

Leopalace21 Corporation Financial Results for Q1 Fiscal Year 2024



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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.

PL

Each profit were **the highest level for Q1 ever since the global financial crisis.**

- Operating profit : JPY 10.2 billion (YoY + 35.0%, +27.0% compared to the plan)
- Net income : JPY 9.7 billion (YoY +47.4%, +37.6% compared to the plan)

BS

Stabilization of earnings allowed **the equity ratio to rise to 35.1% (QoQ + 3.9 p)** at the end of the period while still providing returns to shareholders.

Leasing
Business

Average unit rent prices for both new contracts and occupied units trended upward in Q1 FY2024, and the average unit rent for new contracts (index) at the end of Q1 rose to 106, **the level higher than the one prior to the revelation of construction defects problem.**

Dividend

The **year-end dividend was resolved with JPY 5 per share** for FY2023 at the Ordinary General Shareholders' Meeting on June 27, 2024 ; **the annual dividend is planned to be increased to JPY 10 per share** for FY2024.

Construction
Defects
Management

The Company aims to eliminate the obvious defects by the end of December 2024. The number of units assumed to be repaired has decreased to **approximately 11,000** as of July 31, 2024.

Chapter 1

Outline of the Financial Results for Q1 FY2024

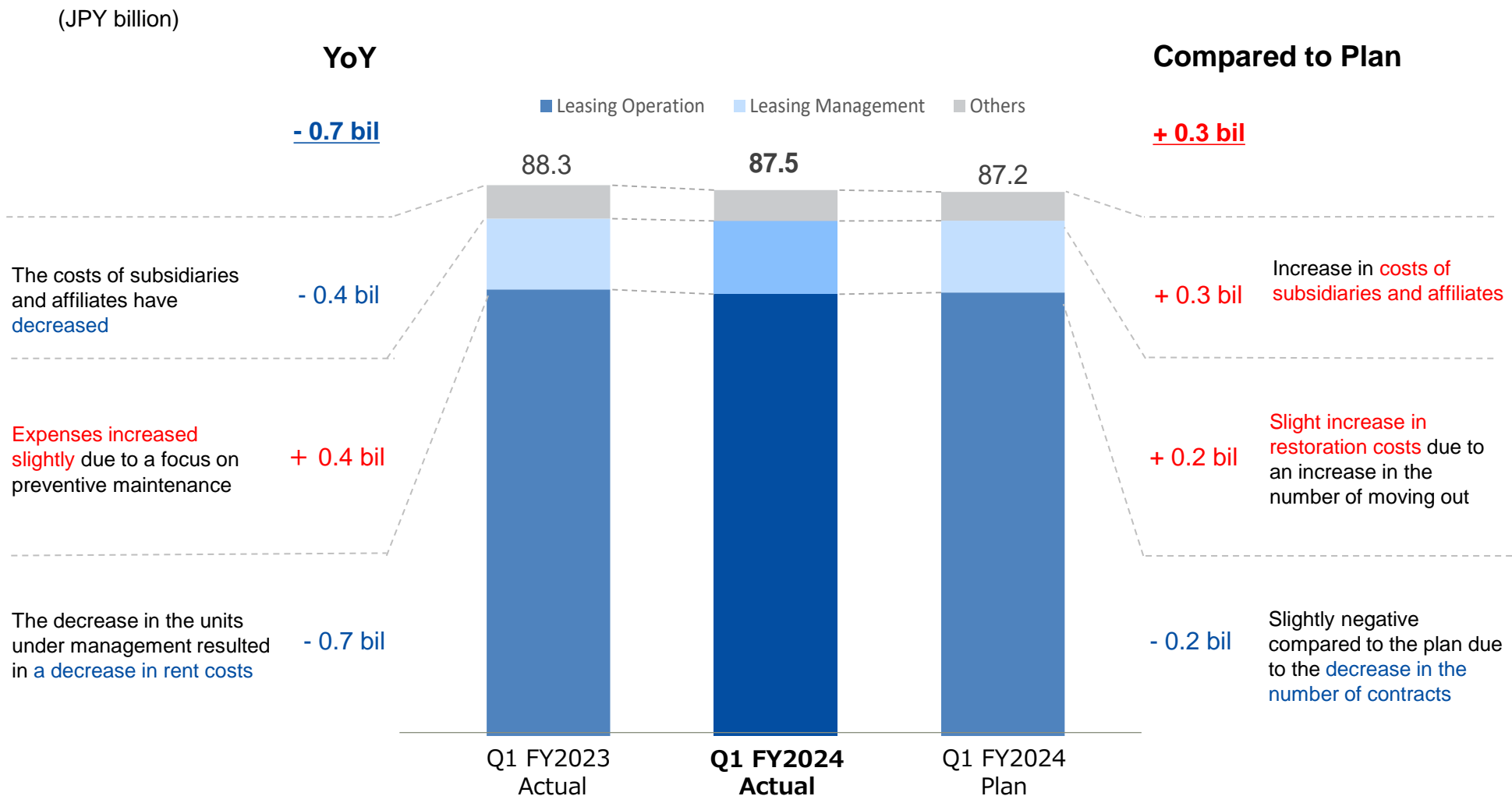
Both sales and income increased YoY and vs. plan because of the increase in the average unit rent. Net income significantly increased by 47.4% YoY.

(JPY million)	Comparison vs Q1 FY2023 Actual		Q1 FY2023 Actual	Q1 FY2024 Actual	Q1 FY2024 Plan	Differences		Factors contributing to changes
	%	Amount				%	Amount	
Net sales	+2.4%	+2,541	106,375	108,917	106,900	+2,017	+1.9%	<p>■ <u>Net sales</u> An increase of JPY 2.0 billion compared to the plan was due to an increase in the average unit rent for new contracts, common expenses, etc., although the occupancy rate fell short of the plan.</p> <p>■ <u>Cost of sales and SG&A</u> Cost and expenses were largely in line with the plan.</p> <p>■ <u>Recurring profit</u> Debt refinancing of JPY 30.0 billion implemented in the previous period reduced interest expenses to JPY 0.36 billion (JPY 1.09 billion in interest expenses in Q1 FY2023)</p> <p>■ <u>Extraordinary income/losses</u> JPY 182 million in reversal of provision for losses related repairs was recorded as extraordinary income, and JPY 2 million in loss on retirement of property, plant and equipment was recorded as extraordinary losses.</p>
Cost of sales	(0.9%)	(789)	88,308	87,519	87,200	+319	+0.4%	
Gross profit	+18.4%	+3,331	18,066	21,398	19,700	+1,698	+8.6%	
%	+2.6 p	-	17.0%	19.6%	18.4%	-	+1.2 p	
SG&A	+6.4%	+664	10,444	11,108	11,600	(491)	(4.2%)	
Operating profit	+35.0%	+2,666	7,622	10,289	8,100	+2,189	+27.0%	
%	+2.2 p	-	7.2%	9.4%	7.6%	-	+1.8 p	
EBITDA	+25.2%	+2,256	8,959	11,216	9,100	+2,116	+23.3%	
Recurring profit	+49.5%	+3,392	6,851	10,244	7,700	+2,544	+33.0%	
Net income	+47.4%	+3,139	6,627	9,767	7,100	+2,667	+37.6%	
EPS (JPY)	+52.7%	+10.61	20.14	30.75	22.35	+8.40	+37.6%	

