

Leopalace21 Corporation Financial Results for Fiscal Year 2022

This document and reference materials may contain forward-looking statements, but please note that actual results may differ significantly from these forecasts due to various factors.

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 Chapter 1

Outline of the Financial Results FY2021 / FY2022 Plan

p.2

 Chapter 2

Cost Optimization

p.14

 Chapter 3

Occupancy Improvement Measures

p.18

 Chapter 4

Offering DX Solutions

p.24

 Chapter 5

Strengthen Governance and Adopting greener technologies

p.29

 Chapter 6

Construction Defects Management

p.32

 Appendix

p.34

Chapter 1

Outline of the Financial Results FY2021 / FY2022 Plan

Consistent Structural Reforms

- ◆ Increase occupancy rate through following occupancy improvement measures.
 - Foreign national customers:
Capture demand generated by technical interns for designated activities and by students
 - Corporate customers:
Obtain buy-in for realizing corporate housing strategy as an expert
 - Individual customers:
Utilize the real estate agents network and attract customers through web-based approach
- ◆ Improve ownership equity by profitable operation aiming for increased occupancy rate and controlled cost structure

Management Plan FY2022

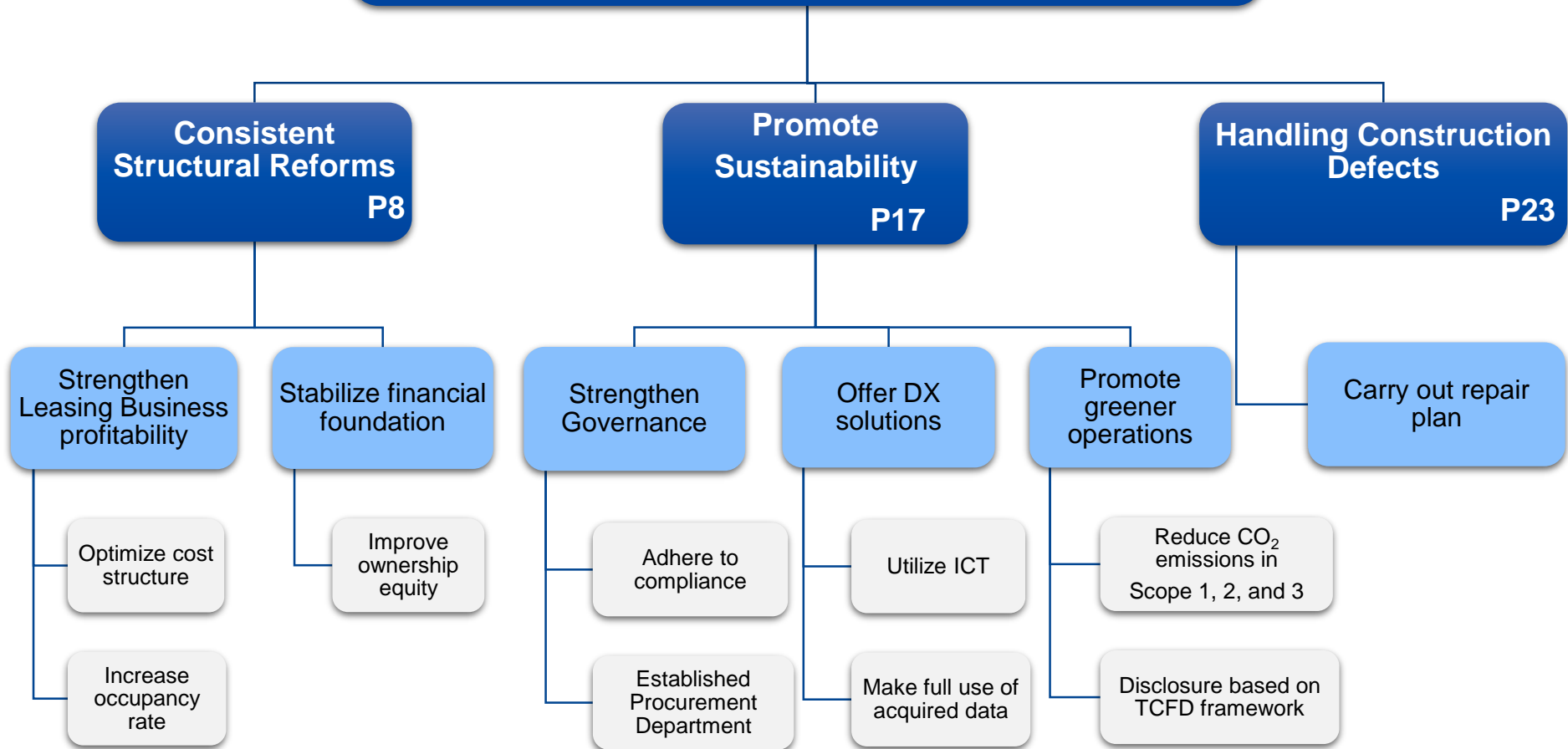
Promote Sustainability

- ◆ Increase operational sustainability from environmental, social and economical aspects
- ◆ Achieve sustainable growth and increase mid-to long-term corporate value through undertaking initiatives in strengthening corporate governance, DX solution offerings and adopting greener operation based on social infrastructure of offering company houses and dormitories

Handling Construction Defects

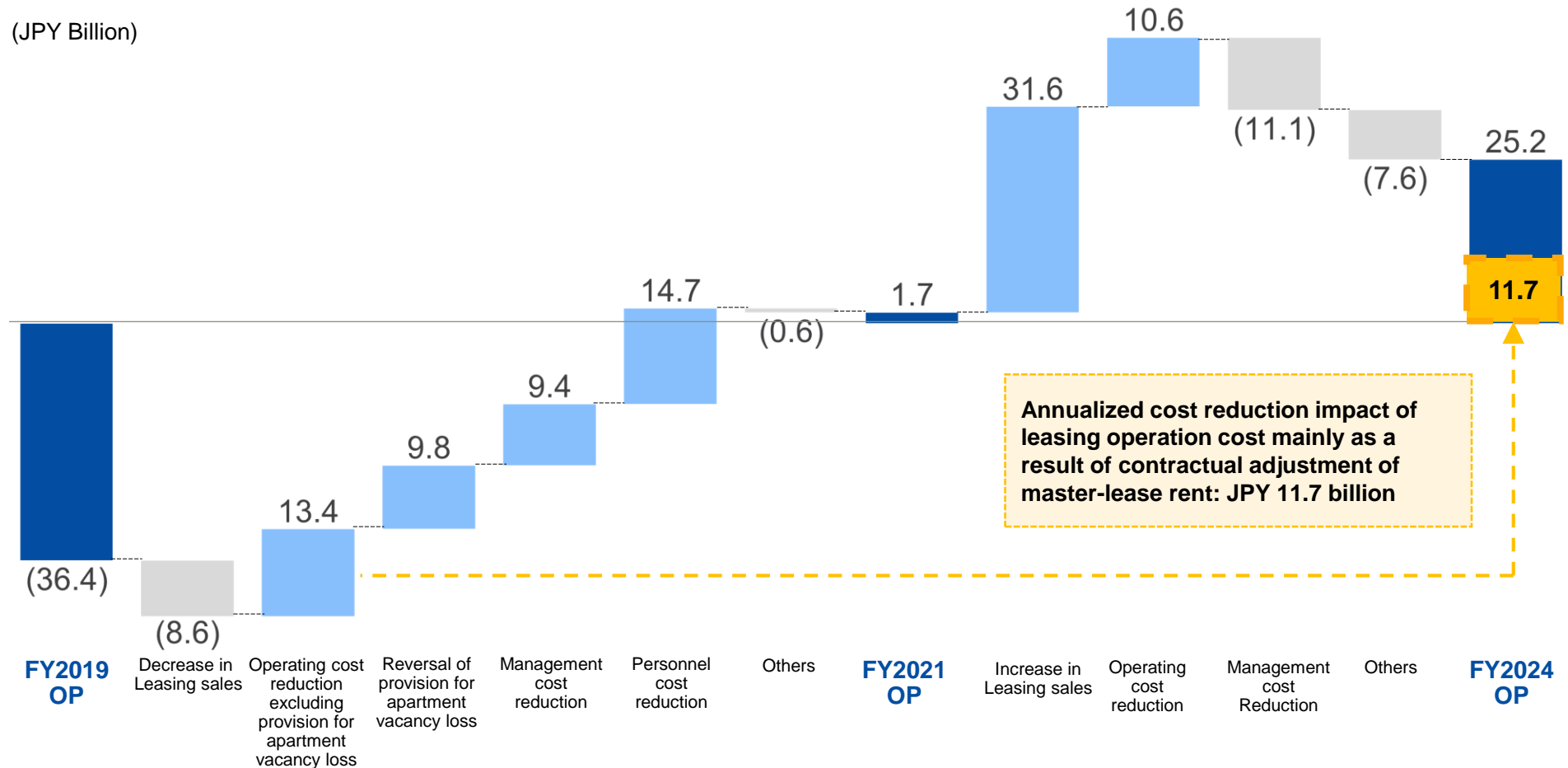
- ◆ Make steady progress in repairing the construction defects while prioritizing to restore the financial foundation
- ◆ Materialize repair completion for obvious defects by the end of 2024

Management Plan FY2022



Continued measures for structural reforms to increase operating profit by JPY 38.1 billion in FY2021..
 Already achieved additional JPY 11.7 billion if annualize the impact; total JPY 49.8 billion of improvement is done.
 We aim to realize operating profit of JPY 25.2 billion through additional structural reform measures and sales efforts.

Main Factors of Increase / Decrease of Operating Profit



Due to steady progress in the structural reforms, all profit items improved compared with those in FY2020. Net income increased by JPY 35.5 billion mainly due to reversal of provision for losses related to repairs and recording income taxes-deterred despite sales and profit items up to recurring profit worsened against the plan.

Highlights of Results

(JPY million)	FY2020 Actual	FY2021 Revised Plan	FY2021 Actual			Factors Contributing to Changes
				YoY	Compared with Plan	
Sales	408,959	399,400	398,366	(10,592)	(1,033)	Reduction in construction subcontracting was the main reason.
Cost of sales	387,872	353,200	352,289	(35,583)	(910)	Gross profit improved yoy due to reversal of provision for apartment vacancy loss of JPY 6.6 billion. (Q1: JPY 1.2 billion, Q2: JPY 1.3 billion, Q3: JPY 2.5 billion, Q4: JPY 1.6 billion) and progress in contractual adjustment of master-lease rent.
Gross profit	21,086	46,200	46,077	+24,990	(122)	
%	5.2%	11.6%	11.6%	+6.4p	(0.0p)	
SGAE	50,269	43,600	44,302	(5,966)	+702	Operating profit improved yoy but did not meet the plan due to recording of provision of allowance for doubtful accounts which offset the reduction in personnel expenses.
Operating profit	(29,182)	2,600	1,774	+30,957	(825)	
%	(7.1%)	0.7%	0.4%	+7.6p	(0.2p)	
Recurring profit	(34,170)	(1,800)	(2,151)	+32,018	(351)	Net income drastically improved yoy and against the plan mainly due to recording of reversal of provision for losses related to repairs of JPY 11.9 billion and income taxes-deterred of JPY 4.4 billion.
Net income*	(23,680)	1,800	11,854	+35,535	+10,054	
Average Occupancy rate	78.9%	81.2%	81.2%	+2.3p	(0p)	Huge increase in average occupancy rate by implementing the occupancy improving measures
ESP (JPY)	84.88	5.47	36.04	+120.92	+30.57	

* Net income refers to net income attributable to shareholders of the parent.

The Company expects increased sales and profit for FY2022 YoY due to planned increased occupancy rate and cost reduction effect as a result of structural reforms.

Plans for FY2023 and FY2024 indicate continuous growth in sales and operating profit.

Highlights of Plan

(JPY million)	FY2022 Plan	YoY	Factors Contributing to Changes	FY2023 Plan	FY2024 Plan
				(reference)	(reference)
Sales	410,800	+12,433	Sales from Leasing Business grow fast because of planned increase in occupancy rate	423,100	429,300
Cost of sales	348,800	(3,489)	Continued contractual adjustment for master-lease rent reduces the cost of sales whereas increase in management cost related to maintaining property partially offset the reduction.	353,400	350,100
Gross profit	62,000	+15,922		69,700	79,200
%	15.1%	+3.5%		16.5%	18.4%
SGAE	50,300	+5,997	Recording of provision for bonuses and sales initiative implementation increase personnel expenses in SGAE. Planned increase in occupancy rate and reduction in cost of sales contribute to the increase in operating profit.	52,200	54,000
Operating profit	11,700	+9,925		17,500	25,200
%	2.8%	+2.4%		4.1%	5.9%
Recurring profit	6,800	+8,951	No extraordinary income/losses are planned. income taxes—deferred is planned based on business performance recovery which contributes to large increase in net income.	12,900	22,100
Net income*	24,900	+13,045		13,400	19,400
Average Occupancy rate	85.1%	+3.8p	Occupancy rate follows the trend similar to that of FY2017. Number of outstanding shares remain the same as FY2021, therefore EPS increases in accordance with net income.	88.3%	91.3%
ESP (JPY)	75.6	+39.6		40.7	58.9

* Net income refers to net income attributable to shareholders of the parent.

