Leopalace21 Corporation

Financial Results Briefing for the Three Months Ended June 30, 2025

August 8, 2025

Presentation

Sakamoto: Thank you very much for taking time out of your busy schedule today to participate in the financial results briefing for Q1 FY2025 of Leopalace21 Corporation. I am Sakamoto, and I will be your moderator. Thank you very much for your cooperation.

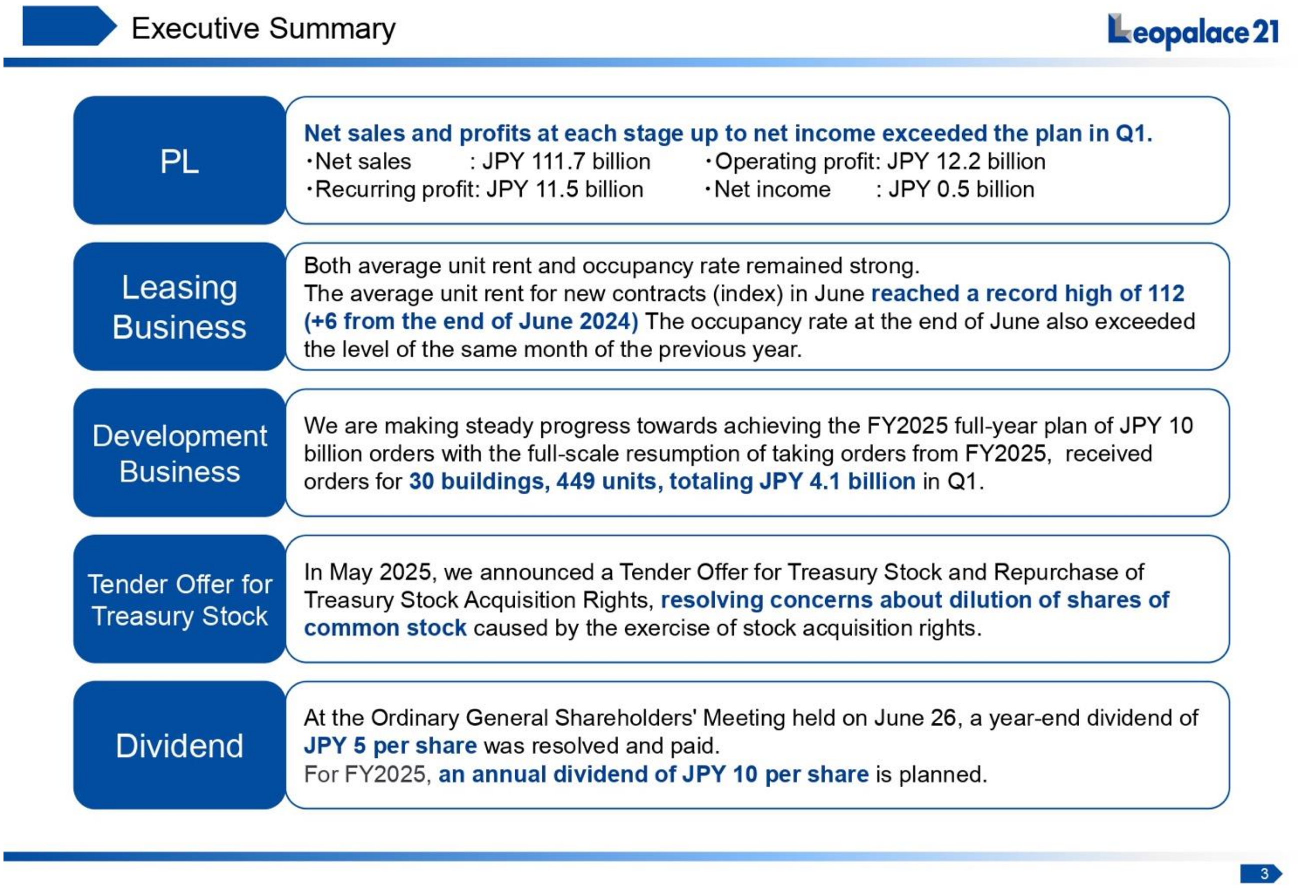
At today's briefing, Bunya Miyao, President and CEO, will provide an overview of the financial results and business conditions.

The Q&A session that follows will be answered by Miyao and Shinji Takekura, Director, Chief of the Corporate Management Headquarters. Questions will be accepted in text format from Q&A.

The event is scheduled to end at 6:00 PM. President Miyao will now begin the presentation.

Miyao: Thank you for taking time out of your busy schedule to join us today. I am Miyao, Representative Director, President and CEO.

I would like to explain our financial results for Q1 FY2025, the status of our leasing and development businesses, and our capital policy announced on May 27.



To begin, here is the executive summary for Q1. In Q1, net sales and profits at each stage up to net income exceeded the plan, thanks to the solid performance of the leasing business.

Compared to the previous year, net income decreased due to an extraordinary loss resulting from the cancellation of treasury stock acquisition rights, but operating profit and recurring profit increased significantly.

In the leasing business, both the average unit rent for new contracts and occupancy rate exceeded the plan, driven by corporate demand. In June in particular, average unit rent for new contracts rose significantly, and the occupancy rate also exceeded that of the same month last year.

In the development business, which has resumed full-scale operations this fiscal year, orders for Q1 totaled 30 buildings, 449 units, and JPY4.1 billion, making a strong start toward achieving the full-year plan.

In May, the Company also announced a TOB of its treasury stock and repurchase of treasury stock acquisition rights. During the same month, the Company executed the repurchase of treasury stock acquisition rights, all of which were redeemed at the end of June.

The purchase for the TOB of its treasury stock was also completed as planned. These efforts have virtually eliminated the risk of share dilution that had been a concern of many investors for some time, and we believe that these measures have been extremely significant for the Company.

Regarding dividends, a resolution was passed at the ordinary general shareholders' meeting held on June 26 and implemented to pay a dividend of JPY5 per share. For FY2025, we plan to pay an annual dividend of JPY10 per share, the same as in the previous fiscal year.

I will now explain the results for Q1 FY2025.

Chap 1 **1. PL**

Net sales and profits at each stage up to net income exceeded the plan in Q1.
Although net income decreased, operating profit and recurring profit increased significantly compared to the previous year.

(JPY million)	Comparison vs Q1 FY2024 Actual		Q1 FY2024 Actual	Q1 FY2025 Actual	Q1 FY2025 Revised Plan	Differences		Factors contributing to changes
Net sales	+2.6%	+2,799	108,917	**111,717**	110,000	+1,717	+1.6%	■ Net sales The average unit rent, primarily for corporate contracts, remained at a high level.
Cost of sales	(1.0)%	(859)	87,519	**86,659**	87,300	(640)	(0.7)%	■ Cost of sales Reversal of provision for apartment vacancy loss was recorded JPY 0.59 billion. (JPY ±0 both YoY and compared to the plan)
Gross profit	+17.1%	+3,659	21,398	**25,058**	22,700	+2,358	+10.4%	
%	+2.8 p	-	19.6%	**22.4%**	20.6%	-	+1.8 p	
SG&A	+15.7%	+1,742	11,108	**12,851**	12,500	+351	+2.8%	■ SG&A Increase compared to the previous year due to a rise in the number of employees and improvement of employee compensation.
Operating profit	+18.6%	+1,917	10,289	**12,206**	10,200	+2,006	+19.7%	
%	+1.5 p	-	9.4%	**10.9%**	9.3%	-	+1.6 p	■ Non-operating expenses Interest expenses were recorded JPY 0.24 billion, there was a decrease of JPY 0.12 billion in YoY. A commission fee of JPY 0.26 billion was recorded due to conducting the tender offer for treasury stock. Foreign exchange losses of JPY 0.1 billion were recorded.
EBITDA	+16.1%	+1,802	11,216	**13,018**	11,000	+2,018	+18.3%	
Recurring profit	+12.4%	+1,272	10,244	**11,516**	9,700	+1,816	+18.7%	
Net income	(91.4)%	(5,558)	6,084	**525**	(800)	+1,325	+165.6%	■ Net income JPY 10 billion loss on cancellation of treasury stock acquisition rights was recorded as an extraordinary loss.
EPS (JPY)	(92.1)%	(17.64)	19.15	**1.51**	(2.30)	+3.81	+165.7%	

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See page five. As I mentioned earlier, net sales and profits at each stage up to net income exceeded the plan. Although net sales and operating profit increased from the previous year, net income decreased due to an extraordinary loss in the form of cancellation of treasury stock acquisition rights.

