

Leopalace21 Corporation









Financial Results for H1 FY2022

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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Upsided performance for H1

- Achieved plan for sales and respective profits. Full year forecast remains same due to recent occupancy rates lower than the plan, shift in posting some cost items for H2, and changes in market despite upsided H1.
- Cash flows from operating activities was JPY 2.9 billion, positive result for the first time in five fiscal years, resulted in an increase of JPY 11.6 billion YoY.

Structural reforms

- Continued execution of boosting measures made the occupancy rate reach 84% at the end of September, the highest level in the last three years.
- Recorded transferring businesses of Morizou and Woori & Leo PMC, company split for the Elderly Care Business, and liquidation of Cambodian subsidiaries.

Cost control

- Cost of sales decreased by JPY 3.0 billion YoY / by JPY 1.4 billion against the plan. Postponement of leasing management cost contributed to the decrease against the plan and contractual adjustment of master-lease rent worked to the decrease YoY.
- SG&A expenses decreased by JPY 0.1 billion YoY / JPY 2.8 billion against the plan.

Creating new value

- Continued the promotion of DX solutions and qualified as DX Certified Company on November 1, 2022.
- Launched Leopalace Green Energy Project aiming to realize carbon-neutral society.

Construction defects management

- Good progress of plan made the remaining no. of rooms with obvious defects decline to 34,000, decreased by 4,000 rooms from end of April to end of October.
- Repairs of 6,000 rooms from July 2022 to March 2023 are making progress largely in line with the plan..

Chapter 1

Outline of the Financial Results for H1 FY2022

Constant Structural Reforms

- ◆ Increase occupancy rate through following occupancy improvement measures.
 - Foreign national customers:
Capture demand generated by specified skilled workers and by international 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 Policy FY2022

Promoting Sustainability

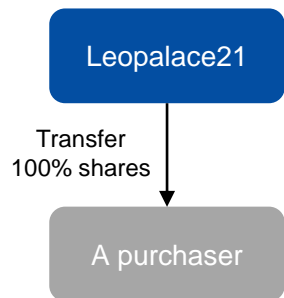
- ◆ Increase operational sustainability from environmental, social and economical aspects
- ◆ Achieve sustainable growth and increase mid-to long-term corporate value through undertaking initiatives in strengthening corporate governance, DX solution offerings and adopting greener operation based on social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

Construction Defects Management

- ◆ 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

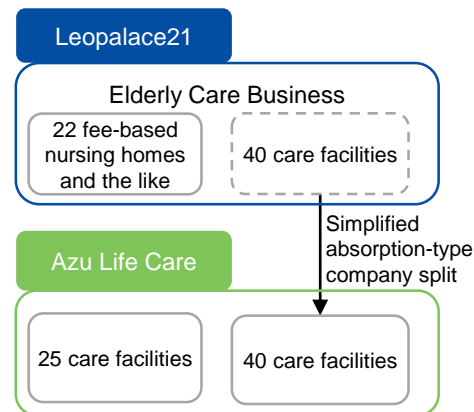
Executed transfer/withdrawal of subsidiaries and company split from the perspective of optimal allocation of management resources in the entire group.

Transfer of Morizou Co., Ltd.*1



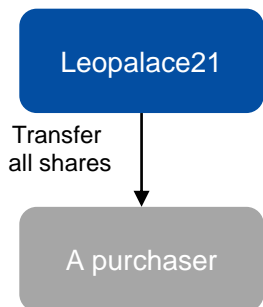
- ◆ Transferred 100% shares in Morizou, a consolidated subsidiary
- ◆ Effective on October 1, 2022
- ◆ Recorded extraordinary loss of JPY 26 million

Company Split for Elderly Care Business*2



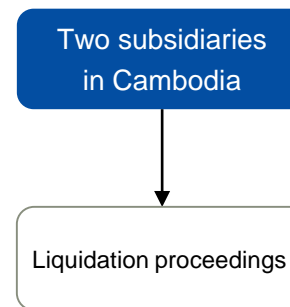
- ◆ Split 40 facilities to integrate them to Azu Life Care, a consolidated subsidiary
- ◆ 22 facilities remain with Leopalace21 for earnings improvement
- ◆ Effective on November 1, 2022

Transfer Equity in Woori & Leo PMC



- ◆ Transferred all shares in Woori & Leo PMC, an equity-method affiliate
- ◆ Transfer contract was effective on August 8, 2022
- ◆ Recorded extraordinary losses of JPY 50 million for H1 financial result

Liquidation of Cambodian Subsidiaries



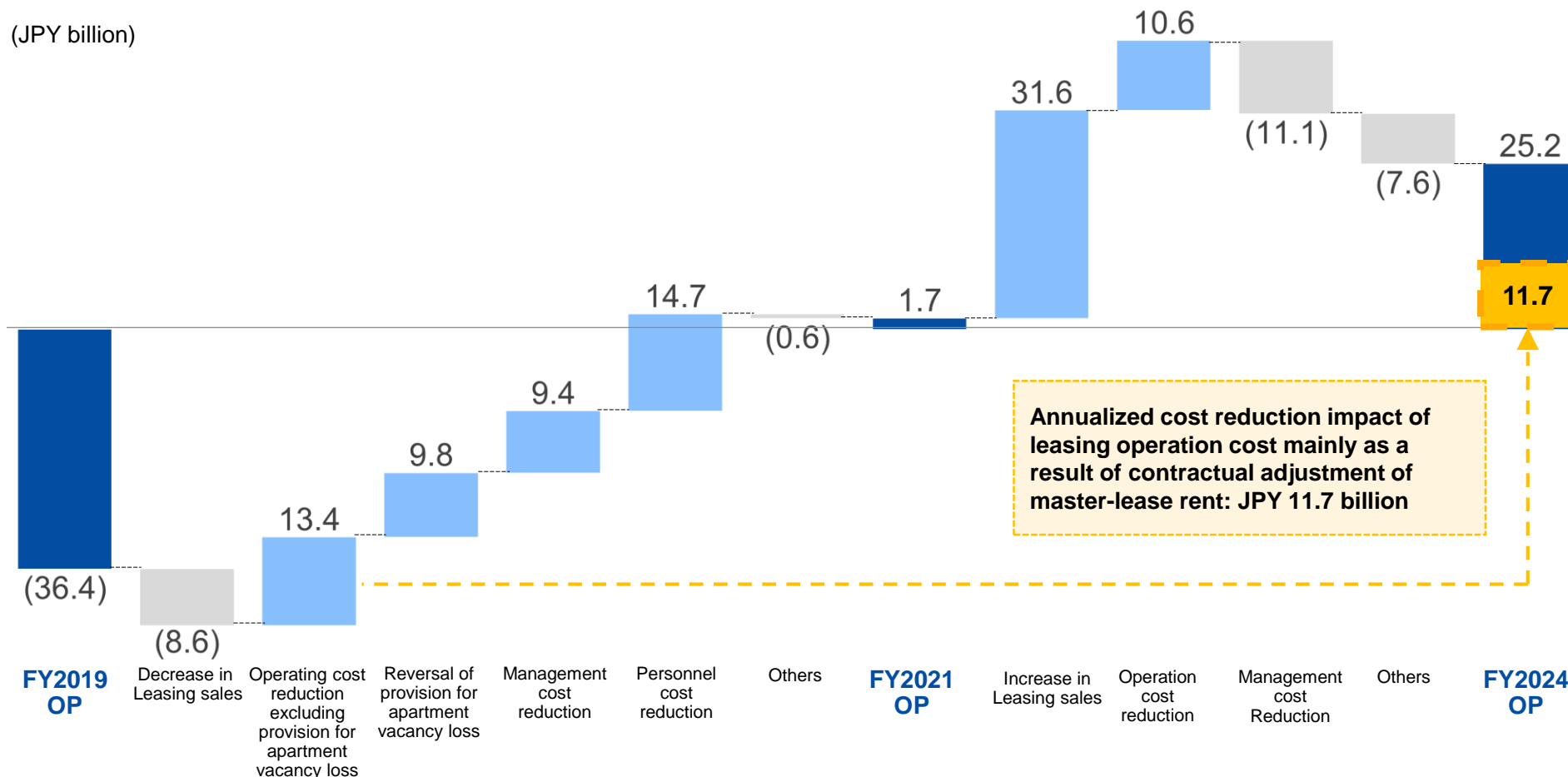
- ◆ Start liquidation proceedings of the two subsidiaries in Cambodia
- ◆ Submitted application for closing-down on August 12, 2022 (included in consolidation up to Q2 FY2022)
- ◆ Recovery of funds through capital reduction: JPY 743 mil (USD 5.5 mil) on June 22, 2022

*1 Announced on September 9, 2022 in [Notice Concerning Change in Consolidated Subsidiary \(Transfer of Shares\) and Recording of Extraordinary Loss](#)

*2 Announced on August 26, 2022 in [Notice Concerning Implementing Company Split – Simplified Absorption-type with Wholly Owned Subsidiary](#)

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. The Company aims 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



Increase in the average unit rent and shift in recording some items of cost of sales and SG&A expenses contributed to significant increase in the respective profits against the plan.

(JPY million)	H1 FY2021 Actual	H1 FY2022 Plan	H1 FY2022 Actual	H1 FY2022		Factors contributing to changes
				YoY	Compared with Plan	
Net sales	199,550	202,400	202,460	+2,910	+60	Increase in average unit rent contributed to positive result YoY.
Cost of sales	177,603	176,000	174,505	(3,098)	(1,494)	The effect of contractual adjustment of master-lease rent helped cost of sales reduction YoY. Reversal of provision for apartment vacancy loss of JPY 1.5 bil and postponement of leasing management cost contributed to the reduction against plan.
Gross profit	21,946	26,400	27,955	+6,008	+1,555	
%	11.0%	13.0%	13.8%	+2.8 p	+0.8 p	
SG&A	21,136	23,800	20,992	(144)	(2,807)	Constrained SG&A expenses such as advertising and commission expense contributed larger operating profit both YoY and compared with plan.
Operating profit	809	2,600	6,962	+6,152	+4,362	
%	0.4%	1.3%	3.4%	+3.0 p	+2.2 p	
Recurring profit	(1,332)	100	5,434	+6,766	+5,334	Recording of interest expenses of JPY 2.2 bil in non-operating expenses, and recording of loss related to repairs of JPY 0.11 bil and loss on retirement of property, plant and equipment of JPY 0.16 bil in extraordinary losses
Net income	647	(1,000)	3,691	+3,043	+4,691	
Ave. occupancy rate	80.69%	84.42%	83.91%	+ 3.22 p	(0.51) p	Average occupancy rate for Q2 was lower than the plan as a result of COVID-19 spread and pricing strategy of maintaining rent levels instead of acquiring occupancy rates by discount.
EPS (JPY)	1.97	(3.04)	11.22	+ 9.25	+ 14.26	

Both Q1 and Q2 saw increase in operating profit and net income compared with the respective plans.

(JPY million)	FY2021				FY2022					
	Q1	Q2	Q3	Q4	Q1		Q2		Q3	Q4
					Plan	Actual	Plan	Actual	Plan	Plan
Sales	100,244	99,305	97,920	100,895	100,400	101,406	102,000	101,053	103,300	105,100
Cost of sales	90,472	87,131	84,660	90,024	88,100	86,908	87,900	87,597	87,300	85,500
Gross profit	9,771	12,174	13,259	10,871	12,300	14,498	14,100	13,456	16,000	19,600
SG&A	11,059	10,076	9,794	13,371	11,800	10,919	12,000	10,073	11,200	15,300
Operating profit	(1,287)	2,097	3,465	(2,500)	500	3,579	2,100	3,383	4,800	4,300
Recurring profit	(2,241)	909	2,777	(3,596)	△800	2,643	900	2,790	3,600	3,100
Net income	(957)	1,605	5,217	5,988	△1,400	1,630	400	2,061	3,300	22,600

The Company expects increased sales and profit for FY2022 YoY due to planned increase in 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.

(JPY million)	FY2022 Plan	Factors Contributing to Changes		FY2023 Plan (reference)	FY2024 Plan (reference)
		YoY			
Sales	410,800	+12,433	Sales from Leasing Business grow substantially because of increased occupancy rates.	423,100	429,300
Cost of sales	348,800	(3,489)	Continued contractual adjustments for master-lease rent reduce the cost of sales whereas increase in leasing management cost related to maintaining apartments partially offsets the reduction.	353,400	350,100
Gross profit	62,000	+15,922		69,700	79,200
%	15.1%	+3.5%		16.5%	18.4%
SG&A	50,300	+5,997	Recording of provision for bonuses and sales initiative implementation increases mainly personnel expenses in SG&A expenses. 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 posted based on business performance recovery for a few coming fiscal years 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%	+3.8 p	Occupancy rate follows the trend similar to that of FY2017.	88.3%	91.3%
ESP (JPY)	75.71	+39.66	The number of outstanding shares remains the same as FY2021, therefore EPS increases in accordance with net income.	40.74	58.99

(JPY million)	End of FY2021	End of Q1 FY2022	End of Q2 FY2022
Cash and deposits	45,523	43,869	46,630
Trade receivables	8,618	8,369	8,389
Total assets	145,430	143,097	146,336
Interest-bearing debt*	33,045	32,991	32,903
Provision for loss related to repairs	18,086	17,773	16,875
Provision for apartment vacancy loss	5,632	5,053	4,101
Total liabilities	134,396	129,817	127,897
Common stock	100	100	100
Capital surplus	136,345	136,339	136,249
Retained earnings	(135,749)	(134,134)	(131,986)
Total shareholders' equity (A)	392	2,020	4,122
Total accumulated other comprehensive income (B)	675	2,061	4,861
Ownership equity (A) + (B)	1,068	4,082	8,983
Equity ratio	0.7%	2.9%	6.1%
Share subscription rights	357	343	310
Non-controlling interests	9,608	8,853	9,144
Total net assets	11,034	13,279	18,439
Total liabilities and total net assets	145,430	143,097	146,336

* Interest-bearing debt = borrowings + lease obligations

Factors contributing to changes

■ Cash and deposits

After negative QoQ trend of Q1 of JPY 1.6 bil, Q2 saw positive QoQ JPY 2.7 bil which increased by JPY 1.1 bil for H1.

