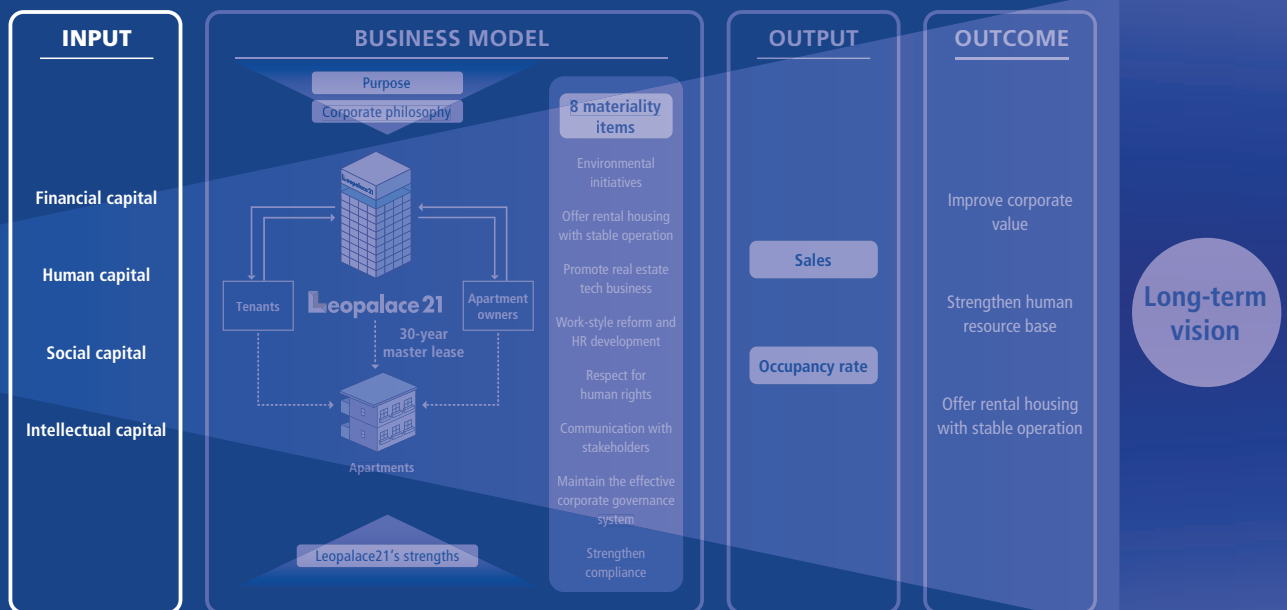


# Four Management Resources for Value Creation

## Four Managerial Resources for Value Creation

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*We will transform into an  
"Employee-centered" company  
and write a new growth story.*

**Koki Jindo**

Executive Officer, CFO  
Department Manager, Financial Accounting Department



### On Assuming the Position of CFO

I was appointed CFO in January of this year. My experience up to then had been in real estate investment and lending at financial institutions, but on the occasion of my appointment, I would like to talk about what I believe the role of a CFO is. In Japan, the CFO's role tends to be limited to financial management, but I believe that my responsibilities go beyond that and that I must fulfill my role as a CFO in accordance with global standards. I firmly believe that the core mission of a CFO is not just to strengthen a company's financial base and audit controls, but to strive to continuously improve corporate value and shareholder value by formulating growth strategies, building and managing relationships with investors and banks, and getting deeply involved in overall management, including operations and sales.

We seized the opportunity of the construction defects problem to fundamentally reform our business structure, restore profitability, and bring profits back to a level close to the highest level just prior to the discovery of the construction defects problem. I am proud of this, but our next goal is to become a top-class company in the industry. To achieve this, a sophisticated corporate culture with shared values based on solid ethics and integrity is essential. I believe that a top-class company is not just one that pursues quarterly profits, but one in which all employees can take pride in their work and feel a sense of fulfillment. Since I became a member of the management team, I have been actively engaged in rebuilding the corporate culture and values. I am convinced that the key to evolving from a good company to a top-class company is for executive officers and employees to change their mindset, take ownership, emphasize ethics, and take the initiative. Going forward, we will continue to protect shareholder value and build trust with our stakeholders by ensuring that each and every employee takes ownership in this corporate culture, takes pride in even the smallest tasks, and acts with honesty and integrity.

### Toward Transforming the Mindsets of Employees

As part of an effort to transform the mindsets of employees, since I joined the company in January, I have introduced a new system in which we have meetings where the person in charge who was involved in the work directly explains the situation to others. In the past, due to the vertical organization of the Company, it was common for executives to give reports based on materials prepared by their subordinates, but we have revised this approach and switched to a system where the person in charge provides the explanation himself or herself. I believe this has allowed management team to obtain more accurate on-site information directly from the field, which has led to more accurate and realistic decision-making.

In addition, the people in charge can now clearly understand how their work is contributing to the company's performance and improving audit controls. As a result, I have noticed that they have begun to communicate with a greater sense of responsibility and approach their work with a more proactive and positive attitude. I also feel that they have more pride in their work and are able to perform their duties more effectively.

What may seem like a small change at first glance is actually a clear step forward. Even if you proclaim that you will "transform your mindset starting today," that alone is pointless. My intention is to transform the mindsets of employees by making steady progress through small initiatives.

