

# Consolidated Financial Statements (Japanese Accounting Standard)

November 11, 2022

(For the six months ended September 30, 2022)

Name of Company Listed: **Leopalace21 Corporation** Stock Listing: Tokyo Stock Exchange  
 Code Number: 8848 URL: <https://eg.leopalace21.co.jp> Location of Head Office: Tokyo  
 Representative: Position: President and CEO Name: Bunya Miyao  
 Name of Contact Person: Position: Director, Chief of the Corporate Management Headquarters  
 Name: Shinji Takekura Telephone: +81-50-2016-2907  
 Scheduled Date of Filing of Securities Report (Japanese only): November 14, 2022  
 Scheduled Date of Commencement of Dividend Payments: –  
 Supplemental Explanatory Material Prepared: Yes  
 Results Briefing Held: Yes (for institutional investors and security analysts)

## 1. Results for the Six Months ended September 30, 2022 (April 1, 2022 – September 30, 2022)

(1) Consolidated financial results (Amounts less than JPY 1 million are omitted)  
 (The percentage figures indicate rate of gain or loss compared with the same period in the previous fiscal year)

	Net sales		Operating profit		Recurring profit		Net income attributable to shareholders of the parent	
	JPY million	%	JPY million	%	JPY million	%	JPY million	%
Six months ended September 30, 2022	202,460	1.5	6,962	759.6	5,434	—	3,691	470.0
Six months ended September 30, 2021	199,550	(4.4)	809	—	(1,332)	—	647	—

(Note) Comprehensive income in the six months ended September 30, 2022: JPY 8,507 million (192.6%);  
 Comprehensive income in the six months ended September 30, 2020: JPY 2,907 million (—%)

	Net income per share	Diluted net income per share
	JPY	JPY
Six months ended September 30, 2022	11.22	9.11
Six months ended September 30, 2021	1.97	1.81

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	JPY million	JPY million	%
As of September 30, 2022	146,336	18,439	6.1
As of March 31, 2022	145,430	11,034	0.7

(Reference) Ownership equity as of September 30, 2022: JPY 8,983 million; as of March 31, 2022: JPY 1,068 million

## 2. Dividend Status

	Dividend per share				
	End of Q1	End of Q2	End of Q3	End of FY	Annual Total
	JPY	JPY	JPY	JPY	JPY
FY ended March 31, 2022	—	0.00	—	0.00	0.00
FY ending March 31, 2023	—	0.00	—	—	—
FY ending March 31, 2023 (Estimate)	—	—	—	0.00	0.00

(Note) Change from the latest dividend estimate: No

## 3. Consolidated Earnings Forecasts for the Fiscal Year ending March 31, 2023 (April 1, 2022 – March 31, 2023)

(The percentage figures for full fiscal year indicate rate of gain or loss compared with the previous full fiscal year.)

	Net sales		Operating profit		Recurring profit		Net income attributable to shareholders of the parent		Net income per share
	JPY million	%	JPY million	%	JPY million	%	JPY million	%	JPY
FY ending March 31, 2023	410,800	3.1	11,700	559.2	6,800	—	24,900	110.0	75.69

(Note) Change from the latest earnings forecast: No

(Notes)

- (1) Changes in major subsidiaries during the six months in the fiscal year ending March 31, 2023 (change in specific subsidiaries resulting in a change in the scope of consolidation) : Yes  
Inclusion: -, Exclusion: one, Morizou Co., Ltd.  
For details, please refer to 2. Consolidated Financial Statements and Notes (4) Notes Regarding Consolidated Financial Statements (Note regarding important change in subsidiaries for quarterly consolidated financial statements) in p.12.
- (2) Use of accounting procedures specific to the preparation of quarterly financial statements: Yes  
For details, please refer to 2. Consolidated Financial Statements and Notes (4) Notes Regarding Consolidated Financial Statements (Note regarding special accounting treatments for quarterly consolidated financial statements) in p.12.
- (3) Changes in accounting policies, procedures or reporting methods used in preparation of financial statements and restatements
  - (i) Changes in accounting policies accompanying revision of accounting standards, etc.: Yes
  - (ii) Changes in accounting policies other than (i) above: None
  - (iii) Changes in accounting estimates: None
  - (iv) Restatements: None(Note) For details please refer to 2. Consolidated Financial Statements and Notes (4) Notes Regarding Consolidated Financial Statements (Changes in accounting policies) in p.12.
- (4) Total number of outstanding shares (common stock)
  - (i) Total number of outstanding shares at term end (including treasury stock)  
As of September 30, 2022: 329,389,515 shares, As of March 31, 2022: 329,389,515 shares
  - (ii) Total treasury stock at term end  
As of September 30, 2022: 391,811 shares, As of March 31, 2022: 493,610 shares
  - (iii) Average number of outstanding shares during the period  
As of September 30, 2022: 328,951,969 shares, As of September 30, 2021: 328,881,414 shares