■ Provision for losses related to repairs

(current: JPY 3.8 bil; non-current: JPY 12.9 bil)

Decrease of JPY 1.2 bil reflecting the progress of repairs during H1. Insourcing repair works and sourcing based on quotation from multiple suppliers made the balance of JPY 16.8 bil from JPY 56.2 bil recorded at the end of FY2019.

■ Provision for apartment vacancy loss

(current: JPY 2.6 bil; non-current JPY 1.4 bil)

Reversal of JPY 1.5 bil as a result of reduced number of fixed rent period for master-lease contract.
Q1: JPY 579 mil, Q2: JPY 951 mil

■ Accumulated other comprehensive income

Recorded foreign currency translation adjustments of JPY 4.1 bil due to weaker JPY.

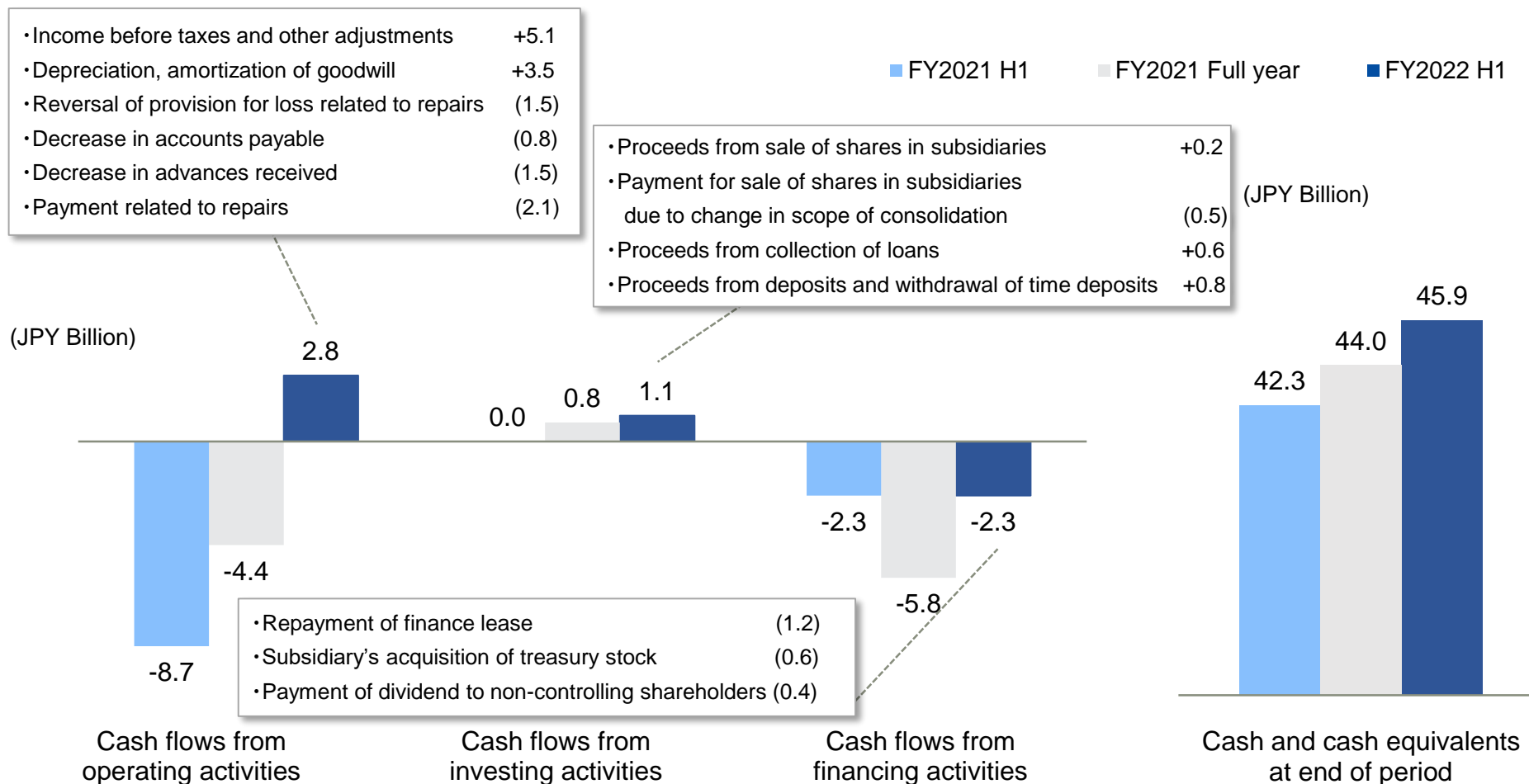
■ Ownership equity

Ownership equity augmented by JPY 7.9 bil for H1 due to increase in retained earnings and in accumulated comprehensive income.

■ Non-controlling interests

Decrease by JPY 0.4 bil for H1 due to Leopalace Power Corporation's acquisition of own shares and dividends payment.

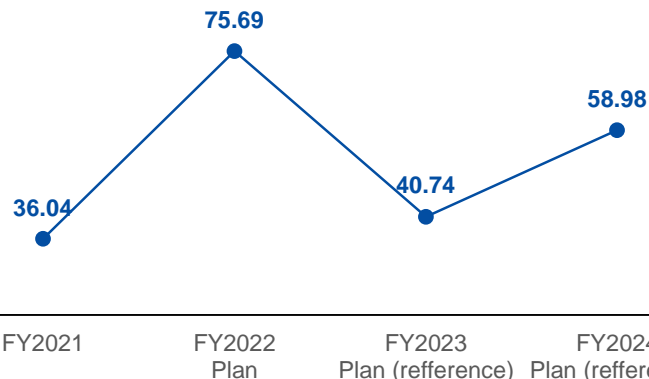
Cash flows from operating activities were JPY 2.8 bil and JPY 11.6 bil YoY.
Recorded positive cash flows from operating activities for H1 for the first time in five fiscal years.



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

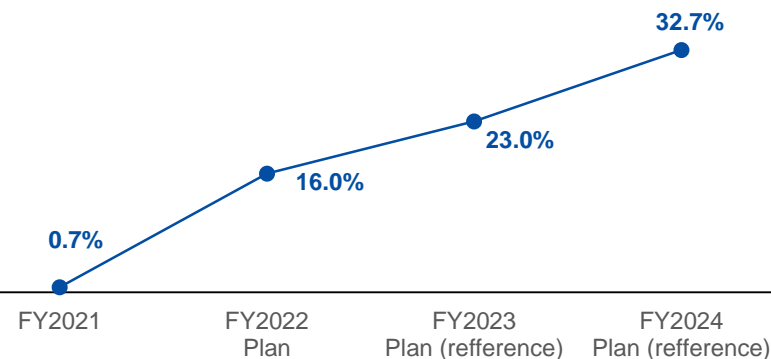
Cash conversion cycle, a strength of the Company, remains to be negative days, which shows high efficiency of funds operations.

Net income per share (EPS*)



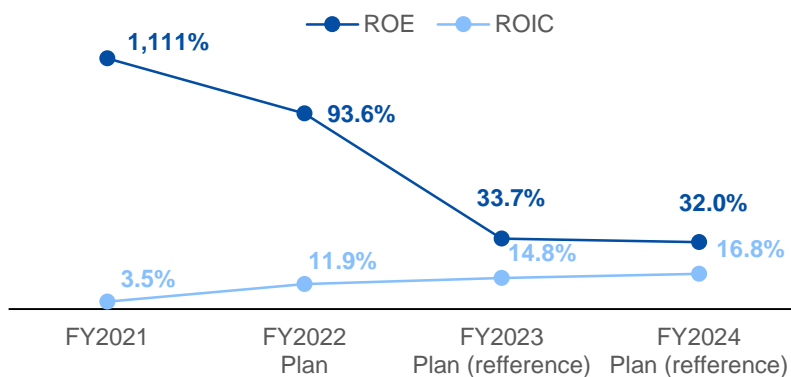
*EPS = Net income / Number of shares outstanding

Equity ratio*



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

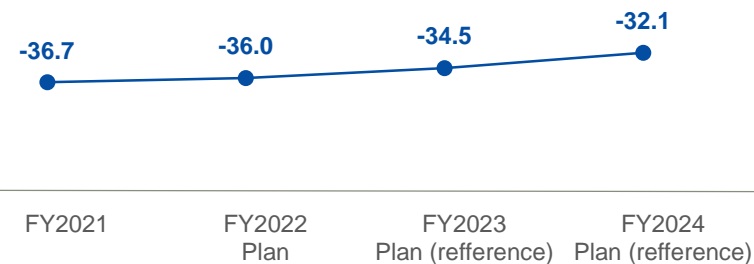
ROE*·ROIC**



* ROE = Net income / Ownership equity

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

Cash conversion cycle (CCC*)

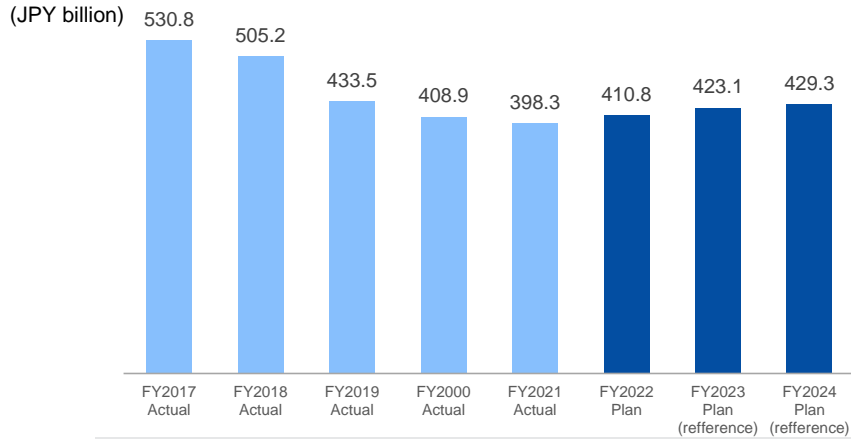


*CCC: The cash conversion cycle (CCC) is a metric that expresses the length of time (in days) that it takes for a company to convert its investments in inventory and other resources into cash flows from sales.

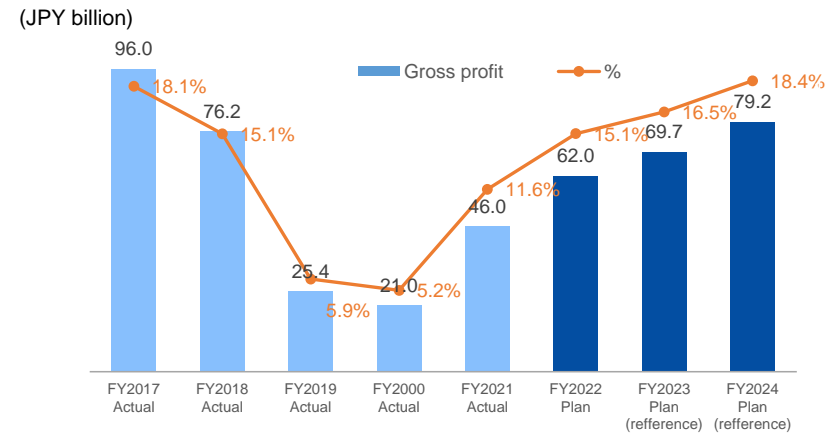
CCC = Receivables turnover period + Inventory turnover period – Payables turnover period

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.

