she relinquishes his/her post of Director and post of Executive Officer.

(b) Irrespective of (a) above, the share acquisition rights holder may not exercise any share acquisition rights allotted to him/her if either of the following items applies:

(i) The share acquisition rights holder has relinquished his/her post of Director and post of Executive Officer for any reason other than his/her death (if three years or less has passed since the date of allotment, the retirement etc. described in (ii) below shall be excluded) and ten days have passed since the date following the day of the loss of the posts.

(ii) The share acquisition rights holder has relinquished his/her post of Director and post of Executive Officer within three years of the date of allotment due to retirement etc. (voluntary resignation or retirement, or dismissal or disciplinary action by resolution of the Company's general meeting of shareholders or the Board of Directors).

(2) In case of the death of the share acquisition rights holder, an heir at law may exercise share acquisition rights under the allotment agreement and the conditions below only if the share acquisition rights belong to only one person of the heirs

at law ("Successor"). No penal code offenders who are deemed to have committed a serious crime may not become a Successor.

(a) The Successor may not succeed to share acquisition rights in case of his/her death.

(b) The Successor shall complete the prescribed succession procedure within ten months of the commencement of succession and by the final date of the exercise period.

(c) The Successor may exercise share acquisition rights only within two months of the completion of the succession procedure prescribed by the Company.

5. If the event of a merger (limited to a merger where the Company is absorbed), an absorption-type company split or an incorporation-type company split (limited to a company split where the Company is a split company), a share exchange or a share transfer (limited to a case where the Company becomes a wholly owned subsidiary) (hereinafter collectively referred to as "Organizational Restructuring"), the Company shall deliver to share acquisition rights holders who hold share acquisition rights remaining immediately before the effective date of Organizational Restructuring (effective date of the absorption-type merger, date of incorporation of a stock company incorporated through a consolidation-type merger, effective date of the absorption-type split, date of incorporation of a wholly owning parent company incorporated through the share transfer; the same applies hereinafter; remaining share acquisition rights hereinafter referred to as "Remaining Share Acquisition Rights") share acquisition rights of a stock company set out in Article 236, paragraph 1, item 8 (a) through (e) of the Companies Act ("Reorganized Company") under the conditions below. In this case, the remaining share acquisition rights shall be cancelled, and the Reorganized Company shall newly issue share acquisition rights.
Provided, however, that it is limited to the case in which the issuance of the share option of the Reorganized Company is specified in the merger agreement, absorption-type company split agreement, incorporation-type company split plan, share exchange agreement or share transfer plan according to the following conditions.

(i) Number of share acquisition rights of the Reorganized Company to be delivered
The number of share acquisition rights to be delivered to a share acquisition rights holder shall be the same as the number of Remaining Share Acquisition Rights held by him/her.

(ii) Class and numbers of shares of the Reorganized Company to be issued upon exercise of share acquisition rights
The class of shares underlying the share acquisition rights shall be the common stock of the Reorganized Company. The number of shares of the common stock of the Reorganized Company when share acquisition rights are exercised shall be determined under the provision set out in (i) in consideration of the terms and conditions for Organizational Restructuring.

(iii) Value of assets to be contributed upon exercise of each share acquisition right
The value of the property to be contributed when delivered share acquisition rights are exercised shall be calculated by multiplying the exercise price after reorganization set out below by the number of shares underlying the share acquisition rights. The exercise price after reorganization shall be ¥1 per share in the Reorganized Company that can be delivered upon exercise of delivered share acquisition rights.

(iv) Matters concerning the purchase of share acquisition rights
Share acquisition rights that have not been exercised on a date separately specified by the Board of Directors may be acquired without consideration if an absorption-type merger where the Company is absorbed, a consolidation-type merger agreement, an absorption-type company split agreement where the Company is a split company or an incorporation-type company split plan, or a share exchange agreement or a share transfer plan where the Company becomes a wholly owned subsidiary is approved by the general meeting of shareholders (or the Board of Directors if the approval of the general meeting of shareholders is not necessary) of the Company.

(v) Restriction on transfer of share acquisition rights
Any purchase of share acquisition rights by transfer shall be subject to approval by the Board of Directors of the Reorganized Company.

(vi) Matters concerning increase in capital and capital reserve upon issuance of shares through the exercise of share acquisition rights
They shall be determined under the provision set out in (3).

6. The Company executed a 4-for-1 split of its common stock on July 1, 2013. Following the stock split, the number of shares underlying the share acquisition rights changed to 400 per share acquisition right from 100.

b. 2nd series of share acquisition rights (Class B share acquisition rights)

Date of resolution	April 8, 2013
Classification and number of persons to whom rights are granted (persons)	Seven Directors of the Company One Executive Officer of the Company
Number of share acquisition rights*	70
Class, descriptions, and number of shares to be issued upon exercise of share acquisition rights (shares)*	28,000 common shares (Note 1)
Amount to be paid upon exercise of share acquisition rights (yen)*	400 (Note 2)
Exercise period of share acquisition rights*	From May 15, 2013 to May 14, 2053
Issue price for shares that will be issued through the exercise of share acquisition rights and the amount booked as share capital (yen)*	Issue price 123,100 Amount booked as share capital 61,550 (Note 3)
Conditions for exercise of share acquisition rights*	(Note 4)
Matters concerning the transfer of share acquisition rights*	The acquisition of share acquisition rights by transfer shall require the approval of the Company's Board of Directors.
Matters regarding grant of share acquisition rights accompanying reorganization*	(Note 5)

* The information is as of the end of the fiscal year under review (March 31, 2022). Because the information as of May 31, 2022 is mostly the same as that as of March 31, 2022, the information as of May 31, 2022 is omitted.

(Notes) 1. The class of shares underlying share acquisition rights is the common stock of the Company. The number of shares underlying share acquisition rights ("Number of Granted Shares") is 400.

If the Company executes a split or reverse split of its common stock after the allotment date of the share acquisition rights, the Company will adjust the Number of Granted Shares using the formula below. The resulting number of shares shall be rounded down to the nearest natural number.

Number of Granted Shares after adjustment = Number of Granted Shares before adjustment × Stock split ratio or reverse stock split ratio

If the Number of Granted Shares needs to be adjusted when the Company executes a merger, a demerger, a free allotment of shares, or on other occasions after the date of allotment of the share acquisition rights, the Number of Granted Shares shall be adjusted appropriately within a reasonable degree. The adjustment of the Number of Granted Shares described in this item shall apply only to the number of shares underlying the share acquisition rights that are not exercised at the time of the adjustment.

2. The value of the property to be contributed when share acquisition rights are exercised shall be ¥1 for a share to be delivered at the time of exercise of the share acquisition rights multiplied by the number of shares to be granted.

3. (a) The amount of share capital to be increased due to the issuance of shares upon the exercise of the share acquisition rights shall be half of the maximum amount of increase in share capital, etc., that is calculated pursuant to Article 17, Paragraph 1 of the Corporate Accounting Rules, and any fraction of less than one (1) yen resulting from the calculation shall be rounded up to the nearest one (1) yen.

(b) The amount by which the legal capital surplus increases through the issuance of shares upon the exercise of share acquisition rights shall be obtained by subtracting the increase in the amount of share capital set out in (a) above from the upper limit of the increase in the amounts of stated share capital and other items described in (a) above.

4. (1) (a) The share acquisition rights holder may exercise the share acquisition rights allotted to him/her from the day following the day when he/she relinquishes his/her post of Director and post of Executive Officer.

(b) Irrespective of (a) above, the share acquisition rights holder may not exercise any share acquisition rights allotted to him/her if either of the following items applies:

(i) The share acquisition rights holder has relinquished his/her post of Director and post of Executive Officer for any reason other than his/her death (if three years or less has passed since the date of allotment, the retirement etc. described in (ii) below shall be excluded) and ten days have passed since the date following the day of the loss of the posts.

(ii) The share acquisition rights holder has relinquished his/her post of Director and post of Executive Officer within three years of the date of allotment due to retirement etc. (voluntary resignation or retirement, or dismissal or disciplinary action by resolution of the Company's general meeting of shareholders or the Board of Directors).

(2) In case of the death of the share acquisition rights holder, an heir at law may exercise share acquisition rights under the allotment agreement and the conditions below only if the share acquisition rights belong to only one person of the heirs at law ("Successor"). No penal code offenders who are deemed to have committed a serious crime may not become a Successor.

(a) The Successor may not succeed to share acquisition rights in case of his/her death.

(b) The Successor shall complete the prescribed succession procedure within ten months of the commencement of succession and by the final date of the exercise period.

(c) The Successor may exercise share acquisition rights only within two months of the completion of the succession procedure prescribed by the Company.

5. If the event of a merger (limited to a merger where the Company is absorbed), an absorption-type company split or an incorporation-type company split (limited to a company split where the Company is a split company), a share exchange or a share transfer (limited to a case where the Company becomes a wholly owned subsidiary) (hereinafter collectively referred to as "Organizational Restructuring"), the Company shall deliver to share acquisition rights holders who hold share acquisition rights remaining immediately before the effective date of Organizational Restructuring (effective date of the absorption-type merger, date of incorporation of a stock company incorporated through a consolidation-type merger, effective date of the absorption-type split, date of incorporation of a wholly owning parent company incorporated through the share transfer; the same applies hereinafter; remaining share acquisition rights hereinafter referred to as "Remaining Share Acquisition Rights") share acquisition rights of a stock company set out in Article 236, paragraph 1, item 8 (a) through (e) of the Companies Act ("Reorganized Company") under the conditions below. In this case, the remaining share acquisition rights shall be cancelled, and the Reorganized Company shall newly issue share acquisition rights.

   Provided, however, that it is limited to the case in which the issuance of the share option of the Reorganized Company is specified in the merger agreement, absorption-type company split agreement, incorporation-type company split plan, share exchange agreement or share transfer plan according to the following conditions.

   (i) Number of share acquisition rights of the Reorganized Company to be delivered
   The number of share acquisition rights to be delivered to a share acquisition rights holder shall be the same as the number of Remaining Share Acquisition Rights held by him/her.

   (ii) Class and numbers of shares of the Reorganized Company to be issued upon exercise of share acquisition rights
   The class of shares underlying the share acquisition rights shall be the common stock of the Reorganized Company. The number of shares of the common stock of the Reorganized Company when share acquisition rights are exercised shall be determined under the provision set out in (i) in consideration of the terms and conditions for Organizational Restructuring.

   (iii) Value of assets to be contributed upon exercise of each share acquisition right
   The value of the property to be contributed when delivered share acquisition rights are exercised shall be calculated by multiplying the exercise price after reorganization set out below by the number of shares underlying the share acquisition rights. The exercise price after reorganization shall be ¥1 per share in the Reorganized Company that can be delivered upon exercise of delivered share acquisition rights.

   (iv) Matters concerning the purchase of share acquisition rights
   Share acquisition rights that have not been exercised on a date separately specified by the Board of Directors may be acquired without consideration if an absorption-type merger where the Company is absorbed, a consolidation-type merger agreement, an absorption-type company split agreement where the Company is a split company or an incorporation-type company split plan, or a share exchange agreement or a share transfer plan where the Company becomes a wholly owned subsidiary is approved by the general meeting of shareholders (or the Board of Directors if the approval of the general meeting of shareholders is not necessary) of the Company.

   (v) Restriction on transfer of share acquisition rights
   Any purchase of share acquisition rights by transfer shall be subject to approval by the Board of Directors of the Reorganized Company.

   (vi) Matters concerning increase in capital and capital reserve upon issuance of shares through the exercise of share acquisition rights
   They shall be determined under the provision set out in (3).

6. The Company executed a 4-for-1 split of its common stock on July 1, 2013. Following the stock split, the number of shares underlying the share acquisition rights changed to 400 per share acquisition right from 100.

c. 3rd series of share acquisition rights (Class B share acquisition rights)

Date of resolution	April 11, 2014
Classification and number of persons to whom rights are granted (persons)	Seven Directors of the Company Two Executive Officers of the Company
Number of share acquisition rights*	69
Class, descriptions, and number of shares to be issued upon exercise of share acquisition rights (shares)*	27,600 common shares (Note 1)
Amount to be paid upon exercise of share acquisition rights (yen)*	400 (Note 2)
Exercise period of share acquisition rights*	From May 14, 2014 to May 13, 2054
Issue price for shares that will be issued through the exercise of share acquisition rights and the amount booked as share capital (yen)*	Issue price 74,800 Amount booked as share capital 37,400 (Note 3)
Conditions for exercise of share acquisition rights*	(Note 4)
Matters concerning the transfer of share acquisition rights*	The acquisition of share acquisition rights by transfer shall require the approval of the Company's Board of Directors.
Matters regarding grant of share acquisition rights accompanying reorganization*	(Note 5)

* The information is as of the end of the fiscal year under review (March 31, 2022). Because the information as of May 31, 2022 is mostly the same as that as of March 31, 2022, the information as of May 31, 2022 is omitted.

(Notes) 1. The class of shares underlying share acquisition rights is the common stock of the Company. The number of shares underlying share acquisition rights ("Number of Granted Shares") is 400.

If the Company executes a split or reverse split of its common stock after the allotment date of the share acquisition rights, the Company will adjust the Number of Granted Shares using the formula below. The resulting number of shares shall be rounded down to the nearest natural number.

Number of Granted Shares after adjustment = Number of Granted Shares before adjustment × Stock split ratio or reverse stock split ratio

If the Number of Granted Shares needs to be adjusted when the Company executes a merger, a demerger, a free allotment of shares, or on other occasions after the date of allotment of the share acquisition rights, the Number of Granted Shares shall be adjusted appropriately within a reasonable degree. The adjustment of the Number of Granted Shares described in this item shall apply only to the number of shares underlying the share acquisition rights that are not exercised at the time of the adjustment.

2. The value of the property to be contributed when share acquisition rights are exercised shall be ¥1 for a share to be delivered at the time of exercise of the share acquisition rights multiplied by the number of shares to be granted.

3. (a) The amount of share capital to be increased due to the issuance of shares upon the exercise of the share acquisition rights shall be half of the maximum amount of increase in share capital, etc., that is calculated pursuant to Article 17, Paragraph 1 of the Corporate Accounting Rules, and any fraction of less than one (1) yen resulting from the calculation shall be rounded up to the nearest one (1) yen.

(b) The amount by which the legal capital surplus increases through the issuance of shares upon the exercise of share acquisition rights shall be obtained by subtracting the increase in the amount of share capital set out in (a) above from the upper limit of the increase in the amounts of stated share capital and other items described in (a) above.

4. (1) (a) The share acquisition rights holder may exercise the share acquisition rights allotted to him/her from the day following the day when he/she relinquishes his/her post of Director and post of Executive Officer.

(b) Irrespective of (a) above, the share acquisition rights holder may not exercise any share acquisition rights allotted to him/her if either of the following items applies:

(i) The share acquisition rights holder has relinquished his/her post of Director and post of Executive Officer for any reason other than his/her death (if three years or less has passed since the date of allotment, the retirement etc. described in (ii) below shall be excluded) and ten days have passed since the date following the day of the loss of the posts.

(ii) The share acquisition rights holder has relinquished his/her post of Director and post of Executive Officer within three years of the date of allotment due to retirement etc. (voluntary resignation or retirement, or dismissal or disciplinary action by resolution of the Company's general meeting of shareholders or the Board of Directors).

(2) In case of the death of the share acquisition rights holder, an heir at law may exercise share acquisition rights under the allotment agreement and the conditions below only if the share acquisition rights belong to only one person of the heirs at law ("Successor"). No penal code offenders who are deemed to have committed a serious crime may not become a Successor.

(a) The Successor may not succeed to share acquisition rights in case of his/her death.

(b) The Successor shall complete the prescribed succession procedure within ten months of the commencement of succession and by the final date of the exercise period.

(c) The Successor may exercise share acquisition rights only within two months of the completion of the succession procedure prescribed by the Company.

5. If the event of a merger (limited to a merger where the Company is absorbed), an absorption-type company split or an incorporation-type company split (limited to a company split where the Company is a split company), a share exchange or a share transfer (limited to a case where the Company becomes a wholly owned subsidiary) (hereinafter collectively referred to as "Organizational Restructuring"), the Company shall deliver to share acquisition rights holders who hold share acquisition rights remaining immediately before the effective date of Organizational Restructuring (effective date of the absorption-type merger, date of incorporation of a stock company incorporated through a consolidation-type merger, effective date of the absorption-type split, date of incorporation of a wholly owning parent company incorporated through the share transfer; the same applies hereinafter; remaining share acquisition rights hereinafter referred to as "Remaining Share Acquisition Rights") share acquisition rights of a stock company set out in Article 236, paragraph 1, item 8 (a) through (e) of the Companies Act ("Reorganized Company") under the conditions below. In this case, the remaining share acquisition rights shall be cancelled, and the Reorganized Company shall newly issue share acquisition rights.

   Provided, however, that it is limited to the case in which the issuance of the share option of the Reorganized Company is specified in the merger agreement, absorption-type company split agreement, incorporation-type company split plan, share exchange agreement or share transfer plan according to the following conditions.

   (i) Number of share acquisition rights of the Reorganized Company to be delivered

   The number of share acquisition rights to be delivered to a share acquisition rights holder shall be the same as the number of Remaining Share Acquisition Rights held by him/her.

   (ii) Class and numbers of shares of the Reorganized Company to be issued upon exercise of share acquisition rights

   The class of shares underlying the share acquisition rights shall be the common stock of the Reorganized Company. The number of shares of the common stock of the Reorganized Company when share acquisition rights are exercised shall be determined under the provision set out in (i) in consideration of the terms and conditions for Organizational Restructuring.

   (iii) Value of assets to be contributed upon exercise of each share acquisition right

   The value of the property to be contributed when delivered share acquisition rights are exercised shall be calculated by multiplying the exercise price after reorganization set out below by the number of shares underlying the share acquisition rights. The exercise price after reorganization shall be ¥1 per share in the Reorganized Company that can be delivered upon exercise of delivered share acquisition rights.

   (iv) Matters concerning the purchase of share acquisition rights

   Share acquisition rights that have not been exercised on a date separately specified by the Board of Directors may be acquired without consideration if an absorption-type merger where the Company is absorbed, a consolidation-type merger agreement, an absorption-type company split agreement where the Company is a split company or an incorporation-type company split plan, or a share exchange agreement or a share transfer plan where the Company becomes a wholly owned subsidiary is approved by the general meeting of shareholders (or the Board of Directors if the approval of the general meeting of shareholders is not necessary) of the Company.

   (v) Restriction on transfer of share acquisition rights

   Any purchase of share acquisition rights by transfer shall be subject to approval by the Board of Directors of the Reorganized Company.

   (vi) Matters concerning increase in capital and capital reserve upon issuance of shares through the exercise of share acquisition rights

   They shall be determined under the provision set out in (3).

d. 4th series of share acquisition rights (Class B share acquisition rights)

Date of resolution	June 24, 2015
Classification and number of persons to whom rights are granted (persons)	Seven Directors of the Company Three Executive Officers of the Company
Number of share acquisition rights*	80
Class, descriptions, and number of shares to be issued upon exercise of share acquisition rights (shares)*	32,000 common shares (Note 1)
Amount to be paid upon exercise of share acquisition rights (yen)*	400 (Note 2)
Exercise period of share acquisition rights*	From July 15, 2015, to July 14, 2055
Issue price for shares that will be issued through the exercise of share acquisition rights and the amount booked as share capital (yen)*	Issue price 189,200 Amount booked as share capital 94,600 (Note 3)
Conditions for exercise of share acquisition rights*	(Note 4)
Matters concerning the transfer of share acquisition rights*	The acquisition of share acquisition rights by transfer shall require the approval of the Company's Board of Directors.
Matters regarding grant of share acquisition rights accompanying reorganization*	(Note 5)

* The information is as of the end of the fiscal year under review (March 31, 2022). Because the information as of May 31, 2022 is mostly the same as that as of March 31, 2022, the information as of May 31, 2022 is omitted.

(Notes) 1. The class of shares underlying share acquisition rights is the common stock of the Company. The number of shares underlying share acquisition rights ("Number of Granted Shares") is 400.

If the Company executes a split or reverse split of its common stock after the allotment date of the share acquisition rights, the Company will adjust the Number of Granted Shares using the formula below. The resulting number of shares shall be rounded down to the nearest natural number.

Number of Granted Shares after adjustment = Number of Granted Shares before adjustment × Stock split ratio or reverse stock split ratio

If the Number of Granted Shares needs to be adjusted when the Company executes a merger, a demerger, a free allotment of shares, or on other occasions after the date of allotment of the share acquisition rights, the Number of Granted Shares shall be adjusted appropriately within a reasonable degree. The adjustment of the Number of Granted Shares described in this item shall apply only to the number of shares underlying the share acquisition rights that are not exercised at the time of the adjustment.

2. The value of the property to be contributed when share acquisition rights are exercised shall be ¥1 for a share to be delivered at the time of exercise of the share acquisition rights multiplied by the number of shares to be granted.

3. (a) The amount of share capital to be increased due to the issuance of shares upon the exercise of the share acquisition rights shall be half of the maximum amount of increase in share capital, etc., that is calculated pursuant to Article 17, Paragraph 1 of the Corporate Accounting Rules, and any fraction of less than one (1) yen resulting from the calculation shall be rounded up to the nearest one (1) yen.

(b) The amount by which the legal capital surplus increases through the issuance of shares upon the exercise of share acquisition rights shall be obtained by subtracting the increase in the amount of share capital set out in (a) above from the upper limit of the increase in the amounts of stated share capital and other items described in (a) above.

4. (1) (a) The share acquisition rights holder may exercise the share acquisition rights allotted to him/her from the day following the day when he/she relinquishes his/her post of Director and post of Executive Officer.

(b) Irrespective of (a) above, the share acquisition rights holder may not exercise any share acquisition rights allotted to him/her if either of the following items applies:

(i) The share acquisition rights holder has relinquished his/her post of Director and post of Executive Officer for any reason other than his/her death (if three years or less has passed since the date of allotment, the retirement etc. described in (ii) below shall be excluded) and ten days have passed since the date following the day of the loss of the posts.

(ii) The share acquisition rights holder has relinquished his/her post of Director and post of Executive Officer within three years of the date of allotment due to retirement etc. (voluntary resignation or retirement, or dismissal or disciplinary action by resolution of the Company's general meeting of shareholders or the Board of Directors).

(2) In case of the death of the share acquisition rights holder, an heir at law may exercise share acquisition rights under the allotment agreement and the conditions below only if the share acquisition rights belong to only one person of the heirs at law ("Successor"). No penal code offenders who are deemed to have committed a serious crime may not become a Successor.

(a) The Successor may not succeed to share acquisition rights in case of his/her death.

(b) The Successor shall complete the prescribed succession procedure within ten months of the commencement of succession and by the final date of the exercise period.

(c) The Successor may exercise share acquisition rights only within two months of the completion of the succession procedure prescribed by the Company.

5. If the event of a merger (limited to a merger where the Company is absorbed), an absorption-type company split or an incorporation-type company split (limited to a company split where the Company is a split company), a share exchange or a share transfer (limited to a case where the Company becomes a wholly owned subsidiary) (hereinafter collectively referred to as "Organizational Restructuring"), the Company shall deliver to share acquisition rights holders who hold share acquisition rights remaining immediately before the effective date of Organizational Restructuring (effective date of the absorption-type merger, date of incorporation of a stock company incorporated through a consolidation-type merger, effective date of the absorption-type split, date of incorporation of a wholly owning parent company incorporated through the share transfer; the same applies hereinafter; remaining share acquisition rights hereinafter referred to as "Remaining Share Acquisition Rights") share acquisition rights of a stock company set out in Article 236, paragraph 1, item 8 (a) through (e) of the Companies Act ("Reorganized Company") under the conditions below. In this case, the remaining share acquisition rights shall be cancelled, and the Reorganized Company shall newly issue share acquisition rights.

   Provided, however, that it is limited to the case in which the issuance of the share option of the Reorganized Company is specified in the merger agreement, absorption-type company split agreement, incorporation-type company split plan, share exchange agreement or share transfer plan according to the following conditions.

   (i) Number of share acquisition rights of the Reorganized Company to be delivered

   The number of share acquisition rights to be delivered to a share acquisition rights holder shall be the same as the number of Remaining Share Acquisition Rights held by him/her.

   (ii) Class and numbers of shares of the Reorganized Company to be issued upon exercise of share acquisition rights

   The class of shares underlying the share acquisition rights shall be the common stock of the Reorganized Company. The number of shares of the common stock of the Reorganized Company when share acquisition rights are exercised shall be determined under the provision set out in (i) in consideration of the terms and conditions for Organizational Restructuring.

   (iii) Value of assets to be contributed upon exercise of each share acquisition right

   The value of the property to be contributed when delivered share acquisition rights are exercised shall be calculated by multiplying the exercise price after reorganization set out below by the number of shares underlying the share acquisition rights. The exercise price after reorganization shall be ¥1 per share in the Reorganized Company that can be delivered upon exercise of delivered share acquisition rights.

   (iv) Matters concerning the purchase of share acquisition rights

   Share acquisition rights that have not been exercised on a date separately specified by the Board of Directors may be acquired without consideration if an absorption-type merger where the Company is absorbed, a consolidation-type merger agreement, an absorption-type company split agreement where the Company is a split company or an incorporation-type company split plan, or a share exchange agreement or a share transfer plan where the Company becomes a wholly owned subsidiary is approved by the general meeting of shareholders (or the Board of Directors if the approval of the general meeting of shareholders is not necessary) of the Company.

   (v) Restriction on transfer of share acquisition rights

   Any purchase of share acquisition rights by transfer shall be subject to approval by the Board of Directors of the Reorganized Company.

   (vi) Matters concerning increase in capital and capital reserve upon issuance of shares through the exercise of share acquisition rights

   They shall be determined under the provision set out in (3).

e. 5th series of share acquisition rights (Class B share acquisition rights)

Date of resolution	April 11, 2016
Classification and number of persons to whom rights are granted (persons)	Seven Directors of the Company Two Executive Officers of the Company
Number of share acquisition rights*	80
Class, descriptions, and number of shares to be issued upon exercise of share acquisition rights (shares)*	32,000 common shares (Note 1)
Amount to be paid upon exercise of share acquisition rights (yen)*	400 (Note 2)
Exercise period of share acquisition rights*	From May 11, 2016, to May 10, 2056
Issue price for shares that will be issued through the exercise of share acquisition rights and the amount booked as share capital (yen)*	Issue price 192,400 Amount booked as share capital 96,200 (Note 3)
Conditions for exercise of share acquisition rights*	(Note 4)
Matters concerning the transfer of share acquisition rights*	The acquisition of share acquisition rights by transfer shall require the approval of the Company's Board of Directors.
Matters regarding grant of share acquisition rights accompanying reorganization*	(Note 5)

* The information is as of the end of the fiscal year under review (March 31, 2022). Because the information as of May 31, 2022 is mostly the same as that as of March 31, 2022, the information as of May 31, 2022 is omitted.

(Notes) 1. The class of shares underlying share acquisition rights is the common stock of the Company. The number of shares underlying share acquisition rights ("Number of Granted Shares") is 400.

If the Company executes a split or reverse split of its common stock after the allotment date of the share acquisition rights, the Company will adjust the Number of Granted Shares using the formula below. The resulting number of shares shall be rounded down to the nearest natural number.

Number of Granted Shares after adjustment = Number of Granted Shares before adjustment × Stock split ratio or reverse stock split ratio

If the Number of Granted Shares needs to be adjusted when the Company executes a merger, a demerger, a free allotment of shares, or on other occasions after the date of allotment of the share acquisition rights, the Number of Granted Shares shall be adjusted appropriately within a reasonable degree. The adjustment of the Number of Granted Shares described in this item shall apply only to the number of shares underlying the share acquisition rights that are not exercised at the time of the adjustment.

2. The value of the property to be contributed when share acquisition rights are exercised shall be ¥1 for a share to be delivered at the time of exercise of the share acquisition rights multiplied by the number of shares to be granted.

3. (a) The amount of share capital to be increased due to the issuance of shares upon the exercise of the share acquisition rights shall be half of the maximum amount of increase in share capital, etc., that is calculated pursuant to Article 17, Paragraph 1 of the Corporate Accounting Rules, and any fraction of less than one (1) yen resulting from the calculation shall be rounded up to the nearest one (1) yen.

(b) The amount by which the legal capital surplus increases through the issuance of shares upon the exercise of share acquisition rights shall be obtained by subtracting the increase in the amount of share capital set out in (a) above from the upper limit of the increase in the amounts of stated share capital and other items described in (a) above.

4. (1) (a) The share acquisition rights holder may exercise the share acquisition rights allotted to him/her from the day following the day when he/she relinquishes his/her post of Director and post of Executive Officer.

(b) Irrespective of (a) above, the share acquisition rights holder may not exercise any share acquisition rights allotted to him/her if either of the following items applies:

(i) The share acquisition rights holder has relinquished his/her post of Director and post of Executive Officer for any reason other than his/her death (if three years or less has passed since the date of allotment, the retirement etc. described in (ii) below shall be excluded) and ten days have passed since the date following the day of the loss of the posts.

(ii) The share acquisition rights holder has relinquished his/her post of Director and post of Executive Officer within three years of the date of allotment due to retirement etc. (voluntary resignation or retirement, or dismissal or disciplinary action by resolution of the Company's general meeting of shareholders or the Board of Directors).

(2) In case of the death of the share acquisition rights holder, an heir at law may exercise share acquisition rights under the allotment agreement and the conditions below only if the share acquisition rights belong to only one person of the heirs at law ("Successor"). No penal code offenders who are deemed to have committed a serious crime may not become a Successor.

(a) The Successor may not succeed to share acquisition rights in case of his/her death.

(b) The Successor shall complete the prescribed succession procedure within ten months of the commencement of succession and by the final date of the exercise period.

(c) The Successor may exercise share acquisition rights only within two months of the completion of the succession procedure prescribed by the Company.

5. If the event of a merger (limited to a merger where the Company is absorbed), an absorption-type company split or an incorporation-type company split (limited to a company split where the Company is a split company), a share exchange or a share transfer (limited to a case where the Company becomes a wholly owned subsidiary) (hereinafter collectively referred to as “Organizational Restructuring”), the Company shall deliver to share acquisition rights holders who hold share acquisition rights remaining immediately before the effective date of Organizational Restructuring (effective date of the absorption-type merger, date of incorporation of a stock company incorporated through a consolidation-type merger, effective date of the absorption-type split, date of incorporation of a wholly owning parent company incorporated through the share transfer; the same applies hereinafter; remaining share acquisition rights hereinafter referred to as “Remaining Share Acquisition Rights”) share acquisition rights of a stock company set out in Article 236, paragraph 1, item 8 (a) through (e) of the Companies Act (“Reorganized Company”) under the conditions below. In this case, the remaining share acquisition rights shall be cancelled, and the Reorganized Company shall newly issue share acquisition rights.

   Provided, however, that it is limited to the case in which the issuance of the share option of the Reorganized Company is specified in the merger agreement, absorption-type company split agreement, incorporation-type company split plan, share exchange agreement or share transfer plan according to the following conditions.

   (i) Number of share acquisition rights of the Reorganized Company to be delivered
   The number of share acquisition rights to be delivered to a share acquisition rights holder shall be the same as the number of Remaining Share Acquisition Rights held by him/her.

   (ii) Class and numbers of shares of the Reorganized Company to be issued upon exercise of share acquisition rights
   The class of shares underlying the share acquisition rights shall be the common stock of the Reorganized Company. The number of shares of the common stock of the Reorganized Company when share acquisition rights are exercised shall be determined under the provision set out in (i) in consideration of the terms and conditions for Organizational Restructuring.

   (iii) Value of assets to be contributed upon exercise of each share acquisition right
   The value of the property to be contributed when delivered share acquisition rights are exercised shall be calculated by multiplying the exercise price after reorganization set out below by the number of shares underlying the share acquisition rights. The exercise price after reorganization shall be ¥1 per share in the Reorganized Company that can be delivered upon exercise of delivered share acquisition rights.

   (iv) Matters concerning the purchase of share acquisition rights
   Share acquisition rights that have not been exercised on a date separately specified by the Board of Directors may be acquired without consideration if an absorption-type merger where the Company is absorbed, a consolidation-type merger agreement, an absorption-type company split agreement where the Company is a split company or an incorporation-type company split plan, or a share exchange agreement or a share transfer plan where the Company becomes a wholly owned subsidiary is approved by the general meeting of shareholders (or the Board of Directors if the approval of the general meeting of shareholders is not necessary) of the Company.

   (v) Restriction on transfer of share acquisition rights
   Any purchase of share acquisition rights by transfer shall be subject to approval by the Board of Directors of the Reorganized Company.

   (vi) Matters concerning increase in capital and capital reserve upon issuance of shares through the exercise of share acquisition rights
   They shall be determined under the provision set out in (3).

f. 6th series of share acquisition rights (Class B share acquisition rights)

Date of resolution	June 27, 2017
Classification and number of persons to whom rights are granted (persons)	Six Directors of the Company Five Executive Officers of the Company
Number of share acquisition rights*	190
Class, descriptions, and number of shares to be issued upon exercise of share acquisition rights (shares)*	76,000 common share (Note 1)
Amount to be paid upon exercise of share acquisition rights (yen)*	400 (Note 2)
Exercise period of share acquisition rights*	From July 12, 2017, to July 11, 2057
Issue price for shares that will be issued through the exercise of share acquisition rights and the amount booked as share capital (yen)*	Issue price 126,800 Amount booked as share capital 63,400 (Note 3)
Conditions for exercise of share acquisition rights*	(Note 4)
Matters concerning the transfer of share acquisition rights*	The acquisition of share acquisition rights by transfer shall require the approval of the Company's Board of Directors.
Matters regarding grant of share acquisition rights accompanying reorganization*	(Note 5)

* The information is as of the end of the fiscal year under review (March 31, 2022). Because the information as of May 31, 2022 is mostly the same as that as of March 31, 2022, the information as of May 31, 2022 is omitted.

(Notes) 1. The class of shares underlying share acquisition rights is the common stock of the Company. The number of shares underlying share acquisition rights ("Number of Granted Shares") is 400.

If the Company executes a split or reverse split of its common stock after the allotment date of the share acquisition rights, the Company will adjust the Number of Granted Shares using the formula below. The resulting number of shares shall be rounded down to the nearest natural number.

Number of Granted Shares after adjustment = Number of Granted Shares before adjustment × Stock split ratio or reverse stock split ratio

If the Number of Granted Shares needs to be adjusted when the Company executes a merger, a demerger, a free allotment of shares, or on other occasions after the date of allotment of the share acquisition rights, the Number of Granted Shares shall be adjusted appropriately within a reasonable degree. The adjustment of the Number of Granted Shares described in this item shall apply only to the number of shares underlying the share acquisition rights that are not exercised at the time of the adjustment.

2. The value of the property to be contributed when share acquisition rights are exercised shall be ¥1 for a share to be delivered at the time of exercise of the share acquisition rights multiplied by the number of shares to be granted.

