Consolidated Financial Statements (Japanese Accounting Standard)

November 8, 2024

(For the six months ended September 30, 2024)

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 Semi-annual Securities Report (Japanese only): November 11, 2024
Scheduled Date of Commencement of Dividend Payments: December 9, 2024
Supplemental Explanatory Material Prepared: Yes
Results Briefing Held: Yes (for institutional investors and security analysts)

1. Results for the Six Months ended September 30, 2024 (April 1, 2024 – September 30, 2024)

(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, 2024	216,165	2.0	17,426	17.5	16,729	27.6	10,596	(10.6)
Six months ended September 30, 2023	211,848	4.6	14,828	113.0	13,111	141.3	11,850	221.0

(Note) Comprehensive income in the six months ended September 30, 2024: JPY 14,597 million (0.4%)
Comprehensive income in the six months ended September 30, 2023: JPY 14,532 million (70.8%)

	Net income per share	Diluted net income per share
	JPY	JPY
Six months ended September 30, 2024	33.35	24.38
Six months ended September 30, 2023	36.47	28.51

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	JPY million	JPY million	%
As of September 30, 2024	208,137	83,939	36.6
As of March 31, 2024	205,000	71,679	31.2

(Reference) Ownership equity as of September 30, 2024: JPY 76,270 million; as of March 31, 2024: JPY 63,904 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, 2024	—	0.00	—	5.00	5.00
FY ending March 31, 2025	—	5.00			
FY ending March 31, 2025 (Estimate)			—	5.00	10.00

(Note) Change from the latest dividend forecast: No

3. Consolidated Earnings Forecasts for the Fiscal Year ending March 31, 2025 (April 1, 2024 – March 31, 2025)

(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, 2025	428,600	1.4	26,600	14.1	24,900	27.8	14,500	(65.5)	45.64

(Note) Change from the latest earnings forecast: No

(Notes)

(1) Significant changes in the scope of consolidation during the six months in the consolidated fiscal year ending March 2025: No

(2) Use of accounting procedures specific to the preparation of semi-annual consolidated financial statements: Yes

(Note) For details, please refer to 2. Semi-annual Consolidated Financial Statements and Notes (4) Notes Regarding Semi-annual Consolidated Financial Statements (Application of accounting methods specific to the preparation of semi-annual consolidated financial statements) in p. 12.

(3) Changes in accounting policies, procedures or reporting methods used in preparation of financial statements and restatements

(i) Changes in accounting policies accompanying revision of accounting standards, etc.: Yes
(ii) Changes in accounting policies other than (i) above: No
(iii) Changes in accounting estimates: No
(iv) Restatements: No

(Note) For details, please refer to 2. Semi-annual Consolidated Financial Statements and Notes (4) Notes Regarding Semi-annual Consolidated Financial Statements (Notes regarding changes in accounting policies) in p. 12.

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

(i) Total number of outstanding shares at term end (including treasury stock)
As of September 30, 2024: 329,389,515 shares, As of March 31, 2024: 329,389,515 shares

(ii) Total treasury stock at term end
As of September 30, 2024: 11,694,531 shares, As of March 31, 2024: 11,694,361 shares

(iii) Average number of outstanding shares during the period
Six months ended September 30, 2024: 317,695,103 shares, Six months ended September 30, 2023: 324,911,385 shares

– Semi-annual 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. Summary of Business Results (3) Explanation of Consolidated Earnings Forecasts and Other Forward-Looking Statements” in p. 5.

(Method for the acquisition of supplemental explanatory material)

Supplemental Explanatory Material is planned to be posted on the Company’s website on November 8, 2024.

【Table of Contents】

1. Summary of 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. Semi-annual 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) Consolidated Statement of Cash Flows 10
(4) Notes Regarding Semi-annual Consolidated Financial Statements 12
(Notes regarding the premise of the Company as a going concern) 12
(Notes related to the significant changes in the amount of shareholders equity) 12
(Application of accounting methods specific to the preparation of semi-annual consolidated financial statements) 12
(Notes regarding changes in accounting policies) 12
(Segment Information) 13

1. Summary of Business Results
(1) Analysis of Business Results

(JPY million)