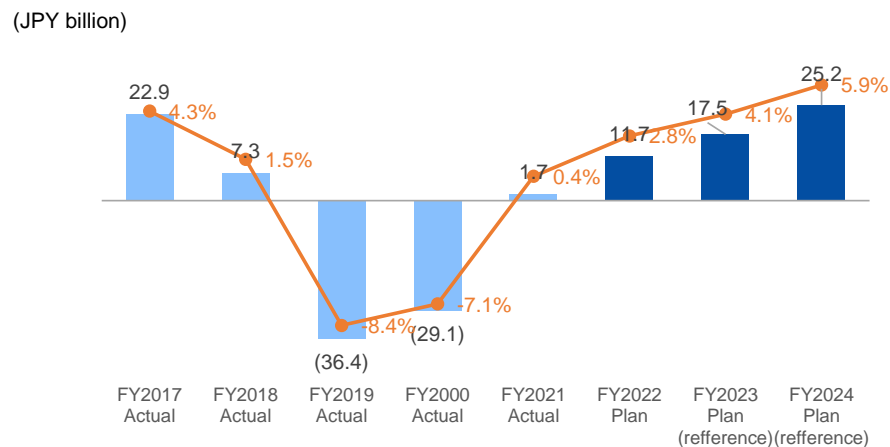
Sales



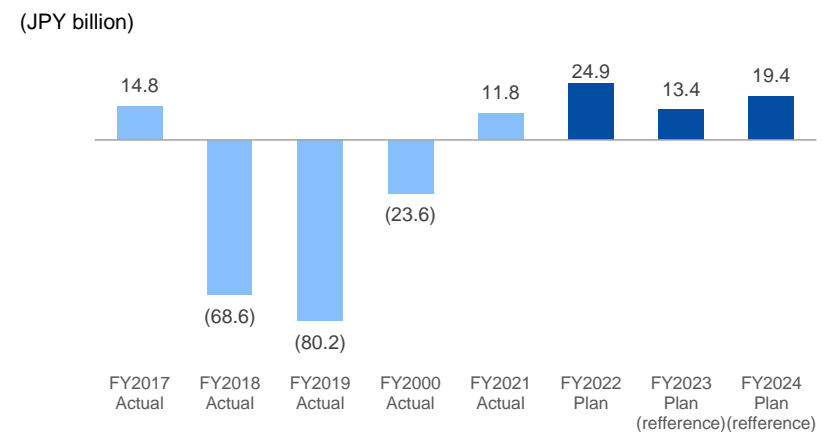
Gross profit



Operating profit

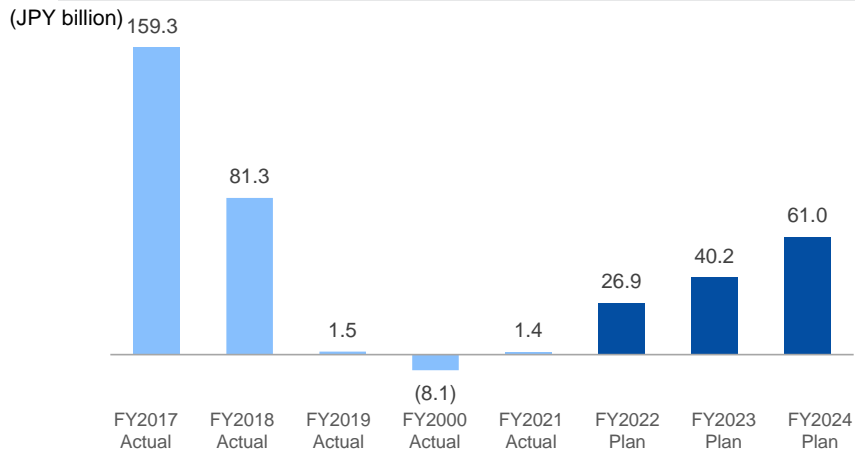


Net income*

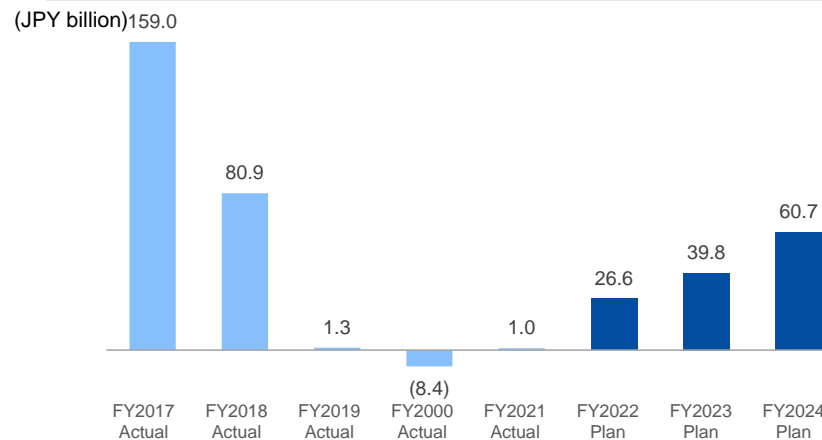


The Company eliminated excessive liabilities per Tokyo Stock Exchange’s definition at the end of March 2022. In addition to strengthening capital by recording net income, the Company starts to consider from FY2022 to FY2024 implementing shareholders return such as payment of dividends and share buybacks.

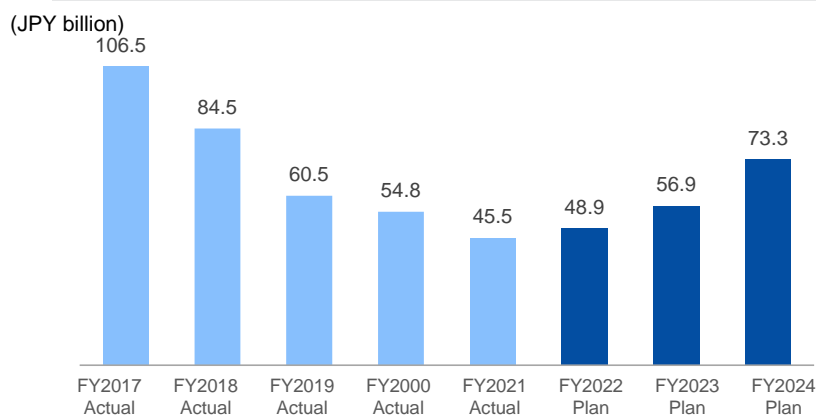
Ownership equity + Share subscription rights*



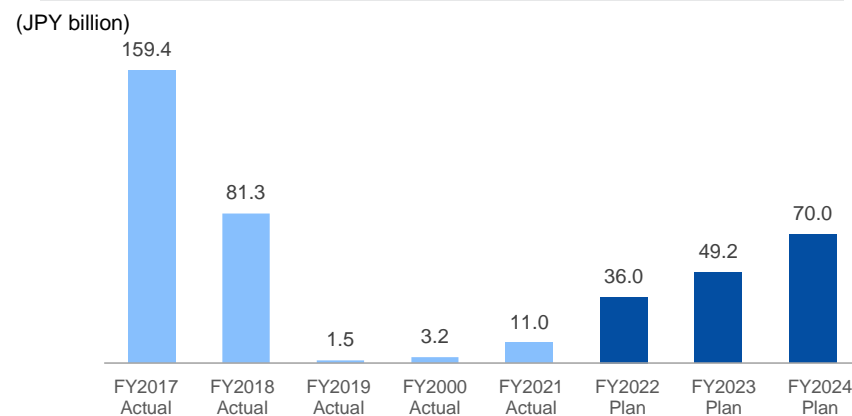
Ownership equity



Cash and deposits



Total net assets



* Net assets under the listing-related rules of the Tokyo Stock Exchange.

Chapter 2

Optimization of Cost Structure

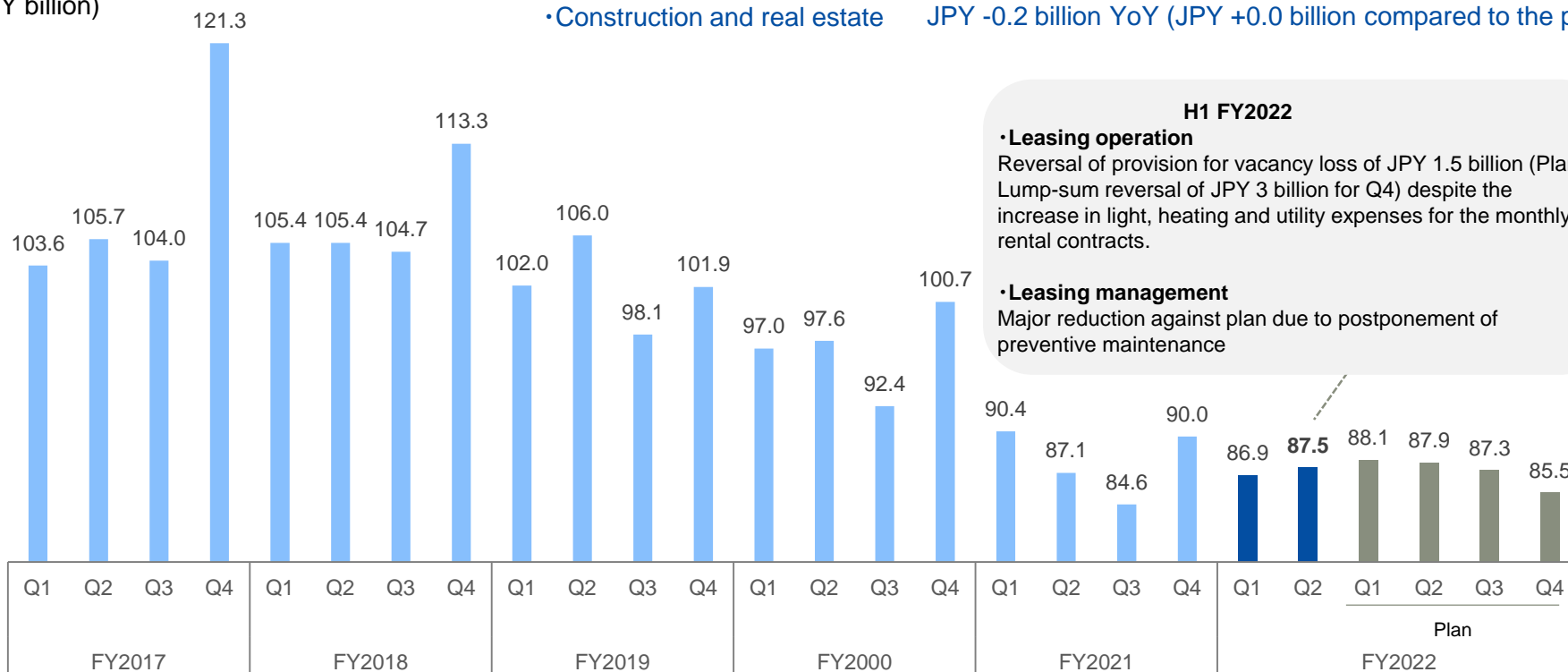
Preventive maintenance was not performed in line with the plan.
 The difference against plan is expected smaller over FY2022 total. Leasing operation cost is lower than the plan as a result of reversal of provision for apartment vacancy loss of JPY 1.5 billion.

Quarterly Trends of Cost of Sales

FY2017-FY2021

Q4 saw a large number of move-in/out, with an upward trend compared to Q1-Q3.

(JPY billion)



◆ **Deviation of main items from plan (H1 FY2022 Actual)**

- Leasing operation: JPY -6.3 billion YoY (JPY -0.7 billion compared to the plan)
- Leasing management: JPY +3.0 billion YoY (JPY -1.4 billion compared to the plan)
- Construction and real estate: JPY -0.2 billion YoY (JPY +0.0 billion compared to the plan)

H1 FY2022

• **Leasing operation**

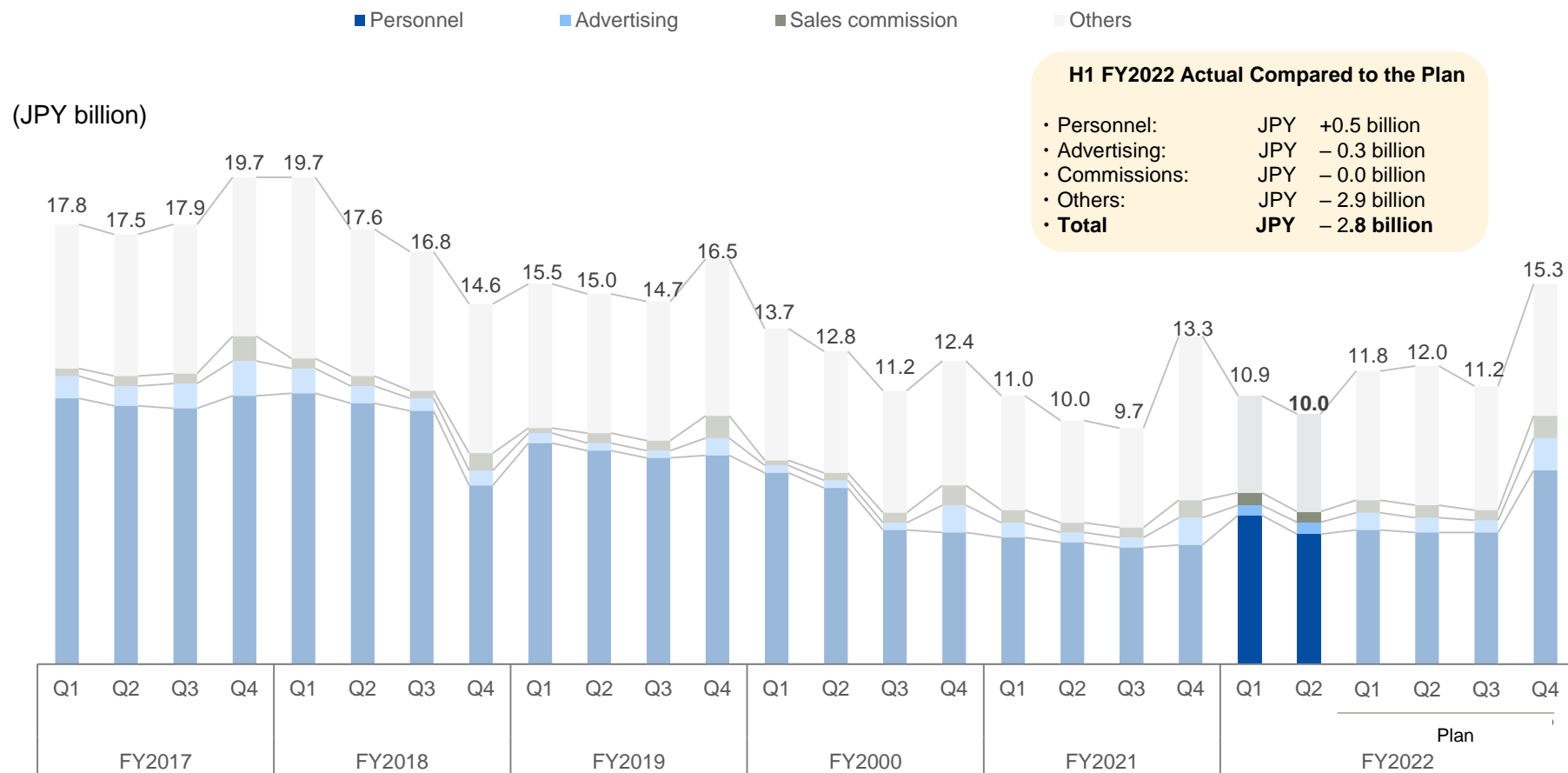
Reversal of provision for vacancy loss of JPY 1.5 billion (Plan: Lump-sum reversal of JPY 3 billion for Q4) despite the increase in light, heating and utility expenses for the monthly rental contracts.

