

Consolidated Financial Statements (Japanese Accounting Standard)

November 10, 2023

(For the six months ended September 30, 2023)

Name of Company Listed: **Leopalace21 Corporation** Stock Listing: Tokyo Stock Exchange
 Code Number: 8848 URL: <https://www.leopalace21.co.jp/english> Location of Head Office: Tokyo
 Representative: Position: President and CEO Name: Bunya Miyao
 Name of Contact Person: Position: Director, Executive Officer and Chief of the Corporate Management Headquarters
 Name: Shinji Takekura Telephone: +81-50-2016-2907
 Scheduled Date of Filing of Securities Report (Japanese only): November 13, 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 Six Months ended September 30, 2023 (April 1, 2023 – September 30, 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 last 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, 2023	211,848	4.6	14,828	113.0	13,111	141.3	11,850	221.0
Six months ended September 30, 2022	202,460	1.5	6,962	759.6	5,434	—	3,691	470.0

(Note) Comprehensive income in the six months ended September 30, 2023: JPY 14,532 million (70.8%)
 Comprehensive income in the six months ended September 30, 2022: JPY 8,507 million (192.6%)

	Net income per share	Diluted net income per share
	JPY	JPY
Six months ended September 30, 2023	36.47	28.51
Six months ended September 30, 2022	11.22	9.11

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	JPY million	JPY million	%
As of September 30, 2023	170,726	42,965	20.3
As of March 31, 2023	166,548	32,922	14.5

(Reference) Ownership equity as of September 30, 2023: JPY 34,574 million; as of March 31, 2023: JPY 24,115 million

2. Dividend Status

	Dividend per share				
	End of Q1	End of Q2	End of Q3	End of FY	Annual
	JPY	JPY	JPY	JPY	JPY
FY ended March 31, 2023	—	0.00	—	0.00	0.00
FY ending March 31, 2024	—	0.00			
FY ending March 31, 2024 (Estimate)			—	0.00	0.00

(Note) Change from the latest dividend estimate: No

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.)

	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, 2024	421,700	3.8	18,100	83.2	14,100	116.0	12,000	(39.4)	36.93

(Notes) Change from the latest earnings forecasts: Yes

(Notes)

- (1) Changes in major subsidiaries in the six months ended September 30, 2023 in the consolidated fiscal year (change in specific subsidiaries resulting in a change in the scope of consolidation) : Yes
Inclusion: —, Exclusion: two, ASPENN INVESTMENTS PTE. LTD. and another company
(Note) For details, please refer to 2. Consolidated Financial Statements and Notes (4) Notes Regarding Consolidated Financial Statements (Changes in major subsidiaries in the six months ended September 30, 2023 in the consolidated fiscal year) in p.12.
- (2) Application of accounting methods specific to the preparation of quarterly consolidated financial statements: Yes
(Note) For details, please refer to 2. Consolidated Financial Statements and Notes (4) Notes Regarding Consolidated Financial Statements (Application of accounting methods specific to the preparation of 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.: No
 - (ii) Changes in accounting policies other than (i) above: No
 - (iii) Changes in accounting estimates: No
 - (iv) Restatements: No
- (4) Total number of outstanding shares (common stock)
 - (i) Total number of outstanding shares at term end (including treasury stock)
As of September 30, 2023: 329,389,515 shares, As of March 31, 2023: 329,389,515 shares
 - (ii) Total treasury stock at term end
As of September 30, 2023: 11,694,361 shares, As of March 31, 2023: 335,211 shares
 - (iii) Average number of outstanding shares during the term
As of September 30, 2023: 324,911,385 shares, As of September 30, 2022: 328,951,969 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 10, 2023.

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1. Business Results

(1) Analysis of Business Results

(JPY million)

	Six months ended September 30, 2023	Six months ended September 30, 2022	Difference	Percentage change
Net sales	211,848	202,460	+9,387	+4.6%
Gross profit (ratio)	35,768 (16.9%)	27,955 (13.8%)	+7,812	+27.9% (+3.1p)
Operating profit (ratio)	14,828 (7.0%)	6,962 (3.4%)	+7,865	+113.0% (+3.6p)
EBITDA (Operating profit + Depreciation)	17,301	10,551	+6,750	+64.0%
Recurring profit (loss)	13,111	5,434	+7,677	+141.3%
Net income (loss) attributable to shareholders of the parent	11,850	3,691	+8,158	+221.0%

Although it is necessary to pay attention to the effects of rising prices due to soaring energy and raw material prices and other factors, the economy remained in a state of gradual recovery under improving employment and income conditions during H1 of the consolidated fiscal year ending March 2024.

