

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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Re•connect



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Occupancy rate

Continued execution of boosting measures made the occupancy rate increase to 88.83%, a 0.39 point above the plan at the end of March 2023.

PL / BS

Substantial growth with net income of JPY 19.8 billion (+ JPY 7.9 billion YoY). Equity ratio rose to 14.5%, a 13.8 p increase and cash and deposit was built up to JPY 53.5 billion, an increase of JPY 8.0 billion compared with the results of March 2022 respectively.
EBITDA increased by JPY 5.3 billion to JPY 16.4 billion and will reach JPY 30.0 billion in FY2024.

Cash Flows

Cash flows from operating activities improved significantly to JPY +10.5 bil (JPY +15.0 billion YoY) due to improved revenue from Leasing Business.
Cash flows from operating activities was positive for the first time in five fiscal years.

Construction defects management

Good progress of plan made the remaining number of rooms with obvious defects decline to about 29,400. The number of rooms repaired during end of April 2022 to end of April 2023 was 7,452.
Start discussing with tenants so that repair works can be done before the move-out to further accelerate the progress.

Capital Efficiency

The Company will eliminate through recapitalization the deficit in retained earnings carried forward, which is the source of dividends. The Company intends to soon realize a flexible and agile shareholder return, such as share buybacks and resumption of dividends.

Chapter 1

Outline of the Financial Results for FY2022 & Management Plan for FY2023

1

Strengthen profitability and stabilize financial base

Increase ownership equity by strengthening profitability, and consider improving shareholder returns and capital efficiency.

Average occupancy rate
87.20%

Occupancy rate at March-end
91.40%

Operating profit
JPY 13.9 billion

Net income
JPY 7.4 billion

Equity ratio
18.5%

2

Promote structural reform and DX

Continue constant structural reforms and utilize digital technology to improve customer convenience and operational efficiency.

Transfer or withdraw from non-core unprofitable businesses

Work out an effective human resources strategy

Steadily build up smart lock installation

3

Carry on repairing construction defects

Continue repairing obvious construction defects to complete it by end of Dec 2024.

Reinforce the structure to achieve the repair plan and utilize company-wide available resources.

Strengthen governance

Operating profit rose 457% YoY due to increased occupancy rate and lean cost structure.

(JPY million)	FY2021 Actual	FY2022 Plan	FY2022 Actual			Factors contributing to changes
				YoY	Compared with Plan	
Net sales	398,366	410,800	406,449	+8,082	(4,350)	Failed to achieve the plan due to unplanned transfer of subsidiary Morizou Co., Ltd., lowered occupancy rate of Guam, and lagging apartment occupancy rates in July and Aug..
Cost of sales	352,289	348,800	353,163	+874	+4,363	Expensing some home appliances installed in apartment of JPY 1.4 bil, soaring utility costs and prices of construction materials and labor, in addition to smaller reversal of provision for apartment vacancy loss of JPY 2.0 bil (plan: JPY 3.0 bil) increased cost of sales, which exceeded the plan.
Gross profit	46,077	62,000	53,285	+7,208	(8,714)	
%	11.6%	15.1%	13.1%	+1.5 p	(2.0) p	
SG&A	44,302	50,300	43,406	(895)	(6,893)	SG&A expenses were significantly lower than planned due to continued cost reduction, despite recording of provision of allowance for doubtful accounts of JPY 0.9 bil.
Operating profit	1,774	11,700	9,879	+8,104	(1,820)	Recurring profit was higher than planned due to foreign exchange gains of JPY 0.3 bil despite interest expenses of JPY 4.3 bil.
%	0.4%	2.8%	2.4%	+2.0 p	(0.4) p	
EBITDA	11,127	18,300	16,449	+5,322	(1,850)	
Recurring profit	(2,151)	6,800	6,526	+8,678	(273)	
Net income	11,854	24,900	19,810	+7,956	(5,089)	Extraordinary losses included loss related to repairs of JPY 2.5 bil and impairment loss of JPY 0.8 for Guam and others.
Ave. occupancy rate	81.22%	85.05%	84.66%	+ 3.44 p	(0.39) p	Net income significantly exceeded the result of FY 2021 but did not reach the plan due to the shortfall of the planned deferred tax assets considering taxable income for coming years.
EPS (JPY)	36.04	75.71	60.22	+ 24.18	(15.49)	

The Company expects no increase in deferred tax assets.

Operating profit and EBITDA is planned to recover and reach the level before the revelation of construction defects problem in FY2024.

(JPY million)	FY2023 Plan	YoY	Factors Contributing to Changes	FY2023 Plan (reference)	YoY
Sales	419,800	+13,351	Sales from Leasing Business grow substantially due to increased occupancy rates.	432,200	+12,400
Cost of sales	355,400	+2,237	The exercise of contractual adjustments for master-lease rent has run its course, which will take effect in the reduction of leasing operation cost.	353,000	(2,400)
Gross profit	64,400	+11,115		79,200	+14,800
%	15.3%	+2.2 p	Increased utility cost affects cost of apartment rent under monthly rental contract. Higher restoration and maintenance costs due to soaring material and labor unit costs. Balance of provision for apartment vacancy loss remains unchanged.	18.3%	+3.0 p
SG&A	50,500	+7,094		55,400	+4,900
Operating profit	13,900	+4,021	Personnel expenses increase mainly due to base salary increase and provision for bonuses. Other elements include IT system investment and resumption of new graduate hiring	23,800	+9,900
%	3.3%	+0.9 p		5.5%	+2.2 p
EBITDA	20,500	+4,050		30,400	+9,900
Recurring profit	9,400	+2,874	No extraordinary income/losses are planned. No increase in deferred tax assets is expected. (FY2022 actual: JPY +18.5 billion)	20,100	+10,700
Net income	7,400	(12,410)		18,100	+10,700
Average Occupancy rate	87.20%	+2.54 p	Occupancy rate is expected to steadily grow.	89.62%	+2.42 p
ESP (JPY)	22.49	(37.73)		55.01	+32.52

Cost of sales for Q4 FY2022 were higher than the initial plan due to increased utility costs, soaring materials and labor unit costs, and recording of increased provision for apartment vacancy loss. Costs in total rose including increased provision of allowance for doubtful accounts in SG&A expenses.

The Company plans to raise apartment room rents, common-area fees, and monthly usage fees to cope with rising utilities, labor costs, and other expenses.

(JPY million)	FY2022								FY2023			
	Q1		Q2		Q3		Q4		Q1	Q2	Q3	Q4
	Plan	Actual	Plan	Actual	Plan	Actual	Plan	Actual	Plan	Plan	Plan	Plan
Sales	100,400	101,406	102,000	101,053	103,300	101,056	105,100	102,931	104,900	104,200	104,400	106,300
Cost of sales	88,100	86,908	87,900	87,597	87,300	87,315	85,500	91,341	88,500	88,300	88,600	90,000
Gross profit	12,300	14,498	14,100	13,456	16,000	13,740	19,600	11,590	16,400	15,900	15,800	16,300
SG&A	11,800	10,919	12,000	10,073	11,200	9,934	15,300	12,479	12,000	12,300	12,400	13,800
Operating profit	500	3,579	2,100	3,383	4,800	3,806	4,300	(889)	4,400	3,600	3,400	2,500
Recurring profit	△800	2,643	900	2,790	3,600	3,014	3,100	(1,921)	3,200	2,500	2,300	1,400
Net income	△1,400	1,630	400	2,061	3,300	1,857	22,600	14,261	2,500	2,000	1,900	1,000

(JPY million)	End of FY2021	End of Q2 FY2022	End of FY2022
Cash and deposits	45,523	48,149	53,560
Trade receivables	8,618	7,981	8,121
Total assets	145,430	148,282	166,548
Interest-bearing debt*	33,045	32,867	32,831
Provision for loss related to repairs	18,086	16,498	17,583
Provision for apartment vacancy loss	5,632	2,947	3,590
Total liabilities	134,396	127,309	133,625
Common stock	100	100	100
Capital surplus	136,345	136,240	136,240
Retained earnings	(135,749)	(130,128)	(116,006)
Total shareholders' equity (A)	392	6,005	20,128
Total accumulated other comprehensive income (B)	675	6,273	3,986
Ownership equity (A) + (B)	1,068	12,279	24,115
Equity ratio	0.7%	8.3%	14.5%
Share subscription rights	357	284	284
Non-controlling interests	9,608	8,408	8,522
Total net assets	11,034	20,972	32,922
Total liabilities and total net assets	145,430	148,282	166,548

* Interest-bearing debt = borrowings + lease obligations

Factors contributing to changes

■ Cash and deposits

Q4 saw increase of JPY 5.4 bil QoQ due to positive cash flows from operating activities which increased by JPY 8.0 bil for FY2022.

■ Provision for losses related to repairs

(current: JPY 6.0 bil; non-current: JPY 11.5 bil)

Decrease of JPY 0.5 bil reflecting the progress of repairs in FY2022.

■ Provision for apartment vacancy loss

(current: JPY 0.0 bil; non-current JPY 3.5 bil)

Reversal of JPY 2.6 bil for Q3 cumulatively as a result of reduced number of fixed rent period for master-lease contract. Built up JPY 0.6 bil for Q4 due to lowered profitability of a certain number of apartments (Q1: JPY - 0.5 bil, Q2: JPY - 0.9 bil, Q3: JPY - 1.1 bil, Q4: JPY +0.6 bil)

■ Accumulated other comprehensive income

Recorded foreign currency translation adjustments of JPY 3.3 bil for FY2022 due to weaker JPY.

■ Ownership equity

Ownership equity augmented by JPY 23.0 bil for FY2022 due to increase in retained earnings as a result of net income and in accumulated other comprehensive income.

■ Non-controlling interests

Decrease by JPY 1.0 bil for FY2022 due to Leopalace Power Corporation's acquisition of own shares and dividends payment.

Eliminate deficit in retained earnings carried forward, which is the source of dividends, through recapitalization.

