

Consolidated Financial Statements (Japanese Accounting Standard)

May 12, 2023

(For the fiscal year ended March 31, 2023)

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 the Ordinary General Shareholders' Meeting: June 29, 2023
 Scheduled Date of Filing of Securities Report (Japanese only): June 29, 2023
 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 Fiscal Year Ended March 2023 (April 1, 2022 – March 31, 2023)

(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	%
FY ended March 31, 2023	406,449	2.0	9,879	456.7	6,526	—	19,810	67.1
FY ended March 31, 2022	398,366	(2.6)	1,774	—	(2,151)	—	11,854	—

(Note) Comprehensive income in the fiscal year ended March 31, 2023: JPY 23,996 million (56.4 %);
 Comprehensive income in the fiscal year ended March 31, 2022: JPY 15,348 million (— %)

	Net income per share	Diluted net income per share	Return on equity	Recurring income / Total capital	Operating profit / Net sales
	JPY	JPY			
FY ended March 31, 2023	60.22	48.20	157.3	4.2	2.4
FY ended March 31, 2022	36.04	32.23	—	(1.4)	0.4

(Reference) Share of profit of entities accounted for using equity method in the fiscal year ended March 31, 2023: JPY 14 million
 Share of loss of entities accounted for using equity method in the fiscal year ended March 31, 2022: JPY (162) million

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Equity per share
	JPY million	JPY million	%	JPY
As of March 31, 2023	166,548	32,922	14.5	73.29
As of March 31, 2022	145,430	11,034	0.7	3.25

(Reference) Ownership equity as of March 31, 2023: JPY 24,115 million; as of March 31, 2022: JPY 1,068 million

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of year
	JPY Million	JPY Million	JPY Million	JPY Million
FY ended March 31, 2023	10,545	906	(2,819)	52,860
FY ended March 31, 2022	(4,460)	886	(5,886)	44,023

2. Dividend Status

	Dividend per share					Total cash dividends (annual)	Dividend payout ratio (consolidated)	Dividend on Equity ratio (consolidated)
	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	—	0.00	0.00	—	—	—
FY ended March 31, 2023 (Estimate)	—	0.00	—	0.00	0.00			

3. Consolidated Earnings Forecasts for the Fiscal Year ending March 31, 2024 (April 1, 2023 – March 31, 2024)

(The percentage figures for full fiscal year indicate rate of gain or loss compared with the previous full fiscal year; those for the six-month period represent the change compared with the same period in the previous 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
Six months ending September 30, 2023	209,100	3.3	8,000	14.9	5,700	4.9	4,500	21.9	13.68
FY ending March 31, 2024	419,800	3.3	13,900	40.7	9,400	44.0	7,400	(62.6)	22.49

(Notes)

(1) Changes in major subsidiaries during the fiscal year ended March 31, 2023 (change in specific subsidiaries resulting in a change in the scope of consolidation) : Yes

Addition: —; Exclusion: three, Name of the company: Morizou Co., Ltd., LEOPALACE21 PHILIPPINES INC., Leoplace21 (Thailand) CO., LTD.

(Note) For details, please refer to 3. Consolidated Financial Statements and Notes (5) Notes Regarding Consolidated Financial Statements (Note regarding change in major subsidiaries in the fiscal year ended March 31, 2023) in p.16.

(2) 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: No

(iii) Changes in accounting estimates: No

(iv) Restatements: No

(Note) For details please refer to 3. Consolidated Financial Statements (5) Notes Regarding Consolidated Financial Statements (Changes in accounting policies) in p.16 of the attached material.

(3) Total number of outstanding shares (common stock)

(i) Total number of outstanding shares at term end (including treasury stock)

As of March 31, 2023: 329,389,515 shares, As of March 31, 2022: 329,389,515 shares

(ii) Total treasury stock at term end

As of March 31, 2023: 335,211 shares, As of March 31, 2022: 493,610 shares

(iii) Average number of outstanding shares during the period

As of March 31, 2023: 328,995,828 shares, As of March 31, 2022: 328,888,640 shares

(Reference) Summary of Non-Consolidated Financial Statements

1. Results of the Fiscal Year Ended March 2023 (April 1, 2022 – March 31, 2023)

(1) Non-consolidated financial results (The percentage figures indicate rate of gain or loss compared with the previous FY)

	Net sales		Operating profit		Recurring profit		Net income	
	JPY million	%	JPY million	%	JPY million	%	JPY million	%
FY ended March 31, 2023	391,259	2.2	11,254	374.8	9,121	—	22,695	59.2
FY ended March 31, 2022	382,822	(2.5)	(2,370)	—	(1,050)	—	14,251	—

	Net income per share		Diluted net income per share	
	JPY		JPY	
FY ended March 31, 2023	68.98		55.22	
FY ended March 31, 2022	(43.33)		38.75	

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Equity per share
	JPY Million	JPY Million	%	JPY
As of March 31, 2023	153,612	24,454	15.7	73.45
As of March 31, 2022	132,842	2,979	2.0	7.97

(Reference) Ownership equity as of March 31, 2023: JPY 24,170 million; as of March 31, 2022: JPY 2,621 million.

