





Section1

# Leopalace21's Value Creation

**Since its founding, the Group has addressed various issues concerning people and housing by offering rental housing with stable operations. This section explains how the Group creates value in order to continue to be a company that is needed by society.**


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# MESSAGE FROM THE PRESIDENT



## Achieving sustainable growth and delivering value to society

President and CEO

## Our corporate culture is steadily changing toward an "employee-centered" company

This Company was built by a founder with strong leadership, and for many years, it was run top-down, so a culture in which employees think and act on their own initiative never took hold. When the construction defects problem came to light, the same underlying corporate character was identified as one of the reasons it was not picked up and corrected sooner. A company's underlying character does not change the moment its leadership does. Even after I became Representative Director in 2019, it could not be said that a culture of employees acting on their own initiative and their own judgment had taken root.

Wanting to change that and build an "employee-centered" culture in which each person thinks and acts of their own accord, in fiscal year 2024, we established our MVVC—Mission, Vision, Values, and Credo—as the basis for moving forward as the new Leopalace21. The drafting process itself, led by employees, was part of what set this in motion. It is now widely understood that the Company wants its employees to take the initiative, and employees are actively putting proposals forward. Managers across our departments use the MVVC as a way into a conversation, and dialogue grounded in shared values is increasing. There is still some way to go, but a readiness to speak up and to act is steadily beginning to take root.

## Our role as social infrastructure supporting people's lives and businesses

Through the rental housing we provide for people living alone, we support our tenants as they embark on new beginnings in their lives—starting university, starting a job, relocating for work, etc. Our business meets the need to live alone at various stages of life and provides a living environment where people can feel at ease. It is a piece of social infrastructure, and that, I believe, is precisely where our reason for being lies.

That role is also evident in the widespread use of our services by corporate customers. When a company transfers staff or opens a new site, it has to secure housing for its employees quickly, in the area where it is needed. At the same time, companies are increasingly reviewing their ownership of company housing and turning to rented housing instead. Against that background, our nationwide network of properties and a consistent standard of living environment, with furniture and appliances included, lightens corporate customers' burden of arranging housing and supports the smooth placement of their staff.

And as housing costs rise, employer-sponsored housing support matters not only as a benefit but increasingly as a means of attracting and retaining people and of building a foundation on which employees can work with peace of mind. We meet the needs of both companies and employees.

We have a duty to owners: to protect their valuable assets, to maintain their value into the future, and to help pass them smoothly to the next generation. Properly maintaining and managing those assets and putting them to use as homes for people living alone delivers value to owners and tenants alike.

Meeting local rental demand, moreover, depends on having the right properties in the places where it is needed, kept in good condition. By building, operating, and managing properties in line with local demand, we help underpin the daily lives of the people who work there and contribute to local economic activity.

## Our management criteria: profitability and a forward-looking view

In management decisions, we take profitability as a given and, alongside it, value a forward-looking view that leads to future value creation and sustainable growth. Raising corporate value depends on reconciling economic value—profitability and growth potential—with the social value our business generates. We therefore place weight on clearly defining the social value we should create and on translating the measures needed to achieve it into concrete business activities.

One such area is raising the sophistication of how we operate and manage housing for people living alone. Digital transformation (DX) is a key priority in providing tenants with a safe environment where they can live with peace of mind while also raising the productivity of our property management business. In apartments without a resident caretaker, for example, the initial response when something goes wrong is a weak point. By applying digital technology here to make our management function more sophisticated, so that problems are identified early and dealt with quickly, I believe we can build a more efficient management structure.

## Looking back on fiscal year 2025

Business progressed well in fiscal year 2025, and we finished with results ahead of the targets set in the "New Growth 2028" Medium-Term Management Plan. In the Leasing Business, the occupancy rate fell slightly short of plan but broadly tracked our expectations. I believe what strengthened our earnings power and raised productivity above all was accurately reading changes in the business environment, particularly inflation, and attracting tenants while maintaining rent levels.

The Development Business, restarted in earnest to maintain and grow the number of units under

management in the years ahead, also came in well above plan in its first year. Almost all the orders came from owners of existing properties, which I take as a sign that we responded well to their needs in managing the assets they hold, including planning for inheritance tax. We expect that demand to continue for the time being.

In both the Leasing Business and the Development Business, first-year progress was broadly in line with plan or ahead of it. On the strength of those results, we have revised the second- and third-year targets of the Medium-Term Management Plan upward from the original figures. We will hold to our basic policy of growing both revenue and profit as we work to deliver the revised plan.

