FOR IMMEDIATE RELEASE

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Notice Concerning Partial Amendment to Notes to Consolidated Financial Statements Contained in Integrated Reports 2022 and 2023

Leopalace21 Corporation (Headquarters: Nakano-ku, Tokyo; President and CEO: Bunya Miyao; the "Company") announced that it corrected some of the information included in the notes to its financial statements contained in the Integrated Reports 2022 and 2023 as follows.

1. Reason for correction

In order to adopt an alternative interpretation of accounting standards and to bring the Company's accounting policies in line with the industry practice, the Company amended certain notes to the financial statements.

2. Impact of corrections on prior year results

There is no impact on prior year results.

3. Details of correction

Summary of Significant Accounting Policies, Changes in accounting policies, Accounting Standard for Revenue Recognition, and Segment Information.

4. Financial statements and their notes to be corrected

A. Consolidated Financial Statements (Japanese Accounting Standard) (For the Fiscal Year 2021)
B. Consolidated Financial Statements (Japanese Accounting Standard) (For the Fiscal Year 2022)

A. Consolidated Financial Statements (Japanese Accounting Standard) (For the Fiscal Year 2021)

3. Summary of Significant Accounting Policies

(23) Accounting Standard for Revenue Recognition

[Before correction]

The Company has adopted the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, issued on March 31, 2020, hereinafter the "Accounting Standard for Revenue Recognition") and related Guidance from the beginning of the fiscal year ended March 2022. The Company recognizes revenues at the amount expected to be received in exchange for the promised goods or services when control of the promised goods or services is transferred to the customer.

The following is a summary of the main performance obligations in the Company's and its consolidated subsidiaries' primary businesses relating to the revenues from contracts with customers and a point in time or a period of time at or over which such performance obligations are fulfilled (a point in time or a period of time at or over which revenues are recognized).

In the Leasing Business, the Company primarily leases and manages apartments. For these transactions, the performance obligation is deemed to be performed when the contractual conditions are fulfilled, and revenue is recognized at that time. Accordingly, key money, rent discounts, monthly contract fees, and various service fees, etc., which were previously recognized at the time of contract, are now recognized as revenue on a pro-rata basis over the average period of occupancy.

In addition, for *LEONET* video subscription fees, which were previously recognized as revenue at the gross amount received from customers, the Company now recognizes revenue at the net amount received from customers less amounts paid to suppliers. The Company considers that it is dealing with a third-party service provider as an agent and it is the Company's performance obligation to arrange for such service to be provided.

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

[After correction]

The Company has adopted the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, issued on March 31, 2020, hereinafter the "Accounting Standard for Revenue Recognition") and related Guidance from the beginning of the fiscal year ended March 2022. The Company recognizes revenues at the amount expected to be received in exchange for the promised goods or services when control of the promised goods or services is transferred to the customer.

The following is a summary of the main performance obligations in the Company's and its consolidated subsidiaries' primary businesses relating to the revenues from contracts with customers and a point in time or a period of time at or over which such performance obligations are fulfilled (a point in time or a period of time at or over which revenues are recognized).

In the Leasing Business, the Company primarily leases and manages its own apartments and apartments as a result of construction subcontracting through master-lease contracts, as long as maintain those properties, and other various rental-related services including broadband services.
For these transactions, the performance obligation is deemed to be performed when the contractual conditions are fulfilled, and revenue is recognized at that time. Accordingly, key money, rent discounts, monthly contract fees, and various service fees, etc., which were previously recognized at the time of contract, are now recognized as revenue on a pro-rata basis over the average period of occupancy.

In addition, for *LEONET* video subscription fees, which were previously recognized as revenue at the gross amount received from customers, the Company now recognizes revenue at the net amount received from customers less amounts paid to suppliers. The Company considers that it is dealing with a third-party service provider as an agent and it is the Company's performance obligation to arrange for such service to be provided.

For contractual obligations related to leasing apartments, the Company recognized revenue in accordance with the Accounting Standard related to Lease Transactions (ASBJ Statement No. 13, issued on March 30, 2007).

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

4. Changes in accounting policies

(1) Application of Accounting Standard for Revenue Recognition
(Basis for recording significant revenues and expenses)

[Before correction]

The Company has adopted the Accounting Standard for Revenue Recognition (ASBJ Statement No.29,

issued on March 31, 2020, hereinafter the “Accounting Standard for Revenue Recognition”) and related Guidance from the beginning of the fiscal year ended March 2022. The Company recognizes revenues at the amount expected to be received in exchange for the promised goods or services when control of the promised goods or services is transferred to the customer.

Accordingly, key money, rent discounts, monthly contract fees, and various services fees, etc., which were previously recognized at the time of contract, are now recognized as revenue on a pro-rata basis over the average period of occupancy.

In addition, for *LEONET* video subscription fees, which were previously recognized as revenue at the gross amount received from customers, the Company now recognizes revenue at the net amount received from customers less amounts paid to suppliers.