2. Earnings Forecast for Fiscal Year Ending March 2024

(The percentage figures for full fiscal year indicate rate of gain or loss compared with the previous full fiscal year; those for the six-month period represent the change compared with the same period in the previous fiscal year.)

	Net sales		Recurring profit		Net income attributable to shareholders of the parent		Net income per share
	JPY million	%	JPY million	%	JPY million	%	JPY
Six months ending September 30, 2023	199,000	1.7	5,200	(22.2)	5,100	(0.6)	15.50
FY ending March 31, 2024	400,000	2.2	9,000	(1.3)	9,000	(60.3)	27.35

– 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 (4) Future Predictions in p.7.

(Method for the acquisition of supplemental explanatory material)

Supplemental Explanatory Material is planned to be posted on the Company’s website on May 12, 2023.

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1. Business Results

(1) Analysis of Business Results

(JPY million)

	FY ended March 31, 2023	FY ended March 31, 2022	Difference	Percentage change
Net sales	406,449	398,366	8,082	2.0%
Operating profit (loss)	9,879	1,774	8,104	456.7%
Recurring profit (loss)	6,526	(2,151)	8,678	—%
Net income (loss) attributable to shareholders of the parent	19,810	11,854	7,956	67.1%

While restrictions on activities associated with the COVID-19 pandemic have eased and economic activities have normalized, the outlook for the Japan's economy remained uncertain due to soaring energy prices and raw material prices and other factors.

The new housing starts of leased units increased for two years in a row (up 5.0% year on year). 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 implement sales strategies that match regional and customer characteristics, to maintain and enhance the value of apartments through proper maintenance, 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 fiscal year ended March 31, 2023 became JPY 406,449 million, an increase of 2.0% year on year, and operating profit was JPY 9,879 million, an increase of 456.7% year on year, due to the reduction of cost of sales and SG&A expenses. Recurring profit was JPY 6,526, which was compared with JPY (2,151) million for the previous fiscal year, mainly due to interest payment of JPY 4,370 million.

Net income attributable to shareholders of the parent was JPY 19,810 million, an increase of 67.1% year on year, caused by the recording of income taxes-deferred (profit) of JPY 18,538 million due to buildup of deferred tax assets despite the recording of loss related to repairs of JPY 2,544 million due to soaring material prices and an increase in the ratio of subcontracted repair work to eliminate obvious defects by the end of 2024.

Result by segment are as follows:

(JPY million)

	Net sales			Operating profit (loss)		
	FY ended March 31, 2023	FY ended March 31, 2022	Difference	FY ended March 31, 2023	FY ended March 31, 2022	Difference
Leasing Business	391,438	383,043	8,394	16,887	7,719	9,167
Elderly Care Business	13,941	14,258	(317)	(1,208)	(789)	(418)
Other Businesses	1,069	1,064	5	(2,706)	(1,668)	(1,038)
Adjustments	—	—	—	(3,092)	(3,486)	394
Total	406,449	398,366	8,082	9,879	1,774	8,104

(i) Leasing Business

In the Leasing Business, the Company aims at stable occupancy rate and higher profitability by implementing various measures: providing abundant value-added services such as web-based integrated services which allows a customer 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 which enables electrical appliances and door locks to be operated by smartphone; further developing corporate customers; working with real estate agents; adopting sales strategies catering for the customer and region specific requirements; and unit rent increase.

The occupancy rate at the end of March 2023 was 88.83% (up 3.73 points from the end of the previous fiscal year) with average occupancy rate of 84.66% (up 3.44 points year on year). The demand recovery for apartment rooms mainly from corporate customers due to the slowdown impact of COVID-19 pandemic and various occupancy rate boosting measures produced positive results. The number of units under management at the end of March 2023 was 561 thousand (down 6,000 from the end of the previous fiscal year). The number of direct leasing sales offices at the end of March 2023 was 109 (no change from the end of the previous fiscal year).

As a result, net sales came to JPY 391,438 million, up 2.2% year on year due to the higher unit rent and improved occupancy rates. Operating profit was increased to JPY 16,887 million, up 118.8% year on year, mainly due to the effect of increased profitability resulting from successful contractual adjustment of master-lease rent with the apartment owners.

(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 fiscal year ended March 2023 were JPY 13,941 million (down 2.2% year on year), and operating loss was JPY 1,208 million (an increased loss of JPY 418 million year on year) 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 the fiscal year ended March 2023.

