Leopalace21 Corporation

Financial Results for Fiscal Year 2023



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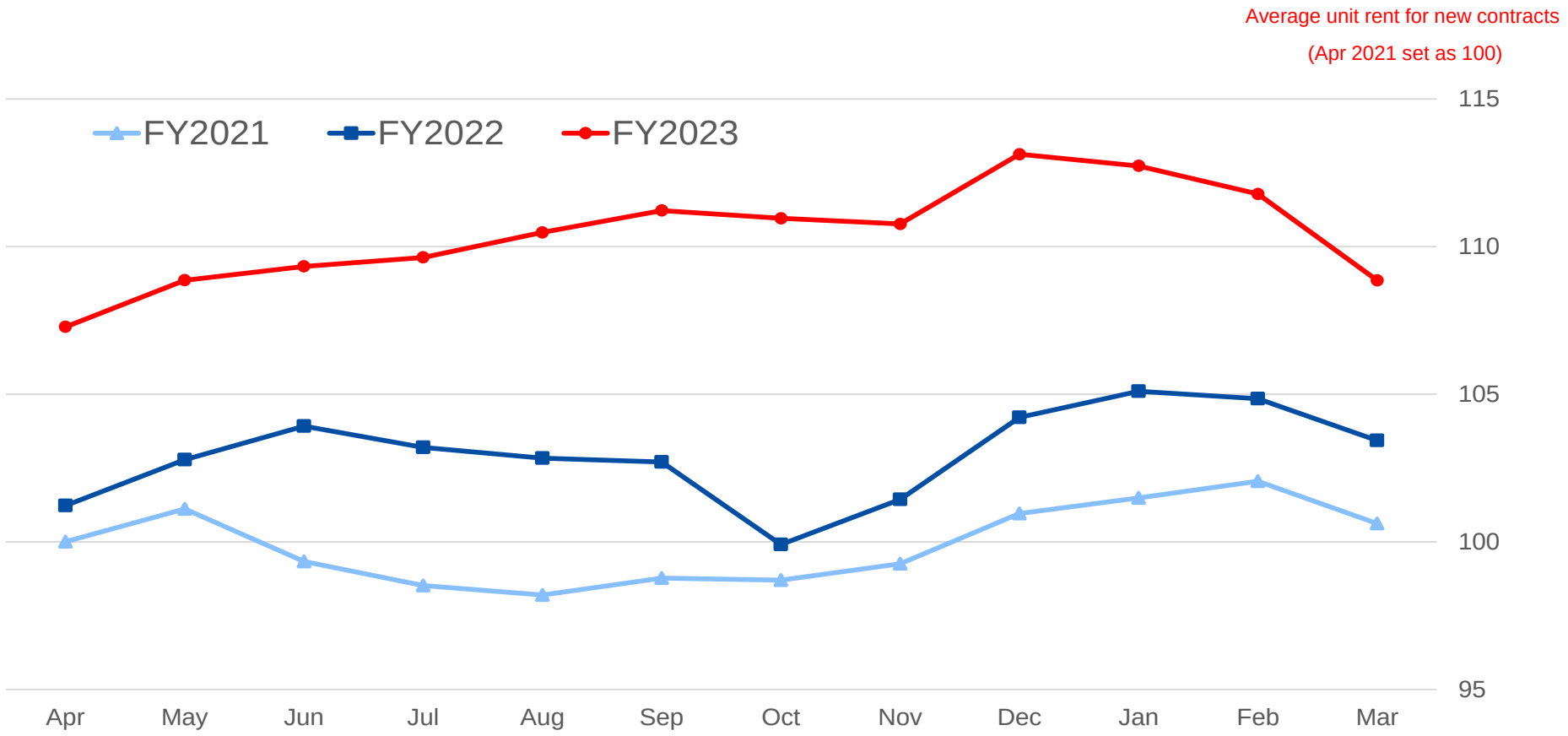
(Note) This material contains some forward-looking statements. Please understand that actual results may differ significantly from these forecasts due to various factors.

Executive Summary

Acquisition of Treasury Stock	The Company implemented a share repurchase program from Jul 6, 2023 to Jan 5, 2024. **Total acquired shares were JPY 3.4 billion in amount and 11,450 thousand in number.**
Dividend	The **year-end dividend is to be approved with JPY 5 per share** for FY2023 ; **the annual dividend is planned to be JPY 10 per share** for FY2024.
Leasing Business	The **average unit rent for new contracts showed an increase of 7.1% YoY, which led to a rise of 2.8% YoY in the average unit rent for all occupied units**. The average unit rent exceeded the levels prior to the revelation of constructive defects problem. The number of occupied units by the corporate tenants reached 300,482 as of end of March 2024, the second highest level after the one as of end of March 2018.
PL / BS	Recorded **operating profit of JPY 23.3 billion and net income of JPY 42.0 billion**, which outperformed significantly the respective results for FY2022 and the revised plan for FY2023. Equity ratio substantially grew to reach 31.2% from 0.7% for FY2021
Construction Defects Management	The Company aims to eliminate the obvious defects by the end of December 2024. The number of units assumed to be repaired decreased by approximately 3,700 units from the end of January 2024 to **approximately 16,400.**

The average unit rent for new contracts remained at significantly higher levels during FY2023 through price-focused strategy.



1. Construction Defects Management

Eliminate obvious defects by the end of 2024

2. Strengthen Profitability

Implement profit optimization strategy

- Occupancy Plan
  Average: 87.00%
  End of FY: 90.00%
- Unit Rent Plan
  Ave. unit rent for new contracts:
  + 0.2% YoY
  Ave. unit rent for all occupied units:
  + 2.5% YoY

3. Promote Sustainability Management

Promote DX

Promote Human Capital Management

4. Prepare Framework for Mid- to Long-term Growth

Establish a framework for resuming development business

Formulate a brand strategy

Chapter 1

Outline of the Financial Results for FY2023 and Management Plan for FY2024

1: PL (FY2023 Actual)

Achieved net sales and profit items as planned due to increased unit rent and restrained personnel cost.
Net income outperformed the plan by 251% due to recording of income taxes–deferred (profit).

(JPY million)	Comparison vs FY2022 Actual	FY2022 Actual	FY2023 Actual	FY2023 Revised Plan	Difference	Factors contributing to changes
Net sales	+16,222	406,449	**422,671**	421,700	+971	■ Net sales Average unit rent increase led to a JPY 0.9 billion increase compared to the plan despite a shortfall in occupancy rate.
Cost of sales	+673	353,163	**353,836**	354,200	(363)	■ Cost of sales Cost of sales became JPY 0.3 billion smaller than the plan due to restrained apartment maintenance unit cost despite recording of provision for apartment vacancy loss of JPY 1.0 billion.
Gross profit	+15,549	53,285	**68,835**	67,500	+1,335	
%	+3.2 p	13.1%	**16.3%**	16.0%	+0.3 p	
SG&A	+2,114	43,406	**45,521**	49,400	(3,878)	■ SG&A Restricted mid-career hiring resulted in JPY -3.8 billion compared to the plan.
Operating profit	+13,434	9,879	**23,313**	18,100	+5,213	
%	+3.1 p	2.4%	**5.5%**	4.3%	+1.2 p	
EBITDA	+11,525	16,449	**27,974**	24,700	+3,274	■ Extraordinary income Recorded gains on sale of shares in subsidiaries of JPY 0.6 billion as a result of transferring shares in a subsidiary.
Recurring profit	+12,949	6,526	**19,476**	14,100	+5,376	■ Extraordinary losses Recorded loss related to repairs of JPY 2.7 billion due to soaring material prices and increased ratio of subcontracted repair works
Net income	+22,251	19,810	**42,062**	12,000	+30,062	■ Net income Recorded income taxes–deferred (profit) of JPY 26.5 billion.
EPS (JPY)	+70.69	60.22	**130.91**	36.93	+93.98	

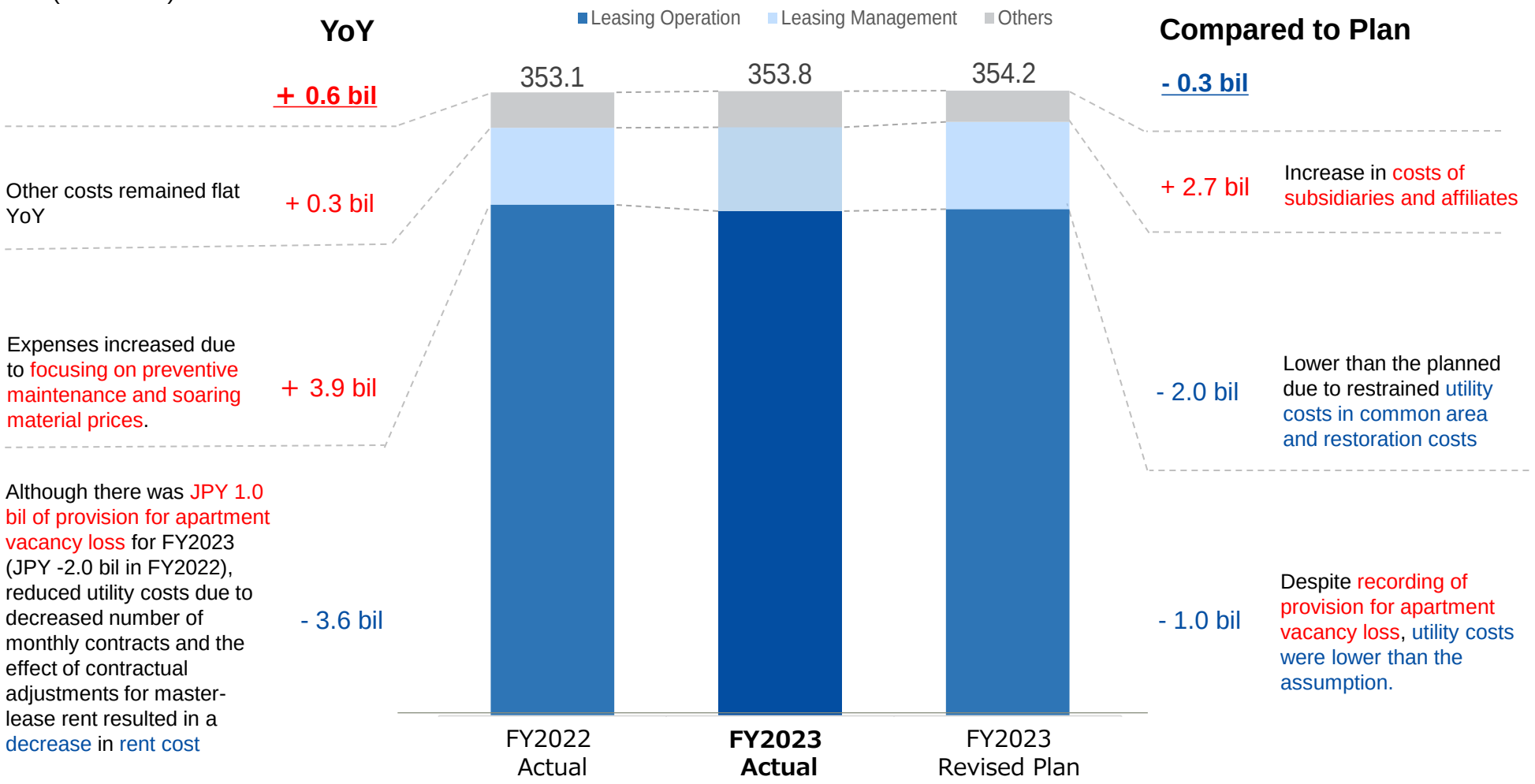
The Company recorded substantially larger profits for operating profit to net income than planned for Q4 due to constrained SG&A and recording of income taxes–deferred (profit).

