




Medium-term Management Plan  
-Expanding Value-

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April 2014 - March 2017

May 2014  
**Leopalace21 Corporation**



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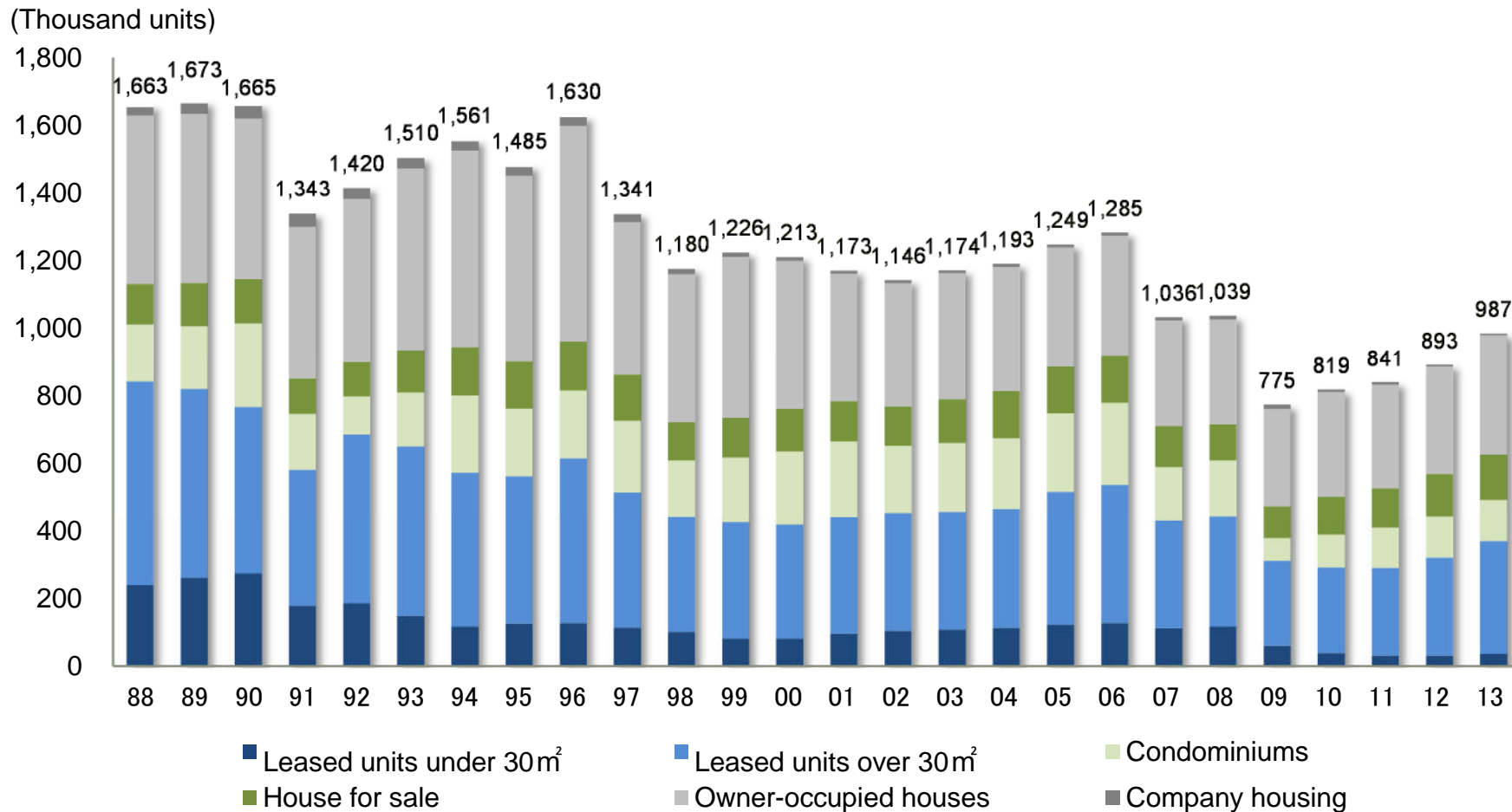
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1. External Environment

# 1-1: New Housing Starts

After the Lehman collapse, new housing starts have been on an increasing trend. Due to last minute demand from sales tax increase, new housing starts in FY2013 has increased 10.5% yoy. In the past, sales tax was raised from 3% to 5% in April 1997, in which new housing starts of leased units increased 9.3% yoy (FY1996) and decreased 16.3% yoy in the following year (FY1997).

## New Housing Starts by Fiscal Year (April to March)



\*Excerpted from "Housing Start Statistics" (Ministry of Land, Infrastructure and Transport)

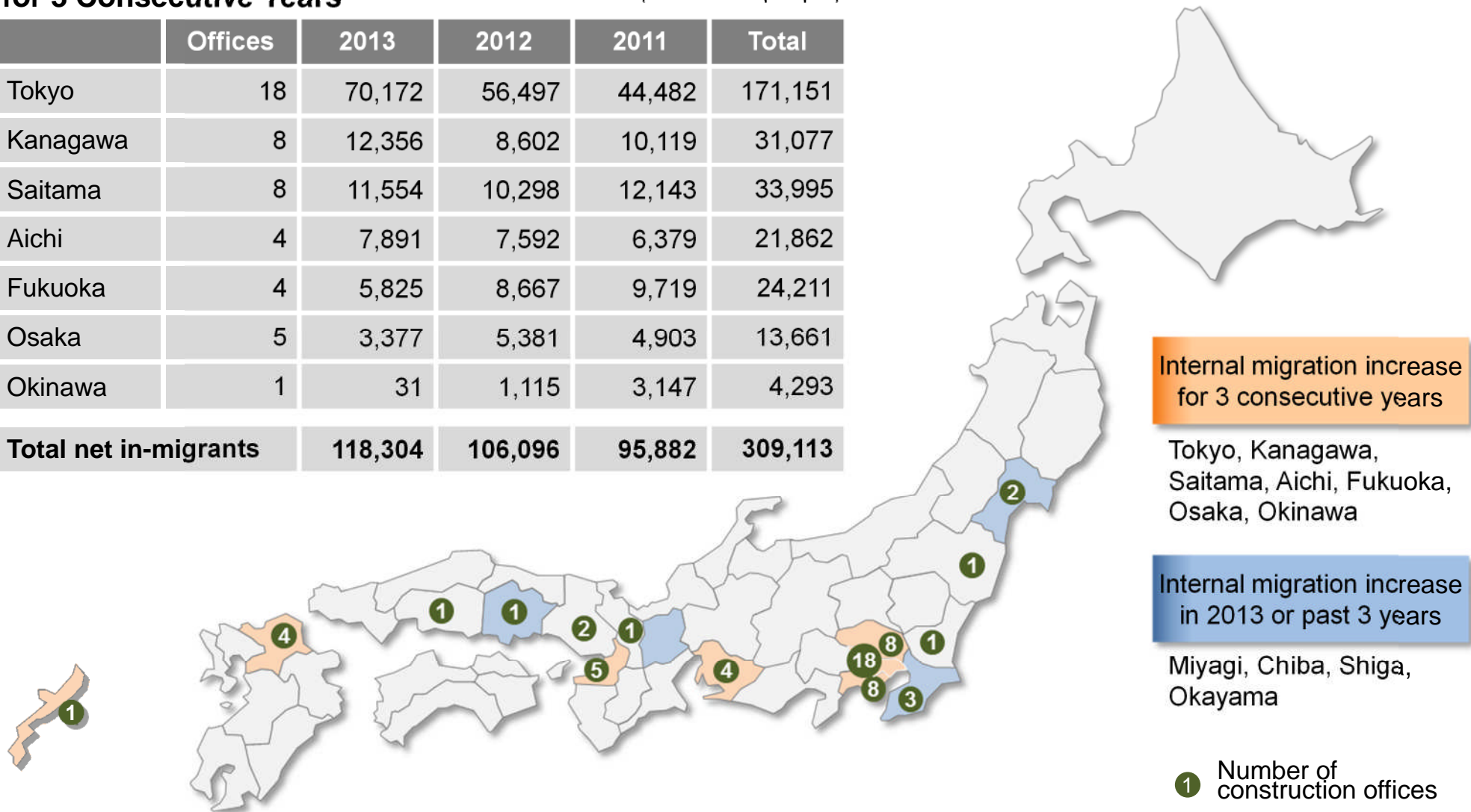
# 1-2: Internal Migration

7 prefectures have increased in net internal migration for the past three years. Leoplace21 establishes offices and operates in areas where high occupancy demand is expected (60 offices as of May 2014).

