Leopalace21 Corporation

Financial Results for H1 Fiscal Year 2024



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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

PL	Accumulated operating profit and operating profit ratio both reached **the highest for H1 ever since the global financial crisis.** - Operating profit: JPY 17.4 billion (YoY + 17.5%, +19.4% compared to the plan) - Operating profit Ratio: 8.1%(YoY +1.1 p, +1.2 p compared to the plan)
BS	Stabilization of earnings allowed **the equity ratio to rise to 36.6% (QoQ + 2.6 p)** at the end of the period.
Leasing Business	**Average unit rent prices for both new contracts and occupied units trended upward** in Q2 FY2024, and the average unit rent for new contracts (index) on September rose to 108, the level higher than the one for FY2016.
Dividend	The interim dividend will be implemented with **JPY 5 per share** for FY2024. **A year-end dividend of JPY 5 per share is planned, bringing the total annual dividend to JPY 10 per share**, indicating a planned increase in dividends.
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 has decreased to **approximately 5,100** as of October 31, 2024.

Chapter 1

Outline of the Financial Results for H1 FY2024

Accumulated operating profit and Operating profit ratio both reached the highest for H1 ever since the global financial crisis.

(JPY million)	Comparison vs H1 FY2023 Actual		H1 FY2023 Actual	H1 FY2024 Actual	H1 FY2024 Plan*	Differences		Factors contributing to changes
Net sales	+2.0%	+4,317	211,848	**216,165**	213,100	+3,065	+1.4%	■ Net sales An increase of JPY 3.0 billion compared to the plan and JPY 4.3 billion compared to H1 FY2023 was due to an increase in the average unit rent for new contracts, although the occupancy rate fell short of the plan.
Cost of sales	+0.0%	+2	176,080	**176,082**	175,100	+982	+0.6%	
Gross profit	+12.1%	+4,314	35,768	**40,082**	38,000	+2,082	+5.5%	
%	+1.6 p	-	16.9%	**18.5%**	17.8%	-	+0.7 p	■ Cost of sales Slight increases from the plan due to the construction starts of new properties and post-disaster construction works.
SG&A	+8.2%	+1,715	20,940	**22,655**	23,400	(744)	(3.2%)	
Operating profit	+17.5%	+2,598	14,828	**17,426**	14,600	+2,826	+19.4%	■ SG&A increase of JPY 1.7 billion compared to H1 FY2023, due to Increased compensation including base pay.
%	+1.1 p	-	7.0%	**8.1%**	6.9%	-	+1.2 p	
EBITDA	+11.4%	+1,970	17,301	**19,272**	16,500	+2,772	+16.8%	■ Non-operating expenses Interest payments decreased to JPY 730 million in H1 FY2024, down from JPY 2.19 billion in H1 FY2023, due to the refinancing of a JPY 30 billion loan executed in FY2023.
Recurring profit	+27.6%	+3,617	13,111	**16,729**	13,800	+2,929	+21.2%	
Net income	(10.6%)	(1,253)	11,850	**10,596**	7,900	+2,696	+34.1%	■ Net income JPY 1.4 billion in reversal of provision for losses related repairs was recorded as extraordinary income, and JPY 6.9 billion in Income taxes was recorded.
EPS (JPY)	(8.6%)	(3.12)	36.47	**33.35**	24.87	+8.48	+34.1%	

*Correction of errors due to the recording of tax effects are underlined.

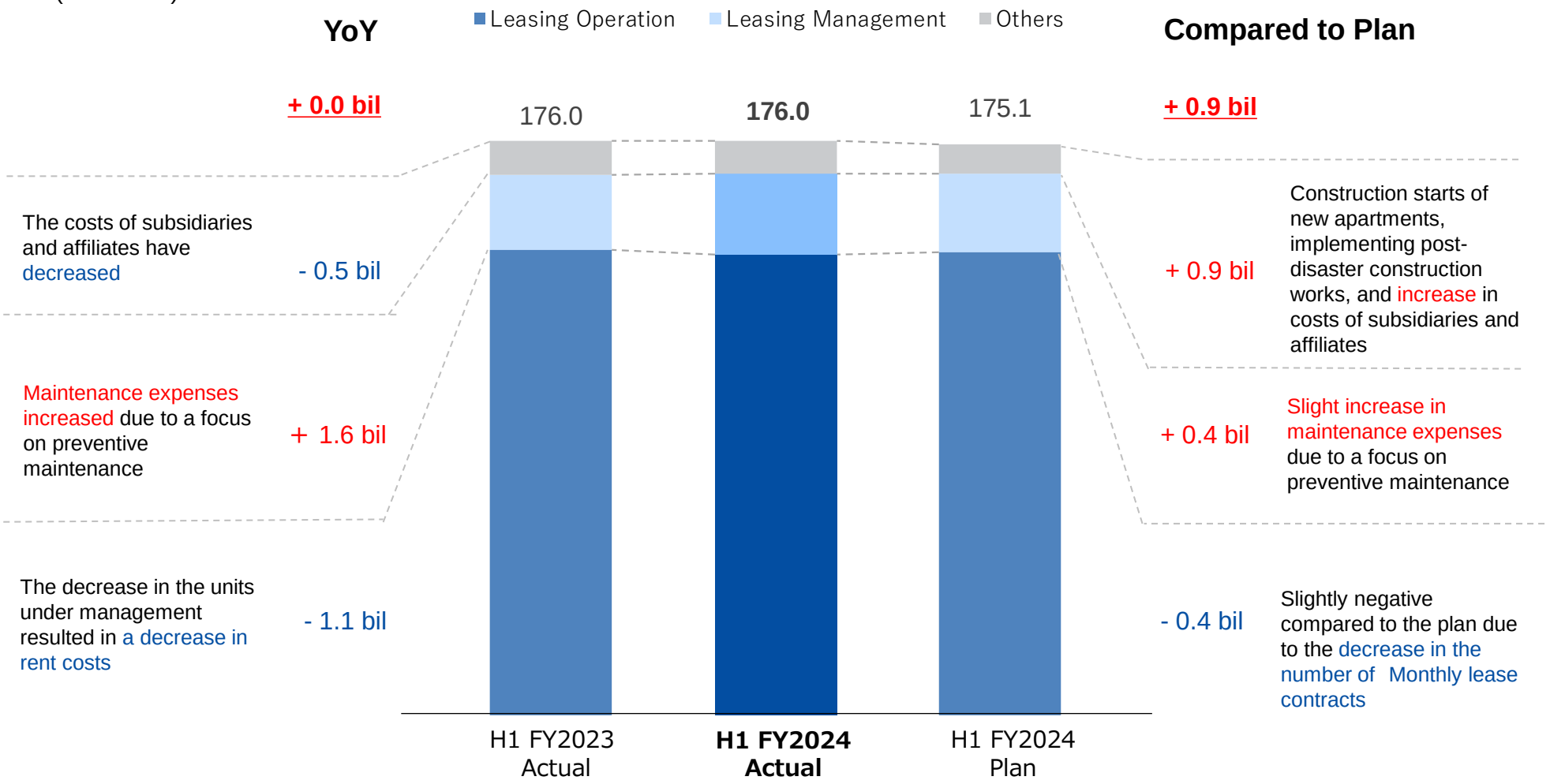
Steady progress toward achieving the FY2024 full-year plan.

(JPY million)	FY2023				FY2024*						
	Q1	Q2	Q3	Q4	Q1		Q2		Q3	Q4	FY Total
	Actual	Actual	Actual	Actual	Plan	Actual	Plan	Actual	Plan	Plan	Plan
Net sales	106,375	105,472	104,728	106,095	106,900	108,917	106,200	**107,247**	106,700	108,800	428,600
Cost of sales	88,308	87,771	87,627	90,128	87,200	87,519	87,900	**88,563**	88,400	89,200	352,700
Gross profit	18,066	17,701	17,100	15,966	19,700	21,398	18,300	**18,683**	18,300	19,600	75,900
SG&A	10,444	10,495	11,918	12,662	11,600	11,108	11,800	**11,546**	11,900	14,000	49,300
Operating profit	7,622	7,205	5,181	3,304	8,100	10,289	6,500	**7,137**	6,400	5,600	26,600
Recurring profit	6,851	6,259	3,455	2,909	7,700	10,244	6,100	**6,484**	6,000	5,100	24,900
Net income	6,627	5,222	3,028	27,183	4,400	6,084	3,500	**4,511**	3,600	3,000	14,500

*Correction of errors due to the recording of tax effects are underlined.

