Leopalace21 Corporation

Financial Results Briefing for the Nine Months Ended December 31, 2024

February 14, 2025

Presentation

Kaneko: Thank you very much for taking time out of your busy schedule today to participate in the financial results briefing of Leopalace21 Corporation for Q3 of the fiscal year ending March 31, 2025.

My name is Kaneko, and I will be the moderator.

Today's speakers are Bunya Miyao, Representative Director, President and CEO, and Shinji Takekura, Director, Chief of the Corporate Management Headquarters.

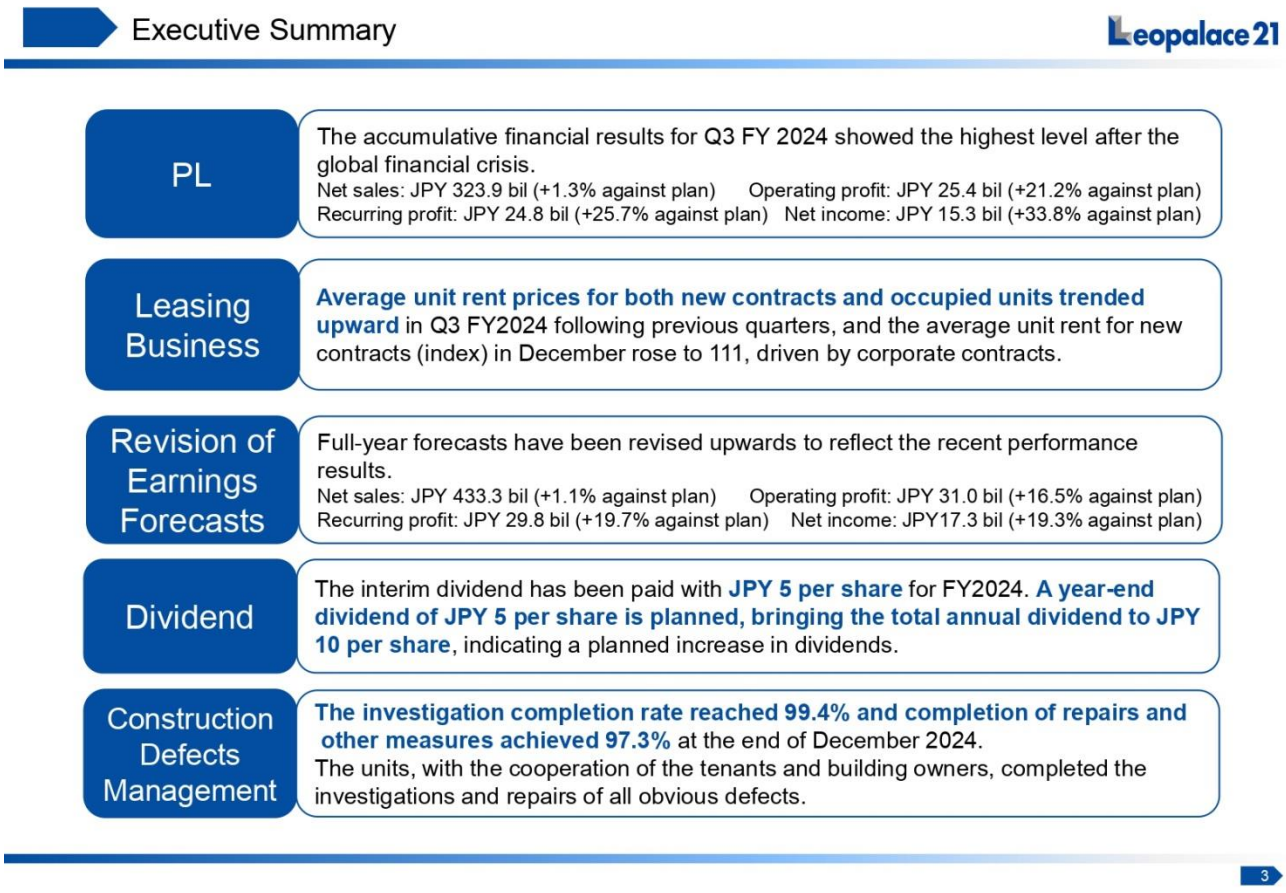
After the financial results briefing, we will have a question-and-answer session.

The meeting is scheduled to end at 5:30 PM.

Then, President Miyao will give an explanation.

Miyao: Thank you for taking time out of your busy schedule to join us today. I am Miyao, President and CEO.

I will give a summary of the financial results for Q3 of the fiscal year ending March 2025, the status of the leasing business, which is a pillar of our earnings, and our response to the construction defects problem.



First, here is the executive summary for Q3.

The financial results for Q3 of the fiscal year ending March 2025 show an increase in both net sales and each profit. In particular, operating profit and recurring profit were significantly higher than both the previous fiscal year and the plan.

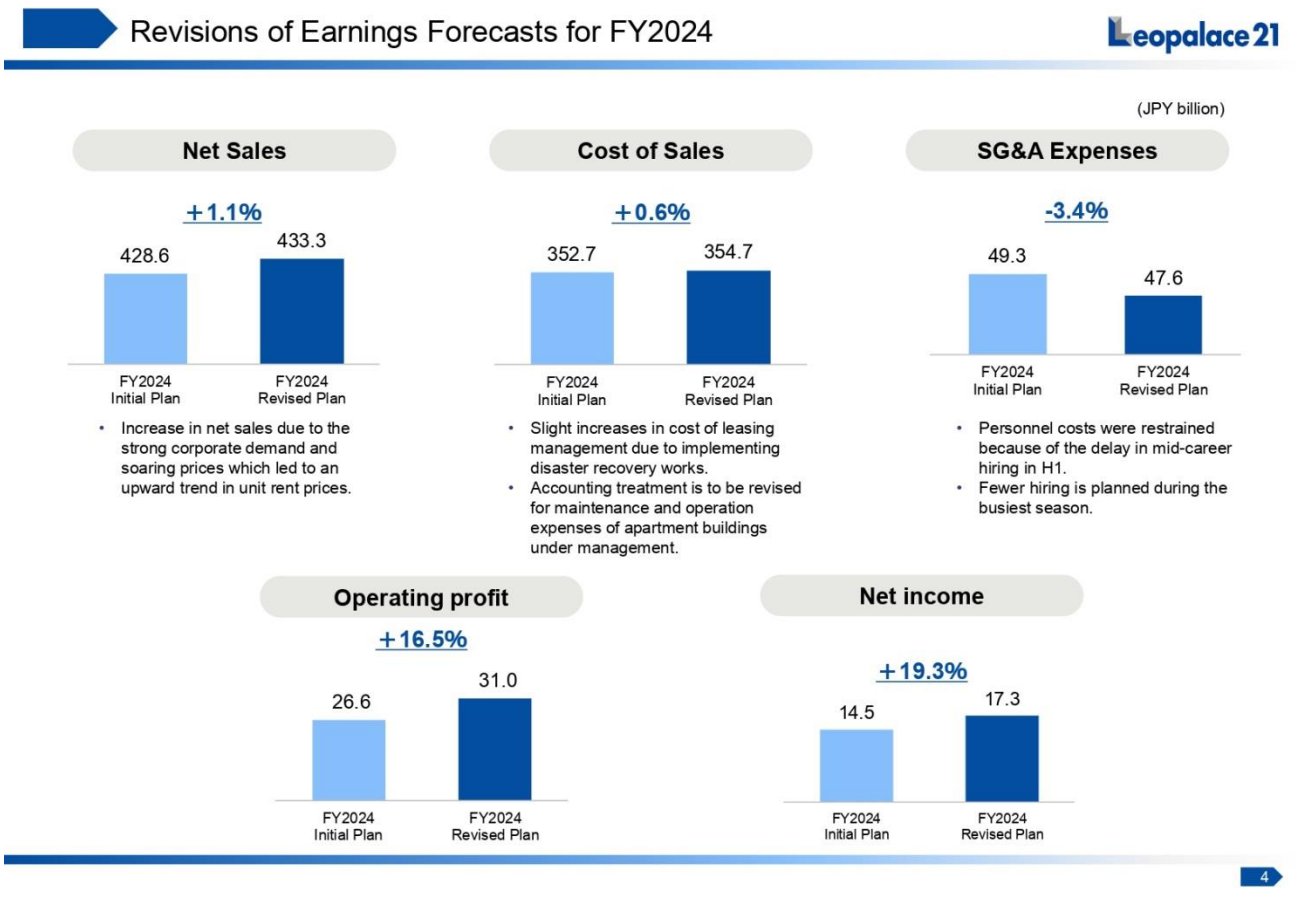
This was mainly due to continued strong unit rent for both new contracts and occupied units in the leasing business, which boosted profits.