The Company has followed the transitional treatment prescribed in the proviso of Paragraph 84 of the Accounting Standard for Revenue Recognition. The cumulative effect of retrospective application of the new accounting policy prior to the beginning of the fiscal year ended March 2022 is added to or deducted from retained earnings at the beginning of the fiscal year ended March 2022, and the new accounting policy is applied from the balance at the beginning of the fiscal year ended March 2022.

However, the new accounting policy has not been applied retrospectively to contracts for which almost all revenue amounts were recognized prior to the beginning of the fiscal year ended March 2022 in accordance with the previous treatment, applying the method prescribed in Paragraph 86 of the Revenue Recognition. In addition, the Company has applied the method prescribed in Paragraph 86 and Note (1) of the Revenue Recognition Standard and accounted for changes in contract terms prior to the beginning of the fiscal year ended March 2022 based on the contract terms after reflecting all changes in contract terms and the cumulative effect of such changes. The cumulative effect of these changes is added to or deducted from retained earnings at the beginning of the fiscal year ended March 2022.

As a result, for the fiscal year ended March 2022, net sales increased by JPY 1,325 million (USD 10,827 thousand), cost of sales decreased by JPY 1,580 million (USD 12,195 thousand), operating profit increased by JPY 2,905 million (USD 23,743 thousand), recurring loss decreased by the same amount, and income before income taxes increased by the same amount. The balance of retained earnings at the beginning of the period was decreased by JPY 4,963 million (USD 40,557 thousand).

The impact on per share information is stated in the relevant section.

The Company has not presented a note on revenue recognition for the fiscal year ended March 2021 in accordance with the transitional treatment prescribed in Paragraph 89–3 of the Accounting Standard for Revenue Recognition.

[After correction]

The Company has adopted the Accounting Standard for Revenue Recognition (ASBJ Statement No.29, issued on March 31, 2020, hereinafter the “Accounting Standard for Revenue Recognition”) and related Guidance from the beginning of the fiscal year ended March 2022. The Company recognizes revenues at the amount expected to be received in exchange for the promised goods or services when control of the promised goods or services is transferred to the customer.

As a result, the Company has decided to recognize revenues from various service fees, etc., which were previously recognized at the time of contract, on a pro-rata basis over the average occupancy period, etc.

With respect to *LEONET*'s video subscription fees, since the provider of the service is a third party and the Company's performance obligation is to arrange for such service to be provided, the Company has determined that it is acting as an agent and recognizes revenue based on the net amount of consideration received from the customer less the amount paid to such other party.

The Company has followed the transitional treatment prescribed in the proviso of Paragraph 84 of the Accounting Standard for Revenue Recognition. The cumulative effect of retrospective application of the new accounting policy prior to the beginning of the fiscal year ended March 2022 is added to or deducted from retained earnings at the beginning of the fiscal year ended March 2022, and the new accounting policy is applied from the balance at the beginning of the fiscal year ended March 2022.

However, the new accounting policy has not been applied retrospectively to contracts for which almost all revenue amounts were recognized prior to the beginning of the fiscal year ended March 2022 in accordance with the previous treatment, applying the method prescribed in Paragraph 86 of the Revenue Recognition. In addition, the Company has applied the method prescribed in Paragraph 86 and Note (1) of the Revenue Recognition Standard and accounted for changes in contract terms prior to the beginning of the fiscal year ended March 2022 based on the contract terms after reflecting all changes in contract terms and the cumulative effect of such changes. The cumulative effect of these changes is added to or deducted from retained earnings at the beginning of the fiscal year ended March 2022.

As a result, net sales decreased by JPY 1,544 million (USD 12,615 thousand), cost of sales decreased

by JPY 1,580 million (USD 12,916 thousand), operating profit increased by JPY 36 million (USD 297 thousand), recurring loss decreased by the same amount, and income before income taxes increased by the same amount. The balance of retained earnings at the beginning of the period decreased by JPY 2,111 million (USD 17,251 thousand).

The impact on per share information is stated in the relevant section.

The Company has not presented a note on revenue recognition for the fiscal year ended March 2021 in accordance with the transitional treatment prescribed in Paragraph 89–3 of the Accounting Standard for Revenue Recognition.

(Changes in the Revenue Recognition Standard)

With respect to the recognition of key money, rent discounts, monthly contract fees, and other revenues in the leasing business, the Company previously used the method of recognizing revenues at the time of contract, but has changed to the method of recognizing revenues over the average occupancy period beginning in the fiscal year ended March 2022. The purpose of this change was to calculate periodic income (loss) more appropriately since the new core system became operational at the beginning of the fiscal year ended March 2022.

Such change has been applied prospectively from the beginning of the fiscal year ended March 2022, since the necessary data regarding prior periods have not been accumulated and the principle treatment for retrospective application is not practicable.

This change in accounting policy has been applied prospectively from the beginning of the fiscal year ended March 2022, since the necessary data regarding prior periods have not been accumulated and the principle treatment for retrospective application is not practicable.

As a result of this change, net sales increased by JPY 2,869 million (USD 23,446 thousand), operating profit increased by the same amount, recurring loss decreased by the same amount, and income before income taxes increased by the same amount for the fiscal year ended March 2022. The balance of retained earnings at the beginning of the period decreased by JPY 2,852 million (USD 23,306 thousand).