3. (a) The amount of share capital to be increased due to the issuance of shares upon the exercise of the share acquisition rights shall be half of the maximum amount of increase in share capital, etc., that is calculated pursuant to Article 17, Paragraph 1 of the Corporate Accounting Rules, and any fraction of less than one (1) yen resulting from the calculation shall be rounded up to the nearest one (1) yen.

(b) The amount by which the legal capital surplus increases through the issuance of shares upon the exercise of share acquisition rights shall be obtained by subtracting the increase in the amount of share capital set out in (a) above from the upper limit of the increase in the amounts of stated share capital and other items described in (a) above.

4. (1) The share acquisition rights holder may exercise the share acquisition rights allotted to him/her from the day following the day when he/she has relinquished his/her post of Director and post of Executive Officer.

(2) Regardless of the provision of (1), a person who is allotted share acquisition rights may not exercise the share acquisition rights if he/she meets any of the conditions below.

(a) Has not exercised share acquisition rights during the exercise period

(b) Has been subject to suspension from work or a heavier disciplinary action

(c) Has relinquished his/her post of Director or post of Executive Officer within three years of the date of allotment due to voluntary resignation or other reasons (excluding retirement due to the expiration of the term of office and retirement or resignation due to the Company's convenience)

(d) Has relinquished the post of Director and post of Executive Officer due to dismissal or disciplinary action by resolution of the Company's general meeting of shareholders or the Board of Directors or due to the Board of Director's reasonable decision that it is not appropriate to allow him/her to exercise share acquisition rights

(e) Has renounced his/her share acquisition rights

(3) In the case of the death of the share acquisition rights holder, a legal heir may exercise share acquisition rights under the allotment agreement and the conditions below only if the share acquisition rights belong to only one person of the heirs at law ("Successor"). No penal code offenders who are deemed to have committed a serious crime may not become a

Successor.

(a) The Successor may not succeed to share acquisition rights in case of his/her death.

(b) The Successor shall complete the prescribed succession procedure within ten months of the commencement of succession and by the final date of the exercise period.

(c) The Successor may exercise share acquisition rights only within two months of the completion of the succession procedure prescribed by the Company.

5. If the event of a merger (limited to a merger where the Company is absorbed), an absorption-type company split or an incorporation-type company split (limited to a company split where the Company is a split company), a share exchange or a share transfer (limited to a case where the Company becomes a wholly owned subsidiary) (hereinafter collectively referred to as “Organizational Restructuring”), the Company shall deliver to share acquisition rights holders who hold share acquisition rights remaining immediately before the effective date of Organizational Restructuring (effective date of the absorption-type merger, date of incorporation of a stock company incorporated through a consolidation-type merger, effective date of the absorption-type split, date of incorporation of a wholly owning parent company incorporated through the share transfer; the same applies hereinafter; remaining share acquisition rights hereinafter referred to as “Remaining Share Acquisition Rights”) share acquisition rights of a stock company set out in Article 236, paragraph 1, item 8 (a) through (e) of the Companies Act (“Reorganized Company”) under the conditions below. In this case, the remaining share acquisition rights shall be cancelled, and the Reorganized Company shall newly issue share acquisition rights.

Provided, however, that it is limited to the case in which the issuance of the share option of the Reorganized Company is specified in the merger agreement, absorption-type company split agreement, incorporation-type company split plan, share exchange agreement or share transfer plan according to the following conditions.

(i) Number of share acquisition rights of the Reorganized Company to be delivered

The number of share acquisition rights to be delivered to a share acquisition rights holder shall be the same as the number of Remaining Share Acquisition Rights held by him/her.

(ii) Class and numbers of shares of the Reorganized Company to be issued upon exercise of share acquisition rights

The class of shares underlying the share acquisition rights shall be the common stock of the Reorganized Company. The number of shares of the common stock of the Reorganized Company when share acquisition rights are exercised shall be determined under the provision set out in (i) in consideration of the terms and conditions for Organizational Restructuring.

(iii) Value of assets to be contributed upon exercise of each share acquisition right

The value of the property to be contributed when delivered share acquisition rights are exercised shall be calculated by multiplying the exercise price after reorganization set out below by the number of shares underlying the share acquisition rights. The exercise price after reorganization shall be ¥1 per share in the Reorganized Company that can be delivered upon exercise of delivered share acquisition rights.

(iv) Matters concerning the purchase of share acquisition rights

Share acquisition rights that have not been exercised on a date separately specified by the Board of Directors may be acquired without consideration if an absorption-type merger where the Company is absorbed, a consolidation-type merger agreement, an absorption-type company split agreement where the Company is a split company or an incorporation-type company split plan, or a share exchange agreement or a share transfer plan where the Company becomes a wholly owned subsidiary is approved by the general meeting of shareholders (or the Board of Directors if the approval of the general meeting of shareholders is not necessary) of the Company.

(v) Restriction on transfer of share acquisition rights

Any purchase of share acquisition rights by transfer shall be subject to approval by the Board of Directors of the Reorganized Company.

(vi) Matters concerning increase in capital and capital reserve upon issuance of shares through the exercise of share acquisition rights

They shall be determined under the provision set out in (3).

g. 7th series of share acquisition rights (Class B share acquisition rights)

Date of resolution	August 2, 2018
Classification and number of persons to whom rights are granted (persons)	Seven Directors of the Company Seven Executive Officers of the Company
Number of share acquisition rights*	255
Class, descriptions, and number of shares to be issued upon exercise of share acquisition rights (shares)*	102,000 common shares (Note 1)
Amount to be paid upon exercise of share acquisition rights (yen)*	400 (Note 2)
Exercise period of share acquisition rights*	From August 29, 2018, to August 28, 2058
Issue price for shares that will be issued through the exercise of share acquisition rights and the amount booked as share capital (yen)*	Issue price 101,600 Amount booked as share capital 50,800 (Note 3)
Conditions for exercise of share acquisition rights*	(Note 4)
Matters concerning the transfer of share acquisition rights*	The acquisition of share acquisition rights by transfer shall require the approval of the Company's Board of Directors.
Matters regarding grant of share acquisition rights accompanying reorganization*	(Note 5)

* The information is as of the end of the fiscal year under review (March 31, 2022). Because the information as of May 31, 2022 is mostly the same as that as of March 31, 2022, the information as of May 31, 2022 is omitted.

(Notes) 1. The class of shares underlying share acquisition rights is the common stock of the Company. The number of shares underlying share acquisition rights ("Number of Granted Shares") is 400.

If the Company executes a split or reverse split of its common stock after the allotment date of the share acquisition rights, the Company will adjust the Number of Granted Shares using the formula below. The resulting number of shares shall be rounded down to the nearest natural number.

Number of Granted Shares after adjustment = Number of Granted Shares before adjustment × Stock split ratio or reverse stock split ratio

If the Number of Granted Shares needs to be adjusted when the Company executes a merger, a demerger, a stock split, a reverse stock split, a free allotment of shares, or on other occasions, the Number of Granted Shares shall be adjusted appropriately within a reasonable degree.

The adjustment of the Number of Granted Shares described in this item shall apply only to the number of shares underlying the share acquisition rights that are not exercised at the time of the adjustment.

2. The value of the property to be contributed when share acquisition rights are exercised shall be ¥1 for a share to be delivered at the time of exercise of the share acquisition rights multiplied by the number of shares to be granted.

3. (a) The amount of share capital to be increased due to the issuance of shares upon the exercise of the share acquisition rights shall be half of the maximum amount of increase in share capital, etc., that is calculated pursuant to Article 17, Paragraph 1 of the Corporate Accounting Rules, and any fraction of less than one (1) yen resulting from the calculation shall be rounded up to the nearest one (1) yen.

(b) The amount by which the legal capital surplus increases through the issuance of shares upon the exercise of share acquisition rights shall be obtained by subtracting the increase in the amount of share capital set out in (a) above from the upper limit of the increase in the amounts of stated share capital and other items described in (a) above.

4. (1) The share acquisition rights holder may exercise the share acquisition rights allotted to him/her from the day following the day when he/she has relinquished his/her post of Director and post of Executive Officer.

(2) Regardless of the provision of (1), a person who is allotted share acquisition rights may not exercise the share acquisition rights if he/she meets any of the conditions below.

(a) Has not exercised share acquisition rights during the exercise period

(b) Has been subject to suspension from work or a heavier disciplinary action

(c) Has relinquished his/her post of Director and post of Executive Officer within a year of the date of allotment due to voluntary resignation or other reasons (excluding retirement due to the expiration of the term of office and retirement or resignation due to the Company's convenience)

(d) Has relinquished the post of Director and post of Executive Officer due to dismissal or disciplinary action by resolution of the Company's general meeting of shareholders or the Board of Directors or due to the Board of Director's reasonable decision that it is not appropriate to allow him/her to exercise share acquisition rights

(e) Has renounced his/her share acquisition rights

(3) In the case of the death of the share acquisition rights holder, a legal heir may exercise share acquisition rights under the allotment agreement and the conditions below only if the share acquisition rights belong to only one person of the heirs at law ("Successor"). No penal code offenders who are deemed to have committed a serious crime may not become a

Successor.

(a) The Successor may not succeed to share acquisition rights in case of his/her death.

(b) The Successor shall complete the prescribed succession procedure within ten months of the commencement of succession and by the final date of the exercise period.

(c) The Successor may exercise share acquisition rights only within two months of the completion of the succession procedure prescribed by the Company.

5. If the event of a merger (limited to a merger where the Company is absorbed), an absorption-type company split or an incorporation-type company split (limited to a company split where the Company is a split company), a share exchange or a share transfer (limited to a case where the Company becomes a wholly owned subsidiary) (hereinafter collectively referred to as “Organizational Restructuring”), the Company shall deliver to share acquisition rights holders who hold share acquisition rights remaining immediately before the effective date of Organizational Restructuring (effective date of the absorption-type merger, date of incorporation of a stock company incorporated through a consolidation-type merger, effective date of the absorption-type split, date of incorporation of a wholly owning parent company incorporated through the share transfer; the same applies hereinafter; remaining share acquisition rights hereinafter referred to as “Remaining Share Acquisition Rights”) share acquisition rights of a stock company set out in Article 236, paragraph 1, item 8 (a) through (e) of the Companies Act (“Reorganized Company”) under the conditions below. In this case, the remaining share acquisition rights shall be cancelled, and the Reorganized Company shall newly issue share acquisition rights.

Provided, however, that it is limited to the case in which the issuance of the share option of the Reorganized Company is specified in the merger agreement, absorption-type company split agreement, incorporation-type company split plan, share exchange agreement or share transfer plan according to the following conditions.

(i) Number of share acquisition rights of the Reorganized Company to be delivered

The number of share acquisition rights to be delivered to a share acquisition rights holder shall be the same as the number of Remaining Share Acquisition Rights held by him/her.

(ii) Class and numbers of shares of the Reorganized Company to be issued upon exercise of share acquisition rights

The class of shares underlying the share acquisition rights shall be the common stock of the Reorganized Company. The number of shares of the common stock of the Reorganized Company when share acquisition rights are exercised shall be determined under the provision set out in (i) in consideration of the terms and conditions for Organizational Restructuring.

(iii) Value of assets to be contributed upon exercise of each share acquisition right

The value of the property to be contributed when delivered share acquisition rights are exercised shall be calculated by multiplying the exercise price after reorganization set out below by the number of shares underlying the share acquisition rights. The exercise price after reorganization shall be ¥1 per share in the Reorganized Company that can be delivered upon exercise of delivered share acquisition rights.

(iv) Matters concerning the purchase of share acquisition rights

Share acquisition rights that have not been exercised on a date separately specified by the Board of Directors may be acquired without consideration if an absorption-type merger where the Company is absorbed, a consolidation-type merger agreement, an absorption-type company split agreement where the Company is a split company or an incorporation-type company split plan, or a share exchange agreement or a share transfer plan where the Company becomes a wholly owned subsidiary is approved by the general meeting of shareholders (or the Board of Directors if the approval of the general meeting of shareholders is not necessary) of the Company.

(v) Restriction on transfer of share acquisition rights

Any purchase of share acquisition rights by transfer shall be subject to approval by the Board of Directors of the Reorganized Company.

(vi) Matters concerning increase in capital and capital reserve upon issuance of shares through the exercise of share acquisition rights

They shall be determined under the provision set out in (3).

h. 8th series of share acquisition rights (Class B share acquisition rights)

Date of resolution	July 1, 2019
Classification and number of persons to whom rights are granted (persons)	Seven Directors of the Company Six Executive Officers of the Company
Number of share acquisition rights*	255
Class, descriptions, and number of shares to be issued upon exercise of share acquisition rights (shares)*	102,000 common shares (Note 1)
Amount to be paid upon exercise of share acquisition rights (yen)*	400 (Note 2)
Exercise period of share acquisition rights*	From July 31, 2019 to July 30, 2059
Issue price for shares that will be issued through the exercise of share acquisition rights and the amount booked as share capital (yen)*	Issue price 116,400 Amount booked as share capital 58,200 (Note 3)
Conditions for exercise of share acquisition rights*	(Note 4)
Matters concerning the transfer of share acquisition rights*	The acquisition of share acquisition rights by transfer shall require the approval of the Company's Board of Directors.
Matters regarding grant of share acquisition rights accompanying reorganization*	(Note 5)

* The information is as of the end of the fiscal year under review (March 31, 2022). Because the information as of May 31, 2022 is mostly the same as that as of March 31, 2022, the information as of May 31, 2022 is omitted.

(Notes) 1. The class of shares underlying share acquisition rights is the common stock of the Company. The number of shares underlying share acquisition rights ("Number of Granted Shares") is 400.

If the Company executes a split or reverse split of its common stock after the allotment date of the share acquisition rights, the Company will adjust the Number of Granted Shares using the formula below. The resulting number of shares shall be rounded down to the nearest natural number.

Number of Granted Shares after adjustment = Number of Granted Shares before adjustment × Stock split ratio or reverse stock split ratio

If the Number of Granted Shares needs to be adjusted when the Company executes a merger, a demerger, a stock split, a reverse stock split, a free allotment of shares, or on other occasions, the Number of Granted Shares shall be adjusted appropriately within a reasonable degree.

The adjustment of the Number of Granted Shares described in this item shall apply only to the number of shares underlying the share acquisition rights that are not exercised at the time of the adjustment.

2. The value of the property to be contributed when share acquisition rights are exercised shall be ¥1 for a share to be delivered at the time of exercise of the share acquisition rights multiplied by the number of shares to be granted.

3. (a) The amount of share capital to be increased due to the issuance of shares upon the exercise of the share acquisition rights shall be half of the maximum amount of increase in share capital, etc., that is calculated pursuant to Article 17, Paragraph 1 of the Corporate Accounting Rules, and any fraction of less than one (1) yen resulting from the calculation shall be rounded up to the nearest one (1) yen.

(b) The amount by which the legal capital surplus increases through the issuance of shares upon the exercise of share acquisition rights shall be obtained by subtracting the increase in the amount of share capital set out in (a) above from the upper limit of the increase in the amounts of stated share capital and other items described in (a) above.

4. (1) The share acquisition rights holder may exercise the share acquisition rights allotted to him/her from the day following the day when he/she has relinquished his/her post of Director and post of Executive Officer.

(2) Regardless of the provision of (1), a person who is allotted share acquisition rights may not exercise the share acquisition rights if he/she meets any of the conditions below.

(a) Has not exercised share acquisition rights during the exercise period

(b) Has been subject to suspension from work or a heavier disciplinary action

(c) Has relinquished his/her post of Director and post of Executive Officer within a year of the date of allotment due to voluntary resignation or other reasons (excluding retirement due to the expiration of the term of office and retirement or resignation due to the Company's convenience)

(d) Has relinquished the post of Director and post of Executive Officer due to dismissal or disciplinary action by resolution of the Company's general meeting of shareholders or the Board of Directors or due to the Board of Director's reasonable decision that it is not appropriate to allow him/her to exercise share acquisition rights

(e) Has renounced his/her share acquisition rights

(3) In the case of the death of the share acquisition rights holder, a legal heir may exercise share acquisition rights under the allotment agreement and the conditions below only if the share acquisition rights belong to only one person of the heirs at law ("Successor"). No penal code offenders who are deemed to have committed a serious crime may not become a

Successor.

(a) The Successor may not succeed to share acquisition rights in case of his/her death.

(b) The Successor shall complete the prescribed succession procedure within ten months of the commencement of succession and by the final date of the exercise period.

(c) The Successor may exercise share acquisition rights only within two months of the completion of the succession procedure prescribed by the Company.

5. If the event of a merger (limited to a merger where the Company is absorbed), an absorption-type company split or an incorporation-type company split (limited to a company split where the Company is a split company), a share exchange or a share transfer (limited to a case where the Company becomes a wholly owned subsidiary) (hereinafter collectively referred to as "Organizational Restructuring"), the Company shall deliver to share acquisition rights holders who hold share acquisition rights remaining immediately before the effective date of Organizational Restructuring (effective date of the absorption-type merger, date of incorporation of a stock company incorporated through a consolidation-type merger, effective date of the absorption-type split, date of incorporation of a wholly owning parent company incorporated through the share transfer; the same applies hereinafter; remaining share acquisition rights hereinafter referred to as "Remaining Share Acquisition Rights") share acquisition rights of a stock company set out in Article 236, paragraph 1, item 8 (a) through (e) of the Companies Act ("Reorganized Company") under the conditions below. In this case, the remaining share acquisition rights shall be cancelled, and the Reorganized Company shall newly issue share acquisition rights.

Provided, however, that it is limited to the case in which the issuance of the share option of the Reorganized Company is specified in the merger agreement, absorption-type company split agreement, incorporation-type company split plan, share exchange agreement or share transfer plan according to the following conditions.

(i) Number of share acquisition rights of the Reorganized Company to be delivered

The number of share acquisition rights to be delivered to a share acquisition rights holder shall be the same as the number of Remaining Share Acquisition Rights held by him/her.

(ii) Class and numbers of shares of the Reorganized Company to be issued upon exercise of share acquisition rights

The class of shares underlying the share acquisition rights shall be the common stock of the Reorganized Company. The number of shares of the common stock of the Reorganized Company when share acquisition rights are exercised shall be determined under the provision set out in (i) in consideration of the terms and conditions for Organizational Restructuring.

(iii) Value of assets to be contributed upon exercise of each share acquisition right

The value of the property to be contributed when delivered share acquisition rights are exercised shall be calculated by multiplying the exercise price after reorganization set out below by the number of shares underlying the share acquisition rights. The exercise price after reorganization shall be ¥1 per share in the Reorganized Company that can be delivered upon exercise of delivered share acquisition rights.

(iv) Matters concerning the purchase of share acquisition rights

Share acquisition rights that have not been exercised on a date separately specified by the Board of Directors may be acquired without consideration if an absorption-type merger where the Company is absorbed, a consolidation-type merger agreement, an absorption-type company split agreement where the Company is a split company or an incorporation-type company split plan, or a share exchange agreement or a share transfer plan where the Company becomes a wholly owned subsidiary is approved by the general meeting of shareholders (or the Board of Directors if the approval of the general meeting of shareholders is not necessary) of the Company.

(v) Restriction on transfer of share acquisition rights

Any purchase of share acquisition rights by transfer shall be subject to approval by the Board of Directors of the Reorganized Company.

(vi) Matters concerning increase in capital and capital reserve upon issuance of shares through the exercise of share acquisition rights

They shall be determined under the provision set out in (3).

i. 9th series of share acquisition rights (Class B share acquisition rights)

Date of resolution	July 13, 2020
Classification and number of persons to whom rights are granted (persons)	Seven Directors of the Company Five Executive Officers of the Company
Number of share acquisition rights*	351
Class, descriptions, and number of shares to be issued upon exercise of share acquisition rights (shares)*	140,400 common shares (Note 1)
Amount to be paid upon exercise of share acquisition rights (yen)*	400 (Note 2)
Exercise period of share acquisition rights*	From August 2, 2020, to August 1, 2060
Issue price for shares that will be issued through the exercise of share acquisition rights and the amount booked as share capital (yen)*	Issue price 91,600 Amount booked as share capital 45,800 (Note 3)
Conditions for exercise of share acquisition rights*	(Note 4)
Matters concerning the transfer of share acquisition rights*	The acquisition of share acquisition rights by transfer shall require the approval of the Company's Board of Directors.
Matters regarding grant of share acquisition rights accompanying reorganization*	(Note 5)

* The information is as of the end of the fiscal year under review (March 31, 2022). Because the information as of May 31, 2022 is mostly the same as that as of March 31, 2022, the information as of May 31, 2022 is omitted.

(Notes) 1. The class of shares underlying share acquisition rights is the common stock of the Company. The number of shares underlying share acquisition rights ("Number of Granted Shares") is 400.

If the Company executes a split or reverse split of its common stock after the allotment date of the share acquisition rights, the Company will adjust the Number of Granted Shares using the formula below. The resulting number of shares shall be rounded down to the nearest natural number.

Number of Granted Shares after adjustment = Number of Granted Shares before adjustment × Stock split ratio or reverse stock split ratio

If the Number of Granted Shares needs to be adjusted when the Company executes a merger, a demerger, a stock split, a reverse stock split, a free allotment of shares, or on other occasions, the Number of Granted Shares shall be adjusted appropriately within a reasonable degree.

The adjustment of the Number of Granted Shares described in this item shall apply only to the number of shares underlying the share acquisition rights that are not exercised at the time of the adjustment.

2. The value of the property to be contributed when share acquisition rights are exercised shall be ¥1 for a share to be delivered at the time of exercise of the share acquisition rights multiplied by the number of shares to be granted.

3. (a) The amount of share capital to be increased due to the issuance of shares upon the exercise of the share acquisition rights shall be half of the maximum amount of increase in share capital, etc., that is calculated pursuant to Article 17, Paragraph 1 of the Corporate Accounting Rules, and any fraction of less than one (1) yen resulting from the calculation shall be rounded up to the nearest one (1) yen.

(b) The amount by which the legal capital surplus increases through the issuance of shares upon the exercise of share acquisition rights shall be obtained by subtracting the increase in the amount of share capital set out in (a) above from the upper limit of the increase in the amounts of stated share capital and other items described in (a) above.

4. (1) The share acquisition rights holder may exercise the share acquisition rights allotted to him/her from the day following the day when he/she has relinquished his/her post of Director and post of Executive Officer.

(2) Regardless of the provision of (1), a person who is allotted share acquisition rights may not exercise the share acquisition rights if he/she meets any of the conditions below.

(a) Has not exercised share acquisition rights during the exercise period

(b) Has been subject to suspension from work or a heavier disciplinary action

(c) Has relinquished his/her post of Director and post of Executive Officer within a year of the date of allotment due to voluntary resignation or other reasons (excluding retirement due to the expiration of the term of office and retirement or resignation due to the Company's convenience)

(d) Has relinquished the post of Director and post of Executive Officer due to dismissal or disciplinary action by resolution of the Company's general meeting of shareholders or the Board of Directors or due to the Board of Director's reasonable decision that it is not appropriate to allow him/her to exercise share acquisition rights

(e) Has renounced his/her share acquisition rights

(3) In the case of the death of the share acquisition rights holder, a legal heir may exercise share acquisition rights under the allotment agreement and the conditions below only if the share acquisition rights belong to only one person of the heirs at law ("Successor"). No penal code offenders who are deemed to have committed a serious crime may not become a

Successor.

(a) The Successor may not succeed to share acquisition rights in case of his/her death.

(b) The Successor shall complete the prescribed succession procedure within ten months of the commencement of succession and by the final date of the exercise period.

(c) The Successor may exercise share acquisition rights only within two months of the completion of the succession procedure prescribed by the Company.

5. If the event of a merger (limited to a merger where the Company is absorbed), an absorption-type company split or an incorporation-type company split (limited to a company split where the Company is a split company), a share exchange or a share transfer (limited to a case where the Company becomes a wholly owned subsidiary) (hereinafter collectively referred to as “Organizational Restructuring”), the Company shall deliver to share acquisition rights holders who hold share acquisition rights remaining immediately before the effective date of Organizational Restructuring (effective date of the absorption-type merger, date of incorporation of a stock company incorporated through a consolidation-type merger, effective date of the absorption-type split, date of incorporation of a wholly owning parent company incorporated through the share transfer; the same applies hereinafter; remaining share acquisition rights hereinafter referred to as “Remaining Share Acquisition Rights”) share acquisition rights of a stock company set out in Article 236, paragraph 1, item 8 (a) through (e) of the Companies Act (“Reorganized Company”) under the conditions below. In this case, the remaining share acquisition rights shall be cancelled, and the Reorganized Company shall newly issue share acquisition rights.

Provided, however, that it is limited to the case in which the issuance of the share option of the Reorganized Company is specified in the merger agreement, absorption-type company split agreement, incorporation-type company split plan, share exchange agreement or share transfer plan according to the following conditions.

(i) Number of share acquisition rights of the Reorganized Company to be delivered

The number of share acquisition rights to be delivered to a share acquisition rights holder shall be the same as the number of Remaining Share Acquisition Rights held by him/her.

(ii) Class and numbers of shares of the Reorganized Company to be issued upon exercise of share acquisition rights

The class of shares underlying the share acquisition rights shall be the common stock of the Reorganized Company. The number of shares of the common stock of the Reorganized Company when share acquisition rights are exercised shall be determined under the provision set out in (i) in consideration of the terms and conditions for Organizational Restructuring.

(iii) Value of assets to be contributed upon exercise of each share acquisition right

The value of the property to be contributed when delivered share acquisition rights are exercised shall be calculated by multiplying the exercise price after reorganization set out below by the number of shares underlying the share acquisition rights. The exercise price after reorganization shall be ¥1 per share in the Reorganized Company that can be delivered upon exercise of delivered share acquisition rights.

(iv) Matters concerning the purchase of share acquisition rights

Share acquisition rights that have not been exercised on a date separately specified by the Board of Directors may be acquired without consideration if an absorption-type merger where the Company is absorbed, a consolidation-type merger agreement, an absorption-type company split agreement where the Company is a split company or an incorporation-type company split plan, or a share exchange agreement or a share transfer plan where the Company becomes a wholly owned subsidiary is approved by the general meeting of shareholders (or the Board of Directors if the approval of the general meeting of shareholders is not necessary) of the Company.

(v) Restriction on transfer of share acquisition rights

Any purchase of share acquisition rights by transfer shall be subject to approval by the Board of Directors of the Reorganized Company.

(vi) Matters concerning increase in capital and capital reserve upon issuance of shares through the exercise of share acquisition rights

They shall be determined under the provision set out in (3).

j. 10th series of share acquisition rights (Class B share acquisition rights)

Date of resolution	July 12, 2021
Classification and number of persons to whom rights are granted (persons)	Seven Directors of the Company Four Executive Officers of the Company
Number of share acquisition rights*	1,581
Class, descriptions, and number of shares to be issued upon exercise of share acquisition rights (shares)*	158,100 common shares (Note 1)
Amount to be paid upon exercise of share acquisition rights (yen)*	100 (Note 2)
Exercise period of share acquisition rights*	From August 1, 2021 to July 31, 2061
Issue price for shares that will be issued through the exercise of share acquisition rights and the amount booked as share capital (yen)*	Issue price 24,200 Amount booked as share capital 12,100 (Note 3)
Conditions for exercise of share acquisition rights*	(Note 4)
Matters concerning the transfer of share acquisition rights*	The acquisition of share acquisition rights by transfer shall require the approval of the Company's Board of Directors.
Matters regarding grant of share acquisition rights accompanying reorganization*	(Note 5)

* The information is as of the end of the fiscal year under review (March 31, 2022). Because the information as of May 31, 2022 is mostly the same as that as of March 31, 2022, the information as of May 31, 2022 is omitted.

(Notes) 1. The class of shares underlying share acquisition rights is the common stock of the Company. The number of shares underlying a share acquisition rights ("Number of Granted Shares") is 100.

If the Company executes a split or reverse split of its common stock after the allotment date of the share acquisition rights, the Company will adjust the Number of Granted Shares using the formula below. The resulting number of shares shall be rounded down to the nearest natural number.

Number of Granted Shares after adjustment = Number of Granted Shares before adjustment × Stock split ratio or reverse stock split ratio

If the Number of Granted Shares needs to be adjusted when the Company executes a merger, a demerger, a stock split, a reverse stock split, a free allotment of shares, or on other occasions, the Number of Granted Shares shall be adjusted appropriately within a reasonable degree.

The adjustment of the Number of Granted Shares described in this item shall apply only to the number of shares underlying the share acquisition rights that are not exercised at the time of the adjustment.

2. The value of the property to be contributed when share acquisition rights are exercised shall be ¥1 for a share to be delivered at the time of exercise of the share acquisition rights multiplied by the number of shares to be granted.

3. (a) The amount of share capital to be increased due to the issuance of shares upon the exercise of the share acquisition rights shall be half of the maximum amount of increase in share capital, etc., that is calculated pursuant to Article 17, Paragraph 1 of the Corporate Accounting Rules, and any fraction of less than one (1) yen resulting from the calculation shall be rounded up to the nearest one (1) yen.

(b) The amount by which the legal capital surplus increases through the issuance of shares upon the exercise of share acquisition rights shall be obtained by subtracting the increase in the amount of share capital set out in (a) above from the upper limit of the increase in the amounts of stated share capital and other items described in (a) above.

4. (1) The share acquisition rights holder may exercise the share acquisition rights allotted to him/her from the day following the day when he/she has relinquished his/her post of Director and post of Executive Officer.

(2) Regardless of the provision of (1), a person who is allotted share acquisition rights may not exercise the share acquisition rights if he/she meets any of the conditions below.

(a) Has not exercised share acquisition rights during the exercise period

(b) Has been subject to suspension from work or a heavier disciplinary action

(c) Has relinquished his/her post of Director and post of Executive Officer within a year of the date of allotment due to voluntary resignation or other reasons (excluding retirement due to the expiration of the term of office and retirement or resignation due to the Company's convenience)

(d) Has relinquished the post of Director and post of Executive Officer due to dismissal or disciplinary action by resolution of the Company's general meeting of shareholders or the Board of Directors or due to the Board of Director's reasonable decision that it is not appropriate to allow him/her to exercise share acquisition rights

(e) Has renounced his/her share acquisition rights

(3) In the case of the death of the share acquisition rights holder, a legal heir may exercise share acquisition rights under the allotment agreement and the conditions below only if the share acquisition rights belong to only one person of the heirs at law ("Successor"). No penal code offenders who are deemed to have committed a serious crime may not become a

Successor.

(a) The Successor may not succeed to share acquisition rights in case of his/her death.

(b) The Successor shall complete the prescribed succession procedure within ten months of the commencement of succession and by the final date of the exercise period.

(c) The Successor may exercise share acquisition rights only within two months of the completion of the succession procedure prescribed by the Company.

5. If the event of a merger (limited to a merger where the Company is absorbed), an absorption-type company split or an incorporation-type company split (limited to a company split where the Company is a split company), a share exchange or a share transfer (limited to a case where the Company becomes a wholly owned subsidiary) (hereinafter collectively referred to as "Organizational Restructuring"), the Company shall deliver to share acquisition rights holders who hold share acquisition rights remaining immediately before the effective date of Organizational Restructuring (effective date of the absorption-type merger, date of incorporation of a stock company incorporated through a consolidation-type merger, effective date of the absorption-type split, date of incorporation of a wholly owning parent company incorporated through the share transfer; the same applies hereinafter; remaining share acquisition rights hereinafter referred to as "Remaining Share Acquisition Rights") share acquisition rights of a stock company set out in Article 236, paragraph 1, item 8 (a) through (e) of the Companies Act ("Reorganized Company") under the conditions below. In this case, the remaining share acquisition rights shall be cancelled, and the Reorganized Company shall newly issue share acquisition rights.

Provided, however, that it is limited to the case in which the issuance of the share option of the Reorganized Company is specified in the merger agreement, absorption-type company split agreement, incorporation-type company split plan, share exchange agreement or share transfer plan according to the following conditions.

(i) Number of share acquisition rights of the Reorganized Company to be delivered

The number of share acquisition rights to be delivered to a share acquisition rights holder shall be the same as the number of Remaining Share Acquisition Rights held by him/her.

(ii) Class and numbers of shares of the Reorganized Company to be issued upon exercise of share acquisition rights

The class of shares underlying the share acquisition rights shall be the common stock of the Reorganized Company. The number of shares of the common stock of the Reorganized Company when share acquisition rights are exercised shall be determined under the provision set out in (i) in consideration of the terms and conditions for Organizational Restructuring.

(iii) Value of assets to be contributed upon exercise of each share acquisition right

The value of the property to be contributed when delivered share acquisition rights are exercised shall be calculated by multiplying the exercise price after reorganization set out below by the number of shares underlying the share acquisition rights. The exercise price after reorganization shall be ¥1 per share in the Reorganized Company that can be delivered upon exercise of delivered share acquisition rights.

(iv) Matters concerning the purchase of share acquisition rights

Share acquisition rights that have not been exercised on a date separately specified by the Board of Directors may be acquired without consideration if an absorption-type merger where the Company is absorbed, a consolidation-type merger agreement, an absorption-type company split agreement where the Company is a split company or an incorporation-type company split plan, or a share exchange agreement or a share transfer plan where the Company becomes a wholly owned subsidiary is approved by the general meeting of shareholders (or the Board of Directors if the approval of the general meeting of shareholders is not necessary) of the Company.

(v) Restriction on transfer of share acquisition rights

Any purchase of share acquisition rights by transfer shall be subject to approval by the Board of Directors of the Reorganized Company.

(vi) Matters concerning increase in capital and capital reserve upon issuance of shares through the exercise of share acquisition rights

They shall be determined under the provision set out in (3).

(ii) Shareholder right plans

Not applicable.

(iii) State of share acquisition rights and other plans

Not applicable.

(3) Exercise of moving strike convertible bonds, etc.

Not applicable.

(4) Changes in number of shares issued and capital, etc.

Date	Change in the total number of issued shares (shares)	Balance of the total number of issued shares (shares)	Changes in share capital (millions of yen)	Balance of share capital (millions of yen)	Change in legal capital surplus (millions of yen)	Balance of legal capital surplus (millions of yen)
March 22, 2019 (Note)	(3,000,000)	121,000,000	–	4,819	–	4,817

(Note) A decrease due to cancellation of treasury shares.

(5) Shareholders composition

As of March 31, 2022

Category	Status of shares (one unit of stock: 100 shares)								Number of shares less than one unit (shares)
	Government and local governments	Financial institutions	Financial instruments business operators	Other Japanese corporations	Foreign corporations and others		Individuals and others	Total	
					Non-individuals	Individuals			
Number of shareholders (persons)	–	23	37	221	113	128	56,877	57,399	–
Number of shares held (units)	–	181,721	26,813	60,712	142,234	651	797,396	1,209,527	47,300
Ratio of the number of shares held (%)	–	15.02	2.22	5.02	11.76	0.05	65.93	100	–

(Notes) 1. Of 11,948,807 treasury shares, 119,488 units are included in the “Individuals and others” column, while 7 shares are included in the “Number of shares less than one unit” column.