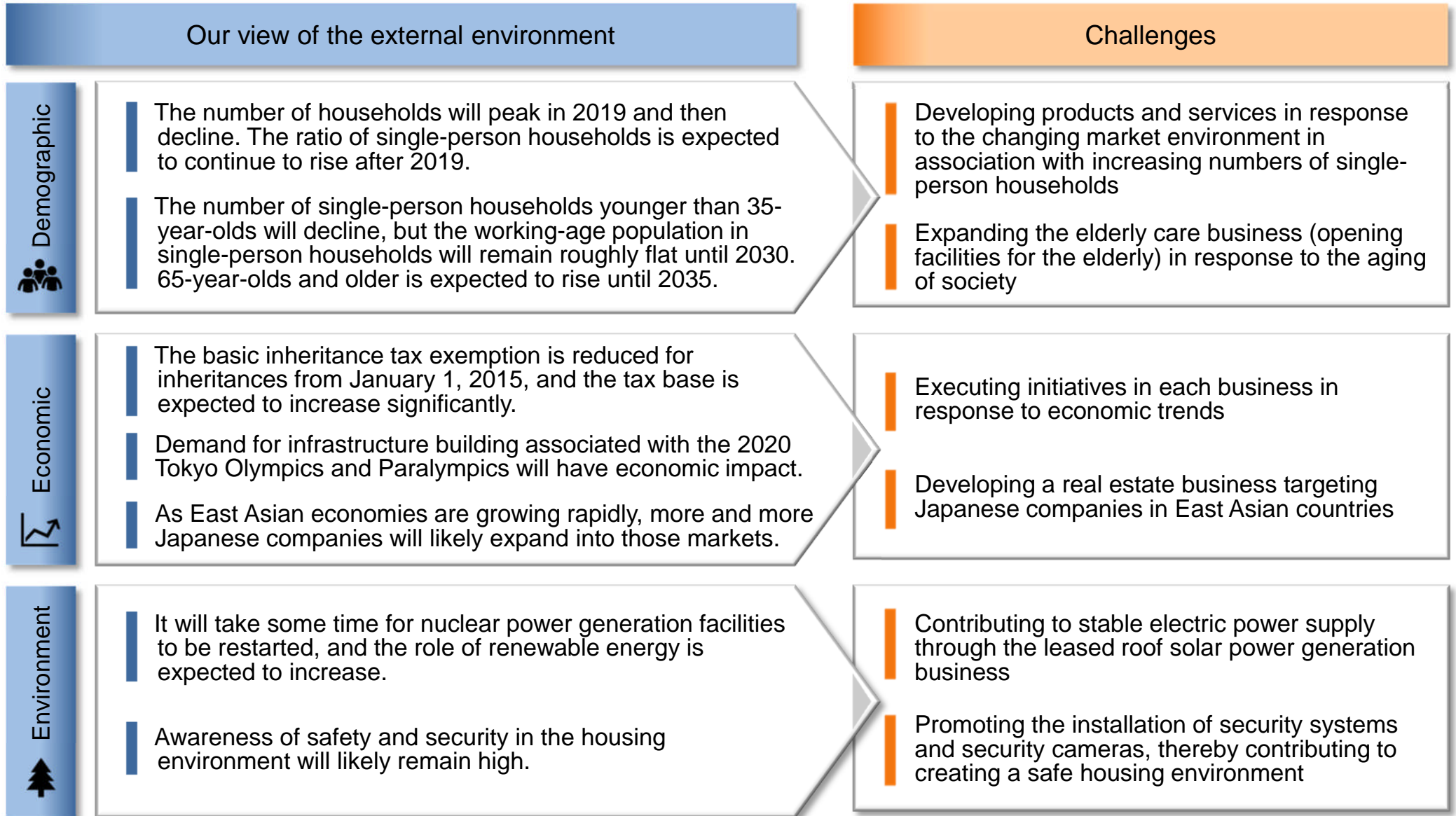
## Internal Migration Increase for 3 Consecutive Years

(Number of people)

	Offices	2013	2012	2011	Total
Tokyo	18	70,172	56,497	44,482	171,151
Kanagawa	8	12,356	8,602	10,119	31,077
Saitama	8	11,554	10,298	12,143	33,995
Aichi	4	7,891	7,592	6,379	21,862
Fukuoka	4	5,825	8,667	9,719	24,211
Osaka	5	3,377	5,381	4,903	13,661
Okinawa	1	31	1,115	3,147	4,293
<b>Total net in-migrants</b>		<b>118,304</b>	<b>106,096</b>	<b>95,882</b>	<b>309,113</b>



\*Excerpted from "Report on Internal Migration in Japan" (Ministry of Internal Affairs and Communications)





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2. Outline of Medium-term  
Management Plan

## 2-1: Slogan of the New Medium-term Management Plan **EXPANDING VALUE**

Economic trends and the business environment surrounding the Group have changed since May 2012, the time of announcement of the previous Medium-Term Management Plan “Creating Future” (fiscal year ended March 31, 2013 – fiscal year ending March 31, 2015), Leopalace21 has disclosed a new Medium-Term Management Plan prior to the final year of the previous plan.

◀ Basic Policy ▶

**“Focus on core businesses and challenging itself with new business fields”**

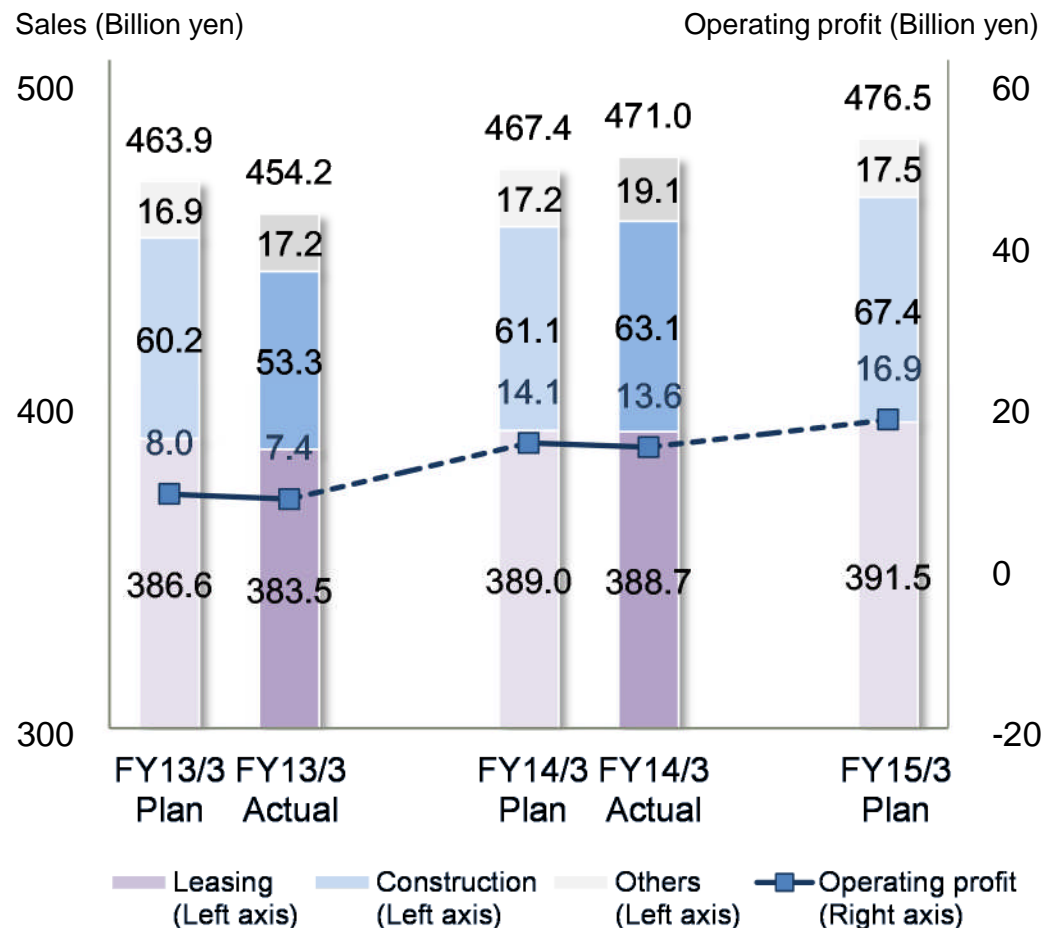
**EXPANDING VALUE**

Three years between the fiscal years ending March 2015 to 2017



The basic policy of the previous plan to “establish a stable profit structure with balance between the leasing and construction business” has been accomplished.

## Figures during the Previous Plan



## Achievements

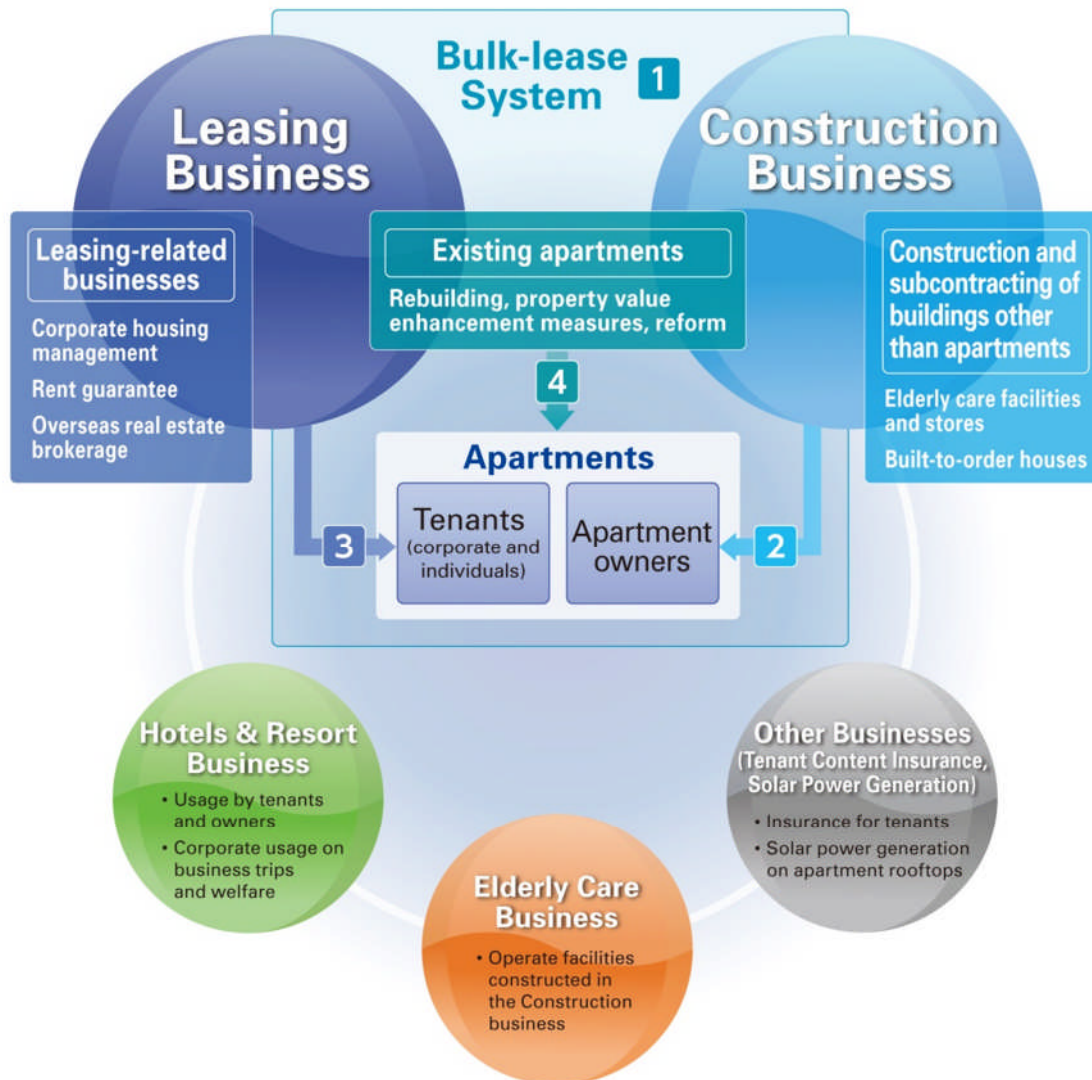
- Profit increase from improvements in leasing
- Promotion of property value enhancement measures (solar power and security systems)
- Promotion of buildings other than apartments (elderly care facilities and stores)