The impacts on information per share are detailed in the relevant sections.

5. Accounting Standard for Revenue Recognition

(3) Information about the relationship between contractual obligations with customers and cash flows from such contracts, and the amount and timing of revenue expected to be recognized in the fiscal year ended March 2023 or later from contracts with customers that exist at the end of the fiscal year ended March 2022

[Before correction]

(a) Balance of contractual assets and liabilities

March 31, 2022	JPY million	USD thousand
Receivables arising from contracts with customers (beginning balance)	**7,930**	**64,800**
Receivables arising from contracts with customers (ending balance)	**8,618**	**70,415**
Contractual assets (beginning balance)	**524**	**4,288**
Contractual assets (ending balance)	**443**	**3,620**
Contractual liabilities (beginning balance)	**41,613**	**340,007**
Contractual liabilities (ending balance)	**39,153**	**319,905**

In the consolidated financial statements, credits arising from contracts with customers are recorded in accounts receivable, contractual assets are recorded in accounts receivable for completed projects; contractual liabilities are recorded in advances received, customer advances for projects in progress, and long-term advances received.

Contractual assets consist primarily of unbilled accounts receivable related to revenues recognized based on the measurement of the stage of completion of construction contracts. Contractual liabilities consist primarily of rents for which performance obligations have not been fulfilled as of the end of the fiscal year.

The amount of revenue recognized in the fiscal year ended March 2022 that was included in the contractual liability at the beginning balance was JPY 32,509 million (USD 265,623 thousand).

Contractual liabilities decreased by JPY 2,460 million (USD 20,101 thousand) in the fiscal year

ended March 2022. This was mainly due to an increase in the beginning balance as a result of the application of the revenue recognition accounting standard, while there was a reversal of the beginning balance due to the revenue recognition.

(b) Transaction price allocated to remaining performance obligations
The aggregate transaction price allocated to the remaining performance obligations and the period over which revenue is expected to be recognized are as follows.

March 31, 2022	JPY million	USD thousand
Equal or less than one year	**289,104**	**2,362,156**
More than one year	**133,860**	**1,093,722**
Total	**422,965**	**3,455,879**

(Note) The practical expedient method is applied, and the table shows the remaining performance obligations related to rent, incidental services, and maintenance, etc., in (a) Information on the breakdown of revenues from contracts with customers.

[After correction]

(a) Balance of contractual assets and liabilities

March 31, 2022	JPY million	USD thousand
Receivables arising from contracts with customers (beginning balance)	**3,272**	**26,739**
Receivables arising from contracts with customers (ending balance)	**3,000**	**24,514**
Contractual assets (beginning balance)	**524**	**4,288**
Contractual assets (ending balance)	**443**	**3,620**
Contractual liabilities (beginning balance)	**12,660**	**103,441**
Contractual liabilities (ending balance)	**12,158**	**99,342**

In the consolidated financial statements, credits arising from contracts with customers are recorded in accounts receivable, contractual assets are recorded in accounts receivable for completed projects; contractual liabilities are recorded in advances received, customer advances for projects in progress, and long-term advances received.

Contractual assets consist primarily of unbilled accounts receivable related to revenues recognized based on the measurement of the stage of completion of construction contracts. Contractual liabilities consist primarily of ancillary service income and maintenance for which performance obligations have not been fulfilled as of the end of the fiscal year.

The amount of revenue recognized in the fiscal year ended March 2022 that was included in the contractual liability at the beginning balance was JPY 2,573 million (USD 21,024 thousand).

Contractual liabilities decreased by JPY 501 million (USD 4,098 thousand) in the fiscal year ended March 2022. This was mainly due to an increase in the beginning balance as a result of the application of the revenue recognition accounting standard, while there was a reversal of the beginning balance due to the revenue recognition.

(b) Transaction price allocated to remaining performance obligations
The aggregate transaction price allocated to the remaining performance obligations and the period over which revenue is expected to be recognized are as follows.

March 31, 2022	JPY million	USD thousand
Equal or less than one year	**32,893**	**268,763**
More than one year	**23,825**	**194,665**
Total	**56,718**	**463,428**

(Note) The table shows the remaining performance obligations related to ancillary service income which is related to revenues from contracts with customers, and maintenance, etc., in (a) Information on the breakdown of revenues from contracts with customers.