-Indication regarding the status of auditing:

These financial statements are not subject to auditing under the Financial Instruments and Exchange Act.

- Explanation on the proper use of the business forecasts, and other special notices:

(Note on the business forecasts and other forward-looking statements)

The business forecasts and other forward-looking statements contained in this report are based on information currently available to Leopalace21 (hereinafter the "Company") and on certain assumptions that the Company has judged to be reasonable. Readers should be aware that a variety of factors might cause actual results to differ significantly from these forecasts.

For assumptions of business forecasts and notes on the proper use of these forecasts, please refer to 1. Business Results (3) Future Predictions in p.6.

(Method for the acquisition of supplemental explanatory material)

Supplemental Explanatory Material is planned to be posted on the Company's website on November 11, 2022.

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## 1. Business Results

### (1) Analysis of Business Results

(JPY million)

	Six months ended September 30, 2022	Six months ended September 30, 2021	Difference	Percentage change
Net sales	202,460	199,550	2,910	1.5%
Cost of sales	174,505	177,603	(3,098)	(1.7)%
Operating profit (loss)	6,962	809	6,152	759.6%
Recurring profit (loss)	5,434	(1,332)	6,766	—%
Net income (loss) attributable to shareholders of the parent	3,691	647	3,043	470.0%

While the corporate earnings showed a gradual recovery in the domestic economy resulting from various policies during H1 of the fiscal year ending March 31, 2023 in the transition to a new normal society incurred by COVID-19 pandemic, the outlook remained uncertain due to global monetary tightening and other factors.

The new housing starts of leased units increased for the 19 months in a row (up 4.3% YoY). In order to secure a stable occupancy rates in the rental housing market where the number of vacant houses continues to rise due to declining population, falling birthrate and aging population, the Company believes it is important to focus on serving still growing single-person households, to supply apartments in the three metropolitan areas where high occupancy rates are expected, to maintain and enhance the value of apartments through proper maintenance, to implement sales strategies that match regional and customer characteristics, and to provide highly convenient tenant services through the promotion of DX solutions.

Under these circumstances, Leopalace21 Group (the “Group”) has been continuing structural reforms which was disclosed in June 2020, concentrating management resources on the core Leasing Business and thoroughly reviewing and reducing all costs, the Group has worked to stabilize the financial base and continuously improve profitability.

As a result, net sales for the six months ended September 30, 2022 became JPY 202,460 million, an increase of 1.5% YoY and operating profit was JPY 6,962 million, an increase of 759.6% YoY, mainly due to reduction of cost of sales of JPY 3,098 million through optimizing the cost structure. The recurring profit was JPY 5,434 million, against recurring loss of JPY 1,332 million in the previous H1, owing to recording interest expenses of JPY 2,211 million. Net income attributable to shareholders of the parent was JPY 3,691 million, an increase of 470.0% YoY, thus achieved growth both in net sales and net income.