• **Leasing management**

Major reduction against plan due to postponement of preventive maintenance

Despite delayed execution of hiring plan, personnel expenses exceeded the plan due to special bonus payment for H1 FY2022. Significant reduction in the other SG&A expenses such as system investment taking place later than the plan resulted in smaller expenses compared with the total SG&A expenses plan.

Quarterly Trends of SG&A Expenses



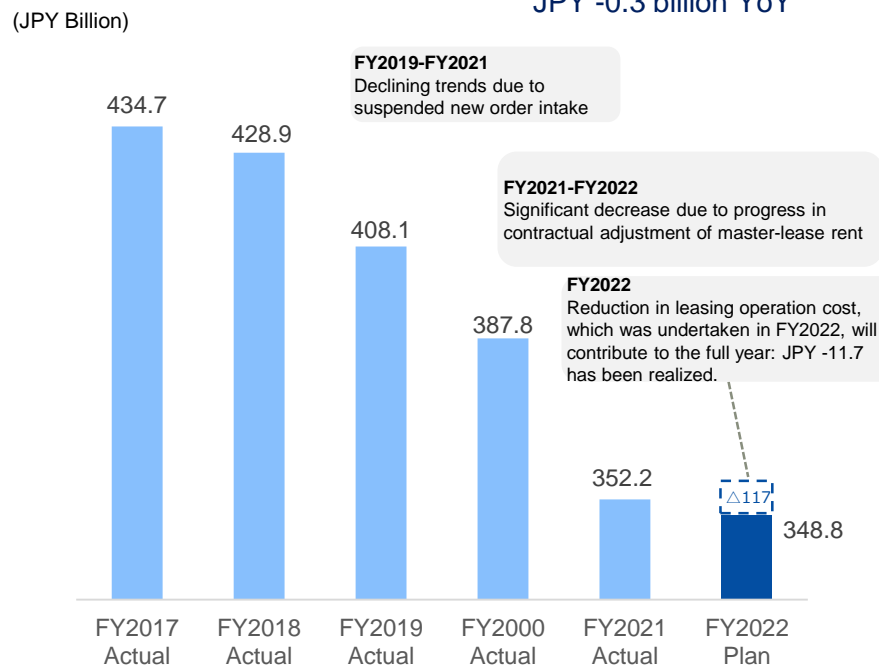
* Other SG&A expenses: Taxes and public charges, commission expense, rent expense, repair and maintenance expenses, and depreciation and amortization

Leasing management cost will increase for FY2022 due to spending for preventive maintenance. Progress in contractual adjustment for master-lease rent will offset the increase and cost of sales continues to decrease YoY.

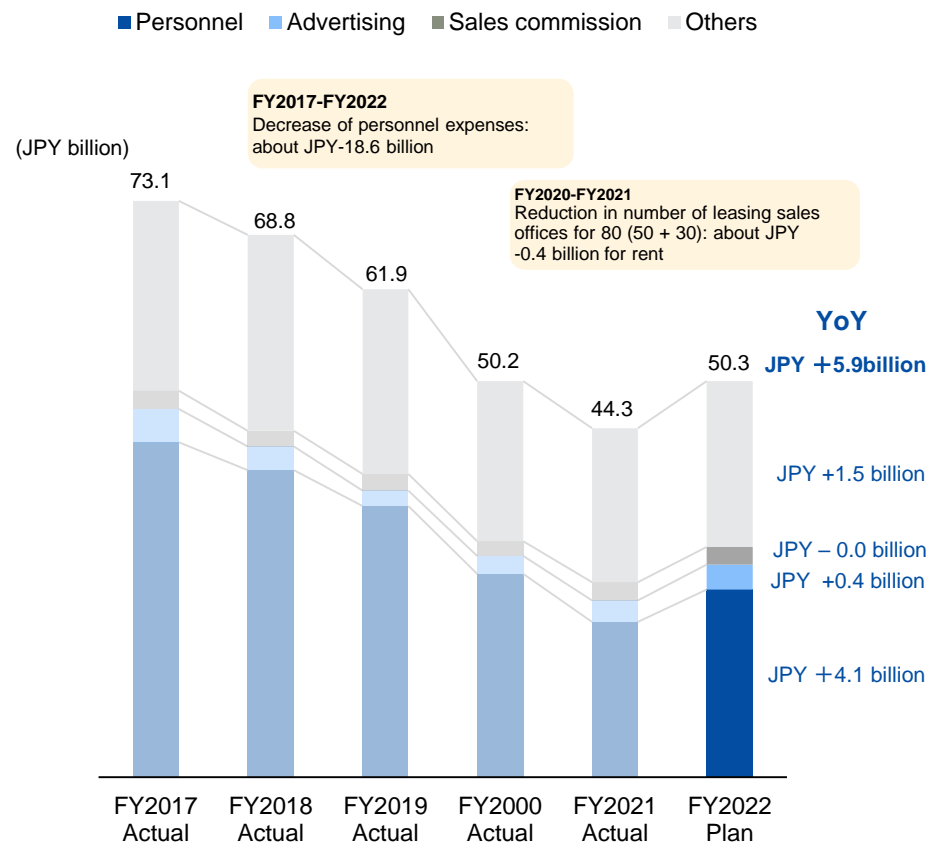
Cost of Sales

◆ **Increase/decrease in major items of cost of sales (FY2022 plan)**

- Leasing sales cost: JPY -8.3 billion YoY
- Leasing management cost: JPY +6.3 billion YoY
- Construction and real estate: JPY -0.3 billion YoY



SG&A Expenses

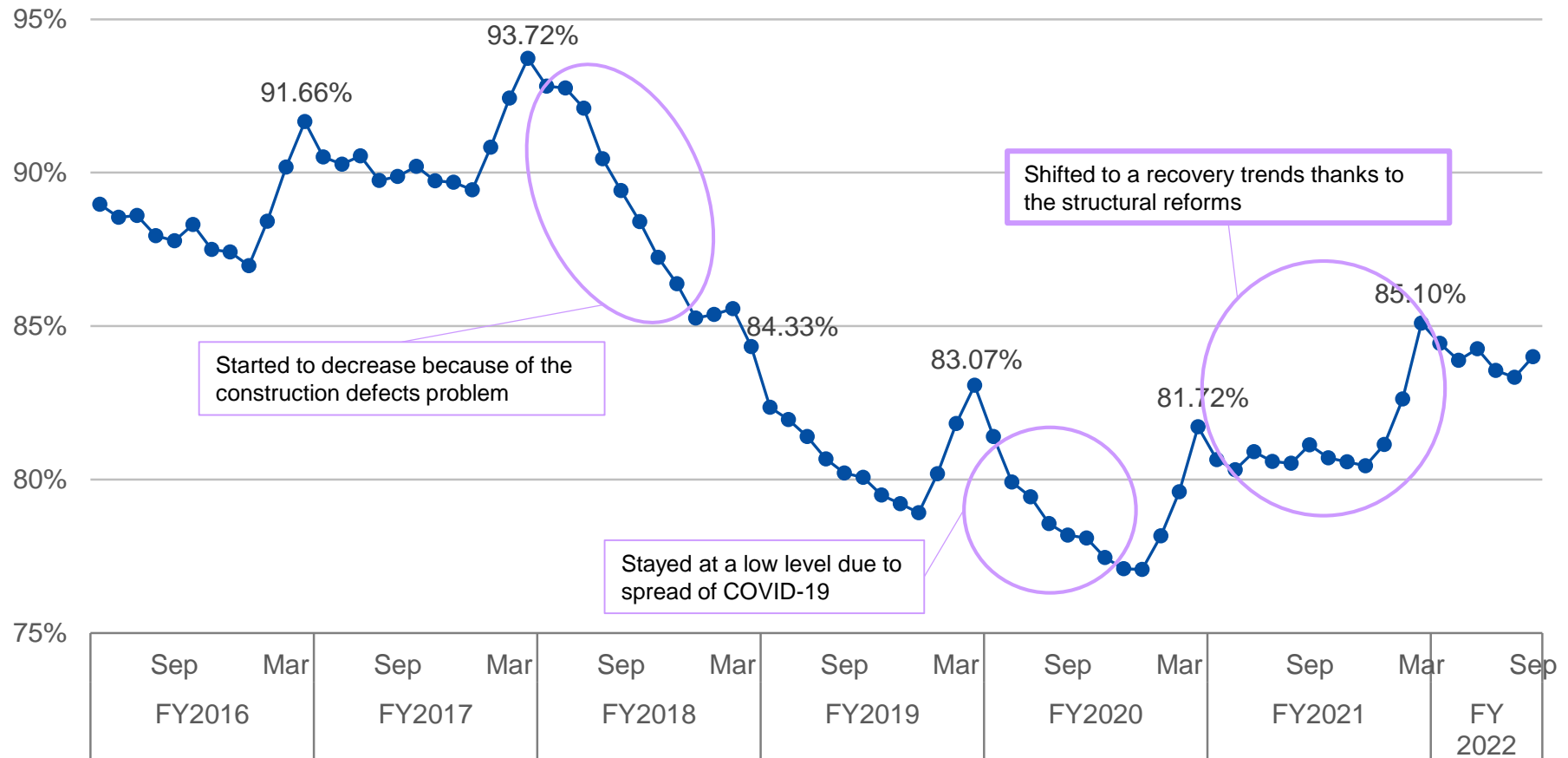


Chapter 3

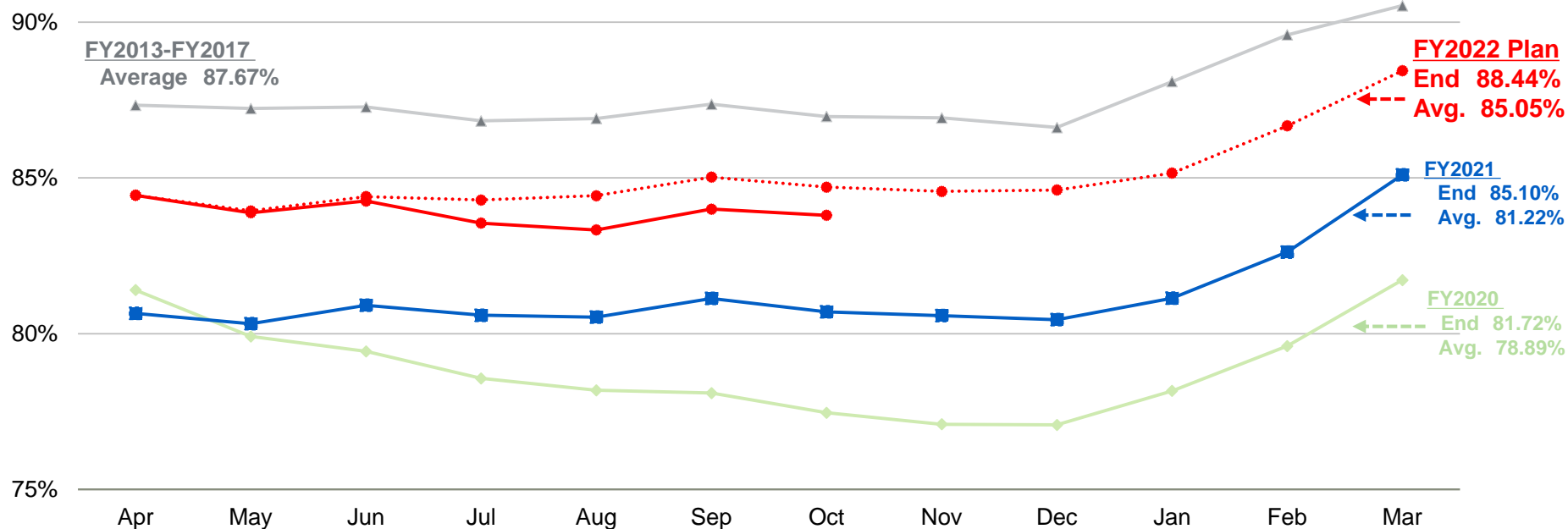
Occupancy Improvement Measures

Occupancy rate had been increasing until FY 2017 after the financial crises, 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 trends.

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 to the former level by continued occupancy rate boosting measures.



① Apr – Jun	② Jul - Sep	③ Oct - Dec	③ Jan - Mar
Average occupancy rate: 84.19%. (-0.07 points against the plan) Occupancy rates remained almost in line with the plan due to the strengthened corporate sales structure and easing of entry restrictions in Japan.	Average occupancy rate: 83.91% (-0.51 points against the plan) Jul to Aug landed at a lower-than-planned levels due to the impact of COVID-19 and a policy of maintaining the rent levels. Substantial increase of +0.67 points in Sep, a largest hike in the past 10 fiscal years.	Occupancy rates may show marginal changes or level off for Oct – Dec. A decrease of 0.2 points from Sep to Oct was the smallest since the fiscal year 2014, thanks to various sales measures centered on utilizing real estate agents.	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 in the past years. Approx. 3.8-point increase is targeted for Q4.