27. Segment Information

(4) Information Regarding Sales, Profits (Losses), Assets, Liabilities, and other Items by Reportable Segment for the years ended March 31, 2022 and 2021 are as follows:

[Before correction]

(JPY million)

March 31, 2022	Reportable segment				Adjustments	Consolidated Total
	Leasing Business	Elderly Care Business	Other Businesses	Segment Total		
Sales						
Rent income	278,740	–	–	278,740	–	278,740
Ancillary service income	53,517	–	–	53,517	–	53,517
Maintenance	35,315	–	–	35,315	–	35,315
Rental guarantee	4,559	–	–	4,559	–	4,559
Company housing agency fee	788	–	–	788	–	788
Roof lease solar power generation	2,775	–	–	2,775	–	2,775
Construction subcontracting	3,145	–	–	3,145	–	3,145
Other	456	14,258	1,064	15,779	–	15,779
Sales from contracts with customer	379,299	14,258	1,064	394,621	–	394,621
Furniture insurance	3,744	–	–	3,744	–	3,744
Other sales	3,744	–	–	3,744	–	3,744
Sales to customers	383,043	14,258	1,064	398,366	–	398,366
Inter-segment sales and transfers	76	–	249	326	(326)	–
Total	383,120	14,258	1,314	398,692	(326)	398,366
Segment profit (loss)	7,719	(789)	(1,668)	5,261	(3,486)	1,774
Segment assets	63,393	3,261	21,369	88,024	57,406	145,430
Other items						
Depreciation	6,480	32	1,087	7,600	1,752	9,352
Increase in property, plant and equipment, and intangible fixed assets	1,596	5	22	1,624	513	2,137

(USD thousand)

March 31, 2022	Reportable segments				Adjustments	Amount stated in Consolidated Statement of Income
	Leasing Business	Elderly Care Business	Other Businesses	Segment Total		
Sales						
Rent income	2,277,478	–	–	2,277,478	–	2,277478
Ancillary service income	437,269	–	–	437,269	–	437,269
Maintenance	288,549	–	–	288,549	–	288,549
Rental guarantee	37,257	–	–	37,257	–	37,257
Company housing agency fee	6,440	–	–	6,440	–	6,440
Roof lease solar power generation	22,674	–	–	22,674	–	22,674
Construction subcontracting	25,701	–	–	25,701	–	25,701
Other	3,730	116,498	8,695	128,925	–	128,925
Sales from contracts with customer	3,099,102	116,498	8,695	3,224,296	–	3,224,296
Furniture insurance	30,596	–	–	30,596	–	30,596
Other sales	30,596	–	–	30,596	–	30,596
Sales to customers	3,129,699	116,498	8,695	3,254,893	–	3,254,893
Inter-segment sales and transfers	625	–	2,042	2,667	(2,667)	–
Total	3,130,324	116,498	10,738	3,257,560	(2,667)	3,254,893
Segment profit (or loss)	63,073	(6,453)	(13,631)	42,988	(28,487)	14,500
Segment assets	517,960	26,645	174,605	719,210	469,044	1,188,255
Other items						
Depreciation	52,947	263	8,887	62,098	14,317	76,415
Increase in property, plant and equipment, and intangible fixed assets	13,046	42	186	13,275	4,192	17,467

[After correction]

(JPY million)

March 31, 2022	Reportable segment				Adjustments	Consolidated Total
	Leasing Business	Elderly Care Business	Other Businesses	Segment Total		
Sales						
Ancillary service income	26,243	–	–	26,243	–	26,243
Maintenance	35,315	–	–	35,315	–	35,315
Company housing agency fee	788	–	–	788	–	788
Roof lease solar power generation	2,775	–	–	2,775	–	2,775
Construction subcontracting	3,145	–	–	3,145	–	3,145
Other	21	14,258	845	15,124	–	15,124
Sales from contracts with customer	68,288	14,258	845	83,392	–	83,392
Rent income	291,430	=	=	291,430	=	291,430
Ancillary service income	14,584	=	=	14,584	=	14,584
Rental guarantee	4,559	=	=	4,559	=	4,559
Furniture insurance	3,744	–	–	3,744	–	3,744
Other	435	–	218	654	–	654
Other sales	314,755	–	218	314,973	–	314,973
Sales to customers	383,043	14,258	1,064	398,366	–	398,366
Inter-segment sales and transfers	76	–	249	326	(326)	–
Total	383,120	14,258	1,314	398,692	(326)	398,366
Segment profit (loss)	7,719	(789)	(1,668)	5,261	(3,486)	1,774
Segment assets	63,393	3,261	21,369	88,024	57,406	145,430
Other Items						
Depreciation	6,480	32	1,087	7,600	1,752	9,352
Increase in property, plant and equipment and intangible fixed assets	1,596	5	22	1,624	513	2,137

(USD thousand)

March 31, 2022	Reportable segment				Adjustments	Consolidated Total
	Leasing Business	Elderly Care Business	Other Businesses	Segment Total		
Sales						
Ancillary service income	214,423	–	–	214,423	–	214,423
Maintenance	288,549	–	–	288,549	–	288,549
Company housing agency fee	6,440	–	–	6,440	–	6,440
Roof lease solar power generation	22,674	–	–	22,674	–	22,674
Construction subcontracting	25,701	–	–	25,701	–	25,701
Other	172	116,498	6,908	123,578	–	123,578
Sales from contracts with customer	557,961	116,498	6,908	681,367	–	681,367
Rent income	2,381,165	=	=	2,381,165	=	2,381,165
Ancillary service income	119,160	=	=	119,160	=	119,160
Rental guarantee	37,257	=	=	37,257	=	37,257
Furniture insurance	30,596	–	–	30,596	–	30,596
Other	3,559	=	1,788	5,347	=	5,347
Other sales	2,571,738	–	1,788	2,573,526	–	2,573,526
Sales to customers	3,129,699	116,498	8,695	3,254,893	–	3,254,893
Inter-segment sales and transfers	625	–	2,042	2,667	(2,667)	–
Total	3,130,324	116,498	10,738	3,257,560	(2,667)	3,254,893
Segment profit (loss)	63,073	(6,453)	(13,631)	42,988	(28,487)	14,500
Segment assets	517,960	26,645	174,605	719,210	469,044	1,188,255
Other Items						
Depreciation	52,947	263	8,887	62,098	14,317	76,415
Increase in property, plant and equipment and intangible assets	13,046	42	186	13,275	4,192	17,467

