



Leopalace21 Corporation

Medium-term Management Plan Creative Evolution 2020

May 2017



Leopalace21

1. About Leopalace21



Basic Information

President and CEO	Eisei Miyama	Paid-in Capital	75,282.36 million yen
Established	August 17, 1973	Total shares outstanding	267,443,915 shares
Employees	Consolidated basis 7,705; non-consolidated basis 6,599	Listing	First section of the Tokyo Stock Exchange (March 25, 2004)

Financial Information

Profit-loss statement

(Billions of yen)	2015/3 FY2014	2016/3 FY2015	2017/3 FY2016
Sales	483.2	511.5	520.4
Operating profit	14.8	21.0	22.8
EBITDA	22.5	30.8	32.6
Net income	15.1	19.6	20.4

Cash Flow

(Billions of yen)	2015/3 FY2014	2016/3 FY2015	2017/3 FY2016
Cash flow from operating	15.7	22.1	27.5
Cash flow from investing	-17.5	-11.0	-8.6
Free cash flow	-1.8	11.1	18.8
Cash flow from financing	1.7	1.3	-14.0

Balance Sheet

(Billions of yen)	2015/3 FY2014	2016/3 FY2015	2017/3 FY2016
Cash & deposits	75.2	88.0	104.4
Total assets	308.8	327.6	337.8
Interest-bearing debt	44.4	50.8	49.9
Total liabilities	183.9	182.7	178.9
Total net assets	124.9	144.8	158.8

Management Indicators

	2015/3 FY2014	2016/3 FY2015	2017/3 FY2016
Equity ratio	40.4%	44.2%	47.0%
Return on equity (ROE)	13.2%	14.6%	12.0%
EPS	57.7 yen	74.7 yen	77.6 yen
Return on assets (ROA)	5.1%	6.2%	6.6%

▶ Corporate Philosophy & Mission

“Creating New Value”

1.
We keep a close eye on modern-day needs, and strive to create new value in our own unique way, through flexible thinking and dynamic, inclusive teamwork.
2.
We are only happy if our customers are happy. We are constantly working to improve our products, services and technologies and to grow as a company.
3.
We provide new value throughout society as a leading company within the industry, to help create a more comfortable and affluent society.

Mission Statement

We seek to always be innovators, to create without ceasing, and further, we strive to increase value for society as a whole.

Adopted on December 16, 2016

Leopalace21 Group's Business Model

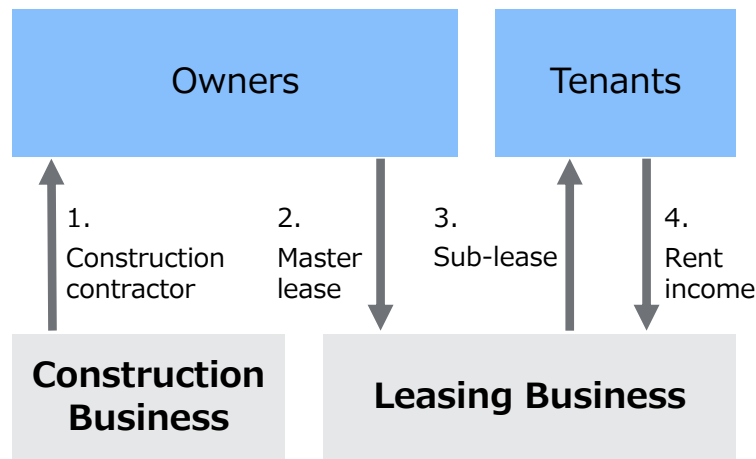
▶ Responsive to owner needs

- ▶ Apartment construction leads to **inheritance tax reduction**, and supports asset inheritance
- ▶ Our Master Lease System pays rents for all units in buildings regardless of vacancies **for up to 30 years**
- ▶ Total support from **construction to management and operation**

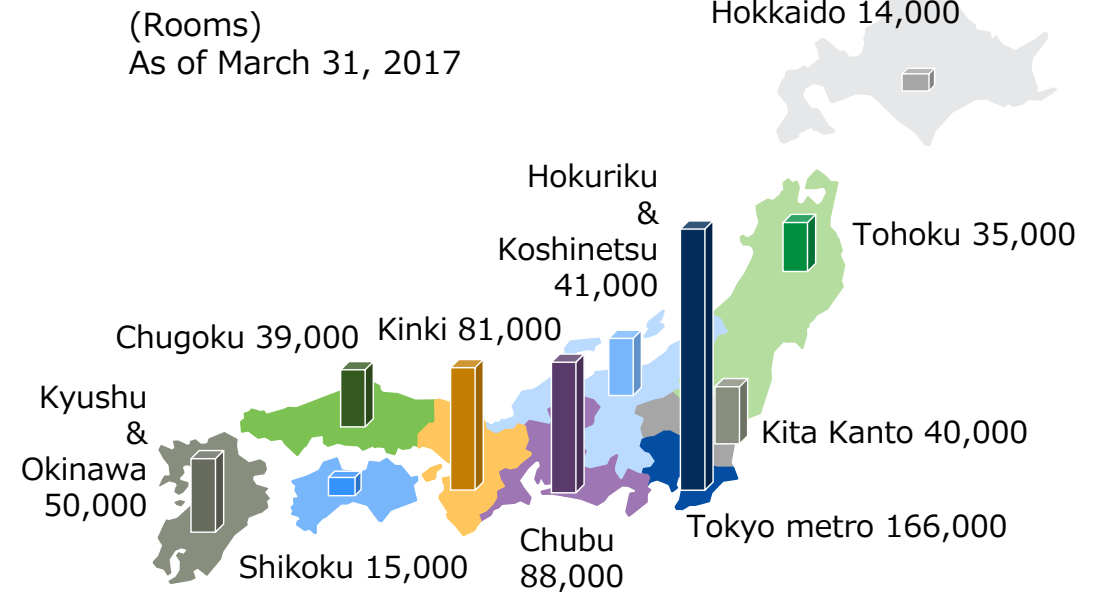
▶ Responsive to tenant needs

- ▶ Nationwide network centered on **three major metro areas where tenant demand is strong**
- ▶ Provide high value added services such as **furnished apartments with furniture, home appliances, and IoT devices**
- ▶ **No brokerage fees** (LP21 leases directly from landowners)

▶ Business model



▶ Rooms under management



No. 1 in Japan in lease management of rental units for people living alone **(570,000 rooms)**

▶ A leader in corporate residential leases

- ▶ 56.4% share in corporate leases
- ▶ Lease transactions with roughly 80% of listed companies

▶ Innovation initiatives

- ▶ Obtained patent for rental units with lofts (1991)
- ▶ Launched furnished apartments with furniture and home appliances (1999)
- ▶ Launched "Monthly Leopalace" short-term rental contracts (1999)
- ▶ Started broadband business (now LEONET) (2002)
- ▶ Introduced security system installations (2011)
- ▶ Introduced solar panel systems (2011)
- ▶ Launched "Room Customize" plans (now "my DIY") (2012)
- ▶ Introduced IoT devices into rooms such as" Leo Remocon (2016)

▶ Strong presence in major metro areas

- ▶ Rooms under management in three major metro areas
335,000 rooms (58.9% of total)
- ▶ LP21 built rooms (annual) in three major metro areas
59,000 rooms (72.8% of total)

▶ Solid financial foundation

- ▶ Equity ratio 47.0%
- ▶ Net Debt/equity ratio 0.44x

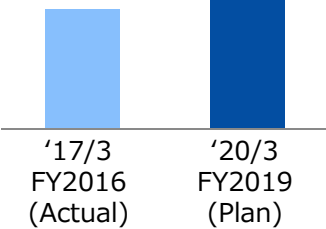
Aims to improve and strengthen growth investments and distributions to shareholders

Business Portfolio Profile (New Segment)

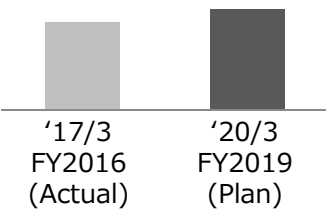
Leasing Business



421.3 **454.6**



23.1 **26.5**

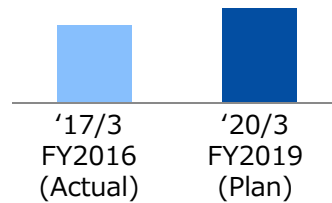


Reassigned to leasing business: "Small-sum, short-term insurance (SSI) business" as a tenant service and "solar power generation on leased rooftops" as a property value enhancement measure

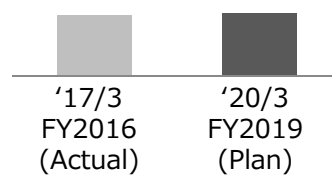
Development Business



80.3 **98.2**



5.8 **6.0**

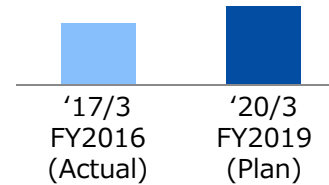


New segment created from the integration of Construction Business (former segment) and the Real Estate Development Business

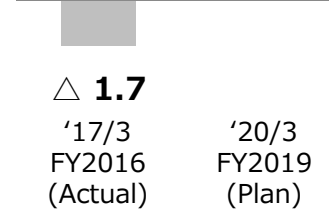
Elderly Care Business



11.5 **14.7**



0.2



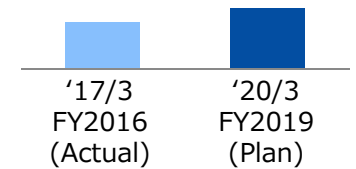
No changes

Hotels, Resort, and Other Businesses

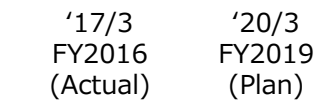


(Billions of yen)

7.3 **9.5**



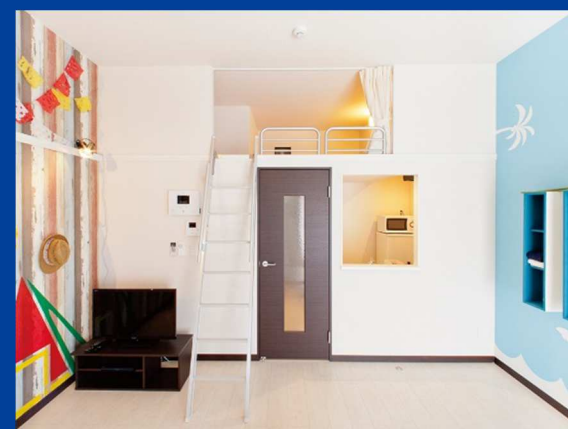
△ **0.8** △ **0.9**



Westin Resort Guam and Leopalace Hotels in Asahikawa and Okayama sold during the fiscal year ended March 31, 2017

Results of FY2016 (ended March 31, 2017) are adjusted to new segments

2. Medium-term Management Plan: An Overview



Recognition of External Environment

▶ Demographic Trends

- ▶ Number of households in Japan is expected to decline but single-person households in our target cohort of ages 15-64 (productive population) is expected to **trend sideways for nearly the next twenty years** (for details, see page 37)
- ▶ **Net domestic migration inflow** into three major metro regions continues to overrun (for details, see page 38)
- ▶ The 2025 problem: **population over age 65 is expected to reach about 30%** by 2025 (for details, see page 39)

▶ Leasing & Construction

- ▶ **New rental housing** starts in FY2016 **increased 11.4% year on year**, a brisk trend (for details, see page 40)
- ▶ **Number of vacant rental units** in Japan has **risen continuously** (for details, see page 41)
- ▶ Reduction in the basic deduction on inheritance taxes in the January 2015 inheritance tax revision has **sharply increased the number of heirs who are subject to inheritance taxes** (for details, see page 42)

Key Issues and Opportunities

- ▶ **Bolster development of services and products** that accurately perceive the market environment of increasing single-person households
- ▶ **Supply apartments in three major metro regions where rental demand is strong**
- ▶ Work to expand the Elderly Care Business in concert with Japan's evolution as an aging society (**new construction of nursing care facilities**)

- ▶ **Differentiating our products from competitors** is important amid growth in rental units
- ▶ **Limit new apartment supply to three major metro regions where rental demand is strong**
- ▶ Increase in landowners subject to inheritance taxes **spurs medium-and-long-term demand for apartment construction** as a way to lighten tax burden