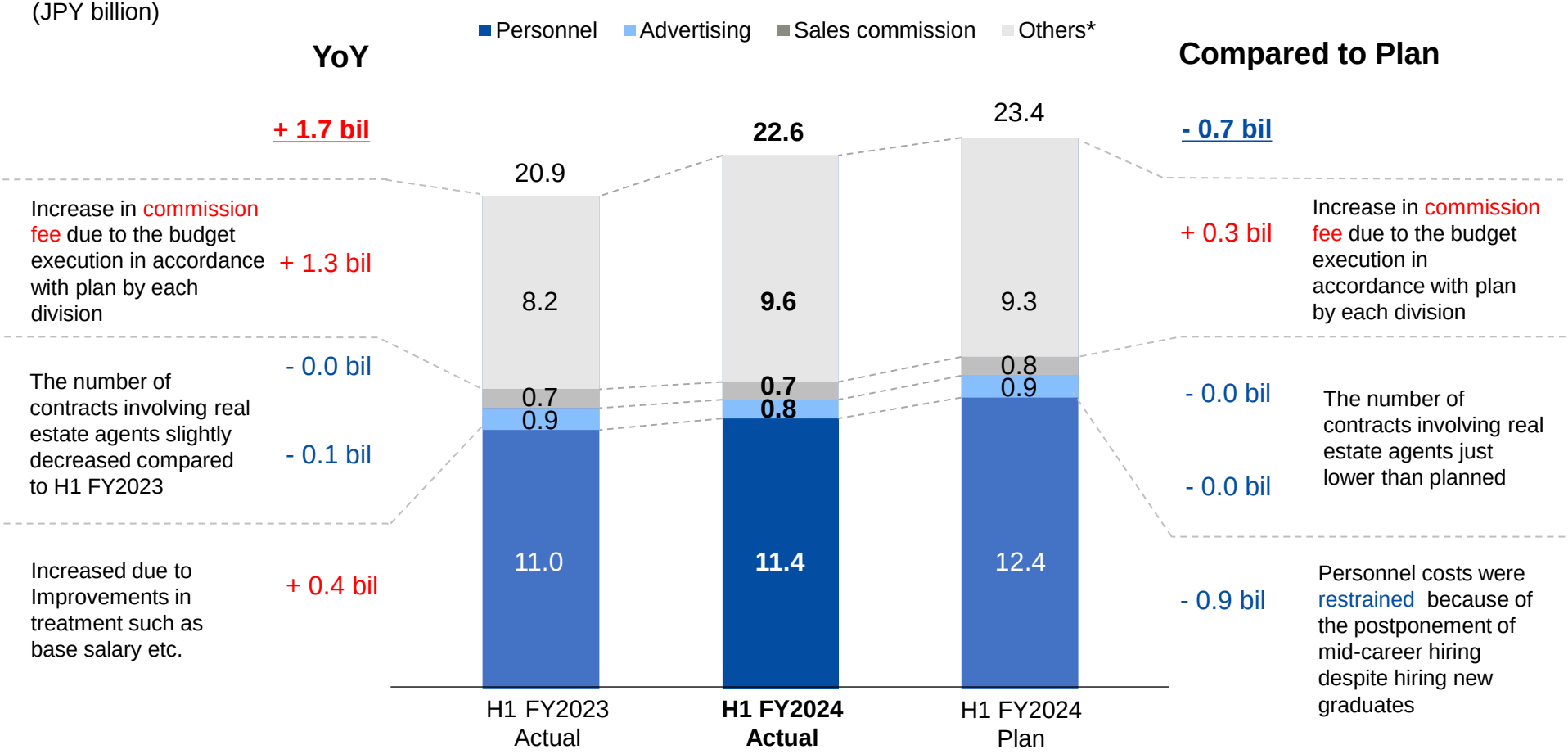
Although preventive maintenance was actively carried out to maintain property value, cost of sales was largely in line with the plan.

(JPY billion)



Resulted in an increase of SG&A expenses compared to FY2023 due to promotion of human capital management, etc.

(JPY billion)



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

(JPY million)	End of FY2023	End of Q1 FY2024**	End of Q2 FY2024	QoQ
Cash and deposits	68,627	72,967	**76,580**	+3,612
Trade receivables	7,670	7,070	**7,139**	+68
Total assets	205,000	205,314	**208,137**	+2,822
Interest-bearing debt*	30,879	30,721	**30,698**	(22)
Provision for losses related to repairs	15,339	13,950	**11,001**	(2,949)
Provision for apartment vacancy loss	4,683	4,683	**4,683**	±0
Total liabilities	133,320	128,335	**124,198**	(4,137)
Common stock	100	100	**100**	±0
Capital surplus	30,121	30,120	**30,120**	±0
Retained earnings	32,867	37,332	**41,844**	+4,511
Treasury stock	(4,359)	(4,359)	**(4,359)**	(0)
Total shareholders' equity (A)	58,729	63,194	**67,705**	+4,511
Total accumulated other comprehensive income (B)	5,175	6,559	**8,564**	+2,005
Ownership equity (A) + (B)	63,904	69,753	**76,270**	+6,517
Equity ratio	31.2%	34.0%	**36.6%**	+2.6 p
Share subscription rights	242	242	**391**	+149
Non-controlling interests	7,532	6,983	**7,276**	+293
Total net assets	71,679	76,979	**83,939**	+6,959

■Cash and deposits
JPY +3.6 billion from the end of Q1 FY2024 due to income from Leasing Business.

■Provision for losses related to repairs
(current: JPY 2.8 billion; non-current: JPY 8.1 billion)
Decrease of JPY 2.9 billion from the end of Q1 FY2024 due to progress of repairs and a JPY 1.4 billion reversal of provision for losses related to repairs.

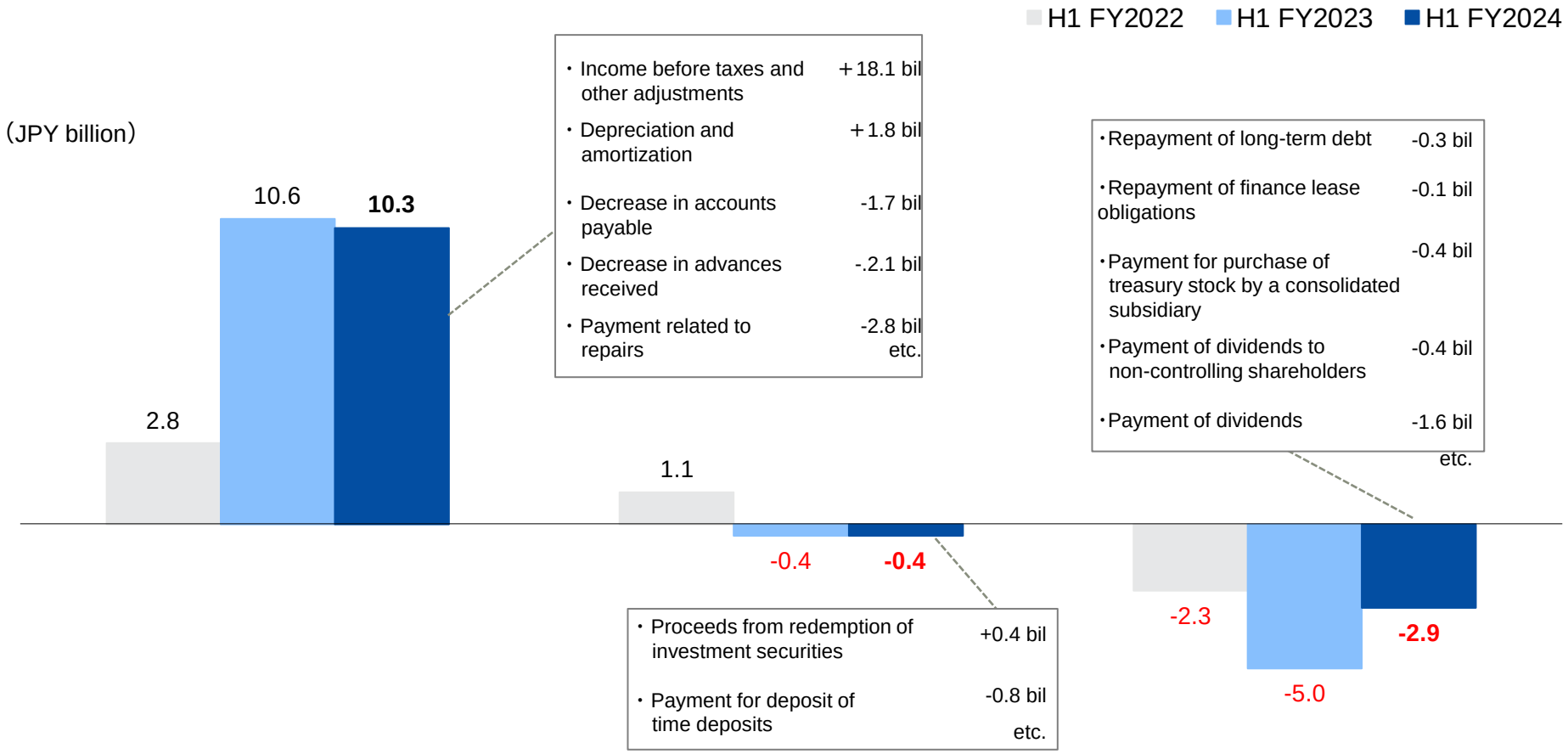
■Provision for apartment vacancy loss
(current: JPY 0.0 bil; non-current JPY 4.6 bil)
±JPY 0 compared to the end of Q1 FY2024
There was no change from the end of Q1 FY2024 due to the stabilization of rental income and expenses, significant fluctuations are not expected.