Quarterly Comparison

(百万円)	Q1 (Apr-Jun)		Q2 (Jul-Sep)		Q3 (Oct-Dec)		Q4 (Jan-Mar)	
	FY2021 Actual	FY2022 Plan	FY2021 Actual	FY2022 Plan	FY2021 Actual	FY2022 Plan	FY2021 Actual	FY2022 Plan
Sales	100,244	100,400	99,305	102,000	97,920	103,300	100,895	105,100
Cost of sales	90,472	88,100	87,131	87,900	84,660	87,300	90,024	85,500
Gross profit	9,771	12,300	12,174	14,100	13,259	16,000	10,871	19,600
SGAE	11,059	11,800	10,076	12,000	9,794	11,200	13,371	15,300
Operating profit	(1,287)	500	2,097	2,100	3,465	4,800	(2,500)	4,300
Recurring profit	(2,241)	(800)	909	900	2,777	3,600	(3,596)	3,100
Net income*	(957)	(1,400)	1,605	400	5,217	3,300	5,988	22,600

**Factors
Contributing to
Changes**

- Planned higher occupancy rates for FY2022 in comparison with FY2021 result in higher sales against the same quarter in the previous fiscal year.
- Continued contractual adjustment for master-lease rent contributes reducing cost of sales QoQ.
- SGAE increases in Q4 because of various sales measures implementation targeted for the busiest season.
- No extraordinary income/losses considered for FY2022, therefore quarterly net income for Q1 – Q3 is smaller than the respective quarterly result in FY2021.
- Planned recording of income taxes-deferred for Q4 makes substantial increase in net income

* Net income refers to net income attributable to shareholders of the parent.

Ownership equity + share subscription rights was JPY 1,425 million, hence resulted in excessive liabilities* elimination as of end of March, 2022. * The excessive liabilities per the Tokyo Stock Exchange is defined ownership equity plus share subscription rights.

Balance Sheet - main items only

(JPY million)	FY2020	Q3 FY2021	FY2021
Cash and deposits	54,863	44,130	45,523
Total assets	161,708	143,137	145,430
Interest-bearing debt**	35,409	33,351	33,045
Provision for loss related to repairs	33,509	25,103	18,086
Provision for apartment vacancy loss	12,262	7,249	5,632
Total liabilities	158,431	138,927	134,396
Common stock	81,282	100	100
Capital surplus	55,174	136,345	136,345
Retained earnings	(142,586)	(141,685)	(135,749)
Total shareholders' equity (A)	(6,474)	(5,542)	392
Total accumulated other comprehensive income (B)	(2,019)	(91)	675
Ownership equity (A)+(B)	(8,494)	(5,634)	1,068
Share subscription rights	388	357	357
Non-controlling interests	11,383	9,486	9,608
Total net assets	3,277	4,209	11,034
Total liabilities and total net assets	161,708	143,137	145,430

Factors contributing to changes (compared against end of FY2020)

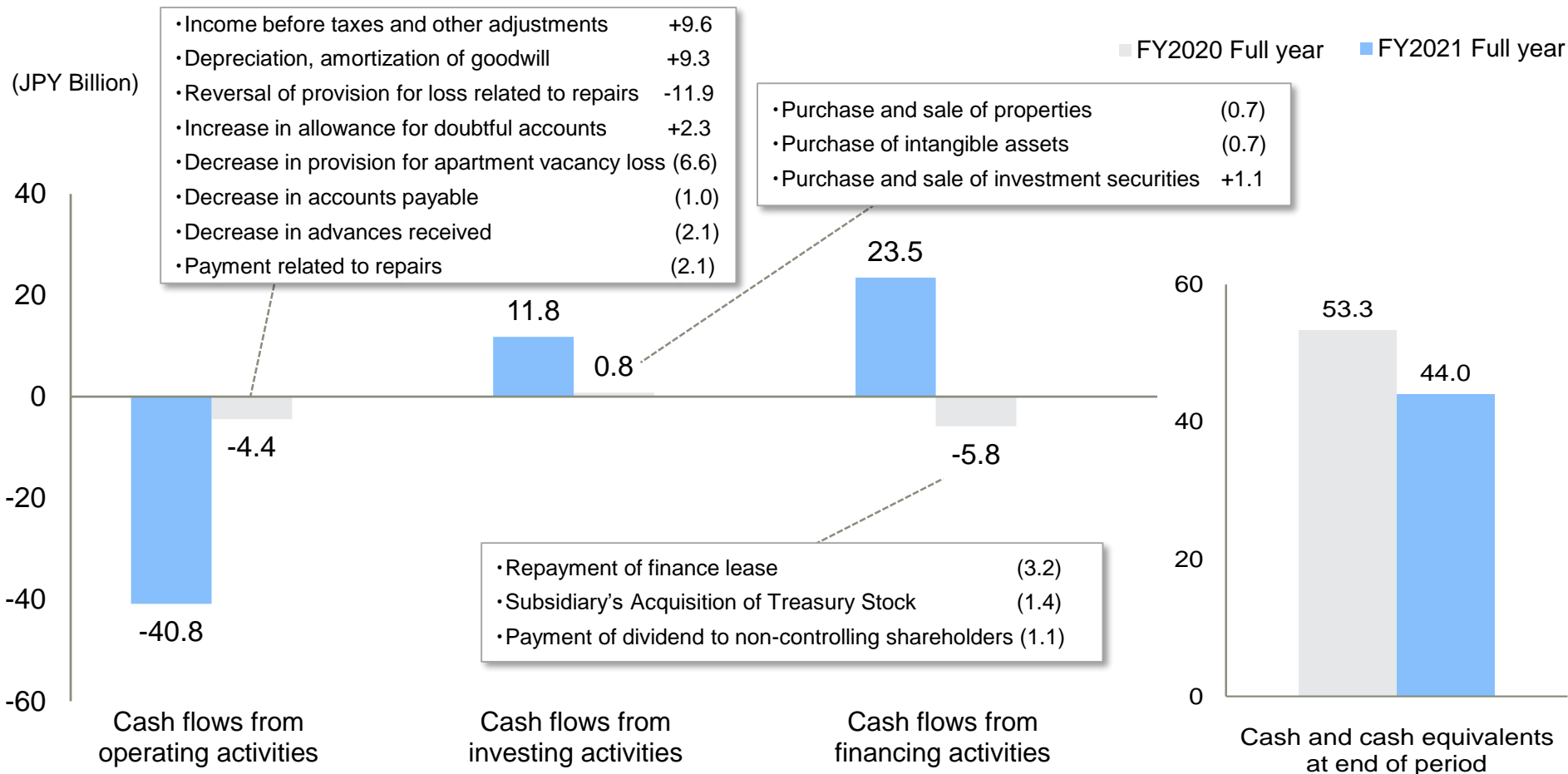
- **Cash and deposits**
 2H cash flows was inflow reflecting the successful structural reform effect although balance decreased YoY.
- **Provision for losses related to repairs (current: JPY 1.9 bil; non-current: JPY 16.1 bil)**
 Reduced by JPY 3.4 bil in accordance with the progress of repairs and reversal of JPY 11.9 bil due to lowered unit repair cost (Q1: JPY 1.9 bil, Q2: JPY 1.4 bil, Q3: JPY 2.8 bil, Q4: JPY 5.8 bil), hence total reduction of JPY 15.4 bil. Insourcing repair works, lowered unit repair cost, sourcing based on quotation from multiple suppliers and utilizing internally available resources made the balance of JPY 18 bil in FY2021 from JPY 50.7 bil in FY2018.
- **Provision for apartment vacancy loss (current: JPY 4.2 bil, non-current: JPY 1.4 bil)**
 Reversal of JPY 6.6 bil (Q1: JPY 1.2 bil, Q2: JPY 1.3 bil, Q3: JPY 2.5 bil, Q4: JPY 1.6 bil) as a result of aggregated impact of improving profitability of out management units and reduced number of the management units as a result of master-lease contract expiration.
- **Ownership equity**
 Ownership equity turned to positive which had been negative up to Q3, because recording of Q4 net income of JPY 5.9 bil increased retained earnings and increase in total accumulated other comprehensive income resulting from weakened JPY.
- **Total net assets**
 Increase in ownership equity kept positive total net assets.

** Interest-bearing debt = borrowings + lease obligations

Cash flows from operating activities were JPY (4.4) bil due to expenditure of working capital and carrying out repairs, whereas profitability improvement contributed to improve JPY 36.4 bil YoY.

Cash flows from investing activities were JPY 0.8 bil mainly due to sale of non-current assets held by subsidiaries in ASEAN and sale of unlisted stock. Cash flows from financing activities were JPY 5.8 bil resulting partly from Leopalace Power Corporation's acquisition of treasury stock. Total cash flows were JPY (9.2) bil.

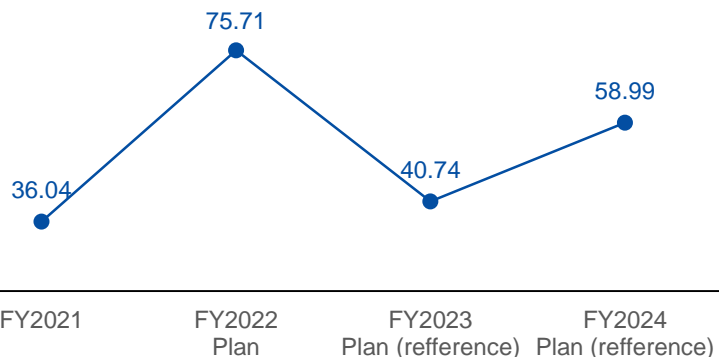
Cash Flow



Thanks to continued structural reforms and improved balance sheet, EPS, ROE, ROIC and Equity ratio indicators reached favorable levels.

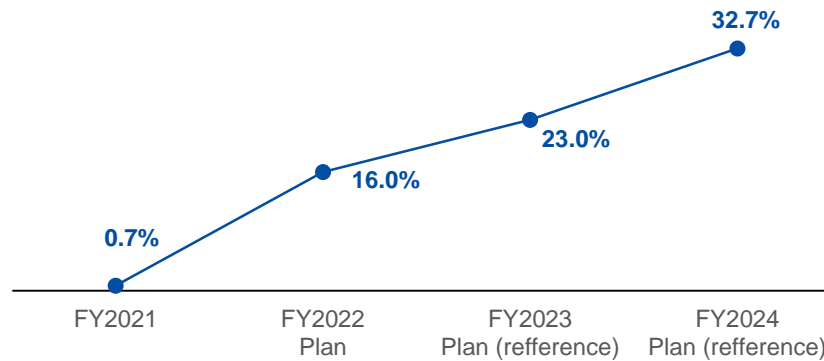
Cash conversion cycle, a strength of the Company, remains to be negative days, which shows high efficiency of funds operations.

Net income per share (EPS*)



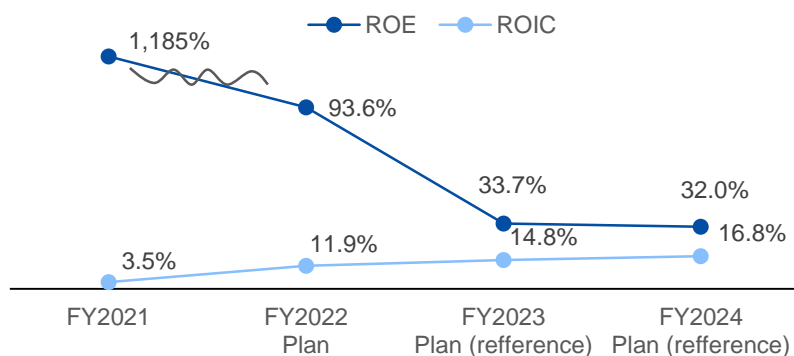
*EPS = Net income / Number of shares outstanding

Equity ratio*



*Equity ratio = Ownership equity / Total capital (Liability and Net assets)*100

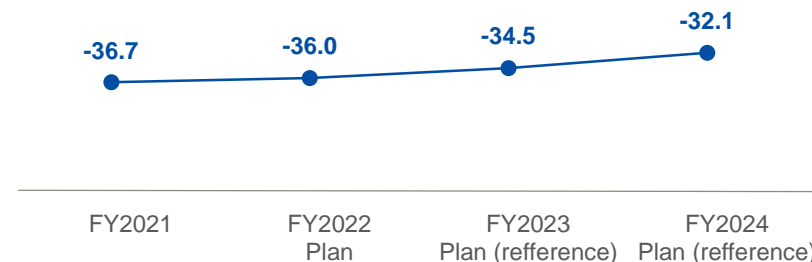
ROE*·ROIC**



* ROE = Net income / Ownership equity

**ROIC = NOPAT / Investment capital (Interest-bearing debt + shareholders' equity)

Cash conversion cycle (CCC*)

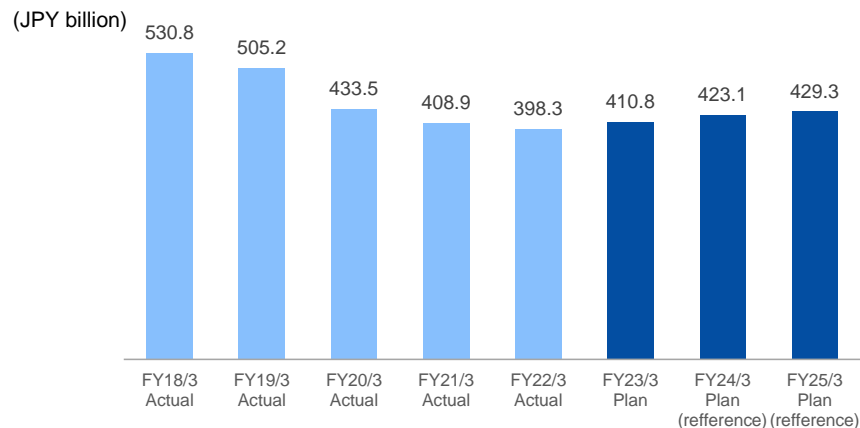


*CCC: The cash conversion cycle (CCC) is a metric that expresses the length of time (in days) that it takes for a company to convert its investments in inventory and other resources into cash flows from sales.