We regard New Growth 2028 as a turnaround plan that secures the business recovery achieved so far and lays the management foundation for the Company to move on to the next stage of growth. Now that we have navigated the construction defects problem and our results are recovering, what matters is making both our business and management foundations unshakeable. The first year's results give me a real sense that these foundations are steadily taking shape.

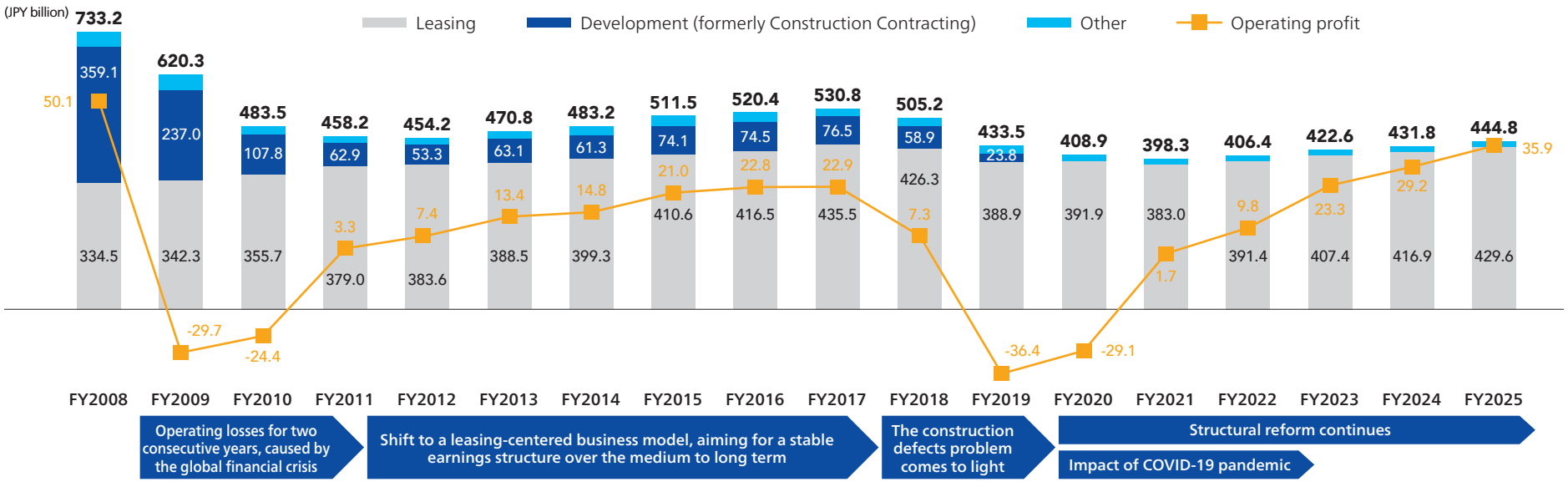
## This fiscal year's outlook and business strategy

As for this year's business environment, there is uncertainty around tariff policy and exchange rate movements, but the effect on our operations is likely to be limited. We will therefore essentially continue last year's approach and pursue steady growth. Responding to inflation, on the other hand, is a significant challenge for management going forward. We need to handle cost increases appropriately while bringing rents to appropriate levels and improving productivity and operational efficiency, so as to maintain and strengthen our earnings power.

In the Leasing Business, we continue to expect corporate demand from graduate recruitment, staff transfers, and the expansion of business sites, as well as the need to secure housing for foreign nationals. With the recruitment market continuing to favor candidates and with companies securing company housing as part of their benefit packages, we forecast that demand for housing for people living alone will remain firm. This fiscal year, we will again work to expand our corporate customer base while, on the individual customer segment, focusing on expanding adoption among foreign nationals and university students.

In the Development Business, inflation may affect owners' appetite for investment to some degree, but with asset values shifting and inheritance to plan for, the need to protect wealth through real estate should persist. Gauging that environment accurately, we will put forward proposals matched to owners' needs in building and passing on their assets.

### Performance trends





## Advancing the Leasing Business and strengthening our people and organizational capability to support sustainable growth

For the past several years, restoring our financial base has been the top management priority. I believe we have now put in place at least the minimum foundation for sustainable growth. To make that foundation firmer, we will now focus on advancing the Leasing Business and strengthening our people and organizational capability.

