Leopalace21 Corporation

Financial Results for Q3 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

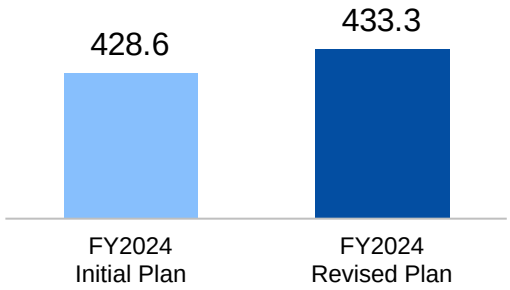
PL	The accumulative financial results for Q3 FY 2024 showed the highest level after the global financial crisis. Net sales: JPY 323.9 bil (+1.3% against plan) Operating profit: JPY 25.4 bil (+21.2% against plan) Recurring profit: JPY 24.8 bil (+25.7% against plan) Net income: JPY 15.3 bil (+33.8% against plan)
Leasing Business	**Average unit rent prices for both new contracts and occupied units trended upward** in Q3 FY2024 following previous quarters, and the average unit rent for new contracts (index) in December rose to 111, driven by corporate contracts.
Revision of Earnings Forecasts	Full-year forecasts have been revised upwards to reflect the recent performance results. Net sales: JPY 433.3 bil (+1.1% against plan) Operating profit: JPY 31.0 bil (+16.5% against plan) Recurring profit: JPY 29.8 bil (+19.7% against plan) Net income: JPY17.3 bil (+19.3% against plan)
Dividend	The interim dividend has been paid 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 investigation completion rate reached 99.4% and completion of repairs and other measures achieved 97.3%** at the end of December 2024. The units, with the cooperation of the tenants and building owners, completed the investigations and repairs of all obvious defects.

Revisions of Earnings Forecasts for FY2024

(JPY billion)

Net Sales

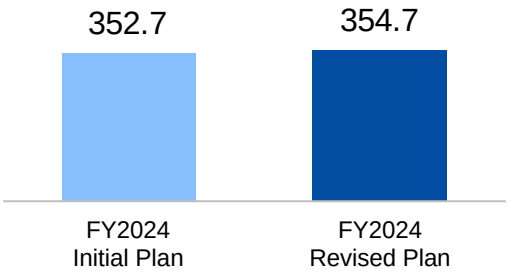
+1.1%



- Increase in net sales due to the strong corporate demand and soaring prices which led to an upward trend in unit rent prices.

Cost of Sales

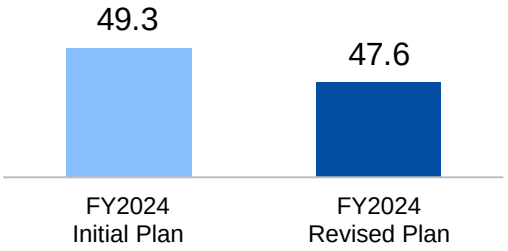
+0.6%



- Slight increases in cost of leasing management due to implementing disaster recovery works.
- Accounting treatment is to be revised for maintenance and operation expenses of apartment buildings under management.

SG&A Expenses

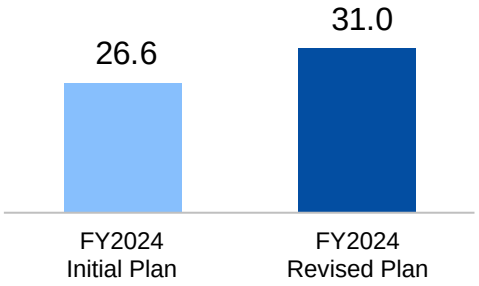
-3.4%



- Personnel costs were restrained because of the delay in mid-career hiring in H1.
- Fewer hiring is planned during the busiest season.

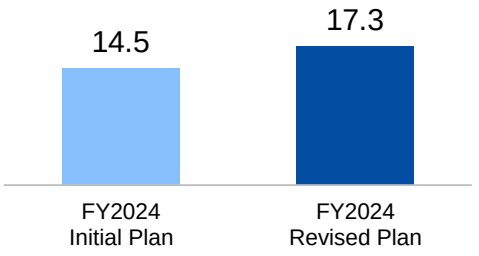
Operating profit

+16.5%



Net income

+19.3%



Chapter 1

Outline of the Financial Results for Q3 FY2024

Accumulated profit reached the highest for Q1-Q3 ever since the global financial crisis. The recurring profit saw a significant increase, up by 50.2% year-on-year.

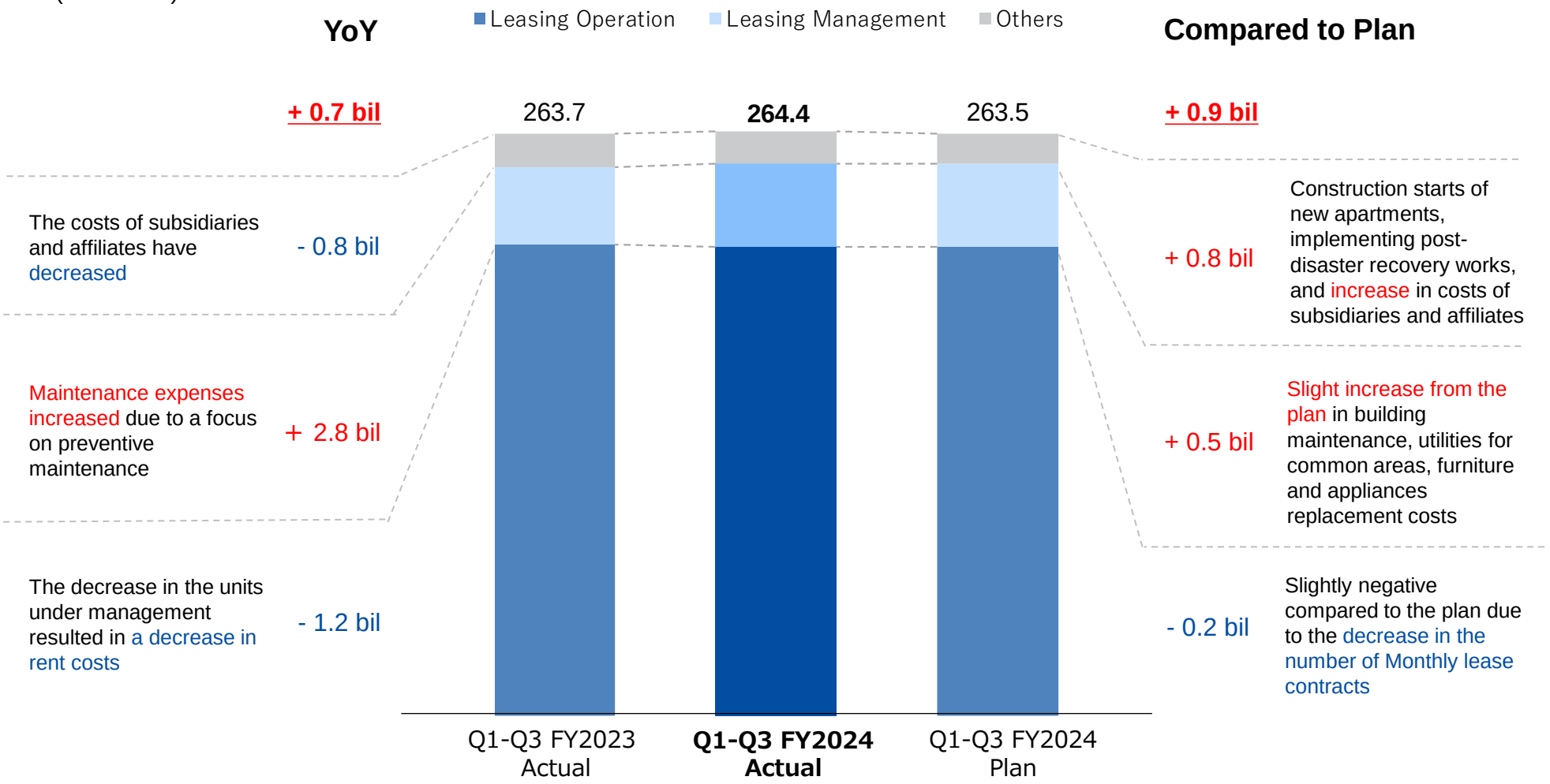
(JPY million)	Comparison vs Q3 FY2023 Actual		Q1-Q3 FY2023 Actual	Q1-Q3 FY2024 Actual	Q1-Q3 FY2024 Plan	Differences		Factors contributing to changes
Net sales	+2.3%	+7,394	316,576	**323,970**	319,800	+4,170	+1.3%	■ Net sales Although the occupancy rate fell short of the plan, the average unit rent for corporate contracts remained at a high level.
Cost of sales	+0.3%	+774	263,707	**264,482**	263,500	+982	+0.4%	
Gross profit	+12.5%	+6,619	52,868	**59,488**	56,300	+3,188	+5.7%	■ Cost of sales Slight increases from the plan due to focusing on preventive maintenance.
%	+1.7 p	-	16.7%	**18.4%**	17.6%	-	+0.8 p	
SG&A	+3.6%	+1,172	32,859	**34,031**	35,300	(1,268)	(3.6%)	■ SG&A Personnel costs were restrained because of the delay in mid-career hiring in H1.
Operating profit	+27.2%	+5,447	20,009	**25,456**	21,000	+4,456	+21.2%	
%	+1.6 p	-	6.3%	**7.9%**	6.6%	-	+1.3 p	■ Non-operating expenses Non-operating expenses were recorded at JPY 1.1 billion, a decrease of JPY 3.2 billion YoY, due to the refinancing of a JPY 30 billion loan executed in December 2023.
EBITDA	+19.1%	+4,504	23,626	**28,131**	23,700	+4,431	+18.7%	
Recurring profit	+50.2%	+8,313	16,566	**24,880**	19,800	+5,080	+25.7%	■ Net income JPY 1.1 billion in reversal of provision for losses related to repairs was recorded as extraordinary income, and JPY 10.0 billion in Income taxes was recorded.
Net income	+3.4%	+512	14,878	**15,391**	11,500	+3,891	+33.8%	
EPS (JPY)	+5.0%	+2.31	46.14	**48.45**	36.20	+12.25	+33.8%	