First, net sales are JPY111.7 billion. Although the average occupancy rate was slightly lower than the previous fiscal year, average unit rent continued to rise, resulting in an increase of 2.6% over the previous fiscal year.

Both the occupancy rate and average unit rent were higher than planned, resulting in a 1.6% increase in sales compared to the plan.

Cost of sales was negative by a considerable amount both compared to the previous year and to the plan due to a recording of negative JPY0.59 billion provisions for apartment vacancy loss and lower cost of sales due to reversal.

SG&A expenses increased from the previous year due to an increase in labor costs and other factors but are generally progressing as planned.

As a result, operating profit was JPY12.2 billion, up 18.6% from the previous year and 19.7% from the plan.

Although non-operating expenses increased slightly from the previous year due to commission fee and foreign exchange losses, recurring profit totaled JPY11.5 billion, continuing the highest Q1 operating profit and recurring profit since the global financial crisis in 2008.

Net income decreased but was 165.6% higher than planned due to an extraordinary loss incurred as a result of the cancellation of treasury stock acquisition rights at the end of June.

Chap 1 **2. PL (Quarterly Comparison)** Leopalace21

For FY2025, we expect profits, excluding net income, to peak in Q1, with costs increasing in Q4 due to a higher number of move-ins and move-outs, following the usual annual performance trend.

JPY million	FY2024				FY2025					
	Q1	Q2	Q3	Q4	Q1		Q2	Q3	Q4	FY Total
	Actual	Actual	Actual	Actual	Revised Plan	Actual	Revised Plan	Revised Plan	Revised Plan	Revised Plan
Net sales	108,917	107,247	107,805	107,860	110,000	**111,717**	109,500	110,000	111,900	441,400
Cost of sales	87,519	88,563	88,399	90,054	87,300	**86,659**	88,800	88,700	90,500	355,300
Gross profit	21,398	18,683	19,405	17,805	22,700	**25,058**	20,700	21,300	21,400	86,100
SG&A	11,108	11,546	11,375	14,031	12,500	**12,851**	12,900	12,800	15,500	53,700
Operating profit	10,289	7,137	8,030	3,774	10,200	**12,206**	7,800	8,500	5,900	32,400
Recurring profit	10,244	6,484	8,151	2,055	9,700	**11,516**	7,400	8,100	5,700	30,900
Net income	6,084	4,511	4,795	2,469	(800)	**525**	4,200	4,800	3,400	11,600

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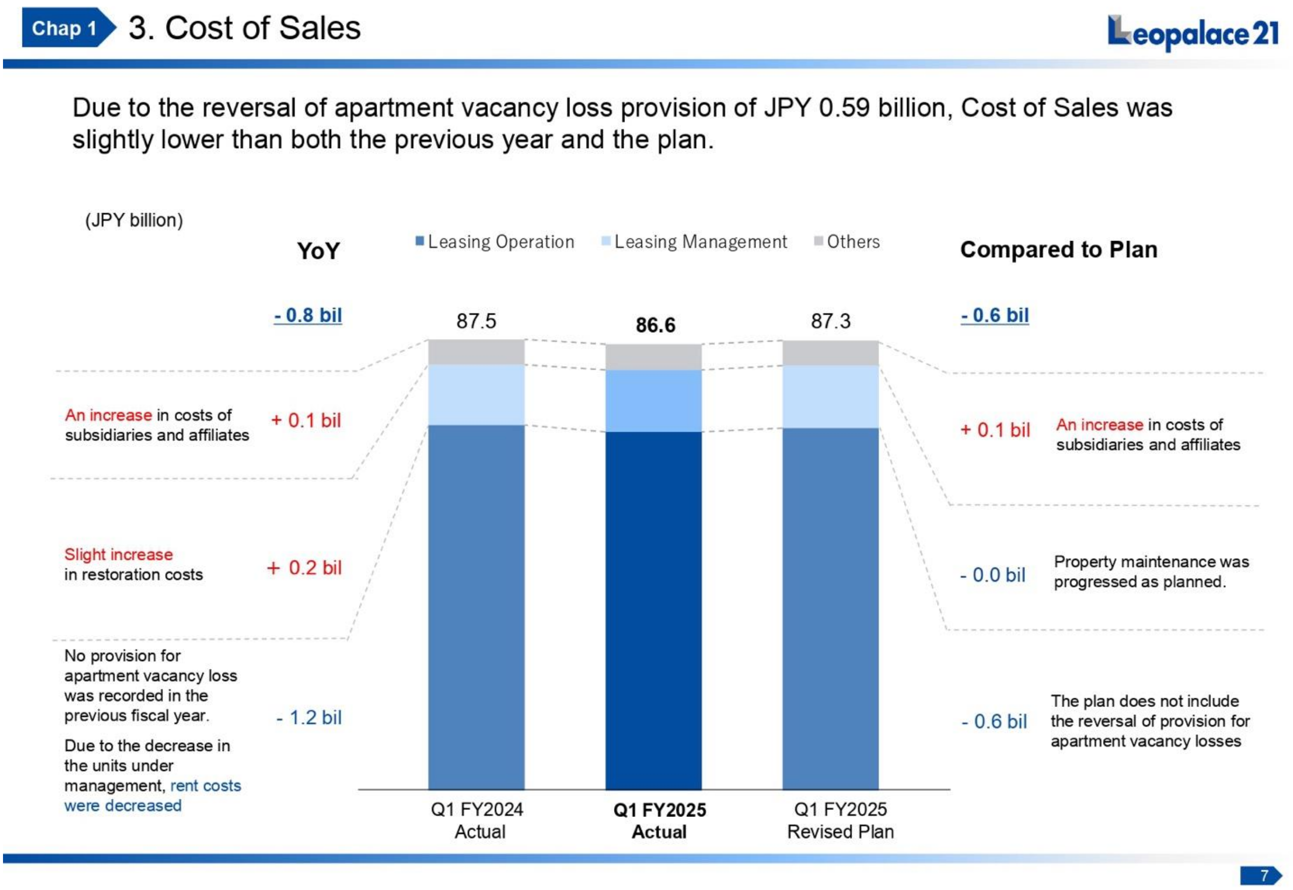
On the next page, we present our quarterly performance trends.