Capital Reserve Reduction and Appropriation of Other Capital Surplus*

▼ Shareholders' equity (non-consolidated basis)

(JPY billion)	Before appropriation	→	After appropriation
Common stock	0.1		0.1
Capital surplus	131.2		131.2
Capital reserve	51.2	10.0	10.0
Other capital surplus	79.9	121.2	14.3
Retained earnings	(106.8)	(106.8)	0

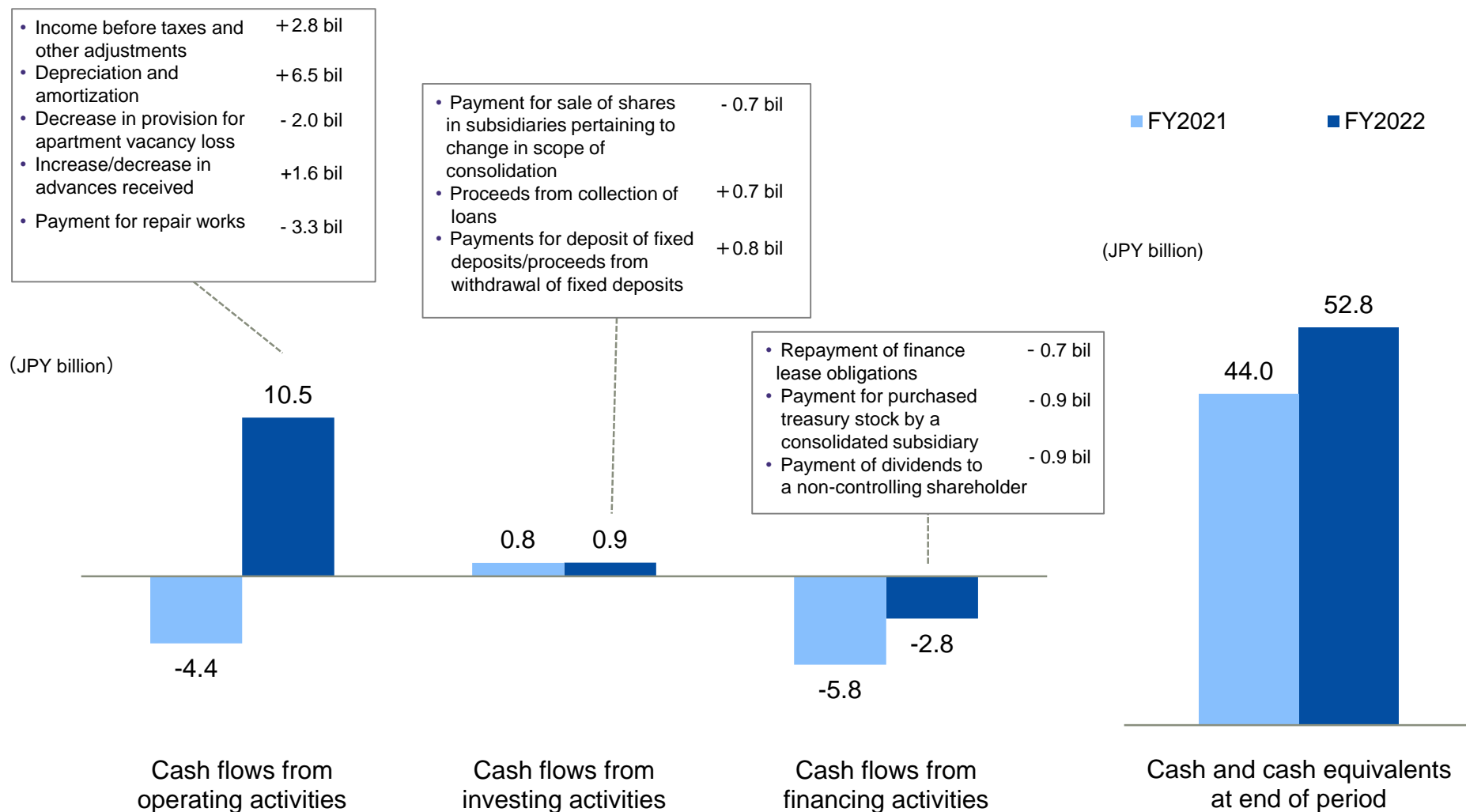
Note: Arrows in the original image indicate the following movements: 10.0 from Capital reserve to Capital reserve; 41.2 from Capital reserve to Other capital surplus; 14.3 from Other capital surplus to Other capital surplus; 106.8 from Other capital surplus to Retained earnings.

- 1 Reducing the amount of capital reserve of JPY 41.2 billion and appropriating other capital surplus
- 2 Transferring other capital surplus of JPY 106.8 billion to retained earnings carried forward
- 3 Retained earnings became JPY 0 and compensated for the deficit

Securing a flexible and agile capital policy that enables early resumption of dividends

* The Company is to submit a proposal to the 50th Ordinary General Shareholders' Meeting scheduled for June 29, 2023
Effective date: June 29, 2023 (planned)

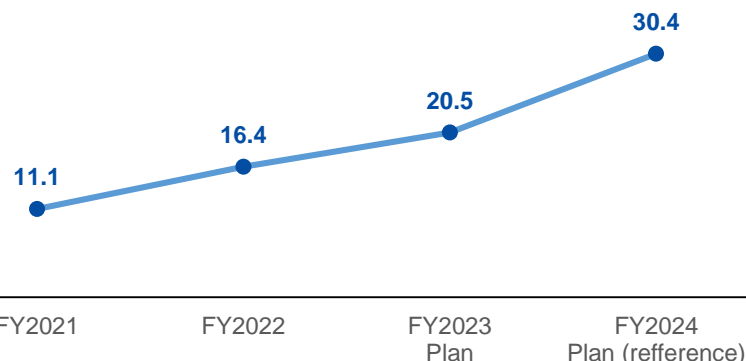
Cash flows from operating activities improved significantly to JPY +10.5 bil (JPY +15.0 bil YoY) due to improved revenue from Leasing Business.



Each key indicator will reach a high level in FY2024 due to the strengthening of Leasing Business and financial base.

EBITDA*

(JPY billion)



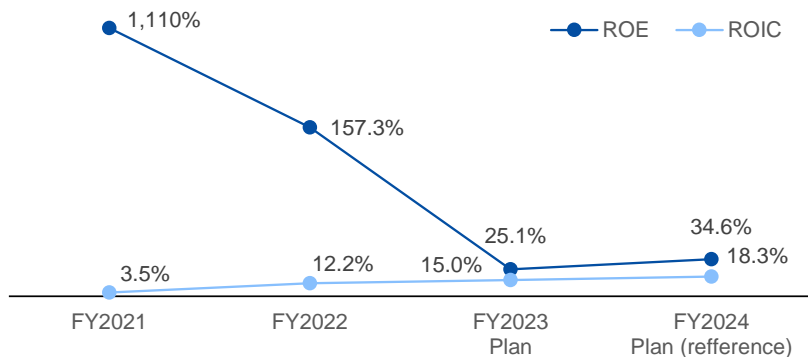
* EBITDA = Operating profit + Depreciation

Equity ratio*



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

ROE*・ROIC**

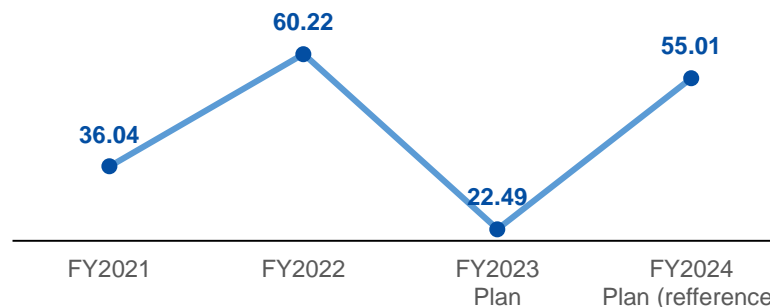


* ROE = Net income / Ownership equity

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

Net income per share (EPS*)

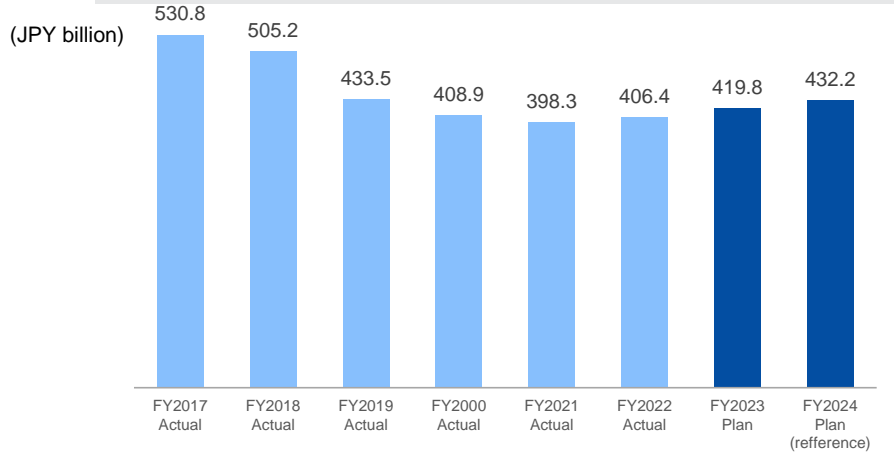
(JPY)



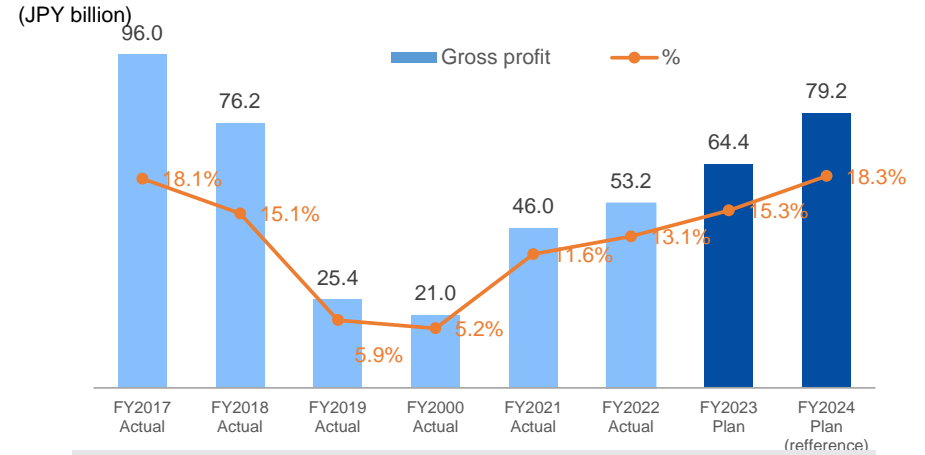
* EPS = Net income / Number of shares outstanding

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.