(iii) Other Businesses

Net sales of the Other Businesses including resort facilities in Guam and others, were JPY 1,069 million (up 0.5% year on year due to weaker JPY) and operating loss was JPY 2,706 million (an increased loss of JPY 1,038 million year on year) mainly due to continuous a significant decline in occupancy rates in Guam.

(2) Analysis of Consolidated Financial Position

(JPY million)

	March 31, 2023	March 31, 2022	Difference	Percentage change
Assets	166,548	145,430	21,117	14.5%
Liabilities	133,625	134,396	(770)	(0.6)%
Net assets	32,922	11,034	21,888	198.4%

Assets at the end of March 31, 2023 increased by JPY 21,117 million from the end of the previous fiscal year to JPY 166,548 million. This was mainly attributable to an increase of JPY 8,037 million in cash and deposits, and JPY 18,556 million in deferred tax assets, despite a reduction of JPY 937 million in machinery equipment and vehicles (net), reduction of JPY 2,209 in others (net) in property, plant, and equipment, and increase of JPY 1,635 million in allowance for doubtful accounts.

Total liabilities decreased by JPY 770 million from the end of the previous fiscal year to JPY 133,625 million. This was mainly attributed to the decrease of following items; JPY 852 million in accrued income taxes, JPY 1,583 million in provision for fulfillment of guarantees, JPY 503 million in provision for losses related to repairs, and decrease of JPY 2,042 million in provision for apartment vacancy loss, despite increase of JPY 2,699 million in accounts payable – other and increase of JPY 1,648 million in advances received and long-term advances received.

Net assets were JPY 32,922 million, an increase of JPY 21,888 million from the end of the previous fiscal year. This was mainly due to an increase of JPY 3,371 million in foreign currency translation adjustments and the recording of JPY 19,810 million in net income attributable to shareholders of the parent, on the other hand, decrease in non-controlling interests of JPY 1,086 million was recorded due to payment of treasury stock purchase price and dividend payment to non-controlling shareholders of a consolidated subsidiary. The equity ratio improved by 13.8 points from the end of the previous fiscal year to 14.5%.

(3) Analysis of Cash Flows Position

Cash flows from operating activities was a net inflow of JPY 10,545 million, which was compared with a net outflow of JPY 4,460 million in the previous fiscal year. This was mainly due to a recording of JPY 2,874 million in income before taxes and other adjustments, JPY 6,570 million in depreciation, JPY 2,544 million in loss related to repairs, and increase of JPY 1,680 million in advances received, whereas JPY 2,042 million for the reduction of provision for apartment vacancy loss, JPY 4,371 million in interest paid, and JPY 3,337 million in payment related to repairs were recorded.

Cash flows from investing activities were a net inflow of JPY 906 million, an increase of JPY 20 million in net inflow year on year. This was mainly due to proceeds from collection of loans receivable of JPY 700 million and proceeds from withdrawal of time deposits (net) of JPY 800 million, while there was an outflow of JPY 711 million from sales of investments in subsidiaries resulting from change in scope of consolidation.

Cash flows from financing activities were a net outflow of JPY 2,819 million, a decrease of JPY 3,067 million in net outflow year on year. This was mainly due to JPY 741 million of expenditure in repayment of finance lease obligations, JPY 990 million of expenditure in payment for purchased treasury stock by a consolidated subsidiary, and JPY 972 million of expenditure in payment of dividends to a non-controlling shareholder.

As a result, cash and cash equivalents at the end of the fiscal year ended March 2023 became JPY 52,860 million, increased by JPY 8,837 million from the end of the previous fiscal year.

(Reference) Trends in cash flow indicators

	FY ended March 31, 2019	FY ended March 31, 2020	FY ended March 31, 2021	FY ended March 31, 2022	FY ended March 31, 2023
Equity ratio (%)	27.7	0.7	(5.3)	0.7	15.0
Market price based equity ratio (%)	18.5	33.0	31.1	45.7	70.5
Ratio of cash flows to interest-bearing debt (year)	—	—	—	—	3.1
Interest coverage ratio	—	—	—	—	2.4

Equity ratio: Total shareholders' equity combined with total accumulated other comprehensive income / total assets

Market price based equity ratio: Market capitalization / total assets

Ratio of cash flow to interest-bearing debt: Interest-bearing debt / cash flows

Interest coverage ratio: Cash flows / interest paid

(Note 1) Ratios are calculated based on consolidated financial data.

(Note 2) Market capitalization is calculated as closing price at the end of the fiscal year multiplied by shares outstanding at the end of the fiscal year (excluding treasury stock).

(Note 3) Cash flows are cash flows from operating activities from the Consolidated Statements of Cash Flows. Interest-bearing debt is all of the debt noted on the Consolidated Balance Sheets on which interest is being paid.

(Note 4) Ratio of cash flows to interest-bearing debt and interest coverage ratio for FY ended March 2019 till FY ended March 2022 are omitted, because cash flows from operating activities were negative.