In consideration of this performance trend, we have upwardly revised our full-year earnings forecasts as announced today. The details will be explained later.

As for dividends, we plan to pay a year-end dividend of JPY 5 per share as planned at the beginning of the fiscal year. Together with the interim dividend already paid, we plan to pay an annual dividend of JPY 10 per share.

As announced on January 17, 2025, as of the end of last year, we have completed the investigation and repair of all obvious defects in the units where the cooperation of the tenants and building owners was obtained.

As for the units that have not been investigated or repaired due to various circumstances, we will continue to take them seriously and work to resolve them as soon as possible.



I will then explain our full-year forecasts.

As announced today, we have upwardly revised our full-year forecasts in consideration of the current performance trend. In Q1 and Q2, profits were higher than planned, and Q4 will be the busiest for the leasing business. Therefore, we have a certain level of visibility and we have decided to make this upward revision.

In the revised forecasts, net sales are JPY 433.3 billion, an increase of JPY 4.7 billion or up 1.1% from the initial plan, and up 2.5% YoY. Operating profit has been revised to JPY 31 billion, an increase of JPY 4.4 billion or up 16.5% from the initial plan, and up 33% YoY. Recurring profit has been revised to JPY 29.8 billion, an increase of JPY 4.9 billion or 19.7% from the initial forecast, and an increase of 53% YoY.

As for net sales, although the occupancy rate has been lower than planned, we expect an increase in unit rent due to strong corporate demand. We also expect that we will be able to maintain the upward trend in unit rent against a backdrop of soaring prices.

Although the cost of sales is expected to increase due to the revision of accounting treatment for maintenance and operation expenses of apartment buildings under management, the delay in mid-career hiring until H1 has resulted in the curbing of SG&A expenses and an increase in operating profit is also expected.

As for the recurring profit, in addition to the increase in operating profit, the refinancing effect of JPY 30 billion in borrowings executed in December 2023 made a significant contribution.

In addition, since profit before income taxes is increasing, although the reversal of deferred tax assets will be higher than planned at the beginning of the fiscal year, net income is estimated to be JPY 17.3 billion, an increase of JPY 2.8 billion or 19.3% from the initial plan.

I would now like to move on to an explanation of the cumulative results up to Q3 of the fiscal year ending March 2025.

Chap 1 1: PL

Leopalace21

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%	

6

Please turn to page six.

As I mentioned earlier, net sales and profits at each stage were positive both compared to the plan and to the previous fiscal year. Q3 year-to-date earnings were the highest since Lehman's crash.

Net sales increased 2.3% YoY to JPY 323.9 billion. Although the occupancy rate fell short of the plan, the overall average unit rent was positive both YoY and compared to the plan, as the unit rent for new contracts was at a high level, especially for corporate contracts, on which we have been focusing our efforts.

Net sales and SG&A expenses increased YoY, which were largely in line with the plan, and operating profit was JPY 25.4 billion, up 27.2% YoY.

In addition, non-operating expenses were JPY 3.2 billion lower YoY due to the effect of lower interest expenses resulting from refinancing executed last December.

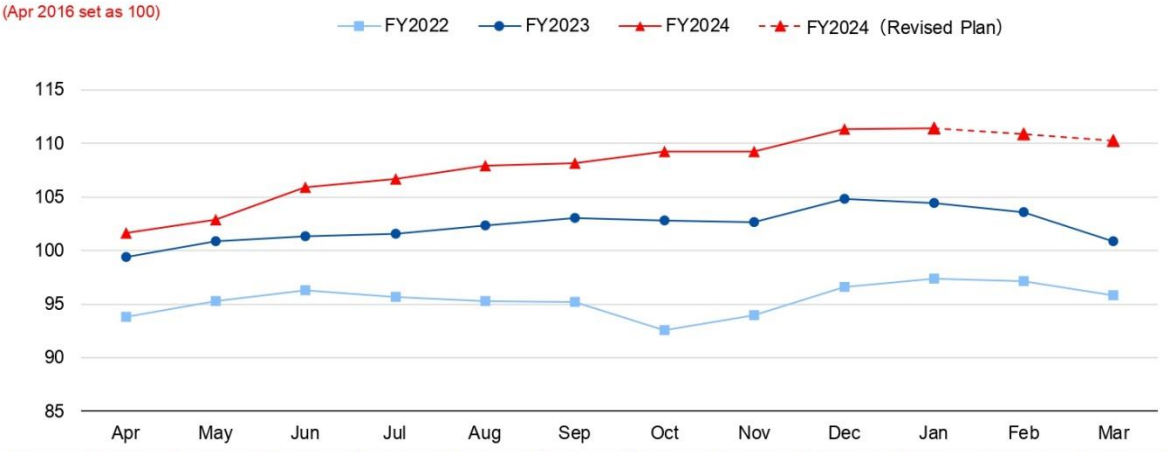
Moreover, the construction work to repair construction defects was successful, and as a result of the reversal of the provision for such work and the recording of income taxes, net income increased by 3.4% YoY to JPY 15.3 billion.

Chap 2 1: Changes in Average Unit Rent for New Contracts

Leopalace21

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

12

I will explain the leasing business. On page 12, I would like to draw your attention to a graph of the average unit rent for new contracts.

We have implemented an area-specific price-focused strategy for each area, and our top-level sales are continuing to dig deeper into corporate demand. As a result of maintaining the upward trend in the average unit rent for new contracts, it has remained well above the planned level.