I would also like to extend my heartfelt gratitude to all the employees, executive officers, outside directors, and auditors I have met so far for positively adapting to and embracing the new management and business methods I have introduced. I am truly grateful for their attitude and I am proud to work alongside them in an environment that prioritizes integrity. Thanks to their cooperation and efforts, our corporate culture has become even more sophisticated and has become a significant force for the mutual growth.

## Financial Capital CFO Message

### About the Growth Story

Results in fiscal year 2023 are solid and further improvement is expected in fiscal year 2024. The Company's growth story to date has been based on its existing business model of increasing the number of apartment buildings built and expanding the number of units under management. Going forward, however, when considering factors such as Japan's macro-environment of a declining and aging population, the progression of urbanization, changes in consumer needs, and social and cultural trends, rather than relying solely on this existing business model, we will need to create new businesses and diversify our pillars of growth.

In particular, we need to further enhance the customer-oriented services to meet the growing demand for flexible housing options and remote work environments. I believe that by providing personalized living environments and customizable amenities to meet tenants' needs, we can improve customer satisfaction and ensure sustainable profitability and competitiveness. I also believe that accelerating the implementation of digital transformation (DX) will not only improve operational efficiency, but also reduce operational risks and strengthen audit controls. We also intend to actively promote the existing businesses, such as company-leased housing support services and the rental payment guarantee business, thoroughly hone the potential of these businesses, and establish them as part of our growth story.

Furthermore, in order to achieve sustainable growth and foster innovative businesses based on the core competency in residential rental real estate, we need to fundamentally change the way we develop human resources. To replace the traditional rotation system, we should provide comprehensive and continuous training in specific fields to enable employees to become experts in those fields. It is also important to actively recruit experts in necessary areas through mid-career recruitment and to help existing employees grow into true professional leaders in their field.

### Becoming "Employee-Centered" is the Key to Leopalace21's Future

Leopalace21 aims to develop new businesses based on its growth story over the next 10 years and to grow as a company that operates a diverse range of related businesses while maintaining the Leasing Business as its core business. To achieve this goal, it is essential for each business to establish a leading position within the industry.

However, our limited management team is not enough to deliver on this growth story; it takes many creative employees to bring concrete ideas and concepts to fruition. For this reason, it is essential to create a corporate culture that embodies common values based on high ethical standards and integrity and that inspires people to want to work at Leopalace21.

We also need to rethink how we evaluate employee performance to ensure that honest behavior aimed at achieving goals is properly rewarded. By rewarding the right things, we will build a corporate culture based on strong ethical standards and further reinforce our commitment to sustainable growth.

There are also issues that need to be resolved from the perspective of diversity, such as the current situation where the ratio of female employees in management positions is only 5% despite the fact that the percentage of female employees has reached 40%. It is also important to work on improving the skills of employees in order to strengthen human capital. This requires creating a system that allows each individual to maximize their capabilities. These efforts are just beginning and it will take time and effort to make them happen.

Still, I have a positive outlook for Leopalace21's future. I am confident we can create an employee-centric company that is highly regarded by stakeholders with a long-term perspective. Going forward, I intend to do my utmost to ensure that Leopalace21 becomes an employee-centric company that creates value for future society, both financially and non-financially.



# Financial Report

In fiscal year 2023, Leopalace21 posted increases in both revenue and profit, and both operating profit and net income were in the black for the third consecutive year. Here we will explain the factors behind these results in detail.

## Results for Fiscal Year 2023

In fiscal year 2023, we recorded net sales of JPY 422.6 billion, operating profit of JPY 23.3 billion, and net income of JPY 42.0 billion. Net sales were roughly the same as the previous year, but as a result of structural reforms, both operating profit and net income have been in the black for three consecutive fiscal years.

With regard to net sales, although the occupancy rate fell slightly short of the forecast, we were able to raise the average unit rent for new contracts by 7.1% year on year and the average unit rent for all occupied units by 2.8% year on year, resulting in an increase in net sales of JPY 900 million against the plan. The decline in occupancy rates was due to the strategic rent increases we implemented for monthly contracts with low unit rent prices. Regarding corporate contracts, which is an area of focus, the number of units used by companies reached 300,482 units as of the end of March 2024, its second highest end-of-fiscal-year level since the end of March 2018.

As for profit, we recorded a JPY 1 billion increase in provision for apartment vacancy loss as cost of sales, but by reducing the unit cost of property maintenance, we reduced the cost by JPY 300 million compared to the plan. Furthermore, in fiscal year 2023, by reducing hiring for mid-career positions, we reduced SG&A expenses by JPY 3.8 billion compared to the plan. As a result, operating profit increased by JPY 5.2 billion compared to the plan, and we raised the operating profit margin from the planned 4.3% to 5.5% (the actual figure for fiscal year 2022 was 2.4%).

