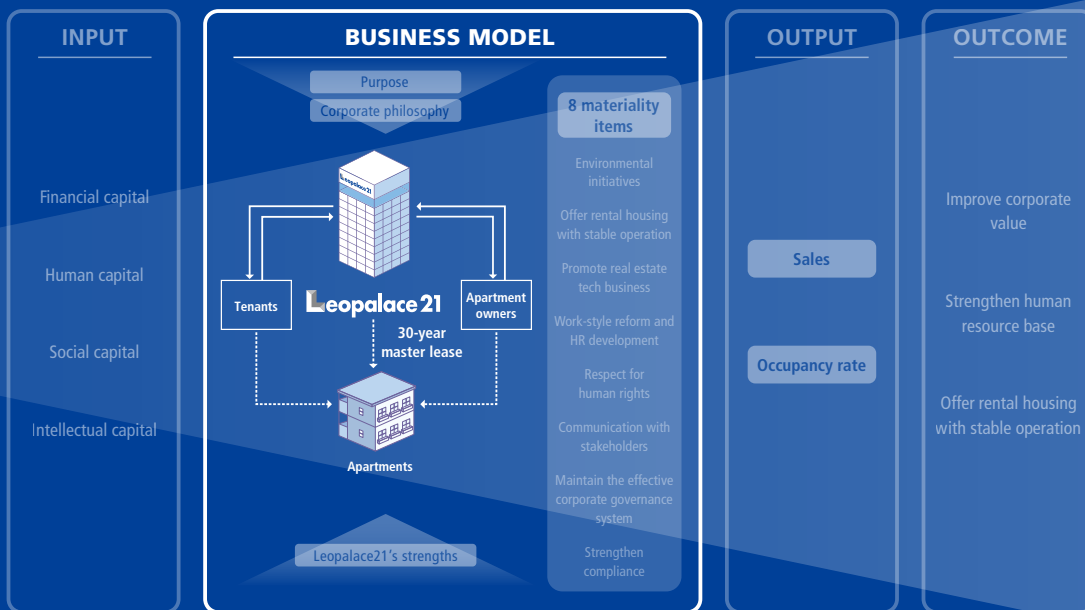


Business Strategy

Business Strategy

The Brains behind the Company-Leased Housing Strategy 41
 Strengthening Efforts to Acquire Foreign National Customers 42
 Leopalace21's DX Vision and Strategy 43
 Structural Reforms 45

Social challenges



Long-term vision

The Brains behind the Company-Leased Housing Strategy

We aim to establish a position as the brains behind the company-leased housing strategy, a partner that works to resolve issues related to company-leased housing for client companies and to become the first company that comes to the clients' mind for all matters related to company-leased housing.

Corporate sales policy as the brains behind the company-leased housing strategy

We view the Leasing Business as social infrastructure and provide stable rental housing to corporate and individual customers. Especially in corporate contracts, we emphasize our role as the brains behind the company-leased housing strategy, which provides comprehensive solutions to all issues related to company-leased housing, somewhat like a company's main bank, and aim to position ourselves as a trusted partner rather than merely a regular supplier.

To this end, we believe that the most important point is to have clients' management understand the value of utilizing our company through working together and demonstrating the track record of operational efficiency and cost reductions. Specifically, the President and Sales Department heads are leading top-level sales in solidifying

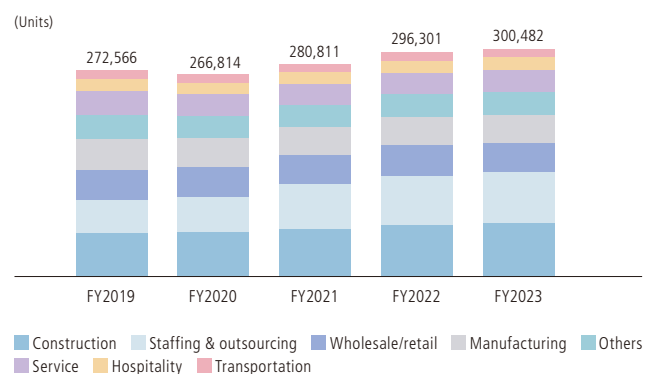
relationships of trust with customer companies. To build long-term partnerships, we also strengthened our sales structure by establishing additional sales departments, mainly in the Tokyo metropolitan area. Furthermore, we are developing solution sales to comprehensively resolve issues related to corporate housing for corporate customers by thoroughly implementing strategies per customer tailored to individual characteristics and needs.

