Consolidated Financial Statements (Japanese Accounting Standard)

February 14, 2025

(For the nine months ended December 31, 2024)

Name of Company Listed: **Leopalace21 Corporation** Stock Listing: Tokyo Stock Exchange
Code Number: 8848 URL: https://www.leopalace21.co.jp/english/ Location of Head Office: Tokyo
Representative: Position: President and CEO Name: Bunya Miyao
Name of Contact Person: Position: Director, Executive Officer and Chief of the Corporate Management Headquarters
Name: Shinji Takekura Telephone: +81-50-2016-2907
Scheduled Date of Commencement of Dividend Payments: —
Supplemental Explanatory Material Prepared: Yes
Results Briefing Held: Yes (for institutional investors and security analysts)

1. Results for the Nine Months ended December 31, 2024 (April 1, 2024 – December 31, 2024)

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

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

	Net sales		Operating profit		Recurring profit		Net income attributable to shareholders of the parent	
	JPY million	%	JPY million	%	JPY million	%	JPY million	%
Nine months ended December 31, 2024	323,970	2.3	25,456	27.2	24,880	50.2	15,391	3.4
Nine months ended December 31, 2023	316,576	4.3	20,009	85.8	16,566	96.1	14,878	168.1

(Note) Comprehensive income in the nine months ended December 31, 2024: JPY 16,084 million [(12.3)%]
Comprehensive income in the nine months ended December 31, 2023: JPY 18,340 million [54.0%]

	Net income per share	Diluted net income per share
	JPY	JPY
Nine months ended December 31, 2024	48.45	35.34
Nine months ended December 31, 2023	46.14	35.64

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	JPY million	JPY million	%
As of December 31, 2024	204,043	82,885	37.3
As of March 31, 2024	205,000	71,679	31.2

(Reference) Ownership equity as of December 31, 2024: JPY 76,017 million; as of March 31, 2024: JPY 63,904 million

2. Dividend Status

	Dividend per share				
	End of Q1	End of Q2	End of Q3	End of FY	Annual
	JPY	JPY	JPY	JPY	JPY
FY ended March 31, 2024	—	0.00	—	5.00	5.00
FY ending March 31, 2025	—	5.00	—		
FY ending March 31, 2025 (Estimate)				5.00	10.00

(Note) Change from the latest dividend forecast: No

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

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

	Net sales		Operating profit		Recurring profit		Net income attributable to shareholders of the parent		Net income per share
	JPY million	%	JPY million	%	JPY million	%	JPY million	%	JPY
FY ending March 31, 2025	433,300	2.5	31,000	33.0	29,800	53.0	17,300	(58.9)	54.45

(Note) Change from the latest earnings forecast: Yes

(Notes)

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

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

(Note) For details, please refer to 2. Consolidated Financial Statements and Notes (3) Notes Regarding Consolidated Financial Statements (Application of accounting methods specific to the preparation of quarterly consolidated financial statements) in p. 10

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

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

(Note) For details, please refer to 2. Consolidated Financial Statements and Notes (3) Notes Regarding Consolidated Financial Statements (Notes regarding changes in accounting policies) in p. 10.

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

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

(ii) Total treasury stock at term end
As of December 31, 2024: 11,694,621 shares, As of March 31, 2024: 11,694,361 shares

(iii) Average number of outstanding shares during the period
Nine months ended December 31, 2024: 317,695,062 shares, Nine months ended December 31, 2023: 322,497,228 shares

– Review of the Japanese-language originals of the attached quarterly consolidated financial statements by certified public accountants or an audit firm: No

– Explanation on the proper use of the business forecasts, and other special notices:

(Note on the business forecasts and other forward-looking statements)

The business forecasts and other forward-looking statements contained in this report are based on information currently available to Leopalace21 (hereinafter the “Company”) and on certain assumptions that the Company has judged to be reasonable. Readers should be aware that a variety of factors might cause actual results to differ significantly from these forecasts.

For assumptions of business forecasts and notes on the proper use of these forecasts, please refer to “1. Summary of Business Results (3) Explanation of Consolidated Earnings Forecasts and Other Forward-Looking Statements” in p. 5.

(Method for the acquisition of supplemental explanatory material)

Supplemental Explanatory Material is planned to be posted on the Company’s website on February 14, 2025.