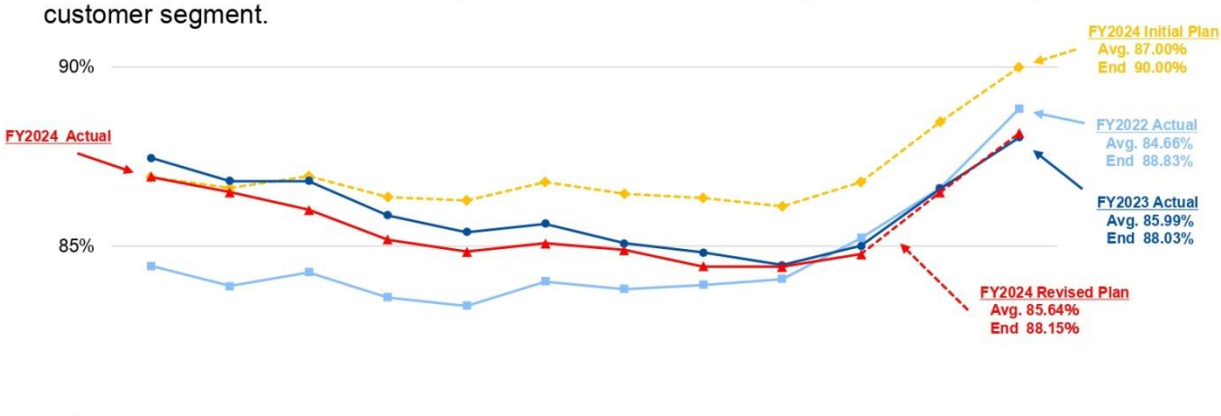
In January, the index was 111 when April 2016 was set at 100, and was up about 9 points from the beginning of the fiscal year. Originally, we had planned to maintain the level of the previous fiscal year as our plan for

the current fiscal year, but with corporate demand booming and rents rising, especially in central Tokyo, we have raised the unit rent plan, taking into account the current situation.

In the leasing business, Q4 is the busy season, and the average unit rent for new contracts tends to decline as we aim at increasing the number of contracts. In the current fiscal year, we will place priority on our price-focused strategy and strive to raise the profitability aspect of contracts even during the peak season, while aiming at maintaining high occupancy rate, which leads directly to sales.

Chap 2 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

13

The occupancy rate, as an aspect of quantity, is shown on page 13.

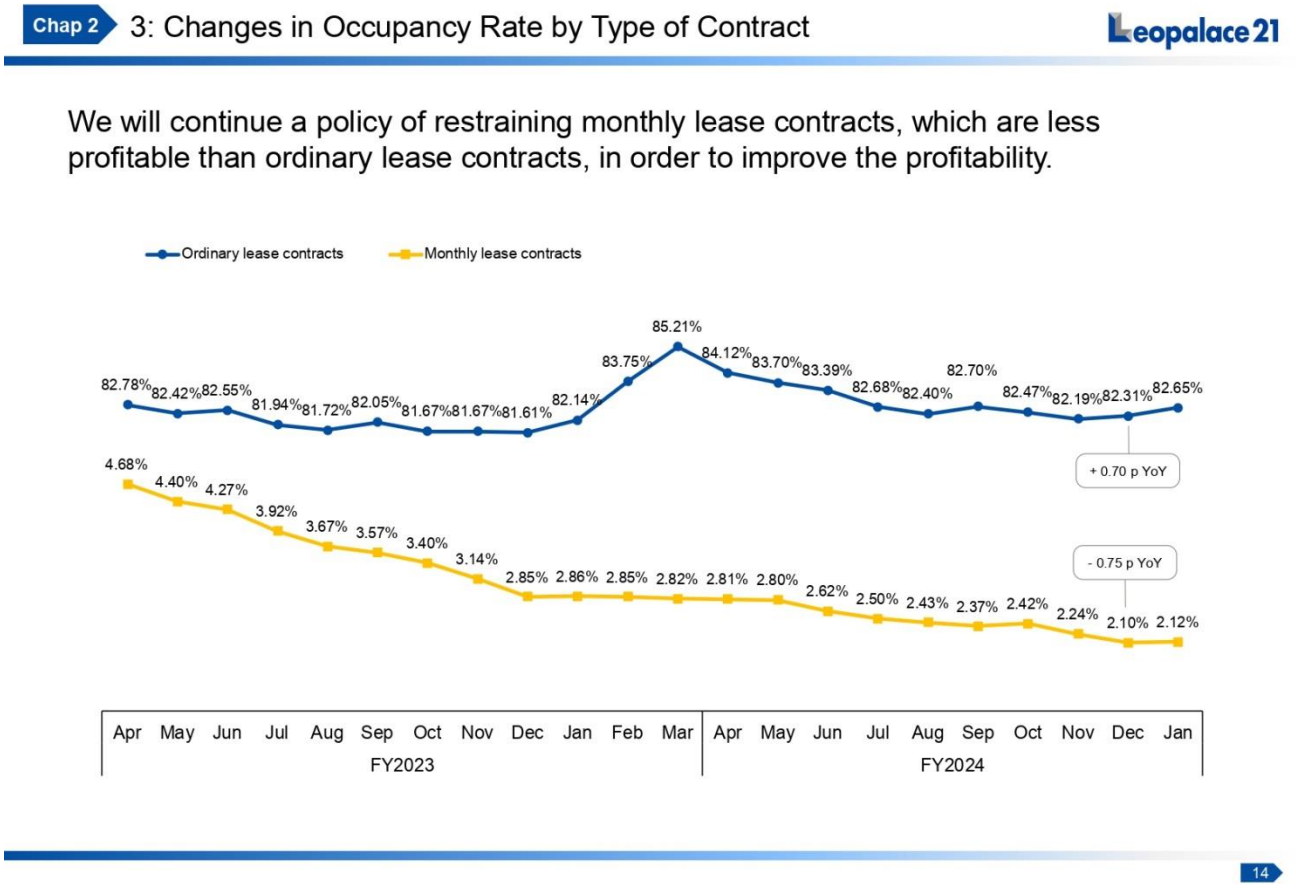
The occupancy rate was 84.77% as of the end of January, which was below the plan. Given the fact that it would be difficult to achieve the occupancy rate planned at the beginning of the fiscal year, we revised the plan for the end-of-period occupancy rate to 88%.

As for the occupancy rate trend, our price-focused strategy has resulted in a decrease in the number of individual contracts, but as I mentioned earlier, there is no change in our policy of placing priority on pursuing profitability per contract.

We will continue to focus on increasing corporate use of rooms and implement an area-specific price-focused strategy for each area while maintaining profitability and executing appropriate approach by assessing demand for each area and property.

In Q4, the search for rooms by new students and others will reach its peak. Here, we have been approaching schools and students for some time now in an effort to compensate for the declining number of individual contracts. For example, we have made further efforts to increase our contacts with schools and students to

encourage them to use our properties, with measures such as our scholarship program, which began accepting applications in the previous fiscal year.



On page 14, we show the occupancy rates by type of contract. Here, we also continue to emphasize profitable lease contracts with the objective of improving the profitability of contracts signed.

Our contract plans include an ordinary lease contract and a monthly contract, which is a fixed-term lease contract. The contract period of a monthly contract is 30 days at minimum, so this plan is convenient for business trips or work away from home. However, the short-term use means that the number of move-ins and move-outs increases, which in turn increases the costs. This is why it turns a low-profit plan for us.