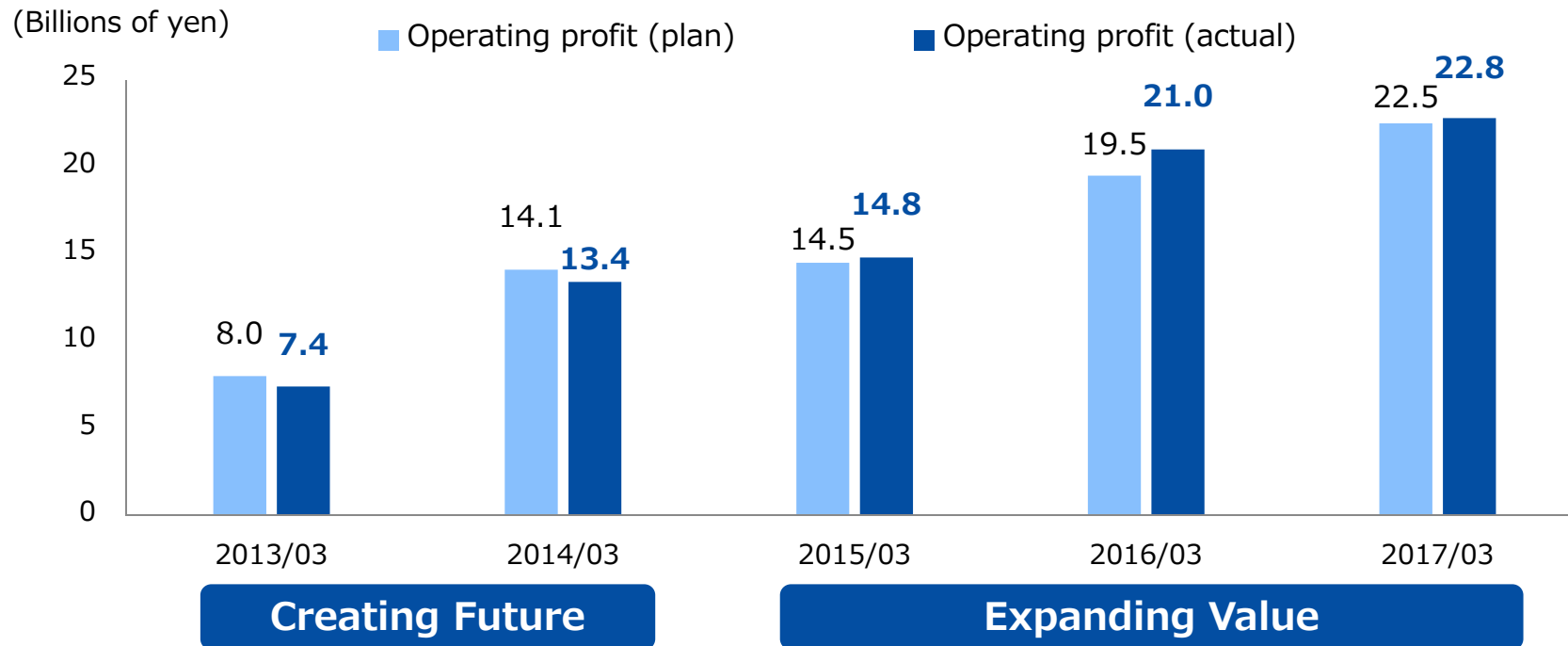
Review of Previous Medium-term Management Plan

Achievements

- ▶ **Achieved profit targets**
(Established solid base for stock business)
Three-year cumulative operating profit:
Plan 56.0 billion yen vs. Actual 58.8 billion yen
- ▶ **Recommended dividend payments** from FY2015 (FY ended March 2017)

Future tasks

- ▶ Establish base for growth areas
(Elderly Care Business and International Business)
- ▶ **Improve profitability of subsidiaries**
- ▶ **Improve balance sheet**
(Greater asset and capital efficiency)



▶ Medium-Term Management Plan: Key Points and Strategy

▶ Basic Policy

- ▶ **Support continuous growth of core businesses in ways that further increase corporate value while constructing a base for growth areas**

▶ Business Strategies (Value creation via cash flow generation)

- ▶ **Core businesses:** Balance apartment supply and management, and enforce concentration and diversification
- ▶ **Growth businesses:** Move the Elderly Care Business and International Business into profit, which are less exposed to shrinking domestic population

▶ Financial Strategies (Value creation via balance sheet management)

- ▶ Introduce ROIC as a key indicator
- ▶ Review asset holdings with a view to enhancing asset and capital efficiency
- ▶ Improve and strengthen distributions to shareholders

▶ Numerical Targets (consolidated)

(Billions of yen)	2017/3 (FY2016) (Actual)	2018/3 (FY2017) (Plan)	2019/3 (FY2018) (Plan)	2020/3 (FY2019) (Plan)
Sales	520.4	540.0	556.0	575.0
Operating profit	22.8	23.5	24.5	26.0
Net income	20.4	14.2	15.0	16.0
Adjusted net income*1	18.4	18.4	19.0	20.0
ROIC*2	7.1%	—	—	8%~10%
Adjusted ROE*3	12.0%	—	—	Maintain 12%

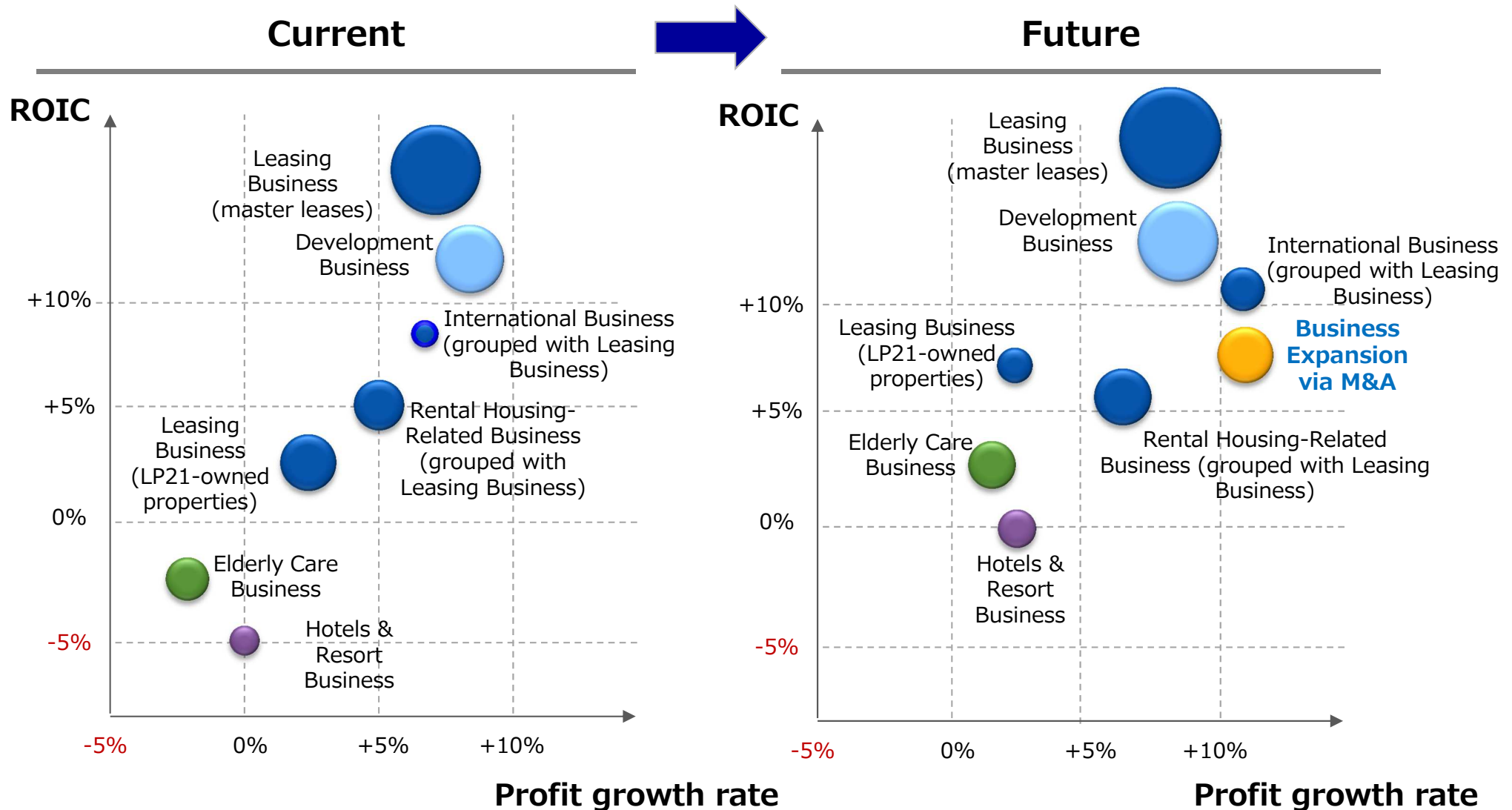
The Leopalace21 Group expects to reverse deferred tax assets during the span of the “Creative Evolution 2020” medium-term management plan; management indicators are calculated based on normalized earnings that exclude one-off gains or losses.

*1 Adjusted net income = Net income after adding (subtracting) corporate taxes

*2 Return on invested capital (ROIC) = Net operating profit after taxes (NOPLAT) / Interest-bearing debt + Net assets

*3 Adjusted ROE = Adjusted net income / Average net assets (average of period-start and period-end net assets)

Business Portfolio Rebalancing: Current vs. Future

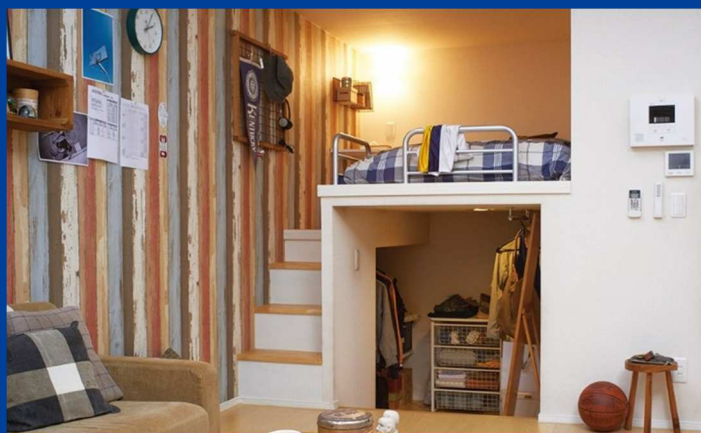


Shift to a structure where each business achieves value creation

Circle size indicates size of sales



3. Business Strategies



Leasing Business

External Environment

- ▶ Number of households in Japan is expected to decline but single-person households in our target cohort of ages 15-64 (productive population) is expected to **trend sideways for nearly the next twenty years**
- ▶ **Net domestic migration inflow** into three major metro regions continues to overrun

Issues and Opportunities

- ▶ **One stop solution** with apartments nationwide across Japan
- ▶ Differentiate by providing **added value** such as furnished apartments with furniture, home appliances, internet access via LEONET, and in-room IoT devices such as Leo Remocon
- ▶ Study **a third-way leasing model** to accompany lease contracts and short-term monthly contracts

Value Creation and Competitive Advantage

- ▶ Measures to enhance value of existing properties

- ▶ Tenant services

The “my DIY” plan enables tenants to rearrange rooms to suit their preferences



Life Stick device for set top boxes



IoT device Leo Remocon



Security system



“MY PAGE” website exclusively for tenants



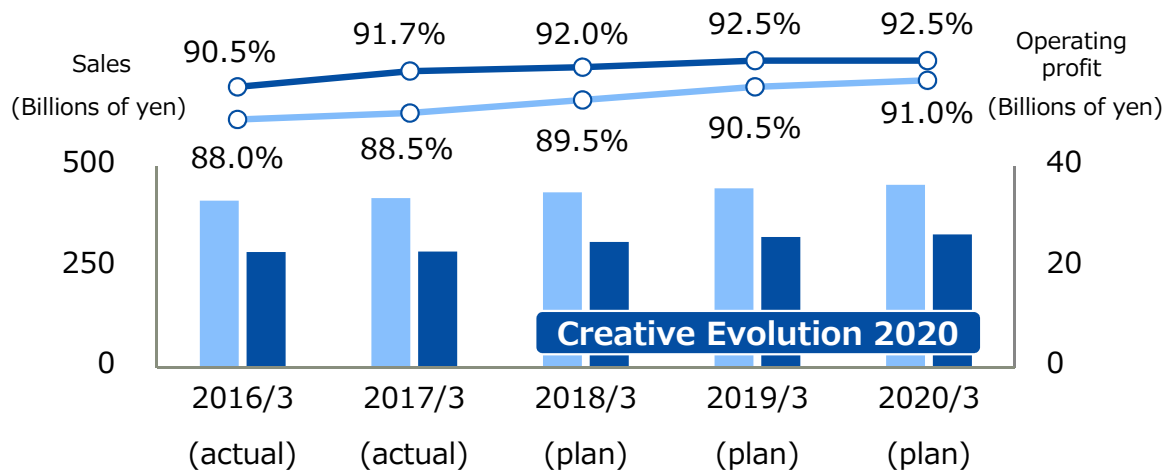
Leasing Business

External Environment

- Growth in corporate hiring amid labor shortage

Numerical targets

- Sales
- Operating profit
- Occupancy rate at end-FY
- Avg. occupancy rate during FY



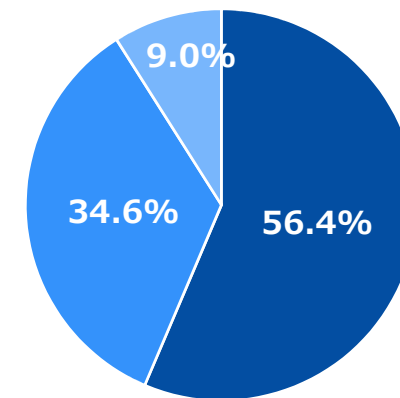
(Billions of yen)	2016/3 (actual)	2017/3 (actual)	2018/3 (plan)	2019/3 (plan)	2020/3 (plan)
Sales	414.9	421.3	435.0	445.0	455.0
Operating profit	23.0	23.1	25.0	26.0	26.5
Occupancy rate at end-FY	90.5	91.7	92.0	92.5	92.5
Avg. occupancy rate during FY	88.0	88.5	89.5	90.5	91.0

Issues and Opportunities

- Capture demand for **company-provided housing**
- Corporate sales teams specializing **in each sector**
- Lighten work load for corporate clients by providing **one-stop service of leasing solutions**

Tenants by Group

- Corporations
- Individuals
- Students



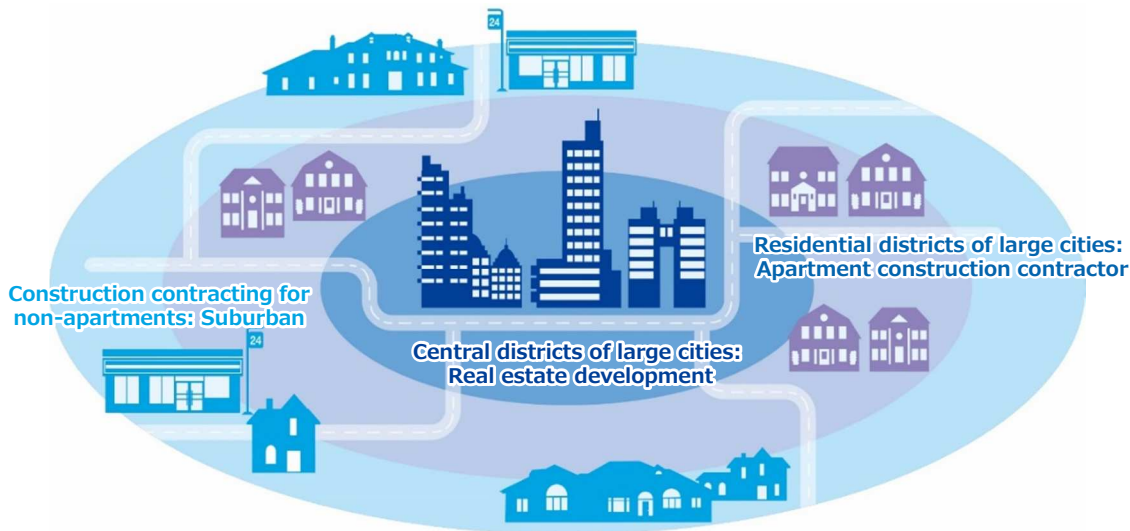
Lease transactions with **about 80%** of listed companies



External Environment

- ▶ Brisk trend in **new rental housing starts**
- ▶ **Number of vacant rental units in Japan has risen continuously**
- ▶ January 2015 inheritance tax revision has **sharply increased the number of landowners who are subject to inheritance taxes**

Location Categories



Issues and Opportunities

- ▶ Offer **high-quality, high-value-added** products and services
- ▶ **Limit rental housing supply to large cities where tenant demand is strong**
- ▶ **Diversify construction order mix**

Diversification of construction



Apartments



Elderly care facilities



Complex-type properties



Custom-built homes
(Morirzou Co.)



