

Leopalace21 Corporation Financial Results for Q3 Fiscal Year 2023



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(Note) This material contains some forward-looking statements. Please understand that actual results may differ significantly from these forecasts due to various factors.

Shareholder Return

The Company implemented a share repurchase program Jul 6, 2023– Jan 5, 2024. **Total acquired shares was JPY 3.4 billion in amount and 11,450 thousand in number.** The Company made a change in dividend policy and announced a revised **year-end dividend forecast of JPY 5 per share** for FY2023.

Leasing Business

Whilst the average occupancy rate for Q1–Q3 FY2023 was 85.81%, or 0.16 p lower than the plan, **the average unit rent for new contracts showed a substantial increase of 7.6% YoY, which led to a rise of 2.4% in the average unit rent for all occupied units.**

PL / BS

Recorded higher than the plan in **net sales: JPY 316.5 billion, operating profit: JPY 20.0 billion, and net income: JPY 14.8 billion** respectively; operating profit and net income for Q1–Q3 were **the largest in the past 10 years.** **Equity ratio was improved to 22.4%**

Refinancing

The Company entered into a new loan agreement of JPY 30 million on Dec 25, 2023. **The applicable interest rate is 5%–5.5% per annum** in place of 14.5% in the initial loan agreement. The interest rate reduction leads to approximately JPY 2.8 billion of profitability impact for FY2024.

Construction Defects Management

The Company has been discussing and repairing defects while tenants occupy the rooms in order to further accelerate the progress of repairs. **Repairs of 7,891 units completed** Apr 2023–Jan 2024, and the number of units to be repaired is assumed **approximately 20,100.**

Acquisition of treasury stock

Implemented a share repurchase program considering financial position and level of share prices.

Period of acquisition

From July 6, 2023 to January 5, 2024

Result

Total amount of
shares acquired

JPY 3.4 billion

Total number of
shares acquired

11,450 thousand

Dividend

Announced a change in dividend policy and revision of dividend forecast to resume dividends payment.

Dividend Policy

- ◆ The Company will follow a policy of resuming dividends payment for FY2023 and set the year-end dividend forecast of JPY 5 per share.
- ◆ Pay continuous and stable dividends afterward by comprehensively considering performance trends, financial conditions, and other factors.

Revision of the Dividend Forecast for FY2023 (Dividend per share)

End of Q2	End of Fiscal Year	Total
-	JPY 5.00	JPY 5.00

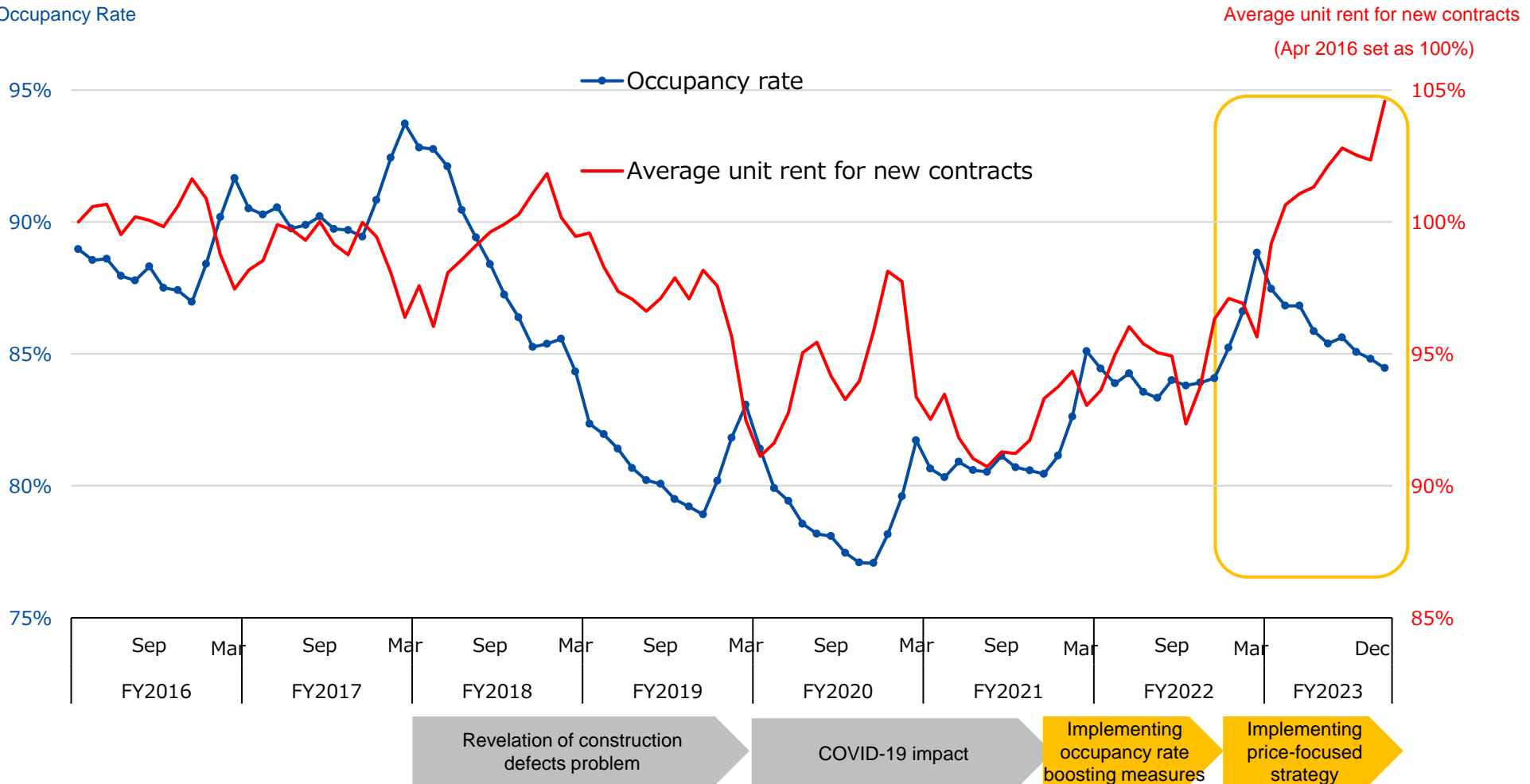
Implemented refinancing of JPY 30 billion on December 25, 2023*.
 Approximately JPY 2.8 billion of increased profit is expected for FY2024.

	Initial Loan Agreement		New Loan Agreement
Principal of Loan	JPY 30 billion	▶	JPY 30 billion
Maturity Date	November 4, 2025	▶	November 4, 2025
Applicable Interest Rate	14.5% per annum	▶	5–5.5% per annum
Voluntary Repayment	Repayment may be made on November 2, 2023 onward.	▶	Repayment may be made if the Company satisfies certain conditions.

* Refer to ["Notice Concerning Debt Financing \(Refinancing\)"](#) dated December 22, 2023

The average unit rent for new contracts remained at a low level until H1 FY2022 with priority set for improving the occupancy rate, and it recovered to the level before the revelation of the construction defects problem in Q3 FY2023 due to the shift to a price-focused strategy.

Occupancy Rate



Chapter 1

Outline of the Financial Results for Q3 FY2023

1

Strengthen profitability and stabilize financial base

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

Revised Plan of Full FY2023

Average occupancy rate
86.56%

Operating profit
JPY 18.1 billion

Occupancy rate at March-end
90.40%

Net income
JPY 12.0 billion

Equity ratio
18.11%

2

Promote structural reforms 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.

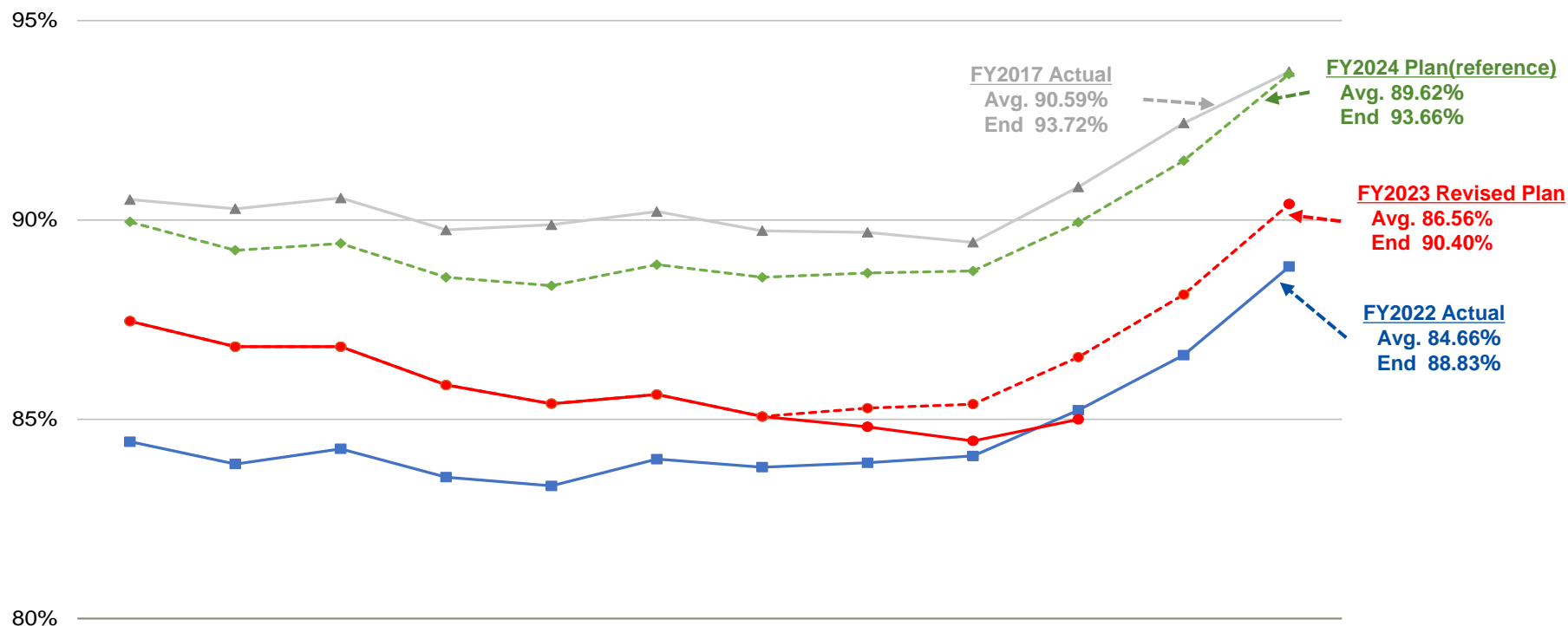
Reinforce the structure to achieve the repair plan and utilize company-wide available resources.