Furthermore, we recorded a JPY 600 million gain on sale of subsidiary shares due to transfer of sub-subsidary company as extraordinary income, a JPY 2.7 billion provision for losses related to repairs due to rising material prices and an increase in the ratio of outsourced work

(JPY million)	Comparison vs FY2022 Actual	FY2022 Actual	FY2023 Actual	FY2023 Revised Plan	Difference
Net sales	+16,222	406,449	422,671	421,700	+971
Cost of sales	+673	353,163	353,836	354,200	(363)
Gross profit	+15,549	53,285	68,835	67,500	+1,335
%	+3.2 p	13.1%	16.3%	16.0%	+0.3 p
SG&A	+2,114	43,406	45,521	49,400	(3,878)
Operating profit	+13,434	9,879	23,313	18,100	+5,213
%	+3.1 p	2.4%	5.5%	4.3%	+1.2 p
Recurring profit	+12,949	6,526	19,476	14,100	+5,376
Net income	+22,251	19,810	42,062	12,000	+30,062

as an extraordinary loss, and JPY 26.5 billion in income taxes-deferred (gain). As a result, net income was JPY 42.0 billion (JPY 19.8 billion in fiscal year 2022), an increase of JPY 30.0 billion from the plan.

Regarding occupancy rates, which are the basis of revenue, the figures for fiscal year 2023 were 85.99% as an average annual occupancy rate and 88.03% at the end of the fiscal year, which were slightly below the plan. On the other hand, thanks to a rise in rent prices and a reduction in labor costs, net sales and operating profit both exceeded the plan, and net income significantly increased due to the effect of corporate tax adjustments. In summary, both net sales and operating profit have exceeded the planned numbers, and profitability is steadily improving.

## Refinancing of JPY 30 Billion in Debt and Financial Condition

With improved earnings in fiscal year 2022 and fiscal year 2023, our financial health is on the road to recovery. Equity ratio, which is an indicator of financial health, has recovered from 0.7% in fiscal year 2021 to 31.2% in the end of fiscal year 2023.

As we have made progress in restoring the financial soundness, we have worked to reduce the interest burden of our loan (of JPY 30 billion at an annual interest rate of 14.5%) from Kaede Godo Kaisha, an affiliate of Fortress Investment Group LLC (FIG), which we took out in November 2020 in the face of financial difficulties after the construction defects problem came to light. Since early repayment is possible after November 2, 2023, three years from the date of borrowing, we have considered and held repeated discussions on all options, including refinancing and repayment with our own funds.

As a result, after carefully considering the economic rationality of proposals from multiple companies, we entered into a new loan agreement for a total of JPY 30 billion in December 2023 with Biwa Godo Kaisha, another FIG affiliate. The new loan agreement has a maturity date of November 4, 2025, and the interest rate was set at 5% per annum until half of the number of days from the drawdown date to the maturity date, and 5.5% per annum thereafter. In other words, we were able to refinance at a lower interest rate compared to the initial loan.

Although the total amount borrowed remains unchanged, interest charges are expected to decrease by JPY 750 million in fiscal year 2023 and by JPY 2,825 million in fiscal year 2024, which will contribute to an improvement in the financial position and an increase in profitability.

## Financial Capital Financial Report

### Cash Flows Status

In fiscal year 2023, while operating cash flows increased due to improvements in the Leasing Business revenue, we worked to improve free cash flows by restraining investment.

Net cash provided by operating activities amounted to JPY 21.4 billion in fiscal year 2023, which compared to JPY 10.5 billion in fiscal year 2022. This was due to net income before tax adjustments of JPY 17 billion, depreciation and amortization expenses of JPY 4.6 billion, and an increase in provision for apartment vacancy loss of JPY 1 billion, while a decline of JPY 1 billion in advances received and payment related to repairs of JPY 5 billion.

On the other hand, net cash provided by investing activities was JPY 800 million, roughly unchanged from the previous fiscal year, as a result of a JPY 200 million payment for purchase of property, plant and equipment, JPY 1.1 billion in proceeds from sales of shares in subsidiaries resulting in change in scope of consolidation, JPY 900 million payment into time deposits, and JPY 700 million in proceeds from withdrawal of time deposits.

Net cash used in financing activities totaled JPY 7.1 billion. This was, in addition to refinancing the JPY 30 billion borrowed in 2020 from Kaede Godo Kaisha, an affiliate of FIG, due to JPY 600 million for repayment of finance lease liabilities, JPY 900 million for funding cost, JPY 3.4 billion for acquisition of treasury stock, JPY 900 million for acquisition of subsidiary treasury stock, and JPY 900 million for payment of dividend to non-controlling shareholders.

As a result, free cash flows amounted to JPY 22.2 billion, and cash and cash equivalents at end of fiscal year amounted to JPY 68.1 billion (compared to JPY 52.8 billion at end of the previous fiscal year). In both cases, the figures exceeded the previous fiscal year.

### Outlook for Fiscal Year 2024

The top priority for fiscal year 2024 is addressing the construction defects problem. Aiming to eliminate obvious defects by the end of 2024, we will focus on addressing the approximately 8,600 units that were expected to need repairs as of the end of August 2024.

While we continue to address the construction defects problem, on the earnings front, we will promote initiatives to increase sales and profit, including achieving an operating profit for the fourth consecutive fiscal year. We intend to implement a profit optimization strategy aimed at increasing both the occupancy rate and the average unit rent for all occupied units, for example by revising contracts with low rent levels to raise the average unit rent for all occupied units and

simultaneously reviewing the cost-effectiveness of acquiring tenants. As a result, we are projecting net sales of JPY 428.6 billion, an increase of JPY 5.9 billion from the previous fiscal year.

As for rent, the average unit rent for new contracts has already recovered to the level before the construction defects problem came to light, and the unit profit per tenant has reached a record high. By revising contracts for properties with low profitability, we aim to raise the average unit rent for new contracts by 0.2% from the previous fiscal year and raise the average unit rent for all occupied units by 2.5% from the previous fiscal year. While maintaining profitability, we will aim for an average occupancy rate of 87% and the fiscal year-end occupancy rate of 90%.