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

(JPY million)

	Nine months ended December 31, 2024	Nine months ended December 31, 2023	Difference	Percentage change
Net sales	323,970	316,576	+7,394	+2.3%
Cost of sales	264,482	263,707	+774	+0.3%
Gross profit (ratio)	59,488 (18.4%)	52,868 (16.7%)	+6,619	+12.5% (+1.7 p)
Selling, general and administrative expense	34,031	32,859	+1,172	+3.6%
Operating profit (loss) (ratio)	25,456 (7.9%)	20,009 (6.3%)	+5,447	+27.2% (+1.6 p)
EBITDA (Operating profit (loss) + Depreciation)	28,131	23,626	+4,504	+19.1%
Recurring profit (loss)	24,880	16,566	+8,313	+50.2%
Net income (loss) attributable to shareholders of the parent	15,391	14,878	+512	+3.4%

Although economic downturn overseas with global monetary tightening, concerns about a slowdown in the Chinese economy and other factors is a risk that puts downward pressure on business conditions in Japan, the Japanese economy was on a gradual recovery trend under improving employment and income conditions during Q3 of the fiscal year ending March 2025.

The number of new housing starts for rental market in Q3 of the fiscal year ending March 2025 was 264,225 units (up 0.6% YoY).

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

[Overview of business results]

The Group's consolidated net sales for Q3 of the fiscal year ending March 2025 increased by 2.3% YoY to JPY 323,970 million, due to an increasing trend in unit rent. Operating profit increased by 27.2% YoY to JPY 25,456 million, due to an increase in profitability that absorbed increases in the cost of sales and SG&A expenses. Recurring profit was JPY 24,880 million, an increase of 50.2% YoY, and net income attributable to shareholders of the parent was JPY 15,391 million, an increase of 3.4% YoY, despite recording of JPY 10,004 million in income taxes in association with a partial reversal of deferred tax assets, etc. It was a third consecutive year to record increased net sales and increased net income attributable to shareholders of the parent.

EBITDA for Q3 of the fiscal year ending March 2025 increased by 19.1% to JPY 28,131 million.

[Business results by segment]

(JPY million)

	Net sales			Operating profit		
	Nine months ended December 31, 2024	Nine months ended December 31, 2023	Difference	Nine months ended December 31, 2024	Nine months ended December 31, 2023	Difference
Leasing Business	312,649	305,010	+7,639	31,746	25,107	+6,639
Elderly Care Business	10,372	10,639	(266)	(597)	(409)	(188)
Other Businesses	948	926	+22	(1,825)	(1,744)	(81)
Adjustments	–	–	–	(3,866)	(2,943)	(922)
Total	323,970	316,576	+7,394	25,456	20,009	+5,447

(i) Leasing Business

During Q3 of the fiscal year ending March 2025, the occupancy rate at the end of the period was 84.42% (down 0.04 points from the end of the same period of the previous fiscal year), with an average occupancy rate of 85.36% (down 0.45 points YoY). The index of average unit rent for new contracts (the index in April 2016 deemed to be 100) at the end of the period was 111 (up 6 points YoY).

Consequently, net sales for Q3 of the fiscal year ending March 2025 increased by 2.5% YoY to JPY 312,649 million due to elevated average unit rent and other factors. Operating profit was JPY 31,746 million, a growth of 26.4% YoY, due to the increased revenue and improved profitability resulting from the favorable cost structure.

(ii) Elderly Care Business

For Q3 of the fiscal year ending March 2025, net sales decreased by 2.5% YoY to JPY 10,372 million and operating loss amounted to JPY 597 million, an increase of loss by JPY 188 million YoY.

The number of facilities as of the end of Q3 of the fiscal year ending March 2025 was 85.

(iii) Other Businesses

For Q3 of the fiscal year ending March 2025, net sales increased by 2.4% YoY to JPY 948 million and operating loss amounted to JPY 1,825 million, an increase of loss by JPY 81 million YoY.

(2) Analysis of Consolidated Financial Position

(JPY million)

	December 31, 2024	March 31, 2024	Difference	Percentage change
Assets	204,043	205,000	(956)	(0.5)%
Liabilities	121,158	133,320	(12,161)	(9.1)%
Net assets	82,885	71,679	+11,205	+15.6%
Shareholders' equity ratio	37.3%	31.2%	–	+6.1 p

Assets at the end of Q3 of the fiscal year ending March 2025 were JPY 204,043 million, a decrease of JPY 956 million from the end of the previous fiscal year. This was mainly due to decreases of JPY 911 million in trade receivables and JPY 9,548 million in deferred tax assets, as well as an increase of JPY 1,302 million in allowance for doubtful accounts, whereas cash and deposits increased by JPY 9,423 million, and prepaid expenses and long-term prepaid expenses increased by JPY 1,472 million.