■Retained earnings
Recorded JPY +4.5 bil due to recording of net income.

■Total accumulated other comprehensive income
Due to the weaker yen, foreign currency translation adjustments were recorded JPY +2.0 billion from the end of Q1 FY2024.

* Interest-bearing debt = borrowings + lease obligations
**Correction of errors due to the recording of tax effects are underlined.

Through the generation of stable operating cash flow, cash and cash equivalents increased to JPY 75.2 billion.

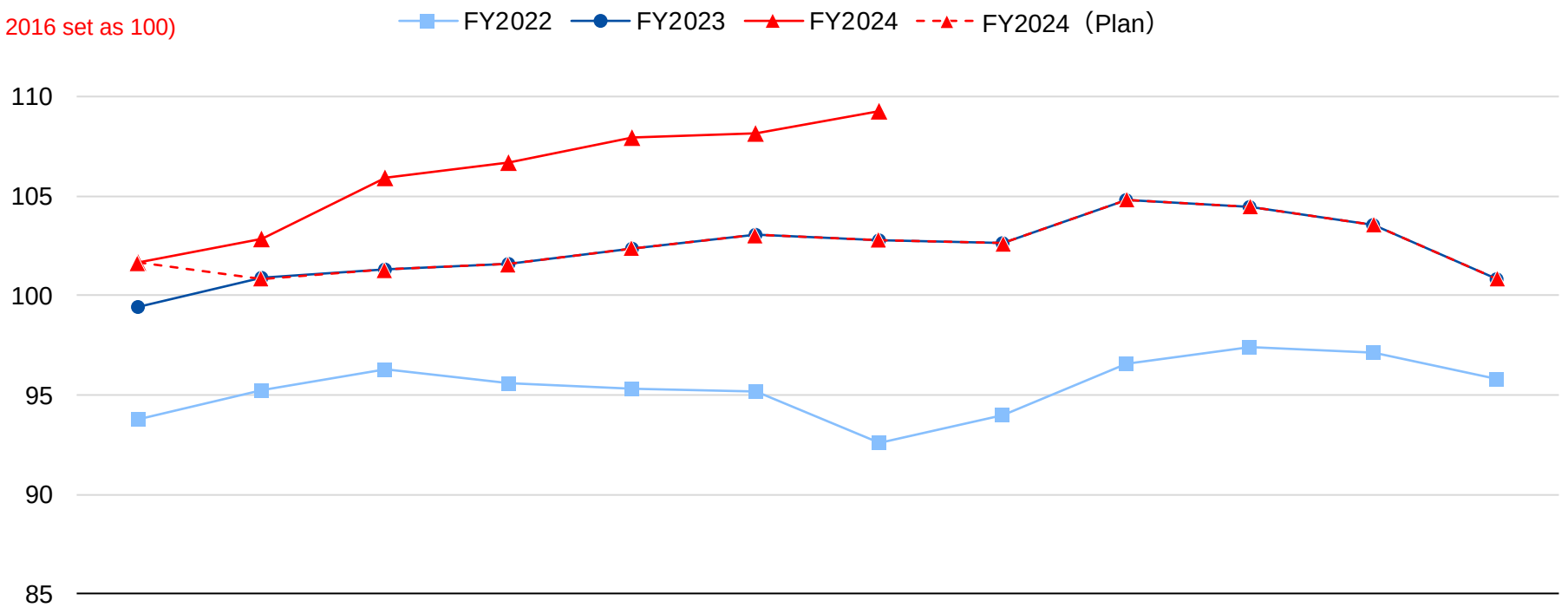


Chapter 2

Leasing Business Conditions

The average unit rent for new contracts is in upward trend resulting from continuous gradual rise in the corporate customer segment.

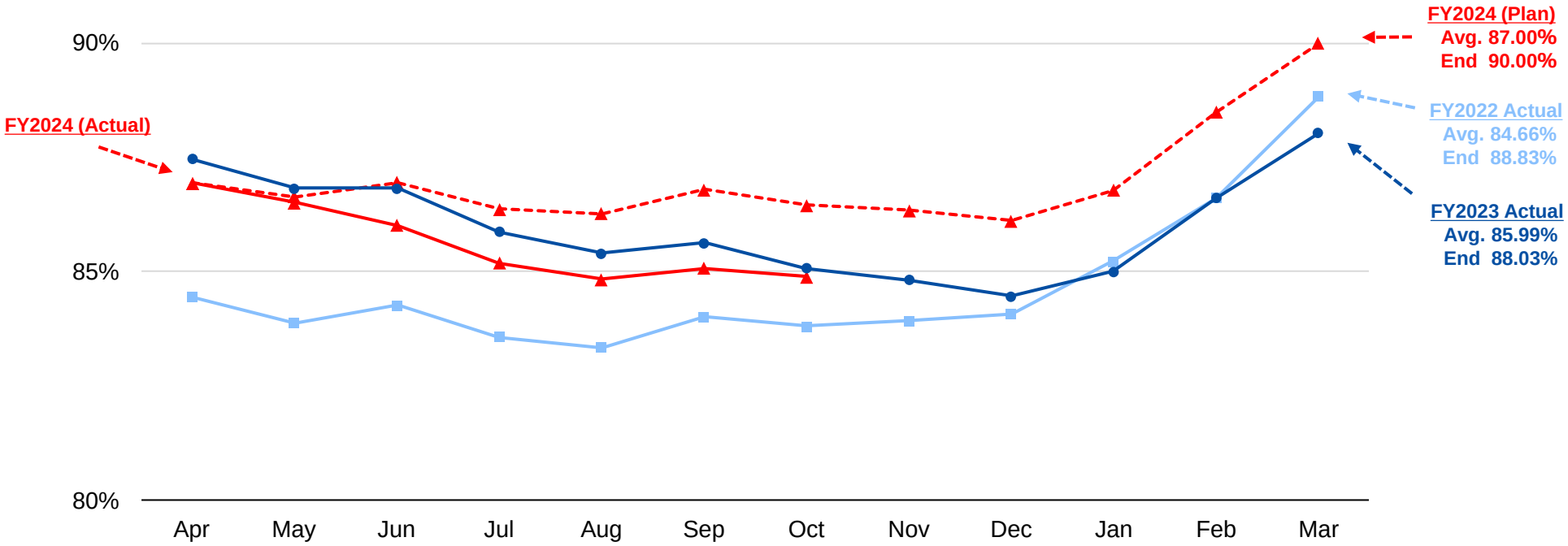
(Apr 2016 set as 100)



	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Fed	Mar
FY2022	94	95	96	96	95	95	93	94	97	97	97	96
FY2023	99	101	101	102	102	103	103	103	105	104	104	101
FY2024	102	103	106	107	108	108	109	-	-	-	-	-

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

The average occupancy rate of H1 resulted in 85.75%, 0.90 points lower than the plan.