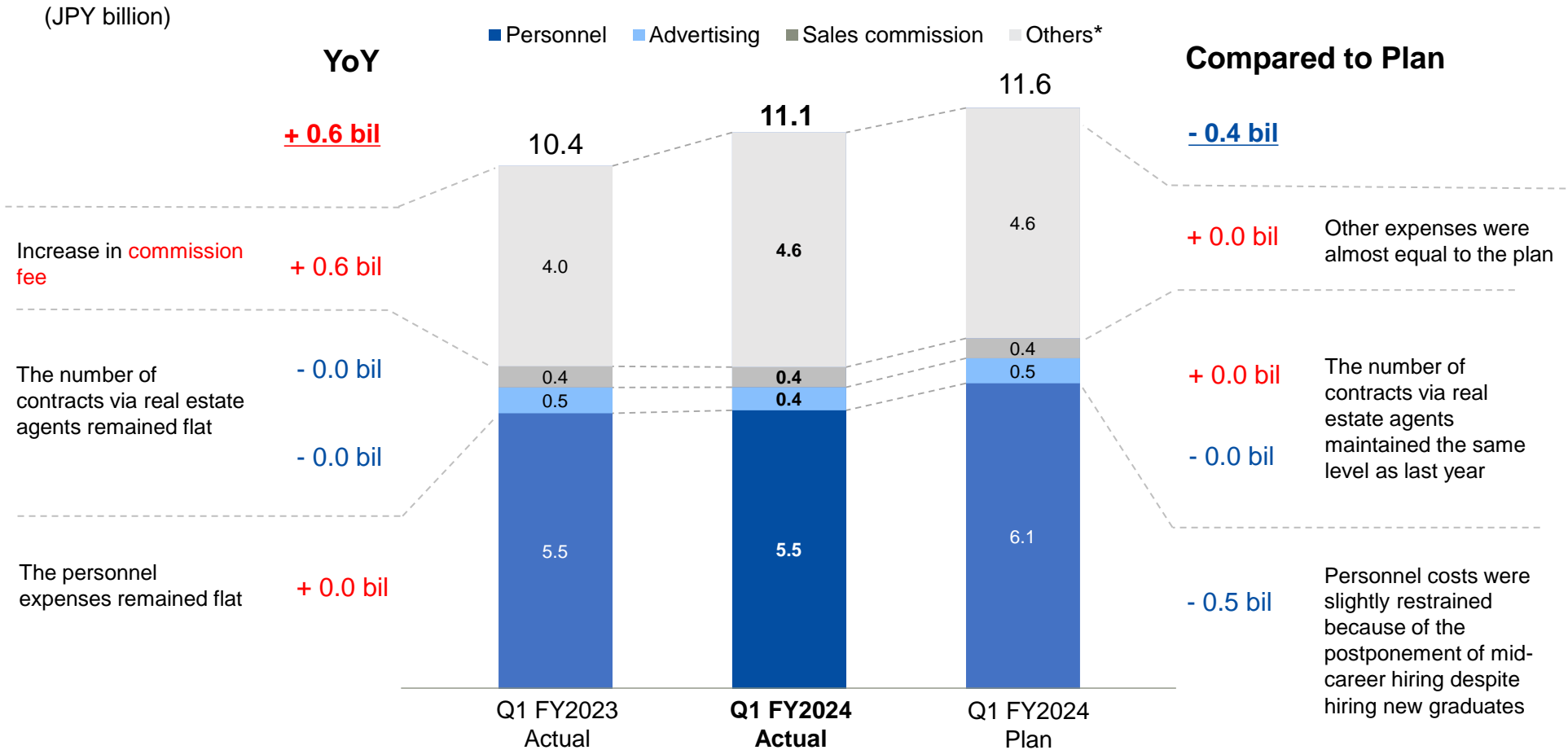
Steady progress toward achieving the FY2024 full-year plan.

(JPY million)	FY2023				FY2024					
	Q1	Q2	Q3	Q4	Q1		Q2	Q3	Q4	FY Total
	Actual	Actual	Actual	Actual	Plan	Actual	Plan	Plan	Plan	Plan
Net sales	103,375	105,472	104,728	106,095	106,900	108,917	106,200	106,700	108,800	428,600
Cost of sales	88,308	87,771	87,627	90,128	87,200	87,519	87,900	88,400	89,200	352,700
Gross profit	18,066	17,701	17,100	15,966	19,700	21,398	18,300	18,300	19,600	75,900
SG&A	10,444	10,495	11,918	12,662	11,600	11,108	11,800	11,900	14,000	49,300
Operating profit	7,622	7,205	5,181	3,304	8,100	10,289	6,500	6,400	5,600	26,600
Recurring profit	6,851	6,259	3,455	2,909	7,700	10,244	6,100	6,000	5,100	24,900
Net income	6,627	5,222	3,028	27,183	7,100	9,767	5,700	5,600	(3,900)	14,500

Cost of sales was largely in line with the plan.



SG&A expanses were largely in line with the plan.



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

(JPY million)	End of FY2023	End of Q1 FY2024	QoQ	Factors contributing to changes
Cash and deposits	68,627	72,967	+4,340	■ Cash and deposits JPY +4.3 billion from end of FY2023 due to improved profitability in the leasing business.
Trade receivables	7,670	7,070	(599)	
Total assets	205,000	208,997	+3,997	
Interest-bearing debt*	30,879	30,721	(158)	■ Provision for losses related to repairs (current: JPY 4.7 billion; non-current: JPY 9.1 billion) Decrease of JPY 1.3 bil from end of FY2023 due to progress of repairs and a JPY 182 million reversal of provision for losses related to repairs.
Provision for losses related to repairs	15,339	13,950	(1,389)	
Provision for apartment vacancy loss	4,683	4,683	±0	
Total liabilities	133,320	128,335	(4,985)	
Common stock	100	100	±0	■ Retained earnings Recorded JPY +8.1 bil due to recording of net income and dividend payment.
Capital surplus	30,121	30,120	(0)	
Retained earnings	32,867	41,016	+8,148	
Treasury stock	(4,359)	(4,359)	±0	
Total shareholders' equity (A)	58,729	66,877	+8,147	■ Total accumulated other comprehensive income Due to the weaker yen, foreign currency translation adjustments were recorded JPY +1.4 bil from the end of FY 2023.
Total accumulated other comprehensive income (B)	5,175	6,559	+1,383	
Ownership equity (A) + (B)	63,904	73,436	+9,531	
Equity ratio	31.2%	35.1%	+3.9 p	■ Non-controlling interests Decreased by JPY 0.54 bil during Q1 FY2024 due to Leopalace Power Corporation's acquisition of its own shares and dividends payments.
Share subscription rights	242	242	±0	
Non-controlling interests	7,532	6,983	(548)	
Total net assets	71,679	80,662	+8,982	