(JPY million)	FY2022				FY2023							
	Q1	Q2	Q3	Q4	Q1		Q2		Q3		Q4	
	Actual	Actual	Actual	Actual	Plan	Actual	Plan	Actual	Revised Plan	Actual	Revised Plan	Actual
Net sales	101,406	101,053	101,056	102,931	104,900	106,375	104,200	105,472	104,000	104,728	105,900	**106,095**
Cost of sales	86,908	87,597	87,315	91,341	88,500	88,308	88,300	87,771	87,300	87,627	90,900	**90,128**
Gross profit	14,498	13,456	13,740	11,590	16,400	18,066	15,900	17,701	16,700	17,100	15,000	**15,966**
SG&A	10,919	10,073	9,934	12,479	12,000	10,444	12,300	10,495	13,400	11,918	15,000	**12,662**
Operating profit	3,579	3,383	3,806	(889)	4,400	7,622	3,600	7,205	3,300	5,181	0	**3,304**
Recurring profit	2,643	2,790	3,014	(1,921)	3,200	6,851	2,500	6,259	2,200	3,455	(1,200)	**2,909**
Net income	1,630	2,061	1,857	14,261	2,500	6,627	2,000	5,222	1,600	3,028	(1,500)	**27,183**

3: Costs of FY2023 (Cost of Sales)

Cost of sales was almost equal to planned due to reduced utility costs resulting from the decreased number of monthly contracts and other factors despite recording of provision for apartment vacancy loss.

(JPY billion)



YoY

+ 0.6 bil

Other costs remained flat YoY

+ 0.3 bil

Expenses increased due to focusing on preventive maintenance and soaring material prices.

+ 3.9 bil

Although there was JPY 1.0 bil of provision for apartment vacancy loss for FY2023 (JPY -2.0 bil in FY2022), reduced utility costs due to decreased number of monthly contracts and the effect of contractual adjustments for master-lease rent resulted in a decrease in rent cost

- 3.6 bil

Compared to Plan

- 0.3 bil

+ 2.7 bil

Increase in costs of subsidiaries and affiliates

- 2.0 bil

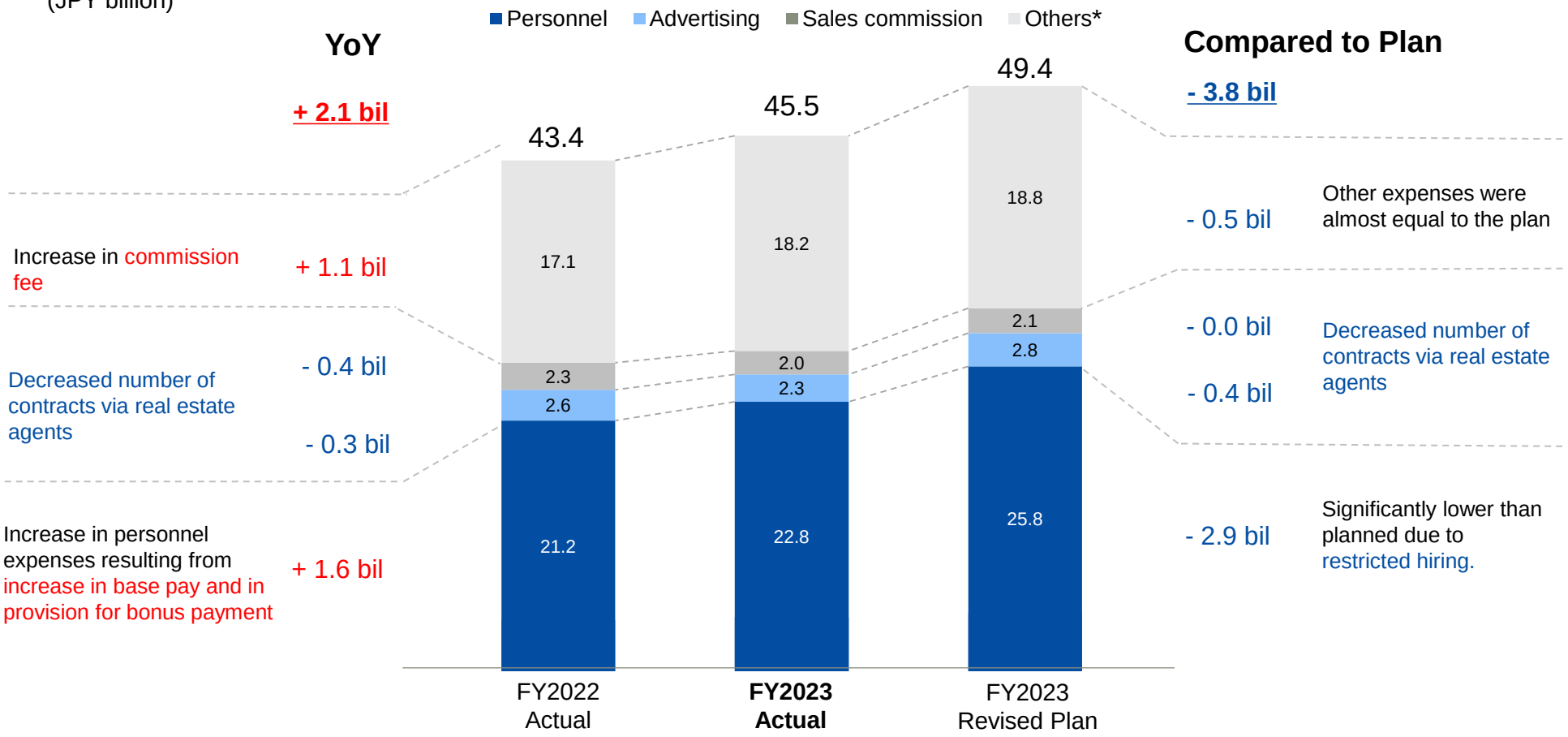
Lower than the planned due to restrained utility costs in common area and restoration costs

- 1.0 bil

Despite recording of provision for apartment vacancy loss, utility costs were lower than the assumption.

SG&A expenses were significantly lower than planned due to the restricted hiring of mid-career and non-regular employees.

(JPY billion)



* Others: Taxes and public charges, commission expense, rent expense, repair and maintenance expenses, depreciation and amortization, etc.

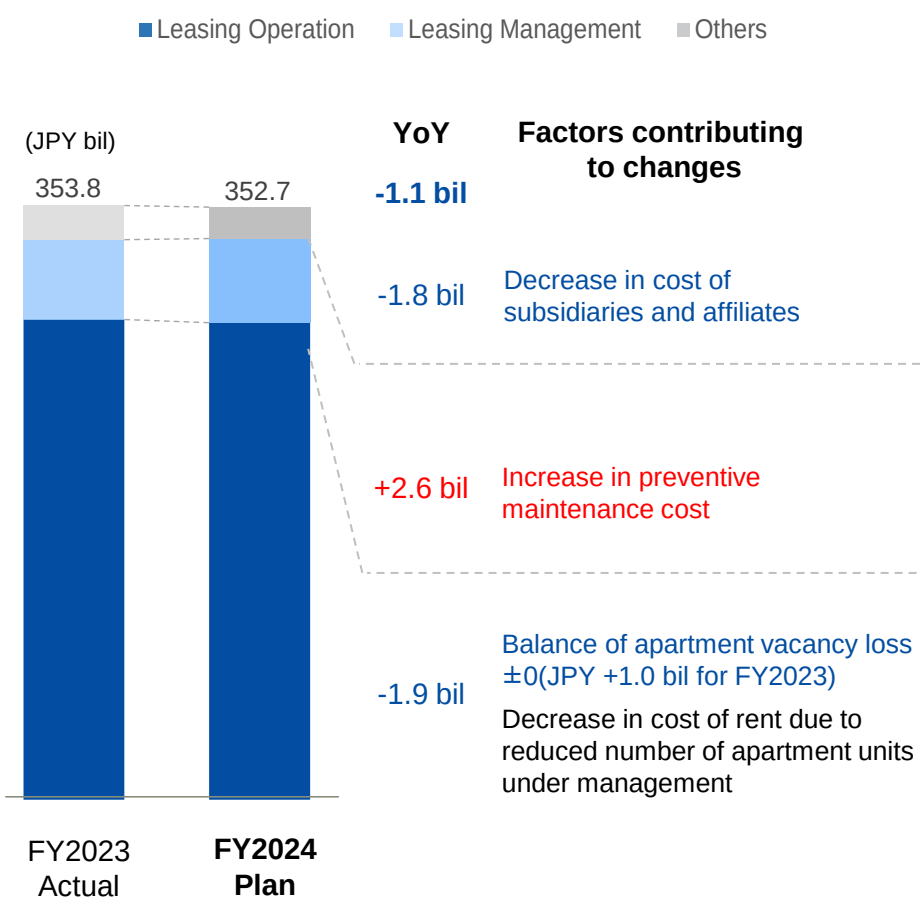
5: PL (FY2024 Plan)

We will implement profit optimization strategy to maximize profitability through increasing occupancy rate and average unit rent for all occupied units.