*Monthly Data: <https://eg.leopalace21.co.jp/ir/finance/getsuji.html>

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 specified skilled workers for designated activities and international students reflecting the relaxation of immigration restrictions in FY2022.

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 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.

No. of foreign national tenants under corporate contract at Q2 end: approx. 18,000

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

Collaboration with real estate agents

- ◆ Strengthen sales to real estate agents by working with major real estate agents and Village House in Fortress group.
- ◆ Achievement in H1 FY2022
 - Number of rental contracts through real estate agents: 14,503 (a decline of 4.3% YoY)
 - Ratio of contracts with individual customers through agents: 41.4% (an increase of 3.6 p YoY)

Strengthen web-based customer attraction

Reinforced digital marketing

⇒ Grow responses by drawing traffic to the Company website

Attract international students 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 agents and service providers which cater for students' needs.

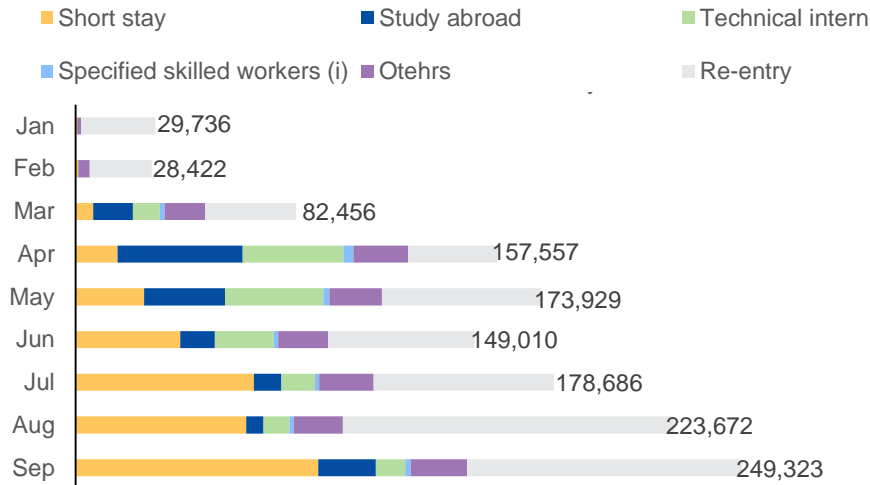
No. of foreign national tenants under individual contract at Q2 end: approx. 19,000

The number of foreign nationals is expected to gradually increase due to the relaxed immigration restrictions. Targets are set by immigrant category, aiming to acquire tenants at the level of FY2019, prior to COVID-19 spread.

► **Contracts with foreign national customers (individual contract)**

- **Number of contracts H1 (Actual)**
4,973 (+ 974 against the plan, + 1,185 YoY)
- **Number of contracts for full year (Plan)**
About 13,000 contracts (+65% YoY)

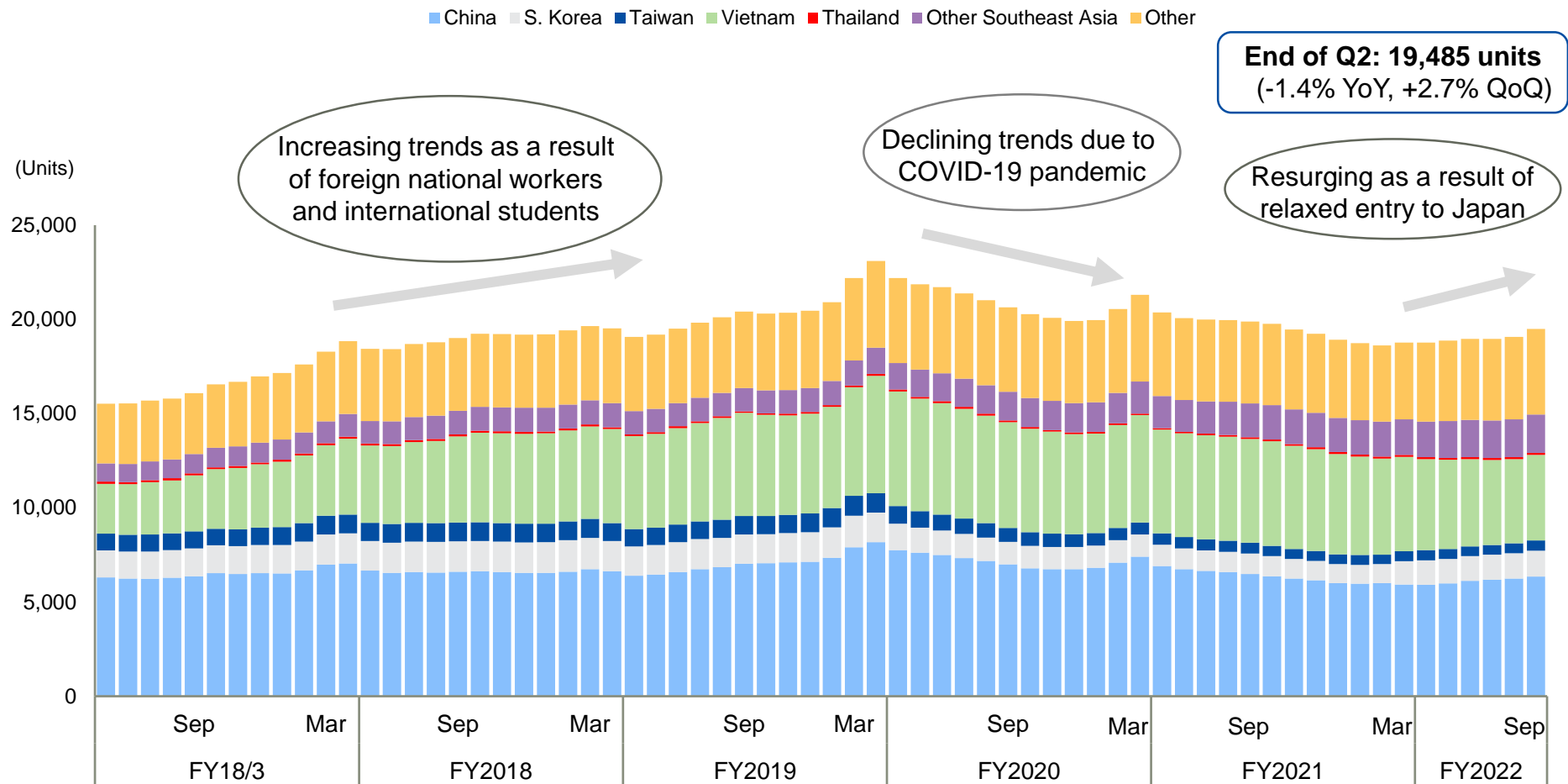
▼ **Trends of foreign nationals entering Japan**



Source: Statistics on number of foreign nationals entering Japan and the number of Japanese nationals returning to Japan (Immigration Services Agency)

Target segment	Main measures to get response
International students	<ul style="list-style-type: none"> • University, business college, Japanese language school • Real estate agents • service providers catering for students' needs
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 38 thousand, comprising about 19 thousand individual customers and 18 thousand under corporate contracts, 8.0% of total occupation.
 (Q2F Y2022 result:+0.9 p YoY, +0.5 p QoQ)

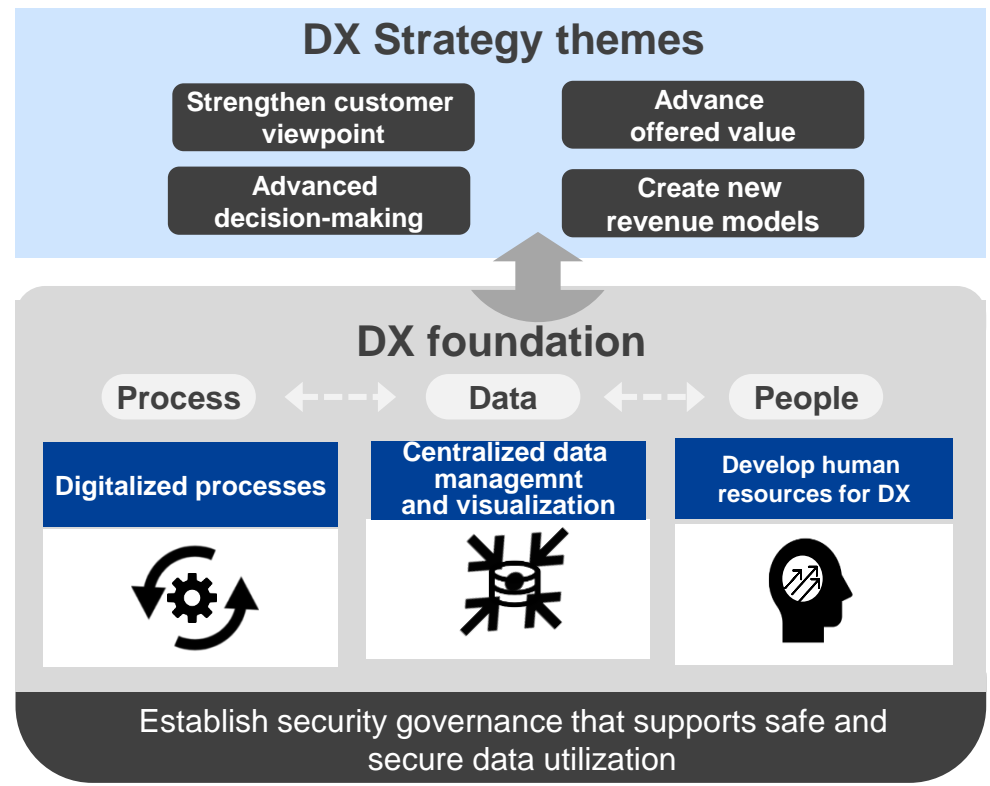


Chapter 4

Promotion of DX Solutions

The Company was qualified as a DX Certified Company under the DX Certification System established by the Ministry of Economy, Trade and Industry on November 1, 2022.

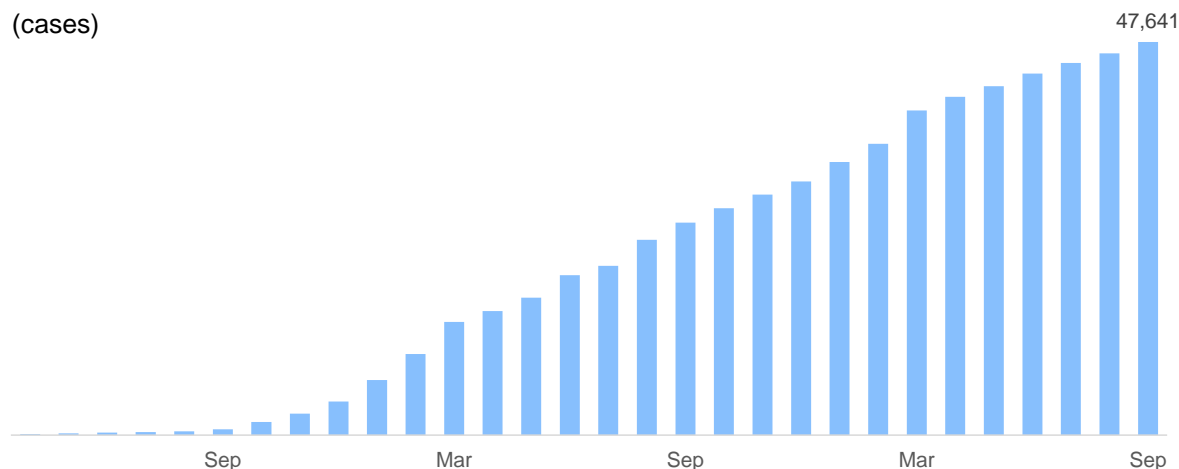
DX VISION Create new value by offering advanced solutions for meeting people needs and expectations through DX



The revised law has made it possible to electronically handle fixed-term rental contracts, which used to require the delivery of a written contract. With the exception of some contracts*, the customers can complete all steps from searching an apartment to signing a rental contract without the need of face-to-face interaction.

Development of Web-based Contracts

Number 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 total 26,913 cases (36.2%) during Q2 FY2022.

◆ 2019- **Web-based contract**

Launched in Jun 2019.
Enabled non-face-to-face contract signing.
Q2 FY2022 cumulative results : 8,303

◆ 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.

* Electronic support for brokerage contracts and contracts with guarantors are excluded and will begin in due course.

Started to install smart locks in FY2022 in addition to the on-going services.
 Upgraded *LEONET*, internet connection service, for stable data transmission 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, since 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 methods using a smart phone, a smart card, or a PIN entry to a keypad.



