

Consolidated Financial Statements (Japanese Accounting Standard)

February 9, 2024

(For the nine months ended December 31, 2023)

Name of Company Listed: **Leopalace21 Corporation** Stock Listing: Tokyo Stock Exchange
 Code Number: 8848 URL: <https://www.leopalace21.co.jp/english>
 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: 050-2016-2907
 Scheduled Date of Filing of Securities Report (Japanese only): February 13, 2024
 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 Nine Months ended December 31, 2023 (April 1, 2023 – December 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 last fiscal year)

	Net sales		Operating profit		Recurring profit		Net income (loss) attributable to shareholders of the parent	
	JPY million	%	JPY million	%	JPY million	%	JPY million	%
Nine months ended December 31, 2023	316,576	4.3	20,009	85.8	16,566	96.1	14,878	168.1
Nine months ended December 31, 2022	303,517	2.0	10,768	151.9	8,448	485.0	5,548	(5.4)

(Note) Comprehensive income in the nine months ended December 31, 2023: JPY 18,340 million (54.0%)

Comprehensive income in the nine months ended December 31, 2022: JPY 11,907 million (40.6%)

	Net income per share	Diluted net income per share
	JPY	JPY
Nine months ended December 31, 2023	46.14	35.64
Nine months ended December 31, 2022	16.87	13.59

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	JPY million	JPY million	%
As of December 31, 2023	170,741	45,874	22.4
As of March 31, 2023	166,548	32,922	14.5

(Reference) Ownership equity as of December 31, 2023: JPY 38,223 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)				5.00	5.00

(Notes) Change from the latest dividend estimate: Yes

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 company		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)	37.21

(Notes) Change from the latest earnings forecast: No

(Notes)

- (1) Changes in major subsidiaries during the nine months ended December 31, 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 (3) Notes Regarding Consolidated Financial Statements (Changes in major subsidiaries in the nine months ended December 31, 2023 in the consolidated fiscal year) on p.10.
- (2) Use of accounting procedures specific to the preparation of quarterly consolidated financial statements: Yes
(Note) For details, please refer to 2. Consolidated Financial Statements and Notes (3) Notes Regarding Consolidated Financial Statements (Application of accounting methods specific to the preparation of quarterly consolidated financial statements) on p.10.
- (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 December 31, 2023: 329,389,515 shares, As of March 31, 2023: 329,389,515 shares
 - (ii) Total treasury stock at term end
As of December 31, 2023: 11,694,361 shares, As of March 31, 2023: 335,211 shares
 - (iii) Average number of outstanding shares during the term
As of December 31, 2023: 322,497,228 shares, As of December 31, 2022: 328,976,691 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) Explanation of Consolidated Earnings Forecasts and Other Forward-Looking Statements on p.5.

(Method for the acquisition of supplemental explanatory material)

Supplemental Explanatory Material is planned to be posted on the Company’s website on February 9, 2024.

【Table of Contents】

1. Business Results	4
(1) Analysis of Business Results.....	4
(2) Analysis of Consolidated Financial Position	5
(3) Explanation of Consolidated Earnings Forecasts and Other Forward-Looking Statements	5
2. Consolidated Financial Statements and Notes	6
(1) Consolidated Balance Sheets.....	6
(2) Consolidated Statement of Income and Consolidated Statement of Comprehensive Income.....	8
Consolidated Statement of Income.....	8
Consolidated Statement of Comprehensive Income.....	9
(3) Notes Regarding Consolidated Financial Statements.....	10
(Notes regarding the premise of the Company as a going concern).....	10
(Note related to the significant changes in the amount of shareholders' equity).....	10
(Changes in major subsidiaries in the nine months ended December 31, 2023 in the consolidated fiscal year)	10
(Application of accounting methods specific to the preparation of quarterly consolidated financial statements).....	10
(Segment Information)	11

1. Business Results

(1) Analysis of Business Results

(JPY million)

	Nine months ended December 31, 2023	Nine months ended December 31, 2022	Difference	Percentage change
Net sales	316,576	303,517	+13,058	+4.3%
Gross profit (ratio)	52,868 (16.7%)	41,695 (13.7%)	+11,172	+26.8% (+3.0 p)
Operating profit (ratio)	20,009 (6.3%)	10,768 (3.5%)	+9,240	+85.8% (+2.8 p)
EBITDA (Operating profit + Depreciation)	23,626	16,000	+7,625	+47.7%
Recurring profit	16,566	8,448	+8,118	+96.1%
Net income (loss) attributable to shareholders of the parent	14,878	5,548	+9,329	+168.1%

Although it is necessary to pay attention to the effects of global monetary tightening, a slowdown in the Chinese economy and other factors, the economy remained in a state of gradual recovery under improving employment and income conditions during the nine months ended December 31, 2023.