2. The number of shares held of “Other corporations” includes 16 units of shares held under the name of Japan Securities Depository Center, Inc.

(6) Status of major shareholders

As of March 31, 2022

Name / company name	Address	Number of shares held (thousand shares)	Ratio of the number of shares held to the number of shares issued (excluding treasury shares) (%)
Yoshio Murayama	Itabashi-ku, Tokyo	25,633	23.51
The Master Trust Bank of Japan, Ltd. (Trust account)	2-11-3 Hamamatsucho, Minato-ku, Tokyo	11,365	10.42
Custody Bank of Japan, Ltd. (Trust account)	1-8-12, Harumi, Chuo-ku, Tokyo	2,874	2.64
Murayama Kikaku Co., Ltd.	4-33-10, Narimasu, Itabashi-ku, Tokyo	2,000	1.83
RUDEN HOLDINGS Co., Ltd.	20-1 Sakuragaoka-cho, Shibuya-ku, Tokyo	1,600	1.47
Northern Trust Company AVFC Re Fidelity Funds (Standing proxy: HSBC Tokyo Branch, Custody Service Department)	50 BANK STREET CANARY WHARF LONDON E14 5NT, UK (3-11-1 Nihonbashi, Chuo-ku, Tokyo)	1,495	1.37
Takara Leben Business Partner Shareholding Association	1-8-2, Marunouchi, Chiyoda-Ku, Tokyo	1,309	1.20
Sumitomo Mitsui Banking Corporation	1-1-2, Marunouchi, Chiyoda-Ku, Tokyo	1,184	1.09
JPMorgan Chase & Co. 385781 (Standing proxy: Settlement & Clearing Services Department of Mizuho Bank, Ltd.)	25 BANK STREET, CANARY WHARF, LONDON, E14 5JP, UNITED KINGDOM (2-15-1, Konan, Minato-ku, Tokyo)	1,091	1.00
SSBTC CLIENT OMNIBUS ACCOUNT (Standing proxy: HSBC Tokyo Branch, Custody Service Department)	ONE LINCOLN STREET, BOSTON MA USA 02111 (3-11-1 Nihonbashi, Chuo-ku, Tokyo)	1,069	0.98
Total	–	49,624	45.51

(Notes) 1. Of the shares held by The Master Trust Bank of Japan, Ltd. (trust account), 11,365,000 shares are related to the trust business.

2. Of the shares held by Custody Bank of Japan, Ltd. (trust account), 2,874,000 shares are related to the trust business.

(7) Information on voting rights

1) Outstanding shares

As of March 31, 2022

Category	Number of shares (shares)	Number of voting rights	Details
Shares without voting rights	–	–	–
Shares with limited voting rights (including treasury shares)	–	–	–
Shares with restricted voting rights (other than the above)	–	–	–
Shares with full voting rights (including treasury shares)	Common stock 11,948,800	–	Standard shares in the Company whose rights are not limited. The number of shares in a share unit is 100.
Shares with full voting rights (other than the above)	Common stock 109,003,900	1,090,039	Same as above
Shares less than one unit	Common stock 47,300	–	Shares less than one unit (100 shares)
Number of shares issued	121,000,000	–	–
Total number of voting rights	–	1,090,039	–

(Note) Shares with full voting rights (other) include 1,600 shares held under the name of Japan Securities Depository Center, Inc. The number of voting rights includes 16 voting rights of shares with full voting rights held under the name of Japan Securities Depository Center, Inc.

2) Treasury stock, etc.

As of March 31, 2022

Name of shareholder	Address of shareholder	Number of shares held under the shareholder's name (shares)	Number of shares held under other shareholders' names (shares)	Total number of shares held (shares)	Ratio of number of shares held to number of issued shares (%)
Takara Leben Co., Ltd.	1-8-2, Marunouchi, Chiyoda-Ku, Tokyo	11,948,800	–	11,948,800	9.88
Total	–	11,948,800	–	11,948,800	9.88

2. Information on Purchase, Etc. of Treasury Shares

Class of stock: common stock

(1) Acquisition of Treasury Shares by Resolution of the General Meeting of Shareholders

Not applicable.

(2) Acquisition of Treasury Shares by Resolution of the Board of Directors

Not applicable.

(3) Acquisition of Treasury Shares Not Based on Resolution of the General Meeting of Shareholders or Resolution of the Board of Directors

Not applicable.

(4) Disposition and Holding of Acquired Treasury Shares

Category	Fiscal year under review		Current period	
	Number of shares (shares)	Total disposition amount (yen)	Number of shares (shares)	Total disposition amount (yen)
Acquired treasury shares that were offered to subscribers	–	–	–	–
Acquired treasury shares that have been cancelled	–	–	–	–
Treasury shares acquired in relation to mergers, share exchanges, stock issuance, and transfers related to company splits	–	–	–	–
Other (Exercise of share acquisition rights)	396,100	147,745,300	–	–
Number of treasury shares held	11,948,807	–	11,948,807	–

(Note) The number of shares of treasury stock in the current period does not include the number of shares acquired or disposed of from June 1, 2022 to the date of submission of this securities report (June 24, 2022).

3. Dividend Policy

The Company positions returning profits as a top priority. Its basic dividend policy is to continue to make consistent dividend payments according to results, while securing internal reserves for developing business and strengthening the management infrastructure.

As a general rule, the Company pays dividends of surplus twice a year: interim dividends and year-end dividends.

The General Meeting of Shareholders makes decisions on year-end dividends, and the Board of Directors makes decisions on interim dividends.

The Company's Articles of Incorporation stipulate that it may pay interim dividends to shareholders with the record date of September 30 each year, upon a resolution by the Board of Directors.

The Company's articles of incorporation stipulates that matters prescribed in the items of Article 459, Paragraph 1 of the Companies Act, including matters relating to dividends of surplus, may be determined by resolution of the Board of Directors, unless otherwise specified in laws and regulations. Regardless of that, year-end dividends for the fiscal year under review were determined by resolution of the General Meeting of Shareholders.

In the fiscal year under review, the Company worked to achieve stable profitability and rebuild the financial structure to enhance the corporate strength, with which the Company can deal with changes in the external environment. The Company has achieved stable profitability by formulating business plans based on rigorous judgment of profitability and reducing costs steadily. Based on the situation, the Company will pay dividends, considering the balance between internal reserves for future growth and dividends.

The Company will continue to aim for further growth based on stable management and will continue to pay dividends according to results under its basic policy.

Dividends of surplus for the fiscal year under review are as follows:

Date of resolution	Total amount of dividends (millions of yen)	Dividends per share (yen)
October 29, 2021 Resolution of the Board of Directors	435	4.0
June 24, 2022 Resolution of the Ordinary General Meeting of Shareholders	1,526	14.0

4. Corporate Governance

(1) Overview of corporate governance

1) Corporate governance policy

Rather than simply pursuing profit, the Company strongly believes that it must comply with laws and corporate ethics and carry out its duties as a responsible member of corporate society.

While maintaining constructive relationships which require a sharpened focus with customers, shareholders, and employees—our core stakeholders—we continue to consider how we can deliver further satisfaction. In addition, we believe that reflecting the feedback received from various other stakeholders on our business, and taking measures while constantly considering what the Company should do and for whom it should be done, will lead to sound and efficient business management as a going concern. Further, by not limiting ourselves to a systematic check and balance function but rather by spreading the roots as indexes or systems, we will work so that the check and balance across the entire company will function in sync with each person's awareness.

2) Overview of the corporate governance structure and reasons for its adoption

a. Overview of the corporate governance system

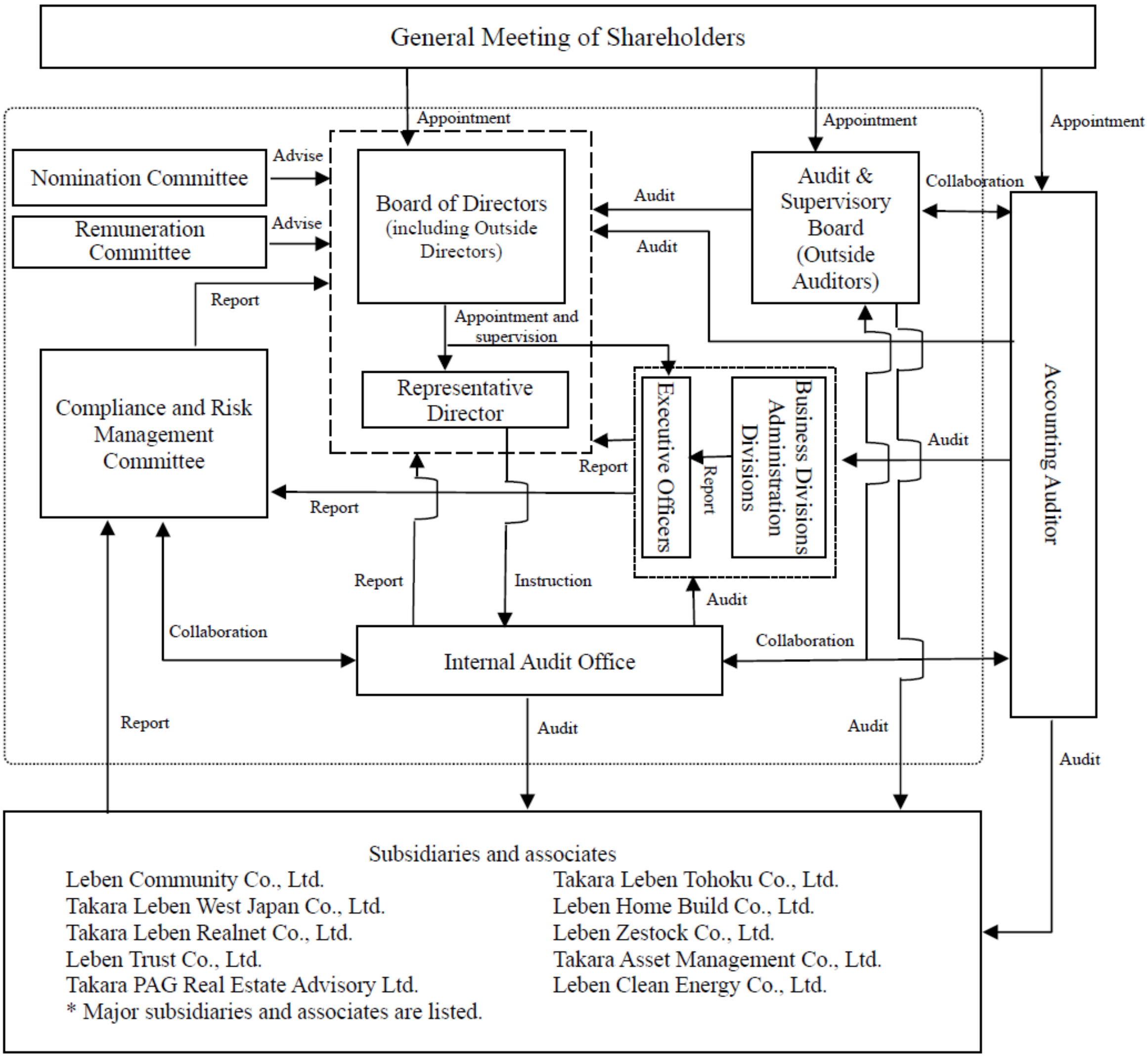
To appropriately supervise and audit business execution, the Company has established a system where the Board of Directors supervises business execution and the Audit & Supervisory Board members audit it. The Company has also an executive officer system. In those systems, the Company makes clear the Directors' responsibility for management oversight and the Executive Officers' responsibility for business execution.

The Board of Directors has three major roles and responsibilities: (i) showing the overall direction of corporate strategies, (ii) developing an environment that underpins appropriate risk taking by senior management, and (iii) effectively supervising management and the Directors from an independent, objective perspective. The Board of Directors has the authority to fulfill the roles and responsibilities. The Company as 12 Directors, including four Outside Directors. The Board of Directors is chaired by Representative Director Kazuichi Shimada. The board members are Director Yoshio Murayama, Director Kazuyuki Shimizu, Director Masashi Yamamoto, Director Masahiro Yoshida, Director Shoichi Akisawa, Director Hiroshi Iwamoto, Director Mika Takaara, Outside Director Kenji Kawada, Outside Director Chiaki Tsuji, Outside Director Keiko Yamahira, and Outside Director Naohito Yamagishi. As a general rule, the Board of Directors holds a meeting once a month and holds extraordinary meetings as needed to make decisions carefully and promptly and for the Directors to supervise each other.

The main roles and responsibilities of the Audit & Supervisory Board are to audit the Directors' performance of their duties and carry out financial audits appropriately from an independent, objective perspective. The board has the authority to fulfill the roles and responsibilities. The members of the Audit & Supervisory Board are Full-time Audit & Supervisory Board Member Makoto Endo, Full-time Audit & Supervisory Board Member Asami Honma, and Full-time Audit & Supervisory Board Member Yuuko Miura. All three members are Outside Audit & Supervisory Board Member, which enables the Audit & Supervisory Board to audit the management of the Board of Directors and the Directors' business execution more properly.

The Company has established the Nomination Committee and Compensation Committee, non-mandatory advisory bodies, to increase the objectivity and transparency of the processes for selecting Directors and determining remuneration, etc. and enhance and strengthen the corporate governance system. The Nomination Committee is chaired by Outside Director Kenji Kawada. The committee members are Outside Director Chiaki Tsuji, Outside Director Keiko Yamahira, Outside Director Naohito Yamagishi, Representative Director Kazuichi Shimada, and Director Kazuyuki Shimizu. The Compensation Committee is chaired by Outside Director Keiko Yamahira. The committee members are Outside Director Kenji Kawada, Outside Director Chiaki Tsuji, Outside Director Naohito Yamagishi, Representative Director Kazuichi Shimada, and Director Kazuyuki Shimizu.

The Company has also established the Compliance & Risk Management Committee chaired by Representative Director Kazuichi Shimada under the Compliance & Risk Management Committee Regulations. The members are all Directors and Audit & Supervisory Board Members: Director Yoshio Murayama, Director Kazuyuki Shimizu, Director Masashi Yamamoto, Director Masahiro Yoshida, Director Shoichi Akisawa, Director Hiroshi Iwamoto, Director Mika Takaara, Outside Director Kenji Kawada, Outside Director Chiaki Tsuji, Outside Director Keiko Yamahira, Outside Director Naohito Yamagishi, Full-time Audit & Supervisory Board Member Makoto Endo, Full-time Audit & Supervisory Board Member Asami Honma, and Full-time Audit & Supervisory Board Member Yuuko Miura. The committee evaluates and manages risks at the Company and its subsidiaries and associates. Meanwhile, the head of the Internal Audit Office and the Audit & Supervisory Board Members conduct audits of the subsidiaries and associates. In this way, the Company ensures appropriate operations at the subsidiaries and associates.



b. Reasons for choosing the system

The Company has established the corporate governance system described above to supervise and audit business decision making and business execution, manage risks, ensure compliance, and enhance internal control at the entire Group, and at the same time, to ensure a system that enables prompt decision making.

3) Other matters related to corporate governance

a. Status of development of internal control system

The Company has established the Basic Internal Control Rules, which set out rules on basic internal control systems to ensure the adequacy of operations at the Company and its subsidiaries and equity method associates and the development, operation, evaluation, and updating of the systems and associated basic matters and procedures.

b. Status of improvement of risk management systems

(i) Risk management system

The Company established the Compliance & Risk Management Committee chaired by the President. The committee examines and reports on every risk related to the overall management of the Company and discusses and decides on measures and management to avoid or mitigate risk, in order to strengthen internal controls and thoroughly prevent scandals related to operations as a whole, including financial reporting, and non-compliance incidents. The Company creates subcommittees as needed, such as business strategy, finance, IT and administration, and compliance subcommittees, and enables them to actively make proposals about the management of individual risks. Discussions within each subcommittee are reported to the Compliance & Risk Management Committee and discussed as appropriate, and depending on the content of the discussion, discussions of the committee are reported to the Board of Directors under the Compliance & Risk Management Committee Regulations. This system enables prompt decision making when risks materialize.

(ii) Response to anti-social forces

The Company's basic policy is to take a firm stance against anti-social forces that threaten social order and safety. The Company actively participates in activities to eliminate anti-social forces under the guidance of legal council. The Company is developing a system to address anti-social forces in cooperation with the relevant police departments, legal council and other outside specialized entities. To prevent damage caused by anti-social forces, the Company gathers information by participating in seminars held by police or other related organizations and by other means.

The Company asks its contractual partners to sign a memorandum of agreement regarding the breaking of connections with anti-social forces or include provisions regarding the elimination of anti-social forces in agreements to enhance measures to eliminate anti-social forces.

c. Status of improvement of systems for ensuring appropriate business operations of subsidiaries

The Company's Regulations on Management of Affiliated Companies set out a policy for the management of subsidiaries and associates and the organization for managing them. The Company dispatches Directors, Executive Officers, and Audit & Supervisory Board Members to subsidiaries and associates and regularly holds meetings where subsidiaries and associates report to the Company to share information and increase operational efficiency.

d. Outline of agreement for limitation of liability

The Company has entered into a liability limitation agreement with the Directors (excluding Executive Directors), Outside Audit & Supervisory Board Members, and the accounting auditor to limit their liability for damages set out in Article 423, Paragraph 1 of the Companies Act under Article 427, Paragraph 1 of the Companies Act. Under the agreement, the maximum amount of liability for damages is the minimum liability amount specified in laws and regulations if the related Directors (excluding Executive Directors), Outside Audit & Supervisory Board Members, or the accounting auditor has acted in good faith and without gross negligence in the performance of duties that has caused the liability.

e. Outline of a directors' and officers' liability insurance contract in which directors and officers are the insured persons

The Company has signed a directors and officers liability insurance policy with an insurance company pursuant to the provisions of paragraph 1, Article 430-3 of the Companies Act, insuring all Directors, Audit & Supervisory Board Members, Executive Officers, and employees engaging in the management, supervision, and guidance of the Company and its subsidiaries (excluding Takara PAG Real Estate Advisory Ltd.).

An overview of the insurance policy is provided below.

- If a corporate lawsuit, shareholders' derivative lawsuit, or third-party lawsuit is filed, the insurance policy will cover compensation for damages, legal fees, and other expenses incurred by the insured.
- The insurance will not cover any damages caused by criminal acts, misconduct, or other inappropriate acts of directors and officers to ensure the insured directors and officers' appropriate performance of their duties.

f. Number of Directors

The articles of incorporation stipulate that the number of directors at the Company shall be 15 or fewer.

g. Requirements for resolutions for election or dismissal of Directors

The Company's articles of incorporation stipulate that a resolution to elect Directors shall require a majority of votes cast by shareholders present at a meeting who hold a third or more of the voting rights of the shareholders entitled to exercise their voting rights.

The articles of incorporation of the Company stipulate that no cumulative voting shall be used to pass resolutions for the election of the Directors.

h. Matters to be resolved at the shareholders' meeting that may be resolved by the Board of Directors

- Organization that determines dividends of surplus, etc.

The Company's articles of incorporation stipulates that matters prescribed in the items of Article 459, Paragraph 1 of the Companies Act, including matters relating to dividends of surplus, may be determined by resolution of the Board of Directors, without a resolution of a shareholder's meeting, unless otherwise specified in laws and regulations. The Company aims to return profits to shareholders promptly by allowing the Board of Directors to adopt resolutions on dividends of surplus, etc.

- Interim dividend

The Company's articles of incorporation stipulate that the Company may pay interim dividends by resolution of the Board of Directors under Article 454, Paragraph 5 of the Companies Act. The aim is to enable flexibility in regard to return of profit to shareholders.

- Purchase of treasury shares

  Under Article 165, Paragraph 2 of the Companies Act, the articles of incorporation stipulate that the Company may purchase treasury shares by resolution of the Board of Directors. The purpose of this provision of the articles of incorporation is allowing the Company to purchase treasury shares through market transactions or by other means and implement flexible capital policies according to changes in the business environment.

- Exemption from liability of Directors and Audit & Supervisory Board Members

  The Company's articles of incorporation stipulate that the Company may exempt Directors (including persons who were Directors) and Audit & Supervisory Board Members (including persons who were Audit & Supervisory Board Members) from liability caused by the act set out in Article 423, Paragraph 1 to the extent allowed by laws and regulations by resolution of the Board of Directors under Article 426, Paragraph 1. The purpose of this provision of the articles of incorporation is to create an environment where the Directors and Audit & Supervisory Board Members can fully demonstrate their capabilities to perform their duties and fulfill their expected roles.

i. Requirement for special resolutions of General Meeting of Shareholders

The articles of incorporation of the Company stipulate that a special resolution of General Meetings of Shareholders as stipulated in Article 309, Paragraph 2 of the Companies Act shall be adopted by a two-thirds (2/3) majority vote of shareholders present at the meeting, at which shareholders representing at least one-third (1/3) of the total voting rights of all shareholders who are entitled to vote are present. The purpose of this provision is to ensure that the Meeting proceeds smoothly by relaxing the quorum for special resolutions at General Meeting of Shareholders.

(2) Officers

(i) List of officers

Men: 11 persons, Women: 4 persons (Women's percentage to total number of officers: 26.7%)

Title	Name	Date of birth	Career summary		Term of office	Number of the Company's shares held (thousand shares)
Director and Chairman	Yoshio Murayama	August 28, 1945	September 1972 March 1973 April 2012 April 2014 June 2016	Established the Company, Senior Managing Director Representative Director and President Representative Director and President and CEO Representative Director and Chairman Director and Chairman (incumbent)	(Note 3)	25,633
Representative Director CEO and President Executive Officer	Kazuichi Shimada	December 4, 1965	May 1987 June 1998 June 2000 June 2006 April 2012 April 2014 April 2019 June 2019	Joined the Company Director, General Manager of Development Division Managing Director and Executive General Manager of Development Division General Manager of Development Division and General Manager of Building Division Representative Director, Vice President and Executive General Manager of Development Division Representative Director, Vice President, COO,CFO and Executive General Manager of General Planning Division Representative Director,President,CEO,COO and CFO Representative Director, President and CEO Representative Director and CEO and President Executive officer (incumbent)	(Note 3)	735
Director, COO, and Vice-President Executive Officer (Director in charge of Corporate Planning Division and CSR)	Kazuyuki Shimizu	August 16, 1963	April 1987 October 2004 April 2007 May 2009 May 2014 June 2016 June 2018 June 2018 April 2019 June 2019 May 2020 April 2021	Joined Toyota Motor Corporation Joined Leben Community Co., Ltd. Director, Leben Community Co., Ltd. Managing Director, Leben Community Co., Ltd. Senior Managing Director, Leben Community Co., Ltd. Representative Director and Vice President, Leben Community Co., Ltd. Representative Director, Takara Leben West Japan Co., Ltd. Director; and, Vice President Director, Vice President and COO Director, COO, and Vice President Executive Officer Director, Leben Community Co., Ltd. (incumbent) Director, COO, and Vice President Executive Officer (Director in charge of Corporate Planning Division and CSR) (incumbent)	(Note 3)	70
Director, CFO, Managing Executive Officer and Executive General Manager of Administration Headquarters	Masashi Yamamoto	January 11, 1960	April 2006 April 2009 April 2011 April 2014 May 2016 June 2017 April 2018 April 2019 April 2020 April 2021	General Manager of Ueda Corporate Sales, Sumitomo Mitsui Banking Corporation General Manager of Kamata Corporate Sales, Sumitomo Mitsui Banking Corporation General Manager of Sapporo Corporate Sales, Sumitomo Mitsui Banking Corporation Trustee, Executive General Manager of Central Tokyo Corporate Sales, Executive General Manager of Tokyo-East Corporate Sales and Executive General Manager of East Japan extended-spectrum Corporate Sales, Sumitomo Mitsui Banking Corporation Joined the Company, General Manager of General Affairs Division, General Planning Division Director, Executive Officer, Executive General Manager of General Planning Division, General Manager of Control Group of Corporate Planning, General Manager of Personnel Division and General Manager of Corporate Planning Division Director, Executive Officer, Executive General Manager of General Planning Division, General Manager of Control Group of Corporate Planning and General Manager of Corporate Planning Division Director, CFO, Executive Officer and Executive General Manager of General Planning Division Director, CFO, Managing Executive Officer and Executive General Manager of General Planning Division Director, CFO, Managing Executive Officer and Executive General Manager of Administration Headquarters (incumbent)	(Note 3)	63

Title	Name	Date of birth	Career summary		Term of office	Number of the Company's shares held (thousand shares)
Director, Managing Executive Officer and Executive General Manager of Condominium Businesses Headquarters	Masahiro Yoshida	November 1, 1974	March 2001 October 2011 April 2014 January 2015 June 2019 April 2020 April 2021	Joined the Company General Manager of 2nd Sales Division, Sales Division Executive Officer and General Manager of 2nd Group of Sales Division Representative Director, Takara Leben Tohoku Co., Ltd. Director, Managing Executive Officer and Executive General Manager of Sales Division Director, Managing Executive Officer, Executive General Manager of Sales Division and General Manager of Sales Administration Division Director, Managing Executive Officer and Executive General Manager of Condominium Businesses Headquarters (incumbent)	(Note 3)	61
Director, Managing Executive Officer and Executive General Manager of Investment Development Business Headquarters	Shoichi Akisawa	May 10, 1965	April 1988 May 1997 January 2002 February 2004 June 2008 June 2008 January 2011 February 2012 February 2012 December 2014 June 2016 May 2019 June 2019 April 2020 April 2021	Joined Towa Real Estate Development Co., Ltd. (present Mitsubishi Estate Residence Co., Ltd.) Representative Director, Atech Co., Ltd. Director, Intus Co., Ltd. Corporate Officer, Pacific Management Co., Ltd. (present Pacific Holdings Co., Ltd.) Representative Director, Pacific Realty Co., Ltd. Representative Director, Pacific Properties Investment Co., Ltd. General Manager, Strategic Business Department, Star Mica Co., Ltd. Director and General Manager, Strategic Business Division, Star Mica Co., Ltd. Representative Director, Fan Investment Co., Ltd. (present Star Mica Property Co., Ltd.) Representative Director, Star Mica Co., Ltd. Representative Director, Rising Force Co., Ltd. Representative Director, Leben Zestock Co., Ltd. (incumbent) Director, Executive Officer and Executive General Manager of Investment Development Division Director, Managing Executive Officer and Executive General Manager of Investment Development Division Director, Managing Executive Officer and Executive General Manager of Investment Development Business Headquarters (incumbent)	(Note 3)	41
Director, Executive Officer, Executive General Manager of Urban Development Business Headquarters and General Manager of International Business Division	Hiroshi Iwamoto	October 28, 1975	October 2001 April 2015 April 2016 April 2017 November 2017 April 2019 June 2019 April 2020 June 2020 April 2021 April 2022	Joined the Company General Manager of 1st Sales Division, 1st Sales Group, Sales Division General Manager of 1st Sales Group, Sales Division Executive Officer and General Manager of Overall Development Group, Development Division Executive Officer, General Manager of Overall Development Group, Development Division and General Manager of Overseas Business Promotion Division Executive Officer, Vice Executive General Manager of Development Division, General Manager of Overall Development Group and General Manager of Overseas Business Promotion Division Senior Executive Officer, Vice Executive General Manager of Development Division, General Manager of Overall Development Group and General Manager of Overseas Business Promotion Division Senior Executive Officer, Executive General Manager of Development Division, General Manager of Eco-energy Business Division and General Manager of Overseas Business Promotion Division Director, Executive Officer, Executive General Manager of Development Division, General Manager of Eco-energy Business Division and General Manager of Overseas Business Promotion Office Director, Executive Officer, Vise Executive General Manager of Condominium Businesses Headquarters and General Manager of the Urban Development Business Division Director, Executive Officer, Executive General Manager of Urban Development Business Headquarters and General Manager of International	(Note 3)	68

Title	Name	Date of birth	Career summary		Term of office	Number of the Company's shares held (thousand shares)
				Division (incumbent)		
Director, Executive Officer, General Manager of Business Development Promotion Office and Manager of Business Development Promotion Division	Mika Takaara	August 8, 1966	January 2000 April 2014 April 2015 June 2016 April 2018 April 2019 April 2021	Joined the Company General Manager of Control Group of Sales Division, General Manager of Sales Promotion Division and General Manager of Sales Planning Division Executive Officer, General Manager of Overall Sales Group, Sales Division, General Manager of Sales Promotion Division and General Manager of Operation Division Director, Executive Officer, General Manager of Overall Sales Group, Sales Division, General Manager of Sales Promotion Division and General Manager of Operation Division Director, Executive Officer and General Manager of Overall Sales Group, Sales Division Director, Executive Officer and Vice Executive General Manager of Sales Division Director, Executive Officer, General Manager of Business Development Promotion Office and Manager of Business Development Promotion Division (incumbent)	(Note 3)	95
Director	Kenji Kawada	March 29, 1950	May 2003 June 2003 June 2006 June 2009 April 2011 January 2016 April 2016 June 2017 June 2017 June 2018 June 2021	Representative Director and President, Resona Holdings, Inc. Director, Representative Executive Officer and President, Resona Holdings, Inc. President and Representative Director, Saitama Resona Bank, Limited Executive Officer, Strategy of Corporate Group, Resona Holdings, Inc. Chief Director, Resona Research Institute Co., Ltd. Standing Director, Fujitsu Research Institute Representative of TMA KAWADA OFFICE (incumbent) Adviser, Fujitsu Research Institute Outside Director, PE&HR Co., Ltd. (incumbent) Director, Takara Leben Co., Ltd. (incumbent) Outside Auditor, Konishi Co., Ltd. Outside Director, Konishi Co., Ltd. (Audit and Supervisory Committee member) (incumbent)	(Note 3)	7
Director	Chiaki Tsuji	April 29, 1953	October 1976 April 1979 October 1988 October 1990 April 1993 July 2001 April 2004 April 2011 June 2017 April 2018 June 2019 July 2019 June 2021 June 2022	Passed the Bar Examination Registered with Tokyo Bar Association Joined Eisoku Yamamoto Law Office Studied judicial systems in Germany Qualified as a lawyer in Germany (Japanese law) Joins Peter Byer Law Firm, partner lawyer Lecturer (law and Constitution) at Bunka Women's University (current Bunka Gakuen University) Establishes Yoshioka Tsuji Total Law Offices, partner lawyer Professor (civil law) at Department of Law, Graduate School, Yamanashi Gakuin University Member of Certified Evaluation and Accreditation for Law Schools, Japan University Accreditation Association Outside Director, Yorozu Corporation (Audit and Supervisory Committee member) (incumbent) Visiting professor at Department of Law, Yamanashi Gakuin University Outside Director, Keihin Corporation (current Hitachi Astemo, Ltd.) Joins law office Kinoru Tokyo, partner lawyer (incumbent) Director, Takara Leben Co., Ltd. (incumbent) Outside Auditor, Moriroku Holdings Company, Ltd. (incumbent)	(Note 3)	12

Title	Name	Date of birth	Career summary	Term of office	Number of the Company's shares held (thousand shares)
Director	Keiko Yamahira	November 30, 1960	April 1983 Joined Kubota House Co., Ltd. (current Sanyo Homes Corporation) April 2010 Executive Officer, Sanyo Homes Corporation June 2011 Director and Executive Officer, Sanyo Homes Corporation June 2012 Director, Sanyo Reform Co., Ltd. (concurrent position) June 2013 Director and Senior Executive Officer, Sanyo Homes Corporation Director, Sun Advance, Inc. (concurrent position) Director, Sanyo Homes Community Corporation (concurrent position) June 2015 President and Representative Director, Sanyo Homes Corporation April 2017 Chairperson, Sanyo Homes Community Corporation June 2019 Outside Director, Joshin Denki Co., Ltd. (incumbent) Outside Director, Fujitec Co., Ltd. June 2021 Director, Takara Leben Co., Ltd. (incumbent)	(Note 3)	–
Director	Naohito Yamagishi	August 5, 1961	April 1986 Joined National Police Agency April 1990 Director of Second Investigation Division, Criminal Investigation Department, Kagawa Prefectural Police Headquarters August 1991 Director of First Public Safety Division, Security Department, Saitama Prefectural Police Headquarters August 1993 Deputy Director of Traffic Management and Control Division, Traffic Bureau, National Police Agency August 1994 Deputy Director of Road Administration Division Road Bureau, Ministry of Construction (current Ministry of Land, Infrastructure, Transport and Tourism) September 1996 Deputy Director of License Division, Traffic Bureau, National Police Agency August 1998 Chief, Police Administration Department, Nara Prefectural Police Headquarters August 2000 Chief, Security Department, Hyogo Prefectural Police Headquarters August 2002 Investigator, Security Bureau, Security Planning Division, National Police Agency August 2004 Security Bureau, National Police Agency (Cabinet Intelligence and Research Office) September 2006 Director, Security Department, Kanagawa Prefectural Police Headquarters August 2008 Counselor, Personnel and Pension Bureau, Ministry of Internal Affairs and Communications August 2010 Chief, Wakayama Prefectural Police Headquarters August 2012 Chief, Administration Department, Kanagawa Prefectural Police Headquarters August 2013 Director, License Division, Traffic Bureau, National Police Agency June 2014 Deputy Director, Imperial Guard Headquarters February 2016 Director, Niigata Prefectural Police Headquarters March 2018 Director, International Police Center, Japan National Police Academy, and Deputy Director-General, Commissioner General of the National Police Agency (responsible for measures for crime victims) January 2019 Chief, Hokkaido Prefectural Police Headquarters August 2020 Resigns January 2021 Advisor, Mitsui Sumitomo Insurance Company, Limited. (incumbent) June 2022 Director, Takara Leben Co., Ltd. (incumbent)	(Note 3)	–

Title	Name	Date of birth	Career summary		Term of office	Number of the Company's shares held (thousand shares)
Full-time Audit & Supervisory Board Members	Makoto Endo	September 2, 1955	April 1978 July 1999 July 2001 July 2003 March 2004 August 2006 August 2007 September 2010 October 2011 June 2018 June 2018 June 2018 May 2022	Joined The Shoko Chukin Bank (current The Shoko Chukin Bank, Ltd.) Manager, Kurume Branch, The Shoko Chukin Bank Inspector, Inspection Department, The Shoko Chukin Bank Chief, Fund and Securities Operation Section, The Shoko Chukin Bank Chief, Treasury & Capital Markets Operations Department, The Shoko Chukin Bank Manager, International Division, The Shoko Chukin Bank Temporary transfer to Polymatech Co., Ltd. Transfer to Polymatech Co., Ltd. Managing Director, Shoko Chukin Card Co., Ltd Full-time Audit & Supervisory Board Member, Takara Leben Co., Ltd. (incumbent) Auditor, Leben Zestock Co., Ltd. Auditor, Takara Asset Management Co., Ltd. (incumbent) Auditor, Leben Trust Co., Ltd. (incumbent)	(Note 4)	–
Full-time Audit & Supervisory Board Members	Asami Honma	January 21, 1959	April 1981 November 1999 October 2001 March 2003 September 2005 February 2010 April 2015 April 2016 April 2017 June 2018 April 2019 June 2019 October 2019 May 2020 May 2022	Joins Saitama Bank (current Resona Bank, Limited). Manager, Shin-Sayama Branch, Asahi Bank (current Resona Bank) Manager, Ikebukuro Branch, Asahi Bank Manager, Sales Section II, Ikebukuro Branch, Resona Bank, Limited Temporary transfer to Resona Business Service Co., Ltd. Transferred to Resona Business Service Co., Ltd., Manager, Loan Finance Support Department Executive Officer, Manager, Corporate Planning, Resona Business Service Co., Ltd. Director, Resona Business Service Co., Ltd. Managing Director, Resona Business Service Co., Ltd. Outside Audit & Supervisory Board Member, Takara Leben Co., Ltd. Advisor, Resona Business Service Co., Ltd. Full-time Audit & Supervisory Board Member, Takara Leben Co., Ltd. (incumbent) Auditor, Leben Trust Co., Ltd. Auditor, Takara Leben West Japan Co., Ltd. (incumbent) Auditor, Takara Leben Realnet Co., Ltd. (incumbent)	(Note 4)	–
Full-time Audit & Supervisory Board Members	Yuuko Miura	March 10, 1984	December 2005 May 2008 February 2012 June 2019 June 2020 October 2020 March 2022 June 2022	Joined ChuoAoyama Audit Corporation (current PricewaterhouseCoopers Aarata LLC) Registered as Certified Public Accountant Joins Novartis Pharma K.K., Corporate Accounting Department Standing Auditor, Studist Corporation Full-time Audit & Supervisory Board Member, Takara Leben Co., Ltd. (incumbent) Auditor, Nikko Takara Corporation Co., Ltd. (present Leben Home Build Co., Ltd.) (incumbent) Auditor, Takara Leben Realnet Co., Ltd. Outside Auditor, Monstarlab Holdings Inc. (incumbent) Auditor, Leben Zestock Co., Ltd. (incumbent)	(Note 5)	–
Total						26,791

(Notes) 1. Director Kenji Kawada, Director Chiaki Tsuji, Director Keiko Yamahira and Director Naohito Yamagishi are Outside Directors.