* Interest-bearing debt = borrowings + lease obligations

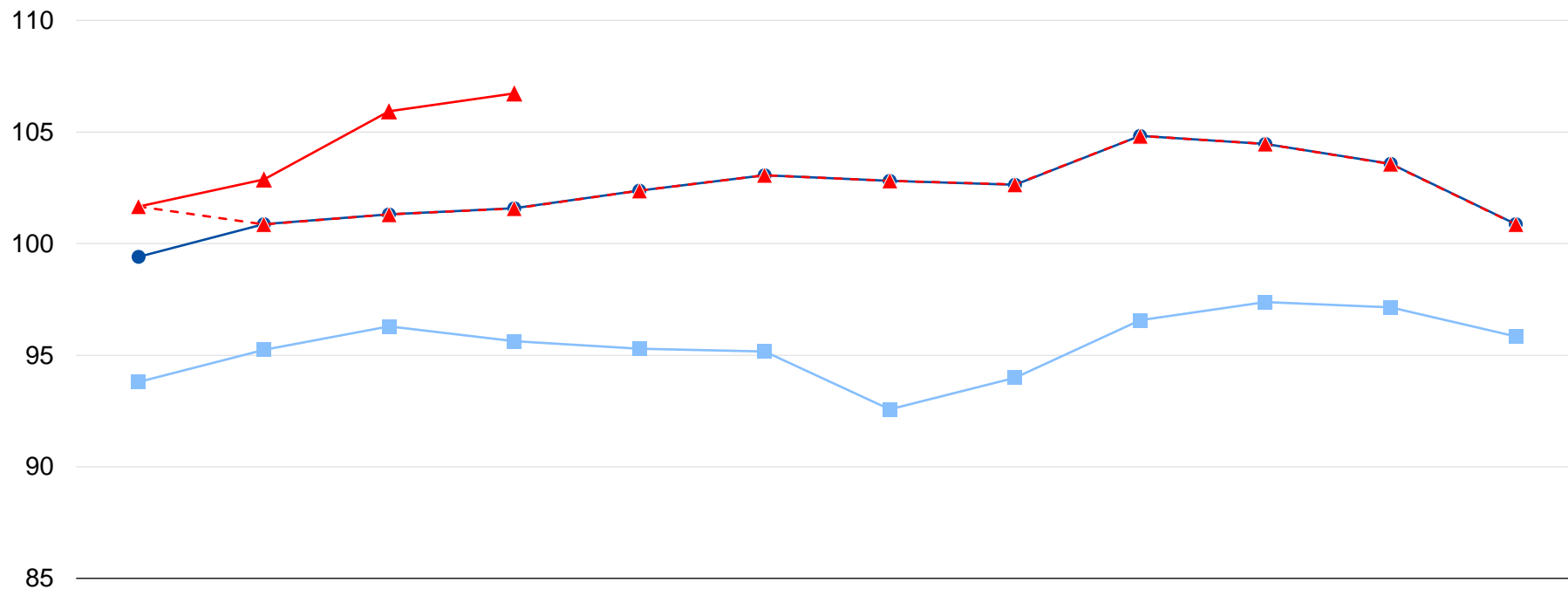
Chapter 2

Leasing Business Conditions

The average unit rent for new contracts is in upward trend in line with the rent increase in the market for single persons, which was assumed the same level as the previous fiscal year.

(Apr 2016 set as 100)

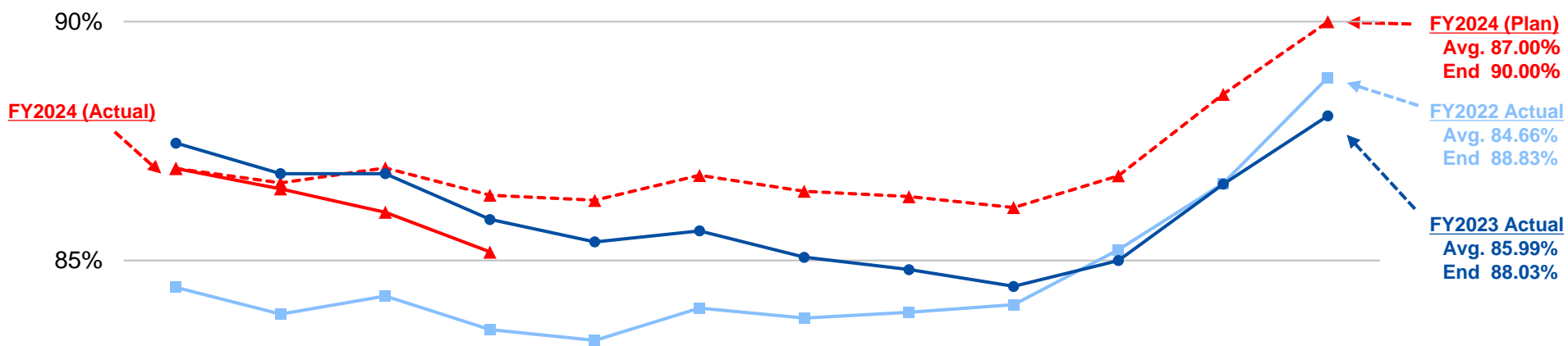
—■— FY2022 —●— FY2023 —▲— FY2024 - -▲- - FY2024 (Plan)



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

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

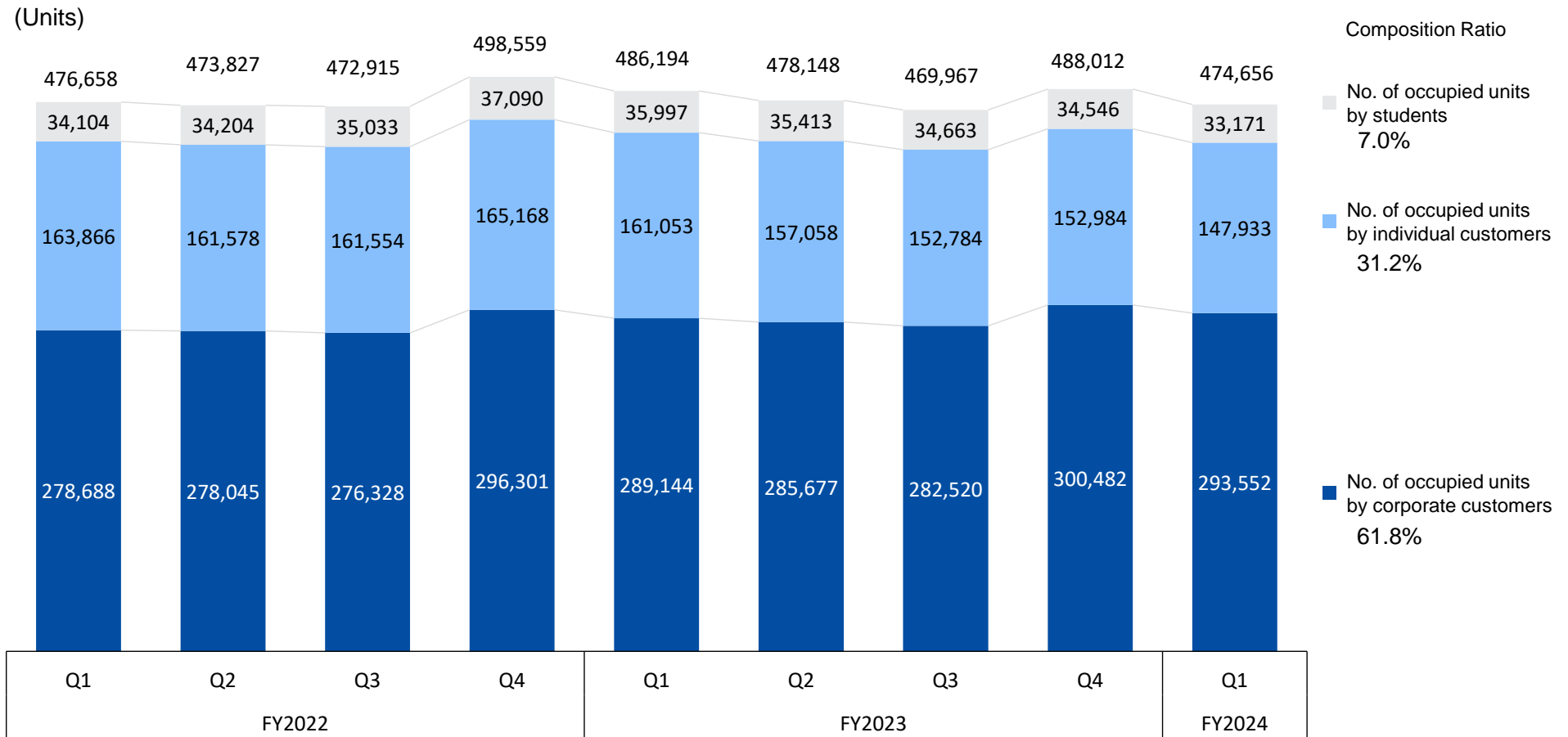
The average occupancy rate resulted in 86.48%, a 0.35 p smaller than the plan. Average unit rent for all occupied units surpassed the plan despite the decline in the number of contracts for individual customers as a result of price-focused strategy.



