Leopalace21 Corporation

Financial Results Briefing for Fiscal Year Ended March 2026

May 15, 2026

Presentation

Sakamoto: Thank you very much for taking the time out of your busy schedules to join us today for Leopalace21 Corporation's financial results briefing for the fiscal year ended March 2026. My name is Sakamoto, and I will be your moderator. Thank you for your cooperation.

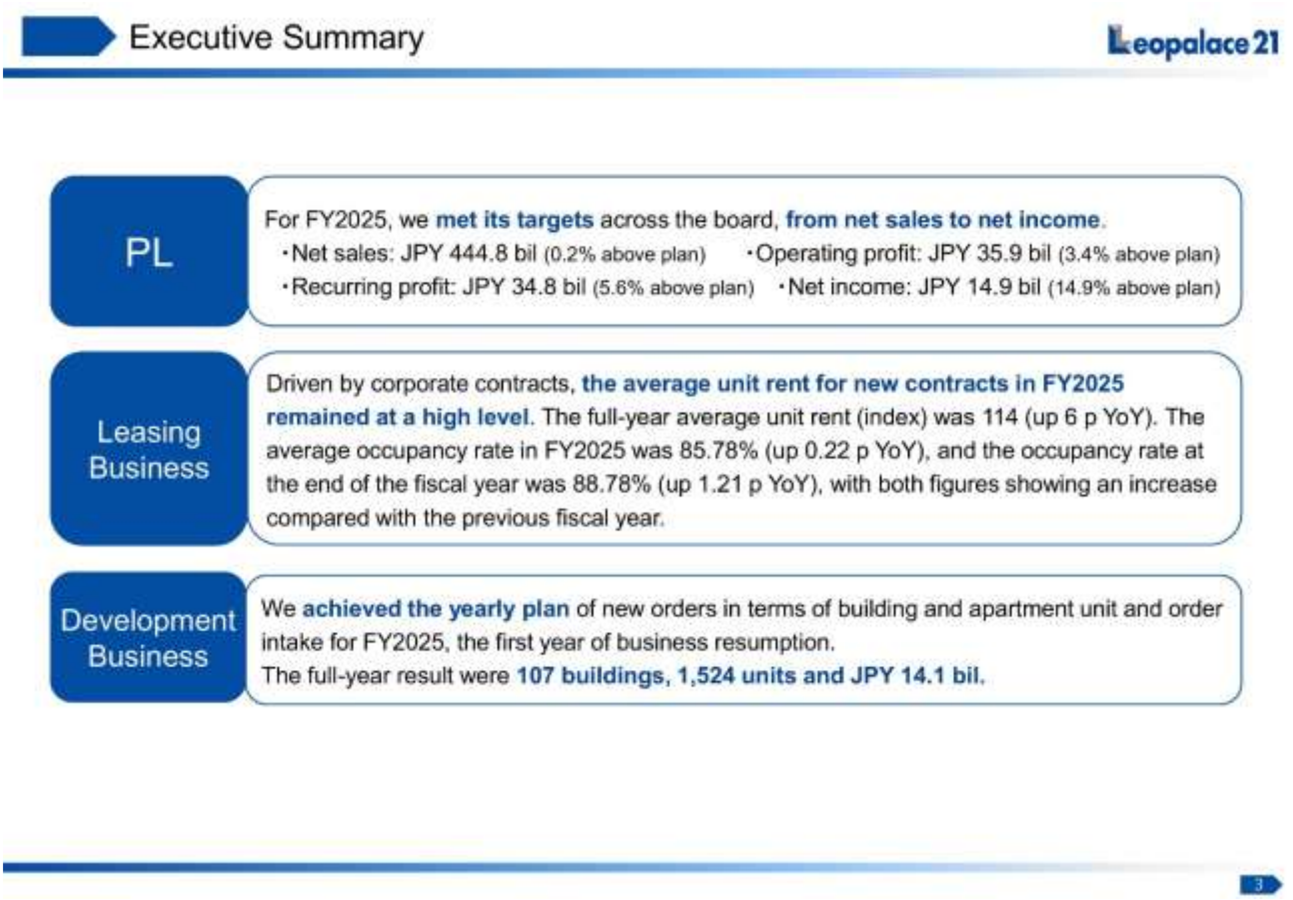
At today's briefing, Bunya Miyao, Representative Director, President and CEO, will provide an overview of the financial results, business conditions, and an update on the medium-term management plan. In addition to Miyao, Shinji Takekura, Director, Executive Officer, Chief of the Corporate Management Headquarters, will also be a speaker during the question-and-answer session that follows.

Questions will be accepted in text format from Q&A. Only one question will be listed per text. If you have multiple questions, please send us each question separately. The chat function is not available, so please let us know in the Q&A if you have any problems. The event is scheduled to end at 6:00 PM.

President Miyao will now begin the presentation.

Miyao: Thank you for taking the time to join us today despite your busy schedule. I am Miyao, CEO of Leopalace21.

I will provide an overview of our financial results for the fiscal year ended March 31, 2026, the status of our Leasing Business and Development Businesses, and an update on our medium-term management plan.



Initially, this will be an executive summary of the current financial results.

For the fiscal year ended March 31, 2026, the Company has achieved its plan from net sales to net income, with net sales of JPY444.8 billion, operating income of JPY35.9 billion, recurring profit of JPY34.8 billion, and net income of JPY14.9 billion.

In the Leasing Business, the average unit rent for new contracts remained at an elevated level throughout the year, with an index of 114. In addition, the number of units used increased, due to corporate contracts, and the average occupancy rate was 85.78%, exceeding the previous period both in terms of unit rent and occupancy rate.

In the development business, we received orders for 107 buildings and 1,524 units. Orders received totaled JPY14.1 billion.

The number of apartment buildings, units, and orders received all exceeded the plan by a wide margin.

Chap 1 **1. PL**

	Comparison with FY2024		FY2024 Actual	FY2025 Actual	FY2025 Revised Plan Nov	Comparison with FY2025 Revised Plan	
Net sales	+3.0%	+12,989	431,831	**444,820**	444,100	+720	+0.2%
Cost of sales	+0.3%	+1,074	354,537	**355,611**	354,900	+711	+0.2%
Gross profit	+15.4%	+11,914	77,293	**89,208**	89,200	+8	+0.0%
%	+2.2 p	–	17.9%	**20.1%**	20.1%	–	(0.0) p
SG&A	+10.8%	+5,179	48,062	**53,242**	54,400	(1,157)	(2.1)%
Operating profit	+23.0%	+6,735	29,231	**35,966**	34,800	+1,166	+3.4%
%	+1.3 p	–	6.8%	**8.1%**	7.8%	–	+0.3p
EBITDA	+19.8%	+6,477	32,734	**39,211**	37,800	+1,411	+3.7%
Recurring profit	+29.4%	+7,906	26,936	**34,842**	33,000	+1,842	+5.6%
Net income	(16.4)%	(2,927)	17,861	**14,933**	13,000	+1,933	+14.9%
EPS (JPY)	(19.7)%	(11.08)	56.22	**45.14**	37.80	+7.34	+19.4%

Factors contributing to changes

■Net sales
Average unit rent continued at high level mainly driven by corporate contracts.

■Cost of sales
Costs of leasing management increased YoY and against plan due to enhanced maintenance.

■SG&A
Increased significantly YoY, primarily due to improved employee compensation and benefits and headcount growth, but came in below the plan, reflecting a decline in contracts involving real estate agents, among other factors.

■Non-operating expenses
Interest expenses of JPY 0.9 billion were recorded, a decrease of JPY 0.58 billion YoY.

■Extraordinary losses
JPY 10.0 billion loss on cancellation of treasury stock acquisition rights was recorded in Q1.

■Net income
Income taxes – deferred of JPY 8.2 billion were recorded.