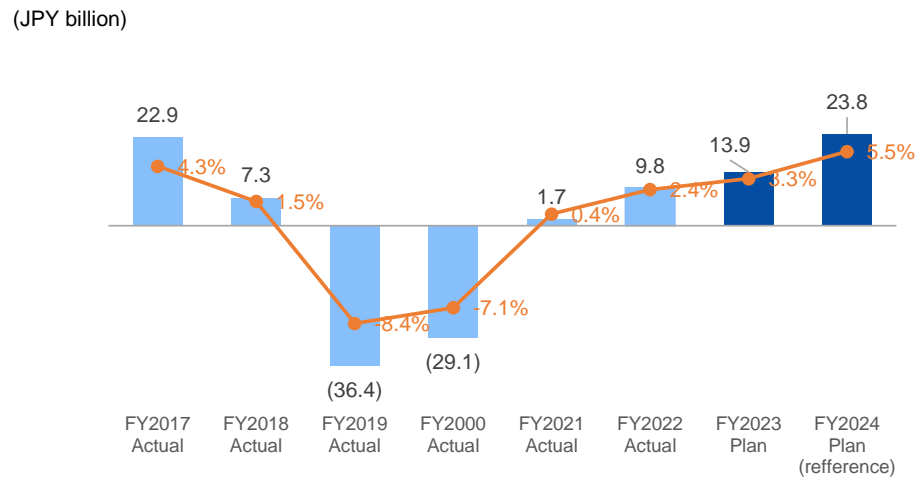
Sales



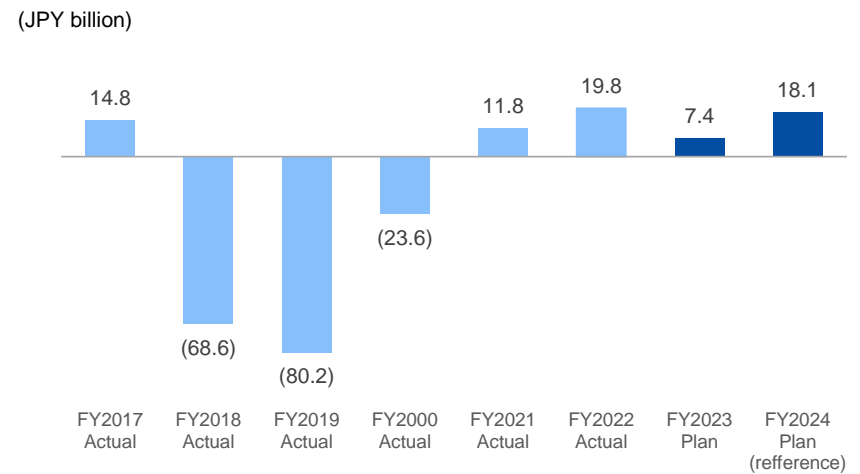
Gross profit



Operating profit



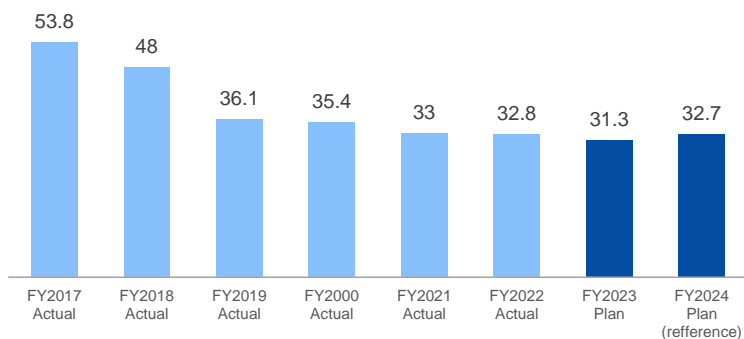
Net income*



Strengthen equity capital by improving profitability and move toward shareholder returns such as dividend resumption and share buybacks.

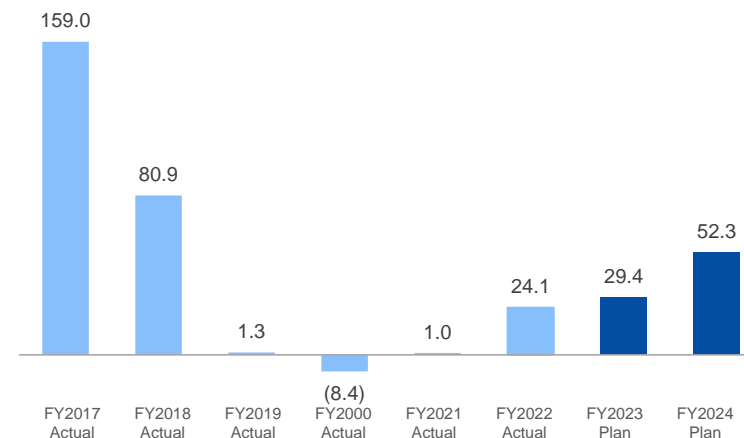
Interest-bearing debt*

(JPY billion)



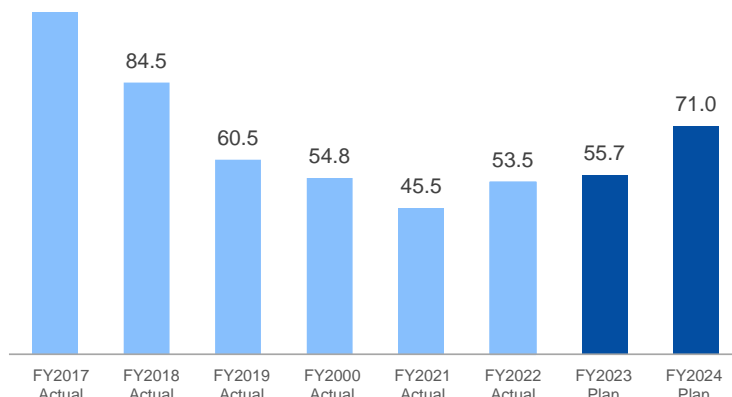
Ownership equity

(JPY billion)



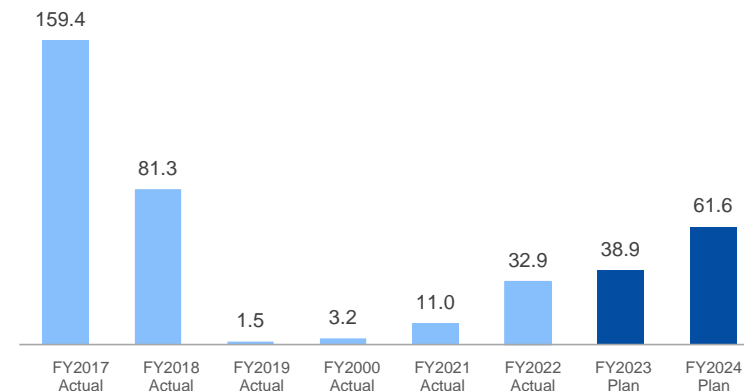
Cash and deposits

(JPY billion)



Total net assets

(JPY billion)



Interest-bearing debt = borrowings + lease obligations + bonds

Does not factor in prepayment of borrowings, refinancing, or conversion of stock acquisition rights.