For this fiscal year, we have set a numerical target of increasing corporate uses by approximately 9,000 units. Our medium- to long-term goal is to speedily achieve an occupancy rate of over 90%, and to do so, we will continue our efforts to establish ourselves as the brains behind the company-leased housing strategy.

Steady expansion of corporate contracts

We aim to establish ourselves as the brains behind the company-leased housing strategy to our corporate customers, and our efforts have led to an increase in the number of corporate contracts and their composition ratio of sales. As of March 31, 2024, 42,335 companies had signed corporate contracts for 300,482 units, marking a largest level of units ever in use. Among these, by business type, the staffing & outsourcing and hospitality industries are showing solid growth. In particular, the hospitality industry has seen a significant increase due to increased demand for corporate housing following the relaxation of COVID-19 regulations. Meanwhile, the construction industry, which accounts for a large percentage, is experiencing sluggish growth in the building field, so we hope to expand coverage to the entire construction industry by newly focusing on the civil engineering field.

Number of units used by industry



VOICE

We will assess economic trends in each industry and conduct sales activities.

Yuki Matsumura, Group Manager, Corporate Sales Promotion Office

Demand for company-leased housing fluctuates according to the economic trends in each industry, and we believe it is important to roll out sales activities based on such fluctuating cycles. To this end, we have designated logistics as a new industry of focus for sales activities in addition to our ongoing focus on the staffing, construction, hospitality, and retail industries.

The logistics industry, which faces the 2024 issue with stricter regulations on overtime for drivers, is required to secure human resources and implement work style reforms. Given such an environment, a major issue for companies is how to arrange for housing for their employees, and we believe that our service, which is for single persons, furnished, and requiring no key money deposit, can significantly contribute to solving the company-leased housing problem in the logistics industry, so we have included it among our industries of focus. In terms of regions, we are strengthening sales in the Tokyo metropolitan area, where there are many potential corporate customers.



Strengthening Efforts to Acquire Foreign National Customers

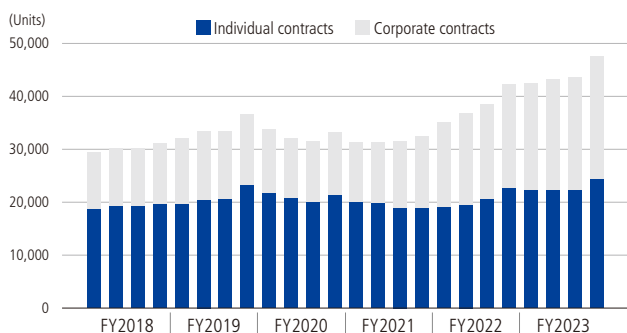
We provide consistent support from apartment search to post-occupancy services for foreign nationals who feel anxiety in finding a home in Japan in unfamiliar conditions.

Foreign national users account for about 10% of the total number of units used

The influx of foreign workers has been rising against the backdrop of Japan’s labor shortages, among other factors. Over the past decade, we have also seen an upward trend in the percentage of foreign national customers. Subsequently, due to the impact of the COVID-19 pandemic, there was a temporary decline, but with the subsiding of the pandemic and the easing of entry restrictions, foreign national customers are once again showing an increasing trend.

As of March 31, 2024, the number of units in use by foreign national tenants totaled approximately 47,000, including 24,000 units under individual contracts and 23,000 units under corporate contracts, representing 9.7% of the total number of units in use at our properties. This is the second largest segment following the number of units used by corporate customers. We believe that, given the ongoing shortage of workers in Japan and the need for better properties to improve the treatment of foreign national workers, demand will continue to grow, so we will focus on gaining foreign national customers.

Units in use



Leopalace21’s strengths

Leopalace21 offers multilingual support in five languages on its apartment search website, which serves as a portal for expanding use by foreign national residents. In addition, we have established five IFCs (International Front Centers), which are sales offices exclusively for foreign national customers, in Tokyo, Nagoya, Okayama, Osaka, and Fukuoka. Customer service for tenants by phone is available in five languages. Our strength lies in an established service framework that makes it easy for tenants to find an apartment and live without anxiety.