The number of new housing starts for rental market declined by 0.4% YoY and the number of vacant houses continues to increase in the rental housing market. In order to ensure a stable occupancy rate amid the difficulty of increased vacant houses due to the declining population, falling birthrate, and aging population, the Company believes it is important to target single-person households, which are expected to continue to increase; implement sales strategies that match regional and customer characteristics; keep and increase property values through appropriate maintenance; and provide highly convenient tenant services in order to attract customers through offering DX solutions.

Under these circumstances, Leopalace21 group (the "Group") has worked to stabilize its earnings structure and financial base by focusing on optimizing costs through selective concentration, while strengthening profitability by increasing occupancy rates and unit rent.

As a result, the Group's consolidated net sales for H1 of the fiscal year ending March 2024 increased by 4.6% YoY to JPY 211,848 million due to increased rent and improved occupancy rate. Operating profit was JPY 14,828 million increased by 113.0% YoY due to improved profitability from declined cost of rent payment to the apartment owners and curbed SG&A expenses, despite higher restoration cost of the rental properties and increased maintenance cost. Recurring profit was JPY 13,111 million, an increase of 141.3%, due to the recording of JPY 2,199 million in interest expenses. Net income attributable to shareholders of the parent was JPY 11,850 million, an increase of 221.0% YoY. It was a second consecutive year to record increased net sales and increased net income attributable to shareholders of the parent.

EBITDA for H1 of the current fiscal year increased by 64.0% to JPY 17,301 million.

Results by segment are as follows:

(JPY million)

	Net sales			Operating profit		
	Six months ended September 30, 2023	Six months ended September 30, 2022	Difference	Six months ended September 30, 2023	Six months ended September 30, 2022	Difference
Leasing Business	204,106	194,924	+9,182	18,122	10,488	+7,634
Elderly Care Business	7,124	6,953	+170	(301)	(702)	+400
Other Businesses	617	582	+34	(1,165)	(1,224)	+59
Adjustments	—	—	—	(1,827)	(1,598)	(229)
Total	211,848	202,460	+9,387	14,828	6,962	+7,865

(i) Leasing Business

In Leasing Business, the Company has been striving to secure stable occupancy rates through various measures. They included online contract conclusion that allows everything from room search to contract signing without face-to-face meetings, promotion of smart apartments which enables electrical appliances and door locks to be operated with a smartphone, establishing a position of the brains behind the company-leased housing for corporate customers, strengthening relationship with real estate agents, and implementing detailed sales strategies tailored to the specific characteristics and requirements of each client and area. The Company has been trying to improve profitability by reviewing unit rents and others as well.

The occupancy rate at the end of the period was 85.62% (up 1.62 points from the end of the same period of the previous fiscal year), with the average occupancy rate of 86.33% (up 2.42 points YoY). This was due to the gradual recovery in demand by corporate customers which had been restrained by COVID-19 pandemic and the Company's various successful measures. The number of units under management was 558 thousand, a reduction of 2.7 thousand units 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 for H1 of the fiscal year ending March 2024 increased by 4.7% YoY to JPY 204,106 million due to elevated unit

rent and an improved occupancy rate. Operating profit was JPY 18,122 million, a growth of 72.8% YoY, due to the increased revenue and improved profitability resulting from the favorable cost structure.

(ii) Elderly Care Business

In Elderly Care Business, due to efforts of various revenue boosting measures and continued cost control, net sales increased by 2.5% YoY to JPY 7,124 million and operating loss amounted to JPY 301 million, a reduction of loss by JPY 400 million YoY.

The number of facilities as of the end of H1 of the current consolidated fiscal year was 85, a reduction of 2 from the end of the previous fiscal year.

(iii) Other Businesses

Other Businesses segment, which includes the operation of Guam resort facilities, reported net sales of JPY 617 million (up 6.0% YoY due to weaker JPY) and operating loss of JPY 1,165 million, a reduction of loss by JPY 59 million YoY due to weaker JPY. The result was caused by the continued sluggish occupancy rate of Guam resort facilities amid the reduced number of visitors to Guam which did not reach the level prior to COVID-19 pandemic.