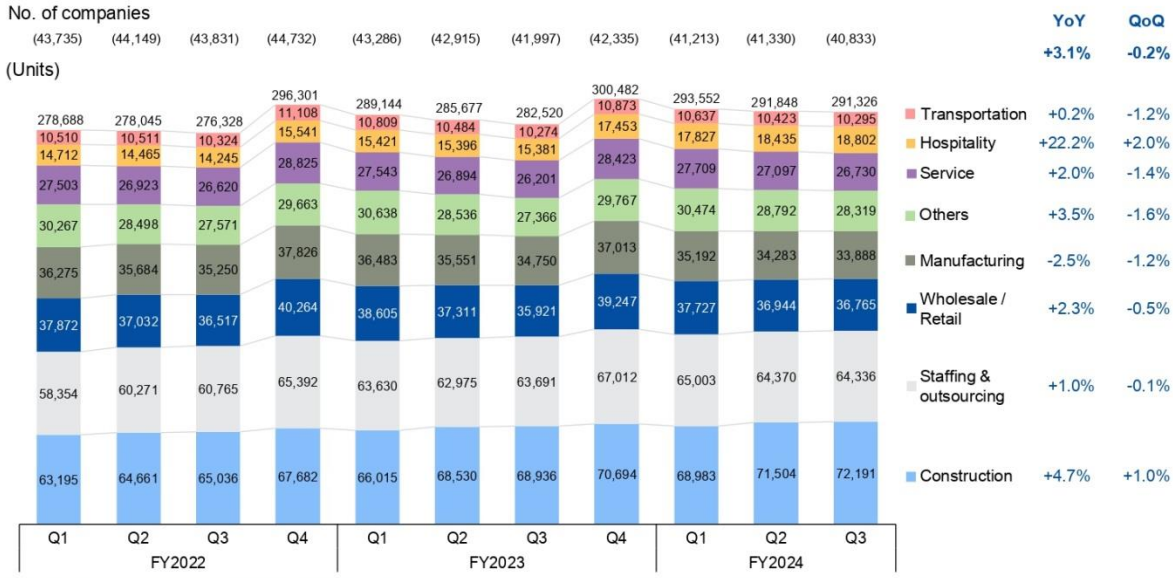
In terms of ease of use, the plan has been particularly well-received by corporate clients, but we will maintain a minimum scale to meet this demand and continue to improve the profitability of contracts, focusing on ordinary lease contracts.

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



As you can see, when looking at the number of units in use by corporate, individual, and student attributes, the percentage of units in use by corporate customers has increased to 63%, the largest percentage ever.

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.



16

As for the units used by corporate customers, the occupancy by industry is shown on page 16.

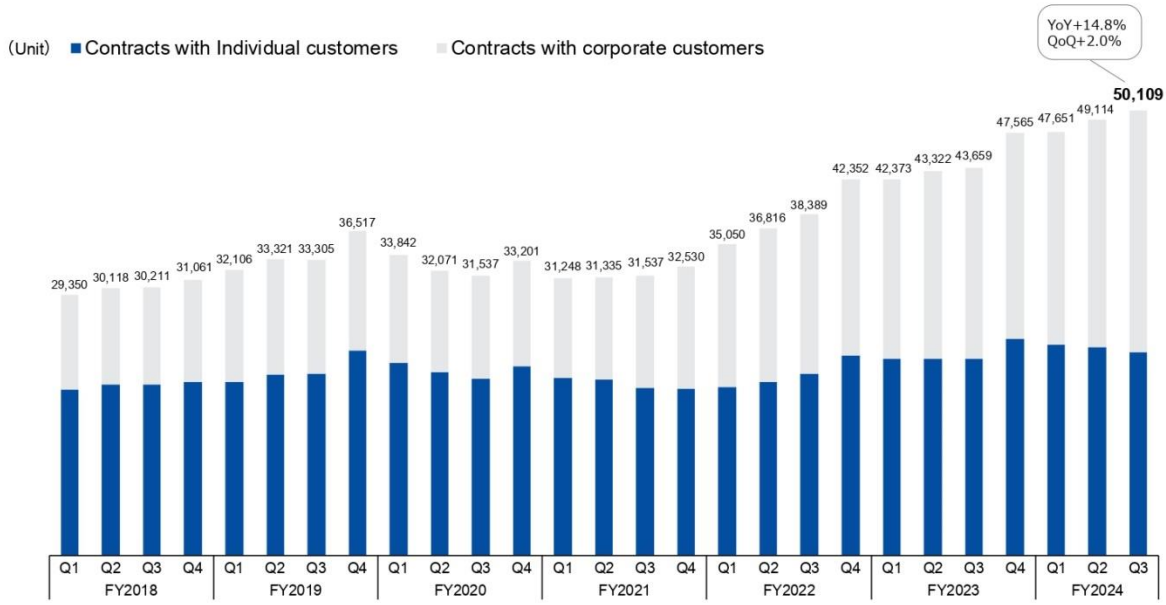
All industries except manufacturing are making positive progress compared to the previous fiscal quarter. In particular, the hospitality sector and the construction sector, which are actively accepting foreign nationals, have shown substantial growth, and we expect this trend to continue.

In the construction sector, we are penetrating the market of civil engineering services, and another major factor is the expansion of use by the subcontractors of general contractors.

In the future, we intend to use this experience to expand our approach to the supply chain of our corporate clients, regardless of industry, and to expand unit use.

The transportation and wholesale/retail sectors, which had been in negative growth YoY until Q2, have turned positive, and the manufacturing sector, which had been in negative growth YoY, has also improved, with a 1.1-point reduction in the negative margin, indicating that overall corporate demand is firm.

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).



17

Next, I will explain the change in room use by foreign nationals. The transition is shown on page 17.

Currently, foreign residents account for approximately 10% of the total number of units in use, and the number of units in use by foreign nationals has reached a record high of approximately 50,000. At the end of the fiscal year ended March 2019, the number of units was 31,000, which represents an increase of more than 60% compared to that time.

One of the most noticeable trends is the increase in the number of units occupied by foreign nationals under corporate contracts. On the page you are looking at, this is shown in gray.

Amid the expansion of corporate activities and labor shortages, companies are becoming more active in accepting foreign nationals. At the end of March 2019, the number of units occupied by foreign nationals under corporate contracts was around 11,000 units, but by the end of Q3, it was over 27,000 units, accounting for 54% of all units used by foreign nationals. The overall number of units has also more than doubled, from 11,000 to 27,000.

In the case of foreign national human resources such as technical intern trainees and specified skills, companies are required to provide housing and a living environment for them, especially for technical intern trainees. Our apartments are fully equipped with furniture, appliances, internet, and smart locks so that they can move in and start living right away. This convenience has been well received by companies and has led to a significant increase in the number of units used by foreign nationals under corporate contracts.

We believe that the number of foreign residents will continue to grow in the future, so we will strive to provide services that allow foreign residents to live safely and securely in Japan, and for the companies that accept them, we will provide an environment where their employees can work to their heart's content.