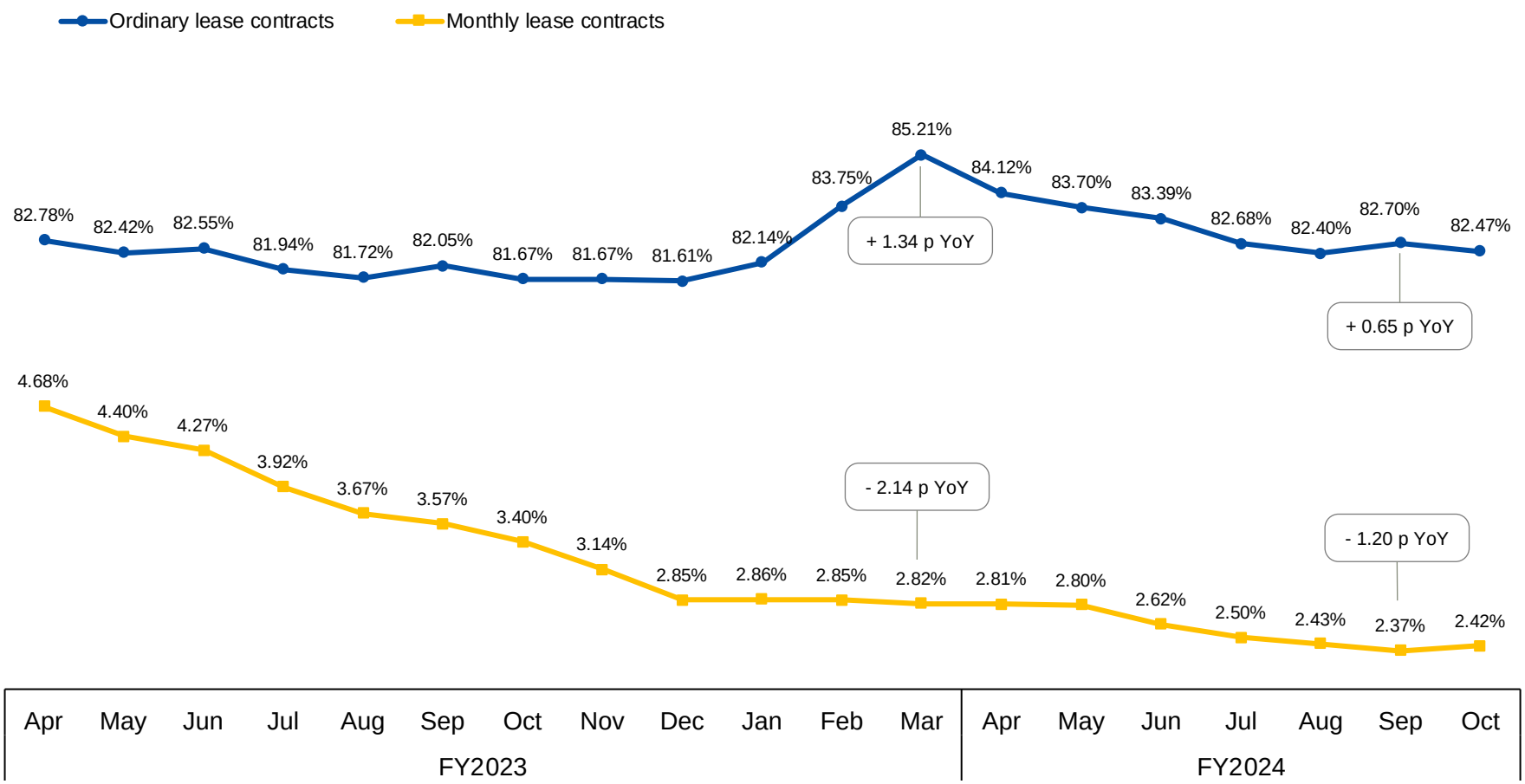


	Apr	May	Jun	Apr-Jun Average	Jul	Aug	Sep	Jul-Sep Average	Q2 cumulative Ave.	Oct	Nov	Dec	Jan	Fed	Mar	FY Average
FY2022	84.44%	83.88%	84.26%	84.19%	83.55%	83.33%	84.00%	83.63%	83.91%	83.80%	83.91%	84.08%	85.23%	86.61%	88.83%	84.66%
FY2023	87.46%	86.82%	86.82%	87.03%	85.86%	85.39%	85.62%	85.62%	86.33%	85.07%	84.81%	84.46%	85.00%	86.60%	88.03%	85.99%
FY2024	86.93%	86.50%	86.01%	86.48%	85.18%	84.83%	85.07%	85.03%	85.75%	84.88%	-	-	-	-	-	-

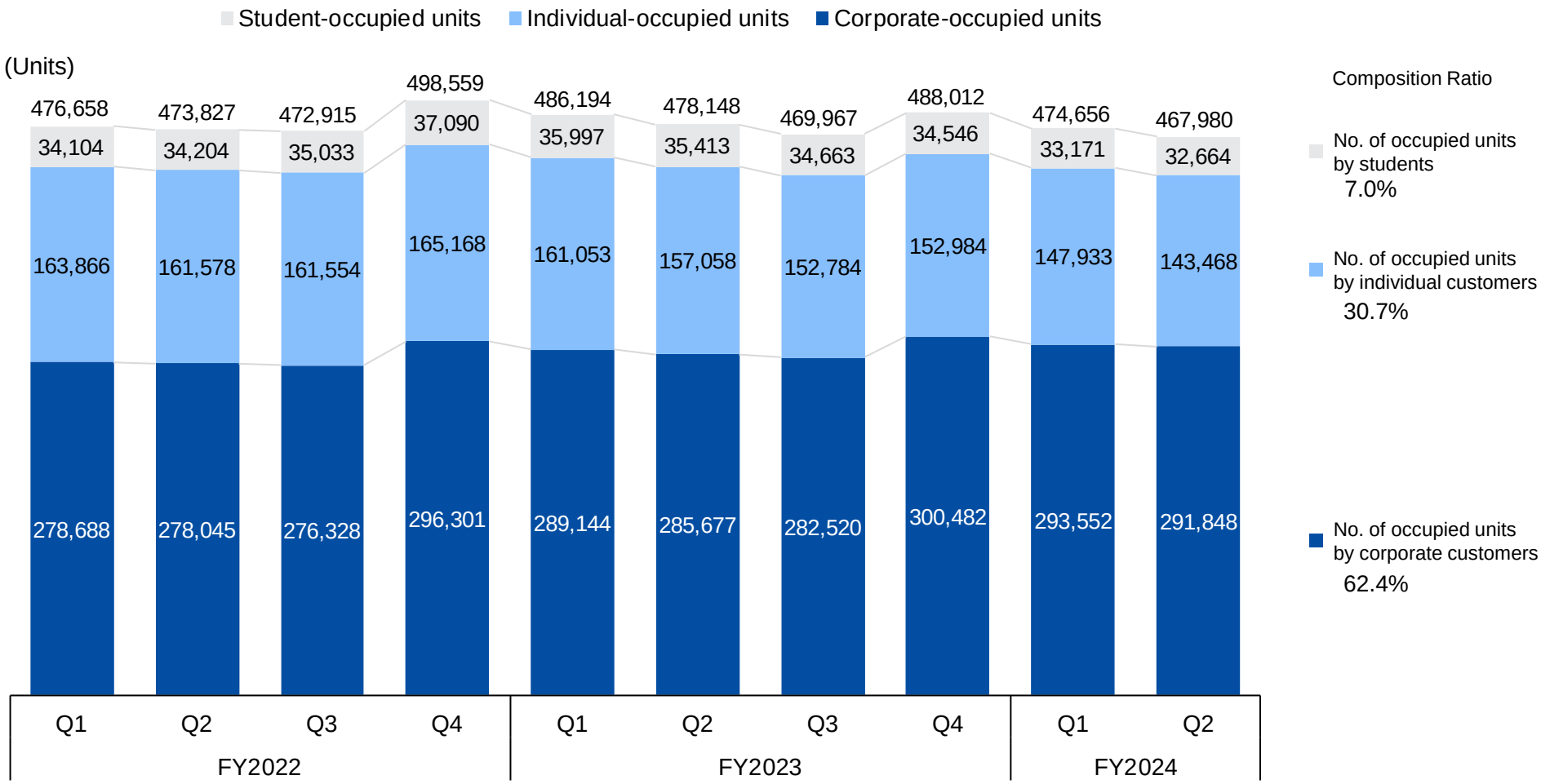
Monthly Data： https://www.leopalace21.co.jp/english/ir/finance/monthly/index.html

3: Changes in Occupancy Rate by Type of Contract

We will continue a policy of restraining monthly lease contracts which are less profitable than ordinary lease contracts in order to improve the profitability.



