

# Consolidated Financial Statements (Japanese Accounting Standard)

November 4, 2016

(For the six months ended September 30, 2016)

Name of Company Listed: Leopalace21 Corporation	Stock Listing: Tokyo Stock Exchange
Code Number: 8848	URL: <a href="http://eg.leopalace21.com/">http://eg.leopalace21.com/</a>
Representative: Position: President and CEO	Location of Head Office: Tokyo
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Supplemental Explanatory Material Prepared: Yes	Results Briefing Held: Yes

## 1. Results for the Six Months ended September 30, 2016 (April 1, 2016 through September 30, 2016)

(1) Consolidated financial results (Amounts less than one million yen are omitted)

(The percentage figures indicate rate of gain or loss compared with the same period last year)

	Net sales		Operating profit		Recurring profit		Net income attributable to shareholders of the parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Six months ended September 30, 2016	255,190	1.0	11,337	6.0	10,742	8.1	9,688	15.3
Six months ended September 30, 2015	252,606	-	10,692	-	9,935	-	8,398	-

(Note) Comprehensive income in the six months ended September 30, 2016: 2,955 million yen (-67.6%);  
six months ended September 30, 2015: 9,128 million yen (-%)

	Net income per share		Diluted net income per share	
	Yen		Yen	
Six months ended September 30, 2016	36.85		36.85	
Six months ended September 30, 2015	31.95		-	

(Note) Rate of gain or loss compared to the previous year are omitted, since figures are retrospectively adjusted due to changes in accounting policies.

## (2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Equity per share
	Million yen	Million yen	%	Yen
As of September 30, 2016	317,122	145,232	45.8	552.22
As of March 31, 2016	327,609	144,865	44.2	550.94

(Reference) Shareholders' equity as of September 30, 2016: 145,164 million yen; as of March 31, 2016: 144,827 million yen

(Note) Figures as of March 31, 2016 are retrospectively adjusted due to changes in accounting policies.

## 2. Dividend Status

	Dividend per share				
	End of Q1	End of Q2	End of Q3	End of FY	Annual
	Yen	Yen	Yen	Yen	Yen
FY ended March 31, 2016	—	0.00	—	10.00	10.00
FY ending March 31, 2017	—	10.00			
FY ending March 31, 2017 (Estimate)			—	12.00	22.00

(Note) Restatement of most recent dividend forecast: None

## 3. Estimation of Consolidated Business Results for the Fiscal Year ending March 31, 2017 (April 1, 2016 through March 31, 2017)

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

	Net sales		Operating profit		Recurring profit		Net income attributable to shareholders of the parent		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
FY ending March 31, 2017	528,000	3.2	22,500	6.7	21,500	8.0	18,500	-5.8	70.38

(Note) Restatement of most recent consolidated business results forecast: None

(Note) Since previous year figures are retrospectively adjusted due to changes in accounting policies, rate of gain or loss compared to the previous year are adjusted.

#### 4. Other

- (1) Changes in major subsidiaries during the subject period (change in specific subsidiaries resulting in a change in the scope of consolidation): None
- (2) Use of accounting procedures specific to the preparation of quarterly financial statements: Yes  
(Note) Refer to P.6 "2. Matters Relating to Summary Information (Notes) (2) Application of Accounting Methods Specific to the Preparation of Quarterly Consolidated Financial Statements" for details.
- (3) Changes in accounting principles, procedures or reporting methods used in preparation of financial statements
- (i) Changes in accounting policies accompanying revision of accounting standards, etc.: Yes
  - (ii) Changes in accounting policies other than (i) above: Yes
  - (iii) Changes in accounting estimates: None
  - (iv) Restatements: None
- (Note) For details, please refer to P.6 "2. Matters Relating to Summary Information (Notes) (3) Changes in Accounting Policy, Changes in Accounting Estimates, and Restatements."
- (3) Total number of outstanding shares (common stock)
- (i) Total number of outstanding shares at term end (including treasury stock)  
As of September 30, 2016: 267,443,915 shares; as of March 31, 2016: 267,443,915 shares
  - (ii) Total treasury stock at term end  
As of September 30, 2016: 4,569,700 shares; as of March 31, 2016: 4,569,520 shares
  - (iii) Average number of outstanding shares during the period  
As of September 30, 2016: 262,874,348 shares; as of September 30, 2015: 262,874,485 shares

#### \*Indication regarding the status of auditing:

These financial statements are not subject to auditing under the Financial Instruments and Exchange Act. The review of financial statements in accordance with the Financial Instruments and Exchange Act are completed at the time of disclosure.