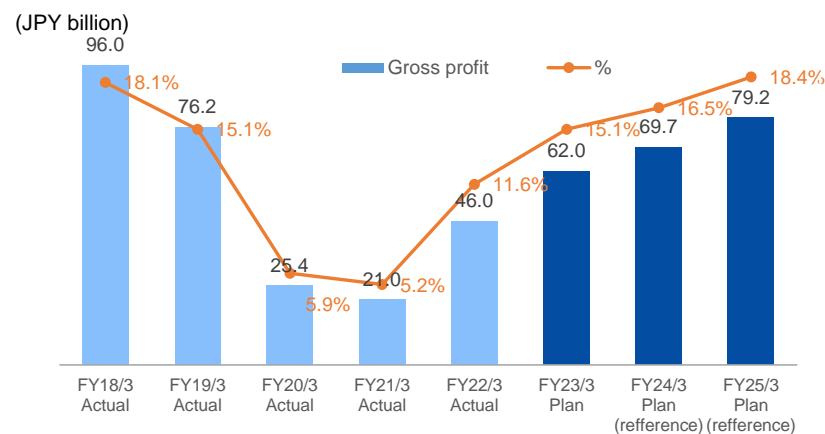
CCC = Receivables turnover period + Inventory turnover period – Payables turnover period

Operating profit has been increasing since FY2019 reflecting the profit structure improvement. Continued structural reforms increased net income to sales ratio and that of FY2024 outperforms FY2017.

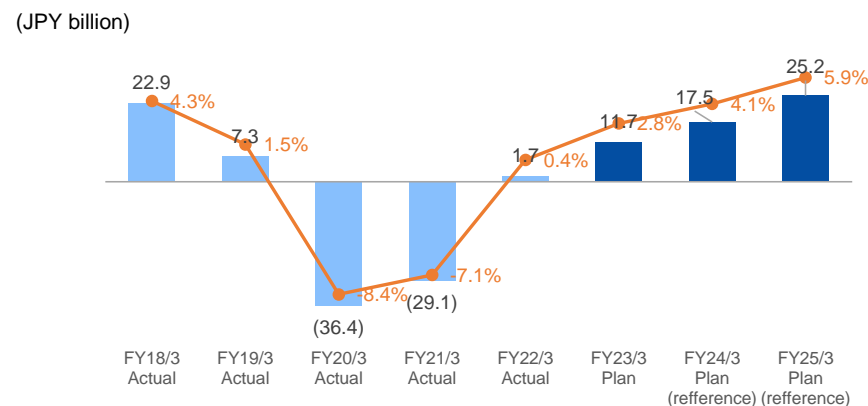
Sales



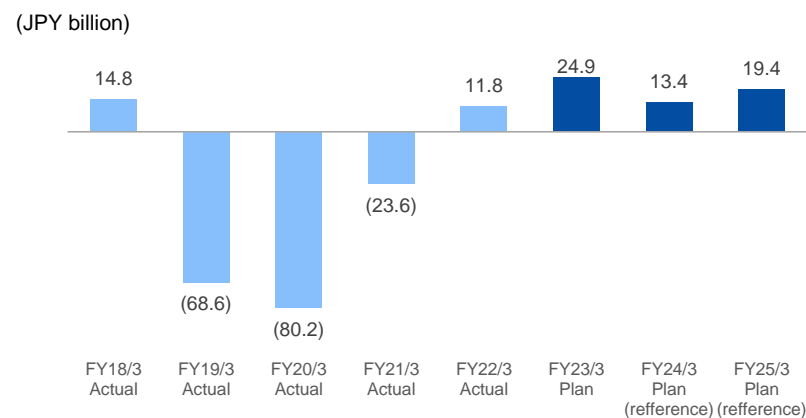
Gross profit



Operating profit



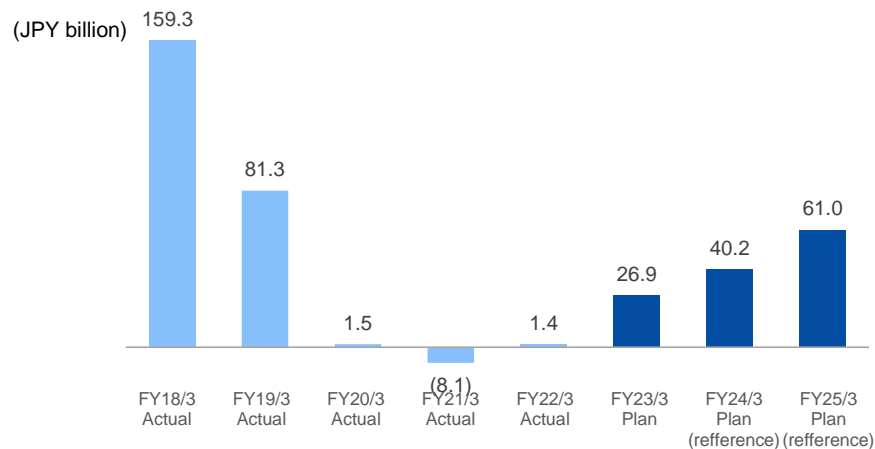
Net income*



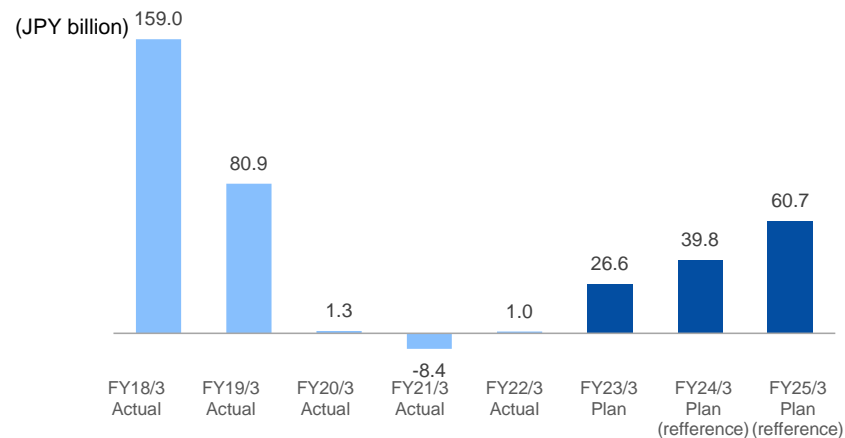
* Net income refers to net income attributable to shareholders of the parent.

The Company eliminated excessive liabilities per Tokyo Stock Exchange’s definition at the end of March 2022. In addition to strengthening capital by recording net income, the Company starts to consider from FY2022 to FY2024 implementing shareholders return such as payment of dividends and share buybacks.

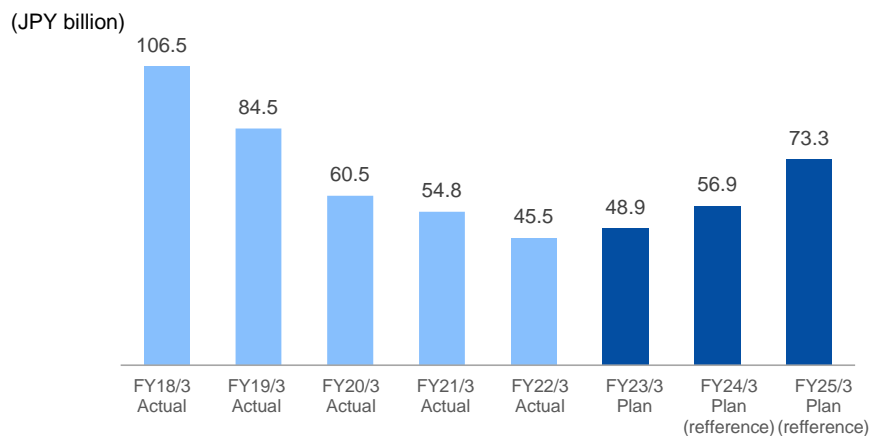
Ownership equity + Share subscription rights



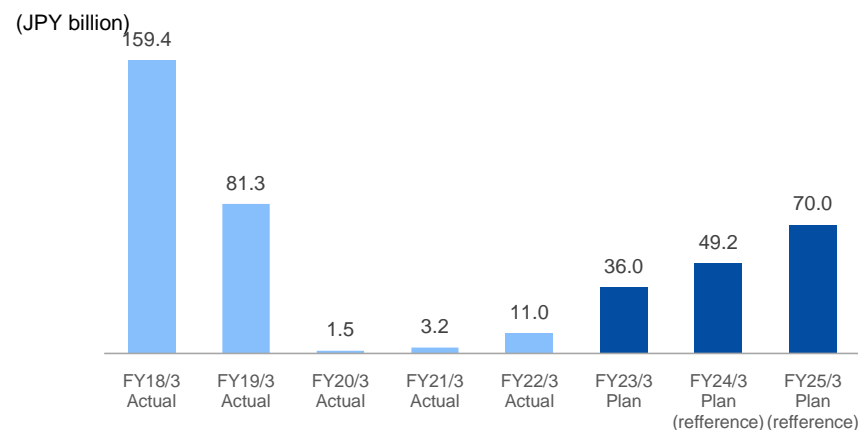
Ownership equity



Cash and deposits



Total net assets



Chapter 2

Optimize Cost Structure

Cost of sales and SGAE successfully achieved the plan by making reduction of JPY 41.5 billion through efficiency improvement measures such as cost curtailment across the board and reviewing operation flow.

FY2021 Revised Plan (Feb.)

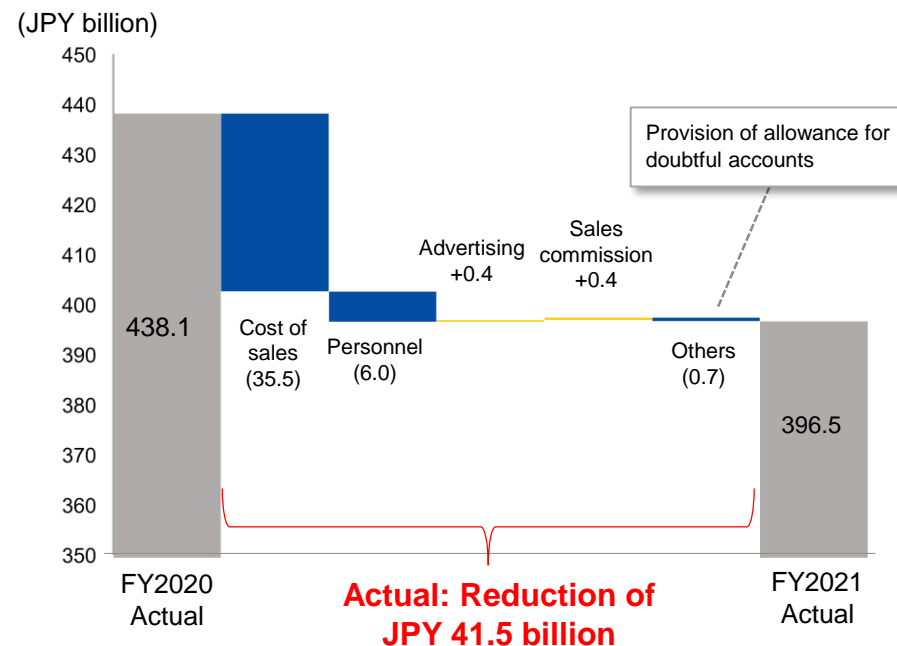
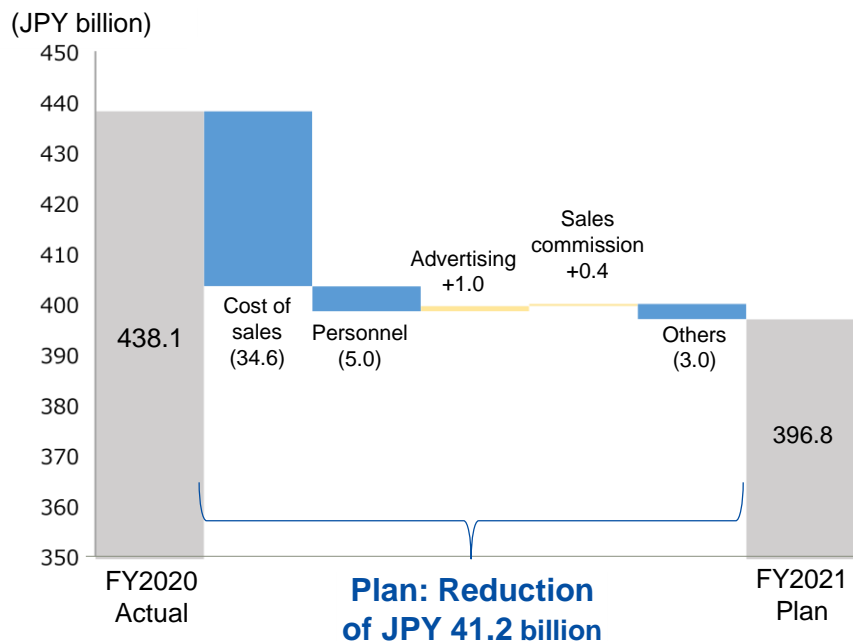
FY2021 Actual