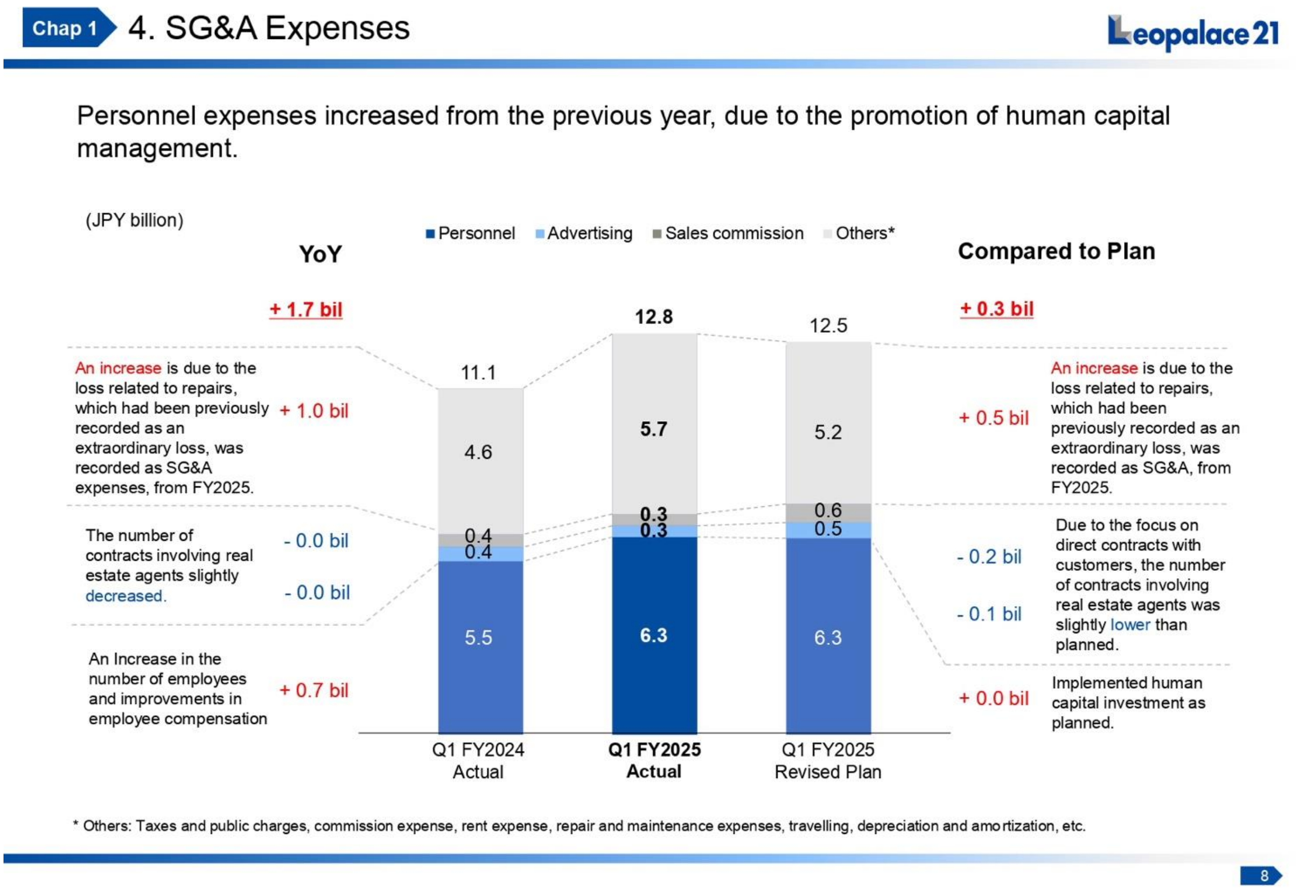
In Q1, there was an extraordinary loss, resulting in a temporary decline in net income both in the plan and actual results. However, we do not expect any extraordinary income or losses in Q2 and beyond, so we assume that the earnings structure will continue to perform as normal.

The forecast for operating profit has been trending slightly downward since Q2, but this is a seasonal trend due to the nature of our business model. Especially in Q4, when the number of move-ins and move-outs is concentrated, tenant recruitment promotion costs and restoration costs will increase. On the other hand, rental income is naturally generated after tenants move in, so in this quarter alone, costs come first, making it a difficult quarter to make a profit. This seasonality is seen every year, and we will work steadily to achieve our full-year plan.



Pages seven and eight show the cost situation.

Regarding cost of sales on page seven, as I mentioned earlier, the reversal of the provision for apartment vacancy loss resulted in a negative JPY0.59 billion, and there are no other items of note.



As for SG&A expenses, personnel expenses increased by JPY0.7 billion due to an increase in the number of employees, revisions to the HR system, bonus payments, and other improvements in employee compensation. The main reason for the increase in others was due to compensation expenses for completed construction.

From the current fiscal year, the cost of responding to construction defects, which was recorded as an extraordinary loss until the previous fiscal year, is recorded as a SG&A expense.

(JPY million)	End of FY2024	End of Q1 FY2025	From the end of last quarter
Cash and deposits	88,408	**105,460**	+17,052
Trade receivables	7,913	**7,119**	(793)
Total assets	216,625	**229,047**	+12,422
Interest-bearing debt*	31,630	**31,528**	(102)
Provision for compensation for completed construction	7,177	**7,143**	(33)
Provision for apartment vacancy loss	4,337	**3,737**	(599)
Total liabilities	128,356	**124,904**	(3,452)
Common stock	100	**9,717**	+9,617
Capital surplus	30,120	**39,736**	+9,616
Retained earnings	47,490	**46,396**	(1,093)
Treasury stock	(4,359)	**(4,359)**	±0
Total shareholders' equity (A)	73,350	**91,490**	+18,140
Total accumulated other comprehensive income (B)	7,918	**6,668**	(1,250)
Ownership equity (A) + (B)	81,269	**98,158**	+16,889
Equity ratio	37.5%	**42.9%**	+5.4 p
Share subscription rights	391	**26**	(365)
Non-controlling interests	6,607	**5,958**	(648)
Total net assets	88,268	**104,143**	+15,874

Factors contributing to changes

■ **Cash and deposits**
Due to the partial exercise of treasury stock acquisition rights by Chidori Godo Kaisha, there was an increase of JPY 17 billion from the end of last quarter.

■ **Provision for apartment vacancy loss (current: JPY 2.8 billion; non-current: JPY 0.8 billion)**
Due to the improvement in earnings of properties, there was a decrease of JPY 0.59 billion from the end of last quarter.

■ **Common stock**
At the Ordinary General Shareholders' Meeting held on June 26, Reduction of the Amount of Common Stock and Capital Reserve was resolved.
(Effective date: July 31, 2025)

■ **Total shareholder's equity**
Due to the partial exercise of treasury stock acquisition rights by Chidori Godo Kaisha, there was an increase of JPY 18.1 billion from the end of last quarter.

■ **Non-controlling interests**
Due to the acquisition of treasury stock and dividend payments by Leopalace Power, there was a decrease of JPY 0.64 billion from the end of last quarter.

* The tender offer for treasury stock announced in May 2025 was settled on July 16, and, therefore, is not reflected in the balance sheet as of the end of Q1.
* Interest-bearing debt = borrowings + lease obligations

Next, we discuss the balance sheet. The TOB of treasury stock was conducted between May 28 and June 24, but since the settlement date was July 16, it is not reflected in the balance sheet for Q1, which is as of the end of June.

In addition, a reduction in the amount of capital stock and capital reserve was approved at the ordinary general shareholders' meeting held on June 26, but since the date of the reduction was July 31, this is also not reflected in the balance sheet for Q1.

In Q1, cash and deposits increased to JPY105.4 billion and the equity ratio rose to 42.9% due to the partial exercise of treasury stock acquisition rights by Chidori Godo Kaisha.

The financial situation from Q2 onward will reflect the decrease in cash and deposits and net assets due to capital decrease and the implementation of TOB, as we said when we announced the TOB, etc.

There were no other noteworthy developments since the end of the previous fiscal year.