#### \*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 the Company and on certain assumptions that Leoplace21 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 P.6 "1. Business Results (3) Explanation Concerning Business Forecasts and Other Forward-looking Statements."

(Method for the acquisition of supplemental explanatory material)

Supplemental Explanatory Material on quarterly financial statements is scheduled to be posted on the Company's web site on November 4, 2016.

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## 1. Business Results

The accounting policy concerning revenue recognition has been changed from the previous quarter, and previous figures have been retrospectively adjusted. Please refer to P.6 “2. Matters Relating to Summary Information (Notes) (3) Changes in Accounting Policy, Changes in Accounting Estimates, and Restatements” for details.

### (1) Analysis of Business Results

(Million yen)

	Net sales	Operating profit	Recurring profit	Net income attributable to shareholders of the parent
Six months ended September 30, 2016	255,190	11,337	10,742	9,688
Six months ended September 30, 2015	252,606	10,692	9,935	8,398
Difference	2,584	645	806	1,289

During the subject six months, the domestic economy showed gradual progression supported by improvements in employment and income, despite the standstill in corporate earnings and individual consumption.

Apartment construction remains a popular strategy to reduce inheritance tax, and new housing starts of leased units has trended strongly as recovery from the negative effects of the consumption tax increase has progressed. On the other hand, as the number of vacant houses continues to increase and recovery in nationwide demand becomes difficult, achieving stable occupancy rates requires constructing apartments in areas with high demand, in addition to providing high-quality products and services that meet tenants' needs.

Under these conditions, the Leopalace21 Group (the “Group”) aims to achieve targets of the Medium-term Management Plan “EXPANDING VALUE,” by building a solid management structure focusing on the core businesses, made up of Leasing and Construction. In addition, the Group aims to establish new businesses that will contribute to future growth.

As a result, consolidated net sales for the subject first half came to 255,190 million yen (up 1.0% year-on-year). Operating profit was 11,337 million yen (up 6.0% year-on-year), recurring profit was 10,742 million yen (up 8.1% year-on-year), and net income attributable to shareholders of the parent was 9,688 million yen (up 15.3% year-on-year).

(Actual figures by segment)

(Million yen)

	Net sales			Operating profit		
	Six months ended September 30, 2015	Six months ended September 30, 2016	Difference	Six months ended September 30, 2015	Six months ended September 30, 2016	Difference
Leasing Business	203,887	207,416	3,528	12,499	11,750	(748)
Construction Business	35,344	34,278	(1,065)	395	1,513	1,118
Elderly Care Business	5,371	5,649	277	(575)	(843)	(267)
Hotels & Resort Business	5,538	4,299	(1,239)	(301)	(116)	185
Others	2,464	3,546	1,082	511	804	293
Adjustments	-	-	-	(1,835)	(1,770)	65
Total	252,606	255,190	2,584	10,692	11,337	645

#### (i) Leasing Business

The occupancy rate at the end of the second quarter was 88.31% (up 0.61 points from the end of the same quarter last year) and the average occupancy rate for the period was 88.36% (up 0.80 points year-on-year).

In the Leasing Business, to establish stable profits led by occupancy improvement, the Group implemented measures to promote longer rent periods such as expanding tenant services including “my DIY” (formerly known as “Room Customize”) and providing a website for tenants, as well as further strengthening sales for female and corporate customers by security system installations. In addition, the Group aims to increase foreign tenants by refining customer support.