Commercial
facilities



Residential
building sold
as a single
unit

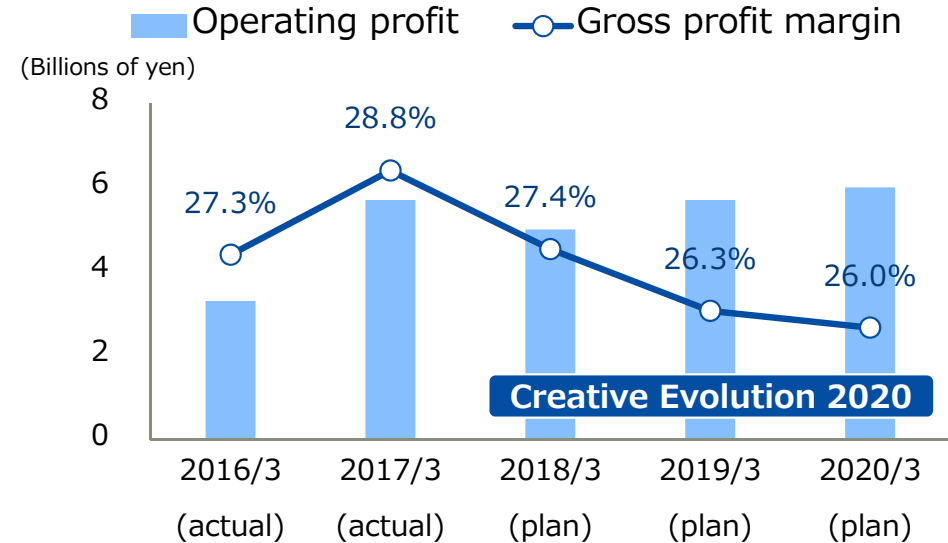
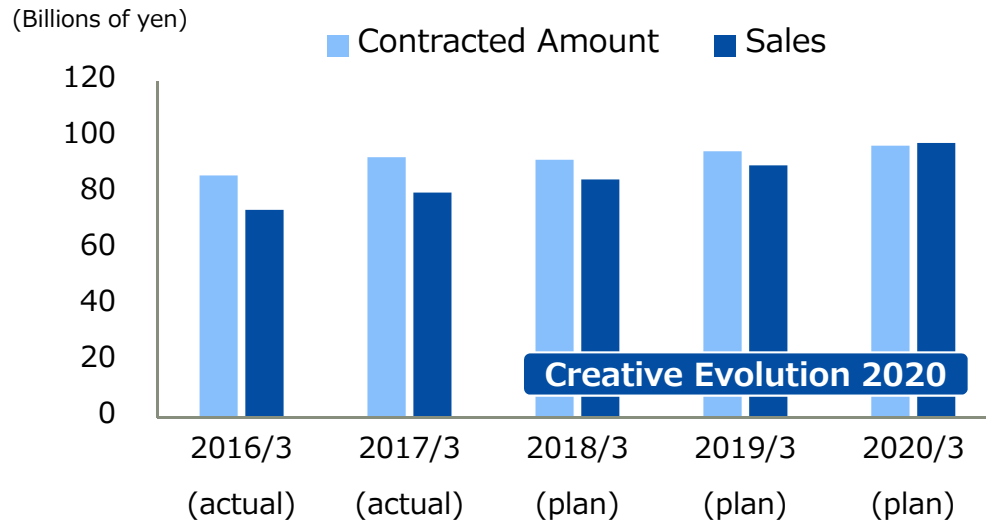
External Environment

- ▶ **Increase in construction demand** ahead of 2020 Tokyo Olympic & Paralympic Games

Issues and Opportunities

- ▶ Accelerate apartment supply in **Tokyo metro area**
- ▶ Factor **higher labor and materials costs** into profit plans and take steps such as accepting apprentices from Vietnam

Numerical Targets



(Billions of yen)	2016/3 (actual)	2017/3 (actual)	2018/3 (plan)	2019/3 (plan)	2020/3 (plan)
Contracted amount*	86.4	92.9	92.0	95.0	97.0
Sales	74.2	80.3	85.0	90.0	98.0

(Billions of yen)	2016/3 (actual)	2017/3 (actual)	2018/3 (plan)	2019/3 (plan)	2020/3 (plan)
Gross profit margin	27.3%	28.8%	27.4%	26.3%	26.0%
Operating profit	3.3	5.7	5.0	5.7	6.0

*Contracted amount is the total of the orders in the Construction Business and the contracted amount in the Real Estate Development Business

International Business (Included in Leasing Business for reporting purposes)

External Environment

- ▶ Growth in ASEAN is expected as **“China Plus One”**
- ▶ Population growth and **labor productivity growth** will drive economic growth in ASEAN nations

Issues and Opportunities

- ▶ Benefit from **ASEAN growth**, away from declining population in Japan
- ▶ Seek to capture demand from **Japanese client companies** (one-stop solutions via corporate sales teams in Japan)



Entry into 16 cities across Asia



International Business (Included in Leasing Business for reporting purposes)

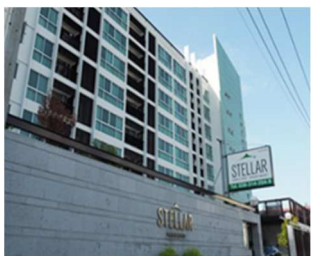
External Environment

- More companies entering ASEAN nations

Issues and Opportunities

- Offer high-quality buildings, facilities and services
- Since rental unit brokerage is a flow business, we will **expand management and operation of income properties** (EXIT policy after a certain period of time)

Overview of Service Apartments



Serviced Apartment in Sriracha, Thailand

Opened : November 2015
 Building : 72 rooms with eight floors above ground
 Occupancy rate : 87.5% (as of March 31, 2017)



Serviced Apartment in Ha Noi, Vietnam

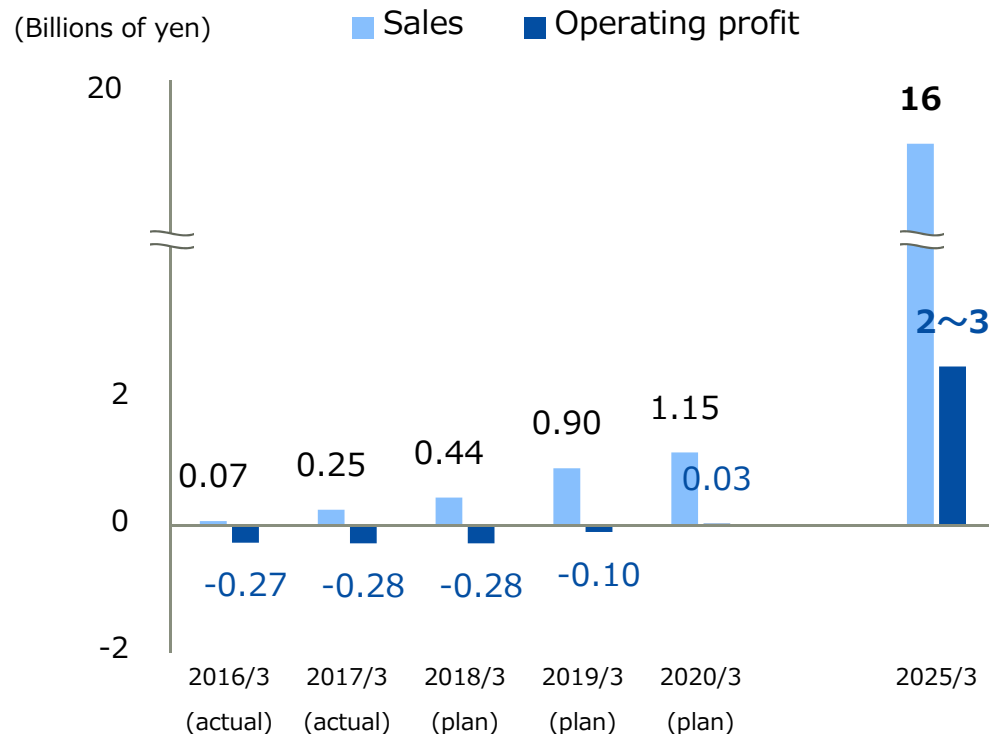
Opened : August 2016
 Building : 56 rooms with ten floors above ground, one floor below ground
 Occupancy rate : 92.9% (as of March 31, 2017)



Serviced Apartment in Phnom Penh

Scheduled opening : Summer 2017
 Building : 56 rooms with 14 floors above ground, one floor below ground

Numerical Targets



Elderly Care Business

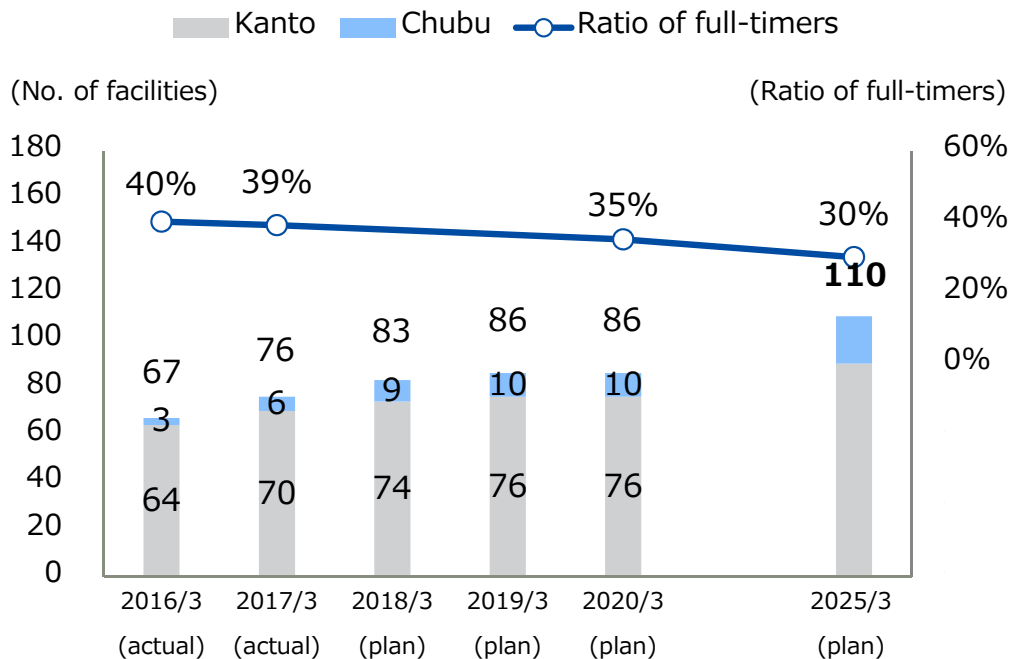
External Environment

- The **2025 problem**: population over age 65 is expected to reach about 30% by 2025