A great deal of work in the Leasing Business requires people, such as handling problems, performing maintenance, and communicating with owners. It is important, then, to value the work people should be doing while clearly allocating roles between people and digital technology, so as to raise both service quality and productivity. In particular, we will actively apply DX to build systems that remotely identify and manage problems within an apartment and the condition of its equipment. We aim to build a more efficient management structure by making good use of existing infrastructure, such as LEONET, the proprietary communications line installed in our properties.

However far digital technology and AI advance, though, it is still people who run a business and build trust with customers. Achieving sustainable growth depends on creating an organization where each person understands the direction the Company is heading and can make decisions and act independently. By embedding the MVVC, we will continue to enhance the human capability of our employees and build a stronger, fitter organization.

When I speak of human capability, I weigh frontline capability most heavily. Frontline capability might be described as the knowledge and experience built up through the work, plus the ability to imagine the other person's position and the consequences of one's own decisions, and to act accordingly. Developing that capability requires accumulating practical experience, deepening what one learns through reflection and feedback from others, and carrying it into what one does next. We will therefore continue to review the content of our training and development programs in line with the business environment and issues arising on the ground.

It is also essential to regard our stakeholders as customers—not only tenants and owners, but also business partners and contractor partners—and to respect each of their positions. Building better working relationships with our stakeholders is ultimately what raises the value we deliver to the people who use our services.

To turn that human strength into higher corporate value, we are also investing effort in human capital management and well-being management. What these come down to is improving employees' physical and mental health and the ease with which they can work, and connecting each person's motivation and ability to results for the organization. In fiscal year 2025, we were selected as a Health & Productivity Stock for the first time and were certified as a Top 500 Outstanding Health & Productivity Management Organization for the first time in six years. I take this as recognition of the measures we have taken and of the organization's changes. Encouraged by that recognition, we will continue building an environment where employees take pride in their work and in the Company and can perform to their fullest.

## Moving to the regional branch structure to emerge as a self-directed organization

One concrete step toward an organization where every employee can make decisions and act on their own initiative, with a client-first outlook, is the regional branch structure, which we plan to transition to fully in fiscal year 2027. Changes in economic activity and in what each region needs cannot be adequately grasped from the Tokyo head office alone. We are delegating authority to the regions in stages so that people on the ground, who know local conditions, can think for themselves, make quick decisions, and implement the right measures.

Going forward, each region will set its own targets and budget, and act on the issues specific to it, thereby enabling self-directed operations to take root. The earnings data for each location is already in place. We will shift to a structure in which employees on the ground use that data to determine how to raise productivity and which initiatives to pursue, and they will carry the responsibility for it.

## Creating new value out of social issues

The sustainability management we aim for means not treating environmental and social issues as separate from our business but rather generating both social and economic value through our day-to-day operations. Results here do not appear quickly, so we believe the important thing is to keep at it with a medium- to long-term view. We are starting in areas closely connected to our own business, such as the *Leopalace Green Energy* Project and the promotion of ZEH-M. Efforts of this kind do more than reduce environmental impact; they also prompt us to rethink our existing businesses and established ways of working, and to move toward creating new value. By starting from environmental and social issues and rethinking the value we offer customers, we will develop services that support more efficient ways of working and create new businesses.

## Supporting local communities

If we are to remain needed by society and local communities, it is important that we use our housing and management base to continuously address local issues. A thriving region is good for our business too, so we need to think about what support we can offer.

One part of this is providing housing to foreign nationals in partnership with local government bodies. Labor shortages mean more and more organizations need to hire foreign nationals, yet securing housing and settling into life locally present a range of difficulties. The daily-living support services we provide help foster acceptance of foreign nationals and make government workforce policy more effective in practice. By working with government bodies, companies, and those involved in Japanese language education to create an environment where foreign nationals can live with peace of mind, we will also help local businesses secure staff and help local economies thrive.

Providing temporary housing during disasters is another role I believe we should play. We have done so before, offering temporary accommodation after disasters and taking in evacuees from Ukraine. These do not translate into direct economic value, but putting our housing to use in supporting people's lives in local communities carries, I believe, significant social value.

## How discussion at the Board of Directors has developed

Over the past year, I have noticed that discussion at the Board of Directors has become considerably more active. When the Company was in crisis, discussion centered on immediate problems, cash flow above all. Now there are more occasions to consider sustainable growth and how to raise corporate value from a medium- to long-term perspective, including where the business should go in five and ten years. In discussions of this kind, the views of our Non-Executive Directors are extremely valuable. I find it particularly significant that we can debate capital efficiency and capital allocation—subjects on which discussion inside an operating company tends not to go deep—from a range of perspectives.