The number of units under management at the end of the second quarter was 565 thousand (increasing 3 thousand from the end of the previous fiscal year), the number of direct offices was 189 (no change from the end of the previous fiscal year), and the number of franchise offices was 120 (decreasing 10 from the end of the previous fiscal year).

As a result, net sales amounted to 207,416 million yen (up 1.7% year-on-year), and operating profit was 11,750 million yen (down 6.0% year-on-year).

(ii) Construction Business

Orders received during the subject six months amounted to 44,022 million yen (up 4.6% year-on-year) and the orders received outstanding stood at 71,996 million yen (up 10.4% from the end of the same quarter last year).

In the Construction Business, the Group focused on supplying apartments in metropolitan areas where solid leasing demand is anticipated, as well as providing high quality products with earthquake-resistance and better sound insulation. In addition, the Group implemented a new brand attempting to strengthen product competitiveness and refresh the image of tenants, expanded construction variations based on "ideal land use", and has begun reconsidering suppliers and its product prices to improve profitability.

Also, subsidiary Morizou Co., Ltd., provides luxury custom-built homes made with Kiso-hinoki.

As a result, net sales came to 34,278 million yen (down 3.0% year-on-year), and operating profit was 1,513 million yen (up 282.9% year-on-year).

(iii) Elderly Care Business

Net sales were 5,649 million yen (up 5.2% year-on-year) and operating loss was 843 million yen (increasing loss of 267 million yen year-on-year).

(iv) Hotels & Resort Business

Net sales of the resort facilities in Guam and hotels in Japan were 4,299 million yen (down 22.4% year-on-year) and operating loss was 116 million yen (improvement of 185 million yen year-on-year). Westin Resort Guam was sold in April 2016.

(v) Other Businesses

In Other Businesses such as the solar power generation business, the small-claims and short-term insurance business, and the finance business, net sales were 3,546 million yen (up 43.9% year-on-year) and operating profit was 804 million yen (up 57.3% year-on-year).

## (2) Analysis of Consolidated Financial Position

(i) Position of Assets, Liabilities, and Net assets

(Million yen)

	Assets	Liabilities	Net assets
As of September 30, 2016	317,122	171,890	145,232
As of March 31, 2016	327,609	182,743	144,865
Difference	(10,486)	(10,853)	366

Total assets at the end of the second quarter decreased 10,486 million yen from the end of the previous fiscal year to 317,122 million yen. This was mainly attributable to a decrease of 17,251 million yen in buildings and structures (net) and 3,686 million yen in land, despite an increase of 2,002 million yen in cash and cash equivalents, 2,453 million yen in leased assets (net), 2,148 million yen in real estate for sale in process, and 1,908 million yen in goodwill.

Total liabilities decreased 10,853 million yen from the end of the previous fiscal year to 171,890 million yen. This primarily reflected a decrease of 6,376 million yen in short and long-term advances received, 6,171 million yen in other accounts payable, and 3,041 million yen in borrowings and bonds, despite an increase of 1,315 million yen in customer advances for projects in progress and 2,708 million yen in lease obligations.

Net assets increased 366 million yen from the end of the previous fiscal year to 145,232 million yen, chiefly due to the payment of dividends of 2,628 million yen and a decrease in foreign currency translation adjustments of 6,802 million yen, despite a recording of 9,688 million yen in net income attributable to shareholders of the parent. The ratio of shareholders' equity to assets rose 1.6 points from the end of the previous fiscal year to 45.8%.

(ii) Cash flow position

Cash flow from operating activities was a net inflow of 4,164 million yen (an increase of 3,178 million yen in net inflow from the same period of the previous fiscal year). This was mainly due to 11,476 million yen of income before taxes and minority interests, 4,630 million yen of depreciation, and an increase in customer advances for projects in progress of 1,257 million yen, despite a decrease in accounts payable of 4,625 million yen and a decrease in advances received of 6,447 million yen.

Cash flow from investing activities was a net outflow of 3,397 million yen (a decrease of 339 million yen in net outflow from the same period of the previous fiscal year). This was primarily due to payments for purchase of time deposits of 10,053 million yen, payment for purchase of shares in subsidiaries of 5,360 million yen, payment for purchase of property, plant and equipment of 2,170 million yen, and payment for purchase of investment securities of 1,461 million yen, despite proceeds from sale of property, plant and equipment of 16,373 million yen.