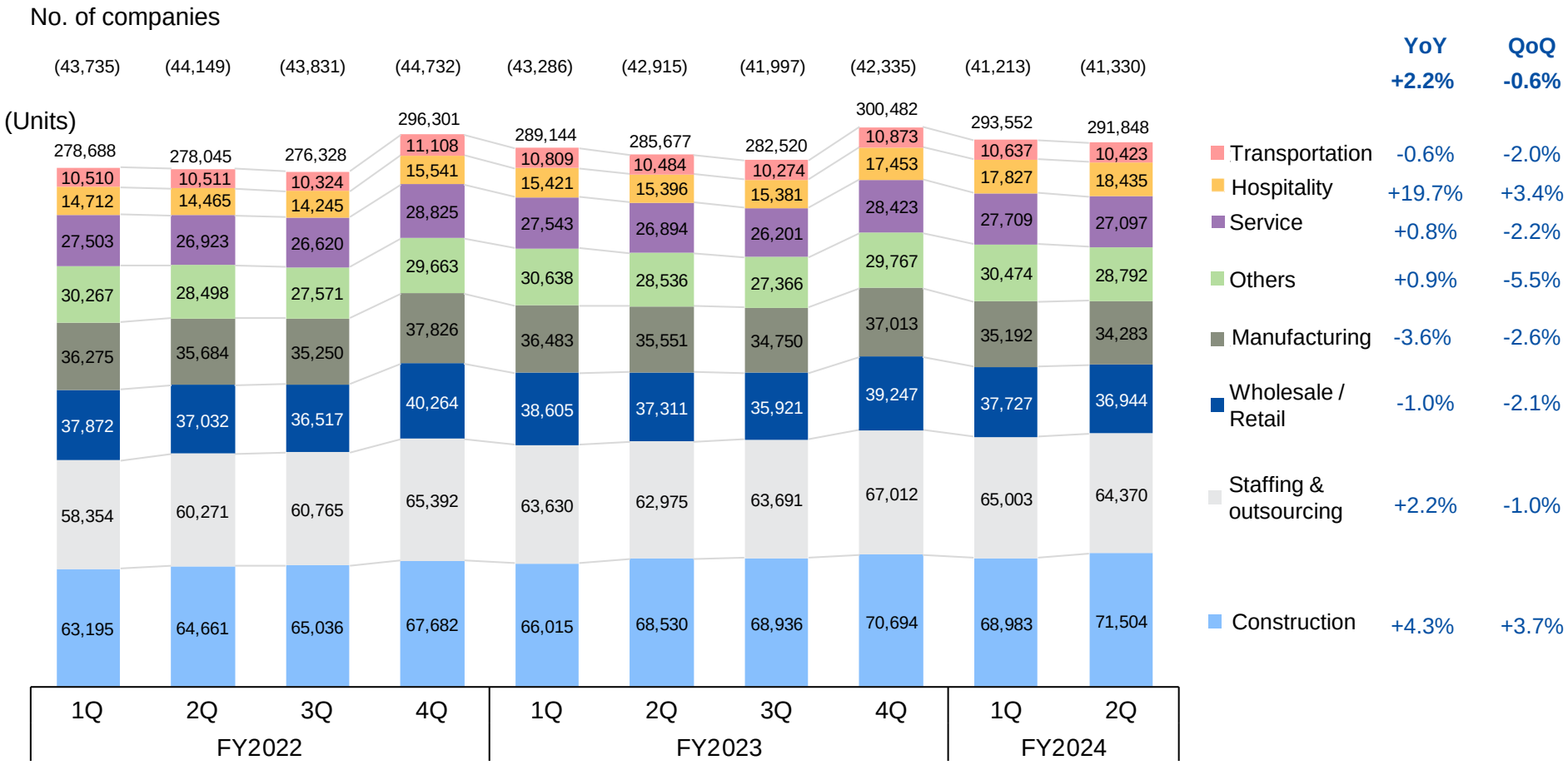
The composition ratio by the corporate customers reached the record high of 62.4%.



5: Occupancy by Industry

Hospitality sector posted a large yearly growth due to increased acceptance of foreign national workers.

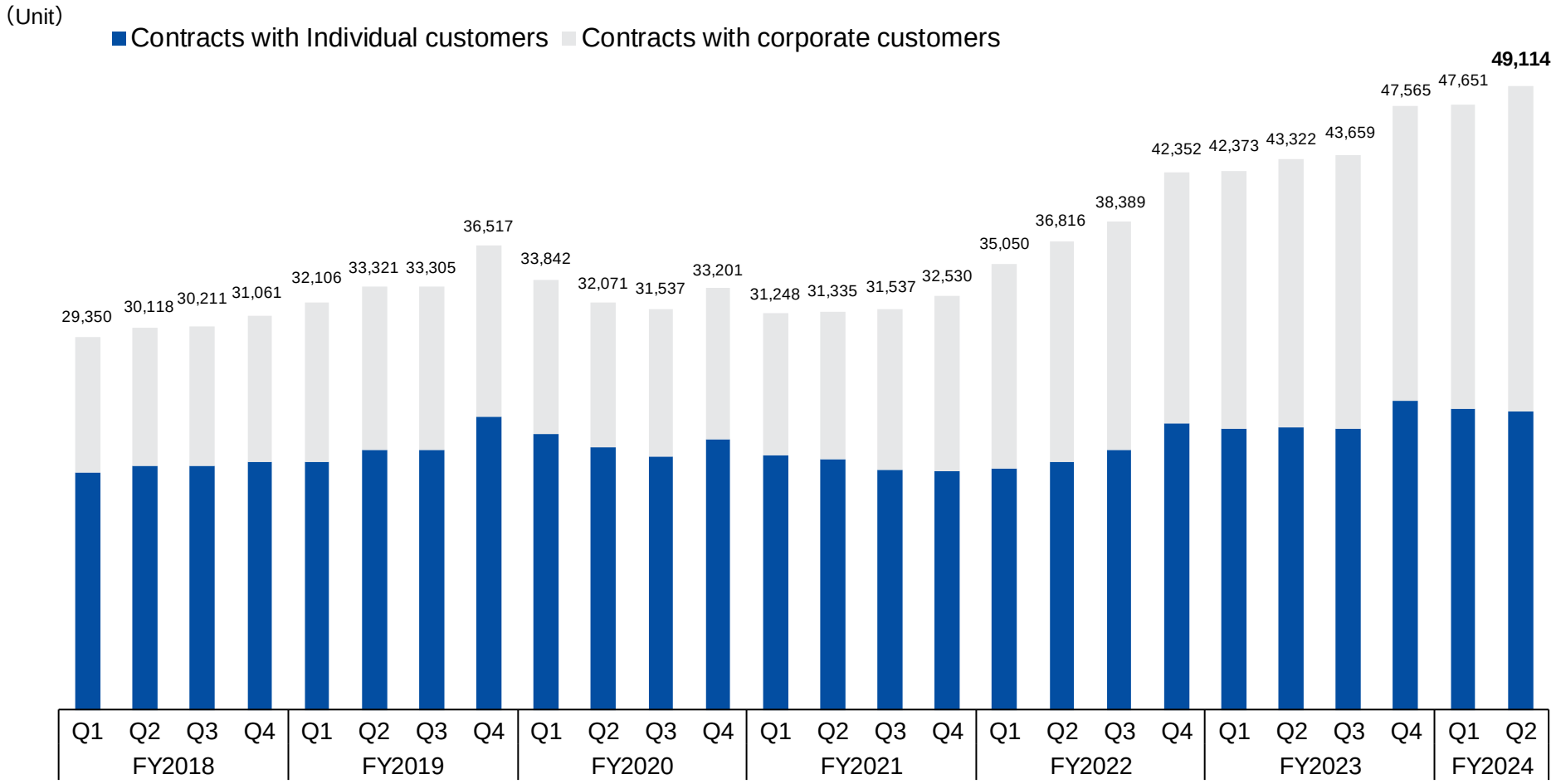
Construction sector's use of units reached record high due to increased construction projects.