Total liabilities amounted to JPY 121,158 million, a reduction of JPY 12,161 million from the end of the previous fiscal year. This was mainly due to decreases of JPY 9,842 million in accounts payable -other, JPY 2,760 million in advances received and long-term advances received, and JPY 6,675 million in provision for losses related to repairs, whereas accounts payable increased by JPY 4,409 million, and provision for bonus payment increased by JPY 2,832 million.

Total net assets increased by JPY 11,205 million from the end of the previous fiscal year to JPY 82,885 million. This was mainly due to a decrease of JPY 3,238 million in retained earnings due to payment of dividend, and a reduction of JPY 1,056 million in non-controlling interests largely due to payment of treasury stock purchase and dividend to non-controlling shareholder of a consolidated subsidiary, whereas JPY 15,391 million was recorded as net income attributable to shareholders of the parent.

The shareholders' equity ratio increased by 6.1 points from the end of the previous fiscal year to 37.3%.

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

The Company announced the following revision for consolidated earnings forecasts considering the recent performance trends against the initial forecast which was announced on May 10, 2024 in the Consolidated Financial Statements (Japanese Accounting Standard) for the Fiscal Year 2023.

As to the details, please refer to the Notice Concerning Revisions of Earnings Forecasts for FY2024 which was announced on February 14, 2025.

Revision to earnings forecasts for the full fiscal year ending March 31, 2025

(April 1, 2024 – March 31, 2025) (JPY Million)

	Net sales	Operating profit	Recurring profit	Net income attributable to shareholders of the parent	Net income per share (JPY)
Previous forecast (A)	428,600	26,600	24,900	14,500	45.64
Revised forecast (B)	433,300	31,000	29,800	17,300	54.45
Amount change (B – A)	4,700	4,400	4,900	2,800	–
Percentage change (%)	1.1	16.5	19.7	19.3	–
(Reference) Results for the fiscal year ended March 31, 2024	422,671	23,313	19,476	42,062	130.91

(Note) This forward-looking statement is based on the information which is available on the date of release, but actual results may differ significantly from these forecasts due to various factors.

2. Consolidated Financial Statements and Notes
(1) Consolidated Balance Sheets

(JPY million)

	December 31, 2024	March 31, 2024
<Assets>		
Current assets		
Cash and deposits	78,050	68,627
Trade receivables	6,758	7,670
Accounts receivable for completed projects	914	628
Securities	100	–
Real estate for sale	164	129
Payment for construction in progress	255	182
Prepaid expenses	2,196	1,757
Others	7,431	6,337
Allowance for doubtful accounts	(2,955)	(2,904)
Total current assets	**92,916**	**82,428**
Non-current assets		
Property, plant, and equipment		
Buildings and structures (net)	18,122	18,923
Machinery, equipment, and vehicles (net)	5,188	5,750
Land	31,671	31,661
Leased assets (net)	1,162	1,488
Construction in progress	178	219
Others (net)	545	1,093
Total property, plant, and equipment	**56,868**	**59,137**
Intangible fixed assets		
Others	1,194	1,358
Total intangible fixed assets	**1,194**	**1,358**
Investments and other assets		
Investment securities	4,581	4,827
Long-term loans	490	506
Long-term prepaid expenses	1,393	359
Deferred tax assets	42,182	51,730
Others	8,863	7,846
Allowance for doubtful accounts	(4,446)	(3,194)
Total investments and other assets	**53,064**	**62,075**
Total non-current assets	**111,127**	**122,571**
Total assets	**204,043**	**205,000**

(JPY million)

	December 31, 2024	March 31, 2024
<Liabilities>		
Current liabilities		
Accounts payable	7,284	2,875
Accounts payable for completed projects	125	104
Current portion of long-term debt	29,380	620
Lease obligations	344	297
Accounts payable -other	5,194	15,036
Accrued income taxes	233	423
Advances received	31,576	33,855
Customer advances for projects in progress	559	227
Provision for bonus payment	2,832	–
Provision for warranty obligations on completed projects	65	19
Provision for fulfillment of guarantees	765	926
Provision for losses related to repairs	798	6,660
Others	3,284	3,111
Total current liabilities	**82,444**	**64,158**
Non-current liabilities		
Long-term debt	-	29,225
Lease obligations	1,050	737
Long-term advances received	5,180	5,662
Lease/guarantee deposits received	6,524	7,214
Provision for losses related to repairs	7,866	8,679
Provision for apartment vacancy loss	4,683	4,683
Provision for stock benefits	822	529
Liability for retirement benefits	10,250	10,011
Others	2,336	2,417
Total non-current liabilities	**38,714**	**69,161**
Total liabilities	**121,158**	**133,320**
<Net assets>		
Shareholders' equity		
Common stock	100	100
Capital surplus	30,120	30,121
Retained earnings	45,020	32,867
Treasury stock	(4,359)	(4,359)
Total shareholders' equity	**70,880**	**58,729**
Accumulated other comprehensive income		
Net unrealized gains on other securities	(118)	(85)
Foreign currency translation adjustments	5,310	5,330
Remeasurements of defined benefit plans	(55)	(69)
Total accumulated other comprehensive income	**5,136**	**5,175**
Share subscription rights	391	242
Non-controlling interests	6,476	7,532
Total net assets	**82,885**	**71,679**
Total liabilities and net assets	**204,043**	**205,000**