Cash flow from financing activities was a net outflow of 7,101 million yen (compared to a net inflow of 5,086 million yen in the same period of the previous fiscal year). This was chiefly due to a debt repayment of 4,426 million yen (after deduction of proceeds from debt) and dividend payments of 2,674 million yen.

As a result, cash and cash equivalents at the end of the subject period under review stood at 79,650 million yen, an increase of 2,840 million yen from the end of the same period of the previous fiscal year.

### (3) Explanation Concerning Business Forecasts and Other Forward-looking Statements

Business forecasts announced in the consolidated financial statements published on May 13, 2016 remain unchanged.

Please note that business forecasts and other forward-looking statements contained in this report are based on information currently available to the Group as of the publication of this statement, and actual results may differ due to a variety of factors.

## 2. Matters Relating to Summary Information (Notes)

### (1) Changes in Significant Subsidiaries during the Second Quarter under Review

Not applicable

### (2) Application of Accounting Methods Specific to the Preparation of Quarterly Consolidated Financial Statements

Tax expenses are calculated by multiplying net income before income taxes by a reasonably estimated effective tax rate, after applying the tax effect accounting to net income before income taxes for the consolidated fiscal year that includes the second quarter.

### (3) Changes in Accounting Policy, Changes in Accounting Estimates, and Restatements

(Changes in accounting policies)

(Change in revenue recognition standard)

Plaza Guarantee Co., Ltd., a subsidiary of Leopalace21 Corporation, had formerly recognized revenue from guarantee fees as a bulk amount at the time of contract consummations. From this subject period, by referencing the Accounting Practice Committee Research Report No. 13 "Research Report on Revenue Recognition in Japan (interim report)" from the Japanese Institute of Certified Public Accountants, the Group has decided to recognize revenue over a reasonably determined period.

The Group has determined that this change is appropriate in reflecting the economic actualities of the business, and is possible since a certain period of time has passed from the start of the guarantee business, and the average guarantee period can be reasonably determined.

This change in accounting policy has been retrospectively applied to the consolidated financial statements for the previous first half and fiscal year. As a result, net sales, operating profit, recurring profit, and net income before income taxes and minority interests for the previous first half increased by 290 million yen, respectively, as compared with the figures prior to the retrospective application. Net assets at the beginning of the previous fiscal year have reflected the cumulative effects, which resulted in a decrease by 1,545 million yen in retained earnings.

(Application of the Practical Solution on Accounting on a Change in Depreciation Method Due to Tax Reform 2016)

Following the revision to the Corporation Tax Act, the "Practical Solution on a Change in Depreciation Method Due to Tax Reform 2016" (ASBJ PITF No. 32, June 17, 2016) was adopted effective from first quarter under review. The depreciation method for facilities attached to buildings and structures acquired on or after April 1, 2016 was also changed from the declining balance method to the straight line method.

As a result, operating profit, recurring profit, and net income before income taxes and minority interests during the subject first half increased by 3 million yen, respectively.

### 3. Consolidated Financial Statements

#### (1) Consolidated Balance Sheets

(Million yen)

	September 30, 2016	March 31, 2016
<Assets>		
Current assets		
Cash and cash equivalents	90,045	88,043
Trade receivables	5,227	6,779
Accounts receivable for completed projects	2,565	1,992
Operating loans	771	885
Securities	278	880
Real estate for sale	260	21
Real estate for sale in process	2,148	-
Payment for construction in progress	998	785
Raw materials and supplies	556	588
Prepaid expenses	3,023	2,847
Deferred tax assets	6,414	6,377
Other accounts receivable	2,186	1,630
Others	3,524	4,283
Allowance for doubtful accounts	(198)	(212)
Total current assets	117,801	114,904
Non-current assets		
Property, plant, and equipment		
Buildings and structures (net)	40,728	57,979
Machinery, equipment, and vehicles (net)	15,099	16,105
Land	80,555	84,241
Leased assets (net)	11,870	9,417
Construction in progress	3,614	2,444
Others (net)	1,434	1,848
Total property, plant, and equipment	153,302	172,036
Intangible fixed assets		
Goodwill	3,438	1,530
Others	8,358	7,804
Total intangible fixed assets	11,797	9,334
Investments and other assets		
Investment securities	9,492	8,230
Long-term loans	524	544
Bad debts	1,258	1,256
Long-term prepaid expenses	3,727	3,686
Deferred tax assets	17,822	16,734
Others	2,892	2,232
Allowance for doubtful accounts	(2,106)	(2,023)
Total investments and other assets	33,611	30,661
Total non-current assets	198,712	212,033
Deferred assets	608	671
Total assets	317,122	327,609