	Six months ended September 30, 2024	Six months ended September 30, 2023	Difference	Percentage change
Net sales	216,165	211,848	+4,317	+2.0%
Cost of sales	176,082	176,080	+2	+0.0%
Gross profit (ratio)	40,082 (18.5%)	35,768 (16.9%)	+4,314	+12.1% (+1.6 p)
Selling, general and administrative expense	22,655	20,940	+1,715	+8.2%
Operating profit (loss) (ratio)	17,426 (8.1%)	14,828 (7.0%)	+2,598	+17.5% (+1.1 p)
EBITDA (Operating profit (loss)+Depreciation)	19,272	17,301	+1,970	+11.4%
Recurring profit (loss)	16,729	13,111	+3,617	+27.6%
Net income (loss) attributable to shareholders of the parent	10,596	11,850	(1,253)	(10.6%)

Although economic downturn overseas with global monetary tightening, concerns about a slowdown in the Chinese economy and other factors is a risk that puts downward pressure on business conditions in Japan, the Japanese economy was on a gradual recovery trend under improving employment and income conditions during H1 of the fiscal year ending March 2025.

The number of new housing starts for rental market in H1 of the fiscal year ending March 2025 was 181,543 units (up 2.7% YoY).

Under these circumstances, the Leopalace21 group (the "Group") worked to strengthen profitability by increasing occupancy rates and average unit rent, and stabilize its financial base.

As a result, the Group's consolidated net sales for H1 of the fiscal year ending March 2025 increased by 2.0% YoY to JPY 216,165 million. Operating profit was JPY 17,426 million increased by 17.5% YoY, due to absorption of an increase in SG&A expenses caused by use of outsourcing by a rise in gross profit resulting from increased unit rent. Recurring profit was JPY 16,729 million, an increase of 27.6% YoY.

Net income attributable to shareholders of the parent was JPY 10,596 million, a decrease of 10.6% YoY due to recording of JPY 6,919 million in income taxes in association with a reversal of deferred tax assets, etc. despite recording of JPY 1,402 million in reversal of provision for losses related to repairs.

EBITDA for H1 of the fiscal year ending March 2025 increased by 11.4% to JPY 19,272 million.

Results by segment are as follows:

(JPY million)

	Net sales			Operating profit		
	Six months ended September 30, 2024	Six months ended September 30, 2023	Difference	Six months ended September 30, 2024	Six months ended September 30, 2023	Difference
Leasing Business	208,572	204,106	+4,466	21,533	18,122	+3,410
Elderly Care Business	6,910	7,124	(213)	(441)	(301)	(139)
Other Businesses	681	617	+64	(1,170)	(1,165)	(5)
Adjustments	–	–	–	(2,494)	(1,827)	(666)
Total	216,165	211,848	+4,317	17,426	14,828	+2,598

(i) Leasing Business

During H1 of the fiscal year ending March 2025, the occupancy rate at the end of the period was 85.07% (down 0.55 points from the end of the same period of the previous fiscal year), with an average occupancy rate of 85.75% (down 0.58 points YoY). The index of average unit rent for new contracts (the index in April 2016 deemed to be 100) at the end of the period was 108 (up 5 points YoY).

Consequently, net sales for H1 of the fiscal year ending March 2025 increased by 2.2% YoY to JPY 208,572 million due to elevated average unit rent and other factors. Operating profit was JPY 21,533 million, a growth of 18.8% YoY, due to the increased revenue and improved profitability resulting from the favorable cost structure.

(ii) Elderly Care Business

For H1 of the fiscal year ending March 2025, net sales decreased by 3.0% YoY to JPY 6,910 million and operating loss amounted to JPY 441 million, an increase of loss by JPY 139 million YoY. The number of facilities as of the end of H1 of the fiscal year ending March 2025 was 85.

(iii) Other Businesses

For H1 of the fiscal year ending March 2025, net sales increased by 10.4% YoY to JPY 681 million and operating loss amounted to JPY

1,170 million, an increase of loss by JPY 5 million YoY.

(2) Analysis of Consolidated Financial Position

(JPY million)

	September 30, 2024	March 31, 2024	Difference	Percentage change
Assets	208,137	205,000	+3,137	+1.5%
Liabilities	124,198	133,320	(9,122)	(6.8)%
Net assets	83,939	71,679	+12,259	+17.1%
Shareholders' equity ratio	36.6%	31.2%	–	+5.4 p

Assets at the end of H1 of the fiscal year ending March 2025 were JPY 208,137 million, an increase of JPY 3,137 million from the end of the previous fiscal year. This was mainly due to increases of JPY 7,952 million in cash and deposits and JPY 1,187 million in prepaid expenses, as well as increases of JPY 1,334 million in buildings and structures (net), and JPY 1,004 million in land both resulting from factors such as the impact of exchange rates for Guam resort facilities, whereas trade receivables reduced by JPY 530 million, deferred tax assets reduced by JPY 6,654 million and allowance for doubtful accounts increased by JPY 1,066 million.