	YoY	QoQ
	+2.2%	-0.6%
Transportation	-0.6%	-2.0%
Hospitality	+19.7%	+3.4%
Service	+0.8%	-2.2%
Others	+0.9%	-5.5%
Manufacturing	-3.6%	-2.6%
Wholesale / Retail	-1.0%	-2.1%
Staffing & outsourcing	+2.2%	-1.0%
Construction	+4.3%	+3.7%

6: No. of Room Use by Foreign Nationals

Number of units used by foreign national tenants was 49,114 at the end of Q2 FY2024 (+13.4 p from the end of Q2 FY2023 and +3.1 p from end of Q1 FY2024), which represented 10.5% of the total (+1.4 p from end of Q2 FY2023 and +0.5 p from end of Q1 FY2024).



7: Units and Occupancy Rates by Prefecture

Occupancy rates in Tohoku region and Kyushu region saw reduction due to completion of construction projects of factories and power plants.
Yamanashi and Miyazaki saw large increase YoY because of strong infrastructure related demand.

Q2 FY2024	Managed units	Occupancy rate	YoY	QoQ
Hokkaido	13	91%	+0 p	+2 p
Aomori	4	80%	−3 p	+1 p
Iwate	3	86%	−7 p	+2 p
Miyagi	9	78%	−5 p	−1 p
Akita	2	86%	−6 p	−4 p
Yamagata	4	80%	−7 p	+0 p
Fukushima	10	85%	+1 p	+1 p
Ibaraki	15	85%	−0 p	−2 p
Tochigi	11	79%	−3 p	−2 p
Gunma	11	80%	−2 p	−2 p
Saitama	45	87%	−0 p	−1 p
Chiba	33	86%	+4 p	−2 p
Tokyo	42	91%	+1 p	−2 p
Kanagawa	39	87%	−0 p	−1 p
Niigata	8	86%	+1 p	−1 p
Toyama	5	87%	−4 p	−1 p

Q2 FY2024	Managed units	Occupancy rate	YoY	QoQ
Ishikawa	5	87%	+0 p	−5 p
Fukui	4	82%	−0 p	−1p
Yamanashi	4	94%	+9 p	+1 p
Nagano	11	88%	−4 p	+0 p
Gifu	7	83%	+0 p	+2 p
Shizuoka	24	79%	−2 p	−1 p
Aichi	40	86%	−1 p	−1 p
Mie	11	71%	−2 p	+1 p
Shiga	8	88%	−2 p	−1 p
Kyoto	9	88%	+2 p	−1 p
Osaka	30	86%	+2 p	−1 p
Hyogo	21	85%	+1 p	−0 p
Nara	3	85%	−5 p	−2 p
Wakayama	3	73%	−4 p	−2 p
Tottori	2	79%	−4 p	−1 p
Shimane	2	88%	−7 p	+0 p

Q2 FY2024	Managed units	Occupancy rate	YoY	QoQ
Okayama	11	80%	−2 p	+2 p
Hiroshima	13	85%	−3 p	−2 p
Yamaguchi	7	92%	+4 p	+0 p
Tokushima	2	72%	−5 p	−0 p
Kagawa	4	79%	+0 p	−2 p
Ehime	4	75%	−7 p	−1 p
Kochi	2	78%	−4 p	−0 p
Fukuoka	19	86%	−1 p	−1 p
Saga	3	87%	−1 p	+0 p
Nagasaki	2	75%	−15 p	−6 p
Kumamoto	7	86%	−7 p	+1 p
Oita	4	78%	+1 p	−2 p
Miyazaki	2	92%	+7 p	+3 p
Kagoshima	3	83%	−6 p	−0 p
Okinawa	5	98%	+2 p	+0 p
Total	550	85%	−1 p	−1 p

Chapter 3

Promotion of Sustainability

1: Expand the Installation of Smart Locks

The number of apartment units with smart lock installed exceeded 280,000 as of end of September 2024.

Enhanced customer convenience



Start a new chapter of 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

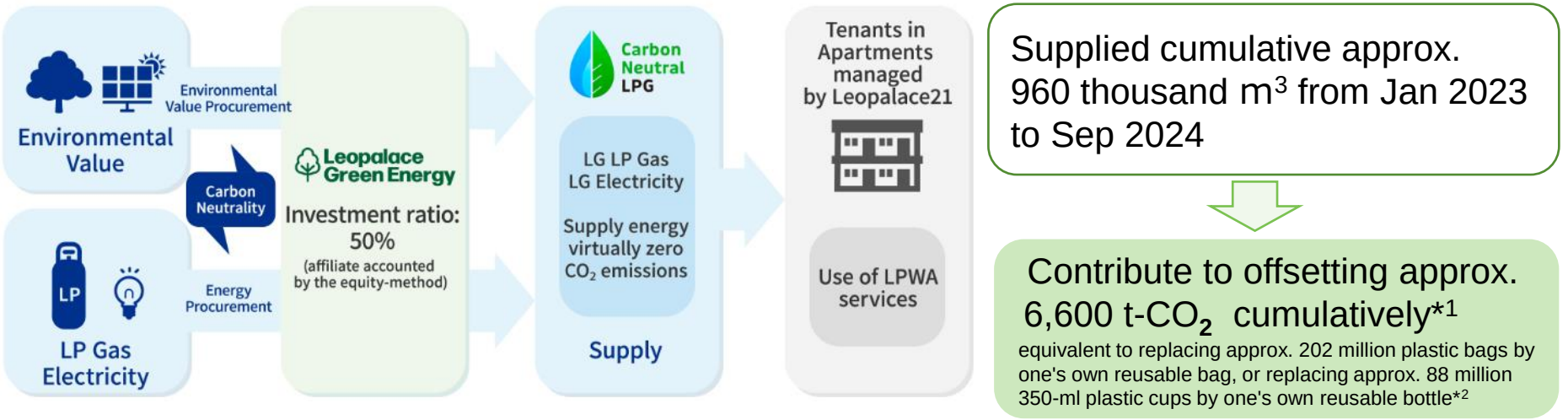


18 min. 5 min. 19 min.

42 min.

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

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

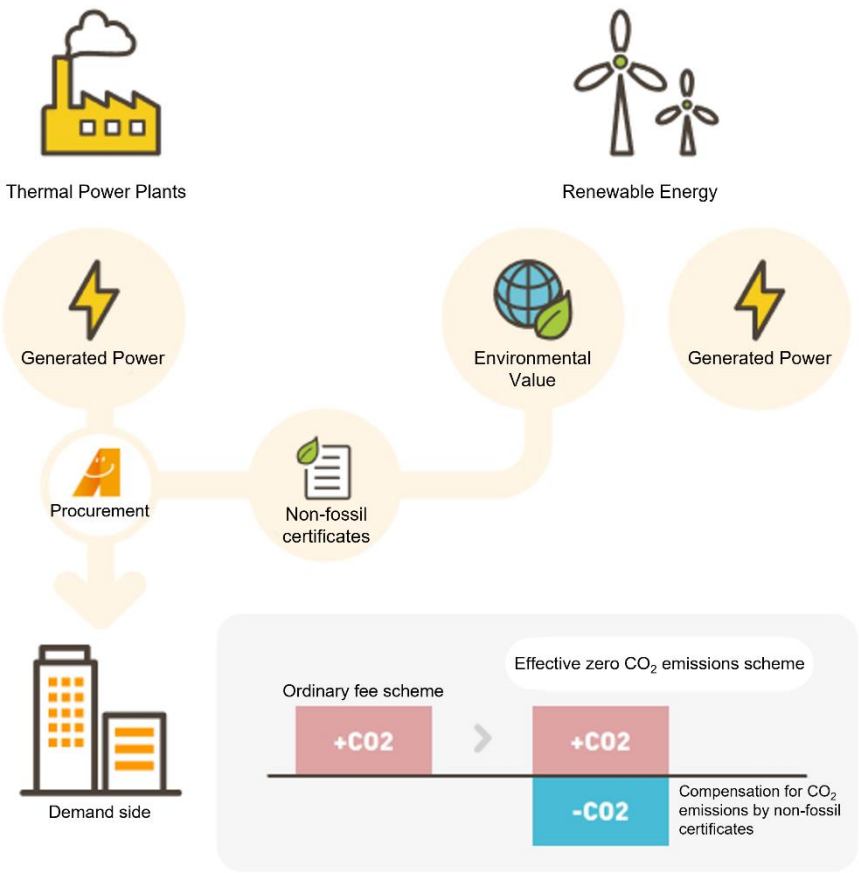
LPWA Service*3

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

Leopalace21 Green Energy started to supply Leopalace Green Electricity in June 2024.
With the supply of LG LP gas and LG electricity, the Company materializes to manage rental housing with virtually zero CO_2 emissions.