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

Consolidated Statement of Income

(JPY million)

	Nine months ended December 31, 2024 (Apr 2024–Dec 2024)	Nine months ended December 31, 2023 (Apr 2023–Dec 2023)
Net sales	**323,970**	**316,576**
Cost of sales	**264,482**	**263,707**
Gross profit	**59,488**	**52,868**
Selling, general and administrative expense	**34,031**	**32,859**
Operating profit (loss)	**25,456**	**20,009**
Non-operating income		
Interest income	35	30
Dividend income	87	87
Valuation gains of investment securities	81	98
Foreign exchange gains	143	392
Share of profit of entities accounted for using equity method	34	–
Others	221	368
Total non-operating income	**603**	**978**
Non-operating expenses		
Interest expenses	1,122	3,251
Share of loss of entities accounted for using equity method	–	105
Funding costs	–	962
Others	57	102
Total non-operating expenses	**1,180**	**4,421**
Recurring profit (loss)	**24,880**	**16,566**
Extraordinary income		
Gain on sale of property, plant and equipment	65	7
Gain on sale of shares in subsidiaries	–	608
Gain on liquidation of subsidiaries	–	4
Reversal of provision for losses related to repairs	1,198	–
Total extraordinary income	**1,263**	**620**
Extraordinary losses		
Loss on sale of property, plant and equipment	–	0
Loss on retirement of property, plant and equipment	8	37
Impairment loss	–	26
Loss related to repairs	–	743
Loss on closure of offices	–	254
Loss on change in equity	7	–
Total extraordinary losses	**15**	**1,062**
Income (loss) before taxes and other adjustments	**26,128**	**16,124**
Income taxes	**10,004**	**477**
Net income (loss)	**16,124**	**15,646**
Net income (loss) attributable to non-controlling interests	**732**	**768**
Net income (loss) attributable to shareholders of the parent	**15,391**	**14,878**

Consolidated Statement of Comprehensive Income

(JPY million)

	Nine months ended December 31, 2024 (Apr 2024–Sep 2024)	Nine months ended December 31, 2023 (Apr 2023–Sep 2023)
Net income (loss)	**16,124**	**15,646**
Other comprehensive income		
Net unrealized gains on other securities	(33)	(48)
Foreign currency translation adjustments	(19)	2,731
Remeasurements of defined benefit plans	13	10
Total other comprehensive income	**(39)**	**2,693**
Comprehensive income	**16,084**	**18,340**
(Breakdown)		
Comprehensive income attributable to shareholders of the parent	15,351	17,569
Comprehensive income attributable to non-controlling interests	732	771

(3) Notes Regarding Consolidated Financial Statements

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

There are no relevant items.

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

There are no relevant items.

(Application of accounting methods specific to the preparation of quarterly consolidated financial statements)

(Calculation of tax expenses)

Tax expenses are calculated by rationally estimating the effective tax rate after applying tax effect accounting to income before income taxes and other adjustments for the fiscal year ending March 31, 2025 including the Q3 cumulative, and multiplying income before income taxes and other adjustments for Q3 cumulative by the said estimated effective tax rate. However, if the calculation of tax expenses using such estimated effective tax rate would be significantly unreasonable, the statutory effective tax rate is used.

(Notes regarding changes in accounting policies)

(Application of the "Accounting Standard for Current Income Taxes," etc.)

The Company has applied the "Accounting Standard for Current Income Taxes" (Accounting Standards Board of Japan (ASBJ) Statement No. 27, October 28, 2022; the "2022 Revised Accounting Standard"), etc. from the beginning of the Q1 of the fiscal year ending March 31, 2025.

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

Furthermore, as for the revision associated with the review of treatment in consolidated statements in the case where gain or loss on sale arising due to sale of shares in subsidiaries and others between consolidated companies is deferred for tax purposes, the 2022 Revised Guidance has been applied from the beginning of the Q1 of the fiscal year ending March 31, 2025. This change in accounting policies has been applied retrospectively, and the quarterly consolidated financial statements for the quarters of the previous fiscal year and the consolidated financial statements for the previous fiscal year reflect the retrospective application. This change in accounting policies has no impact on the quarterly consolidated financial statements for the quarters of the previous fiscal year and the consolidated financial statements for the previous fiscal year.