Chapter 2

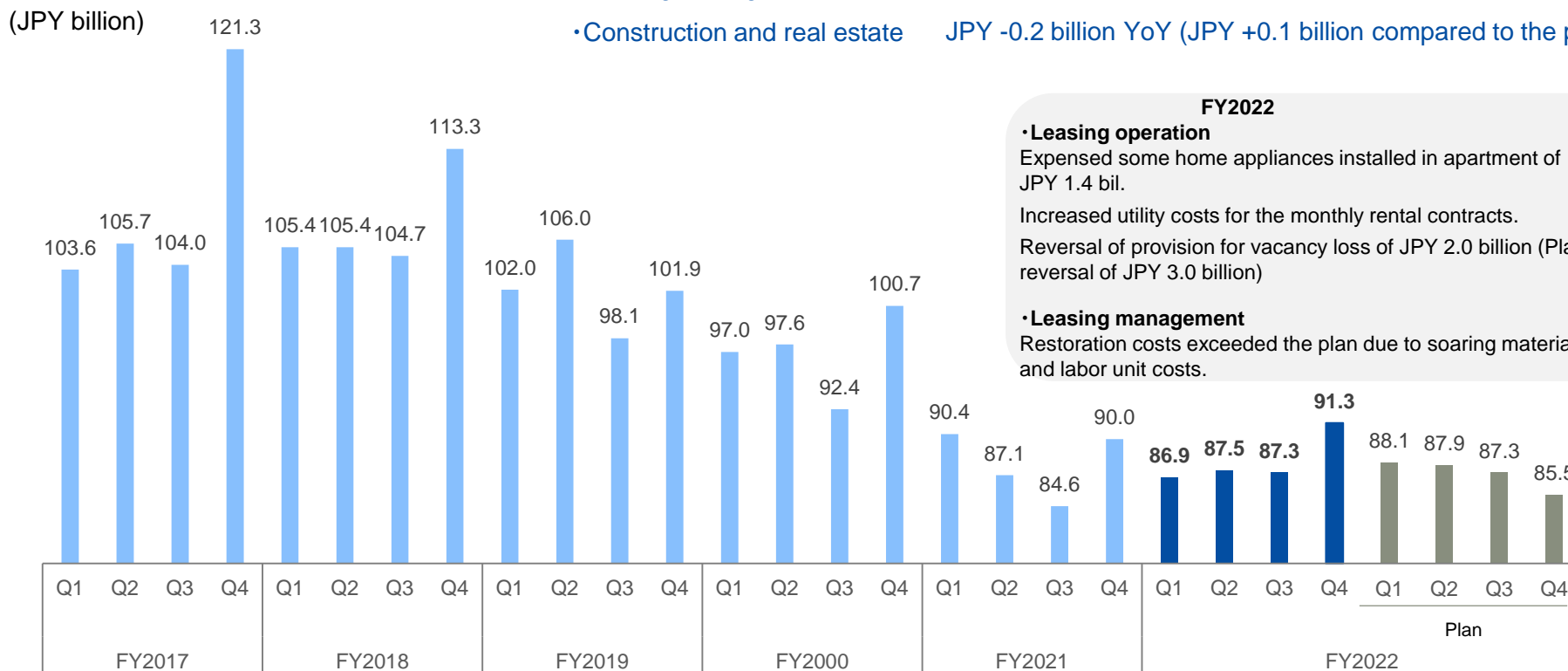
Optimization of Cost Structure

Cost of sales increased in Q4 FY2022 due to increased utility costs, soaring materials and labor unit costs, and recording of increased provision for apartment vacancy loss.

Quarterly Trends of Cost of Sales

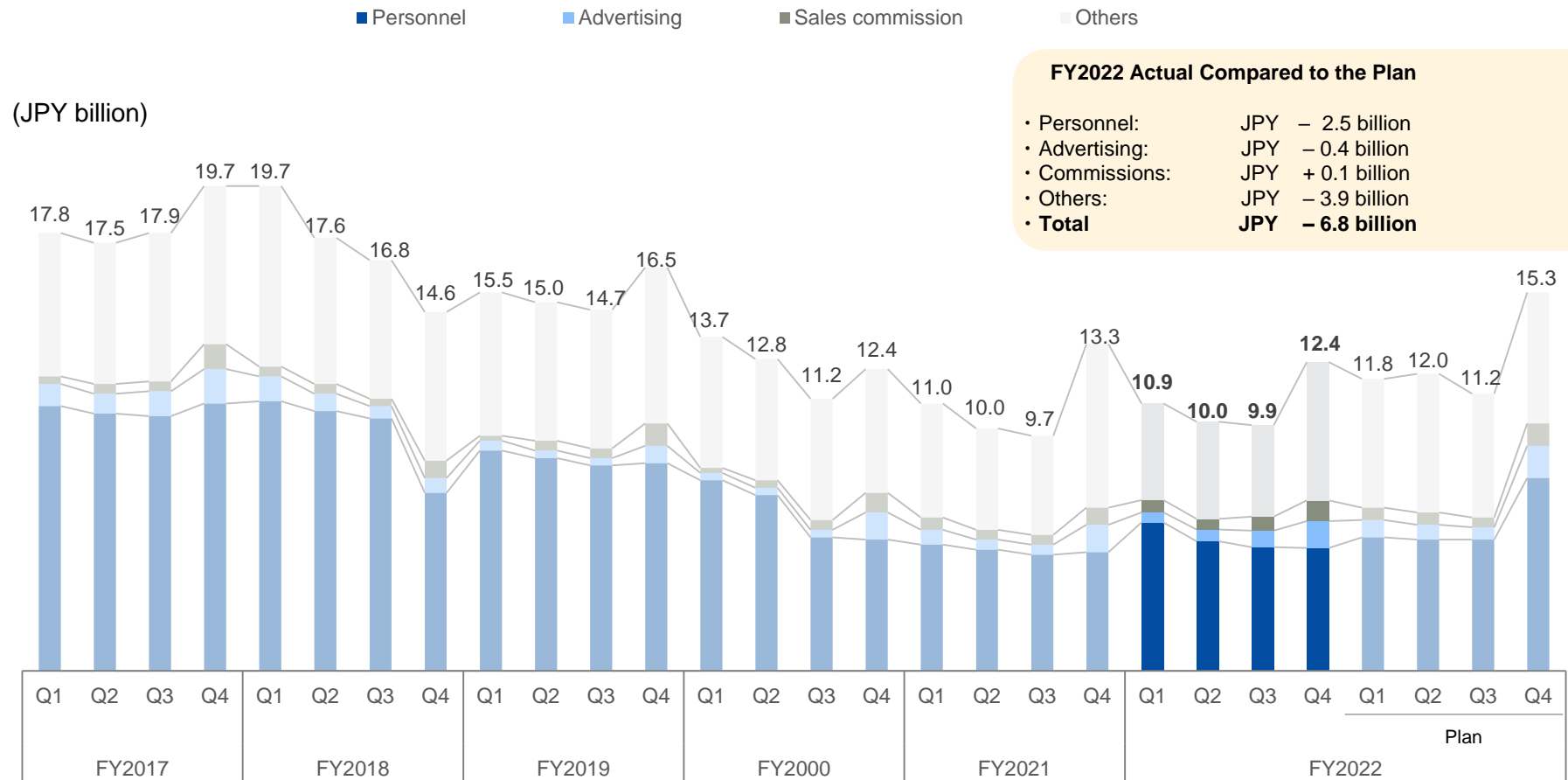
◆ **Deviation of main items from plan (FY2022 Actual)**

- Leasing operation: JPY -4.9 billion YoY (JPY +3.3 billion compared to the plan)
- Leasing management: JPY +7.3 billion YoY (JPY +0.9 billion compared to the plan)
- Construction and real estate: JPY -0.2 billion YoY (JPY +0.1 billion compared to the plan)



SG&A expenses were significantly lower than planned due to a decrease in personnel expenses resulting from delays in hiring employees and significant curtailment of other SG&A expense

Quarterly Trends of SG&A Expenses

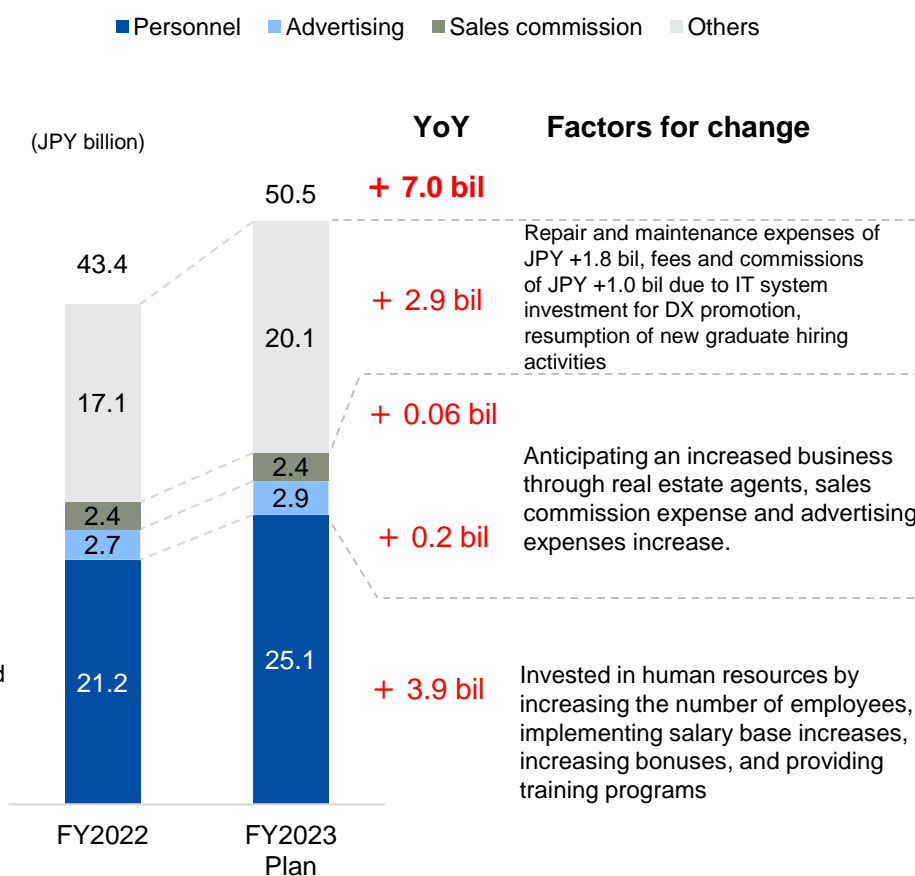
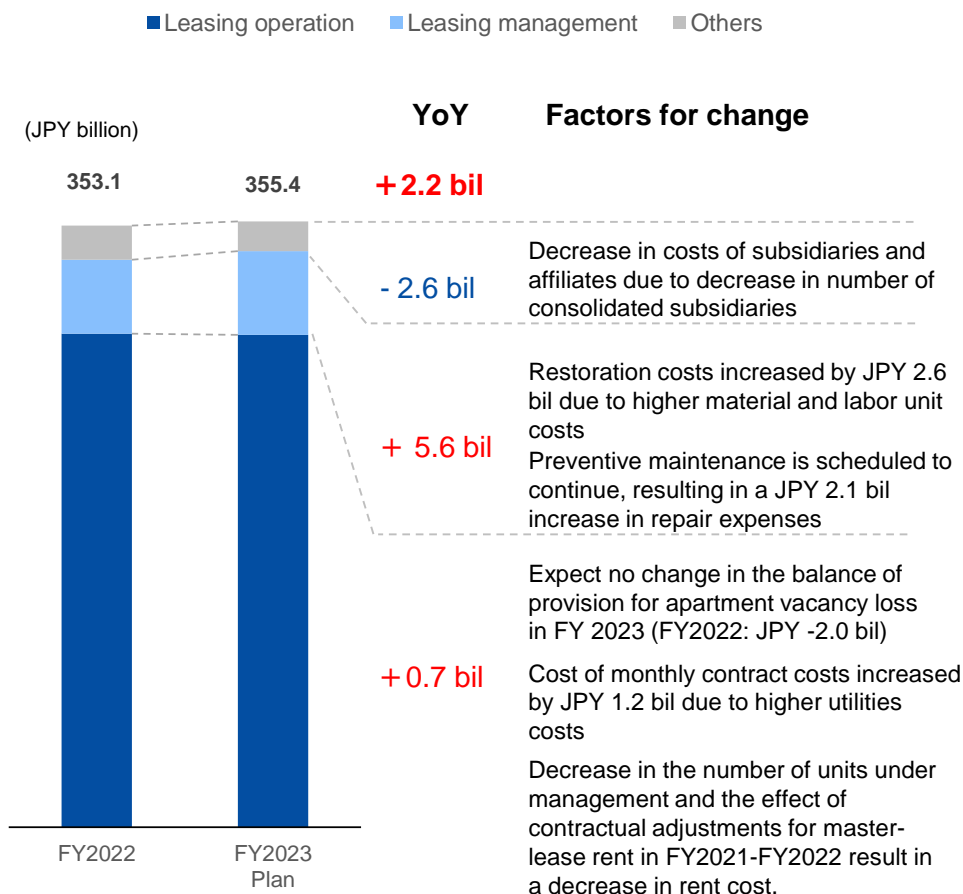