(4) Future Prospects

Looking ahead, the Company expects occupancy rates to continue to increase as a base, but the supply of new apartments is limited and the impact of rising energy prices and material prices is expected. The Company will therefore strive to secure a stable earnings structure and financial base for renewed growth and resumption of dividend payments by strategic investment while improving profitability through increased unit rent prices and continuation of lean operating structure.

As for the consolidated earnings forecasts for the fiscal year ending March 31, 2024, the Company plans to have net sales of JPY 419,800 million, an increase of 3.3% year on year, operating profit of JPY 13,900 million, an increase of 40.7% year on year, recurring profit of JPY 9,400 million, an increase of 44.0% year on year, and net income attributable to shareholders of the parent of JPY 7,400 million, a reduction of 62.6% year on year.

This 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. Basic Approach to Selection of Accounting Standards

The Group prepares consolidated financial statements according to the Japanese accounting standards in consideration of comparability in terms of the period of consolidated financial statements and comparability among companies.

As for the application of the International Financial Reporting Standards (IFRS), the Company will take the appropriate actions in light of the change in the ratio of foreign shareholders and movements of other companies in the same industry in Japan, among other factors.

3. Consolidated Financial Statements and Notes

(1) Consolidated Balance Sheets

(JPY million)

	March 31, 2023	March 31, 2022
<Assets>		
Current assets		
Cash and deposits	53,560	45,523
Trade receivables	8,121	8,618
Accounts receivable for completed projects	432	443
Securities	—	200
Real estate for sale	273	693
Payment for construction in progress	159	213
Raw materials and supplies	775	405
Prepaid expenses	1,320	1,634
Other accounts receivable	710	730
Others	4,425	3,954
Allowance for doubtful accounts	(3,027)	(2,255)
Total current assets	66,752	60,161
Non-current assets		
Property, plant, and equipment		
Buildings and structures (net)	60,829	56,173
Accumulated depreciation	(41,663)	(37,321)
Net	19,165	18,852
Machinery, equipment, and vehicles (net)	21,071	20,794
Accumulated depreciation	(14,474)	(13,260)
Net	6,596	7,534
Land	31,220	31,269
Leased assets (net)	21,921	26,461
Accumulated depreciation	(20,375)	(24,485)
Net	1,546	1,976
Construction in progress	119	92
Others (net)	16,960	18,483
Accumulated depreciation	(14,243)	(13,557)
Net	2,716	4,926
Total property, plant, and equipment	61,364	64,652
Intangible fixed assets		
Goodwill	—	6
Others	2,612	3,130
Total intangible fixed assets	2,612	3,136
Investments and other assets		
Investment securities	5,384	5,180
Long-term loans	510	1,126
Bad debts	249	267
Long-term prepaid expenses	422	577
Deferred tax assets	25,152	6,596
Others	5,877	4,647
Allowance for doubtful accounts	(1,778)	(914)
Total investments and other assets	35,819	17,480
Total non-current assets	99,796	85,269
Total assets	166,548	145,430

(JPY million)

	March 31, 2023	March 31, 2022
<Liabilities>		
Current liabilities		
Accounts payable	2,549	2,552
Accounts payable for completed projects	34	427
Short-term borrowings	59	53
Lease obligations	2,006	1,992
Accounts payable –other	11,822	9,123
Accrued income taxes	451	1,304
Advances received	34,134	31,733
Customer advances for projects in progress	144	268
Provision for warranty obligations on completed projects	4	7
Provision for fulfillment of guarantees	603	2,187
Provision for losses related to repairs	6,053	1,941
Provision for apartment vacancy loss	–	4,218
Others	3,860	3,732
Total current liabilities	61,724	59,542
Non-current liabilities		
Long-term debt	30,359	30,429
Lease obligations	406	569
Long-term advances received	6,399	7,151
Lease/guarantee deposits received	7,548	7,382
Provision for losses related to repairs	11,530	16,145
Deferred tax liabilities	13	11
Provision for apartment vacancy loss	3,590	1,414
Liability for retirement benefits	9,714	9,525
Others	2,339	2,222
Total non-current liabilities	71,901	74,854
Total liabilities	133,625	134,396
<Net assets>		
Shareholders' equity		
Common stock	100	100
Capital surplus	136,240	136,345
Retained earnings	(116,006)	(135,749)
Treasury stock	(205)	(302)
Total shareholders' equity	20,128	392
Accumulated other comprehensive income		
Net unrealized gains on other securities	(97)	(39)
Foreign currency translation adjustments	4,117	746
Remeasurements of defined benefit plans	(32)	(31)
Total accumulated other comprehensive income	3,986	675
Share subscription rights	284	357
Non-controlling interests	8,522	9,608
Total net assets	32,922	11,034
Total liabilities and net assets	166,548	145,430

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

(JPY million)