(Million yen)

	September 30, 2016	March 31, 2016
<Liabilities>		
Current liabilities		
Accounts payable	2,954	2,606
Accounts payable for completed projects	11,164	12,193
Short-term borrowings	1,286	1,677
Bonds due within one year	3,966	4,326
Lease obligations	3,837	3,054
Accounts payable-other	13,058	19,229
Accrued expenses	3	5
Accrued income taxes	2,380	2,919
Advances received	36,813	40,766
Customer advances for projects in progress	6,341	5,026
Reserve of allowance for employees' bonuses	2,890	—
Reserve for warranty obligations on completed projects	371	447
Reserve for fulfillment of guarantees	840	860
Others	3,936	4,335
Total current liabilities	89,845	97,449
Non-current liabilities		
Bonds	18,018	20,001
Long-term debt	13,799	14,106
Lease obligations	9,584	7,659
Long-term advances received	16,527	18,950
Lease/guarantee deposits received	7,293	7,516
Deferred tax liabilities	208	208
Reserve for apartment vacancy loss	3,256	3,802
Liability for retirement benefit	10,701	10,224
Others	2,655	2,824
Total non-current liabilities	82,044	85,294
Total liabilities	171,890	182,743
<Net assets>		
Shareholders' equity		
Common stock	75,282	75,282
Capital surplus	45,235	45,235
Retained earnings	31,838	24,779
Treasury stock	(3,660)	(3,660)
Total shareholders' equity	148,695	141,636
Accumulated other comprehensive income		
Net unrealized gains on "other securities"	333	435
Foreign currency translation adjustments	(3,150)	3,651
Remeasurements of defined benefit plans	(714)	(895)
Total accumulated other comprehensive income	(3,531)	3,190
Share subscription rights	67	18
Non-controlling interests	0	20
Total net assets	145,232	144,865
Total liabilities and net assets	317,122	327,609



**(2) Consolidated Statements of Operations and Consolidated Statements of Comprehensive Income**  
Consolidated Statements of Operations

(Million yen)

	Six months ended September 30, 2016 (Apr. 2016–Sep. 2016)	Six months ended September 30, 2015 (Apr. 2015–Sep. 2015)
Net sales	255,190	252,606
Cost of sales	209,567	209,213
Gross profit	45,623	43,393
Selling, general, and administrative expenses	34,285	32,701
Operating profit	11,337	10,692
Non-operating income		
Interest income	20	21
Dividend income	49	64
Valuation gains of investment securities	132	-
Other	59	86
Total non-operating income	261	172
Non-operating expenses		
Interest expenses	361	582
Commission fee	24	151
Foreign exchange losses	271	93
Other	199	101
Total non-operating expenses	857	928
Recurring profit	10,742	9,935
Extraordinary income		
Gain on sales of property, plant and equipment	828	25
Total extraordinary income	828	25
Extraordinary losses		
Loss on sale of property, plant and equipment	3	0
Loss on retirement of property, plant and equipment	81	29
Loss on evaluation of investment securities	-	19
Impairment loss	9	109
Total extraordinary losses	94	159
Income before taxes and other adjustments	11,476	9,801
Income taxes	1,797	1,397
Net income	9,678	8,403
Net income (loss) attributable to non-controlling interests	(9)	4
Net income attributable to shareholders of the parent	9,688	8,398