(Notes regarding the consolidated statements of cash flows)

Consolidated statements of cash flows for Q3 of the fiscal year ending March 2025 were not prepared. Depreciation (including amortization of intangible fixed assets) for the nine months ended December 31, 2024 and December 31, 2023 is as follows:

(JPY million)

	Nine months ended December 31, 2024 (Apr 2024–Dec 2024)	Nine months ended December 31, 2023 (Apr 2023–Dec 2023)
Depreciation	2,674	3,616

(Segment Information)

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

Nine months ended December 31, 2024 (April 1, 2024 – December 31, 2024)

(JPY million)

	Reportable segments				Adjustments (Note 1)	Amount stated in Consolidated Statement of Income (Note 2)
	Leasing Business	Elderly Care Business	Other Businesses	Total		
Net sales						
Ancillary service income	21,135	–	–	21,135	–	21,135
Maintenance	27,266	–	–	27,266	–	27,266
Company housing agency fee	728	–	–	728	–	728
Roof lease solar power generation	2,097	–	–	2,097	–	2,097
Construction contracting	676	–	–	676	–	676
Others	–	10,372	729	11,102	–	11,102
Sales from contracts with customer	51,903	10,372	729	63,006	–	63,006
Rent income	242,895	–	–	242,895	–	242,895
Ancillary service income	13,840	–	–	13,840	–	13,840
Rental guarantee	2,902	–	–	2,902	–	2,902
Furniture insurance	1,107	–	–	1,107	–	1,107
Others	–	–	218	218	–	218
Other sales	260,745	–	218	260,964	–	260,964
Sales to customers	312,649	10,372	948	323,970	–	323,970
Inter-segment sales and transfers	12	–	240	253	(253)	–
Total	312,662	10,372	1,189	324,224	(253)	323,970
Segment profit (loss)	31,746	(597)	(1,825)	29,323	(3,866)	25,456

Note 1: The segment profit (loss) adjustments of JPY (3,866) million includes JPY 198 million in eliminated inter-segment transactions and JPY (4,065) million in corporate expenses that are not allocated to any reportable segment. Corporate expenses mainly consist of general and administrative expenses related to administrative departments that do not belong to any reportable segment.

Note 2: Segment profit (loss) is adjusted with operating profit in the quarterly consolidated statements of income.

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

1. Nine months ended December 31, 2023 (April 1, 2023 – December 31, 2023)

(JPY million)

	Reportable segments				Adjustments (Note 1)	Amount stated in Consolidated Statement of Income (Note 2)
	Leasing Business	Elderly Care Business	Other Businesses	Total		
Net sales						
Ancillary service income	20,750	–	–	20,750	–	20,750
Maintenance	26,589	–	–	26,589	–	26,589
Company housing agency fee	691	–	–	691	–	691
Roof lease solar power generation	2,182	–	–	2,182	–	2,182
Construction contracting	422	–	–	422	–	422
Others	–	10,639	702	11,341	–	11,341
Sales from contracts with customer	50,637	10,639	702	61,979	–	61,979
Rent income	237,047	–	–	237,047	–	237,047
Ancillary service income	12,825	–	–	12,825	–	12,825
Rental guarantee	3,237	–	–	3,237	–	3,237
Furniture insurance	1,156	–	–	1,156	–	1,156
Others	106	–	224	330	–	330
Other sales	254,372	–	224	254,597	–	254,597
Sales to customers	305,010	10,639	926	316,576	–	316,576
Inter-segment sales and transfers	18	–	212	230	(230)	–
Total	305,028	10,639	1,138	316,806	(230)	316,576
Segment profit (loss)	25,107	(409)	(1,744)	22,953	(2,943)	20,009

Note 1: The segment profit (loss) adjustments of JPY (2,943) million includes JPY 189 million in eliminated inter-segment transactions and JPY (3,132) million in corporate expenses that are not allocated to any reportable segment. Corporate expenses mainly consist of general and administrative expenses related to administrative departments that do not belong to any reportable segment.

Note 2: Segment profit (loss) is adjusted with operating profit in the quarterly consolidated statements of income.

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

In the Leasing Business segment, the book value of assets for lease that were decided to be sold was reduced to the recoverable amount, and the amount of the reduction was recorded as impairment loss of JPY 26 million under extraordinary losses. Impairment loss of JPY 14 million related to the office closure was included in loss on closure of offices under extraordinary losses.