	FY ended March 31, 2023 (Apr 2022–Mar 2023)	FY ended March 31, 2022 (Apr 2021–Mar 2022)
Net sales		
Sales from Leasing Business	391,438	383,043
Sales from Other Businesses	15,011	15,322
Total net sales	406,449	398,366
Cost of sales		
Cost of sales from Leasing Business	336,132	336,339
Cost of sales from Other Businesses	17,031	15,950
Total cost of sales	353,163	352,289
Gross profit	53,285	46,077
Selling, general and administrative expense		
Advertising expenses	2,674	2,718
Sales commission expense	2,380	2,328
Provision of allowance for doubtful accounts	919	2,202
Directors' compensation	290	302
Salary and bonuses	16,737	14,960
Retirement benefit cost	1,112	1,263
Rent expense	2,069	2,517
Depreciation and amortization	965	2,079
Taxes and public charges	4,328	4,530
Other	11,928	11,399
Total selling, general, and administrative expenses	43,406	44,302
Operating profit	9,879	1,774
Non-operating income		
Interest income	227	34
Dividend income	72	65
Valuation gains of investment securities	129	129
Foreign exchange gains	386	1
Share of profit of entities accounted for using equity method	14	—
Employment adjustment subsidy	15	242
Other	364	354
Total non-operating income	1,210	827
Non-operating expenses		
Interest expenses	4,370	4,474
Share of loss of entities accounted for using equity method	—	162
Other	192	117
Total non-operating expenses	4,563	4,754
Recurring profit (loss)	6,526	(2,151)
Extraordinary income		
Gains on sale of property, plant and equipment	29	120
Gains on sale of investment securities	—	0
Gain on liquidation of subsidiaries	45	—
Reversal of provision for losses related to repairs	—	11,959
Total extraordinary income	75	12,080

Extraordinary losses		
Loss on sale of property, plant and equipment	44	–
Loss on retirement of property, plant and equipment	181	45
Impairment loss	830	118
Loss related to repairs	2,544	–
Loss on sale of subsidiary stock	153	–
Loss on closure of offices	–	69
Total extraordinary losses	3,754	234
Income (loss) before taxes and other adjustments	2,847	9,693
Income taxes	702	1,444
Income taxes-deferred	(18,538)	(4,401)
Total income taxes	(17,835)	(2,956)
Net income (loss)	20,682	12,650
Net income (loss) attributable to non-controlling interests	872	795
Net income (loss) attributable to shareholders of the parent	19,810	11,854

Consolidated Statement of Comprehensive Income

(JPY million)

	FY ended March 31, 2023 (Apr 2022–Mar 2023)	FY ended March 31, 2022 (Apr 2021–Mar 2022)
Net income (loss)	20,682	12,650
Other comprehensive income		
Net unrealized gains on other securities	(58)	(38)
Foreign currency translation adjustments	3,377	2,623
Remeasurements of defined benefit plans	(1)	111
Share of other comprehensive income of entities using equity method	(3)	1
Total other comprehensive income	3,314	2,697
Comprehensive income	23,996	15,348
(Breakdown)		
Comprehensive income attributable to shareholders of the parent	23,121	14,550
Comprehensive income attributable to non-controlling interests	875	798

(3) Consolidated Statements of Changes in Net Assets

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

(JPY Million)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total
Balance at the previous year-end	100	136,345	(135,749)	(302)	392
Change in the fiscal year					
Net income attributable to shareholders of parent			19,810		19,810
Acquisition of treasury stock				(0)	(0)
Disposal of treasury stock		(24)		97	72
Change in the scope of consolidation			(67)		(67)
Change in share of parent from transactions with non-controlling interests		(80)			(80)
Changes in items other than shareholders' equity (net)					
Total change in the FY	–	(105)	19,743	97	19,735
Balance at the current year-end	100	136,240	(116,006)	(205)	20,128

	Accumulated other comprehensive income				Share subscription rights	Non-controlling interests	Total net assets
	Net unrealized gains on "other securities"	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total			
Balance at the previous year-end	(39)	746	(31)	675	357	9,608	11,034
Change in the fiscal year							
Net income attributable to shareholders of parent							19,810
Acquisition of treasury stock							(0)
Disposal of treasury stock							72
Change in the scope of consolidation							(67)
Change in share of parent from transactions with non-controlling interests							(80)
Changes in items other than shareholders' equity (net)	(58)	3,371	(1)	3,311	(72)	(1,086)	2,152
Total change in the FY	(58)	3,371	(1)	3,311	(72)	(1,086)	21,888
Balance at the current year-end	(97)	4,117	(32)	3,986	284	8,522	32,922