2. Audit & Supervisory Board Members, Makoto Endo, Asami Honma, and Yuuko Miura are Outside Audit & Supervisory Board Members.
3. One year from the close of the General Meeting of Shareholders held on June 24, 2022
4. Four years from the close of the General Meeting of Shareholders held on June 24, 2022
5. Four years from the close of the General Meeting of Shareholders held on June 29, 2020
6. The Company elects a reserve Audit & Supervisory Board Member specified in the paragraph (3), Article 329 of the Companies Act, in preparation for a case in which the number of Audit & Supervisory Board Members falls short of the number required by law. The following is the summary of the career history of the reserve Audit & Supervisory Board

Member.

Name	Date of birth	Career summary		Number of the Company's shares held (thousand shares)
Masanori Otsubo	October 24, 1957	April 1980 April 1984 September 1986 May 2014 June 2018	Joined Otsubo Haruyuki Accounting Firm Joined Nishio Certified Accountant Firm Established Otsubo Masanori Tax Accountant Firm (incumbent) Auditor, Leben Community Co., Ltd. (incumbent) Auditor, Takara Leben West Japan Co., Ltd.	–

7. The Company has an executive officer system. In addition to the executive officers above, the Company has the following nine executive officers.

Senior Executive Officer	Gou Yamaji
Senior Executive Officer	Takahiro Nomura
Senior Executive Officer	Kouhei Mizuno
Senior Executive Officer	Norihiko Yoshimura
Executive Officer	Masanori Nakao
Executive Officer	Shinya Yokota
Executive Officer	Yoshiyuki Nakagawa
Executive Officer	Youichirou Shiraki
Executive Officer	Noriyoshi Iseki

(ii) Information about Outside Officers

The Company has four Outside Directors. All three Audit & Supervisory Board Members are Outside Audit & Supervisory Board Members.

The Company has set independent criteria used in the election of Outside Directors and Outside Audit & Supervisory Board Members. The criteria for Outside Directors and Outside Audit & Supervisory Board Members include the following: (i) not having any personal relationships or business relationships with the Company, (ii) satisfying the independence requirements established by the Tokyo Stock Exchange and having no risk of causing any conflict of interest with general shareholders, and (iii) having extensive experience and a substantial track record at financial institutions and other companies or having extensive experience and a broad perspective in tax practice, accounting, or law.

Outside Director Kenji Kawada was the former Representative Executive Officer and President of Resona Holdings, Inc., the holding company of Resona Bank, Limited, which the Company deals with. But the Company's borrowing from Resona Bank, Limited is a negligible percentage of its total loans, and ten years have already passed since he resigned as Executive Officer of Resona Holdings, Inc. For those reasons, the Company has decided that his career does not affect his independence.

The Company does not have any personal relationships or business relationships with other Outside Directors or Outside Audit & Supervisory Board Members. The number of shares in the Company that each outside officer has is stated in (2) Officers, (i) List of officers.

(iii) Mutual coordination of supervision or audits performed by Outside Directors or Outside Audit & Supervisory Board Members and internal audits, audits performed by the Audit & Supervisory Board Members, and audits performed by accounting auditors and their relationships with the internal control division

The Outside Audit & Supervisory Board Members participate in Board of Directors meetings and other important meetings. They express their opinions from their position as Outside Audit & Supervisory Board Members as needed and always audit and oversee the Directors' execution of business. Full-time Audit & Supervisory Board Members are familiar with the Company's affairs and have a deep understanding of management. They actively work to develop an environment for auditing and gather information. They also routinely oversee the establishment and operation of the internal control systems and provide objective opinions and advice. The Company thus believes that its management is appropriate.

Oversight of the Outside Directors or audits of the Outside Audit & Supervisory Board Members are interconnected with internal audits, audits by Audit & Supervisory Board Members, and accounting auditors. The Outside Directors regularly receive reports from the Internal Audit Office and receive reports from corporate auditors and the accounting auditor as appropriate to identify the situation and issues and speak at Board of Directors meetings. The Outside Audit & Supervisory Board Members cooperate with the Internal Audit Office and the accounting auditor and participate in Board of Directors meetings and other important meetings, inspect important documents, ask questions about the execution of their duties, and carry out audits at important business sites under audit policy and audit plans formulated by the Audit & Supervisory Board.

The Outside Audit & Supervisory Board Members accompany Internal Audit Office staff when they audit operations, examining audits and hearing their opinions as necessary. They also monitor and examine audits of the accounting auditor to decide whether the audits are carried out properly, receive reports and explanations from the accounting auditor about the execution of its duties, and audit financial statements to build an effective and efficient auditing system.

(3) Audits

(i) Audit & Supervisory Board Members' audits

a. Organization, personnel, and procedures

The Company is a company with an audit & supervisory board. The members of the Audit & Supervisory Board are three Outside Audit & Supervisory Board Members registered with the Tokyo Stock Exchange as independent outside officers. Full-time Audit & Supervisory Board Member Yuuko Miura is a certified public accountant and engages in tax practice and accounting at an audit corporation and operating companies. Makoto Endo and Asami Honma, full-time Audit & Supervisory Board Members, both have worked for financial institutions as a branch manager and a department manager. Both of them have knowledge about finance, accounting, and organizational management.

b. Activities of Audit & Supervisory Board Members and the Audit & Supervisory Board of the reporting company, frequency of meetings, and major issues discussed in recent fiscal years

At the Company, each of the three Outside Audit & Supervisory Board Members (all of them are full-time Audit & Supervisory Board Members) audits the Directors and employees' execution of their duties to examine its legality and adequacy. Each Audit & Supervisory Board Member reports the results of their audits at a meeting of the Audit & Supervisory Board held once or more every month. The discuss the results and put together audit reports. They obtain information about audits of operations carried out by the Internal Audit Office and financial audits conducted by the accounting auditor to carry out audits efficiently and effectively.

The main activities of the Audit & Supervisory Board Members are participating in Board of Directors meetings and other important meetings and stating opinions, meeting with the Representative Director and Other Directors to gather information and exchange opinions, inspecting and examining approval documents and other important documents, including accounting documents, visiting divisions of the head office, branches offices, and subsidiaries to carry out audits, and playing a role as a whistleblower office in the whistleblower system (help line) and examining the handling of help line calls and the implementation of recurrence prevention measures in the executive division.

In FY2021, the Audit & Supervisory Board Members carried out audits primarily to examine the control of risk factors (including issues related to organization and accounting) diversifying due to the expanding business scale and areas and the addressing of issues related to revisions to laws and regulations and compliance issues (including issues at subsidiaries) and stated opinions and made recommendations at Board of Directors meetings and Compliance & Risk Management Committee meetings and meetings with the Representative Director and other executives.

The attendance of each Audit & Supervisory Board Member at Board of Directors meetings and Audit & Supervisory Board meetings is as shown below.

Title	Name	Attendance	
		Board of Directors' meetings	Audit & Supervisory Board's meetings
Full-time Audit & Supervisory Board Members	Makoto Endo	21/21 (100%)	14/14 (100%)
Full-time Audit & Supervisory Board Members	Asami Honma	21/21 (100%)	14/14 (100%)
Full-time Audit & Supervisory Board Members	Yuuko Miura	21/21 (100%)	14/14 (100%)

(ii) Internal audits

To enhance internal audits, the Company has established the Internal Audit Office consisting of four members, an independent body that directly reports to the President. The Company has formulated Internal Audit Regulations, under which the Internal Audit Office fully makes arrangements with the Audit & Supervisory Board and the accounting auditor to formulate and implement internal audit plans so that each body can play their roles efficiently. The Audit & Supervisory Board Members witness audits of operations conducted by the Internal Audit Office. They examine the audits and hold hearings as appropriate to build an effective and efficient auditing system.

(iii) Accounting audits

a. Name of audit corporation

Grant Thornton Taiyo LLC

b. Length of continuous auditing service

From the fiscal year ended March 31, 1999

c. Certified public accountants who executed the service

Designated Limited Liability Partner, Managing Partner Toshio Yagishita

Designated Limited Liability Partner, Managing Partner Takafum Shimokawa

d. Composition of persons who provide assistance for audit work

The people assisting the Company's accounting audit work includes 11 certified public accountants and 25 other people.

e. Policy on choosing an auditing firm and reason for having chosen the auditing firm

The Company refers to the Practical Guidelines for Auditors Etc. Related to the Creation of Evaluation and Selection Criteria for Accounting Auditors published by the Japan Audit & Supervisory Board Members Association and makes a comprehensive evaluation of accounting auditor candidates to decide on an accounting auditor candidate.

The Audit & Supervisory Board will dismiss the accounting auditor with the unanimous agreement of the Audit & Supervisory Board Members if any of the items of Article 340, Paragraph 1 of the Companies Act are found to apply to it.

Grant Thornton Taiyo and the managing partners of the auditing firm that conducted the audit for the Company have no interests in the Company. The Company avoids having the same managing partner engage in its audits for more than a certain period of time. The Company has concluded an audit agreement and pays audit fees under the agreement.

f. Evaluation of the auditing firm by Audit & Supervisory Board Members and the Board as a whole

The Company evaluates accounting auditors based on the Practical Guidelines for Auditors Etc. Related to the Creation of Evaluation and Selection Criteria for Accounting Auditors published by the Japan Audit & Supervisory Board Members Association.

The Company has examined reports from the accounting auditor about its audit plan and the results of first-half and year-end audits and examined whether a system is established to ensure the independence of the accounting auditor and the accounting auditor's proper execution of its duties. In addition, the Company has considered the accounting auditor's cooperation with management, the Audit & Supervisory Board, and other related divisions and has decided that the accounting auditor's audits and audit results are adequate decided to reappoint the accounting auditor.

(iv) Audit fees

a. Audit fees for certified public accountants and others

Category	Previous Consolidated Fiscal Year		Current Consolidated Fiscal Year	
	Compensation based on audit and attestation service (millions of yen)	Compensation based on non-audit service (millions of yen)	Compensation based on audit and attestation service (millions of yen)	Compensation based on non-audit service (millions of yen)
Reporting company	39	9	41	–
Consolidated subsidiaries	1	0	1	0
Total	40	10	42	0

Previous fiscal year

The non-audit services at the Company are services to support financial and tax investigations.

The non-audit services at the consolidated subsidiaries are agreed procedures, etc.

Current fiscal year

The non-audit services at the consolidated subsidiaries are agreed procedures, etc.

b. Fees paid to organizations belonging to the same network as the certified public accountants who carried out audits (Grant Thornton) (excluding fees stated in a.)

Not applicable.

c. Fees for other important audit certification work

Previous fiscal year

Not applicable.

Current fiscal year

Not applicable.

d. Policy on determination of audit fees

Audit fees to the audit corporation that carries out audits at the Company are determined upon consultation with the Audit & Supervisory Board in consideration of the auditing system and the number of days required for the auditing, among other factors.

e. Reason that the Audit & Supervisory Board has consented to the fees, etc. to the accounting auditor.

The Audit & Supervisory Board has agreed on the audit fees with the accounting auditor upon consultation after the board examined whether the audit plan, the performance of audits, and the basis for the estimate of the fees are appropriate in light of the Company's size and businesses based on the Practical Guidelines for Cooperation with Accounting Auditors published by the Japan Audit & Supervisory Board Members Association.

(4) Directors' compensation, etc.

1) Matters regarding policy on determination of amount of officers' remuneration, etc. or calculation method thereof

The Company aims for officers' remuneration, etc. to work effectively as rewards for their contribution to improving the results and corporate value of the Company, enabling it to achieve sustainable growth, and determines the amount of remuneration, considering the objective. The Company sets a level of remuneration according to results in consideration of a comparison with remuneration levels at competitors and companies of about the same size and determines the amount of remuneration for each Director based on their contribution. The Company aims to use officers' remuneration for it to be a going concern that is healthy, effective, and stable.

The details of the basic policy on remuneration for directors (and other officers) are as follows:

(i) Policy for determining remuneration for individual directors

A. Process for determining the policy

The policy has been deliberated and approved at the compensation advisory committee. The Board of Directors has approved the draft policy approved by the compensation advisory committee and has determined the policy. At a meeting of the Board of Directors held on February 15, 2021, the Board resolved to adopt the policy on determining compensation etc. for individual Directors.

B. Overview of the policy

a. Basic policy

The Company shall determine remuneration etc. for officers within a range resolved by the general meeting of shareholders, in comprehensive consideration of results, potential risks, the degree of responsibility for Group management, progress of the mid-term management plan, etc., based on the opinions of the remuneration advisory committee, a voluntary committee. A certain percentage of remuneration for the executive directors shall be linked to results and each Director's contribution to give incentive to them for sustainable growth and a sound, efficient, stable going concern.

The details of the basic policy on remuneration for executive directors are as follows:

- Contributing to increasing the corporate value of the Company
- A level and a structure of compensation that enable the retention of high-quality human resources
- Designed to reflect the Company's medium- to long-term management strategies and motivating executive directors to achieve it
- Giving transparency, fairness and reasonableness to shareholders, employees, and other stakeholders and determined through an appropriate process to ensure transparency, fairness and reasonableness
- Determined based on a remuneration structure that is designed to include base remuneration, linkage with individual evaluation and results

b. Policy for the determination of the amount of basic compensation (monetary compensation) for individual Directors (including a policy for the determination of time or conditions for giving compensation, etc.)

The Company shall determine basic compensation (monetary compensation) for the Directors based on scores on a five-point scale in five criteria stated below (P-C-F-P-A assessment) according to their achievements for every fiscal year and a comprehensive consideration of their job titles, responsibilities and years in office, as well as compensation levels in the industry and at other companies and employees' salaries, among other factors. Basic compensation is determined after the compensation advisory committee has given its opinion. Annual compensation is divided by 12, and monthly compensation shall be paid.

- Performance: results in the division for which each Director is responsible
- Compliance: legal compliance, morals, etc.
- Foresight: the ability to assess and analyze the situation, the ability to prepare business plans
- Physical: the ability to promote business
- Affinity: the ability to build relationships

c. Policy for the determination of the content and amount of, or method of calculation of, performance-based compensation, etc. and non-monetary compensation, etc. (including a policy for the determination of time or conditions for granting compensation, etc.)

The Company's non-monetary compensation is compensation through stock options. In principle, stock options shall be issued if the performance targets in a fiscal year are achieved. Whether stock options as remuneration will be granted and the number of stock options granted, if they are granted, will be determined depending on the evaluation of each executive director's achievement of results. Performance indicators, or targets, shall be set each year and shall be reviewed in response to changes in the environment as needed.

Stock options as compensation consist of Type A Stock Acquisition Rights, which may be exercised after a certain period, and Type B Stock Acquisition Rights, which may be exercised when Directors retire.

d. Policy for the determination of the ratio of the amount of basic compensation, performance-based compensation, etc. or non-monetary compensation etc. to the amount of compensation, etc. for individual Directors

In principle, the ratio of the Directors' basic compensation to compensation through stock options (Type A Stock Options, which may be exercised after a certain period) to Type B Stock Options (which may be exercised when Directors retire) shall be 5 to 4 to 1.

Remuneration for individual Directors shall be determined by the remuneration advisory committee. The remuneration advisory committee shall report the total amount of payments to the Board of Directors each time payments are made.

(ii) The delegation of decision making concerning remuneration for individual Directors and the reason why the Board of Directors has decided that remuneration for each Director in the fiscal year under review is in line with the policy

The Compensation Committee, to which the decision rights have been delegated by resolution of the Board of Directors, determines remuneration for individual Directors within the range of total remuneration determined by resolution of the Ordinary General Meeting of Shareholders, under the policy on determining compensation etc. for individual Directors established by resolution of the Board of Directors. The Company has delegated decision-making authority on remuneration for individual Directors to the Compensation Committee to enhance transparency and accountability in the determination of remuneration.

As described above, remuneration for individual Directors is determined by the Compensation Committee and the total amount of remuneration to be paid is reported to the Board of Directors. Since remuneration for individual Directors is determined through that procedure, the Board of Directors has concluded that the remuneration, etc. for individual Directors for the fiscal year under review is in line with the policy for determining remuneration described above.

The members of the Compliance & Risk Management Committee are as follows:

Chairperson	Keiko Yamahira (Outside Director)	Member	Kenji Kawada (Outside Director)
Member	Chiaki Tsuji (Outside Director)	Member	Naohito Yamagishi (Outside Director)
Member	Kazuichi Shimada (Representative Director)	Member	Kazuyuki Shimizu (Director)

(iii) Description of non-monetary remuneration, etc.

The Company's non-monetary remuneration is remuneration through stock options. In principle, stock options shall be issued if the performance targets in a fiscal year are achieved. Whether stock options as remuneration will be granted and the number of stock options granted, if they are granted, will be determined depending on the evaluation of each executive director's achievement of results. Performance indicators, or targets, shall be set each year and shall be reviewed in response to changes in the environment as needed.

Stock options as remuneration consist of Type A Stock Options, which may be exercised after a certain period, and Type B Stock Options, which may be exercised when Directors retire.

(iv) Matters pertaining to the resolution of the Ordinary Meeting of Shareholders on remuneration, etc. for Directors and Audit & Supervisory Board Members

At the 45th Ordinary General Meeting of Shareholders held on June 27, 2017, a resolution was adopted to set the maximum annual amount of remuneration for the Directors—the number of Directors is 15 or less under the articles of incorporation—at ¥600 million or less (excluding salaries for them as employees). The number of Directors at the conclusion of the General Meeting of Shareholders in question was 10 (including three Outside Directors). In addition to the above, the 49th General Meeting of Shareholders held on June 25, 2021 resolved to grant annual stock options worth ¥600 million maximum. The number of Directors as of the conclusion of the General Meeting of Shareholders in question(excluding Outside Directors) is 8.

At an extraordinary General Meeting of Shareholders held on July 16, 1999, a resolution was adopted to set the maximum annual amount of remuneration for Audit & Supervisory Board Members—the number of Audit & Supervisory Board Members is five or less under the articles of incorporation—at ¥60 million or less. The number of Audit & Supervisory Board Members at the conclusion of the General Meeting of Shareholders in question was three (including three Outside Audit & Supervisory Board Members).

2) Total remuneration, etc., total amounts of each type of remuneration, and the number of eligible officers for each classification of officers

Classification	Total amount of remuneration, etc. (millions of yen)	Total amount of remuneration, etc. by type (millions of yen)				Number of eligible officers (persons)
		Basic remuneration	Stock options	Bonuses	Retirement benefits	
Directors (excluding Outside Directors)	463	355	108	–	–	9
Outside Officers	66	66	–	–	–	9

(Notes) 1. The amounts of payment to Directors do not include employee's salary for the Directors who also hold the employee position.
2. The amount of stock options is expenses for allotted share acquisition rights posted in the fiscal year under review. The amount of remuneration is paid to seven Directors.

3) Total amount of remuneration, etc. paid to persons who receive a total of ¥100 million or more

Name	Total amount of remuneration, etc. (millions of yen)	Classification	Company	Amount of remuneration, etc. by type (millions of yen)			
				Basic remuneration	Stock options	Bonuses	Retirement benefits
Kazuichi Shimada	111	Director	Reporting company	83	27	–	–

(5) Information of shareholdings

1) Classification of investment shares

The Company classifies investment shares into two categories: investment shares held for purely investment purposes, which are held for the purpose of making a profit from changes in share prices or dividends, and investment shares held for reasons other than purely investment purposes.

2) Investment shares held for purposes other than pure investment

a. Policy on cross shareholding, method for verifying reasonableness of cross shareholding, and details of verification of cross shareholding for each stock conducted by the Board of Directors, etc.

The Company's main purpose in cross-shareholding is the facilitation of business relationships. The Company makes decisions regarding the continuation of its cross-shareholding primarily in consideration of stock prices. It continues its cross-shareholding if the cross-holding is reasonable.

The Board of Directors and other bodies examine cross-shareholdings as appropriate to determine if their purpose is appropriate and the benefits and risks related to the cross-shareholdings are worth the capital cost.

b. Number of companies and total amount recorded on balance sheet

	Number of shares (stock)	Total consolidated balance sheet amount (millions of yen)
Unlisted shares	9	585
Shares other than unlisted shares	7	4,028

(Stocks for which the number of shares increased in the fiscal year under review)

	Number of shares (stock)	Total acquisition cost related to increases in shares (millions of yen)	Reason for increase in number of shares
Unlisted shares	2	261	Holding unlisted shares is part of effective medium- to long-term management strategies.
Shares other than unlisted shares	–	–	–

(Stocks for which the number of shares decreased in the fiscal year under review)

Not applicable.

c. Number and balance sheet amount of specified investment shares and deemed shareholdings for each stock held and other information

Specified investment shares

Stock	Fiscal year under review	Year ended March 31, 2021	Purpose and quantitative effect of shareholding and reason for an increase in the number of shares	Shareholding by the Company
	Number of shares (shares)	Number of shares (shares)		
	Balance sheet amount (millions of yen)	Balance sheet amount (millions of yen)		
Takara Leben Infrastructure Fund, Inc.	19,686	19,686	The Company is a sponsor of the Takara Leben Infrastructure Fund and holds shares to maintain and strengthen good relations with it.	None
	2,179	2,417		
Takara Leben Real Estate Investment Corporation	14,385	14,385	The Company is a sponsor of the Takara Leben Infrastructure Fund and holds shares to maintain and strengthen good relations with it.	None
	1,770	1,569		
Tsukuba Bank, Ltd.	141,000	141,000	The Company deals with Tsukuba Bank, and its transactions include borrowing. To facilitate financial activities, the Company holds shares in the bank.	Yes
	28	25		
Concordia Financial Group, Ltd.	43,280	43,280	The Company deals with Tsukuba Bank, and its transactions include borrowing. To facilitate financial activities, the Company holds shares in the bank.	Yes
	19	19		
The Musashino Bank, Ltd.	10,000	10,000	The Company deals with Tsukuba Bank, and its transactions include borrowing. To facilitate financial activities, the Company holds shares in the bank.	Yes
	17	18		
Resona Holdings, Inc.	20,000	20,000	The Company deals with Tsukuba Bank, and its transactions include borrowing. To facilitate financial activities, the Company holds shares in the bank.	None
	10	9		
Tokyo Kiraboshi Financial Group, Inc.	1,000	1,000	The Company deals with Tsukuba Bank, and its transactions include borrowing. To facilitate financial activities, the Company holds shares in the bank.	Yes
	1	1		

(Note) The quantitative effects of a shareholding is difficult to measure and is not stated. The way in which the Company has examined the reasonableness of the purposes of holding shares is described in “a. Policy on cross shareholding, method for verifying reasonableness of cross shareholding, and details of verification of cross shareholding for each stock conducted by the Board of Directors, etc.”

3) Investment shares held for purely investment purposes

Not applicable.

V. Financial Information

1. Method of preparing consolidated financial statements and non-consolidated financial statements

(1) The consolidated financial statements of the Company are prepared in compliance with the Ordinance on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements (Ordinance of the Ministry of Finance No. 28 of 1976).

(2) The non-consolidated financial statements of the Company are prepared in compliance with the Ordinance on Terminology, Forms, and Preparation Methods of Financial Statements (Ordinance of the Ministry of Finance No. 59 of 1963; hereinafter referred to as the “Ordinance on Non-Consolidated Financial Statements”).

Because the Company is classified as a company that prepares its financial statements pursuant to special provisions, the non-consolidated financial statements are prepared as provided in Article 127 of the Ordinance on Non-Consolidated Financial Statements.

2. Audit certification

The Company’s consolidated financial statements for the consolidated fiscal year (from April 1, 2021 to March 31, 2022) and the non-consolidated financial statements for the fiscal year (from April 1, 2021 to March 31, 2022) were audited by Grant Thornton Taiyo LLC under Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act.

3. Specific efforts to secure the appropriateness of the consolidated financial statements, etc.

The Company has undertaken specific measures to secure the appropriateness of its consolidated financial statements, etc. Specifically, the Company has become a member of the Financial Accounting Standards Foundation (FASF) and participates in seminars and other events, to properly understand accounting standards, etc. or develop systems that enable it to properly respond to changes in accounting standards, etc.

1. Consolidated Financial Statements, Etc.

(1) Consolidated financial statements

1) Consolidated balance sheet

(Millions of yen)

		Previous Consolidated Fiscal Year (March 31, 2021)		Current Consolidated Fiscal Year (March 31, 2022)
Assets				
Current assets				
Cash and deposits	*4, *5	39,169		33,428
Notes and accounts receivable - trade	*4, *5	2,193		–
Notes and accounts receivable - trade, and contract assets		–	*1, *4	2,886
Real estate for sale	*4, *6	28,682	*4, *6	32,616
Power generation facilities for sale		—	*6	1,001
Real estate for sale in process	*4, *6	43,766	*4, *6	58,036
Costs incurred on uncompleted contracts		596		12
Other		11,418	*6	14,919
Allowance for doubtful accounts		(141)		(275)
Total current assets		125,686		142,625
Non-current assets				
Property, plant and equipment				
Buildings and structures		13,827		11,150
Accumulated depreciation		(1,725)		(1,596)
Buildings and structures, net	*4, *5, *6	12,102	*4, *6	9,553
Machinery, equipment and vehicles		13,915		14,056
Accumulated depreciation		(710)		(1,279)
Machinery, equipment and vehicles, net	*4, *5, *6	13,204	*4, *6	12,777
Tools, furniture and fixtures		524		522
Accumulated depreciation		(308)		(319)
Tools, furniture and fixtures, net	*4	216	*4, *6	203
Land	*4, *5, *6	33,739	*4, *6	36,948
Lease assets		67		345
Accumulated depreciation		(56)		(55)
Lease assets, net	*6	11		290
Construction in progress	*4, *6	4,795	*4, *6	3,965
Total property, plant and equipment		64,070		63,739
Intangible assets				
Goodwill		960		1,561
Other	*4, *5, *6	638	*4, *6	948
Total intangible assets		1,599		2,510
Investments and other assets				
Investment securities		5,194		5,462
Long-term loans receivable		0		380
Deferred tax assets		1,273		981
Other	*3, *6	6,407	*3, *6	7,731
Allowance for doubtful accounts		(13)		(12)
Total investments and other assets		12,861		14,542
Total non-current assets		78,531		80,792
Deferred assets		97		55
Total assets		204,315		223,473

(Millions of yen)

		Previous Consolidated Fiscal Year (March 31, 2021)		Current Consolidated Fiscal Year (March 31, 2022)
Liabilities				
Current liabilities				
Notes and accounts payable - trade		13,318		15,411
Short-term loans payable	*4	9,208	*4	14,189
Current portion of bonds payable		116		2,168
Current portion of long-term loans payable	*4	17,524	*4	25,298
Lease obligations		3		35
Income taxes payable		2,264		2,089
Advances received		5,657	*2	7,348
Provision for bonuses		570		629
Provision for warranties for completed construction		463		486
Other		6,522		7,354
Total current liabilities		55,649		75,010
Non-current liabilities				
Long-term loans payable	*4, *5	85,721	*4	81,923
Bonds payable		5,988		4,070
Lease obligations		8		285
Provision for directors' retirement benefits		119		160
Net defined benefit liability		863		984
Asset retirement obligations		24		56
Deferred tax liabilities		28		128
Other		1,278		1,252
Total non-current liabilities		94,033		88,860
Total liabilities		149,683		163,871
Net assets				
Shareholders' equity				
Capital stock		4,819		4,819
Capital surplus		4,817		4,817
Retained earnings		48,649		53,395
Treasury shares		(4,604)		(4,456)
Total shareholders' equity		53,682		58,575
Accumulated other comprehensive income				
Valuation difference on available-for-sale securities		521		548
Foreign currency translation adjustment		(1)		0
Remeasurements of defined benefit plans		(8)		(14)
Total accumulated other comprehensive income		512		534
Share acquisition rights		199		197
Non-controlling interests		237		294
Total net assets		54,632		59,601
Total liabilities and net assets		204,315		223,473

2) Consolidated statements of income and comprehensive income

Consolidated statement of income

(Millions of yen)

		Previous Consolidated Fiscal Year (From April 1, 2020 to March 31, 2021)		Current Consolidated Fiscal Year (From April 1, 2021 to March 31, 2022)
Net sales		148,397	*1	162,744
Cost of sales	*2	118,469	*2	129,626
Gross profit		29,928		33,117
Selling, general and administrative expenses	*3	19,139	*3	21,240
Operating profit		10,789		11,877
Non-operating income				
Interest income		0		59
Dividend income		292		300
Commission fee		118		126
Share of profit of entities accounted for using equity method		18		–
Miscellaneous income		257		198
Total non-operating income		687		684
Non-operating expenses				
Interest expense		1,226		1,755
Share of loss of entities accounted for using equity method		–		138
Miscellaneous loss		316		409
Total non-operating expenses		1,542		2,303
Ordinary profit		9,933		10,258
Extraordinary income				
Gain on negative goodwill		–		37
Total extraordinary income		–		37
Extraordinary losses				
Loss on sale of non-current assets	*4	171		–
Impairment loss	*5	2,589	*5	588
Loss on sale of shares of subsidiaries and associates		–		256
Total extraordinary losses		2,761		845
Profit before income taxes		7,172		9,450
Income taxes - current		3,078		3,158
Income taxes - deferred		(597)		20
Total income taxes		2,481		3,179
Profit		4,691		6,271
Profit (loss) attributable to non-controlling interests		(2)		56
Profit attributable to owners of parent		4,693		6,215

Consolidated statement of comprehensive income

(Millions of yen)

	Previous Consolidated Fiscal Year (From April 1, 2020 to March 31, 2021)	Current Consolidated Fiscal Year (From April 1, 2021 to March 31, 2022)
Profit	4,691	6,271
Other comprehensive income		
Valuation difference on available-for-sale securities	619	26
Foreign currency translation adjustment	(1)	1
Remeasurements of defined benefit plans, net of tax	18	(6)
Total other comprehensive income	* 636	* 21
Comprehensive income	5,327	6,293
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	5,329	6,236
Comprehensive income attributable to non-controlling interests	(2)	56

3) Consolidated statement of changes in equity

Previous Consolidated Fiscal Year (From April 1, 2020 to March 31, 2021)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	4,819	4,817	45,817	(4,695)	50,759
Cumulative effects of changes in accounting policies					–
Restated balance	4,819	4,817	45,817	(4,695)	50,759
Changes of items during period					
Dividends of surplus			(1,843)		(1,843)
Profit attributable to owners of parent			4,693		4,693
Change resulting from inclusion of subsidiaries in consolidation					–
Disposal of treasury shares		(16)		90	73
Change in scope of equity method					–
Transfer to capital surplus from retained earnings		16	(16)		–
Net changes of items other than shareholders' equity					
Total changes of items during period	–	–	2,832	90	2,922
Balance at end of current period	4,819	4,817	48,649	(4,604)	53,682

	Accumulated other comprehensive income				Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of current period	(97)	(0)	(27)	(124)	241	263	51,139
Cumulative effects of changes in accounting policies							–
Restated balance	(97)	(0)	(27)	(124)	241	263	51,139
Changes of items during period							
Dividends of surplus							(1,843)
Profit attributable to owners of parent							4,693
Change resulting from inclusion of subsidiaries in consolidation							–
Disposal of treasury shares							73
Change in scope of equity method							–
Transfer to capital surplus from retained earnings							–
Net changes of items other than shareholders' equity	619	(1)	18	637	(41)	(25)	569
Total changes of items during period	619	(1)	18	637	(41)	(25)	3,492
Balance at end of current period	521	(1)	(8)	512	199	237	54,632

Current Consolidated Fiscal Year (From April 1, 2021 to March 31, 2022)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	4,819	4,817	48,649	(4,604)	53,682
Cumulative effects of changes in accounting policies			43		43
Restated balance	4,819	4,817	48,693	(4,604)	53,725
Changes of items during period					
Dividends of surplus			(1,521)		(1,521)
Profit attributable to owners of parent			6,215		6,215
Change resulting from inclusion of subsidiaries in consolidation			(4)		(4)
Disposal of treasury shares		(19)		147	128
Change in scope of equity method			32		32
Transfer to capital surplus from retained earnings		19	(19)		–
Net changes of items other than shareholders' equity					
Total changes of items during period	–	–	4,702	147	4,849
Balance at end of current period	4,819	4,817	53,395	(4,456)	58,575

	Accumulated other comprehensive income				Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of current period	521	(1)	(8)	512	199	237	54,632
Cumulative effects of changes in accounting policies							43
Restated balance	521	(1)	(8)	512	199	237	54,675
Changes of items during period							
Dividends of surplus							(1,521)
Profit attributable to owners of parent							6,215
Change resulting from inclusion of subsidiaries in consolidation							(4)
Disposal of treasury shares							128
Change in scope of equity method							32
Transfer to capital surplus from retained earnings							–
Net changes of items other than shareholders' equity	26	1	(6)	21	(2)	56	75
Total changes of items during period	26	1	(6)	21	(2)	56	4,925
Balance at end of current period	548	0	(14)	534	197	294	59,601

4) Consolidated statements of cash flows

(Millions of yen)

	Previous Consolidated Fiscal Year (From April 1, 2020 to March 31, 2021)	Current Consolidated Fiscal Year (From April 1, 2021 to March 31, 2022)
Cash flows from operating activities		
Profit before income taxes	7,172	9,450
Depreciation and amortization	1,803	2,838
Impairment loss	2,589	588
Amortization of goodwill	234	329
Increase (decrease) in provision	222	260
Increase (decrease) in net defined benefit liability	237	121
Interest and dividend income	(292)	(360)
Share-based compensation expenses	36	125
Interest expense	1,226	1,755
Loss (gain) on sale of property, plant and equipment	171	–
Loss (gain) on sale of shares of subsidiaries and associates	–	256
Decrease (increase) in notes and accounts receivable - trade	(258)	(509)
Decrease (increase) in inventories	19,454	13,062
Increase (decrease) in notes and accounts payable - trade	1,459	2,088
Increase (decrease) in advances received	(611)	1,690
Other	(2,469)	(3,591)
Subtotal	30,975	28,107
Interest and dividends received	292	360
Interest expenses paid	(1,211)	(1,776)
Income taxes paid	(3,726)	(3,501)
Net cash provided by (used in) operating activities	26,330	23,189
Cash flow from investing activities		
Payments into time deposits	(127)	(161)
Proceeds from withdrawal of time deposits	145	205
Decrease (increase) in short-term loans receivable	0	800
Purchase of property, plant and equipment	(25,771)	(25,279)
Proceeds from sales of property, plant and equipment	901	9
Purchase of intangible assets	(94)	(405)
Purchase of shares of subsidiaries and associates	(75)	(1,193)
Proceeds from sale of shares of subsidiaries and associates	–	700
Purchase of investment securities	(41)	(579)
Proceeds from sales of investment securities	4	–
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	[*3] 0	–
Purchase of shares of subsidiaries resulting in change in scope of consolidation	[*3] (0)	[*3] (2,182)
Other	(32)	213
Net cash provided by (used in) investing activities	(25,090)	(27,871)
Cash flows from financing activities		
Net increase in short-term loans payable	(7,835)	3,271
Proceeds from long-term loans payable	66,404	69,605
Repayment of long-term loans payable	(55,038)	(71,180)
Proceeds from issuance of bonds	1,300	250
Redemption of bonds	(296)	(1,546)
Repayment of lease obligations	(12)	(12)
Cash dividends paid	(1,842)	(1,520)
Dividends paid to non-controlling interests	(23)	–
Net cash provided by (used in) financing activities	2,654	(1,132)
Net increase (decrease) in cash and cash equivalents	3,894	(5,813)
Cash and cash equivalents at beginning of year	34,605	38,500
Increase (decrease) in cash and cash equivalents resulting from change in scope of consolidation	–	7
Cash and cash equivalent at end of year	[*1] 38,500	[*1] 32,693

Notes

(Significant matters that serve as the basis for the preparation of consolidated financial statements)

1. Scope of consolidation

(1) Number of consolidated subsidiaries: 24

Names of major consolidated subsidiaries:

Leben Community Co., Ltd.
Takara Leben Tohoku Co., Ltd.
Takara Leben West Japan Co., Ltd.
Nikko Takara Corporation Co., Ltd.
Takara Leben Realnet Co., Ltd.
Leben Zestock Co., Ltd.
Leben Trust Co., Ltd.
Takara Asset Management Co., Ltd.
Takara PAG Real Estate Advisory Ltd.
Leben Clean Energy Co., Ltd.