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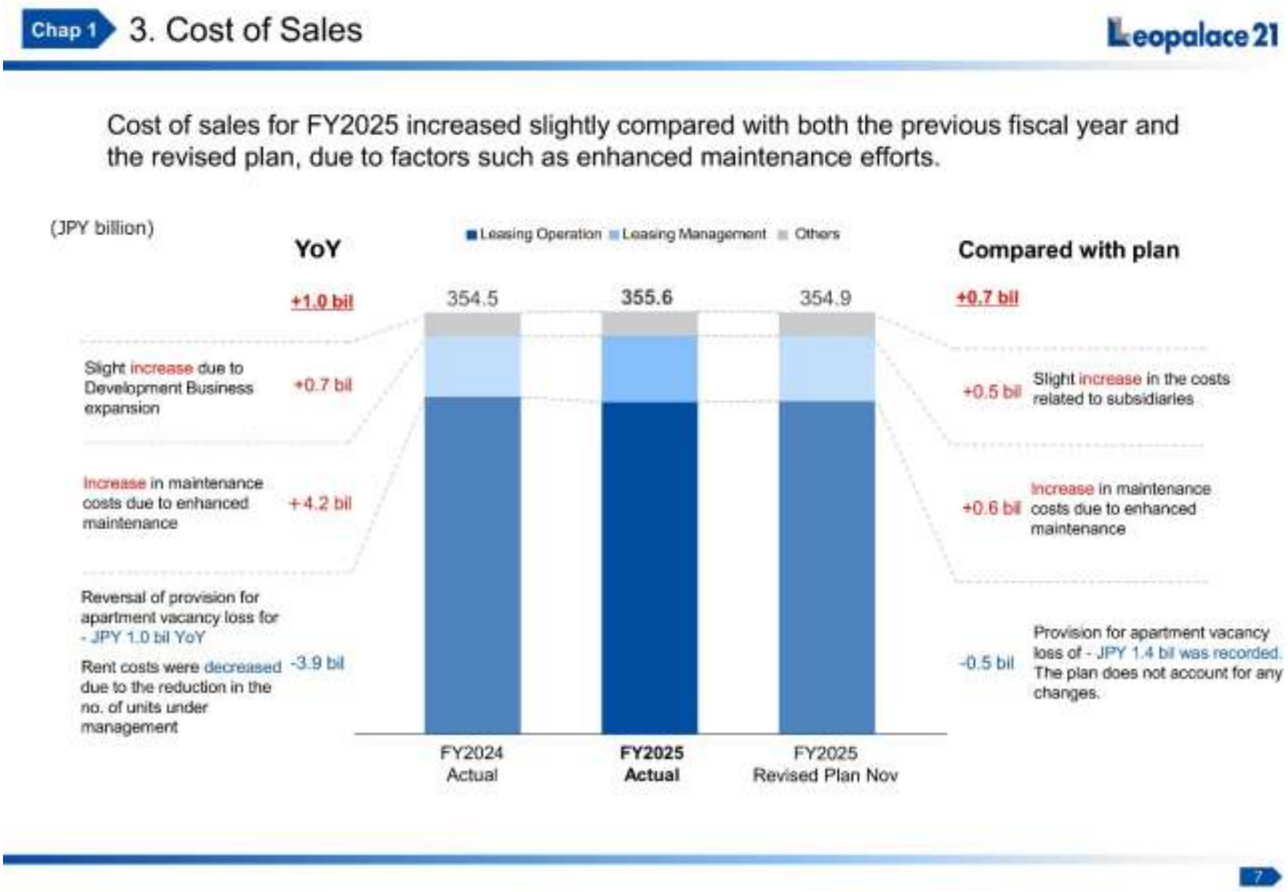
I will now explain our financial results for the fiscal year ended March 2026. Please see page five.

As I explained earlier, from net sales to net income, we are positive compared with the plan. Although net income decreased from the previous year due to an extraordinary loss of JPY10 billion posted in Q1 on loss on cancellation of treasury stock acquisition rights, net sales to recurring profit were up from the previous year.

First, net sales were JPY444.8 billion. This is an increase of 3% from the previous period and 0.2% from the plan, due to the continued upward trend in the average unit rent. Cost of sales increased slightly both from the previous year and from the plan due to enhanced property maintenance.

While SG&A expenses were minus JPY1.1 billion compared with the plan, they were plus JPY5.1 billion compared with the previous year due to an increase in personnel expenses. As a result, operating profit was JPY35.9 billion, up 23.0% from the previous year and 3.4% from the plan.

Recurring profit reached JPY34.8 billion thanks to a decrease in interest expenses resulting from refinancing in March 2025. Net income was JPY14.9 billion, a 14.9% increase compared with the plan, although it was negative YoY due to loss on cancellation of treasury stock acquisition rights in Q1.



Pages seven and eight show the cost situation.

First, cost of sales was slightly higher than planned due to an increase in property maintenance and other expenses. Compared with the previous period, property maintenance expenses increased significantly, but the total amount was only slightly increased due to a decrease in the number of units under management and a reversal of provision for apartment vacancy loss.

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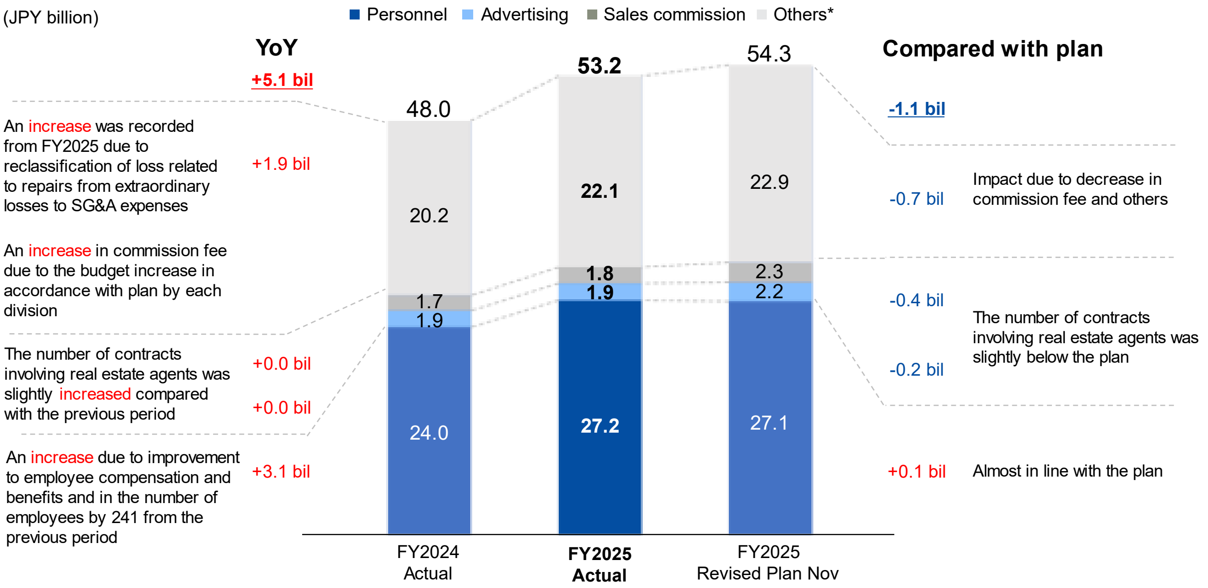
Significant increase from the previous year due to higher personnel costs, while below plan due to lower-than-expected expenses such as commission fees.



*Others: Commission fee, taxes and public charges, repair and maintenance expenses, rent expense, travelling, depreciation and amortization, etc.

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Next, on page eight, SG&A expenses were subsequently reduced by JPY1.1 billion compared with the plan, as advertising expenses and commission fee were curbed in line with the negative number of brokerage contracts compared with the plan.

Compared with the previous year, personnel expenses increased significantly due to an increase in the number of employees and improvements in compensation and benefits, such as the implementation of a share-based remuneration program, while other SG&A expenses, such as commission fees and repair expenses, also increased.

Chap 1 5. BS

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(JPY million)	End of FY2024	End of Q3 FY2025	End of FY2025	Delta from end of FY2024	Delta from end of Q3	Factors contributing to changes
Cash and deposits	88,408	46,515	**57,908**	(30,499)	+11,393	■ Cash and deposits Revenue and other income from the Leasing Business increased by JPY 11.3 billion from the end of Q3.
Trade receivables	7,913	6,815	**7,927**	+14	+1,112	
Total assets	216,625	164,147	**176,574**	(40,051)	+12,426	
Interest-bearing debt*	31,630	31,829	**32,600**	+970	+771	
Provision for warranty obligations on completed projects	7,177	6,593	**6,263**	(913)	(329)	
Provision for apartment vacancy loss	4,337	3,561	**2,913**	(1,423)	(647)	
Total liabilities	128,356	124,799	**130,180**	+1,823	+5,380	■ Provision for apartment vacancy loss (current: JPY 2.18 billion; non-current: JPY 0.73 billion) Due to the improvement in earnings of properties, a decrease of JPY 1.4 billion from the end of FY2024 and a decrease of JPY 0.6 billion from the end of Q3.
Common stock	100	100	**100**	±0	±0	
Capital surplus	30,120	15,015	**15,015**	(15,105)	±0	
Retained earnings	47,490	21,430	**26,349**	(21,140)	+4,919	
Treasury stock	(4,359)	(8,749)	**(8,749)**	(4,389)	(0)	
Total shareholders' equity	73,350	27,796	**32,715**	(40,634)	+4,919	
Total accumulated other comprehensive income	7,918	6,043	**7,943**	+24	+1,900	
Ownership equity	81,269	33,839	**40,659**	(40,610)	+6,819	■ Retained earnings Increased by JPY 4.9 billion from the end of Q3 due to recognition of quarterly net income.
Equity ratio	37.5%	20.6%	**23.0%**	(14.5) p	+2.4 p	
Share subscription rights	391	22	**22**	(369)	±0	
Non-controlling interests	6,607	5,485	**5,712**	(895)	+226	
Total net assets	88,268	39,347	**46,393**	(41,875)	+7,046	

* Interest-bearing debt = borrowings + lease obligations

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Next, let us move on to the balance sheet.

Cash and deposits increased to JPY57.9 billion due to cash flows from operating activities. Net income also led to an increase in retained earnings, and as a result, ownership equity amounted to JPY40.6 billion and equity ratio became 23.0%.

The substantial change in shareholders' equity compared with the previous period was due to a tender offer for treasury stock and cancellation of treasury stock and treasury stock acquisition rights through Q2.