The number of new housing starts for rental market declined by 1.3% 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 services by introducing real estate tech 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 the nine months ended December 31, 2023 increased by 4.3% YoY to JPY 316,576 million due to increased unit rent and improved occupancy rate. Operating profit was JPY 20,009 million increased by 85.8% YoY due to improved profitability from declined cost of rent payment to the apartment owners resulting from contractual adjustments of master-lease rent, despite higher restoration cost of the rental properties and increased maintenance cost. Recurring profit was JPY 16,566 million, an increase of 96.1% YoY, due to the recording of interest expenses and funding costs. Net income attributable to shareholders of the parent was JPY 14,878 million, an increase of 168.1% YoY. It was a second consecutive year to record increased net sales and increased net income attributable to shareholders of the parent.

EBITDA for the nine months ended December 31, 2023 increased by 47.7% to JPY 23,626 million.

Results by segment are as follows:

(JPY million)

	Net sales			Operating profit		
	Nine months ended December 31, 2023	Nine months ended December 31, 2022	Difference	Nine months ended December 31, 2023	Nine months ended December 31, 2022	Difference
Leasing Business	305,010	292,296	+12,713	25,107	16,079	+9,027
Elderly Care Business	10,639	10,482	+156	(409)	(997)	+588
Other Businesses	926	738	+188	(1,744)	(1,959)	+215
Adjustments	—	—	—	(2,943)	(2,353)	(589)
Total	316,576	303,517	+13,058	20,009	10,768	+9,240

(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 enable electrical appliances and door locks to be operated with a smartphone, establishing a position as the brains behind the company-leased housing for corporate customers, strengthening relationships 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.

During Q3 of the consolidated fiscal year ending March 2024, the occupancy rate at the end of the period was 84.46% (up 0.38 points from the end of the same period of the previous fiscal year), with an average occupancy rate of 85.81% (up 1.89 points YoY). The number of units under management was 556 thousand, a reduction of 4.7 thousand units from the end of the previous fiscal year.

In addition, the Company has undertaken site consolidation initiatives to enhance business efficiency by implementing digital technologies

in line with its DX strategy. As a result, the number of direct leasing sales offices at the end of the nine months ended December 31, 2023 was 72, a reduction of 37 offices from the end of the previous fiscal year.

Consequently, net sales for the nine months ended December 31, 2023 increased by 4.3% YoY to JPY 305,010 million due to elevated unit rent and an improved occupancy rate. Operating profit was JPY 25,107 million, a growth of 56.1% 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 1.5% YoY to JPY 10,639 million and operating loss amounted to JPY 409 million, a reduction of loss by JPY 588 million YoY.

The number of facilities as of the end of Q3 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 926 million (up 25.5% YoY) and operating loss of JPY 1,744 million, a reduction of loss by JPY 215 million YoY. 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 the COVID-19 pandemic, although the occupancy rate temporarily increased due to usage by workers engaged in typhoon damage reconstruction efforts and others.

(2) Analysis of Consolidated Financial Position

(JPY million)

	December 31, 2023	March 31, 2023	Difference	Percentage change
Assets	170,741	166,548	+4,193	+2.5%
Liabilities	124,866	133,625	(8,759)	(6.6%)
Net assets	45,874	32,922	+12,952	+39.3%
Equity ratio	22.4%	14.5%	–	+7.9 p

Assets at the end of Q3 of the fiscal year ending March 2024 were JPY 170,741 million, an increase of JPY 4,193 million from the end of the previous fiscal year. This was mainly due to an increase of JPY 6,798 million in cash and deposits, as well as increases of JPY 878 million in buildings and structures (net), and JPY 835 million in land resulting from factors such as the impact of exchange rates, whereas trade receivables decreased by JPY 1,322 million, others in non-current assets decreased by JPY 1,305 million, and others (net) in property, plant, and equipment decreased by JPY 1,189 million.

Total liabilities amounted to JPY 124,866 million, a reduction of JPY 8,759 million from the end of the previous fiscal year. This was mainly due to decreases of JPY 3,257 million in accounts payable-other, JPY 4,457 million in advances received and long-term advances received, JPY 2,747 million in provision for losses related to repairs, and JPY 979 million in long-term debt, whereas an increase of JPY 3,510 million was recorded for provision for bonus payment.

Total net assets increased by JPY 12,952 million from the end of the previous fiscal year to JPY 45,874 million. This was mainly due to an increase of 3,408 million in treasury stock due partly to treasury stock purchase that began in July this year, a reduction of JPY 1,113 million in non-controlling interests due to payment of treasury stock purchase and dividends to non-controlling shareholder of a consolidated subsidiary, whereas foreign currency transaction adjustments increased by JPY 2,728 million due to depreciating JPY and JPY 14,878 million was recorded as net income attributable to shareholders of the parent.