Chap 2 7: Units and Occupancy Rates by Prefecture

Leopalace21

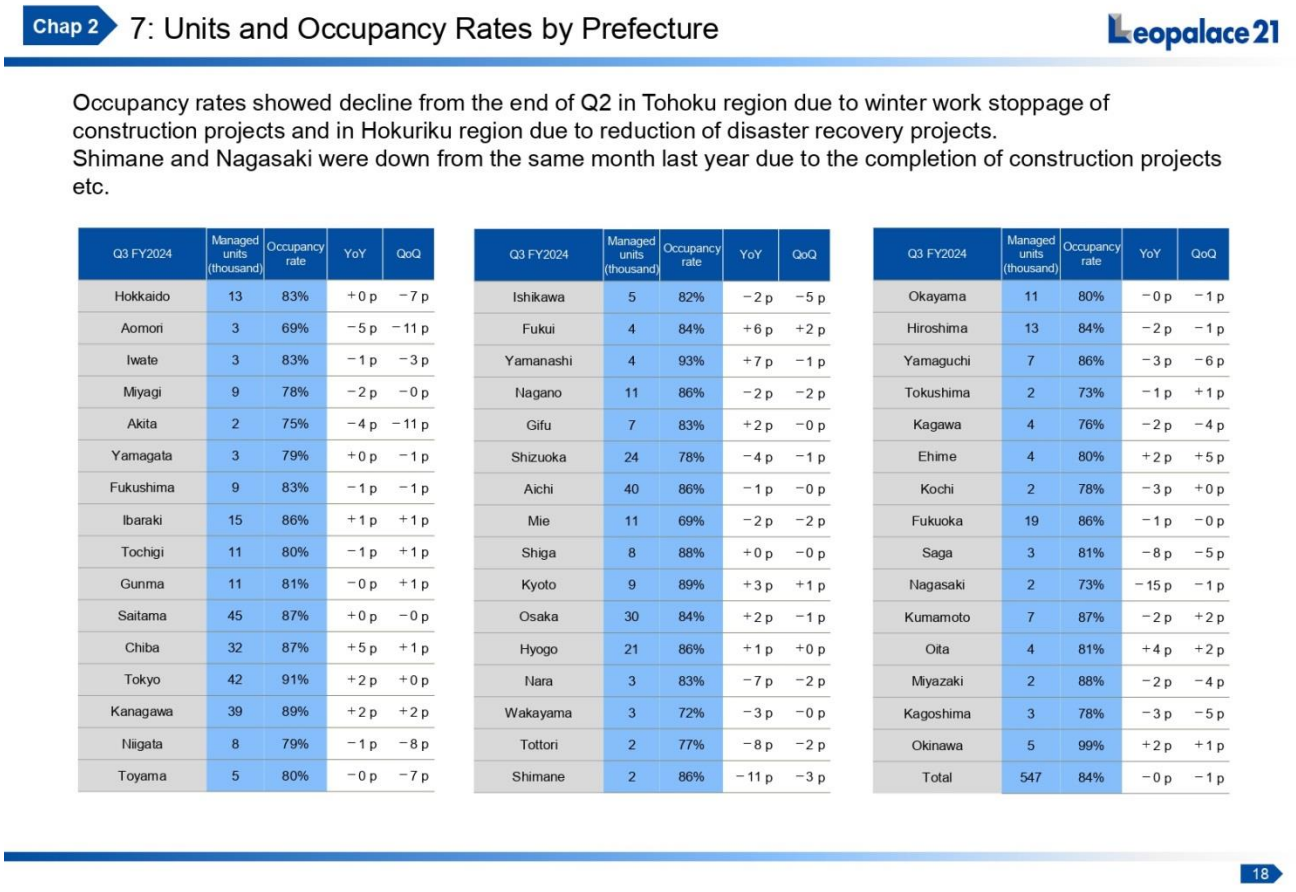
Occupancy rates showed decline from the end of Q2 in Tohoku region due to winter work stoppage of construction projects and in Hokuriku region due to reduction of disaster recovery projects.
Shimane and Nagasaki were down from the same month last year due to the completion of construction projects etc.

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

18



Page 18 shows occupancy rates by prefecture.

Overall, the occupancy rates were slightly down YoY, but in the prefectures with a particularly large decline, this was due to an increase of vacancies resulting from the completion of construction projects and other things.

For example, in Nagasaki Prefecture, which is shown in the rightmost column, there was the completion of development work around Nagasaki Station after the opening of the Shinkansen bullet train and the Nagasaki Stadium construction project in Nagasaki City. In addition, in Omura City, the completion of the construction of a factory expansion and the completion of the construction of a complex in front of the Shin-Omura Station have resulted in a large number of vacancies.

However, although there is a temporary increase in the number of vacancies due to the completion of constructions as shown on page 16, the number of units used by the construction industry is still on a steady rise.

In other words, our customers support the convenience of our rooms, so even after a project is completed somewhere, they continue to use our rooms at the next construction site. I hope you can see this as a factor in the growth in the construction industry.

On the other hand, the Tokyo metropolitan area, with its population inflow, showed positive YoY growth. In addition to the new students I mentioned earlier, an increasing number of companies are making early moves to secure rooms for new graduate employees, so we are closely communicating with each client, and making appropriate proposals.

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.

25

That is all for the leasing business, and I will move on to the explanation of the construction defects problem. As I mentioned at the beginning of this briefing, we have completed the investigation and repair of all obvious defects for which we obtained the cooperation of the tenants and building owners.

Regarding the investigation, out of a total of 176,000 subject units with obvious defects, 175,000 units were investigated, resulting in an investigation completion rate of 99.4%.

The breakdown of apartments managed by the Company and those managed by other companies is shown here.