## Consolidated Statements of Comprehensive Income

(Million yen)

	Six months ended September 30, 2016 (Apr. 2016–Sep. 2016)	Six months ended September 30, 2015 (Apr. 2015–Sep. 2015)
Net income	9,678	8,403
Other comprehensive income		
Net unrealized gains on “other securities”	(101)	(112)
Translation adjustments	(6,799)	725
Remeasurements of defined benefit plans	181	110
Share of other comprehensive income of associates	(2)	(0)
Total other comprehensive income	(6,722)	724
Comprehensive income	2,955	9,128
(Breakdown)		
Comprehensive income attributable to shareholders of the parent	2,965	9,123
Comprehensive income attributable to non-controlling interests	(9)	4

**(3) Consolidated Cash Flow**

(Million yen)

	Six months ended September 30, 2016 (Apr. 2016–Sep. 2016)	Six months ended September 30, 2015 (Apr. 2015–Sep. 2015)
<b>Cash flows from operating activities</b>		
Income before taxes and minority interests	11,476	9,801
Depreciation	4,630	4,701
Amortization of goodwill	170	70
Increase (decrease) in reserve for doubtful accounts	(15)	(15)
Increase (decrease) in reserve for apartment vacancy loss	(545)	(737)
Interest expense	361	582
Foreign exchange loss (gain)	271	93
Equity in losses (earnings) of affiliated companies	3	5
Loss (gain) on sale of property, plant and equipment	(825)	(24)
Loss (gain) on retirement of property, plant and equipment	81	29
Loss (gain) on evaluation of investment securities	(132)	19
Impairment loss	9	109
Decrease (increase) in accounts receivable	1,398	1,173
Decrease (increase) in real estate for sale	(277)	—
Decrease (increase) in payment for construction in progress	(207)	117
Decrease (increase) in long-term prepaid expenses	242	631
Increase (decrease) in accounts payable	(4,625)	(7,487)
Increase (decrease) in customer advances for projects in progress	1,257	(1,156)
Increase (decrease) in advances received	(6,447)	(7,263)
Increase (decrease) in guarantee deposits received	(218)	(242)
Increase (decrease) in accrued consumption taxes	(797)	128
Other	694	1,648
<b>Total</b>	<b>6,506</b>	<b>2,182</b>
Interest and dividends received	206	66
Interest paid	(341)	(582)
Income taxes paid	(2,206)	(679)
<b>Net cash provided by (used in) operating activities</b>	<b>4,164</b>	<b>986</b>
<b>Cash flows from investing activities</b>		
Payment for purchase of property, plant and equipment	(2,170)	(4,274)
Proceeds from sale of property, plant and equipment	16,373	665
Payment for purchase of intangible assets	(417)	(112)
Payment for purchase of investment securities	(1,461)	(54)
Proceeds from sale of investment securities	8	90
Payment for purchase of shares in subsidiaries	(5,360)	—
Payment for loans	(17)	(26)
Proceeds from collection of loans	10	8
Payments for purchase of time deposits	(10,053)	—
Proceeds from withdrawal of time deposits	100	—
Other	(411)	(35)
<b>Net cash provided by (used in) investing activities</b>	<b>(3,397)</b>	<b>(3,737)</b>

	Six months ended September 30, 2016 (Apr. 2016–Sep. 2016)	Six months ended September 30, 2015 (Apr. 2015–Sep. 2015)
Cash flows from financing activities		
Repayment of short-term borrowings	(265)	(69)
Proceeds from long-term debt	459	8,500
Repayment of long-term debt	(872)	(22,681)
Proceeds from issuance of bonds	—	21,220
Payment for redemption of bonds	(2,343)	(730)
Repayment of finance lease obligations	(1,405)	(1,152)
Payment for purchases of treasury stock	(0)	—
Dividends paid to non-controlling interests	(2,674)	—
Net cash provided by (used in) investing activities	(7,101)	5,086
Effect of exchange rate changes on cash and cash equivalents	(841)	(30)
Net increase (decrease) in cash and cash equivalents	(7,175)	2,305
Cash and cash equivalents at beginning of period	86,826	74,504
Cash and cash equivalents at end of period	79,650	76,810

**(4) Notes Regarding Consolidated Financial Statements**  
**(Notes Regarding the Premise of the Company as a Going Concern)**

There are no relevant items.