On the sales front, we aim to increase revenue by raising unit rent prices and increasing occupancy rates, while on the profit front, we will continue to control costs through selective concentration. Regarding cost of sales, although maintenance costs will increase, total cost of sales is expected to decrease due to a decrease in the number of units under management, which will also reduce rent costs and costs of subsidiaries and affiliates. On the other hand, SG&A expenses are expected to increase due to system investment costs from promoting DX, base salary increases for employees, and investment in human capital. Taking all of these into consideration, operating profit is expected to increase by JPY 3.2 billion year on year to JPY 26.6 billion, and the operating profit margin is expected to increase to 6.2%. Net income is expected to be JPY 14.5 billion due to the expected reversal of deferred tax assets in the fourth quarter.

Regarding shareholder return, in fiscal year 2023, we resumed dividends for the first time in six years, paying an annual dividend of JPY 5 per share. In fiscal year 2024, we plan to pay an annual dividend of JPY 10 per share, assuming further improvement in business performance. Thereafter, we intend to pay continuous and stable dividends, taking into consideration business performance, financial position, and other factors.

(JPY million)	FY2024 plan	
	FY Total	Delta vs FY2023
Net sales	428,600	+5,928
Cost of sales	352,700	(1,136)
Gross profit	75,900	+7,064
%	17.7%	+1.4 p
SG&A	49,300	+3,778
Operating profit	26,600	+3,286
%	6.2%	+0.7 p
Recurring profit	24,900	+5,423
Net income	14,500	(27,562)

## Leopalace21 Human Capital Management

To further promote human capital management, Leopalace21 has adopted employee lifetime value (ELTV) as an evaluation metric and set four strategies and numerical targets. This will allow us to realize our human capital management vision: Make the most of employees, Grow the business, and Bring real benefits to society.

### Message from a manager in charge of the HR strategy



**Takeru Sato** Department Manager, Human Resources Department

#### Q Please explain Leopalace21's approach to human capital management (human resources strategy).

To realize our corporate philosophy of creating new value, we need people with the desire and ability to constantly create new value. We prize talented people who can create added value in this way and are committed to developing, supporting, and retaining them.

President Miyao also conveyed the following message to employees: "You have all worked hard at the tasks you were given and achieved outstanding results. What kind of company do we want to be in the future? The answer is an 'employee-centered' company. In an employee-centered company, each individual is able to accomplish things autonomously to provide new added value to society. To this end, we will invest in training, systems, and the environment to create the groundwork for your further growth. And we expect that investment will yield results in the form of increased corporate value."

We are in the preparation stage for a process of rejuvenation once the construction defects problem of the past is behind us. First, to enable each and every employee to reach his or her full potential, we are focusing on creating an environment where employees can feel a sense of fulfillment in their work. We are also working to implement a flexible work environment that suits each individual's career and lifestyle.

These initiatives will enable the creation of new added value by creating an environment in which employees can fully demonstrate their abilities. In other words, building a relationship in which the company and employees influence each other and grow together is the kind of human capital management we are aiming for.

#### Q What is your perception of the gap between the kind of human capital management you are aiming for and the current situation?

In recent years, we have devoted a lot of resources to addressing construction defects, which has meant that we have not been able to focus adequately on recruiting new graduates. As a result, the percentage of young employees is currently lower than that of mid-career employees. Going forward, we will increase the number of young employees to revitalize the entire organization. At the same time, we believe it is important to create an environment where mid-career and senior employees can also grow and thrive together. We aim to create a workplace where age is just a number and everyone is recognized for their abilities, and feels high job satisfaction.

#### Q Please tell us about your initiatives (measures) to bridge the gap between the kind of human capital management you are aiming for and the current situation.

In terms of specific initiatives, we are first focusing on increasing the number of young employees. For FY2024, we were able to hire 67 new graduates, exceeding our target of 50. Furthermore, we are aiming to recruit 100 employees in FY2025, and at this point we expect to exceed that number.

We have also introduced a stock-based compensation system to further enhance the job satisfaction of all employees. I believe this system will encourage each employee to adopt a management perspective, feel a stronger connection between the company's growth and their own personal development, and engage in more proactive behavior.