(JPY million)	FY2024 Plan						Factors contributing to changes
	Q1	Q2	Q3	Q4	FY Total	Delta vs FY2023	
Net Sales	106,900	106,200	106,700	108,800	428,600	+5,928	Increase in average unit rent for all occupied units
Cost of sales	87,200	87,900	88,400	89,200	352,700	(1,136)	Decrease in number of apartment units under management and decrease in costs of subsidiaries and affiliates contributed to JPY -1.1 billion YoY. Balance of provision of apartment vacancy loss is estimated ±0. (JPY +1.0 billion for FY2023)
Gross profit	19,700	18,300	18,300	19,600	75,900	+7,064	
%	18.4%	17.2%	17.2%	18.0%	17.7%	+1.4p	
SG&A	11,600	11,800	11,900	14,000	49,300	+3,778	
Operating profit	8,100	6,500	6,400	5,600	26,600	+3,286	Increase in personnel costs due to growth in the number of employees and increased compensation.
%	7.6%	6.1%	6.0%	5.1%	6.2%	+0.7p	
EBITDA	9,100	7,400	7,200	6,400	30,100	+2,125	
Recurring profit	7,700	6,100	6,000	5,100	24,900	+5,423	A reversal of deferred tax assets is planned for Q4.
Net income	7,100	5,700	5,600	(3,900)	14,500	(27,562)	
EPS (JPY)	22.35	17.94	17.63	(12.28)	45.64	(85.27)	

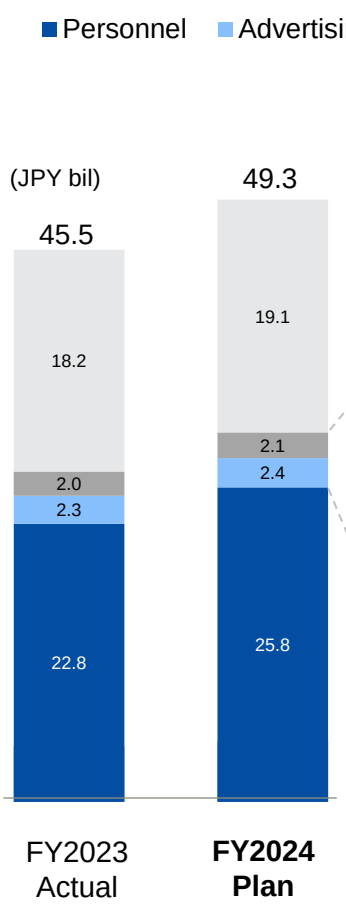
We will invest in property maintenance and human capital while keeping slimmer cost structure.

Cost of Sales



	YoY	Factors contributing to changes
	-1.1 bil	
Leasing Operation	-1.8 bil	Decrease in cost of subsidiaries and affiliates
Leasing Management	+2.6 bil	Increase in preventive maintenance cost
Others	-1.9 bil	Balance of apartment vacancy loss ±0(JPY +1.0 bil for FY2023) Decrease in cost of rent due to reduced number of apartment units under management

SG&A



	YoY	Factors contributing to changes
	+3.7 bil	
Personnel	+0.8 bil	Increase in IT system related investment
Advertising	+0.0 bil	Number of contracts through real estate agents remain the same level as FY2023.
Sales commission	+0.0 bil	
Others*	+2.9 bil	Invest in human capital such as hiring employees and base pay increase

* Others: Taxes and public charges, commission expense, rent expense, repair and maintenance expenses, depreciation and amortization, etc.

7: BS (End of FY2023)

(JPY million)	End of FY2022	End of FY2023	YoY	QoQ
Cash and deposits	53,560	**68,627**	+15,066	+8,267
Trade receivables	8,121	**7,670**	(451)	+870
Total assets	166,548	**205,000**	+38,451	+34,258
Interest-bearing debt*	31,849	**30,879**	(969)	(7)
Provision for losses related to repairs	17,583	**15,339**	(2,243)	+504
Provision for apartment vacancy loss	3,590	**4,683**	+1,093	+1,093
Total liabilities	133,625	**133,320**	(305)	+8,453
Common stock	100	**100**	± 0	± 0
Capital surplus	136,240	**30,121**	(106,118)	+745
Retained earnings	(116,006)	**32,867**	+148,873	+27,183
Treasury stock	(205)	**(4,359)**	(4,153)	(745)
Total shareholders' equity (A)	20,128	**58,729**	+38,600	+27,183
Total accumulated other comprehensive income (B)	3,986	**5,175**	+1,188	(1,501)
Ownership equity (A) + (B)	24,115	**63,904**	+39,789	+25,681
Equity ratio	14.5%	**31.2%**	+16.7 p	+8.8 p
Share subscription rights	284	**242**	(42)	±0
Non-controlling interests	8,522	**7,532**	(989)	+123
Total net assets	32,922	**71,679**	+38,757	+25,804

■Cash and deposits
JPY +8.2 bil from end of Q3 FY2023 due to positive cash flows from operating activities. Recorded JPY +15.0 bil from the end of FY2022.

■Provision for losses related to repairs
(current: JPY 6.6 billion; non-current: JPY 8.6 billion)
JPY -2.2 bil resulting from progress of repairs from the end of FY2022.

■Provision for apartment vacancy loss
(current: JPY 0.0 bil; non-current JPY 4.6 bil)
Built up by JPY 1.0 bil in Q4 in anticipation of parts of apartments' worsening profitability.

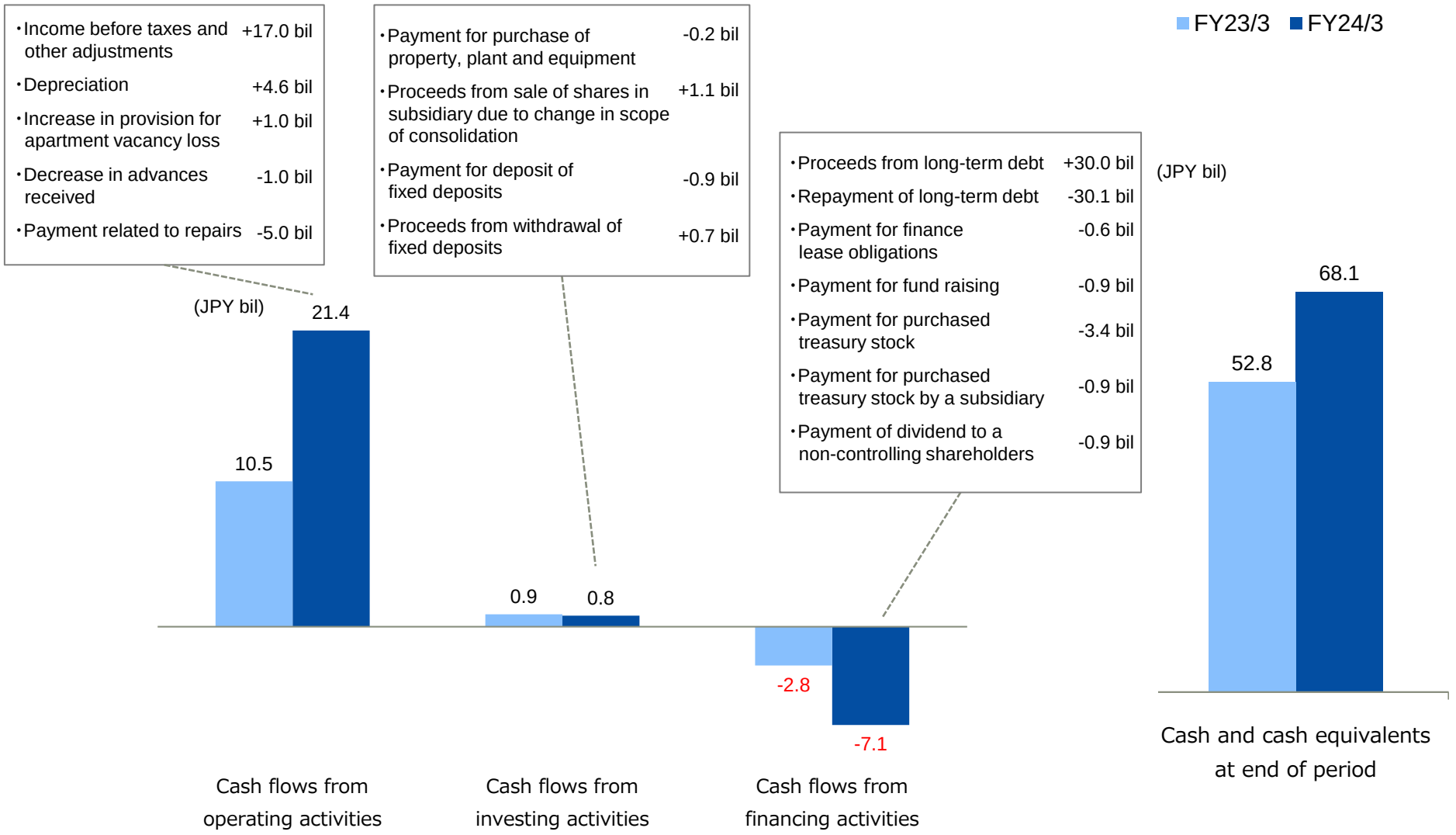
■Retained earnings
Recorded JPY +148.8 bil by make-up for the deficit in Jun 2023 and recording of net income.