Chap 1 6. CF

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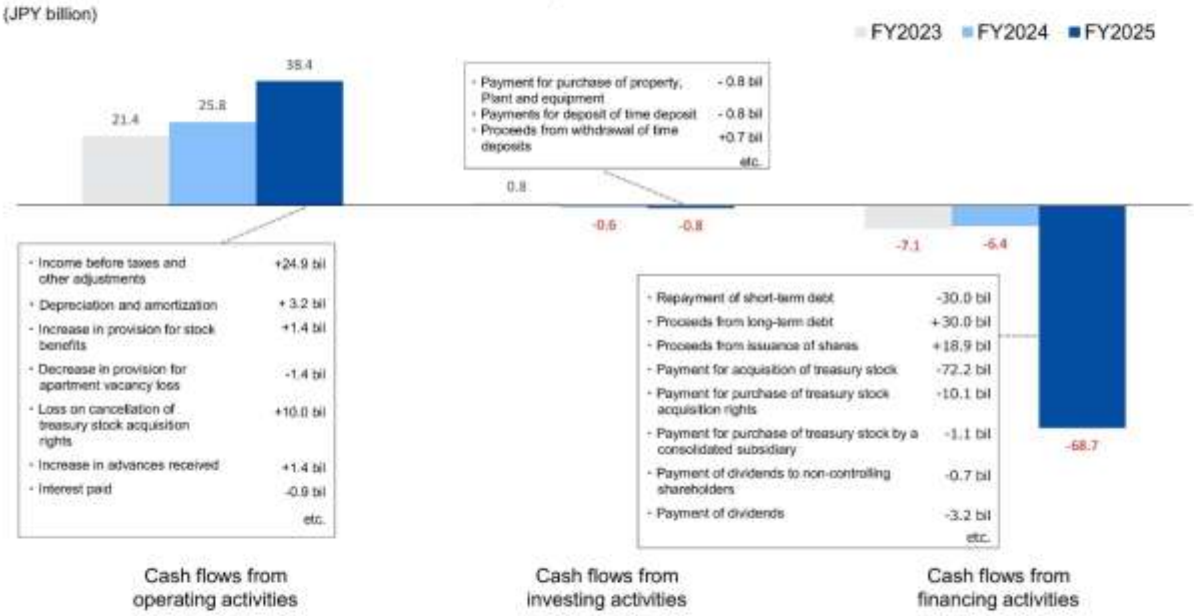
Driven by improved profitability, cash flows from operating activities increased to JPY 38.4 billion. (cash flows from operating activities for FY2017 was JPY 27.3 billion.)
Free cash flow reached JPY 37.6 billion, up JPY 12.3 billion YoY.



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The next page covers cash flows.

First, cash flows from operating activities were positive at JPY38.4 billion, due to improved profitability in the Leasing Business. Improvements in occupancy rates and stabilization of rent levels have led to a steady strengthening of cash-generating capacity.

Next, for cash flows from investing activities, there was no significant movement, with a cash outflow of JPY0.8 billion. Cash flows from financing activities were JPY68.7 billion out of cash as a result of various capital policies such as share repurchases and acquisition of treasury stock acquisition rights.

In the fiscal year ended March 31, 2026, we believe we were able to steadily increase our ability to generate cash through our core business while flexibly implementing our capital policy, thereby strengthening our operating base for sales for sustainable growth.

Chap 2 **1. Changes in Average Unit Rent for New Contracts**

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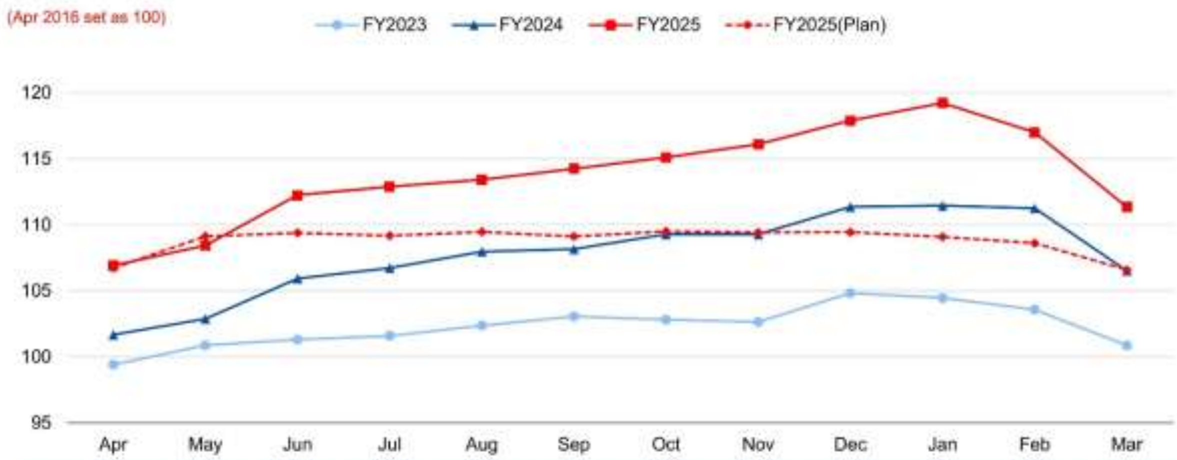
The average unit rent for new contracts (index) for FY2025 remained at a high level, driven by the corporate customers' rising unit rent.



	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	113	114	115	116	118	119	117	111	114

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

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Now, let me explain our Leasing Business.

First is the status of the average unit rent for new contracts. As of April, the index started at 107, a level higher than the previous period, and then continued to rise steadily throughout the period on the back of strong corporate demand. In January, the index of the average unit rent for new contracts reached a record high of 119, as contracts were signed at high unit rent, mainly for corporate contracts during the busy season.

The reasons for the declines in February and March, to 117 and 111, respectively, were as follows: an increasing number of individual contracts tended to select properties with relatively low rent levels; dynamic pricing was implemented in areas with stagnant occupancy rates; and in Tokyo and the neighboring three prefectures with high rent levels, vacancies were already low as of January, so we promoted to increase occupancy in regional areas with lower rent levels.

Although we have just mentioned a decline, the level remains high compared with the same month last year. Thus, although there were some seasonal factors and fluctuations due to sales measures in Q4 from January to March, we evaluate the fiscal year ended March 31, 2026 as a whole as a period in which unit rent levels under corporate contracts remained stable at an elevated level.

2. Movements in Occupancy Rate

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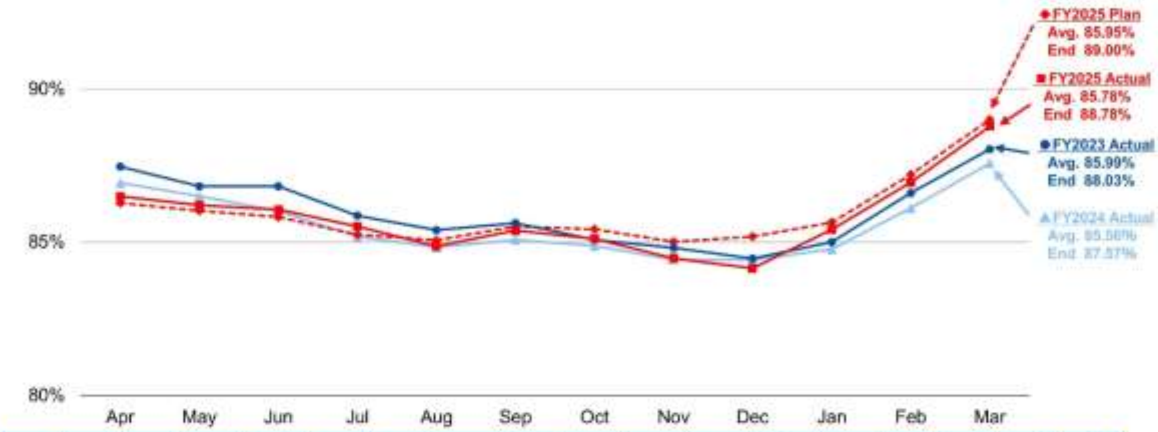
Driven primarily by corporate contracts, primarily consisting of foreign national tenants, the average occupancy rate in FY2025 was 85.78% (+0.22 p YoY) and that at the end of the fiscal year was 88.78% (+1.21 p YoY).



	Apr	May	Jun	Apr-Jun Average	Jul	Aug	Sep	Jul-Sep Average	Oct	Nov	Dec	Oct-Dec Average	Jan	Feb	Mar	Jan-Mar Average	FY Average
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%	85.00%	86.60%	88.03%	86.54%	85.99%
FY2024	86.93%	86.50%	86.01%	86.48%	85.18%	84.83%	85.07%	85.03%	84.88%	84.43%	84.42%	84.58%	84.77%	86.11%	87.57%	86.15%	85.56%
FY2025	86.49%	86.20%	86.06%	86.25%	85.51%	84.87%	85.38%	85.25%	85.11%	84.47%	84.14%	84.57%	85.41%	86.94%	88.78%	87.04%	85.78%