Most recently, how to use AI to improve operational efficiency and productivity has become a key topic, and we are sharing examples from other companies alongside our own work as we discuss both the possibilities and the risks of using AI. What matters, I recognize, is how the perspectives gained at the Board of Directors are reflected in how the Company is actually run.

**To remain a company needed by society, we will leverage our housing and management bases to continuously address the issues facing local communities.**



## The role governance plays in raising corporate value

The importance of governance lies, I believe, in properly managing business risk while also taking on the risks that future growth requires and backing people who take on new challenges. The same thinking applies not only at the management level but to decision-making and delegation within each division. As we delegate authority to the front line, it is important to reconcile risk management through proper oversight with self-directed operation.

Regarding the effectiveness of the Board of Directors, we survey Directors annually to assess it, and we have a structure in place to identify issues from the results and feed them into continuous improvement.

Moving forward, the Board of Directors will need the participation of people with a still wider range of experience and backgrounds. Preventing thinking and perspectives from becoming fixed, drawing out the views of Directors whose experience lies in other fields, and putting those views to work in management decisions—that, I believe, is what the Board of Directors should be.



## To our stakeholders

We have, for now, completed the recovery stage, including on the financial side. We are now strengthening our business foundation for new growth and preparing for what comes next. With the property management business at our core, we will continue to raise the sophistication of our operations and management while expanding the business's possibilities into adjacent areas.

What the new Leopalace21 is aiming to be is a company that grows sustainably while fulfilling its role as social infrastructure. My own role in achieving that, as I see it, is to strengthen the business foundation and to put in place an organizational foundation on which every employee can perform to their fullest.

On that foundation, the individual employees will carry the Company forward and shape what it becomes. I will create an environment where employees generate new ideas, take on one challenge after another, and turn those initiatives into business growth. I also want to expand our possibilities by increasing the diversity of our people and by converting specialist knowledge and insight from other industries and fields into organizational strength.

There is still a great deal of room for us to grow. Building on the foundation we have laid, we will pursue sustained improvement in corporate value. I hope you will look forward to our next stage.

# Business Overview

The Group's businesses are classified into three categories: "Leasing Business," "Elderly Care Business," and "Other Businesses." The Leasing Business, specialized in providing rental housing for single households, is our core business, accounting for over 90% of our sales.

Business Activities

## Leasing Business



Net sales
JPY 429.6 billion

We undertake the master leasing of entire apartment buildings that we have constructed under contract, and then rent out and manage the individual units. We provide rental housing for single-person households nationwide, furnished with appliances and equipped with internet access as standard.

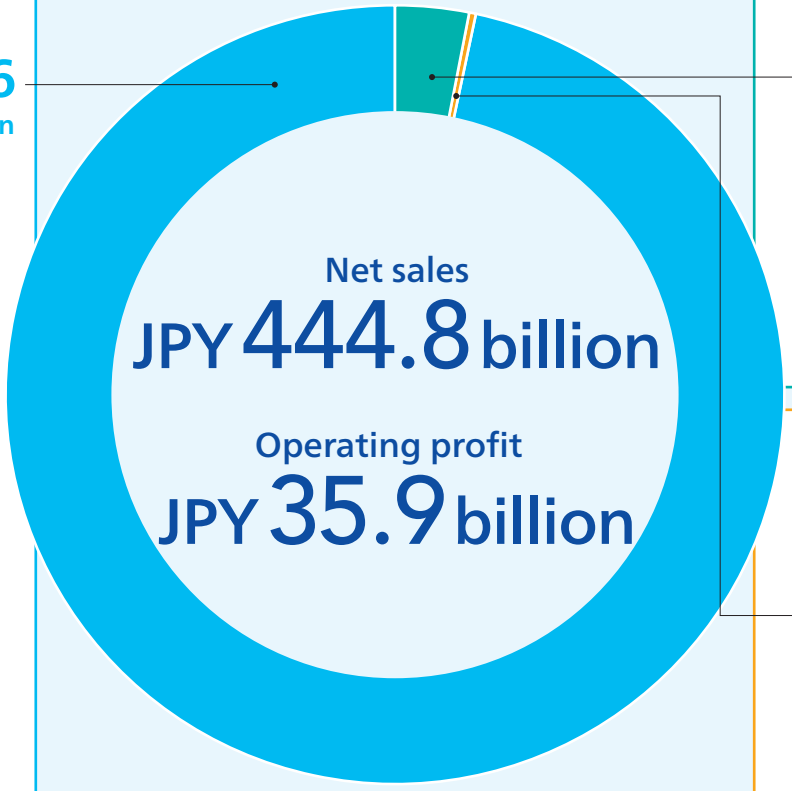
### Development Business

In addition to constructing apartments on land owned by individual landlords, we also engage in real estate development in urban areas. We fully resumed the Development Business in fiscal year 2025, expand the areas covered from fiscal year 2026, and pursue further growth.