	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar		
	Apr	May	Jun	Apr-Jun Average	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Fed	Mar	FY Average
FY2022	84.44%	83.88%	84.26%	84.19%	83.55%	83.33%	84.00%	83.80%	83.91%	84.08%	85.23%	86.61%	88.83%	84.66%
FY2023	87.46%	86.82%	86.82%	87.03%	85.86%	85.39%	85.62%	85.07%	84.81%	84.46%	85.00%	86.60%	88.03%	85.99%
FY2024	86.93%	86.50%	86.01%	86.48%	85.18%	-	-	-	-	-	-	-	-	-

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

The number of occupied units by corporate customer segment reached the second highest level in Q1 after the end of Q1 FY 2018. The composition ratio recorded the all-time high of 61.8%.

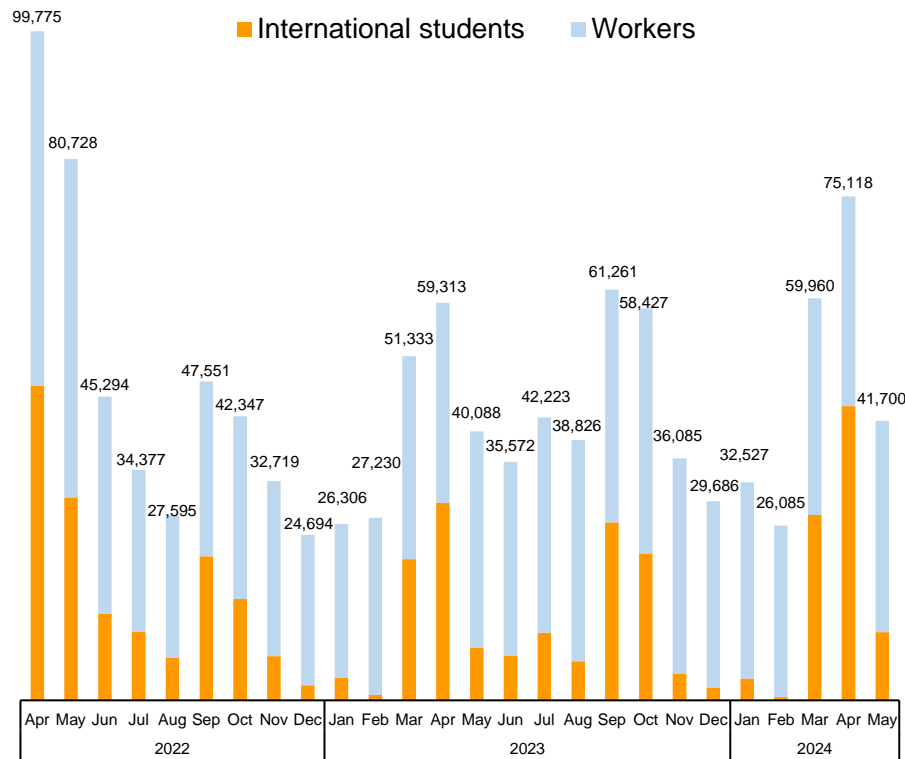


Hospitality sector posted a large yearly growth due to increased acceptance of foreign nationals. Others sector grew because of strong demand by education industry based on increased number of technical interns and international students.

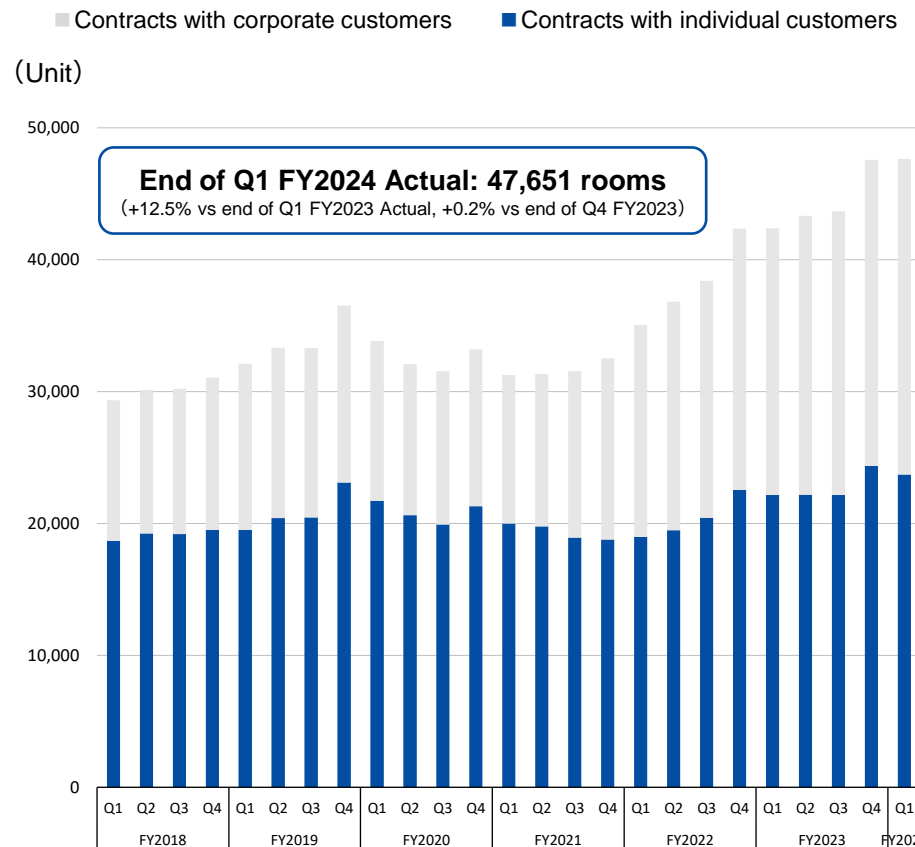


Number of units used by foreign national tenants was 47,651 at the end of Q1 FY2024, which represented 10.0% of the total. (+1.3 p from end of Q1 FY2023 and +0.3 p from end of Q4 FY2023)

Market Data
(trends of new entrants to Japan)*



Trends of No. of contracts with foreign nationals



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

Occupancy rates in Ishikawa saw large increase YoY because of continued long-term use of earthquake recovery. Hokkaido and Tohoku districts saw increase QoQ due to strong demand backed by reopening of construction projects.

Kyushu district suffered from gradual decline due to completion of building projects related with semiconductor industry.