Strengthen governance

Recorded higher net sales and profits than the plan; operating profit and net income for Q1–Q3 were the largest in the past 10 years.

(JPY million)	Comparison vs Q3 FY2022 Actual	Q3 FY2022 Actual	Q3 FY2023 Actual	Q3 FY2023 Revised Plan	Difference	Factors contributing to changes
Net sales	+13,058	303,517	316,576	315,800	+776	■ Net sales Average unit rent increase led to a JPY 0.7 billion increase compared to the plan despite a slight gap in occupancy rates against the plan.
Cost of sales	+1,886	261,821	263,707	263,300	+407	
Gross profit	+11,172	41,695	52,868	52,500	+368	■ Cost of sales Whilst the cost of subsidiaries and affiliates rose, unit cost control in property maintenance reduced the deviation from the plan.
%	+3.0 p	13.7%	16.7%	16.6%	+0.1 p	
SG&A	+1,932	30,926	32,859	34,400	(1,540)	■ SG&A Restricted hiring and general cost control resulted in JPY -1.5 billion compared to the plan.
Operating profit	+9,240	10,768	20,009	18,100	+1,909	
%	+2.8 p	3.5%	6.3%	5.7%	+0.6 p	
EBITDA	+7,625	16,000	23,626	23,050	+576	■ Recurring profit Recorded interest expenses of JPY 3.2 billion and funding costs of JPY 0.9 billion in non-operating expenses.
Recurring profit	+8,118	8,448	16,566	15,300	+1,266	
Net income	+9,329	5,548	14,878	13,500	+1,378	■ Net income Recorded gains on sale of shares in subsidiaries of JPY 0.6 billion in extraordinary income and loss related to repairs of JPY 0.7 billion and loss on closure of offices of JPY 0.2 billion in extraordinary losses.
Average occupancy rate	+1.89 p	83.92%	85.81%	85.97%	(0.16) p	
EPS	JPY +29.27	JPY 16.87	JPY 46.14	JPY 41.03	JPY +5.11	

Although the occupancy rates were lower than the plan, the increased average unit rent more than compensated for the gap in occupancy rates and resulted in the revenue of the Leasing Business exceeding the plan.

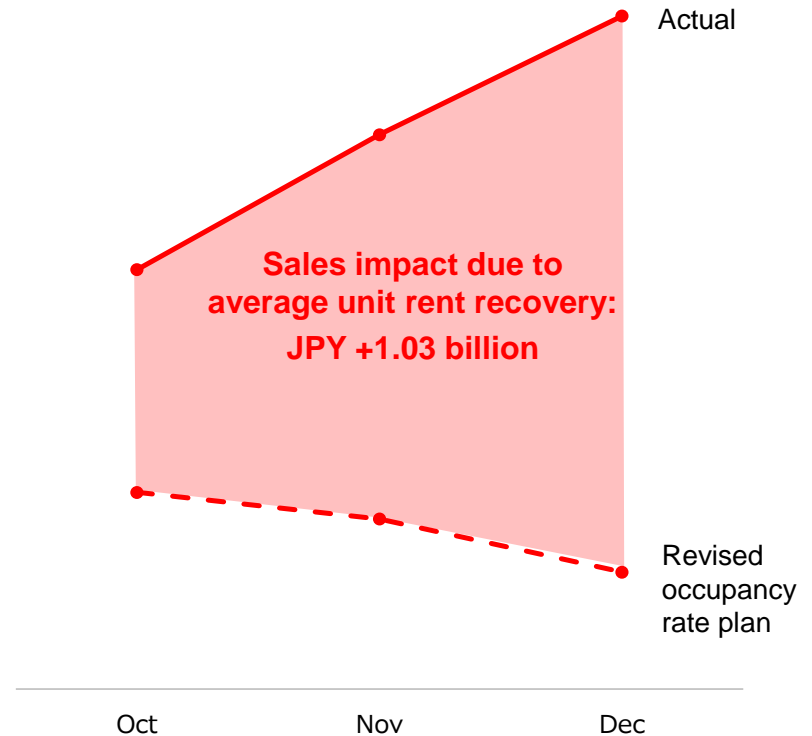
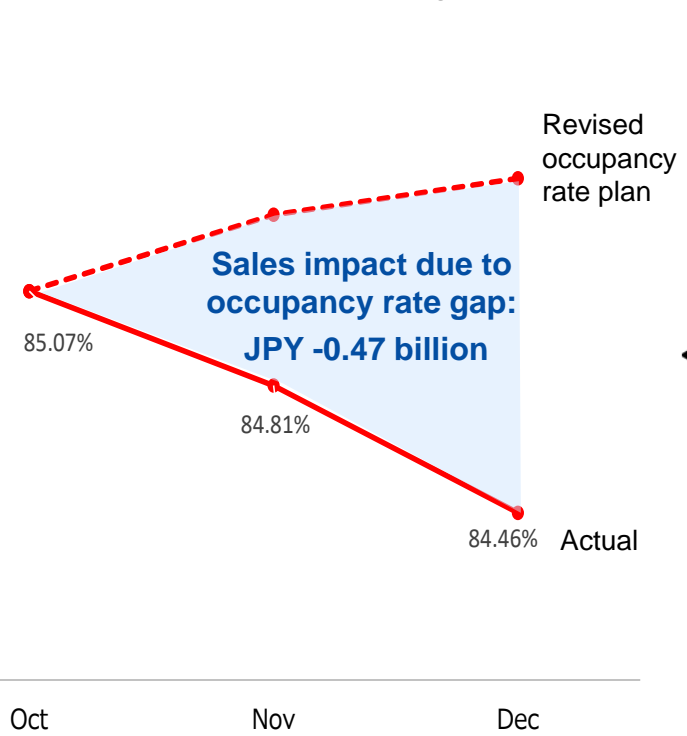


	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Q3 cumulative Ave.	Jan
FY2023	87.46%	86.82%	86.82%	87.03%	85.86%	85.39%	85.62%	85.62%	85.07%	84.81%	84.46%	84.78%	85.81%	85.00%
YoY	+3.02 p	+2.94 p	+2.56 p	+2.84 p	+2.31 p	+2.06 p	+1.62 p	+1.99 p	+1.27 p	+0.90 p	+0.38 p	+0.85 p	+1.89 p	-0.23 p

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

The Company strategically shifted its focus from the occupancy rate to the average unit rent in order to achieve a qualitative transformation in revenue from the Leasing Business.

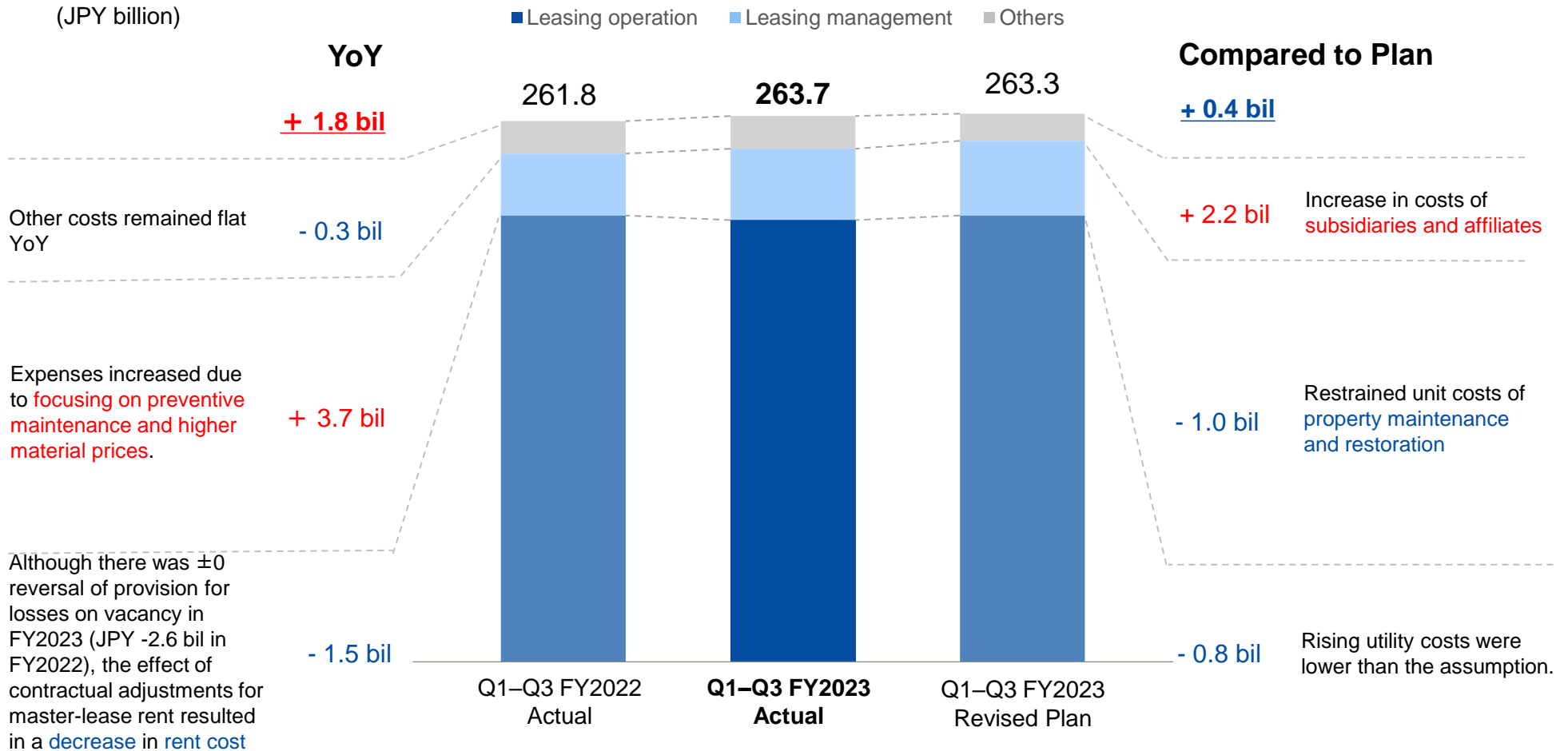
Although the occupancy rates remained below planned levels as a result of restricting the low-profit monthly rental plans and others, the average unit rents for all occupied units were higher than planned, leading to increased revenue from the Leasing Business.