Chap 2

1. Changes in Average Unit Rent for New Contracts

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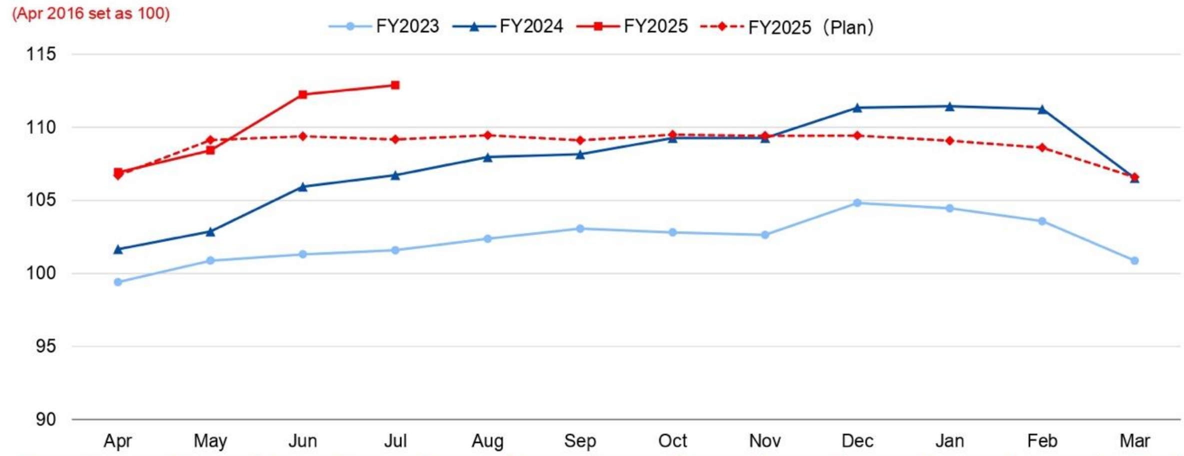
The average unit rent for new contracts for corporate customers maintained high levels due to continued effect of price-focused strategies, which led to achieving the index of all-time high 112.



	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	FY Average
FY2023	99	101	101	102	102	103	103	103	105	104	104	101	102
FY2024	102	103	106	107	108	108	109	109	111	111	111	107	108
FY2025	107	108	112	113	-	-	-	-	-	-	-	-	-

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

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I will now explain the leasing business. First, let us look at the status of average unit rent for new contracts.

While April and May were generally in line with plans, there was a significant increase in June.

This was driven by strong corporate demand, and in addition, even in some areas where demand was limited, the acquisition of individual contracts was at a level that allowed us to secure profits without resorting to excessive price reductions.

However, we will plan and execute a bold price strategy to attract tenants in managed properties with low demand.

We will pursue a policy of continuing sales activities aimed at maximizing profits while closely monitoring the balance between the average unit rent for new contracts and the occupancy rate.

Chap 2

2. Movements in Occupancy Rate

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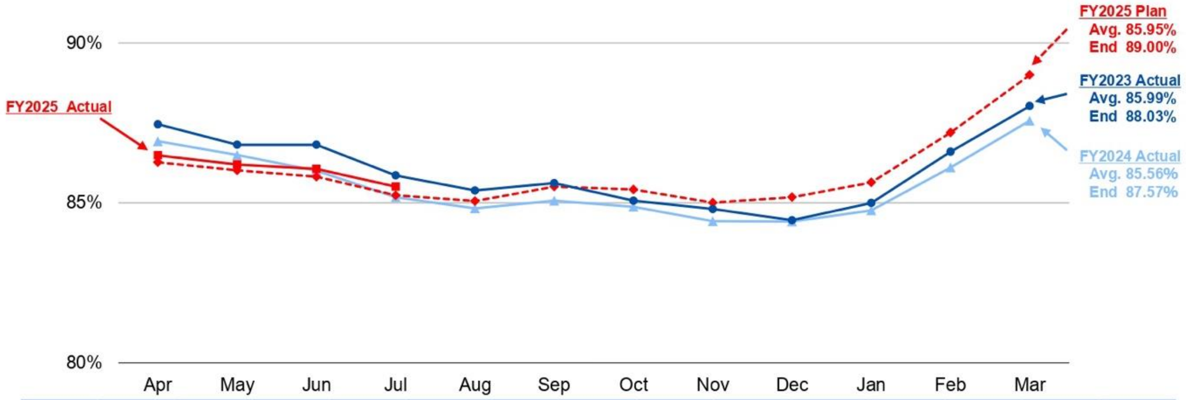
The increased orders from the corporate customers especially those hiring foreign nationals resulted in higher than planned occupancy rate by 0.21 p. It was the first positive monthly result in the past 18 months, when comparing the current against the 12-month prior numbers.



	Apr	May	Jun	Apr-Jun Average	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	FY Average
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%	84.83%	85.07%	84.88%	84.43%	84.42%	84.77%	86.11%	87.57%	85.56%
FY2025	86.49%	86.20%	86.06%	86.25%	85.51%	-	-	-	-	-	-	-	-	-

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

Chap 2

3. Changes in Occupancy Rate by Type of Contract

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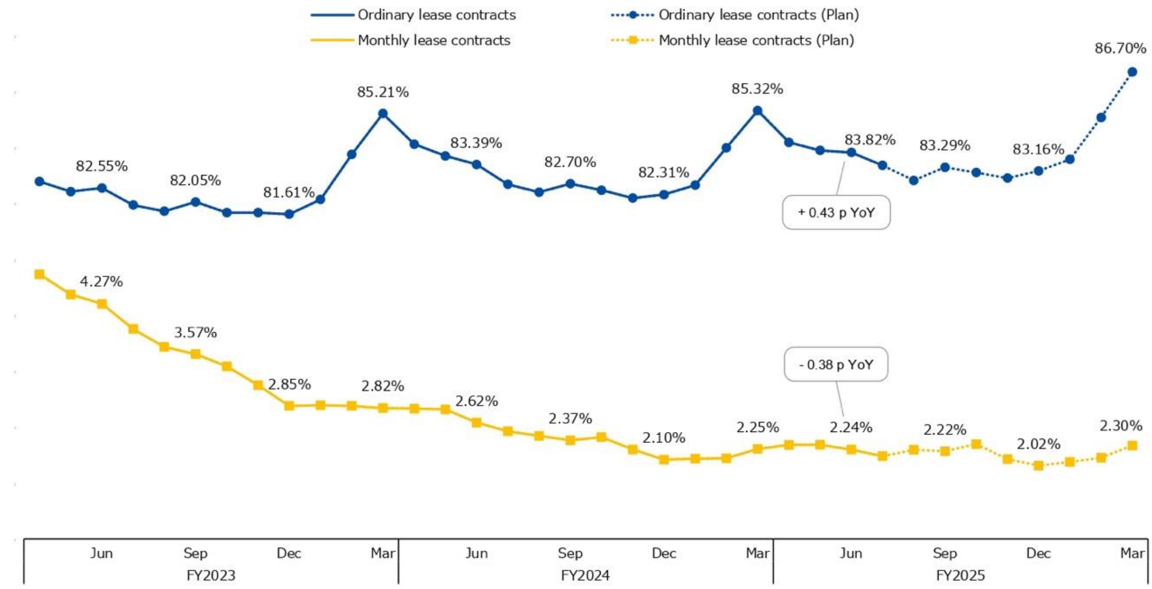
We continued a policy of restraining monthly lease contracts for FY2025 as well.
The occupancy rates of ordinary lease contracts increased from the end of June 2024.