Result by segment are as follows:

(JPY million)

	Net sales			Operating profit		
	Six months ended September 30, 2022	Six months ended September 30, 2021	Difference	Six months ended September 30, 2022	Six months ended September 30, 2021	Difference
Leasing Business	194,924	191,626	3,298	10,488	3,709	6,779
Elderly Care Business	6,953	7,253	(299)	(702)	(317)	(384)
Other Businesses	582	670	(88)	(1,224)	(692)	(531)
Adjustments	—	—	—	(1,598)	(1,889)	290
Total	202,460	199,550	2,910	6,962	809	6,152

#### (i) Leasing Business

In the Leasing Business, the Company provides abundant value-added services such as web-based integrated services which allows a customer to complete all steps from searching an apartment to signing a rental contract without the need of face-to-face meeting, promotion of the transition to smart apartments and others which enables electrical appliances and door locks to be operated via smartphone. The Company aims at stable occupancy rate by working with real estate agents and adopting sales strategies catering for the customer and region specific requirements.

The occupancy rate at the end of September 2022 was 84.00%, up 2.87 points from the same month end in the previous fiscal year, with average occupancy rate of 83.91%, up 3.22 points YoY. The demand for apartment rooms mainly in corporate segment was recovering because restrictions on economic activities are gradually eased in the wake of the slowdown impact of COVID-19 pandemic and measures such as strengthened tie with real estate agents produced positive results. The number of units under management was 564 thousand, a decrease of 3.2 thousand from the end of the previous fiscal year, and the number of leasing sales offices was 109 (no change from the end of the previous fiscal year).

As a result, net sales came to JPY 194,924 million, up 1.7% YoY due to the higher unit rent and improved occupancy rates.

Operating profit was JPY 10,488 million, up 182.8% YoY due to the higher sales and the successful efforts of contractual adjustment of master-lease rent which has been implemented since the previous fiscal year.

(ii) Elderly Care Business

The Company has been cutting the operational cost by continuous efficiency improvement for the Elderly Care Business. Net sales during the six months ended September 30, 2022 were JPY 6,953 million, down 4.1% YoY, and operating loss was JPY 702 million, an increase of loss by JPY 384 million YoY, mainly due to a decrease in the number of users for elderly care services concerning about the infection risk of COVID-19. The number of facilities was 87 as of the end of H1 in the fiscal year ending March 31, 2023.

(iii) Other Businesses

Net sales of the Other Businesses including operation of resort facilities in Guam and other businesses, were JPY 582 million, down 13.1% YoY, due to a significant decline in occupancy rates in Guam resort because of COVID-19 pandemic, and operating loss was JPY 1,224 million, an increase of loss by JPY 531 million from the same period in the previous fiscal year, because of weaker JPY and others.

## (2) Analysis of Consolidated Financial Position

(JPY million)

	September 30, 2022	March 31, 2022	Difference	Percentage change
Assets	146,336	145,430	905	0.6%
Liabilities	127,897	134,396	(6,499)	(4.8)%
Net assets	18,439	11,034	7,404	67.1%

Assets at the end of September 30, 2022 were JPY 146,336 million, an increase of JPY 905 million from the end of the previous fiscal year. This was mainly attributable to an increase of JPY 1,107 million in cash and deposits, an increase of JPY 1,771 million in building and structures (net) partly due to Guam resort facilities' value affected by weaker JPY, and an increase of JPY 1,013 million in land whereas a reduction of JPY 438 million in machinery, equipment and vehicles (net), a reduction of JPY 1,093 million in others (net) in non-current assets, and a reduction of JPY 613 million in long-term loans.

Liabilities were JPY 127,897 million, a decreased of JPY 6,499 million from the end of the previous fiscal year. This was mainly attributed to a respective reduction of JPY 1,706 million in accounts payable – other, JPY 741 million in accrued income taxes and others, JPY 1,595 million in advances received and long-term advances received, JPY 1,531 million in provision for apartment vacancy loss, and JPY 1,211 million in provision for losses related to repairs, which was partially offset by an increase of JPY 1,137 million in provision for bonus payment.

Net assets were JPY 18,439 million, an increase of JPY 7,404 million from the end of the previous fiscal year. This was mainly due to an increase of JPY 4,183 million in foreign currency transaction adjustments because of weaker JPY and the recording of JPY 3,691 million in net income attributable to shareholders of the parent, on the other hand, decrease in non-controlling interests of JPY 464 million was recorded due to payment of treasury stock purchase price and dividends to non-controlling shareholders of a consolidated subsidiary.