The Company plans to provide LG Electricity to approx. **75,000** households by Mar 2025

CO_2 emissions reduction is expected approximately **81,993** t-CO_2 per year

Leopalace Green Electricity

LG Electricity with virtually zero CO_2 emissions

LG Electricity supplied by Astomos Energy Corporation is now available for Monthly Contracts and Utility Inclusive Plans.
LG Electricity is a virtually renewable energy source with virtually zero CO_2 emissions combined with non-fossil certificates.

*Refer to "Leopalace Green Electricity Starts with Virtually Zero CO_2 Emissions" dated July 3, 2024.

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

1: Repair Works on Properties Constructed by Leopalace21

Estimated number of rooms requiring repairs: Approx. 5,100

Of the units requiring repairs, we expect to repair approximately **5,100 units**, including **4,675** units that have been confirmed defective and approximately **440** units that are assumed to be defective based on the past investigation results.

(As of October 31, 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	117,966	62,397	58,841	2,900
Other Series Total	23,802	3,763	58,274	19,494	16,179	2,200
Grand Total	39,085	11,271	176,240	81,891	75,020	5,100

While the investigation of vacant rooms and repair works are progressing without delay, the challenges are tenants' refusal to move in for investigation and the difficulty in dealing with owners and tenants of apartments managed by the other management companies.
We aim to **eliminate the rooms with obvious defects by the end of 2024** by persistent visits and negotiations, or refer to the opinions of neutral third parties, such as mediation.

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

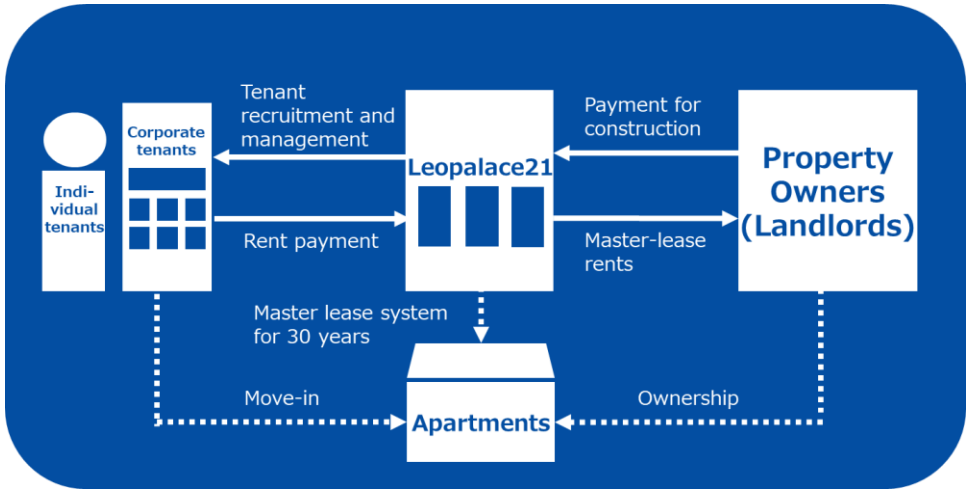
Appendix

Corporate Data (as of September 30, 2024)

Established	August 17, 1973
Paid-in Capital	JPY 100 million
Representative Director	Bunya Miyao, President and CEO
Employees	3,869 (consolidated), 2,711 (non-consolidated)
Authorized Shares	750,000,000
Outstanding Shares	329,389,515 shares (not including 159,748,700 dilutive shares)
Shareholders	38,587

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 September 30, 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.