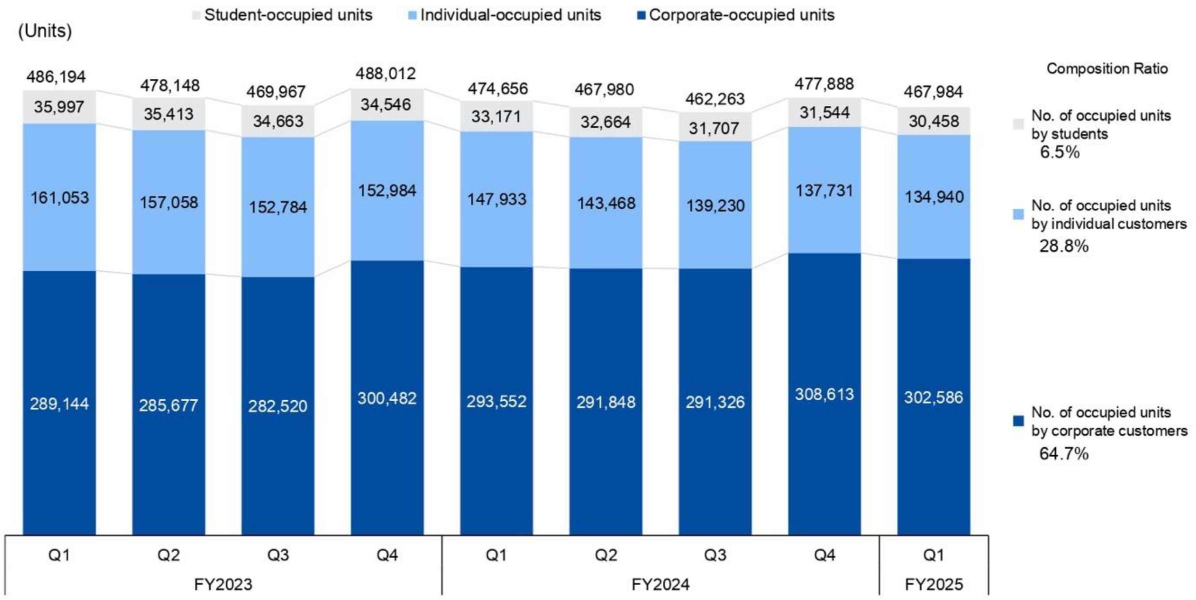
Then there is the occupancy rate. Throughout Q1, the occupancy rates were slightly higher than planned. In addition, the occupancy rates had been below the level of the previous year for a long time, but as of the end of June, the rate turned to positive compared to the same month of the previous year.

This was due to the robust performance of corporate contracts, especially in acquiring foreign nationals to move in, as well as the upswing in average unit rent for new contracts.

As stated in our medium-term management plan, we will continue to strengthen our efforts to acquire individual contracts and further improve occupancy rates through the use of dynamic pricing and collaboration with local governments.

Chap 2 4. Shares of Occupied Units by Customer Segment

The composition ratio by the corporate customers reached the record high of 64.7%.



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As for the shares of occupied units by customer segment, the percentage of corporate contracts continued to expand, reaching a record high of 64.7%. As indicated in the medium-term management plan, 70% in the final year of the plan, we will continue to expand corporate contracts.

Meanwhile, various measures will be taken to increase the number of units used for individual and student contracts.

Chap 2 **5. Occupancy by Industry**

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The number of units used by the corporate customers as of Q1 end reached a second peak following the one in Q1 FY2018 comparing Q1 to Q1 each year. The hospitality industry saw a remarkable +18.8% from end of Q1 FY2024 driven by post-COVID-19 hiring increases..

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Page 15 shows data by industry on the number of units used by corporate customers. The number of units used increased YoY in all industries except manufacturing.

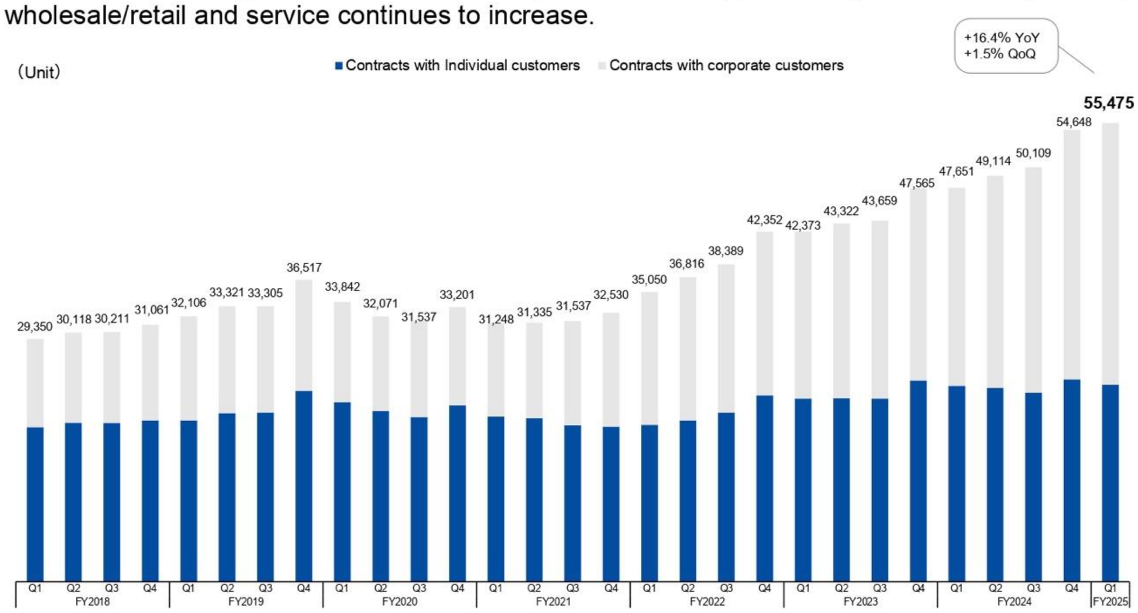
Although the data shows a slight decrease in the manufacturing segment, in reality, many manufacturing companies are using temporary staffing and outsourced contracting resources, and as a result, the increase in the number of units used by staffing & outsourcing is thought to indicate the actual situation.

As Q4 is the busiest season for room searches, seasonal trends show that most of the industries are in negative territory QoQ.

Against this backdrop, others increased by 3.5% QoQ. This was mainly due to an increase in temporary room use for medical and welfare training and practical training.

Chap 2 6. No. of Units Used by Foreign Nationals

The number of units used by foreign national tenants reached a record high of 55,475 at the end of Q1 FY2025, which represented 11.9% of the total, a 0.5 p increase from the end of Q4 FY2024.
The number of foreign national tenants in corporate contracts, particularly in the industry of hospitality, wholesale/retail and service continues to increase.



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Next is the number of units used by foreign nationals. The number of units used by foreign nationals continues to increase, mainly due to an increase in corporate contracts, particularly in the hospitality, wholesale/retail and service industries. This trend has continued since the previous fiscal year.

The percentage of foreign nationals in the total number of units used reached 11.9%, surpassing the value at the previous fiscal closing and reaching a new record high.

Chap 2 7. Acquiring Foreign National Customers

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Agreements were concluded with Prefectures of Osaka, Kumamoto, Kochi and the Hitachi Regional Technical Support Center, to address the issues of human resource shortages across Japan and support accepting and retaining foreign human resources.

大阪府 Osaka

Entering date: January 29, 2025
Objective: Acceptance and retention of foreign human resources in Osaka

熊本県 Kumamoto Prefecture Kumamoto

Entering date: May 27, 2025
Objective: Acceptance and retention of foreign human resources in Kumamoto

高知県 Kochi Prefecture Kochi

Entering date: June 27, 2025
Objective: Acceptance and retention of foreign human resources in Kochi

HITS Hitachi Regional Technical Support Center

Entering date: July 17, 2025
Objective: Acceptance and retention of foreign human resources in the northern coastal area of Ibaraki

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To help resolve these issues related to housing for foreign nationals, we have concluded agreements with Osaka, Kumamoto, Kochi, and other prefectures, as well as with the Hitachi Regional Technical Support Center in Ibaraki Prefecture.

We will continue to create an environment where foreign customers who are anxious about their living in Japan can work and live with peace of mind and to provide backup for companies that are dealing with a shortage of workforce in various regions.