(2) Analysis of Consolidated Financial Position

(JPY million)

	September 30, 2023	March 31, 2023	Difference	Percentage change
Assets	170,726	166,548	+4,177	+2.5%
Liabilities	127,760	133,625	(5,864)	(4.4)%
Net assets	42,965	32,922	+10,042	+30.5%
Equity ratio	20.3%	14.5%	—	+5.8p

Assets at the end of H1 of the fiscal year ending March 2024 were JPY 170,726 million, an increase of JPY 4,177 million from the end of the previous fiscal year. This was mainly due to an increase of JPY 5,261 million in cash and deposits, an increase of JPY 662 million in buildings and structures (net), and JPY 614 million in land, whereas trade receivables reduced by JPY 753 million, others (net) in property, plant, and equipment reduced by JPY 850 million and others in intangible fixed assets reduced by JPY 1,031 million.

Total liabilities amounted to JPY 127,760 million, a reduction of JPY 5,864 million from the end of the previous fiscal year. This was mainly due to decreases of JPY 645 million in lease obligations, JPY 2,041 million in accounts payable-other, JPY 2,736 million in advances received and long-term advances received, and JPY 1,478 million in provision for losses related to repairs, whereas increase of JPY 1,822 million was recorded for provision for bonus payment.

Total net assets increased by JPY 10,042 million from the end of the previous fiscal year to JPY 42,965 million. This was mainly due to an increase of JPY 3,408 million in treasury stock due to acquisition of treasury stock since July 2023, an increase of JPY 2,042 million in foreign currency transaction adjustments due to depreciating JPY and an increase of JPY 11,850 million in net income attributable to shareholders of the parent.

The equity ratio increased to 20.3%, a 5.8 points increase from the end of the previous fiscal year.

[Cash flows]

(JPY million)

	Six months ended September 30, 2023	Six months ended September 30, 2022	Difference
Cash flows from operating activities	10,620	2,858	+7,762
Cash flows from investing activities	(423)	1,176	(1,599)
Cash flows from financing activities	(5,021)	(2,380)	(2,640)
Balance of cash and cash equivalents	58,122	45,930	+12,191
Free cash flow*	10,197	4,035	+6,162

* Free cash flow = Cash flows from operating activities + Cash flows from investing activities

Cash flows from operating activities was a net inflow of JPY 10,620 million, an increase of JPY 7,762 million YoY. This was mainly caused by recordings of JPY 12,801 million in income before taxes and other adjustments, JPY 2,473 million in depreciation, JPY 1,822 million in provision for bonus payment, whereas decrease of JPY 2,736 in advance received, JPY 2,176 million of interest expense, and JPY 2,214 million in payment related to repairs.

Cash flows from investing activities was a net outflow of JPY 423 million, which was compared to a net inflow of JPY 1,176 million in the same period of the previous fiscal year. This was mainly caused by the net outflow of JPY 514 million due to payment for deposit of time deposits and proceeds from withdrawal of time deposits.

Cash flows from financing activities was a net outflow of JPY 5,021 million, an increase of net outflow of JPY 2,640 million YoY. This was mainly caused by the recordings of JPY 572 million in repayment of finance lease liabilities, JPY 3,466 million in payment for purchased treasury stock, JPY 490 million in payment for acquisition of treasury stock in consolidated subsidiaries from a non-controlling shareholder, and JPY 462 million in payment of dividends to non-controlling shareholder.

As a result, cash and cash equivalents as of September 30, 2023 became JPY 58,122 million and increased by JPY 12,191 million from

the end of H1 of previous fiscal year.

Free cash flow as of September 30, 2023 became JPY 10,197 million and increased by JPY 6,162 million from the end of H1 of previous fiscal year.

(3) Explanation of Consolidated Earnings Forecasts and Other Forward-Looking Statements

The Company decided on the following revision of earnings forecasts considering the recent performance trends, comparing with the previous earnings forecasts which were announced on May 12, 2023 in the Consolidated Financial Statements (Japanese Accounting Standard) for the fiscal year ended March 31, 2023. For details please refer to the announcement dated November 10, 2023 in “Notice Concerning Differences between Earnings Forecasts and Actual Results for the First Half, and Revisions of Earnings Forecasts for FY2023.”