The full-year forecast was revised upward due to the improvement in profitability driven by an increase in average unit rent.

JPY million	FY2023					FY2024							
	Q1	Q2	Q3	Q4	FY Total	Q1	Q2	Q3		Q4		FY Total	
	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Initial Plan	Actual	Initial Plan	Revised Plan	Initial Plan	Revised Plan
Net sales	106,375	105,472	104,728	106,095	422,671	108,917	107,247	106,700	**107,805**	108,800	109,300	428,600	433,300
Cost of sales	88,308	87,771	87,627	90,128	353,836	87,519	88,563	88,400	**88,399**	89,200	90,200	352,700	354,700
Gross profit	18,066	17,701	17,100	15,966	68,835	21,398	18,683	18,300	**19,405**	19,600	19,100	75,900	78,600
SG&A	10,444	10,495	11,918	12,662	45,521	11,108	11,546	11,900	**11,375**	14,000	13,600	49,300	47,600
Operating profit	7,622	7,205	5,181	3,304	23,313	10,289	7,137	6,400	**8,030**	5,600	5,500	26,600	31,000
Recurring profit	6,851	6,259	3,455	2,909	19,476	10,244	6,484	6,000	**8,151**	5,100	4,900	24,900	29,800
Net income	6,627	5,222	3,028	27,183	42,062	6,084	4,511	3,600	**4,795**	3,000	1,900	14,500	17,300

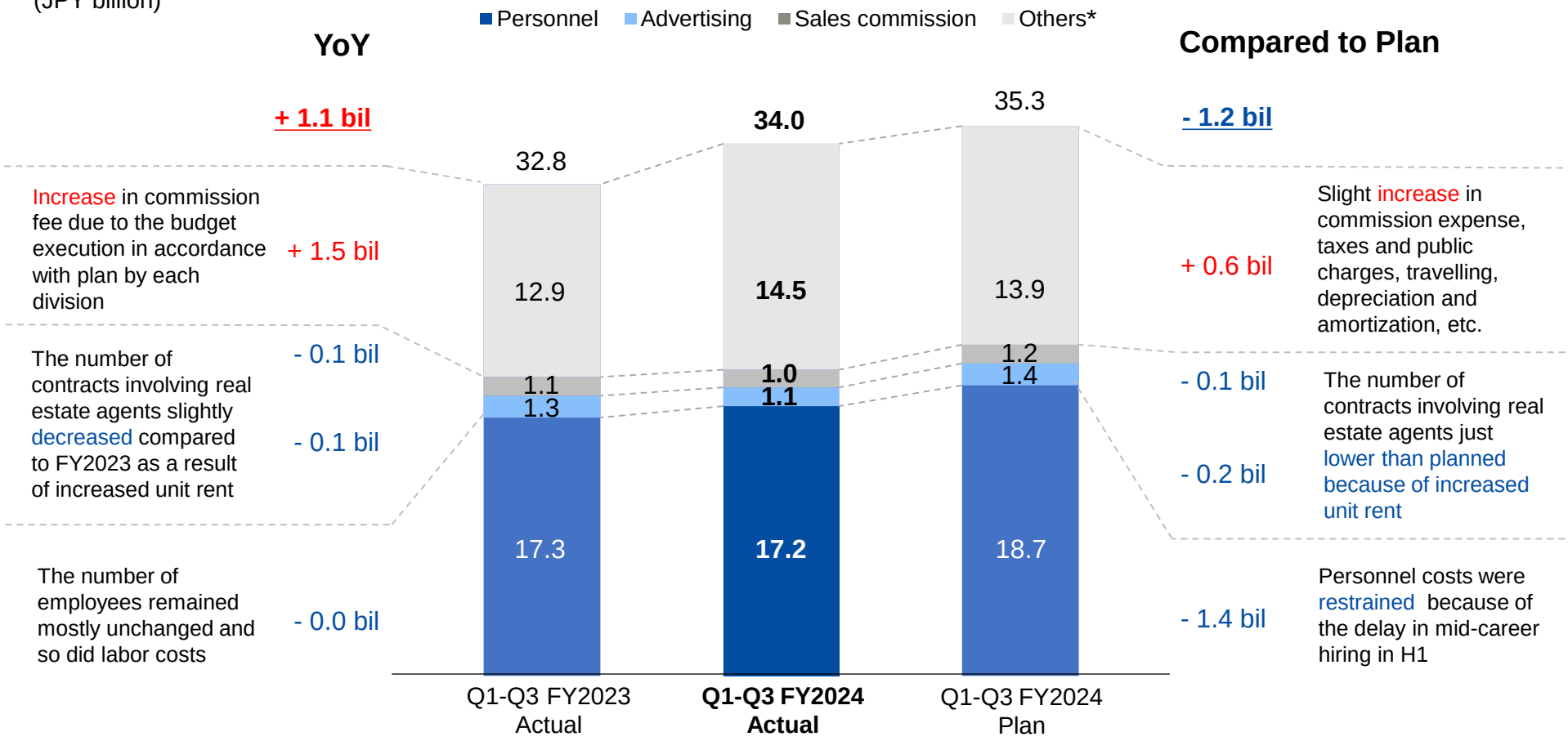
The quarterly results for Q3 were in line with the plan and hence the cost increase compared to the plan up to Q2 remained for cumulative Q3 at the same level of JPY 0.9 billion.

(JPY billion)



SG&A expenses showed a slight increase compared to FY 2023 due to the stabilization of the financial base and the resulting budget expansion. However, they were lower than planned because of the delay in mid-career hiring in H1.

