Leopalace21 Corporation

Financial Results Briefing for the Fiscal Year Ended March 2025

May 9, 2025

Presentation

Ayabe: Thank you very much for taking the time to attend the Leopalace21 Corporation financial results briefing for the fiscal year ended March 31, 2025. My name is Ayabe and I will be your moderator.

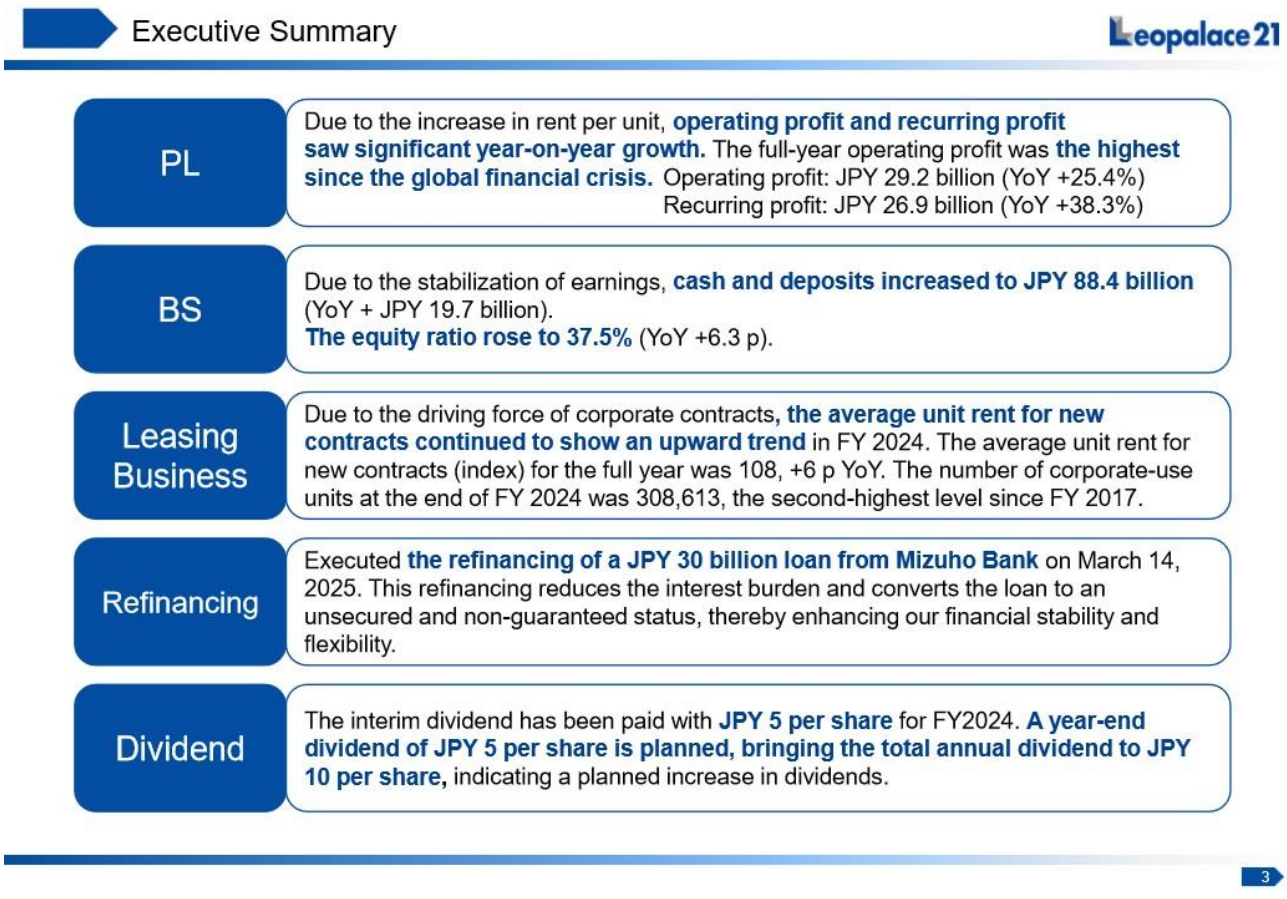
Today's speakers are Bunya Miyao, Representative Director, President and CEO, and Shinji Takekura, Director, Chief of the Corporate Management Headquarters.

This briefing will be followed by an explanation of the Medium-term Management Plan and a question-and-answer session. Questions and answers will be accepted in text format.

The event is scheduled to end at 6:00 PM.

Mr. Takekura, Chief of the Corporate Management Headquarters, will now explain the financial results for the fiscal year ended March 31, 2025.

Takekura: Thank you for taking time out of your busy schedule to join us today. I am Takekura. I would like to present our financial results for the fiscal year ended March 31, 2025.



First, let me explain the executive summary.

In the fiscal year ended March 31, 2025, both operating profit and recurring profit increased significantly from the previous year on the back of higher unit rent prices. This is the highest full-year operating profit since the global financial crisis.

This stabilization of earnings has resulted in cash and deposits of JPY88.4 billion and an equity ratio of 37.5%.

In the Leasing Business, the average unit rent for new contracts during the fiscal year ended March 2025 continued on an upward trend, driven primarily by corporate contracts. As a result, the full-year average unit rent for new contracts rose to 108, using the one for April in the fiscal year ended March 2017 as a baseline of 100. The number of units in corporate use at the end of the period totaled 308,613 units, the second highest level from the fiscal year ended March 31, 2018.

For the fiscal year ended March 31, 2025, the Company paid an interim dividend of JPY5 per share and plans to pay a year-end dividend of JPY5 per share, also in line with the plan at the beginning of the fiscal year. As a result, the annual dividend will be JPY10, an increase from the previous year.

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Due to the increase in average unit rent, the profits at each stage from gross profit to recurring profit are higher compared to the previous year. Net income exceeded the plan by 3.2%.

(JPY million)	Comparison vs FY2023 Actual		FY2023 Actual	FY2024 Actual	FY2024 Revised Plan	Differences		Factors contributing to changes
Net sales	+2.2%	+9,159	422,671	**431,831**	433,300	(1,468)	(0.3%)	■ Net sales Significant year-on-year increase due to the high level of average unit rent for new contracts for corporate contracts. However, due to the review of the monetization period for services aimed at corporations, it fell short of the planned figures.
Cost of sales	+0.2%	+700	353,836	**354,537**	354,700	(162)	(0.0%)	
Gross profit	+12.3%	+8,458	68,835	**77,293**	78,600	(1,306)	(1.7%)	
%	+1.6 p	-	16.3%	**17.9%**	18.1%	-	(0.2 p)	■ Cost of sales Slight increase from the previous year, but almost in line with the plan due to focusing on preventive maintenance etc.,
SG&A	+5.6%	+2,541	45,521	**48,062**	47,600	+462	+1.0%	■ SG&A Personnel expenses were slightly higher than planned due to increased bonuses.
Operating profit	+25.4%	+5,917	23,313	**29,231**	31,000	(1,768)	(5.7%)	
%	+1.3 p	-	5.5%	**6.8%**	7.2%	-	(0.4 p)	■ Non-operating expenses Due to the refinancing in December 2023, interest expenses decreased to JPY 1.4 billion although interest expenses for FY2023 were JPY 3.6 billion. In conjunction with the refinancing in March 2025, funding costs of JPY 1 billion were recorded.
EBITDA	+17.0%	+4,759	27,974	**32,734**	34,500	(1,765)	(5.1%)	
Recurring profit	+38.3%	+7,459	19,476	**26,936**	29,800	(2,863)	(9.6%)	
Net income	(57.5%)	(24,200)	42,062	**17,861**	17,300	+561	+3.2%	■ Net income JPY 1.3 billion in reversal of provision for losses related to repairs was recorded as extraordinary income, and JPY 8.7 billion in Income taxes deferred was recorded.
EPS (JPY)	(57.1%)	(74.69)	130.91	**56.22**	54.45	+1.77	+3.3%	

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I will now explain our financial results for the fiscal year ended March 31, 2025. Please refer to page five.

Net sales were JPY431.8 billion, down from the plan due to a review of the monetization period for corporate customer services to better reflect actual conditions and a decrease in individual customer contracts, but up significantly from the previous year by JPY9.1 billion due to an elevated level of unit rent.

Cost and SG&A expenses were generally in line with plans, although property maintenance and personnel expenses increased from the previous year.

As a result, operating profit reached JPY29.2 billion, representing a year-on-year increase of JPY5.9 billion, or 25.4%. Meanwhile, under non-operating expenses, interest payments saw a significant YoY decline of JPY2.2 billion due to refinancing in December 2023. However, refinancing in March 2024 led to the recording of JPY1 billion in funding costs.

Recurring profit increased by 38.3% YoY; however, net income came to JPY17.8 billion, marking a YoY decline. This decrease is attributable to the effects of tax-effect accounting. In the previous fiscal year, deferred tax assets were increased by JPY26.5 billion, whereas in the fiscal year ended March 2025, a portion of deferred tax assets amounting to JPY8.7 billion was reversed, impacting the bottom line.

Profitability itself has been stabilized due to factors such as rising unit rent, and we hope you will understand that we are making progress in strengthening our earnings base.

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(JPY million)	End of FY2023	End of Q3 FY2024	End of FY2024	YoY	QoQ	Factors contributing to changes
Cash and deposits	68,627	78,050	**88,408**	+19,781	+10,357	
Trade receivables	7,670	6,758	**7,913**	+242	+1,154	
Total assets	205,000	204,043	**216,625**	+11,625	+12,581	■**Cash and deposits** Due to the stabilization of revenue, a year-on-year increase of JPY 19.7 billion was achieved.
Interest-bearing debt*	30,879	30,775	**31,630**	+750	+854	
Provision for losses related to repairs	15,339	8,664	**-**	(15,339)	(8,664)	■**Provision for compensation for completed construction** A transfer was made from provision for losses related to repairs. Current: JPY 1.8 billion; Non-current: JPY 5.3 billion; Total: JPY 7.1 billion
Provision for compensation for completed construction	19	65	**7,177**	+7,157	+7,112	
Provision for apartment vacancy loss	4,683	4,683	**4,337**	(346)	(346)	
Total liabilities	133,320	121,158	**128,356**	(4,963)	+7,197	■**Provision for apartment vacancy loss** Due to the improvement in earnings of some properties, there was a decrease of JPY 300 million YoY and a decrease of JPY 300 million QoQ. Current: JPY 3.2 billion; Non-current: JPY 1.1 billion; Total: JPY 4.3 billion
Common stock	100	100	**100**	±0	±0	
Capital surplus	30,121	30,120	**30,120**	(1)	±0	
Retained earnings	32,867	45,020	**47,490**	+14,622	+2,469	
Treasury stock	(4,359)	(4,359)	**(4,359)**	(0)	±0	
Total shareholders' equity (A)	58,729	70,880	**73,350**	+14,621	+2,469	
Total accumulated other comprehensive income (B)	5,175	5,136	**7,918**	+2,743	+2,782	■**Equity ratio** Due to the recording of net profit, retained earnings increased by JPY 14.6 billion YoY. The impact of the yen depreciation, the foreign currency translation adjustment (accumulated other comprehensive income) increased by JPY 2.7 billion YoY.
Ownership equity (A) + (B)	63,904	76,017	**81,269**	+17,364	+5,252	
Equity ratio	31.2%	37.3%	**37.5%**	+6.3 p	+0.2 p	
Share subscription rights	242	391	**391**	+149	±0	
Non-controlling interests	7,532	6,476	**6,607**	(925)	+131	
Total net assets	71,679	82,885	**88,268**	+16,588	+5,383	

* Interest-bearing debt = borrowings + lease obligations

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Next, we discuss the balance sheet. Please refer to page nine.

The costs that had been recorded as provision for losses related to repairs and the estimated amount of incidental expenses to be borne were transferred to the provision for compensation for completed construction, following the conclusion that the problem of construction defects saw satisfactory result. The amount recorded was JPY1.8 billion for current liabilities and JPY5.3 billion for non-current liabilities, for a total of JPY7.1 billion.

As explained at the last financial results meeting, we will continue to maintain a system to respond to the requests of some of the remaining tenants and building owners and will proceed with our response in good faith.

As mentioned at the beginning of this report, the company has cash and deposits of JPY88.4 billion, net assets of JPY81.2 billion, and an equity ratio of 37.5%. The company's financial base is steadily growing stronger as its earnings power stabilizes.

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

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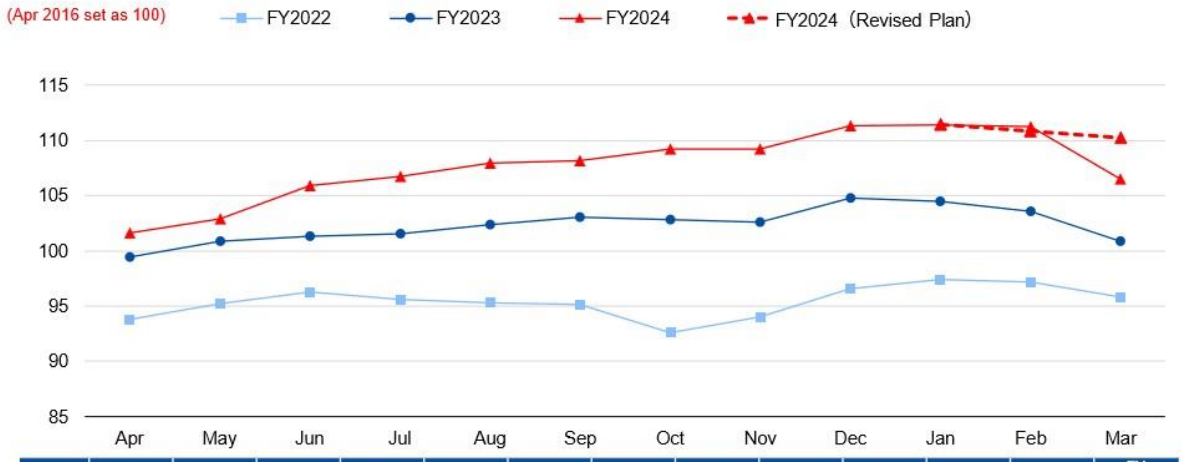
The average unit rent for new contracts maintained high levels due to rent hikes in the single-household apartment market and continued price-focused strategies.



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

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

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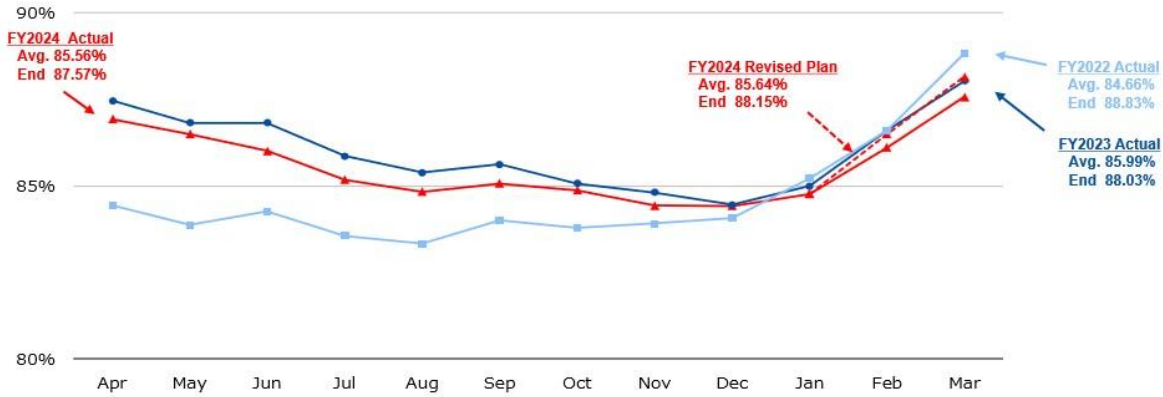
Regarding the status of the Leasing Business, first, please see page 12 for the average unit rent for new contracts.