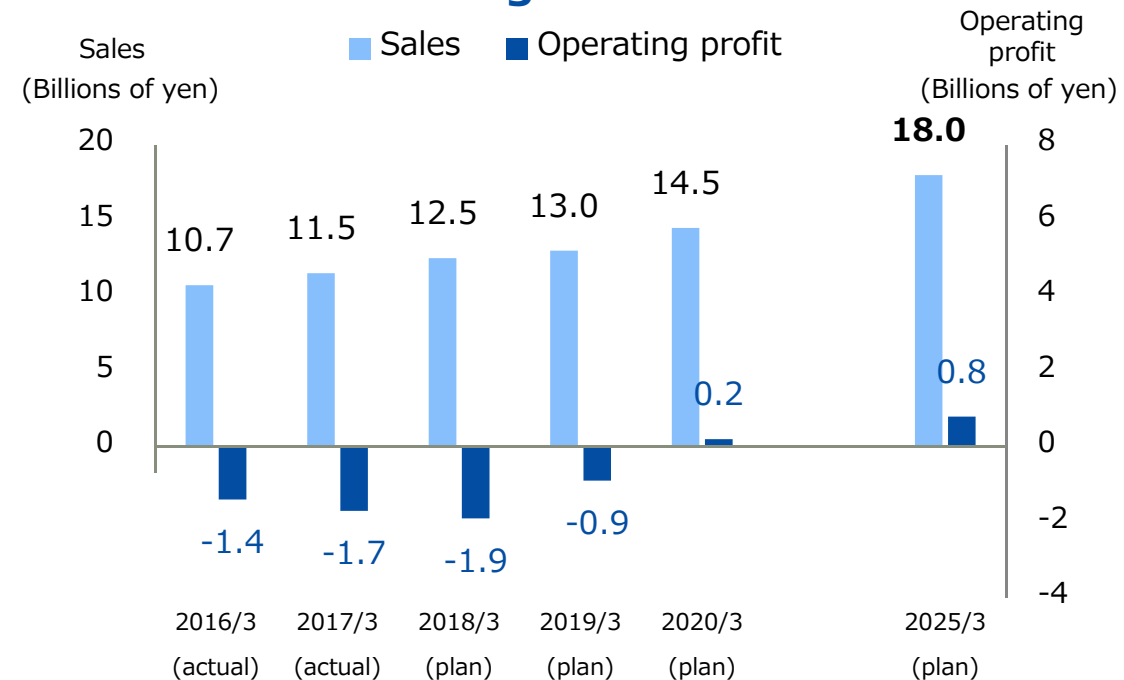
Issues and Opportunities

- Elderly Care Business is designated as a **growth business and focal point**
- New facilities that have not reached the break even point will continue to have **cumulative losses**, so we will temporarily stop construction after facilities which open by the end of FY2018 (86 facilities total)
- Improve earnings power of existing facilities through **optimal worker composition**

No. of Facilities



Numerical Targets



Hotels & Resort Business

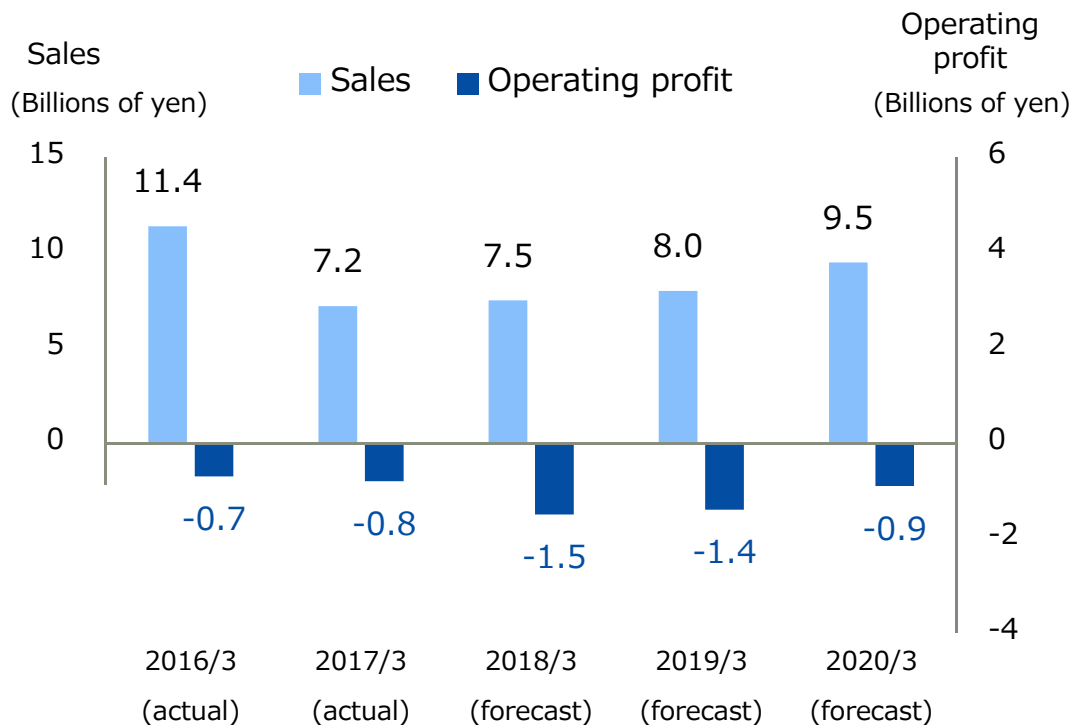
External Environment

- ▶ **Domestic hotel sector is robust** on a steady economy and inbound tourist demand
- ▶ A steady flow of Japanese tourists travel to Guam, and **the Korean market is a source of strong growth**

Issues and Opportunities

- ▶ **Sales and profits declined** following the sale of Westin Resort Guam and Leoplace Hotels in Asahikawa and Okayama in FY2016 (FY ended March 2017)

Numerical Targets



Opening of Leoplace Hotel Sapporo's new Annex (scheduled for October 2017)

- ▶ The increase in the number of rooms will enable the hotel to pursue inbound travelers such as tourists on group plans

As of March 31, 2017

March 2020

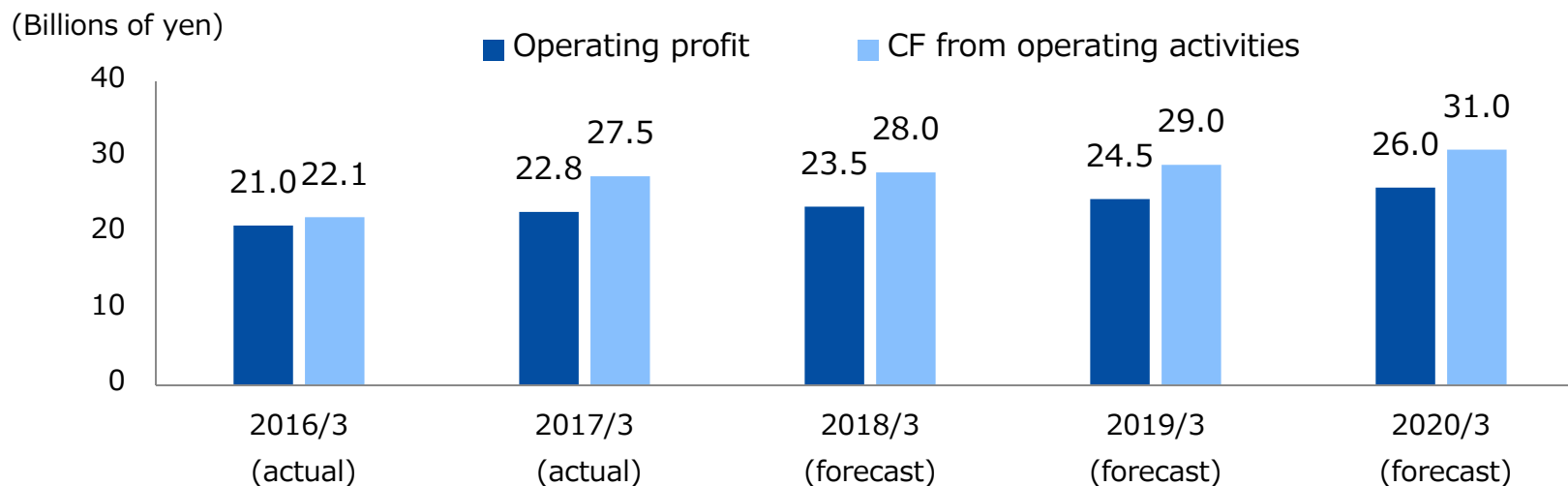
86 rooms — No. of rooms → **195 rooms**

Refurbish Leoplace Resort Guam

- ▶ Leoplace Hotel (to be completed in March 2018)
*Medallion floor (opened in April 2017)
- ▶ Golf course clubhouse (to be completed before end-2019)

Value Creation via Cash Flow

Operating profit and cash flow from operating activities



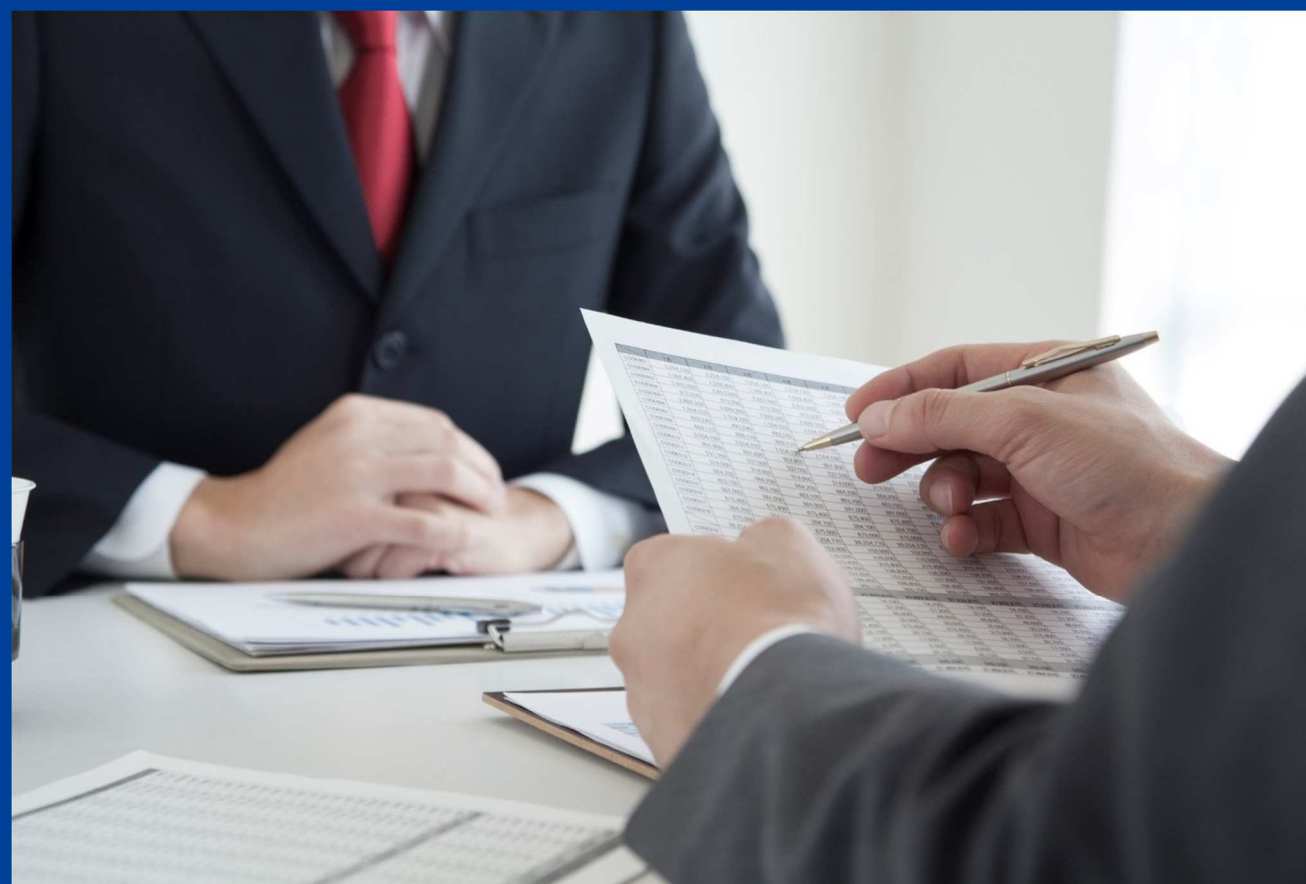
Creative Evolution 2020

Operating profit by segment

(Billions of yen)

	2016/3 (FY2015) (Actual)	2017/3 (FY2016) (Actual)	2018/3 (FY2017) (Plan)	2019/3 (FY2018) (Plan)	2020/3 (FY2019) (Plan)
Leasing	23.1	23.2	25.0	26.0	26.5
Development	3.3	5.8	5.0	5.7	6.0
Elderly Care	-1.4	-1.7	-1.9	-0.9	0.2
Hotels, Resort, and Other	-0.7	-0.8	-1.5	-1.4	-0.9
Operating profit	21.0	22.8	23.5	24.5	26.0

4. Financial Strategies



▶ Financial Strategies: Basic Policies

▶ Introduce ROIC-based management

- ▶ Introduce ROIC as a new management indicator
Aim to shift from a profit-focused management to a balance sheet management in order to create value
- ▶ Use ROIC as a hurdle rate to determine asset sales and investments

▶ Promote “efficient asset and capital management”

- ▶ Balance sheet management (sell off low-efficiency assets)
*Asset sales during previous medium-term management plan:
Westin Resort Guam, four domestic hotels, 33 apartments
- ▶ Reshuffle asset holdings

▶ Improve and strengthen distributions to shareholders

- ▶ Introduce a total return ratio*
- ▶ Execute a share repurchase plan
*The total return ratio refers to combined distributions for dividends and share repurchases from net income attributable to shareholders of the parent for the relevant fiscal year

	Fiscal 2016 (actual)	Fiscal 2019 (directional)
ROIC	7.1%	8%~10%
Adjusted ROE	12.0%	Maintain 12%
Equity Ratio	47.0%	Above 40%
Adjusted EPS Growth	12.3%	About 10%

- ▶ **ROIC** : Strive to improve by reviewing asset holdings

*ROIC = After-tax operating income ÷ (interest-bearing debt + net assets)

- ▶ **Adjusted ROE** : Examine capital efficiency on normalized earnings given the expected reversal of deferred tax assets

*Adjusted ROE = (net income + adjustments for corporate taxes, etc.) ÷ (average of start-FY net assets and end-FY net assets)

- ▶ **Adjusted EPS Growth** : Examine capital-efficient growth prospects for after-tax recurring income that excludes one-off factors such as goodwill amortization, corporate taxes, etc.