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

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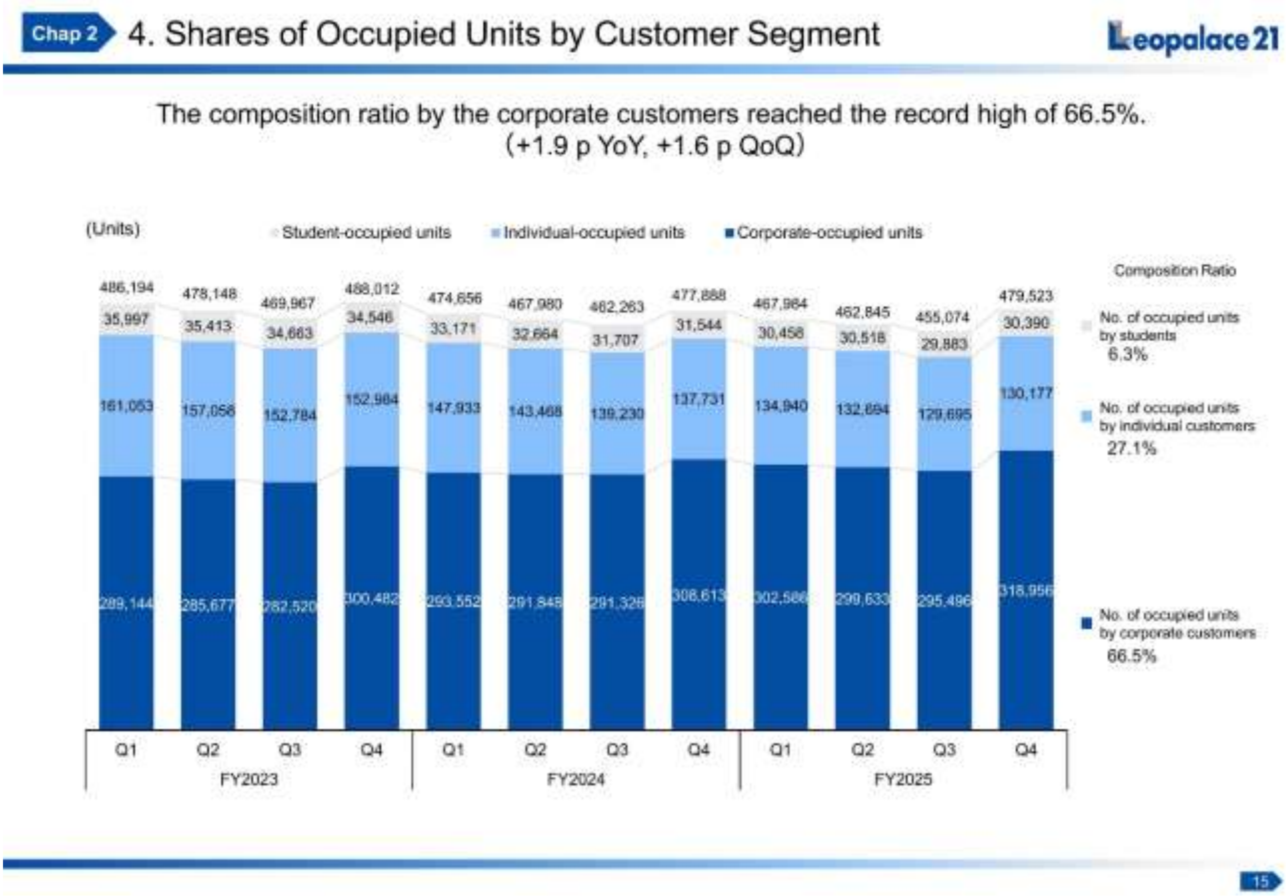
Next, here is the movements in occupancy rate.

In the fiscal year ended March 31, 2026, we were able to secure a stable occupancy rate throughout the year because of steady acquisition of corporate contracts, primarily consisting of foreign national tenants. The average occupancy rate during the period was 85.78%, an improvement of 0.22 points from the previous period. The occupancy rate at the end of the period was 88.78%, an improvement of 1.21 points compared with the same period last year.

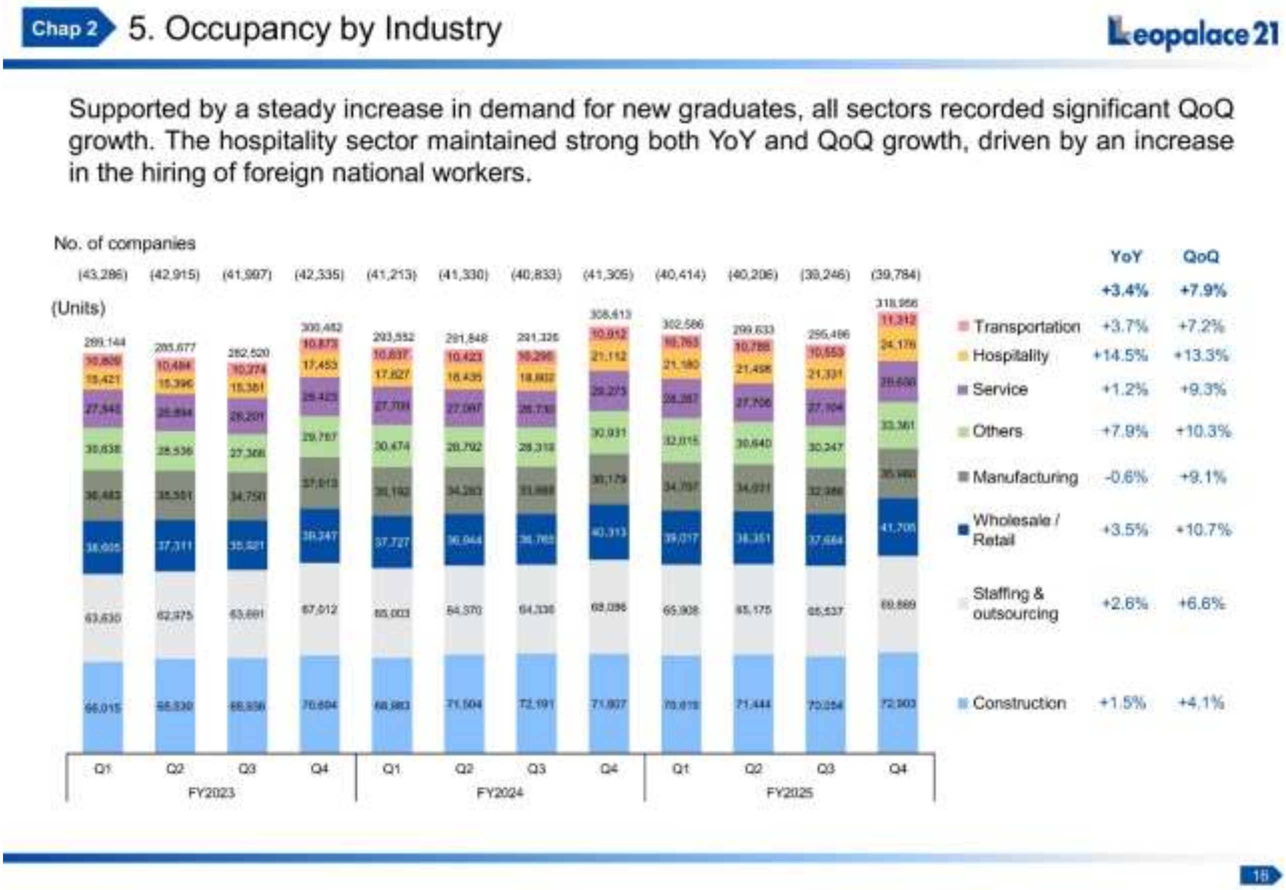
As you can see in the data by prefecture, in addition to securing a high occupancy rate in the Tokyo metropolitan area—which has a large number of units under management—we believe that the introduction of dynamic pricing led to an increase in occupancy in the regional area—where we had been struggling—and this was one of the factors contributing to the realization of the high occupancy rate.

As described above, both the unit rent and occupancy rate for the fiscal year ended March 31, 2026 exceeded those of the previous fiscal year, and we recognize that the earnings base in the Leasing Business continues to be steadily maintained.



By attribute, corporate use accounted for 66.5% of the total, an increase of 1.9 points from the previous fiscal year.

We have reached a new record high and are making steady progress toward achieving a 70% corporate utilization ratio by the fiscal year ending March 31, 2030.



The next pages show usage by industry. First, with hiring and placement activity picking up in preparation for the new fiscal year, we were able to steadily capture corporate demand in Q4.

Traditionally, the construction industry and the staffing & outsourcing industry have accounted for nearly half of the total, but the number of units used by a wide range of industries, particularly the hospitality industry, as well as the transportation industry and the service industry, is increasing. In particular, the hospitality industry continued to make steady progress in hiring foreign nationals, driving growth in the number of units used by companies.

Although the manufacturing sector slightly declined from the previous year, the human resources hiring itself continues through staffing & outsourcing , and we believe that demand from the manufacturing sector as a whole continues to contribute to our business.

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

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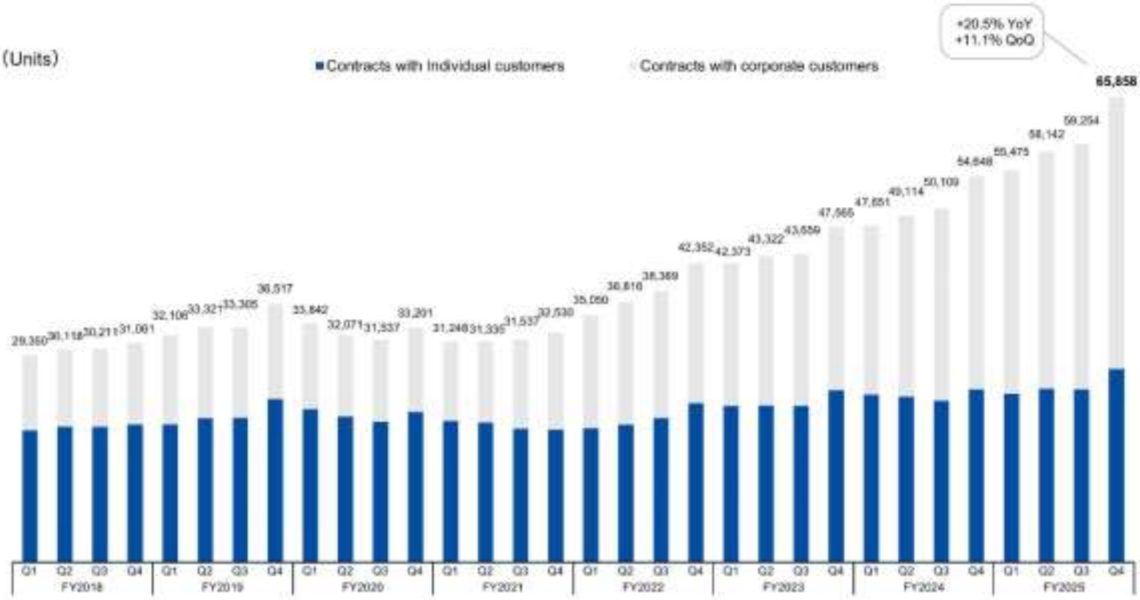
The number of units used by foreign national tenants reached a record high of 65,858 representing 13.7% of the total. The number of foreign national tenants in corporate contracts, particularly in the industry of hospitality and wholesale/retail saw firm increase.