Total liabilities amounted to JPY 124,198 million, a reduction of JPY 9,122 million from the end of the previous fiscal year. This was mainly due to decreases of JPY 4,241 million in accounts payable-other, JPY 2,151 million in advances received and long-term advances received, and JPY 4,338 million in provision for losses related to repairs, whereas an increase of JPY 1,888 million was recorded for provision for bonus payment.

Total net assets increased by JPY 12,259 million from the end of the previous fiscal year to JPY 83,939 million. This was mainly due to a decrease of JPY 1,619 million in retained earnings due to payment of dividend, and a reduction of JPY 255 million in non-controlling interests largely due to payment of treasury stock purchase and dividend to non-controlling shareholder of a consolidated subsidiary, whereas foreign currency transaction adjustments increased by JPY 3,439 million due to depreciating JPY and JPY 10,596 million was recorded as net income attributable to shareholders of the parent.

The shareholders' equity ratio increased by 5.4 points from the end of the previous fiscal year to 36.6%.

[Cash flows]

(JPY million)

	Six months ended September 30, 2024	Six months ended September 30, 2023	Difference
Cash flows from operating activities	10,373	10,620	(247)
Cash flows from investing activities	(463)	(423)	(39)
Cash flows from financing activities	(2,902)	(5,021)	+2,118
Balance of cash and cash equivalents	75,219	58,122	+17,097
Free cash flow*	9,910	10,197	(287)

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

Net cash provided by operating activities amounted to JPY 10,373 million, a decrease of JPY 247 million YoY. This was mainly due to recordings of JPY 18,127 million in income before taxes and other adjustments, JPY 1,845 million in depreciation and amortization, and an increase of JPY 1,888 million in provision for bonus payment, whereas a decrease of JPY 1,745 million in accounts payable, a decrease of JPY 2,151 million in advances received, and JPY 2,827 million in payment related to repairs.

Net cash used in investing activities totaled JPY 463 million, an increase of JPY 39 million YoY. This was mainly due to payments for deposit of time deposits of JPY 819 million, whereas proceeds from redemption of investment securities of JPY 403 million.

Net cash used in financing activities totaled JPY 2,902 million, a decrease of JPY 2,118 million YoY. This was mainly due to repayment of long-term debt of JPY 310 million, payment of dividends of JPY 1,619 million, payment for purchase of treasury stock by a consolidated subsidiary of JPY 460 million, and payment of dividends to non-controlling shareholders of JPY 408 million.

As a result, cash and cash equivalents as of September 30, 2024 became JPY 75,219 million, an increase of JPY 17,097 million from the end of H1 of the previous fiscal year.

Free cash flow for H1 of the fiscal year ending March 2025 became JPY 9,910 million, a decrease of JPY 287 million YoY.

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

Concerning consolidated earnings forecasts for the fiscal year ending March 2025, the Company confirms that there are no changes to the forecasts for the full FY ending March 2025 that were announced on May 10, 2024 in "Consolidated Financial Statements (Japanese Accounting Standard, for the fiscal year ended March 31, 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. Semi-annual Consolidated Financial Statements and Notes
(1) Consolidated Balance Sheets

(JPY million)

	September 30, 2024	March 31, 2024
<Assets>		
Current assets		
Cash and deposits	76,580	68,627
Trade receivables	7,139	7,670
Accounts receivable for completed projects	781	628
Real estate for sale	175	129
Payment for construction in progress	188	182
Prepaid expenses	2,945	1,757
Others	6,351	6,337
Allowance for doubtful accounts	(3,007)	(2,904)
Total current assets	**91,153**	**82,428**
Non-current assets		
Property, plant, and equipment		
Buildings and structures (net)	20,258	18,923
Machinery, equipment, and vehicles (net)	5,403	5,750
Land	32,666	31,661
Leased assets (net)	1,525	1,488
Construction in progress	169	219
Others (net)	715	1,093
Total property, plant, and equipment	**60,738**	**59,137**
Intangible fixed assets		
Others	1,249	1,358
Total intangible fixed assets	**1,249**	**1,358**
Investments and other assets		
Investment securities	4,826	4,827
Long-term loans	494	506
Long-term prepaid expenses	285	359
Deferred tax assets	45,076	51,730
Others	8,471	7,846
Allowance for doubtful accounts	(4,158)	(3,194)
Total investments and other assets	**54,996**	**62,075**
Total non-current assets	**116,984**	**122,571**
Total assets	**208,137**	**205,000**