*Adjusted EPS Growth = (Recurring income + goodwill amortization) ÷ outstanding shares

▶ Introduce ROIC-based Management

▶ Basic Policy

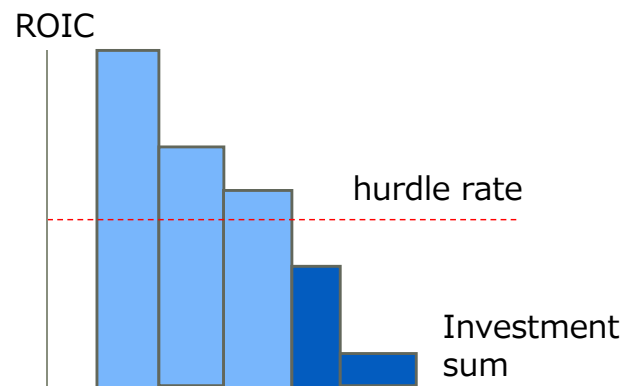
- ▶ Aim to shift from a profit-focused management to a balance sheet management in order to create value

ROIC as a management metric

- Adopt ROIC as a new management metric in addition to ROE
- Ascertain at a quantitative level value creation, including balance sheet improvement

Basis for deciding to invest in or sell assets

- Establish a hurdle rate based on capital cost and use it as a metric for determining whether to invest in or sell assets



Optimize our capital structure

- Our main focus will be to curtail our equity ratio by paying dividends and repurchasing shares
- Look for opportunities to use debt to hold down our capital costs

Capital Allocation Based on “Asset-light” Management

Basic Policy

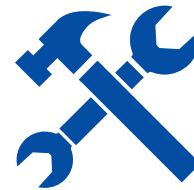
- Actively use cash flows from operating activities and proceeds from asset sales for growth investments (capex & M&A) and distributions to shareholders

Business-driven value creation

Operating CF in FY2017-FY2019 to total about 90 billion yen

“Efficient asset and capital management”

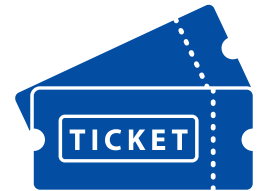
Proceeds from asset sales (16.7 billion yen in FY2016)



Growth investments
(Capex and M&A)



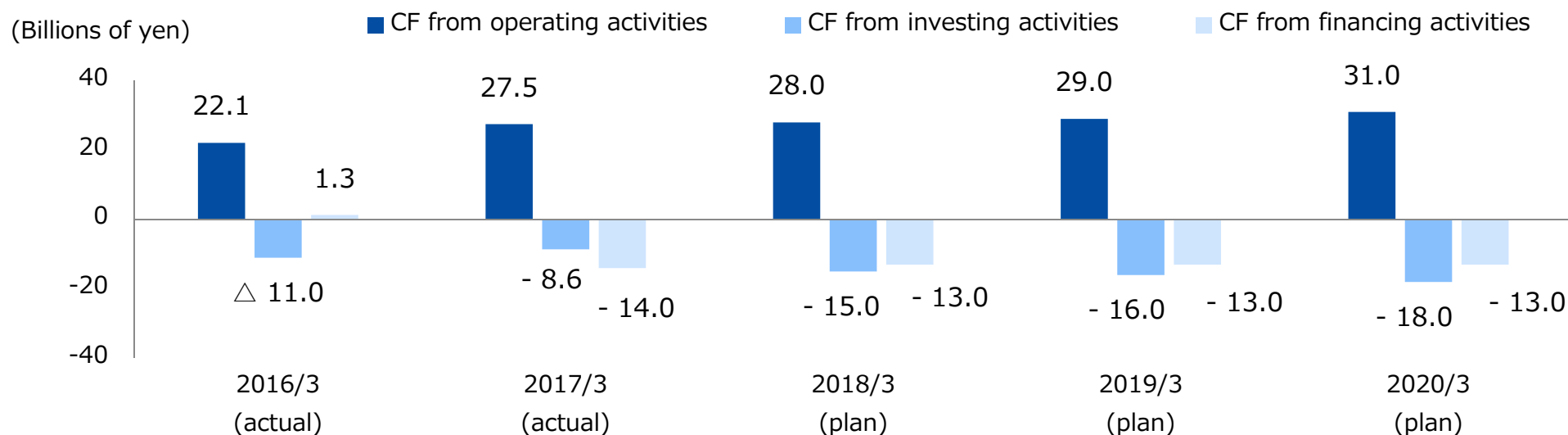
Dividends



Share
buybacks

Active Use of Cash Flow

Full-use of cash flow from operating activities



Creative Evolution 2020

Breakdown of investing CF

(Billions of yen)	2016/3	2017/3
Purchases of fixed assets	-9.8	-5.3
Purchases of shares in subsidiaries	-	-5.4
Purchases of investment securities (development SPCs, etc.)	-1.4	-2.7
Proceeds from fixed asset sales	0.7	16.7
Time deposits (net)	-0.5	-10.6
Others	-0.1	-1.3
Total	-11.0	-8.6

Breakdown of financing CF

(Billions of yen)	2016/3	2017/3
Repay interest-bearing debt	-28.8	-9.2
Issue interest-bearing debt	30.1	0.4
Pay dividends	-	-5.2
Repurchase shares	-0.0	-0.0
Others	0.0	-
Total	13.0	-14.0

*The main component of purchases of fixed assets in fiscal 2014 was solar panel installation fixtures for our solar power generation business on leased rooftops.

▶ Improve and Strengthen Distributions to Shareholders

▶ Basic policy on returning profits to shareholders

- ▶ Adoption of total return ratio

50% Target

in FY2019

▶ Policy on share buybacks

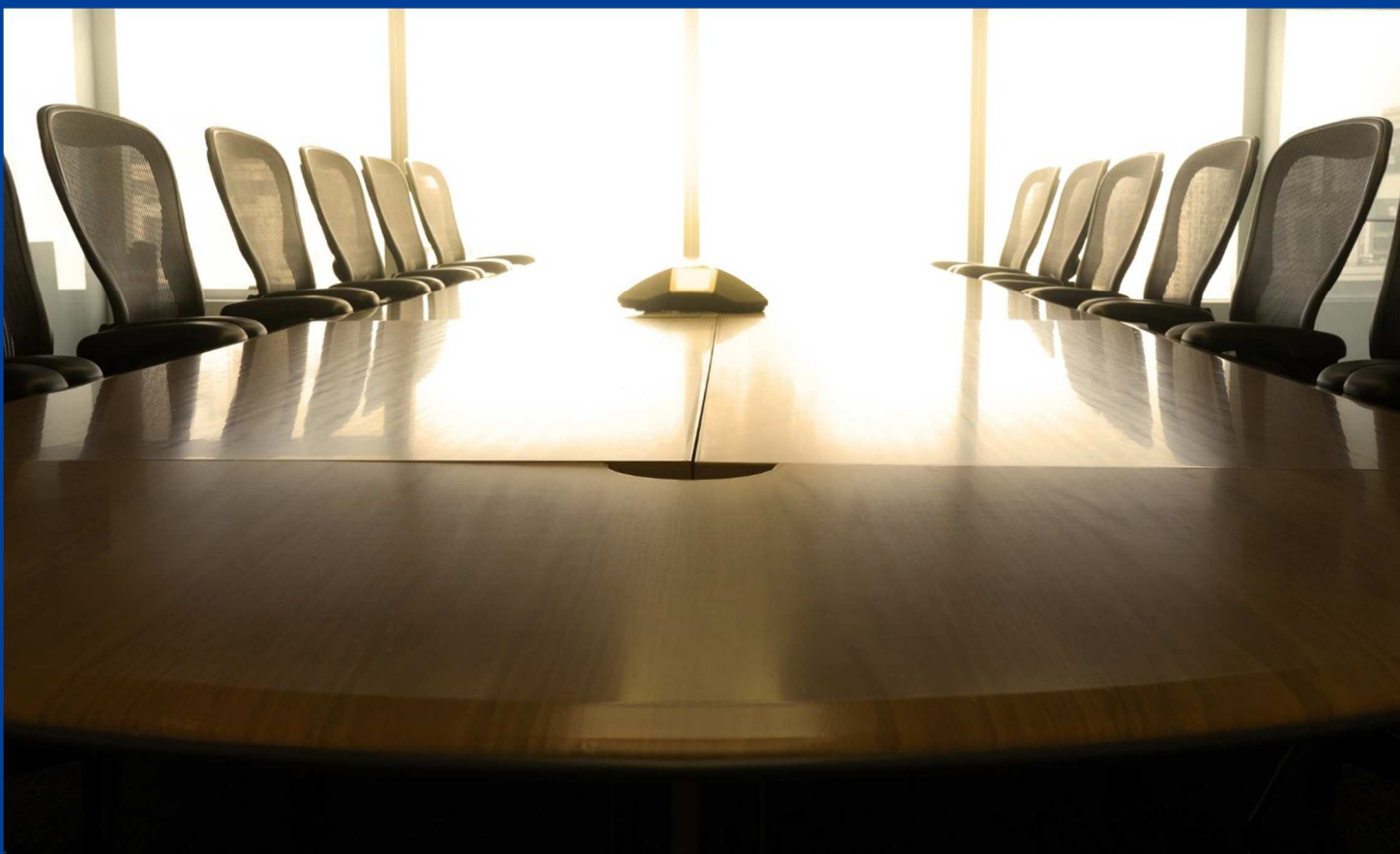
- ▶ Funding source is proceeds from asset sales
(distributions from profits are to be allocated to dividends and growth investments)
- ▶ Flexibly repurchase shares while monitoring share price trends

▶ Execution of share buybacks (announced on May 15, 2017)

- ▶ Retire treasury stock holdings **4 million shares**
(1.5% of shares outstanding)
- ▶ Repurchase shares **Ceiling of 13 million shares for buyback**
(4.95% of shares outstanding)
Ceiling of 8 billion yen for buybacks



5. Initiatives as a Value Creation Company



▶ Aligning the conduct of each director and executive officer for value creation

▶ **Leopalace21 Directors and Executive Officers**

Increase ratio of performance-linked compensation: Bonuses and stock options (revised)

- ▶ Raise from standard ratio of 25% to 40% (47% for the president)
- ▶ Embed incentives in the medium-term management plan (new)

▶ **Group Company Directors and Executive Officers**

- ▶ Create performance-linked compensation system: Bonuses and stock options (new)

▶ **Group Employees**

- ▶ Personnel system policies based on posts and job descriptions (adopted since FY2014)
- ▶ Performance-linked bonuses (adopted since FY2011)
- ▶ 73.3% of employees participate in an employee stock ownership plan (as of May 10, 2017)

► Enhance checking functions to ensure continuous value creation

All three outside directors are corporate executives

Ratio of outside directors who are or have been corporate executives

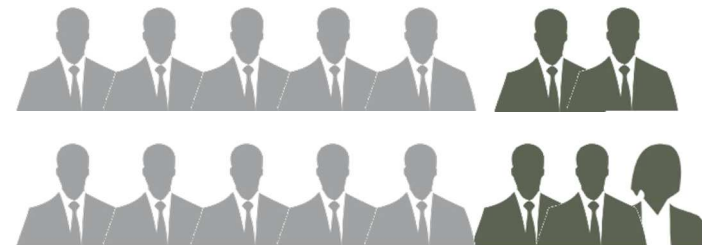
100%



Gradual increase in weighting of outside directors and auditors

Ratio of outside directors and auditors at BOD Meeting and ASB Meeting

33%



*Audit & Supervisory Board (ASB)

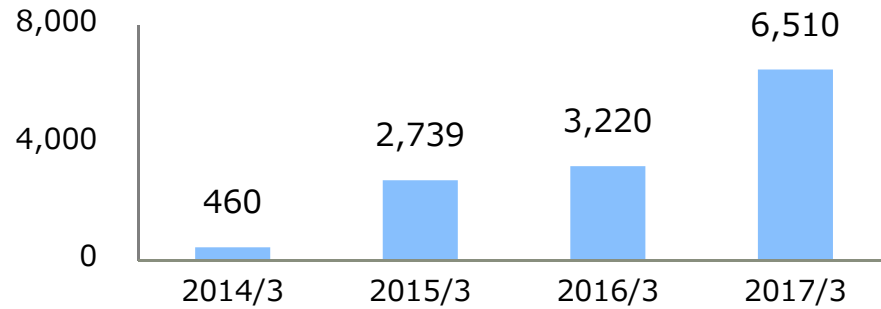
*From July 2017, the number of outside directors and auditors is to increase from five to six (40% of total)

Strengthen Personnel Development: Training and Work Style Reform

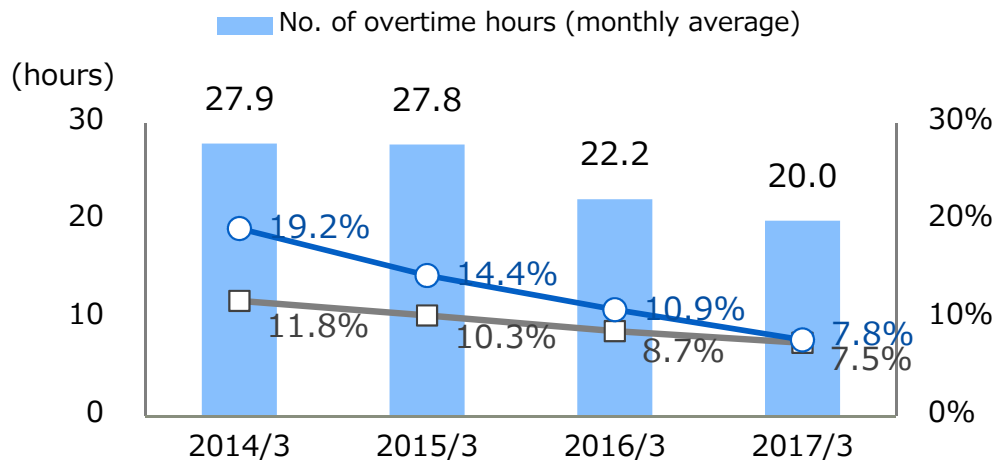
▶ Wellspring for value creation: solutions and improvement of added value

▶ No. of Participants in Training Programs

(No. of participants)



▶ Ratio of Workforce Turnover, Reduction in Overtime Hours



▶ Recognized in “White 500” category of METI program for health and productivity management organizations (February 2017)

- ▶ Initiatives recognized were promotion of:
 - health support that harnesses specialists
 - health forums
 - work-life balance



▶ Recognized as “Nadeshiko Brand” enterprise by METI and TSE (March 2017)

- ▶ Initiatives recognized
 - providing training to foster female success in the workplace
 - offering telework options
 - hosting diversity forums
 - encouraging male employees to use childcare leave
 - promoting work-life balance.