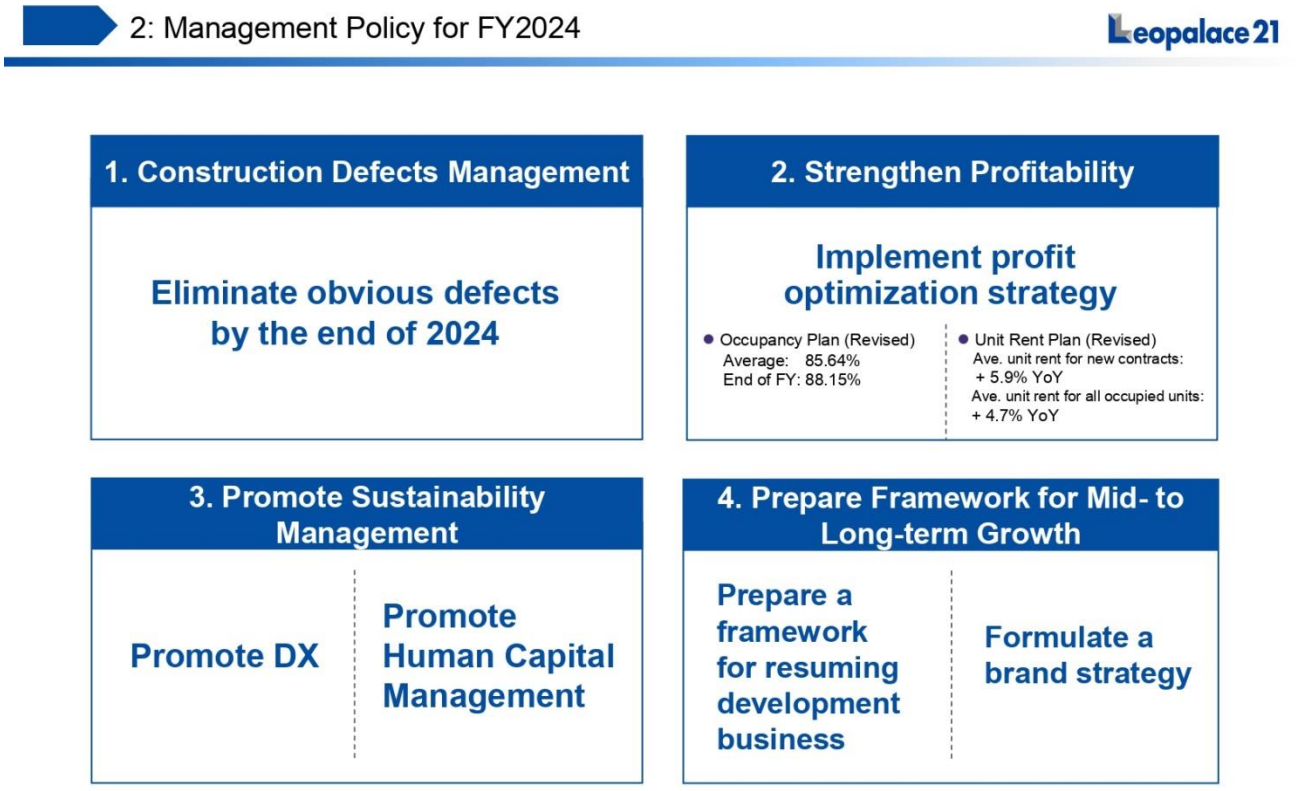
In addition, as a result of the investigation mentioned earlier, out of 79,000 units with obvious defects, 77,000 units have been repaired or otherwise addressed. The response completion rate is 97.3%.

Similarly, the breakdown of apartments managed by the Company and those managed by other companies is shown here.

As stated in our previous management policies, addressing construction defects has been a top priority. By the end of this past December, the entire company had been working together with the primary goal of eliminating the obvious defects.

Certainly, there are still some units that are yet to be investigated and yet to be repaired due to various reasons of the tenants and building owners, but we will continue to work diligently to resolve this problem according to the circumstances of each individual.

We will continue to discuss with the specified administrative agencies and will continue to respond sincerely to the requests of tenants and building owners, for units where the defects have not been resolved.



We have stated that we are preparing a framework for resuming development business as shown on the lower right of this page.

Currently, we are working to maximize profits through the implementation of profit optimization and price-focused strategies, centering on the leasing business. In the meantime, we are resuming accepting orders for construction, albeit gradually, in anticipation of the business expansion for the future.

With rising material prices and limited workforce, we have been making proposals to reconstruct some of the apartments we manage, and at this point in the current fiscal year, we have received orders to reconstruct twenty-two apartments.

For medium- to long-term growth, we intend to further expand the organization of this development division and resume full-scale development operations in the next fiscal year.

As shown next to that, we are in the process of rebranding ourselves, which has been damaged by the construction defects problem.

We are currently in the process of implementing specific measures for rebranding, including a questionnaire survey for various stakeholders.

Since 2018, we have been working on a fundamental restructuring of our business strategy: first, to strengthen profitability through selection and concentration; second, to reform our structure and strengthen governance; and third, to restore confidence, as represented by the elimination of construction defects. We are now moving toward a stage of further re-growth and rebranding the Company, not through a top-down approach by management, but through the active initiative driven by the employees.

This is to create an environment in which all executives and employees can work on medium- to long-term management issues and maximize the performance of each and every one of them. In other words, we are aiming for a company where each employee takes the lead, and by rebirth into such a company, we would like to enhance our corporate value.

Last but not least, as we released on our website on February 10, we have just announced the revision of our HR system for the next fiscal year.

For young and non-managerial employees, base salary will increase by up to 9%, and for managers, who are excellent in their work, annual salary will increase by up to 6%. Through this measure, we would like to strengthen hiring competitiveness and invigorate the organization.

As we also announced on January 27, the description of human capital disclosed in our annual securities report for the previous fiscal year was published by the Financial Services Agency as a good example of the disclosure of descriptive information.

As the foundation of a company is its people, our vision in promoting human capital management is to further enhance our corporate value by making it easier and more rewarding for our employees to work and by creating a company in which employees play a leading role in generating new value.

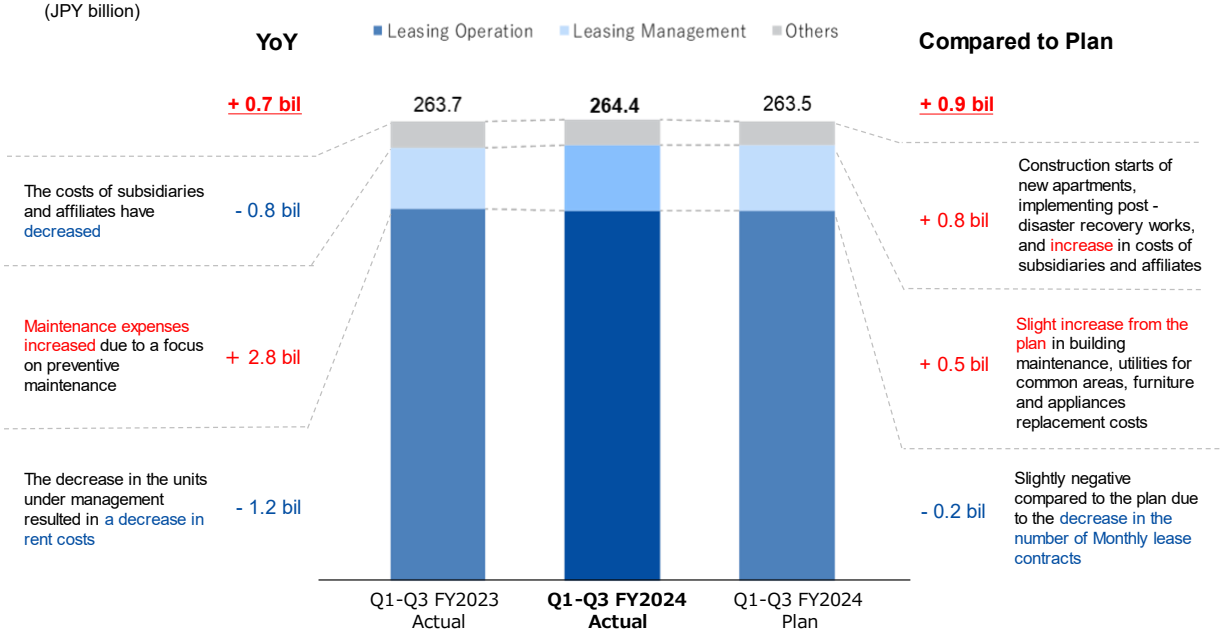
After this, Takekura will give an update on the cost situation and progress in sustainability matters .

That is all from me. Thank you for your attention.

Kaneko: Next, Mr. Takekura, Director, Chief of the Corporate Management Headquarters, will give an explanation.