- 1 Apartment search website Available in five languages
- 2 Dedicated to foreign national customers Establishment of IFC
- 3 Customer service by phone Five languages

VOICE

The flexibility to choose from short-term to long-term contracts is also appealing.

Zhang Hao, Section Manager, International Contact Center, PM Sales Promotion Department

There are a wide variety of reasons why international customers choose our apartment units. First, the apartments are fully furnished and equipped with home appliances, which greatly reduces initial costs and efforts when moving in, and internet access is available from day one. Second, we offer 24-hour multilingual support so that tenants can start the new chapters of their lives without being bothered by language barriers. In addition to these advantages, the flexible contract terms, from short-term to long-term, are very convenient for international customers who are staying for study or short-term work. Recently, international students and skilled workers from Asia have shown an increasing trend, and in the business sector, stays related to multinational corporations and startup projects are on the rise. Moreover, there is growing demand for long-term housing due to the increasing number of young people using working holiday visas and foreign nationals obtaining family residence or permanent residency.

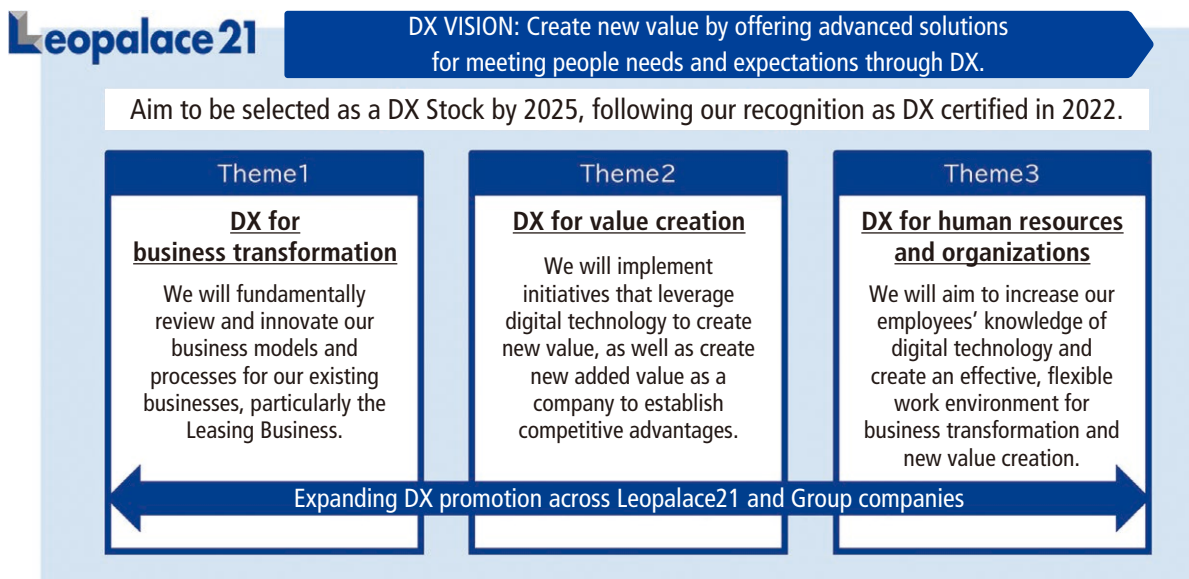


Leopalace21's DX Vision and Strategy

We aim to build a sustainable, flexible business foundation by advancing DX and responding swiftly to changes in society. DX is an initiative to leverage digital technology to innovate business processes and enhance competitiveness. We aim to enhance the customer experience, maximize operational efficiency, and create new business models through DX.