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The number of units used by foreign nationals, as shown on this page, was 65,858, accounting for 13.7% of the total number of units used.

Both the number of -occupied units by foreign national tenants and the total units were at their highest level ever. In particular, the number of -occupied units by foreign national tenants under corporate contracts has been growing steadily, with the share of corporate contracts expanding to 58%.

By category of industry, the largest number is in the hospitality industry, but the manufacturing, construction, staffing & outsourcing, and wholesale and retail industries also maintain the same level of activity.

Chap 2 7. Units and Occupancy Rates by Prefecture

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The Occupancy rates in the Tokyo metropolitan area and three neighboring prefectures have risen to a level where there are almost no vacancies. In regional areas, occupancy rates have improved significantly in some prefectures that had been struggling, such as Aomori, Mie, and Wakayama.

End of Q4 FY2025	Managed units (Thousand)	Occupancy rate	YoY	QoQ
Hokkaido	13	84%	−0p	+3p
Aomori	3	80%	+6p	+4p
Iwate	3	85%	−1p	+2p
Miyagi	9	81%	+2p	+5p
Akita	2	89%	+8p	+7p
Yamagata	3	78%	−2p	+4p
Fukushima	9	83%	−1p	+4p
Ibaraki	15	91%	+2p	+4p
Tochigi	11	84%	−0p	+6p
Gunma	11	83%	+0p	+4p
Saitama	44	96%	+5p	+6p
Chiba	32	96%	+5p	+6p
Tokyo	41	99%	+2p	+4p
Kanagawa	39	96%	+1p	+6p
Niigata	8	79%	+1p	+5p
Toyama	5	89%	+6p	+9p

End of Q4 FY2025	Managed units (Thousand)	Occupancy rate	YoY	QoQ
Ishikawa	5	89%	+3p	+4p
Fukui	4	84%	−6p	+6p
Yamanashi	4	95%	−1p	+4p
Nagano	10	87%	−1p	+3p
Gifu	7	82%	+0p	+3p
Shizuoka	23	80%	+0p	+3p
Aichi	40	88%	−1p	+3p
Mie	11	79%	+8p	+8p
Shiga	8	91%	+1p	+5p
Kyoto	8	93%	−0p	+4p
Osaka	29	92%	+3p	+7p
Hyogo	21	88%	−0p	+4p
Nara	3	86%	+2p	+2p
Wakayama	3	78%	+3p	+5p
Tottori	2	79%	+3p	+0p
Shimane	2	97%	+7p	+4p

End of Q4 FY2025	Managed units (Thousand)	Occupancy rate	YoY	QoQ
Okayama	11	83%	+0p	+4p
Hiroshima	13	89%	+4p	+7p
Yamaguchi	7	81%	−3p	+6p
Tokushima	2	71%	−2p	−1p
Kagawa	4	78%	+1p	+3p
Ehime	4	73%	−4p	+3p
Kochi	2	84%	+3p	+1p
Fukuoka	19	89%	−0p	+4p
Saga	3	81%	−3p	+9p
Nagasaki	2	80%	+3p	+4p
Kumamoto	6	74%	−15p	+2p
Oita	4	84%	−0p	+5p
Miyazaki	2	75%	−13p	+1p
Kagoshima	3	79%	−3p	+1p
Okinawa	5	88%	−0p	+2p
Total	540	89%	+1p	+5p

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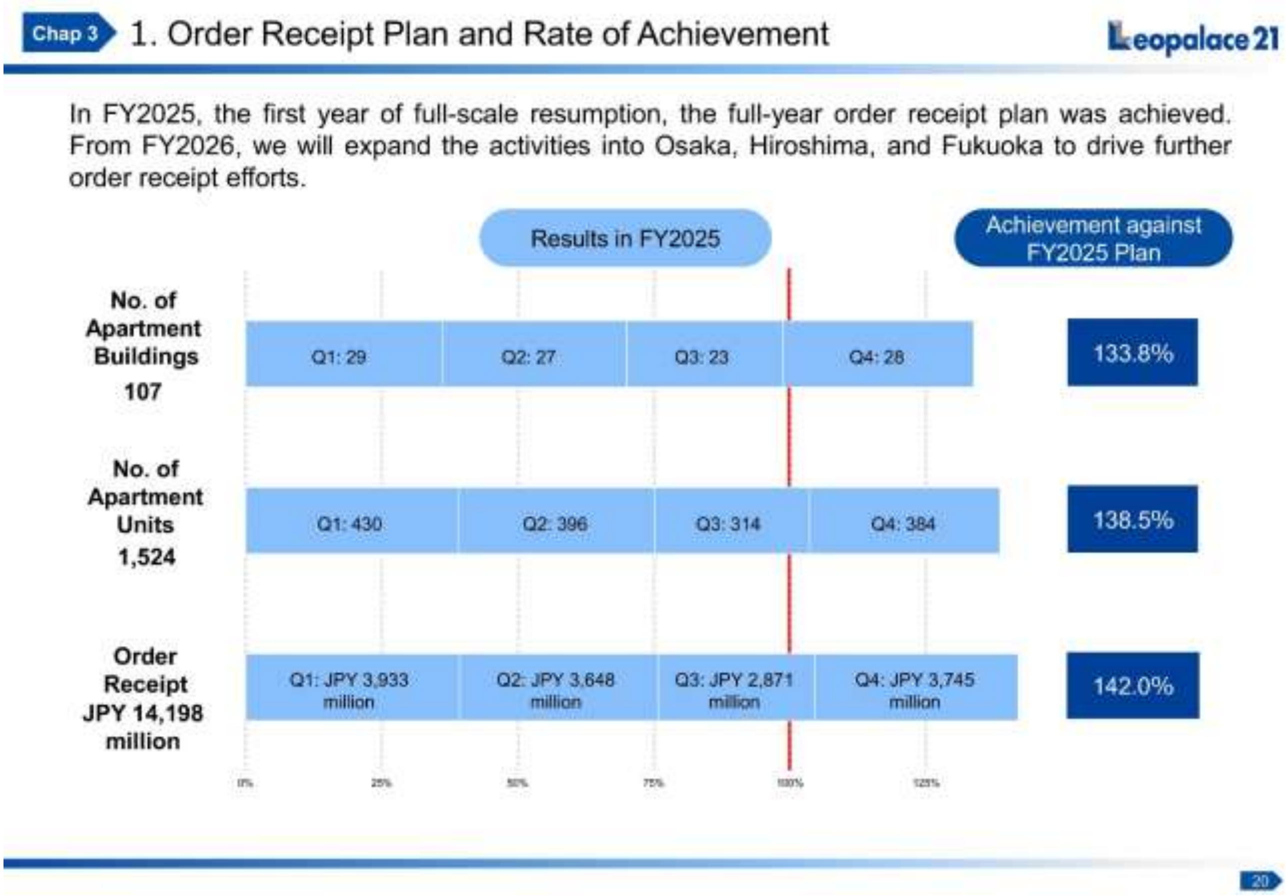
Next, here is the units and occupancy rates by prefecture. In line with the trend in occupancy rates, most prefectures showed positive results compared with Q3.

Tokyo and the three neighboring prefectures, Saitama, Chiba, and Kanagawa were all at extremely elevated levels, with Tokyo at 99% and Saitama, Chiba, and Kanagawa at 96%. In the Kansai region, Osaka, Kyoto, and Shiga prefectures also had 90%+ rates.

In addition, there were regional areas where improvements were also made. For example, in Mie Prefecture, the occupancy rate continued to struggle at 70% at the end of Q3, but we were able to see a significant improvement in Q4 because of implementation of appropriate sales measures.

In the future, we will take the same kind of measures as in Mie Prefecture, and in other regions as well, we will work to raise the overall occupancy rate by developing flexible measures that meet demand and lead to improvements in each local area.