The equity ratio increased to 22.4%, a 7.9-point increase from the end of the previous fiscal year.

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

The Company confirms that there are no changes in consolidated earnings forecasts for the full fiscal year ending March 2024 which it announced in “Notice Concerning Differences between Earnings Forecasts and Actual Results for the First Half, and Revisions of Earnings Forecasts for FY2023” dated as of November 10, 2023.

Additionally, in relation to year-end dividend forecasts for the fiscal year ending March 2024, the Company has decided to revise the year-end dividend forecast to JPY 5 per share since its business results and financial condition have improved owing to continuous efforts in structural reforms. For details, please see “Notice Concerning Change in Dividend Policy and Revision of Dividend Forecast (Resumption of Dividends Payment)” announced on February 9, 2024.

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)

	December 31, 2023	March 31, 2023
<Assets>		
Current assets		
Cash and deposits	60,359	53,560
Trade receivables	6,799	8,121
Accounts receivable for completed projects	560	432
Real estate for sale	134	273
Payment for construction in progress	215	159
Prepaid expenses	1,865	1,320
Others	4,606	5,911
Allowance for doubtful accounts	(2,602)	(3,027)
Total current assets	71,938	66,752
Non-current assets		
Property, plant, and equipment		
Buildings and structures (net)	20,044	19,165
Machinery, equipment, and vehicles (net)	5,972	6,596
Land	32,055	31,220
Leased assets (net)	1,402	1,546
Construction in progress	199	119
Others (net)	1,527	2,716
Total property, plant, and equipment	61,202	61,364
Intangible fixed assets		
Others	1,428	2,612
Total intangible fixed assets	1,428	2,612
Investments and other assets		
Investment securities	5,408	5,384
Long-term loans	501	510
Long-term prepaid expenses	335	422
Deferred tax assets	25,159	25,152
Others	8,056	6,126
Allowance for doubtful accounts	(3,290)	(1,778)
Total investments and other assets	36,171	35,819
Total non-current assets	98,802	99,796
Total assets	170,741	166,548

(JPY million)

	December 31, 2023	March 31, 2023
<Liabilities>		
Current liabilities		
Accounts payable	2,796	2,549
Accounts payable for completed projects	32	34
Current portion of long-term debt	620	59
Lease obligations	352	1,155
Accounts payable -other	9,416	12,673
Accrued income taxes	233	451
Advances received	30,218	34,134
Customer advances for projects in progress	205	144
Provision for bonus payment	3,510	–
Provision for warranty obligations on completed projects	11	4
Provision for fulfillment of guarantees	800	603
Provision for losses related to repairs	7,156	6,053
Others	3,173	3,860
Total current liabilities	58,527	61,724
Non-current liabilities		
Long-term debt	29,380	30,359
Lease obligations	535	275
Long-term advances received	5,858	6,399
Lease/guarantee deposits received	7,056	7,548
Deferred tax liabilities	–	13
Provision for losses related to repairs	7,679	11,530
Provision for apartment vacancy loss	3,590	3,590
Liability for retirement benefits	9,861	9,714
Others	2,377	2,470
Total non-current liabilities	66,338	71,901
Total liabilities	124,866	133,625
<Net assets>		
Shareholders' equity		
Common stock	100	100
Capital surplus	29,376	136,240
Retained earnings	5,684	(116,006)
Treasury stock	(3,614)	(205)
Total shareholders' equity	31,545	20,128
Accumulated other comprehensive income		
Net unrealized gains on other securities	(145)	(97)
Foreign currency translation adjustments	6,846	4,117
Remeasurements of defined benefit plans	(22)	(32)
Total accumulated other comprehensive income	6,677	3,986
Share subscription rights	242	284
Non-controlling interests	7,409	8,522
Total net assets	45,874	32,922
Total liabilities and net assets	170,741	166,548

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

(JPY million)