Takekura: Thank you for taking time out of your busy schedule today to attend this briefing. I am Takekura. I would like to give you an explanation of the status of costs and our efforts in sustainability.

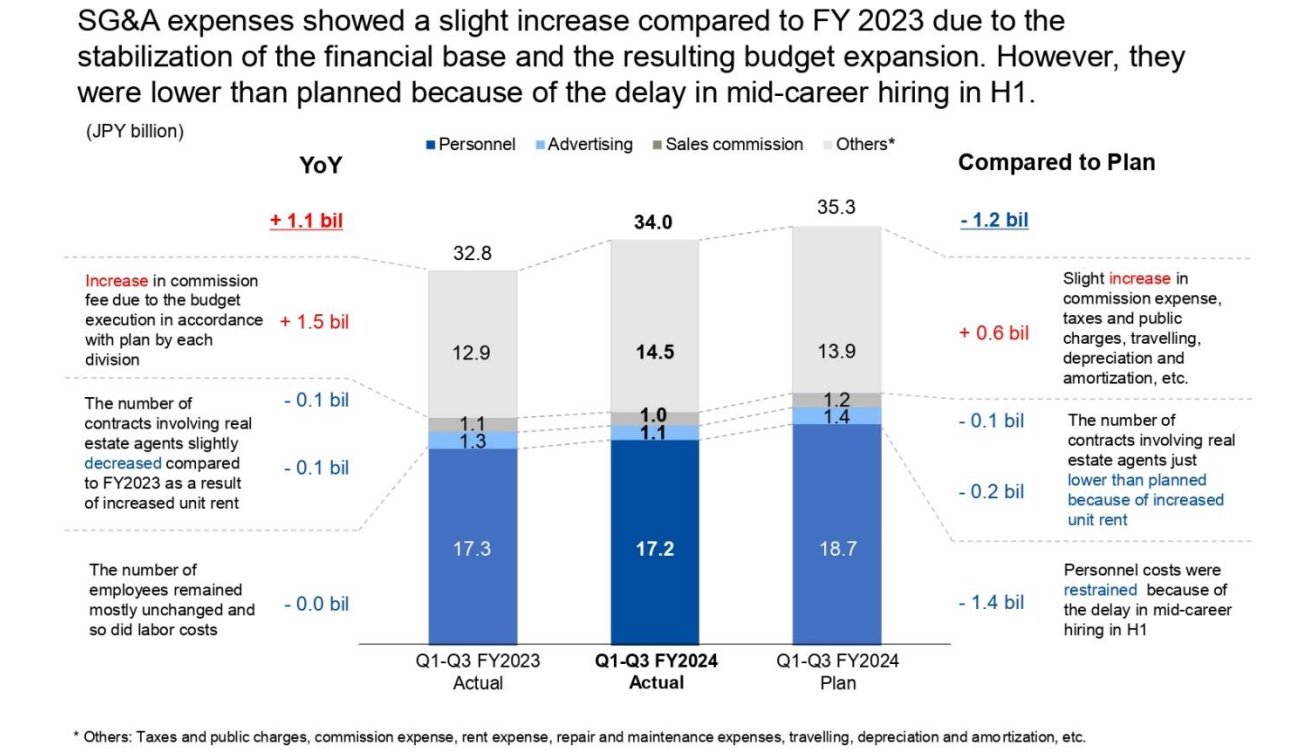
The quarterly results for Q3 were in line with the plan and hence the cost increase compared to the plan up to Q2 remained for cumulative Q3 at the same level of JPY 0.9 billion.



First, please take a look at page eight with regard to cost of sales.

Q3 cumulative cost of sales against the plan was positive JPY 900 million, almost the same as Q2. For Q3, it was almost in line with the plan.

For the cumulative Q4, cost of sales is expected to increase due to the implementation of disaster restoration work in H1 and minor increases in leasing-related expenses, such as water/utility costs for common areas due to soaring energy costs and replacement costs for furniture and appliances, as well as maintenance and operation costs for managed properties, which have been revised to appropriate accounting treatment. In the revised forecasts for the full-year, cost of sales will be JPY 354.7 billion along with an increase in sales, an increase of JPY 0.8 billion YoY, and an increase of JPY 2 billion from the initial plan.



I will now explain SG&A expenses. Please turn to page nine.

Through the period up to Q3, compared to the plan, SG&A expenses were negative JPY 1.2 billion due to restrained hiring in H1, although there was a slight increase in fees and commissions paid.

The slight increase in fees and commissions paid by each division in line with improved performance resulted in a JPY 1.1 billion increase YoY.

In the area of personnel recruitment, there has been a lot of talk about the recent competition for personnel in the areas of mid-career recruitment and new graduate recruitment. However, our company has been proceeding with hiring as planned for H2.

In Q4, the employment of non-regular employees has been curbed as a result of the DX, for example, the previously announced AI chatbot response to customer inquiries and the adoption of smart locks, which I will explain later. As a result, we currently expect the revised full-year forecasts to be JPY 47.6 billion, a decrease of JPY 1.7 billion from the initial plan.

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

Please take a look at page 20 for more information on our progress in sustainability.

We have been introducing the smart locks since FY2022. As of the end of January 2025, the number of smart locks installed exceeded 300,000 units, the largest number installed and managed by a single company in the industry.

For properties with smart locks installed, customers no longer need to stop by our leasing sales office when they move in, allowing them to smoothly start their new chapters in lives. Also, for our company, the work time of key handover has been reduced, which saves a great deal of time and leads to improved productivity.

In fact, as one of the few means of converting business hotel use across the country to long-term use, especially for corporate customers, we will promote the use of this service to provide users with an even more comfortable experience.

Chap 3 4: Leopalace21 Scholarship Program

Leopalace21

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

23

Please turn to page 23. This is an explanation of Leopalace21's scholarship program.

This is what we had previously announced last December, we finally announced that the scholarship recipients for FY2025 have been selected.

Since we received a large number of applications for FY2025, we have decided to continue accepting applications for FY2026 in order to contribute to solving the social problem of overdue scholarship repayment by young people, who are assets to society. We have already published the application guidelines on January 6 of this year and will begin accepting applications on April 1.

Considering the fact that one out of every ten units in Japan is a Leopalace21 property in terms of rental housing under 29 square meters for a typical single person, as a company dealing with housing infrastructure, we will continue to contribute to society while aiming to enhance our corporate value.

That is all for my explanation. Thank you very much.

Question & Answer

Kaneko [M]: We will now begin the question-and-answer session. Now, we have a question from Mr. Hashimoto of Mizuho Securities.

Hashimoto [Q]: How about advertising in newspapers or other media that the repair work has progressed to 97.3% of the total? The document should include an apology and the contents such as a picture of the Leopalace21 apartments with the lights on again after the repair works, which I think will improve the image and improve the relationship with the tenants, financial institutions, and the apartment owners.

Miyao [A]: I have decided that the beauty of doing good secretly should be pursued a bit more at the moment. I would like to respond firmly in terms of actual demand.

Specifically, we had a client who told us that they could no longer use Leopalace21 due to construction defects problem, but we have explained the contents of this press release to all clients and companies, and have received reasonable understanding from them.

I believe that having employees go to clients and explain things to them is more beneficial to us than approach like advertising in newspapers.