■Treasury stock
Recorded JPY -4.1 bil as a result of treasury stock acquisition and introduction of employee incentive plan.

* Interest-bearing debt = borrowings + lease obligations

8: Cash Flows (FY2023 Actual)

Improved revenue from Leasing Business led to cash flows from operating activities of JPY 21.4 billion, an increase of JPY +10.8 billion YoY.



Acquisition of treasury stock

Implemented a share repurchase program considering financial position and level of share prices.

Period of acquisition

From July 6, 2023 to January 5, 2024

Result

Total amount of shares acquired	Total number of shares acquired
JPY 3.4 billion	11,450 thousand

Dividend

Announced a change in dividend policy to resume dividend payment after six-year interval.

Dividend Policy

- The Company will follow a policy of resuming dividend payment for FY2023 and set the year-end dividend forecast of JPY 5 per share.
- Pay continuous and stable dividends afterward by comprehensively considering performance trends, financial conditions, and other factors.

Dividend Forecast for FY2023 onward (Dividend per share)

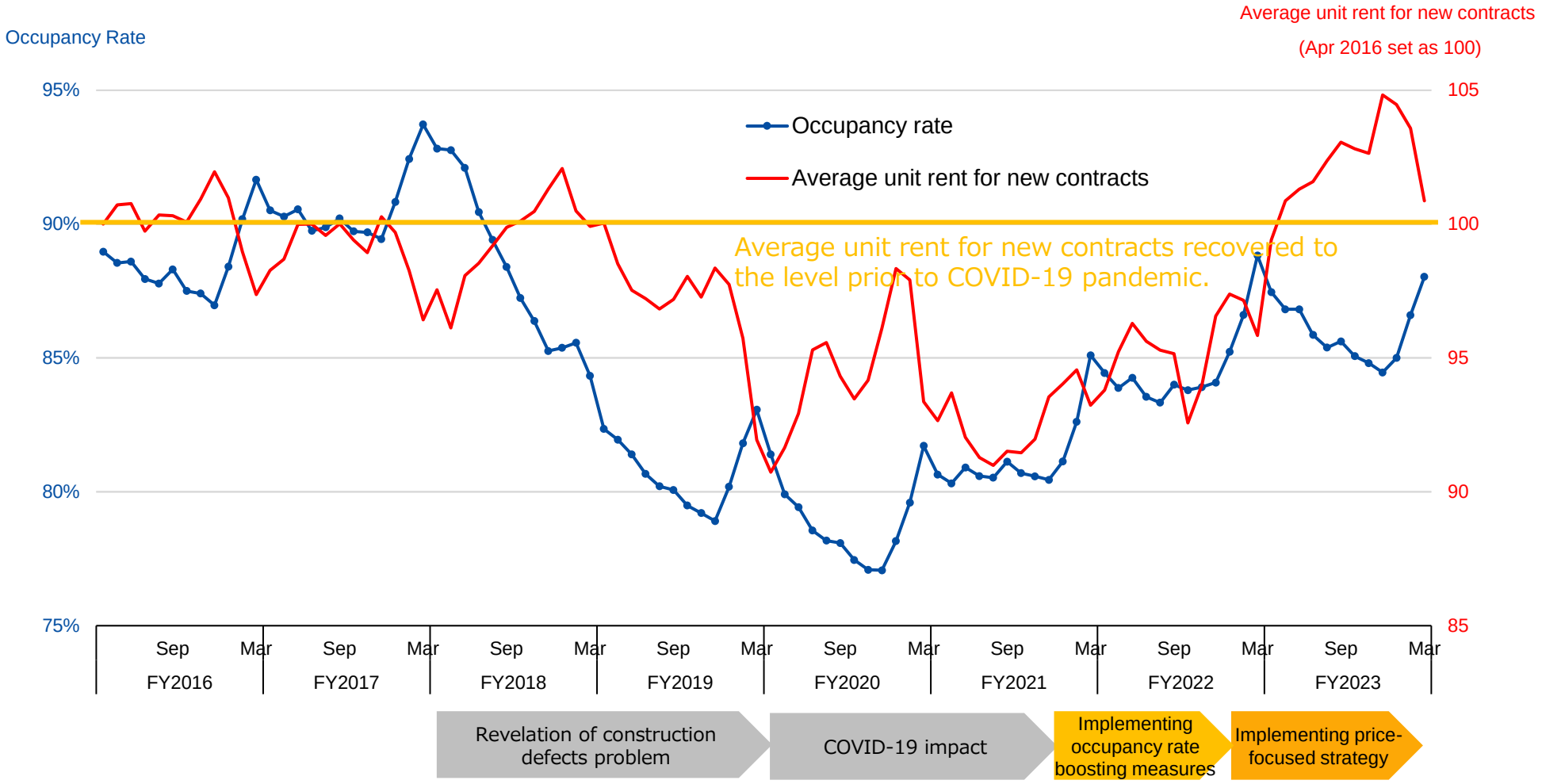
	End of Q2	End of FY	Total
FY2023	-	JPY 5.00*	JPY 5.00
FY2024	JPY 5.00	JPY 5.00	JPY 10.00

* Subject to the approval at the 51st Ordinary General Shareholders' Meeting scheduled for June 27, 2024

Chapter 2

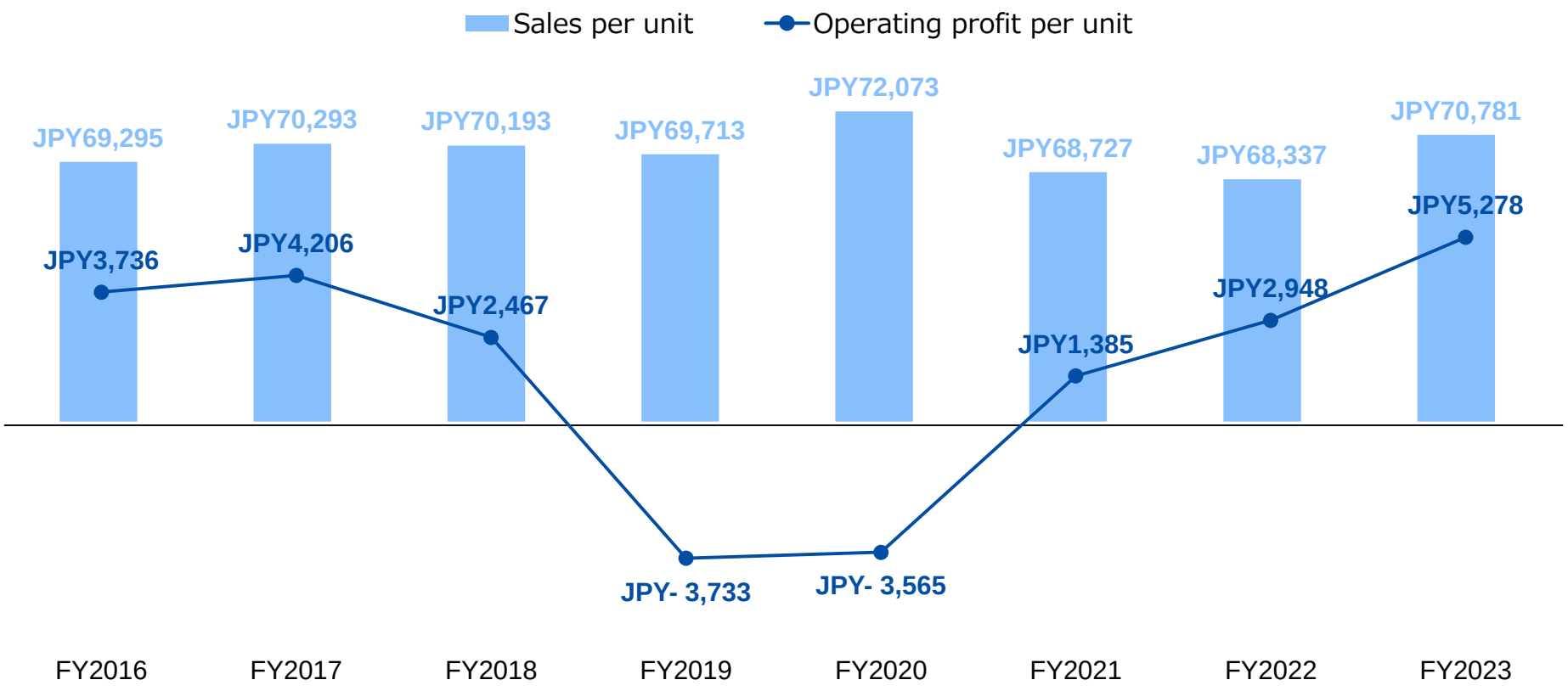
Leasing Business Conditions

The average rent increased to the level prior to revelation of construction defects problem due to implementing price-focused strategy for FY2023.