	Nine months ended December 31, 2023 (Apr 2023–Dec 2023)	Nine months ended December 31, 2022 (Apr 2022–Dec 2022)
Net sales	316,576	303,517
Cost of sales	263,707	261,821
Gross profit	52,868	41,695
Selling, general and administrative expense	32,859	30,926
Operating profit	20,009	10,768
Non-operating income		
Interest income	30	207
Dividend income	87	64
Valuation gains of investment securities	98	119
Foreign exchange gains	392	418
Share of profit of entities accounted for using equity method	–	57
Gains on redemption of deposit	93	–
Others	274	223
Total non-operating income	978	1,090
Non-operating expenses		
Interest expense	3,251	3,296
Share of loss of entities accounted for using equity method	105	–
Funding costs	962	–
Others	102	114
Total non-operating expenses	4,421	3,411
Recurring profit	16,566	8,448
Extraordinary income		
Gains on sale of property, plant and equipment	7	28
Gains on sale of shares in subsidiaries	608	–
Gains on liquidation of subsidiaries	4	–
Total extraordinary income	620	28
Extraordinary losses		
Loss on sale of property, plant and equipment	0	42
Loss on retirement of property, plant and equipment	37	176
Impairment loss	26	316
Loss related to repairs	743	458
Loss on sale of shares in subsidiaries	–	141
Loss on closure of offices	254	–
Total extraordinary losses	1,062	1,135
Income (loss) before taxes and minority interests	16,124	7,341
Income taxes	477	1,038
Net income (loss)	15,646	6,303
Net income (loss) attributable to non-controlling interests	768	754
Net income (loss) attributable to shareholders of the parent	14,878	5,548

Consolidated Statement of Comprehensive Income

(JPY million)

	Nine months ended December 31, 2023 (Apr 2023–Dec 2023)	Nine months ended December 31, 2022 (Apr 2022–Dec 2022)
Net income (loss)	15,646	6,303
Other comprehensive income		
Net unrealized gains on other securities	(48)	(12)
Foreign currency translation adjustments	2,731	5,601
Remeasurements of defined benefit plans	10	17
Share of other comprehensive income of entities using equity method	–	(3)
Total other comprehensive income	2,693	5,603
Comprehensive income	18,340	11,907
(Breakdown)		
Comprehensive income attributable to shareholders of the parent	17,569	11,146
Comprehensive income attributable to non-controlling interests	771	760

(3) 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 5,684 million at the end of Q3 of the consolidated 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 December 31, 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 nine months ended December 31, 2023 in the consolidated fiscal year)

The Company transferred all shares of ASPENN INVESTMENTS PTE. LTD., which were held by LEOPALACE21 SINGAPORE PTE. LTD. a consolidated subsidiary of the Company during the Q2 of the consolidated fiscal year ending March 31, 2024. 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 the consolidated fiscal year ending March 31, 2024 including the Q3 cumulative, and multiplying income before income taxes and other adjustments for Q3 cumulative 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

Nine months ended December 31, 2023 (April 1, 2023 – December 31, 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	237,047	—	—	237,047	—	237,047
Ancillary service income	33,576	—	—	33,576	—	33,576
Maintenance	26,589	—	—	26,589	—	26,589
Rental guarantee	3,237	—	—	3,237	—	3,237
Company housing agency fee	691	—	—	691	—	691
Roof lease solar power generation	2,182	—	—	2,182	—	2,182
Construction subcontracting	422	—	—	422	—	422
Other	106	10,639	926	11,672	—	11,672
Sales from contracts with customer	303,854	10,639	926	315,420	—	315,420
Furniture insurance	1,156	—	—	1,156	—	1,156
Other sales	1,156	—	—	1,156	—	1,156
Sales to customers	305,010	10,639	926	316,576	—	316,576
Inter-segment sales and transfers	18	—	212	230	(230)	—
Total	305,028	10,639	1,138	316,806	(230)	316,576
Segment profit (loss)	25,107	(409)	(1,744)	22,953	(2,943)	20,009

Note 1: The segment profit (loss) adjustments of JPY (2,943) million includes JPY 189 million in eliminated inter-segment transactions and JPY (3,132) 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

Nine months ended December 31, 2022 (April 1, 2022 – December 31, 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	224,290	—	—	224,290	—	224,290
Ancillary service income	32,767	—	—	32,767	—	32,767
Maintenance	26,764	—	—	26,764	—	26,764
Rental guarantee	3,212	—	—	3,212	—	3,212
Company housing agency fee	606	—	—	606	—	606
Roof lease solar power generation	2,199	—	—	2,199	—	2,199
Construction subcontracting	1,076	—	—	1,076	—	1,076
Other	217	10,482	738	11,437	—	11,437
Sales from contracts with customer	291,134	10,482	738	302,355	—	302,355
Furniture insurance	1,161	—	—	1,161	—	1,161
Other sales	1,161	—	—	1,161	—	1,161
Sales to customers	292,296	10,482	738	303,517	—	303,517
Inter-segment sales and transfers	43	—	194	238	(238)	—
Total	292,340	10,482	933	303,756	(238)	303,517
Segment profit (loss)	16,079	(997)	(1,959)	13,122	(2,353)	10,768

Note 1: The segment profit (loss) adjustments of JPY (2,353) million includes JPY 139 million in eliminated inter-segment transactions and JPY (2,492) 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.

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 316 million under extraordinary losses.