As in the previous fiscal year, the average unit rent for new contracts continued to rise in the fiscal year ended March 2025, following the same pattern in the previous fiscal year due to the continuation of our price-focused strategy, which is to set appropriate prices considering the demand/supply conditions. In addition, the apartment market, which depends on the region, has also seen an upward trend in rents, which has contributed to the increase in average unit rent.

As usual, the single month of March saw a decline due to seasonal factors, but for the full year, we were able to maintain an elevated level of average unit rents.

As a result of implementing price-focused strategies to improve profitability and restraining monthly lease contracts by 2.71% over the two-year period, the occupancy rates resulted in 87.57% at the end of March 2025, a decrease of 0.46 p YoY, with an average occupancy rate of 85.56%, a decrease of 0.43 p YoY.



	Apr	May	Jun	Apr-Jun Average	Jul	Aug	Sep	Jul-Sep Average	Oct	Nov	Dec	Oct-Dec Average	Jan	Feb	Mar	Jan-Mar Average	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%	85.23%	86.61%	88.83%	86.89%	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%	85.00%	86.60%	88.03%	86.54%	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%	84.77%	86.11%	87.57%	86.15%	85.56%

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

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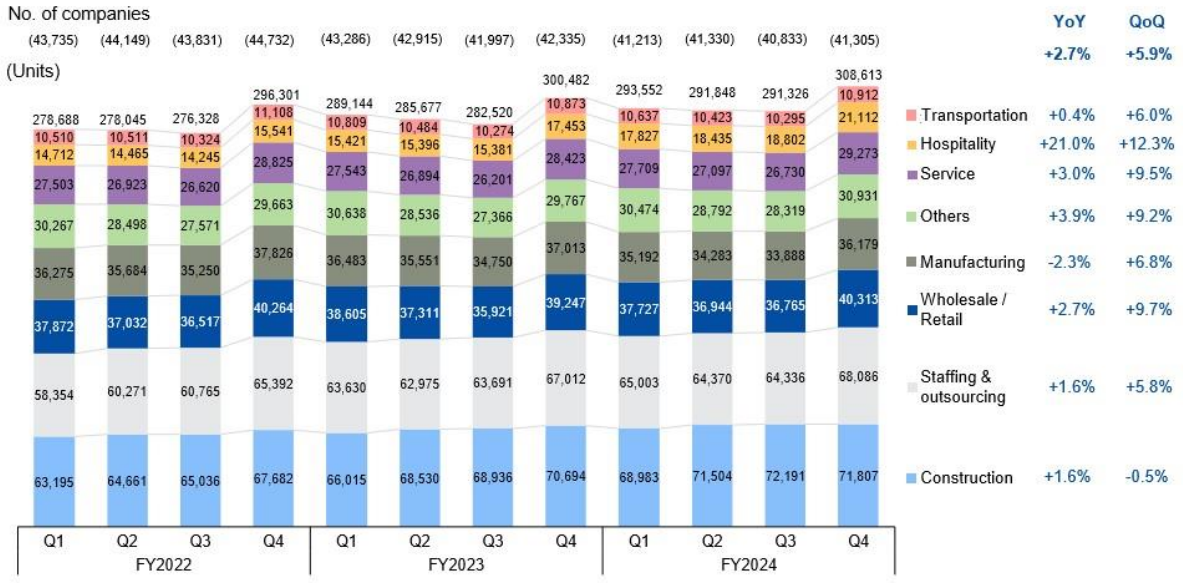
Please see page 13 for information on occupancy rate.

In the previous fiscal year, ended March 31, 2025, the average occupancy rate was 85.56%, and the occupancy rate at the end of the period was 87.57%.

With the continued price-focused strategy and stepping-up average unit rent I mentioned earlier, the decreased number of individual contracts resulted in the slightly lower occupancy rate than that in the fiscal year ended March 31, 2024.

However, as we have already mentioned, the fiscal year was marked by a further strengthening of earning power because of the increase in the profitability per unit due to the rise in the unit rent.

The number of units used in the staffing & outsourcing industry and hospitality industry reached an all-time high.



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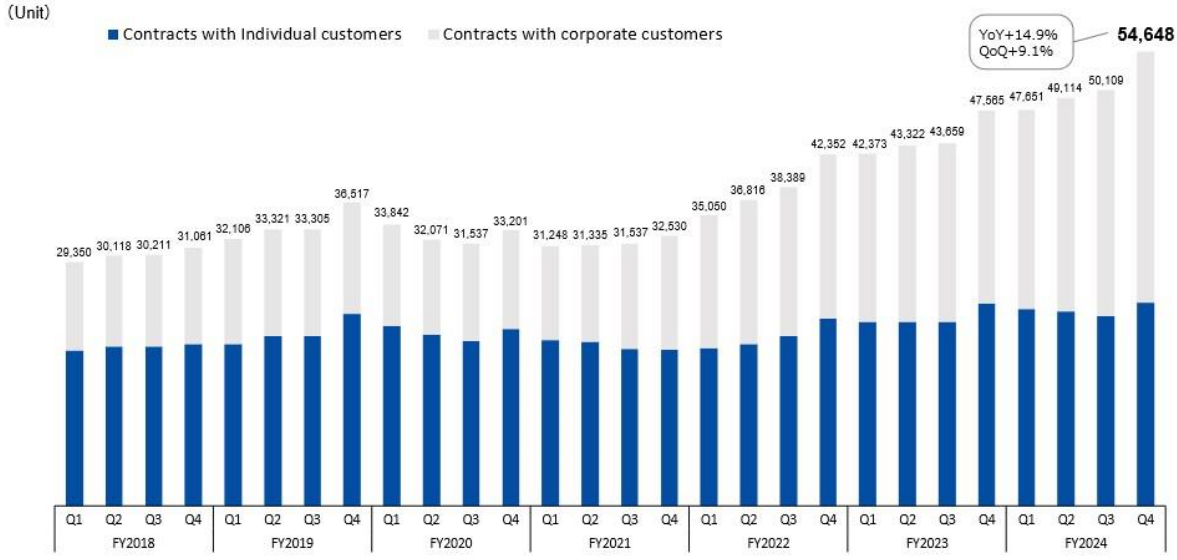
Finally, we will explain the trends by industry about corporate contracts, which were the cause of the increase in the average unit rent. Please refer to page 16.

Driven by increased corporate hiring activity, most industries saw growth both year-on-year and compared to the previous quarter.

Among these, the hospitality sector and the staffing and outsourcing sector saw the record-high number of occupied units. As mentioned earlier, the total number of units occupied by corporate customers has recovered to the level seen in the fiscal year ended March 2018.

The number of units used by foreign national tenants reached a record high of 54,648 at the end of FY2024, which represented 11.4% of the total.
The number of foreign national tenants in corporate contracts, particularly in the hospitality industry, continues to increase.



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The large increase in the hospitality industry is due to an increase in the employment of foreign nationals, which can be seen on page 17.

Amid a growing labor shortage, the employment of foreign nationals has been increasing across many companies. At our company, we primarily support the acceptance of foreign talent by providing housing solutions. Through collaboration with local governments and support service providers, we are working to create an environment where foreign nationals can begin their new lives with peace of mind.

Leveraging our strength in being able to provide the necessary number of units, in the necessary locations, at the necessary times for the companies operating nationwide, we will continue to fulfill our role as a provider of housing infrastructure, contributing to society while enhancing our corporate value.

After this, President Miyao will explain the medium-term management plan, New Growth 2028.

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

Ayabe: Next, President Miyao will explain our medium-term management plan. Thank you.

Miyao: I am Miyao, Representative Director, President and CEO. I will explain our medium-term management plan.

Mission

To create new value and *imagineer** joyful living

*1 *Imagineer* is a coined word that combines the meanings of "imagine" and "engineer." Our Mission is to provide tenants, owners, corporate customers, and other stakeholders with tangible value by creating new products, services and businesses, thereby *imagineering* a world of joyful living.

Vision

To shape the future of "Single Living" by connecting with people, companies, and communities to make everyone's lives brighter through the concept of "Living Freely and Confidently"*

*2 "Living Freely and Confidently" expresses the freedom and flexibility created by unleashing the full potential of Leopalace21's unique asset of "Home Infrastructure" (especially our nationwide single-occupant rental housing).

Core-Value (Universal DNA)



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Credo (Code of Conduct)

1	We don't wait for someone else's instructions. We think and act for ourselves.
2	We don't just do our jobs. We pursue who we want to be with passion.
3	We are not bound only by the company's perspective. We fully engage with customers to resolve issues.
4	We are not limited by the company's conventional wisdom. We constantly evolve based on our understanding of changes in society and the market.
5	We never underestimate the value of information. We fully utilize information for the benefit of everyone involved and for society as a whole.
6	We don't leave things undone. We continuously assess our actions and work to improve.
7	The company is a team. We respect others' positions, express gratitude, cooperate, and help each other improve.
8	We are fair and upright. We are proud to stand up for what is right.

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As previously reported, to rebuild our brand that was damaged by past construction defects problem and related issues, we have established a new corporate philosophical framework, comprising our Mission, Vision, Values, and Credo, as part of our rebranding efforts. With our new resolve, we will continue to strive to enhance our corporate value as the new Leopalace21.



Summary of Management Reforms

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Review of Management Reforms 2020 – 2025

- **Strengthen the profitability in Leasing Business through price-focused strategy and top-level sales efforts.**
- **Streamline the business by transferring or withdrawing from non-core and unprofitable businesses, including optimizing the workforce and rationalizing costs.**

	Major KPI	FY2019	FY2024	Delta	Factors
Leasing Business	Average Occupancy Rate	80.78%	85.56%	+4.78p	
	Average Unit Rent for New Contracts(Index)	97	107	+10	• Priority treatment for contracts focusing on profitability by execution of price-focused strategy
	No. of Units Used by Corporate Customers at FY-end	272,566	308,613	+36,047	
	Composition by Corporate Customers at FY-end	57.0%	64.6%	+7.6p	• Top-level sales to existing corporate customers
Constructual Reform	Operating Profit Ratio	(8.4%)	6.8%	+15.2p	• Efficient operations through IT • Implement a voluntary retirement program for 1,067 employees
	No. of employees (consolidated basis)	7,043	3,909	(3,134)	
	Cost of sales (JPY million)	408,112	354,537	(53,574)	• Withdraw from/sell non-core/unprofitable businesses
	SG & A (JPY million)	61,915	48,062	(13,852)	
	Equity ratio	0.7%	37.5%	+36.8p	

* April 2016 set as 100

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Next, on page seven, I would like to begin by summarizing the management reforms that we have undertaken prior to the explanation of the medium-term management plan.

In response to the construction defects problem and the impact of the spread of COVID-19, the Company has undertaken fundamental structural reforms with the aim of shifting to a leaner cost structure and strengthening its financial position.

We have set forth two main policies for management reforms. First, we will strengthen profitability in the Leasing Business. Special focus was placed on top-level sales to corporate customers and price-focused strategy aimed at improving the profitability of contracts.

In top-level sales activities, we have established our position as a strategic partner in customers' company-leased housing strategies. By proposing tailored plans that align with each company's unique characteristics, we successfully expanded our customer base and improved occupancy rates.

From H2 of the fiscal year ended March 31, 2023, when the occupancy rate was expected to improve, we began working to improve the profitability of contracts. Against the backdrop of strong corporate demand, various measures were successful, and the unit rent for new contracts exceeded that of the fiscal year ended March 31, 2018, the period immediately prior to the discovery of the construction defects. It remained at an elevated level in the fiscal year ended March 31, 2025, and was the driving force behind the recovery of the top line.

We have also focused on cost optimization. We established a policy to divest or withdraw from non-core and unprofitable businesses, and in August 2020, we conducted a voluntary retirement program involving 1,067 employees. Through comprehensive reforms across both our business operations and organizational structure, including workforce downsizing and cost rationalization, we streamlined the company.

At the same time, we continued to promote operational efficiency using IT, such as smart locks and electronic contracts, to build a sustainable structure.

As a result of these structural reforms, we have improved our profitability and financial soundness.

Operating Environment: Prospects for Single Households

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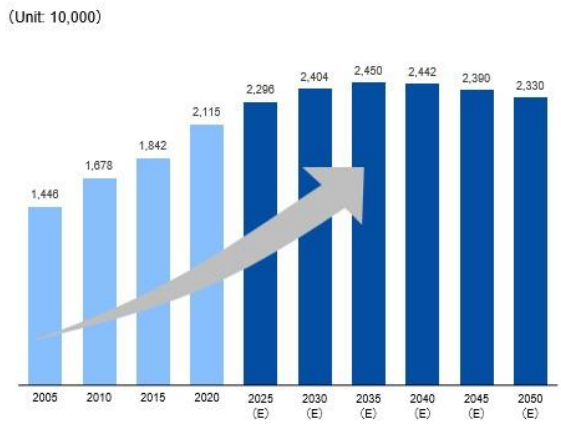
The number of single households, our primary target, is expected to continue to rise, and the external environment will remain unchanged for sustainable growth of the Leasing Business.

Number of single-person households*1

The number of single-person households is expected to rise until 2035, after which it is expected to decline slightly.



Percentage of single-person households by prefecture (2050) *2

The percentage of single-person households is estimated to increase in all prefectures in 2050 compared to 2020.

	2020	2050		2020	2050		2020	2050
Hokkaido	40.5%	45.7%	Ishikawa	34.7%	40.2%	Okayama	35.6%	41.4%
Aomori	33.1%	39.9%	Fukui	29.7%	35.5%	Hiroshima	37.3%	42.6%
Iwate	33.3%	39.9%	Yamanashi	32.6%	39.7%	Yamaguchi	36.5%	42.6%
Miyagi	36.9%	43.1%	Nagano	31.0%	37.3%	Tokushima	35.6%	42.9%
Akita	30.6%	37.8%	Gifu	29.4%	36.2%	Kagawa	34.4%	41.1%
Yamagata	28.4%	34.5%	Shizuoka	31.9%	37.7%	Ehime	37.5%	44.4%
Fukushima	33.1%	40.5%	Aichi	36.3%	42.0%	Kochi	39.1%	44.7%
Ibaraki	32.6%	40.4%	Mie	33.0%	39.5%	Fukuoka	40.7%	46.4%
Tochigi	32.9%	39.4%	Shiga	31.9%	38.7%	Saga	30.3%	36.9%
Gunma	32.4%	39.3%	Kyoto	41.2%	47.0%	Nagasaki	34.4%	41.4%
Saitama	34.0%	41.2%	Osaka	41.8%	47.4%	Kumamoto	33.9%	40.8%
Chiba	36.3%	43.0%	Hyogo	35.9%	43.1%	Oita	36.0%	42.1%
Tokyo	50.2%	54.1%	Nara	29.3%	37.7%	Miyazaki	35.8%	42.3%
Kanagawa	39.2%	45.6%	Wakayama	32.5%	39.3%	Kagoshima	38.9%	45.4%
Niigata	30.9%	37.2%	Tottori	32.2%	38.4%	Okinawa	37.4%	44.9%
Toyama	29.7%	35.5%	Shimane	33.2%	39.0%	**Average ***	**38.0%**	**44.3%**

(*National average is calculated using weighted average method.)

*1 Source: National projection of the number of households in Japan for 2024 by National Institute of Population and Social Security Research https://www.ipss.go.jp/pp-ajsetai/j/HPRJ2024/t-page.asp
*2 Source: Projections of the number of households in Japan by prefecture, 2024 by National Institute of Population and Social Security Research https://www.ipss.go.jp/pp-pjsetai/j/hpjp2024/t-page.asp
This material is processed and prepared by Leopalace21 based on the said data and is not prepared by the National Institute.

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Next, I will explain the external environment surrounding our company. The first is the outlook for single-person households, which is our primary target group.

The number of single-person households is expected to continue to increase through 2035, followed by a slight decline. By 2050, the percentage of single-person households is expected to increase in all prefectures. Demand for rental housing for singles is expected to remain high.