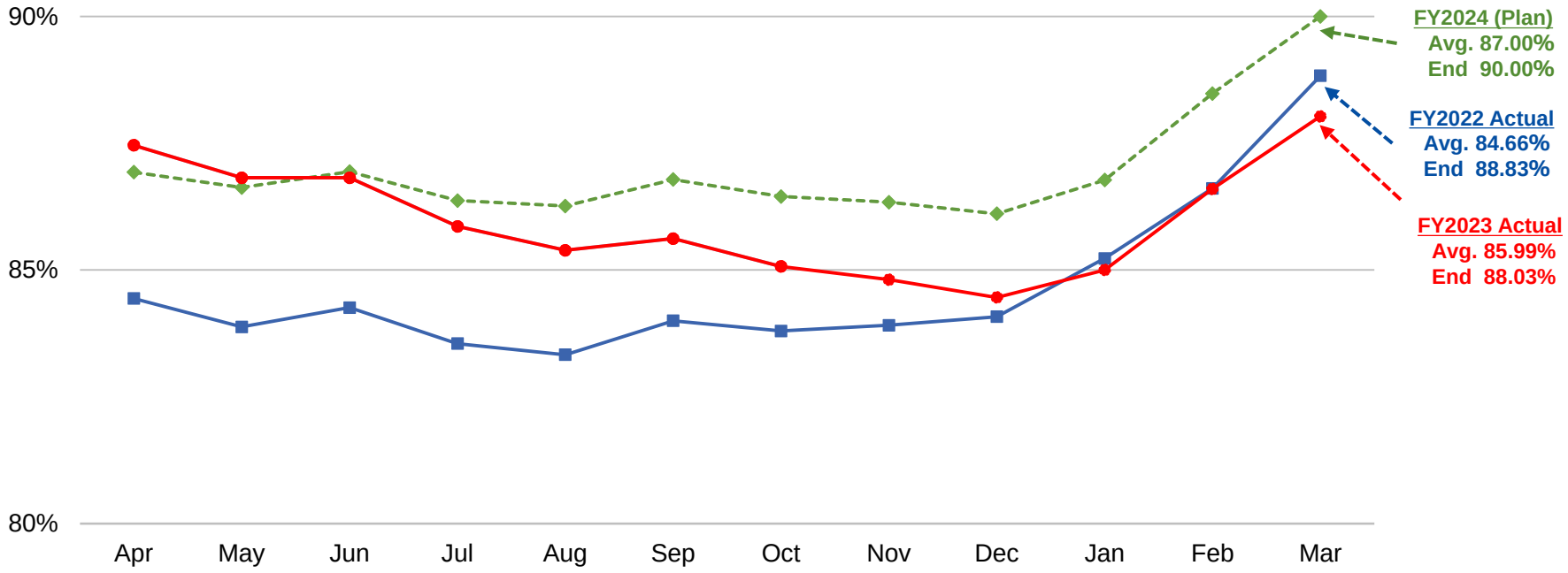
2: Sales per unit and operating profit per unit

Operating profit per unit reached all time high due to increased unit rent and optimized cost.
We aim to grow profit by keeping the profitability and increasing occupancy rate.



* Sales per unit (Operating profit) = Sales for Leasing Business Segment (Operating profit) / Number of occupied units per annum

The occupancy rates resulted in 88.03% at the end of March 2024 (-0.80 p YoY) and 85.99% of average occupancy rate (+1.33 p YoY).
We aim at maximizing profitability for FY2024 through implementing profit optimization strategy, namely improved occupancy rate at appropriate pricing.

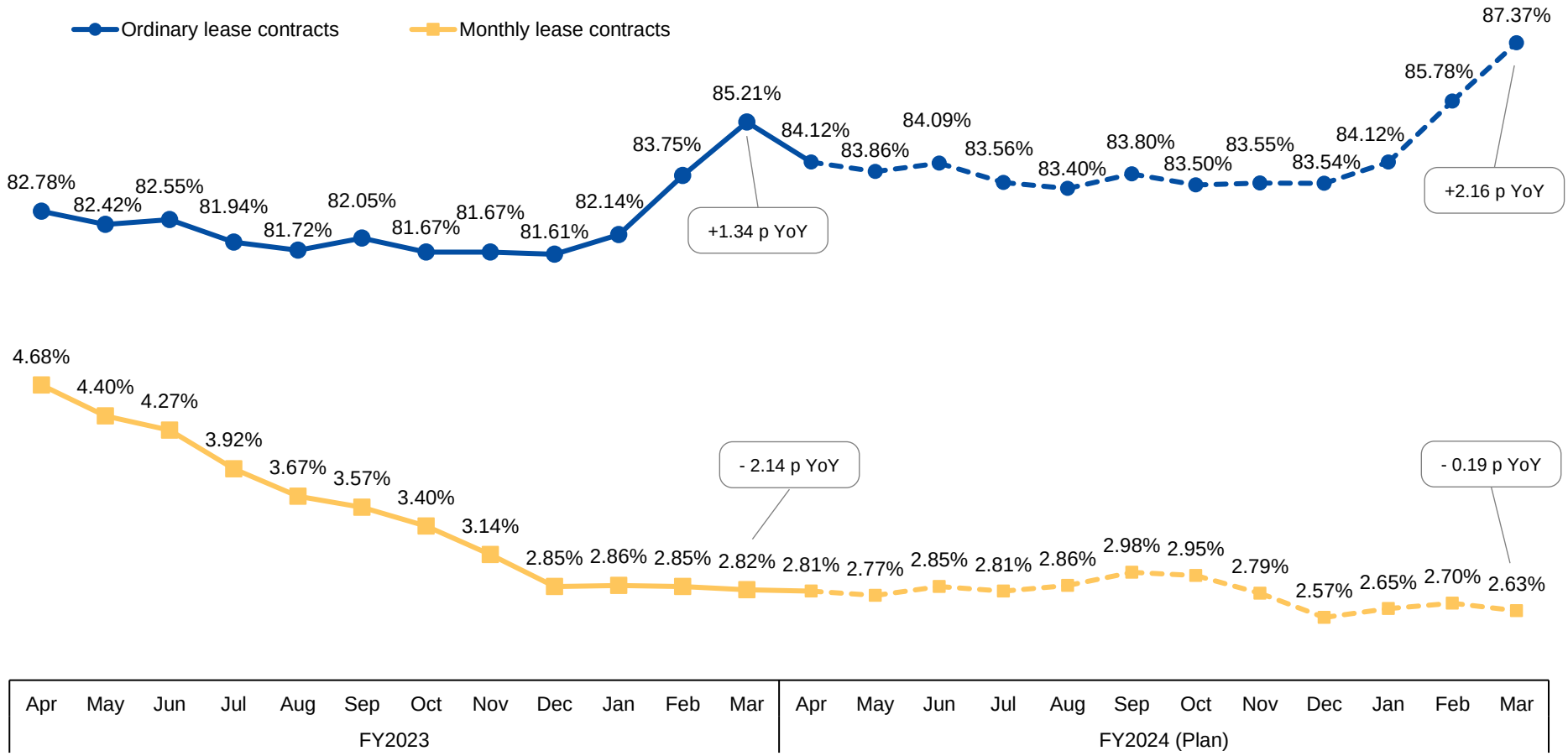


	Apr	May	Jun	Apr-Jun Average	Jul	Aug	Sep	Jul-Sep Average	Oct	Nov	Dec	Oct-Dec Average	Jan	Feb	Mar	Jan-Mar Average	FY2023 Average
FY2023	87.46%	86.82%	86.82%	87.03%	85.86%	85.39%	85.62%	85.62%	85.07%	84.81%	84.46%	84.78%	85.00%	86.60%	88.03%	86.54%	85.99%
YoY	+3.02 p	+2.94 p	+2.56 p	+2.84 p	+2.31 p	+2.06 p	+1.62 p	+1.99 p	+1.27 p	+0.90 p	+0.38 p	+0.85 p	-0.23 p	-0.01 p	-0.80 p	-0.35 p	+1.33 p

Monthly Data： https://www.leopalace21.co.jp/english/ir/finance/monthly/index.html

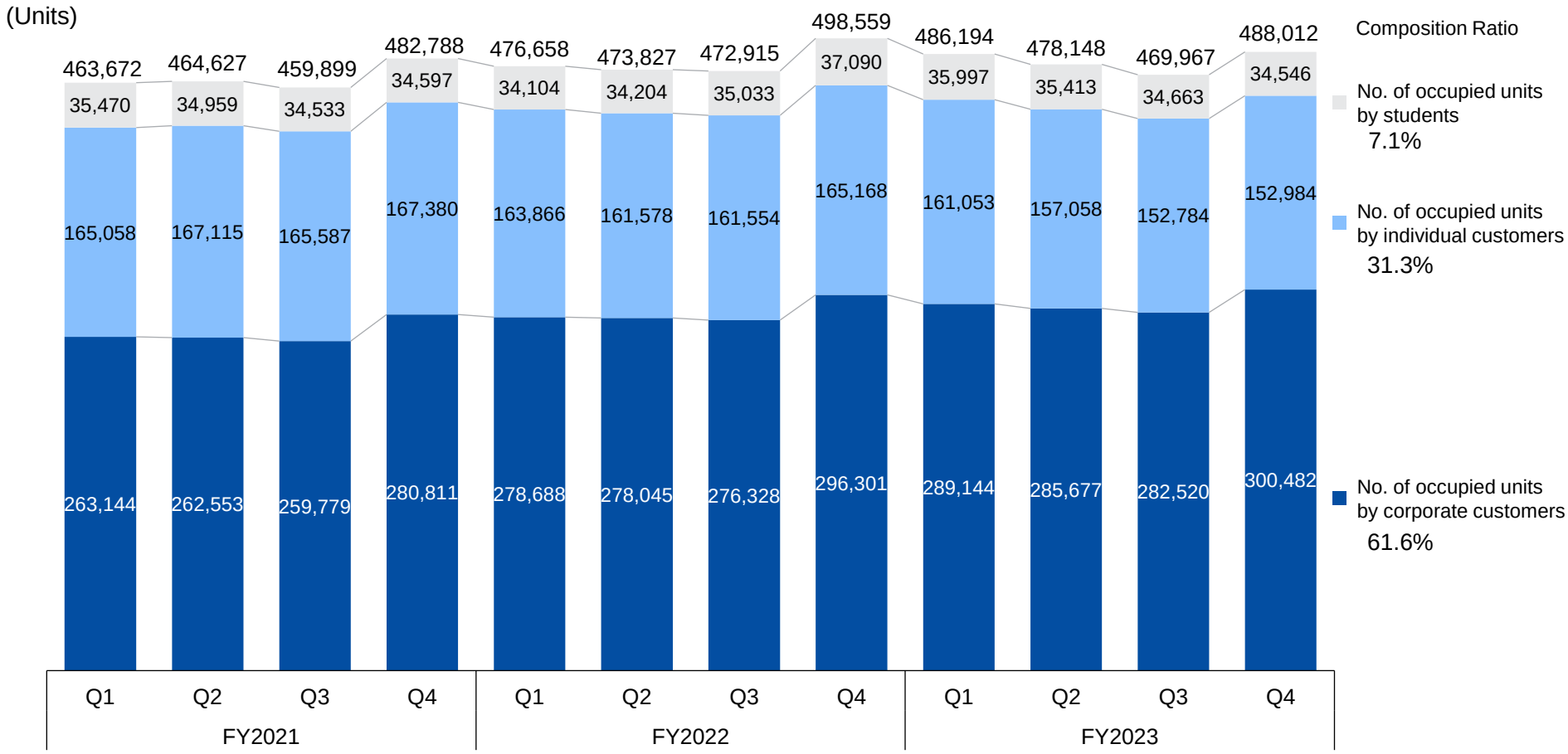
4: Changes in Occupancy rate by type of contract

We adopted a policy of restraining monthly lease contracts which are less profitable than ordinary lease contracts for FY2023.
Consequently, although the occupancy rate did not meet the plan, profitability was improved significantly.