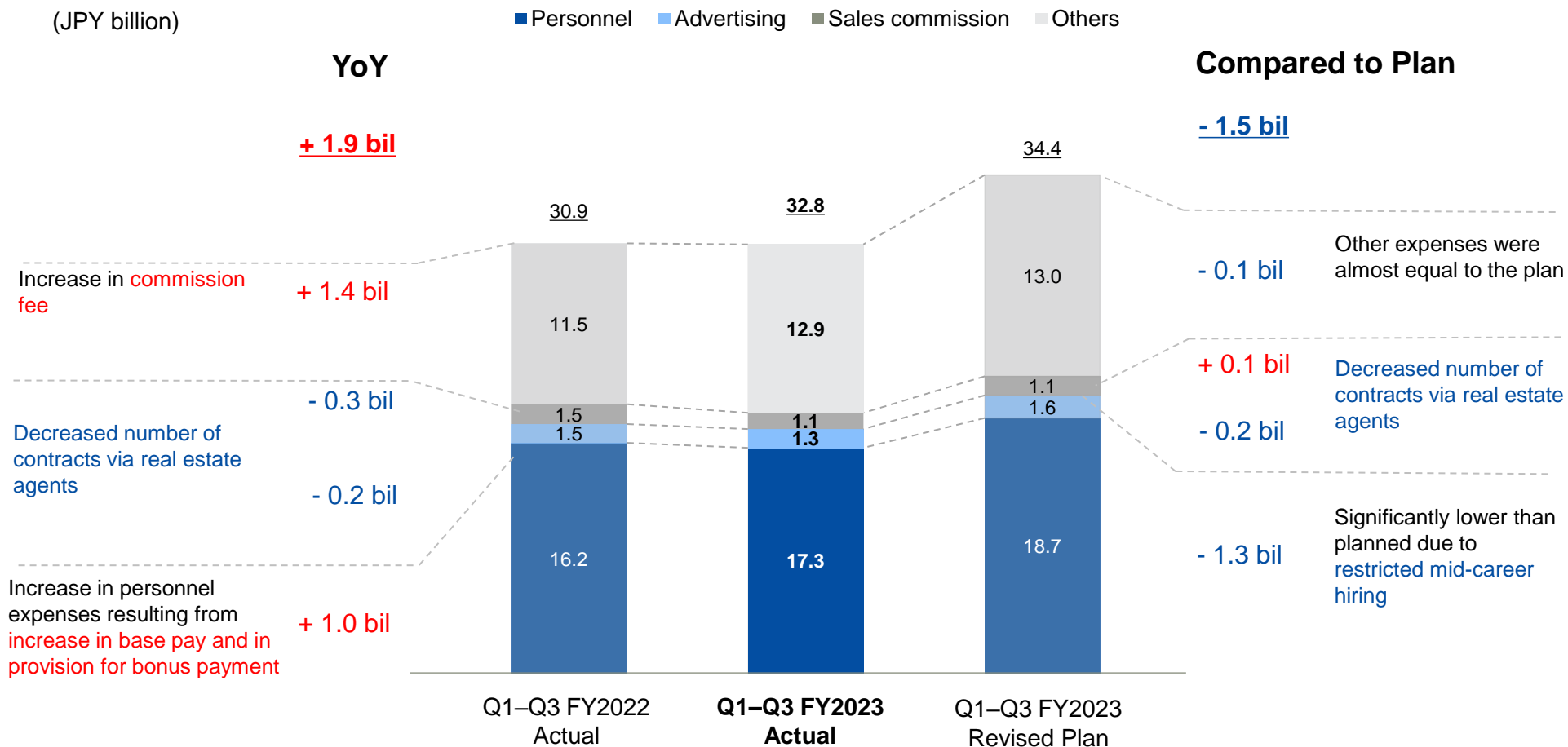
Occupancy rate (%)

Average unit rent for all occupied units (JPY)

Cost of sales was almost equal to planned due to control on unit costs of maintenance and restoration despite increase caused by focusing on preventive maintenance.



SG&A expenses were significantly lower than planned due to the restricted mid-career hiring.



*Others: Taxes and public charges, commission expense, rent expense, repair and maintenance expenses, depreciation and amortization, etc.

The Company did not consider building up deferred tax assets based on a conservative approach for FY2023. Operating profit and EBITDA were on steady recovery and will reach the level prior to the revelation of the construction defects problem for FY2024.

(JPY million)	FY2023 Revised Plan	Difference against FY2022 Actual	Factors contributing to changes	FY2024 Plan (ref.)	Difference against FY2023 Rev. Plan
Net sales	421,700	+15,250	Increase in occupancy rate and average unit rent contributed to the large difference.	432,200	+10,500
Cost of sales	354,200	+1,036	Contractual adjustments for master-lease rent since FY2021 has run its course, which reduced the leasing operation cost.	353,000	(1,200)
Gross profit	67,500	+14,214	Costs related to monthly rental contracts were increased due to higher utility costs; restoration cost and maintenance cost were affected by rising unit cost of materials and labor. Provision for apartment vacancy loss remains flat.	79,200	+11,700
%	16.0%	+2.9 p		18.3%	+2.3 p
SG&A	49,400	+5,993	Increase in personnel expenses resulting from increase in base pay and in provision for bonus payment.	55,400	+6,000
Operating profit	18,100	+8,220		23,800	+5,700
%	4.3%	+1.9 p	Increase in the other items such as IT system investments and resumption of new graduate hiring.	5.5%	+1.2 p
EBITDA	24,700	+8,250		30,400	+5,700
Recurring profit	14,100	+7,573	No increase in deferred tax assets is expected whereas JPY 18.5 billion was recorded in FY2022.	20,100	+6,000
Net income	12,100	(7,810)		18,100	+6,100
Ave. occupancy rate	86.56%	+1.90 p	The occupancy rates remain stronger..	89.62%	+3.06 p
EPS	JPY 36.93	JPY (23.29)		JPY 55.01	JPY +18.08

In Q4, the Company's business model compels increased costs including tenant recruitment campaign and restoration costs which are triggered by a large number of move-out in advance for the new fiscal year.

In H2, the Company plans conservative profits considering various elements such as postponed property maintenance expenses from H1, temporary staffing during the busy season, and the recording of provision for performance-linked bonus payment.

(JPY million)	FY2022				FY2023						
	Q1	Q2	Q3	Q4	Q1		Q2		Q3		Q4
	Actual	Actual	Actual	Actual	Plan	Actual	Plan	Actual	Revised Plan	Actual	Revised Plan
Sales	101,406	101,053	101,056	102,931	104,900	106,375	104,200	105,472	104,000	104,728	105,900
Cost of sales	86,908	87,597	87,315	91,341	88,500	88,308	88,300	87,771	87,300	87,627	90,900
Gross profit	14,498	13,456	13,740	11,590	16,400	18,066	15,900	17,701	16,700	17,100	15,000
SG&A	10,919	10,073	9,934	12,479	12,000	10,444	12,300	10,495	13,400	11,918	15,000
Operating profit	3,579	3,383	3,806	(889)	4,400	7,622	3,600	7,205	3,300	5,181	0
Recurring profit	2,643	2,790	3,014	(1,921)	3,200	6,851	2,500	6,259	2,200	3,455	(1,200)
Net income	1,630	2,061	1,857	14,261	2,500	6,627	2,000	5,222	1,600	3,028	(1,500)

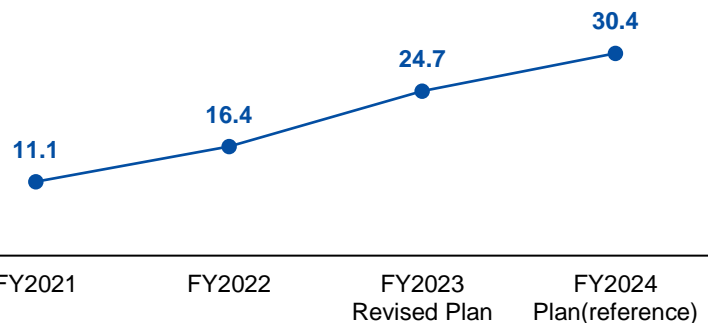
(JPY million)	End of FY2022	End of Q2 FY2023	End of Q3 FY2023	QoQ	Factors contributing to changes
Cash and deposits	53,560	58,822	60,359	+1,536	■ Cash and deposits JPY +1.5 bil from end of Q2 FY2023 due to positive cash flows from operating activities
Trade receivables	8,121	7,368	6,799	(568)	
Total assets	166,548	170,726	170,741	+15	
Interest-bearing debt*	31,849	30,785	30,887	+101	■ Provision for losses related to repairs (current: JPY 7.1 billion; non-current: JPY 7.6 billion) JPY -1.2 bil resulting from progress of repairs
Provision for losses related to repairs	17,583	16,104	14,835	(1,268)	
Provision for apartment vacancy loss	3,590	3,590	3,590	± 0	■ Provision for apartment vacancy loss (current: JPY 0.0 bil; non-current JPY 3.5 bil) No increase or decrease from end of Q2 FY2023 Since the occupancy rate has returned to the trends prior to the revelation of construction defects problem, no significant increase or decrease is expected in the future.
Total liabilities	133,625	127,760	124,866	(2,894)	
Common stock	100	100	100	± 0	■ Shareholders' equity JPY +3.0 from end of Q2 FY2023 due to recording of net income
Capital surplus	136,240	29,376	29,376	(0)	
Retained earnings	(116,006)	2,655	5,684	+3,028	
Treasury stock	(205)	(3,614)	(3,614)	± 0	
Total shareholders' equity (A)	20,128	28,517	31,545	+3,028	
Total accumulated other comprehensive income (B)	3,986	6,056	6,677	+620	
Ownership equity (A) + (B)	24,115	34,574	38,223	+3,648	
Equity ratio	14.5%	20.3%	22.4%	+2.1 p	
Share subscription rights	284	242	242	± 0	
Non-controlling interests	8,522	8,148	7,409	(739)	
Total net assets	32,922	42,965	45,874	+2,909	