ACA Clean Energy Co., Ltd. and three other companies have been consolidated in the fiscal year under review due to the Company's acquisition of shares, among other reasons. ACA Clean Energy Co., Ltd. changed its name to Leben Clean Energy Co., Ltd. on June 22, 2021.

(2) Number of non-consolidated subsidiaries: 4

Non-consolidated subsidiaries

RS LLC
SDX LLC
LS Okayama Tsuyama LLC

(Reason for exclusion from scope of consolidation)

The non-consolidated subsidiaries are excluded from the scope of consolidation because their total assets, net sales, profit/loss (corresponding to the Company's equity interest), or retained earnings (corresponding to the Company's equity interest) do not have any significant impact on the consolidated financial statements.

(3) Special purpose companies subject to disclosure

Not applicable.

2. Matters related to the application of the equity method

(1) Number of affiliates accounted for using equity method: 3

Names of major equity method companies

Minato LLC

The Company has sold all shares that it held in Sunwood Corporation, and Sunwood Corporation has been excluded from the scope of application of the equity method.

(2) Number of non-consolidated subsidiaries and affiliates to which the equity method does not apply: 6

Major non-consolidated subsidiaries and affiliates to which the equity method does not apply

RS LLC
SDX LLC
LS Okayama Tsuyama LLC

(Reason why the equity method is not applied)

The non-consolidated subsidiaries and affiliates to which the equity method does not apply are excluded from the scope of application of the equity method because profit/loss (corresponding to the Company's equity interest) and retained earnings (corresponding to the Company's equity interest), among other factors, at those companies have only a minor and insignificant impact on the consolidated financial statements and they are of little importance overall.

3. Fiscal years of consolidated subsidiaries

(1) The closing dates of the consolidated subsidiaries are as follows.

March 31 at 13 subsidiaries, April 30 at one subsidiary, May 31 at one subsidiary, June 30 at one subsidiary, July 31 at one subsidiary, August 31 at one subsidiary, September 30 at two subsidiaries, November 30 at one subsidiary, December 31 at two subsidiaries, and January 31 at one subsidiary

(2) When the Company prepares consolidated financial statements, it uses provisional financial statements as of the consolidated closing date of the consolidated subsidiaries whose closing dates are different from the consolidated closing date. The Company makes necessary adjustments to reflect in consolidated financial statements important transactions between the date of preparation of provisional financial statements and the consolidated closing date.

4. Matters related to accounting policies

(1) Valuation standards and methods for important assets

1) Securities

a. Bonds held to maturity

The amortized cost method (straight-line method) is applied.

b. Other securities

Securities other than shares, etc. without market prices

Stated at fair value (Unrealized gains and losses are reported as a separate component of net assets, and cost of sales is computed by the moving-average method.)

Shares, etc. without market prices

Stated at cost determined by the moving average method.

2) Inventories

The specific identification inventory cost method is applied (the balance sheet value is written down to reflect decreases in profitability).

(2) Depreciation and amortization methods for important depreciable assets

1) Property, plant and equipment (excluding lease assets)

Declining-balance method is used. However, the straight-line method is used for buildings (excluding facilities attached to buildings) acquired from April 1, 1998 and facilities attached to buildings and structures acquired from April 1, 2016.

The principal useful lives of property, plant and equipment are as follows:

Buildings and structures:	3 to 50 years
Machinery, equipment and vehicles:	2 to 17 years

2) Intangible assets (excluding lease assets)

For software for internal use, the straight-line method over an estimated useful life of five years is used.

3) Lease assets

Leased assets related to finance lease transactions involving the transfer of ownership

Leased assets related to finance lease transactions involving the transfer of ownership are depreciated using the same method applied for non-current assets owned by the Company.

Lease assets relating to finance leases wherein ownership of the leased asset does not transfer to the lessee.

These assets are depreciated over respective lease periods by the straight-line method without residual value.

4) Long-term prepaid expenses

The straight-line method is applied.

(3) Accounting standards for significant provisions

1) Allowance for doubtful accounts

In case of possible losses caused by bad loans, the Company posts estimated uncollectible amounts in consideration of loan loss ratios for general claims and the collectability of specified claims, including possible bad debts.

2) Provision for bonuses

An estimated amount of bonuses to be paid to employees in the fiscal year under review is posted.

3) Provision for warranties for completed construction

A provision for warranties for completed construction is posted based on repair costs, etc. for buildings constructed by the Company in the past to provide for losses due to defects and expenses for warranties after the delivery of buildings etc. constructed by the Company.

4) Provision for retirement benefits for directors (and other officers)

An amount to be paid at the end of the fiscal year under review under the regulations for retirement benefits for officers (internal regulations) is posted to provide for the payment of retirement benefits for officers.

(4) Accounting method for retirement benefits

Net defined benefit liability is posted based on an estimate as of the end of the fiscal year under review in order to prepare for the payment of retirement benefits to employees.

1) Allocation of projected retirement benefits

In calculating projected retirement benefits obligations, the periodic allocation of projected retirement benefits up to the end of current period is based mainly on the benefit formula basis.

2) Treatment of unrecognized actuarial differences and past service costs

Past service costs are posted in expenses based on the straight-line method for a fixed period of years (primarily 6 years) within the average remaining service years of employees when costs accrue from their service.

Actuarial gains or losses are amortized using the straight-line method over a certain number of years (primarily 6 years) within the average remaining years of service of the eligible employees at the time of recognition, and allocated proportionately from the fiscal year following the respective fiscal year of recognition.

3) Accounting method for unrecognized actuarial differences and unrecognized prior service cost

Unrecognized actuarial differences and unrecognized prior service cost are posted in the remeasurement of defined benefits plans under accumulated other comprehensive income in the section of net assets after tax effect adjustment.

4) Adoption of the simplified method by companies that are small in size

Some of the consolidated subsidiaries adopt, for the purpose of calculating retirement benefit liability and retirement benefit expenses, a simplified method involving the recognition of retirement benefit obligations as the amount of retirement benefit payable at fiscal year-end due to voluntary termination.

(5) Accounting standards for income and expenses

Major performance obligations in the Group’s major businesses and normal time to recognize revenue are as follows.

1) Real estate sales business

a. New built-for-sale condominiums business

In the new built-for-sale condominiums business, the Company sells condominium units to general consumers. The Company is obliged to deliver condominium units to consumers under real estate sale agreements. The Company meets the obligation when a unit is delivered and records revenue at the time of delivery.

The transaction price is specified in the real estate sale agreement. In the real estate sale agreement, in most cases, the delivery date and the date of receipt of payment of the full sales price are the same. The Company receives payment of the sales price at the same time as the delivery of a condominium.

b. Liquidation business

In the liquidation business, the Company acquires rental residential properties and office buildings, among other properties, and leases properties or sells properties to operating companies, etc. after renovating them and raising their asset value.

The performance obligations, the timing of meeting the obligations, the transaction price decision method, and the timing of revenue recognition, etc. in the liquidation business are the same as those in the new built-for-sale condominiums business.

2) Real estate management business

In the real estate management business, the Company primarily manages condominiums and is obliged to provide entrusted management service under agreements with customers. The performance obligation is met when the Company provides the service, and the Company records revenue at the time of provision of service.

3) Energy business

In the energy business, the Company derives revenues from selling power generation facilities that are already operating and by selling electricity generated by other electric power generation facilities.

The performance obligations, the timing of meeting the obligations, the transaction price decision method, and the timing of revenue recognition, etc. in the sale of power generation facilities that are already in operation are the same as those in the new built-for-sale condominiums business. In the sale of electricity generated by other electric power generation facilities, the Company records revenue when it delivers electricity mainly to customers under a power purchase agreement.

4) Others businesses

The main business among other businesses is the contract construction business. The Group is obliged to perform construction work under contract building construction agreements. Under the contract building construction agreement, assets are created or the value of assets increases as the Group performs its obligations, and the customer controls assets as assets are created or the value of assets increases. The Group thus fulfills its performance obligations over a certain period of time, or according to progress in construction in the term of the agreement. The Group thus records revenue according to progress in construction in the contract construction business. Costs incurred are thought to contribute to and be almost proportional to progress in the Group's fulfillment of its performance obligations. The Group thus uses the input method based on costs incurred to measure progress.

The transaction price is specified in the contract building construction agreement. In the contract building construction agreement, in most cases, the delivery date and the date of receipt of payment of the full contract fee are the same. The Group receives payment of the contract fee at the same time as the delivery of the building.

(6) Method and period for amortization of goodwill

Goodwill is amortized by the straight-line method over ten years or less.

If the amount is small, goodwill is amortized in full in the year in which it occurs.

(7) Scope of funds in the consolidated statement of cash flows

Cash and cash equivalents are composed of cash on hand, deposits that can be withdrawn at any time and short-term investments that are readily convertible into cash and face only slight risks of fluctuation in value with redemption due dates arriving within three months from the acquisition date.

(8) Other significant matters for preparing consolidated financial statements

Accounting for consumption tax

Non-deductible consumption taxes on assets are expenses in the fiscal year when the taxes are incurred.

(Significant accounting estimates)

- Impairment loss on non-current assets

(1) Impairment losses posted in the consolidated financial statements for the fiscal year under review

(Millions of yen)

	Previous Consolidated Fiscal Year	Current Consolidated Fiscal Year
Buildings and structures	1,185	432
Land	1,404	156
Total	2,589	588

(2) Information about important accounting estimates related to items identified

At the Company, each individual property is the smallest unit where the use of assets generates cash and is classified as an asset group.

As described in *5 Impairment losses in (Consolidated statement of income), impairment losses of ¥588 million were posted in asset groups in the fiscal year under review. The recoverable value was determined based mainly on appraisal values provided by real estate appraisers. The appraisal values were calculated based on business plans for the asset groups, in comprehensive consideration of the surrounding environment and other factors.

If the assumptions used in the estimates need to be changed chiefly due to uncertain changes in economic conditions, such as changes in market conditions resulting from the spread of COVID-19, additional impairment losses (extraordinary losses) may result in the next fiscal year.

(Changes in accounting policy)

(Application of the Accounting Standard for Revenue Recognition, etc.)

The Company has applied the "Accounting Standard for Revenue Recognition" ("ASBJ Statement No. 29, March 31, 2020, Accounting Standards Board of Japan"), from the beginning of the fiscal year under review. It recognizes revenues for goods or services based on the amount estimated to be received in exchange for such goods or services at the point when control of the promised goods or services is conveyed to the customer.

Therefore, in goods and services to customers, which were previously recorded as selling, general and administrative expenses, the method of reducing the amount from the transaction price has been adopted. The Company conventionally applied the completed-contract standard, but effective from the current fiscal year, has changed its method of accounting for performance obligations that are to be fulfilled over a certain period of time by estimating the percentage of completion for the fulfillment of the obligations and recognizing revenue over a certain period of time based on the percentage of completion, except for construction projects of very short duration.

For the application of the Revenue Recognition Accounting Standard, etc. the Company has followed the transitional treatment prescribed in the proviso of Article 84 of the revenue recognition accounting standard, and the cumulative effect of retroactively applying the new accounting policy prior to the beginning of the current fiscal year has been added to or deducted from retained earnings at the beginning of the current year, and the relevant opening balance. The new accounting policy has been applied from the beginning of the current fiscal year. However, the Company has not applied the new accounting policy retrospectively to contracts for which the method prescribed in Article 86 of the Revenue Recognition Accounting Standard was applied and almost all of the revenue amounts were recognized in accordance with the previous treatment prior to the beginning of the current fiscal year. In addition, the Company has applied the method prescribed in Article 86, Subparagraph (1) of the Accounting Standard for Revenue Recognition to account for contract changes made prior to the beginning of the current fiscal year based on the contract terms after reflecting all contract changes, and has added or subtracted the cumulative effect of such changes to retained earnings at the beginning of the current fiscal year.

Due to the application of Accounting Standard for Revenue Recognition, "Notes and accounts receivable-trade," which were presented in "Current assets" in the consolidated balance sheet for the previous fiscal year, are now included in "Notes, accounts receivable-trade and contract assets" from the current fiscal year.

In accordance with the transitional treatment stipulated in Article 89-2 of the Accounting Standard for Revenue Recognition, no reclassification has been made for the previous fiscal year using the new presentation method.

As a result, the impact on the consolidated financial statements of the current fiscal year is minimal.

Net assets at the beginning of the fiscal year ended March 31, 2022 reflect cumulative effects. Due to the cumulative effects, retained earnings at the beginning of the fiscal year in the consolidated statement of changes in shareholders' equity increased ¥43 million.

According to the transitional measures prescribed in paragraph 89-3 of the Accounting Standard for Revenue Recognition, there are no notes on revenue recognition pertaining to the results of the previous consolidated fiscal year.

(Application of the Accounting Standard for Fair Value Measurement)

The Company has applied the "Accounting Standard for Fair Value Measurement" ("ASBJ Statement No. 30, July 4, 2019, Accounting Standards Board of Japan"), from the beginning of the current fiscal year. The company has prospectively decided to apply new accounting policies based on the Accounting Standard for Fair Value Measurement, in accordance with the transitional measurement in Article 19 of Accounting Standard for Fair Value Measurement and Article 44-2 of "Accounting Standard for Financial Instruments," (ASBJ Statement No. 10, July 4, 2019). The impact of application of the Accounting Standard for Fair Value Measurement, on consolidated financial statements for the current year is immaterial. With respect to notes on financial instruments, the Company has decided to add notes including those regarding a breakdown of the fair value of financial instruments by fair value level. In the note on a breakdown of financial instruments, a breakdown of financial instruments in the previous fiscal year is not included in accordance with the transitional procedures set out in Paragraph 7-4 of the Implementation Guidance on Disclosures about Fair Value of Financial Instruments (ASBJ Guidance No. 19, July 4, 2019).

(Consolidated balance sheet)

*1. Of notes and accounts receivable - trade and contract assets, receivables and contract assets arising from contracts with customers are as shown below.

(Millions of yen)

	Current Consolidated Fiscal Year (March 31, 2022)
Accounts receivable - trade	120
Contract assets	2,765

*2. Of advances received, contract liabilities are as shown below.

(Millions of yen)

	Current Consolidated Fiscal Year (March 31, 2022)
Contract liabilities	7,323

*3. Items provided to non-consolidate subsidiaries and affiliates are as follows:

(Millions of yen)

	Previous Consolidated Fiscal Year (March 31, 2021)	Current Consolidated Fiscal Year (March 31, 2022)
Investments and other assets, other (shares in non-consolidated subsidiaries and associates)	2,604	2,639

*4. Assets pledged as collateral and corresponding liabilities are as shown below.

(1) Collateral assets

(Millions of yen)

	Previous Consolidated Fiscal Year (March 31, 2021)	Current Consolidated Fiscal Year (March 31, 2022)
Cash and deposits	1,833	–
Notes and accounts receivable - trade	648	–
Notes and accounts receivable - trade, and contract assets	–	865
Real estate for sale	18,418	19,313
Real estate for sale in process	41,474	50,735
Buildings and structures	6,654	6,105
Machinery, equipment and vehicles	9,767	5,107
Tools, furniture and fixtures	44	11
Land	23,699	25,085
Construction in progress	931	2,262
Other (Intangible assets)	386	232
Total	103,857	109,719

(2) Liabilities corresponding to the above

(Millions of yen)

	Previous Consolidated Fiscal Year (March 31, 2021)	Current Consolidated Fiscal Year (March 31, 2022)
Short-term loans payable	7,535	10,747
Current portion of long-term loans payable	16,122	22,989
Long-term loans payable	69,551	67,493
Total	93,209	101,230
Of the amount above, non-recourse loans	13,507	–

*5. Non-recourse loan

Non-recourse loans are as shown below. (Millions of yen)

	Previous Consolidated Fiscal Year (March 31, 2021)	Current Consolidated Fiscal Year (March 31, 2022)
Non-recourse long-term loans payable	13,507	–
Total	13,507	–

Assets corresponding to non-recourse loans are shown below. (Millions of yen)

	Previous Consolidated Fiscal Year (March 31, 2021)	Current Consolidated Fiscal Year (March 31, 2022)
Cash and deposits	1,757	–
Notes and accounts receivable - trade	133	–
Buildings and structures	67	–
Machinery, equipment and vehicles	7,517	–
Land	4,055	–
Other (Intangible assets)	7	–
Total	13,538	–

*6. Changes in purposes of holding assets

Previous Consolidated Fiscal Year (March 31, 2021)

The Group changed the purposes of holding certain real estate from development and rental to resale, and buildings and structures of ¥4,723 million, land of ¥7,667 million, leased assets of ¥0 million and construction in progress of ¥2,984 million were transferred to real estate for sale and real estate for sale in process in the fiscal year. Certain assets of those assets were sold in the fiscal year, and of the ¥15,335 million transferred to real estate for sale, ¥12,214 million was posted in cost of sales.

The purposes of certain mega solar power generation facilities were changed to resale, and buildings and structures of ¥57 million, machinery, equipment and vehicles of ¥6,065 million, land of ¥299 million, leasehold interests in land of ¥25 million (Other in intangible assets), and long-term prepaid expenses of ¥257 million (Other in investments and other assets) were transferred to power generation facilities for sale in the fiscal year under review. Those assets were sold in the fiscal year.

Current Consolidated Fiscal Year (March 31, 2022)

The Group changed the purposes of holding certain real estate from resale to rental, and real estate for sale in process of ¥95 million and real estate for sale of ¥581 million were transferred to buildings and structures of ¥449 million and land of ¥227 million.

The purposes of holding certain real estate were changed from development and rental to resale, and buildings and structures of ¥4,181 million, tools, furniture and fixtures of ¥31 million, land of ¥5,168 million, construction in progress of ¥1,117 million and software of ¥0 million (Other in intangible assets) were transferred to real estate for sale and real estate for sale in process in the fiscal year. Certain assets of those assets were sold in the fiscal year, and of the ¥10,500 million transferred to real estate for sale, ¥8,800 million was posted in cost of sales.

In addition, the purposes of certain mega solar power generation facilities were changed to resale, and prepaid expenses of ¥69 million (Other in current assets), buildings and structures of ¥598 million, machinery, equipment and vehicles of ¥10,502 million, land of ¥4,219 million, construction in progress of ¥1,000 million, leasehold interests in land of ¥172 million (Other in intangible assets) and long-term prepaid expenses of ¥932 million (Other in investments and other assets) were transferred to power generation facilities for sale in the fiscal year. Certain assets of those assets were sold in the fiscal year, and of the ¥17,497 million transferred to power generation facilities for sale, ¥16,495 million was posted in cost of sales.

7. Contingent liabilities (guarantees)

Guarantees for borrowings from financial institutions (Millions of yen)

	Previous Consolidated Fiscal Year (March 31, 2021)	Current Consolidated Fiscal Year (March 31, 2022)
Joint and several guarantees to financial institutions, etc. until the completion of registration of mortgages related to housing loans of the Group's customers	11,900	9,846
Minato Vietnam Co., Ltd.	810	917
WISE ESTATE 3 Co., Ltd.	–	564
Total	12,711	11,327

8. The Group maintains overdraft and credit line agreements with 64 financial institutions (March 31, 2021: 61) in order to ensure the efficient funding of operating capital. The unused balance of borrowings under these agreements at the consolidated fiscal year-end is as follows. (Millions of yen)

	Previous Consolidated Fiscal Year (March 31, 2021)	Current Consolidated Fiscal Year (March 31, 2022)
Total maximum amount of overdraft and credit lines	70,930	77,471
Outstanding borrowing balance	39,380	41,634
Difference	31,550	35,837

(Consolidated statements of income)

*1. Revenue from contracts with customers

Net sales are not broken down into revenue from contracts with customers and other revenue. The amount of revenue from contracts with customers is stated in Notes to the consolidated financial statements (matters concerning revenue recognition) 1. Information on the breakdown of revenue from contracts with customers.

*2. Inventories are stated at the amount after the write-down reflecting the decline in profitability. Loss on valuation of inventories included in cost of sales is as follows. (Millions of yen)

Previous Consolidated Fiscal Year (From April 1, 2020 to March 31, 2021)	Current Consolidated Fiscal Year (From April 1, 2021 to March 31, 2022)
305	(359)

*3. Selling expenses account for approximately 40% for the year ended March 31, 2021 and 36% for the year ended March 31, 2022, and general and administrative expenses account for approximately 60% and 64%, respectively.

Major components of selling, general and administrative expenses and their amounts are as follows. (Millions of yen)

	Previous Consolidated Fiscal Year (From April 1, 2020 to March 31, 2021)	Current Consolidated Fiscal Year (From April 1, 2021 to March 31, 2022)
Advertising expenses	4,007	4,539
Sales promotion expenses	2,475	2,288
Salaries and allowances	3,385	4,083
Provision for allowance for bonuses	688	840
Retirement benefit costs	255	171
Provision for allowance for directors' retirement benefits	27	45
Provision for allowance for doubtful accounts	146	135

*4. Details of loss on sale of non-current assets (Millions of yen)

	Previous Consolidated Fiscal Year (From April 1, 2020 to March 31, 2021)	Current Consolidated Fiscal Year (From April 1, 2021 to March 31, 2022)
Land	171	–
Total	171	–

*5. Impairment loss

Previous Consolidated Fiscal Year (From April 1, 2020 to March 31, 2021)

Mainly due to the declining profitability of rental properties, hotels and idle assets, the Group recorded impairment losses (¥2,589 million) for the following assets or asset groups in the consolidated fiscal year under review.

Use	Type	Location	Amounts (millions of yen)
Real estate for rent	Land, buildings	Kyoto-shi, Kyoto	388
Hotels	Land, buildings	Kyoto-shi, Kyoto	995
	Land, buildings	Kyoto-shi, Kyoto	593
	Land	Kyoto-shi, Kyoto	113
	Land, buildings	Kyoto-shi, Kyoto	467
Idle assets	Land	Tochigi-shi, Tochigi	30
Total			2,589

The itemized totals are ¥1,404 million for land and ¥1,185 million for buildings, respectively.

The Group classifies rental properties, hotels and idle assets by individual property.

The recoverable amount is measured using net sale value, which is assessed based on the appraisal value by a real estate appraiser.

Current Consolidated Fiscal Year (From April 1, 2021 to March 31, 2022)

Mainly due to the declining profitability of the hotel business, the Group recorded impairment losses (¥588 million) for the following assets or asset groups in the consolidated fiscal year under review.

Use	Type	Location	Amounts (millions of yen)
Hotels	Land, buildings	Nasu-gun, Tochigi	588
Total			588

The itemized totals are ¥156 million for land and ¥432 million for buildings, respectively.

The Group classifies hotels by individual property.

The recoverable amount is measured using net sale value, which is assessed based on the appraisal value by a real estate appraiser.

(Consolidated statements of comprehensive income)

* Reclassification adjustment and tax effect related to other comprehensive income (Millions of yen)

	Previous Consolidated Fiscal Year (From April 1, 2020 to March 31, 2021)	Current Consolidated Fiscal Year (From April 1, 2021 to March 31, 2022)
Valuation difference on available-for-sale securities:		
Amount that occurred in the fiscal year under review	791	102
Reclassification adjustment	–	–
Before tax effect adjustment	791	102
Amount of tax effect	(172)	(76)
Valuation difference on available-for-sale securities	619	26
Foreign currency translation adjustment:		
Amount that occurred in the fiscal year under review	(1)	1
Remeasurements of defined benefit plans, net of tax:		
Amount that occurred in the fiscal year under review	19	(14)
Reclassification adjustment	7	4
Before tax effect adjustment	27	(10)
Amount of tax effect	(8)	3
Remeasurements of defined benefit plans, net of tax	18	(6)
Total other comprehensive income	636	21

(Consolidated statement of changes in shareholders' equity)

Previous Consolidated Fiscal Year (From April 1, 2020 to March 31, 2021)

1. Class and number of issued shares and class and number of treasury shares

	Number of shares at beginning of consolidated fiscal year under review	Increase in number of shares during consolidated fiscal year under review	Decrease in number of shares during consolidated fiscal year under review	Number of shares at the end of the consolidated fiscal year under review
Issued shares				
Common shares	121,000,000	–	–	121,000,000
Total	121,000,000	–	–	121,000,000
Treasury shares				
Common shares (Note)	12,587,307	–	242,400	12,344,907
Total	12,587,307	–	242,400	12,344,907

(Note) The decrease of 242,400 shares of treasury shares was due to the exercise of stock options.

2. Matters related to share acquisition rights and treasury share acquisition rights

Classification	Breakdown of share acquisition rights	Class of shares underlying share acquisition rights	Number of shares to be acquired upon exercise of share acquisition rights				Balance at the end of this period (millions of yen)
			Beginning of fiscal year under review	Increase during fiscal year under review	Decrease during fiscal year under review	End of fiscal year under review	
Reporting company (parent company)	Share acquisition rights as stock option	–	–	–	–	–	199
Total		–	–	–	–	–	199

3. Matters related to dividends

(1) Dividends paid

(Resolution)	Class of shares	Total amount of dividends (millions of yen)	Dividends per share (yen)	Record date	Effective date
June 29, 2020 Ordinary General Meeting of Shareholders	Common stock	1,409	13	March 31, 2020	June 30, 2020
October 30, 2020 Board of Directors	Common stock	434	4	September 30, 2020	December 7, 2021

(2) Of dividends whose record date is in the consolidated fiscal year under review, those whose effective date in the next consolidated fiscal year

(Resolution)	Class of shares	Total amount of dividends (millions of yen)	Source of dividends	Dividends per share (yen)	Record date	Effective date
June 25, 2021 Ordinary General Meeting of Shareholders	Common stock	1,086	Retained earnings	10	March 31, 2021	June 28, 2021

Current Consolidated Fiscal Year (From April 1, 2021 to March 31, 2022)

1. Class and number of issued shares and class and number of treasury shares

	Number of shares at beginning of consolidated fiscal year under review	Increase in number of shares during consolidated fiscal year under review	Decrease in number of shares during consolidated fiscal year under review	Number of shares at the end of the consolidated fiscal year under review
Issued shares				
Common stock	121,000,000	–	–	121,000,000
Total	121,000,000	–	–	121,000,000
Treasury shares				
Common shares (Note)	12,344,907	–	396,100	11,948,807
Total	12,344,907	–	396,100	11,948,807

(Note) The number of common shares in treasury stock decreased 396,100 shares due to the exercise of stock options.

2. Matters related to share acquisition rights and treasury share acquisition rights

Category	Breakdown of share acquisition rights	Class of shares underlying share acquisition rights	Number of shares to be acquired upon exercise of share acquisition rights				Balance at the end of this period (millions of yen)
			Beginning of fiscal year under review	Increase during fiscal year under review	Decrease during fiscal year under review	Current consolidated fiscal year	
Reporting company (parent company)	Share acquisition rights as stock option	–	–	–	–	–	197
Total		–	–	–	–	–	197

3. Matters related to dividends

(1) Dividends paid

(Resolution)	Class of shares	Total amount of dividends (millions of yen)	Dividends per share (yen)	Record date	Effective date
June 25, 2021 Ordinary General Meeting of Shareholders	Common stock	1,086	10	March 31, 2021	June 28, 2021
October 29, 2021 Board of Directors' meetings	Common stock	435	4	September 30, 2021	December 6, 2021

(2) Of dividends whose record date is in the consolidated fiscal year under review, those whose effective date in the next consolidated fiscal year

(Resolution)	Class of shares	Total amount of dividends (millions of yen)	Source of dividends	Dividends per share (yen)	Record date	Effective date
June 24, 2022 Ordinary General Meeting of Shareholders	Common stock	1,526	Retained earnings	14	March 31, 2022	June 27, 2022

(Consolidated statement of cash flows)

*1. Year-end balance of cash and cash equivalents and the relationship with the amounts of items listed in the consolidated balance sheet

(Millions of yen)

	Previous Consolidated Fiscal Year (From April 1, 2020 to March 31, 2021)	Current Consolidated Fiscal Year (From April 1, 2021 to March 31, 2022)
Cash and deposits	39,169	33,428
Time deposits whose deposit term exceeds 3 months	(180)	(136)
Deposits received from customers	(488)	(598)
Cash and cash equivalents	38,500	32,693

2. Significant non-cash transactions

(Millions of yen)

	Previous Consolidated Fiscal Year (From April 1, 2020 to March 31, 2021)	Current Consolidated Fiscal Year (From April 1, 2021 to March 31, 2022)
Amount transferred from real estate for sale or real estate for sale in process to non-current assets due to change in the purpose of holding assets	–	676
Amount transferred from non-current assets to real estate for sale or real estate for sale in process due to change in the purpose of holding assets	15,375	10,500
Amount transferred from non-current assets to power generation facilities for sale due to change in the purpose of holding assets	6,705	17,497

*3. Breakdown of the assets and liabilities of a company that has become a new consolidated subsidiary through the purchase of shares, etc.

Previous Consolidated Fiscal Year (From April 1, 2020 to March 31, 2021)

Below is a breakdown of the assets and liabilities of a company that became a consolidated subsidiary through the Company's acquisition of the equity interests of its employees and a company that has become a consolidated subsidiary through the Company's acquisition of investment equity in a silent partnership when they were consolidated and the Company's (net) payment for or (net) proceeds from the investment.

(1) Sakuramichi 9 LLC

	(Millions of yen)
Current assets	2
Non-current assets	71
Goodwill	3
Current liabilities	(77)
Acquisition cost of equity interests	0
Cash and cash equivalents	–
Result: Purchase of shares of subsidiaries resulting in change in scope of consolidation	(0)

(2) Eco-Friendly K.K.

	(Millions of yen)
Current assets	0
Non-current assets	348
Goodwill	45
Current liabilities	(394)
Acquisition cost of shares	0
Cash and cash equivalents	(0)
Result: Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	0

Current Consolidated Fiscal Year (From April 1, 2021 to March 31, 2022)

Below is a breakdown of the assets and liabilities of each of the companies that became consolidated subsidiaries through the Company's acquisition of shares in them when they were consolidated and the Company's (net) payment for the investment.

(1) Leben Clean Energy Co., Ltd.

	(Millions of yen)
Current assets	5,713
Non-current assets	4,651
Goodwill	930
Current liabilities	(2,025)
Non-current liabilities	(7,269)
Acquisition cost of shares in the subsidiary	2,000
Cash and cash equivalents	(124)
Result: Purchase of shares of subsidiaries resulting in change in scope of consolidation	(1,875)

(2) Iwano K.K.

	(Millions of yen)
Current assets	83
Non-current assets	492
Goodwill	(37)
Current liabilities	(86)
Non-current liabilities	(61)
Acquisition cost of shares in the subsidiary	390
Cash and cash equivalents	(83)
Result: Purchase of shares of subsidiaries resulting in change in scope of consolidation	(306)

(Lease transactions)

1. Finance lease transactions (lessee)

(1) Finance lease transactions that transfer ownership

1) Leased assets

a. Property, plant and equipment

Administrative operation facilities (buildings and structures, tools, furniture and fixtures)

b. Intangible assets

Software

2) Method of depreciation/amortization of leased assets

The method is described in 4. Matters Related to Accounting Policies, (2) Method of depreciation/amortization of important depreciable assets in (Significant Matters That Serves as the Basis for Preparing Consolidated Financial Statements).

(2) Non-ownership-transfer finance lease transactions

1) Leased assets

a. Property, plant and equipment

Tools, furniture and fixtures, and vehicles at administrative operation facilities

b. Intangible assets

Software

2) Method of depreciation/amortization of leased assets

The method is described in 4. Matters Related to Accounting Policies, (2) Method of depreciation/amortization of important depreciable assets in (Significant Matters That Serves as the Basis for Preparing Consolidated Financial Statements).