29. Amounts per Share

[Before correction]

Note:

As stated in 4. Change in Accounting Policies (1) Application of Accounting Standard for Revenue Recognition (Basis for recording significant revenues and expenses), the Company has adopted the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, issued on March 31, 2020) and other related standards and followed the transitional treatment stipulated in the proviso of Paragraph 84 of the Accounting Standard for Revenue Recognition.

As a result, net assets per share decreased by JPY 6.26 (USD 0.051), net income per share increased by JPY 8.83 (USD 0.072), and diluted net income per share increased by JPY 7.90 (USD 0.065) for the fiscal year ended March 2022.

[After correction]
Note:
As stated in 4. Change in Accounting Policies (1) Application of Accounting Standard for Revenue Recognition (Basis for recording significant revenues and expenses), the Company has adopted the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, issued on March 31, 2020) and other related standards and followed the transitional treatment stipulated in the proviso of Paragraph 84 of the Accounting Standard for Revenue Recognition.

As a result, net asset per share decreased by JPY 6.31 (USD 0.052), net income per share increased by JPY 0.11 (USD 0.001) and diluted net income per share increased by JPY 0.10 (USD 0.001).

As stated in 4. Change in accounting policies (Application of Accounting Standard for Revenue Recognition, etc.), with respect to the recognition of key money, rent discounts, monthly contract fees, and other revenues in the leasing business, the Company previously used the method of recognizing revenues at the time of contract, but has changed to the method of recognizing revenues over the average occupancy period beginning in the fiscal year ended March 2022. Such change has been applied prospectively from the beginning of the fiscal year ended March 2022, since the necessary data regarding prior periods have not been accumulated and the principle treatment for retrospective application is not practicable.

As a result, for the fiscal year ended March 2022, net assets per share increased by JPY 0.05 (USD 0.000), net income per share increased by JPY 8.72 (USD 0.071), and diluted net income per share increased by JPY 7.80 (USD 0.064).

B. Consolidated Financial Statements (Japanese Accounting Standard) (For the Fiscal Year 2022)

3. Summary of Significant Accounting Policies

(25) Accounting Standard for Revenue Recognition

[Before correction]
The Company has adopted the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, issued on March 31, 2020, hereinafter the "Accounting Standard for Revenue Recognition") and related Guidance. The Company recognizes revenues at the amount expected to be received in exchange for the promised goods or services when control of the promised goods or services is transferred to the customer.

The following is a summary of the main performance obligations in the Company's and its consolidated subsidiaries' primary businesses relating to the revenues from contracts with customers and a point in time or a period of time at or over which such performance obligations are satisfied (a point in time or a period of time at or over which revenues are recognized).

In the Leasing Business, the Company primarily leases and manages apartments. For these transactions, the performance obligation is deemed to be performed when the contractual conditions are satisfied, and revenue is recognized at that time. Accordingly, key money, rent discounts, monthly contract fees, and various service fees, etc., are recognized as revenue on a pro-rata basis over the average period of occupancy.

In addition, for *LEONET* video subscription fees the Company recognizes revenue at the net amount received from customers less amounts paid to suppliers. The Company considers that it is dealing with a third-party service provider as an agent and it is the Company's performance obligation to arrange for such service to be provided.

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

[After correction]
The Company has adopted the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, issued on March 31, 2020, hereinafter the "Accounting Standard for Revenue Recognition") and related Guidance from the beginning of the fiscal year ended March 2022. The Company recognizes revenues at the amount expected to be received in exchange for the promised goods or services when control of the promised goods or services is transferred to the customer.

The following is a summary of the main performance obligations in the Company's and its consolidated subsidiaries' primary businesses relating to the revenues from contracts with customers and a point in time or a period of time at or over which such performance obligations are fulfilled (a point in time or a period of time at or over which revenues are recognized).

In the Leasing Business, the Company primarily leases and manages its own apartments and apartments as a result of construction subcontracting through master-lease contracts, as long as maintain those properties, and other various rental-related services including broadband services. For these transactions, the performance obligation is deemed to be performed when the contractual conditions are

fulfilled, and revenue is recognized at that time. Accordingly, key money, rent discounts, monthly contract fees, and various service fees, etc., which were previously recognized at the time of contract, are now recognized as revenue on a pro-rata basis over the average period of occupancy.

In addition, for *LEONET* video subscription fees the Company recognizes revenue at the net amount received from customers less amounts paid to suppliers. The Company considers that it is dealing with a third-party service provider as an agent and it is the Company's performance obligation to arrange for such service to be provided.