◆ Decrease in Cost of Sales -Main Items

- Leasing operation About JPY -12.2 billion
- Leasing management About JPY -6.5billion
- Construction and real estate About JPY -10.9 billion

◆ Decrease in Cost of Sales -Main Items

- Leasing operation About JPY -15.9 billion
- Leasing management About JPY -6.5 billion
- Construction and real estate About JPY -10.9 billion

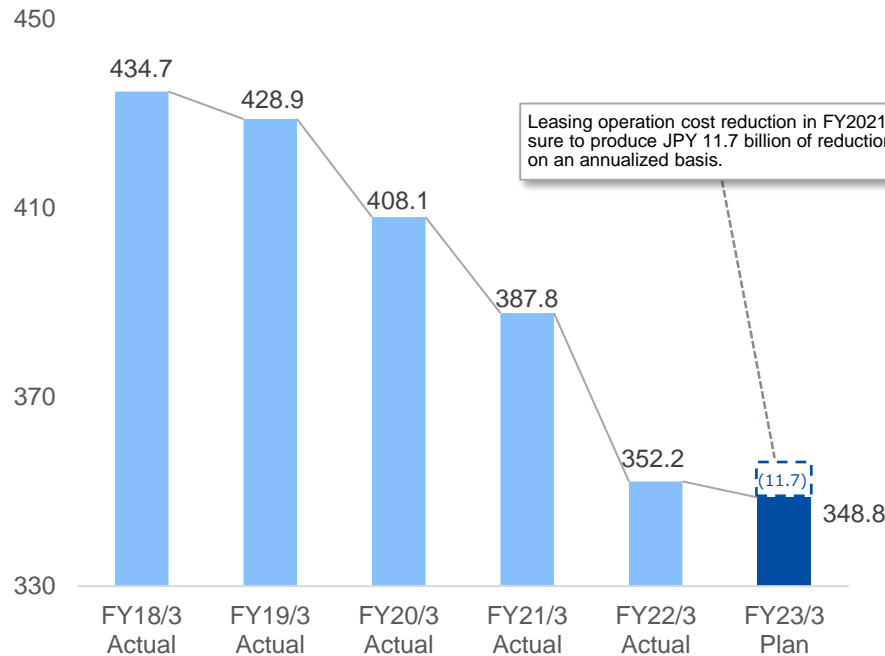


The Company will see increased leasing management cost based on proper maintenance for apartment buildings in FY2022 but expect continued reduction of cost of sales against the previous fiscal year, reflecting progress in contractual adjustment for master-lease rent and cost of operating *Leonet*, internet services.

Cost of Sale Plan

Decrease in Cost of Sales –Main Items

(JPY billion)



Leasing operation cost reduction in FY2021 is sure to produce JPY 11.7 billion of reduction on an annualized basis.

- FY2017-FY2022 Total decrease: About **JPY 85.9 billion**
- FY2021-FY2022 Total decrease: About **JPY 3.4 billion**

◆ **Leasing Operation : YoY JPY -8.3 billion**

- Continued contractual adjustment for master-lease rent since FY2021 makes substantial reduction in rent payable to owners.
- Provision for apartment vacancy loss (- means positive)
FY2021: JPY - 6.6 billion, FY2022: JPY – 3.0 billion (JPY 3.6 billion YoY)
- Utilities expenses for monthly rental contracts increase JPY 1.2 billion YoY due to occupancy rate improvement and rise in electricity and gas rates

◆ **Leasing Management: YoY JPY +6.3 billion**

- Leasing management cost substantially increases reflecting increasing number of maintenance operation despite continued operation flow improvement since FY2021.

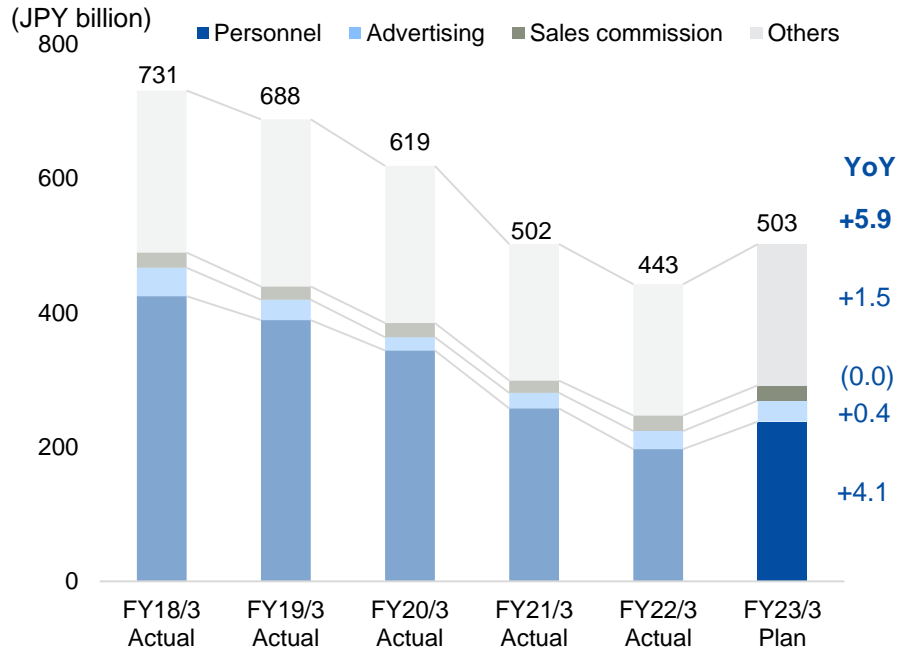
◆ **Construction and Real Estate: YoY JPY -0.3 billion**

- level off due to ceased new order intake, same as FY2021.

Personnel expenses increase because of recording provision for bonuses; increase in taxes and public charges and sales commission expense are offset by cost reduction as a result of operation efficiency improvement measures and selective concentration for optimizing cost structure.

SGAE Plan

Measures



◆ **Centralized leasing operation**

- Rental contracts operation in the respective leasing sales offices is centralized in Tokyo and Osaka area.
- Improve operation efficiency through increased portion of non-regular workforce and efficient deployment.
- Establish two centralized sites in Saitama and Osaka in FY2022.
- Time-saving effect after centralization
Saving time: 120 thousand hours per year

◆ **Outsourced call center operation**

- Keep 24 hours a day / 7 days a week operation without redundant staffs
- Outsourced for a specific time of hours a day to achieve overall efficiency
- Objectives:
 1. Cost reduction: approx. JPY 120 million / year (FY2021 actual)
 2. Reduction in system license fee by smaller number of staffs
 3. Keep reasonable level of response rate and quality

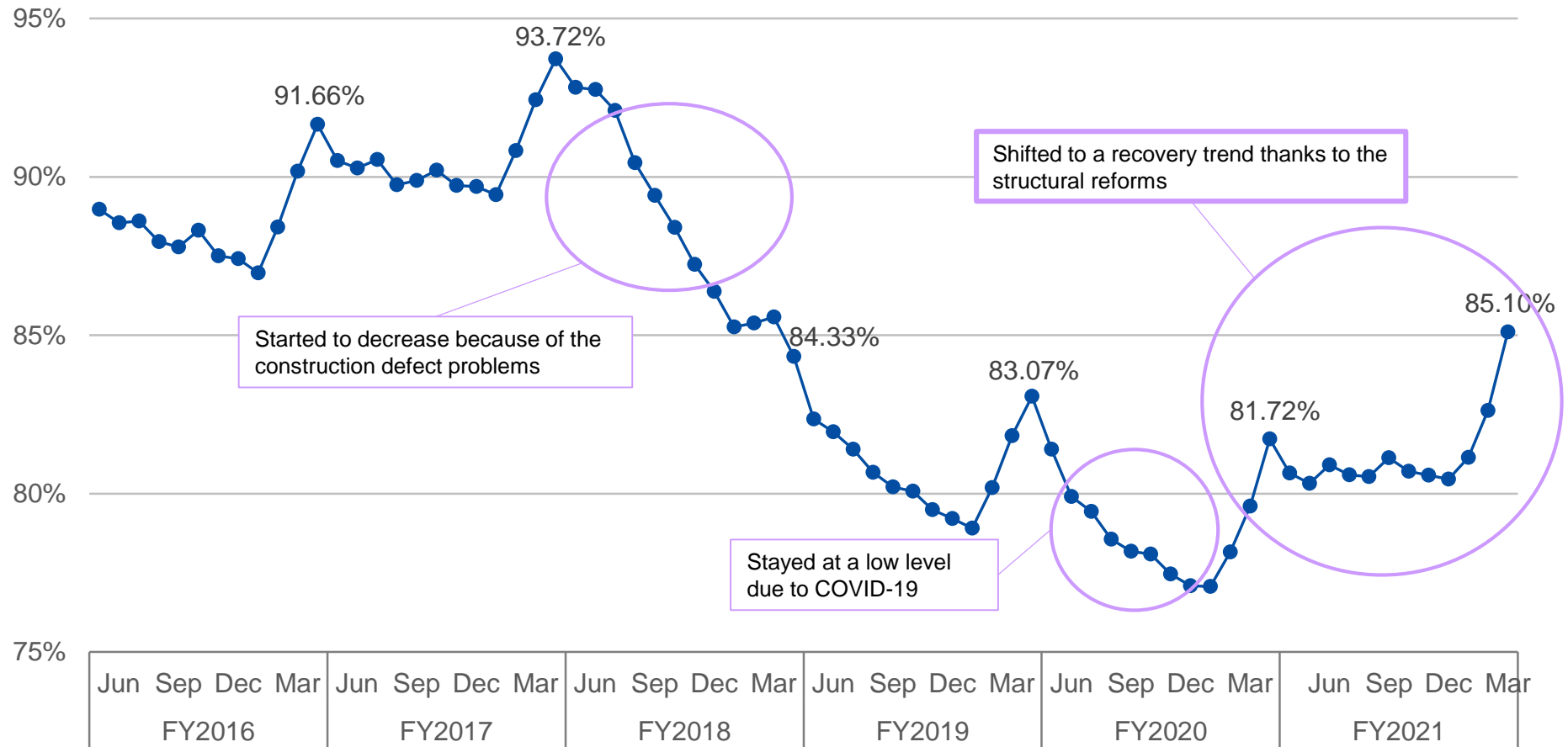
- FY2017-FY2022 Reduction in personnel
About JPY 18.6 billion
- FY2020-FY2021 closed 80 leasing offices (FY2020: 50, FY2021: 30)
Reduction of about JPY 0.4 billion
- Main items of "Others"
Taxes, commission fees, rental fees, repair and maintenance