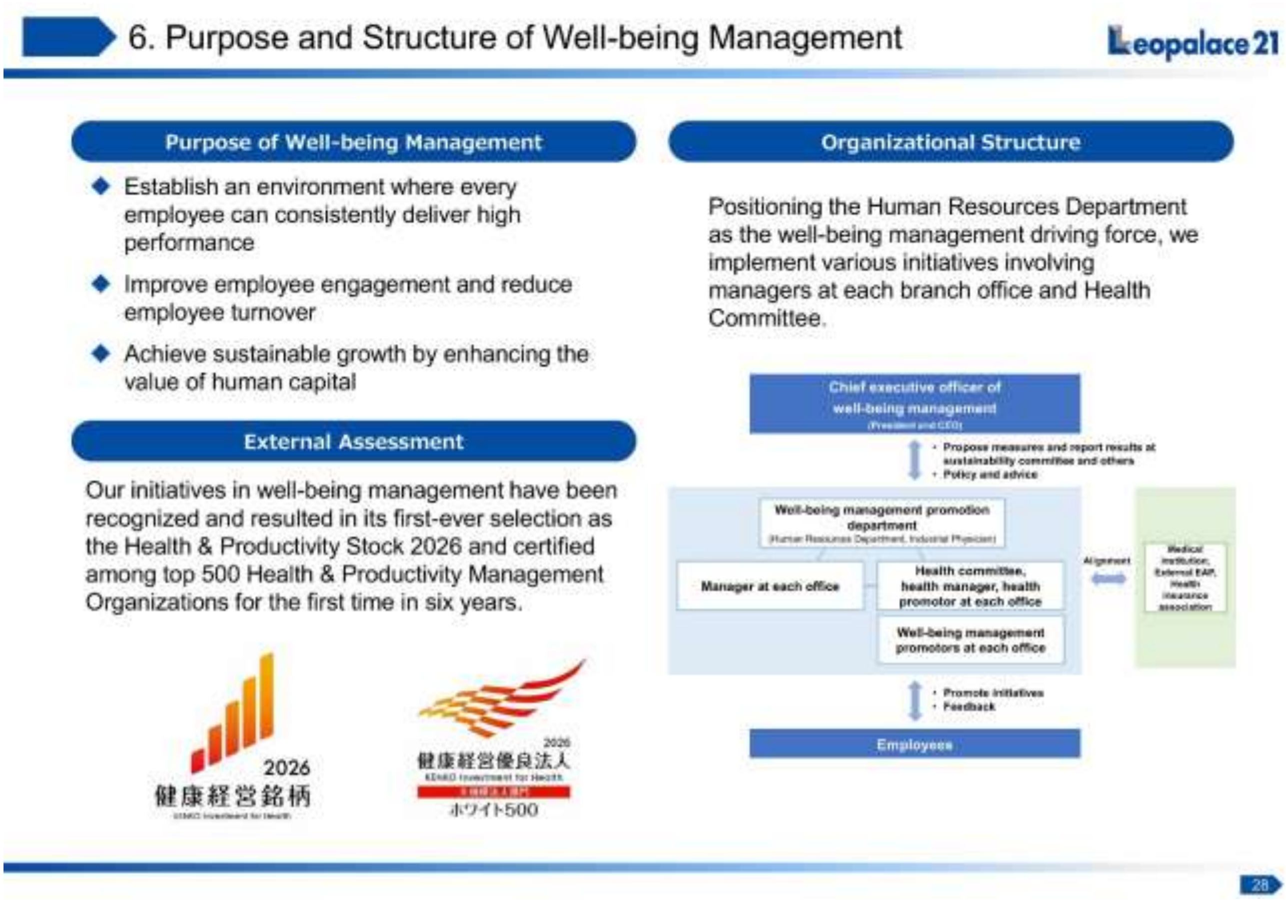
Beginning on page 19, we discuss the status of Development Business.

In the fiscal year ended March 31, 2026, the first year of full-scale resumption of operations, we have been working to achieve our full-year order plan, and we have landed with orders well above the plan.

First, with regard to the number of units ordered and the amount of orders received, we had already achieved our full-year plan as of end of Q3, and the number of apartment buildings ordered also achieved the plan entering Q4, resulting in 107 buildings for the full year, or 133.8% of the plan.

Orders for the full year totaled 1,524 units, 138.5% of the plan, and orders received totaled JPY14.198 billion, 142.0% of the plan. We were able to maintain our momentum and continue to secure orders in Q4 as well. Although we had a particularly good start for the first year, the impact on our overall performance is still limited in volume because our sales bases were focused on the Tokyo metropolitan area and Nagoya in the fiscal year ended March 31, 2026.

Since the beginning of the fiscal year ending March 31, 2027, we have been expanding its bases to Osaka, Hiroshima, and Fukuoka, and will continue to strengthen its structure and aim to win more orders.



As a topic for Q4, I would like to explain our well-being management.

We are committed to well-being management with the aim of realizing a state in which each employee can achieve an elevated level of performance in a stable manner. Specifically, we intend to increase the value of much of its human capital through improved employee engagement and retention, leading to sustainable growth.

As a result of these efforts, in March 2026, we were selected for the first time as one of the Health & Productivity Management Stock 2026. The Ministry of Economy, Trade and Industry (METI) and the Tokyo Stock Exchange (TSE) selected 44 companies for this year's list, and we were the only company in the real estate industry to be selected.

At the same time, for the first time in six years, we were recognized as one of the Top 500 Health & Productivity Management Organizations. We will continue to focus on improving the mental and physical health of our employees and their job satisfaction and aim to sustainably increase our corporate value.

7. Shareholder Return

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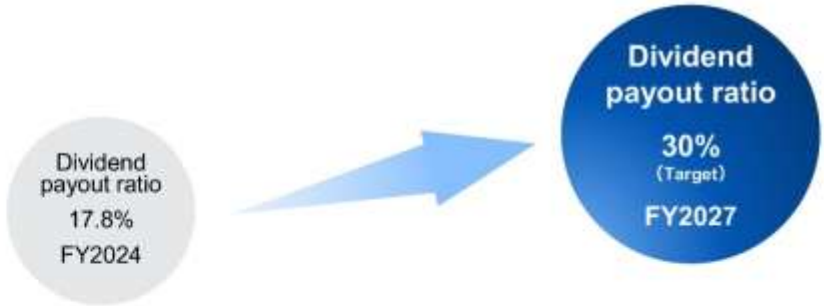
We plan to pay an annual dividend of JPY 10 for FY2025, and intend to increase it to JPY 15 for FY2026, with a target dividend payout ratio of 30% for FY2027.



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	Dividend payout ratio (Consolidated)
FY2024	JPY 5.00	JPY 5.00	JPY 10.00	17.8%
FY2025	JPY 5.00	JPY 5.00 (Forecast)	JPY 10.00 (Forecast)	22.2% (Forecast)
FY2026	JPY 5.00 (Forecast)	JPY 10.00 (Forecast)	JPY 15.00 (Forecast)	21.5% (Forecast)

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The dividend per share for the fiscal year ended March 31, 2026 is expected to be JPY10 per share for the full year. The dividend payout ratio is projected to be 22.2%. Since we have already paid an interim dividend of JPY5, the year-end dividend will be JPY5.

For the coming fiscal year ending March 31, 2027, we will pay an interim dividend of JPY5 and a year-end dividend of JPY10, for a full-year dividend of JPY15, we plan to increase the dividend by JPY5 per share. The dividend payout ratio is expected to be 21.5%, and we will aim for a dividend payout ratio of 30% in the fiscal year ending March 31, 2028, as stated in our medium-term management plan.

Next, based on the progress of our business performance in the fiscal year ended March 31, 2026, which is the first year of the medium-term management plan, subtitled as New Growth 2028, announced last May, we have reviewed the plan for the second and third year.

Consequently, we have revised our forecasts for the second year of the plan, and the third year respectively.

The main points are to review KPIs and cost aspects of the Leasing Business.

As a result, the Company has decided to revise upward from net sales to net income for the fiscal year ending March 31, 2027, as well as for the fiscal year ending March 31, 2028.

Leasing Business: Numerical Targets

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We have revised the forecasts to reflect the increase in average unit rent for new contracts in the fiscal year 2025 and the actual occupancy rate at the end of the fiscal year 2025.

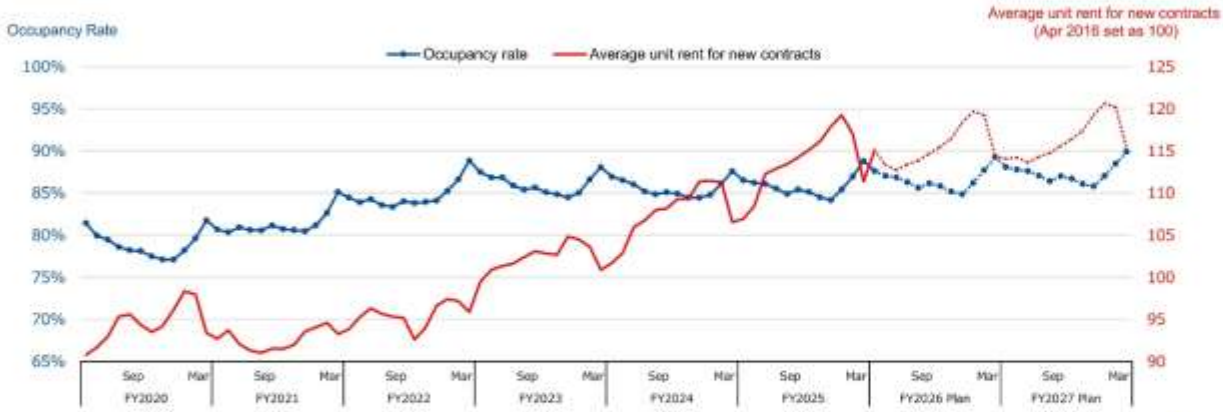
Occupancy rate

	FY2024 Result	FY2025 Result	FY2026 Plan	FY2027 Plan
Average occupancy rate	85.56%	85.78%	86.49%	87.30%
Year-end occupancy rate	87.57%	88.78%	89.24%	89.88%

Average unit rent for new contracts (index)

FY2024 Result	FY2025 Result	FY2026 Plan	FY2027 Plan
108	114	116	116

Changes in Occupancy Rate and Average Unit Rent for New Contracts



The underlined numbers indicate revisions from the previously published figures.