Q1 FY2024	Managed units (thousand)	Occupancy rate	YoY	QoQ
Hokkaido	13	89%	-2 p	+5 p
Aomori	4	79%	-4 p	+2 p
Iwate	3	84%	-9 p	-0 p
Miyagi	9	79%	-8 p	-3 p
Akita	2	90%	-2 p	+7 p
Yamagata	4	80%	-11 p	+1 p
Fukushima	10	84%	+1 p	-1 p
Ibaraki	15	87%	+1 p	-2 p
Tochigi	11	81%	-3 p	-2 p
Gunma	11	82%	-0 p	-3 p
Saitama	45	88%	-0 p	-3 p
Chiba	33	87%	+3 p	-2 p
Tokyo	43	92%	+1 p	-2 p
Kanagawa	39	88%	-1 p	-3 p
Niigata	8	87%	+2 p	+4 p
Toyama	5	88%	-1 p	-5 p

Q1 FY2024	Managed units (thousand)	Occupancy rate	YoY	QoQ
Ishikawa	5	93%	+10 p	-4 p
Fukui	4	82%	-3 p	-0 p
Yamanashi	4	93%	+6 p	+1 p
Nagano	11	88%	-4 p	-2 p
Gifu	7	82%	-3 p	-1 p
Shizuoka	24	80%	-0 p	-3 p
Aichi	40	87%	-1 p	-2 p
Mie	11	70%	-4 p	-4 p
Shiga	8	89%	-4 p	-2 p
Kyoto	9	89%	-0 p	-4 p
Osaka	30	87%	+1 p	-2 p
Hyogo	21	86%	-1 p	-2 p
Nara	3	87%	-3 p	-5 p
Wakayama	3	75%	-4 p	-2 p
Tottori	2	80%	-3 p	-5 p
Shimane	2	88%	-6 p	-8 p

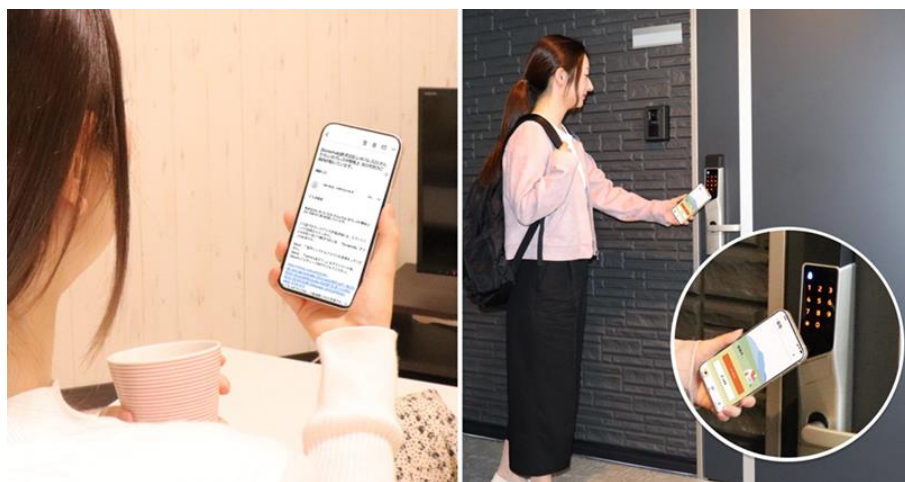
Q1 FY2024	Managed units (thousand)	Occupancy rate	YoY	QoQ
Okayama	12	78%	-5 p	-2 p
Hiroshima	13	87%	-2 p	-3 p
Yamaguchi	7	91%	+3 p	+0 p
Tokushima	2	72%	-7 p	+0 p
Kagawa	4	81%	+1 p	+0 p
Ehime	4	77%	-5 p	-3 p
Kochi	2	78%	-3 p	-3 p
Fukuoka	19	87%	-1 p	-3 p
Saga	3	86%	-2 p	-6 p
Nagasaki	2	81%	-14 p	-10 p
Kumamoto	7	85%	-9 p	+1 p
Oita	4	80%	-0 p	-1 p
Miyazaki	2	89%	+4 p	-4 p
Kagoshima	3	83%	-6 p	+2 p
Okinawa	5	98%	+1 p	-1 p
Total	551	86%	-1 p	-2 p

Chapter 3

Promotion of Sustainability

The number of apartment units with smart lock installed exceeded 270,000, nearly half the number of units under management.

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

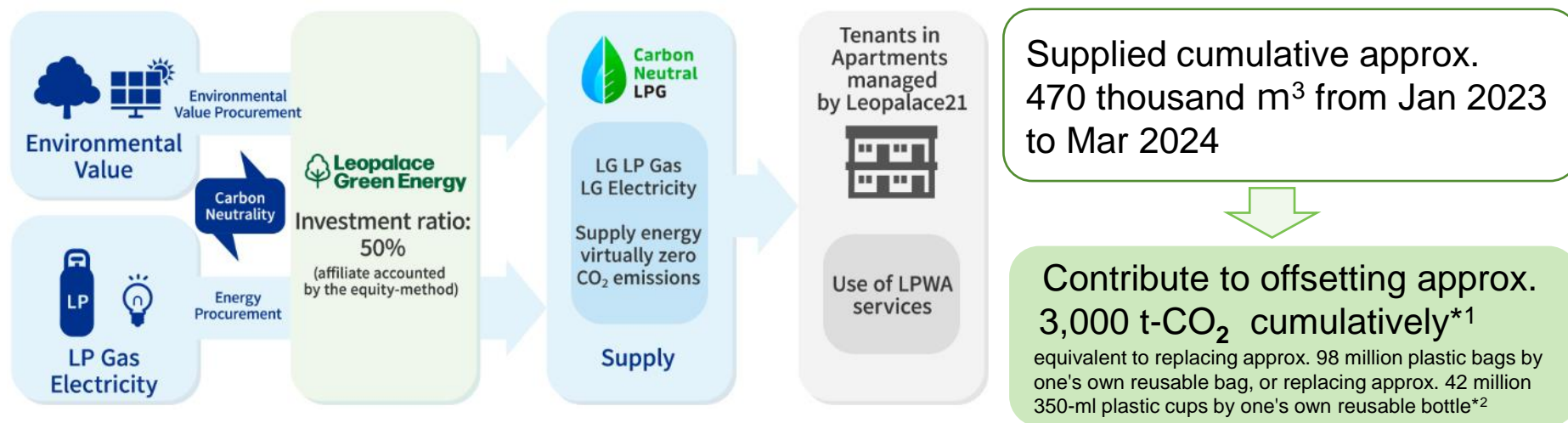
Enhanced security by self-locking door

Improved productivity



Job	Content
Replacement of lock and keys	Prepare locks and keys for reinstallation
	Sort locks and keys
	Hand over locks and keys for contractors to reinstall
Key management	Register key information in a system
	Store master keys 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 viewing

Leopalace21 started to offer Leopalace Green LP Gas and LPWA service 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 LP Gas