Chapter 3

Occupancy Improvement Measures

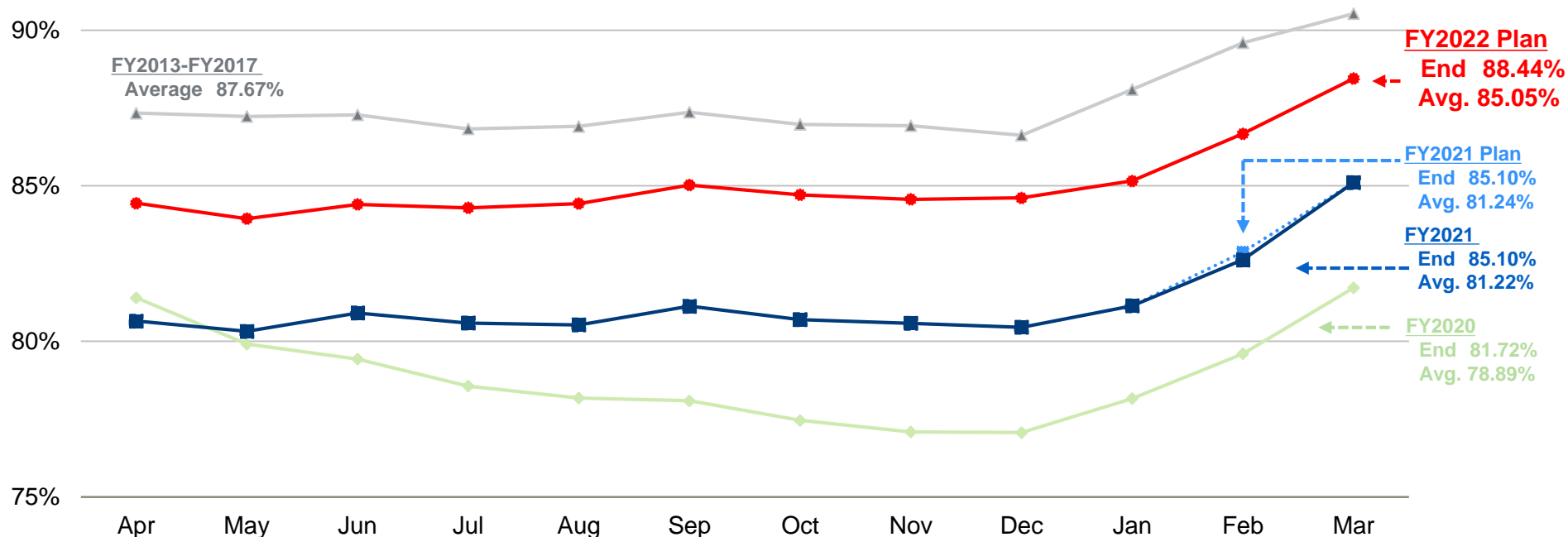
Occupancy rate had been increasing until FY 2017 after the Lehman collapse, it started to decrease from FY2018 due to the construction defects problem and COVID-19. By implementing measures to improve occupancy rate, it bottomed out in December FY2020 and turned to a recovery trend.

Occupancy Rate



The occupancy rate has been improved over FY2020 - FY2021 due to the occupancy rate boosting measures amid reducing impact by COVID-19 pandemic.

The Company strives to achieve 88.44% at the end of FY2022 and 85.05% as the average of FY2022 by continued occupancy rate boosting measures. Occupancy Rate



Apr-Aug	Sep-Dec	Jan-Mar
Downward trends because the number of leavers increase at the completion of training sessions in the corporate customer segment and moving demand is settled down concerning going to college or getting a job in the individual customer segment.	Slight upward trends in Sep backed by corporate customers' relocation demand and increase of international students for enrollment in autumn; marginal changes for Oct – Dec lacking demand-generating events.	Upward trends due to factors comprising corporate customers' relocation demand for the coming fiscal year, and emerging new students and new workers who look for apartment rooms. Approx. 3.8 point increase is targeted for Q4.

The Company implements measures of boosting occupancy rate for segmented customers to achieve the plan. Efforts are made to attract increasing number of foreign national customers of technical interns for designated activities and international students reflecting the relaxation of immigration restrictions in FY2021.

Acquire larger share at each corporate customer

Obtain customer's buy-in for realizing corporate housing strategy as an expert

- ◆ Top-level sales activities
Involve senior management team in customer interaction for resolving issues.
- ◆ Strengthen sales organizational structure
Reorganized the sales departments from five to eight in Tokyo metropolitan area aiming for increased customer interaction time.
- ◆ Individual customer strategy
Promote customers' use of rooms by responding to specific customer requirement.

Selected five industries for increased market share: staffing & outsourcing, construction, transport, food service, and distribution

Attract specified skilled workers ^{*2} for increased use of rooms

Increase the use of rooms by specified skilled workers by collaborating with staffing agencies for foreign nationals and establishing stronger relationship with the support agencies.

Attract increased number of individual customers through real estate agents and use of web-based services

- ◆ Strengthen sales to real estate agencies by working with major real estate agents and Village House in Fortress group.
- ◆ Achievement in FY2021
 - Number of rental contracts through real estate agencies: 35,576 (an increase of 34.2% YoY)
 - Ratio of contracts with individual customers through agencies: 38.9% (an increase of 6.9p YoY)

Strengthen web-based customer attraction ^{*1}

Reinforced digital marketing
⇒ Increase responses by drawing more traffic to the Company website

Attract international students ^{*2} for increased use of rooms

Acquire the increasing demand by international students coming to Japan as a result of relaxation of immigration restrictions. Utilize seven IFCs, and strengthen relationship with real estate agencies and service providers which cater for students' needs.

*1 Refer to P25 for details

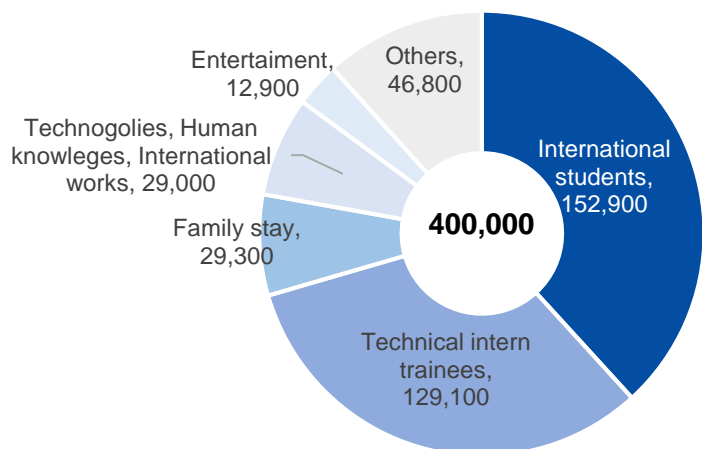
*2 Refer to P22 for details

The number of foreign nationals is expected to gradually increase due to the relaxation of immigration restrictions. Targets are set for each category of immigrants, aiming to acquire tenants at the level of FY2019 which is before the expansion of COVID-19.

FY2022 Plan

- Number of contracts by foreign nationals (individual only)
Acquire about **13,000 contracts (+65% YoY)**

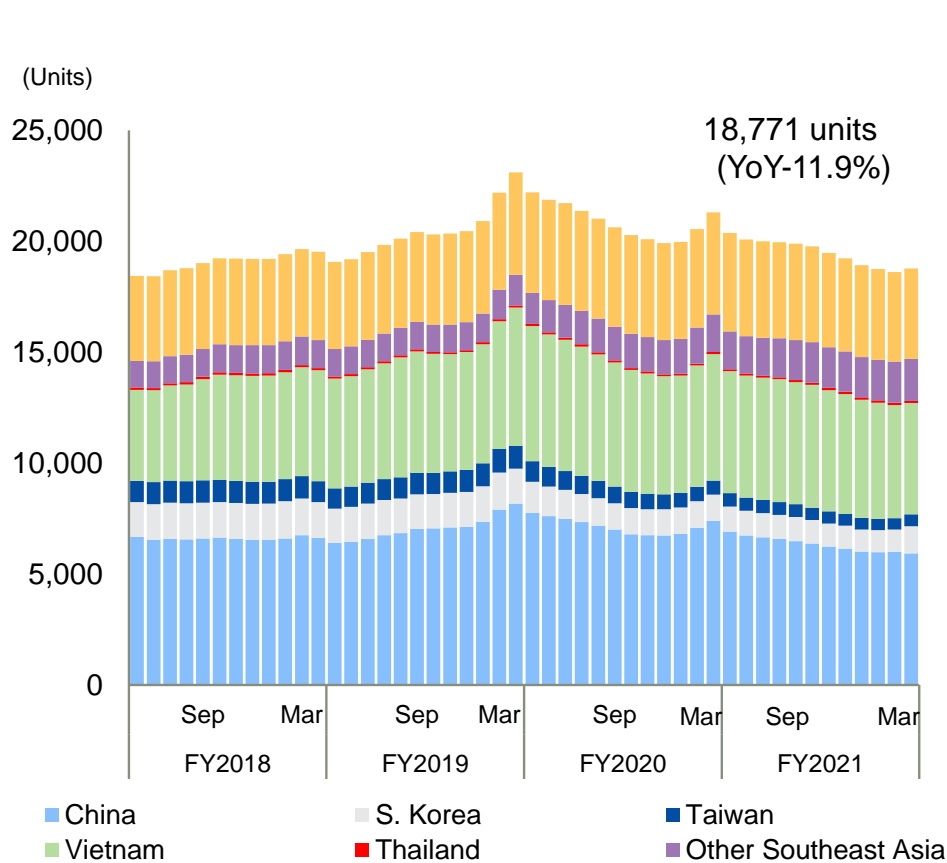
▼ Number of non-immigrants who have been issued a "Certificate of Eligibility" (as of January 4, 2022)



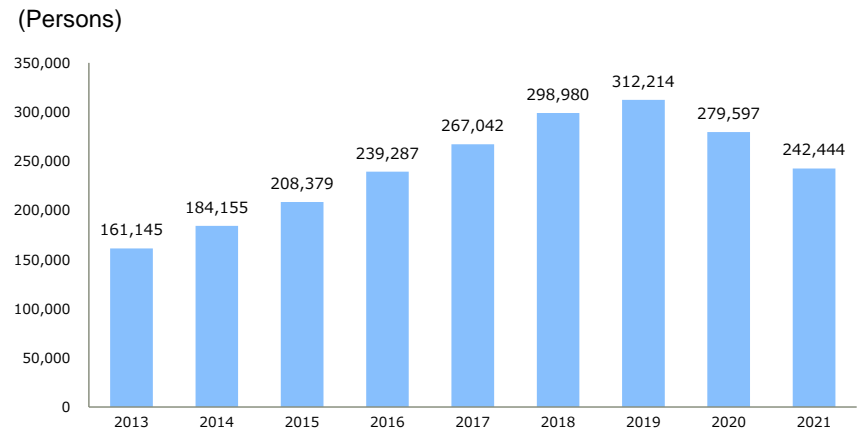
Target	Main measures to get response
International students	<ul style="list-style-type: none"> University, business college, Japanese language school Real estate agents Study abroad center
Workers	<ul style="list-style-type: none"> Real estate agents Employment Agencies
Specified skilled workers	<ul style="list-style-type: none"> Specified skilled workers support organizations Real estate agents Companies accepting foreign workers
Technical intern trainees	<ul style="list-style-type: none"> Supervising organizations Companies accepting foreign workers

Number of units used by foreign national tenants is about 330 thousand, comprising about 180 thousand individual customers and 140 thousand under corporate contracts, 6.9% of total occupation. (FY2021 result: (0.7) p. YoY, (0.1) p. QoQ)

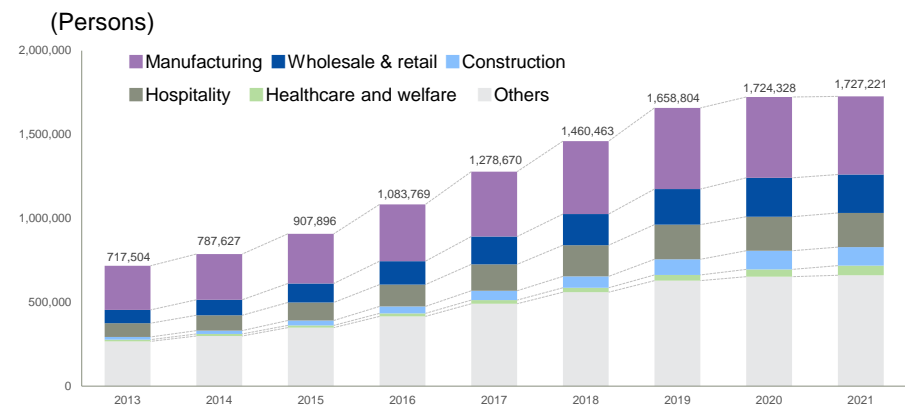
Occupied Units by Foreign Nationals
(Excluding Corporate Contracts)



International Students in Japan*1



Foreign Workers in Japan*2



*1 Excerpt from "Result of an Annual survey of International Students in Japan 2020" (Japan Student Services Organization)

*2 Excerpt from "Employment status of foreign workers in Japan" as of end of Oct 2021 (Ministry of Health, Labor, and Welfare)

Chapter 4

Offer DX Solutions

Focus on digital marketing for FY2022 for effective investment and make use of rental website with multi-language support for acquiring increased number of inquiries from potential tenants including foreign nationals to grow successful rental contracts.