(JPY million)

	September 30, 2024	March 31, 2024
<Liabilities>		
Current liabilities		
Accounts payable	3,065	2,875
Accounts payable for completed projects	24	104
Current portion of long-term debt	620	620
Lease obligations	295	297
Accounts payable -other	10,795	15,036
Accrued income taxes	371	423
Advances received	32,029	33,855
Customer advances for projects in progress	572	227
Provision for bonus payment	1,888	–
Provision for warranty obligations on completed projects	38	19
Provision for fulfillment of guarantees	888	926
Provision for losses related to repairs	2,890	6,660
Others	2,902	3,111
Total current liabilities	**56,381**	**64,158**
Non-current liabilities		
Long-term debt	28,915	29,225
Lease obligations	868	737
Long-term advances received	5,337	5,662
Lease/guarantee deposits received	6,805	7,214
Provision for losses related to repairs	8,111	8,679
Provision for apartment vacancy loss	4,683	4,683
Provision for stock benefits	689	529
Liability for retirement benefits	10,139	10,011
Others	2,266	2,417
Total non-current liabilities	**67,816**	**69,161**
Total liabilities	**124,198**	**133,320**
<Net assets>		
Shareholders' equity		
Common stock	100	100
Capital surplus	30,120	30,121
Retained earnings	41,844	32,867
Treasury stock	(4,359)	(4,359)
Total shareholders' equity	**67,705**	**58,729**
Accumulated other comprehensive income		
Net unrealized gains on other securities	(144)	(85)
Foreign currency translation adjustments	8,770	5,330
Remeasurements of defined benefit plans	(60)	(69)
Total accumulated other comprehensive income	**8,564**	**5,175**
Share subscription rights	391	242
Non-controlling interests	7,276	7,532
Total net assets	**83,939**	**71,679**
Total liabilities and net assets	**208,137**	**205,000**

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

Consolidated Statement of Income

(JPY million)

	Six months ended September 30, 2024 (Apr 2024–Sep 2024)	Six months ended September 30, 2023 (Apr 2023–Sep 2023)
Net sales	**216,165**	**211,848**
Cost of sales	**176,082**	**176,080**
Gross profit	**40,082**	**35,768**
Selling, general and administrative expense	**22,655**	**20,940**
Operating profit (loss)	**17,426**	**14,828**
Non-operating income		
Interest income	20	21
Dividend income	12	12
Valuation gains of investment securities	46	55
Foreign exchange gains	–	270
Share of profit of entities accounted for using equity method	62	–
Others	161	287
Total non-operating income	**303**	**648**
Non-operating expenses		
Interest expenses	735	2,199
Foreign exchange losses	248	–
Share of loss of entities accounted for using equity method	–	76
Others	16	87
Total non-operating expenses	**1,000**	**2,364**
Recurring profit (loss)	**16,729**	**13,111**
Extraordinary income		
Gain on sale of property, plant and equipment	–	2
Gain on sale of shares in subsidiaries	–	593
Gain on liquidation of subsidiaries	–	4
Reversal of provision for losses related to repairs	1,402	–
Total extraordinary income	**1,402**	**601**
Extraordinary losses		
Loss on retirement of property, plant and equipment	4	36
Impairment loss	–	26
Loss related to repairs	–	588
Loss on closure of offices	–	259
Total extraordinary losses	**4**	**911**
Income (loss) before taxes and other adjustments	**18,127**	**12,801**
Income taxes	**6,919**	**341**
Net income (loss)	**11,208**	**12,460**
Net income (loss) attributable to non-controlling interests	**612**	**610**
Net income (loss) attributable to shareholders of the parent	**10,596**	**11,850**

Consolidated Statement of Comprehensive Income

(JPY million)