## Issues to be addressed

- Attracting individual tenants
- Profitability increase in construction business
- Expansion of new businesses (ie. overseas)
- Expansion of elderly care business

## 2-3: Business Model of Leoplace21

In the core business made up of leasing and construction, we construct, bulk-lease, and manage apartments. Hotels & resort, elderly care, and other businesses are used by clients in the core business, and therefore leads to a synergy effect, bringing growth to the entire group.



### 1 Industry's first bulk-lease system

We support apartment management for a maximum of 30 years, through the industry's first bulk-lease system.

### 2 Limit new supplies to specific areas

We limit new supplies to areas with high occupancy needs, such as metropolitan areas.

### 3 Channel strategy to recruit tenants

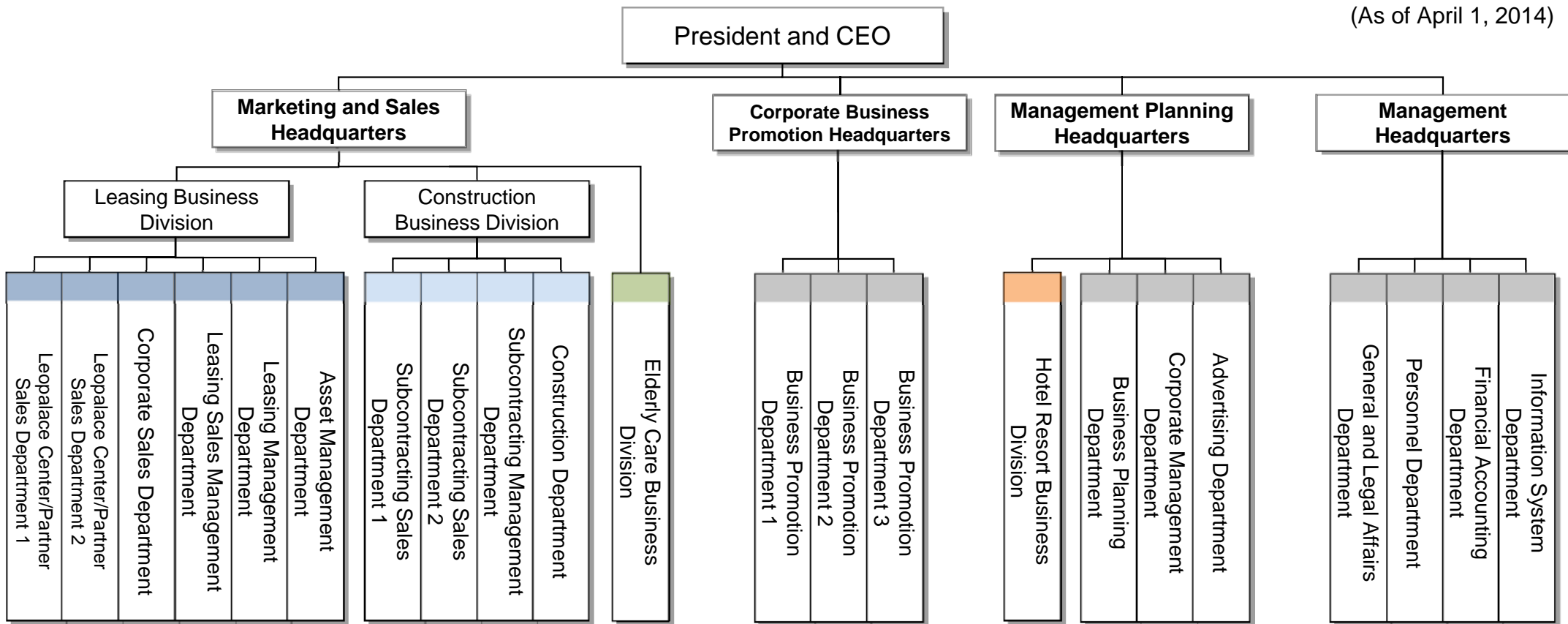
Through various channels such as direct offices, franchises, and local real estate brokers, and our website, we maximize opportunities to recruit tenants.

### 4 Enhance value of existing apartments

Existing apartments are enhanced through installments of security systems, solar power systems, and "Room Customize."

# 2-4: Organization Chart

(As of April 1, 2014)



## Leasing Business

**Leoplace Leasing**

Corporate housing services

**PLAZA Guarantee**

Rent guarantee services

**WooriLeoPMC**

Leasing and management (South Korea)

**Leoplace21 Business Consulting (Shanghai) Co., Ltd.**

Tenant recruitment

**LEOPALACE21 VIETNAM CO., LTD.**

Real estate agency (Vietnam)

**Leoplace21 (Thailand) CO., LTD.**

Real estate agency (Thailand)

## Hotels & Resort Business

**Leoplace Guam Corporation**

Resort business

**Leoplace Travel**

Travel business

**ASUKA SSI**

Tenant contents Insurance services

**Leoplace Smile**

Special subsidiary

**Leoplace Power**

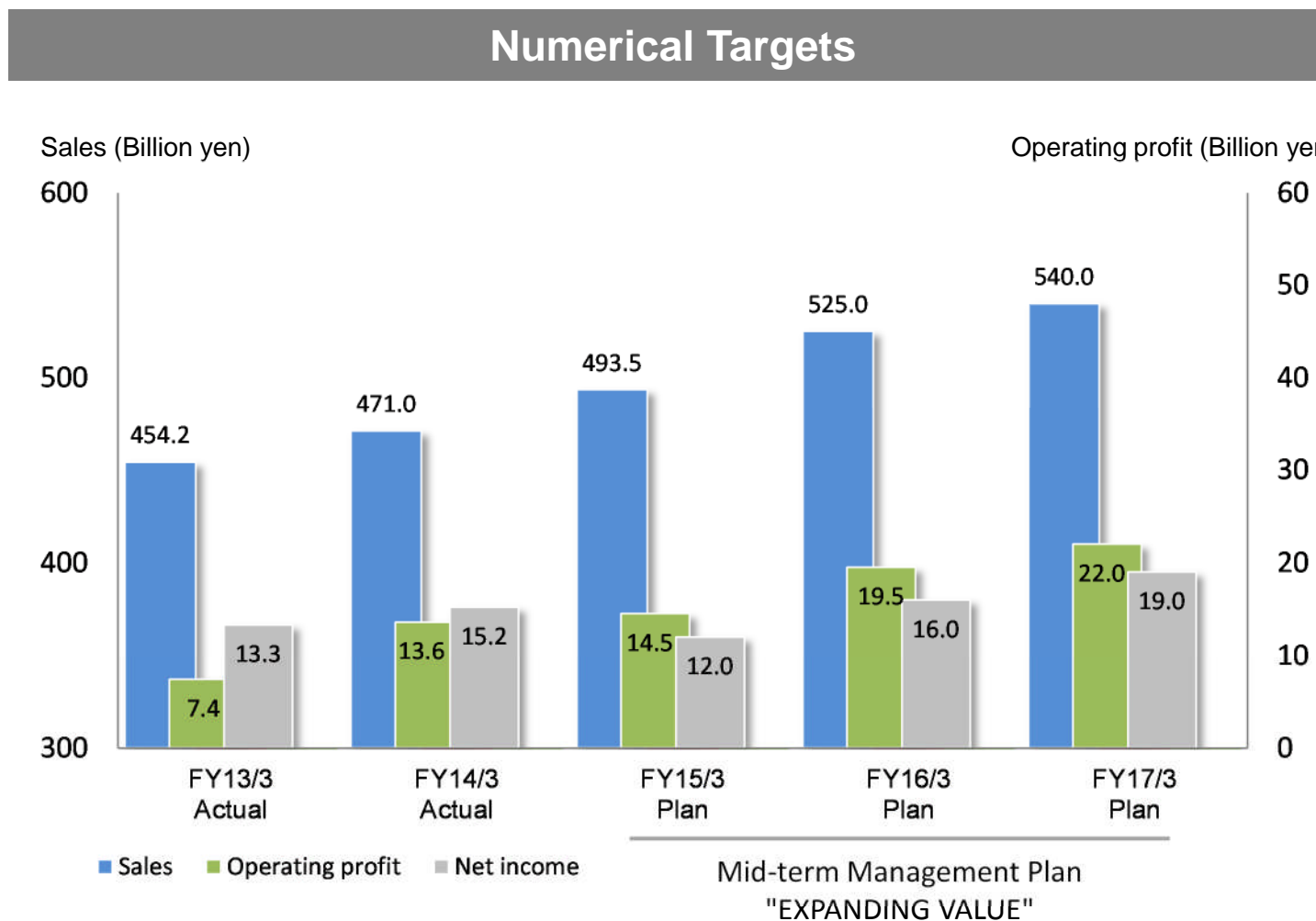
Power generation

## Other Business

Group Companies

## 2-5-1: Numerical Targets

Through earnings improvement, mainly from core businesses, forecast of sales +14.6%, operating profit +60.9%, and net income +24.8% in the final year compared to the fiscal year ended March 2014.