#### Q What is your medium-term vision for your human resources strategy?

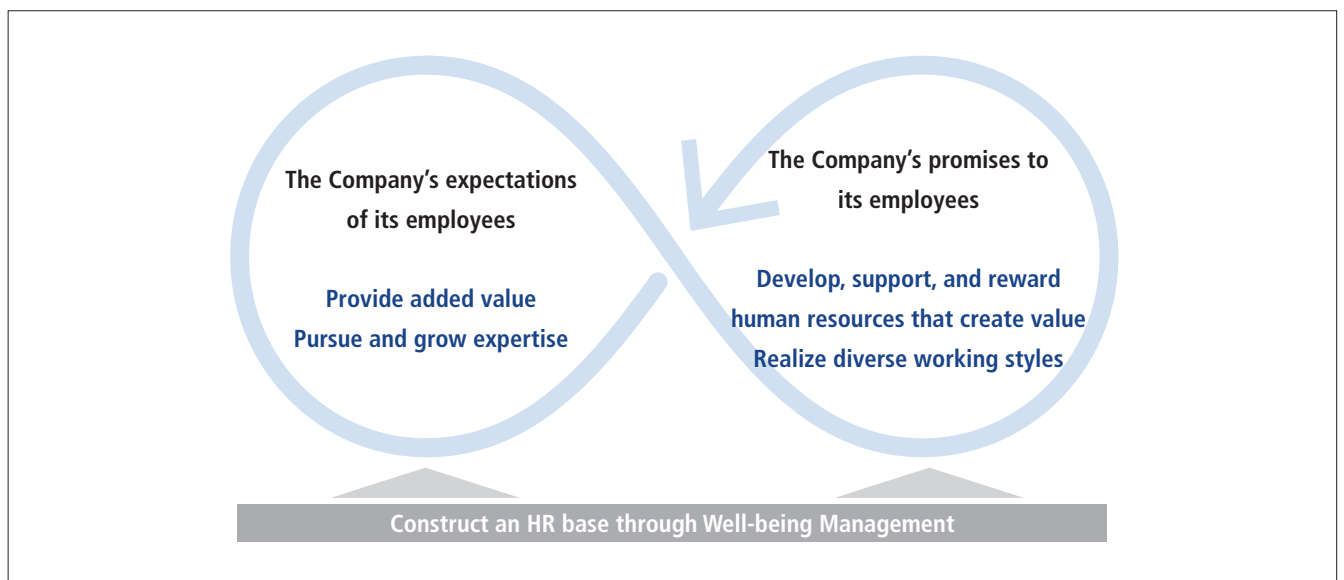
Starting this fiscal year, we have established relevant KPIs based on our new ELTV framework (described in the next section). Going forward, we will strongly promote sustainable growth while keeping a close eye on what is contributing to profits.

At our "People Meetings," where officers and managers at the Human Resources Department vigorously discuss and decide on matters related to people, we now plan to go beyond simply considering policies and also address changes to organizational culture. We will restore our once-tarnished corporate brand and strive to create a work environment where all employees can demonstrate their abilities with a sense of purpose, so that in the near future we can proudly say that we are a company where our employees are able to perform to their full potential.

## HR Visions and KPI

We have formulated the ideal state of the Company’s human capital management based on our HR visions and HR development policies. To promote human capital management, we have adopted the ELTV (Employee Lifetime Value) concept and configured KPIs related to each factor of ELTV. We are now working on various initiatives to achieve the KPIs.

HR vision	Make the most of employees, grow the business, and bring real benefits to society
HR development policies	<ul style="list-style-type: none"> <li>■ We recognize our people and organization as human capital, and committed to fostering their growth.</li> <li>■ We motivate all employees to enrich their lives.</li> <li>■ We support those who share our philosophy and work together to continue creating value.</li> </ul>



### Achievement of the Medium-to Long-Term Strategies (Contributions to Customers and Society)

HR development is essential to the Group’s sustainable growth, and we view human capital management efforts as one of the key themes. We believe that companies and employees should influence each other to grow. This is our unique approach to human capital management, and by supporting human resources that provide added value and realizing diverse work styles, we strive to be a “platinum company” having high standards for both job satisfaction and ease of work elements. To fulfill our corporate social responsibility, we are committed to developing workplace environments that are comfortable and motivating in order to improve employee satisfaction, which leads to customer satisfaction.

We also strive to maximize ELTV through various measures. To ensure the Company’s sustainable growth, it is essential to recruit employees who share the same philosophy, to encourage them to work energetically for the long term, and to heighten the value that each employee brings to the Company. The ELTV concept serves to raise the human value contribution, the average number of working years, and the number of employees, which are brought together to enhance the value that the Company delivers to society. We will continue to actively invest in human capital to develop an environment that enables employees to work proactively and to create new value for society.

## The Leopalace21 Approach to Human Capital Management

Maximizing the benefits to the Company by supporting human resources that provide value and realizing diverse work styles: Maximizing Employee Lifetime Value

### Employee Lifetime Value and various KPIs

$$ELTV = (\text{Human value contribution} - \text{Human investment costs}) \times \text{Average number of working years} \times \text{Number of employees}$$

Employee Lifetime Value

#### ■ Related KPIs

- Extent of penetration of the HR vision
- Ratio of employees with experience in multiple departments
- Number of employees with qualifications
- Ratio of employees with DX-related qualifications
- Ratio of potential successors prepared
- Number of next-generation leaders developed
- Operating profit per employee

#### ■ Related KPIs

- Net sales per personnel cost
- Amount invested for training per employee
- Count/hours of selective training sessions

#### ■ Related KPIs

- 360-degree compliance index
- Degree of satisfaction with assignment post hire
- Engagement score (eNPS & Geppo scores)
- Well-being score
- Retention rate of next-generation leaders
- Level of employee engagement in professional development

#### ■ Related KPIs

- Ratio of female full-time employees
- Ratio of female managers
- Ratio of male employees taking paternity leave
- Number of individuals newly employed by age
- Number of individuals newly employed by qualification
- Ratio of employees with disabilities
- Ratio of foreign national employees

## Four Strategies and Target Numbers to Maximize ELTV



### Development of Next-generation Leaders

Total employee participation time in training

FY2022	FY2023	FY2024 (Target)
4,096 hours	8,159 hours	15,871 hours

Number of management-level human resources developed

FY2022	FY2023	FY2024 (Target)
686	758	830



### Promotion of Well-being Management

Engagement score [eNPS]