	Six months ended September 30, 2024 (Apr 2024–Sep 2024)	Six months ended September 30, 2023 (Apr 2023–Sep 2023)
Net income (loss)	**11,208**	**12,460**
Other comprehensive income		
Net unrealized gains on other securities	(59)	20
Foreign currency translation adjustments	3,439	2,044
Remeasurements of defined benefit plans	9	6
Total other comprehensive income	**3,389**	**2,071**
Comprehensive income	**14,597**	**14,532**
(Breakdown)		
Comprehensive income attributable to shareholders of the parent	13,985	13,920
Comprehensive income attributable to non-controlling interests	612	612

(3) Consolidated Statement of Cash Flows

(JPY million)

	Six months ended September 30, 2024 (Apr 2024–Sep 2024)	Six months ended September 30, 2023 (Apr 2023–Sep 2023)
Cash flows from operating activities		
Income (loss) before taxes and other adjustments	18,127	12,801
Depreciation and amortization	1,845	2,473
Impairment loss	–	26
Reversal of provision for losses related to repairs	(1,402)	–
Loss related to repairs	–	588
Loss on closure of offices	–	259
Increase (decrease) in provision for bonus payment	1,888	1,822
Increase (decrease) in allowance for doubtful accounts	1,028	999
Increase (decrease) in liability for retirement benefits	142	119
Increase (decrease) in provision for stock benefits	159	–
Interest and dividend income	(33)	(33)
Interest expenses	735	2,199
Foreign exchange losses (gains)	248	(270)
Share of loss (profit) of entities accounted for using equity method	(62)	76
Loss (gain) on sale of property, plant and equipment	–	(2)
Loss on retirement of property, plant and equipment	4	36
Loss (gain) on valuation of investment securities	(46)	(55)
Loss (gain) on sale of shares in subsidiaries	–	(593)
Loss (gain) on liquidation of subsidiaries	–	(4)
Decrease (increase) in accounts receivable	393	614
Decrease (increase) in real estate for sale	(33)	131
Decrease (increase) in payment for construction in progress	(5)	(26)
Decrease (increase) in long-term prepaid expenses	47	105
Increase (decrease) in accounts payable	(1,745)	(902)
Increase (decrease) in customer advances for projects in progress	345	(56)
Increase (decrease) in advances received	(2,151)	(2,736)
Increase (decrease) in guarantee deposits received	(395)	(382)
Increase (decrease) in accrued consumption taxes	(829)	65
Others	(4,198)	(1,979)
Subtotal	14,063	15,275
Interest and dividends received	271	170
Interest paid	(734)	(2,176)
Payment related to repairs	(2,827)	(2,214)
Income taxes paid	(400)	(434)
Net cash provided by operating activities	**10,373**	**10,620**

(JPY million)

	Six months ended September 30, 2024 (Apr 2024–Sep 2024)	Six months ended September 30, 2023 (Apr 2023–Sep 2023)
Cash flows from investing activities		
Payment for purchase of property, plant and equipment	(92)	(102)
Proceeds from sale of property, plant and equipment	–	3
Payment for purchase of intangible assets	(34)	(27)
Proceeds from redemption of investment securities	403	–
Payment for purchase of investment securities	(17)	–
Proceeds from sale of investment securities	3	2
Payments for purchase of shares in subsidiaries and affiliates	–	(84)
Proceeds from liquidation of subsidiaries	40	7
Payments for sale of shares in subsidiaries resulting from change in scope of consolidation	–	(85)
Payment for loans	(15)	(2)
Proceeds from collection of loans	13	42
Payments for deposit of time deposits	(819)	(714)
Proceeds from withdrawal of time deposits	–	200
Others	56	338
Net cash provided by (used in) investing activities	**(463)**	**(423)**
Cash flows from financing activities		
Repayment of long-term debt	(310)	(30)
Repayment of finance lease obligations	(104)	(572)
Payment for acquisition of treasury stock	(0)	(3,466)
Payment of dividends	(1,619)	–
Payment for purchase of treasury stock by a consolidated subsidiary	(460)	(490)
Payment of dividends to non-controlling shareholders	(408)	(462)
Proceeds from exercise of stock options	–	0
Net cash provided by (used in) financing activities	**(2,902)**	**(5,021)**
Effect of exchange rate changes on cash and cash equivalents	**68**	**85**
Net increase (decrease) in cash and cash equivalents	**7,076**	**5,261**
Cash and cash equivalents at beginning of period	**68,143**	**52,860**
Cash and cash equivalents at end of period	**75,219**	**58,122**

(4) Notes Regarding Semi-annual Consolidated Financial Statements

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

There are no relevant items.