* Interest-bearing debt = borrowings + lease obligations

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

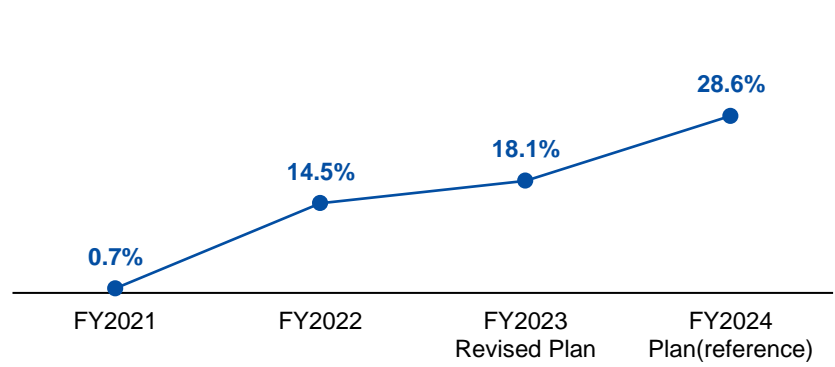
EBITDA*

(JPY billion)



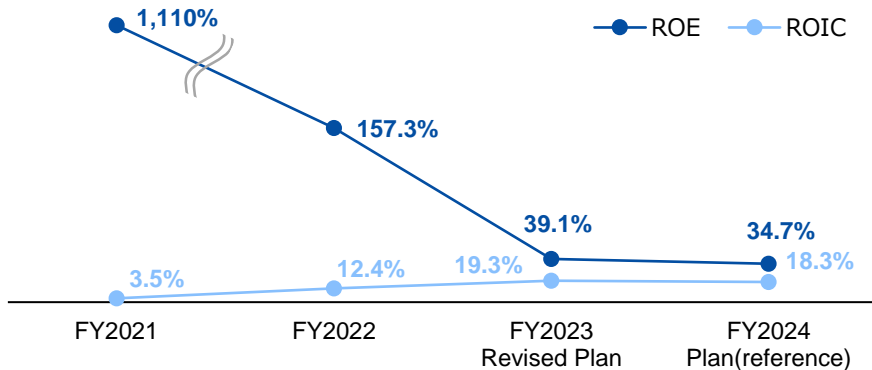
* EBITDA = Operating profit + Depreciation

Equity ratio*



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

ROE*・ROIC**

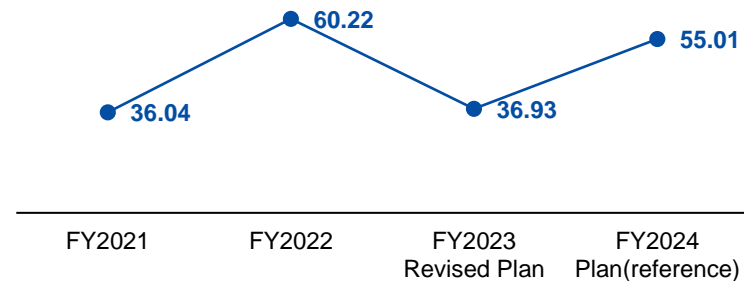


* ROE = Net income / Ownership equity

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

Net income per share (EPS*)

(JPY)

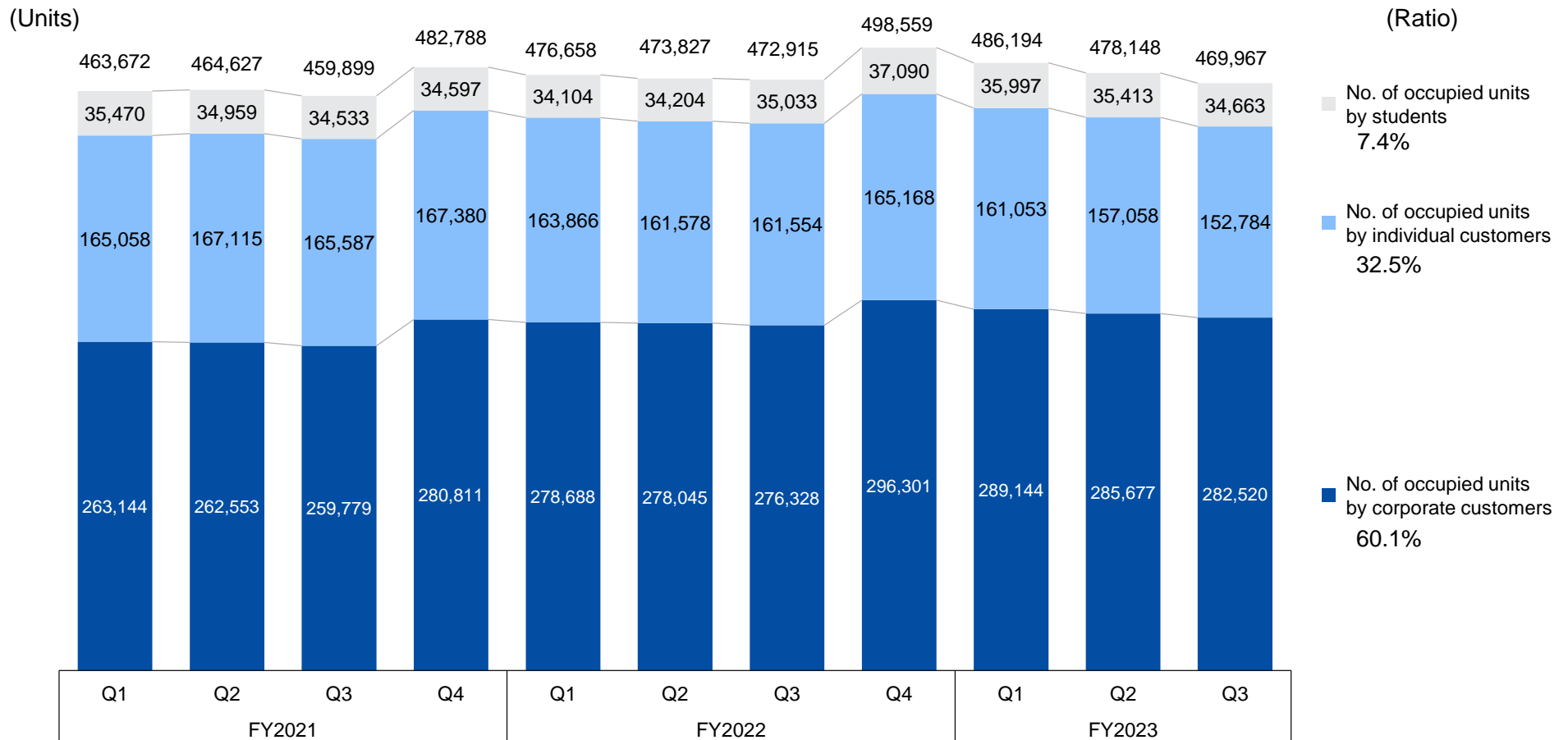


* EPS = Net income / Number of shares outstanding

Chapter 2

Leasing Business Data and Measures

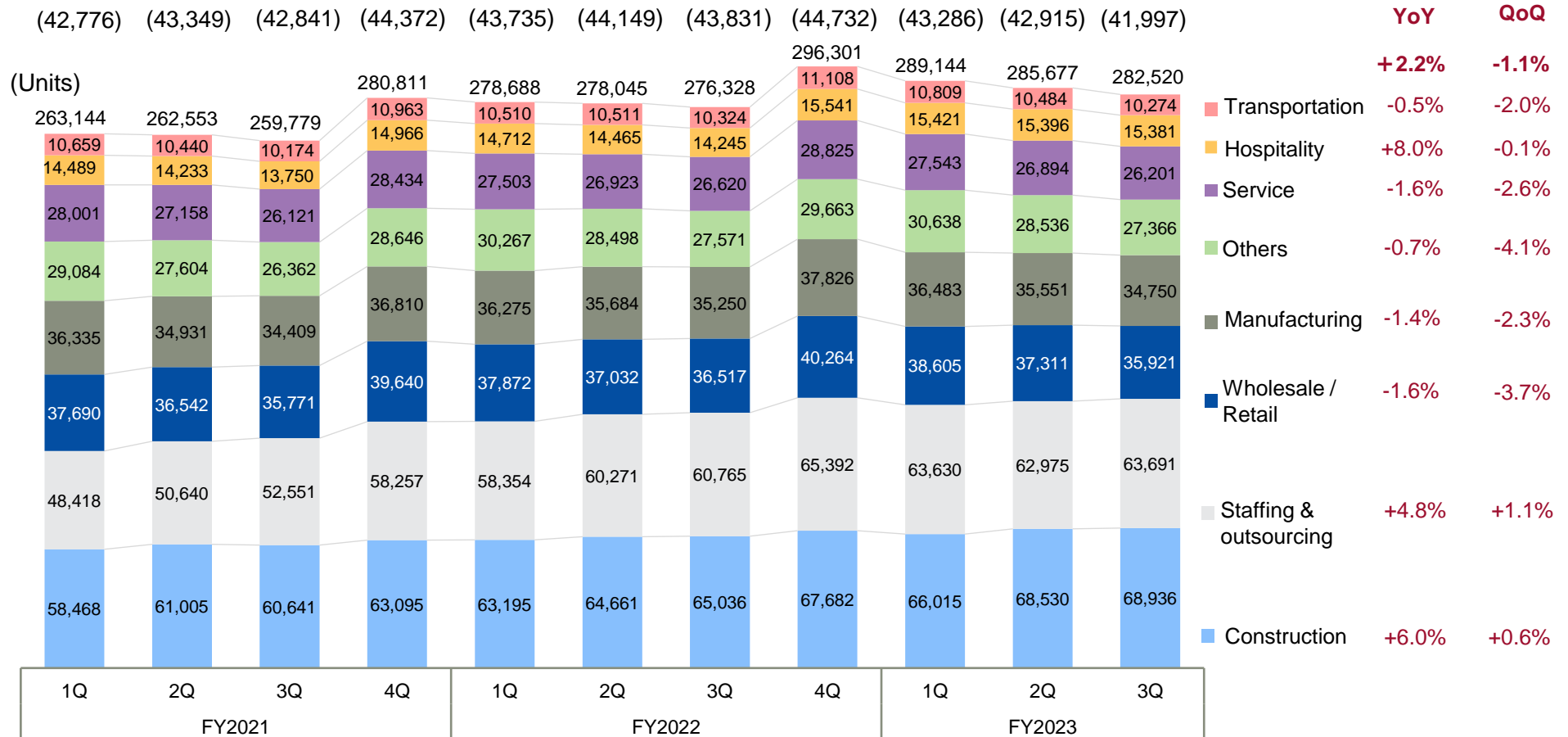
The corporate customer segment reached all-time high of 60.1% since the global financial crisis because of its strong demand, whereas shifting to the price-focused strategy led to decrease in individual customers segment.