Operating Environment: Occupancy Rate and Active Job Opening to Applicant Ratio

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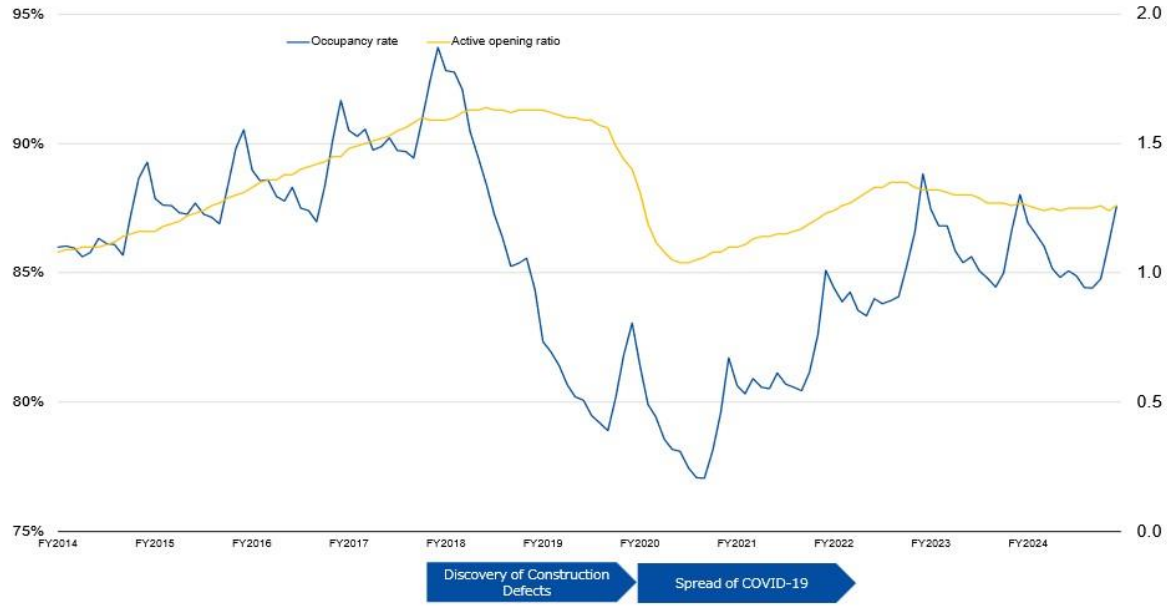
Demand for Leopalace21 apartments is growing as corporate hiring becomes more active.
The recruitment market is booming after COVID-19 pandemic, and demand for our apartments, many of which are used as company-leased housing, is expected to grow further.



*Source: General Employment Placement Situation (Employment Security Service Statistics), (e-Stat))(https://www.e-stat.go.jp/en)
This material is processed and prepared by Leopalace21 based on the said data and is not prepared by the ministry or agency.

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Next, on page nine, we show our occupancy rate and active job opening to applicant ratio.

Our occupancy rate tends to move in tandem with the active job opening to applicant ratio due to demand for company-leased housing backed by the companies' active hiring. The recruitment market is currently booming, and demand for company-leased housing by corporate customers is expected to continue to grow.

Operating Environment: Changes in the Number of Foreign Residents

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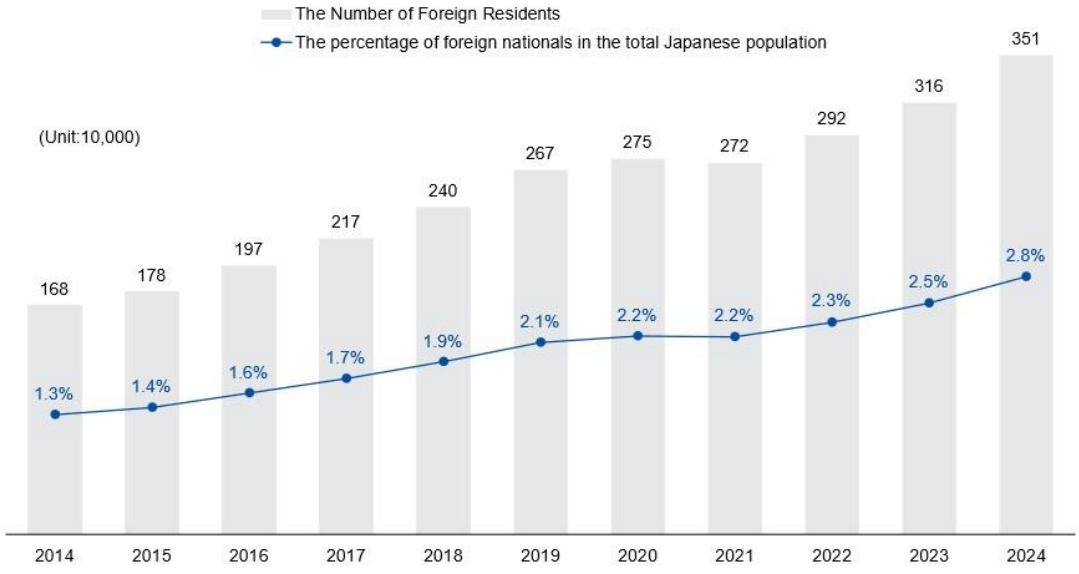
While the working-age Japanese population continues to decline, the number of foreign residents is on the rise. The percentage of foreign residents in the total Japanese population is expected to reach 10% by 2070.



*1 Source: Population Estimates as of October 1, 2024, National total: by age and gender; Prefectural breakdown: by age group and gender by the Statistics Bureau, Ministry of Internal Affairs and Communications https://www.e-stat.go.jp/en

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In addition, approximately 10% of our tenants are foreign nationals. While Japan's working-age population continues to decline, the number of foreign residents is on the rise. The number of foreign residents in 2024 was approximately 3.51 million, a record high for the third consecutive year. It is estimated that by 2070, about 10% of Japan's total population will be non-Japanese.

Operating Environment: Changes in the Number of Foreign National Workers and International Students

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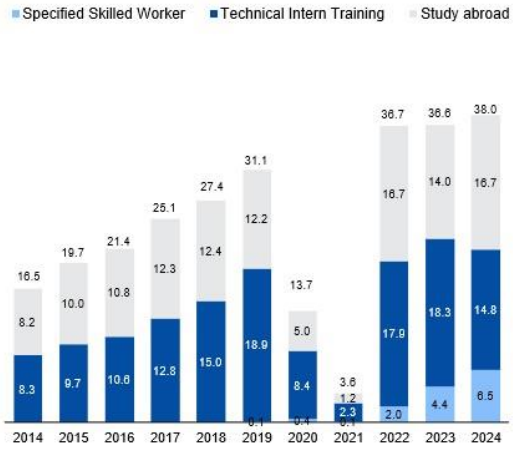
Fulfilling the labor shortages and an increasing number of international students have led to the highest number of foreign residents.
Approximately 10% of our managed apartments are used by foreign residents, and the tail-wind market conditions are expected to continue.

Number of new foreign entrants*1



Changes in the number of foreign residents*2



*1 Source: Number of foreign entrants and Japanese departing from Japan in 2024 (preliminary figures) by Immigration Services Agency https://www.moj.go.jp/isa/publications/press/13_00050.html?hl=en
e-Stat(Immigration Statistics) https://www.e-stat.go.jp/dbview?sid=0003288049(Japanese)
*2 Source: Number of foreign residents as of the end of 2024 by Immigration Services Agency https://www.moj.go.jp/isa/publications/press/13_00052.html?hl=en
e-Stat(Number of foreign residents at the end of 2024) https://www.e-stat.go.jp/dbview?sid=0004019020(Japanese)
This material is processed and prepared by Leopalace21 based on the said data and is not prepared by the ministry or agency.

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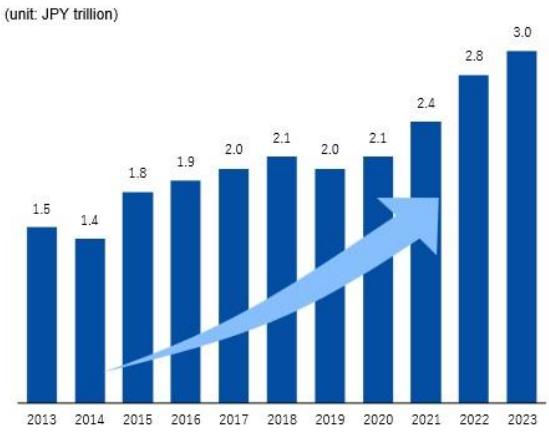
The number of foreign nationals entering and staying in Japan is expanding due to labor shortages and an increase in the number of international students. The specified skills program was introduced in April 2019, and since then the acceptance of specified skilled workers has been progressing. Given these circumstances, the market is expected to continue to be a tailwind for the Company.

Operating Environment: Changes in Inheritance Tax

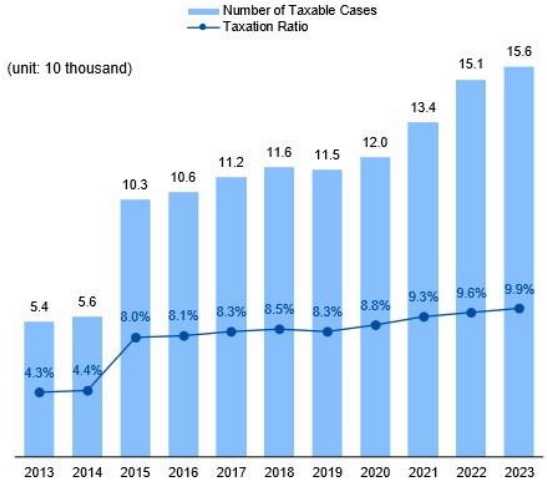
Leopalace21

The amount of inheritance tax and the number of cases subject to inheritance tax are increasing every year amid tax system reforms and an aging population.
Demand for land utilization is also on the rise due to the increasing importance of measures for the inheritance tax.

Inheritance tax amount



Number of taxable cases and taxation ratio



Source: Materials on inheritance tax and gift tax by National Tax Agency https://www.mof.go.jp/tax_policy/summary/property/e07.htm (Japanese)
Direct taxes for FY2024 by National Tax Agency https://www.nta.go.jp/publication/statistics/kokuzeicho/sozoku2023/sozoku.htm (Japanese)
Summary of inheritance tax returns by National Tax Agency https://www.nta.go.jp/information/release/kokuzeicho/2024/sozoku_shinkoku/index.htm (Japanese)
This material is processed and prepared by Leopalace21 based on the said data and is not prepared by the Agency.

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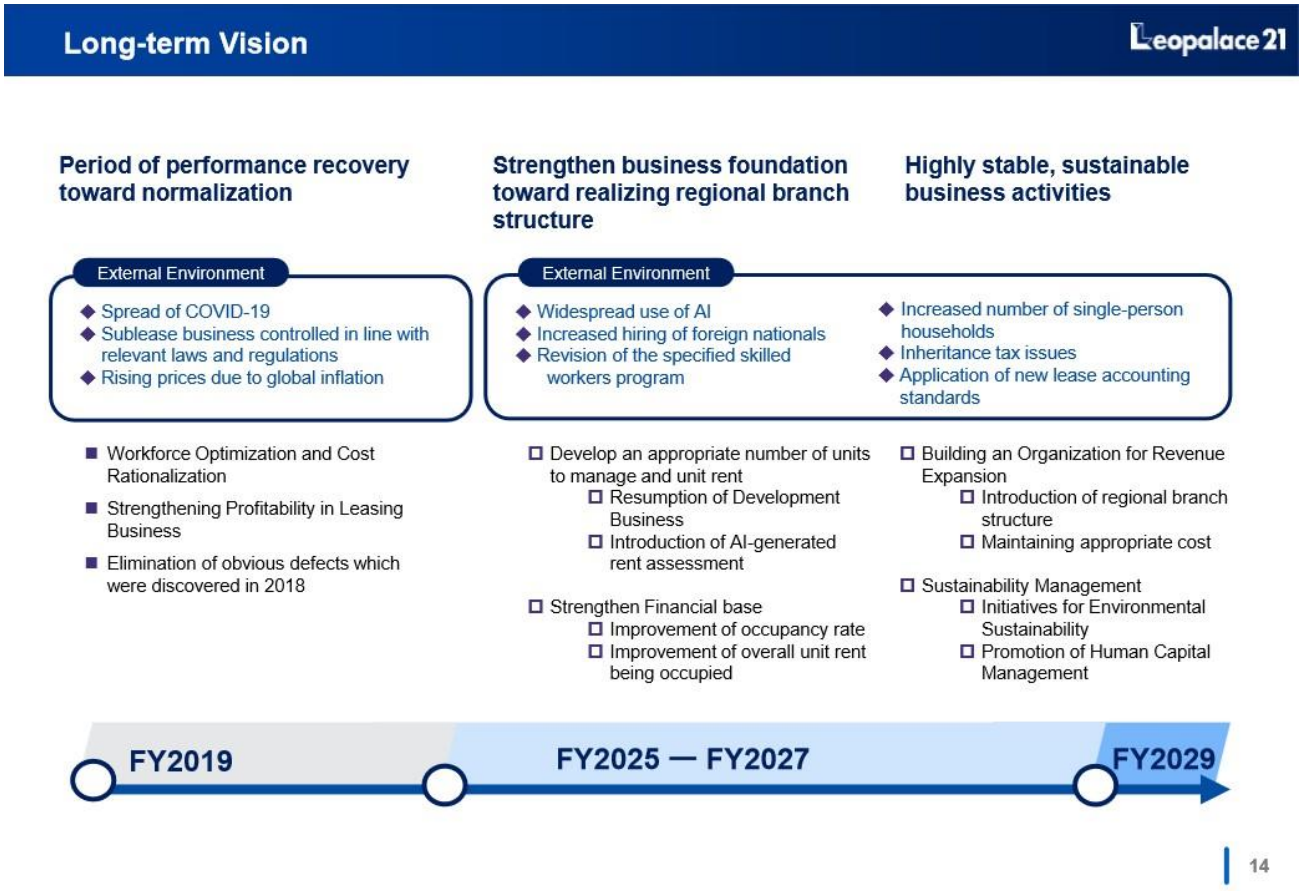
Next, we will explain one of the backgrounds surrounding the Development Business: trends in inheritance tax.

The 2015 tax reform lowered the basic inheritance tax exemption and expanded the taxable estate. As a result of this revision, the amount of inheritance tax is increasing every year. Furthermore, as Japan's population ages, the number of cases subject to inheritance tax is increasing.

Considering the business environment described above, we have formulated this medium-term management plan.