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

(JPY Million)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total
Balance at the previous year-end	81,282	55,174	(142,586)	(344)	(6,474)
Cumulative effect due to change in accounting policy			(4,963)		(4,963)
Balance at the previous year-end reflecting the change in accounting policy	81,282	55,174	(147,550)	(344)	(11,438)
Change in the fiscal year					
Capital reduction	(81,182)	81,182			—
Net income attributable to shareholders of parent			11,854		11,854
Disposal of treasury stock		(10)		41	30
Change in the scope of consolidation			(53)		(53)
Change in share of parent from transactions with non-controlling interests		(1)			(1)
Changes in items other than shareholders' equity (net)					
Total change in the FY	(81,182)	81,170	11,800	41	11,830
Balance at the current year-end	100	136,345	(135,749)	(302)	392

	Accumulated other comprehensive income				Share subscription rights	Non-controlling interests	Total net assets
	Net unrealized gains on "other securities"	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total			
Balance at the previous year-end	(0)	(1,877)	(142)	(2,019)	388	11,383	3,277
Cumulative effect due to change in accounting policy							(4,963)
Balance at the previous year-end reflecting the change in accounting policy	(0)	(1,877)	(142)	(2,019)	388	11,383	(1,686)
Change in the fiscal year							
Capital reduction							—
Net income attributable to shareholders of parent							11,854
Disposal of treasury stock							30
Change in the scope of consolidation							(53)
Change in share of parent from transactions with non-controlling interests							(1)
Changes in items other than shareholders' equity (net)	(38)	2,623	111	2,695	(30)	(1,774)	890
Total change in the FY	(38)	2,623	111	2,695	(30)	(1,774)	12,721
Balance at the current year-end	(39)	746	(31)	675	357	9,608	11,034

(4) Consolidated Statements of Cash Flows

(JPY Million)

	FY ended March 31, 2023 (Apr 2022–Mar 2023)	FY ended March 31, 2022 (Apr 2021–Mar 2022)
Cash flows from operating activities		
Income (loss) before taxes and other adjustments	2,847	9,693
Depreciation	6,570	9,352
Impairment loss	830	118
Reversal of reserve for losses related to repairs	–	(11,959)
Loss related to repairs	2,544	–
Amortization of goodwill	7	7
Increase (decrease) in allowance for doubtful accounts	84	2,355
Increase (decrease) in liability for retirement benefits	201	(14)
Increase (decrease) in provision for apartment vacancy loss	(2,042)	(6,629)
Interest and dividend income	(299)	(100)
Interest expense	4,370	4,474
Foreign exchange loss (gain)	(386)	(1)
Equity in losses (earnings) of affiliated companies	(14)	162
Loss (gain) on sale of property, plant and equipment	15	(120)
Loss on retirement of property, plant and equipment	181	45
Loss (gain) from valuation of investment securities	(129)	(129)
Loss (gain) from sale of investment securities	–	(0)
Loss (gain) on sale of shares in subsidiaries	153	–
Loss (gain) on liquidation of subsidiaries	(45)	–
Decrease (increase) in accounts receivable	498	(523)
Decrease (increase) in real estate for sale in progress	508	2
Decrease (increase) in payment for construction in progress	24	25
Decrease (increase) in long-term prepaid expenses	327	535
Increase (decrease) in accounts payable	873	(1,029)
Increase (decrease) in customer advances for projects in progress	191	(272)
Increase (decrease) in advances received	1,680	(2,188)
Increase (decrease) in guarantee deposits received	246	701
Increase (decrease) in accrued consumption taxes	88	121
Other	181	(2,023)
Subtotal	19,509	2,603
Interest and dividends received	298	105
Interest paid	(4,371)	(4,455)
Payment related to repairs	(3,337)	(2,172)
Income taxes paid	(1,553)	(541)
Net cash provided by operating activities	10,545	(4,460)

(JPY Million)

	FY ended March 31, 2023 (Apr 2022–Mar 2023)	FY ended March 31, 2022 (Apr 2021–Mar 2022)
Cash flows from investing activities		
Purchase of property, plant and equipment	(377)	(705)
Proceeds from sale of property, plant and equipment	513	1,458
Payment for purchase of intangible assets	(233)	(781)
Payment for purchase of investment securities	(229)	(313)
Proceeds from sale of investment securities	182	1,180
Payment for purchase of shares in subsidiaries and affiliates	(5)	–
Proceeds from sale of shares in subsidiaries and affiliates	225	–
Proceeds from liquidation of subsidiaries	63	–
Payment for sale of shares in subsidiaries pertaining to change in scope of consolidation	(711)	–
Payment for loans	(24)	(31)
Proceeds from collection of loans	700	73
Payment for deposit of fixed deposits	(700)	–
Proceeds from withdrawal of fixed deposits	1,500	17
Other	2	(10)
Net cash provided by (used in) investing activities	906	886
Cash flows from financing activities		
Repayment of long-term debt	(115)	(75)
Repayment of finance lease obligations	(741)	(3,239)
Payment for purchased treasury stock	(0)	–
Payment for purchased treasury stock by a consolidated subsidiary,	(990)	(1,400)
Payment for acquisition of shares in subsidiaries not pertaining to change in scope of consolidation	–	(0)
Payment of dividends to a non-controlling shareholder	(972)	(1,171)
Proceeds from exercise of stock options	0	0
Net cash provided by (used in) financing activities	(2,819)	(5,886)
Effect of exchange rate changes on cash and cash equivalents	318	220
Net increase (decrease) in cash and cash equivalents	8,951	(9,240)
Cash and cash equivalents at beginning of period	44,023	53,346
Decrease in cash and cash equivalents on exclusion from consolidation	(114)	(82)
Cash and cash equivalents at end of period	52,860	44,023

(5) Notes Regarding Consolidated Financial Statements

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

There are no relevant items.