LEONET

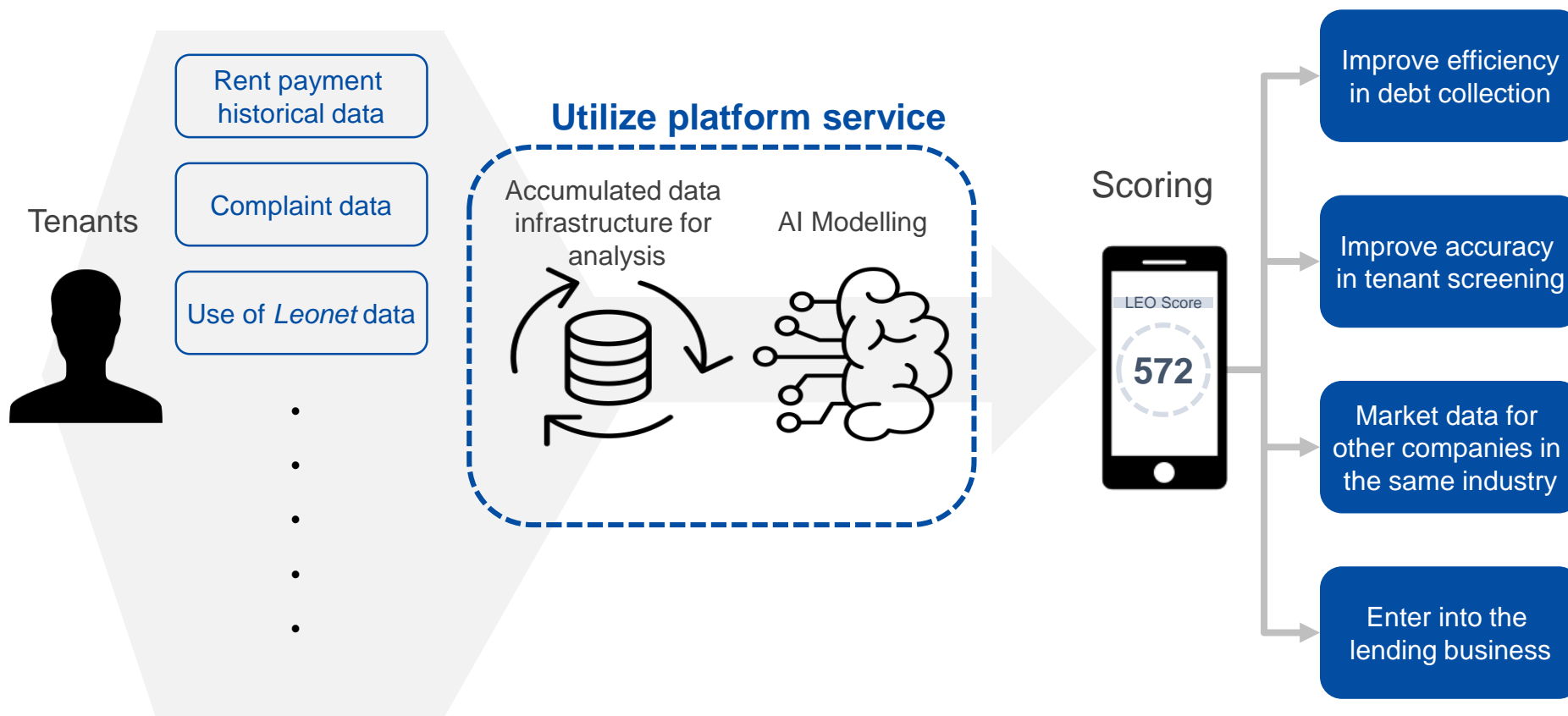
- ◆ Internet connection service comes standard with all apartment rooms by which Leopalace21 also offers various content such as video streaming and shopping.
- ◆ Increased the tenants' benefit in FY2022 for rebranding
 - Replaced the PPPoE protocol with IPoE for **stable data transmission to avoid delay in transmission speed**.
 - Extended the toll-free number hours from 10:00 to 19:00 **to 24 hours a day, 7 days a week** since August 2022.



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

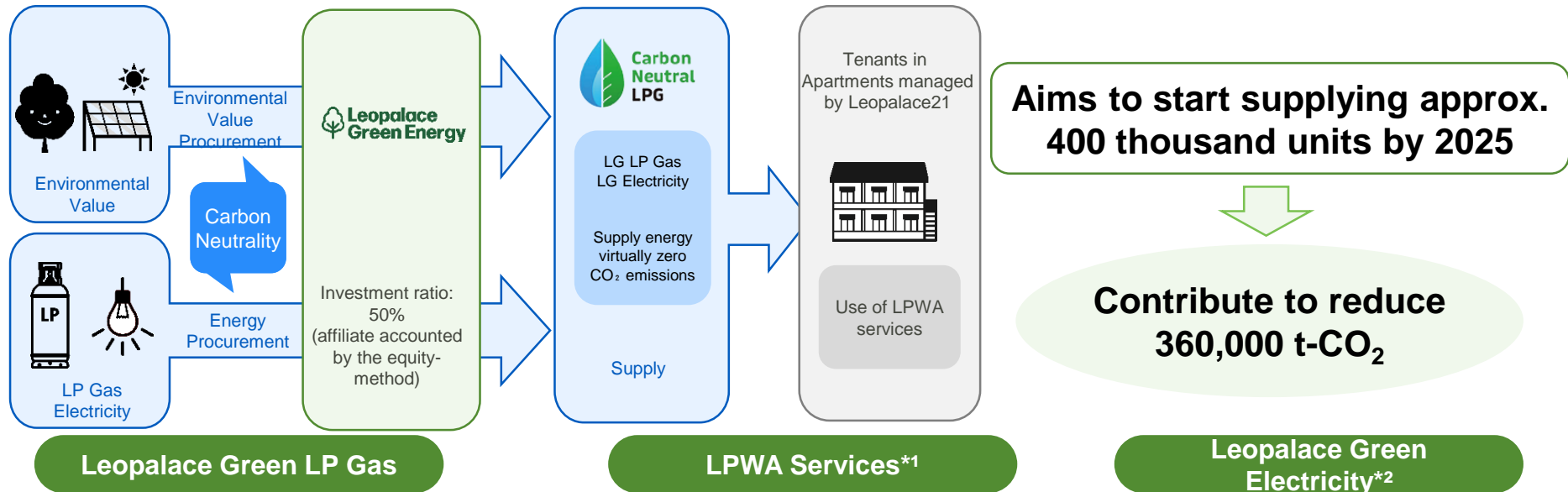


Chapter 5

Promotion of Carbon Neutrality

Leopalace21 plans to offer Green LP Gas and LPWA services with virtually zero CO₂ emissions to the apartments under management starting in 2023, in response to the government's declaration of Carbon Neutrality by 2050.

Leopalace Green Energy Project



Leopalace Green LP Gas

LP Gas with virtually zero CO₂ emissions

The LP gas offsets the greenhouse gases generated in the entire value chain of LP gas, including transportation from production to consumption, by carbon credits obtained from environmental conservation projects, thereby making **virtually zero CO₂ emissions from LP gas**

LPWA Services*1

LGLP gas supplier will strive for a **fair and transparent LGLP gas rate structure** through operational efficiency **for improving convenience and safety** through web-based acceptance of openings, web-based billing, and 24-hour gas usage monitoring.

Leopalace Green Electricity*2

Virtually zero CO₂ emissions during power generation

It is renewable energy power with **virtually zero CO₂ emissions** with non-fossil certificate (certifying the value of no carbon dioxide emissions during power generation).

*1 LPWA: Low Power Wide Area

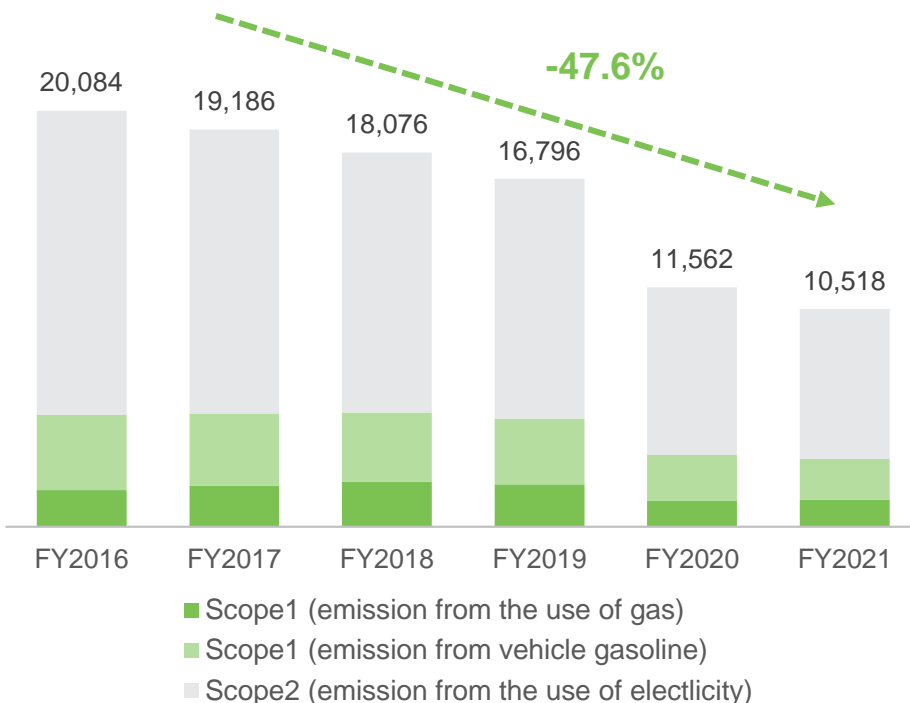
*2 Leopalace Green Electricity is scheduled for service start as soon as it is ready.

Achieved CO₂ emissions reduction targets for Scope 1 and 2 (from electricity, gas, and gasoline). The Company updated a goal of reducing the Scope 1 and 2 CO₂ emissions by 46% in FY 2030 compared to FY 2016.

CO₂ Emissions for Scope 1 and 2

Goal:
Reduce the emissions by 46% in FY2030 compared to FY2016

(t-CO₂)

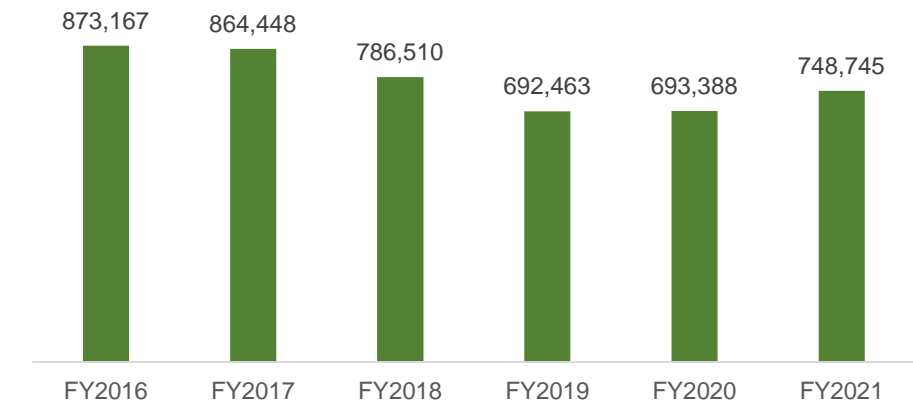


Disclosure Based on TCFD Framework

- ◆ 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 disclosed its activities in its Integrated Report published in October 2022 on the governance, strategy, risk management, and metrics and targets.

CO₂ Emissions for Scope 3

(t-CO₂)



Chapter 6

Strengthening Corporate Governance

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 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 Q2 FY2022

- ◆ **Made every manager's declaration to eliminate harassment visible to all directors and employees**
All managers including directors and executive officers submitted their respective declaration to eliminate harassment. Further awareness-raising was implemented by posting them on the compliance page of the internal portal and making it visible to all employees.
- ◆ **Conducted training by e-Learning**
Conducted training on harassment, compliance awareness survey, and revision of Whistleblower Protection Act to improve the reliability of the whistleblower system through e-Learning courses.
 - Reliability of the whistleblower system
FY2020: 48%, FY2021: 59%, FY2022: 75%
- ◆ **Deliver message by Chief of the Compliance Promotion Headquarters**
Message sent in July 2022 emphasizing importance of compliance-conscious behavior.

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 to adhere to the CSR Procurement Guidelines.
- ◆ Activities are ongoing to identify and resolve issues for developing and establishing an internal procurement management system. Persons in charge of procurement both in managerial and non-managerial positions have been appointed in each department.
- ◆ Conducted internal activities to ensure proper procurement.
- ◆ Coordinate the introduction of a procurement management system. (linked to DX promotion)

Procurement Management Committee

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

Chapter 7

Construction Defects Management

Expected number of repaired units in the future: About 34,000 rooms

Of the 82,941 rooms that have been deducted “repairs completed” from "requiring repairs" in the below table, 21,652 rooms have been found defective as a result of the investigation. It is estimated that about 34,000 rooms need repairs, by adding 21,652 rooms to about 12,260 uninvestigated rooms that are estimated to be defective based on the past investigation results.

(As of October 31, 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	No. of rooms with repairs completed	
Nail Series / Six Series Total	15,283	7,744	121,691	86,205	46,297	20,000
Other Series Total	23,802	4576	71,177	50,270	7,237	14,000
Grand Total	39,085	12,320	192,868	136,475	53,534	34,000

■ Status up to June 2022

Priority has been given to repairing rooms for which tenant recruitment was suspended because of obvious defects. Completed about 51,000 rooms by the end of June 2022.