Chap 2 **8. Units and Occupancy Rates by Prefecture** Leopalace21

The occupancy rates in the Fukui and Shimane recorded positive results in both YoY and QoQ due to the demand for new construction projects and temporary staff. Hokuriku region saw a decline due to reduction of disaster recovery projects. Other regions were affected by completion of redevelopment or construction projects.

Q1 FY2025	Managed units (thousand)	Occupancy rate	YoY	QoQ
Hokkaido	13	87%	−2 p	+3 p
Aomori	3	77%	−2 p	+3 p
Iwate	3	86%	+2 p	−0 p
Miyagi	9	78%	−1 p	−1 p
Akita	2	87%	−3 p	+6 p
Yamagata	3	81%	+2 p	+1 p
Fukushima	9	81%	−3 p	−4 p
Ibaraki	15	86%	−1 p	−3 p
Tochigi	11	80%	−1 p	−4 p
Gunma	11	80%	−2 p	−3 p
Saitama	44	90%	+1 p	−1 p
Chiba	32	91%	+3 p	−1 p
Tokyo	42	95%	+3 p	−2 p
Kanagawa	39	92%	+4 p	−2 p
Niigata	8	79%	−8 p	+1 p
Toyama	5	83%	−4 p	+1 p

Q1 FY2025	Managed units (thousand)	Occupancy rate	YoY	QoQ
Ishikawa	5	88%	−4 p	+2 p
Fukui	4	91%	+8 p	+1 p
Yamanashi	4	95%	+2 p	−0 p
Nagano	11	89%	+1 p	+1 p
Gifu	7	80%	−1 p	−2 p
Shizuoka	23	78%	−2 p	−2 p
Aichi	40	87%	−0 p	−2 p
Mie	11	71%	+1 p	−0 p
Shiga	8	88%	−1 p	−2 p
Kyoto	8	91%	+1 p	−2 p
Osaka	30	88%	+1 p	−2 p
Hyogo	21	86%	+1 p	−2 p
Nara	3	82%	−5 p	−2 p
Wakayama	3	72%	−3 p	−3 p
Tottori	2	77%	−3 p	+1 p
Shimane	2	92%	+4 p	+3 p

Q1 FY2025	Managed units (thousand)	Occupancy rate	YoY	QoQ
Okayama	11	80%	+2 p	−2 p
Hiroshima	13	84%	−2 p	−1 p
Yamaguchi	7	78%	−13 p	−5 p
Tokushima	2	73%	+1 p	−0 p
Kagawa	4	76%	−5 p	−1 p
Ehime	4	72%	−5 p	−5 p
Kochi	2	79%	+1 p	−3 p
Fukuoka	19	88%	+0 p	−2 p
Saga	3	78%	−9 p	−6 p
Nagasaki	2	76%	−4 p	−1 p
Kumamoto	7	84%	−0 p	−5 p
Oita	4	82%	+2 p	−2 p
Miyazaki	2	87%	−3 p	−1 p
Kagoshima	3	79%	−4 p	−4 p
Okinawa	5	99%	+2 p	−0 p
Total	543	86%	+0 p	−2 p

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Page 18 shows occupancy rate trends by prefecture. The number of units used decreased YoY due to the evacuation of construction and temporary staffing workers in some areas such as Hokuriku, Chugoku, and Kyushu due to earthquake-related demand and the completion of large-scale construction projects.

On the other hand, as you saw earlier in the slide by industry, both the construction and staffing and outsourcing industries increased overall, with positive YoY growth.

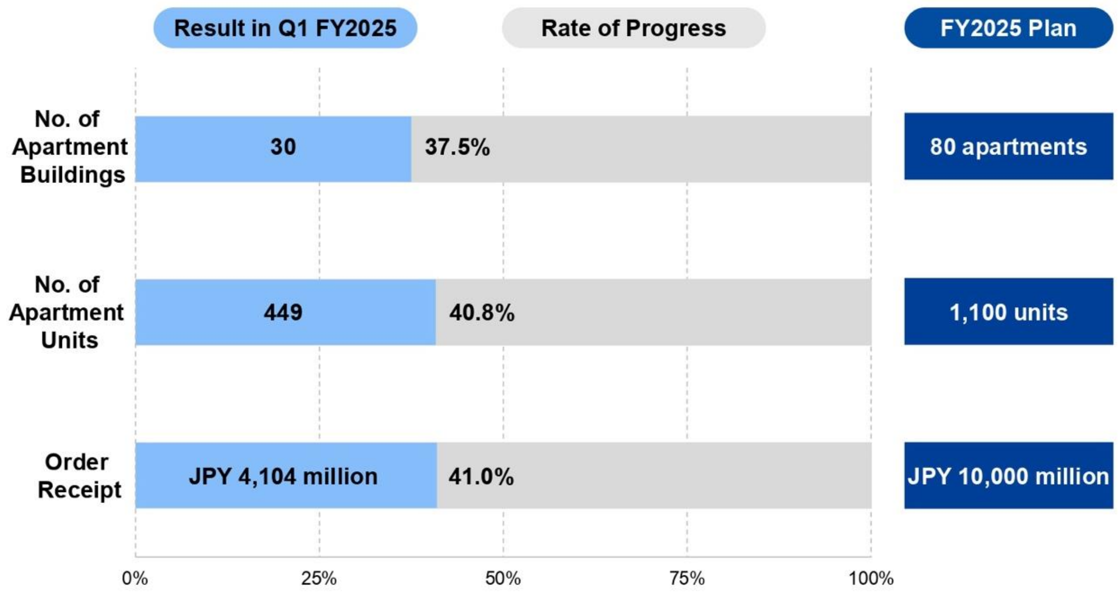
Research shows that in Fukui and other areas where redevelopment or construction of new factories is under way, there is a new influx of corporate demand as construction projects get under way. In the Tokyo metropolitan area, demand remained strong, contributing to an increase in the overall occupancy rate.

We will continue to respond flexibly by accurately grasping demand trends in each region.

Chap 3 1. Order Receipt Plan and Rate of Progress

Leopalace21

Resumed full-scale development business from FY2025.
In Q1, the company made a good start toward achieving the full-year order receipt plan.