Revision to earnings forecasts for the full fiscal year ending March 31, 2024 (April 1, 2023 – March 31, 2024)

	Net sales	Operating profit	Recurring profit	Net income attributable to shareholders of the parent	Net income per share
Previous forecast (A)	JPY million 419,800	JPY million 13,900	JPY million 9,400	JPY million 7,400	JPY 22.49
Revised forecast (B)	421,700	18,100	14,100	12,000	36.93
Amount change (B – A)	1,900	4,200	4,700	4,600	
Percentage change (%)	0.5	30.2	50.0	62.2	
(Reference) Results for the fiscal year ended March 31, 2023	406,449	9,879	6,526	19,810	60.22

This forward-looking statement is based on the information which is available 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 Sheets

(JPY million)

	September 30, 2023	March 31, 2023
<Assets>		
Current assets		
Cash and deposits	58,822	53,560
Trade receivables	7,368	8,121
Accounts receivable for completed projects	489	432
Real estate for sale	152	273
Payment for construction in progress	186	159
Prepaid expenses	1,681	1,320
Others	6,029	5,911
Allowance for doubtful accounts	(2,779)	(3,027)
Total current assets	71,949	66,752
Non-current assets		
Property, plant, and equipment		
Buildings and structures (net)	19,827	19,165
Machinery, equipment, and vehicles (net)	6,178	6,596
Land	31,835	31,220
Leased assets (net)	1,236	1,546
Construction in progress	186	119
Others (net)	1,865	2,716
Total property, plant, and equipment	61,130	61,364
Intangible fixed assets		
Others	1,581	2,612
Total intangible fixed assets	1,581	2,612
Investments and other assets		
Investment securities	5,399	5,384
Long-term loans	504	510
Long-term prepaid expenses	365	422
Deferred tax assets	25,143	25,152
Others	7,568	6,126
Allowance for doubtful accounts	(2,916)	(1,778)
Total investments and other assets	36,065	35,819
Total non-current assets	98,776	99,796
Total assets	170,726	166,548

(JPY million)

	September 30, 2023	March 31, 2023
<Liabilities>		
Current liabilities		
Accounts payable	2,780	2,549
Accounts payable for completed projects	30	34
Short-term borrowings	–	59
Lease obligations	465	1,155
Accounts payable -other	10,631	12,673
Accrued income taxes	378	451
Advances received	31,733	34,134
Customer advances for projects in progress	87	144
Provision for bonus payment	1,822	–
Provision for warranty obligations on completed projects	9	4
Provision for fulfillment of guarantees	712	603
Provision for losses related to repairs	7,233	6,053
Others	3,594	3,860
Total current liabilities	59,480	61,724
Non-current liabilities		
Long-term debt	30,000	30,359
Lease obligations	319	275
Long-term advances received	6,064	6,399
Lease/guarantee deposits received	7,181	7,548
Deferred tax liabilities	–	13
Provision for losses related to repairs	8,871	11,530
Provision for apartment vacancy loss	3,590	3,590
Liability for retirement benefits	9,823	9,714
Others	2,429	2,470
Total non-current liabilities	68,280	71,901
Total liabilities	127,760	133,625
<Net assets>		
Shareholders' equity		
Common stock	100	100
Capital surplus	29,376	136,240
Retained earnings	2,655	(116,006)
Treasury stock	(3,614)	(205)
Total shareholders' equity	28,517	20,128
Accumulated other comprehensive income		
Net unrealized gains on other securities	(76)	(97)
Foreign currency translation adjustments	6,159	4,117
Remeasurements of defined benefit plans	(26)	(32)
Total accumulated other comprehensive income	6,056	3,986
Share subscription rights	242	284
Non-controlling interests	8,148	8,522
Total net assets	42,965	32,922
Total liabilities and net assets	170,726	166,548

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

(JPY million)

	Six months ended September 30, 2023 (Apr 2023–Sep 2023)	Six months ended September 30, 2022 (Apr 2022–Sep 2022)
Net sales	211,848	202,460
Cost of sales	176,080	174,505
Gross profit	35,768	27,955
Selling, general and administrative expense	20,940	20,992
Operating profit (loss)	14,828	6,962
Non-operating income		
Interest income	21	192
Dividend income	12	12
Valuation gains of investment securities	55	67
Foreign exchange gains	270	239
Share of profit of entities accounted for using equity method	–	77
Gains on redemption of deposit	93	–
Other	193	151
Total non-operating income	648	741
Non-operating expenses		
Interest expenses	2,199	2,211
Share of loss of entities accounted for using equity method	76	–
Other	87	58
Total non-operating expenses	2,364	2,269
Recurring profit (loss)	13,111	5,434
Extraordinary income		
Gains on sale of property, plant and equipment	2	28
Gains on sale of shares in subsidiaries	593	–
Gains on liquidation of subsidiaries	4	–
Total extraordinary income	601	28
Extraordinary losses		
Loss on sale of property, plant and equipment	–	42
Loss on retirement of property, plant and equipment	36	166
Impairment loss	26	–
Loss related to repairs	588	113
Loss on sale of shares in subsidiaries	–	26
Loss on closure of offices	259	–
Total extraordinary losses	911	349
Income (loss) before taxes and other adjustments	12,801	5,113
Income taxes	341	796
Net income (loss)	12,460	4,317
Net income (loss) attributable to non-controlling interests	610	626
Net income (loss) attributable to shareholders of the parent	11,850	3,691