The equity ratio increased by 5.4 points from the end of the previous fiscal year to 6.1%.

[Cash flows]

(JPY million)

	Six months ended September 30, 2022	Six months ended September 30, 2021	Difference
Cash flows from operating activities	2,858	(8,764)	11,623
Cash flows from investing activities	1,176	6	1,170
Cash flows from financing activities	(2,380)	(2,384)	3
Balance of cash and cash equivalents	45,930	42,335	3,595

Cash flows from operating activities was a net inflow of JPY 2,858 million, in contrast to a net outflow of JPY 8,764 million. This was mainly caused by recordings of JPY 1,531 million for decrease in provision for apartment vacancy loss, JPY 837 million for decrease in accounts payable, JPY 1,597 million for decrease in advance received, JPY 2,199 million in interest paid, JPY 1,967 million in payment related to repairs and JPY 1,531 million of income taxes paid, whereas recordings of JPY 5,113 million in income before taxes and minority interests, JPY 3,588 million in depreciation, and JPY 1,147 million for increase in provision for bonus payment.

Cash flows from investing activities was a net inflow of JPY 1,176 million, an increase of JPY 1,170 million in net inflow YoY. This was mainly caused by recordings of JPY 643 million in proceeds from collection of loans and JPY 1,000 million in proceeds from withdrawal of time deposits whereas recording of JPY 516 million in payments for sales of shares in subsidiaries resulting in change in scope of consolidation.

Cash flows from financing activities was a net outflow of JPY 2,380 million, a reduction of net outflow of JPY 3 million YoY. This was mainly caused by the recordings of JPY 1,257 million in payment for finance lease liabilities and JPY 600 million in payment for purchase of treasury stock of subsidiaries, and JPY 495 million in payment of dividends to non-controlling interests.

As a result, cash and cash equivalents at the end of September 30, 2022 became JPY 45,930 million and increased by JPY 3,595 million from the end of H1 of previous fiscal year.

### (3) Future Predictions

The profit level significantly exceeded the initial forecast for H1 due to the delayed execution of apartment maintenance and system investment leading to postponed recording of related expenses. The Company however expects to incur such expenses for the rest of the fiscal year based on the initial plan, and in addition, considering the impact of COVID-19 situation and the uncertain outlook for the economic and financial markets, at this time, there are no changes to the consolidated earnings forecast for the full year announced on May 16, 2022 in the Consolidated Financial Statements (Japanese Accounting Standard) for the fiscal year ended March 31, 2022.

The Company will disclose it promptly if it becomes necessary to revise the earnings forecast in the future.

The forward-looking statement is based on the information which is available to the Company on the date of release, but actual results may differ significantly from these forecasts due to various factors.

**2. Consolidated Financial Statements and Notes**  
**(1) Consolidated Balance Sheet**

(JPY million)

	September 30, 2022	March 31, 2022
<b>&lt;Assets&gt;</b>		
<b>Current assets</b>		
Cash and deposits	46,630	45,523
Trade receivables	8,389	8,618
Accounts receivable for completed projects	363	443
Securities	–	200
Real estate for sale	479	693
Payment for construction in progress	170	213
Prepaid expenses	1,679	1,634
Others	4,938	5,090
Allowance for doubtful accounts	(2,151)	(2,255)
<b>Total current assets</b>	<b>60,499</b>	<b>60,161</b>
<b>Non-current assets</b>		
Property, plant, and equipment		
Buildings and structures (net)	20,624	18,852
Machinery, equipment, and vehicles (net)	7,095	7,534
Land	32,282	31,269
Leased assets (net)	2,285	1,976
Construction in progress	122	92
Others (net)	3,833	4,926
<b>Total property, plant, and equipment</b>	<b>66,242</b>	<b>64,652</b>
Intangible fixed assets		
Goodwill	3	6
Others	2,863	3,130
<b>Total intangible fixed assets</b>	<b>2,867</b>	<b>3,136</b>
Investments and other assets		
Investment securities	5,290	5,180
Long-term loans	512	1,126
Long-term prepaid expenses	493	577
Deferred tax assets	6,588	6,596
Others	4,685	4,914
Allowance for doubtful accounts	(843)	(914)
<b>Total investments and other assets</b>	<b>16,726</b>	<b>17,480</b>
<b>Total non-current assets</b>	<b>85,836</b>	<b>85,269</b>
<b>Total assets</b>	<b>146,336</b>	<b>145,430</b>