**(Notes Regarding Significant Changes in Shareholders' Equity)**

There are no relevant items.

(Segment Information)

I. Information Regarding Sales, Profits, and Losses by Reportable Segment

Six months ended September 30, 2015 (April 1, 2015 through September 30, 2015)

(Million yen)

	Reportable Segment					Others (Note 1)	Total	Adjustments (Note 2)	Consolidated Total (Note 3)
	Leasing Business	Construction Business	Elderly Care Business	Hotels & Resort Business	Segment Total				
Net sales									
(1) Sales to customers	203,887	35,344	5,371	5,538	250,142	2,464	252,606	—	252,606
(2) Inter-segment sales and transfers	392	2,498	—	1,876	4,768	70	4,839	(4,839)	—
Total	204,280	37,843	5,371	7,415	254,910	2,535	257,446	(4,839)	252,606
Segment earnings (or loss)	12,499	395	(575)	(301)	12,016	511	12,527	(1,835)	10,692

Six months ended September 30, 2016 (April 1, 2016 through September 30, 2016)

(Million yen)

	Reportable Segment					Others (Note 1)	Total	Adjustments (Note 2)	Consolidated Total (Note 3)
	Leasing Business	Construction Business	Elderly Care Business	Hotels & Resort Business	Segment Total				
Net sales									
(1) Sales to customers	207,416	34,278	5,649	4,299	251,644	3,546	255,190	—	255,190
(2) Inter-segment sales and transfers	391	259	—	1,653	2,305	80	2,385	(2,385)	—
Total	207,808	34,538	5,649	5,953	253,949	3,627	257,576	(2,385)	255,190
Segment earnings (or loss)	11,750	1,513	(843)	(116)	12,304	804	13,108	(1,770)	11,337

Note 1: "Others" classification consists of the business segment not included in reportable segments, and comprises such businesses as the small-claims and short-term insurance business, solar power generation business and financing businesses.

Note 2: Breakdown of adjustments is as follows.

Segment earnings (or loss)

(Million yen)

	Six months ended September 30, 2016	Six months ended September 30, 2015
Inter-segment eliminations	(91)	(316)
Corporate expenses*	(1,679)	(1,518)
Total	(1,770)	(1,835)

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

Note 3: Segment profit (loss) is adjusted to the operating profit on the Consolidated Statements of Operations

## II. Information Regarding Impairment Losses and Goodwill by Reportable Segments

(Significant impairment losses)

In the Leasing Business, the Group wrote down book value of the rental assets whose profitability decreased seriously due to the slump in the rental income market and continuous decline in land prices, to recoverable amounts and recognized the reduced values as impairment loss of 98 million yen and 9 million yen under extraordinary loss in the six months ended September 2015 and 2016, respectively. Also, the book value of inactive fixed assets not allocated to any of the reportable segments was written down to recoverable amounts and an impairment loss of 11 million yen was recorded under extraordinary losses during the six months ended September 2015..

(Significant changes in goodwill)

During the six months ended September 2016, the group acquired all the shares and subsidized Life Living Co., Ltd., and recorded a goodwill of 1,992 million yen under "Other Businesses."

## III. Changes Regarding Reportable Segments

(Change in revenue recognition standard)

As stated in P.6 "(3) Changes in Accounting Policy, Changes in Accounting Estimates, and Restatements," the standard for revenue recognition has been changed starting in the previous quarter. This change in accounting policy has been retrospectively applied to segment information figures. As a result, net sales in the Leasing Business have increased by 290 million yen. Segment earnings increased 286 million yen in the Leasing Business, 3 million yen in the Construction Business, 0 million yen in the Elderly Care Business, 0 million yen in the Hotels & Resort Business, and 0 million yen in Other Businesses.