* Other SG&A expenses: Taxes and public charges, commission expense, rent expense, repair and maintenance expenses, and depreciation and amortization

The Company will focus on restraining costs through selective concentration for FY2022 onward in order to achieve sustainable growth, in addition to cutting costs across the Company since the revelation of the construction defects problem.

Cost of sales

SG&A expenses

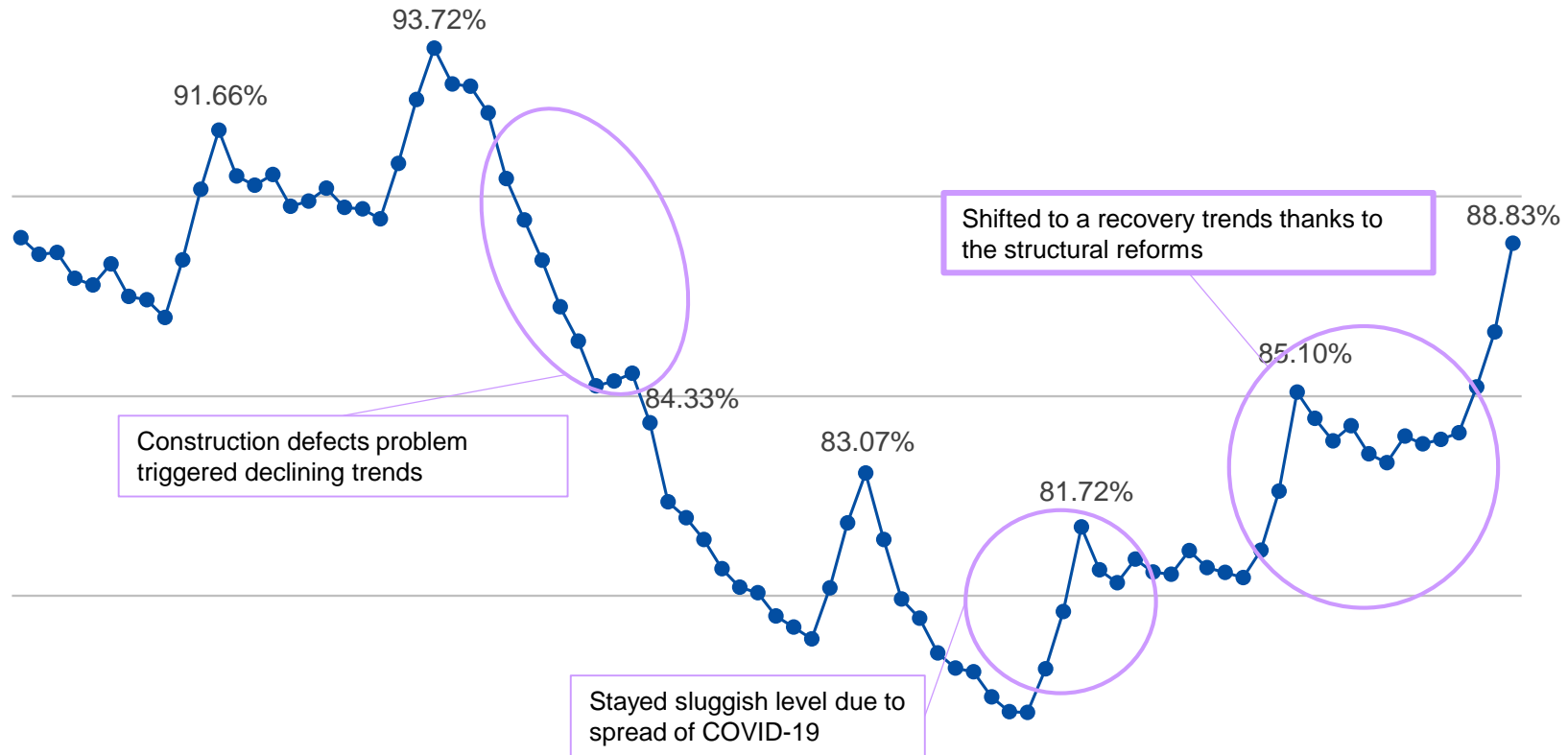


Chapter 3

Occupancy Rate and Occupancy Boosting Measures

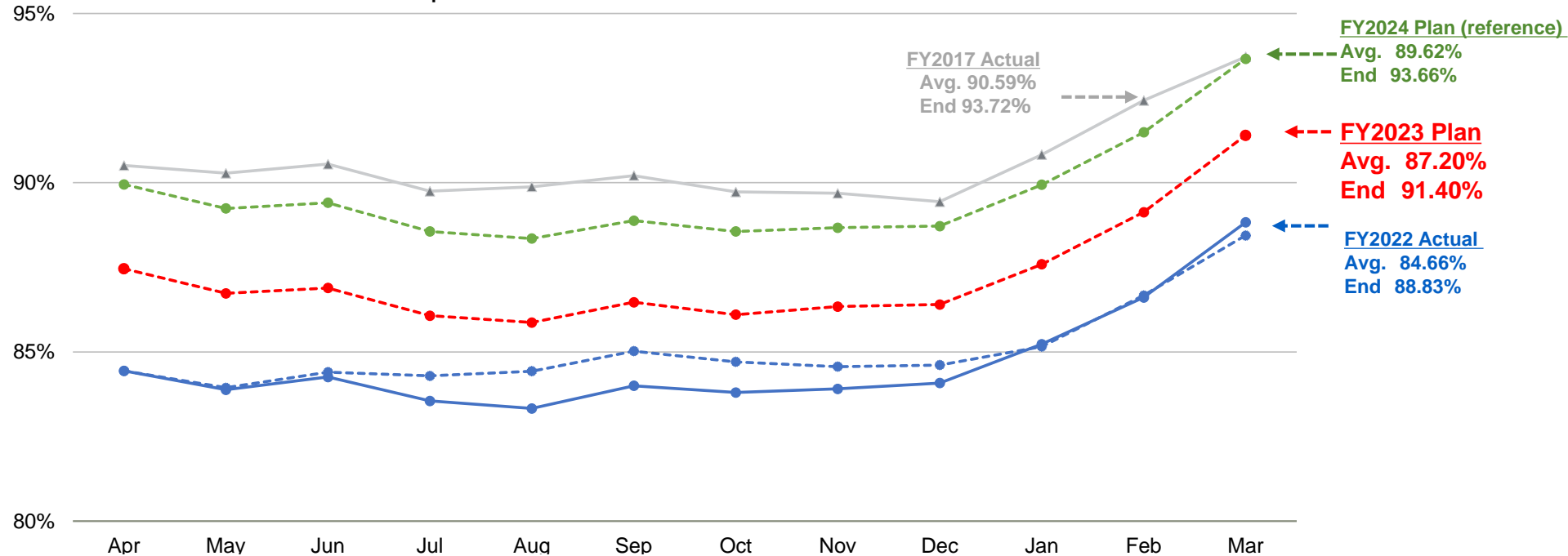
Occupancy rate had been increasing until FY 2017 after the financial crises, it started to decrease from FY2018 due to the construction defects problem and COVID-19. By implementing measures to improve occupancy rate, it bottomed out in December FY2020 and turned to a recovery trends.

Occupancy Rate



Sep	Mar	Sep	Mar	Sep	Mar	Sep	Mar	Sep	Mar	Sep	Mar	Sep	Mar
FY2016		FY2017		FY2018		FY2019		FY2020		FY2021		FY2022	

The occupancy rate as of end of March 2023 achieved the plan.
 The occupancy rate is planned to increase in FY2024 to the previous level of FY2017, which was prior to the revelation of construction defects problem.



	FY2017	FY2022		FY2023 plan		FY2024 plan (reference)		
		vs plan	YoY	vs plan	YoY	vs plan	YoY	
Average occupancy rate	90.59%	84.66%	(0.39) p	+3.44 p	87.20%	+2.54 p	89.62%	+2.42 p
Year-end occupancy rate	93.72%	88.83%	+0.39 p	+3.73 p	91.40%	+2.57 p	93.66%	+2.26 p

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

Refine the occupancy rate boosting measures exercised in FY2022 to achieve the occupancy rate plan.