LP Gas with virtually zero CO₂ emissions

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

LPWA Service*3

Remote opening/closing of gas valve and leakage detection

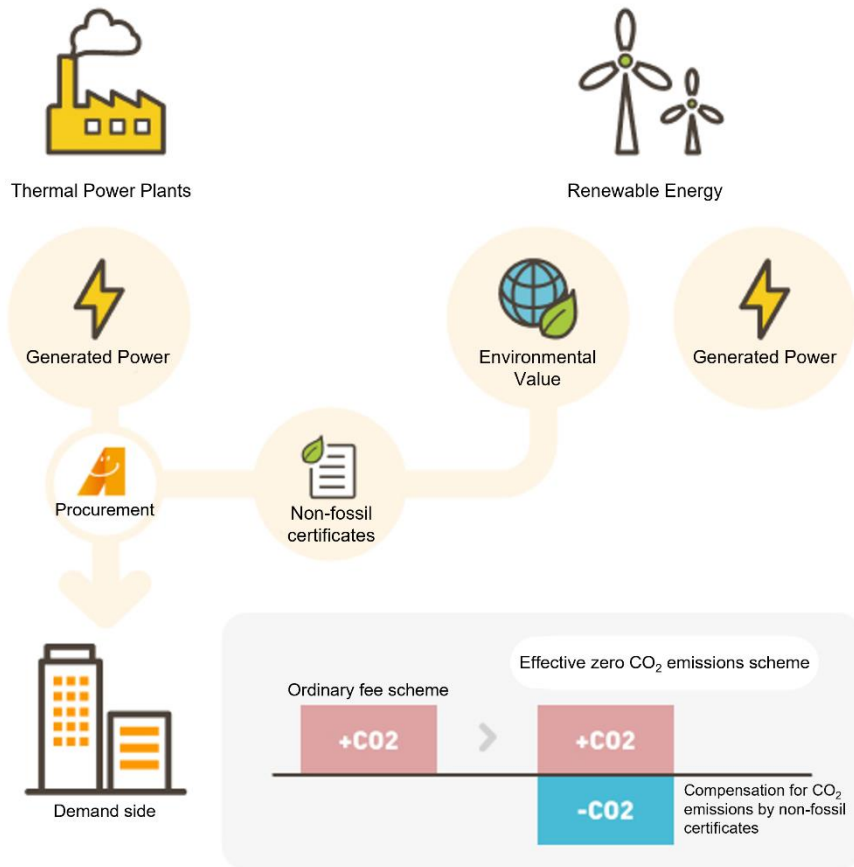
LG LP gas supplier will strive for **a fair and transparent LG LP gas rate structure** through operational efficiency **for improving tenants' convenience and safety** through web-based acceptance of openings, web-based billing, and 24-hour gas usage monitoring.

*1 Refer to "Over 3,000 t-CO₂ Offset by Supplying Approximately 470,000 m³ of Leopalace Green LP Gas with Virtually Zero CO₂ Emissions" dated May 8, 2024

*2 As per the Ministry of the Environment's document on carbon intensity based on environmental 3R initiatives, meaning reduce, reuse, and recycle. <https://www.env.go.jp/press/files/jp/19747.pdf> (Japanese language only)

*3 LPWA: Low Power Wide Area

Leoplace21 Green Energy started to supply Leoplace Green Electricity in June 2024. With the supply of LG LP gas and LG electricity, the Company materializes to manage rental housing with virtually zero CO₂ emissions.



The Company plans to provide LG Electricity to approx. **75,000** households by Mar 2025



CO₂ emissions reduction is expected approximately **81,993** t-CO₂ per year

Leoplace Green Electricity

LG Electricity with virtually zero CO₂ emissions

LG Electricity supplied by Astomos Energy Corporation is now available for Monthly Contracts and Utility Inclusive Plans. LG Electricity is a virtually renewable energy source with virtually zero CO₂ emissions combined with non-fossil certificates.

*Refer to "[Leoplace Green Electricity Starts with Virtually Zero CO₂ Emissions](#)" dated July 3, 2024.

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 JPY 1.2 million/year</p> <p>(2) Benefit-type Scholarship JPY 360,000/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

Chapter 4

Status on Construction Defects Management

Estimated number of rooms requiring repairs: Approx. 11,000

Of the units requiring repairs, we expect to repair **approximately 11,000 units**, including **10,000** units that have been confirmed defective and approximately **970** units that are assumed to be defective based on the past investigation results.

(As of July 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 with repairs completed	
Nail Series / Six Series Total	15,283	7,508	117,966	64,989	57,024	6,650
Other Series Total	23,802	3,763	58,274	21,654	14,785	4,350
Grand Total	39,085	11,271	176,240	86,643	71,809	11,000

While the investigation of vacant rooms and repair works are progressing without delay, the challenges are tenants' refusal to move in for investigation and the difficulty in dealing with owners and tenants of apartments managed by the other management companies.

We aim to **eliminate the rooms with obvious defects by the end of 2024** by persistent visits and negotiations, or refer to the opinions of neutral third parties, such as mediation.

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

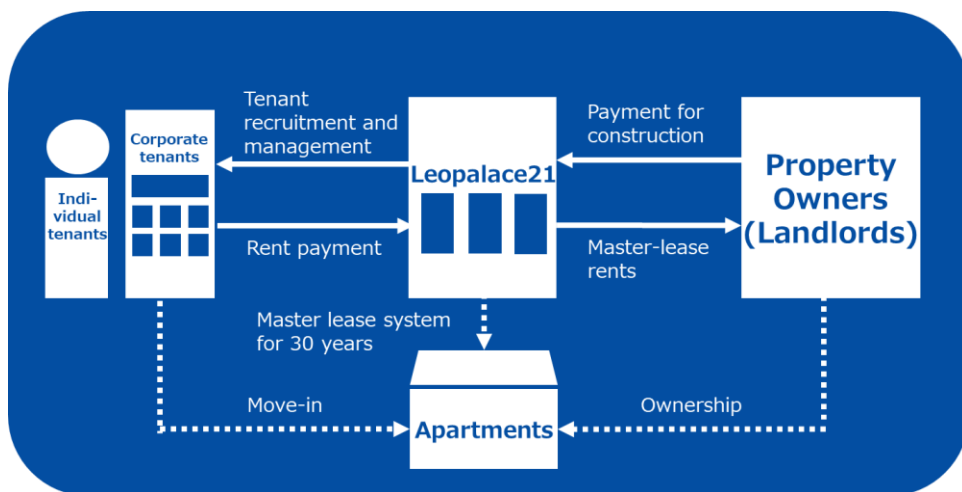
Appendix

Corporate Data (as of June 30, 2024)

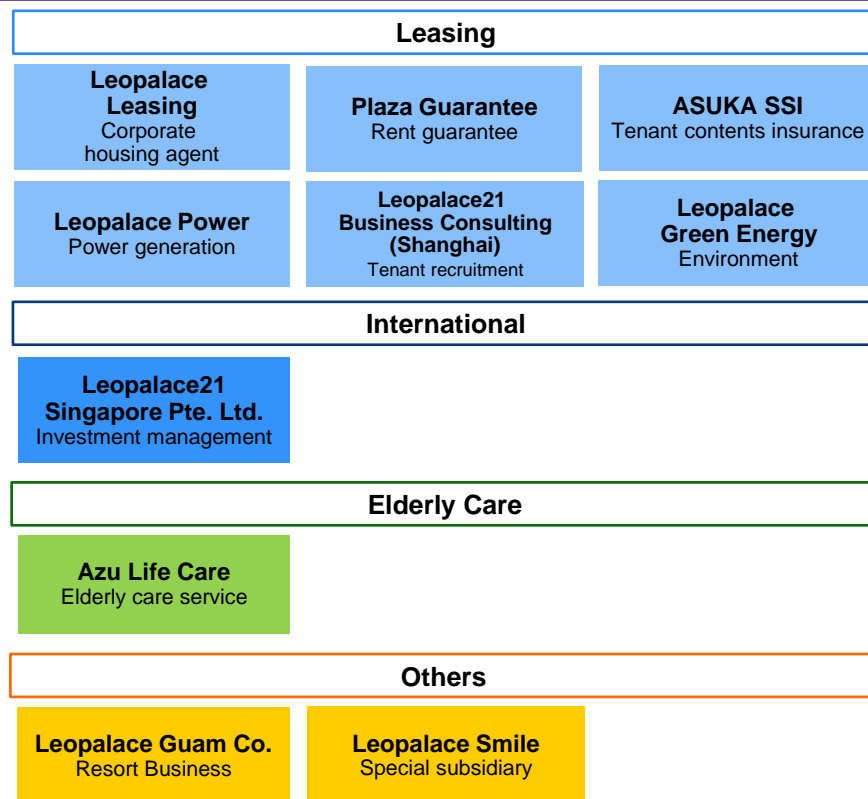
Established	August 17, 1973
Paid-in Capital	JPY 100 million
Representative Director	Bunya Miyao, President and CEO
Employees	3,866 (consolidated), 2,706 (non-consolidated)
Authorized Shares	750,000,000
Outstanding Shares	329,389,515 shares (not including 159,748,700 dilutive shares)
Shareholders	41,552 (As of March 31, 2024)