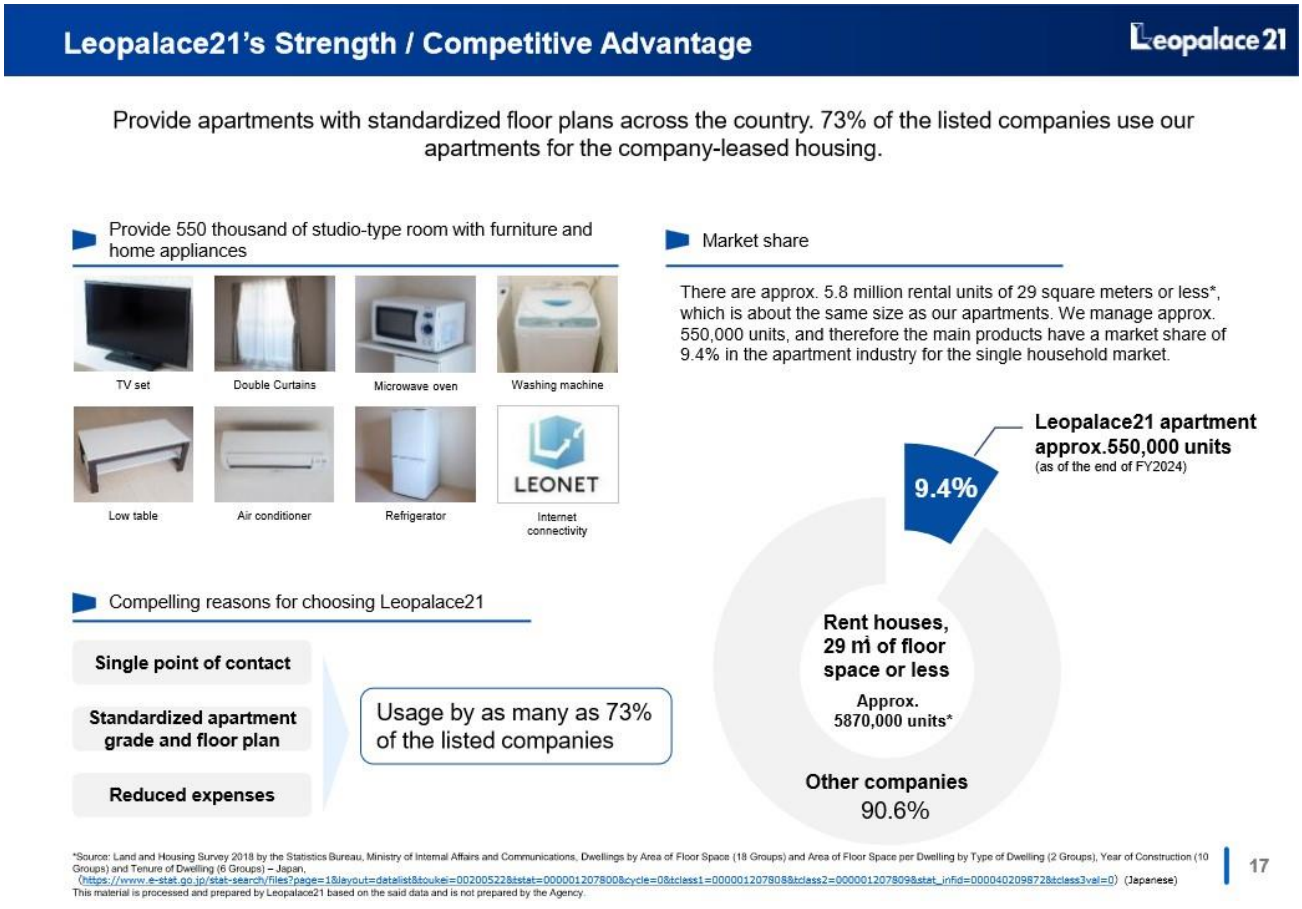
I will now explain our medium-term management plan.

First, the three-year period beginning in the fiscal year ending March 31, 2026, will be an important period for strengthening the business foundation for the regional branch structure.

In recent years, we have also entered an era in which we face new challenges due to the evolution of AI technology. We will seize this technological innovation as an opportunity to further strengthen our business foundation by promoting the efficiency of our operations using AI. We will establish a system that can flexibly respond to changes in society and continue stable business activities.



To achieve this vision and reach our ideal state, we have formulated a foundation strategy and a growth strategy in terms of both economic and social value. To continue to be a company that is needed by society in an ever-changing society, we will strive to enhance our corporate value over the long term.



Next is the business strategy.

We have approximately 550,000 apartments for singles nationwide, studio-type room apartments with furniture and appliances, and internet access as standard equipment, offering the convenience of moving in and living immediately with only a bag of personal belongings.

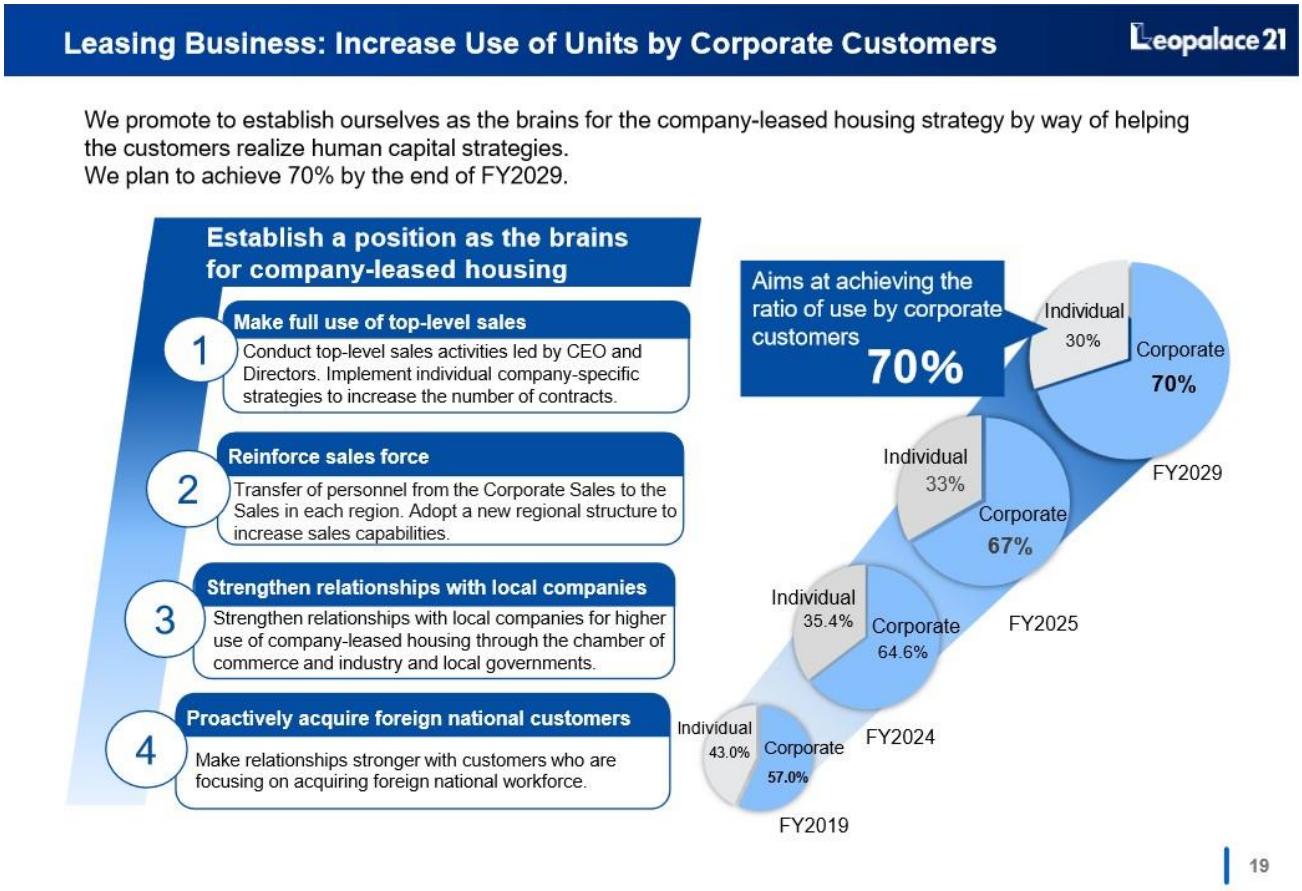
As a result, the system is widely employed by companies as company-leased housing and has been used by approximately 73% of listed companies.



In the Leasing Business, we believe that the next three years will be spent establishing our position as a housing infrastructure that comprehensively handles building, leasing, and management.

The fiscal year ending March 31, 2026, is positioned as the first year of the new Leopalace21, and we will strengthen leasing sales, resolve issues as a rental management business, and strengthen owner relationships.

In the fiscal year ending March 2027, we initiated a preliminary rollout of the regional branch structure, and in the fiscal year ending March 2028, we formally launch the regional branch structure, aiming to maximize profitability in each region. Through these efforts, the Company will establish itself as an integrated leasing management services provider.

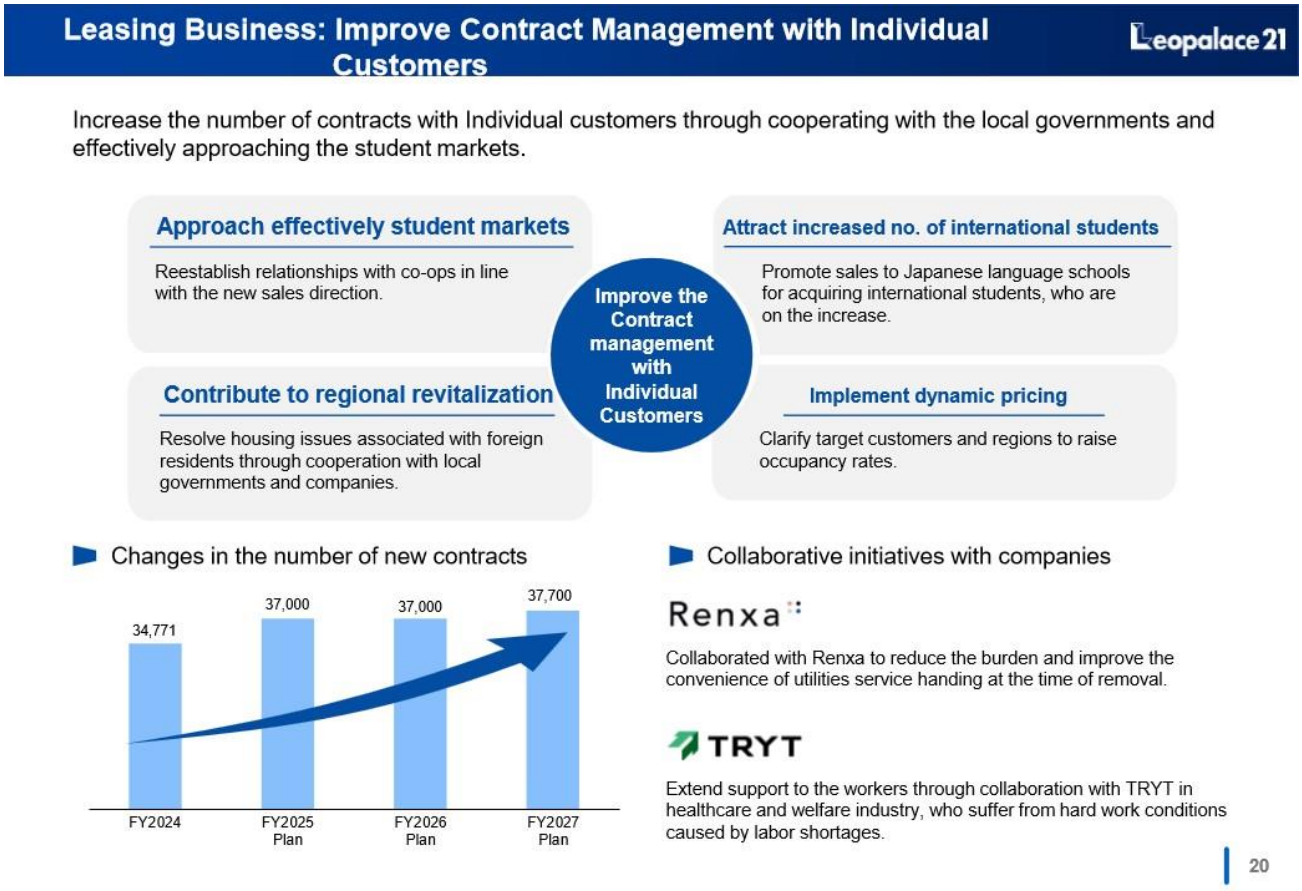


We will aim to expand the use of corporate customers in the Leasing Business.

As you can see, the ratio of corporate use was 64.6% for FY2024. In FY2019 the ratio was 57.0%, and we are aiming for 70% in FY2029.

While the top-level sales will continue, personnel will be transferred to each region with the aim of strengthening the sales force through a regional branch structure.

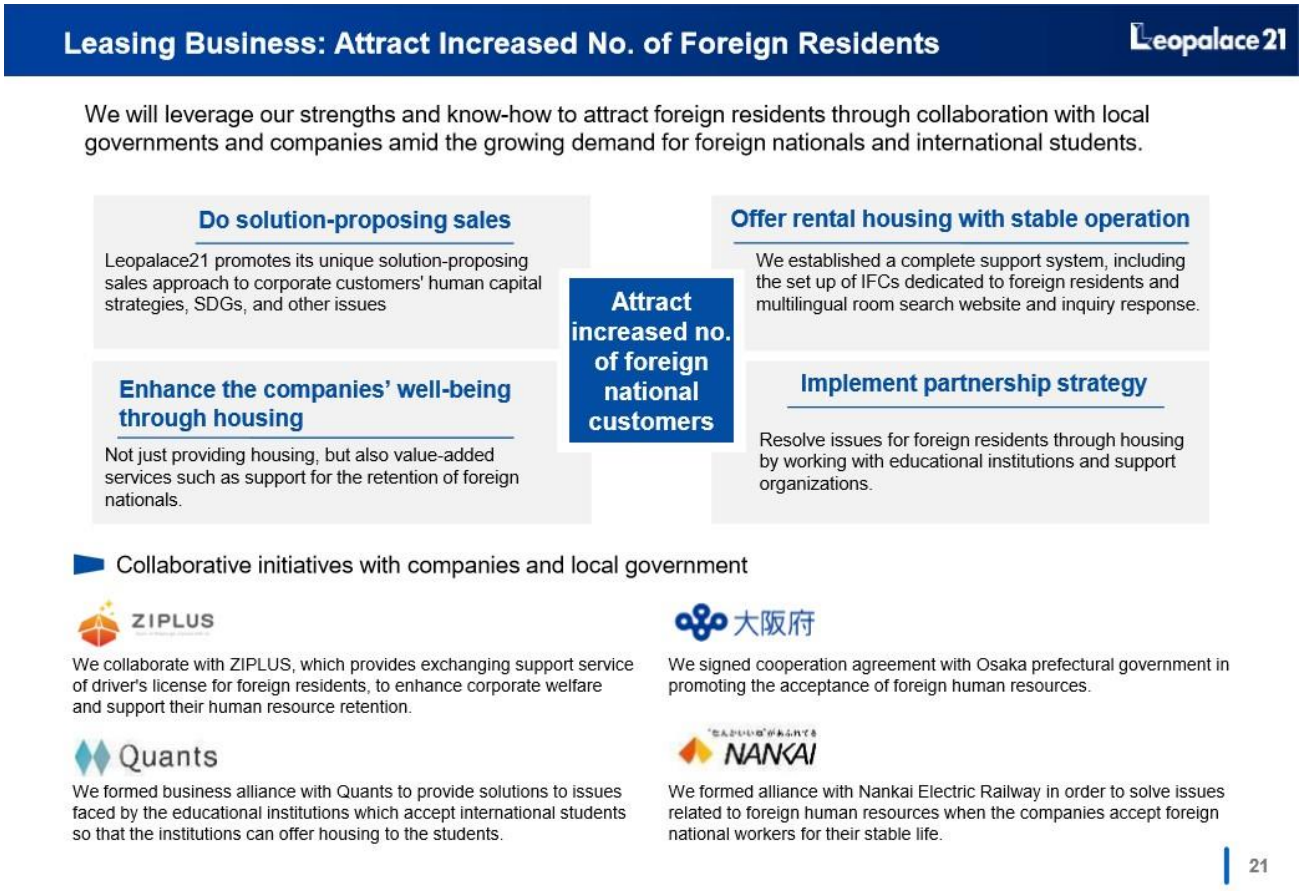
In addition to deepening relationships with local companies through cooperation with chambers of commerce and local governments, we will strengthen relationships with companies that are particularly active in accepting foreign nationals to increase the utilization rate.