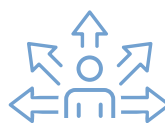
FY2022	FY2023	FY2024 (Target)
—	-71	-67

Ratio of smokers

FY2022	FY2023	FY2025 (Target)
31.9%	29.3%	25%

Follow-up examination ratio after regular health checkups:

FY2022	FY2023	FY2024 (Target)
27.1%	74.8%	80%



### Enhancement of Professional Development

Number of career training participants

FY2022	FY2023	FY2024 (Target)
—	92	100

Ratio of male employees taking paternity leave and other leave for childcare purposes

FY2022	FY2023	FY2024 (Target)
35.7%	71.4%	80%



### Acquire Human Resources That Create Added Value

Number of individuals newly employed (new graduate recruitment/mid-career recruitment)

FY2022	FY2023	FY2024 (Target)
—/54 people	67/105 people	100/150 people

(Note) Excluding recruitment at nursing care facilities, Azumi En, in the Elderly Care Business Division

Turnover rate

FY2022	FY2023	FY2024 (Target)
11.1%	9%	Less than 10%



## Development of Next-generation Leaders

We recognize the development of next-generation leaders as one of the key elements of our mission to achieve sustainable growth and create new value. These initiatives contribute to boosting employee motivation and providing opportunities for career development, and we will continue to expand these efforts to achieve sustainable growth as a company.

### Leadership Development Programs for Selected Young, Outstanding Employees

This program selects approximately 100 young employees who are not currently in management positions but are expected to be members of the management team in the future. These employees learn about general business models and value chains from other companies' case studies and participate in group discussions to obtain insights into how such cases can be applied within the Company.

In parallel, the employees monitor and analyze their own actions and behavior as part of efforts to transform their awareness in order to become the next generation of leaders.



Number of successor candidates per position

Position	Number of candidates
Manager	134
Group manager	32
Department Manager	15

### Management Transition Program

To facilitate taking promotion exams for management as an opportunity to transition to the next level, this program encourages growth by providing training that enable participants to objectively reflect on themselves. More than 90% of program participants find it valuable.

### Strategic Management Development and Selection System

We have established an Acting System that enables early promotion of outstanding human resources, regardless of age or experience. While promotion to management positions requires passing exams and a specified number of years of service, this system enables employees who have received a certain level of performance rating to assume a management position while taking managerial promotion exams. This enables even new graduates to take on a management position in as short as six years, according to their performance and capabilities. Furthermore, to support the early success of human resources that provide added value, this year we have introduced a career advancement system named *Leo: Revo*. For those taking management promotion exams, we have created categories such as Next Generations, Diversity Promotors, and Career-up Challengers as we strive to further reinforce our HR base by appointing diverse human resources, including younger employees, women, foreign nationals, and mid-career hires.

Next Generations  
Diversity Promotors  
Career-Up Challengers



### Next generation executive development program

This program selects candidates for future management positions to take an outside course. The short, three-month twelve-session course aims to heighten participants' perspectives through case meetings that involve analysis and decision-making based on the theories and thought processes of management-level decision-making revealed by various case studies from other companies and historical examples.

As management teams and potential candidates for management positions from other companies also participate, another aim is for participants to learn about their current standing and broaden their perspectives through exchanging the thoughts, ideas and opinions.

## Enhancement of Professional Development

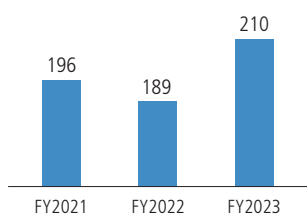
We believe that having each employee proactively think about their own career, act, and grow autonomously to realize their professional goals is an essential part of attaining the Company's vision. To support this, the Company is making efforts to expand autonomous career growth of employees through various HR systems and training programs.

### Career Design Training Program

We implement career design training to encourage employees to think proactively about their future career plans and to act to realize such plans. The Company also focuses on career design training programs for different age groups, which correspond to changing career perspectives in various life stages. In middle- to senior-career training, employees are trained to clarify their strengths and values that they have cultivated thus far in order to set specific goals and action plans toward career autonomy. In the career development training for younger employees, approximately 300 participated and learned about the necessity of autonomous career development in the VUCA era as well as how to discover their ideal work styles for themselves.



Trend in expert career employees



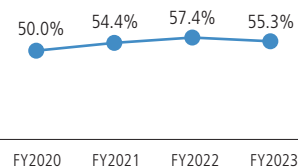
### The Dual-track HR System

As views toward careers diversify, the Company has introduced a dual-track HR system that broadens the scope of employee career plans. We have established Expert Careers for employees who aim to reach the top in specific responsible industries and categories, along with Management Careers for employees who seek management roles by experiencing multiple duties. The Company aims to improve job satisfaction by enabling individuals to select a career plan that meets their own career image. Furthermore, by registering employees' individual career plans in a system, we have developed a framework in which employees can receive support and consideration from the Company in a timely matter by meeting regularly with their supervisors to keep on the same page.

### Awareness Survey Regarding Careers

We administer an annual awareness survey to all full-time employees regarding their professional development to gauge their engagement and to evaluate the effectiveness of the Company's career growth initiatives. The survey examines factors such as concerns about professional paths, satisfaction with work and work styles, and the gap between ideal and actual careers. These results are compiled and analyzed to develop strategies for enhancing employee engagement in their professional development.