* From fiscal year 2020, the Development Business has been integrated into the Leasing Business.

## Consolidated Results




FY2025

## Elderly Care Business

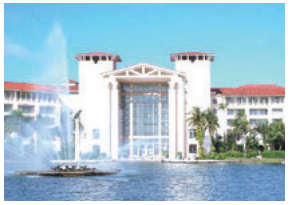
Net sales
JPY 13.6 billion



In the super-aged society, we operate 85 facilities closely connected to their respective communities, offering day service, short stay, nursing care and residential-type fee-based homes for the elderly, and group homes, as well as provide services such as home-visit care, regular patrol and on-demand home-visit care and nursing, and in-home care support.

## Other Businesses

Net sales
JPY 1.5 billion



Leopalace Resort operates golf courses and hotels on the island of Guam. We aim to sell this business unit soon based on our policy of transferring or withdrawing from non-core and unprofitable businesses.

# History of Value Creation

Since its establishment in 1973, we have addressed various housing-related issues and needs.

## Issues/Needs: Manage rental apartments with peace of mind

### Value Provided: Establishment and launch of the 30-year master lease system

We offer a master lease system under which we construct apartment buildings under contract for landowners with idle land and then lease the completed buildings in their entirety. We handle tenant recruitment and all management operations, providing seamless support from construction through to operation. This allows apartment owners to utilize their land without the burden of management whilst still retaining ownership, allowing them to manage their assets stably over the long term.



**1995**

## Move with ease or use housing as employee dormitories or company housing

### Value Provided: Launch of *Monthly Leopalace*, short-term rental service with furnished rooms including appliances

Conventionally, rental housing has mainly been offered under medium-term contracts based on a contract period of approximately two years. However, there were also short-term housing needs, including corporate demand for accommodation for employees on extended business trips or unaccompanied assignments and for company houses for employees, as well as individual demand for temporary accommodation when moving home or for stays of limited duration. We launched *Monthly Leopalace*, which is available for short-term stays, to meet these needs.



**1999**

### Value Provided: Number of managed units exceeded 500,000 Providing rental housing nationwide

We have long managed and provided rental housing across Japan, responding to housing needs in each region. In 2009, the number of managed units exceeded 500,000, and by leveraging our nationwide apartment network, and through to the present, we have continued to respond reliably and flexibly to increasingly diverse housing needs, including employee transfers and short-term stays.

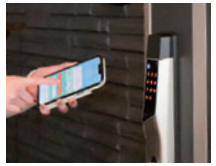


**2009**

## Live in a more convenient home

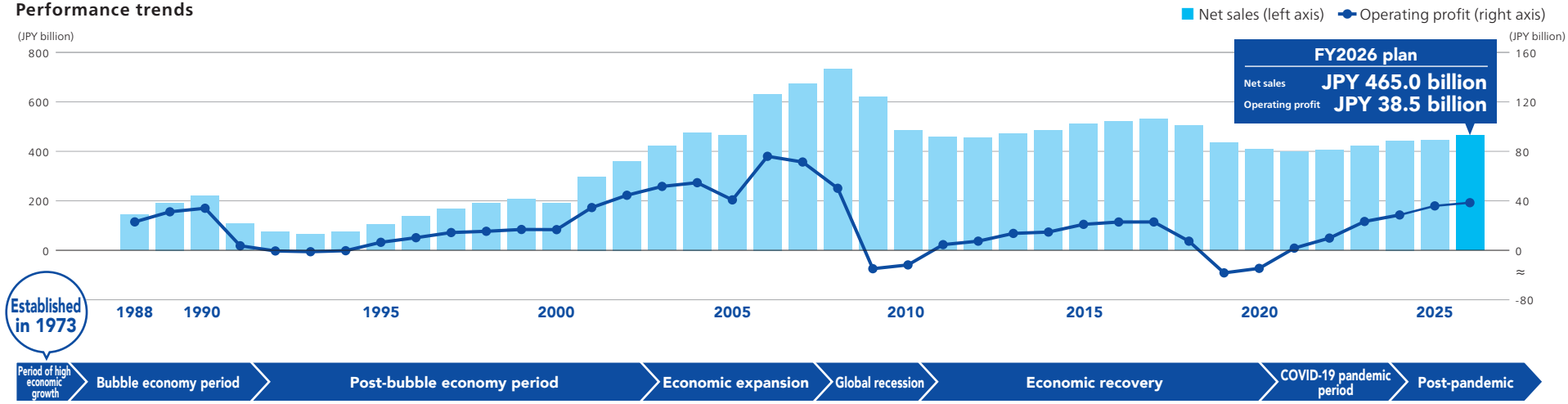
### Value Provided: Introduction of smart locks