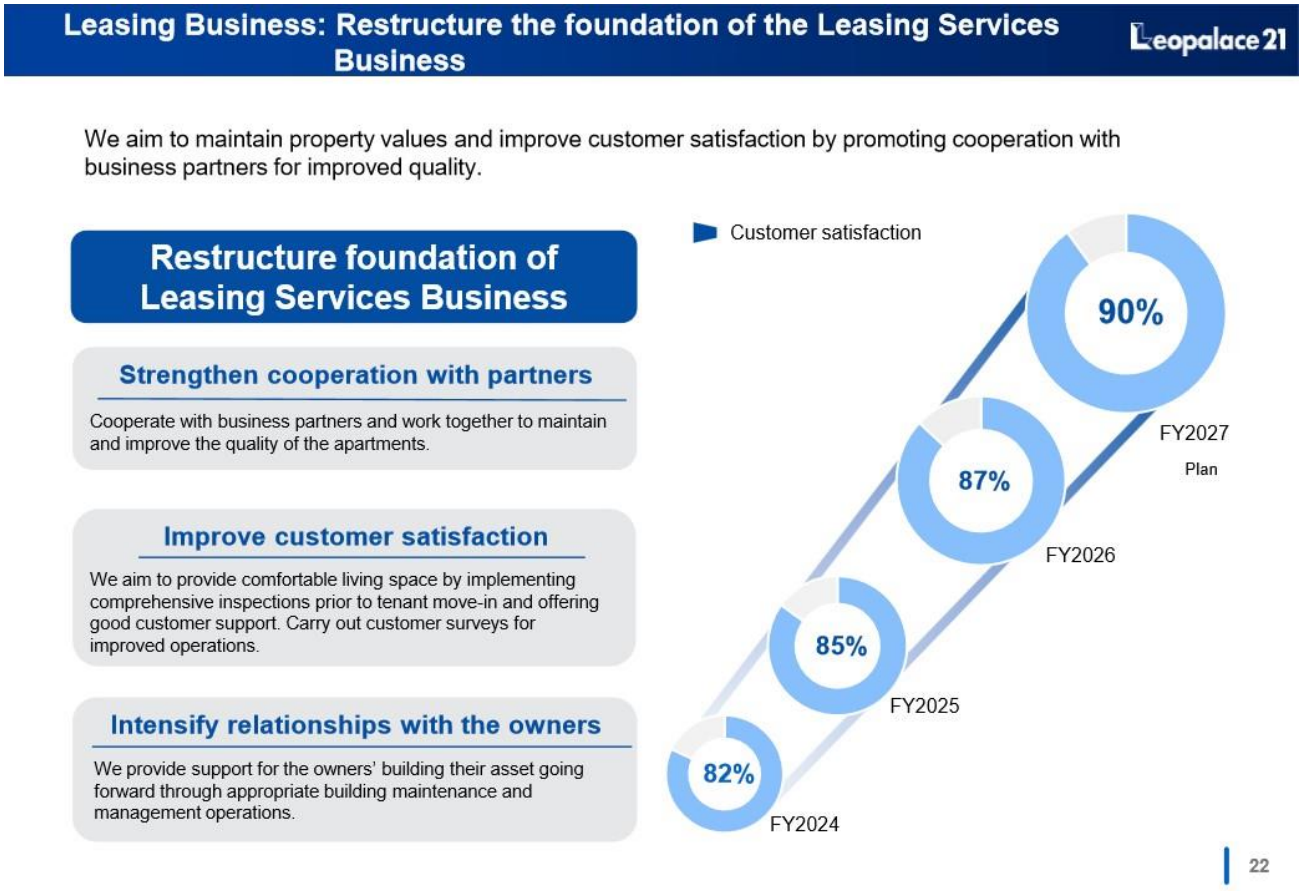
At the same time, the Company will seek to further stabilize the Leasing Business by increasing the number of individual contracts. Particularly for students, we will strengthen relationships with co-ops and Japanese language schools.

In addition, to contribute to countryside revitalization, we will work with local governments and local companies to help revitalize each region from a housing perspective.

In addition, the Company will introduce dynamic pricing, which allows flexible pricing in response to demand, with the aim of improving both occupancy rates and profitability.



We expect demand for foreign nationals to continue to grow in line with adopting the foreign national workforce in the Japanese labor market. Leveraging our experience and know-how, we will continue to set up dedicated contact points and provide multilingual support, as well as develop solution selling to corporate customers who have issues with their employee benefit programs. In addition to housing-related solutions, we will also work to resolve issues surrounding foreign nationals through collaboration with our partners.



In the Leasing Services Business, we will continue to improve operational efficiency and service quality through cooperation with partner companies, while collecting tenant feedback to improve operations.

In addition to regular communication with owners, we will work to improve satisfaction and strengthen long-term relationships through asset management and risk management support.

Through these efforts, we aim to establish a position as a trusted integrated leasing management services provider.

Leasing Business: Numerical Targets

Leopalace21

We will maximize profit per unit by thoroughly implementing price-focused strategies and cost optimization.
We aim to achieve an average of 87.56% during the period, and 90.35% at the end of FY2027.

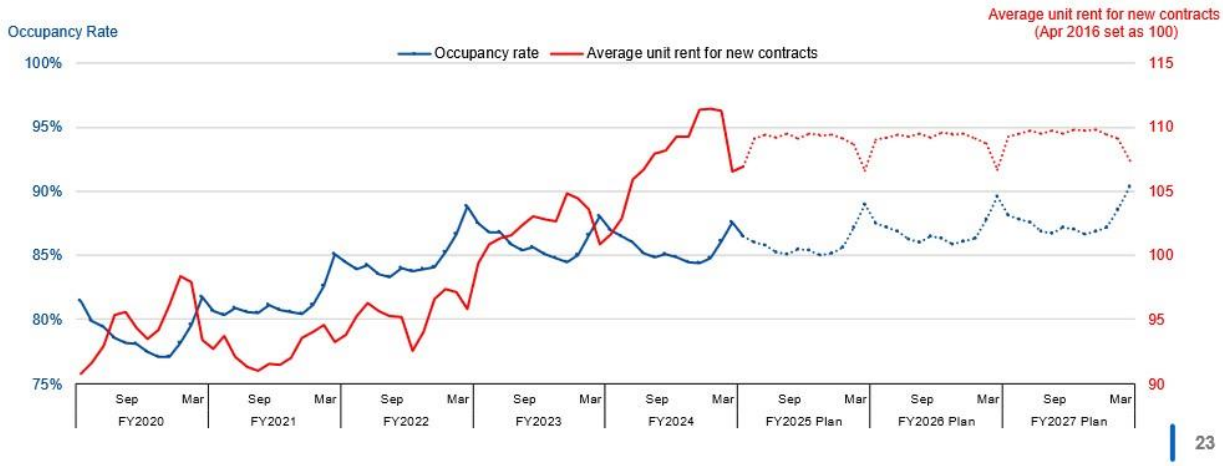
Occupancy rate

	FY2024	FY2025 Plan	FY2026 Plan	FY2027 Plan
Average occupancy rate	85.56%	85.95%	86.87%	87.56%
Year-end occupancy rate	87.57%	89.00%	89.60%	90.35%

Average unit rent for new contracts(index)

FY2024	FY2025 Plan	FY2026 Plan	FY2027 Plan
108	109	109	109

Changes in Occupancy Rate and Average Unit Rent for New Contracts



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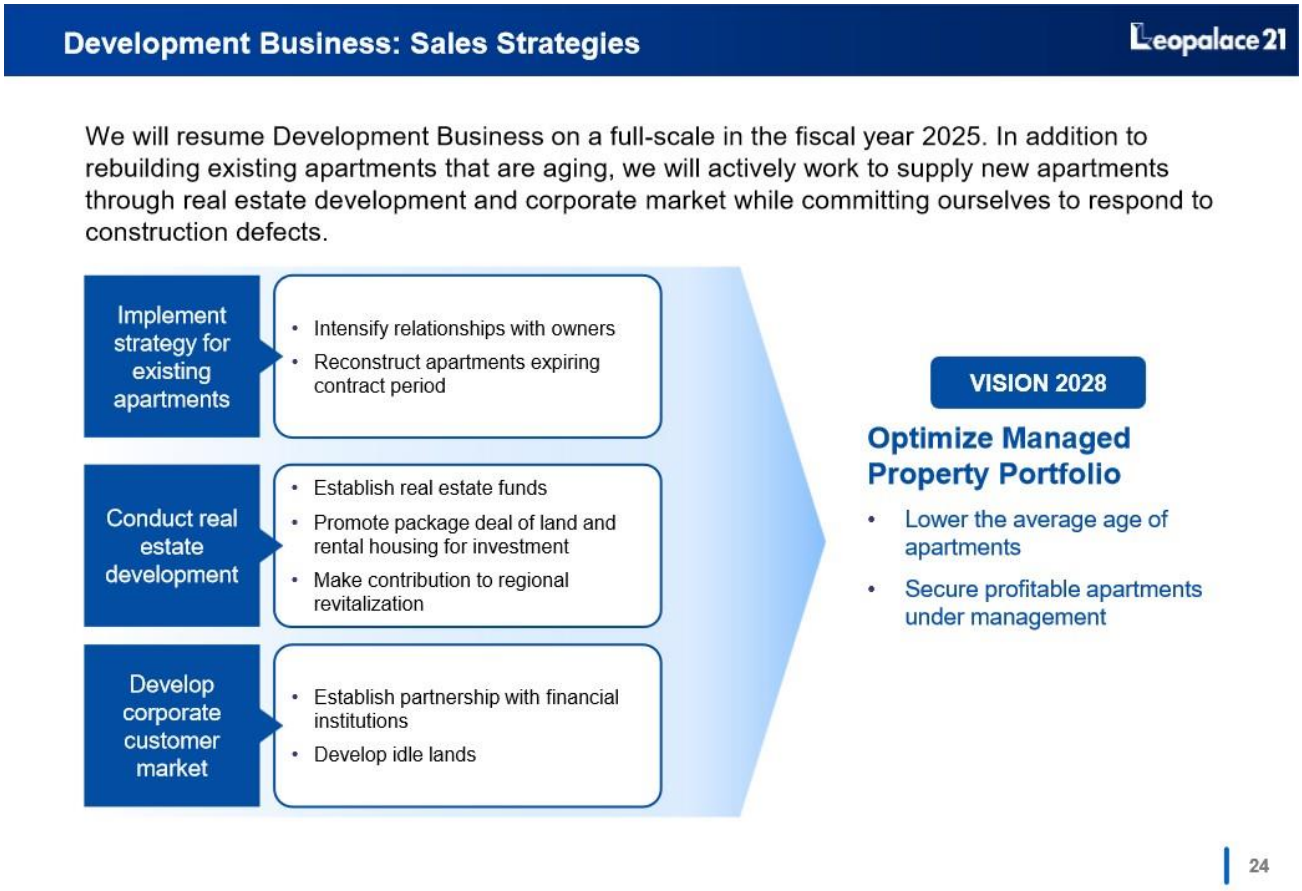
The average unit rent for new contracts in the Leasing Business, expressed as an index with April 2016 as 100. While the index keeps its high level, we aim to achieve occupancy rate of 90% at the end of the fiscal year ending March 31, 2028.



Meanwhile, from the current fiscal year ending March 31, 2026, we will resume the Development Business in earnest, working to secure profitable managed properties and build a new business foundation.

First, we will identify target clients and areas and strategically improve the quality of managed properties.

For existing owners, we offer rebuilding proposals to help increase asset value and profitability. Besides that, we will also propose land set sales, which is a proposal for the sale and purchase of land and the construction of an apartment building [inaudible] at the same time.

Furthermore, in the new corporate market, we will also promote support for the development of idle land owned by the companies and will actively and diversely engage in the supply of new properties.

Through these efforts, we aim to maintain the number of units under management, lower the average age of buildings, and capture demand for new construction to achieve sustainable and profitable business operations.

Development Business: Numerical Plan

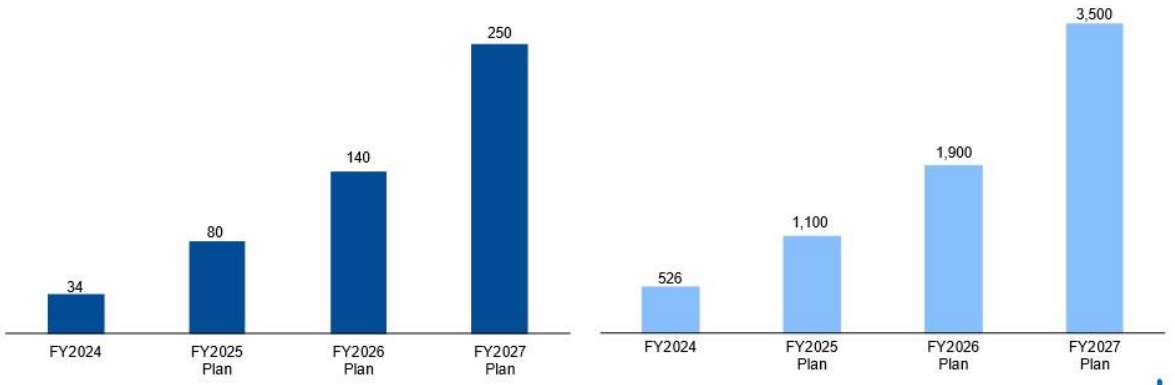
Leopalace21

We aim to receive orders for 250 buildings for FY2027 by rebuilding and selling in a package deal of land and rental building. We aim to slow the decline in the number of units under management and lower the average age of the apartments.

- Changes in the number of apartment units under management

FY2024	FY2025 Plan	FY2026 Plan	FY2027 Plan
546,000	540,000	537,000	533,000

- Number of order receipts for apartment buildings
- Number of order receipts in terms of apartment units



25

The Company's order plan is to receive orders for the reconstruction of 80 buildings in the current fiscal year, and from the next fiscal year, the Company aims to receive orders for 250 buildings per year in the fiscal year ending March 31, 2028, by addressing demand for buildings other than those to be reconstructed. This will slow the decline in the number of units under management and lower the average age of the buildings.

Elderly Care Business and Other Businesses

Leopalace21

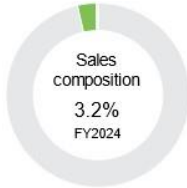
Elderly Care Business

The company operates 85 community-based group homes, day care services, short stays, and private-pay nursing homes for the elderly with nursing care and residential care. Also provide home-visit nursing care, in-home nursing care support, etc.

Policy

We aim to return to profitability as soon as possible by improving occupancy rates and stabilizing operations.





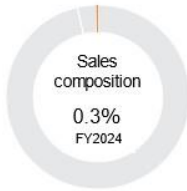
Other Businesses

Leopalace Resort Guam operates golf courses and hotels on the island of Guam.

Policy

We will sell non-core and unprofitable businesses in accordance with the policy of transferring or withdrawing from such businesses.





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In other related businesses, the Elderly Care Business operates 85 facilities, including group homes, fee-based nursing homes, day services, and short stays, as well as home-visit nursing care and in-home nursing care support services. Although the business remains unsatisfactory in terms of total profit, we will work to improve occupancy rates and stabilize operations, and through staff training and facility improvements, aim to return to profitability and sustainable operations as soon as possible.

In other businesses, the policy of transferring or withdrawing from Leopalace Guam remains unchanged, but we will first seek to improve profitability by increasing occupancy.



I will continue with an explanation of our three-year financial strategy. See page 28.

The two basic policies of our financial strategy are to sustainably increase sales and profits and to provide stable shareholder returns. By shifting to a proactive management approach and implementing growth investments such as human capital and DX promotion, we aim to increase occupancy rates and overall unit rent being occupied and achieve sustainable revenue and profit growth over the three-year period. Another aspect of the plan is to make sure that we make growth investment in human capital, etc., with a view to the next three years.

With respect to strengthening shareholder returns, the Company aims to maintain stable dividends by utilizing cash generated by the growth of the Leasing Business.

Earnings Forecast

Leopalace21

We expect to increase revenues and profits throughout the three-year period due to an improvement in occupancy rates and overall unit rent being occupied.

		Medium-term Management Plan					
(JPY million)	FY2024 Actual	FY2025 Plan	FY2026 Plan	FY2027 Plan	Growth (2025→2027)	CAGR	Elements behind the changes
Net sales	431,831	**441,400**	**456,300**	**468,000**	+8.4%	+2.7%	**Sales**: Trend of increase due to rise in occupancy rate and overall unit rent being occupied
Cost of sales	354,537	**355,300**	**362,100**	**368,900**	+4.1%	-	**Cost of sales**: Maintain and improve property values and further enhance preventive maintenance
Gross profit	77,293	**86,100**	**94,200**	**99,100**	+28.2%	+8.6%	**SG&A**: Personnel expenses increased due to an increase in the no. of personnel in leasing sales and expansion of personnel in connection with the resumption of the development business
%	17.9%	**19.5%**	**20.6%**	**21.2%**	+3.3 p		
SG&A	48,062	**53,700**	**55,700**	**57,800**	+20.3%	-	
Operating profit	29,231	**32,400**	**38,500**	**41,300**	41.3%	+12.2%	**Non-operating expenses**: Interest expense reduced following refinancing in March 2025
%	6.8%	**7.3%**	**8.4%**	**8.8%**	+2.0 p	-	**Net income**: Tax is expected to be minor until FY2027 due to utilization of net operating loss carryforwards, while income tax adjustment is expected to be recorded due to reversal of deferred tax assets.
Non-recurring profit	26,936	**30,900**	**37,300**	**40,100**	+48.9%	+14.2%	
Net income	17,861	**18,100**	**22,100**	**23,900**	+33.8%	+10.2%	

N.B. New lease accounting standard which is applicable for FY2027 onward is not considered in the above Plan.