■ Plan for July 2022 onward

Complete repairs for approximately 6,000 rooms by the end of March 2023

Steadily repair construction defects while continuing to rebuild the financial base. Aims to eliminate the rest of rooms with obvious defects **by the end of 2024.**

Progress of repair works: <https://www.leopalace21.co.jp/info/en/news/progress.html>



Appendix

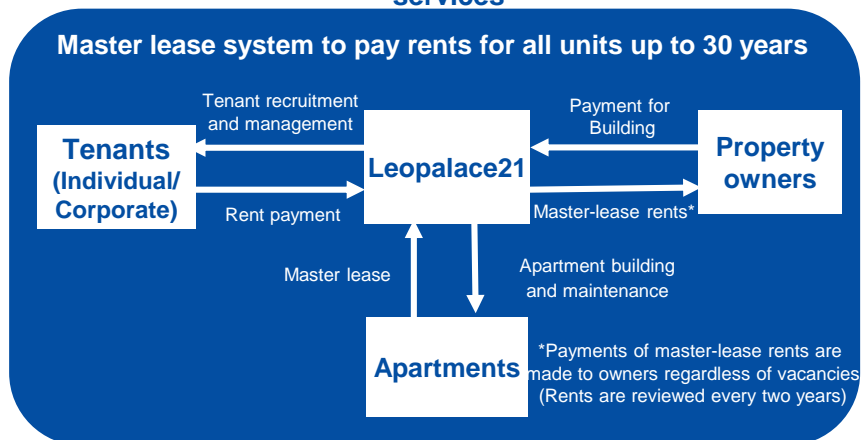


Corporate Data (as of September 30, 2022)

Established	August 17, 1973
Paid-in Capital	JPY 100 million
Representative Director	Bunya Miyao, President and CEO
Employees	4,195 (consolidated), 3,446 (non-consolidated)
Authorized Shares	750,000,000
Outstanding Shares	329,389,515 shares (not including 159,748,700 dilutive shares)
Shareholders	49,809

Business Model

Offer 560,000 studio-type units equipped with furniture and home appliances
approx. 80% of listed companies have used Leopalace21's services



Group Companies (as of September 30, 2022)

Leasing	Leopalace Leasing Corporate housing agent	Plaza Guarantee Rent guarantee	ASUKA SSI Tenant contents insurance
	Leopalace Power Power generation	Leopalace21 Business Consulting (Shanghai) Tenant recruitment	Leopalace Green Energy Environment
	Woori & Leo PMC *1 Leasing management in South Korea		
Inter-national *2	Leopalace21 Singapore Pte. Ltd. Investment management	LEOPALACE21 PHILIPPINES INC. Serviced Office in the Philippines	
Development *2	Morizou *1 Built-to-order homes		
Elderly Care	Azu Life Care Elderly care service		
Others	Leopalace Guam Resort Business	Leopalace Smile Special subsidiary	

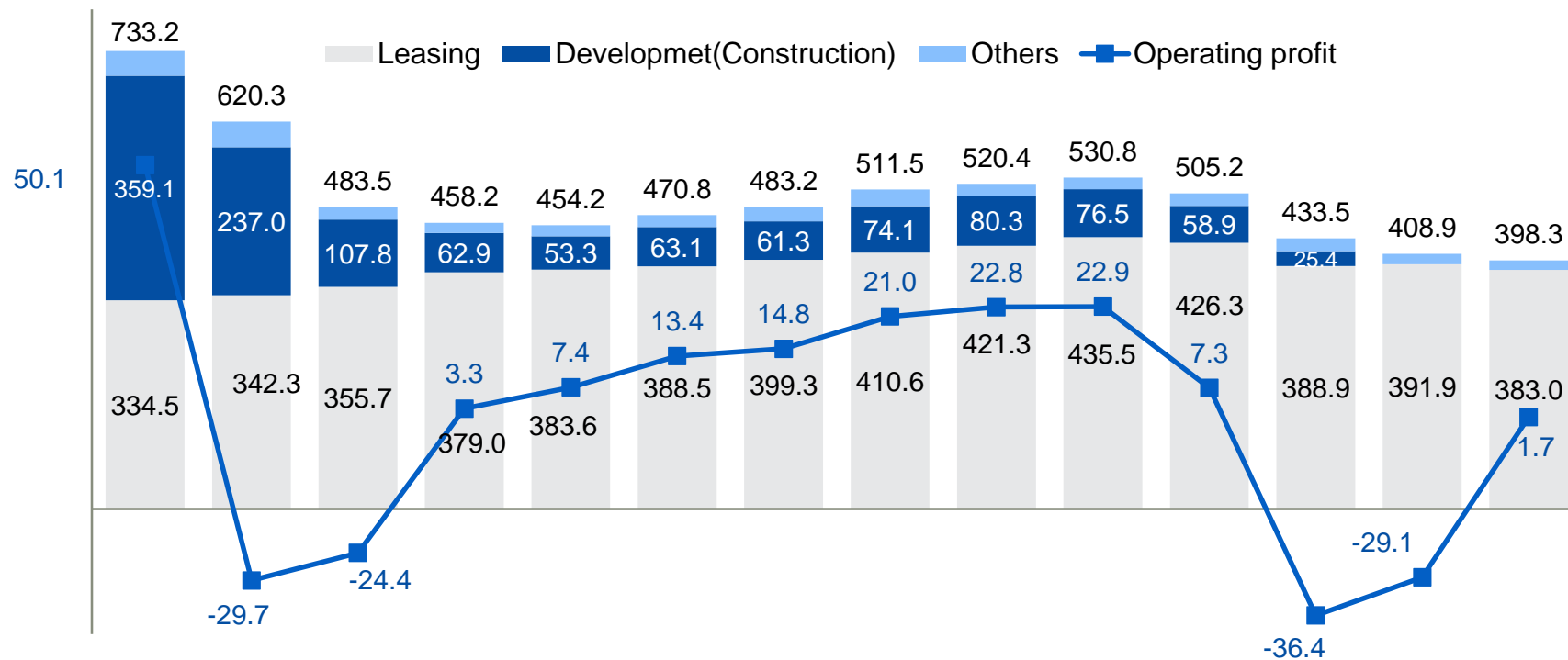
*1 Woori & Leo PMC and Morizou were included up to September 30, 2022 and excluded on and after October 1, 2022.

*2 Results of the International Business and the Development Business are reported under the Leasing Business segment.

Leopalace21 shifted its business model to center on the Leasing Business after the global financial crisis. With construction defects problem revealed in FY2018 and another blow by COVID-19 impact starting from FY2020, implementing continuous structural reforms turned operating profit in FY2021.

Sales (JPY billion)

OP (JPY billion)

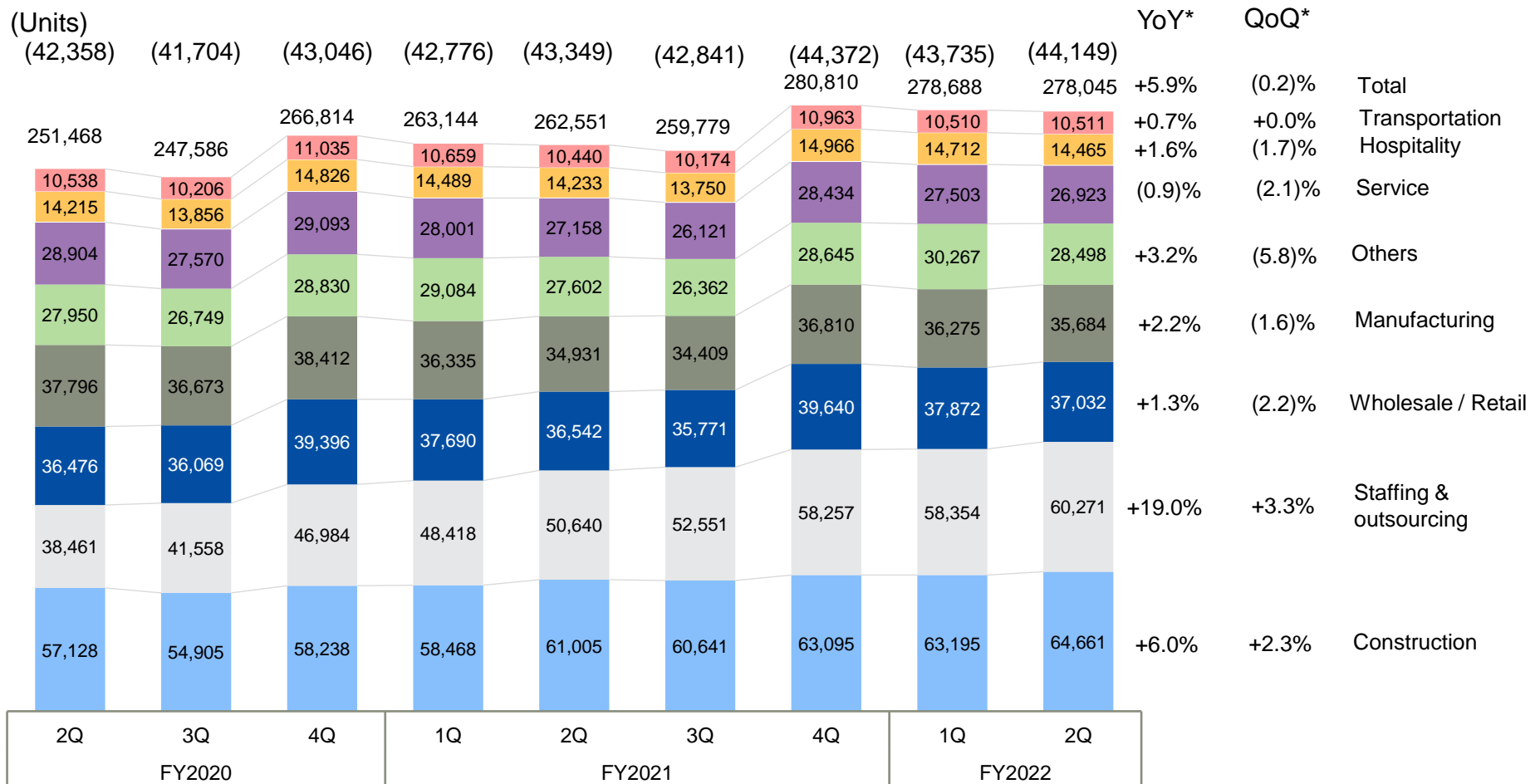


FY2008 FY2009 FY2020 FY2011 FY2012 FY2013 FY2014 FY2015 FY2016 FY2017 FY2018 FY2019 FY2020 FY2021



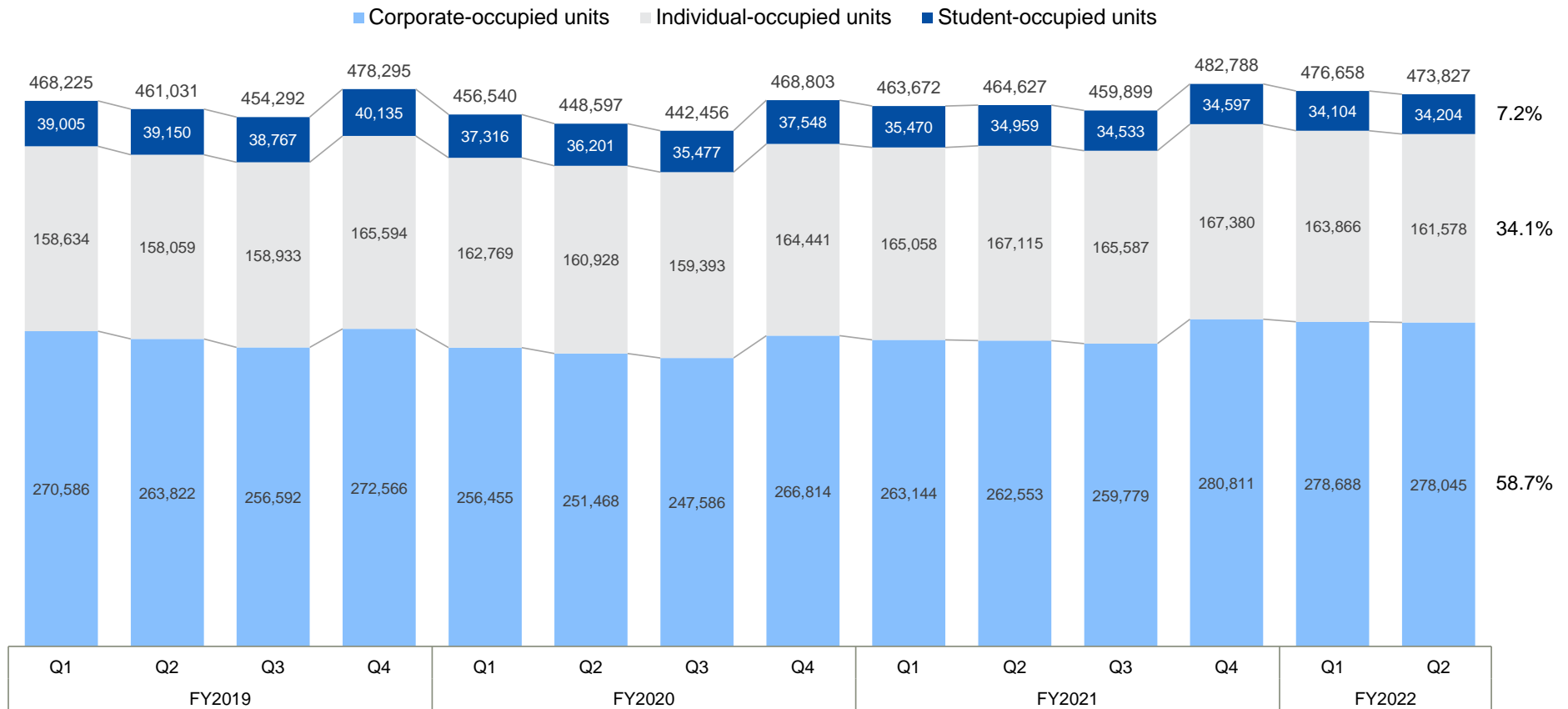
3: Occupancy by Industry

Approximately 80% of listed companies in Japan have used Leopalace21 services.
 The strong demand remained in staffing & outsourcing and construction during Q2 FY2022.



The number of occupied units under corporate contracts has substantially increased YoY by implementing measures to improve the occupancy rate while negative growth on QoQ for each segment.

(Units)



Tokushima and Ehime showed negative QoQ growth due to slowdown of construction related demand. Fukushima and Nagano showed growth both on YoY and QoQ due to rise in demand from staffing and outsourcing, and construction.