Business Model

Offer 550,000 studio-type units equipped with furniture and appliances
approx. 74% of the listed companies use Leopalace21's services



Group Companies (as of June 30, 2024)



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

1. Construction Defects Management

**Eliminate obvious defects
by the end of 2024**

2. Strengthen Profitability

**Implement profit
optimization strategy**

- Occupancy Plan
Average: 87.00%
End of FY: 90.00%
- Unit Rent Plan
Ave. unit rent for new contracts:
+ 0.2% YoY
Ave. unit rent for all occupied units:
+ 2.5% YoY

3. Promote Sustainability Management

Promote DX

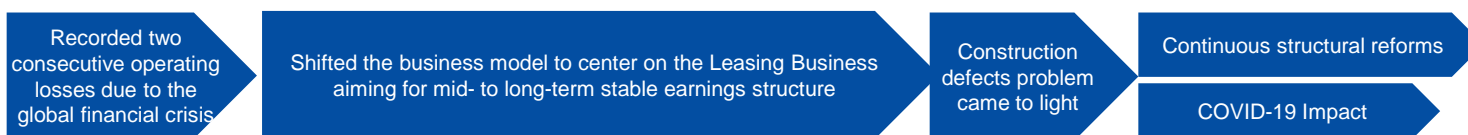
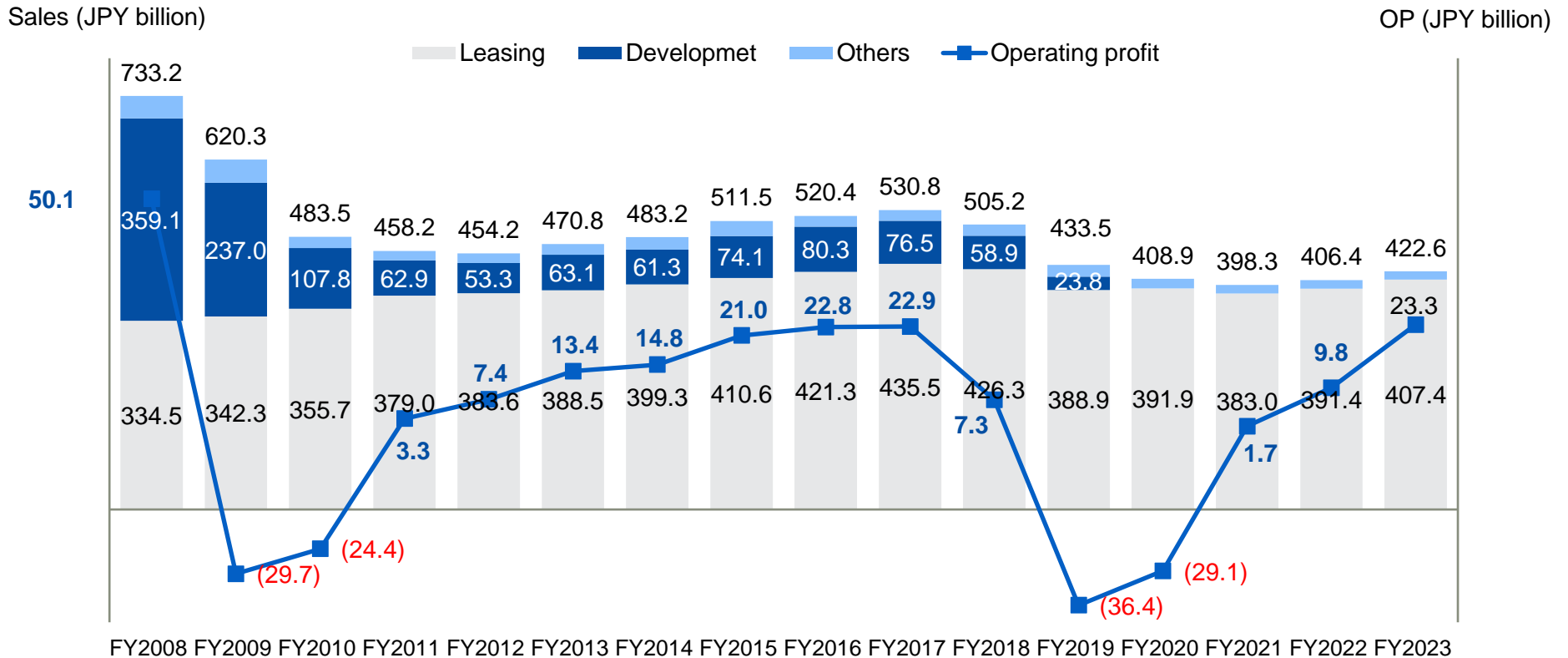
**Promote
Human Capital
Management**

4. Prepare Framework for Mid- to Long-term Growth

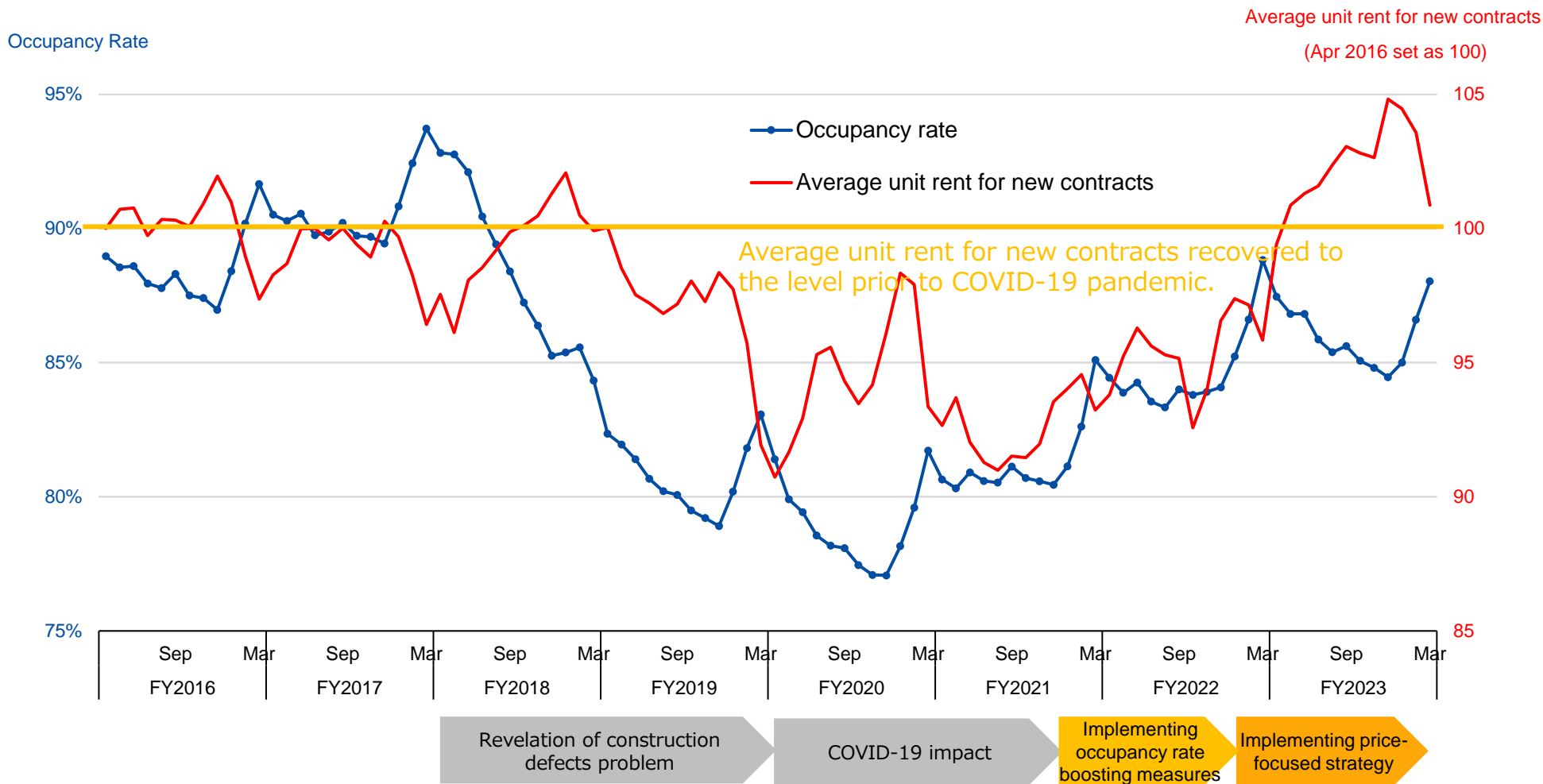
**Establish a
framework
for resuming
development
business**