For contractual obligations related to leasing apartments, the Company recognized revenue in accordance with the Accounting Standard related to Lease Transactions (ASBJ Statement No. 13, issued on March 30, 2007).

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

5. Accounting Standard for Revenue Recognition

(3) **Information about the relationship between contractual obligations with customers and cash flows from such contracts, and the amount and timing of revenue expected to be recognized in the fiscal year ended March 2024 or later from contracts with customers that exist at the end of the fiscal year ended March 2023**

[Before correction]

(a) Balance of contractual assets and liabilities

	JPY million		USD thousand
March 31, 2023	**2023**	2022	**2023**
Receivables arising from contracts with customers (beginning balance)	**8,618**	7,930	**64,541**
Receivables arising from contracts with customers (ending balance)	**8,121**	8,618	**60,822**
Contract assets (beginning balance)	**443**	524	**3,318**
Contract assets (ending balance)	**432**	443	**3,240**
Contract liabilities (beginning balance)	**39,153**	41,613	**293,217**
Contract liabilities (ending balance)	**40,678**	39,153	**304,637**

In the consolidated financial statements, credits arising from contracts with customers are recorded in accounts receivable, contract assets are recorded in accounts receivable for completed projects; contract liabilities are recorded in advances received, customer advances for projects in progress, and long-term advances received.

Contract assets consist primarily of unbilled accounts receivable related to revenues recognized based on the measurement of the stage of completion of construction contracts. Contract liabilities consist primarily of rents for which performance obligations have not been satisfied as of the end of the fiscal year.

The amount of revenue recognized in the fiscal year ended March 2022 that was included in the contract liability at the beginning balance was JPY 32,509 million.

Contract liabilities decreased by JPY 2,460 million in the fiscal year ended March 2022. This was mainly due to an increase in the beginning balance as a result of the application of the revenue recognition accounting standard, while there was a reversal of the beginning balance due to the revenue recognition.

The amount of revenue recognized in the fiscal year ended March 2023 that was included in the contract liability balance at the beginning of the period was JPY 30,929 million (USD 231,629 thousand). In addition, contract liabilities increased by JPY 1,525 million (USD 11,420 thousand) in the fiscal year ended March 2023, mainly due to an increase in advances received such as rent as a result of higher occupancy rates in the Leasing Business.

(b) Transaction price allocated to remaining performance obligations

The aggregate transaction price allocated to the remaining performance obligations and the period over which revenue is expected to be recognized are as follows.

	JPY million		USD thousand
March 31, 2023	**2023**	2022	**2023**
Equal or less than one year	**302,235**	289,104	**2,263,429**
More than one year	**133,798**	133,860	**1,002,010**
Total	**436,034**	422,965	**3,265,440**

(Note) The table shows the remaining performance obligations related to rent income, ancillary service income and maintenance presented in Notes 26. Segment Information (3) Information Regarding Sales, Profits (Losses), Assets, Liabilities, and other Items by Reportable Segment.

[After correction]

(a) Balance of contractual assets and liabilities

	JPY million		USD thousand
March 31, 2023	**2023**	2022	**2023**
Receivables arising from contracts with customers (beginning balance)	**3,000**	3,272	**22,469**
Receivables arising from contracts with customers (ending balance)	**3,108**	3,000	**23,280**
Contract assets (beginning balance)	**443**	524	**3,318**
Contract assets (ending balance)	**432**	443	**3,240**
Contract liabilities (beginning balance)	**12,158**	12,660	**91,054**
Contract liabilities (ending balance)	**10,890**	12,158	**81,557**

In the consolidated financial statements, credits arising from contracts with customers are recorded in accounts receivable, contract assets are recorded in accounts receivable for completed projects; contract liabilities are recorded in advances received, customer advances for projects in progress, and long-term advances received.

Contract assets consist primarily of unbilled accounts receivable related to revenues recognized based on the measurement of the stage of completion of construction contracts. Contract liabilities consist primarily of ancillary service income and maintenance for which performance obligations have not been satisfied as of the end of the fiscal year.

The amount of revenue recognized in the fiscal year ended March 2022 that was included in the contract liability at the beginning balance was JPY 2,573 million.

Contract liabilities decreased by JPY 501 million in the fiscal year ended March 2022. This was mainly due to an increase in the beginning balance as a result of the application of the revenue recognition accounting standard, while there was a reversal of the beginning balance due to the revenue recognition.

The amount of revenue recognized in the fiscal year ended March 2023 that was included in the contract liability balance at the beginning of the period was JPY 4,720 million (USD 35,349 thousand). In addition, contract liabilities decreased by JPY 1,268 million (USD 9,497 thousand) in the fiscal year ended March 2023, mainly due to recognizing revenue.

(b) Transaction price allocated to remaining performance obligations

The aggregate transaction price allocated to the remaining performance obligations and the period over which revenue is expected to be recognized are as follows.