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

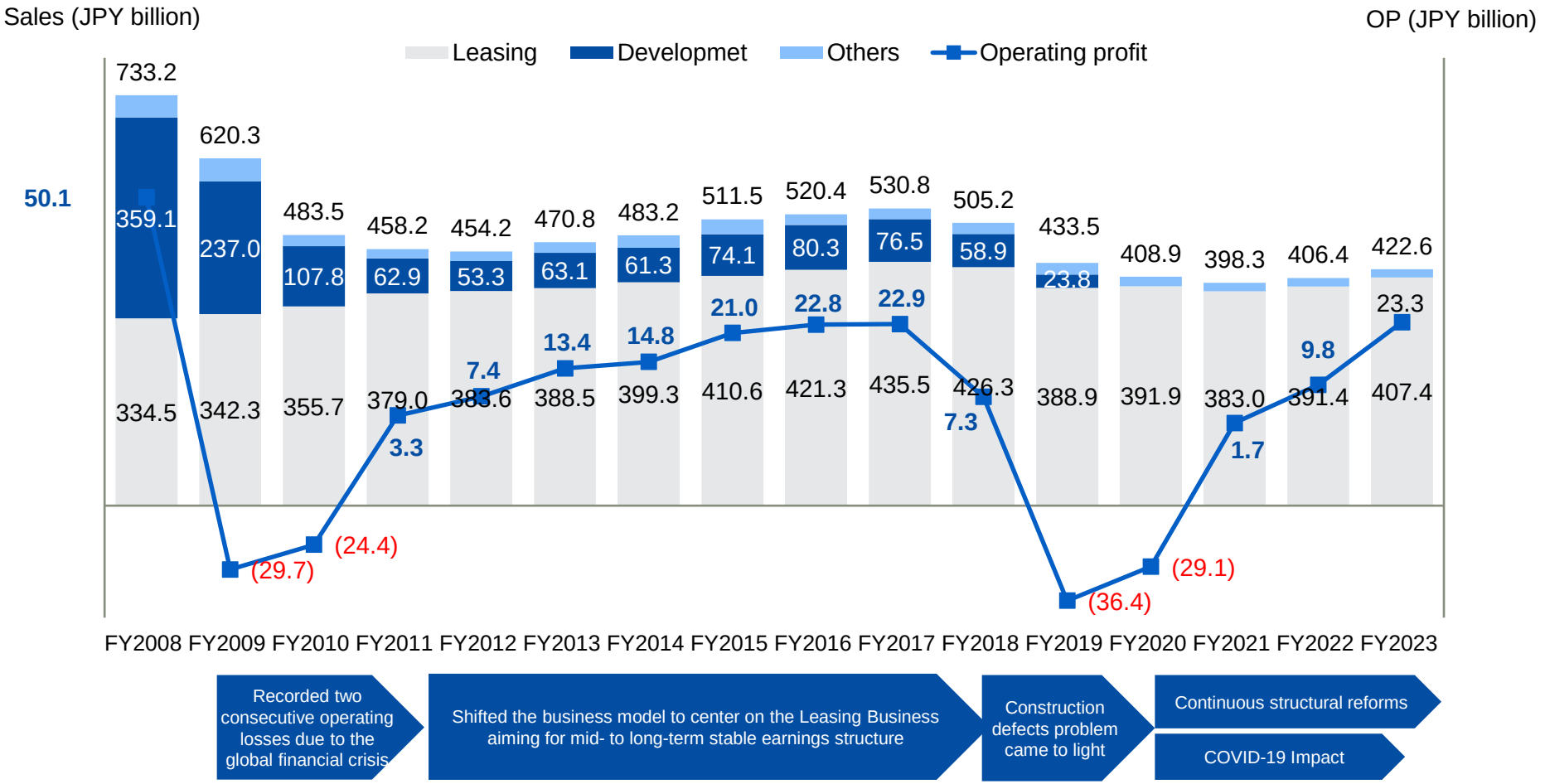
Promote Human Capital Management

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

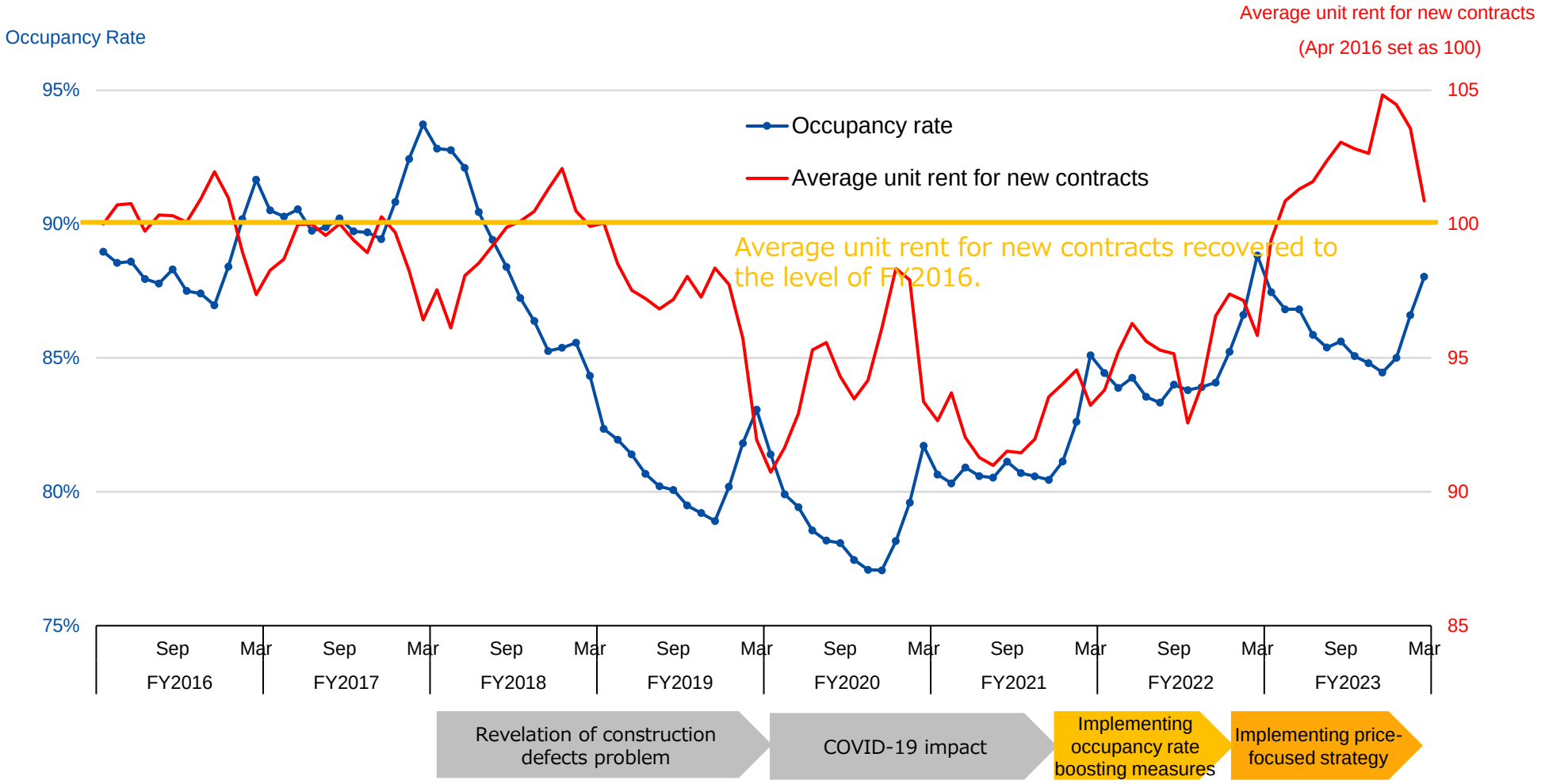
Prepare a framework for resuming development business

Formulate a brand strategy

Leopalace21 shifted its business model to center on the Leasing Business after the global financial crisis. With construction defects problem coming to light 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.

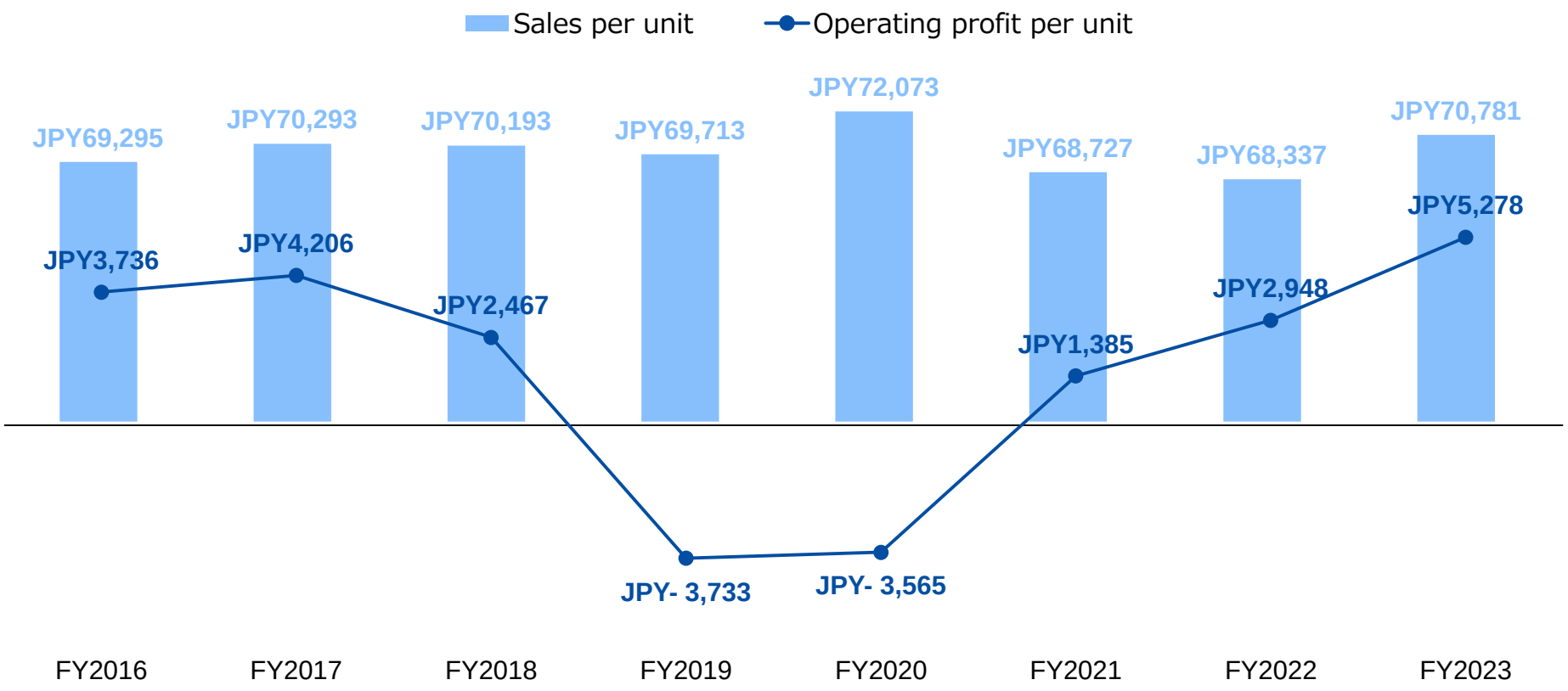


The average unit rent increased to the level of FY2016 due to implementing price-focused strategy for FY2023.



5: 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

Leopalace21 received funds for approximately JPY 57.2 billion from Fortress Investment Group on November 2, 2020*1. Implemented refinancing of JPY 30 billion on December 25, 2023*2. Approximately JPY 2.8 billion of increased profit is expected for FY2024.

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 no. 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
- Maturity date
  Nov. 4, 2025
- Applicable interest rate
  5–5.5% per annum*2

Stock acquisition rights

- Issuance cost
  Approx. JPY 0.2 billion in total
- No. of dilutive shares
  159,748,700 shares

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

- Type and no. of shares issued
  Class A Preferred Stock
  750,000 shares
  No. of acquired shares 189,500
  No. of unacquired shares 560,500
- Dividend rate
  7%

*1 Refer to "Notice Concerning Completion of Payment with respect to Issuance of New Shares and Other Items" dated November 2, 2020
*2 Refer to "Notice Concerning Debt Financing (Refinancing)" dated December 22, 2023

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

Resumed dividend payment after six-year interval.
Increased dividend expected for FY2024.

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 per share

	End of Q2	End of FY	Total
FY2023	-	JPY 5.00	JPY 5.00
FY2024	JPY 5.00	JPY 5.00 (Forecast)	JPY 10.00 (Forecast)

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