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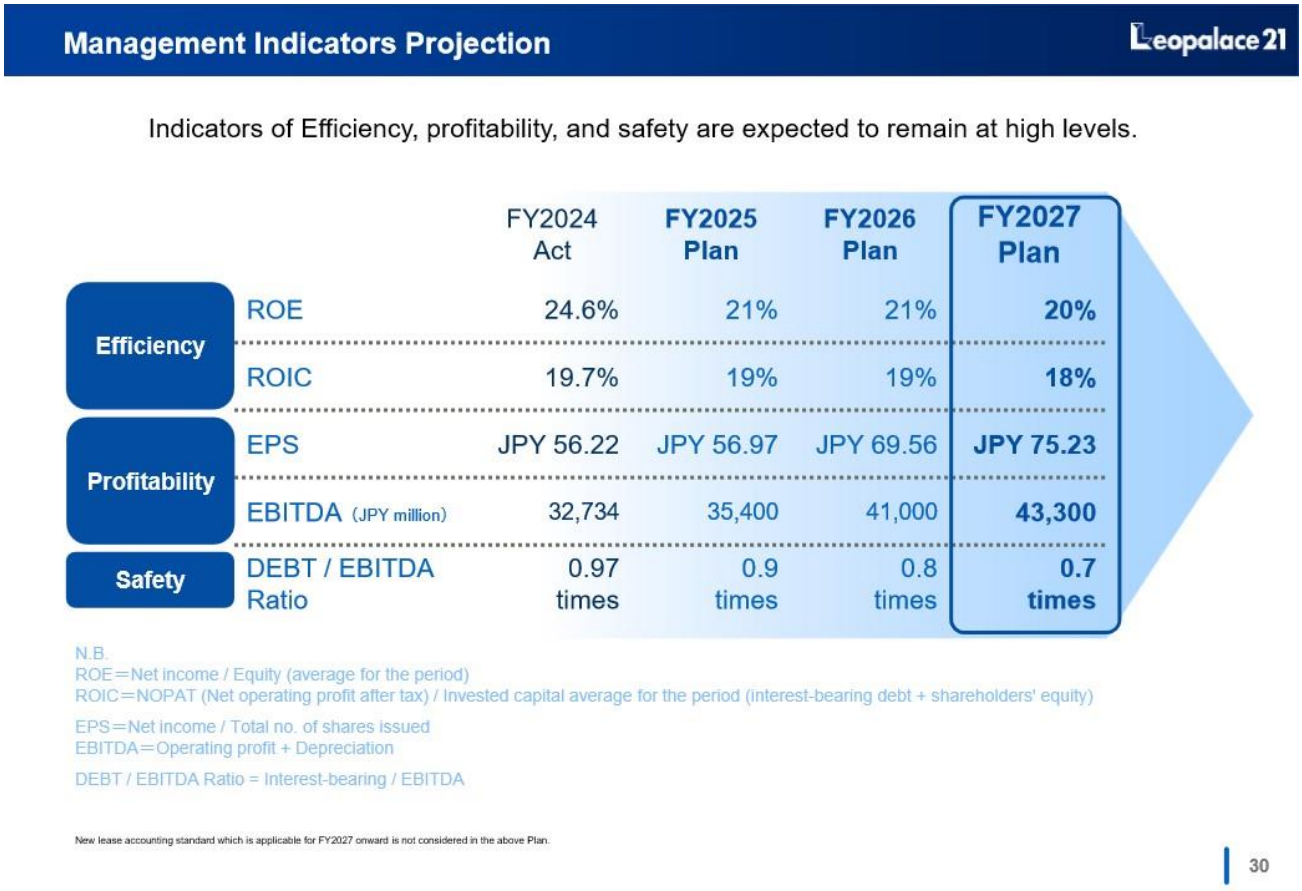
I will now continue with the earnings forecast. Please turn to page 29.

We will focus on improving the occupancy rate and the overall unit rent being occupied and aim to achieve net sales of JPY468 billion and operating profit of JPY41.3 billion in the fiscal year ending March 31, 2028.

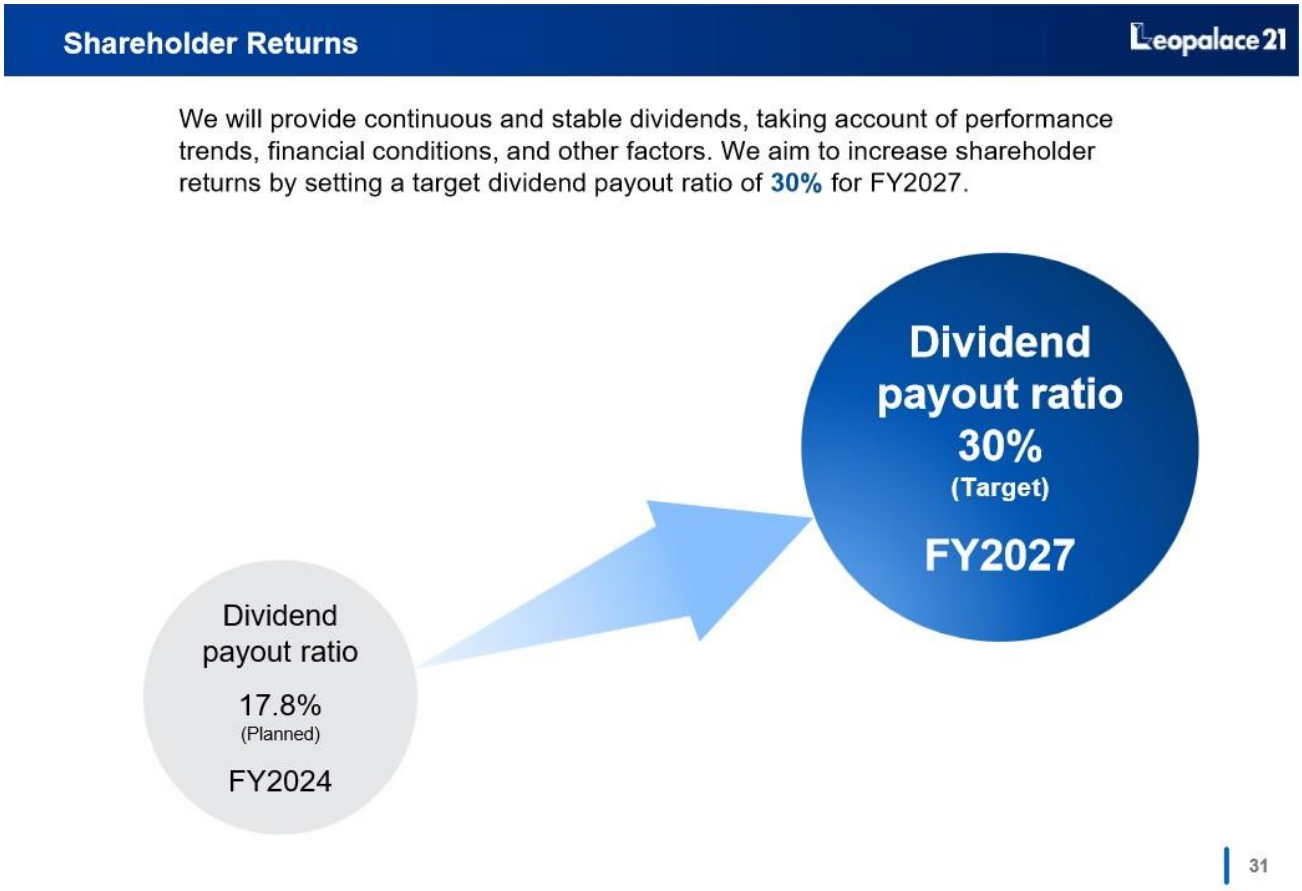
As for our cost plan, we expect cost of sales to increase due to the expansion of preventive maintenance to improve property values. As for SG&A expenses, the Company plans to invest aggressively in human capital, including expansion of personnel in the Leasing Business and Development Business, and expects to continue to invest in items for growth.



Next, the outlook for management indicators is shown on page 30.

We expect to maintain elevated levels of efficiency, profitability, and safety.

With an expected increase in shareholders' equity, we will strive to achieve ROE of 20%, ROIC of 18%, and EBITDA of JPY43.3 billion in the fiscal year ending March 31, 2028, through management with an awareness of optimal capital efficiency.



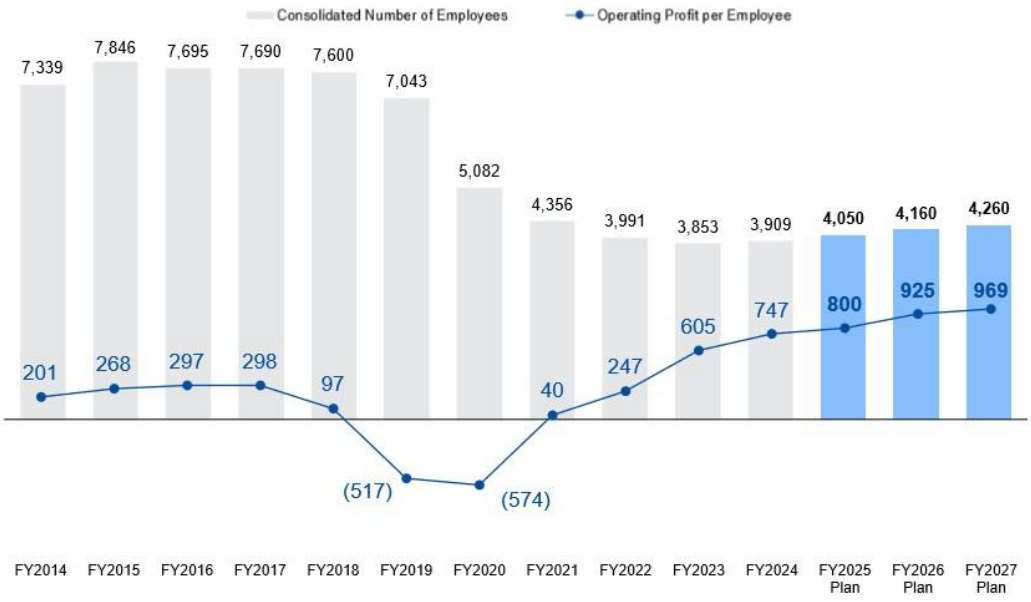
The plan for shareholder returns is shown on page 31.

We plan to pay stable and continuous dividends by utilizing the cash flows from operating activities by the growth of the Leasing Business. At the same time, taking into consideration the balance between our financial situation and investment in growth, we will work to strengthen shareholder returns with the goal of achieving a dividend payout ratio of 30% in the fiscal year ending March 31, 2028, the final year of the plan.

Consolidated Number of Employees and Operating Profit per Employee*

Leopalace21

Productivity has much increased through structural reforms and DX promotion, although the number of employees has decreased by half over the past 10 years.



* Operating profit by employee = Operating profit / No. of employees (on a consolidated basis)

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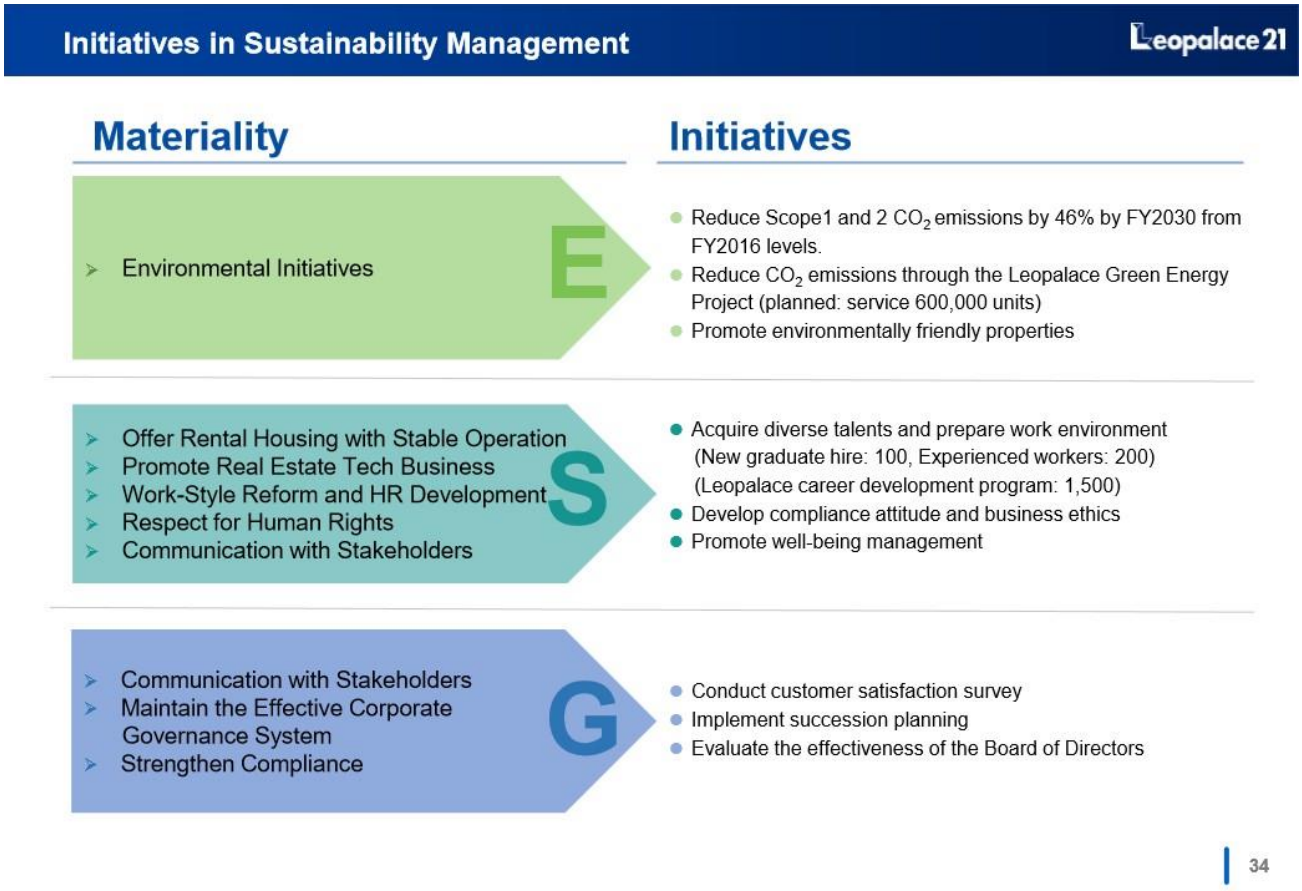
Next, in terms of efficiency, the number of employees and operating profit per employee are shown on page 32.

The number of employees has been reduced by half over the past 10 years. On the other hand, productivity has increased significantly due to structural reforms and DX promotion. We will further increase operating profit per capita in the future.



From this point on, I would like to explain sustainability management.