Corporate: Acquire larger share of business	Individual: Utilize real estate agents and web-based services
<p data-bbox="111 429 853 496">Obtain customer's buy-in for realizing corporate housing strategy as an expert</p> <ul style="list-style-type: none"> <li data-bbox="111 505 1015 606">◆ <u>Top-level sales activities</u> Involve senior management team in customer interaction for resolving issues faced by the customer. <li data-bbox="111 621 1015 722">◆ <u>Reinforce sales organizational structure</u> Reorganized the sales teams mainly for Tokyo metropolitan area. 11 departments instead of 8 for increased customer interaction time. <li data-bbox="111 736 1015 1022">◆ <u>Individual customer strategy</u> Increase use of room by responding to specific requirements. <Extended corporate sales> Responsible for strengthening six industries; Staffing & outsourcing, Construction, Transportation, Food & beverage, Wholesale / Retail, and Nursing-care. <Area-based corporate sales> Build strong relationship with local companies. <p data-bbox="111 1043 853 1110">Attract foreign nationals for increased use of rooms</p> <p data-bbox="111 1132 1015 1272">Expand business by working with staffing agencies for foreign nationals and support agencies. (Note) FY2023 plan for no. of contracts of corporate customers with foreign national tenants: About 10,000</p>	<p data-bbox="1094 515 1688 575">Collaborate with real estate agents</p> <ul style="list-style-type: none"> <li data-bbox="1094 596 1968 664">◆ Strengthen sales to real estate agents by working with major real estate agents and Village House in Fortress Group. <li data-bbox="1094 692 1968 872">◆ <u>FY2022 achievement</u> <ul style="list-style-type: none"> <li data-bbox="1118 736 1777 803">• No. of rental contracts through real estate agents: 39,728 (+11.7% YoY) <li data-bbox="1118 818 1906 872">• Ratio of contracts with individual customers through agents: 43.3% (+4.4 p YoY) <p data-bbox="1106 896 1688 978">Attract international students for increased use of rooms</p> <p data-bbox="1106 1008 1980 1143">Acquire increasing demand mainly by international students coming to Japan. Utilize seven IFCs and reinforce relationship with real estate agents and service providers which cater for students' needs.</p> <p data-bbox="1106 1172 1939 1203">(Note) FY2023 plan for individual rental contracts: About 12,000</p>

Number of units used by foreign national tenants is about 43 thousand, comprising about 23 thousand individual customers and about 20 thousand under corporate contracts, 8.5% of total occupation. (+1.6 p from end of FY2021 and +0.1 p against Q3 result)

► **Contracts with foreign national customers (Individual customers)**

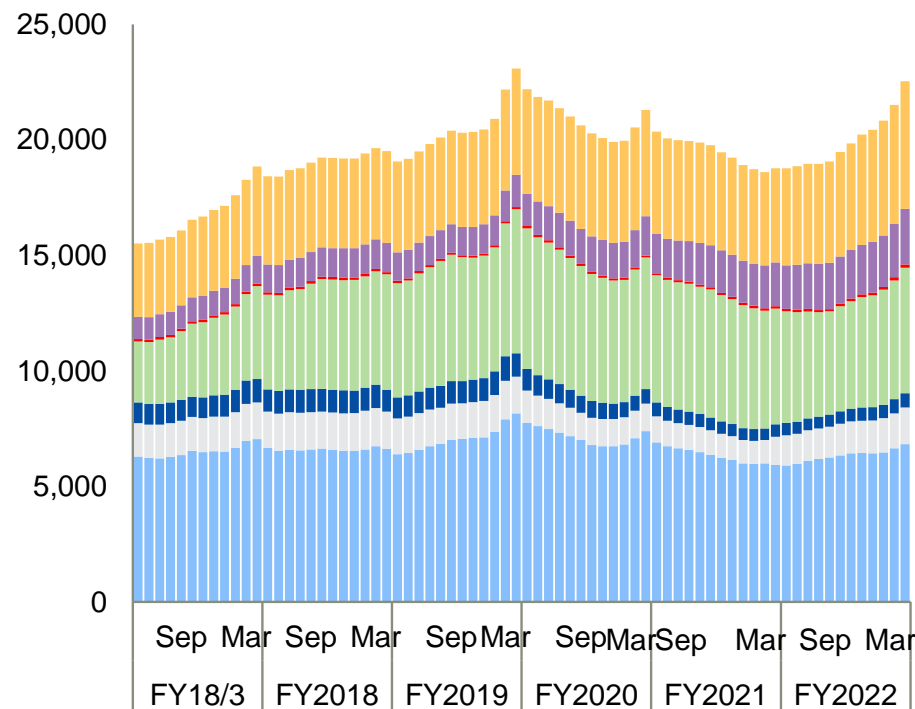
► **FY2022 Actual**
12,011 (- 989 vs plan; +3,902 YoY)

Trends of No. of contracts with individual foreign nationals

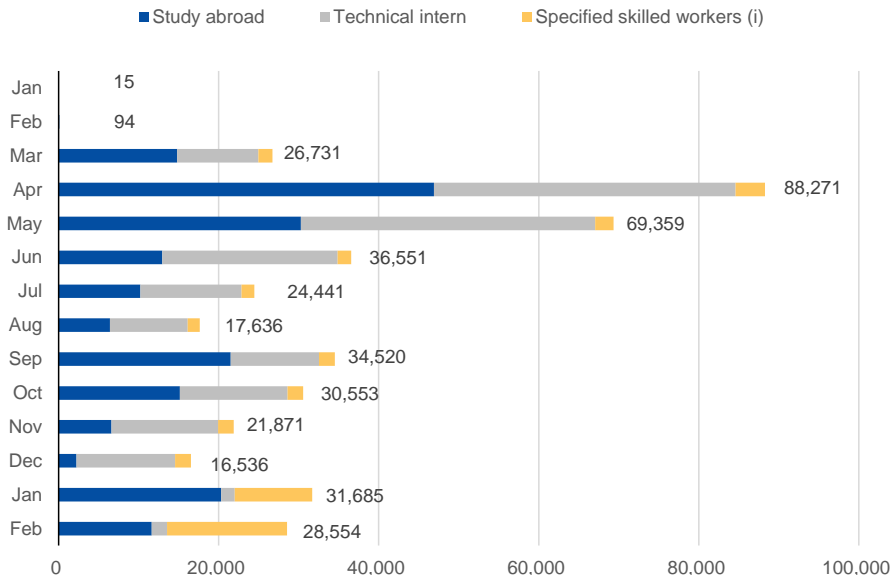
■ China ■ S. Korea ■ Taiwan ■ Vietnam ■ Thailand ■ Other Southeast Asia ■ Other

(Unit)

FY2022 Actual: 22,539 rooms
 (+20.1% vs FY2021 Actual, +10.3% vs end of Q3 FY2022)



▼ **Trends of foreign nationals entering Japan***

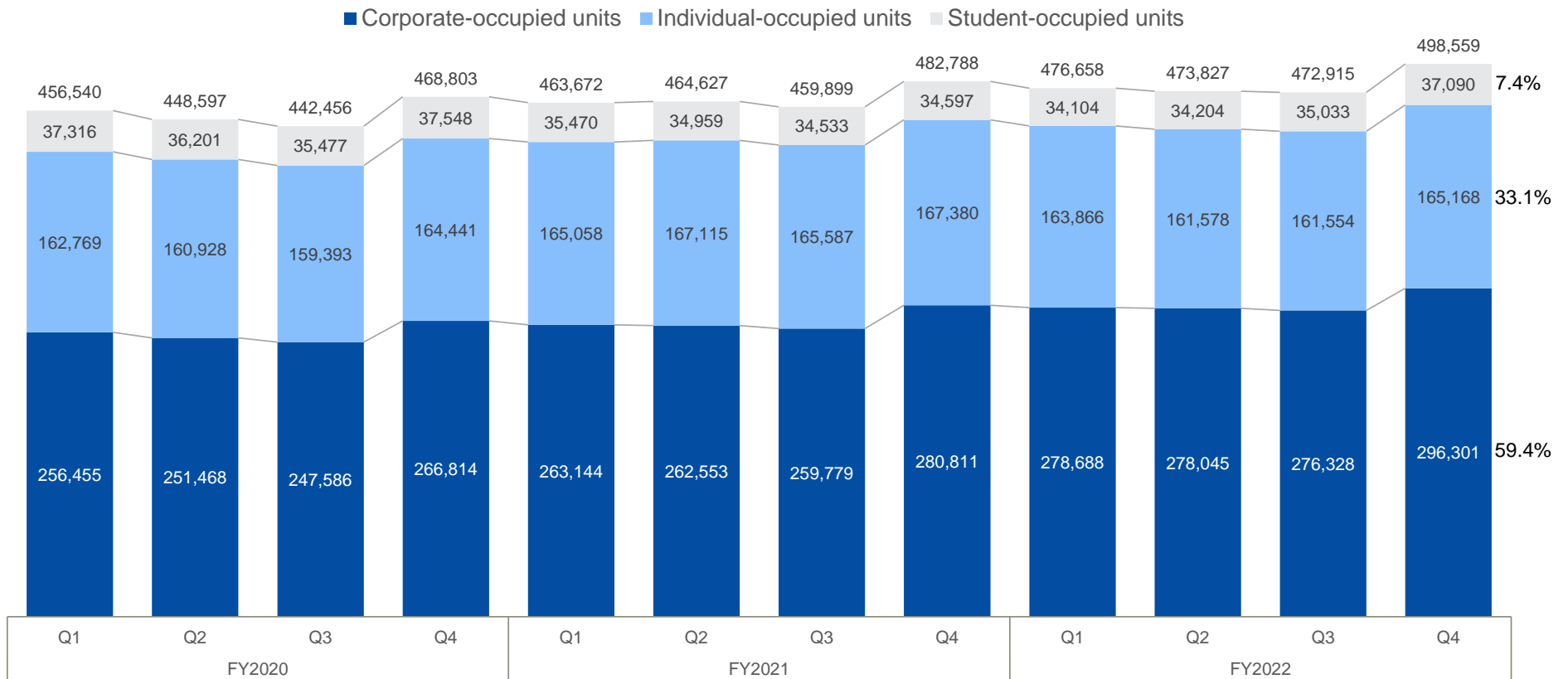


*Source: Statistics on number of foreign nationals entering Japan and the number of Japanese nationals returning to Japan (Immigration Services Agency)

The number of occupied units grew substantially as at the end of FY2022.