(JPY million)

	September 30, 2022	March 31, 2022
<b>&lt;Liabilities&gt;</b>		
<b>Current liabilities</b>		
Accounts payable	2,570	2,552
Accounts payable for completed projects	21	427
Short-term borrowings	67	53
Lease obligations	1,930	1,992
Accounts payable -other	7,416	9,123
Accrued income taxes	562	1,304
Advances received	30,517	31,733
Customer advances for projects in progress	107	268
Provision for bonus payment	1,137	–
Provision for warranty obligations on completed projects	2	7
Provision for fulfillment of guarantees	2,068	2,187
Provision for losses related to repairs	3,890	1,941
Provision for apartment vacancy loss	2,687	4,218
Others	3,611	3,732
<b>Total current liabilities</b>	<b>56,591</b>	<b>59,542</b>
<b>Non-current liabilities</b>		
Long-term debt	30,458	30,429
Lease obligations	447	569
Long-term advances received	6,772	7,151
Lease/guarantee deposits received	7,266	7,382
Deferred tax liabilities	13	11
Provision for losses related to repairs	12,985	16,145
Provision for apartment vacancy loss	1,414	1,414
Liability for retirement benefits	9,580	9,525
Others	2,366	2,222
<b>Total non-current liabilities</b>	<b>71,306</b>	<b>74,854</b>
<b>Total liabilities</b>	<b>127,897</b>	<b>134,396</b>
<b>&lt;Net assets&gt;</b>		
<b>Shareholders' equity</b>		
Common stock	100	100
Capital surplus	136,249	136,345
Retained earnings	(131,986)	(135,749)
Treasury stock	(240)	(302)
<b>Total shareholders' equity</b>	<b>4,122</b>	<b>392</b>
<b>Accumulated other comprehensive income</b>		
Net unrealized gains on other securities	(48)	(39)
Foreign currency translation adjustments	4,929	746
Remeasurements of defined benefit plans	(19)	(31)
<b>Total accumulated other comprehensive income</b>	<b>4,861</b>	<b>675</b>
<b>Share subscription rights</b>	<b>310</b>	<b>357</b>
<b>Non-controlling interests</b>	<b>9,144</b>	<b>9,608</b>
<b>Total net assets</b>	<b>18,439</b>	<b>11,034</b>
<b>Total liabilities and net assets</b>	<b>146,336</b>	<b>145,430</b>



(2) Consolidated Statement of Income and Consolidated Statement of Comprehensive Income  
Consolidated Statement of Income

(JPY million)

	Six months ended September 30, 2022 (Apr 2022–Sep 2022)	Six months ended September 30, 2021 (Apr 2021–Sep 2021)
<b>Net sales</b>	<b>202,460</b>	199,550
<b>Cost of sales</b>	<b>174,505</b>	177,603
<b>Gross profit</b>	<b>27,955</b>	21,946
<b>Selling, general and administrative expense</b>	<b>20,992</b>	21,136
<b>Operating profit (loss)</b>	<b>6,962</b>	809
<b>Non-operating income</b>		
Interest income	192	17
Dividend income	12	12
Valuation gains of investment securities	67	68
Foreign exchange gains	239	–
Equity in earnings of affiliated companies	77	–
Other	151	167
<b>Total non-operating income</b>	<b>741</b>	266
<b>Non-operating expenses</b>		
Interest expenses	2,211	2,244
Foreign exchange loss	–	92
Equity in losses of affiliated companies	–	51
Other	58	20
<b>Total non-operating expenses</b>	<b>2,269</b>	2,409
<b>Recurring profit (loss)</b>	<b>5,434</b>	(1,332)
<b>Extraordinary income</b>		
Gains on sale of property, plant and equipment	28	0
Gains on sale of investment securities	–	0
Reversal of provision for losses related to repairs	–	3,326
<b>Total extraordinary income</b>	<b>28</b>	3,326
<b>Extraordinary losses</b>		
Loss on sale of property, plant and equipment	42	–
Loss on retirement of property, plant and equipment	166	7
Loss related to repairs	113	–
Loss on sales of shares in subsidiaries	26	–
Loss on closure of offices	–	40
<b>Total extraordinary losses</b>	<b>349</b>	48
<b>Income (loss) before taxes and other adjustments</b>	<b>5,113</b>	1,945
<b>Income taxes</b>	<b>796</b>	743
<b>Net income (loss)</b>	<b>4,317</b>	1,201
<b>Net income (loss) attributable to non-controlling interests</b>	<b>626</b>	554
<b>Net income (loss) attributable to shareholders of the parent</b>	<b>3,691</b>	647