(Note regarding change in major subsidiaries in the fiscal year ended March 31, 2023)

The Company transferred its whole shares in Morizou Co., Ltd, a specified subsidiary, in Q2 of the consolidated fiscal year ended March 31, 2023. The Company excluded Morizou Co., Ltd. from the scope of consolidation starting from Q3 in the consolidated fiscal year ending March 31, 2023.

LEOPALACE21 PHILIPPINES INC., which was a specified subsidiary of the Company, was excluded from the scope of consolidation in Q4 of the fiscal year ended March 31, 2023 due to the sale of all shares in the subsidiary.

In addition, Leopalace21 (Thailand) CO., LTD. was excluded from the scope of consolidation in Q1 of the consolidated fiscal year ended March 31, 2023 due to its decreased importance. The liquidation was completed in the Q4 of the consolidated fiscal year ended in March 31, 2023 and it is no longer a specified subsidiary of the Company.

(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 the fiscal year ended 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 consolidated financial statements.

(Segment Information)

(1) Overview of Reportable Segment

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

There are three reportable segments: Leasing Business, Elderly Care Business, and Other Businesses.

Leasing Business operations comprise the leasing and management of apartment buildings and other properties, maintenance work, internet service, rent obligation guarantee, company residence agency business, solar power generation business, small-amount short-term insurance business, real estate brokerage business.

Elderly Care Business operates elderly care facilities. Other Businesses operate mainly Guam resort facilities.

(2) Calculation Method for Sales, Profit or Loss, Assets, Liabilities and other Items by Reportable Segment

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

(3) Net sales, Profit or loss, Assets and Liabilities and Other Items by Reportable Segment

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

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	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 (or 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

Note 1: Breakdown of adjustments is as follows.

Segment profit or loss (JPY Million)

	FY ended March 31, 2023	FY ended March 31, 2022
Inter-segment eliminations	201	153
Corporate expenses*	(3,293)	(3,639)
Total	(3,092)	(3,486)

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

Segment assets (JPY Million)

	FY ended March 31, 2023	FY ended March 31, 2022
Surplus operating funds, long-term investment capital, and assets which do not belong to reportable segments	83,096	57,406

Increase in property, plant and equipment, and intangible fixed assets (JPY Million)

	FY ended March 31, 2023	FY ended March 31, 2022
Capital investments which do not belong to reportable segments	61	513

Note 2: Segment profit or loss is adjusted to the operating profit or loss on the Consolidated Statement of Income

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

Information on net sales including breakdown, profit or loss, liabilities and other items by reportable segment

(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	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

(Related Information)

Fiscal Year ended March 2023 (April 1, 2022 – March 31, 2023)

1. Information by product and service

As the Company disclosed the information by segment, the Company left out the information by product and service.

2. Information by country/region

(1) Sales

As the sales to customers amounted more than 90% of the total sales on the consolidated statement of income, the Company left out the description.

(2) Non-current Assets

(JPY Million)

Japan	US Territory of Guam	Others	Total
39,572	21,761	30	61,364

3. Information by major customer

As there are no customers to whom the sales accounts for more than 10% of the total sales on the consolidated statement of income, the Company left out the description of related matters.

Fiscal Year ended March 2022 (April 1, 2021 – March 31, 2022)

1. Information by product and service

As the Company disclosed the information by segment, the Company left out the information by product and service.

2. Information by country/region

(1) Sales

As the sales to customers amounted more than 90% of the total sales on the consolidated statement of income, the Company left out the description.

(2) Non-current Assets

(JPY Million)

Japan	US Territory of Guam	Others	Total
44,212	20,331	108	64,652

3. Information by major customer

As there are no customers to whom the sales accounts for more than 10% of the total sales on the consolidated statement of income, the Company left out the description of related matters.