**Formulate a
brand strategy**

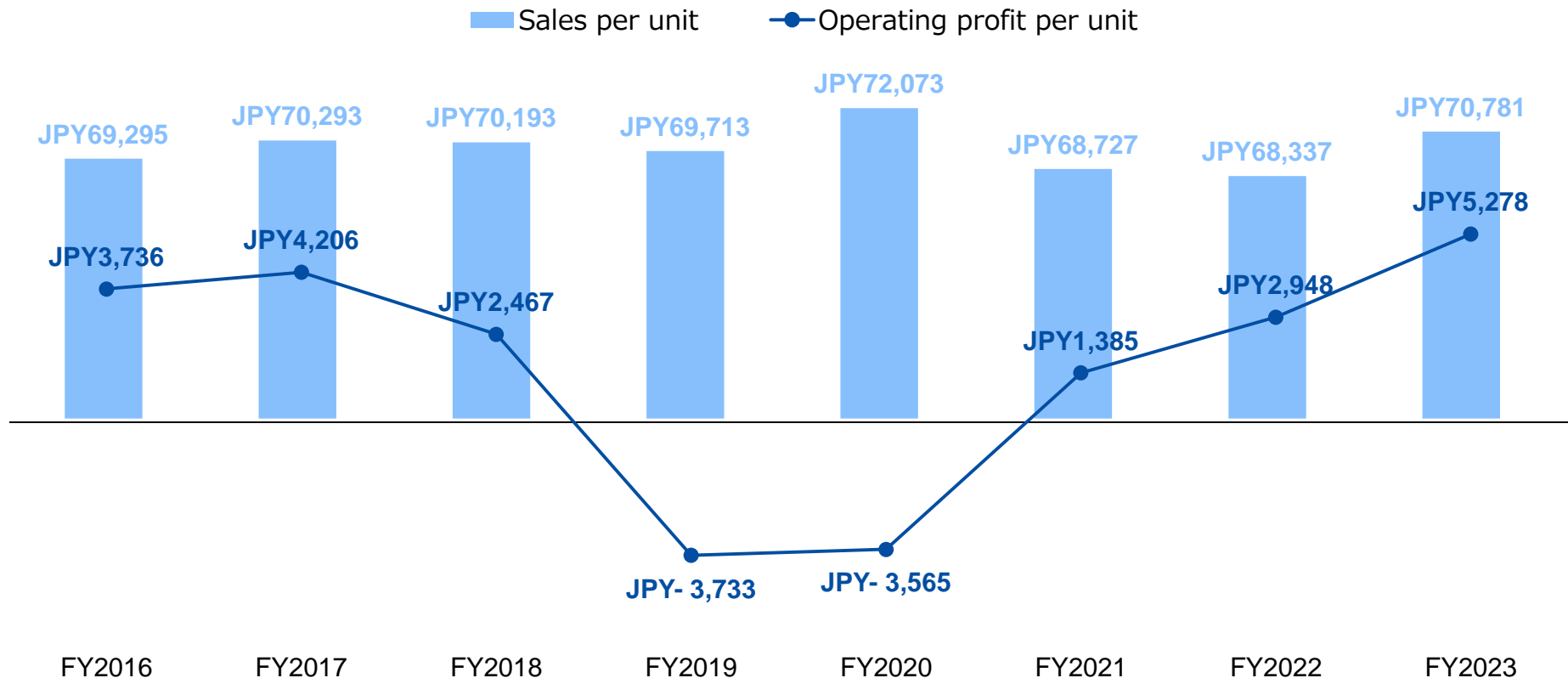
Leopalace21 shifted its business model to center on the Leasing Business after the global financial crisis. With construction defects problem revealed in FY2018 and another blow by COVID-19 impact starting from FY2020, implementing continuous structural reforms turned operating profit in three consecutive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



The average rent increased to the level prior to revelation of construction defects problem due to implementing price-focused strategy for FY2023.



Operating profit per unit reached all time high due to increased unit rent and optimized cost. We aim to grow profit by keeping the profitability and increasing occupancy rate.



* Sales per unit (Operating profit) = Sales for Leasing Business Segment (Operating profit) / Number of occupied units per annum

Leopalace21 received funds for approximately JPY 57.2 billion from Fortress Investment Group on November 2, 2020*¹. Implemented refinancing of JPY 30 billion on December 25, 2023*². Approximately JPY 2.8 billion of increased profit is expected for FY2024.

► Amount raised

Approximately JPY 57.2 billion

(Approx. JPY 54 billion after deducting expenses)

(i) Issuance of New Shares through Third Party Allotment Approx. JPY 12 billion

- ◆ Type and number of shares issued
Common stock
84,507,000 shares
- ◆ Issue price
JPY 142 per share

(ii) Issuance of Stock Acquisition Rights in connection with Loan Approx. JPY 30.2 billion

- | | |
|--|--|
| <ul style="list-style-type: none"> ◆ Loan ◆ Principal amount of loan: JPY 30 billion ◆ Maturity date
Nov. 4, 2025 ◆ Applicable interest rate
5–5.5% per annum*² | <ul style="list-style-type: none"> ◆ Stock acquisition rights ◆ Issuance cost
Approx. JPY 0.2 billion in total ◆ Number of dilutive shares
159,748,700 shares |
|--|--|

(iii) Issuance of Preferred Stock by a Consolidated Subsidiary, Leopalace Power JPY 15 billion

- ◆ Type and number of shares issued
Class A Preferred Stock
750,000 shares
-Number of remaining shares
560,500 shares
- ◆ Dividend rate
7%

*¹ Refer to "[Notice Concerning Completion of Payment with respect to Issuance of New Shares and Other Items](#)" dated November 2, 2020

*² Refer to "[Notice Concerning Debt Financing \(Refinancing\)](#)" dated December 22, 2023

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	Total number of shares acquired
JPY 3.4 billion	11,450 thousand

Dividend

Resumed dividend payment after six-year interval.

Dividend Policy

- ◆ The Company will follow a policy of resuming dividend 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.

Dividend per share

	End of Q2	End of FY	Total
FY2023	-	JPY 5.00	JPY 5.00
FY2024 (Forecast)	JPY 5.00	JPY 5.00	JPY 10.00

Contact: PR and IR Section, Corporate Planning Department,
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