## Consolidated Statement of Comprehensive Income

(JPY million)

	Six months ended September 30, 2022 (Apr 2022–Sep 2022)	Six months ended September 30, 2021 (Apr 2021–Sep 2021)
<b>Net income (loss)</b>	<b>4,317</b>	1,201
Other comprehensive income		
Net unrealized gains on other securities	(9)	(6)
Foreign currency translation adjustments	4,191	1,683
Remeasurements of defined benefit plans	11	26
Share of other comprehensive income of entities using equity method	(3)	2
<b>Total other comprehensive income</b>	<b>4,189</b>	1,705
<b>Comprehensive income</b>	<b>8,507</b>	2,907
(Breakdown)		
Comprehensive income attributable to shareholders of the parent	7,876	2,352
Comprehensive income attributable to non-controlling interests	630	555

**(3) Consolidated Statement of Cash Flows**

(JPY million)

	Six months ended September 30, 2022 (Apr 2022–Sep 2022)	Six months ended September 30, 2021 (Apr 2021–Sep 2021)
<b>Cash flows from operating activities</b>		
Income (loss) before taxes and minority interests	5,113	1,945
Depreciation	3,588	4,847
Increase (decrease) in provision for losses related to repairs	–	(3,326)
Loss related to repairs	113	–
Amortization of goodwill	3	3
Increase (decrease) in provision for bonus payment	1,147	–
Increase (decrease) in provision for doubtful accounts	(217)	(419)
Increase (decrease) in liability for retirement benefits	97	(65)
Increase (decrease) in provision for apartment vacancy loss	(1,531)	(2,512)
Interest and dividend income	(205)	(30)
Interest expense	2,211	2,244
Foreign exchange loss (gain)	(239)	92
Equity in losses (earnings) of affiliated companies	(77)	51
Loss (gain) on sale of property, plant and equipment	13	(0)
Write-offs of property, plant and equipment	166	7
Loss (gain) from evaluation of investment securities	(67)	(68)
Loss (gain) from sale of investment securities	–	(0)
Loss (gain) from sale of shares in subsidiaries	26	–
Decrease (increase) in accounts receivable	298	(397)
Decrease (increase) in real estate for sale	296	3
Decrease (increase) in work in process	13	43
Decrease (increase) in long-term prepaid expenses	187	294
Increase (decrease) in accounts payable	(837)	(3,502)
Increase (decrease) in customer advances for projects in progress	154	(199)
Increase (decrease) in advances received	(1,597)	(3,876)
Increase (decrease) in guarantee deposits received	(102)	226
Increase (decrease) in accrued consumption taxes	(20)	(146)
Other	(186)	293
Subtotal	8,349	(4,492)
Interest and dividends received	208	32
Interest paid	(2,199)	(2,230)
Payment related to repairs	(1,967)	(1,619)
Income taxes paid	(1,531)	(455)
<b>Net cash provided by operating activities</b>	<b>2,858</b>	<b>(8,764)</b>

(JPY million)