Consolidated Statement of Comprehensive Income

(JPY million)

	Six months ended September 30, 2023 (Apr 2023–Sep 2023)	Six months ended September 30, 2022 (Apr 2022–Sep 2022)
Net income (loss)	12,460	4,317
Other comprehensive income		
Net unrealized gains on other securities	20	(9)
Foreign currency translation adjustments	2,044	4,191
Remeasurements of defined benefit plans	6	11
Share of other comprehensive income of entities using equity method	–	(3)
Total other comprehensive income	2,071	4,189
Comprehensive income	14,532	8,507
(Breakdown)		
Comprehensive income attributable to shareholders of the parent	13,920	7,876
Comprehensive income attributable to non-controlling interests	612	630

(3) Consolidated Statement of Cash Flows

(JPY million)

	Six months ended September 30, 2023 (Apr 2023–Sep 2023)	Six months ended September 30, 2022 (Apr 2022–Sep 2022)
Cash flows from operating activities		
Income (loss) before taxes and minority interests	12,801	5,113
Depreciation	2,473	3,588
Impairment loss	26	–
Loss related to repairs	588	113
Loss on closure of offices	259	–
Amortization of goodwill	–	3
Increase (decrease) in provision for bonus payment	1,822	1,147
Increase (decrease) in provision for doubtful accounts	999	(217)
Increase (decrease) in liability for retirement benefits	119	97
Increase (decrease) in provision for apartment vacancy loss	–	(1,531)
Interest and dividend income	(33)	(205)
Interest expense	2,199	2,211
Foreign exchange loss (gain)	(270)	(239)
Equity in losses (earnings) of affiliated companies	76	(77)
Loss (gain) on sale of property, plant and equipment	(2)	13
Loss on retirement of property, plant and equipment	36	166
Loss (gain) from evaluation of investment securities	(55)	(67)
Loss (gain) from sale of shares in subsidiaries	(593)	26
Loss (gain) from liquidation of subsidiaries	(4)	–
Decrease (increase) in accounts receivable	614	298
Decrease (increase) in real estate for sale	131	296
Decrease (increase) in work in process	(26)	13
Decrease (increase) in long-term prepaid expenses	105	187
Increase (decrease) in accounts payable	(902)	(837)
Increase (decrease) in customer advances for projects in progress	(56)	154
Increase (decrease) in advances received	(2,736)	(1,597)
Increase (decrease) in guarantee deposits received	(382)	(102)
Increase (decrease) in accrued consumption taxes	65	(20)
Other	(1,979)	(186)
Subtotal	15,275	8,349
Interest and dividends received	170	208
Interest paid	(2,176)	(2,199)
Payment related to repairs	(2,214)	(1,967)
Income taxes paid	(434)	(1,531)
Net cash provided by operating activities	10,620	2,858

(JPY million)

	Six months ended September 30, 2023 (Apr 2023–Sep 2023)	Six months ended September 30, 2022 (Apr 2022–Sep 2022)
Cash flows from investing activities		
Payment for purchase of property, plant and equipment	(102)	(192)
Proceeds from sale of property, plant and equipment	3	156
Payment for purchase of intangible assets	(27)	(144)
Payment for purchase of investment securities	–	(17)
Proceeds from sale of investment securities	2	144
Payment for acquisition of shares in subsidiaries and affiliates	(84)	–
Proceeds from sale of shares in subsidiaries and affiliates	–	213
Proceeds from liquidation of subsidiaries	7	–
Payment for sale of shares in subsidiaries resulting in change in scope of consolidation	(85)	(516)
Payment for loans	(2)	(11)
Proceeds from collection of loans	42	643
Payment for deposit of time deposits	(714)	(200)
Proceeds from withdrawal of time deposits	200	1,000
Other	338	102
Net cash provided by (used in) investing activities	(423)	1,176
Cash flows from financing activities		
Repayment of long-term debt	(30)	(28)
Payment for finance lease liabilities	(572)	(1,257)
Payment for purchase of treasury stock	(3,466)	(0)
Payment for purchase of treasury stock of subsidiaries	(490)	(600)
Payment of dividends to non-controlling interests	(462)	(495)
Proceeds from exercise of stock options	0	0
Net cash provided by (used in) financing activities	(5,021)	(2,380)
Effect of exchange rate changes on cash and cash equivalents	85	367
Net increase (decrease) in cash and cash equivalents	5,261	2,021
Cash and cash equivalents at beginning of period	52,860	44,023
Decrease in cash and cash equivalents on exclusion from consolidation	–	(114)
Cash and cash equivalents at end of period	58,122	45,930