(JPY billion)



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

(JPY million)	End of FY2023	End of Q2 FY2024	End of Q3 FY2024	QoQ
Cash and deposits	68,627	76,580	**78,050**	+1,470
Trade receivables	7,670	7,139	**6,758**	(380)
Total assets	205,000	208,137	**204,043**	(4,093)
Interest-bearing debt*	30,879	30,698	**30,775**	+77
Provision for losses related to repairs	15,339	11,001	**8,664**	(2,336)
Provision for apartment vacancy loss	4,683	4,683	**4,683**	±0
Total liabilities	133,320	124,198	**121,158**	(3,039)
Common stock	100	100	**100**	±0
Capital surplus	30,121	30,120	**30,120**	(0)
Retained earnings	32,867	41,844	**45,020**	+3,175
Treasury stock	(4,359)	(4,359)	**(4,359)**	(0)
Total shareholders' equity (A)	58,729	67,705	**70,880**	+3,175
Total accumulated other comprehensive income (B)	5,175	8,564	**5,136**	(3,428)
Ownership equity (A) + (B)	63,904	76,270	**76,017**	(253)
Equity ratio	31.2%	36.6%	**37.3%**	+0.7 p
Share subscription rights	242	391	**391**	±0
Non-controlling interests	7,532	7,276	**6,476**	(800)
Total net assets	71,679	83,939	**82,885**	(1,054)

■Provision for losses related to repairs

(current: JPY 0.79 billion; non-current: JPY 7.8 billion)

Decrease of JPY 2.3 billion from the end of Q2 FY2024 due to progress of repairs and a JPY 1.1 billion reversal of provision for losses related to repairs.

■Provision for apartment vacancy loss

(current: JPY 0.0 billion; non-current JPY 4.6 billion)

±JPY 0 compared to the end of Q2 FY2024

There was no change from the end of Q2 FY2024 due to the stabilization of rental income and expenses, significant fluctuations are not expected.

■Total accumulated other comprehensive income

Due to the stronger yen, foreign currency translation adjustments were recorded JPY -3.4 billion from the end of Q2 FY2024.

■Equity ratio

Stabilization of earnings allowed the equity ratio to rise to 37.3%.

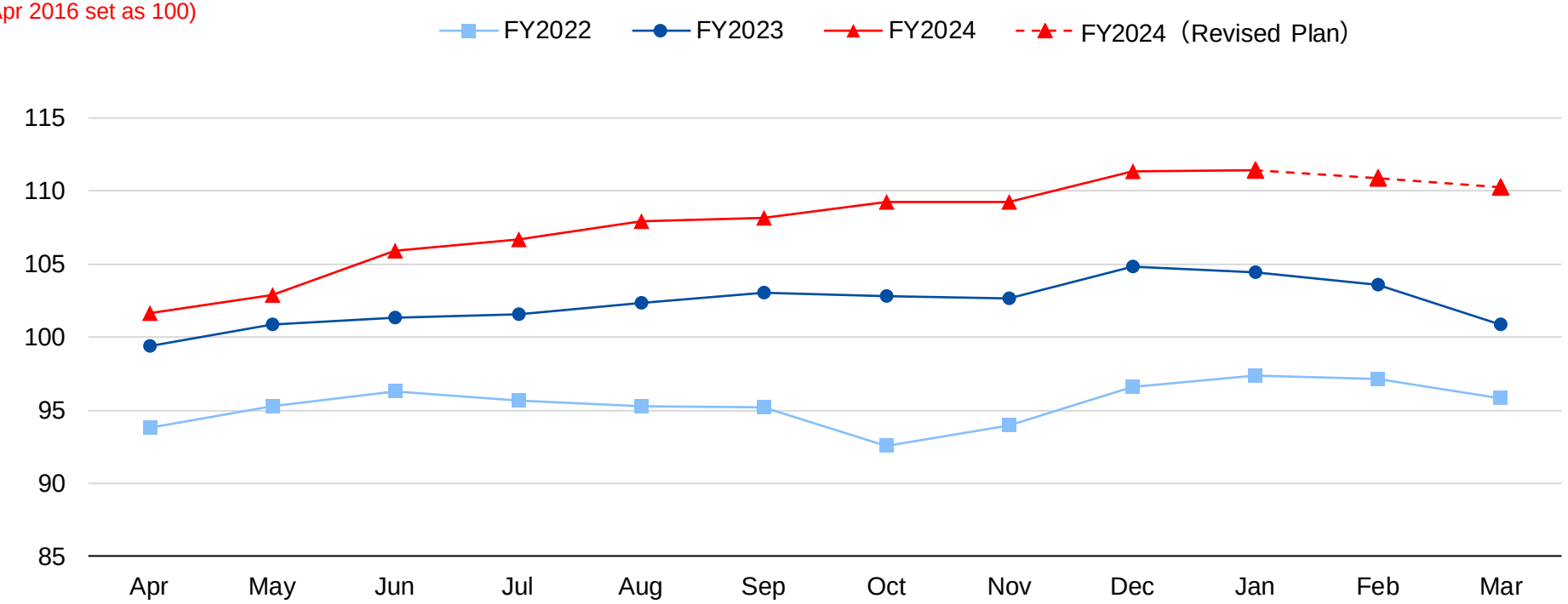
* Interest-bearing debt = borrowings + lease obligations

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, the plan has been revised upwards from the initial plan which had been set at the previous year's level.

(Apr 2016 set as 100)

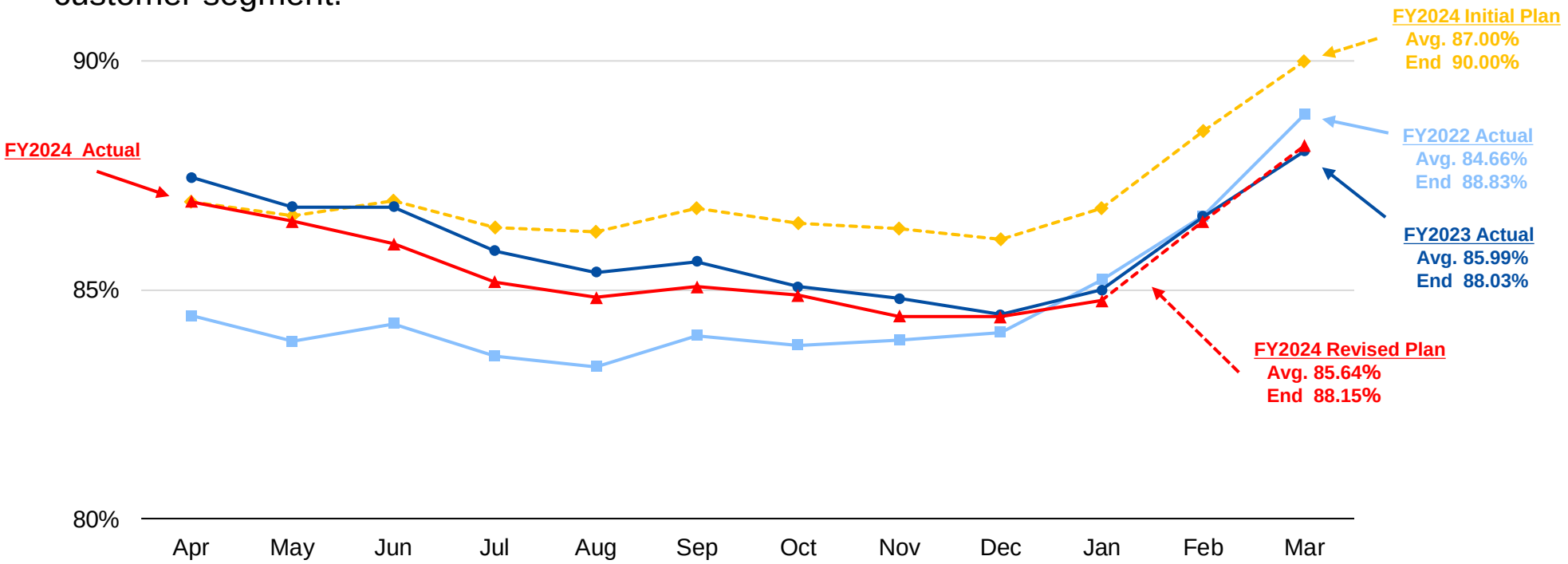


	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
FY2022	94	95	96	96	95	95	93	94	97	97	97	96
FY2023	99	101	101	102	102	103	103	103	105	104	104	101
FY2024	102	103	106	107	108	108	109	109	111	111	-	-

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

2: Movements in Occupancy Rate

Although the occupancy rate fell short of the plan due to the price-focused strategy and policy of curbing monthly lease contracts, the occupancy rate at the end of Q3 was on a par with the same month previous year, which is 0.04 points lower, due to the strong demand in the corporate customer segment.