	Six months ended September 30, 2022 (Apr 2022–Sep 2022)	Six months ended September 30, 2021 (Apr 2021–Sep 2021)
<b>Cash flows from investing activities</b>		
Payment for purchase of property, plant and equipment	(192)	(682)
Proceeds from sale of property, plant and equipment	156	0
Payment for purchase of intangible assets	(144)	(522)
Payment for purchase of investment securities	(17)	(26)
Proceeds from sale of investment securities	144	1,180
Proceeds from sale of shares in affiliated companies	213	–
Payment for sale of shares in subsidiaries resulting in change in scope of consolidation	(516)	–
Payment for loans	(11)	(19)
Proceeds from collection of loans	643	53
Payment for deposit of time deposits	(200)	–
Proceeds from withdrawal of time deposits	1,000	–
Other	102	24
<b>Net cash provided by (used in) investing activities</b>	<b>1,176</b>	<b>6</b>
<b>Cash flows from financing activities</b>		
Repayment of long-term debt	(28)	(41)
Payment for finance lease liabilities	(1,257)	(1,751)
Payment for purchase of treasury stock	(0)	–
Payment for purchase of treasury stock of subsidiaries	(600)	–
Payment of dividends to non-controlling interests	(495)	(590)
Proceeds from exercise of stock options	0	0
<b>Net cash provided by (used in) financing activities</b>	<b>(2,380)</b>	<b>(2,384)</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>367</b>	<b>131</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>2,021</b>	<b>(11,010)</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>44,023</b>	<b>53,346</b>
Decrease in cash and cash equivalents on exclusion from consolidation	(114)	–
<b>Cash and cash equivalents at end of period</b>	<b>45,930</b>	<b>42,335</b>

#### (4) Notes Regarding Consolidated Financial Statements

(Note regarding the premise of the Company as a going concern)

There are no relevant items.

(Note related to the significant changes in the amount of shareholders equity)

There are no relevant items.

(Note regarding important change in subsidiaries for quarterly consolidated financial statements)

The Company transferred all the shares in Morizou Co., Ltd., a specified subsidiary during Q2 in the consolidated fiscal year ending March 31, 2023. The Company included Morizou Co., Ltd in the scope of consolidation up to Q2 in the consolidated fiscal year ending March 31, 2023.

(Note regarding special accounting treatments for quarterly consolidated financial statements)

(Calculation of tax expenses)

Tax expenses are calculated by rationally estimating the effective tax rate after applying tax effect accounting to income before income taxes and other adjustments for the consolidated fiscal year ending March 31, 2023 including the Q2, and multiplying income before income taxes and other adjustments for H1 by the said estimated effective tax rate. However, if the calculation of tax expenses using such estimated effective tax rate would significantly lack rationality, the statutory effective tax rate is used.

(Changes in accounting policies)

(Application of Accounting Standard for Fair Value Measurement)

The Company adopted the new accounting policy stipulated by the "Guidance on Accounting Standard for Measurement of Fair Value" (ASBJ Guidance No. 31, June 17, 2021, hereinafter the "Guidance") from the beginning of Q1 of the fiscal year ending March 31, 2023. The Company determined to apply the new accounting policy prescribed by the Guidance prospectively in accordance with the transitional treatment prescribed in Section 27-2 of the Guidance. This change has no impact on the quarterly consolidated financial statements.

(Segment Information)

**I. Six months ended September 30, 2022 (April 1, 2022 – September 30, 2022)**

**(i) Information on net sales, profit or loss by reportable segment and breakdown of net sales**

(JPY million)

	Reportable segments				Adjustments (Note 1)	Amount stated in Consolidated Statement of Income (Note 2)
	Leasing Business	Elderly Care Business	Other Businesses	Total		
Net sales						
Rent income	149,186	–	–	149,186	–	149,186
Ancillary service income	21,612	–	–	21,612	–	21,612
Maintenance	17,938	–	–	17,938	–	17,938
Rent guarantee	2,152	–	–	2,152	–	2,152
Company housing agency fee	407	–	–	407	–	407
Roof lease solar power generation	1,653	–	–	1,653	–	1,653
Construction subcontracting	1,060	–	–	1,060	–	1,060
Other	162	6,953	582	7,698	–	7,698
Sales from contracts with customer	194,173	6,953	582	201,710	–	201,710
Furniture insurance	750	–	–	750	–	750
Other sales	750	–	–	750	–	750
Sales to customers	194,924	6,953	582	202,460	–	202,460
Inter-segment sales and transfers	35	–	128	163	(163)	–
Total	194,959	6,953	711	202,624	(163)	202,460
Segment profit (or loss)	1,0488	(702)	(1,224)	8,561	(1,598)	6,962