Themes and initiatives for promoting DX

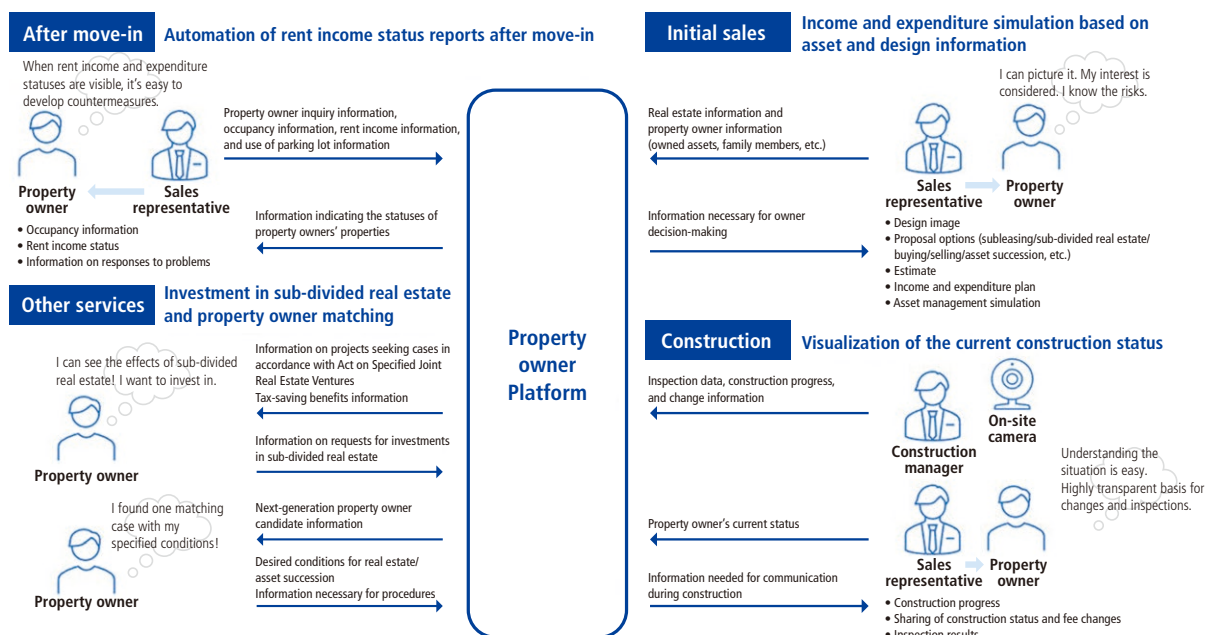
Since being recognized as a DX-Certified Company in 2022, we have been collectively working to be selected as a DX Stock by 2025. To this end, we have been implementing DX based on the following three themes:



Initiatives for DX for business transformation

In terms of DX for business transformation, we are working to achieve data-driven management, assurance of product quality and added value, and strengthening of relationships with business partners under the aim of evolving into the Leasing Business that customers continue to choose.

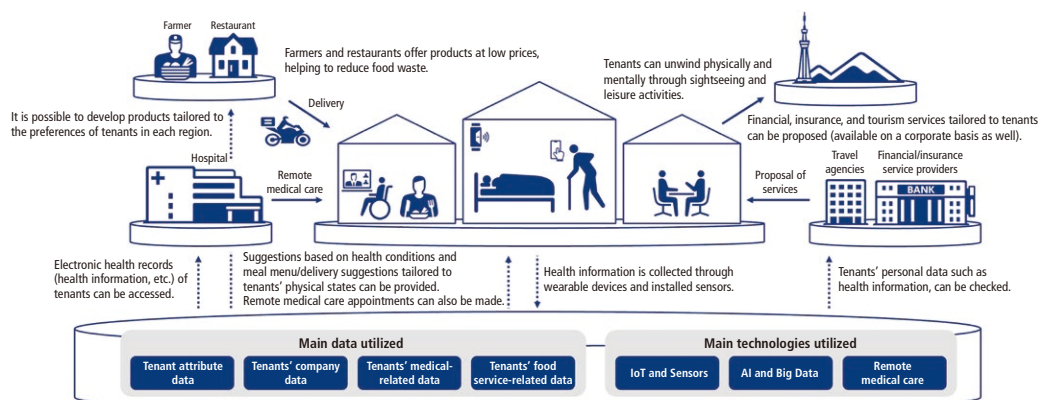
Example initiative for DX for business transformation



Initiatives for DX for value creation

In terms of DX for value creation, we will implement initiatives that build on our existing Leasing Business by leveraging digital technology to create new added value as a company while working to establish a competitive advantage. We will proceed with the development of new services by leveraging open innovation with external partners and utilizing the latest digital technologies.