5: Shares of Occupied Units by Customer Segment

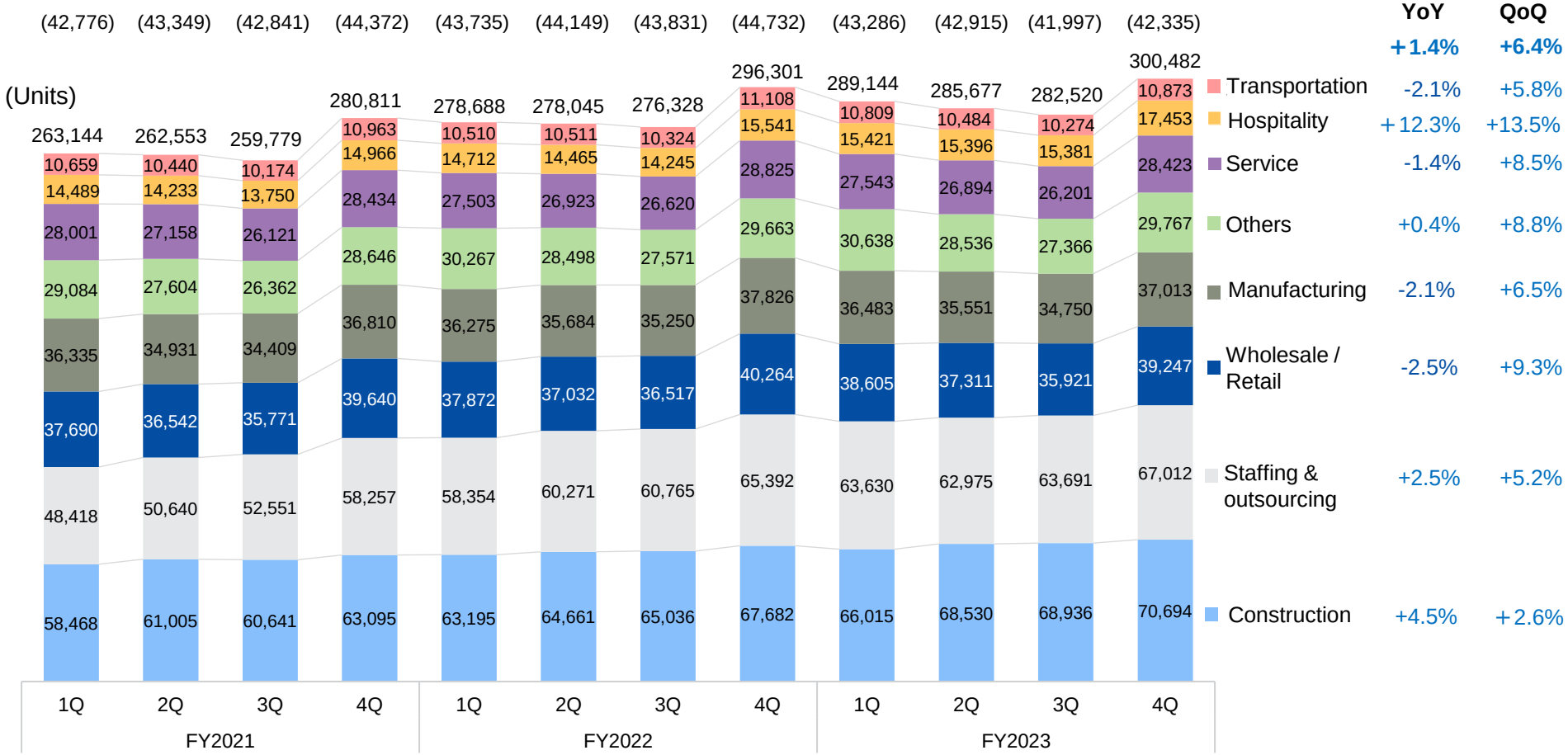
The number of occupied units by corporate customer segment was 300,482, second highest after 309,062 in FY2017.
The composition ratio reached all-time high of 61.6%.



Construction sector and staffing & outsourcing sector saw continued steady growth to reach the largest number of occupancy level.

Hospitality sector saw substantial yearly and quarterly growth due to demand recovery as a result of mitigated COVID-19 impact.

No. of companies



	YoY	QoQ
	+1.4%	**+6.4%**
Transportation	-2.1%	+5.8%
Hospitality	+12.3%	+13.5%
Service	-1.4%	+8.5%
Others	+0.4%	+8.8%
Manufacturing	-2.1%	+6.5%
Wholesale / Retail	-2.5%	+9.3%
Staffing & outsourcing	+2.5%	+5.2%
Construction	+4.5%	+2.6%

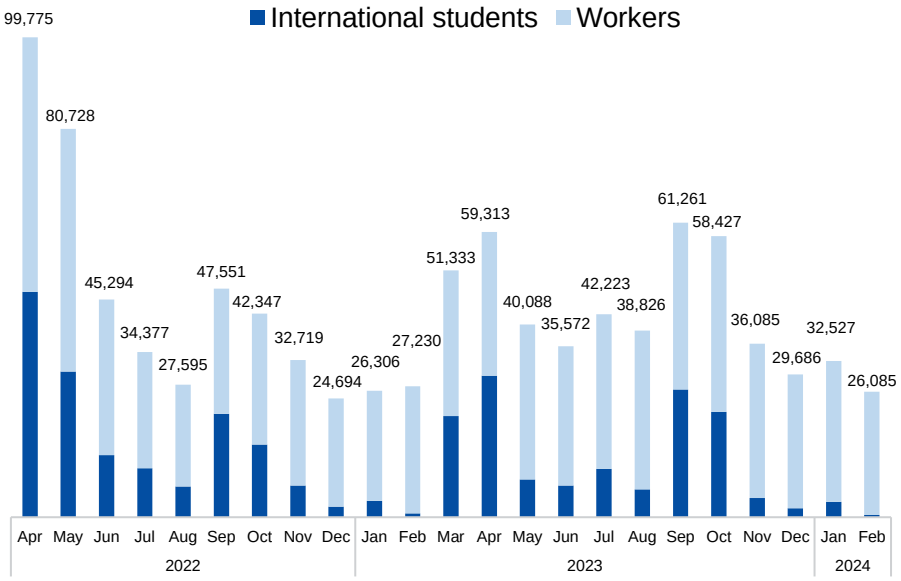
7: No. of Room Use by Foreign Nationals

Number of units used by foreign national tenants was approx. 47 thousand—comprising approx. 24 thousand individual tenants and approx. 23 thousand under corporate contracts—which represented 9.7% of the total.
（+1.3 p from end of FY2022 and +0.5 p from end of Q3 FY2023）

Number of contracts (individual customers)

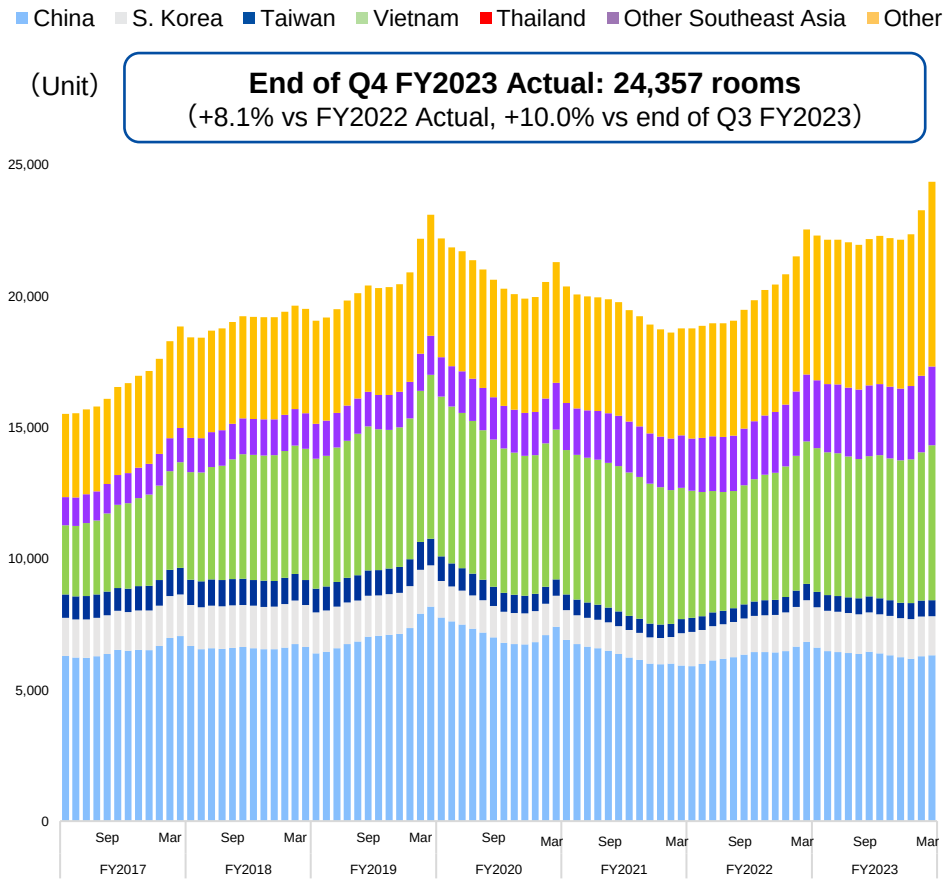
Q4 FY2023 Actual 12,201
(+47 against plan, +190 YoY)

Market Data (trends of new entrants to Japan)*



*Source: Statistics on number of foreign nationals entering Japan by nationality and region

Trends of No. of contracts with individual customers



8: Units and Occupancy Rates by Prefecture

Occupancy rates in Toyama and Ishikawa saw upward trends for both YoY and QoQ because of recovery support following Noto Peninsula Earthquake.