Optimize Digital Marketing

Rental Website with Multi-language Support

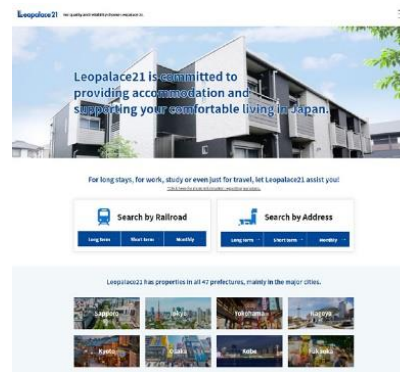
Major initiatives for FY2022

- 1 Add method of digital marketing and renew rental website for room-search
- 2 Look into tracking records of the users-visitors and monitor the profitability of each media
- 3 Actively post the rental units information on real estate portal sites



Target for FY2022:

- Number of website users-visitors +46% yoy
- Number of rental contract conversion +61% yoy
- Continue to further strengthen digital marketing



- ◆ **Accommodate five languages:** English, Chinese in both traditional/simplified characters, Korean and Vietnamese
- ◆ **Full functionality of room search to application of contract from anywhere in the world**
- ◆ **Language is no longer a restriction** for foreign national customers to look for a room through specifying conditions to cope with individual needs

Leopalace21 has digitized all the process to conclude rental contracts with the customers apart from the term tenant contracts which require by law written documents to be presented to the tenants.

Every step from room search to contract signing can be completed without face-to-face transactions.

Development of Web-based Contracts



◆ **2015- Leo-sign (Electronic contract)**

Launched in 2015.
Fit for increasing trends of skipping seals on paper.
Employed by corporates for 56,456 cases (34.0%) during FY2021.

◆ **2019- Web-based contract**

Launched in Jun 2019.
Enabled non-face-to-face contract signing.
FY2021 plan: 25,000
FY2021 results: 25,641

◆ **2020- Web-based customer services**

Launched in Oct 2020.
Enabled to use online room viewing and customer services. All procedures are possible without visiting our leasing sales offices combined with WEB-based contract signing and *LeoLock*.

◆ **2021- eKYC (Know Your Customer)**

Launched in Jan 2021.
Replaces submission of identity verification document and interview for identity verification with a digitized ID document and a web-based interview.

Started to install smart locks in FY2022 in addition to the services which we have been providing. Changed the connectivity and updated *LEONET* to be able to handle a large data capacity that is less likely to cause line delay.

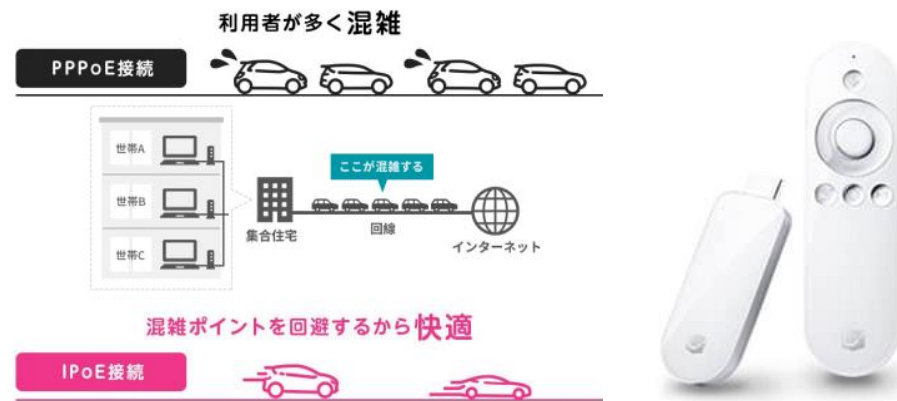
Smart lock

- ◆ Leopalace21 is installing the smart locks to **440 thousand apartment units**, or approx. 80% of its apartment units under management, starting from June 2022.
- ◆ The smart lock enables tenants to view rooms or move in the room **without visiting leasing sales office** for key handover. It **prevents face-to-face procedure** as a protective measure against infectious diseases.
- ◆ Tenants can **avoid the lost key** because the entrance door can be unlocked by multiple authentication method using a smart phone, a smart card, or a PIN entry to a numeric keypad.



LEONET

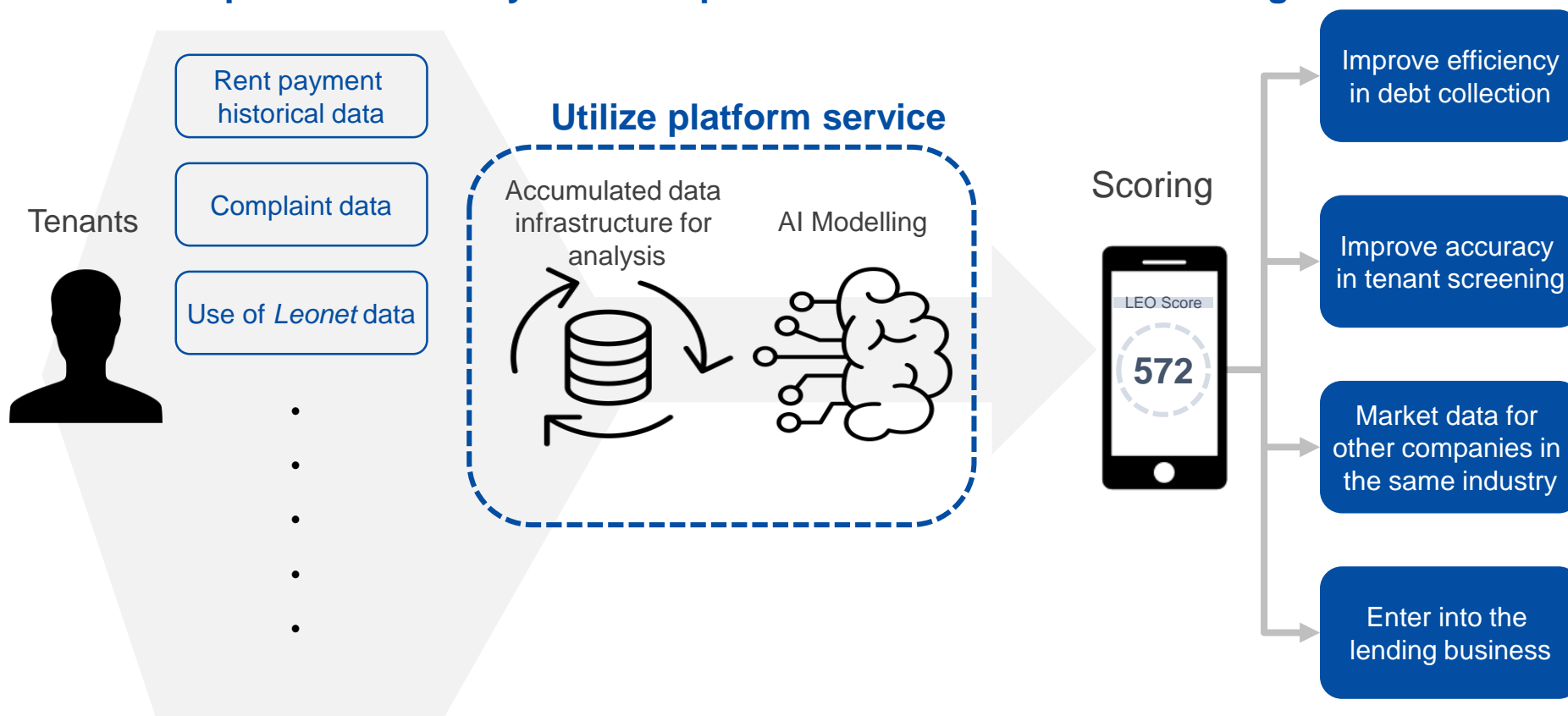
- ◆ Internet connection service comes standard with all apartment rooms which also offers various content such as CS broadcasts and shopping.
- ◆ Upgrade the connection mode for FY2022 for **increased benefit of tenants** from the current PPPoE to IPoE method for **broader bandwidth to avoid delay n transmission speed** step by step.



Apply AI technology to the huge accumulated data through Leasing Business operation. Investigate a business possibility of selling outside AI-powered creditworthiness scoring service and further develop to a platform business.

Possibility to develop to a platform business

Prepare a scheme by use of AI-powered creditworthiness scoring service



Chapter 5

Strengthen Corporate Governance / Promote Greener Operations

Further improve risk sensitivity and compliance awareness of all officers and employees by strengthening the functions of risk and compliance representatives in each department.
 Procurement department was established in January 2022 so that it contributes to fortify the governance system and adhere to Leopalace21 Group CSR Procurement Guidelines.

Promote compliance

Aiming to transform into a corporate culture that motivates staffs to think and act based on Compliance First policy

Initiatives in FY2022

- ◆ **Improve risk sensitivity and compliance awareness**
 The Compliance Promotion Department aims to improve the risk sensitivity and compliance awareness of officers and employees through the trainings and development of teaching materials of that reflect the various specific cases of risk and compliance accumulated so far and the request by officers and employees.
- ◆ **Strengthen the functions of risk and compliance officers in each department**
 Each department will proactively respond to risk and compliance cases to improve self-propelled responsiveness and at the same time improve risk sensitivity and compliance awareness of each department.

Established Procurement Department and Procurement Management Committee

Tightened the control of procurement process of goods and services including supplier selection based on Leopalace21 Group CSR Procurement Guidelines

Procurement department

- ◆ Newly established department in the Business Management Headquarters on Jan 26, 2022 in order to adhere to the CSR Procurement Guidelines.
- ◆ Procurement department will proceed with planning and execution of purchasing processes such as bidding, and will procure based on transparent and strict purchasing processes such as bidding for each type of transaction and type of procured product.

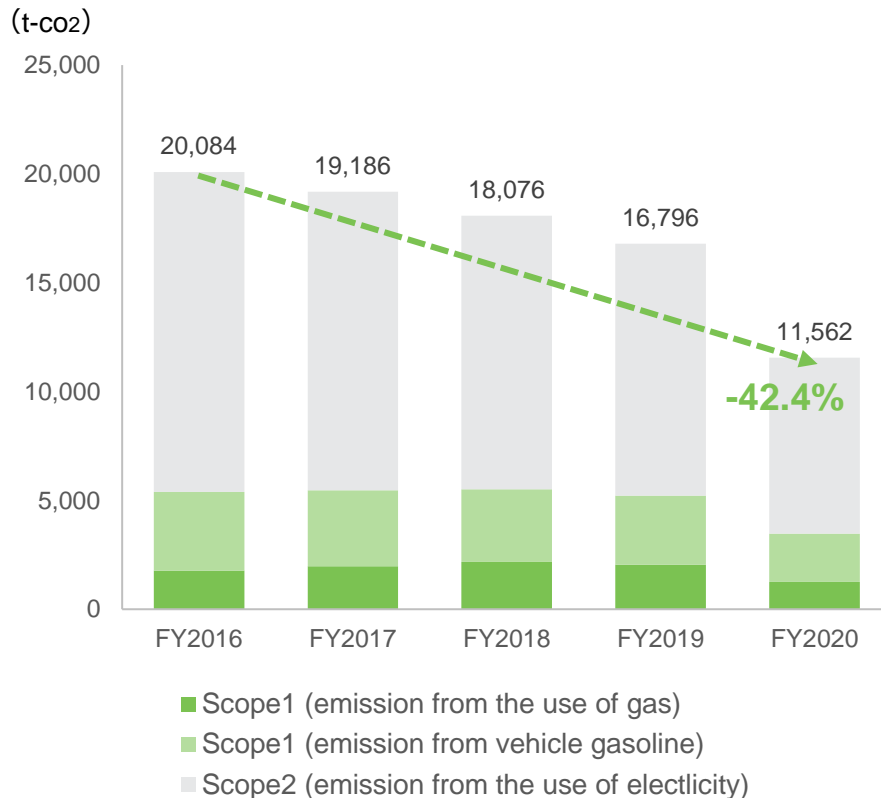
Procurement Management Committee

- ◆ Chaired by CEO and consisted of GM of the Business Management Headquarters, CLO, and the head of each management department.
- ◆ Deliberation and decision on important matters related to purchasing, ensuring appropriate quality and stricter selection of suppliers.

The Japanese government set a goal of reducing the CO₂ emissions by 46% in FY2030 compared to FY2013. In line with this goal, the Company have set a goal of reducing the Scope 1 and 2 CO₂ emissions – emissions from the use of electricity and gas, and vehicle gasoline by 26%.

CO₂ Emissions for Scope 1 and 2

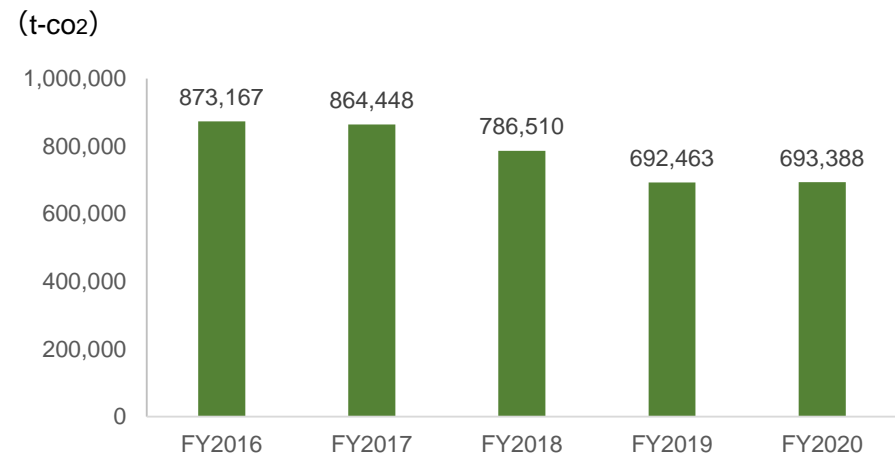
Goal:
Reduce the emissions by 26% in FY2030 compared to FY2016



Disclosure Based on TCFD Framework

- ◆ The Company expressed to support the recommendations by TCFD and participated in the consortium during FY2021.
- ◆ Launched a project for disclosure based on TCFD framework.
- ◆ The Company plans to disclose its activities in June 2022 on HP and the corporate governance report.