(Information related to the impairment losses on non-current assets by reportable segment)

Fiscal Year ended March 2023 (April 1, 2022 – March 31, 2023)

(JPY Million)

	Leasing Business	Elderly Care Business	Other Businesses	Segment Total/Adjustments	Total
Impairment losses	380	2	447	–	830

Fiscal Year ended March 2022 (April 1, 2021 – March 31, 2022)

(JPY Million)

	Leasing Business	Elderly Care Business	Other Businesses	Segment Total/Adjustments	Total
Impairment losses	115	3	–	–	118

(Information related to the amortization of goodwill and balance of goodwill by reportable segment)

Fiscal Year ended March 2023 (April 1, 2022 – March 31, 2023)

(JPY Million)

	Leasing Business	Elderly Care Business	Other Businesses	Segment Total/Adjustments	Total
Amortization of goodwill	7	–	–	–	7
Unamortized balance of goodwill	–	–	–	–	–

Fiscal Year ended March 2022 (April 1, 2021 – March 31, 2022)

(JPY Million)

	Leasing Business	Elderly Care Business	Other Business	Segment Total/Adjustments	Total
Amortization of goodwill	7	–	–	–	7
Unamortized balance of goodwill	6	–	–	–	6

(Information related to the gain on negative goodwill by reportable segment)

Fiscal Year ended March 2023 (April 1, 2022 – March 31, 2023) and Fiscal Year ended March 2022 (April 1, 2021 – March 31, 2022)

There is no relevant information.

(Information per share)

	FY ended March 31, 2023 (Apr 2022 – Mar 2023)	FY ended March 31, 2022 (Apr 2021 – Mar 2022)
Net assets per share	JPY 73.29	JPY 3.25
Net income or loss per share	JPY 60.22	JPY 36.04
Diluted net income per share	JPY 48.20	JPY 32.23

(Note) The basis for calculation for net income per share and diluted net income per share is as follows:

	FY ended March 31, 2023 (Apr 2022 – Mar 2023)	FY ended March 31, 2022 (Apr 2021 – Mar 2022)
Net income per share		
Net income or loss attributable to shareholders of the parent (JPY million)	19,810	11,854
Amount not attributable to common stock (JPY million)	–	–
Net income or loss attributable to shareholders of the parent for common stock (JPY million)	19,810	11,854
Basic weighted-average shares during the fiscal year (thousands of shares)	328,995	328,888
Diluted net income per share		
Net income adjustment attributable to shareholders of the parent (JPY million)	–	–
Increase of common stock (thousands of shares)	82,014	38,927
Dilutive securities without dilutive effects and excluded from calculation of diluted net income per share	–	–

(Significant subsequent event)

Capital Reserve Reduction and Appropriation of Other Capital Surplus

The Board of Directors has decided on May 12, 2023 to submit a proposal on capital reserve reduction and appropriation of other capital surplus to the 50th Ordinary General Shareholders' Meeting which is scheduled for June 29, 2023.

1. Purpose of Capital Reserve Reduction and Appropriation of Other Capital Surplus

The Company has come to record a deficit of JPY 106,847,975,571 in retained earnings carried forward at the end of the fiscal year ended March 31, 2023.

The Company therefore intends to eliminate the deficit in retained earnings carried forward by reducing the amount of capital reserve and appropriating other capital surplus as described below, as well as to ensure a flexible and agile capital policy going forward and a structure that will enable the Company to resume dividend payments as soon as possible.

2. Details of Capital Reserve Reduction

Capital reserve of JPY 51,235,265,165 will be reduced by JPY 41,235,265,165 and the same amount will be transferred to other capital surplus and the amount of capital reserve after reduction will be JPY 10,000,000,000*, in accordance with Article 448, Paragraph 1 of the Companies Act.

* If the stock acquisition rights issued by the Company are exercised by the effective date, the amount of capital reserve increased by such exercise will not be subject to reduction, and the amount of capital reserve after the reduction may not be the said amount.

3. Details of Appropriation of Other Capital Surplus

Subject to the condition that the capital reserve reduction in item 2 above becomes effective, JPY 106,847,975,571 of other capital surplus after the transfer in accordance with item 2 above will be reduced and transferred to retained earnings carried forward to compensate for the deficit, pursuant to Article 452 of the Companies Act. As a result, the amount of retained earnings carried forward after the transfer based on March 31, 2023 will be JPY 0.

(1) Accounting Item and Amount of Surplus To Be Reduced

Other capital surplus JPY 106,847,975,571

(2) Accounting Item and Amount of Surplus To Be Increased

Retained earnings carried forward JPY 106,847,975,571

4. Schedule for Capital Reserve Reduction and Appropriation of Other Capital Surplus

- (1) May 12, 2023 Date of approval at the Board of Directors
- (2) June 26, 2023 (planned) Final date for creditors to file objections
- (3) June 29, 2023 (planned) Date of resolution at the Ordinary General Shareholders' Meeting
- (4) June 29, 2023 (planned) Effective date

5. Outlook

These transactions are accounting transfers within the net assets section, and consequently, the Company's net assets will remain unchanged and will not affect business results. The matter is subject to approval at the 50th Ordinary General Shareholders' Meeting to be held on June 29, 2023.