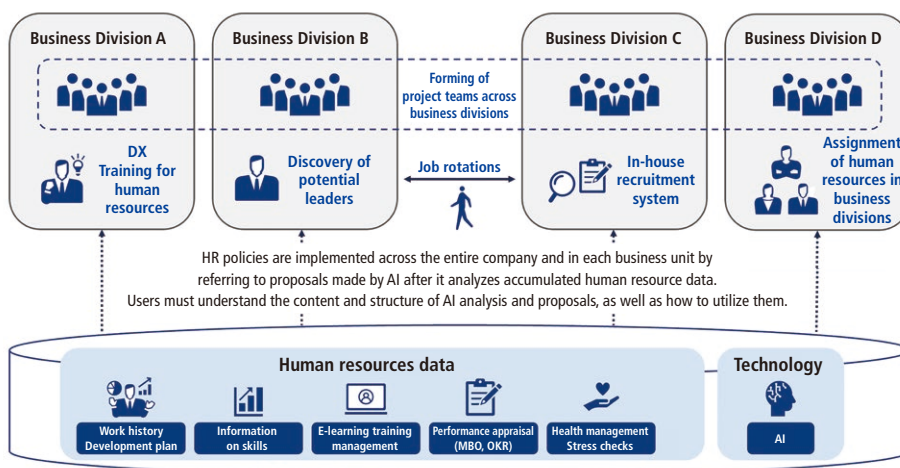
Providing an environment where tenants can live safely and comfortably will strengthen our competitiveness and accelerate our efforts to expand business outside the company.



Initiatives for DX for human resources and organizations

In promoting DX, we are focusing on building a new organizational structure and developing talent. As part of this effort, we have introduced a DX leader development program to foster the next generation of leaders.

Additionally, we are focusing on securing diverse talent, and promoting DE&I (Diversity, Equity, and Inclusion). We have created an environment where members from diverse backgrounds collaborate through actively recruiting top talent both internally and externally. We also regularly conduct training aimed at promoting DE&I as well as fostering a culture in which all employees understand and respect the importance of diversity. We aim to foster the next generation of digital professionals by strengthening initiatives that support active participation of people with diverse perspectives, including women and individuals with disabilities.



Outlook

At Leoplace21, we have identified three key themes as domains for driving DX. In addition to promoting initiatives in each domain, we will work to enhance the overall synergy effects.

Our ultimate goal is, beyond achieving the ideal state outlined in each roadmap, to establish a sustainable, flexible business foundation that enables us to respond quickly to the rapid changes in society. Additionally, as we introduce new technologies and partnerships to create new markets, it is essential to manage external factors such as regulations, standards, and social norms that are deeply rooted in society. To address matters in which we lack experience or knowledge regarding building external environments, we plan to utilize external expert resources.

Through these initiatives, we will establish leadership in the industry and attain sustainable growth by driving DX initiatives.

Structural Reforms

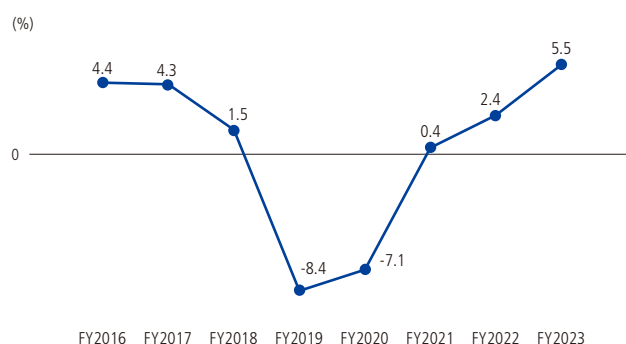
Transitioning to a lean earnings structure through structural reforms

By continuously working on fundamental reforms such as cost control and strengthening the profitability of our core Leasing Business, we have improved our financial position and achieved a lean earnings structure.

A higher operating profit margin than immediately prior to the construction defects problem coming to light

Due to the construction defects problem surfacing and the impact of the COVID-19 pandemic, we experienced operating losses for two consecutive fiscal years in fiscal year 2019 and fiscal year 2020, but by implementing structural reforms, we returned to positive operating profit in fiscal year 2021. Improvements in the quality of contracts, including the review of existing plans, along with cost control measures such as revising both costs and SG&A expenses, contributed to our posting of an operating profit margin in fiscal year 2023 that exceeds the level of fiscal year 2017, which was immediately before the construction defects problem was discovered.