Construction sector and staffing & outsourcing sector saw continued steady growth in Q3 amid weaker QoQ development in the other sectors following the usual seasonal pattern.

Hospitality sector saw substantial yearly growth as a result of mitigated COVID-19 impact.

No. of companies



Number of units used by foreign national tenants was approx. 43 thousand—comprising approx. 22 thousand individual tenants and approx. 21 thousand under corporate contracts—which represented 9.3% of the total. (+1.2 p from end of Q3 FY2022 and +0.2 p from end of Q2 FY2023)

Number of contracts (individual customers)

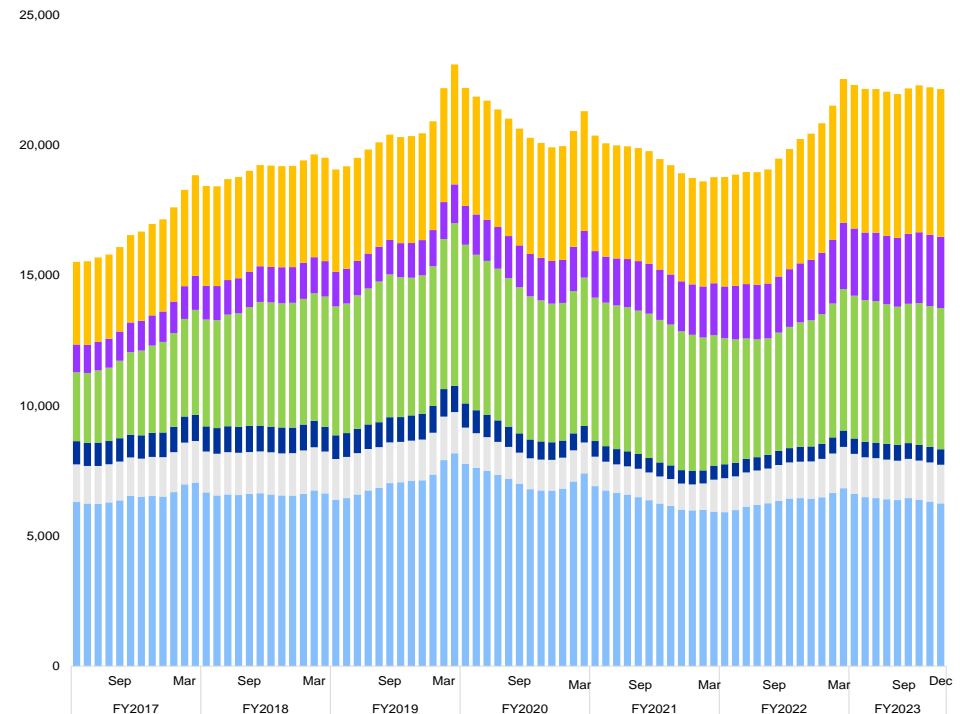
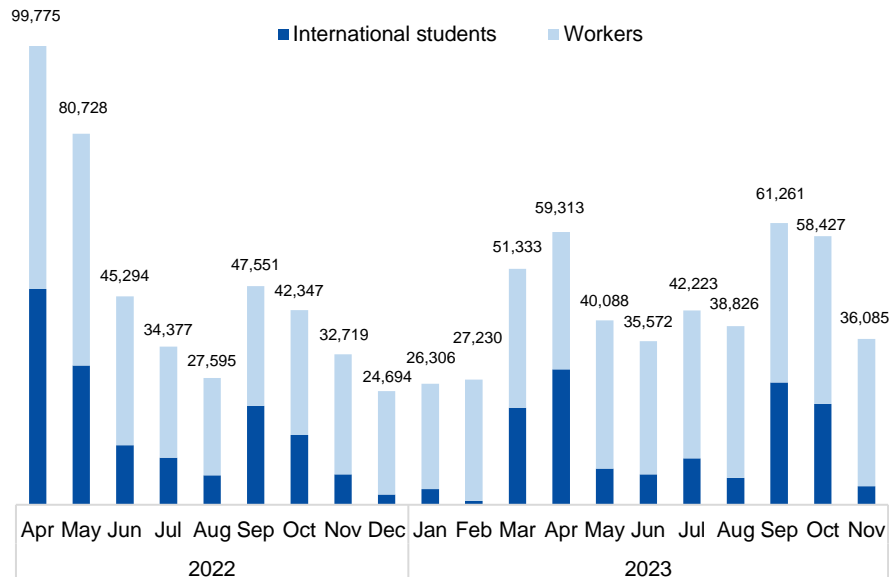
Q3 FY2023 Actual 6,300
 (-1,284 against plan, -1,204 YoY)

Trends of No. of contracts with individual customers

China S. Korea Taiwan Vietnam Thailand Other Southeast Asia Other

(Unit) **End of Q3 FY2023 Actual: 22,152 rooms**
 (+8.4% vs Q3 FY2022 Actual, -0.1% vs end of Q2 FY2023)

Market Data
 (trends of new entrants to Japan)*



*Source: Statistics on number of foreign nationals entering Japan by nationality and region

Occupancy rates in Hokkaido and Tohoku region saw downward trends because of completion of construction projects including offshore wind power generation facilities.

Miyazaki and Kumamoto saw high level of occupancy rates due to strong demand related to semiconductor industry.

Managed unit: in thousands, Occupancy:%	Q3 FY2023			
	Managed units	Occupancy rate	YoY	QoQ
Hokkaido	13	83%	+6 p	-8 p
Aomori	4	74%	-7 P	-9 p
Iwate	3	84%	-7 p	-9 p
Miyagi	10	80%	-5 p	-3 p
Akita	2	80%	-4 p	-12 p
Yamagata	4	79%	-5 p	-8 p
Fukushima	10	84%	+2 p	-0 p
Ibaraki	15	85%	+1 p	-0 p
Tochigi	11	81%	-3 p	-1 p
Gunma	12	81%	+1 p	-1 p
Saitama	45	87%	+2 p	-1 p
Chiba	33	82%	+1 p	+1 p
Tokyo	43	89%	+3 p	+0 p
Kanagawa	40	87%	-1 p	-0 p
Niigata	8	80%	-1 p	-5 p
Toyama	5	80%	+5 p	-11 p

Managed unit: in thousands, Occupancy:%	Q3 FY2023			
	Managed units	Occupancy rate	YoY	QoQ
Ishikawa	5	84%	+9 p	-3 p
Fukui	4	78%	-7 p	-4 p
Yamanashi	4	86%	-2 p	+0 p
Nagano	11	88%	-1 p	-4 p
Gifu	7	81%	-4 p	-2 p
Shizuoka	24	82%	+3 p	+1 p
Aichi	41	87%	+1 p	-0 p
Mie	11	71%	-6 p	-1 p
Shiga	8	87%	-7 p	-2 p
Kyoto	9	86%	-1 p	+0 p
Osaka	31	83%	+1 p	-1 p
Hyogo	22	85%	-1 p	+0 p
Nara	3	90%	+4 p	-0 p
Wakayama	3	75%	-3 p	-1 p
Tottori	2	84%	-2 p	+1 p
Shimane	2	97%	+1 p	+1 p

Managed unit: in thousands, Occupancy:%	Q3 FY2023			
	Managed units	Occupancy rate	YoY	QoQ
Okayama	12	80%	+1 p	-3 p
Hiroshima	13	86%	-1 p	-1 p
Yamaguchi	7	89%	+3 p	+1 p
Tokushima	2	74%	-3 p	-3 p
Kagawa	4	78%	+1 p	-1 p
Ehime	4	78%	-1 p	-5 p
Kochi	2	81%	-3 p	-1 p
Fukuoka	19	87%	+2 p	-0 p
Saga	3	89%	+1 p	+1 p
Nagasaki	2	88%	-3 p	-1 p
Kumamoto	7	90%	-4 p	-3 p
Oita	4	76%	-5 p	-1 p
Miyazaki	2	90%	+6 p	+5 p
Kagoshima	3	81%	-5 p	-8 p
Okinawa	5	98%	+5 p	+1 p
Total	556	84%	+0 p	-1 p

Refine the occupancy rate boosting measures exercised in FY2022 to achieve the occupancy rate plan in FY2023.

Corporate: Acquire larger share of business

Establish a position as the brains behind the company-leased housing strategy

- ◆ Top-level sales activities
Involve senior management team in customer interaction for resolving issues faced by the customers.
- ◆ Reinforce sales organizational structure
Reorganized the sales teams mainly for Tokyo metropolitan area. 11 departments instead of 8 for increased customer interaction time.
- ◆ Individual customer strategy
Increase use of rooms by responding to specific requirements.
 - <Extended corporate sales>
Responsible for strengthening six industries; Staffing & outsourcing, Construction, Transportation, Hospitality, Wholesale / Retail, and Nursing-care.
 - <Area-based corporate sales>
Build strong relationship with local companies.