2. Operating lease transactions

Noncancelable future operating lease payments

(Millions of yen)

	Previous Consolidated Fiscal Year (March 31, 2021)	Current Consolidated Fiscal Year (March 31, 2022)
Within a year	5,177	6,923
More than a year	32,885	43,024
Total	38,062	49,948

(Financial instruments)

1. Matters related to the status of financial instruments

(1) Policy for financial instruments

The Group raises necessary funds from banks and other financial institutions in consideration of sales plans.

(2) Financial instruments and risks related to them

Notes and accounts receivable - trade, which are operating receivables, are exposed to the credit risk of customers.

Investment securities are shares in companies with which the Company has a business relationship and are exposed to market risk.

Most of notes and accounts payable - trade, trade payables, are payable within a year.

Borrowings are made primarily to raise funds for business transactions. In most cases, they are to be repaid or redeemed within three years. Borrowings are exposed to interest rate risks.

(3) Risk management system related to financial instruments

1) Credit risk (risk related to business connections' contract non-performance) management

Each sales division and administrative division within the Group regularly monitors the status of major counterparties, manages due dates and outstanding balances of each counterparty, and strives to identify concerns over debt collection caused primarily by the counterparty's worsening financial position at an early stage and mitigate them.

2) Market risk (interest-rate fluctuation risk, etc.) management

The Group regularly monitors the market values of investment securities and the financial position, etc. of the issuers (counterparties) and continually reviews its holdings in consideration of market conditions and the relationships with the counterparties.

The Group creates a list of interest rates of loans and bonds at financial institutions and monitors interest rates. The Company's finance division manages funds by creating funding plans related to trade payables and borrowings, etc. and by other means.

3) Management of liquidity risk in financing (risk of failure to pay on due dates)

The finance division creates and updates cash flow plans based on reports from each division in a timely manner. The Group maintains on-hand liquidity and manages liquidity risk.

4) Supplementary explanation regarding the fair value of financial instruments

The Group factors in variables in the calculation of the fair values of financial instruments. The fair values vary depending on assumptions.

2. Matters related to the market prices of financial instruments, etc.

The following table presents the amounts in the consolidated balance sheet, market value, and differences between them.

Previous Consolidated Fiscal Year (March 31, 2021)

	Consolidated balance sheet amount (millions of yen)	Fair value (millions of yen)	Difference (millions of yen)
(1) Investment securities	4,743	4,743	–
Total assets	4,743	4,743	–
(1) Lease obligations (current)	3	3	–
(2) Long-term loans payable (including the current portion of long-term loans payable)	103,246	103,243	(2)
(3) Bonds payable (including current portion of bonds payable)	6,104	6,207	103
(4) Lease obligations (fixed)	8	8	(0)
Total liabilities	109,362	109,463	100

(*1) Cash and deposits, notes and accounts receivable - trade, notes and accounts payable - trade, short-term loans payable are omitted because they are cash and their fair value approximates their book value due to short maturities.

(*2) The financial instruments below are not included in (1) Investment securities because they do not have market prices and it is very difficult to determine their fair value. The consolidated balance sheet amount of the financial instruments are as shown below.

(Millions of yen)

Category	Previous Consolidated Fiscal Year (March 31, 2021)
Unlisted shares	451

Current Consolidated Fiscal Year (March 31, 2022)

	Consolidated balance sheet amount (millions of yen)	Fair value (millions of yen)	Difference (millions of yen)
(1) Investment securities	4,868	4,868	–
(2) Long-term loans receivable	380	380	–
Total assets	5,248	5,248	–
(3) Lease obligations (current)	35	35	–
(4) Long-term loans payable (including current portion of long-term loans payable)	107,222	107,292	70
(5) Bonds payable (including current portion of bonds payable)	6,238	6,271	33
(6) Lease obligations (fixed)	285	270	(14)
Total liabilities	113,780	113,870	89

(*1) Cash and deposits, notes and accounts receivable - trade, notes and accounts payable - trade, short-term loans payable are omitted because they are cash and their fair value approximates their book value due to short maturities.

(*2) Stocks and other securities without market quotations are not included in (1) Investment securities. The consolidated balance sheet amount of the financial instruments are as shown below.

(Millions of yen)

Category	Current Consolidated Fiscal Year (March 31, 2022)
Unlisted shares	593

(Notes) 1. Redemption schedule for monetary claims and securities that have maturity dates

Previous Consolidated Fiscal Year (March 31, 2021)

	Within a year (millions of yen)	More than a year, within five years (millions of yen)	More than five years, within 10 years (millions of yen)	More than 10 years (millions of yen)
Cash and deposits	39,169	–	–	–
Notes and accounts receivable - trade	2,193	–	–	–
Total	41,362	–	–	–

Current Consolidated Fiscal Year (March 31, 2022)

	Within a year (millions of yen)	More than a year, within five years (millions of yen)	More than five years, within 10 years (millions of yen)	More than 10 years (millions of yen)
Cash and deposits	33,428	–	–	–
Notes and accounts receivable - trade	120	–	–	–
Long-term loans receivable	–	380	–	–
Total	33,549	380	–	–

2. Amount of short-term loans payable, long-term loans payable, bonds, and lease obligations to be repaid after the consolidated closing date

Previous Consolidated Fiscal Year (March 31, 2021)

	Within a year (millions of yen)	More than one year, within two years (millions of yen)	More than two years, within three years (millions of yen)	More than three years, within four years (millions of yen)	More than four years, within five years (millions of yen)	More than five years (millions of yen)
Short-term loans payable	9,208	–	–	–	–	–
Long-term loans payable	17,524	31,818	14,980	9,972	12,225	16,724
Bonds payable	116	2,128	120	2,620	870	250
Lease obligations	3	2	2	2	1	0
Total	26,852	33,948	15,103	12,595	13,096	16,975

Current Consolidated Fiscal Year (March 31, 2022)

	Within a year (millions of yen)	More than one year, within two years (millions of yen)	More than two years, within three years (millions of yen)	More than three years, within four years (millions of yen)	More than four years, within five years (millions of yen)	More than five years (millions of yen)
Short-term loans payable	14,189	–	–	–	–	–
Long-term loans payable	25,298	28,895	25,517	11,194	6,858	9,457
Bonds payable	2,168	160	2,710	910	40	250
Lease obligations	35	35	35	34	32	148
Total	41,691	29,090	28,262	12,139	6,930	9,855

3. Breakdown of financial instruments by level of market value

The fair values of financial instruments are classified into the following three levels according to the observability and importance of inputs used in the calculation of fair values.

Level 1 fair value: fair value calculated using market prices, on an active market, of assets or liabilities whose fair value is calculated of the observable inputs related to the calculation of fair value

Level 2 market value: market value calculated using inputs other than the inputs used for Level 1 of the observable inputs related to the calculation of market value

Level 3 fair value: fair value calculated using inputs that are not observable related to the calculation of fair value

If more than one input that has a significant effect on the calculation of fair value is used, the fair value is classified to the level of inputs whose priority is lowest in the calculation of fair value.

(1) Financial instruments stated at market price in consolidated balance sheet

Current Consolidated Fiscal Year (March 31, 2022)

Category	Fair value (millions of yen)			
	Level 1	Level 2	Level 3	Total
Investment securities				
Stock	4,868	–	–	4,868
Total assets	4,868	–	–	4,868

(2) Financial instruments other than those recorded at market price in the consolidated balance sheet

Current Consolidated Fiscal Year (March 31, 2022)

Category	Fair value (millions of yen)			
	Level 1	Level 2	Level 3	Total
Long-term loans receivable	–	380	–	380
Total assets	–	380	–	380
Lease obligations (current)	–	35	–	35
Long-term loans payable (including current portion of long-term loans payable)	–	107,292	–	107,292
Bonds payable (including current portion of bonds payable)	–	6,271	–	6,271
Lease obligations (fixed)	–	270	–	270
Total liabilities	–	113,870	–	113,870

(Note) Explanations about assessment techniques used in the calculation of fair value and inputs related to the calculation of fair value

Investment securities

Listed shares are assessed using market prices. Listed shares are traded on an active market and their market prices are categorized into Level 1 market value.

Long-term loans receivable

Long-term loans receivable are classified in terms of period. The fair value is calculated for each credit risk category for credit management, using the discounted present value method based on their future cash flows and rates calculated based on the government bond yield and other appropriate indexes and credit spreads. Their fair value is classified as Level 2 market value.

Bonds payable (including current portion of bonds payable)

These are bonds issued by the Company. The fair value is calculated using the discounted present value method based on the total amount of principal and interest and rates calculated based on the remaining periods and credit risk of the bonds. Their fair value is classified as Level 2 market value.

Long-term loans payable (including current portion of long-term loans payable), lease obligations

The fair value of these financial instruments is calculated using the discounted present value method based on the total amount of principle and interest and rates calculated based on the remaining periods and credit risk of the debt. Their fair value is classified as Level 2 market value.

(Securities)

1. Available-for-sale securities

Previous Consolidated Fiscal Year (March 31, 2021)

	Type	Consolidated balance sheet (millions of yen)	Acquisition cost (millions of yen)	Difference (millions of yen)
Other securities whose book carrying amount on the consolidated balance sheets exceed the acquisition cost	(1) Stocks	59	51	8
	(2) Bonds	–	–	–
	(3) Other	4,653	3,899	754
	Subtotal	4,713	3,950	762
Other securities whose book carrying amount on the consolidated balance sheets do not exceed the acquisition cost	(1) Stocks	30	37	(7)
	(2) Bonds	–	–	–
	(3) Other	–	–	–
	Subtotal	30	37	(7)
Total		4,743	3,988	755

Current Consolidated Fiscal Year (March 31, 2022)

	Type	Consolidated balance sheet (millions of yen)	Acquisition cost (millions of yen)	Difference (millions of yen)
Other securities whose book carrying amount on the consolidated balance sheets exceed the acquisition cost	(1) Stocks	58	47	11
	(2) Bonds	–	–	–
	(3) Other	4,775	3,979	795
	Subtotal	4,834	4,027	806
Other securities whose book carrying amount on the consolidated balance sheets do not exceed the acquisition cost	(1) Stocks	34	41	(7)
	(2) Bonds	–	–	–
	(3) Other	–	–	–
	Subtotal	34	41	(7)
Total		4,868	4,069	799

2. Available-for-sale securities that were sold

Previous Consolidated Fiscal Year (March 31, 2021)

Type	Sale price (millions of yen)	Total profit on sale (millions of yen)	Total loss on sale (millions of yen)
(1) Stocks	–	–	–
(2) Bonds	–	–	–
(3) Other	4	3	–
Total	4	3	–

Current Consolidated Fiscal Year (March 31, 2022)
Not applicable.

3. Securities on which impairment losses were posted

There were no applicable securities in the previous consolidated fiscal year.
There were no applicable securities in the fiscal year under review.
Impairment losses were recorded for securities whose market value at the end of the fiscal year had fallen 50% or more from the acquisition cost. Impairment losses of the amount deemed necessary was recorded for securities whose market value at the end of the fiscal year had fallen 30% to 50% from the acquisition cost, taking into account factors such as recoverability.

(Derivatives transactions)

Not applicable.

(Retirement benefits)

1. Outline of the retirement benefits system

The Takara Leben Group provides lump sum retirement payments as a part of defined benefit plans and a smaller enterprise retirement allowance mutual aid plan as a part of a defined contribution plan. Retirement benefit liabilities and retirement benefit expenses are calculated using a simplified method for the lump sum retirement payments provided by some of the consolidated subsidiaries.

2. Defined benefit plans

(1) Adjustments of balance of retirement benefit obligations at the beginning and end of fiscal year (excl. the plan applying a simplified method in table (2)) (Millions of yen)

	Previous Consolidated Fiscal Year (From April 1, 2020 to March 31, 2021)	Current Consolidated Fiscal Year (From April 1, 2021 to March 31, 2022)
Defined benefit obligation at beginning of period	424	818
Service costs	76	144
Interest costs	1	4
Amount of net actuarial gain/loss	(19)	14
Retirement benefits paid	(16)	(64)
Amount transferred due to change from simplified method to standard method	250	–
Amount expensed due to change from simplified method to standard method	101	–
Retirement benefit obligation at end of period	818	916

(2) Adjustments of balance of retirement benefit liabilities at the beginning and end of fiscal year in a plan using the simplified method (Millions of yen)

	Previous Consolidated Fiscal Year (From April 1, 2020 to March 31, 2021)	Current Consolidated Fiscal Year (From April 1, 2021 to March 31, 2022)
Beginning balance of retirement benefit liabilities	229	45
Retirement benefit costs	84	34
Retirement benefits paid	(12)	(6)
Amount contributed to smaller enterprise retirement allowance mutual aid plan	(5)	(5)
Amount transferred due to change from simplified method to standard method	(250)	–
Ending balance of retirement benefit liabilities	45	67

(3) Reconciliation of retirement benefit obligation and pension assets with net retirement benefit liability and asset reflected on the consolidated balance sheets (Millions of yen)

	Previous Consolidated Fiscal Year (March 31, 2021)	Current Consolidated Fiscal Year (March 31, 2022)
Retirement benefit obligation for unfunded plan	911	1,021
Expected amount of payments through smaller enterprise retirement allowance mutual aid plan	(47)	(37)
Net amount of retirement benefit liability and asset on the consolidated balance sheets	863	984

(4) Breakdown of retirement benefit expenses

(Millions of yen)

	Previous Consolidated Fiscal Year (From April 1, 2020 to March 31, 2021)	Current Consolidated Fiscal Year (From April 1, 2021 to March 31, 2022)
Service costs	76	144
Interest costs	1	4
Expense for actuarial losses	7	4
Retirement benefit expenses calculated using the simplified method	78	29
Amount expensed due to change from simplified method to standard method	101	–
Retirement benefit expenses related to defined benefit plans	266	181

(5) Remeasurements of defined benefit plans, net of tax

The breakdown of items posted as "remeasurements of defined benefit plans, net of tax" (before deduction of tax effect) is as follows:

(Millions of yen)

	Previous Consolidated Fiscal Year (From April 1, 2020 to March 31, 2021)	Current Consolidated Fiscal Year (From April 1, 2021 to March 31, 2022)
Actuarial gains and losses	(27)	10
Total	(27)	10

(6) Remeasurements of defined benefit plans

The breakdown of items posted as "remeasurements of defined benefit plans" (before deduction of tax effect) is as follows:

(Millions of yen)

	Previous Consolidated Fiscal Year (March 31, 2021)	Current Consolidated Fiscal Year (March 31, 2022)
Unrecognized actuarial gains and losses	11	21
Total	11	21

(7) Basis for the calculation of actuarial gains and losses

Major assumptions for the calculation of actuarial gains and losses (weighted average)

	Previous Consolidated Fiscal Year (March 31, 2021)	Current Consolidated Fiscal Year (March 31, 2022)
Discount rate	0.47% to 0.53%	0.51% to 0.58%
Forecasted rate of pay raise	2.07% to 2.95%	2.07% to 2.95%

3. Defined contribution plan

The amount contributed to the smaller enterprise retirement allowance mutual aid plan by the Group was ¥5 million in the previous fiscal year and ¥5 million in the fiscal year under review.

(Stock options)

1. Expenses related to stock options and their account titles

(Millions of yen)

	Previous Consolidated Fiscal Year (From April 1, 2020 to March 31, 2021)	Current Consolidated Fiscal Year (From April 1, 2021 to March 31, 2022)
Selling, general and administrative expenses	36	125

2. Description of stock options, their scale and changes

(1) Description of stock options

	1st. Type-B Stock Acquisition Rights	2nd. Type-B Stock Acquisition Rights
Category and number of persons subject to grants	Seven Directors of the Company One Executive Officer of the Company	Seven Directors of the Company One Executive Officer of the Company
Stock options by class of shares (Notes 1, 2)	130,000 common shares	120,400 common shares
Grant date	July 9, 2012	May 14, 2013
Vesting conditions	In principle, on or after the day following the day on which the person leaves both of their positions as Director and Executive Officer	In principle, on or after the day following the day on which the person leaves both of their positions as Director and Executive Officer
Length of service	No length of service is deemed to exist due to the difficulty of rationally predicting the date of right allotment.	No length of service is deemed to exist due to the difficulty of rationally predicting the date of right allotment.
Exercise period	From July 10, 2012 to July 9, 2052	From May 15, 2013 to May 14, 2053

	3rd. Type-B Stock Acquisition Rights	4th. Type-B Stock Acquisition Rights
Category and number of persons subject to grants	Seven Directors of the Company Two Executive Officers of the Company	Seven Directors of the Company Three Executive Officers of the Company
Stock options by class of shares (Note 1)	129,200 common shares	133,600 common shares
Grant date	May 13, 2014	July 14, 2015
Vesting conditions	In principle, on or after the day following the day on which the person leaves both of their positions as Director and Executive Officer	In principle, on or after the day following the day on which the person leaves both of their positions as Director and Executive Officer
Length of service	No length of service is deemed to exist due to the difficulty of rationally predicting the date of right allotment.	No length of service is deemed to exist due to the difficulty of rationally predicting the date of right allotment.
Exercise period	From May 14, 2014 to May 13, 2054	From July 15, 2015 to July 14, 2055

	5th. Type-B Stock Acquisition Rights	6th. Type-B Stock Acquisition Rights
Category and number of persons subject to grants	Seven Directors of the Company Two Executive Officers of the Company	Six Directors of the Company Five Executive Officers of the Company
Stock options by class of shares (Note 1)	125,200 common shares	128,000 common shares
Grant date	May 10, 2016	July 11, 2017
Vesting conditions	In principle, on or after the day following the day on which the person leaves both of their positions as Director and Executive Officer	In principle, on or after the day following the day on which the person leaves both of their positions as Director and Executive Officer
Length of service	No length of service is deemed to exist due to the difficulty of rationally predicting the date of right allotment.	No length of service is deemed to exist due to the difficulty of rationally predicting the date of right allotment.
Exercise period	From May 11, 2016 to May 10, 2056	From July 12, 2017 to July 11, 2057

	7th. Type-B Stock Acquisition Rights	8th. Type-B Stock Acquisition Rights
Category and number of persons subject to grants	Seven Directors of the Company Seven Executive Officers of the Company	Seven Directors of the Company Six Executive Officers of the Company
Stock options by class of shares (Note 1)	164,000 common shares	156,000 common shares
Grant date	August 28, 2018	July 30, 2019
Vesting conditions	In principle, on or after the day following the day on which the person leaves both of their positions as Director and Executive Officer	In principle, on or after the day following the day on which the person leaves both of their positions as Director and Executive Officer
Length of service	No length of service is deemed to exist due to the difficulty of rationally predicting the date of right allotment.	No length of service is deemed to exist due to the difficulty of rationally predicting the date of right allotment.
Exercise period	From August 29, 2018 to August 28, 2058	From July 31, 2019 to July 30, 2059

	9th. Type-B Stock Acquisition Rights	9th. Type-A Stock Acquisition Rights
Category and number of persons subject to grants	Seven Directors of the Company Five Executive Officers of the Company	Seven Directors of the Company Seven Executive Officers of the Company
Stock options by class of shares (Note 1)	159,600 common shares	257,700 common shares
Grant date	August 1, 2020	July 31, 2021
Vesting conditions	In principle, on or after the day following the day on which the person leaves both of their positions as Director and Executive Officer	There are no vesting conditions attached.
Length of service	No length of service is deemed to exist due to the difficulty of rationally predicting the date of right allotment.	No length of service is specified.
Exercise period	From August 2, 2020 to August 1, 2060	From August 1, 2021 to July 31, 2061

	10th. Type-B Stock Acquisition Rights
Category and number of persons subject to grants	Seven Directors of the Company Four Executive Officers of the Company
Stock options by class of shares (Note 1)	158,100 common shares
Grant date	July 31, 2021
Vesting conditions	In principle, on or after the day following the day on which the person leaves both of their positions as Director and Executive Officer
Length of service	No length of service is deemed to exist due to the difficulty of rationally predicting the date of right allotment.
Exercise period	From August 1, 2021 to July 31, 2061

(Notes) 1. The number of stock options is converted to the number of shares.
2. The Company conducted a 4-for-1 stock split on July 1, 2013, and the number of shares after the adjustment for the stock split is presented.

(2) Scale of stock options and related changes

The number of stock options applies to the stock options existing in the fiscal year under review (ended March 31, 2022), which are converted to the number of shares for presentation.

(i) Number of stock options

	1st. Type-B Stock Acquisition Rights	2nd. Type-B Stock Acquisition Rights	3rd. Type-B Stock Acquisition Rights	4th. Type-B Stock Acquisition Rights	5th. Type-B Stock Acquisition Rights	6th. Type-B Stock Acquisition Rights	7th. Type-B Stock Acquisition Rights	8th. Type-B Stock Acquisition Rights
Before vesting (shares)								
End of previous year	46,400	41,200	41,600	47,200	46,800	90,000	118,000	118,000
Granted	–	–	–	–	–	–	–	–
Forfeited	–	–	–	–	–	–	–	–
Vested	16,000	13,200	14,000	15,200	14,800	14,000	16,000	16,000
Yet to be vested	30,400	28,000	27,600	32,000	32,000	76,000	102,000	102,000
After vesting (shares)								
End of previous year	–	–	–	–	–	–	–	–
Vested	16,000	13,200	14,000	15,200	14,800	14,000	16,000	16,000
Rights exercised	16,000	13,200	14,000	15,200	14,800	14,000	16,000	16,000
Forfeited	–	–	–	–	–	–	–	–
Yet to be exercised	–	–	–	–	–	–	–	–

	9th. Type-B Stock Acquisition Rights	9th. Type-A Stock Acquisition Rights	10th. Type-B Stock Acquisition Rights
Before vesting (shares)			
End of previous year	159,600	–	–
Granted	–	257,700	158,100
Forfeited	–	–	–
Vested	19,200	257,700	–
Yet to be vested	140,400	–	158,100
After vesting (shares)			
End of previous year	–	–	–
Vested	19,200	257,700	–
Rights exercised	19,200	257,700	–
Forfeited	–	–	–
Yet to be exercised	–	–	–

(Note) The Company conducted a 4-for-1 stock split on July 1, 2013, and the number of shares after the adjustment for the stock split is presented.

(ii) Unit price information

	1st. Type-B Stock Acquisition Rights	2nd. Type-B Stock Acquisition Rights	3rd. Type-B Stock Acquisition Rights	4th. Type-B Stock Acquisition Rights	5th. Type-B Stock Acquisition Rights	6th. Type-B Stock Acquisition Rights	7th. Type-B Stock Acquisition Rights	8th. Type-B Stock Acquisition Rights
Exercise price (yen)	1	1	1	1	1	1	1	1
Average stock price when exercised (yen)	343	343	343	343	343	343	343	343
Fair unit value on the date of grant (yen)	128	306	186	472	480	316	253	290

	9th. Type-B Stock Acquisition Rights	9th. Type-A Stock Acquisition Rights	10th. Type-B Stock Acquisition Rights
Exercise price (yen)	1	1	1
Average stock price when exercised (yen)	343	304	–
Fair unit value on the date of grant (yen)	228	341	241

(Note) The exercise prices are per share. The prices presented have been converted to prices after a 4-for-1 stock split conducted on July 1, 2013.

3. Method for estimating the fair unit value of stock options

The method for estimating the fair unit value of the 9th. Type-A Stock Acquisition Rights vested in the fiscal year under review is described below.

(1) Valuation technique used: Black-Scholes model

(2) Key basic values and estimation method

	9th. Type-A Stock Acquisition Rights
Share price volatility (Note 1)	32.5%
Expected remaining period (Note 2)	0.0028 years
Expected dividend yield (Note 3)	2.71%
Risk-free interest rate (Note 4)	(0.043%)

(Notes) 1. The calculation is based on the actual share prices between July 31, 2019, and July 30, 2021.
2. The period from the date of allotment of stock acquisition rights to the beginning date of exercise period is used.
3. The calculation is based on the dividends paid in the last 10 years.
4. The average uncollateralized overnight call rate is used due to the extremely short period expected to remain.

The method for estimating the fair unit value of the 10th. Type-B Stock Acquisition Rights vested in the fiscal year under review is described below.

(1) Valuation technique used: Black-Scholes model

(2) Key basic values and estimation method

	10th. Type-B Stock Acquisition Rights
Share price volatility (Note 1)	48.9%
Expected remaining period (Note 2)	12.8 years
Expected dividend yield (Note 3)	2.71%
Risk-free interest rate (Note 4)	0.133%

(Notes) 1. The calculation is based on the share prices between October 6, 2008, and July 30, 2021.
2. The weighted average number of years of service expected to remain of the stock acquisition right holders is used.
3. The calculation is based on the dividends paid in the last 10 years.
4. The calculation is based on the government bond yield during the expected remaining period.

4. Method for estimating the number of stock options vested

It is basically difficult to reasonably estimate the number of stock options to be forfeited, and only the actual number of stock options forfeited is reflected.

(Tax effect accounting)

1. Breakdown of key factors contributing to deferred tax assets and deferred tax liabilities (Millions of yen)

	Previous Consolidated Fiscal Year (March 31, 2021)	Current Consolidated Fiscal Year (March 31, 2022)
Deferred tax assets		
Non-deductible provision for bonuses	183	200
Non-deductible allowance for doubtful accounts	47	88
Loss on valuation of real estate for sale, currently not deductible	490	369
Loss on valuation of membership, currently not deductible	35	34
Non-deductible retirement benefit liabilities	276	312
Non-deductible provision for retirement benefits for directors (and other officers)	39	53
Non-deductible depreciation expenses	528	477
Loss on valuation of telephone subscription rights, currently not deductible	1	1
Impairment losses, currently not deductible	853	726
Deferred consumption tax and other dues	95	111
Accrued enterprise taxes, etc.	190	152
Compulsory devaluation of investment securities, currently not deductible	3	3
Asset retirement obligations, currently not deductible	40	56
Tax losses carried forward	111	36
Deferred tax assets	266	254
Recognition of advances received, currently not deductible	223	–
Non-deductible provision for warranties for completed construction	75	82
Share acquisition rights	61	60
Loss on construction work guarantee, currently not deductible	66	66
Tax effect on elimination of unrealized intercompany profit	73	–
Other	8	104
Subtotal of deferred tax assets	3,671	3,192
Valuation allowance (Note)	(1,631)	(1,502)
Total deferred tax assets	2,039	1,689
Deferred tax liabilities		
Reserve for special depreciation, currently deductible	(0)	–
Valuation difference of assets transferred at merger	(551)	(551)
Valuation difference on available-for-sale securities	(233)	(248)
Capital gains or losses on deferred adjusted assets	(8)	(8)
Tax effect on elimination of unrealized intercompany profit	–	(28)
Total deferred tax liabilities	(794)	(837)
Deferred tax assets (liabilities), net	1,244	852

(Note) The change in valuation allowance is caused primarily by a decrease in valuation allowance for impairment loss.

2. Breakdown of major items that caused a significant difference between an effective statutory tax rate and a percentage of income taxes after the application of tax effect accounting

	Previous Consolidated Fiscal Year (March 31, 2021)	Current Consolidated Fiscal Year (March 31, 2022)
Statutory tax rate	30.6%	30.6%
(Adjustment)		
Change in valuation allowance	3.6%	(1.4%)
Items that are not permanently deductible, such as entertainment expenses	0.5%	0.6%
Items that are not permanently included in profits, such as dividend income	(0.1%)	(0.1%)
Inhabitant tax on a per capita basis	0.2%	0.1%
Differences in tax rates of consolidated subsidiaries	1.0%	0.6%
Amortization of goodwill	0.8%	0.6%
Other	(2.0%)	2.6%
Percentage of effective income tax rate after the application of tax effect accounting	34.6%	33.6%

(Matters related to business combinations, etc.)

Business combination through acquisition

1. Outline of the business combination

(1) Name and business of acquired company

Name of acquired company:	ACA Clean Energy Co., Ltd.
Type of business:	Operations and consulting related to planning, design, construction, management, etc. of electricity sale facilities, secondary-use facilities and systems through renewable energy businesses, etc.

(2) Main reasons for the business combination

The Company has been operating a mega-solar power generation business as a leading company in the renewable energy generation industry, including the listing of the shares of Takara Leben Infrastructure Fund, Inc. on the infrastructure fund market of the Tokyo Stock Exchange in 2016 as the first company to be listed. The Company acquired shares of ACA Clean Energy Co., Ltd. headquartered in Chuo-ku, Tokyo, and made it a consolidated subsidiary in an effort to increase renewable energy supply and establish a zero-carbon society. Since its foundation, ACA Clean Energy Co., Ltd. has established an extensive history of developing small solar power generation facilities across Japan. It has also been developing a business model independent from feed-in tariffs (FIT) with a view toward in-site and off-site PPA and regional micro-grid schemes in response to growing demand for renewable energy in Japan. Takara Leben believes that consolidating ACA Clean Energy Co., Ltd. as a subsidiary will contribute significantly to the future development of its energy business and further strengthen the power generation business of the Group.

(3) Date of the business combination

April 13, 2021

(4) Legal form of the business combination

Share acquisition

(5) Name of the combined entity

Leben Clean Energy Co., Ltd. (Trade name changed from ACA Clean Energy Co., Ltd. on June 22, 2021.)

(6) Percentage share of voting rights acquired

100%

(7) Main reason for the decision to acquire the company

Availability to the Company of the method of share acquisition in exchange for cash and deposits

2. Period for the operating results of acquired company that are included in the consolidated financial statements

From April 1, 2021 to March 31, 2022

3. Costs of the acquisition of acquired company and breakdown by type of consideration

Not disclosed due to an agreement between the parties

4. Goodwill arising from the business combination, reason for the goodwill, and method and period of amortization

(1) Amount of goodwill

¥930 million

(2) Reason for the goodwill

Generated from future excess earning power expected from a forthcoming business development

(3) Method and period of amortization

The straight-line method over a 10-year period

5. Amounts and breakdown of assets and liabilities acquired on the business combination date

	(Millions of yen)
Current assets	5,713
Non-current assets	4,651
Total assets	10,364
Current liabilities	2,025
Non-current liabilities	7,269
Total liabilities	9,295

(Asset retirement obligations)

While the Group recognizes its obligation to restore the land for leased office to its original state at the time of vacation based on the real estate lease agreement as an asset retirement obligation, the significance of the total amount of this obligation is low and, thus, is omitted from the disclosure.

The duty of restoring the head office, etc. to its original state at the time of vacation based on the real estate lease agreement is posted as an expense for the consolidated accounting period by rationally estimating the amount of leasehold deposits related to the real estate lease agreement deemed ultimately not recoverable in lieu of posting liabilities.

(Rental properties, etc.)

The Company and its certain consolidated subsidiaries own office buildings for lease (including land) and condominiums for lease in Tokyo and other areas. During the fiscal year ended March 31, 2021, net rent income from these rental properties amounted to ¥210 million (rent income is recorded in net sales and major rent expenses are recorded in cost of sales). During the fiscal year ended March 31, 2022, net rent income from these rental properties amounted to ¥355 million (rent income is recorded in net sales and major rent expenses are recorded in cost of sales).

The carrying amount of these rental properties on the Consolidated Balance Sheet, changes during the year and market value are as follows.

(Millions of yen)

		Previous Consolidated Fiscal Year (From April 1, 2020 to March 31, 2021)	Current Consolidated Fiscal Year (From April 1, 2021 to March 31, 2022)
Consolidated balance sheet			
	Beginning balance	38,250	39,709
	Changes during the year	1,459	(903)
	Ending balance	39,709	38,805
Market value at end of year		39,099	38,118

(Notes)
1. The carrying amount on the Consolidated Balance Sheet represents the acquisition cost net of accumulated depreciation and amortization and accumulated impairment loss.
2. Of the changes during the year, the major increases during the year ended March 31, 2021 include the acquisition of real estate (¥11,746 million) and a change of use to rental properties, etc. (¥5,251 million), and major decreases include transfer to real estate held for sale and real estate held for sale in progress (¥15,375 million), depreciation (¥433 million) and impairment losses (¥856 million). The major increases during the year ended March 31, 2022 include the acquisition of real estate (¥15,485 million), and major decreases include transfer to real estate held for sale and real estate held for sale in progress (¥11,500 million), a change of use to uses other than rental properties, etc. (¥4,283 million) and depreciation (¥436 million).
3. Market value at the end of the year is based on the appraisal value by a third party real estate appraiser.
4. Assets under construction are not included in the above table as it is not practicable to obtain their market value. The carrying amounts of assets under construction on the consolidated balance sheet in the year ended March 31, 2021 and in the year ended March 31, 2022 were ¥983 million and ¥2,316 million, respectively.

(Revenue recognition)

1. Information from the breakdown of revenue from contracts with customers

The information from the breakdown of revenue from contracts with customers is provided in Notes (Segment Information).

2. Information that becomes the foundation for understanding revenue from contracts with customers

Information that becomes the foundation for understanding revenue from contracts with customers is provided in (5) standards for recognition of significant revenues and expenses under 4. matters concerning accounting policies in “significant matters that become the basis for preparing consolidated financial statements.”

3. Information about the relationship between the fulfillment of performance obligations based on the contract with the customer and the cash flow generated from the contract, and the amount of revenue expected to be recognized from the contract with the customer existing at the end of the current fiscal year after the next fiscal year and the timing of cash flows

(1) Balances of contract assets and contract liabilities, etc.

(Millions of yen)

	Current Consolidated Fiscal Year
Receivables from contracts with customers (balance at beginning of period)	2,082
Receivables from contracts with customers (balance at end of period)	2,765
Contract liabilities (Balance at beginning of period)	5,632
Contract liabilities (balance at end of period)	7,323

The contract liabilities chiefly concern advances received from customers, who are general consumers delivering properties pursuant to a real estate purchase agreement in the real estate sales business. Contract liabilities are reversed as revenue is recognized. The amount of revenue recognized in the fiscal year under review included in the balance of contract liabilities at the beginning of the fiscal year is ¥3,626 million.

(2) Transaction prices allocated to outstanding performance obligations

The Company and its consolidated subsidiaries apply practical expedients to notes to a transaction price allocated to remaining performance obligations, which does not include contracts whose terms are less than one year expected in the beginning. These performance obligations concern the delivery of the property pursuant to a real estate purchase agreement in the real estate sales business. The periods in which the total amount of transaction price allocated to remaining performance obligations and revenue are expected to be recognized are presented below.

(Millions of yen)

	Current Consolidated Fiscal Year
Within 1 year	38,295
More than 1 year and within 2 years	11,007
More than 2 year and within 3 years	3,915
Total	53,218

(Segment information)

Segment Information

1. Overview of reportable segments

The reportable segments of the Group are components of the Company for which separate financial information is available that is evaluated regularly by the Board of Directors in deciding how to allocate resources and in assessing performance.

The Group's core business is construction and sales of built-for-sale condominiums. The Group's reportable segments consist of four business segments: the real estate sales business, the real estate rental business, the real estate management business and the energy business.