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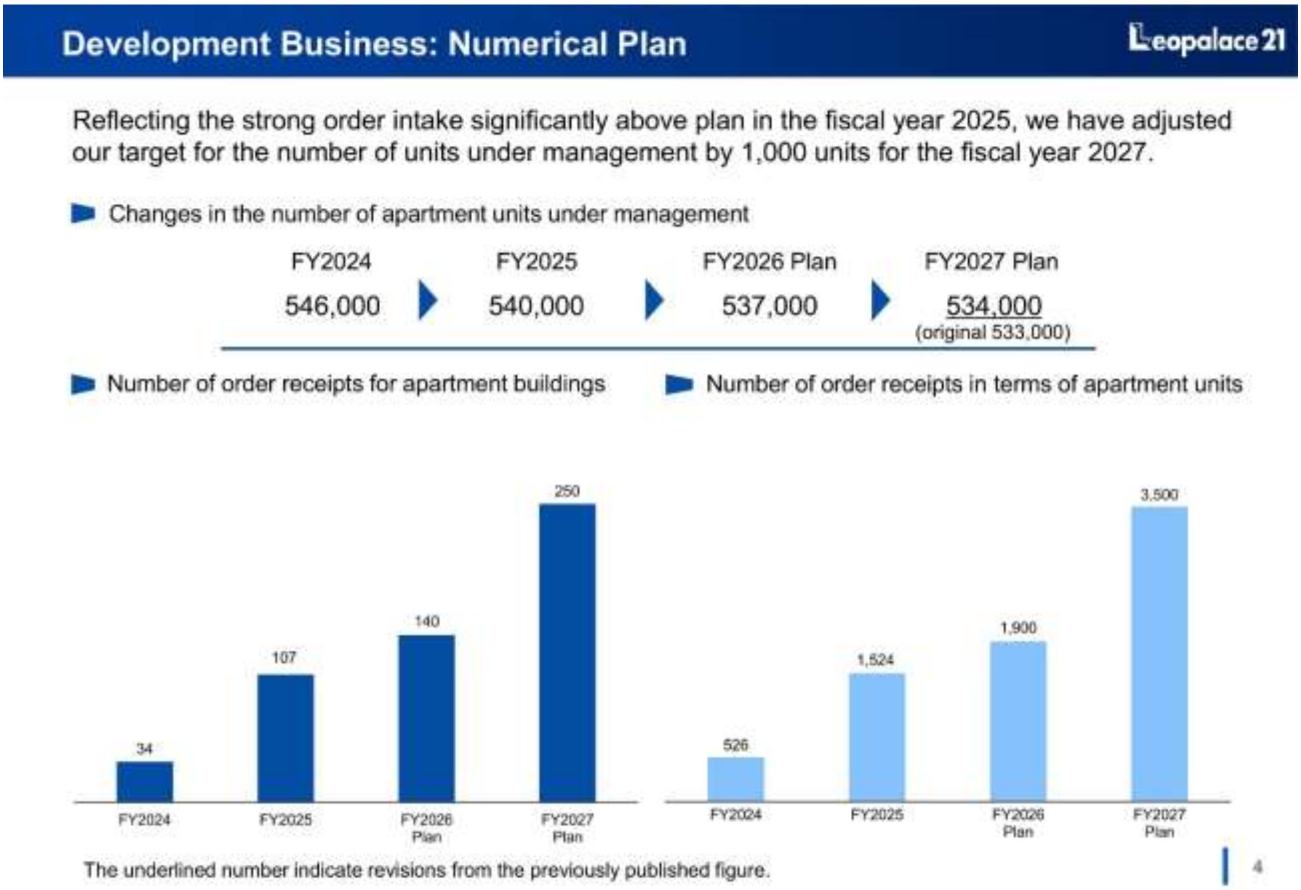
First, regarding the Leasing Business, there is no change in the policy itself to improve the occupancy rate while maintaining an elevated level of unit rent and the occupancy rate has been adjusted based on the results at the end of the fiscal year ended March 2026.

On the other hand, for the unit rent for new contracts, the index was revised upward from 109 in last year's plan to 116 for both the second and third years, reflecting the current market environment and past performance.



In the Development Business, we have fine-tuned our forecast for the number of units under management for the fiscal year ending March 31, 2028 by an additional 1,000 units to 534,000 units, in light of the fact that orders received in the fiscal year ended March 31, 2026 exceeded our plan.

Regarding the order intake plan for new buildings, there are no revisions currently.

Earnings Forecast

Leopalace21

(JPY million)	Original Plan Announced May 2025		Updated Plan		Change	
	FY2026	FY2027	FY2026	FY2027	FY2026	FY2027
Net sales	456,300	468,000	**465,000**	**477,800**	+8,700	+9,800
Cost of sales	362,100	368,900	**368,200**	**374,600**	+6,100	+5,700
Gross profit	94,200	99,100	**96,800**	**103,200**	+2,600	+4,100
%	20.6%	21.2%	**20.8%**	**21.6%**	+0.2 p	+0.4 p
SG&A	55,700	57,800	**58,300**	**60,100**	+2,600	+2,300
Operating profit	38,500	41,300	**38,500**	**43,100**	+0	+1,800
%	8.4%	8.8%	**8.3%**	**9.0%**	△0.1 p	+0.2 p
Recurring profit	37,300	40,100	**38,100**	**42,700**	+800	+2,600
Net income	22,100	23,900	**22,200**	**25,000**	+100	+1,100

Elements behind the changes

Net Sales:
FY2026: The forecast was revised upward to reflect order intake above plan in the Development Business in FY2025 and an increase in average unit rent for all occupied units in the Leasing Business.
FY2027: The forecast was also revised upward due to the continued increase in leasing income driven by higher average unit rent.

Cost of sales:
FY2026: Costs are expected to rise due to strong order intake above plan in the Development Business and various expenses such as maintenance costs are expected to increase due to inflation
FY2027: Various expenses such as maintenance costs are expected to increase due to inflation.

SG&A:
Reflected increased personnel expenses due to staff expansion and salary increases, as well as an increase in other operating expenses.

Non-operating expenses:
Reflected the impact of lower interest rates resulting from the refinancing conducted in February 2026.

N.B. New lease accounting standard which is applicable for FY2027 onward is not considered in the above forecast.

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Finally, this will be the performance side that summarizes our projections.

First, we expect net sales to exceed the previous plan, mainly due to an increase in the unit rent in the Leasing Business.

In addition, in the Development Business, the acquisition of orders for the fiscal year ended March 31, 2026 was positive compared with the plan, and the order backlog, which has built up steadily, is expected to contribute to future sales through the progress of construction.

Based on the above, we have revised our sales forecast to JPY465 billion for the fiscal year ending March 31, 2027, an increase of JPY8.7 billion from the previous plan, and to JPY477.8 billion for the fiscal year ending March 31, 2028, an increase of JPY9.8 billion from the previous plan.

In terms of costs, once again considering the impact of inflation, we have additionally factored in higher maintenance costs mainly in the cost of sales and higher personnel expenses and various expenses in SG&A. On this basis, we project operating profit of JPY38.5 billion for the fiscal year ending March 31, 2027, and JPY43.1 billion for the fiscal year ending March 31, 2028—which is minor for the fiscal year ending March 31, 2027, but especially for the fiscal year ending March 31, 2028, which we plan to increase in line with sales growth.

In addition, we expect recurring profit of JPY38.1 billion for the fiscal year ending March 31, 2027 and JPY42.7 billion for the fiscal year ending March 31, 2028 by incorporating the effects of the refinancing announced in February this year and reducing interest expenses. And net income is expected to be JPY22.2 billion in the fiscal year ending March 31, 2027, and JPY25 billion in the fiscal year ending March 31, 2028, both levels exceeding the previous plan.

That concludes our brief update on the medium-term management plan.

The previous fiscal year, the first year of our medium-term management plan, got off to a good start.

In the second and third years of the plan, we will continue to steadily build on our accomplishments, and by further strengthening our earnings power and business base, we will chart a solid growth path that will lead to the next medium-term management plan.

Thank you very much for your kind attention.

Question & Answer

Sakamoto [M]: We will now begin the question-and-answer session. I would like to collectively answer the two questions on shareholder returns.

Now, the question from Mr. Hashimoto, Mizuho Securities.

Hashimoto [Q]: In conjunction with the revision of the earnings forecast for the fiscal year ending March 31, 2028, what is your approach to shareholder returns?

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

Tazawa [Q]: Since you have done various financial events, it seems possible to increase the dividend payout ratio to 30% in the fiscal year ending March 2027, but why did you choose a level of just over 20% for this fiscal year?

Miyao [A]: We have not changed our target of a payout ratio of 30% for the fiscal year ending March 31, 2028, and we have set the level for this fiscal year and 30% for the next fiscal year based on the idea of reaching this level in stages.

Since there are still some uncertainties, including the situation regarding Iran, we will continue to consider the future in light of external factors and other factors in the future.

Sakamoto [M]: Now, the next question is from Mr. Ozawa, SBI SECURITIES.

Ozawa [Q]: I heard that the acceptance of the specified skilled workers by the restaurant service business will be capped. Will this affect your company, including the shift to other industries?

Takekura [A]: We have checked with our clients using Leopalace21's apartments as their company housing at the time of the news and asked if there is any impact on their store opening plans, etc. We found that there was continued demand for apartment rooms. The hospitality industry itself is part of our client portfolio, roughly 8%. Since the background of the labor shortage remains the same, and the number of the specific skilled workers increased by 100,000 from the previous year, we believe that even capturing a few percent of the total will be enough to contribute to our growth, and we recognize that the impact of this capped specified skilled workers will be limited.

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

Tazawa [Q]: In the medium-term management plan, the pace of unit rent increases is planned to slow down, but is further upside difficult to achieve?