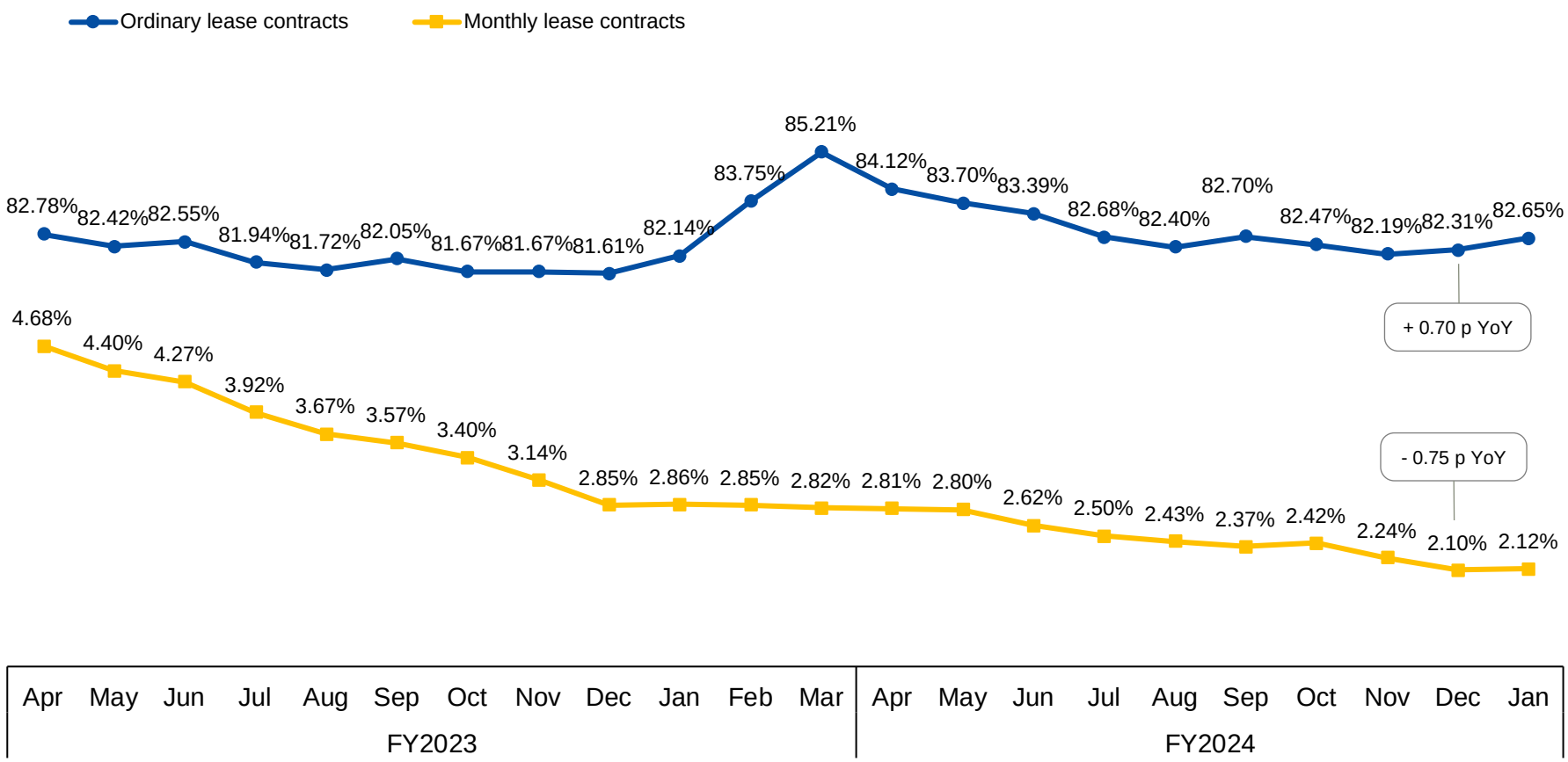


	Apr	May	Jun	Apr-Jun Average	Jul	Aug	Sep	Jul-Sep Average	Oct	Nov	Dec	Oct-Dec Average	Q3 cumulative Ave.	Jan	Feb	Mar	FY Average
FY2022	84.44%	83.88%	84.26%	84.19%	83.55%	83.33%	84.00%	83.63%	83.80%	83.91%	84.08%	83.93%	83.92%	85.23%	86.61%	88.83%	84.66%
FY2023	87.46%	86.82%	86.82%	87.03%	85.86%	85.39%	85.62%	85.62%	85.07%	84.81%	84.46%	84.78%	85.81%	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%	84.88%	84.43%	84.42%	84.58%	85.36%	84.77%	-	-	-

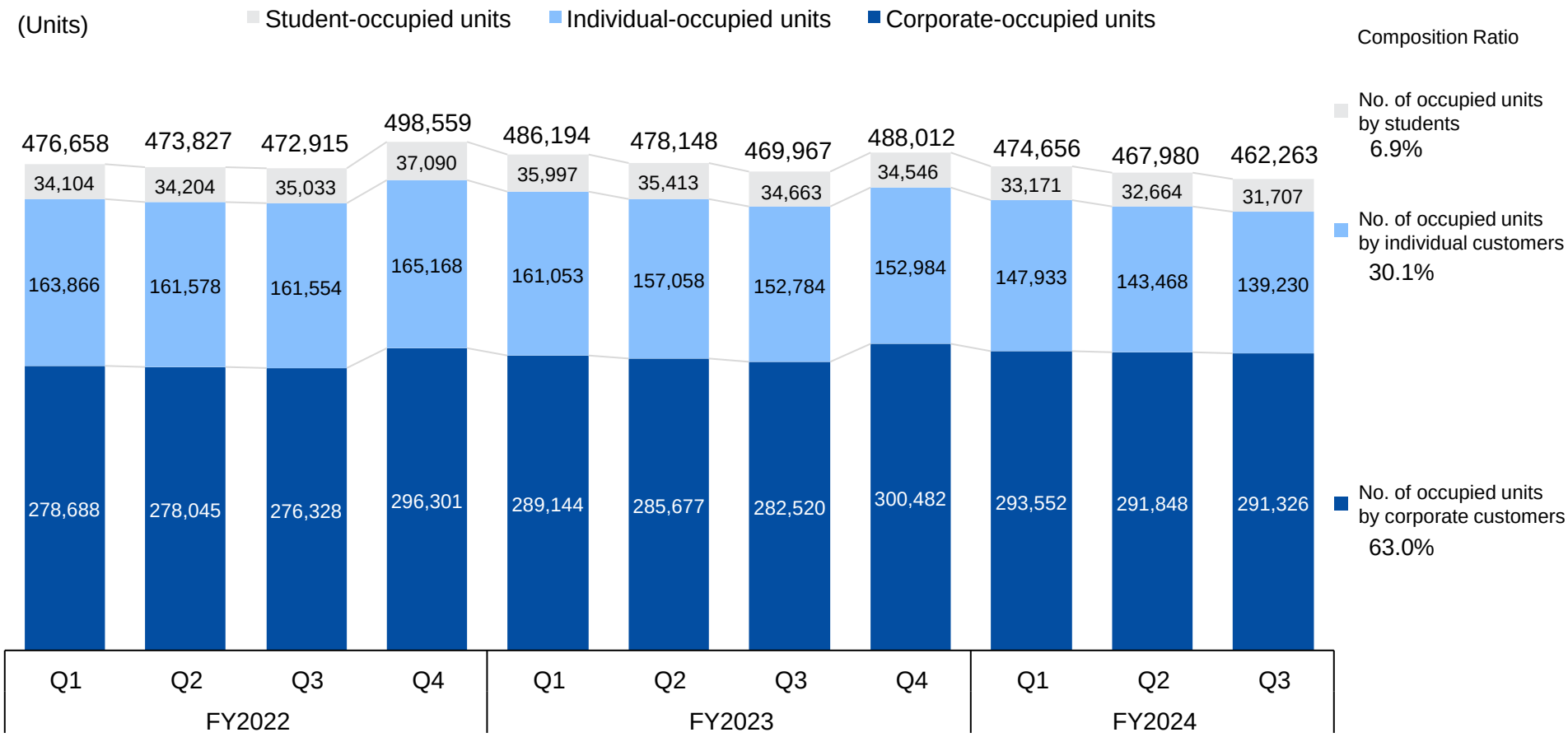
Monthly Data： https://www.leopalace21.co.jp/english/ir/finance/monthly/index.html

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.