(4) Notes Regarding Consolidated Financial Statements

(Notes 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)

The Company reduced capital reserve by JPY 41,235 million and transferred the same amount to other capital surplus in accordance with Article 448, Paragraph (1) of the Companies Act, under the approval of the 50th Ordinary General Shareholders' Meeting held on June 29, 2023. Other capital surplus was reduced by JPY 106,847 million and the same amount was transferred to retained earnings carried forward to eliminate the deficit pursuant to Article 452 of the Companies Act.

As a result, capital surplus became JPY 29,376 million and retained earnings became JPY 2,655 million at the end of H1 of the fiscal year ending March 31, 2024. These transactions are accounting transfers within shareholders' equity, and consequently there was no impact on total shareholders' equity.

Treasury stock amounted to JPY (3,614) million as of September 30, 2023, mainly due to JPY 3,466 million of share buyback based on a resolution of the Board of Directors meeting held on July 5, 2023.

(Changes in major subsidiaries in the six months ended September 30, 2023 in the consolidated fiscal year)

The Company transferred the whole shares of ASPENN INVESTMENTS PTE. LTD., which were held by LEOPALACE21 SINGAPORE PTE. LTD. a consolidated subsidiary of the Company. Consequently ASPENN INVESTMENTS PTE. LTD. and its subsidiary were excluded from the scope of consolidation.

(Application of accounting methods specific to the preparation of 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 H1 of the consolidated fiscal year ending March 31, 2024, 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 be significantly unreasonable, the statutory effective tax rate is used.

(Segment Information)

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

Six months ended September 30, 2023 (April 1, 2023 – September 30, 2023)

(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	158,108	–	–	158,108	–	158,108
Ancillary service income	22,743	–	–	22,743	–	22,743
Maintenance	17,702	–	–	17,702	–	17,702
Rental guarantee	2,203	–	–	2,203	–	2,203
Company housing agency fee	452	–	–	452	–	452
Roof lease solar power generation	1,604	–	–	1,604	–	1,604
Construction contracting	401	–	–	401	–	401
Other	103	7,124	617	7,845	–	7,845
Sales from contracts with customer	203,320	7,124	617	211,062	–	211,062
Furniture insurance	785	–	–	785	–	785
Other sales	785	–	–	785	–	785
Sales to customers	204,106	7,124	617	211,848	–	211,848
Inter-segment sales and transfers	12	–	142	155	(155)	–
Total	204,118	7,124	760	212,003	(155)	211,848
Segment profit (loss)	18,122	(301)	(1,165)	16,655	(1,827)	14,828

Note 1: The segment profit (loss) adjustments of JPY (1,827) million includes JPY 121 million in eliminated inter-segment transactions and JPY (1,949) million in corporate expenses that are not allocated to any reportable segment. Corporate expenses mainly consist of general and administrative expenses related to administrative departments that do not belong to any reportable segment.

Note 2: Segment profit (loss) is adjusted with operating profit on the Consolidated Statements of Income.

(ii) Information on impairment loss of non-current assets by reportable segment

In the Leasing Business segment, the book value of assets for lease that was decided to be sold was reduced to the recoverable amount, and the amount of the reduction was recorded as impairment loss of JPY 26 million under extraordinary losses. Impairment loss of JPY 14 million related to the office closure was included in loss on closure of offices under extraordinary losses.

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

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

(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
Rental 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 (loss)	10,488	(702)	(1,224)	8,561	(1,598)	6,962

Note 1: The segment profit (loss) adjustments of JPY (1,598) million includes JPY 85 million in eliminated inter-segment transactions and JPY (1,684) million in corporate expenses that are not allocated to any reportable segment. Corporate expenses mainly consist of general and administrative expenses related to administrative departments that do not belong to any reportable segment.

Note 2: Segment profit (loss) is adjusted with operating profit on the Consolidated Statements of Income.