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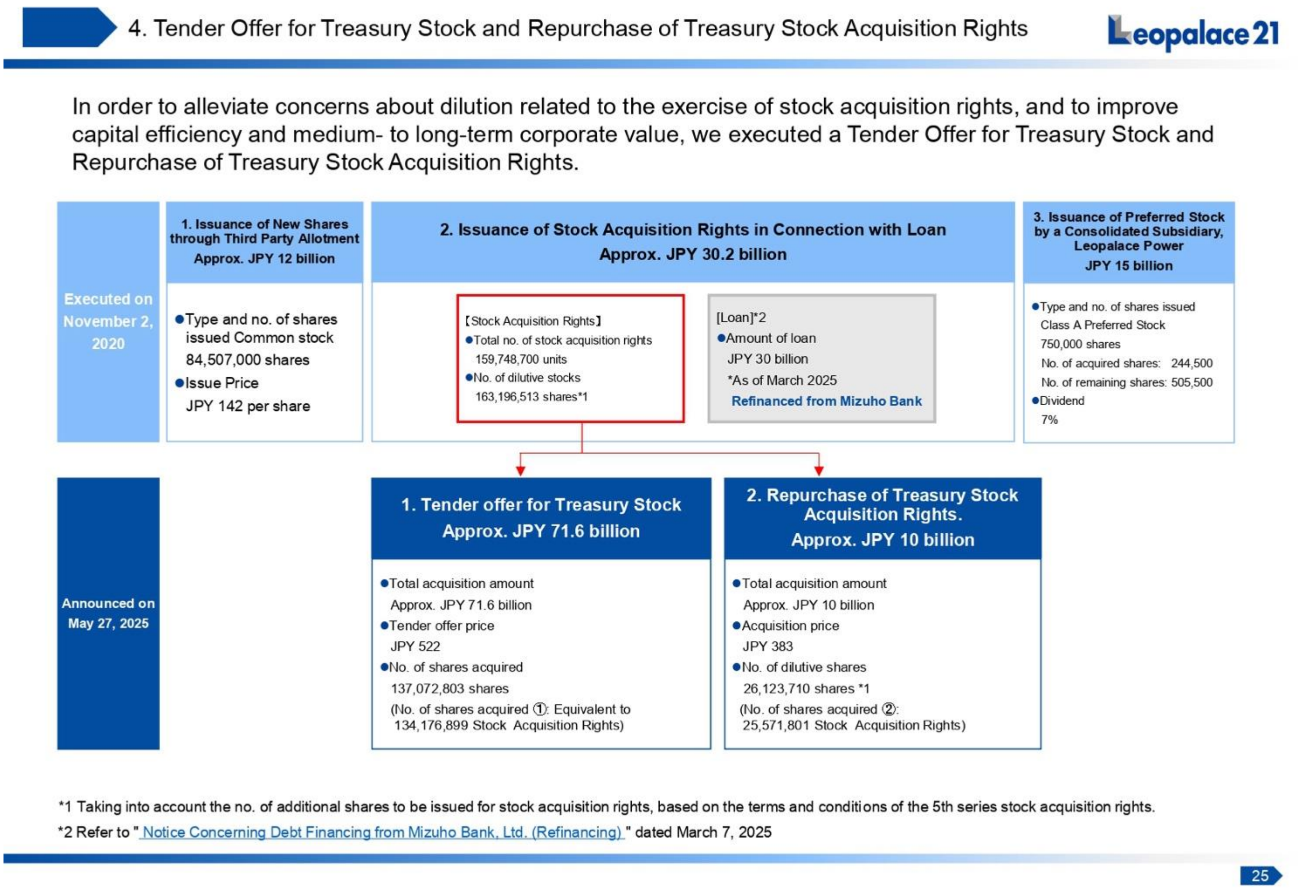
Next, on page 20, I would like to explain the progress of the development business.

As I mentioned at the beginning of this report, we received orders for 30 buildings and 449 units in Q1, totaling JPY4.1 billion. In April, we resumed full-scale activities to win orders in the Tokyo metropolitan area and Nagoya area, and our progress rate is 37.5% in terms of the number of apartment buildings, 40.8% in terms of the number of apartment units, and 41.0% in terms of the order receipt.

Although the business has made a smooth start as a full-scale resumption, we will proceed steadily and on a reasonable order basis, giving top priority to maintaining construction quality and giving due consideration to the status of the construction management system.

I would now like to explain the capital policy announced on May 27 and the conclusion of the commitment line agreement announced on July 29 as topics related to financial strategies.



First, please see page 25 for the capital policy. The two measures announced this time are the tender offer for treasury stock and the repurchase of treasury stock acquisition rights. There are two main objectives of this policy.

The first is to limit share dilution and increase shareholder value, and the second is to prevent subjection to control by a particular single shareholder and ensure independence and sustainable growth as a listed company.

The reason for the two-pronged approach to the measures was the emphasis on equality among shareholders and transparency of transactions.

The first point is to suppress the dilution of shares and increase shareholder value.

The second point is to prevent domination by a specific single shareholder and ensure independence and sustainable growth as a listed company.

The two-pronged approach was based on a desire to emphasize equality among shareholders and transparency in transactions.

In order to give non-Fortress shareholders, the opportunity to tender their shares, we adopted the tender offer format, but due to restrictions on the amount available for distribution and a cap on the number of shares to be purchased, we have also acquired treasury stock acquisition rights.

The TOB for treasury stock was for a tender offer price of JPY522 and the number of shares purchased was approximately 137 million shares, for a total amount of approximately JPY71.6 billion. The repurchase of treasury stock acquisition rights resulted in a unit price of JPY383 per share, equivalent to approximately 26 million shares, and a total amount of approximately JPY10 billion.

The total cost of these two measures was approximately JPY81.6 billion. However, since there was an exercise of stock acquisition rights issued in November 2020 in connection with the TOB, this generated a cash inflow of approximately JPY19 billion, which, when subtracted, resulted in an effective cash outflow of approximately JPY62.6 billion. Although cash and deposits will decrease significantly as a result of this measure, the impact on operations will be limited, as the Company has sufficient working capital and financial indicators as stipulated in its contracts with external parties.

The TOB purchase period ended on June 24, and settlement was completed on July 16. As for the treasury stock acquired, the Company has not yet decided on a policy for disposal, etc. at this time, but will finalize this policy in the near future.

On the other hand, as I mentioned earlier, treasury stock acquisition rights were cancelled at the end of June.

5. Shareholder Return and Financial Strategy

Leopalace21

Dividend

For FY2024, an annual dividend increase to JPY 10 has been implemented.
The same dividend amount is planned for FY2025, with a target dividend payout ratio of 30% for FY2027.

Dividend Policy

- We plan to utilize cash generated from the growth of the Leasing Business to implement stable shareholder returns.
- We aim to continue stable dividends while balancing investment in growth and shareholder returns.

Dividend per share

	End of Q2	End of FY	Total
FY2024	JPY 5.00	JPY 5.00	JPY 10.00
FY2025 (Forecast)	JPY 5.00	JPY 5.00	JPY 10.00

Conclusion of Commitment Line Agreement*

Concluded a commitment line agreement with Mizuho Bank, Ltd.

Purpose

- To expand flexible fundraising measures for the Company's funding needs for sustainable growth and further strengthening its financial base.

Outline

- Maximum loan amount: JPY 10 billion
- Date of agreement: July 31, 2025
- Term of agreement: 1 year
- Type of contract: Individual relative method
- Collateral: Unsecured and unguaranteed

* "Notice Concerning Conclusion of Commitment Line Agreement" dated July 29, 2025

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Next, on the right side of the slide 26, we have signed a commitment line agreement.

The agreement with Mizuho Bank, dated July 31, has a maximum borrowing limit of JPY10 billion and a term of one year. The contracts are on an individual relative method and are unsecured and unguaranteed.

As you know, of course, this contract was secured as a framework for borrowing funds when needed, within a predetermined period and limit, and we have established a system for prompt and flexible fundraising based on prior agreements with financial institutions.

The purpose of the agreement is to broaden our fundraising options and increase our responsiveness in preparation for future growth investments and changes in the business environment. At this time, the Company has no particular plans to execute any borrowings.

That is all for my explanation. Although the Q1 results exceeded the plan, we are only a quarter of the way through the year, so we will continue to focus on achieving the full-year plan and the year-end occupancy rate, which will work as a springboard for the next fiscal year.

Thank you for your attention.

Question & Answer

Sakamoto [M]: We will now begin the Q&A session. First, we will summarize two questions regarding average unit rent for new contracts. Question from Mr. Ozawa of SBI SECURITIES.

Ozawa [Q]: Average unit rent for new contracts continue to rise, but is there room for further increases? Is it likely to be mostly for corporate clients and can it be linked to the rate of salary increases?

Sakamoto [M]: Next, a question from Mr. Tazawa of SMBC Nikko Securities.

Tazawa [Q]: What are the factors behind the YoY improvement in the occupancy rate and the higher-than-expected increase in average unit rent for new contracts, and how much room is there for further growth in the occupancy rate and average unit rent for new contracts in the future? I would like to know even if it is a long-term projection.

Miyao [A]: The answer to the question of the average unit rent for new contracts is that rents are higher, driven by corporate demand. We intend to continue this policy. In terms of what we did with the plan, we knew that the corporate sector would grow. On the other hand, as rents for individuals have risen to the level that the number of units used by individuals has decreased. In light of this situation, we have incorporated into our plans for this fiscal year a policy to offer bold prices to attract individual tenants, especially for properties where rental demand is not extremely high.