Attract foreign nationals for increased use of rooms

Expand business by working with staffing agencies for foreign nationals and support agencies.

Individual: Utilize real estate agents and DX advancement

Collaborate with real estate agents

- ◆ Strengthen sales to real estate agents by **working with** major real estate agents and **Village House** in Fortress Group.
- ◆ Q3 FY2023 achievement
 - No. of rental contracts through real estate agents: 9,414 (-4,700 YoY)
 - Ratio of contracts with individual customers through agents: 39.8% (-2.6 p YoY)

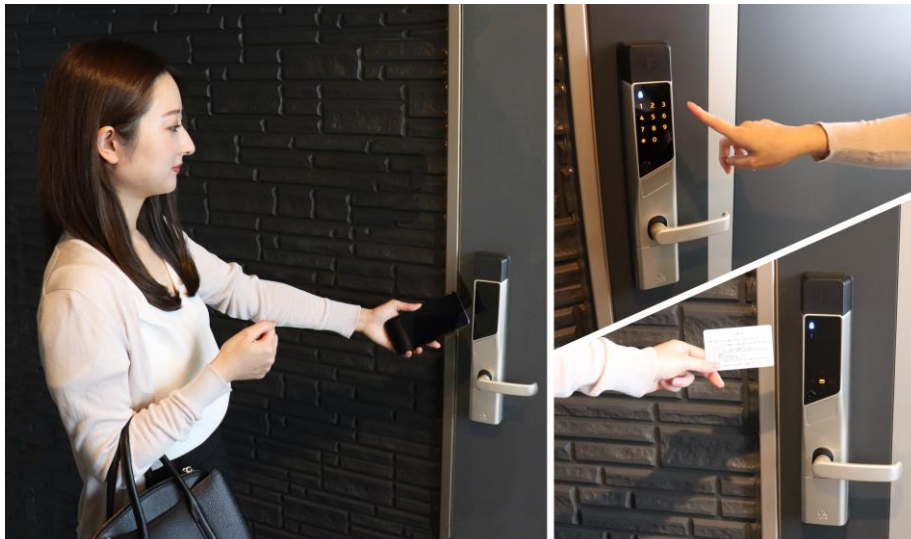
Attract international students for increased use of rooms

Acquire demand mainly by increasing number of **international students** coming to Japan.
Utilize six IFCs and reinforce relationship with real estate agents and service providers which cater for students' needs.

Chapter 3

Promotion of Sustainability

The number of apartment units with smart lock exceeded 200,000*.
 More than 90% of new tenants entered in the apartment units with smart lock.



Leopalace21's apartment units with smart lock exceeded 200,000

Enhanced customer convenience

Start living in a new apartment unit without having to stop by a leasing sales office to pick up keys

Door is unlockable by a smartphone app, a smart card or PIN entry to numeric keypad

Reduced risk of lost keys

Enhanced security by self-locking door

Improved productivity

Compared to apartment units with conventional locks installed, those with smart locks enable reductions in various operations. The Company has realized a saving of approximately 100,000 hours of work per year.

Job	Content
Replacement of keys and locks	Prepare keys and locks for reinstallation
	Sort keys and locks
	Hand over keys and locks for contractors to reinstall
Key management	Register key information in a system
	Store master key in the key box
	Post the keys to a responsible leasing sales office
Key hand-over	Prepare documents
	Meet and serve tenants
	Register hand-over completion in a system
Attendance service at leasing sales offices	Employee accompanies customers during apartment previews

* Refer to [“Time-Saving Effect of Approximately 100,000 Hours Achieved Due to Smart Locks Installed Exceeding 200,000 Units”](#) dated January 10, 2024

Leopalace21 promotes DX to realize non face-to-face service from room search to contract signing and post-move-in support.

As part of the DX strategy, the offices were integrated from 109 to 72 in November, 2023.



Integrating Offices*



* Refer to "[Notice Concerning Integrating Leasing Sales Offices as Part of DX Promotion](#)" dated September 29, 2023

Leopalace21 Scholarship Program was launched* to address social problems such as recent sharp rise in tuition fees and long-term repayment of scholarships.

Leopalace21 supports new students entering universities, junior colleges, and vocational schools in April 2025 by either free rental of properties managed by Leopalace21 or benefit-type scholarship.



<p>Details of Support</p>	<p>(1) Use of a room of Leopalace21 apartment without paying rent up to JPY1.2 million/year</p> <p>(2) Benefit-type Scholarship JPY360,000/year</p>	<p>Support Period</p>	<p>Regular period in school</p>
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* Refer to [“Notice Concerning Starting Acceptance of Applications for Leopalace21 Scholarship Program for FY2025”](#) dated October 2, 2023

Leopalace21 positioned human resource development as a most important management issue. It decided on new human capital management vision and selected six themes.



■ Leadership and Succession
 «Total hours of employee participation in training»

	FY2022	FY2023 Target
	4,096 hours	9,000 hours

■ Diverse Talents Acquisition
 «Hiring»

	FY2022	FY2023 Target
New graduates	-	50
Mid-career	54	146

*Excluding employment at nursing care facilities (Azumi En) in the Elderly Care Business

■ Employee Engagement
 «Employee Engagement Indicator»

	FY2022	FY2023 Target
	8.6%	9.0%

«Turnover Rate»

	FY2022	Target Value
	11.1%	Within 5 -10%

■ Compliance and Ethics
 «Strengthen a sense of compliance»

	FY2022	FY2023 Target
Number of E-learning sessions	10 times	9 times
Awareness of Compliance Hotline	92.1%	No numerical target

■ Well-being Management
 «Rate of thorough examinations undergone after periodic medical examination»

	FY2022	FY2025 Target
	27.1%	80.0%

«Smoking Rate»

	FY2022	FY2024 Target
	31.9%	25.0%

■ Diversity and Inclusion
 «Female Management Positions»

	FY2022	FY2025 Target
No. of female managers	35	50
Rates of female managers	5.5%	7.8%

«Male employees taking leave for childcare»

	FY2022	FY2023 Target
No. of male employees	20	-
Rate of childcare leave usage	35.7%	Within 30%-40%

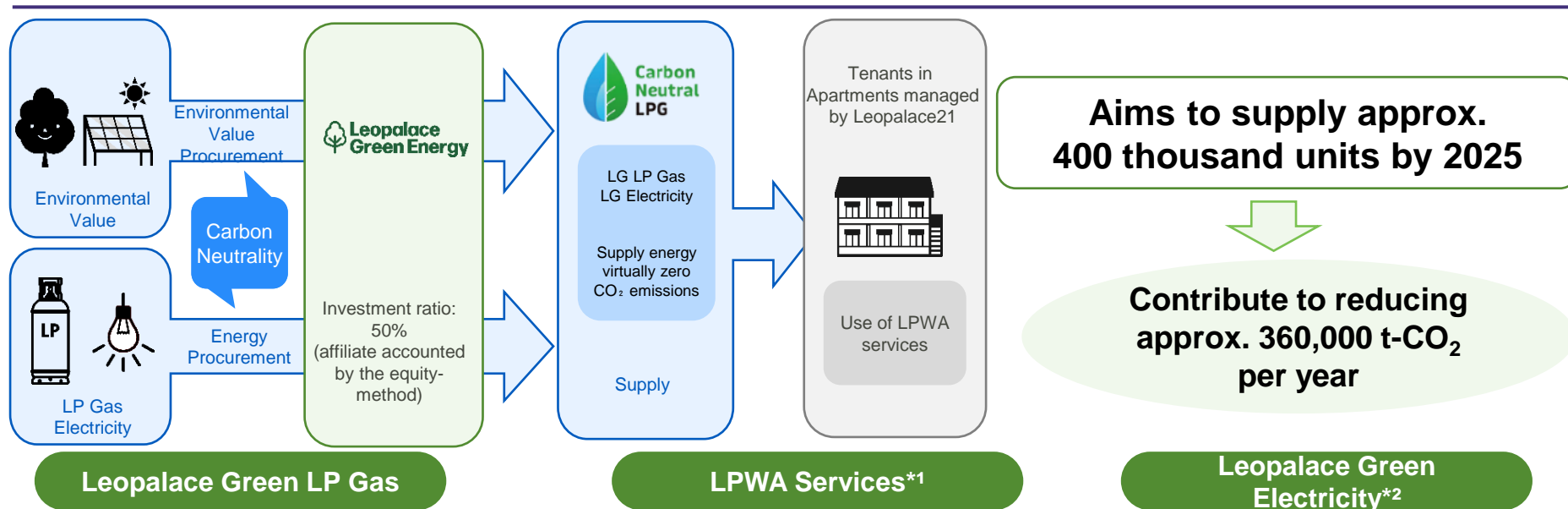
«Gender Wage Gap»

	FY2022	FY2023 Target
Regular Employees	69.1%	70.6%
Non-Regular Employees	63.6%	63.5%
Total	55.4%	55.5%

* Refer to “Notice Concerning Disclosing Leopalace21’s Human Capital Management to Promote HR Strategies” dated July 4, 2023

Leopalace21 started to offer Leopalace Green LP Gas and LPWA services with virtually zero CO₂ emissions to the apartments under management 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 certificates (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.

* Refer to "Notice Concerning Launching "Leopalace Green Energy" Project: Aiming to Realize Carbon-Neutral Society Through Rental Housing With Virtually Zero CO₂ Emissions" dated Sep 29, 2022

Chapter 4

Construction Defects Management

Estimated number of rooms requiring repairs: Approx. 20,100

Of the units requiring repair, we expect to repair **approximately 20,100 units**, including **15,631** units that have been confirmed defective and approximately **4,510** units that are assumed to be defective based on the past investigation results.