Miyao [A]: We need to consider whether it is due to the achievement of our own sales measures or to external factors such as inflation. In this respect, we have slowed down, or rather, we have left it unchanged, to be honest.

However, in terms of individual properties, if a tenant moves out, next rent price will be set considering the latest market price. I guess you could say it is the most expensive price over time. We will continue to recruit tenants with this policy as a sales measure.

We finished the month of April with more positive results than we had originally planned, and we intend to stick to this policy.

Sakamoto [M]: Thank you very much. Now, the next question is from Mr. Ozawa, SBI SECURITIES.

Ozawa [Q]: What is the gross profit target for the Development Business for the fiscal year ending March 2027?

Takekura [A]: As we reported earlier, orders are currently shifting from a made-to-order builder with small number of apartment buildings amounting to several hundred million Japanese yen to a volume builder with a buying power of making an order intake over JPY 10 billion. We will continue to make progress in the 15% to 10% range this fiscal year while firmly observing the rules of the revised Construction Business Act, etc., which was enforced in December 2025.

Sakamoto [M]: Now, the next question is from Mr. Ozawa, SBI SECURITIES.

Ozawa [Q]: You increased the number of units under management by 1,000 units in the medium-term management plan, has the pace of cancellations by existing clients also decreased?

Miyao [A]: You mentioned the pace of cancellations by existing clients. What I meant is not that we will terminate the contract during the contract period, for example, a 30-year lease agreement, which is our basic contract. In principle, the lease contract is rather terminated upon expiration of the contract period.

It does not mean that the basic contract is automatically terminated when it expires. We have an alternative to continue the contract, considering various factors such as the tenant demand and state of aging over time if it makes more sense for the company to keep that property.

Regarding the pace of cancellations, we are currently working with the owners to extend the contract while proposing rebuilding and other measures once the basic contract comes to an expiry. Compared with the past, the pace of reduction has been reduced.

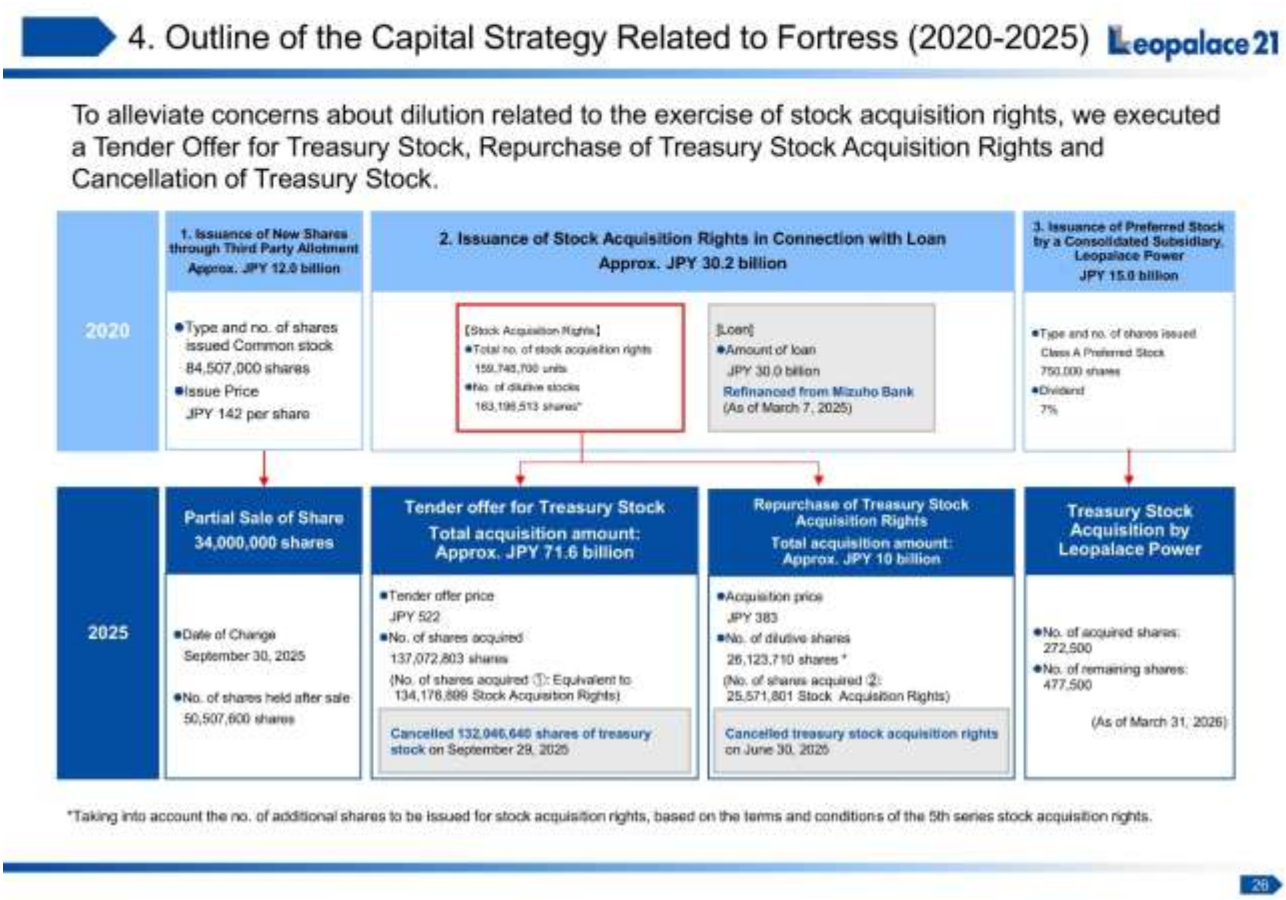
Sakamoto [M]: Next, we have a question from Mr. Tazawa from SMBC Nikko Securities.

Tazawa [Q]: Has the impact of the situation in the Middle East been factored into your plans? Is there any possibility of delay in the handover of the apartment buildings? At the time of change in tenants in the Leasing Business, is there any risk that restoration work, etc. will be affected and the timing for bringing in successor tenants will be delayed?

Takekura [A]: As the news has recently appeared in the newspapers, we have been able to secure materials for Q1 of the construction projects, but if the current situation continues for over year, it will definitely have an impact on us.

Regarding building handovers, our construction starts are extremely small in numbers. Also, as I mentioned earlier, in the case of Leasing Business, most of the restorations at the time of tenant replacement are cleaning jobs that do not require substantial amounts of materials. We believe therefore the risks are under control.

Sakamoto [M]: Next, we have a question from Mr. Hashimoto of Mizuho Securities.



Hashimoto [Q]: In response to the sale of shares by a major shareholder on page 26 of the presentation materials, is there room to consider share buybacks or other actions?

Miyao [A]: In terms of room for consideration, I do not think there is no room at all. I think you are referring to Fortress as the major shareholder, and Fortress currently holds almost 50 million shares. Considering the corresponding amount of our ownership equity, etc. I do not think we can consider doing anything immediately.

Sakamoto [M]: Next, a question from Mr. Kuni of PANVIEW CAPITAL.

Kuni [Q]: Please tell us about the effect of using technology to control SG&A expenses. Is it possible to improve the SG&A ratio in the future by strengthening technology utilization?

Takekura [A]: When it comes to setting our rent these days, we talked about the method of dynamic pricing. We have recently begun a test trial of AI-assisted rent-setting method that accurately reflects the specifications of our rooms, their location, age, and so on, that have been judged by the persons in charge based on their experience.

As you can see, the activities of the Corporate Management Headquarters, which have been operating with a lean workforce, have been dependent on the human power. The activities that started with the creation of documents will change significantly. We plan to implement initiatives that will lead to a reduction in personnel expenses and other expenses here.

Sakamoto [M]: Next, we have a question from Mr. Hashimoto of Mizuho Securities.

Hashimoto [Q]: What are the assumptions for extraordinary income/losses and income taxes in the company plan for the fiscal year ending March 2027?

Miyao [A]: First, we do not set any extraordinary income or losses.

On the other hand, in terms of corporate tax, Leopalace21 on a non-consolidated basis still has some carryforwards, and in fact, corporate tax and other adjustment items, such as the reversal of deferred tax assets, are still being carried over to the next fiscal year. That is a main item.

The assumed tax rate is approximately 35%.

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

Tazawa [Q]: Regarding the occupancy rate, the occupancy rate was about 93.7% in March 2018 before the construction defects problem was discovered, and the average during the period was about 90.6%. Can you aim a little higher number than the one stated in the medium-term management plan?

Takekura [A]: We will naturally aim to achieve those higher numbers. We are now prioritizing to understand the correlation between the occupancy rate and the unit rent. We will seek the optimal solution for unit rent levels and dynamic pricing implementation that I mentioned earlier. We will not promote the occupancy rate alone with reduced unit rent as we did before. Now that the vacancies in the entire Kanto region have been filled, we will work to promote occupancy rates throughout the country in order to achieve higher occupancy rates.

Miyao [A]: I would like to add that, in terms of population movement, the rural areas are still facing the outflow of young people. We will see the situation where it will become possible for foreign nationals with specified skills to change jobs and migrate to metropolitan areas such as Tokyo.

Although we will try to stimulate tenant demand by introducing dynamic pricing and other measures, the demand could dry up in the future. We would like to strike a balance between offering unique value-added features and competitive pricing in competing with other standard apartments.

Sakamoto [M]: Since there are no additional questions, the question-and-answer session and the briefing will now end.

Thank you very much for joining us today at the financial results briefing for the fiscal year ended March 2026 of Leopalace21 Corporations.

[END]