\*No tax effect accounting anticipated after FY 2015/3

## 2-5-2: Numerical Targets

Forecast for the final year of the Medium-term Management Plan: shareholders' equity ratio 48.0%, ROE 12.3%, EPS 71.7 yen, and ROA 6.0%.

(Billion yen)

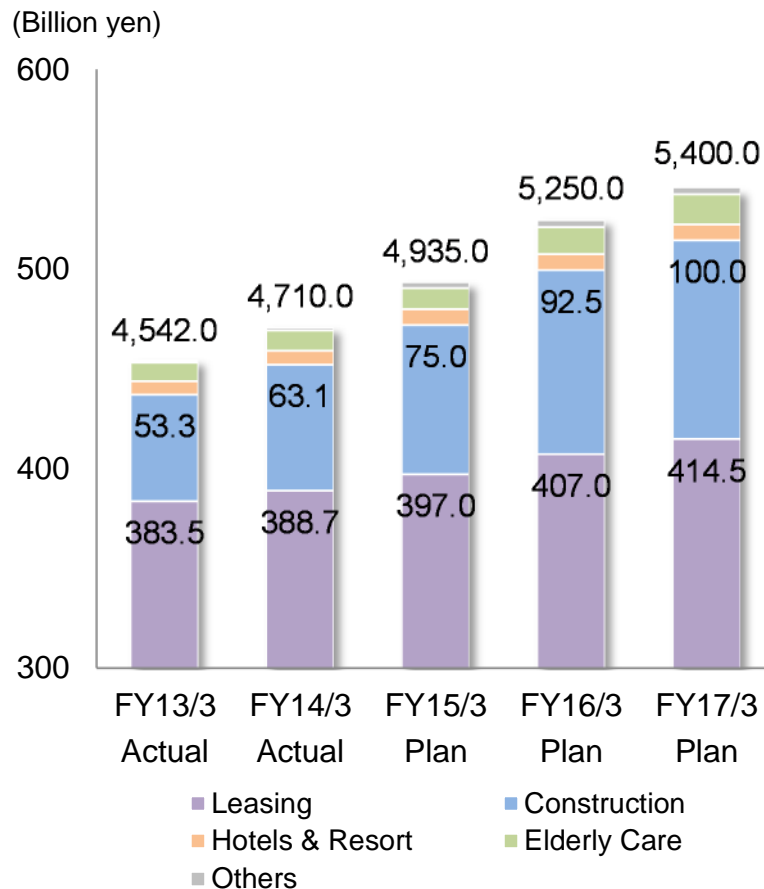
	FY 2013/3 Actual	FY 2014/3 Actual	FY 2015/3 Plan	FY 2016/3 Plan	FY 2017/3 Plan
Sales	454.2	471.0	493.5	525.0	540.0
Operating profit	7.4	13.6	14.5	19.5	22.0
Recurring profit	11.0	11.5	13.0	18.0	21.0
Net income	13.3	15.2	12.0	16.0	19.0
Shareholders' equity ratio	22.2%	36.5%	41.0%	45.0%	48.0%
ROE	29.0%	18.7%	10.0%	12.0%	12.3%
EPS (yen)	74.5	67.2	45.5	61.9	71.7
ROA	5.1%	5.5%	4.2%	5.5%	6.0%

\*No tax effect accounting anticipated after FY March 2015

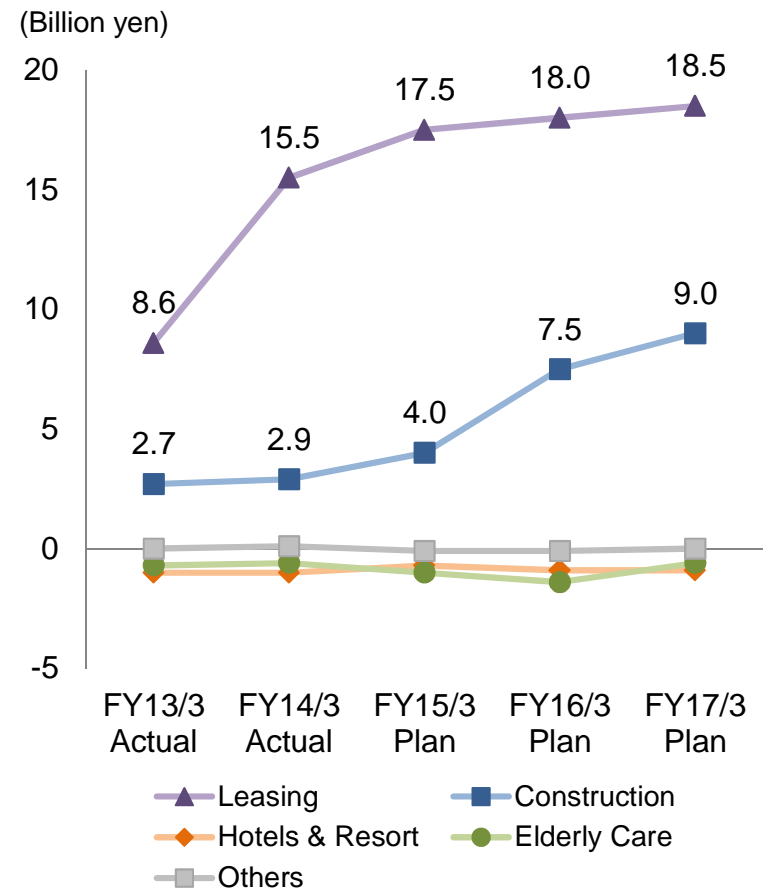
# 2-6-1: Numerical Targets by Segments

In addition to stable profits from the leasing business, construction sales and operating profit is expected to grow.

**Sales by Segment**



**Operating Profit by Segment**



## 2-6-2: Numerical Targets by Segments

Forecast for the final year of the Medium-term Management Plan: leasing sales of 414.5 billion yen and construction sales of 100.0 billion yen.

(Billion yen)

		FY 2013/3 Actual	FY 2014/3 Actual	FY 2015/3 Plan	FY 2016/3 Plan	FY 2017/3 Plan
Leasing	Sales	383.5	388.7	397.0	407.0	414.5
	Operating profit	8.6	15.5	17.5	18.0	18.5
Construction	Sales	53.3	63.1	75.0	92.5	100.0
	Operating profit	2.7	2.9	4.0	7.5	9.0
Elderly Care	Sales	9.4	10.1	10.5	13.5	15.0
	Operating profit	-0.7	-0.6	-1.0	-1.4	-0.6
Hotels & Resort	Sales	6.6	7.5	8.0	8.0	8.0
	Operating profit	-1.0	-1.1	-0.7	-0.9	-0.9
Others	Sales	1.1	1.4	3.0	3.5	3.5
	Operating profit	0.0	0.1	-0.1	-0.1	0.0
Adjustments	Operating profit	-2.3	-3.2	-5.3	-3.5	-4.0



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3. Business Strategies



Leopalace21 proposes the optimal plan for each land owner for ideal land usage.

## Apartments



Products addressing needs of tenants. Apartments are bulk-leased and managed by Leopalace21.

## Elderly care facilities



Matching business between land owners and care facility operators, addressing the increasing number of seniors.

Lang usage  
proposions of  
Leopalace21

## Built-to-order houses



Construction of built-to-order houses and house with rooms for rent, in which rent income can be earned.

## Stores



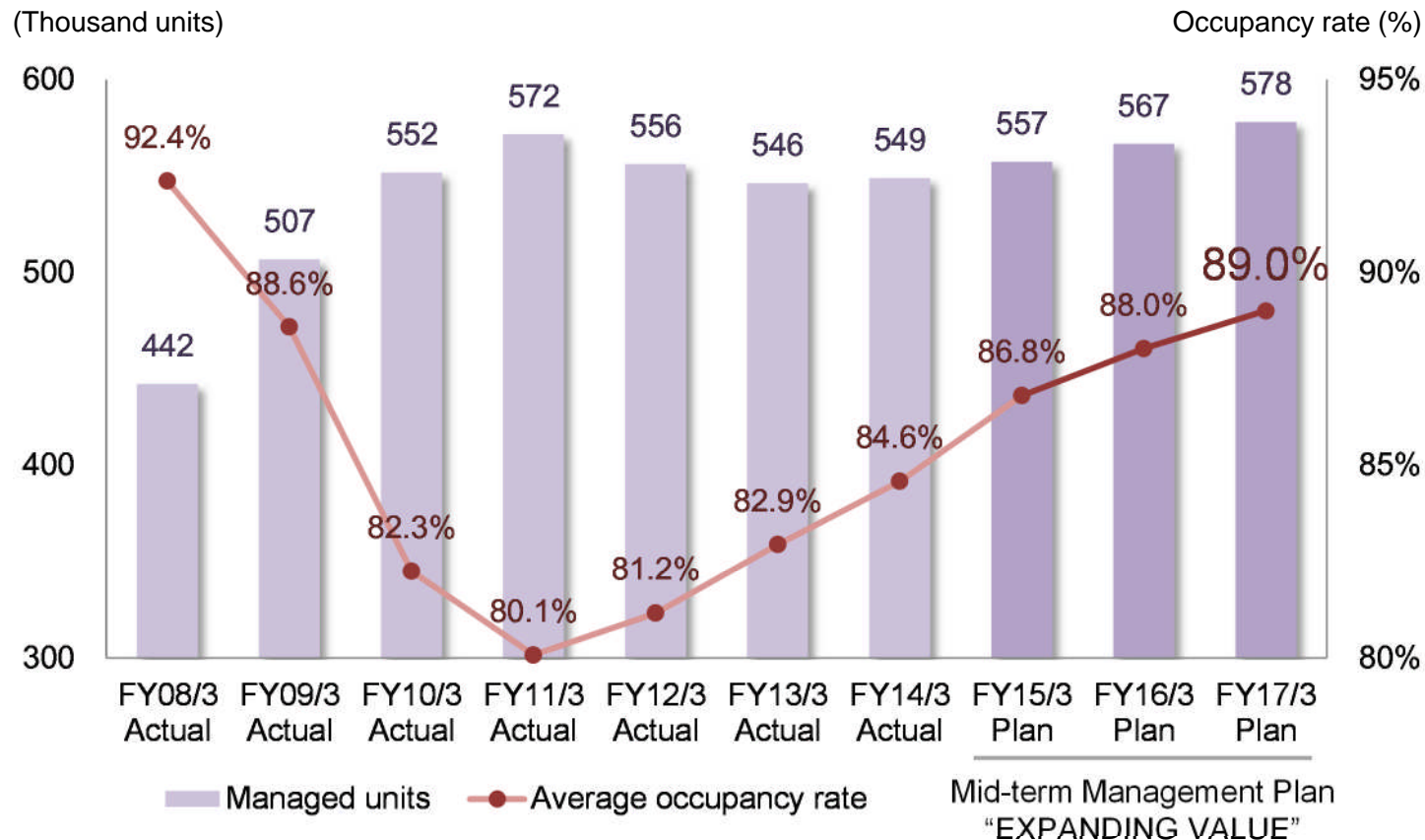
Construction of convenience stores, restaurances, and complex buildings with apartments on road-sides and near stations.