▶ Bolster New Services: Enable Comfortable Living

▶ Value Creation via Innovation and Addressing Social Issues

Based on our corporate philosophy of **“creating new value,”** LP21 strives to meet the expectations of all our stakeholders, especially our customers, as a good corporate citizen and be a contributor to building a sustainable society while seeking to promote development.
「CSR basic policy」

▶ Key Initiatives

Open-type Delivery Pickup & Drop-off (PUDO) Lockers

Installing Lockers that can Accept Deliveries and Pickups at Any Time

PUDO stations are open-type delivery pickup and drop-off lockers run by Packcity Japan, a joint venture between France’s Neopost Shipping S.A. and Japan’s Yamato Transport Co., Ltd. A recipient tells the sender to which PUDO station the package should be delivered, and once the delivery has been made, the recipient only needs to input the password to pick up the package. Starting with Leopalace RX Nakano Sakaue in September 2016, LP21 has installed PUDO stations in twelve buildings as of March 2017. As the lockers can be used by all residents living nearby, they contribute not only to the community but also make life more convenient for LP21 apartment tenants. We plan to install many more PUDO stations based on a plan to increase total sites to 100 as of end-March 2018.



Promotion of Smart Apartments

Installing “Leo Lock” Smart Locks

We are working with smart lock marketer Glamo Inc. to produce a smart lock customized to match LP21 specifications called Leo Lock. We aim to install these smart locks in LP21 apartments completed after October 2017 on orders received as far back as April 2017, with plans to install them into about 10,000 rooms per year in the rollout’s initial phrase. We expect LP21 to be the largest provider in Japan of rental housing with network-connected smart locks and smart phone-accessible home appliances. With Leo Lock functionality, LP21 can remotely manage key cylinder replacements, key handovers, and lost key inquiry responses, so they can sharply reduce management costs as well as make life more convenient for tenants.

Leo Remocon: Standard Feature in All Rooms in New Apartments

Installed in rooms of new buildings completed after October 2016, Leo Remocon is a device that enables tenants to use their smartphones to control home appliances with a remote control infrared receiver while also displaying in-room temperature, humidity, and illumination. In combination with Leo Lock, Leo Remocon will enable remote confirmation that a door lock has been opened or locked and in-room lighting to be automatically switched on and off in response to these actions.



Life Stick: Enabling New Services

The “Life Stick” remote control for set top box (STB) devices has been standard equipment in 560,000 rooms in LP21 apartments since July 2016. It can access apps for the newly developed Android TV via the LEONET internet service platform we provide tenants. With smart devices accelerating a diversifying trend in consumer lifestyles, we aim to provide services that align with this trend such as daily life information like weather data and WiFi access points.



Reference Data Appendix

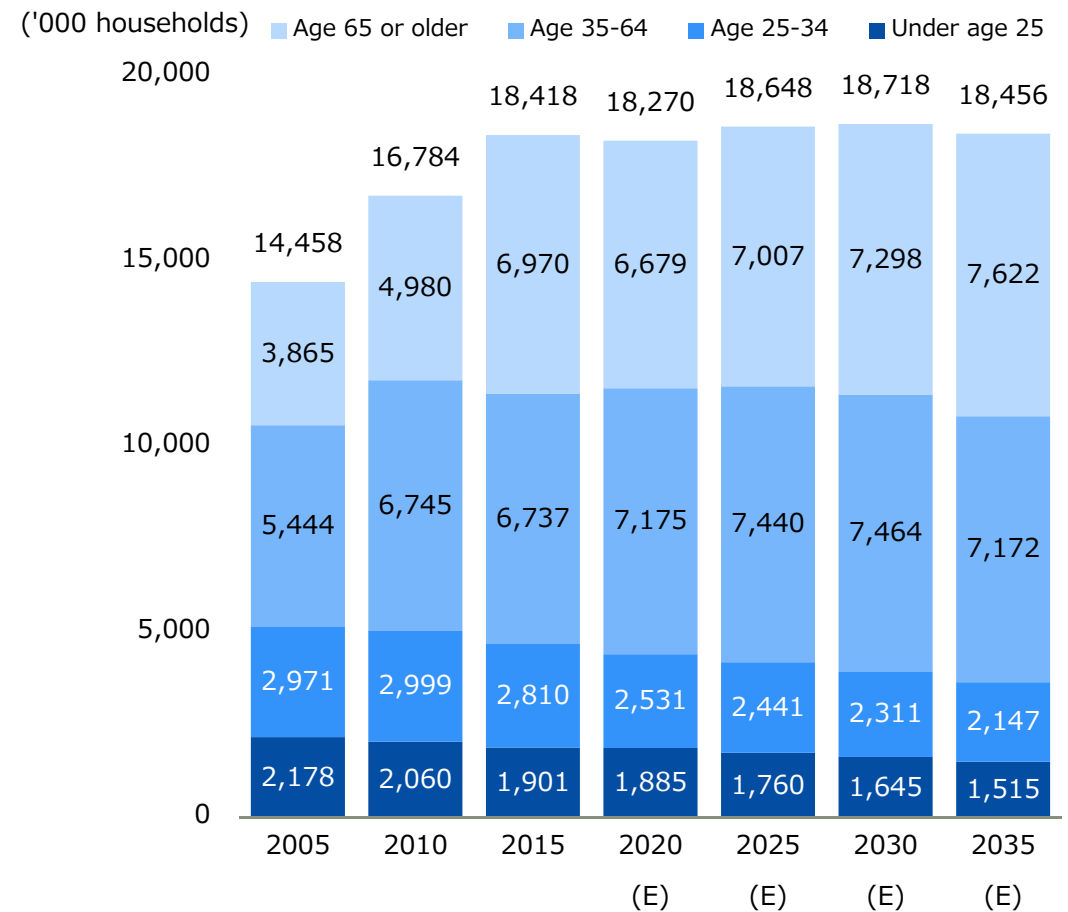
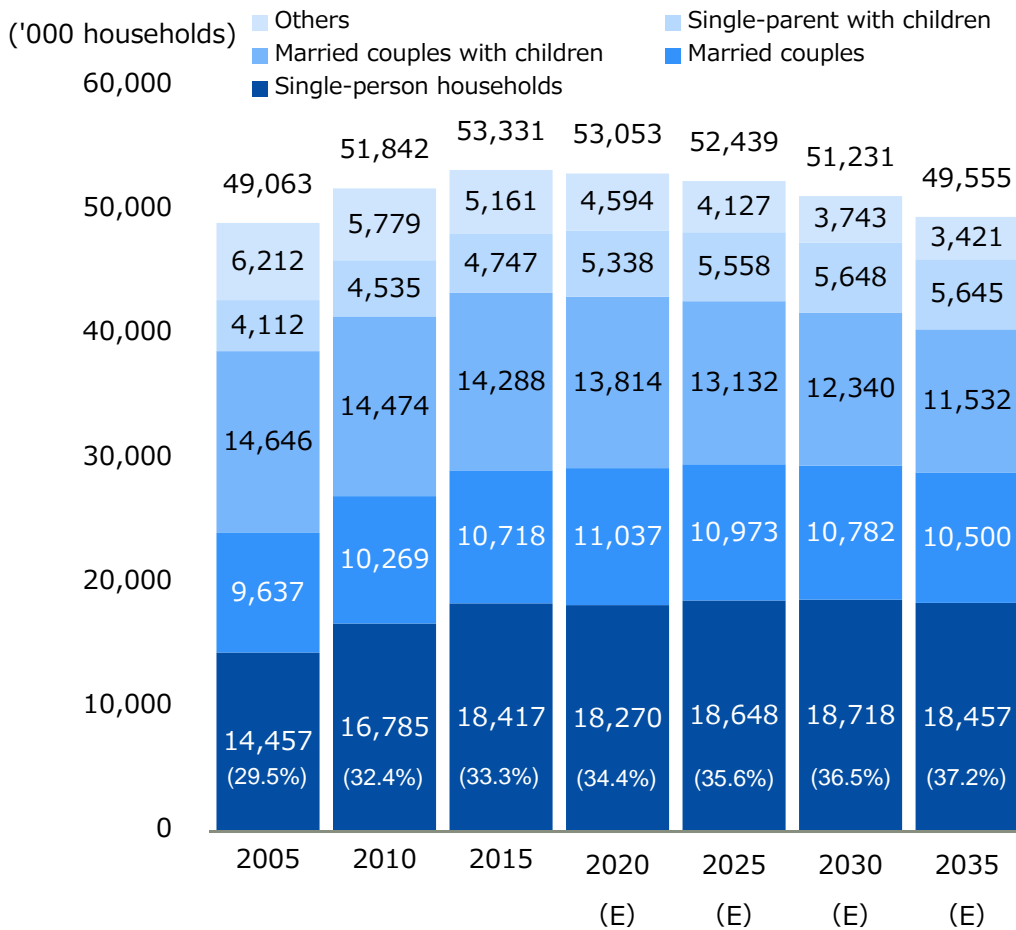


Statistics on Number of Households and Projections

- ▶ Number of households in Japan is expected to decline but the number of single-person households is expected to increase.
- ▶ Single-person households in our target demographic cohort of ages 15-64 (productive population) are expected to trend sideways at about 11 million for almost the next two decades.

▶ Statistics on household by types, projections

▶ Statistics on single-person households by age group, projections



Domestic Population Inflows/Outflows

- ▶ The net inflow of domestic migration into the three major metro regions continues; LP21 aims to supply apartments in areas where rental demand is strong.

▶ Net inflows into 3 major metro hubs

(-= net outflows)

	No. of sales offices	(People)		
		2014	2015	2016
Tokyo	20	76,027 (88%)	84,231 (89%)	74,324 (93%)
Saitama Pref.	8	18,375	18,077	21,702
Kanagawa Pref.	8	14,887	17,276	16,093
Chiba Pref.	3	6,759	8,039	13,163
Tokyo metro area	39	116,048 (77%)	127,623 (78%)	125,282 (78%)
Aichi Pref.	4	7,978	10,518	8,968
Osaka Pref.	4	-1,666	906	404
Kyoto Pref.	1	-1,529	-638	-1,028
Hyogo Pref.	2	-7,407	-7,366	-6,305
3 major urban hubs	50	113,424	131,043	127,321

*The percentage shown inside parenthesis is of the age 20-39 cohort vs. total net population inflows.

▶ Net inflows into cities with LP21 offices where we seek to expand

(-= net outflows)

	No. of sales offices	(People)		
		2014	2015	2016
Sendai City	2	2,050	1,140	615
Nagoya City	3	4,442	6,252	5,934
Kyoto City	1	721	917	-121
Osaka City	3	6,525	11,076	8,846
Kobe City	1	-1,129	-396	-550
Okayama City	1	345	-162	-667
Hiroshima City	1	-528	289	119
Fukuoka City	4	6,564	7,680	7,287

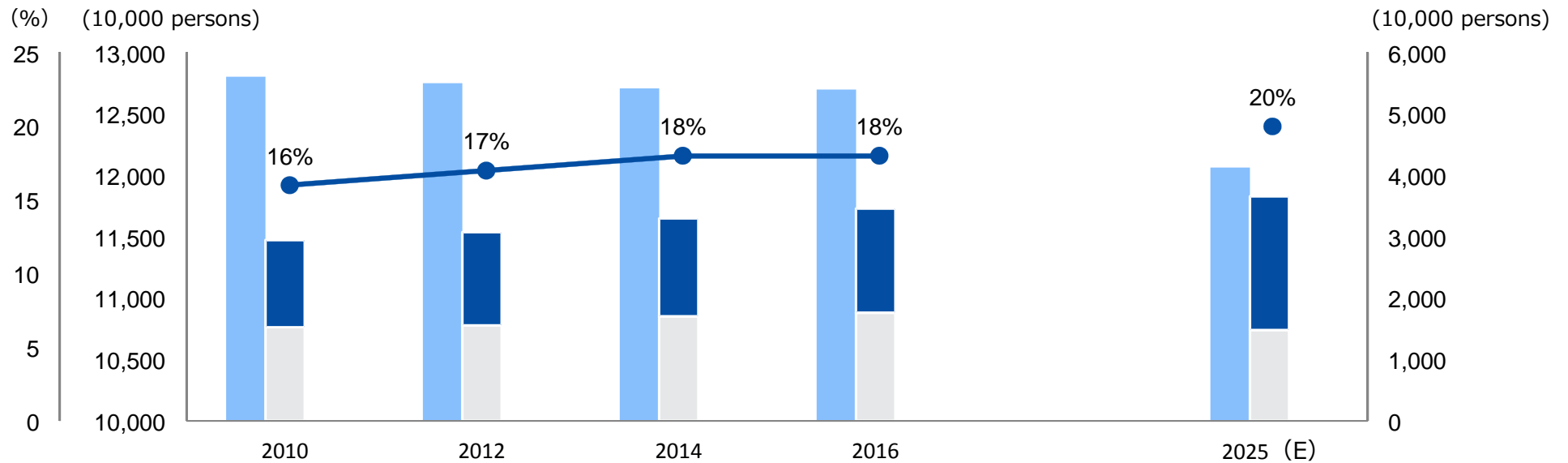
*Excludes Tokyo metro area.