Tokyo metro area kept high occupancy rate due to strong demand by foreign national tenants, whereas Tohoku and Kyushu regions declined due to completion of various construction projects including offshore wind power facilities.

Managed unit: in thousands, Occupancy:%	Q4 FY2023			
	Managed units	Occupancy rate	YoY	QoQ
Hokkaido	13	84%	+1 p	+1 p
Aomori	4	77%	−6 p	+3 p
Iwate	3	85%	−8 p	+1 p
Miyagi	9	82%	−7 p	+2 p
Akita	2	83%	−8 p	+4 p
Yamagata	4	79%	−10 p	+0 p
Fukushima	10	85%	−0 p	+1 p
Ibaraki	15	88%	−1 p	+4 p
Tochigi	11	83%	−4 p	+2 p
Gunma	11	85%	+1 p	+3 p
Saitama	45	91%	+1 p	+4 p
Chiba	33	89%	+2 p	+7 p
Tokyo	43	95%	+1 p	+5 p
Kanagawa	40	91%	−2 p	+5 p
Niigata	8	83%	−4 p	+3 p
Toyama	5	93%	+8 p	+13 p

Managed unit: in thousands, Occupancy:%	Q4 FY2023			
	Managed units	Occupancy rate	YoY	QoQ
Ishikawa	5	97%	+16 p	+13 p
Fukui	4	83%	−5 p	+5 p
Yamanashi	4	92%	+2 p	+7 p
Nagano	11	90%	−3 p	+2 p
Gifu	7	82%	−5 p	+2 p
Shizuoka	24	84%	+2 p	+1 p
Aichi	41	89%	−2 p	+2 p
Mie	11	74%	−3 p	+3 p
Shiga	8	91%	−4 p	+4 p
Kyoto	9	93%	+1 p	+7 p
Osaka	30	88%	+0 p	+5 p
Hyogo	21	88%	−1p	+3p
Nara	3	92%	+1p	+2p
Wakayama	3	77%	−5p	+2p
Tottori	2	85%	−3p	+0p
Shimane	2	96%	+2p	−1p

Managed unit: in thousands, Occupancy:%	Q4 FY2023			
	Managed units	Occupancy rate	YoY	QoQ
Okayama	12	80%	−3p	+0p
Hiroshima	13	90%	−1p	+4p
Yamaguchi	7	91%	+1p	+3p
Tokushima	2	72%	−7p	−2p
Kagawa	4	81%	−1p	+3p
Ehime	4	80%	−3p	+2p
Kochi	2	81%	−6p	+0p
Fukuoka	19	91%	+1p	+4p
Saga	3	93%	+1p	+4p
Nagasaki	2	91%	−5p	+2p
Kumamoto	7	84%	−11p	−6p
Oita	4	82%	−2p	+6p
Miyazaki	2	93%	+5p	+3p
Kagoshima	3	81%	−11p	+0p
Okinawa	5	99%	+2p	+1p
Total	554	88%	−1p	+4p

Chapter 3

Promotion of Sustainability

1: Expand the Installation of Smart Locks

The number of apartment units with smart locks reached approximately 250,000 at the end of March 2024.
It saved approximately 580,000 key handover jobs during January – March 2024*.
Average saving time of 42 minutes per apartment unit, leading to a total saving of approximately 140,000 work hours per year.

Enhanced customer convenience



Start living in a new apartment unit without having to stop by a leasing sales office to pick up keys

Door is unlockable by a smartphone app, a smart card or PIN entry to numeric keypad

Reduced risk of lost keys

Enhanced security by self-locking door

Improved productivity



Job	Content
Replacement of locks and keys	Prepare locks and keys for reinstallation
	Sort locks and keys
	Hand over locks and keys for contractors to reinstall
Key management	Register key information in a system
	Store master keys in the key box
	Post the keys to a responsible leasing sales office
Key hand-over	Prepare documents
	Meet and serve tenants
	Register hand-over completion in a system
Attendance service at leasing sales offices	Employee accompanies customers during apartment viewing

*Refer to "Smart Locks Saved Over 50,000 Key Handovers During Peak Quarter" dated May 9, 2024.

Leopalace21 promotes DX to realize non face-to-face service from room search to contract signing and post-move-in support.
As part of the DX strategy, the offices were integrated from 109 to 72 in November 2023.

Search for an Apartment Unit

- **Online Contracts**
  No need to visit offices from apartment unit viewing to contract signing
- **EcoSystem**
  AI supports apartment unit search for company housing

At the Time of Move-in

- **Smart Lock**
  Tenants no longer need to visit the leasing sales offices to pick up the keys
- **Electronic contract (for individuals) / *Leo-sign* (for corporate customers)**
  Digitalized contract signing contributes to paperless operation

During Tenancy

- **Chatbot**
  Responding to any category of inquiries by AI-powered Chatbot
- **Voicebot**
  AI receives inquiries on call and converts verbal messages into texts
- **Corporate WEB System**
  Centralized management of various data from billing to contract termination

Contact Center

Open: October 1,2023
Full-scale operation: November 1,2023
Respond to customers' looking for apartment, contract application and signing

Contract Administration Center

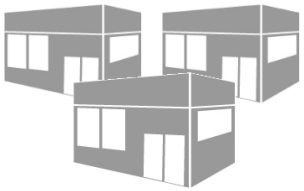
Responsible for all admin works related to contract

Tenants Support Center

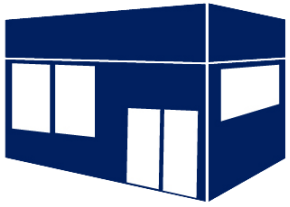
Respond to customer inquiries
24 hours a day, 7 days a week

Office Integration*

109 Offices



72 Offices

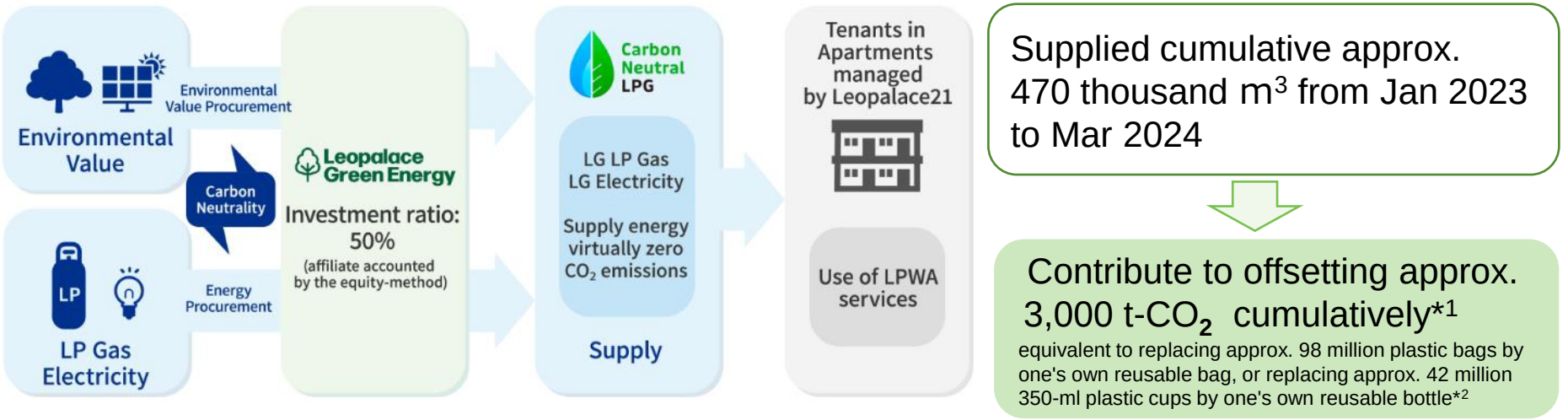


DX of admin works

RPA | LeoAI Chat | New Approach for File Transfer | Docu Ware

* Refer to "Notice Concerning Integrating Leasing Sales Offices as Part of DX Promotion" dated September 29, 2023

Leopalace21 started to offer Leopalace Green LP Gas and LPWA service with virtually zero CO_2 emissions to the apartments under management in 2023, in response to the government's declaration of Carbon Neutrality by 2050.



Leopalace Green LP Gas

LP Gas with virtually zero CO_2 emissions

LG LP gas offsets the greenhouse gases generated in the entire value chain of LP gas by carbon credits obtained from environmental conservation projects, thereby making **virtually zero CO_2 emissions from LP gas**

LPWA Service*3

Remote opening/closing of gas valve and leakage detection

LG LP gas supplier will strive for **a fair and transparent LG LP gas rate structure** through operational efficiency **for improving tenants' convenience and safety** through web-based acceptance of openings, web-based billing, and 24-hour gas usage monitoring.

*1 Refer to "Over 3,000 t-CO_2 Offset by Supplying Approximately 470,000 m³ of Leopalace Green LP Gas with Virtually Zero CO_2 Emissions" dated May 8, 2024
*2 As per the Ministry of the Environment's document on carbon intensity based on environmental 3R initiatives, meaning reduce, reuse, and recycle. https://www.env.go.jp/press/files/jp/19747.pdf (Japanese language only)
*3 LPWA: Low Power Wide Area

4: Leopalace21 Scholarship Program

Leopalace21 Scholarship Program was launched* to address social problems such as recent sharp rise in tuition fees and long-term repayment of scholarships.
Leopalace21 supports new students entering universities, junior colleges, and vocational schools in April 2025 by either free rental of properties managed by Leopalace21 or benefit-type scholarship.