CO₂ Emissions for Scope 3



Chapter 6

Handling Construction Defects

Expected number of repaired units in the future: About 38,000 rooms

Of the 98,200 rooms that have been deducted from "requiring repairs" and "repairs completed", 22,606 units have already been found to be defective by the investigation. It is expected that about 38,000 units will be requiring repairs, including 15,000 uninvestigated rooms that are predicted to be defective based on the results of the investigation so far.

(As of April 2022)

Apartment series	No. of buildings	No. of buildings containing obvious defects	No. of all rooms which corresponds to No of buildings containing obvious defects	No. of rooms		Expected No. of to-be-repaired rooms
				requiring repairs	with repairs completed	
Nail Series / Six Series Total	15,283	7,764	121,952	90,401	45,209	22,000
Other Series Total	23,802	4,630	72,086	58,598	5,640	16,000
Grand Total	39,085	12,394	194,038	148,999	50,849	38,000

Steadily repairing construction defects while continuing to rebuild the financial base.
 Aim to eliminate obvious defects by the end of 2024.

* Progress of repair work: <https://www.leoplace21.co.jp/info/pdf/2021/progress.pdf>

* Fundamental approach to prevent recurrence : <https://www.leoplace21.co.jp/info/pdf/2021/progress.pdf>



Appendix

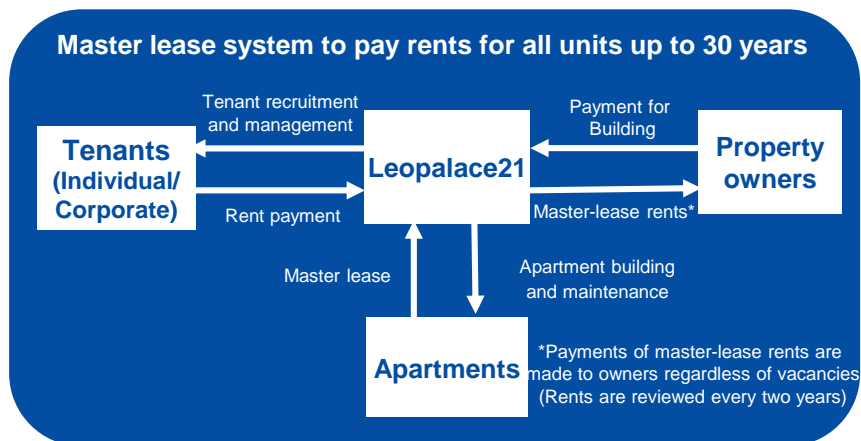


Corporate Data (as of March 31, 2022)

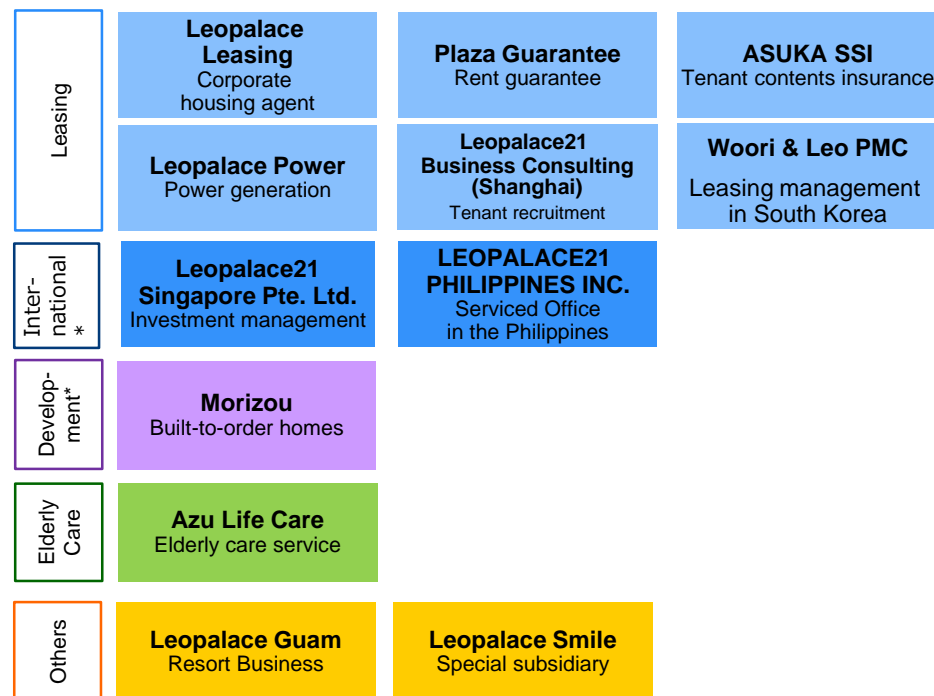
Established	August 17, 1973
Paid-in Capital	JPY 100 million
Representative Director	Bunya Miyao, President and CEO
Employees	4,356 (consolidated), 3,589 (non-consolidated)
Authorized Shares	750,000,000
Outstanding Shares	329,389,515 shares (not including 159,748,700 dilutive shares)
Shareholders	50,972

Business Model

Offer 570,000 studio-type units equipped with furniture and home appliances
 approx. 80% of listed companies have used Leopalace21's services



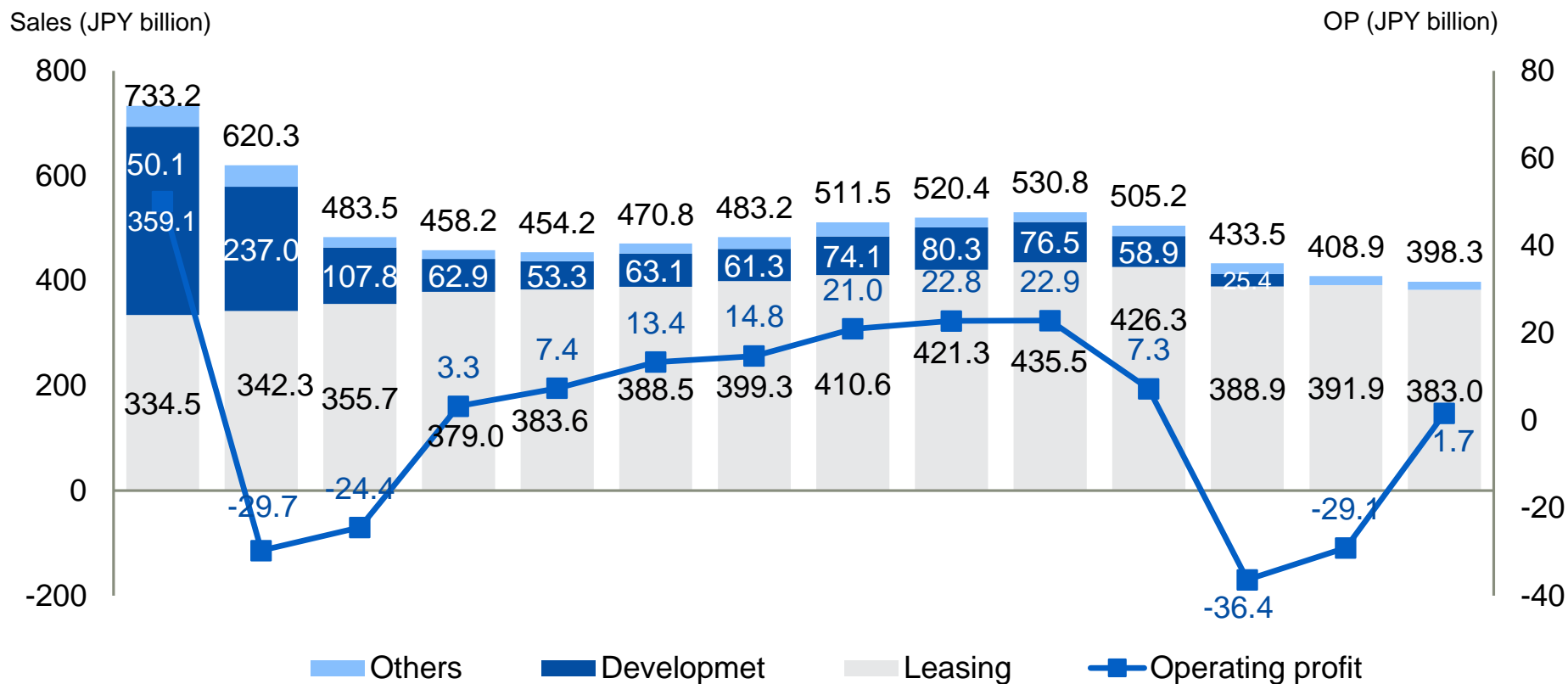
Group Companies (as of March 31, 2022)



- Results of the International Business and the Development Business are reported under the Leasing Business segment

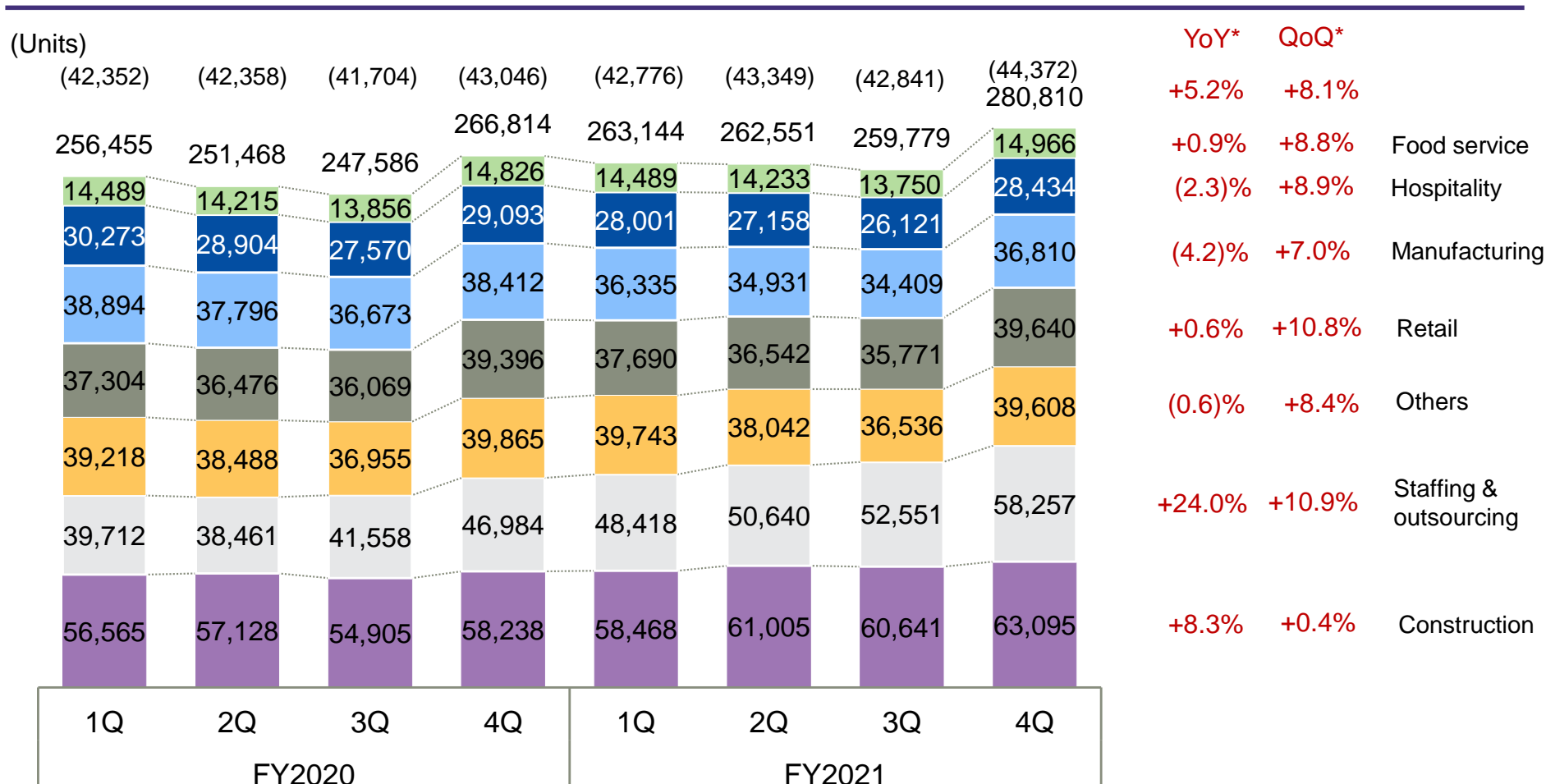
Leopalace21 reported operating losses for two consecutive years in FY2009 and FY2010 affected by the Lehman Collapse. As a result, the Company shifted the business model to center on the Leasing Business in order to realize a stable earnings structure for the mid to long term. Construction defects problem was revealed in FY2018. The Company recorded operating losses for the two consecutive years from FY2019 hit by COVID-19 impact despite its effort to be profitable by implementing structural reforms in FY2020. Operating income became positive in FY2021 by continuing structural reforms.