	JPY million		USD thousand
March 31, 2023	**2023**	2022	**2023**
Equal or less than one year	**29,669**	32,893	**222,190**
More than one year	**15,710**	23,825	**117,655**
Total	**45,379**	56,718	**339,845**

(Note) The table shows the remaining performance obligations related to ancillary service income

which is related to revenue resulting from contracts with customers, and maintenance presented in Notes 26. Segment Information (3) Information Regarding Sales, Profits (Losses), Assets, Liabilities, and other Items by Reportable Segment.

26. Segment Information

(3) Information Regarding Sales, Profits (Losses), Assets, Liabilities and other Items by Reportable Segment for the years ended March 31, 2023 and 2022 are as follows:

[Before correction]

I. Fiscal year ended March 31, 2023 (April 1, 2022 – March 31, 2023)

(JPY million)

March 31, 2023	Reportable segments				Adjustments	Consolidated total
	Leasing Business	Elderly Care Business	Other Businesses	Segment Total		
Sales						
Rent income	299,494	–	–	299,494	–	299,494
Ancillary service income	44,762	–	–	44,762	–	44,762
Maintenance	35,761	–	–	35,761	–	35,761
Rental guarantee	4,295	–	–	4,295	–	4,295
Company housing agency fee	837	–	–	837	–	837
Roof lease solar power generation	2,717	–	–	2,717	–	2,717
Construction subcontracting	1,222	–	–	1,222	–	1,222
Other	381	13,941	1,069	15,392	–	15,392
Sales from contracts with customer	389,471	13,941	1,069	404,482	–	404,482
Furniture insurance	1,966	–	–	1,966	–	1,966
Other sales	1,966	–	–	1,966	–	1,966
Sales to customers	391,438	13,941	1,069	406,449	–	406,449
Inter-segment sales and transfers	51	–	263	314	(314)	–
Total	391,489	13,941	1,333	406,764	(314)	406,449
Segment profit (loss)	16,887	(1,208)	(2,706)	12,971	(3,092)	9,879
Segment assets	56,561	4,137	22,753	83,452	83,096	166,548
Other items						
Depreciation	4,592	34	1,261	5,888	681	6,570
Increase in property, plant and equipment, and intangible fixed assets	1,637	21	24	1,684	61	1,745

(USD thousand)

March 31, 2023	Reportable segments				Adjustments	Consolidated total
	Leasing Business	Elderly Care Business	Other Businesses	Segment Total		
Sales						
Rent income	2,242,899	–	–	2,242,899	–	2,242,899
Ancillary service income	335,224	–	–	335,224	–	335,224
Maintenance	267,812	–	–	267,812	–	267,812
Rental guarantee	32,167	–	–	32,167	–	32,167
Company housing agency fee	6,270	–	–	6,270	–	6,270
Roof lease solar power generation	20,349	–	–	20,349	–	20,349
Construction subcontracting	9,155	–	–	9,155	–	9,155
Other	2,857	104,404	8,012	115,274	–	115,274
Sales from contracts with customer	2,916,736	104,404	8,012	3,029,153	–	3,029,153
Furniture insurance	14,726	–	–	14,726	–	14,726
Other sales	14,726	–	–	14,726	–	14,726
Sales to customers	2,931,463	104,404	8,012	3,043,880	–	3,043,880
Inter-segment sales and transfers	382	–	1,975	2,358	(2,358)	–
Total	2,931,846	104,404	9,987	3,046,238	(2,358)	3,043,880
Segment profit (loss)	126,466	(9,051)	(20,269)	97,145	(23,158)	73,986
Segment assets	423,583	30,985	170,401	624,970	622,302	1,247,273
Other items						
Depreciation	34,393	254	9,447	44,095	5,107	49,203
Increase in property, plant and equipment, and intangible fixed assets	12,262	164	184	12,611	462	13,074

II. Fiscal year ended March 31, 2022 (April 1, 2021 – March 31, 2022)

(JPY million)

March 31, 2022	Reportable segments				Adjustments	Consolidated total
	Leasing Business	Elderly Care Business	Other Businesses	Segment Total		
Sales						
Rent income	291,430	–	–	291,430	–	291,430
Ancillary service income	40,827	–	–	40,827	–	40,827
Maintenance	35,315	–	–	35,315	–	35,315
Rental guarantee	4,559	–	–	4,559	–	4,559
Company housing agency fee	788	–	–	788	–	788
Roof lease solar power generation	2,775	–	–	2,775	–	2,775
Construction subcontracting	3,145	–	–	3,145	–	3,145
Other	456	14,258	1,064	15,779	–	15,779
Sales from contracts with customer	379,299	14,258	1,064	394,621	–	394,621
Furniture insurance	3,744	–	–	3,774	–	3,774
Other sales	3,744	–	–	3,774	–	3,774
Sales to customers	383,043	14,258	1,064	398,366	–	398,366
Inter-segment sales and transfers	76	–	249	326	(326)	–
Total	383,120	14,258	1,314	398,692	(326)	398,366
Segment profit (loss)	7,719	(789)	(1,668)	5,261	(3,486)	1,774
Segment assets	63,393	3,261	21,369	88,024	57,406	145,430
Other items						
Depreciation	6,480	32	1,087	7,600	1,752	9,352
Increase in property, plant and equipment, and intangible fixed assets	1,596	5	22	1,624	513	2,137