Note 1: Adjustment of JPY (1,598) million in segment profit (or loss) includes inter-segment elimination of JPY 85 million and corporate expenses of JPY (1,684) million which have not been divided into each segment. Corporate expenses consist mainly of general administrative expenses for administrative departments that are not part of reportable segments.

Note 2: Segment profit (or loss) have been adjusted to the operating profit on the Consolidated Statement of Income

II. Six months ended September 30, 2021 (April 1, 2021 – September 30, 2021)

(i) Information on net sales, profit or loss by reportable segment and breakdown of net sales

(JPY million)

	Reportable segments				Adjustments (Note 1)	Amount stated in Consolidated Statement of Income (Note 2)
	Leasing Business	Elderly Care Business	Other Businesses	Total		
Net sales						
Rent income	139,930	–	–	139,930	–	139,930
Ancillary service income	26,863	–	–	26,863	–	26,863
Maintenance	17,631	–	–	17,631	–	17,631
Rent guarantee	2,256	–	–	2,256	–	2,256
Company housing agency fee	393	–	–	393	–	393
Roof lease solar power generation	1,628	–	–	1,628	–	1,628
Construction subcontracting	1,636	–	–	1,636	–	1,636
Other	263	7,253	670	8,187	–	8,187
Sales from contracts with customer	190,604	7,253	670	198,529	–	198,529
Furniture insurance	1,021	–	–	1,021	–	1,021
Other sales	1,021	–	–	1,021	–	1,021
Sales to customers	191,626	7,253	670	199,550	–	199,550
Inter-segment sales and transfers	38	–	113	152	(152)	–
Total	191,664	7,253	784	199,702	(152)	199,550
Segment profit (or loss)	3,709	(317)	(692)	2,699	(1,889)	809

Note 1: Adjustment of JPY (1,889) million in segment profit (or loss) includes inter-segment elimination of JPY 76 million and corporate expenses of JPY (1,965) million which have not been divided into each segment. Corporate expenses consist mainly of general administrative expenses for administrative departments that are not part of reportable segments.

Note 2: Segment profit (or loss) have been adjusted to the operating profit on the Consolidated Statement of Income

(Significant subsequent events)

Following a resolution in Board of Directors on August 26, 2022, the Company implemented an absorption-type company split in which the rights and obligations relating to 40 facilities, excluding 22 fee-based nursing homes, of the Company's Elderly Care Business is succeeded to by the Company's wholly owned subsidiary, Azu Life Care, Inc. (hereinafter "Azu Life Care")

1. Outline of the transaction

(1) Name of the business and description

Name of the business: Elderly Care Business

Description: Nursing care for the aged

(2) Effective date of the company-split and business combination

November 1, 2022

(3) Legal form of the company-split and business combination

The Company will be the splitting company and Azu Life Care will be the succeeding company in the absorption-type company split.

(4) Name of the company as a result of business combination

Azu Life Care, Inc.

(5) Other matters related to the outline of the transaction

(i) Purpose of the transaction

In the environment surrounding the nursing care industry, the number of people requiring nursing care is increasing due to the super aging society, and the related market is expanding. On the other hand, combined with the increase in the number of facilities and the difficulty in recruiting caregivers, competition among companies in the industry is intensifying.

In this environment, the purpose of this transfer is to establish a flexible organizational structure to provide better services to customers in a timely manner by integrating businesses and accelerating decision-making.

(ii) Details of allocation of shares in the transaction

Since the absorption-type company split will be conducted between the Company and its wholly owned subsidiary, no shares or other consideration will be allocated upon the company split.

2. Overview of the accounting treatment

The transaction will be accounted as a transaction under the common control based on “Accounting Standard for Business Combinations” and “Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures”.