Source: Report on internal migration in Japan derived from the basic resident registers, Statistics Bureau, MIC

Elderly Population

- ▶ Japan's elderly population and ratio requiring support (certified as needing support) are projected to increase

▶ Elderly population trends in Japan

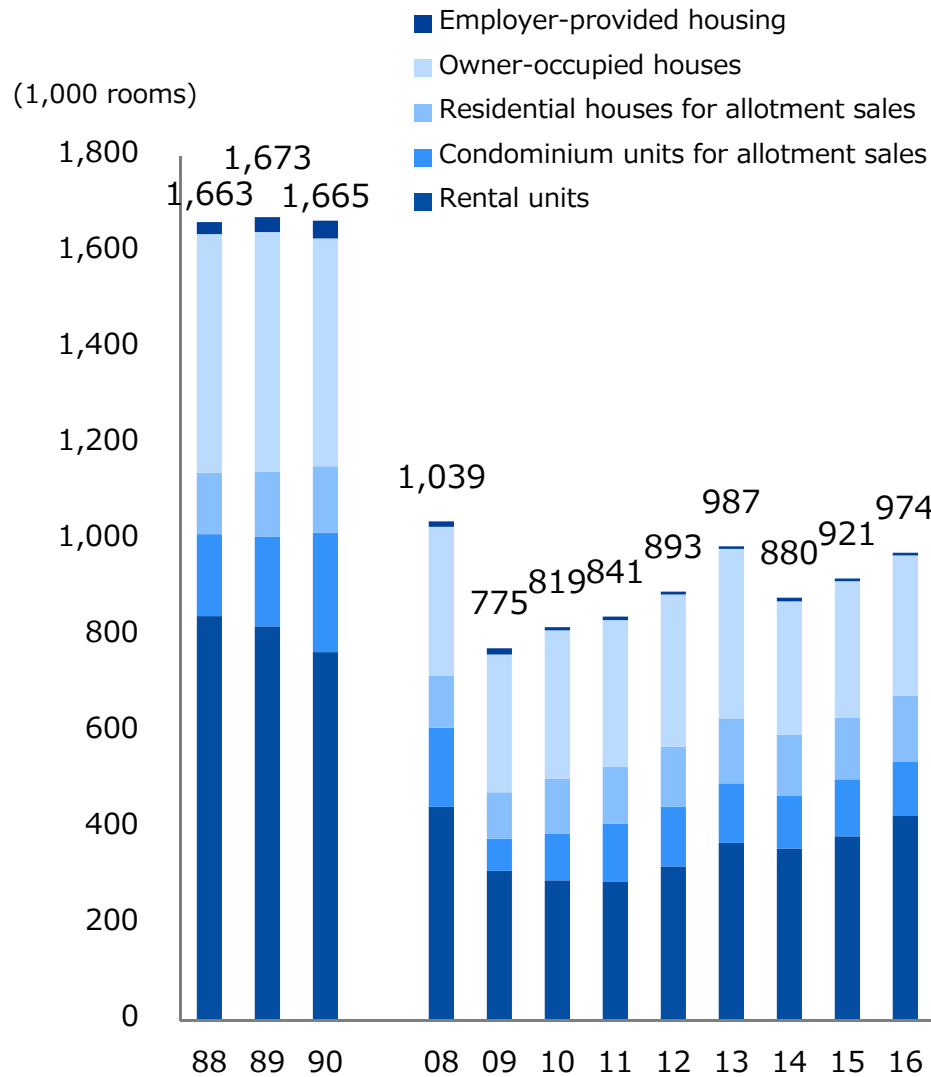


	2010	2016	2025	compared with 2016
Total population ('000 persons)	128,050	127,000	120,650	-6,350
Over age 65 ('000 persons)	29,480	34,610	36,570	+1,960
% of total population	23%	27%	30%	+3p
Of which, over age 75 ('000 persons)	14,190	16,970	21,790	+4,820
Persons requiring support ('000 persons) (certified as needing support)	4,870	6,210	7,150	+940
Of which, over age 65	16%	18%	20%	+2p

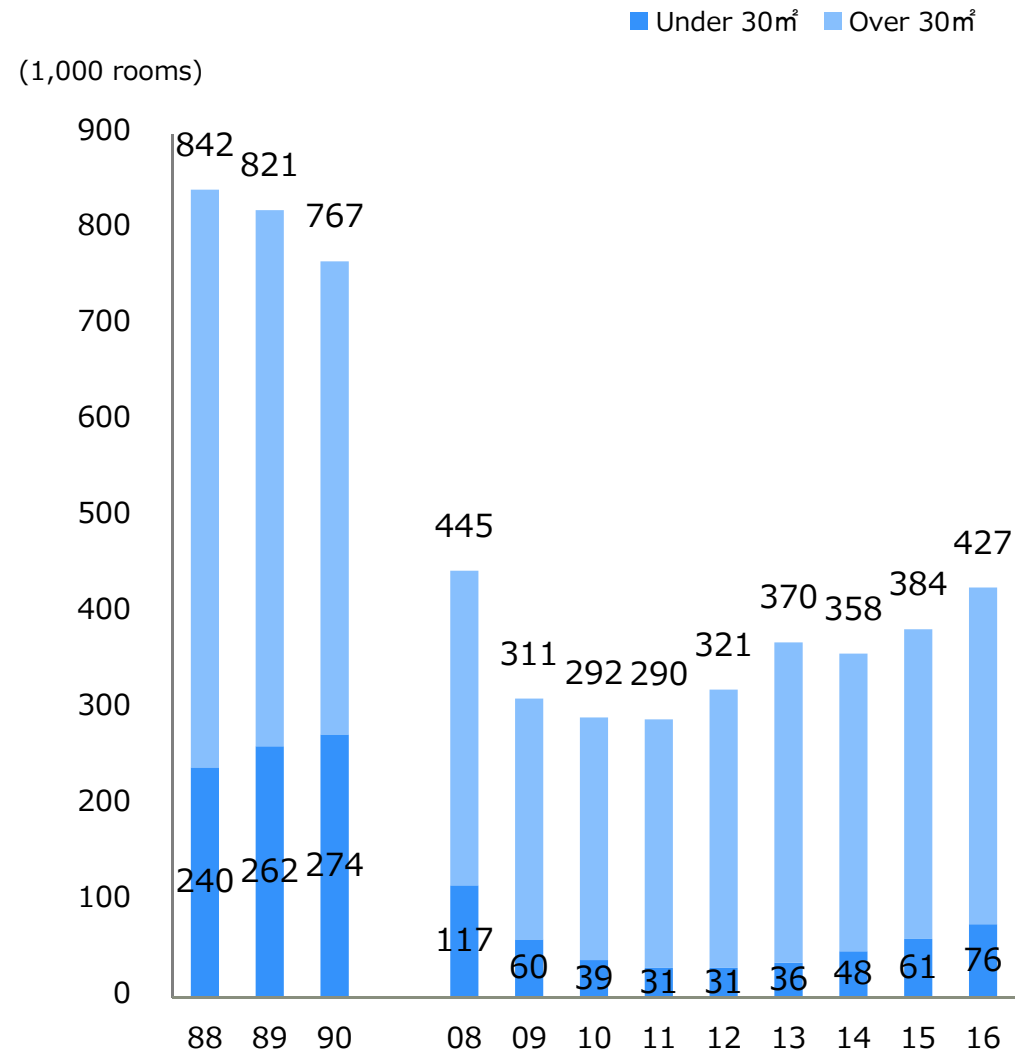
*Annual report on the status of long-term care insurance services, Ministry of Health, Labour Welfare; Elderly population statistics, Ministry of Internal Affairs and Communications

Number of New Housing Starts

Overall



Rentals

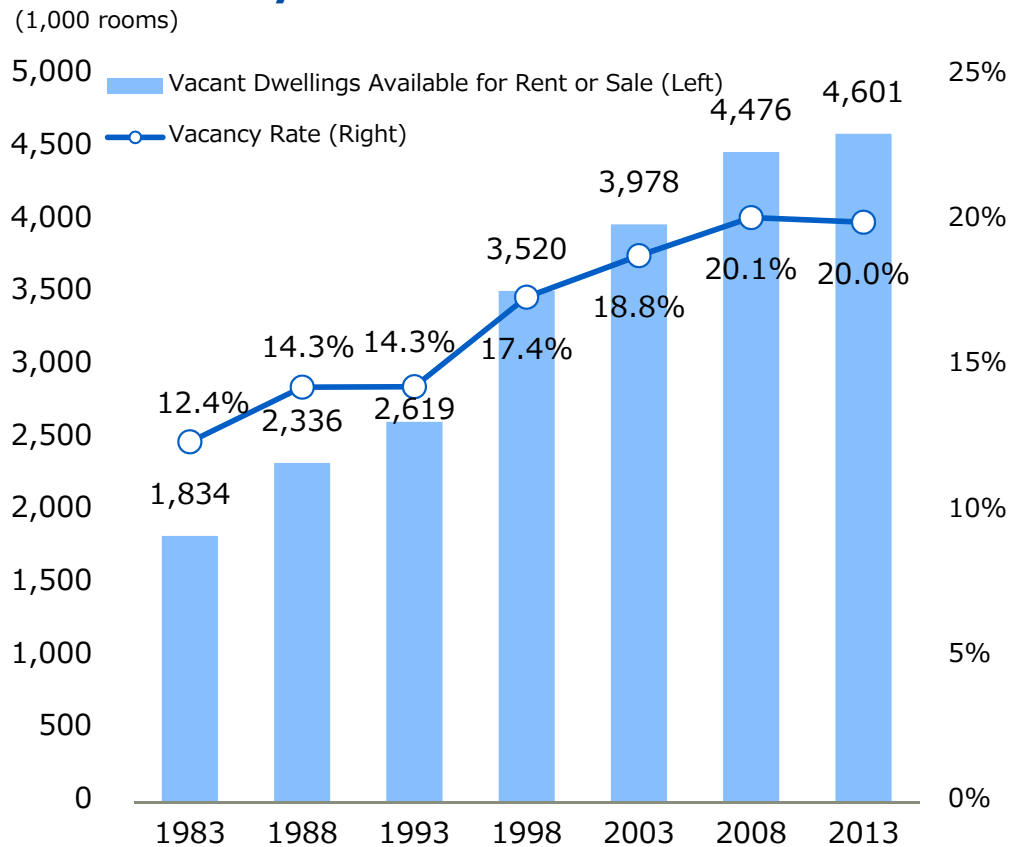


Source: Statistics on new housing starts, Ministry of Land, Infrastructure, Transport, and Tourism (MLIT)

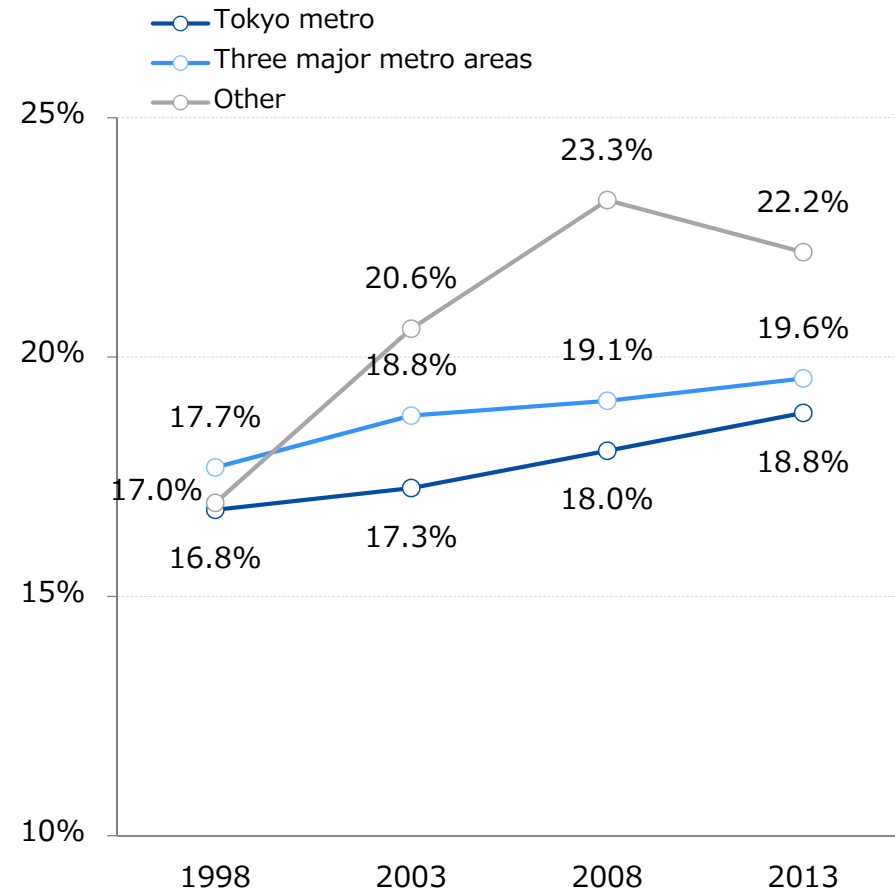
Number of Vacant Rental Dwellings and Ratio of Vacant Dwellings

- ▶ Number of vacant rental units in Japan has risen steadily
- ▶ When a nationwide recovery in demand is unlikely; it will be important to supply properties to areas where occupancy rates are high, to introduce differentiated products and to adopt measures that enhance property values in ways that perceive tenant needs