Operating profit ratio

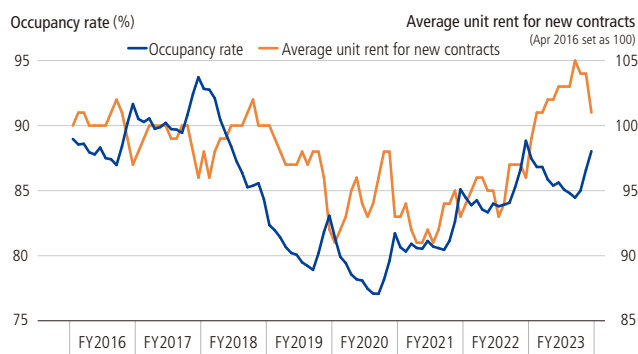


Improved average unit rent for new contracts through the price-focused strategy

Although the average unit rent for new contracts remained at a low level until the first half of fiscal year 2022 as part of our efforts to improve occupancy rates, the shift to a price-focused strategy in the second half led to the improvement. In fiscal year 2023, we flexibly adjusted the price-focused strategy for leased properties to align with each area's characteristics, and, supported by strong corporate demand and the success of various initiatives, the average rent for new contracts has trended above the levels seen in fiscal year 2017, immediately before the construction defects problem coming to light.

For fiscal year 2024, we aim to maximize revenue by executing a revenue optimization strategy with an improved occupancy rate and appropriate pricing levels.

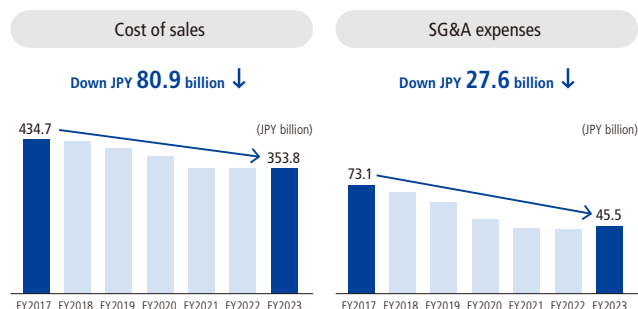
Occupancy Rate and Average Unit Rent for New Contracts (Index)



Decreased cost of sales and SG&A expenses by cost optimization

The suspension of new orders in fiscal year 2019 led to a reduction in the cost of sales in the Development Business, and factors such as curbing future property maintenance, a decrease in the number of units under management, and the contractual adjustments of master-lease rent contributed to a significant decrease in the cost of sales from fiscal year 2017 to fiscal year 2023.

Regarding SG&A expenses, personnel expenses decreased by approximately JPY 19.6 billion from fiscal year 2017 to fiscal year 2023. In addition to the company-wide SG&A expenses reductions that have been ongoing since fiscal year 2018, we have continued to reform our earnings structure, including the voluntary retirement of 1,067 employees implemented in August 2020 and the consolidation of 80 leasing sales offices from fiscal year 2020 to fiscal year 2021.