Trend in the level of employee engagement in professional development



### Launch of an In-house Career Consultation Service

We have established an in-house career consultation service to support employees with their family and life plans as well as to personally address their career concerns and issues. Unlike supervisors or external career consultants, this consultation service is staffed by employees from the Human Resources Department who are qualified in career consulting. The system was developed to enable them to provide guidance based on their grasp of the Company's HR systems, in-house circumstances, and organizational structure to provide overall knowledge about careers.

## Well-being Management

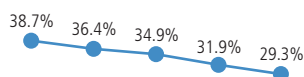
The Company believes that employees' physical and mental health is essential as the foundation of achieving its corporate philosophy of creating new value, and has been making efforts related to health and productivity management since 2017. In addition to health promotion, since 2023, the Company has been striving to implement Well-being Management, aiming for workplace revitalization generated through vibrant connections among employees and attaining positive mutual relationships with all stakeholders, including customers, business partners, and shareholders.

### Initiatives to promote Well-being Management

The President and CEO serves as chief executive, and the Human Resources Department is positioned as the driving force behind Well-being Management. By implementing various measures in cooperation with each business site and the Health Committee, we have maintained our certification as a Health and Productivity Management Organization (large enterprise category) since 2017. We have established support related to health checkups, promotion of cessation of smoking, and mental health support as three priority issues toward achieving well-being for all employees.



Ratio of smokers



FY2019 FY2020 FY2021 FY2022 FY2023

### The Leoplace21 Workplace Smoke-free Policy Declaration

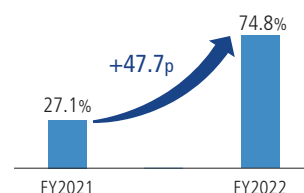
The ratio of smokers at the Company peaked in fiscal 2017 at 40%, and has gradually been decreasing by the year. We believe that the health risks posed by smoking to employees who smoke and to employees around smokers cannot be overlooked, so we issued the Leoplace21 Workplace Smoke-free Policy Declaration effective May 1, 2024. In addition to conventional no-smoking measures, a smoking ban on all company premises including the removal of smoking areas and a smoking ban during work hours were added, and a ban on smoking was added to the work regulations. We will continue to make proactive efforts to promote smoking cessation in order to reduce the ratio of employees who smoke to 23% by fiscal 2026.

### Creation of systems to improve the ratio of follow-up examinations after regular health checkups

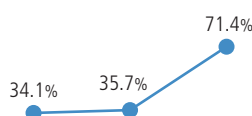
As the average age of employees rises, the tendency of medical findings at checkups increases. Despite this, the rate of medical visits has not improved despite our encouragement efforts.

To address this issue, in each department from 2023, we have begun conducting monthly sharing of medical visits statuses for employees with department managers and we have established a system in which supervisors proactively approach their subordinates to encourage health management. The ratio of medical visits is incorporated into performance appraisal. As a result, the rate of attendance to follow-up medical visits has increased by approximately 50 points. We will continue to work with supervisors to encourage employees to make medical visits to foster a culture in which follow-up examinations become par for the course.

Ratio of follow-up examinations



Ratio of male employees taking paternity leave



FY2021 FY2022 FY2023

### Initiatives to increase the ratio of male employees taking paternity leave

In fiscal 2023, the company dramatically increased the male paternity leave acquisition rate to 71.4%, an increase of 35.7 points versus the previous year. Also in fiscal 2024, we will continue to actively boost awareness among male employees and take measures to promote their supervisors' understanding to further develop an environment that achieves our goal of 80%.

## Acquisition and Retention of Human Resources that Provide Added Value

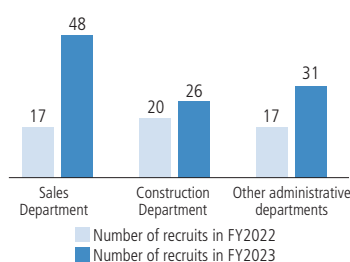
With the decline in the working population due to the low birthrate and aging society as well as the increasing competition for outstanding human resources, the Company actively engages in recruiting both new graduates and experienced individuals to ensure stable, sustainable growth. We will continue to recruit human resources that contribute to our business in order to grow the Company sustainably.

### New graduate recruitment

Activities for new graduate recruitment, which resumed last fiscal year, were successful, and we welcomed 67 new employees this fiscal year. Recruiting new graduates is essential for securing a supply of long-term human resources. It is also necessary to revitalize the organization with flexible perspectives and ideas unique to the younger generation. Another goal of new graduate recruitment is to foster and nurture young employees who share the Company's vision and philosophy as future management candidates and leaders by providing career paths and growth opportunities. We will continue to recruit new graduates to maintain an appropriate age composition and revitalize our organization.



Number of mid-career recruitment during the past two years



### Mid-career recruitment

As the unprecedented labor shortage and diversification of employee values progress simultaneously, we believe that mid-career recruitment is essential for the Company's sustainable growth. In addition to securing human resources that can immediately contribute to the workforce, mid-career recruitment also enables the Company to enhance its innovation capabilities and competitiveness by leveraging the rich knowledge and skills of expert human resources. As competition for acquiring outstanding human resources has been intensifying, the Company is focused on establishing its appeal as a company (employer branding) to attract those seeking jobs, to secure the necessary talent the Company needs, and to further enhance the value of the organization.