## Others

Proposals concerning various land usage such as mega-solar power plants and parking lots.

In order to establish stable profits, we will aim for an annual average occupancy rate of 89.0% in the final year (FY March 2017)

## Managed Units and Annual Average Occupancy Rate



We will promote tenant recruitment through channels such as direct leasing offices, franchises, and local real estate brokers, as well as aim for long-term tenancies by expanding occupant services.

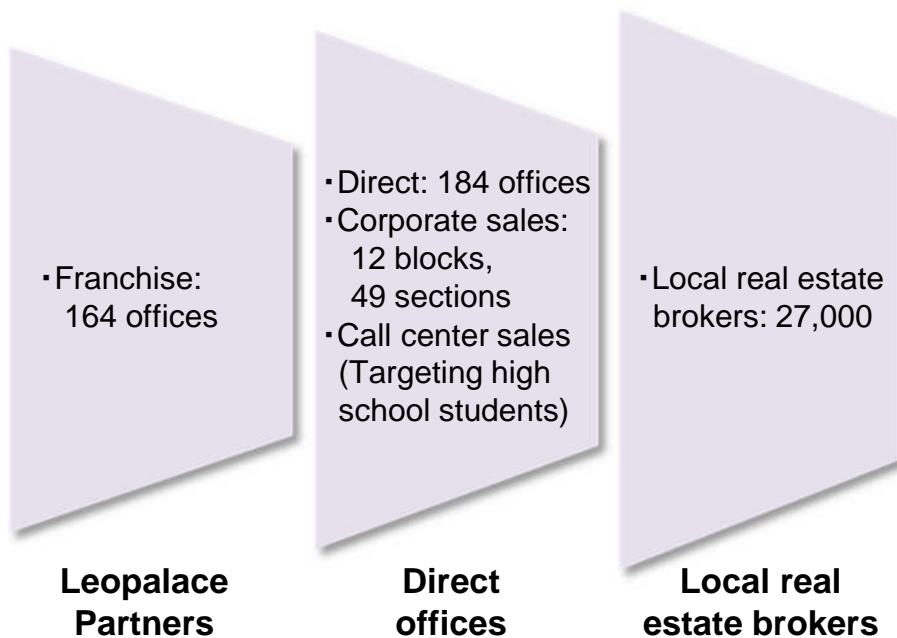
## Tenant recruitment through offices

- In addition to direct offices, Leopalce21 utilizes franchise offices and local real estate brokers.

## Longer tenancies from service expansion

- Through service expansion, we aim to differentiate ourselves from our competitors.

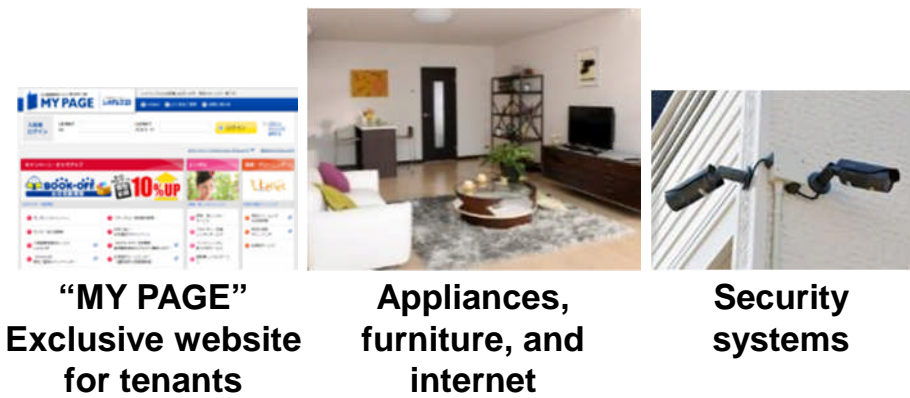
### Leasing offices and locations



As of March 2014



“Room Customize”



“MY PAGE” Exclusive website for tenants

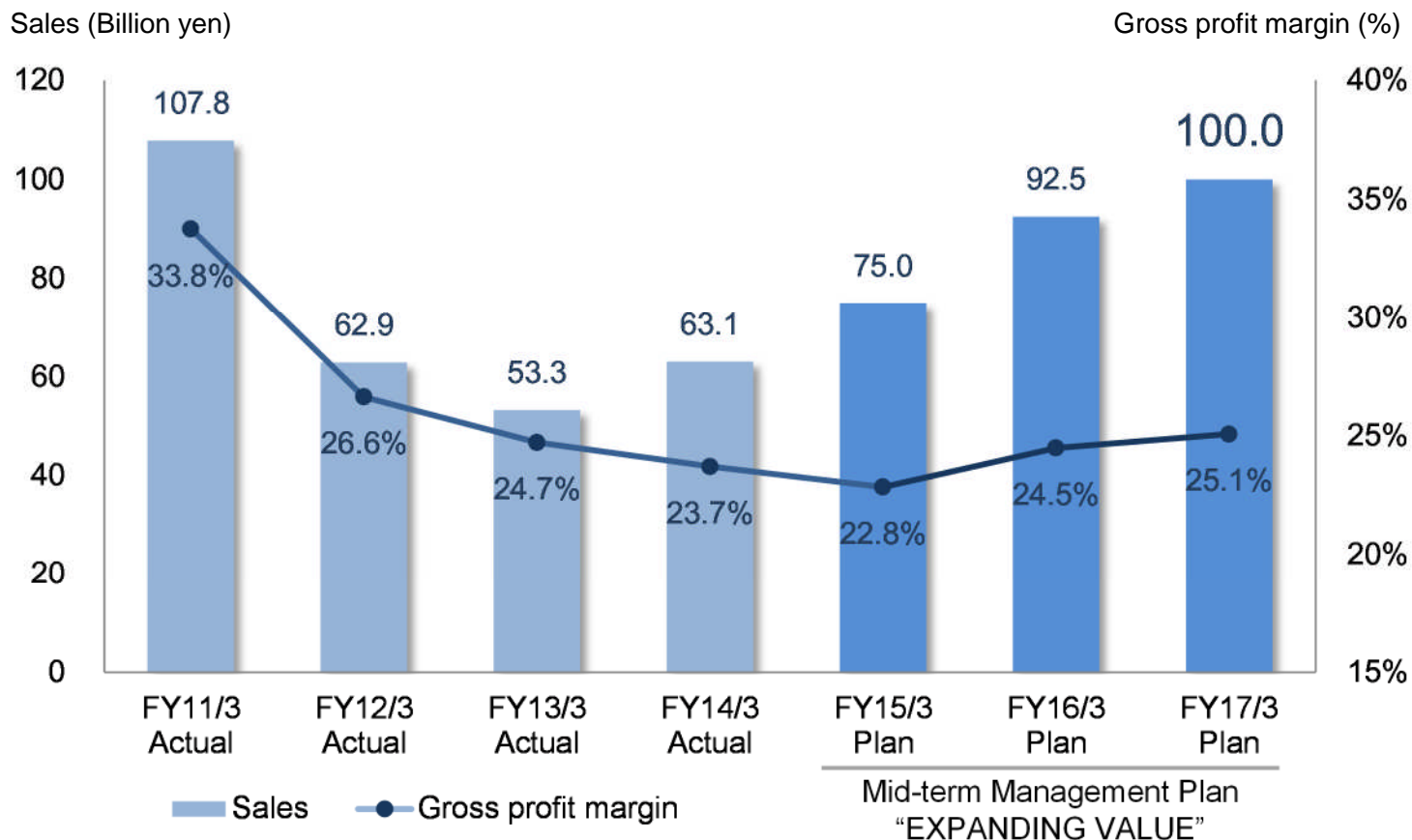
Appliances, furniture, and internet

Security systems

Improved tenant satisfaction

We will aim for sales of 100 billion yen in the final year (FY March 2017) by strengthening product competitiveness and expanding construction variations

## Construction Business Sales and Gross Profit

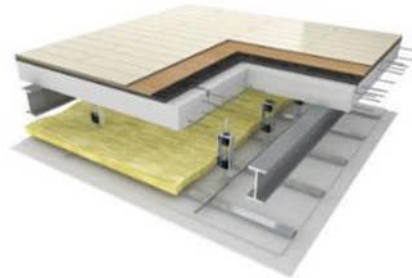


We will increase apartment orders and construction through improvements in product competitiveness, as well as enhance elderly care facilities, stores, and built-to-order houses to address different land usage needs.