Kaneko [M]: Thank you very much. Now, the next question is from Mr. Tazawa of SMBC Nikko Securities.

Tazawa [Q]: You have revised the full-year forecasts upward, but left dividend unchanged. Couldn't you consider increasing the dividend?

Takekura [A]: As to your question, of course, the dividend increase is something that has been fully discussed as part of the Company's shareholder return.

We have discussed how we deal with the JPY 30 billion borrowed and also on the capital replacement, and as Miyao mentioned earlier, we may need cash on hand for promoting the development projects for the next fiscal year. As a result, we have decided to pay the current dividend based on our judgment.

Naturally, we will strive to improve our stock price and corporate value to meet the expectations of our shareholders.

Kaneko [M]: Thank you very much. Next is a question from Mr. Tazawa of SMBC Nikko Securities.

Tazawa [Q]: On page seven, I would like to know the reason for the downward revision of the Q4 profit forecast, especially the reason for the large drop in net income.

Miyao [A]: First, as you can see on page seven, as far as profits at each stage, they are almost in line with the plan. On the other hand, net income decreased from JPY 3 billion to JPY 1.9 billion, by about JPY 1.1 billion, but this is due to an increase in the income tax adjustments because of an increase in taxable income in terms of tax effect accounting.

Kaneko [M]: Thank you very much. Next is a question from Mr. Tazawa of SMBC Nikko Securities.

Tazawa [Q]: On page 12, the average unit rent for new contracts is on an upward trend. What is the potential for further growth in the next fiscal year and beyond?

Takekura [A]: We cannot give you a detailed figure, but there is still some room for growth. In particular, we will respond to the strong needs of corporate clients, but we will also focus on the promotion of individual customers, usually with modest budgets, depends on areas in the next fiscal year, so please understand that we will balance the way of responding to strong needs of companies and the way of responding to needs of individuals, and adjust unit rent accordingly.

Kaneko [M]: Thank you very much. Next, two people have asked about the status of the medium-term management plan.

The first question is from Mr. Tazawa of SMBC Nikko Securities.

Tazawa [Q]: Are you now in a position to consider scheduling the announcement of the new medium-term management plan in May? Also, are you in a position to achieve strong profit growth and full-fledged shareholder returns?

Kaneko [M]: Second question is from Mr. Hashimoto of Mizuho Securities.

Hashimoto [Q]: Are you currently preparing for the next medium-term management plan, and how are you considering profit targets and return policy for the next three years?

Miyao [A]: We plan to announce the medium-term management plan in May. The period for the plan will probably be three years, and we are currently in the process of discussing the profit plan.

Based on that profit plan, we would like to be prepared to make an announcement regarding shareholder returns and other matters.

Kaneko [M]: Thank you very much. I will read two questions at the same time again.

The first question is from Mr. Tazawa of SMBC Nikko Securities.

Tazawa [Q]: What is your company doing to prepare for the exercise deadline for the Fortress equity warrant, which comes in November 2025?

Kaneko [M]: Second question is from Mr. Hashimoto of Mizuho Securities.

Hashimoto [Q]: Do you have any comments on the status of the dialogue with Fortress?

Takekura [A]: As for your usual question about the equity warrant, I am afraid we have nothing to say but Fortress since it has the option. As a company, we are willing to put everything on the table to maximize the ultimate value of the shares.

Kaneko [M]: Thank you very much. Next question is from Mr. Hashimoto of Mizuho Securities.

Hashimoto [Q]: What do you mean by focusing on the construction and civil engineering sectors? Does this mean that in some cases, such as dam construction, there is no rental housing available, so are you arranging mini buses to take people to and from the construction site?

Miyao [A]: To be more specific, we are focusing on the demand by road-related construction. There have been various road projects such as paving work in various areas. We had not focused on such area, but this year, we have started here.

Kaneko [M]: Thank you very much. Next, a question from Mr. Hashimoto of Mizuho Securities.

Hashimoto [Q]: I think the results of the rebranding study and the medium-term management plan will preferably be announced at the same time.

Takekura [A]: As you say, the same time as the medium-term management plan would also be good. We are often asked if we are really going to change our name, and we are currently discussing this with the specialized team with inside and outside members to determine the actual needs for the name change.

As I have discussed with President Miyao, we will never forget the construction defects problem, so we will create a special corner in our head office to remember our construction defects problem. We will keep a record of the defects and ensure that we do not forget them. We are committed to our rebranding.

We will keep you posted on the timing.

Kaneko [M]: Thank you very much. I would like to read two questions collectively regarding the trend of foreign nationals.

The first question is from Mr. Ozawa of SBI SECURITIES.

Ozawa [Q]: Regarding the increase in foreign nationals on page 17, is the average unit rent for new contracts also increasing with the same trend as on page 12?

Kaneko [M]: Second question is from Mr. Kuni of PANVIEW CAPITAL LIMITED.

Kuni [Q]: I am again paying attention to the effect of foreign nationals. How does this influence the average unit rent for new contracts?

Miyao [A]: There is no particular difference between foreign and Japanese nationals. We are conducting sales activities while setting specific rents for the specific properties, so I think our pricing expertise lies first and foremost in the area and then in the setting of each property unit, rather than in whether rents are high or low because of foreign nationals or Japanese nationals.

Kaneko [M]: Thank you very much. Now, the next question is from Mr. Kuni of PANVIEW CAPITAL LIMITED.

Kuni [Q]: Is there a trend in terms of the area for foreign nationals? Also, can we expect positive effects in areas with low occupancy rates?

Takekura [A]: There is a very strong demand, especially in the three major metropolitan areas.

For example, in western Japan, we have signed an agreement with the Osaka Prefectural Government for partnership and cooperation in promoting the acceptance of foreign human resources. Since we are one of the companies that can provide services in foreign languages and promote accepting foreign national tenants, we have signed an agreement with the Osaka Prefectural Government to provide housing for foreign nationals. We announced that on January 29.

In this sense, we believe that our approach to foreign national customers will be of great benefit in urban areas. It is also beneficial to some of the areas which see relatively low occupancy rates.

Kaneko [M]: Thank you very much. Next, a question from Mr. Tazawa of SMBC Nikko Securities.

Tazawa [Q]: Considering the advantages and disadvantages of listing, will you continue to insist on listing?

Miyao [A]: I don't know what to say about it, but we have never had a big internal discussion about listing policy. In my personal view, I think that we should maintain our listing because it is helpful in keeping credibility, as we have a variety of stakeholders including companies, individuals, and landowners.

This may not be an advantage of being listed, but, for example, compared to unlisted companies, being listed allows the Company to be properly audited by an auditing firm. We actually changed our auditing firm this fiscal year, and we are learning a lot. The Company is already undergoing a lot of changes. I think that such gains would still be an advantage of listing.

In addition, we are enjoying the advantage of listing in the area of recruitment strategy, both for new graduates and mid-careers. I believe that the advantages greatly outweigh the disadvantages at this stage.

Kaneko [M]: Thank you very much.

Since there are no additional questions, we will conclude the question-and-answer session and the briefing.

Thank you very much for attending today's financial results briefing of Leopalace21 for Q3 of the fiscal year ending March 31, 2025.

[END]