We are assuming about 7,000 to 8,000 units for those individuals in that aspect. By developing dynamic pricing here, we have created a plan for the current fiscal year based on the idea that the higher corporate rent levels will be offset to a certain extent by the lower individual levels affected by offering bold prices.

On the other hand, since Q4 is the main period for individual customer movements, we believe that for the time being we will be able to enjoy an elevated level of corporate demand.

Sakamoto [M]: Thank you very much. Now, we will answer two questions with the development business together. Question from Mr. Ozawa of SBI SECURITIES.

Ozawa [Q]: Please tell us about the attributes of Q1 orders of JPY4.1 billion such as existing and new customers, contracting, and gross margin.

Sakamoto [M]: Next question from Mr. Tazawa of SMBC Nikko Securities.

Tazawa [Q]: In development, you received orders for 30 buildings, 449 units, totaling JPY4.1 billion in Q1. Did you sell to your core existing customers? As for profitability, should we expect a gross margin of about 25%? Progress appears to be strong, but what is the outlook for orders in the future?

Takekura [A]: First of all, as far as whether we are dealing with existing or new clients, our clients are mainly existing apartment owners with whom we have a relationship, and we are marketing to them and developing our business to meet their needs.

As for the said cases, in addition to the reconstruction of the existing property, we have also received inquiries regarding other land that the client owns, and we are receiving orders for those sites as well.

As for the profit margin, we have just started the sales, and we are taking orders at around 10% to 15%. We would like to adjust the number as our construction capability is being rebuilt.

We apologize for causing you so much concern regarding the condition of the building under our management. In reality, we are conducting business in areas where we have a firm understanding of the needs of our customers, who are apartment owners, and above all, the market needs that Miyao mentioned a little earlier, and customers whose needs are related to their inheritance planning as we understand, so I think we are operating in an optimal situation.

As for progress, things are going very well as a start. In order to start and complete the construction, the practical team of the Architectural Engineering Department, which is actually is responsible for execution and self-cleansing, and in addition, our Legal Department in terms of architecture-related legal compliance, which is responsible for checking the construction supervision from the external viewpoint. Additionally, we employ a third-party company for checking the construction compliance and are proceeding under the extremely strict situation. First of all, we are establishing a construction process that ensures no mistakes are made at the site, while promoting efforts to shorten that period of time.

Sakamoto [M]: Thank you very much. Now, we will answer the two questions together regarding foreign national customers. Question by Mr. Tazawa of SMBC Nikko Securities.

Tazawa [Q]: There has been some discussion about curbing the acceptance of foreign nationals. How do you see this affecting your company's leasing business?

Sakamoto [M]: Question by Mr. Ozawa of SBI SECURITIES.

Ozawa [Q]: The regulation of foreigners has been talked about in the House of Councilors election and other events, but since your company's foreign tenants are backed by mainly corporate demand and necessary human resources, does it seem to have any impact at all?

Miyao [A]: In a short answer, we do not think it will have any impact. Basically, as you can see in page 16, individual contracts are primarily for international students.

The light gray area shows the number of foreign nationals in corporate contracts, while the number of international students has remained almost the same. The areas that are seeing growth are corporates.

In particular, corporates are rapidly securing workers due to a shortage of labor. We do not have any undocumented immigrants or other such people entering our contracts, so I do not believe that such suppression or emotional arguments will have any impact on our company.

As you can see, we are working with local governments, etc., as a behind-the-scenes company, to provide support, including regional development, in each area. So, I hope you understand that this is a little different from the critical ones.

Sakamoto [M]: Thank you very much. Now, we will continue with a question from Mr. Tazawa of SMBC Nikko Securities.

Tazawa [Q]: You completed responding to Fortress's subscription rights, and regarding financial strength, cash and deposits are at a reasonable level. What are your thoughts on the shareholder return policy? The policy is to pay a dividend of JPY10 this fiscal year, aiming for a payout ratio of 30% in the fiscal year ending March 2028, but do you want to move this up?

Takekura [A]: As you mentioned, the tender offer for treasury sock stopped the dilution of our shares, which was our greatest concern.

Regarding dividends, you are correct. If our business model is seen as a dependable leasing business with regular income and a stable stock, then I believe that its appeal is essentially due to the dividends.

As for our target of a 30% dividend payout ratio, we will naturally need to accumulate the figure as well as stabilize and develop the leasing business. We will continue internal discussions to make the dividend as attractive as possible and achieve the figure as soon as possible.

Sakamoto [M]: Thank you very much. Now, a question from Mr. Tazawa of SMBC Nikko Securities.

Tazawa [Q]: Fortress remains the largest shareholder with over 25%. Although the subscription rights have been eliminated, what changes will occur to the cooperative relationship in the future?

Miyao [A]: As far as the stock is concerned, it is a fact that they have 25% to 26%. On the other hand, in terms of a cooperative relationship, we believe that it can continue without hindrance as long as it is mutually beneficial.

Specifically, there are some hotels in which the Fortress Group has invested, as well as other rental projects such as the Village House project, which is a win-win situation for both parties. We believe that this aspect can be continued.

Sakamoto [M]: Thank you very much. Now, the third question from Mr. Tazawa of SMBC Nikko Securities.

Tazawa [Q]: Is there any progress on the sale of the Guam hotel?

Miyao [A]: There is no particular progress. As you can see from the segment information in today's summary of financial statements, Guam has yet to see a return of tourists, so we are still recording an operating loss. We are aware that until this issue is settled to some extent, it will be difficult to see any movement on the sale of the property.

Sakamoto [M]: Thank you very much. The next question is from Mr. Hashimoto of Mizuho Securities.

Hashimoto [Q]: Regarding the repair of defective apartments, I believe the number of units requiring repairs has decreased considerably. Please tell us about the progress of the repair works from April to June.

Takekura [A]: You point out that the number of units decreased from April to June, but we are well aware that as of the end of June and July, the number of households decreased down to 50 to 100 per month.

The number of obviously defective units is also available on our website.

As long as the tenants are living in the building, we have the background that the repairs can only be done by evicting the tenants. We are currently meeting with the specified administrative agencies to discuss how the repair works should be carried out when the tenants move out from the defective units.

As for the budget, we have provision, so there will be no impact on B/S, etc..

Sakamoto [M]: Thank you very much. The next question is from Mr. Hashimoto of Mizuho Securities.

Hashimoto [Q]: Could you please supplement the amounts and other information on page nine regarding balance sheet and other movements at the end of July?

Takekura [A]: On this page, we purchased about JPY71.6 billion of our own shares on July 16, so in effect, the amount I just mentioned has been reduced from that amount.

At the same time, the figures for net assets have been largely replaced. In addition, the capital decrease became effective as of July 31, so the capital is stated as JPY9,717 million, but it is currently JPY100 million.

As for the capital surplus, the amount has increased to JPY49.3 billion due to the transfer of the capital decrease.

The treasury stock below that figure is currently JPY4,359 million, but this figure is about JPY75.9 billion due to the repurchase of over JPY70 billion of treasury stock, as I mentioned earlier. The number is applied directly below, and net assets decrease by approximately JPY71.6 billion, as I just mentioned, leaving total net assets at approximately JPY157 billion.

Sakamoto [M]: Thank you very much. The next question from Mr. Hashimoto of Mizuho Securities.

Hashimoto [Q]: What is the status of your consideration of the cancellation of treasury stock?

Miyao [A]: Please understand that this is currently under consideration, and we will decide on the position sometime in the near future.

Sakamoto [M]: Thank you very much. Although it is before the scheduled end time, it appears there are no further questions, so we will now conclude the Q&A session and briefing.

Thank you very much for attending today's financial results briefing for Q1 FY2025 of Leopalace21 Corporation.

[END]