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

There are no relevant items.

(Application of accounting methods specific to the preparation of semi-annual 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 fiscal year ending March 31, 2025 including the H1 cumulative, and multiplying income before income taxes and other adjustments for H1 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.

(Notes regarding changes in accounting policies)

The Company has applied the "Accounting Standard for Current Income Taxes" (Accounting Standards Board of Japan (ASBJ) Statement No. 27, October 28, 2022; the "2022 Revised Accounting Standard"), etc. from the beginning of the H1 of the fiscal year ending March 31, 2025.

The application of the revision associated with classification of income taxes (taxation on other comprehensive income) is in accordance with the transitional treatment set forth in the proviso of paragraph 20-3 of the 2022 Revised Accounting Standard, and the transitional treatment specified in the proviso of paragraph 65-2 (2) of the "Guidance on Accounting Standard for Tax Effect Accounting" (ASBJ Guidance No. 28, October 28, 2022; the "2022 Revised Guidance"). This change in accounting policies has no impact on the semi-annual consolidated financial statements.

Furthermore, as for the revision associated with the review of treatment in consolidated statements in the case where gain or loss on sale arising due to sale of shares in subsidiaries and others between consolidated companies is deferred for tax purposes, the 2022 Revised Guidance has been applied from the beginning of the H1 of the fiscal year ending March 31, 2025. This change in accounting policies has been applied retrospectively, and the semi-annual consolidated financial statements for the H1 of the previous fiscal year and the consolidated financial statements for the previous fiscal year reflect the retrospective application. This change in accounting policies has no impact on the semi-annual consolidated financial statements for the H1 of the previous fiscal year and the consolidated financial statements for the previous fiscal year.

(Segment Information)

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

Six months ended September 30, 2024 (April 1, 2024 – September 30, 2024)

(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						
Ancillary service income	14,374	–	–	14,374	–	14,374
Maintenance	17,794	–	–	17,794	–	17,794
Company housing agency fee	485	–	–	485	–	485
Roof lease solar power generation	1,581	–	–	1,581	–	1,581
Construction contracting	408	–	–	408	–	408
Others	–	6,910	462	7,373	–	7,373
Sales from contracts with customer	34,644	6,910	462	42,017	–	42,017
Rent income	161,983	–	–	161,983	–	161,983
Ancillary service income	9,246	–	–	9,246	–	9,246
Rental guarantee	1,977	–	–	1,977	–	1,977
Furniture insurance	721	–	–	721	–	721
Others	–	–	218	218	–	218
Other sales	173,928	–	218	174,147	–	174,147
Sales to customers	208,572	6,910	681	216,165	–	216,165
Inter-segment sales and transfers	8	–	157	166	(166)	–
Total	208,581	6,910	839	216,331	(166)	216,165
Segment profit (loss)	21,533	(441)	(1,170)	19,921	(2,494)	17,426

Note 1: The segment profit (loss) adjustments of JPY (2,494) million includes JPY 132 million in eliminated inter-segment transactions and JPY (2,626) 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 in the semi-annual consolidated statements of income.

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

1. 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						
Ancillary service income	14,290	–	–	14,290	–	14,290
Maintenance	17,702	–	–	17,702	–	17,702
Company housing agency fee	452	–	–	452	–	452
Roof lease solar power generation	1,604	–	–	1,604	–	1,604
Construction contracting	401	–	–	401	–	401
Others	–	7,124	476	7,600	–	7,600
Sales from contracts with customer	34,451	7,124	476	42,052	–	42,052
Rent income	158,108	–	–	158,108	–	158,108
Ancillary service income	8,453	–	–	8,453	–	8,453
Rental guarantee	2,203	–	–	2,203	–	2,203
Furniture insurance	785	–	–	785	–	785
Others	103	–	140	244	–	244
Other sales	169,654	–	140	169,795	–	169,795
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 in the semi-annual consolidated statements of income.

2. Information on impairment loss of non-current assets by reportable segment

In the Leasing Business segment, the book value of assets for lease that were 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.