Anticipating the digital transformation of society, we have promoted the introduction of "real estate tech," which combines real estate business and IT. In addition to digitizing rental contract procedures, in 2022, we introduced "smart locks" that can be locked and unlocked with a smartphone or similar device, making almost all procedures available online. We will continue to utilize these advanced DX initiatives across all aspects of our operations, including contracting and management.



**2022**

### Performance trends



# At a Glance (As of March 31, 2026)

## About Leopalace21

### Number of Managed Units
Approx. 540,000 units

### Founded
1973

### Ratio of Listed Companies that Have Used Our Services*
72%

### Occupancy Rate
Average during period: 85.78%
End of period: 88.78%

### Number of Apartment Owners
Approx. 26,000

### Number of Units with Smart Locks
Approx. 360,000 units

### Shares of Occupied Units by Customer Segment
Corporate 66.5%
Individual 33.5%

### Ratio of Units Used by Foreign Nationals
13.7%

* The ratio of Japan's 4,019 listed companies that have used properties managed by the Company.

## Non-financial Information

### Number of Employees
Consolidated 4,150
Non-consolidated 2,952

### Ratio of Paid Leave Usage*1
81.6%

### Ratio of Employees with Disabilities*2
2.5%

### Composition of Directors*3
Internal: 5
Outside: 4

### Ratio of Male Employees Taking Childcare Leave*4
66.7%

### $CO_2$ Emission Reduction*5
Scope 1 5,673 t-$CO_2$
Scope 2 62,411 t-$CO_2$
Scope 3 529,040 t-$CO_2$

*1 Non-consolidated; *2 Parent company + special subsidiary, average in the period; *3 As of June 25, 2026; *4 Non-consolidated, calculated with April as the starting month; *5 Consolidated (excluding Guam)

## Financial Information

### Net sales
JPY 444.8 billion

### Operating profit
JPY 35.9 billion

### Net income
JPY 14.9 billion

### EBITDA
JPY 39.2 billion

### EPS
JPY 45.14

### Equity ratio
23.0%

# Long-Term Vision

We have positioned the fiscal year 2025 as the first year of New Leopalace21, and have made a fresh start as a Comprehensive Leasing Management Provider that comprehensively handles construction, leasing, and management. Under our newly established mission, "To create new value and *imagineer* joyful living," we will strengthen our business foundation centered on the Leasing Business and Development Business. Going forward, by implementing strategies that achieve both economic and social value, we will seek to enhance corporate value, address various issues related to people and housing, and become a company needed by society.

**Vision**

**To shape the future of "Single Living" by connecting with people, companies, and communities to make everyone's lives brighter through the concept of "Living Freely and Confidently"**

## New Growth 2028

### Recovering Performance toward Normalization

(FY2019-FY2024)

- Workforce reduction and cost rationalization
- Strengthening of profitability in the Leasing Business
- Resolution of obvious construction defects problem uncovered in 2018

### FY2025 Embarking on a New Chapter as a Comprehensive Leasing Management Provider

#### Building a New Leopalace21

- **Announcement of the new MVVC corporate philosophy system**
- **FY2025 consolidated results**
  - Net sales: JPY 444.8 billion
  - Operating profit: JPY 35.9 billion
  - Net income: JPY 14.9 billion
- **Strengthening of profitability in the Leasing Business**
  - Average unit rent for new contracts (index): 114 (+6 pts YoY)
  - Average occupancy rate: 85.78% (+0.22 pp YoY)
- **Full-scale resumption of the Development Business**
  - Number of buildings ordered: 107
  - Number of units ordered: 1,524
  - Value of orders received: JPY 14.1 billion
- **Implementation of capital measures**
  - Tender offer for treasury stock and partial cancellation
  - Repurchase and cancellation of treasury stock acquisition rights
  - Refinancing with Mizuho Bank

### FY2026 Solidifying Our Position as a Comprehensive Leasing Management Provider

### FY2027 Strengthening Regional Strategies

#### Further Strengthening Our Business Foundation

- **Upward revision of the Medium-Term Management Plan**

Based on FY2025 performance, in May 2026, we updated the outlook for the second and third years of the "New Growth 2028" Medium-Term Management Plan.