Effective from the current fiscal year, the Company has changed the name of its reportable segment from "Electric Power Generation Business" to "Energy Business." This change is a change in the name of the segment and has no impact on the segment information.

In addition, the subject in the segment information for the previous fiscal year is also presented with the new name.

The real estate sales business primarily engages in sales of new built-for-sale condominiums, profit-generating real estate, detached houses and condominium renovation.

The real estate rental business provides the office and residential condominiums rental service, and the real estate management business provides the condominium management service.

The energy business engages in electric power generation using renewable energy.

2. Calculation methods of net sales, profit or loss, assets, liabilities and other items by reportable segment

The accounting method of the reportable business segments is generally consistent with those used in Significant matters that serve as the basis for the preparation of consolidated financial statements except the appraisal criteria for inventories.

Inventories are stated at the value after the write-down, reflecting the decline in profitability.

Reportable segment profit represents operating profit.

Inter-segment sales and transfers are valued at market prices.

3. Net sales, profit or loss, assets, liabilities and other items by reportable segment, and a breakdown of revenue

Previous consolidated fiscal year (From April 1, 2020 to March 31, 2021)

(Millions of yen)

	Reportable segments					Other (Note)	Total
	Real estate sales business	Real estate rental business	Real estate management business	Energy business	Total		
Net sales							
Net sales to external customers	117,200	5,753	5,446	13,485	141,885	6,512	148,397
Inter-segment sales and transfers	3,056	53	224	34	3,368	893	4,262
Total	120,256	5,807	5,671	13,519	145,254	7,405	152,660
Segment profit (loss)	9,542	580	(150)	944	10,917	751	11,669
Segment assets	86,333	43,969	1,283	34,500	166,087	2,721	168,808
Segment liabilities	71,374	37,043	1,390	32,691	142,499	1,740	144,240
Other items							
Depreciation and amortization	129	442	6	921	1,500	153	1,654
Amortization of goodwill	–	78	–	–	78	–	78
Interest expense	615	341	–	173	1,130	0	1,131
Increase in property, plant and equipment and intangible assets	194	12,708	8	12,565	25,476	98	25,575

(Note) "Other" represents business segments that are not included in any reportable segments and includes investment management business, the construction contract business and the repair work business.

Current Consolidated Fiscal Year (From April 1, 2021 to March 31, 2022)

(Millions of yen)

	Reportable segments					Other (Note)	Total
	Real estate sales business	Real estate rental business	Real estate management business	Energy business	Total		
Net sales							
Revenue from contracts with customers	109,152	–	5,856	34,248	149,257	7,536	156,793
Other revenue	–	5,950	–	–	5,950	–	5,950
Net sales to external customers	109,152	5,950	5,856	34,248	155,207	7,536	162,744
Inter-segment sales and transfers	–	45	317	68	431	459	890
Total	109,152	5,996	6,173	34,316	155,638	7,995	163,634
Segment profit (loss)	6,948	701	(91)	4,157	11,715	1,170	12,886
Segment assets	106,269	45,499	1,437	28,441	181,648	5,356	187,005
Segment liabilities	87,631	35,787	1,585	26,400	151,405	7,932	159,338
Other items							
Depreciation and amortization	137	441	6	2,164	2,749	25	2,775
Amortization of goodwill	–	79	–	–	79	–	79
Interest expense	737	273	–	661	1,672	9	1,682
Increase in property, plant and equipment and intangible assets	62	14,490	–	10,372	24,925	291	25,217

(Note) “Other” represents business segments that are not included in any reportable segments and includes investment management business, the construction contract business and the repair work business.

4. Reconciliation of the total reportable segments and the amount on the consolidated financial statements (difference adjustments)

(Millions of yen)

Net sales	Previous Consolidated Fiscal Year	Current Consolidated Fiscal Year
Total reportable segments	145,254	155,638
Net sales of "Other" category	7,405	7,995
Elimination of inter-segment transactions	(4,262)	(890)
Net sales on the consolidated financial statements	148,397	162,744

(Millions of yen)

Profit	Previous Consolidated Fiscal Year	Current Consolidated Fiscal Year
Total reportable segments	10,917	11,715
Income of "Other" category	751	1,170
Elimination of inter-segment transactions	(724)	(758)
Amortization of goodwill	(155)	(250)
Operating profit on the consolidated financial statements	10,789	11,877

(Millions of yen)

Assets	Previous Consolidated Fiscal Year	Current Consolidated Fiscal Year
Total reportable segments	166,087	181,648
Assets of "Other" category	2,721	5,356
Elimination of amounts due to the parent administrative division	(14,308)	(20,339)
Corporate assets (Note)	49,815	56,807
Total assets in the consolidated financial statements	204,315	223,473

(Note) Corporate assets are assets that are not attributable to any reportable segments. They consist primarily of cash and deposits, assets attributable to the administrative division, and deferred tax assets.

(Millions of yen)

Liabilities	Previous Consolidated Fiscal Year	Current Consolidated Fiscal Year
Total reportable segments	142,499	151,405
Liabilities of "Other" category	1,740	7,932
Elimination of amounts due to the parent administrative division	(12,167)	(15,764)
Corporate liabilities (Note)	17,609	20,298
Total liabilities in the consolidated financial statements	149,683	163,871

(Note) Corporate liabilities are liabilities that are not attributable to any reportable segments. They consist primarily of borrowings.

(Millions of yen)

Other items	Total reportable segments		Other		Adjustments		Consolidated financial statements	
	Previous Consolidated Fiscal Year	Current Consolidated Fiscal Year	Previous Consolidated Fiscal Year	Current Consolidated Fiscal Year	Previous Consolidated Fiscal Year	Current Consolidated Fiscal Year	Previous Consolidated Fiscal Year	Current Consolidated Fiscal Year
Depreciation and amortization	1,500	2,749	153	25	149	63	1,803	2,838
Amortization of goodwill	78	79	–	–	155	250	234	329
Interest expense	1,130	1,672	0	9	95	73	1,226	1,755
Increase in property, plant and equipment and intangible assets (Note)	25,476	24,925	98	291	91	183	25,666	25,400

(Note) Adjustments for increase in property, plant and equipment and intangible assets represent goodwill incurred but not allocated to reportable segments, capital expenditure for the headquarters building and the elimination of inter-segment transactions.

Related Information

Previous Consolidated Fiscal Year (From April 1, 2020 to March 31, 2021)

1. Information by product/service

This information is omitted because the same information is disclosed in the Segment Information section.

2. Information by region

(1) Net sales

Sales to external customers in Japan are more than 90% of net sales in the consolidated statement of income, and information by region is omitted.

(2) Property, plant and equipment

The amount of property, plant and equipment in Japan is more than 90% of the amount of property, plant and equipment in the consolidated balance sheets, and information on property, plant and equipment is omitted.

3. Information by major customer

Not applicable.

Current Consolidated Fiscal Year (From April 1, 2021 to March 31, 2022)

1. Information by product/service

This information is omitted because the same information is disclosed in the Segment Information section.

2. Information by region

(1) Net sales

Sales to external customers in Japan are more than 90% of net sales in the consolidated statement of income, and information by region is omitted.

(2) Property, plant and equipment

The amount of property, plant and equipment in Japan is more than 90% of the amount of property, plant and equipment in the consolidated balance sheets, and information on property, plant and equipment is omitted.

3. Information by major customer

Not applicable.

Impairment Loss on Non-current Assets by Reportable Segment

Previous Consolidated Fiscal Year (From April 1, 2020 to March 31, 2021)

(Millions of yen)

	Real estate sales business	Real estate rental business	Real estate management business	Energy business	Other (Note)	Corporate / elimination	Total
Impairment loss	–	856	–	30	1,703	–	2,589

(Note) The amount of “Other” is an amount related to the hotel business.

Current Consolidated Fiscal Year (From April 1, 2021 to March 31, 2022)

(Millions of yen)

	Real estate sales business	Real estate rental business	Real estate management business	Energy business	Other (Note)	Corporate / elimination	Total
Impairment loss	–	–	–	–	588	–	588

(Note) The amount of “Other” is an amount related to the hotel business.

Amortization of Goodwill and Unamortized Balance by Reporting Segment

Previous Consolidated Fiscal Year (From April 1, 2020 to March 31, 2021)

(Millions of yen)

	Real estate sales business	Real estate rental business	Real estate management business	Energy business	Other	Corporate / elimination (Note)	Total
Depreciation during the current period	–	78	–	–	–	155	234
Balance at end of current period	–	255	–	–	–	704	960

(Note) The amount of “Corporate / elimination” is the amortization of goodwill and unamortized balance of the entire company which does not belong to the reportable segments.

Current Consolidated Fiscal Year (From April 1, 2021 to March 31, 2022)

(Millions of yen)

	Real estate sales business	Real estate rental business	Real estate management business	Energy business	Other	Corporate / elimination (Note)	Total
Depreciation during the current period	–	79	–	–	–	250	329
Balance at end of current period	–	176	–	–	–	1,384	1,561

(Note) The amount of “Corporate / elimination” is the amortization of goodwill and unamortized balance of the entire company which does not belong to the reportable segments.

Information on Gain on Negative Goodwill by Reportable Segment

Previous Consolidated Fiscal Year (From April 1, 2020 to March 31, 2021)

Not applicable.

Current Consolidated Fiscal Year (From April 1, 2021 to March 31, 2022)

In the Real Estate Sales Business, the Company acquired shares in Iwano K.K., making it a consolidated subsidiary. The Company has recognized a gain on negative goodwill related to the acquisition and posted a gain on negative goodwill of ¥37 million.

Related Party Information

Transactions with related parties

(1) Transactions between the company submitting consolidated financial statements and related parties

Executives and principal shareholders of the company submitting consolidated financial statements (limited to individuals), etc.

Previous Consolidated Fiscal Year (From April 1, 2020 to March 31, 2021)

Not applicable.

Current Consolidated Fiscal Year (From April 1, 2021 to March 31, 2022)

Not applicable.

(2) Transactions between consolidated subsidiaries of the company submitting consolidated financial statements and related parties

Executives and principal shareholders of the company submitting consolidated financial statements (limited to individuals), etc.

Previous Consolidated Fiscal Year (From April 1, 2020 to March 31, 2021)

Not applicable.

Current Consolidated Fiscal Year (From April 1, 2021 to March 31, 2022)

Not applicable.

(Per share information)

	Previous Consolidated Fiscal Year (From April 1, 2020 to March 31, 2021)	Current Consolidated Fiscal Year (From April 1, 2021 to March 31, 2022)
Net assets per share	498.78 yen	542.04 yen
Profit per share	43.22 yen	57.10 yen
Diluted profit per share	42.94 yen	56.69 yen

(Note) The basis for the calculation of profit per share and diluted profit per share is as follows.

		Previous Consolidated Fiscal Year (From April 1, 2020 to March 31, 2021)	Current Consolidated Fiscal Year (From April 1, 2021 to March 31, 2022)
Profit per share			
Profit attributable to owners of parent	(Millions of yen)	4,693	6,215
Amount not attributable to common stockholders	(Millions of yen)	–	–
Profit attributable to owners of parent with respect to common shares	(Millions of yen)	4,693	6,215
Average number of shares during the year	(Thousand shares)	108,592	108,854
Diluted profit per share			
Adjustments to profit attributable to owners of parent	(Millions of yen)	–	–
Increase in number of common shares	(Thousand shares)	716	785
Of those, share acquisition rights (thousand shares)		716	785
Overview of dilutive shares not included in the calculation of diluted profit per share due to its anti-dilutive effect		–	–

(Significant subsequent events)

(Conclusion of agreement for absorption-type company split and revision of the Articles of Incorporation due to shift to a holding company system through company split)

At the Board of Directors' meeting held on May 30, 2022, the Company passed a resolution to conclude an agreement for absorption-type company split with Takara Leben West Japan Co., Ltd., a wholly owned subsidiary of the Company whose trade name will change to Takara Leben Co., Ltd. on October 1, 2022 (hereinafter referred to as "the Succeeding Company"), and signed an agreement for absorption-type company split with the Succeeding Company on the same day (hereinafter the absorption-type company split under this agreement is referred to as the "Absorption-type Company Split".)

Moreover, the Company plans to revise its Articles of Incorporation and rename itself MIRARTHHOLDINGS , Inc. on October 1, 2022, and change its purpose of business in line with the business after the shift to the holding company system (hereinafter the revision of the Articles of Incorporation is referred to as the Revision of Articles of Incorporation).

1. Background and purpose of the shift to a holding company system and the absorption-type company split

Since its founding, the Company together with its affiliates have been consistently providing "ideal, affordable housing that anyone can buy with confidence" under its corporate vision, "think happiness and make happiness." In recent years, the business has expanded beyond the new condominium business, and the securitization business and energy business have been established as new core businesses. The Medium-Term Management Plan announced in May 2021 includes the establishment of national brands as a long-term vision and aims to increase the corporate value of all Takara Leben group companies working as one through the expansion of existing businesses, the maximization of synergy, active ESG activities, increased productivity based on digital transformation (DX) and the creation of new services.

In this business environment, the Company considers it essential to build a system enabling speedier and more flexible management decision-making, clearly assess segment profitability and business responsibility, effectively use management resources, and further strengthen governance as a company listed on the Prime Market. As such, it is optimal for the Company to shift to a pure holding company system.

The Company will transfer the group management business (including businesses related to tasks required for the operation of the Company as a holding company listed on the stock market) and the rights and obligations associated with all of its businesses, excluding energy and asset management, (hereinafter referred to as the "Succeeding Businesses") to the Succeeding Company by means of an absorption-type company split.

As part of the shift to the holding company system, the Company plans to implement a merger, in which the Succeeding Company will be the surviving company and Takara Leben Tohoku Co., Ltd., a wholly-owned subsidiary of the Company, will be the dissolving company, with an effective date of October 1, 2022.

The Company plans to rename itself from Takara Leben Co., Ltd. to MIRARTH HOLDINGS , Inc. through the revision of the Articles of Incorporation on October 1, 2022. The Succeeding Company plans to rename itself from Takara Leben West Japan Co., Ltd. to Takara Leben Co., Ltd..

2. Main points of the absorption-type company split

(1) Schedule of the split

Board of Directors' meeting to approve agreement for absorption-type company split (the Company and Succeeding Company)	May 30, 2022
Conclusion of the absorption-type demerger agreement	May 30, 2022
Ordinary General Meeting of Shareholders to approve agreement for absorption-type company split (the Succeeding Company)	May 30, 2022
Effective date of the absorption-type demerger	October 1, 2022 (plan)

(2) Method of the split

It is an absorption-type company split, in which the Company will be the splitting company in the absorption-type company split and the Succeeding Company, a wholly-owned subsidiary of the Company, will be the succeeding company in the absorption-type company split.

(3) Details of allocation related to the absorption-type demerger

The Succeeding Company will issue 40 shares of common shares for the Absorption-type Company Split and allot all of these shares to the Company.

(4) Handling of share acquisition rights and bonds with share acquisition rights associated with the absorption-type demerger

There will be no change in the handling of stock acquisition rights issued by the Company, and the Company has not issued any bonds with share acquisition rights. The Company does not issue bonds with share acquisition rights.

(5) Increase/decrease in share capital due to the absorption-type demerger

There will be no change in the share capital of the Company.

(6) Rights and obligations to be assumed by the Succeeding Company

The Succeeding Company will succeed the assets, liabilities, employment contracts and other rights and obligations belonging to the Succeeding Businesses on the effective date unless otherwise provided for in the agreement for the Absorption-type Company Split.

Obligations will be succeeded by means of the assumption of obligations not releasing the obligor.

(7) Prospect of fulfillment of debt obligations

Both the Company and the Succeeding Company are expected to maintain an amount of assets exceeding the amount of liabilities after the Absorption-type Company Split and not likely to have difficulty in the performance of obligations after the Absorption-type Company Split; therefore, the Company believes that there will be no problems in the performance of the duties of the Company and the Succeeding Company after the Absorption-type Company Split.

(8) Outline of accounting principles

The transactions will be processed as transactions under common control in accordance with the Accounting Standard for Business Combinations (ASBJ Statement No. 21, January 16, 2019) and the Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (ASBJ Guidance No. 10, January 16, 2019).

5) Consolidated Supplemental Schedules

Schedule of Bonds

Company name	Stock	Date of issuance	Balance at beginning of period (millions of yen)	Balance at end of period (millions of yen)	Interest rate (%)	Collateral	Maturity date
Takara Leben Co., Ltd.	1st unsecured bonds	January 24, 2020	2,000	2,000 (2,000)	1.30	None	March 24, 2023
Takara Leben Co., Ltd.	2nd unsecured bonds	January 24, 2020	2,600	2,600	1.50	None	March 24, 2025
Takara Leben Tohoku Co., Ltd.	1st unsecured bonds	December 5, 2019	204 (96)	108 (108)	0.70	None	December 23, 2022
Takara Leben Tohoku Co., Ltd.	2nd unsecured bonds	June 30, 2020	250	250	0.30	None	June 30, 2027
Takara Leben Tohoku Co., Ltd.	3rd unsecured bonds	September 30, 2020	100	100	0.02	None	September 30, 2025
Takara Leben Tohoku Co., Ltd.	4th unsecured bonds	March 25, 2021	300	300	0.30	None	March 25, 2026
Takara Leben Tohoku Co., Ltd.	5th unsecured bonds	September 24, 2021	-	50	0.37	None	September 25, 2024
Takara Leben West Japan Co., Ltd.	11th unsecured bonds	June 30, 2020	100	100	0.37	None	June 30, 2025
Takara Leben West Japan Co., Ltd.	12th unsecured bonds	September 15, 2020	100	100	0.45	None	September 15, 2023
Takara Leben West Japan Co., Ltd.	13th unsecured bonds	September 18, 2020	100	100	0.60	None	September 18, 2025
Takara Leben West Japan Co., Ltd.	14th unsecured bonds	September 30, 2020	100	100	0.40	None	September 30, 2025
Takara Leben West Japan Co., Ltd.	15th unsecured bonds	January 20, 2021	100	100	0.39	None	January 20, 2026
Takara Leben West Japan Co., Ltd.	16th unsecured bonds	February 5, 2021	100 (20)	80 (20)	0.19	None	February 5, 2026
Takara Leben West Japan Co., Ltd.	17th unsecured bonds	February 19, 2021	50	50	0.36	None	February 19, 2026
Takara Leben West Japan Co., Ltd.	18th unsecured bonds	December 15, 2021	–	100 (20)	0.05	None	December 15, 2026
Takara Leben West Japan Co., Ltd.	19th unsecured bonds	January 20, 2022	–	100 (20)	0.27	None	January 20, 2027
Total	–	–	6,104 (116)	6,238 (2,168)	–	–	–

(Notes) 1. The numbers in parentheses represent the amounts to be redeemed within one year.

2. The amounts to be redeemed within five years from the consolidated closing date are presented below.

Within a year (millions of yen)	More than one year, within two years (millions of yen)	More than two years, within three years (millions of yen)	More than three years, within four years (millions of yen)	More than four years, within five years (millions of yen)
2,168	160	2,710	910	40

Borrowings Schedule

Category	Balance at beginning of period (millions of yen)	Balance at end of period (millions of yen)	Average interest rate (%)	Maturity
Short-term loans payable	9,208	14,189	1.16	–
Current portion of long-term loans payable	17,524	25,298	0.88	–
Current portion of lease obligations	3	35	–	–
Long-term loans payable (excluding current portion of long-term borrowings)	72,214	81,923	0.92	April 2022 to March 2055
Nonrecourse long-term loans payable (excluding those to be repaid within one year)	13,507	–	–	–
Lease obligations (excluding the current portion of lease obligations)	8	285	–	April 2022 to April 2026
Total	112,466	121,731	–	–

(Notes) 1. The average interest rate is the weighted average interest rate for the loan balance at the end of the period.

2. The average interest rate for lease obligations is not stated because lease obligations before the deduction of interest included in total lease payments is posted in the consolidated balance sheets.

3. Long-term loans payable and lease obligations (excluding the current portion of them) scheduled to be repaid within five years of the end of the fiscal year are as shown below.

	More than one year, within two years (millions of yen)	More than two years, within three years (millions of yen)	More than three years, within four years (millions of yen)	More than four years, within five years (millions of yen)
Long-term loans payable	28,895	25,517	11,194	6,858
Lease obligations	35	35	34	32

Schedule of Asset Retirement Obligations

The amount of asset retirement obligations at both the beginning and end of fiscal year ended March 31, 2022 are less than 1% of the combined total of liabilities and net assets at the beginning and end of fiscal year ended March 31, 2022, and so have been omitted in accordance with Article 92-2 of the Regulations for Consolidated Financial Statements.

(2) Other

Quarterly information in the fiscal year under review

(Year to date)	Q1	Q2	Q3	Current Consolidated Fiscal Year
Net sales (Millions of yen)	18,337	50,098	100,042	162,744
Profit (loss) before income taxes (Millions of yen)	(1,271)	(89)	4,532	9,450
Profit (loss) attributable to owners of parent (Millions of yen)	(1,080)	(226)	3,109	6,215
Profit (loss) per share (yen)	(9.94)	(2.09)	28.58	57.10

(Accounting period)	Q1	Q2	Q3	Q4
Profit (loss) per share (yen)	(9.94)	7.85	30.63	28.49

(Note) A provisional accounting treatment of the business combination was finalized in the fourth quarter. The numbers for the relevant fourth-quarter information from the first to the third quarters are those to for which the initial allocation amounts for the acquisition cost was significantly revised due to provisional accounting.

2. Financial Statements, Etc.

(1) Financial Statements

1) Balance Sheet

(Millions of yen)

		Previous Fiscal Year (March 31, 2021)		Current Fiscal Year (March 31, 2022)
Assets				
Current assets				
Cash and deposits	*1	24,287		14,104
Accounts receivable - trade	*1, *3	777	*1, *3	775
Accounts receivable - other	*3	3,332	*3	2,139
Real estate for sale	*1, *2	17,941	*1, *2	16,185
Real estate for sale in process	*1	29,969	*1, *2	36,227
Advance payments to suppliers		3,224		5,954
Prepaid expenses		1,195	*2	1,245
Short-term loans receivable from subsidiaries and associates		5,402		7,370
Other	*3	2,321	*3	3,053
Allowance for doubtful accounts		(140)		(275)
Total current assets		88,312		86,780
Non-current assets				
Property, plant and equipment				
Buildings	*1, *2	8,166	*1, *2	6,200
Structures	*1, *2	690	*1, *2	158
Machinery and equipment	*1, *2	5,058	*1, *2	4,626
Tools, furniture and fixtures	*1	163	*1, *2	149
Land	*1, *2	25,249	*1, *2	27,974
Lease assets		–		276
Construction in progress	*1, *2	916	*1, *2	2,127
Total property, plant and equipment		40,244		41,513
Intangible assets				
Leasehold interests in land	*1, *2	397	*1, *2	491
Software	*1	100	*1, *2	91
Goodwill		255		176
Other		14		41
Total intangible assets		768		801
Investments and other assets				
Investment securities		4,504		4,613
Shares of subsidiaries and associates		5,056		8,082
Investments in other securities of subsidiaries and associates		1,771		594
Investments in capital		238		488
Membership		44		44
Leasehold and guarantee deposits		784		1,212
Long-term loans receivable from subsidiaries and associates		760		3,973
Deferred tax assets		800		515
Other		1,481	*2	2,050
Total investments and other assets		15,442		21,575
Total non-current assets		56,455		63,890
Deferred assets				
Bond issuance costs		28		17
Total deferred assets		28		17
Total assets		144,796		150,689

(Millions of yen)

		Previous Fiscal Year (March 31, 2021)		Current Fiscal Year (March 31, 2022)
Liabilities				
Current liabilities				
Notes payable - trade		9,338		7,286
Accounts payable - trade	*3	1,491	*3	2,370
Short-term loans payable	*1	4,972	*1	6,335
Current portion of bonds payable		–		2,000
Current portion of long-term loans payable	*1	12,177	*1	19,015
Lease obligations		–		31
Accounts payable - other	*3	1,053	*3	714
Accrued expenses		75		66
Income taxes payable		1,527		1,196
Advances received		4,746		4,597
Deposits received	*3	1,736	*3	605
Unearned revenue		27		18
Provision for bonuses		300		336
Provision for warranties for completed construction		323		312
Other		0		215
Total current liabilities		37,772		45,101
Non-current liabilities				
Long-term loans payable	*1	53,517	*1, *3	50,254
Bonds payable		4,600		2,600
Tenant leasehold and guarantee deposits		624		495
Lease obligations		–		273
Provision for retirement benefits		454		491
Asset retirement obligations		24		24
Total non-current liabilities		59,220		54,139
Total liabilities		96,993		99,241
Net assets				
Shareholders' equity				
Capital stock		4,819		4,819
Capital surplus				
Legal capital surplus		4,817		4,817
Total capital surplus		4,817		4,817
Retained earnings				
Legal retained earnings		92		92
Other retained earnings				
Reserve for special depreciation		0		–
General reserve		14,681		14,681
Retained earnings brought forward		27,316		30,828
Total retained earnings		42,090		45,602
Treasury shares		(4,604)		(4,456)
Total shareholders' equity		47,122		50,781
Valuation and translation adjustments				
Valuation difference on available-for-sale securities		481		468
Total valuation and translation adjustments		481		468
Share acquisition rights		199		197
Total net assets		47,803		51,447
Total liabilities and net assets		144,796		150,689

2) Statement of Income

(Millions of yen)

		Previous Fiscal Year (From April 1, 2020 to March 31, 2021)		Current Fiscal Year (From April 1, 2021 to March 31, 2022)
Net sales				
Real estate sales	*1	90,467	*1	76,335
Real estate lease revenue	*1	1,425	*1	1,404
Revenue from power generation		4,652		10,728
Other revenue	*1	403	*1	480
Total net sales		96,949		88,949
Cost of sales				
Cost of sales - real estate	*1	70,002	*1	60,760
Cost of real estate lease revenue	*1	1,334	*1	1,193
Cost of power generation business	*1	4,617	*1	10,282
Other costs	*1	228	*1	70
Total cost of sales		76,183		72,307
Gross profit		20,765		16,641
Selling, general and administrative expenses	*1, *2	12,966	*1, *2	12,309
Operating profit		7,799		4,332
Non-operating income				
Interest income	*1	39	*1	69
Dividend income	*1	1,636	*1	3,989
Commission fee		77		72
Miscellaneous income	*1	109	*1	163
Total non-operating income		1,863		4,294
Non-operating expenses				
Interest expense		700		707
Miscellaneous loss		279		181
Total non-operating expenses		980		888
Ordinary profit		8,682		7,738
Extraordinary income				
Gain on sales of investment securities		–		53
Total extraordinary income		–		53
Extraordinary losses				
Impairment loss		2,589		588
Loss on sale of non-current assets		171		–
Loss on investments in other securities of subsidiaries and associates		990		–
Total extraordinary losses		3,751		588
Profit before income taxes		4,930		7,203
Income taxes - current		2,080		1,858
Income taxes - deferred		(407)		291
Total income taxes		1,672		2,150
Profit		3,257		5,052

Cost of Sales Statement

1. Cost of sales - real estate

		Previous Fiscal Year (From April 1, 2020 to March 31, 2021)		Current Fiscal Year (From April 1, 2021 to March 31, 2022)	
Category	Note number	Amount (Millions of yen)	Share (%)	Amount (Millions of yen)	Share (%)
Cost of land purchased, etc.	2, 3	27,881	39.8	25,800	42.5
Cost of outsourced construction		41,217	58.9	33,997	55.9
Other		903	1.3	961	1.6
Cost of sales - real estate		70,002	100.0	60,760	100.0

(Notes) 1. Cost accounting uses job order costing.

2. The cost of land purchased in the previous fiscal year includes a loss on valuation of inventories of ¥(114) million.

3. The cost of land purchased in the fiscal year under review includes a loss on valuation of inventories of ¥120 million.

2. Cost of real estate lease revenue

		Previous Fiscal Year (From April 1, 2020 to March 31, 2021)		Current Fiscal Year (From April 1, 2021 to March 31, 2022)	
Category	Note number	Amount (Millions of yen)	Share (%)	Amount (Millions of yen)	Share (%)
Taxes and dues		256	19.2	239	20.1
Depreciation and amortization		303	22.7	310	26.0
Maintenance expense		775	58.1	642	53.9
Cost of real estate lease revenue		1,334	100.0	1,193	100.0

3. Cost of power generation business

		Previous Fiscal Year (From April 1, 2020 to March 31, 2021)		Current Fiscal Year (From April 1, 2021 to March 31, 2022)	
Category	Note number	Amount (Millions of yen)	Share (%)	Amount (Millions of yen)	Share (%)
Cost of sale of power generation facilities		331	7.2	5,448	53.0
Taxes and dues		7	0.2	53	0.5
Depreciation and amortization		389	8.4	779	7.5
Maintenance expense		71	1.6	110	1.1
Rent expenses		3,780	81.9	3,761	36.6
Other		36	0.7	128	1.3
Cost of power generation business		4,617	100.0	10,282	100.0

3) Consolidated statement of changes in shareholders' equity

Previous Fiscal Year (From April 1, 2020 to March 31, 2021)

(Millions of yen)

	Shareholders' equity								
		Capital surplus			Retained earnings				
						Other retained earnings			
	Capital stock	Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Reserve for special depreciation	General reserve	Retained earnings brought forward	Total retained earnings
Balance at beginning of current period	4,819	4,817	–	4,817	92	5	14,681	25,913	40,692
Changes of items during period									
Reversal of reserve for special depreciation						(5)		5	–
Dividends of surplus								(1,843)	(1,843)
Profit								3,257	3,257
Disposal of treasury shares			(16)	(16)					
Transfer to capital surplus from retained earnings			16	16				(16)	(16)
Net changes of items other than shareholders' equity									
Total changes of items during period	–	–	–	–	–	(5)	–	1,402	1,397
Balance at end of current period	4,819	4,817	–	4,817	92	0	14,681	27,316	42,090

	Shareholders' equity		Valuation and translation adjustments		Share acquisition rights	Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments		
Balance at beginning of current period	(4,695)	45,634	(31)	(31)	241	45,844
Changes of items during period						
Reversal of reserve for special depreciation		–				–
Dividends of surplus		(1,843)				(1,843)
Profit		3,257				3,257
Disposal of treasury shares	90	73				73
Transfer to capital surplus from retained earnings		–				–
Net changes of items other than shareholders' equity			512	512	(41)	471
Total changes of items during period	90	1,487	512	512	(41)	1,958
Balance at end of current period	(4,604)	47,122	481	481	199	47,803

Current Fiscal Year (From April 1, 2021 to March 31, 2022)

(Millions of yen)

	Shareholders' equity								
	Capital stock	Capital surplus			Retained earnings				
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings			Total retained earnings
						Reserve for special depreciation	General reserve	Retained earnings brought forward	
Balance at beginning of current period	4,819	4,817	–	4,817	92	0	14,681	27,316	42,090
Changes of items during period									
Reversal of reserve for special depreciation						(0)		0	–
Dividends of surplus								(1,521)	(1,521)
Profit								5,052	5,052
Disposal of treasury shares			(19)	(19)					
Transfer to capital surplus from retained earnings			19	19				(19)	(19)
Net changes of items other than shareholders' equity									
Total changes of items during period	–	–	–	–	–	(0)	–	3,511	3,511
Balance at end of current period	4,819	4,817	–	4,817	92	–	14,681	30,828	45,602

	Shareholders' equity		Valuation and translation adjustments		Share acquisition rights	Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments		
Balance at beginning of current period	(4,604)	47,122	481	481	199	47,803
Changes of items during period						
Reversal of reserve for special depreciation		–				–
Dividends of surplus		(1,521)				(1,521)
Profit		5,052				5,052
Disposal of treasury shares	147	128				128
Transfer to capital surplus from retained earnings		–				–
Net changes of items other than shareholders' equity			(12)	(12)	(2)	(15)
Total changes of items during period	147	3,659	(12)	(12)	(2)	3,644
Balance at end of current period	(4,456)	50,781	468	468	197	51,447

Notes

(Significant accounting policies)

1. Standards and evaluation methods for securities

(1) Bonds held for maturity

The amortized cost method (straight-line method) applies.

(2) Shares in subsidiaries and associates and investments in other securities of subsidiaries and associates

Stated at cost determined by the moving average method.

(3) Other securities

Securities other than shares, etc. without market prices

Stated at fair value (Unrealized gains and losses are reported as a separate component of net assets, and cost of sales is computed by the moving-average method.)

Shares, etc. without market prices

Stated at cost determined by the moving average method.

2. Appraisal standards and appraisal methods for inventories

The specific identification inventory cost method is applied (the balance sheet value is written down to reflect decreases in profitability).

3. Depreciation methods for non-current assets

(1) Property, plant and equipment (excluding leased assets)

Declining-balance method is used. Buildings (excluding facilities attached to buildings) acquired on or after April 1, 1998, and facilities attached to buildings and structures acquired on or after April 1, 2016, use the straight-line method.

The principal useful lives of property, plant and equipment are as follows:

Buildings	3 to 50 years
Machinery and equipment	7 to 17 years

(2) Intangible assets (excluding leased assets)

For software for internal use, the straight-line method over an estimated useful life of five years is used.

(3) Leased assets

Leased assets related to finance lease transactions involving the transfer of ownership

Leased assets related to finance lease transactions involving the transfer of ownership are depreciated using the same method applied for non-current assets owned by the Company.

Lease assets relating to finance leases wherein ownership of the leased asset does not transfer to the lessee.

These assets are depreciated over respective lease periods by the straight-line method without residual value.

4. Standards on recognition of provisions

(1) Allowance for doubtful accounts

In case of possible losses caused by bad loans, the Company posts estimated uncollectible amounts in consideration of loan loss ratios for general claims and the collectability of specified claims, including possible bad debts.

(2) Provision for bonuses

The portion of the estimated amount of bonuses to be paid to employees related to the fiscal year under review is posted.

(3) Provision for warranties for completed construction

A provision for warranties for completed construction is posted based on repair costs, etc. for buildings constructed by the Company in the past to provide for losses due to defects and expenses for warranties after the delivery of buildings etc. constructed by the Company.

(4) Provision for retirement benefits

To prepare for retirement benefits paid to employees, the retirement benefit obligation at the end of the fiscal year under review is posted.

The method of attributing the estimated amount of retirement benefits to the period until the end of the fiscal year under review in the calculation of retirement benefit obligations is based on the benefit formula.

Prior service costs are recorded as expenses over a certain number of years within the average remaining years of service of the corresponding employees at the time of occurrence (6 years) using the straight-line method.

Actuarial differences are posted in expenses from the fiscal year following their accruals based on proportional division through the straight-line method for a fixed number of years (6 years) within the average remaining years of service of employees at the time of accruals in each fiscal year.

5. Standards for recognition of revenues and expenses

The primary performance obligations in the Company's principal businesses and the normal timing for recognizing revenue are described below.

(1) Real estate sales business

a) New built-for-sale condominiums business

In the new built-for-sale condominiums business, the Company sells condominium units to general consumers. The Company is obliged to deliver condominium units to consumers under real estate sale agreements. The Company meets the obligation when a unit is delivered and records revenue at the time of delivery.