[After correction]

I. Fiscal year ended March 31, 2023 (April 1, 2022 – March 31, 2023)

(JPY million)

March 31, 2023	Reportable segments				Adjustments	Consolidated total
	Leasing Business	Elderly Care Business	Other Businesses	Segment Total		
Sales						
Ancillary service income	29,790	–	–	29,790	–	29,790
Maintenance	35,761	–	–	35,761	–	35,761
Company housing agency fee	837	–	–	837	–	837
Roof lease solar power generation	2,717	–	–	2,717	–	2,717
Construction subcontracting	1,222	–	–	1,222	–	1,222
Other	7	13,941	831	14,780	–	14,780
Sales from contracts with customer	70,336	13,941	831	85,108	–	85,108
Rent income	299,494	–	–	299,494	–	299,494
Ancillary service income	14,971	–	–	14,971	–	14,971
Rental guarantee	4,295	–	–	4,295	–	4,295
Furniture insurance	1,966	–	–	1,966	–	1,966
Other	374	–	238	612	–	612
Other sales	321,101	–	238	321,340	–	321,340
Sales to external customers	391,438	13,941	1,069	406,449	–	406,449
Inter-segment sales and transfers	51	–	263	314	(314)	–
Total	391,489	13,941	1,333	406,764	(314)	406,449
Segment profit (loss)	16,887	(1,208)	(2,706)	12,971	(3,092)	9,879
Segment assets	56,561	4,137	22,753	83,452	83,096	166,548
Other Items						
Depreciation and amortization	4,592	34	1,261	5,888	681	6,570
Increase in property, plant and equipment and intangible assets	1,637	21	24	1,684	61	1,745

(USD thousand)

March 31, 2023	Reportable segments				Adjustments	Consolidated total
	Leasing Business	Elderly Care Business	Other Businesses	Segment Total		
Sales						
Ancillary service income	223,102	–	–	223,102	–	223,102
Maintenance	267,812	–	–	267,812	–	267,812
Company housing agency fee	6,270	–	–	6,270	–	6,270
Roof lease solar power generation	20,349	–	–	20,349	–	20,349
Construction subcontracting	9,155	–	–	9,155	–	9,155
Other	56	104,404	6,227	110,687	–	110,687
Sales from contracts with customer	526,746	104,404	6,227	637,377	–	637,377
Rent income	2,242,899	–	–	2,242,899	–	2,242,899
Ancillary service income	112,123	–	–	112,123	–	112,123
Rental guarantee	32,168	–	–	32,168	–	32,168
Furniture insurance	14,726	–	–	14,726	–	14,726
Other	2,801	–	1,786	4,587	–	4,587
Other sales	2,404,718	–	1,786	2,406,503	–	2,406,503
Sales to customers	2,931,463	104,404	8,012	3,043,880	–	3,043,880
Inter-segment sales and transfers	382	–	1,975	2,358	(2,358)	–
Total	2,931,846	104,404	9,987	3,046,238	(2,358)	3,043,880
Segment profit (loss)	126,466	(9,051)	(20,269)	97,145	(23,158)	73,986
Segment assets	423,583	30,985	170,401	624,970	622,302	1,247,273
Other Items						
Depreciation	34,393	254	9,447	44,095	5,107	49,203
Increase in property, plant and equipment and intangible fixed assets	12,262	164	184	12,611	462	13,074

II. Fiscal year ended March 31, 2022 (April 1, 2021 – March 31, 2022)

(JPY million)

March 31, 2022	Reportable segments				Adjustments	Consolidated total
	Leasing Business	Elderly Care Business	Other Businesses	Total		
Sales						
Ancillary service income	26,243	–	–	26,243	–	26,243
Maintenance	35,315	–	–	35,315	–	35,315
Company housing agency fee	788	–	–	788	–	788
Roof lease solar power generation	2,775	–	–	2,775	–	2,775
Construction subcontracting	3,145	–	–	3,145	–	3,145
Other	21	14,258	845	15,124	–	15,124
Sales from contracts with customer	68,288	14,258	845	83,392	–	83,392
Rent income	291,430	–	–	291,430	–	291,430
Ancillary service income	14,584	–	–	14,584	–	14,584
Rental guarantee	4,559	–	–	4,559	–	4,559
Furniture insurance	3,744	–	–	3,744	–	3,744
Other	435	–	218	654	–	654
Other sales	314,755	–	218	314,973	–	314,973
Sales to external customers	383,043	14,258	1,064	398,366	–	398,366
Inter-segment sales and transfers	76	–	249	326	(326)	–
Total	383,120	14,258	1,314	398,692	(326)	398,366
Segment profit (loss)	7,719	(789)	(1,668)	5,261	(3,486)	1,774
Segment assets	63,393	3,261	21,369	88,024	57,406	145,430
Other Items						
Depreciation and amortization	6,480	32	1,087	7,600	1,752	9,352
Increase in property, plant and equipment and intangible assets	1,596	5	22	1,624	513	2,137

END