Details of Support	(1) Use of a room of Lepalace21 apartment without paying rent **up to JPY 1.2 million/year** (2) Benefit-type Scholarship **JPY 360,000/year**
Support Period	Regular period in school

* Refer to "Notice Concerning Starting Acceptance of Applications for Leopalace21 Scholarship Program for FY2025" dated October 2, 2023

Chapter 4

Status on Construction Defects Management

Estimated number of rooms requiring repairs: Approx. 16,400

Of the units requiring repair, we expect to repair approximately **16,400 units**, including **14,018** units that have been confirmed defective and approximately **2,390** units that are assumed to be defective based on the past investigation results.

(As of April 30, 2024)

Apartment series	No. of buildings	No. of buildings containing obvious Defects	No. of all rooms which corresponds to No of buildings containing obvious defects	No. of rooms requiring repairs	No. of rooms with repairs completed	Expected No. of to-be-repaired rooms
Nail Series / Six Series Total	15,283	7,508	117,964	68,059	54,744	9,950
Other Series Total	23,802	3,763	58,266	26,255	13,576	6,450
Grand Total	39,085	11,271	176,230	94,284	68,320	16,400

Steadily repair construction defects while continuing to rebuild the financial base.
Aims to **eliminate the rooms with obvious defects by the end of 2024**.

Progress of repair works: https://www.leopalace21.co.jp/info/en/pdf/2024/progress.pdf

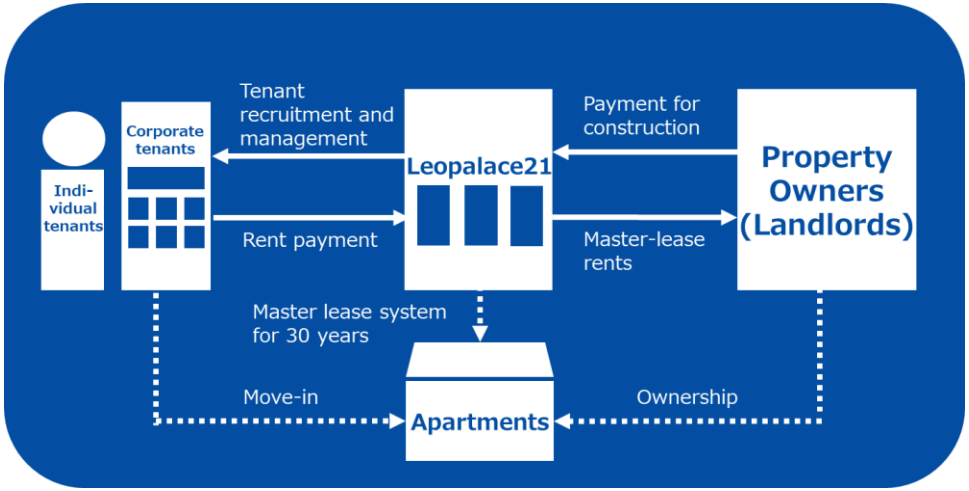
Appendix

Corporate Data (as of March 31, 2024)

Established	August 17, 1973
Paid-in Capital	JPY 100 million
Representative Director	Bunya Miyao, President and CEO
Employees	3,853 (consolidated), 2,690 (non-consolidated)
Authorized Shares	750,000,000
Outstanding Shares	329,389,515 shares (not including 159,748,700 dilutive shares)
Shareholders	41,552

Business Model

Offer 550,000 studio-type units equipped with furniture and appliances
approx. 74% of the listed companies use Leopalace21's services



Group Companies (as of March 31, 2024)

Leasing

- **Leopalace Leasing** — Corporate housing agent
- **Plaza Guarantee** — Rent guarantee
- **ASUKA SSI** — Tenant contents insurance
- **Leopalace Power** — Power generation
- **Leopalace21 Business Consulting (Shanghai)** — Tenant recruitment
- **Leopalace Green Energy** — Environment

International

- **Leopalace21 Singapore Pte. Ltd.** — Investment management

Elderly Care

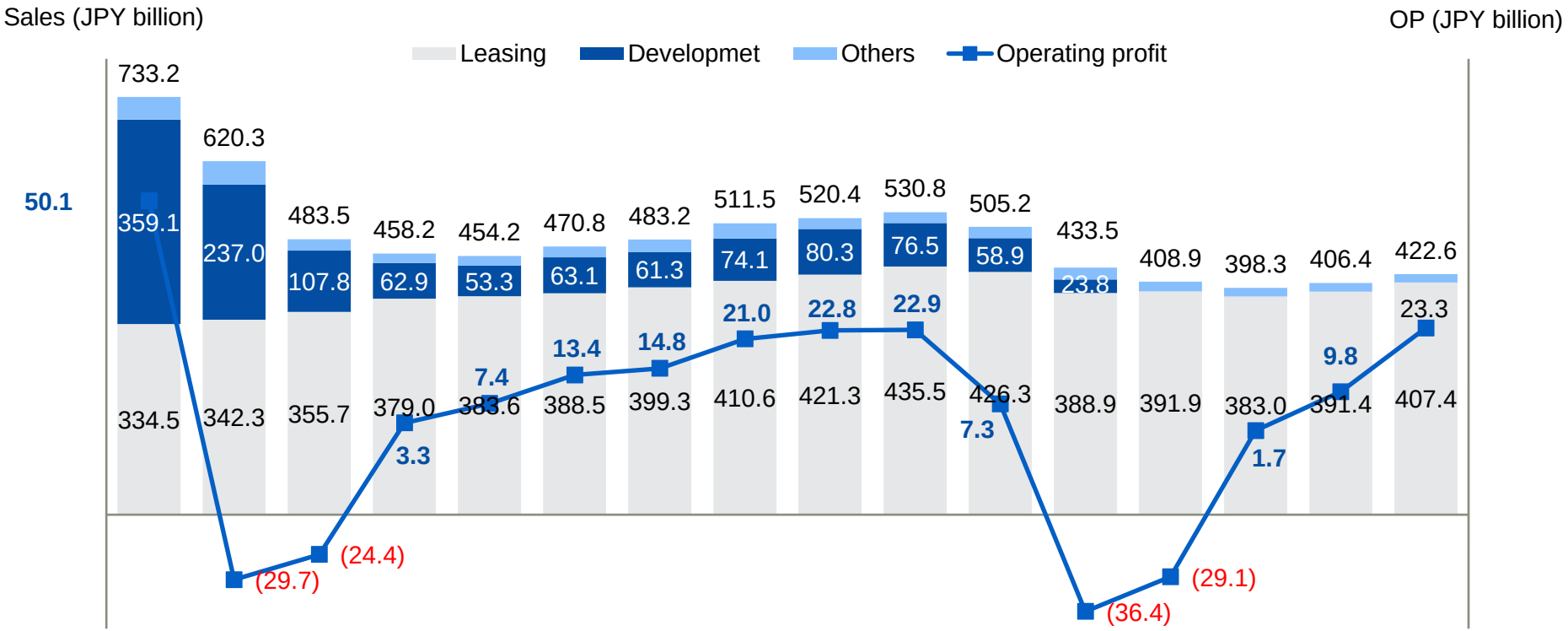
- **Azu Life Care** — Elderly care service

Others

- **Leopalace Guam Co.** — Resort Business
- **Leopalace Smile** — Special subsidiary

* Results of the International Business are reported under the Leasing Business segment.

Leopalace21 shifted its business model to center on the Leasing Business after the global financial crisis. With construction defects problem revealed in FY2018 and another blow by COVID-19 impact starting from FY2020, implementing continuous structural reforms turned operating profit in three consecutive years from FY2021.



Recorded two consecutive operating losses due to the global financial crisis

Shifted the business model to center on the Leasing Business aiming for mid- to long-term stable earnings structure

Construction defects problem came to light

Continuous structural reforms

COVID-19 Impact

Leopalace21 received funds for approximately JPY 57.2 billion from Fortress Investment Group on November 2, 2020*.

Amount raised

Approximately JPY 57.2 billion
(Approx. JPY 54 billion after deducting expenses)

(i) Issuance of New Shares through Third Party Allotment Approx. JPY 12 billion

- Type and number of shares issued
  Common stock
  84,507,000 shares
- Issue price
  JPY 142 per share

(ii) Issuance of Stock Acquisition Rights in connection with Loan Approx. JPY 30.2 billion

Loan

- Principal amount of loan: JPY 30 billion
- Loan period
  5 years
- Applicable interest rate
  14.5%* per annum
  (10% if a certain level of occupancy rate is met.)

Stock acquisition rights

- Issuance cost
  Approx. JPY 0.2 billion in total
- Number of dilutive shares
  159,748,700 shares
- Exercise price
  JPY 142

(iii) Issuance of Preferred Stock by a Consolidated Subsidiary, Leopalace Power JPY 15 billion

- Type and number of shares issued
  Class A Preferred Stock
  750,000 shares
- Dividend rate
  7%

* Refinance done on December 25, 2023. Interest rate is revised to 5-5.5%.

* Refer to "Notice Concerning Completion of Payment with respect to Issuance of New Shares and Other Items" dated November 2, 2020

4: Debt Refinancing of JPY 30 billion in December 2023

Implemented refinancing of JPY 30 billion on December 25, 2023*.
Approximately JPY 2.8 billion of increased profit is expected for FY2024.

	Initial Loan Agreement		New Loan Agreement
Principal of Loan	JPY 30 billion	▶	JPY 30 billion
Maturity Date	November 4, 2025	▶	November 4, 2025
Applicable Interest Rate	14.5% per annum	▶	5–5.5% per annum
Voluntary Repayment	Repayment may be made on November 2, 2023 onward.	▶	Repayment may be made if the Company satisfies certain conditions.

* Refer to "Notice Concerning Debt Financing (Refinancing)" dated December 22, 2023

Contact: PR and IR Section, Corporate Planning Department,
Leopalace21 Corporation
E-mail：ir@leopalace21.com

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