Results Trends



Approximately 80% of listed companies in Japan have used Leopalace21 services. The strong demand remained in staffing & outsourcing and construction during FY2021. Food service, hospitality, and retail also remained at a high rate of increase in Q4 due to the mitigated impact of COVID-19 pandemic.

Number of Occupied Units by Industry

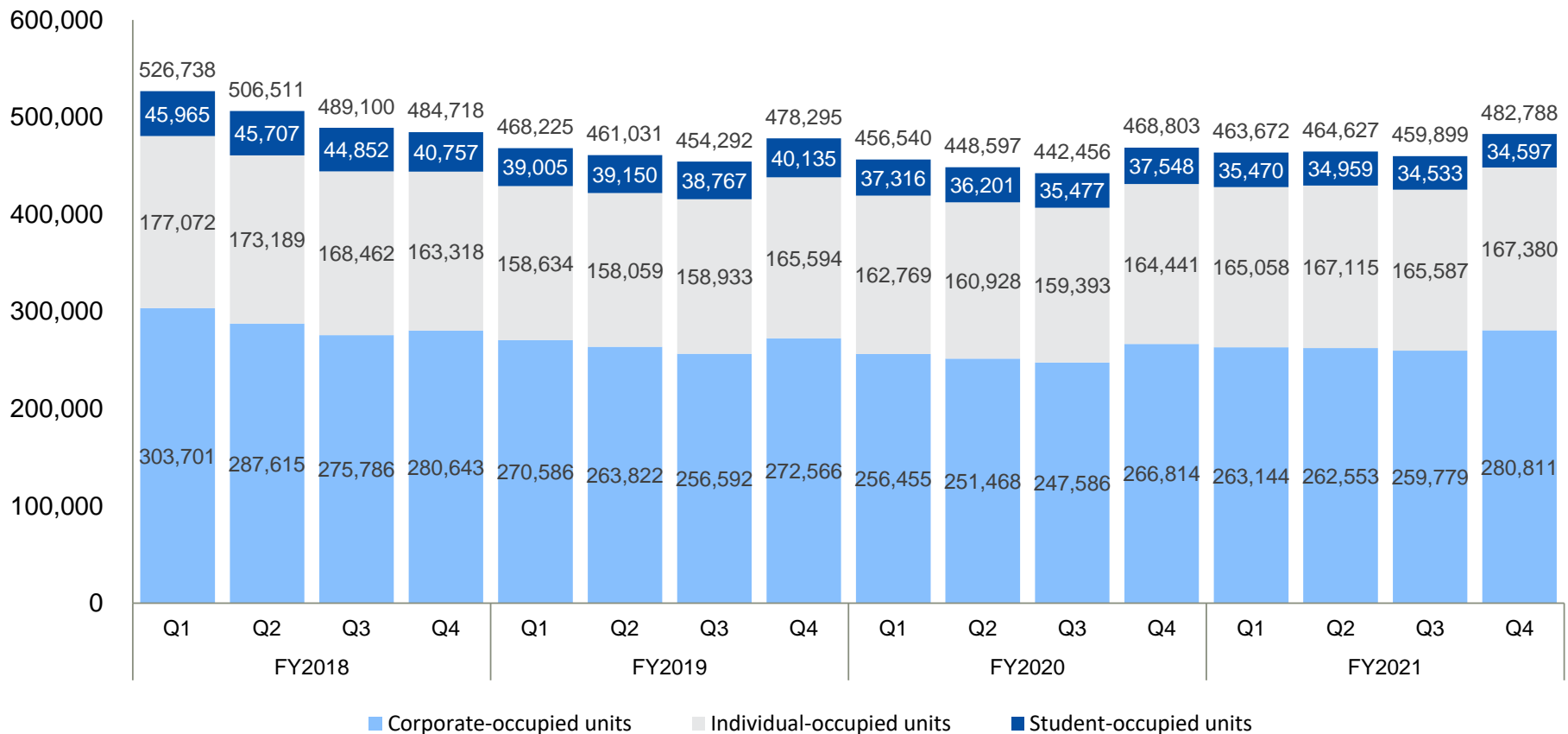


* YoY: compared with Q4 FY2020, QoQ: compared with Q3 FY2021

The number of corporate and individual occupied units has increased YoY by implementing measures to improve the occupancy rate and mitigated impact of COVID-19 pandemic.

Students decreased YoY due to the decrease in international students resulting from immigration restrictions.

Shares of Occupied Units by Group*



* Figures are as of the end of each quarter

Occupancy rate of all prefectures except Tokushima increased QoQ due to the implementation of measures to improve occupancy rate and the mitigated impact by COVID-19 pandemic.

The national market has been divided into 7 areas from FY2021 in which sales, cost and profit are individually managed.

Managed Units and Occupancy Rates by Area

Managed unit: in thousands, Occupancy:%	Q4 FY2021			
	Managed units	Occupancy rate	YoY	QoQ
Hokkaido	13	78%	+8p	+6p
Aomori	4	84%	+1p	+1p
Iwate	3	94%	+5p	+2p
Miyagi	10	84%	+3p	+5p
Akita	2	94%	+8p	+8p
Yamagata	4	83%	±0P	+3p
Fukushima	10	82%	±0P	+5p
Ibaraki	15	84%	+6p	+5p
Tochigi	11	84%	+7p	+4p
Gunma	12	78%	±0P	+1p
Saitama	46	85%	+3p	+4p
Chiba	34	80%	+2p	+5p
Tokyo	45	86%	+3p	+6p
Kanagawa	41	90%	+6p	+7p
Toyama	5	80%	+4p	+6p
Ishikawa	5	75%	△3p	+4p

Managed unit: in thousands, Occupancy:%	Q4 FY2021			
	Managed units	Occupancy rate	YoY	QoQ
Fukui	4	94%	+1p	+5p
Yamanashi	4	86%	+5p	+3p
Nagano	11	86%	+6p	+3p
Niigata	9	79%	+1p	+2p
Gifu	7	87%	+4p	+5p
Shizuoka	25	77%	+2p	+4p
Aichi	41	89%	+5p	+4p
Mie	12	85%	+9p	+5p
Shiga	8	94%	+8p	+6p
Kyoto	9	89%	+4p	+5p
Osaka	31	83%	+3p	+5p
Hyogo	22	85%	+3p	+5p
Nara	3	87%	+5p	+4p
Wakayama	3	77%	±0p	+4p
Tottori	2	91%	△2p	+3p
Shimane	2	96%	+3p	+3p

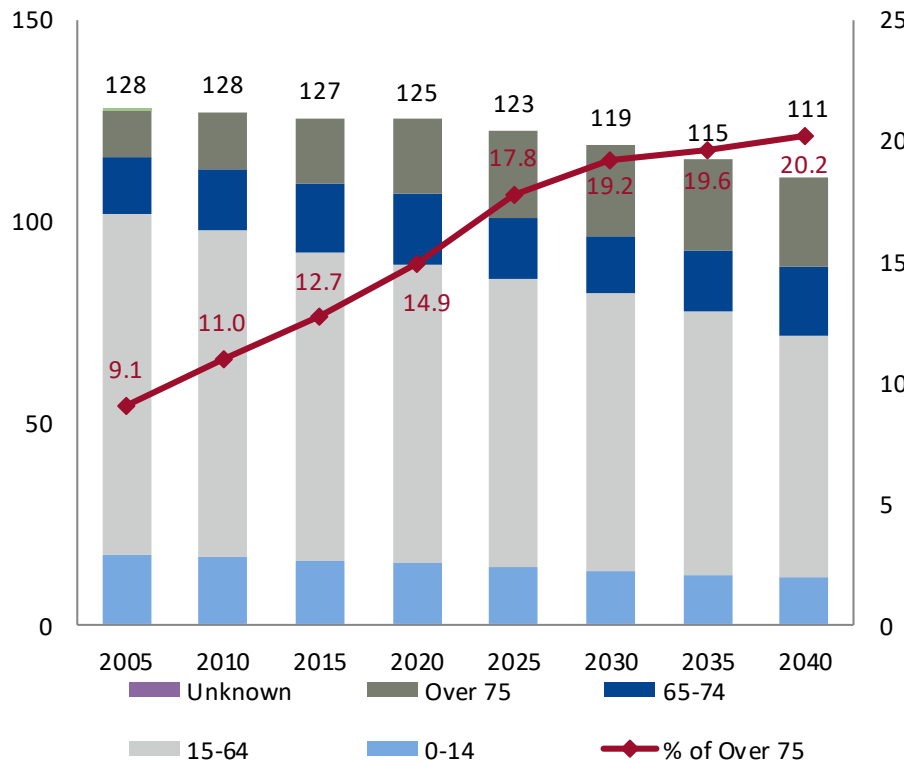
Managed unit: in thousands, Occupancy:%	Q4 FY2021			
	Managed units	Occupancy rate	YoY	QoQ
Okayama	12	84%	±0p	+3p
Hiroshima	14	88%	+2p	+5p
Yamaguchi	7	90%	+3p	+7p
Tokushima	2	89%	+6p	△1p
Kagawa	5	80%	△1p	+5p
Ehime	4	86%	+1p	+3p
Kochi	2	86%	+4p	+4p
Fukuoka	20	87%	+2p	+5p
Saga	3	91%	+4p	+6p
Nagasaki	2	93%	+1p	+4p
Kumamoto	7	90%	+5p	+5p
Oita	4	84%	+1p	+4p
Miyazaki	2	84%	△1p	+4p
Kagoshima	3	86%	±0p	+3p
Okinawa	5	94%	±0p	+2p
Total	567	85%	+3p	+5p

* YoY: compared with Q4 FY2020, QoQ: compared with Q3 FY2021

Total population will decrease to 110.92 million in 2040, accelerating the aging society in Japan. On the other hand, single-person households, which is our main target, will continue to increase.

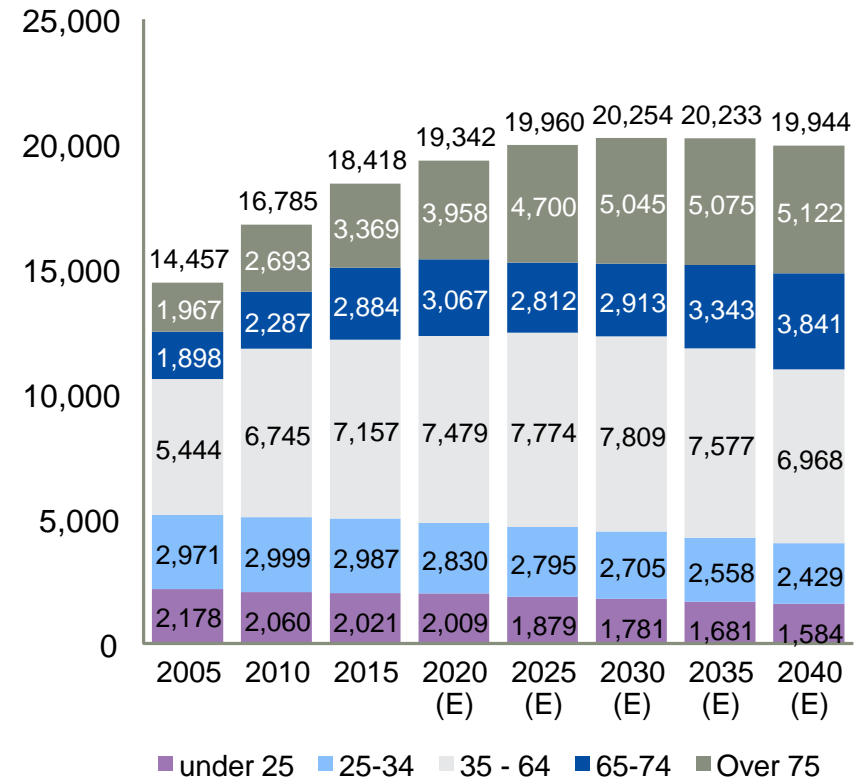
Number of General Households by Category

(Millions of people)



Number of Single-person Households by Age

(Thousands of households)



Source: White Paper on the Ageing Society prepared by Cabinet Office
 Excerpted from "Future Estimates of Households in Japan" (2018, National Institute of Population and Social Security Research)

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