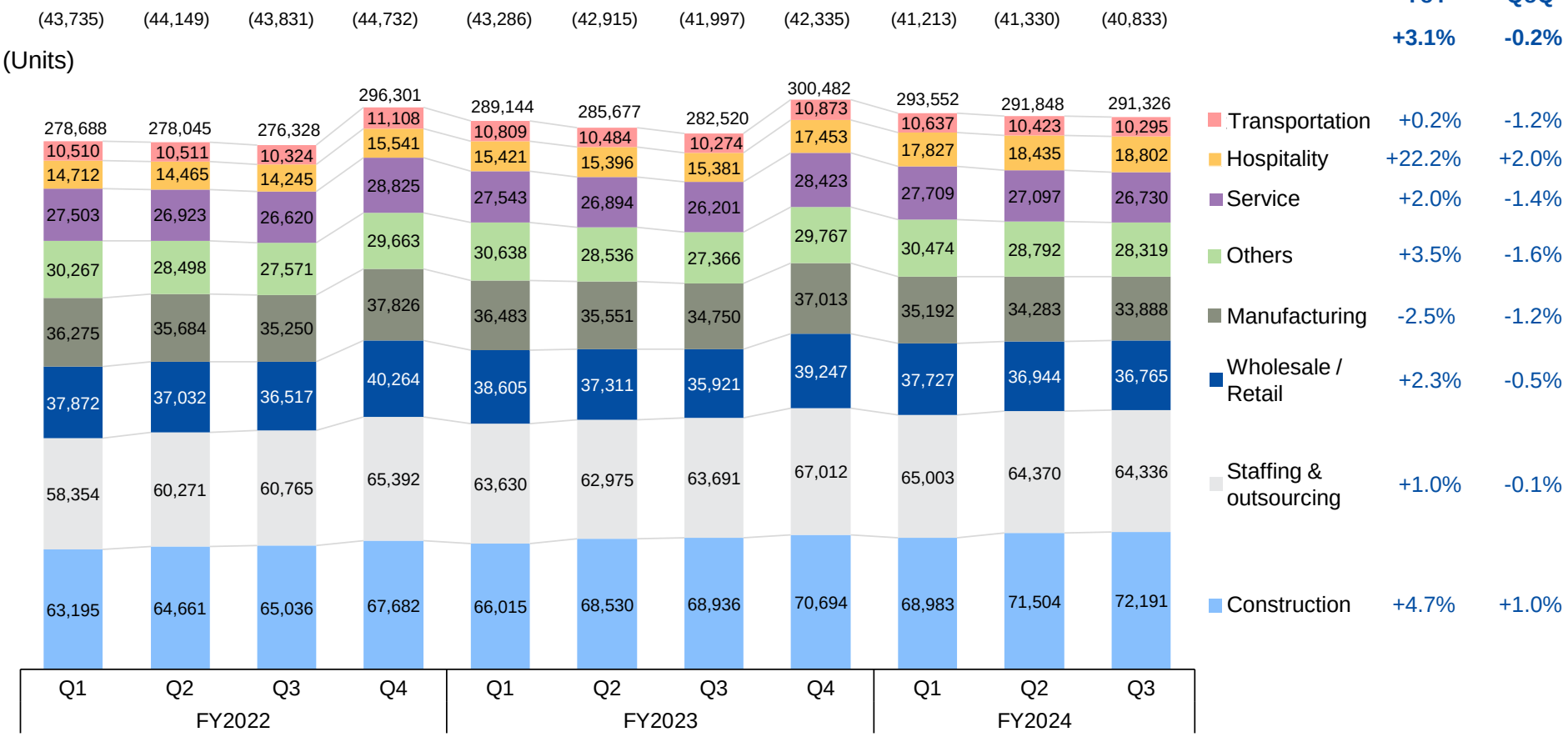


The composition ratio by the corporate customers reached the record high of 63.0%.



The occupancy rates in the hospitality sector, which saw a 22.2% increase from the previous year due to the increased hiring of foreign personnel, and the construction sector, where the number of units in use reached an all-time high due to the expanding needs of civil engineering services, remained positive in Q3. This is amid weaker QoQ development in other sectors, which followed the usual seasonal pattern.

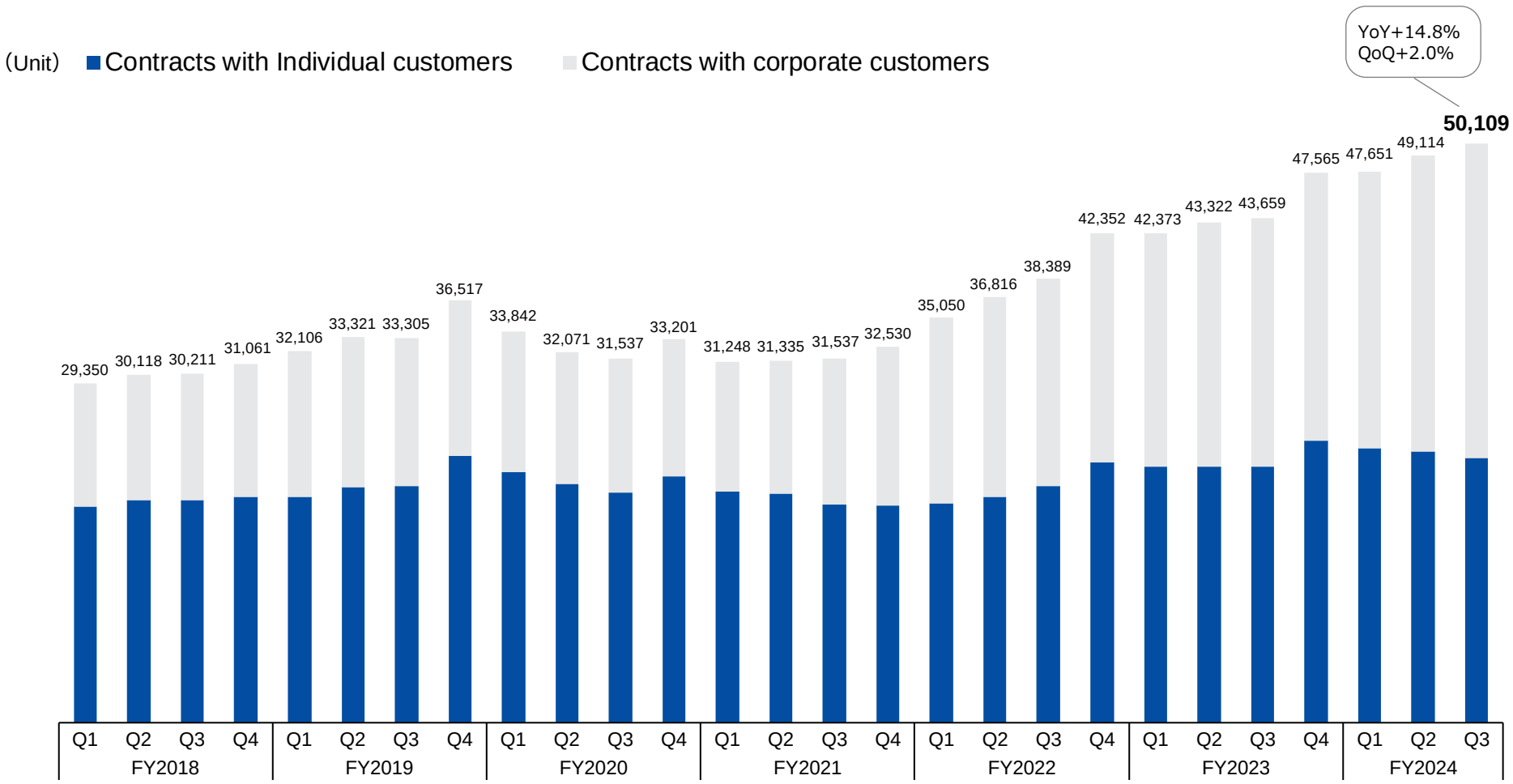
No. of companies



	YoY	QoQ
	+3.1%	-0.2%
Transportation	+0.2%	-1.2%
Hospitality	+22.2%	+2.0%
Service	+2.0%	-1.4%
Others	+3.5%	-1.6%
Manufacturing	-2.5%	-1.2%
Wholesale / Retail	+2.3%	-0.5%
Staffing & outsourcing	+1.0%	-0.1%
Construction	+4.7%	+1.0%

6: No. of Room Use by Foreign Nationals

Number of units used by foreign national tenants was 50,109 at the end of Q3 FY2024, which represented 10.8% of the total (+1.5 p from end of Q3 FY2023 and +0.3 p from end of Q2 FY2024).