(As of January 31, 2024)

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 requiring repairs		Expected No. of to-be-repaired rooms
				No. of rooms requiring repairs	No. of rooms with repairs completed	
Nail Series / Six Series Total	15,283	7,670	120,561	72,262	53,069	12,100
Other Series Total	23,802	4,507	70,411	31,551	12,561	8,000
Grand Total	39,085	12,177	190,972	103,813	65,630	20,100

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

Progress of repair works: <https://www.leoplace21.co.jp/info/en/pdf/2024/progress.pdf>

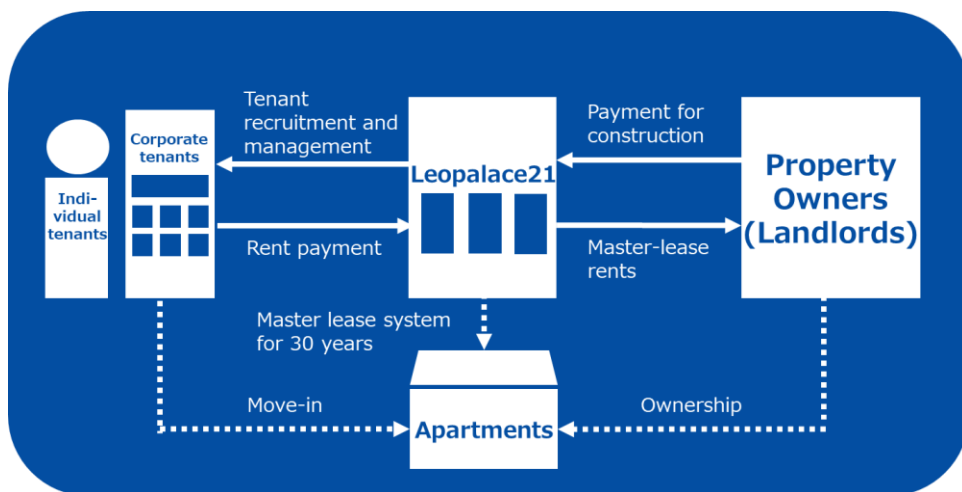
Appendix

Corporate Data (as of December 31, 2023)

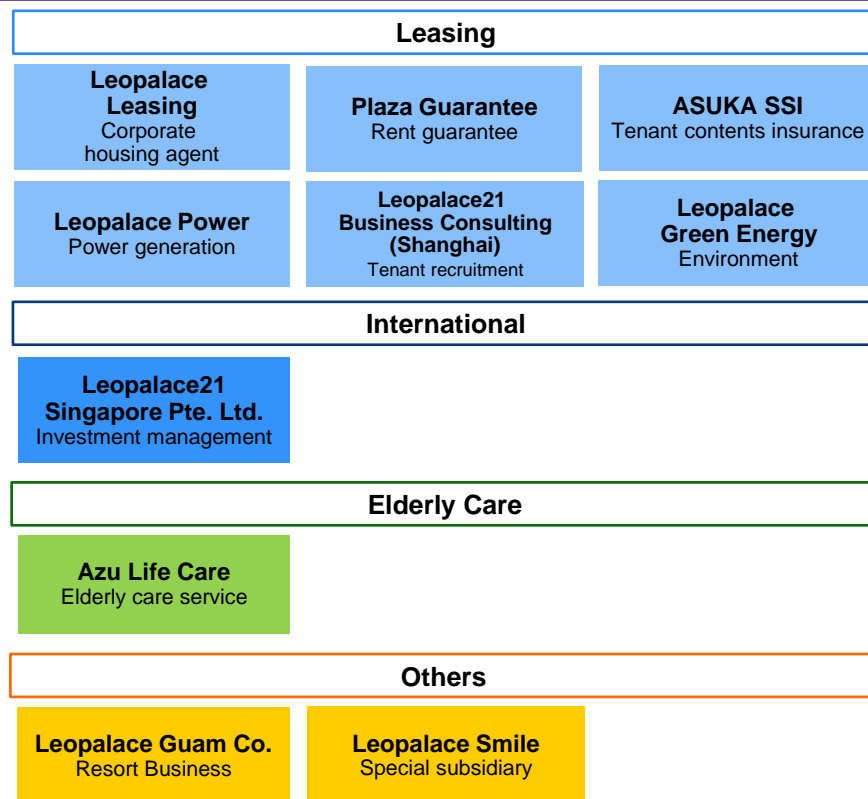
Established	August 17, 1973
Paid-in Capital	JPY 100 million
Representative Director	Bunya Miyao, President and CEO
Employees	3,904 (consolidated), 2,733 (non-consolidated)
Authorized Shares	750,000,000
Outstanding Shares	329,389,515 shares (not including 159,748,700 dilutive shares)
Shareholders	46,980 (as of September 30, 2023)

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 December 31, 2023)

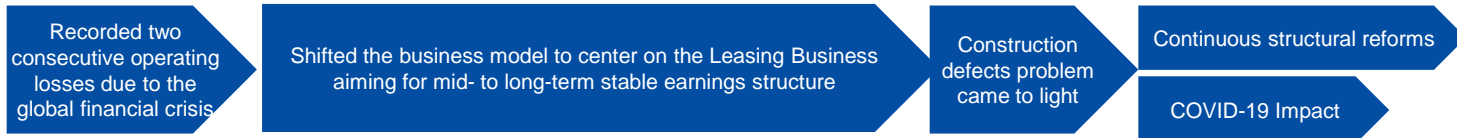
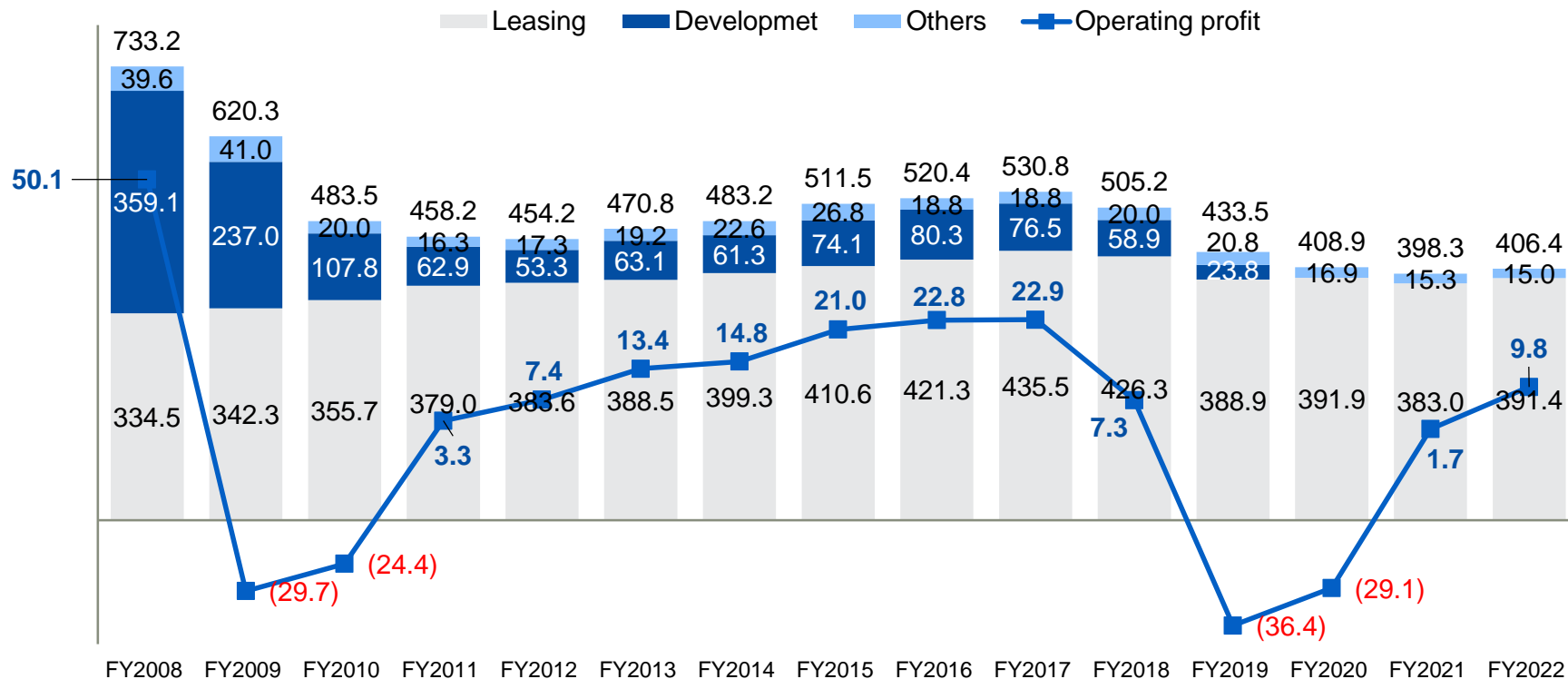


* Results of the International Business are reported under the Leasing Business segment.

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 2 consecutive years from FY2021.