New Growth 2028: Progress of the Medium-Term Management Plan >>> p.19

- **Further growth of the Leasing Business and Development Business**

Through coordination among leasing, development, and property management, we will seek to improve occupancy rates and customer satisfaction and expand our apartment owner base, while establishing our position as a Comprehensive Leasing Management Provider and strengthening our area strategy.

Message from the Chief of the Leasing Business Headquarters >>> p.25
Message from the General Manager of the Development Sales Division >>> p.32

- **Revision of materiality**

Based on changes in the external environment, we revised our materiality.
We identified a total of nine material issues across the environmental, social, and governance areas.

Materiality >>> p.46

### FY2028 The Next Medium-Term Management Plan Begins

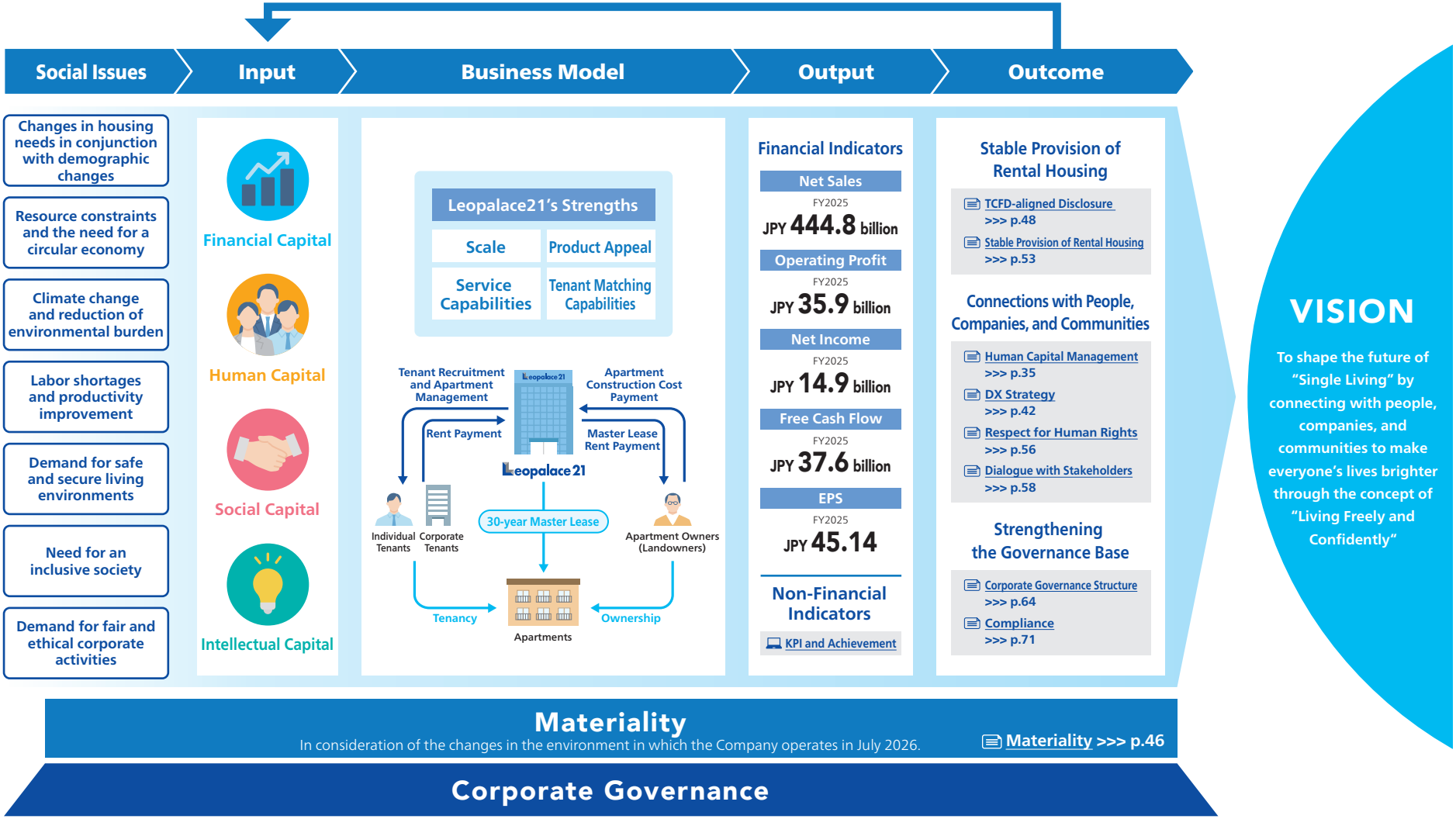
**Operating a Highly Stable and Sustainable Business**