7: Units and Occupancy Rates by Prefecture

Occupancy rates showed decline from the end of Q2 in Tohoku region due to winter work stoppage of construction projects and in Hokuriku region due to reduction of disaster recovery projects.
Shimane and Nagasaki were down from the same month last year due to the completion of construction projects etc.

Q3 FY2024	Managed units (thousand)	Occupancy rate	YoY	QoQ
Hokkaido	13	83%	+0 p	−7 p
Aomori	3	69%	−5 p	−11 p
Iwate	3	83%	−1 p	−3 p
Miyagi	9	78%	−2 p	−0 p
Akita	2	75%	−4 p	−11 p
Yamagata	3	79%	+0 p	−1 p
Fukushima	9	83%	−1 p	−1 p
Ibaraki	15	86%	+1 p	+1 p
Tochigi	11	80%	−1 p	+1 p
Gunma	11	81%	−0 p	+1 p
Saitama	45	87%	+0 p	−0 p
Chiba	32	87%	+5 p	+1 p
Tokyo	42	91%	+2 p	+0 p
Kanagawa	39	89%	+2 p	+2 p
Niigata	8	79%	−1 p	−8 p
Toyama	5	80%	−0 p	−7 p

Q3 FY2024	Managed units (thousand)	Occupancy rate	YoY	QoQ
Ishikawa	5	82%	−2 p	−5 p
Fukui	4	84%	+6 p	+2 p
Yamanashi	4	93%	+7 p	−1 p
Nagano	11	86%	−2 p	−2 p
Gifu	7	83%	+2 p	−0 p
Shizuoka	24	78%	−4 p	−1 p
Aichi	40	86%	−1 p	−0 p
Mie	11	69%	−2 p	−2 p
Shiga	8	88%	+0 p	−0 p
Kyoto	9	89%	+3 p	+1 p
Osaka	30	84%	+2 p	−1 p
Hyogo	21	86%	+1 p	+0 p
Nara	3	83%	−7 p	−2 p
Wakayama	3	72%	−3 p	−0 p
Tottori	2	77%	−8 p	−2 p
Shimane	2	86%	−11 p	−3 p

Q3 FY2024	Managed units (thousand)	Occupancy rate	YoY	QoQ
Okayama	11	80%	−0 p	−1 p
Hiroshima	13	84%	−2 p	−1 p
Yamaguchi	7	86%	−3 p	−6 p
Tokushima	2	73%	−1 p	+1 p
Kagawa	4	76%	−2 p	−4 p
Ehime	4	80%	+2 p	+5 p
Kochi	2	78%	−3 p	+0 p
Fukuoka	19	86%	−1 p	−0 p
Saga	3	81%	−8 p	−5 p
Nagasaki	2	73%	−15 p	−1 p
Kumamoto	7	87%	−2 p	+2 p
Oita	4	81%	+4 p	+2 p
Miyazaki	2	88%	−2 p	−4 p
Kagoshima	3	78%	−3 p	−5 p
Okinawa	5	99%	+2 p	+1 p
Total	547	84%	−0 p	−1 p

Chapter 3

Promotion of Sustainability

The number of apartment units with smart lock installed was approximately 300,000 as of end of January 2025.

Enhanced customer convenience



Start a new chapter of life 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

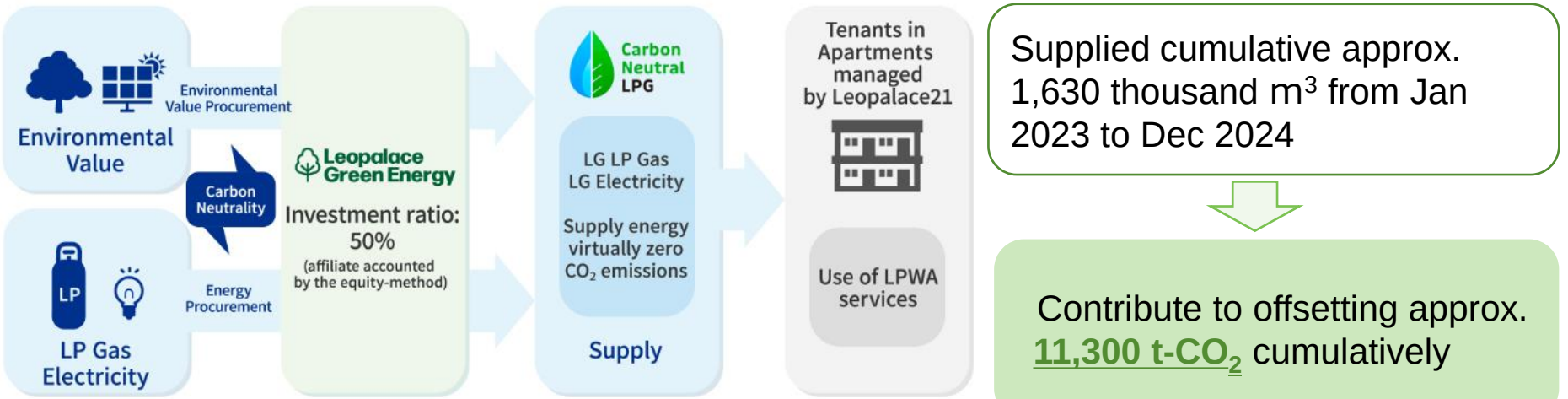
Enhanced security by self-locking door

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

Leopalace21 started to offer Leopalace Green LP Gas with virtually zero CO_2 emissions to the apartments under management from January 2023 to reduce greenhouse gas emissions, and introduced an LPWA service* to improve the convenience and safety of energy usage for tenants while improving operational efficiency for LGLP Gas supply companies.



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

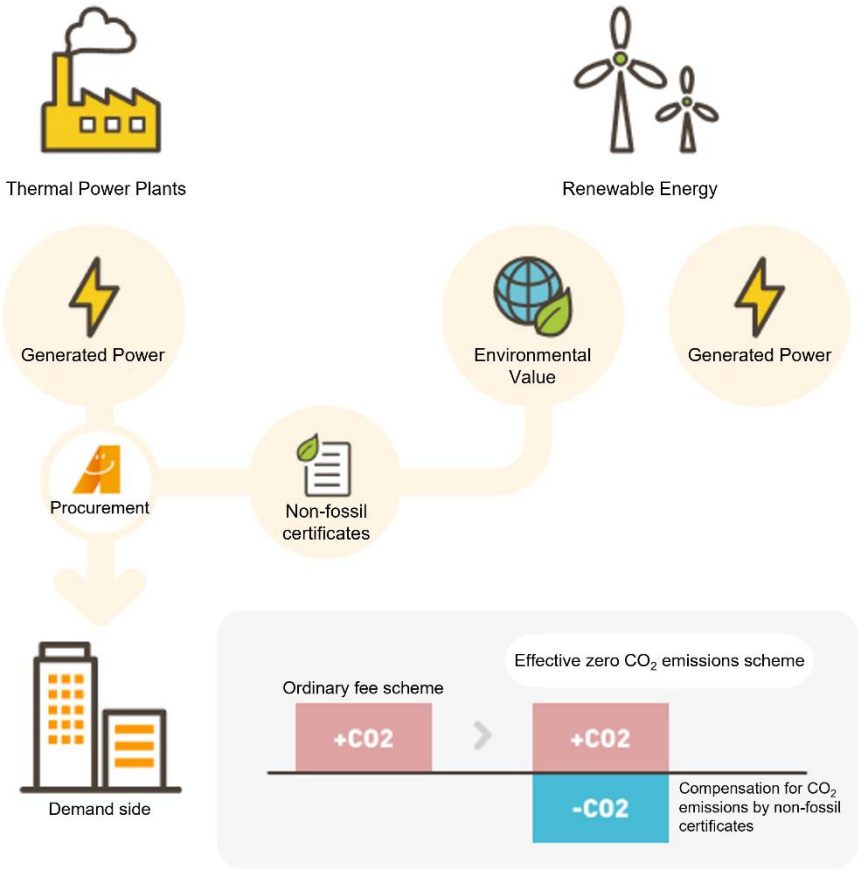
LPWA Service*

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.