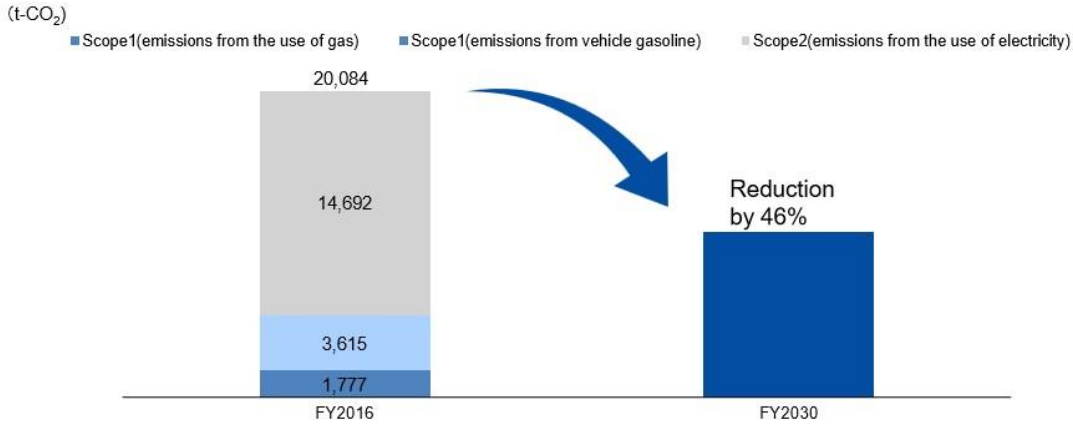
To achieve sustainable growth, we identified eight materialities for the year 2030 and have established three-year initiatives for each materiality to manage our progress.

We are particularly focusing on environmental initiatives and the promotion of human capital management.

Environment: Reduction Target of Scope1 and 2

Leopalace21

Reduce Scope1 and 2 CO_2 emissions by 46% in FY2030 from FY2016 levels.



Scope 1 +2 and Scope 3 Actual

	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022*	FY2023
Scope 1+2 (t-CO_2)	20,084	19,186	18,075	16,796	11,564	10,518	11,341	11,747
Scope 1+2 vs FY2016	-	(4.5%)	(10.0%)	(16.4%)	(42.4%)	(47.6%)	(43.5%)	(41.5%)
Scope 3 (t-CO_2)	873,167	864,448	786,510	692,463	693,388	748,745	540,558	491,433

* Scope 2 is calculated by market-based approach for FY2022 onward.
Scope 1 + 2 are being calculated for FY2024.

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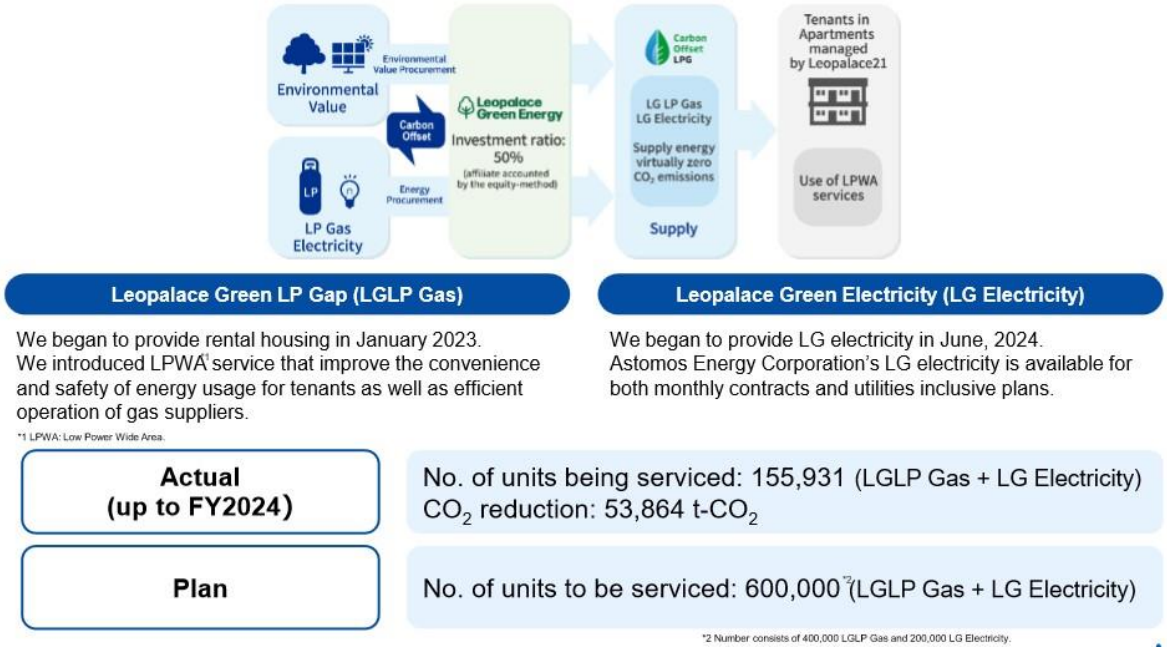
On the environmental front, we first aim to reduce Scope 1 and 2 CO_2 emissions from our activities by 46% in FY2030 compared to the FY2016 level.

Environment: Leopalace Green Energy Project

We are committed to operating rental housing with virtually zero CO_2 emissions through provision of LGLP Gas and LG Electricity.



Leopalace Green LP Gap (LGLP Gas)

We began to provide rental housing in January 2023.
We introduced LPWA*1 service that improve the convenience and safety of energy usage for tenants as well as efficient operation of gas suppliers.

Leopalace Green Electricity (LG Electricity)

We began to provide LG electricity in June, 2024.
Astomos Energy Corporation's LG electricity is available for both monthly contracts and utilities inclusive plans.

*1 LPWA: Low Power Wide Area.

Actual (up to FY2024)	No. of units being serviced: 155,931 (LGLP Gas + LG Electricity) CO_2 reduction: 53,864 t-CO_2
Plan	No. of units to be serviced: 600,000*2 (LGLP Gas + LG Electricity)

*2 Number consists of 400,000 LGLP Gas and 200,000 LG Electricity.

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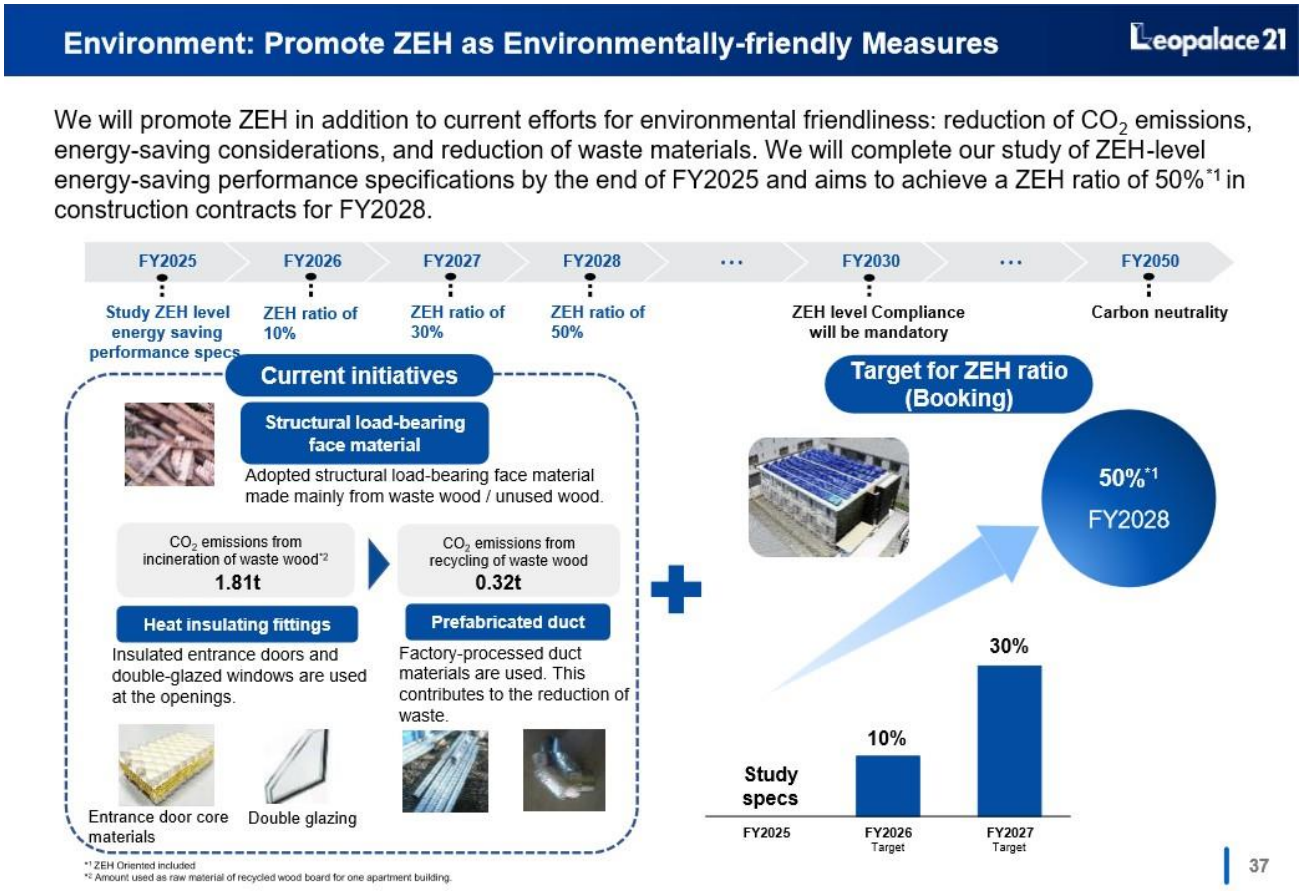
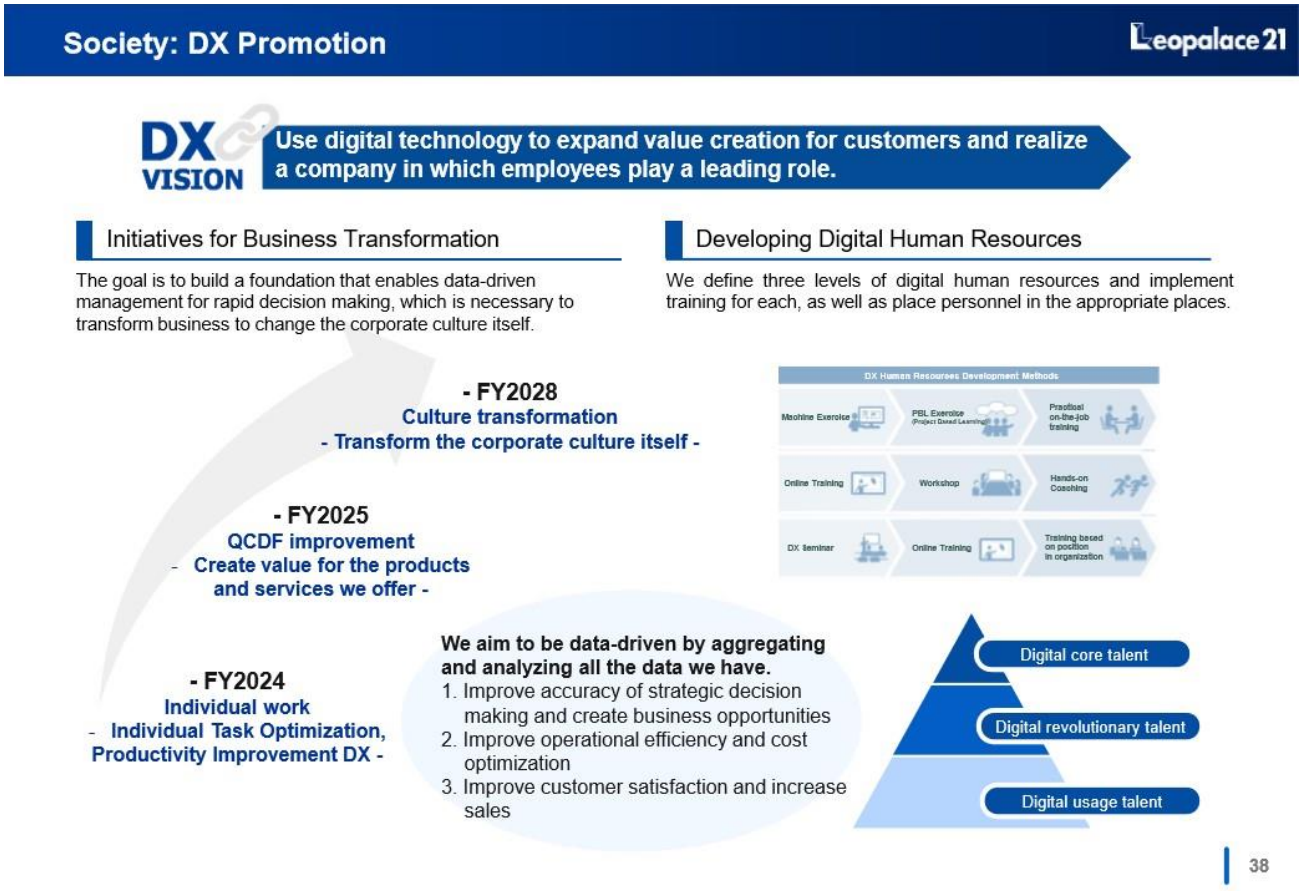
Meanwhile, about Scope 3, Leopalace Green Energy, which was established in 2023, will promote the supply of Leopalace Green LP Gas and Leopalace Green Electricity both with virtually zero CO_2 emissions, thereby making it possible to manage rental housing with virtually zero CO_2 emissions. By the fiscal year ending March 31, 2028, we aim to supply electricity and gas to a total of 600,000 households.



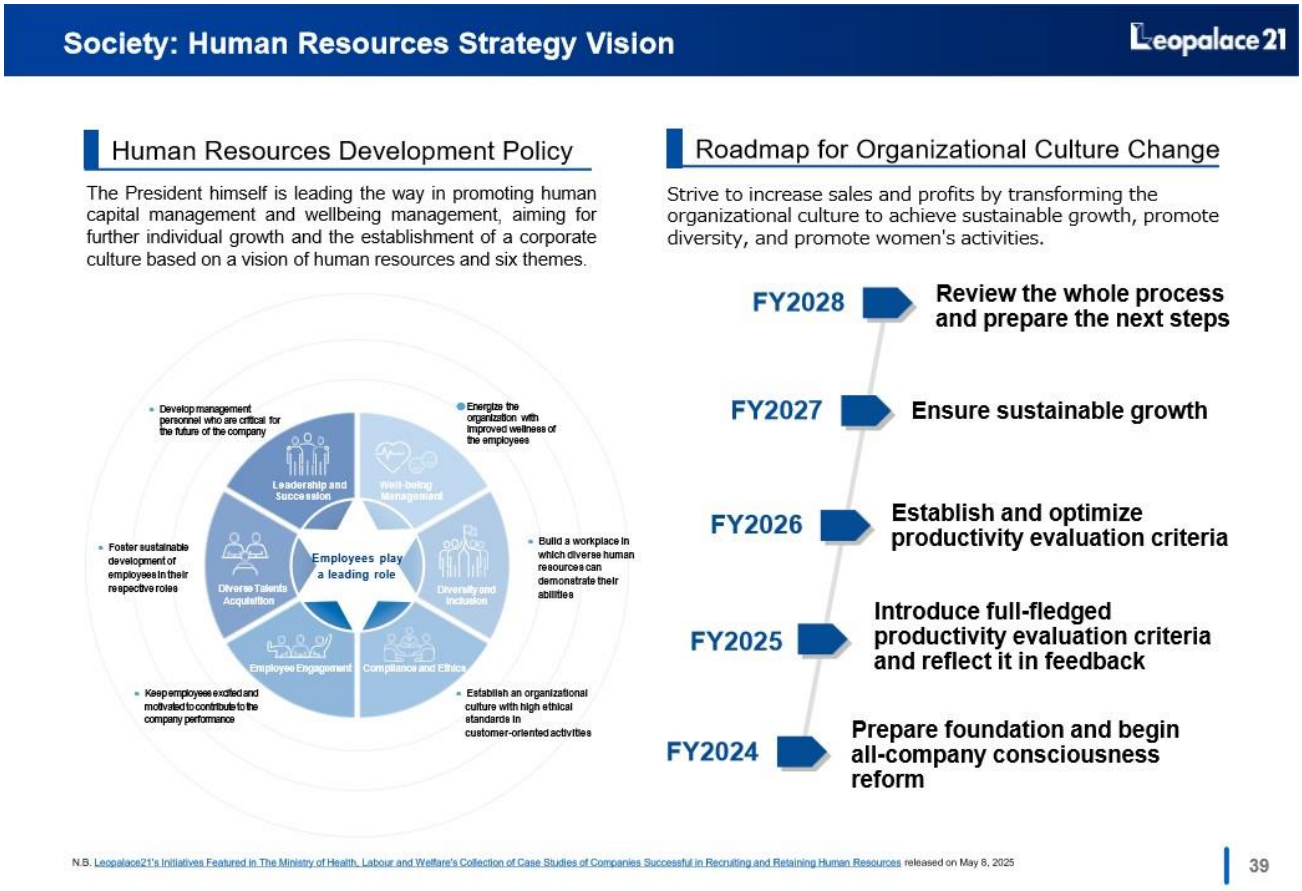
In our Development Business, we are also working to reduce CO_2 emissions, energy consumption, and waste materials to achieve carbon neutrality by 2050.