▶ No. of Vacant Rentals and Vacancy Rate Nationwide

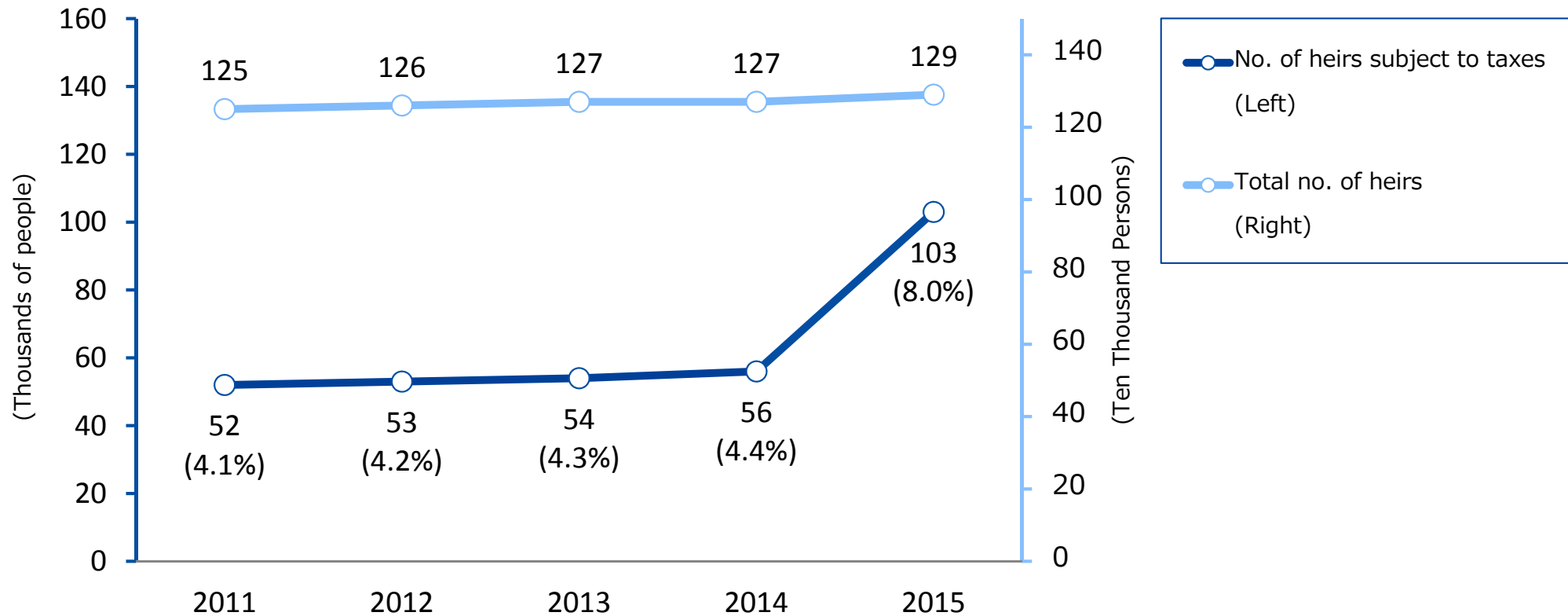


▶ Vacancy Rates by Area



*Source: FY2013 Housing and Land Survey, the Ministry of Internal Affairs and Communications (MIC)

Trend in No. of Heirs to Property, etc.



- ▶ Tax filings for FY2014 are those submitted through November 2, 2015 (excludes revised filings) ; the above chart is based on this data.
*In cases where the filing deadline falls on a Sunday, a holiday such as a national holiday, or a Saturday, the filing deadline date automatically becomes the next business day; the deadline for inheritance tax filings in cases where an individual died on December 31, 2014 is thus November 2, 2015.
- ▶ Tax filings for FY2015 are those submitted through October 31, 2016 (excludes revised filings); the above chart is based on this data.
- ▶ The number of heirs (number of persons who died) is based on demographic statistics compiled by the Ministry of Health, Labour and Welfare's (MHLW) Director-General for Policy Planning who is responsible for statistics and information policy.

Source: Report on status of inheritance tax filings for FY2015, National Tax Agency

▶ New rental housing starts by region

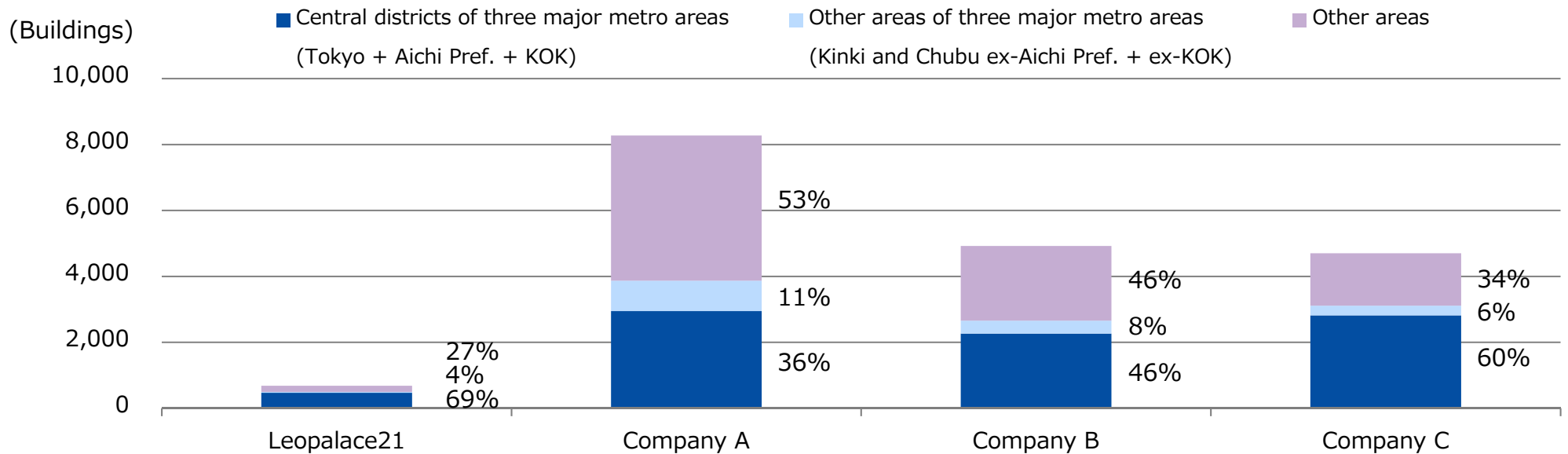
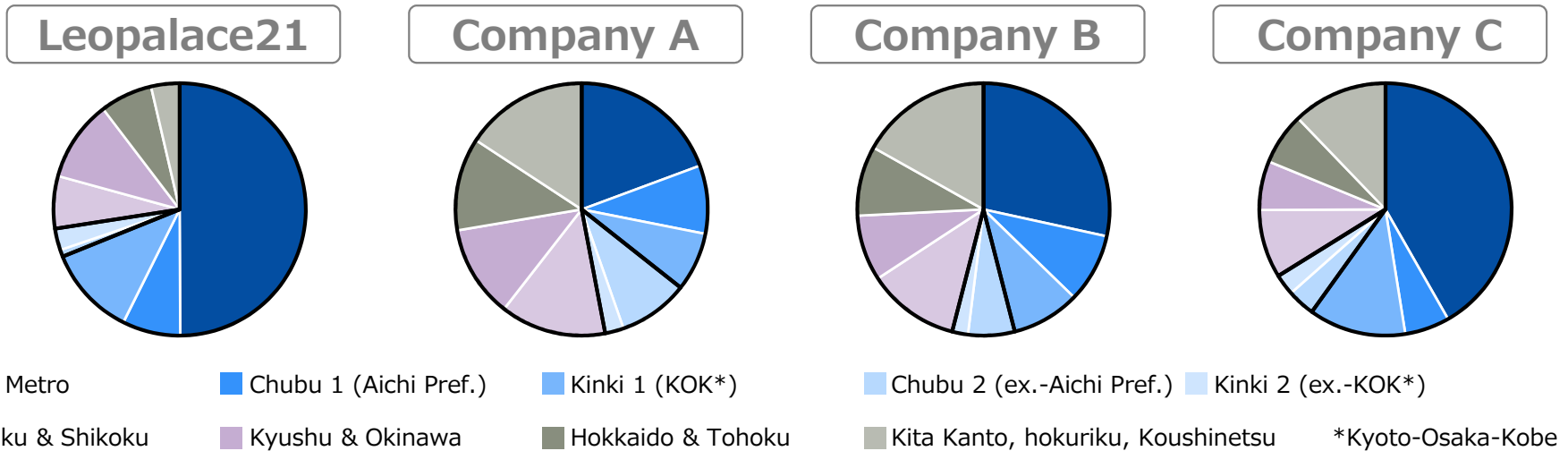
	(Rooms)		
	FY2014	FY2015	FY2016
Hokkaido	17,809	19,539	21,810
Tohoku	26,250	27,082	26,587
Kita-kanto	16,382	18,473	19,824
Tokyo metro	125,560	134,912	153,742
Hokuriku & Koshinetsu	13,671	13,794	17,629
Chubu	33,414	37,711	40,915
Kinki	53,563	54,153	59,866
Chugoku	16,242	17,610	19,819
Shikoku	7,052	7,267	8,789
Kyushu & Okinawa	48,397	53,137	58,294
Nationwide	358,340	383,678	427,275

▶ Leoplace21 completions by region

	(Rooms)		
	FY2014	FY2015	FY2016
Hokkaido	0	0	0
Tohoku	589	633	352
Kita-kanto	370	264	346
Tokyo metro	3,232	4,007	4,267
Hokuriku & Koshinetsu	50	64	58
Chubu	736	708	536
Kinki	1,101	1,267	1,146
Chugoku	727	575	450
Shikoku	40	94	166
Kyushu & Okinawa	710	986	843
Nationwide	7,555	8,598	8,164

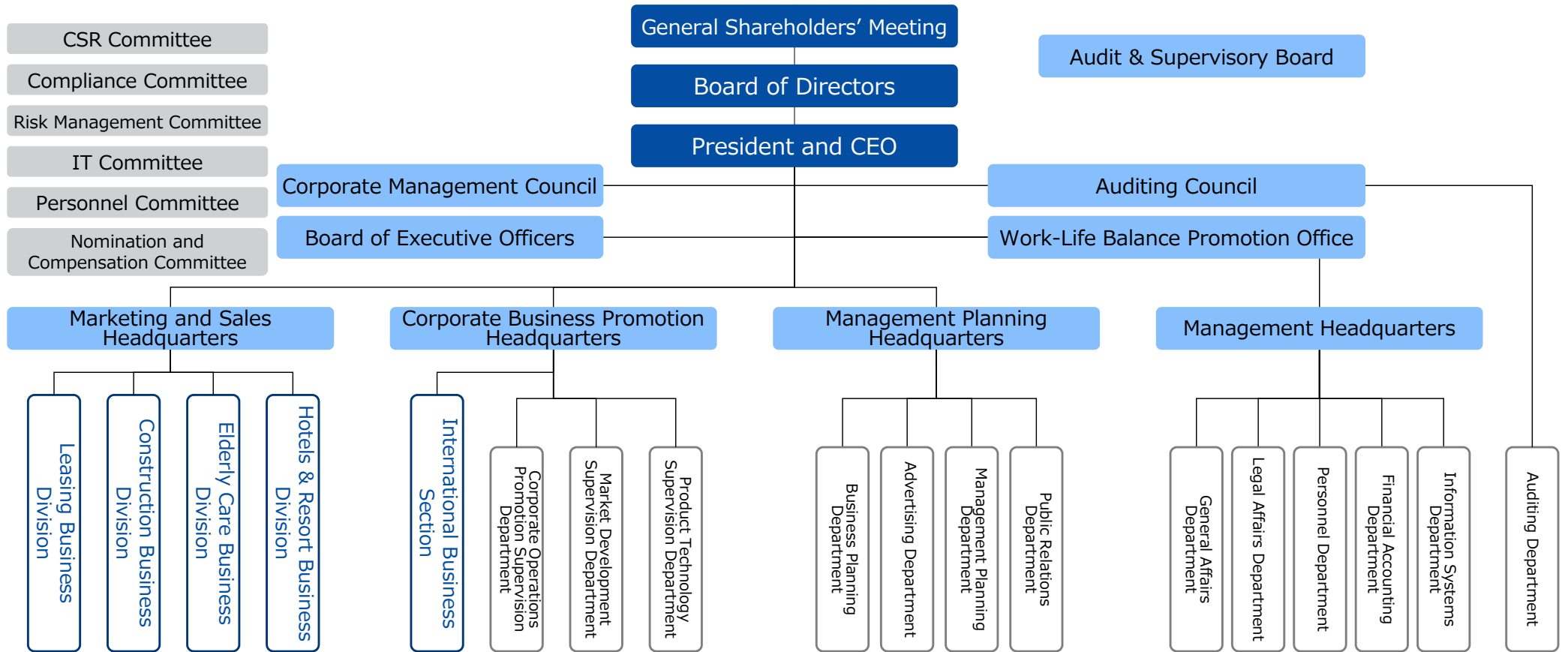
Source: FY2013 House and Land Survey, Statistics Bureau, MIC

Sublease Major Companies: No. of Built Apartments by Area



Source: 2016 Competitiveness Analysis of Housing Manufacturers, JUTAKU SANGYO KENKYUSHO CO.,LTD.

Leopalace21 Group Profile



Main Group Companies

Leasing Business

Leopalace Leasing Corporate housing services	PLAZA Guarantee Rent guarantee services	WooriLeoPMC Leasing management services	ASUKA SSI Small-sum, short-term insurance for tenants	レオパレス21 ビジネスコンサルティング (上海) 有限公司 Tenant references
LEOPALACE21 VIETNAM CO., LTD. Real estate agency (Vietnam)	Leopalace21 (Thailand) CO., LTD. Real estate agency (Thailand)	Leopalace21 (Cambodia) Co., Ltd. Real estate agency (Cambodia)	PT. Leopalace Duasatu Realty Real estate agency (Indonesia)	LEOPALACE21 PHILIPPINES INC. Real estate agency (Philippines)
Leopalace21 Singapore Pte. Ltd. Investment consulting	Leopalace Power Solar power generation	Leopalace Energy Power producer and supplier		

Development Business

株式会社もりぞう Custom-built homes	LifeLiving Real estate development
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Elderly Care Business

アス・ライフケア Elderly care

Hotels & Resort Business, Other Businesses

Leopalace Guam Corporation Resort business	wing mate Travel agency services	Leopalace Smile Special subsidiary for providing clerical services
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