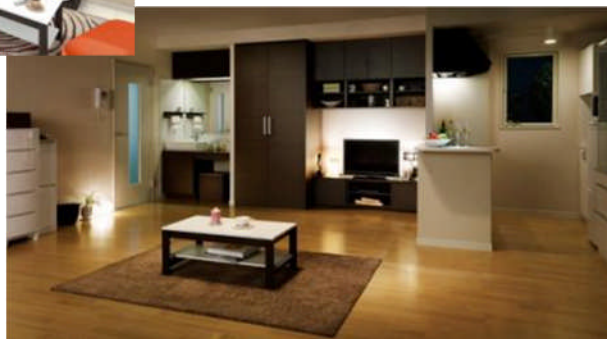
## Strengthening product competitiveness

- We will focus on product development to address the changing needs of tenants

Standard equipment of “*non-sound system*,” including noise reduction walls, soundproof drains, and non-sound floors



**UNI-BIRTH**  
Apartment for young people



**Arma-L**  
Apartment for female tenants

## Expanding construction variation

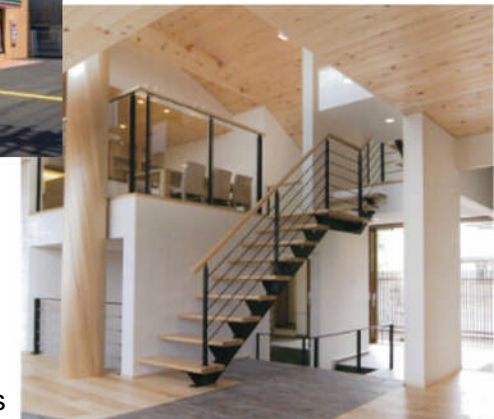
- In addition to apartments, we will expand construction of elderly care facilities, stores, and built-to-order houses



Elderly care facilities



Stores



Built-to-order houses

# 3-4: Elderly Care Business Strategy

We will position the elderly care business as a growth strategy area and open new facilities to address the increasing population of seniors



## New facility openings

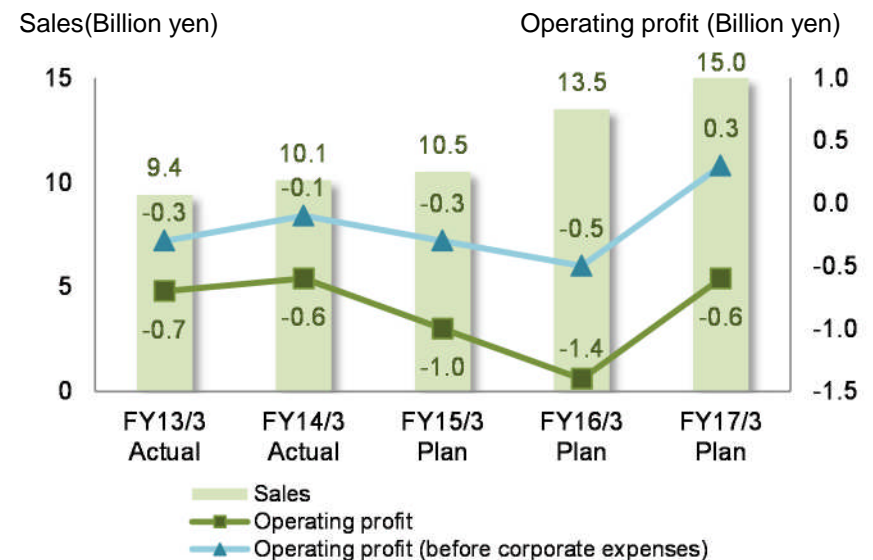
- We will promote openings of new facilities through collaboration with the construction business



## Position as growth strategy area

- As of April 2014, the elderly care business is included in the marketing and sales headquarters, along with leasing and construction
- Operating profit before corporate expense reduction is forecast to be in the black in the final year
- Loss is expected to increase in FY March 2015 and 2016 due to initial losses from new facility openings

Elderly Care Business Sales and Operating Profit



While aiming for superb services to stakeholders and high-quality hospitality, we will promote sales against clients in the core businesses (leasing and construction)



## Leopalace Hotels

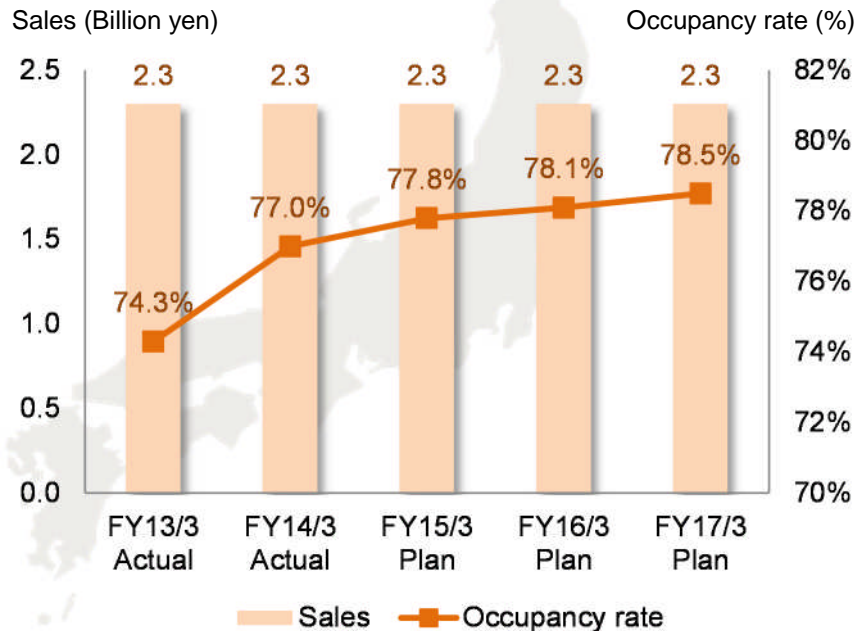
- Frequent usage by corporate clients on business trips and training
- Spread across 8 major cities in Japan: Asahikawa, Sapporo, Sendai, Niigata, Nagoya, Yokkaichi, Okayama, Hakata



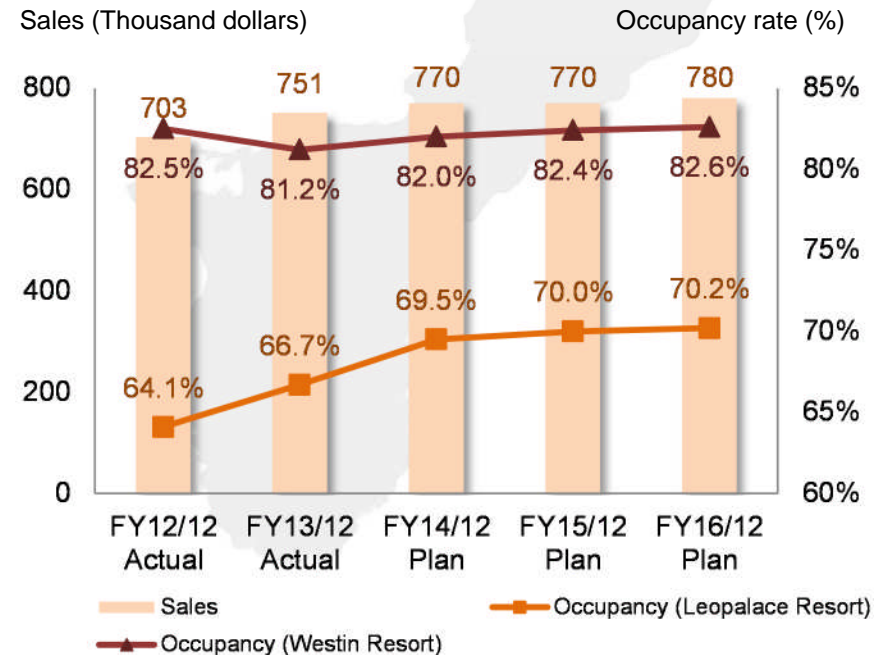
## Guam Resort

- Frequent usage on trips by tenants and owners, as well as welfare facilities by corporate clients
- Operation of two facilities in Guam
  - Leopalace Guam
  - Westin Resort Guam

Leopalace Hotels Sales and Occupancy Rates



Guam Resort Sales and Occupancy Rates



In addition to the “flow-based” solar power business, we will implement “roof-lease” solar power businesses through our subsidiary Leopalace Power



## Installments by Scheme (As of March 2014)

	Schemes	Starting period	Cumulative total
1.	<b>Solar power systems installed with apartment owners’ burden</b> Owners install solar power systems and earn revenue by selling generated power	March 2011	6,629 buildings (79.7MW)
2.	<b>Roof-lease solar power systems</b> Solar power system installments on apartments utilizing “roof-leases”	September 2012	2,372 buildings (46.1MW)
a.	<b>Fukushima Pilot Project</b> Installed through Leopalace Power, data analyzed for future solar power projects	September 2012	67 buildings (1.2MW)
b.	<b>Solar power generating business utilizing funds raised*</b> Installments through Leopalace Power	December 2013	1,047 buildings (20.3MW)
c.	<b>SPC and other tie-up installments</b> SPC and corporate bodies become the electricity generation implementing body	February 2013	1,258 buildings (24.6MW)
3.	<b>Mega-solar power plants utilizing idle land</b> Construction of mega-solar power plants as an alternative method of land usage	September 2013	Tomisato, Chiba (1.7MW)
		<b>Total:</b>	9,001 buildings (125.8MW)

\*Installments using funds raised planned to complete during the fiscal year ending March 2015



# 3-7: Overseas Business Strategy

We will strengthen inbound and outbound businesses mainly in Southeast Asia, with the purpose of enforcing ties with domestic corporate clients

## Current locations

China	Beijing, Dalian, Shanghai, Guangzhou
South Korea	Busan, Seoul Gangnam, Seoul Jongno
Taiwan	Taipei
Thailand	Bangkok
Vietnam	Ho Chi Minh