* 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.



Offered to **68,078 units** by the end of December 2024

The Company plans to provide LG Electricity to approx. **75,000** households by Mar 2025
CO_2 emissions reduction is expected approx. **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.
We decided to continue Leopalace21 Scholarship Program for FY2026* following its initial program launched for FY2025.



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 Leopalace21 Scholarship Program for FY2026 Application Guidelines Announced" dated January 6, 2025

Chapter 4

Status on Construction Defects Management

Leopalace21 has completed the repairs etc. of all obvious defects for which it obtained the cooperation of the tenants and building owners.

The Company has investigated 175,119 units out of a total of 176,240 units for an investigation completion rate of 99.4%.
The Company completed repairs and other measures for 77,196 units out of the 79,362 units with obvious defects identified because of the investigations, for a response completion rate of 97.3%.

(As of December 31, 2024)

	Nº of Buildings containing obvious defects	(a) Nº of all units which corresponds to Nº of buildings containing obvious defects	(b) Nº of units of which investigation completed	(c) Nº of units requiring investigations ((a)-(b))	(d) Nº of units containing obvious defects	(e) Nº of units with repairs completed and equivalent	(f) Nº of units requiring repairs ((d)-(e))
Apartments managed by Leopalace21*1	8,452	141,793	141,735 (99.9%)	58	59,995	59,103 (98.5%)	892
Apartments managed by the companies other than Leopalace21*2	2,819	34,447	33,384 (96.9%)	1,063	19,367	18,093 (93.4%)	1,274
Grand Total	11,271	176,240	175,119 (99.4%)	1,121	79,362	77,196 (97.3%)	2,166

*1 Apartments that were constructed by Leopalace21 and are managed by Leopalace21 itself, from tenant recruitment to building management.
*2 Apartments that were constructed by Leopalace21 and are managed by the companies other than Leopalace21, from tenant recruitment to building management.

Refer to "Notice Concerning Status of Construction Defects for Buildings Constructed by Leopalace21" dated January 17, 2025.

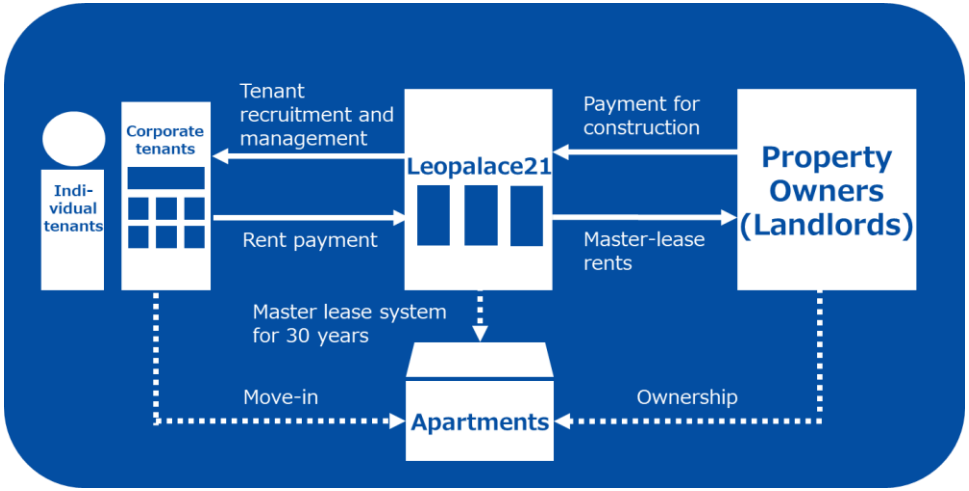
Appendix

Corporate Data (as of December 31, 2024)

Established	August 17, 1973
Paid-in Capital	JPY 100 million
Representative Director	Bunya Miyao, President and CEO
Employees	3,892 (consolidated), 2,719 (non-consolidated)
Authorized Shares	750,000,000
Outstanding Shares	329,389,515 shares (not including 159,748,700 dilutive shares)
Shareholders	38,587 (as of September 30, 2024)

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 December 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.

1. Construction Defects Management

Eliminate obvious defects by the end of 2024

2. Strengthen Profitability

Implement profit optimization strategy

- Occupancy Plan (Revised)
  Average: 85.64%
  End of FY: 88.15%
- Unit Rent Plan (Revised)
  Ave. unit rent for new contracts:
  + 5.9% YoY
  Ave. unit rent for all occupied units:
  + 4.7% YoY

3. Promote Sustainability Management

Promote DX

Promote Human Capital Management

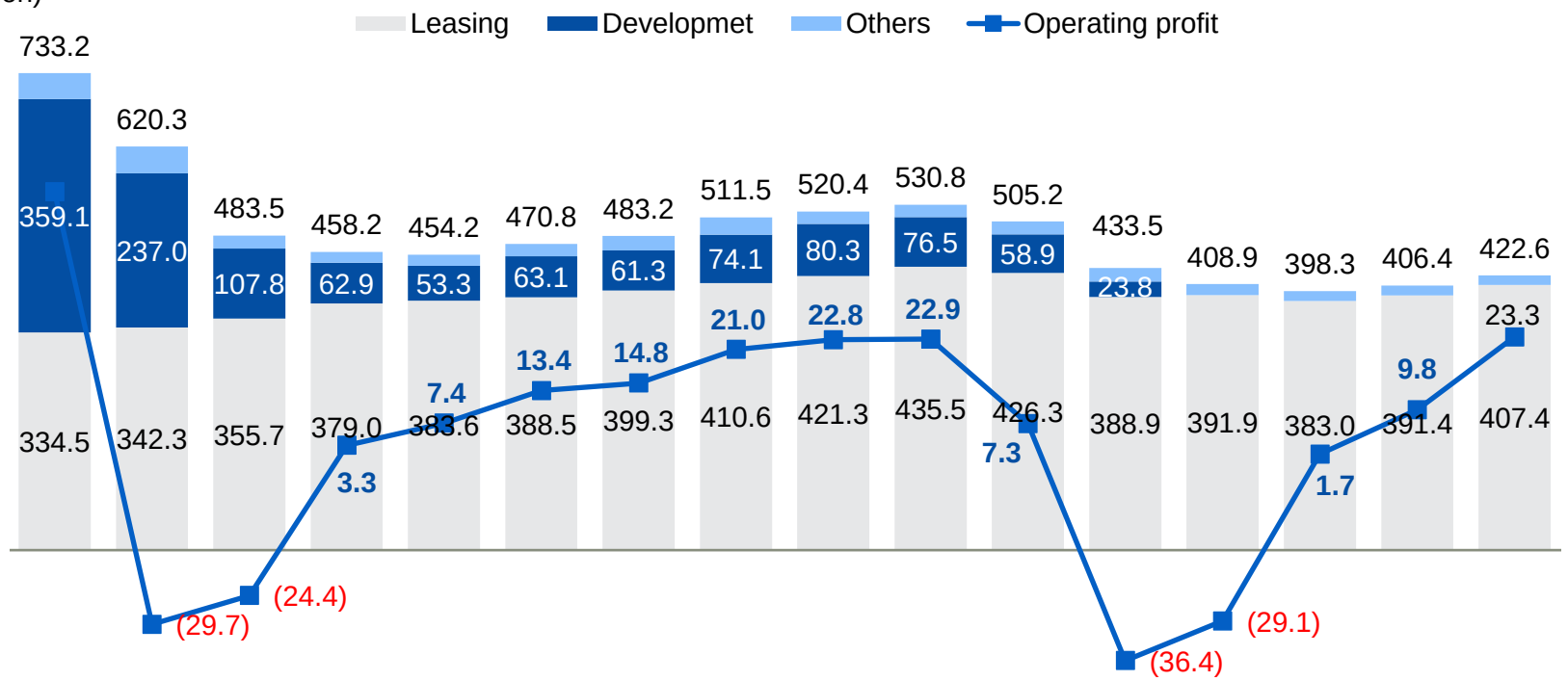
4. Prepare Framework for Mid- to Long-term Growth

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.