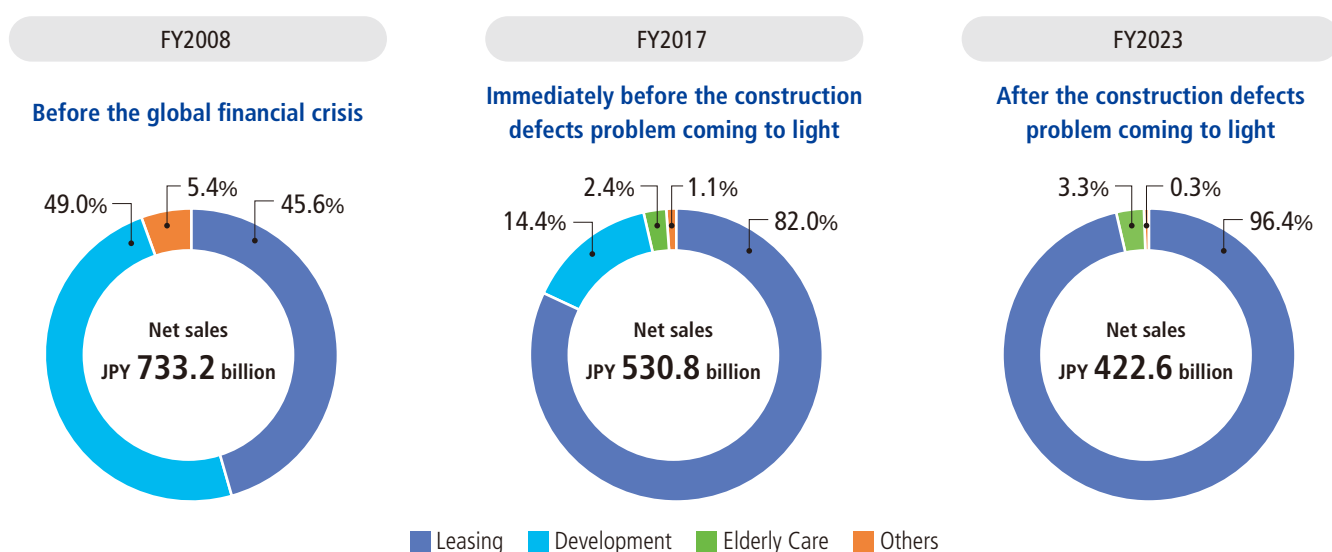


Business streamlining by focusing on the Leasing Business

We have positioned the Leasing Business as our core business and are promoting structural reforms, including a review of our business portfolio. Aiming to maintain a lean corporate structure over the medium to long term, we are divesting or withdrawing from non-core businesses.

Change in the net sales segment breakdown

Since the global financial crisis, we have shifted to a stock business centered on the Leasing Business, aiming to achieve a stable earnings structure over the medium to long term. Sales of the Leasing Business, which accounted for 45.6% of total sales in fiscal year 2008, rose to 82.0% in fiscal year 2017, and the percentage of sales from the Leasing Business rose further to 96.4% as the Company stopped accepting new apartment contract orders following the construction defects problem coming to light in fiscal year 2017.



Changes in Group Companies

While continuing to liquidate Group companies related to non-core businesses, we have established Leoplace Green Energy to offer *Leoplace Green LP Gas* and *Leoplace Green Electricity*, both of which have virtually zero CO₂ emissions.

End of May 2018

Leasing Business	Leoplace Leasing Corporation Corporate housing agent	Plaza Guarantee Co., Ltd. Rent guarantee	ASUKA SSI Tenant household contents insurance
	Leoplace Power Corporation Power generation	Leoplace21 Business Consulting (Shanghai) Co., Ltd. Tenant recruitment	Woori & Leo PMC Co., Ltd. Leasing management in South Korea
International Business	Leoplace21 (Thailand) CO., LTD. Real estate brokerage and referral in Thailand	LEOPALACE21 VIETNAM CO., LTD. Real estate brokerage and referral in Vietnam	Leoplace21 (Cambodia) Co., Ltd. Real estate brokerage and referral in Cambodia
	LEOPALACE21 PHILIPPINES INC. Real estate referral in the Philippines	PT. Leoplace Duasatu Realty Real estate business in Indonesia	Leoplace21 Singapore Pte. Ltd. Investment consulting business
	Enplus Inc. Relocation management		
Development Business	Morizou Co., Ltd. Custom-built homes	Life Living Co., Ltd. Property development	Leoplace Trust Co., Ltd. Land trust and real estate management trust
Elderly Care Business	Azu Life Care Co., Ltd. Elderly Care Business		
Hotel resorts and other businesses	Leoplace Guam Corporation Resort business	WING MATE CO., LTD. Business travel management	Leoplace Smile Co., Ltd. Special subsidiary

End of March 2024

Leasing Business	Leoplace Leasing Corporation Corporate housing agent	Plaza Guarantee Co., Ltd. Rent guarantee	ASUKA SSI Tenant household contents insurance
	Leoplace Power Corporation Power generation	Leoplace21 Business Consulting (Shanghai) Co., Ltd. Tenant recruitment	Leoplace Green Energy Corporation Environment
International Business	Leoplace21 Singapore Pte. Ltd. Investment management		
Elderly Care Business	Azu Life Care Co., Ltd. Elderly Care Business		
Other businesses	Leoplace Guam Corporation Resort business	Leoplace Smile Co., Ltd. Special subsidiary	