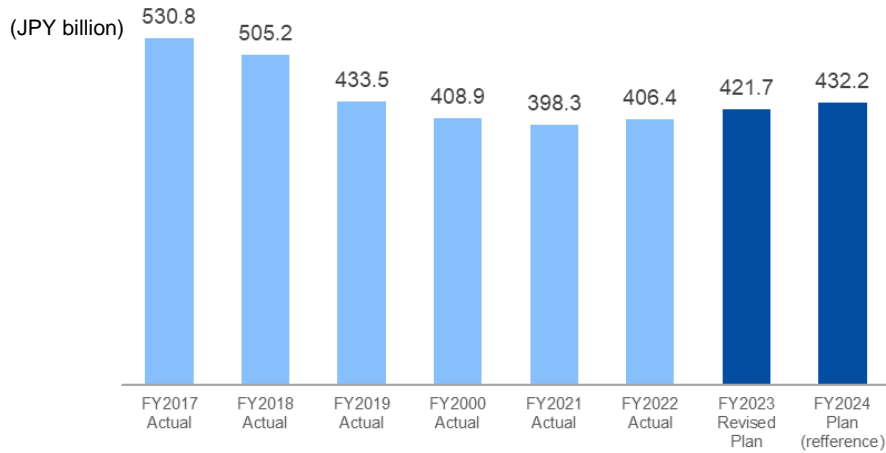
Sales (JPY billion)

OP (JPY billion)

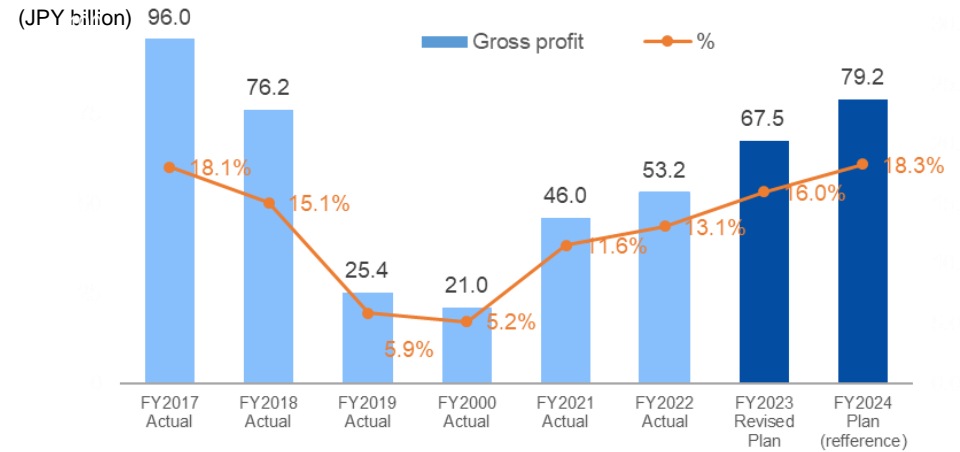


Operating profit has been increasing since FY2019 reflecting the profit structure improvement. Continued structural reforms increased net income to sales ratio and that of FY2024 outperforms FY2017.

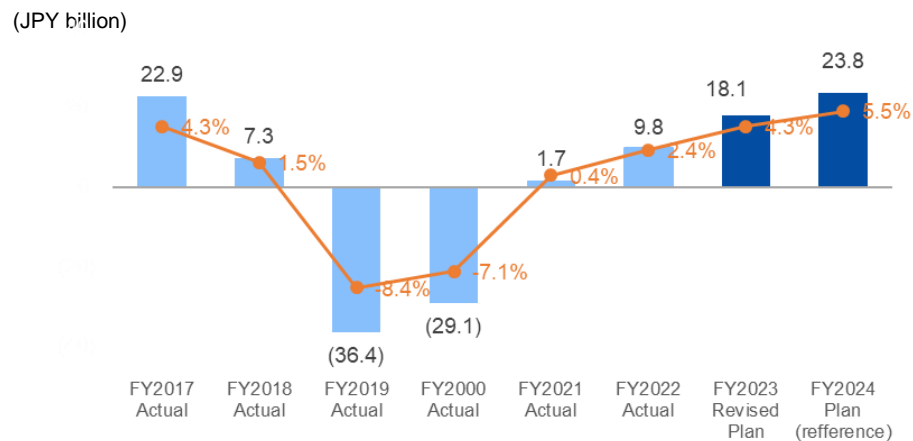
Net sales



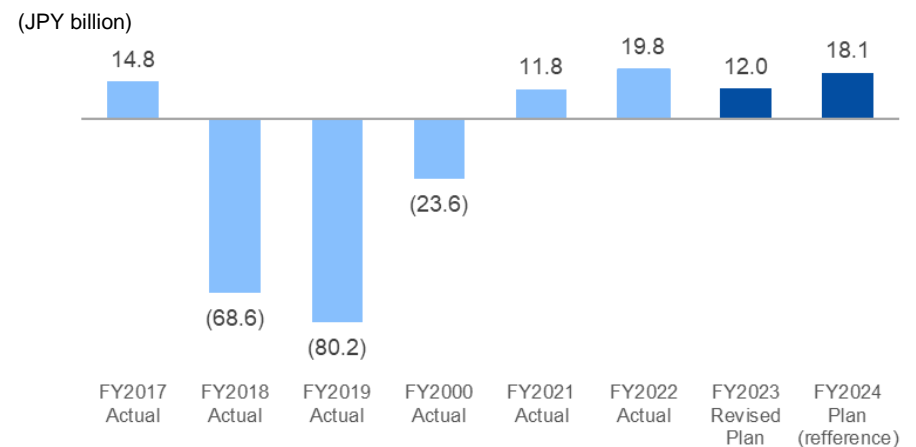
Gross profit



Operating profit

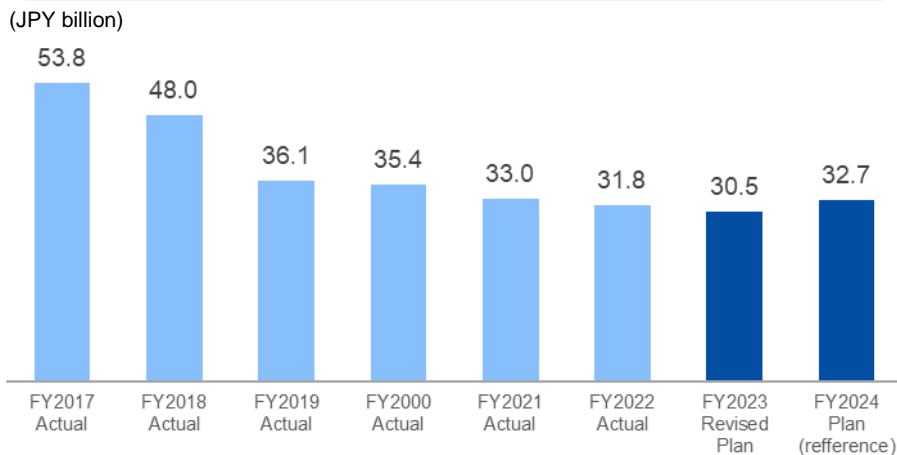


Net income

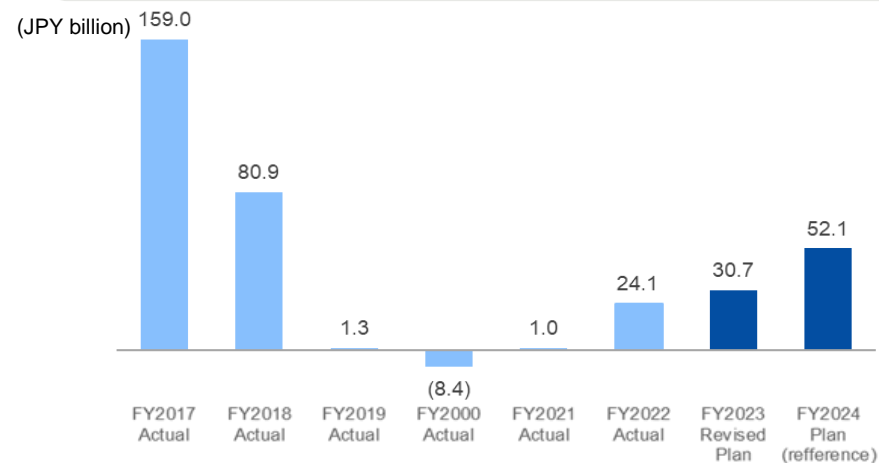


Strengthen equity capital by improving profitability and move toward resumption of dividends payment.

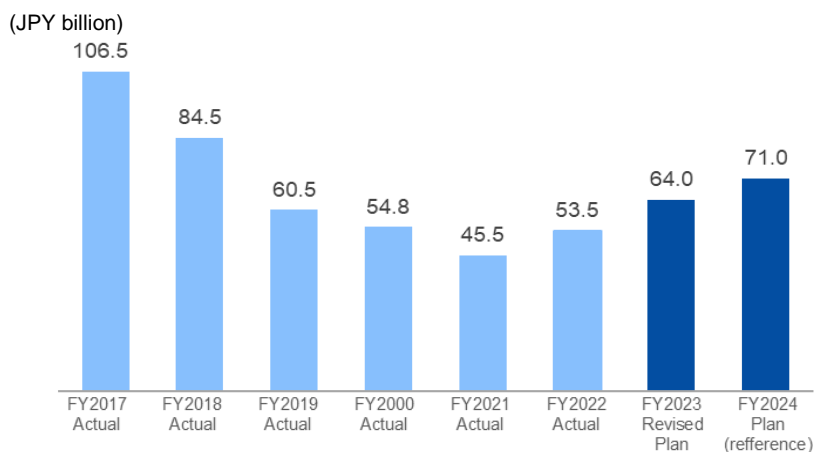
Interest-bearing debt*



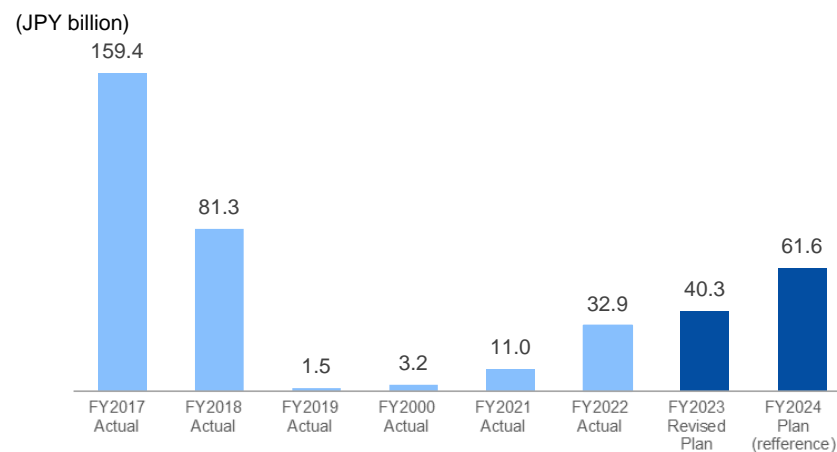
Ownership equity



Cash and deposits



Total net assets



Interest-bearing debt = borrowings + lease obligations + bonds

Does not contain in repayment of borrowings, refinancing, or conversion of stock acquisition rights.

Contact: IR Section, Corporate Planning Department,
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E-mail : ir@leopalace21.com

*Business hour: 9:00-18:00 (except Saturdays, Sundays and Company holidays)

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