- Deepening sustainability management
- Promotion of human capital management
- Further strengthening of the financial base

2025 | 2026 | 2027 | 2028 | 2029

# Leopalace21's Value Creation Process

In the housing domain, which is centered on rental housing, we accurately identify changes in society and diversifying needs and work to resolve social issues through the provision of innovative services. Through these efforts, we aim to achieve sustainable value creation at Leopalace21 by creating new value and sharing value with stakeholders.



# Leopalace21's Management Capitals

The four key capitals shown below form the foundation supporting our value creation and will serve as the principal drivers of our medium- to long-term growth.
By maximizing the strengths of each capital and utilizing them in strategic combination, we aim to sustainably enhance corporate value and contribute to the realization of a sustainable society.

| Capital | Description of Each Capital | Key Indicators (FY2025) | Related Pages |
|---|---|---|---|
| Financial Capital | **Sustainable growth utilizing cash generated by the Leasing Business**<br>We appropriately allocate the cash generated from the growth of the Leasing Business to investments for sustainable growth and shareholder returns. By utilizing the cash we generate ourselves without excessive reliance on financing, we strive to achieve both management flexibility and growth. We will continue to strive for the sustainable enhancement of corporate value through strategic capital allocation while maintaining financial soundness. | ■ Ownership equity: JPY 40.6 billion<br>■ Interest-bearing debt: JPY 32.6 billion<br>■ Operating cash flow: JPY 38.4 billion | Update to the Medium-Term Management Plan >>> p.20<br>Message from the Chief of the Corporate Management Headquarters >>> p.21 |
| Human Capital | **Employee Lifetime Value (ELTV)—the total value generated by employees over their careers**<br>Based on the concept of ELTV (Employee Lifetime Value), we focus on investment in human capital. Through proactive recruitment and retention initiatives, we have increased the number of employees who can contribute for the long term, strengthening our organizational capabilities. We will continue to enhance our training and development programs and promote the creation of a rewarding workplace, leading to employee growth and greater corporate competitiveness. | ■ Consolidated number of employees: 4,150<br>■ Non-consolidated number of employees: 2,952<br>■ Average years of service: 13 years and 2 months<br>■ Number of qualified employees: 1,157*1<br>■ Engagement score[eNPS℠]*2: -54 (+8p YoY)*3<br>*1 Total number of real estate transaction specialists, rental property management specialists, licensed architects, and construction management engineers<br>*2 eNPS℠ is a service mark of Bain & Company, Fred Reichheld, and NICE Systems, Inc.<br>*3 Survey results by Geppo survey tool (eNPS: Employee satisfaction index. Average for companies using Geppo is -54) | Human Capital Management >>> p.35 |
| Social Capital | **A nationwide rental housing platform and trusted relationships with diverse stakeholders**<br>We operate nationwide based on relationships of trust with a diverse range of stakeholders, including approximately 26,000 apartment owners and approximately 480,000 tenants. Our rental housing platform for single-person households, comprising approximately 540,000 managed units, is one of the largest in Japan, and we have constructed a sustainable and stable operating framework through coordination and collaboration with local communities. | ■ Number of apartment owners: Approx. 26,000<br>■ Number of managed units: Approx. 540,000<br>■ Number of tenants: Approx. 480,000<br>■ Number of corporate clients: Approx. 39,800<br>■ Number of apartment owner briefing sessions held: 139 | Message from the Chief of the Leasing Business Headquarters >>> p.25<br>Stable Provision of Rental Housing >>> p.53<br>Dialogue with Stakeholders >>> p.58 |
| Intellectual Capital | **Unique leasing methods and use of advanced technology**<br>Through our housing service, including the master lease system, furnished apartments and equipped with appliances and internet accessibility, we have built unique leasing management methods. In recent years, we have introduced digital technologies such as smart locks, online consultations and contracts, achieving greater convenience and management efficiency. We will continue to proactively incorporate advanced technologies such as AI and IoT and work to provide comfortable, high-value-added living environments that respond to changes in society and lifestyles. | ■ Master lease system<br>■ Apartment management methods<br>■ Number of units with smart locks: Approx. 360,000 units | DX Strategy >>> p.42<br>Stable Provision of Rental Housing >>> p.53 |