Major contributor: corporate customers with 296,300 units, which comes next to the all-time high 309,062 units as of the end of FY2017.

(Units)



Occupancy rate in Hokkaido increased +5 p YoY, +6 p QoQ due to demand for Shinkansen construction and redevelopment around terminal station. The rate in Kumamoto increased +5 p YoY, +2 p QoQ due the construction of new factories in the manufacturing industry.

Managed unit: in thousands, Occupancy:%	Q4 FY2022			
	Managed units	Occupancy rate	YoY	QoQ
Hokkaido	13	83%	+5 p	+6 p
Aomori	4	83%	-1 p	+2 p
Iwate	3	93%	-1 p	+2 p
Miyagi	10	89%	+5 p	+4 p
Akita	2	92%	-2 p	+8 p
Yamagata	4	89%	+6 P	+6 p
Fukushima	10	86%	+3 P	+3 p
Ibaraki	15	89%	+6 p	+5 p
Tochigi	11	87%	+3 p	+3 p
Gunma	12	84%	+7 p	+4 p
Saitama	46	90%	+5 p	+6 p
Chiba	33	87%	+7 p	+6 p
Tokyo	44	93%	+8 p	+7 p
Kanagawa	40	93%	+4 p	+6 p
Toyama	5	85%	+4 p	+10 p
Ishikawa	5	81%	+6 p	+7 p

Managed unit: in thousands, Occupancy:%	Q4 FY2022			
	Managed units	Occupancy rate	YoY	QoQ
Fukui	4	88%	-7 p	+3 p
Yamanashi	4	91%	+5 p	+3 p
Nagano	11	93%	+7 p	+4 p
Niigata	9	87%	+8 p	+6 p
Gifu	7	87%	±0 p	+3 p
Shizuoka	24	82%	+5 p	+3 p
Aichi	41	91%	+1 p	+5 p
Mie	11	77%	-8 p	±0 p
Shiga	8	96%	+2 p	+2 p
Kyoto	9	92%	+3 p	+5 p
Osaka	31	88%	+5 p	+6 p
Hyogo	22	89%	+4 p	+3 p
Nara	3	91%	+4 p	+5 p
Wakayama	3	82%	+5 p	+4 p
Tottori	2	87%	-4 p	+1 p
Shimane	2	94%	-3 p	-2 p

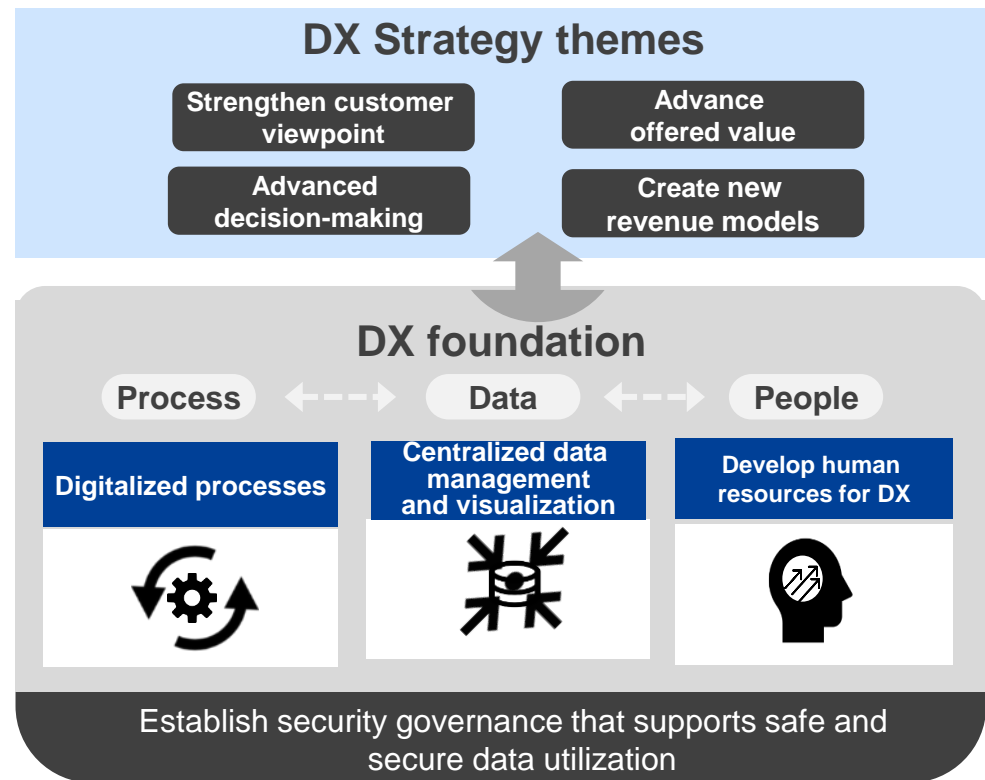
Managed unit: in thousands, Occupancy:%	Q4 FY2022			
	Managed units	Occupancy rate	YoY	QoQ
Okayama	12	84%	-1 p	+4 p
Hiroshima	13	91%	+3 p	+4 p
Yamaguchi	7	90%	+1 p	+5 p
Tokushima	2	79%	-10 p	+2 p
Kagawa	5	82%	+2 p	+5 p
Ehime	4	83%	-3 p	+4 p
Kochi	2	87%	+1 p	+3 p
Fukuoka	20	89%	+3 p	+4 p
Saga	3	91%	+1 p	+3 p
Nagasaki	2	95%	+2 p	+4 p
Kumamoto	7	95%	+5 p	+2 p
Oita	4	84%	±0 p	+3 p
Miyazaki	2	88%	+4 p	+4 p
Kagoshima	3	92%	+6 p	+5 p
Okinawa	5	97%	+4 p	+4 p
Total	561	89%	+4 p	+5 p

Chapter 4

**Promotion of Sustainability (DX Promotion,
Human Resources Strategy, Carbon Neutrality)**

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

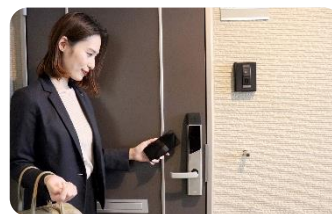


- Smart lock installation exceeded 90,000 rooms. A new tenant service of AI-powered Speech Dialog System and Chatbot Tool was rolled out in Feb 2023.
- Having all types of lease contracts for individual tenants ready for electronic signing from Apr 2023.



Smart Lock

- ◆ Introduced since Jun 2022 with the planned installation of **440,000 apartment units** under management in steps to service.
- ◆ It enables tenants to view rooms or move in the room with **no need of visiting** leasing sales office for receiving the key.
- ◆ 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.



AI-powered Speech Dialog System and Chatbot Tool

- ◆ AI technology can respond to tenants' inquiries quickly and accurately 24 hours a day, 7 days a week.

Frequently Asked Questions in the website



Screen supported by Chabot



Clicking the button activates Chabot.

Web-based contracts

◆ 2015 - Leo-sign (Electronic contract)

- Introduced in 2015 for corporate customers.
- FY2022 actual: 37.5% of corporate lease contracts used *Leo-sign*.

◆ 2019 – Web-based contract

- Launched in June 2019
- FY2022 actual: 16,415

◆ 2020 - Web-based customer service / room viewing

- Rolled out in Oct 2020. Use of video calling for integrated service eliminated the need of visiting the leasing sales offices.

◆ 2021 - eKYC (Know your customer)

- Started in Jan 2021. Replaces submission of identity verification document for car park contracts with a digitized ID document and a web-based interview for examination.

◆ **2023 –**
Extended the scope of electronic signing utility for all lease contracts for individual tenants which require a joint guarantor



The Board of Directors takes the lead of human resources strategy as it handles one of the most important management resources.

Highlighted six most important themes. Details are to be disclosed in annual securities report at the end of Jun 2023 and in integrated report at the end of Sep 2023.

Put Well-being Management in priority

- ◆ President and CEO becomes the chief officer to promote well-being management.
- ◆ Improved health and workplace vitality are sources of innovation
- ◆ Well-being information is communicated in each office and health committee.

Committed to Diversity and Inclusion

- ◆ Maximize human resources' abilities by recognizing, accepting, and respecting diversity of attributes.
- ◆ Create an environment that enables lower turnover, higher employee satisfaction.

Strengthen a sense of compliance and develop ethical standard

- ◆ Develop a sound corporate culture trusted by customers, employees, and society as a whole through thorough management of work hours and hygiene.
- ◆ Fulfill corporate social responsibility.

Increase employee engagement

- ◆ Motivate each employee.
- ◆ Foster attachment to the Company and build a relationship of integral mutual growth between employees and the Company.