The transaction price is specified in the real estate sale agreement. In the real estate sale agreement, in most cases, the delivery date and the date of receipt of payment of the full sales price are the same. The Company receives payment of the sales price at the same time as the delivery of a condominium.

b) Liquidation business

In the liquidation business, the Company acquires rental residential properties and office buildings, among other properties, and leases properties or sells properties to operating companies, etc. after renovating them and raising their asset value.

The performance obligations, the timing of meeting the obligations, the transaction price decision method, and the timing of revenue recognition, etc. in the liquidation business are the same as those in the new built-for-sale condominiums business.

(2) Energy business

In the energy business, the Company derives revenues from selling power generation facilities that are already operating and by selling electricity generated by other electric power generation facilities.

The performance obligations, the timing of meeting the obligations, the transaction price decision method, and the timing of revenue recognition, etc. in the sale of power generation facilities that are already in operation are the same as those in the new built-for-sale condominiums business. In the sale of electricity generated by other electric power generation facilities, the Company records revenue when it delivers electricity mainly to customers under a power purchase agreement.

6. Other significant matters that serve as the basis for the preparation of financial statements

Accounting for consumption tax

Non-deductible consumption taxes on assets are expensed in the fiscal year in which they are charged.

(Significant accounting estimates)

- Impairment loss on non-current assets

(1) Amount posted as impairment losses in the financial statements for the fiscal year under review

(Millions of yen)

	Previous Fiscal Year	Current Fiscal Year
Buildings	1,185	432
Land	1,404	156
Total	2,589	588

(2) Information about important accounting estimates related to items identified

At the Company, each individual property is the smallest unit where the use of assets generates cash and is classified as an asset group.

As described in *5. Impairment losses in 1. Consolidated financial statements, Notes (consolidated statement of income), impairment losses of ¥588 million were posted in asset groups in the fiscal year under review. The recoverable value was determined based mainly on appraisal values provided by real estate appraisers. The appraisal values were calculated based on business plans for the asset groups, in comprehensive consideration of the surrounding environment and other factors.

If the assumptions used in the estimates need to be changed chiefly due to uncertain changes in economic conditions such as changes in market conditions related to the COVID-19 pandemic, additional impairment losses (extraordinary losses) may be incurred in the financial statements for the next fiscal year.

(Changes in accounting policy)

(Application of the Accounting Standard for Revenue Recognition, etc.)

The Company has applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020, hereinafter the "Revenue Recognition Accounting Standard"), from the beginning of the fiscal year under review. It recognizes revenues for goods or services based on the amount estimated to be received in exchange for such goods or services at the point when control of the promised goods or services is conveyed to the customer.

Therefore, in goods and services to customers, which were previously recorded as selling, general and administrative expenses, the method of reducing the amount from the transaction price has been adopted.

The Company has followed the transitional treatment prescribed in the proviso of Paragraph 84 of the Accounting Standard for Revenue Recognition for the application of the Standard. The cumulative effect of applying the new accounting principles retrospectively prior to the beginning of the fiscal year under review is added to or subtracted from the retained earnings brought forward at the beginning of the fiscal year under review and the new accounting principles have been applied from the balance at the beginning of the fiscal year under review. This does not affect the beginning balance.

As a result, the impact on the financial statements of the current fiscal year is minimal.

According to the transitional measures prescribed in paragraph 89-3 of the Revenue Recognition Accounting Standard, there are no notes on revenue recognition pertaining to the results of the previous fiscal year.

(Application of the Accounting Standard for Fair Value Measurement)

The Company has applied the Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019, hereinafter the "Fair Value Measurement Accounting Standard"), from the beginning of the current fiscal year. The company has prospectively decided to apply new accounting policies based on the Fair Value Measurement Accounting Standard, in accordance with the transitional measurement in Article 19 of the Fair Value Measurement Accounting Standard and Article 44-2 of the Accounting Standard for Financial Instruments, (ASBJ Statement No. 10, July 4, 2019). The impact of application of the Fair Value Measurement Accounting Standard, on financial statements for the current year is immaterial.

(Balance sheets)

*1. Assets pledged as collateral and corresponding liabilities are as shown below.

(1) Collateral assets (Millions of yen)

	Previous Fiscal Year (March 31, 2021)	Current Fiscal Year (March 31, 2022)
Cash and deposits	40	–
Accounts receivable - trade	514	495
Real estate for sale	8,968	7,364
Real estate for sale in process	28,028	30,550
Buildings	3,799	3,998
Structures	588	26
Machinery and equipment	2,237	2,874
Tools, furniture and fixtures	44	11
Land	16,490	20,982
Construction in progress	864	2,071
Leasehold interests in land	377	232
Software	1	0
Total	61,955	68,606

(2) Liabilities corresponding to the above (Millions of yen)

	Previous Fiscal Year (March 31, 2021)	Current Fiscal Year (March 31, 2022)
Short-term loans payable	3,826	4,858
Current portion of long-term loans payable	11,143	17,675
Long-term loans payable	40,230	40,309
Total	55,199	62,842

*2. Changes in purposes of holding assets

Previous fiscal year (March 31, 2021)

The Company changed the purposes of holding certain real estate from development and rental to resale, and buildings of

¥3,985 million, structures of ¥20 million, land of ¥6,850 million and construction in progress of ¥2,984 million were transferred to real estate for sale in the fiscal year under review. A portion of these assets was sold in the fiscal year under review. A sum of ¥10,763 million in ¥13,840 million transferred to real estate for sale was posted in cost of sales.

The purposes of certain mega solar power generation facilities were changed to resale, and machinery and equipment of ¥320 million and leasehold interests in land of ¥19 million were transferred to power generation facilities for sale in the fiscal year under review. Those assets were sold in the fiscal year under review.

Current fiscal year (March 31, 2022)

The Company changed the purposes of holding certain real estate from resale to rental, and real estate for sale in process of ¥95 million and real estate were transferred to land in the fiscal year under review.

The Company changed the purposes of holding certain real estate from development and rental to resale, and buildings of ¥3,021 million, structures of ¥21 million, tools, furniture, and fixtures of ¥31 million, land of ¥4,067 million, construction in progress of ¥1,112 million and software of ¥0 million were transferred to real estate for sale and real estate for sale in process in the fiscal year under review. A portion of those assets was sold in the fiscal year under review. A sum of ¥7,892 million transferred to real estate for sale was posted in cost of sales.

In addition, prepaid expenses of ¥69 million, structures of ¥534 million, machinery and equipment of ¥3,705 million, land of ¥164 million, leasehold interests in land of ¥165 million and long-term prepaid expenses of ¥932 million (Other in investments and other assets) were transferred to power generation facilities for sale in the fiscal year due to the change of the purpose of holding certain mega solar power generation facilities to resale. Those assets were sold in the fiscal year under review.

*3. Monetary claims and monetary liabilities in relation to subsidiaries and associates (excluding those presented on balance sheet)

(Millions of yen)

	Previous Fiscal Year (March 31, 2021)	Current Fiscal Year (March 31, 2022)
Short-term monetary claims	3,332	3,376
Short-term monetary payables	173	385
Long-term monetary obligations	–	192

4. Contingent liabilities (guarantees)

Guarantees for borrowings from financial institutions (Millions of yen)

	Previous Fiscal Year (March 31, 2021)	Current Fiscal Year (March 31, 2022)
Joint and several guarantees to financial institutions, etc. until the completion of registration of mortgages related to housing loans of the Company's customers	9,056	6,585
Leben Zestock Co., Ltd.	3,626	5,233
Leben Clean Energy Co., Ltd.	–	1,972
Nikko Takara Corporation Co., Ltd.	1,552	592
Takara Leben Tohoku Co., Ltd.	550	536
Minato Vietnam Co., Ltd.	810	917
WISE ESTATE 3 Co., Ltd.	–	564
Total	15,596	16,401

5. The Company maintains overdraft and credit line agreements with 45 financial institutions (March 31, 2021: 44) in order to ensure the efficient funding of operating capital. The unused balance of borrowings under these agreements at the fiscal year-end is as follows. (Millions of yen)

	Previous Fiscal Year (March 31, 2021)	Current Fiscal Year (March 31, 2022)
Total maximum amount of overdraft and credit lines	52,057	50,281
Outstanding borrowing balance	27,004	25,997
Difference	25,053	24,284

(Statements of income)

*1. Volume of transactions with subsidiaries and associates (Millions of yen)

	Previous Fiscal Year (From April 1, 2020 to March 31, 2021)	Current Fiscal Year (From April 1, 2021 to March 31, 2022)
Business transactions		
Net sales	2,580	238
Purchases	921	568
Volume of trade arising from other than business transactions	1,518	3,901

*2. Selling expenses account for approximately 51% for the year ended March 31, 2021 and 45% for the year ended March 31, 2022, and general and administrative expenses account for approximately 49% and 55%, respectively.

Major components of Selling, general and administrative expenses and their amounts are as follows. (Millions of yen)

	Previous Fiscal Year (From April 1, 2020 to March 31, 2021)	Current Fiscal Year (From April 1, 2021 to March 31, 2022)
Advertising expenses	3,261	3,326
Sales commission	1,463	630
Sales promotion expenses	1,876	1,629
Salaries and allowances	1,699	1,717
Provision for allowance for bonuses	411	462
Retirement benefit costs	73	70
Depreciation and amortization	121	132
Provision for allowance for doubtful accounts	140	135

(Securities)

Shares of subsidiaries and associates

Previous Fiscal Year (March 31, 2021)

Category	Balance sheet amount (millions of yen)	Fair value (millions of yen)	Difference (millions of yen)
Shares in associates	646	570	(76)
Total	646	570	(76)

(Note) The fair values of the shares of subsidiaries and affiliates as stated on the balance sheet are not described because they are extremely difficult to determine.

Category	Previous Fiscal Year (Millions of yen)
Shares in subsidiaries	2,494
Shares in associates	1,916
Investments in other securities of subsidiaries and associates	1,771

The shares of subsidiaries are not stated as part of the Shares of subsidiaries and affiliates because they do not have a market price and fair value is extremely difficult to determine.

Current fiscal year (March 31, 2022)

Balance sheet amount of shares, etc. without market prices

Category	Current Fiscal Year (Millions of yen)
Shares in subsidiaries	4,972
Shares in associates	3,110
Investments in other securities of subsidiaries and associates	594

(Tax effect accounting)

1. Breakdown of key factors contributing to deferred tax assets and deferred tax liabilities (Millions of yen)

	Previous Fiscal Year (March 31, 2021)	Current Fiscal Year (March 31, 2022)
Deferred tax assets		
Non-deductible provision for bonuses	92	102
Non-deductible allowance for doubtful accounts	42	84
Loss on valuation of real estate for sale, currently not deductible	372	335
Loss on valuation of membership, currently not deductible	32	32
Non-deductible provision for retirement benefits	139	150
Non-deductible depreciation expenses	528	477
Impairment losses, currently not deductible	851	724
Deferred consumption tax and other dues	86	89
Accrued enterprise taxes, etc.	128	116
Compulsory devaluation of investment securities, currently not deductible	3	3
Asset retirement obligations, currently not deductible	27	33
Deferred tax assets	264	210
Recognition of advances received, currently not deductible	223	–
Non-deductible provision for warranties for completed construction	33	29
Share acquisition rights	61	60
Loss on construction work guarantee, currently not deductible	66	66
Posting of lease property management currently not deductible	–	20
Valuation difference on available-for-sale securities	0	0
Other	–	27
Subtotal of deferred tax assets	2,954	2,565
Valuation reserve	(1,392)	(1,295)
Total deferred tax assets	1,562	1,270
Deferred tax liabilities		
Reserve for special depreciation, currently deductible	(0)	–
Valuation difference of assets transferred at merger	(551)	(551)
Valuation difference on available-for-sale securities	(210)	(203)
Total deferred tax liabilities	(761)	(755)
Deferred tax assets (liabilities), net	800	515

2. Breakdown of major items that caused a significant difference between a effective statutory tax rate and a percentage of income taxes after the application of tax effect accounting

	Previous Fiscal Year (March 31, 2021)	Current Fiscal Year (March 31, 2022)
Statutory tax rate	30.6%	30.6%
(Adjustment)		
Change in valuation allowance	5.7%	(1.3%)
Items that are not permanently deductible, such as entertainment expenses	0.4%	0.4%
Items that are not permanently included in profits, such as dividend income	(1.0%)	(0.7%)
Inhabitant tax on a per capita basis	0.2%	0.1%
Other	(2.0%)	0.8%
Percentage of effective income tax rate after the application of tax effect accounting	33.9%	29.9%

(Revenue recognition)

Information that becomes the basis of understanding revenue from contracts with customers is included also in “5. Standards for recognition of revenues and expenses in Notes (Significant accounting policies).” Therefore, descriptions of Notes are omitted.

(Significant subsequent events)

At a meeting of the Board of Directors held on March 14, 2022, the Company decided that it will change its structure to a holding company structure on October 3, 2022 (planned) and resolved to begin preparing for the change. At a meeting of the Board of Directors held on May 30, 2022, the Company resolved to enter into an absorption-type company split agreement related to the change to a holding company structure with a wholly owned subsidiary, Takara Leben West Japan Co., Ltd. (hereinafter “the Succeeding Company,” the name of the business will change to Takara Leben Co., Ltd. on October 1, 2022). On the same day, the Company entered into an absorption-type company split agreement with the Succeeding Company.

Details are omitted since information is included in “Notes (Significant subsequent events) to Consolidated Financial Statements.”

4) Supplementary schedules

Itemized account of property, plant and equipment, etc.

(Millions of yen)

Category	Asset type	Balance at beginning of current period	Net increase in current period	Decrease during the current period	Depreciation during the current period	Balance at end of current period	Accumulated depreciation	Cost of acquisition at the end of the fiscal year
Property, plant and equipment	Buildings	8,166	2,047	3,694 (432)	319	6,200	992	7,192
	Structures	690	60	556	36	158	29	188
	Machinery and equipment	5,058	3,920	3,705	646	4,626	439	5,066
	Tools, furniture and fixtures	163	87	32	69	149	223	372
	Land	25,249	7,114	4,388 (156)	–	27,974	–	27,974
	Lease assets	–	283	–	6	276	25	302
	Construction in progress	916	3,709	2,498	–	2,127	–	2,127
	Total	40,244	17,223	14,875 (588)	1,078	41,513	1,711	43,225
Intangible assets	Leasehold interests in land	397	259	165	–	491	–	–
	Software	100	33	0	42	91	–	–
	Goodwill	255	–	–	78	176	–	–
	Other	14	38	11	–	41	–	–
	Total	768	331	177	121	801	–	–

(Notes) 1. The numbers in the parenthesis attached to "decrease in the fiscal year under review" represent the amounts posted as impairment losses.

2. Key items that have increased in value are listed below.

		(Millions of yen)
Buildings	Acquisition of income-generating properties	2,020
Machinery and equipment	Acquisition of power generation facilities	3,902
Land	Acquisition of income-generating properties	6,923
	Acquisition of power generation facilities	190
Leased assets (tangible)	Other items acquired	283
Construction in progress	Acquisition of income-generating properties	3,709
Leasehold interests in land	Acquisition of income-generating properties	249

Itemized account of allowances

Category	Balance at beginning of period (millions of yen)	Increase during period (millions of yen)	Decrease during period (millions of yen)	Balance at end of period (millions of yen)
Allowance for doubtful accounts	140	135	–	275
Provision for bonuses	300	336	300	336
Provision for warranties for completed construction	323	1	12	312

(2) Details of Major Assets and Liabilities

The presentation of this information is omitted due to the ongoing preparation of consolidated financial statements.

(3) Other

Not applicable.

VI. Stock Information of the Reporting Company

Fiscal year	From April 1 to March 31
Ordinary General Meeting of Shareholders	During June
Record date	March 31
Record date for distribution of dividends of surplus	September 30 and March 31
Number of shares constituting one unit	100 shares
Purchase and addition of odd-lot shares	
Handling office	(Special account) Transfer Agent, Sumitomo Mitsui Trust Bank, Limited, 1-4-1 Marunouchi, Chiyoda-ku, Tokyo
Administrator of the register of shareholders	(Special account) Sumitomo Mitsui Trust Bank, Limited, 1-4-1 Marunouchi, Chiyoda-ku, Tokyo
Forward office	—
Fees for purchasing and adding	Amount specified separately as the amount equivalent to fees for outsourcing stock trading
Method of public notice	The Company’s public notices shall be published electronically. However, if the Company is unable to issue its public notices electronically due to accidents or for any other unavoidable reasons, it shall issue such public notices in the Nihon Keizai Shimbun.
Special benefit for shareholders	Not applicable.

(Note) The Articles of Incorporation of the Company prohibits odd-lot shareholders from exercising their rights other than the rights specified in item 2, Article 189 of the Companies Act, the right to claim provided for in item 1, Article 166 of the Companies Act, the right to receive an allotment of shares offered according to the number of shares held by shareholders, the right to receive an allotment of share acquisition rights and the right to claim an additional purchase of odd-lot shares.

VII. Reference Information on the Reporting Company

1. Information on Parent Entities of the Reporting Company

The Company does not have a Parent Company, etc. as specified in Article 24-7 (1) of the Financial Instruments and Exchange Act.

2. Other Reference Information

The Company submitted the following documents between the first day of the fiscal year under review and the day of submitting the securities report.

(1) Annual Securities Report and documents attached, and Confirmation Letter

49th fiscal year (from April 1, 2020 to March 31, 2021) Submitted to the Director-General of Kanto Local Finance Bureau on June 25, 2021

(2) Internal Control Report and accompanying documents

Submitted to the Director-General of Kanto Local Finance Bureau on June 25, 2021

(3) Quarterly Report and Confirmation Letter

For the first quarter of the 50th fiscal year (April 1, 2021 to June 30, 2021) Submitted to the Director-General of Kanto Local Finance Bureau on August 6, 2021

For the second quarter of the 50th fiscal year (July 1, 2021 to September 30, 2021) Submitted to the Director-General of Kanto Local Finance Bureau on November 12, 2021

For the third quarter of the 50th fiscal year (October 1, 2021 to December 31, 2021) Submitted to the Director-General of Kanto Local Finance Bureau on February 10, 2022

(4) Extraordinary Report

Submitted to the Director-General of Kanto Local Finance Bureau on June 28, 2021

An extraordinary report pursuant to the provisions of Item (ix)-2 (result of exercising voting rights at the general meeting of shareholders), Paragraph (2), Article 19 of the Cabinet Office Ordinance on the Disclosure of Corporate Affairs, etc.

Submitted to the Director-General of Kanto Local Finance Bureau on May 13, 2022

An extraordinary report pursuant to the provisions of Item (vii) (absorption-type company split), Paragraph (2), Article 19 of the Cabinet Office Ordinance on the Disclosure of Corporate Affairs, etc.

(5) Amendment report and documents attached to Annual Securities Report and Confirmation Letter

Submitted to the Director-General of Kanto Local Finance Bureau on July 9, 2021

An amendment report and documents attached to Annual Securities Report and Confirmation Letter for the 49th fiscal year (from April 1, 2020, to March 31, 2021)

(6) Amended Extraordinary Report

Submitted to the Director-General of Kanto Local Finance Bureau on May 30, 2022

An amendment report for the extraordinary report (absorption-type company split) submitted on May 13, 2022

Part II. Information Concerning Guarantors of the Reporting Company

Not applicable.

Independent Auditors’ Audit Report and Internal Control Audit Report

June 24, 2022

Takara Leben CO., LTD.

To the Board of Directors

Grant Thornton Taiyo LLC
Tokyo Office

Designated Limited Liability Partner
Managing Partner
Certified Public Accountant Toshio Yanagishita

Designated Limited Liability Partner
Managing Partner
Certified Public Accountant Takashi Shimokawa

Audit of Financial Statements

Audit Opinion

To conduct audit certification as prescribed in the first paragraph of Article 193-2 of the Financial Instruments and Exchange Act, we have audited the consolidated financial statements of Takara Leben CO., LTD. for the consolidated fiscal year from April 1, 2021 to March 31, 2022 included in the Financial Information, namely, the consolidated balance sheet, the consolidated statements of income, the consolidated statement of comprehensive income, the consolidated statement of changes in shareholder’s equity, the consolidated statement of cash flows, significant matters that serve as a basis for the preparation of consolidated financial statements, other notes and consolidated supplementary schedules.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Takara Leben CO., LTD. and its consolidated subsidiaries as of March 31, 2022, and the consolidated results of their operations and their cash flows for the year then ended in conformity with accounting principles for consolidated financial statements generally accepted in Japan.

Basis for Auditor’s 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 Company and its consolidated subsidiaries in accordance with the professional ethical regulations that are applicable in Japan, and we have fulfilled our other ethical responsibilities as an accounting auditor. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Major Considerations in Auditing

The major considerations in auditing are matters that the accounting auditor as a professional considers particularly important in the audit of the consolidated financial statements for the consolidated fiscal year under review. The major considerations in auditing are matters that the auditor took into consideration in the process of auditing consolidated financial statements as a whole and the formation of the auditor’s opinions. The auditor does not express any opinions about individual matters.

Revenue recognition in the transaction of sale of real estate to a special-purpose company	
Major considerations in auditing and reasons why they are major considerations	Audit procedures
The Company posted net sales of ¥162,744 million in the consolidated statement of income for the fiscal year from April 1, 2021, to March 31, 2022. The net sales include revenue from a transaction for the sale of real estate to a special-purpose company. In general, terms of business in real estate sales transactions are individualistic and transaction amounts are large. In particular, transactions in a complex scheme using a special-purpose company many require continuous involvement in the real property through entrusted management operation after sale, partial ownership of equity interest in an assignee, etc. Therefore, determining whether most of the risks and economic value associated with the real property that become the preconditions for sale have been transferred may be complex. If this judgement is incorrect, there is a risk that revenue is recognized for real estate sales transactions, in which most risks and economic value are not considered to have transferred to the assignee. Based on the above, we believe that revenue recognition in the real estate sales transactions to a special-purpose company are a critical audit matter.	We went through mainly the following audit procedures for the examination of revenue recognition in real estate sales transactions to a special-purpose company. - To understand the transaction scheme, we read the buy-sell agreement and other documents and asked the business manager questions. - We examined the buy-sell agreement to confirm information by checking that the transfer price was a market price based on the contract value established with a third party. In addition, we performed a comparison with the real estate appraisal report as necessary and compared the future cash flow and discount rate, which would become the basis of the real estate appraisal, with rents and other information published by an external organization. - We gained an understanding of the level of continuous investment based on provisions in agreements for real estate management, investment in anonymous association, etc. and assessed risks associated with real estate and impact on the transfer of economic value. - We examined the buy-sell agreement to determine whether a repurchase agreement was included. - We examined the buy-sell agreement and vouchers for payments received in order to assess the fact of delivery. - We examined the agreement for investment in anonymous association, etc. to determine whether the special-purpose company was a subsidiary and identify capital contribution relationships with the Company and consolidated subsidiaries. - We calculated the percentage of risk bearing to confirm that the ratio of remaining risk borne by the Company was negligible and verified that the percentage was consistent with the results of the Company's calculations.

Transaction price associated with sales transactions to the Investment Corporation	
Major considerations in auditing and reasons why they are major considerations	Audit procedures
The Company posted net sales of ¥162,744 million in the consolidated statement of income for the fiscal year from April 1, 2021, to March 31, 2022. There, net sales include net sales in real estate to Takara Leben Real Estate Investment Corporation and net sales in real estate and movable property to Takara Leben Infrastructure Fund. Investment in assets held by these investment corporations is operated by their subsidiaries, Takara PAG Real Estate Advisory Limited and Takara Asset Management Co., Ltd. The Company uses outside experts and real estate appraisal reports or business value reports to decide transaction prices within reasonable ranges in the transactions operated by the subsidiaries to sell real estate and solar power generation facilities to the investment corporations. The Company and the subsidiaries operating the transactions have a controlling relationship between them. We decided that the relationship was an important matter to consider in audits due to the risk that the Company could use this relationship to engage in transactions with a price that could deviate from a rational price range and due to the large amounts of the individual transactions.	Primarily, we Implemented the following procedures to examine the appropriateness of the transaction prices in the sales to the investment corporations operated by subsidiaries. - Assessment of sales activities in each transaction and status of development and operation of internal control in posting sales - Interviews to inquire about provisions of the agreement, conditions, and accounting treatment for the transactions and acquisition and examination of relevant documents - Examination of the agreement, economic rationality of the provisions and conditions of the agreement, verification of consistency with other relevant materials and voucher documents, and examination of the appropriateness of accounting process - Inspection of the real estate appraisal report or business valuation report from the experts used for transactions by the business manager, assessment of the aptitudes, abilities and objectivity of experts and the appropriateness of the appraisal method of experts, future cash flow estimated by the business manager and assumptions, etc. used for assessment We additionally examined the appropriateness of the transaction prices set by the Company.

Other Information

Other information includes information other than the consolidated and non-consolidated financial statements and audit reports for such statements included in the securities report. Management's responsibility is to create and disclose the other information. The responsibilities of the Audit & Supervisory Board Members and the Audit & Supervisory Board lie in monitoring the directors' performance of their duties in the development and operation of the reporting process of the other information.

The subject of the audit opinion on the consolidated financial statements, etc. does not include other information, and we do not express an opinion on the other information.

Our responsibilities in auditing consolidated financial statements are to read through the other information to consider whether there is any major differences between the other information and consolidated financial statements or the knowledge that we acquire in the process of the audit, and to pay attention to any signs of material errors in information other than those major differences.

We are required to report the facts when we determine that there is a material error in other information based on the procedure that was conducted.

There are no matters to be reported regarding other information.

Responsibilities of the Management and the Audit & Supervisory Board Members and the Audit & Supervisory Board Pertaining to Consolidated Financial Statements

Management is responsible for the preparation and appropriate presentation of consolidated financial statements in accordance with the generally accepted accounting principles of Japan. Such responsibilities include the establishment and implementation of internal control that management determines is necessary for the preparation and appropriate presentation of consolidated financial statements that are free of any material misstatements due to frauds or errors.

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

The responsibilities of the Audit & Supervisory Board Members and the Audit & Supervisory Board lie in monitoring the directors' performance of their duties in the development and operation of the financial reporting process.

Accounting 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 accounting auditor's report that includes our opinion. 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 our audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit as below:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. These audit procedures are selected and performed, depending on the accounting auditor's judgment. In addition, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Obtain an understanding of internal control relevant to the audit in order to assess the risk and design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Company'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 Company'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 consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on audit evidence obtained on or before the auditor's report date, but the risk remains that the company is unable to survive as a going concern due to matters or circumstances in the future.
- Evaluate whether the presentation and disclosures in the consolidated financial statements are in accordance with auditing 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 and appropriate audit evidence regarding the financial information of the Company and its consolidated subsidiaries to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit of the consolidated financial statements. We remain solely responsible for our audit opinion.

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

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

We define those matters discussed with the Audit & Supervisory Board Members and Audit & Supervisory Board which are deemed particularly important in the audit of the consolidated financial statements for the consolidated fiscal year under review as key issues of the audit and state them in the auditor’s report. However, we do not state the matters in the case where publication of these matters is prohibited by laws, ordinances or suchlike or in the very rare case that we judge that they should not be reported on the grounds of reasonably expected disadvantages from the reporting in the auditor’s report that would exceed the public interest.

Internal Control Audit

Audit Opinion

To provide audit certification as provided for in Article 193-2, Paragraph 2 of the Financial Instruments and Exchange Act, we have audited the internal control report of Takara Leben Co., Ltd. dated March 31, 2022.

We consider that the aforementioned internal control report, in which Takara Leben Co., Ltd. indicates that effective internal control is maintained pertaining to financial reporting as of March 31, 2022, properly reflects the evaluation results of internal control over financial reporting in all important respects, in compliance with internal control evaluation standards for financial reporting that are generally considered fair and reasonable in Japan.

Basis for Auditor’s Opinion

We have conducted the internal control audit in accordance with internal control audit standards over internal reporting that are generally considered fair and reasonable in Japan. Our responsibilities under the auditing standards for internal control over financial reporting are further described in the “Auditor’s Responsibilities for the Audit of Internal Control” section of our report. We are independent of the Company and its consolidated subsidiaries in accordance with the professional ethical regulations that are applicable in Japan, and we have fulfilled our other ethical responsibilities as an accounting auditor. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Management and the Audit & Supervisory Board Members and the Audit & Supervisory Board for Internal Control Reports

Management is responsible for the establishment and implementation of internal control as it pertains to financial reporting, as well as the preparation and appropriate presentation of internal control reports, in accordance with internal control evaluation standards over financial reporting that are considered generally fair and reasonable in Japan.

The Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for overseeing and examining the design and operation of internal control over financial reporting.

It may not be possible, however, to fully prevent or identify the presentation of misstatements due to internal control over financial reporting.

Auditor’s Responsibilities for the Audit of Internal Control

Our responsibilities are to obtain reasonable assurance about whether the internal control report is free from material misstatement based on our audit of internal control and to issue an auditor’s report that includes our opinion.

As part of our audit in accordance with auditing standards for internal control over financial reporting generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit as below:

- Perform procedures to obtain audit evidence about the results of the assessments of internal control over financial reporting in the internal control report. The procedures for the audit of the internal control report are selected and performed, depending on the auditor’s judgment, based on significance of effect on the reliability of financial reporting.
- Evaluate the overall presentation of the internal control report, including the appropriateness of the scope, procedures and result of the assessments that management presents.
- Obtain sufficient and appropriate audit evidence about the results of the assessments of internal control over financial reporting in the internal control report. We are responsible for the direction, supervision and performance of the audit of the internal control report. We remain solely responsible for our audit opinion.

We communicate with the Audit & Supervisory Board Members and the Audit & Supervisory Board regarding the planned scope and timing of our audit of internal control, the results thereof, material weaknesses in internal control identified during our audit of internal control and those that were remediated, and other matters specified by the internal control standards.

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

Conflicts of Interest

There is no conflict of interest between the Company and its consolidated subsidiaries and us or its engagement partners which should be disclosed under the provisions of the Certified Public Accountants Act.

(Notes) 1. The above is an electronic copy of what is described in the original auditor's report kept by us (a company that submits securities reports), separately.

2. XBRL data are not within the scope of audits.

Independent Auditors' Report

June 24, 2022

Takara Leben CO., LTD.

To the Board of Directors

Grant Thornton Taiyo LLC

Tokyo Office

Designated Limited Liability Partner
Managing Partner
Certified Public Accountant Toshio Yanagishita

Designated Limited Liability Partner
Managing Partner
Certified Public Accountant Takashi Shimokawa

Audit Opinion

To conduct the audit certification as prescribed in the first paragraph of Article 193-2 of the Financial Instruments and Exchange Act, we audited the financial statements of Takara Leben Co., Ltd. for the 50th fiscal year starting from April 1, 2021 to March 31, 2022 included in the Financial Information, namely, the balance sheet, the statements of income, the statement of changes in shareholder's equity, significant accounting policies, other notes and the supplementary schedules.

We consider that the aforementioned financial statements properly reflect the financial position of Takara Leben Co., Ltd. as of March 31, 2022, and its financial results in the fiscal year that ended on the same day, in all important respects, in compliance with accounting standards that are generally considered fair and reasonable in Japan.

Basis for Auditor's 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 Financial Statements" section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the 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.

Emphasis of Matter

As stated in Notes (Significant subsequent events), the Company at its Board of Directors' meeting held on May 30, 2022 passed a resolution to sign an agreement for an absorption-type company split due to the shift to a holding company system and signed an agreement regarding the absorption-type company split with the Succeeding Company on the same day.

That does not affect our opinions.

Major Considerations in Auditing

Key issues of the audit mean issues that the accounting auditor deems particularly important from the perspective of a professional specialist in auditing financial statements for the fiscal year under review. The major considerations in auditing are matters that we take into consideration in the process of the audit of the entire financial statements and the formation of our opinions. We do not express any opinions about such matters separately.

Transaction price associated with sales transactions to the Investment Corporation
The description is omitted due to overlap with a critical audit matter (Transaction price associated with sales transactions to the Investment Corporation) included in the audit report for the consolidated financial statements.

Other Information

Other information includes information other than the consolidated and non-consolidated financial statements and audit reports for such statements included in the securities report. Management's responsibility is to create and disclose the other information. The responsibilities of the Audit & Supervisory Board Members and the Audit & Supervisory Board lie in monitoring the directors' performance of their duties in the development and operation of the reporting process of the other information.

The subject of the audit opinion on the financial statements does not include other information, and we do not express an opinion on the other information.

Our responsibilities in auditing financial statements are to read through the other information to consider whether there is any major differences between the other information and financial statements or the knowledge that we acquire in the process of the audit, and to pay attention to any signs of material errors in information other than those major differences.

We are required to report the facts when we determine that there is a material error in other information based on the procedure that was conducted.

There are no matters to be reported regarding other information.

Responsibilities of the Management and the Audit & Supervisory Board Members and the Audit & Supervisory Board Pertaining to Financial Statements

Management is responsible for the preparation and appropriate presentation of financial statements in accordance with the Generally Accepted Accounting Principles of Japan. Such responsibilities include the establishment and implementation of internal control that management determines is necessary for the preparation and appropriate presentation of financial statements that are free of any material misstatements due to frauds or errors.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with the Generally Accepted Accounting Principles of Japan.

The responsibilities of the Audit & Supervisory Board Members and the Audit & Supervisory Board lie in monitoring the directors' performance of their duties in the development and operation of the financial reporting process.

Accounting Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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. 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 financial statements.

As part of our audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit as below:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. These audit procedures are selected and performed, depending on the accounting auditor's judgment. In addition, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- We do not audit financial statements to express an opinion on the effectiveness of internal control. Nevertheless, to implement risk assessments, we examine internal control as it pertains to the preparation and appropriate presentation of financial statements, thereby ensuring that an appropriate audit procedure program is formulated depending on situations.
- 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 Company'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 audit evidence obtained on or before the auditor's report date, but the risk remains that the company is unable to survive as a going concern due to matters or circumstances in the future.
- Evaluate whether the presentation and disclosures in the financial statements are in accordance with auditing standards generally accepted in Japan, the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We also provide the Audit & Supervisory Board Members and Audit & Supervisory Board with a statement that we have complied with

relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
We define those matters discussed with the Audit & Supervisory Board Members and the Audit & Supervisory Board which are deemed particularly important in the audit of the financial statements for the fiscal year under review as key issues of the audit and state them in the auditor's report. However, we do not state the matters in the case where publication of these matters is prohibited by laws, ordinances or suchlike or in the very rare case that we judge that they should not be reported on the grounds of reasonably expected disadvantages from the reporting in the auditor's report that would exceed the public interest.

Conflicts of Interest
Neither we nor our engagement partners have any interest in the Company that should be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

(Notes) 1. The above is an electronic copy of what is described in the original auditor's report kept by us (a company that submits securities reports), separately.
2. XBRL data are not within the scope of audits.