## Upcoming locations

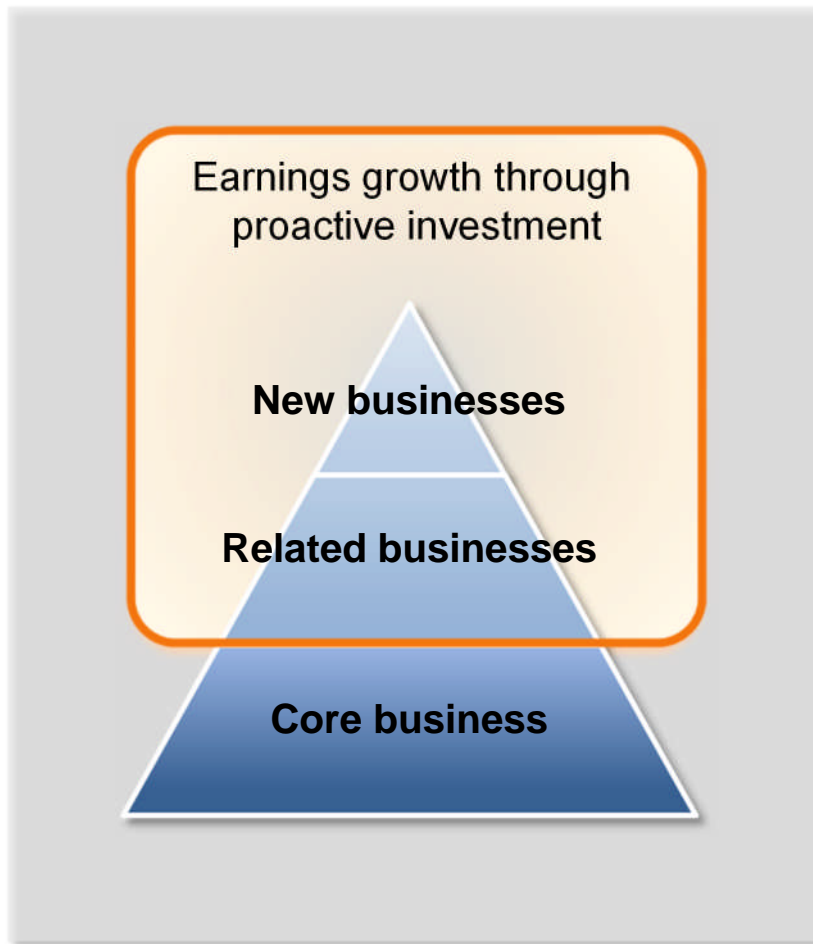
Myanmar
Laos
Cambodia

 etc.

Final year: 20 locations



We will proactively invest in businesses surrounding our core business (leasing and construction)



<b>New businesses</b>	Foreign real estate brokerage
	Real estate development in ASEAN
	Construction of built-to-order houses
<b>Related businesses</b>	Roof-lease solar power business
	Construction of elderly care facilities
	Construction of stores
	Elderly care business
<b>Core business</b>	Construction of high and medium-height buildings
	Rebuilding of existing apartments



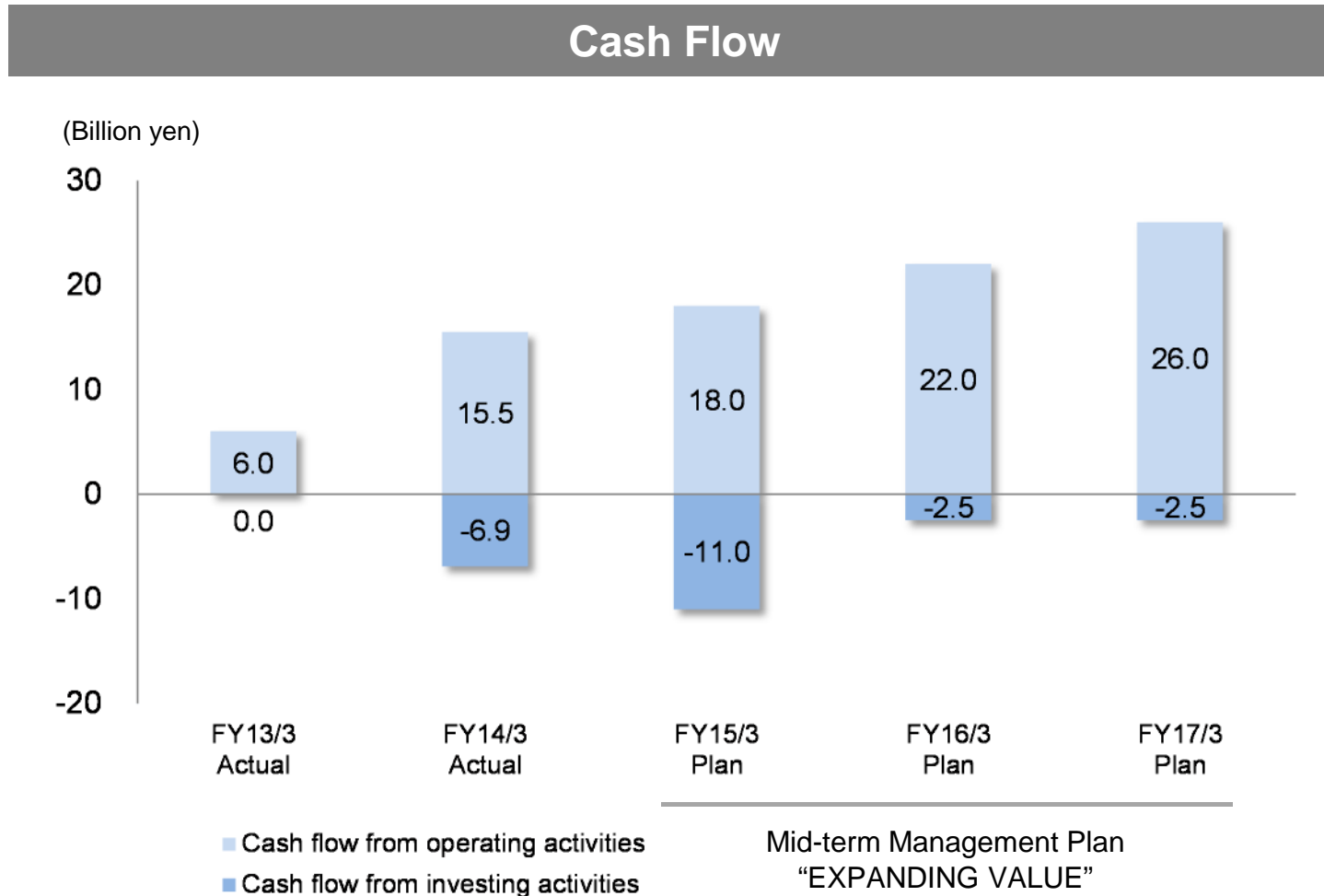
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4.Finance

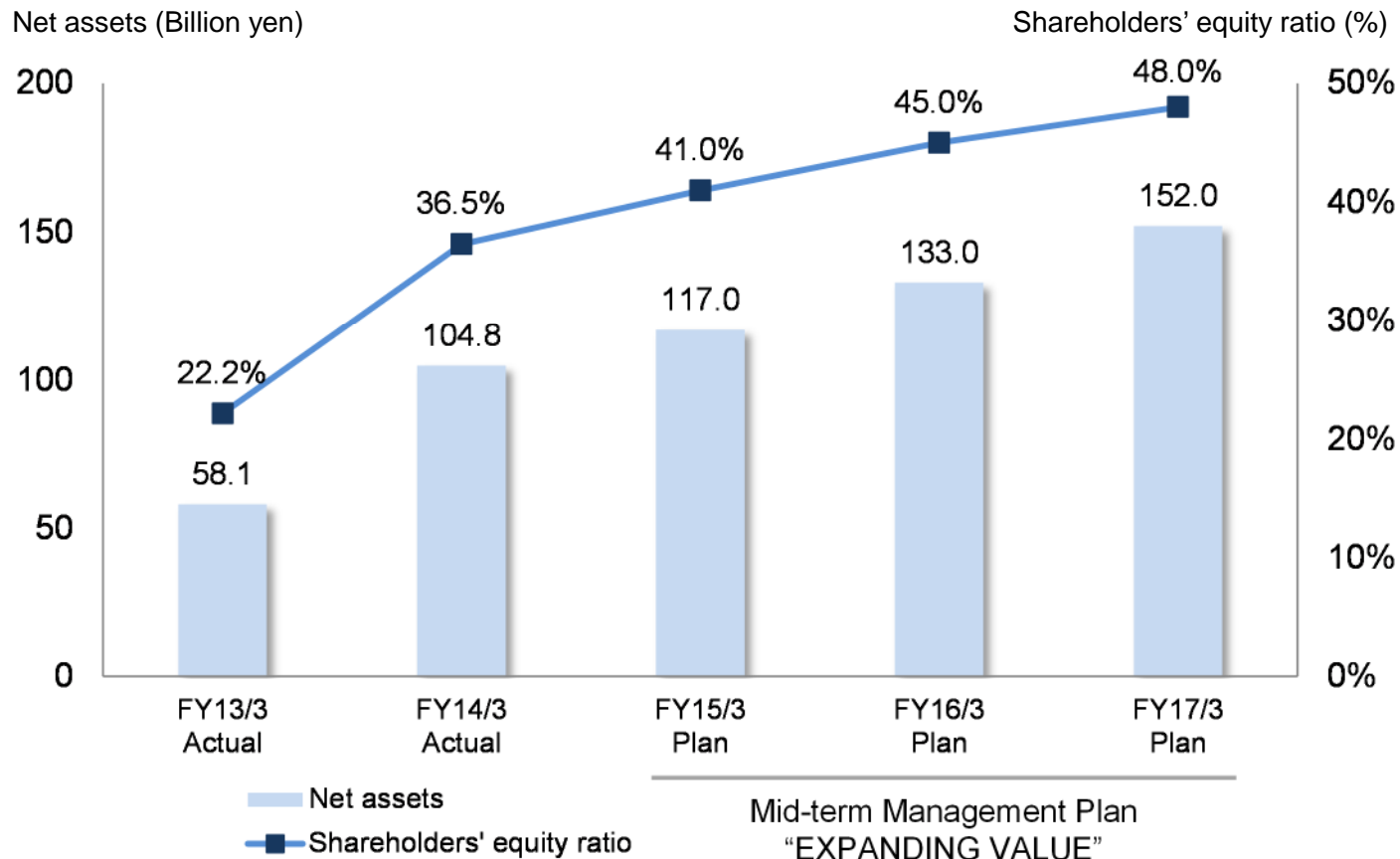
# 4-1: Cash Flow

Cash flow from operating activities expected to increase along with operating profits.  
Cash outflow from investing activities is expected to increase in FY March 2014 and 2015 due to investments in the solar power business.