Furthermore, in anticipation of the ZEH level becoming mandatory in 2030, we will complete the study of energy-saving apartment specifications at the ZEH level in the fiscal year ending March 31, 2026, and aim to achieve a ZEH ratio of 50% in construction contracts in the fiscal year ending March 31, 2029.

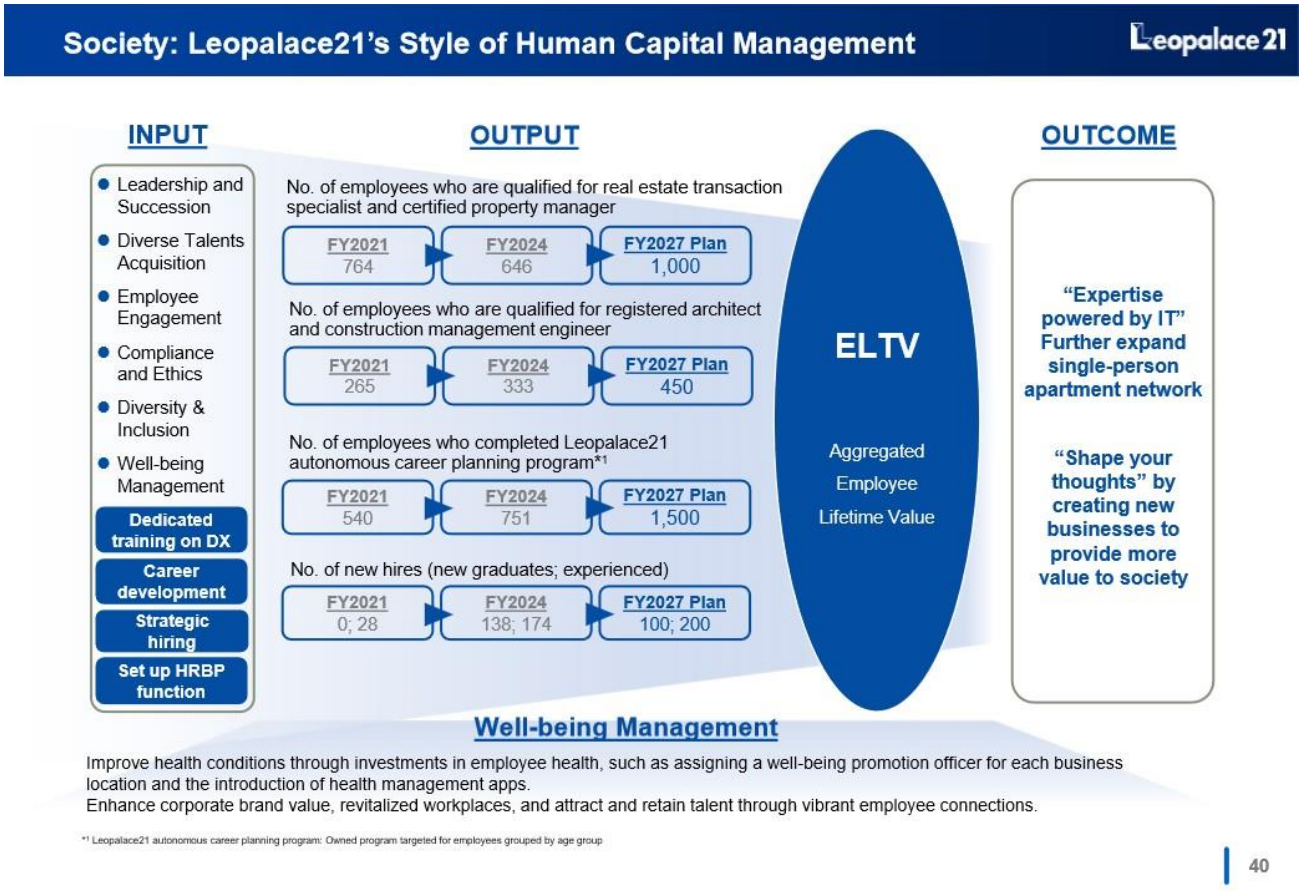


Then, on the social front, we are particularly focused on promoting DX and human capital management.

To date, we have been able to improve productivity and labor-saving operational efficiency through our digitalization efforts. In the future, we will further transform our products, services, and business models to reflect the needs of our customers and society, as well as the voices of our employees, while aiming for data-driven management that establishes competitive advantage, and system reforms that leverage our data base, while also focusing on the development of human resources who can make the most of data.



In human resource strategy, employees are motivated to develop their careers and act with determination and responsibility for their own choices. And when the company encourages this, the value created by each employee will accumulate, resulting in the enhancement of the Leopalace21 brand value. We are committed to human capital management to transform ourselves into a company in which such employees play a leading role.



This slide shows the results that the organization should achieve and how the outputs of the employees support those results. We will promote aggressive human capital management based on well-being management by setting three-year targets for the four priority items shown in the outputs.

One of the most key areas of focus is the acquisition and training of qualified personnel. We aim to have 40% of employees engaged in the Leasing Business hold a Certified Rental Property Manager certification, which is one of the highest acquisition rates in the industry.

In terms of recruitment, we secure human resources through both new graduates and experienced hires, and recruitment efforts for the latter were selected as one of the best practices for recruitment announced by the Ministry of Health, Labour and Welfare in April 2025. This was disclosed as a news release dated May 8.

We will continue to promote human capital management and make concerted efforts to become a company in which each employee plays a leading role. We appreciate your support.

That is all the explanation I have for you. Thank you very much.

Question & Answer

Ayabe [M]: We will now go to the question-and-answer session. Now, the first question from Mr. Hashimoto of Mizuho Securities.

Hashimoto [Q]: The deadline for exercising warrants is coming up in November, six months from now. What is the company's basic stance?

Miyao [A]: As Mr. Hashimoto's question suggests, the deadline for exercising warrants is six months later, but in any case, the company's basic stance remains the same.

Our basic management stance is to take actions that contribute to the improvement of shareholders' value over the medium term. Based on this fundamental stance, we will report on our future course of action once it has been decided.

Ayabe [M]: Continuing on, Mr. Hashimoto, the second question.

Hashimoto [Q]: Please explain the impact of the revenue recognition standard revision for the fiscal years ending March 2025 and March 2026.

Takekura [A]: There is no impact on the core business here. We made adjustment of financial handling in line with the accounting reality.

We run a plan dedicated to corporate customers.

With respect to this plan, when a corporate tenant moved out, we treated revenue recognition in the same way as we do with ordinary tenants, recognizing that the tenant had moved out and regarded it to be a termination of the rental agreement.

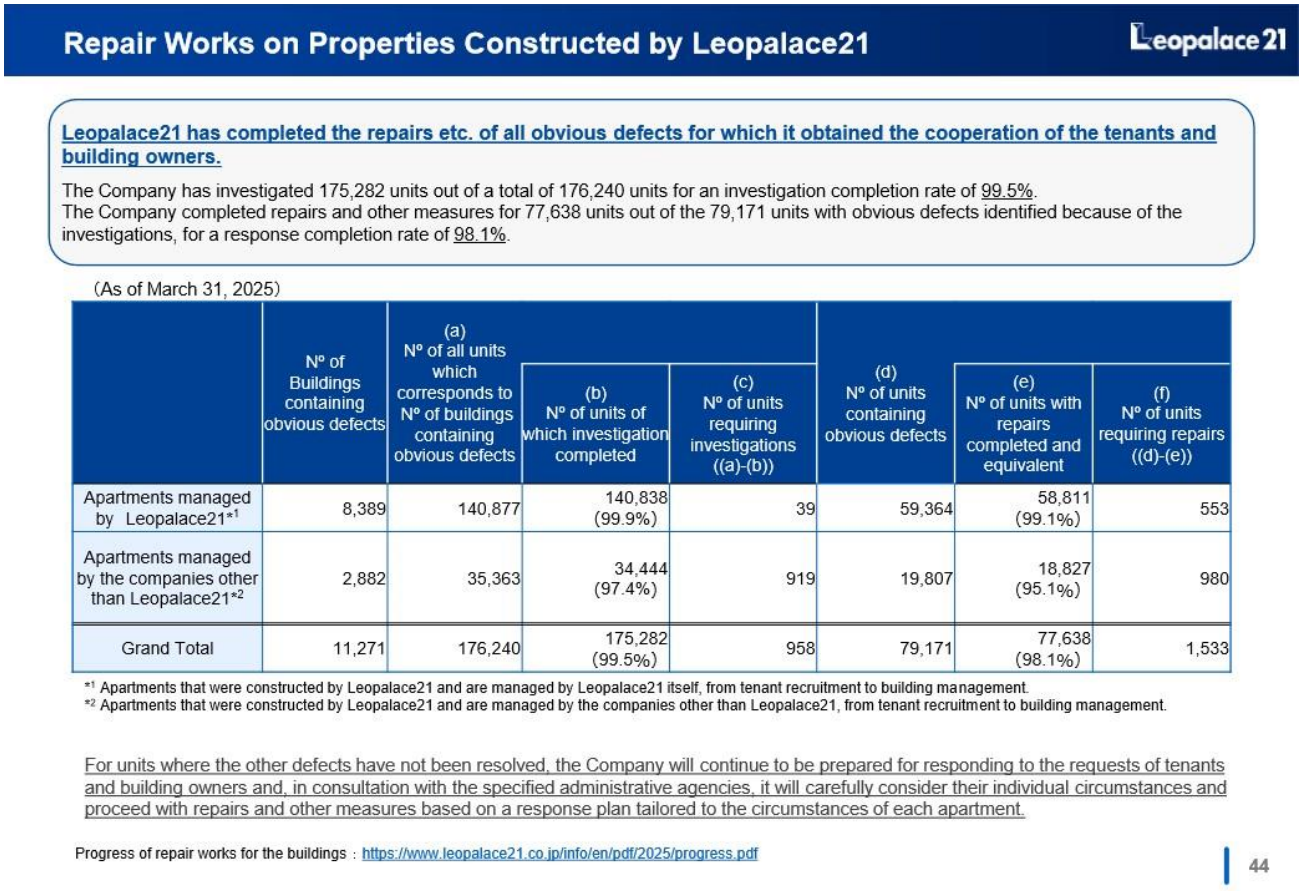
As a result, revenue that had been evenly recognized over a period such as 20 or 30 months will now be recognized earlier upon the tenant’s move-out. However, in the case of our corporate customers-dedicated plan, the contracts are held by corporate entities acting as the primary contact, and in many cases, these companies are not fully terminating the contracts but are instead leaving the rooms open and continuing the contract by renting different rooms.

Therefore, rather than processing the cancellation because the tenant has left, the act of switching to a trigger of cancellation when the corporate customers-dedicated plan is cancelled, which is what we have done this time to undo what was recorded as a so-called negative figure. That amount is just under JPY1 billion, and that was the change in the accounting handling this time. Therefore, there is no impact on our core business.

Ayabe [M]: Next, Mr. Hashimoto’s third question.

Hashimoto [Q]: Is it your understanding that the repair works are almost complete by the end of March 2025? What is the impact of this, the ability of repair works, on the engagement in new apartment construction, etc., and what is the impact of this on the new medium-term management plan?

Miyao [A]:



As you can see on the slide, as of the end of March, the survey was 99.5% complete. The breakdown is as follows: 99.9% was complete for the properties under our own management, where there remained 39 units yet to be repaired. On the other hand, the completion rate for the properties managed by other management companies was 97.4%. The completion rate for the total was 99.5%.

In addition, the overall response completion rate for the repair works, etc., of rooms where obvious defects were found, was 98.1%, as stated in the figures. In that aspect, as Mr. Hashimoto said, we are aware that it is almost complete in the sense of the word.

However, we will continue to maintain an ongoing system, and we will continue to respond as needed to meetings with tenants and building owners.

On the other hand, since we will be taking into consideration individual circumstances, we will be taking action on a routine basis, which will allow the repair work team to be engaged in new apartment construction, as you mentioned in your question.

Ayabe [M]: Continuing on, Mr. Ozawa of SBI Securities, the first question.

Ozawa [Q]: It seems that average unit rent for corporate customers is continuing to rise, but the one for foreign nationals is also increasing in the same way, for example, specified skills workers?

Takekura [A]: From the perspective of rent increases for corporate customers, I would note that specified skilled workers also utilize our services through corporate contacts. Therefore, the base rent is the same as that for corporate clients.

Currently, over 11% of our tenants are foreign nationals, and a little more than half of them are under corporate contracts. For these cases, I would like to emphasize that we apply the same rent increases. In other words, we set our rent based on our unique leasing strategy, providing the necessary number of units, in the necessary locations, at the necessary times, an approach in which we have a competitive advantage.

Ayabe [M]: Next, Mr. Ozawa's second question.

Ozawa [Q]: Regarding the resumption of the Development Business, what is the expected gross margin on contracted work? With rents rising, would not passing on the increased construction costs negatively impact demand from property owners or the lending stance of financial institutions?

Takekura [A]: It is exactly as you have pointed out, and as is already well known, both material and labor costs have risen. Above all, while we have set the number of buildings in our current plan, this fiscal year marks our first construction project in about five years. Accordingly, we primarily focused on building the necessary internal structure, with the goal of securing orders worth over JPY10 billion.

We are now judging that it is difficult to achieve the profit margin of more than 20% that we used to have in the past. We are working within a range of around 10% to 15%, focusing first on strengthening our construction management system and thoroughly addressing issues such as construction defects, which must never happen again. While achieving this fiscal year's target for project orders, we are simultaneously building the organizational foundation in the background, in preparation for increased orders in the next fiscal year and beyond. As our backlog of orders continues to grow, we expect to achieve cost reductions through increased volume. Our basic approach is to enhance gross profit through this structure.

As for the lending stance of financial institutions, it has, in our view, changed quite dramatically, particularly after January, when we addressed one of the major structural issues related to construction defects. Following that, we proceeded with refinancing, which further contributed to this shift in attitude. Looking ahead, we have received support from regional banks in making our apartment construction. Therefore, by carefully planning while taking into account the relationship between rent levels and construction material costs in each location and region, we believe that this will not have a negative impact on the lending stance itself.

Ayabe [M]: Next, a question from Mr. Hamada, SMBC Nikko Securities.

Hamada [Q]: On page 23 of the medium-term management plan, is my understanding correct that the average unit rent for new contracts is expected to remain flat and that the focus will be on raising the occupancy rate over the next three years? Can you tell us about your approach to the upside of rent?

Miyao [A]: First, regarding rent: we are not directly reflecting the current inflation rate. As a result, we would like you to understand that the actual increase is around 1%.

As I said, we will certainly increase the number of corporate customers, but as I explained earlier, we have the idea of expanding individual customers. Although referring to it as a price-focused strategy, which may sound favorable, it resulted in the stagnation or decline in the number of individual customer contracts. The unit rent, in reality, reached levels that are becoming unaffordable for many individuals.

In response, we plan to adopt a dynamic pricing approach going forward, strategically offering specific properties and units to individual customers as appropriate.

Ayabe [M]: Thank you very much.

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

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