Implement strategic acquisition of diverse human resources

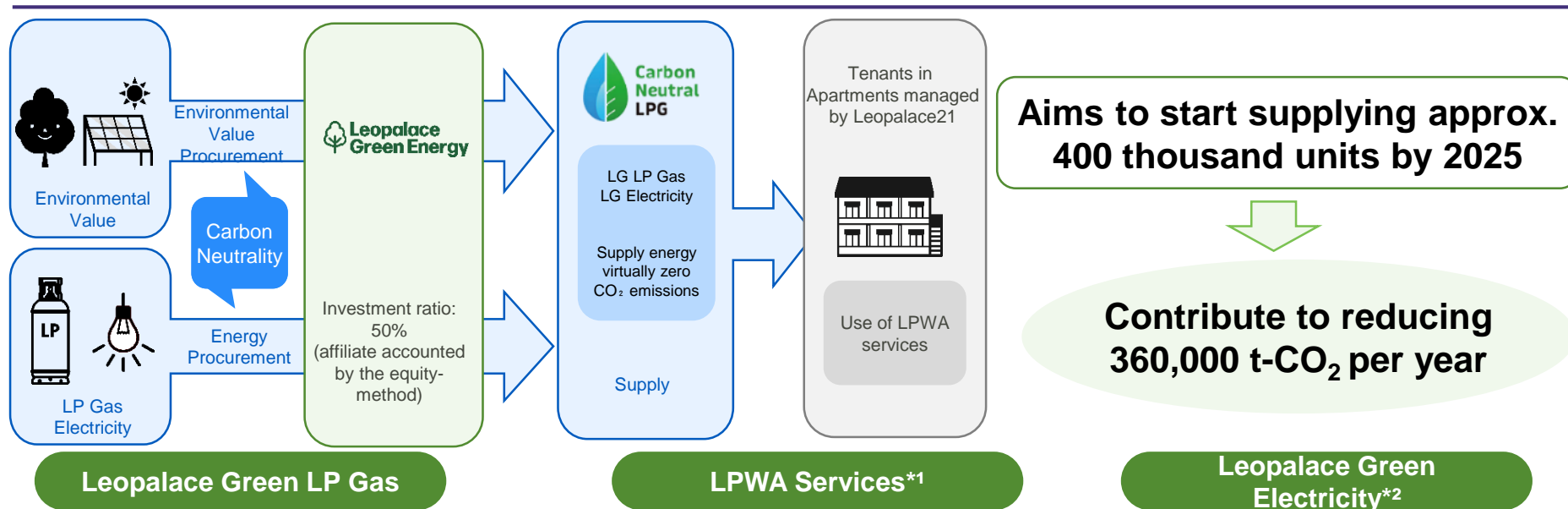
- ◆ Promote hiring of new graduates, ex-employee rejoining, establishing specialist personnel positions, and use of part-time workers.
- ◆ Attract a diverse workforce that will shape the Company's future.

Promote Leader Development and Succession Planning

- ◆ Promote sustainable growth of each employee in the career.
- ◆ Prepare a pool of management personnel who will be responsible for the future of the Company.

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

Remote operation of gas valve opening and automatic detection of gas leaks

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.

Chapter 5

Construction Defects Management

Estimated number of rooms requiring repairs: About 29,400 rooms

18,878 rooms have been found defective as a result of the investigation. It is estimated that about 29,400 rooms need repairs, by adding 18,878 rooms to about 10,530 uninvestigated rooms that are estimated to be defective based on the past investigation results.

(As of April 30, 2023)

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	7,722	121,289	83,948	48,562	17,520
Other Series Total	23,802	4,554	70,904	45,535	9,404	11,880
Grand Total	39,085	12,276	192,193	129,483	57,966	29,400

■ Plan for July 2022 – March 2023

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

Actual result for July 2022 – March 2023: 6,002

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.leoplace21.co.jp/info/en/news/progress.html>



Appendix

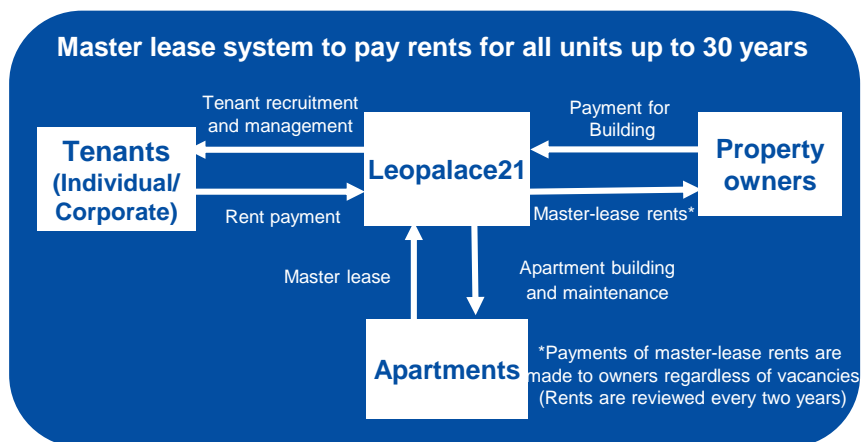


Corporate Data (as of March 31, 2023)

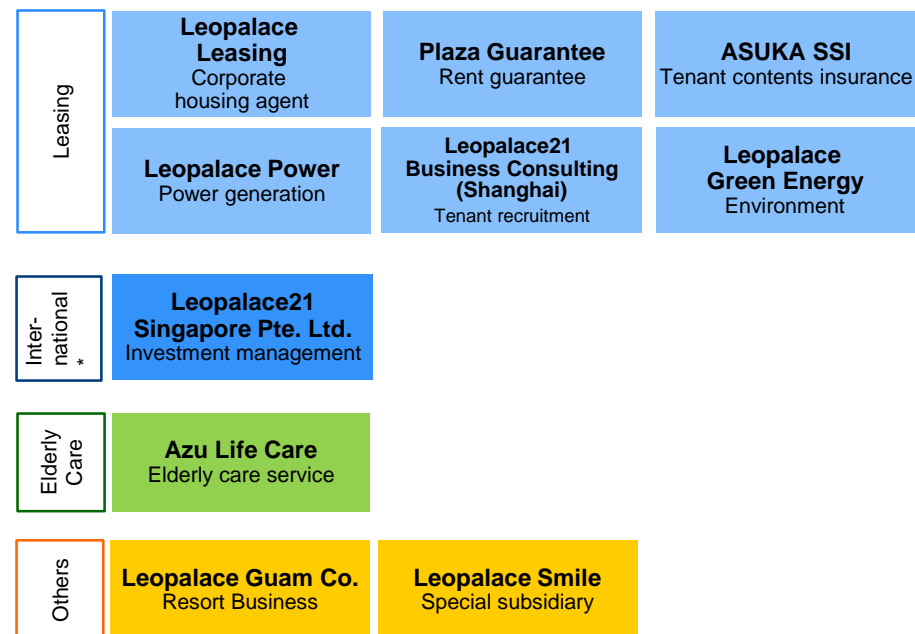
Established	August 17, 1973
Paid-in Capital	JPY 100 million
Representative Director	Bunya Miyao, President and CEO
Employees	3,991 (consolidated), 2,804 (non-consolidated)
Authorized Shares	750,000,000
Outstanding Shares	329,389,515 shares (not including 159,748,700 dilutive shares)
Shareholders	47,232

Business Model

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



Group Companies (as of March 31, 2023)

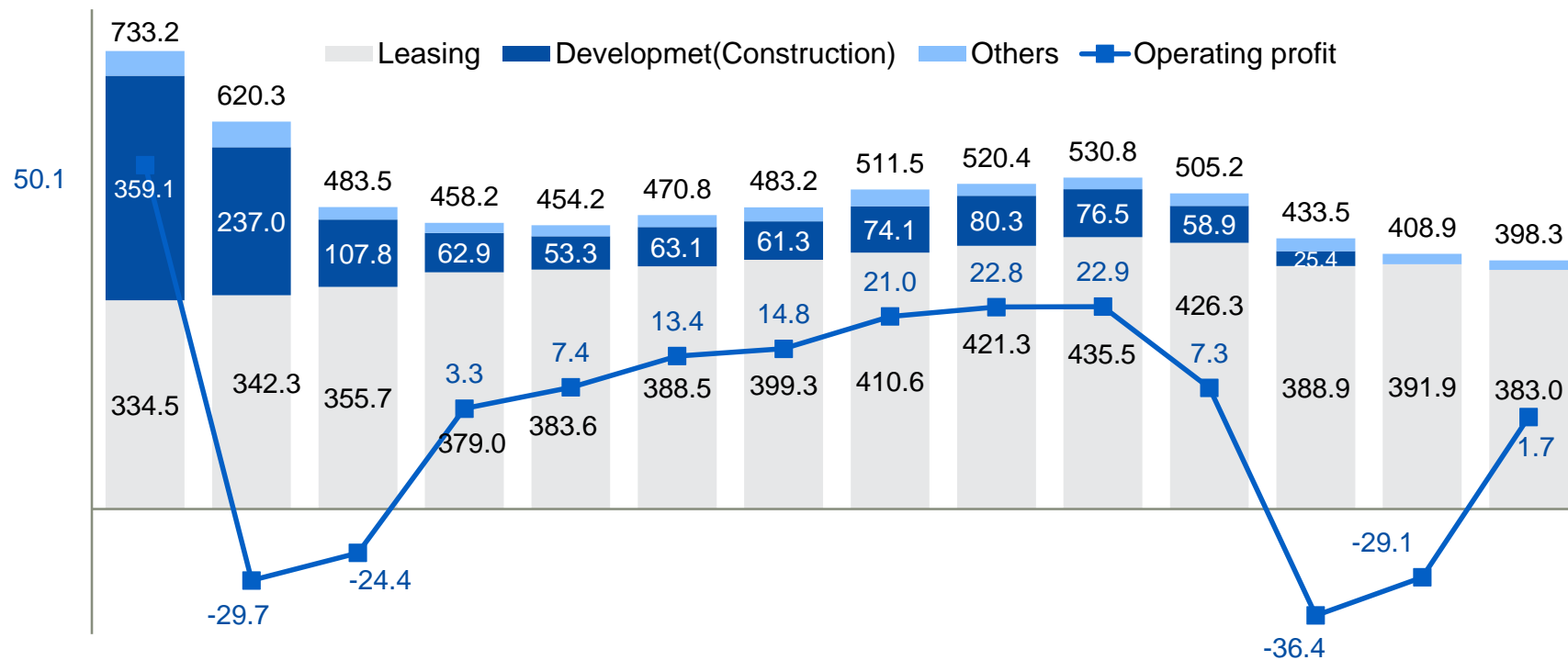


* Results of the International Business and the Development Business are reported under the Leasing Business segment.

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



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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