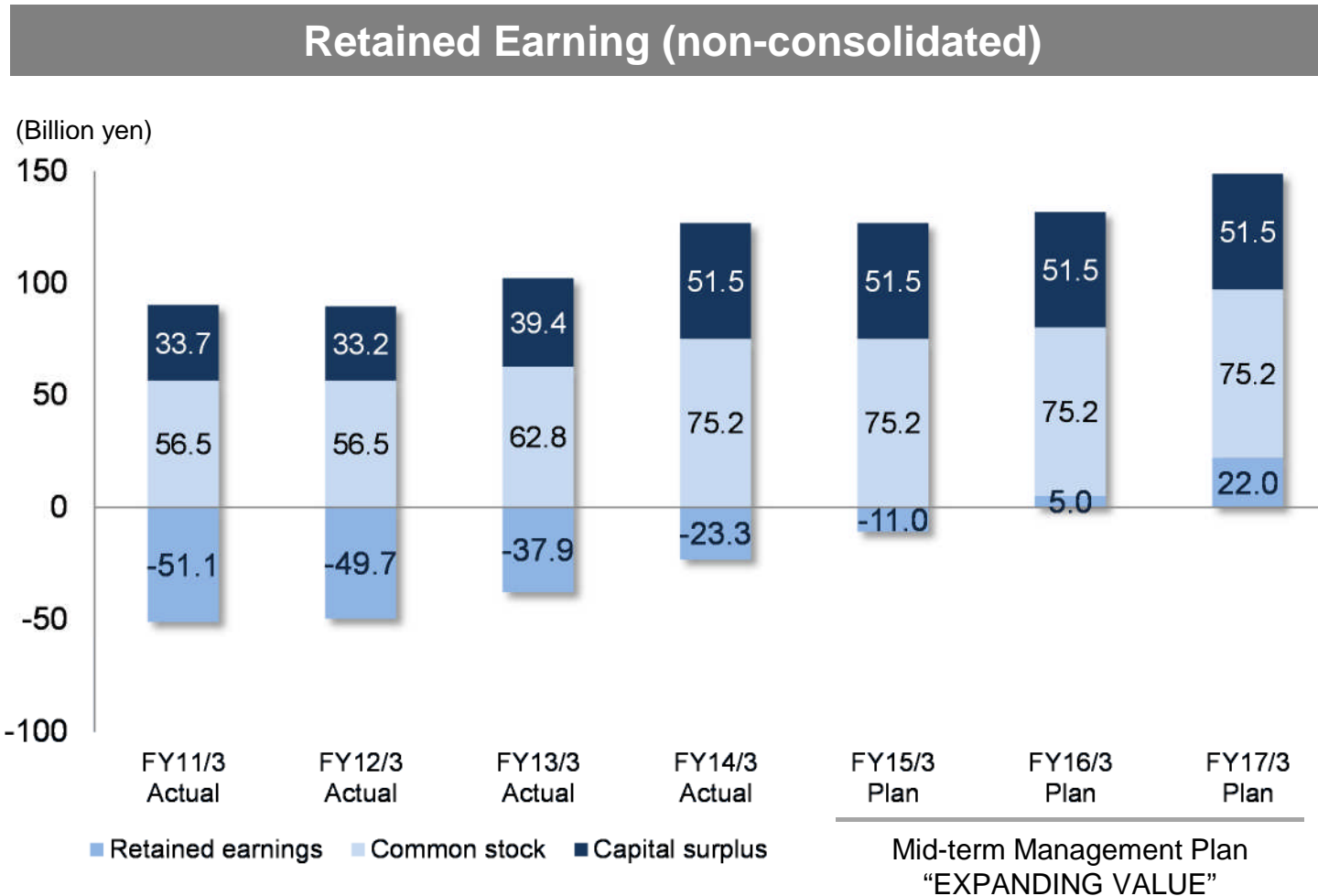
Concerning net assets, we will stack up annual profits toward a firm and secure standard. Assets will be reutilized against new businesses.

## Net Assets and Shareholders' Equity Ratio



# 4-3: Dividend Policy

We will aim for early dividend resumption by bringing up retained earnings to a positive level by stacking up profits.





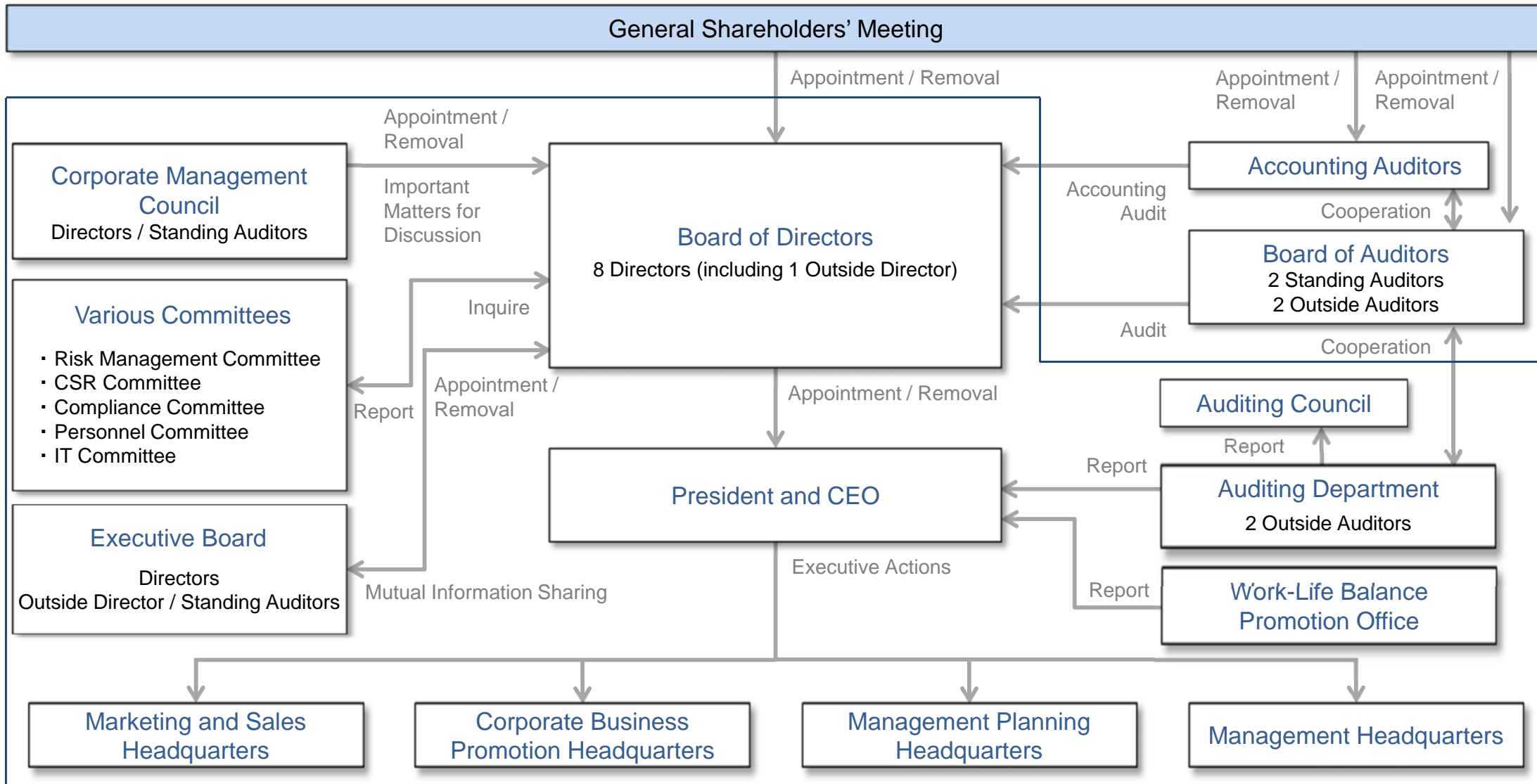
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5. Corporate Governance and CSR

# 5-1: Corporate Governance

Leopalace21 positions the establishment and enhancement of corporate governance as one of our most critical management issues, and it is our basic philosophy of corporate activities to pursue an efficient, fair and highly transparent operation in order to attain higher corporate values for the sake of all stakeholders.





Based on Leopalace21's corporate philosophy to "create new value," we strive to meet expectations and develop hand in hand with our customers and all of our other stakeholders, and make every effort to contribute to a sustainable society as a corporate citizen.

## Activities

- Provide housing for changing lifestyles
- 24 hour maintenance of apartments
- ISO9001
- Clean campaign near apartments
- Installments of solar power systems
- Promotion of work life balance
- Diversification of personnel including foreigners and women
- Proactive IR activities

## CSR Policy



24 hour maintenance



Clean campaign



Installments of solar power systems



Proactive IR activities

Business forecasts and strategies contained in this presentation are based on information available as of the date of announcement of this material, and are subject to factors of uncertainty that may possibly impact the future results of operations and are not a guarantee of the achievement of those results. Please understand that actual results may differ significantly from these forecasts due to various factors.

Management figures contained in these materials, unless otherwise specified, relate to the situation as of the end of March 2014.