Managed unit: in thousands, Occupancy:%	Q1 FY2022			
	Managed units	Occupancy rate	YoY	QoQ
Hokkaido	13	82%	+5 p	+1 p
Aomori	4	87%	-3 p	+1 p
Iwate	3	93%	±0 p	+2 p
Miyagi	10	83%	+2 p	+1 p
Akita	2	94%	+1 p	-2 p
Yamagata	4	86%	-2 P	-1 p
Fukushima	10	84%	+6 P	+3 p
Ibaraki	15	82%	+4 p	±0 p
Tochigi	11	85%	+5 p	+1 p
Gunma	12	78%	+1 p	+1 p
Saitama	46	83%	+3 p	-1 p
Chiba	33	79%	+3 p	±0 p
Tokyo	44	85%	+4 p	-1 p
Kanagawa	40	87%	+4 p	-2 p
Toyama	5	78%	-1 p	±0 p
Ishikawa	5	78%	+6 p	±0 p

Managed unit: in thousands, Occupancy:%	Q1 FY2022			
	Managed units	Occupancy rate	YoY	QoQ
Fukui	4	92%	±0 p	-1 p
Yamanashi	4	88%	+6 p	±0 p
Nagano	11	90%	+5 p	+3 p
Niigata	9	81%	+2 p	+1 p
Gifu	7	85%	+1 p	-1 p
Shizuoka	24	77%	+4 p	+1 p
Aichi	41	86%	+1 p	-1 p
Mie	12	81%	+4 p	-1 p
Shiga	8	94%	+6 p	±0 p
Kyoto	9	87%	+3 p	±0 p
Osaka	31	81%	+2 p	-1 p
Hyogo	22	85%	+3 p	+1 p
Nara	3	84%	+1 p	±0 p
Wakayama	3	75%	-2 p	±0 p
Tottori	2	86%	-3 p	+1 p
Shimane	2	96%	+1 p	-1 p

Managed unit: in thousands, Occupancy:%	Q1 FY2022			
	Managed units	Occupancy rate	YoY	QoQ
Okayama	12	83%	+2 p	+1 p
Hiroshima	13	87%	+3 p	±0 p
Yamaguchi	7	90%	+6 p	+1 p
Tokushima	2	76%	-16 p	-7 p
Kagawa	5	78%	+2 p	-2 p
Ehime	4	83%	-1 p	-5 p
Kochi	2	83%	+2 p	+3 p
Fukuoka	20	85%	+2 p	-1 p
Saga	3	88%	+2 p	-3 p
Nagasaki	2	89%	+2 p	-3 p
Kumamoto	7	92%	+7 p	+1 p
Oita	4	82%	+1 p	-2 p
Miyazaki	2	83%	+4 p	-2 p
Kagoshima	3	86%	+2 p	+1 p
Okinawa	5	92%	+1 p	±0 p
Total	564	84%	+3 p	±0 p

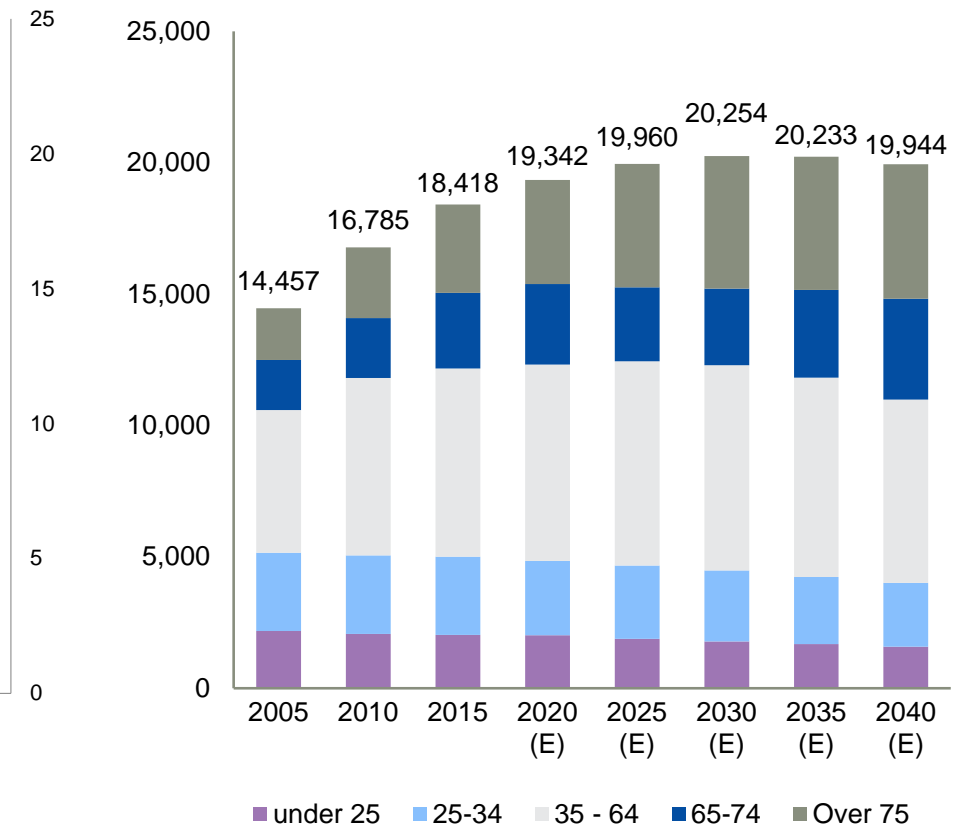
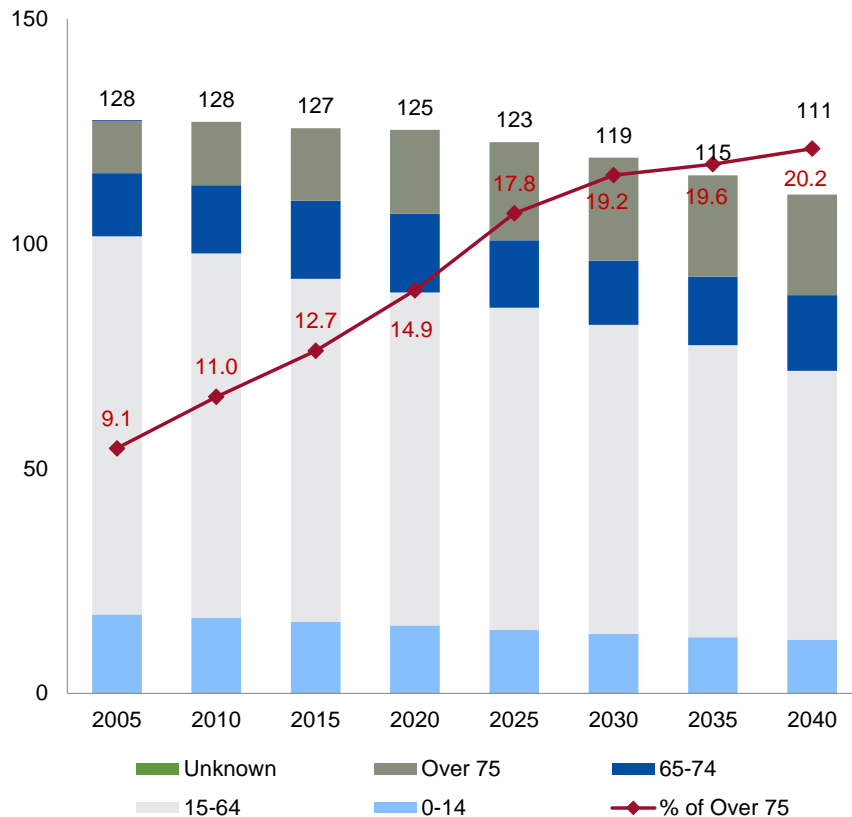
Total population will decrease to 110.92 million in 2040, accelerating the aging society in Japan. On the other hand, single-person households, which is the Company's main target, will continue to increase.

Number of General Households by Category

Number of Single-person Households by Age

(Millions of people)

(Thousands of households)



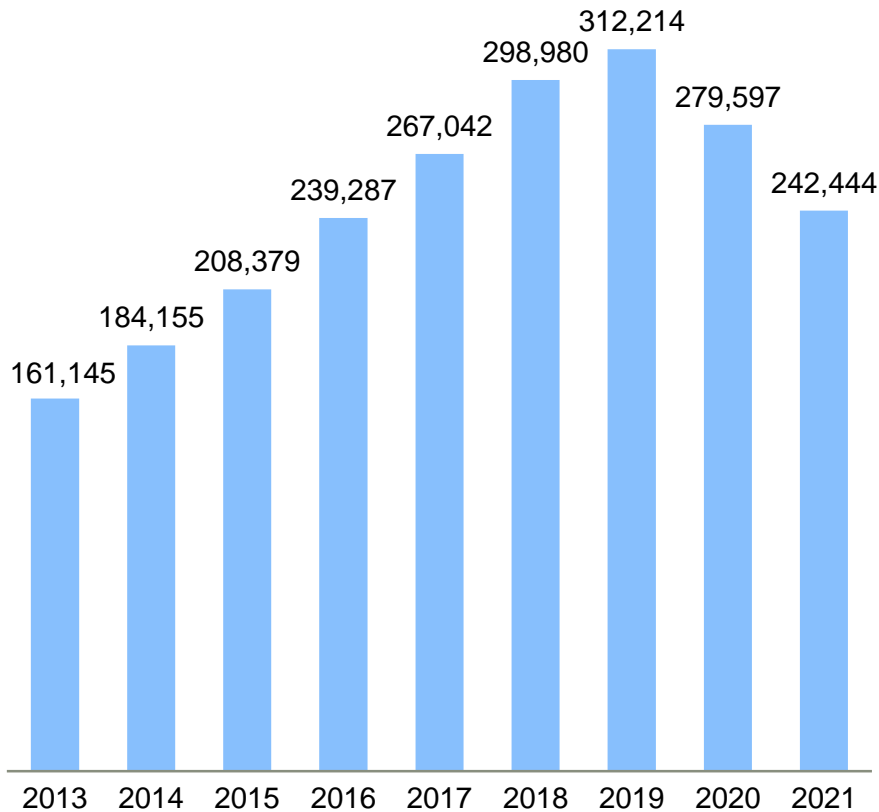
Source: White Paper on the Ageing Society prepared by Cabinet Office in 2022

Excerpted from "Future Estimates of Households in Japan" (2018, National Institute of Population and Social Security Research)

The number of foreign students and workers had been steadily increasing, but the number of workers has leveled off and the number of foreign students has declined significantly due to COVID-19 impact.

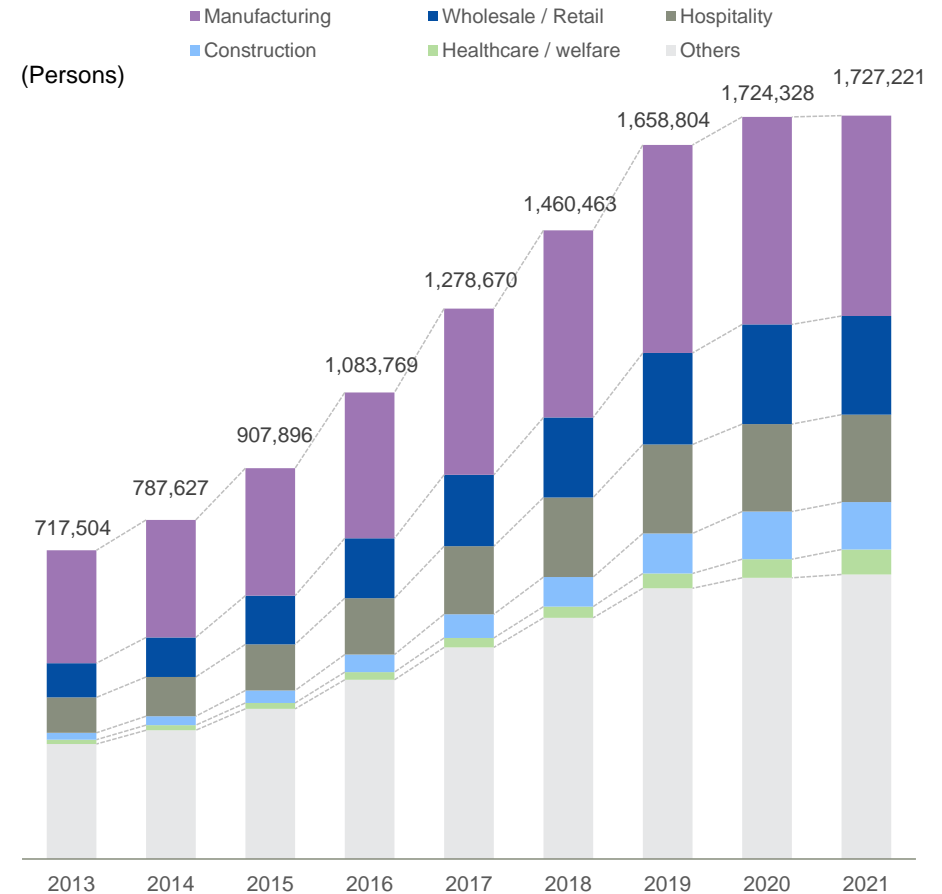
Foreign Students in Japan*1

(Persons)



Foreign Workers in Japan*2

(Persons)



*1 Source: Excerpt from “Result of an Annual survey of International Students in Japan 2021” (Japan Student Services Organization)

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

Contact: IR Section, Corporate Planning Department,
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*Business hour: 9:00-18:00 (except Saturdays, Sundays and Company holidays)

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