(JPY billion)



Recorded two consecutive operating losses due to the global financial crisis

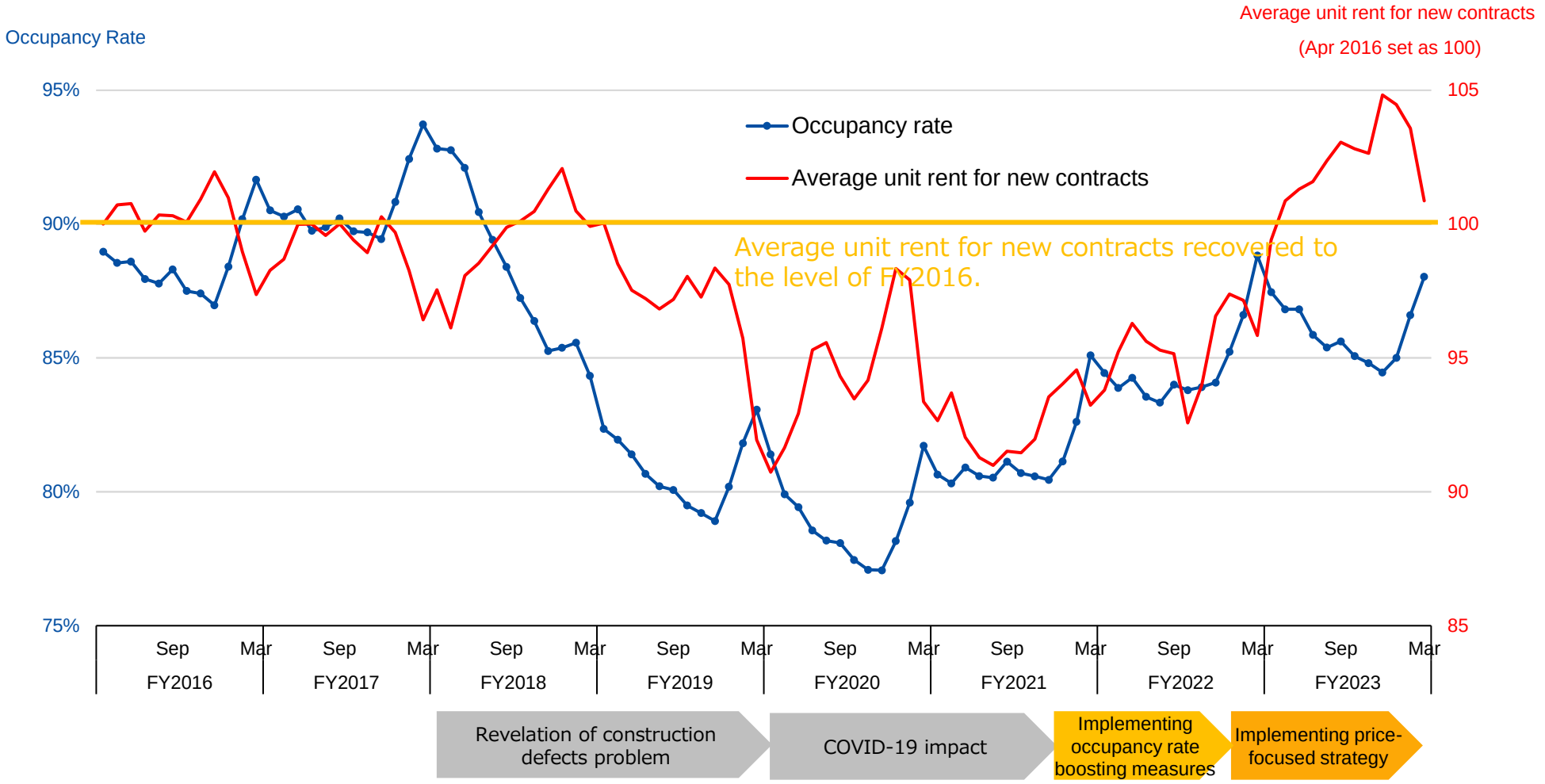
Shifted the business model to center on the Leasing Business aiming for mid- to long-term stable earnings structure

Construction defects problem came to light

Continuous structural reforms

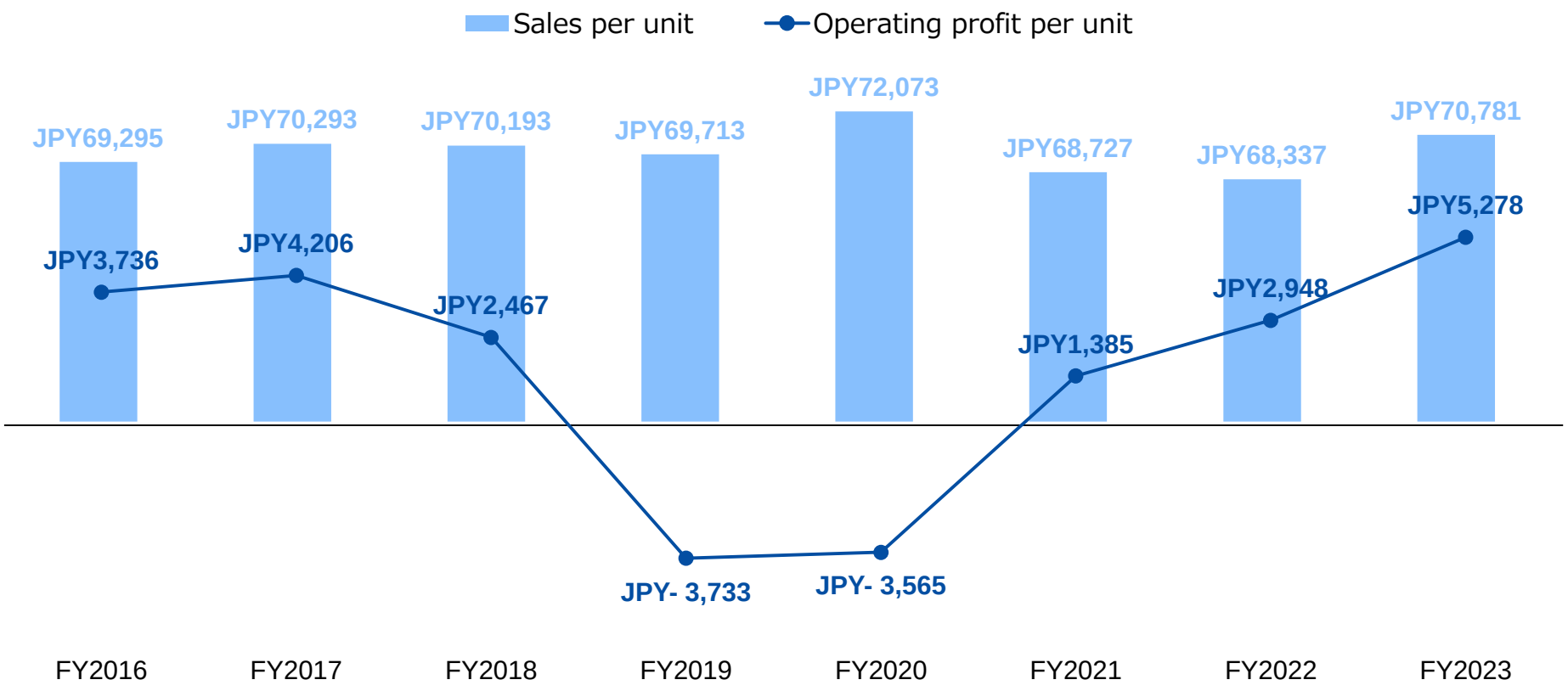
COVID-19 Impact

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 216,000
  No. of unacquired shares 534,000
- 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 in FY2023.
Increased dividend expected for FY2024.

Dividend Policy

- The Company followed 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)

Contact: PR and IR Section, Corporate Planning Department,
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