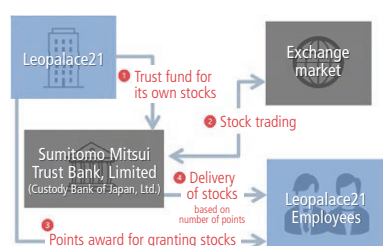
### Follow-up programs for new recruits

After joining the Company, new employees undergo group training for two weeks. Here, the new employees learn about the Company's work and initiatives in detail, along with business manners, how to carry out work, thinking skills, and the basics of marketing and sales, all of which is knowledge necessary for working individuals. We also provide a solid support system to help new employees after job assignment. Specifically, there are three follow-up training sessions as well as follow-up interviews conducted by in-house licensed psychologists twice a year. The Company provides support for new employees both from a work and psychological perspective to enable them to smoothly adjust to the workplace, enabling them to perform their daily work.



### Stock compensation system for employees with outstanding performance

We have introduced a stock compensation system with the goal of enhancing employee benefit programs to strengthen investment in human resources and employee engagement. Furthermore, by having employees hold company shares, we aim to boost their awareness of performance and stock value growth in order to increase the Company's medium- to long-term corporate value. This incentive plan establishes a trust that is funded by the Company. Employees who receive excellent performance ratings are awarded points, and employees are awarded Company shares based on these points through a trust company.



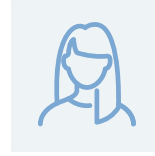
# Social Capital



No. of owners:  
Approx. **26,600**



No. of units under management:  
Approx. **550,000**



No. of tenants:  
Approx. **480,000**

\*As of March 31, 2024

## Apartment Owners

Comments from a property owner

### Leopalace21 is a reassuring partner for property owners



Mr. Akifusa Fujiki

My relationship with Leopalace21 began with a property in Shinagawa-ku. This dates back to my mother's generation, so it must have been about 37 years. I happen to own several rental properties, and also have relationships with other companies. What I heard from my mother was that there wasn't a specific reason why it had to be Leopalace21 when we first started working with them, but over time, they continued to propose very convenient features for tenants, such as LEONET, which significantly increased the properties' added value. Additionally, the sales representatives were very sincere and accommodating, so I now feel that working with Leopalace21 was the right choice.

Over the course of our long relationship, I have come to see Leopalace21, with its team of professionals possessing extensive

know-how in rental housing management, particularly day-to-day management, as an extremely strong partner for us property owners.

I heard that the issues with construction defects will be resolved this year. If so, the next step would be to resume new construction projects. The early properties that Leopalace21 worked on are now over 40 years old, and it is certainly time for them to be rebuilt. The property I own, too, was built 29 years ago and is due to be reconstructed. Having closely observed their efforts to restore trust, I am eager to have Leopalace21 handle the reconstruction of the property rather than any other company, and we are now discussing this. My property is expected to be among the first to be reconstructed, though it may not be the very first. Once the building is completed and ready for tenants to move-in, I want it to serve as a showcase for a new Leopalace21 and make a strong impression. I sincerely hope that Leopalace21 makes a comeback so that employees can be proud of being a part of it.



# Tenants

## About the "Customers' Voice" initiative

This initiative that started in March 2021 aims to improve employee engagement and service quality, as well as to foster a customer-centric culture by sharing throughout the company the opinions that customers have shared with leasing sales offices (in-person and online consultations) and with the Contact Center (online consultations). Since the opening of the contact center in March 2024, questionnaires are also being sent to customers who complete their contract procedures online.

## Internal distribution of customer opinions

Received customer opinions are shared internally every month. By sharing negative feedbacks in addition to positive feedbacks, we aim to achieve genuine improvements. Positive feedbacks are actively shared to enhance employee engagement at relevant leasing sales offices and to improve overall service quality across the Company by sharing successful examples. Negative feedbacks are shared as valuable opinions received from customers in order to identify problems and make improvements.

Actual customer opinions

Visited a Leasing Sales Office
  Online contract through the Contact Center

**Working professional in their 40s**

**Visited a Leasing Sales Office**

They were so kind and thorough that a score of 10 is not enough.

I am truly grateful that I was able to carry out the entire process, from viewing the property to signing the contract, promptly without delay. I just want to thank you for accurately assessing my situation and guiding me through the process so smoothly!

Even staff members not in charge were in the loop and shared information with me, and I was able to get through the procedures without any worries.

I thought that I would not receive such excellent service without visiting a store, and I now believe that my positive experience during the initial phone call led me to visit immediately.

**Working professional in their 30s**

**Visited a Leasing Sales Office for a family member**

I accompanied my sister in choosing a property, and the staff member's explanations were clear to both of us. They searched for several good properties and explained in more detail than I expected about the positive points of each and the surrounding area, which helped me to visualize the apartment she would live in.

They were easy to talk to, and we felt free to ask about everything we were unclear about.

It was good that we could talk not in too polite expressions but more friendly atmosphere.

**Searched for an apartment through the Contact Center**

It was difficult for me to go to an in-person viewing, so I was glad that the person in charge answered all my questions and informed me about important procedures.

**Searched for an apartment through the Contact Center**

I really like how I could do this at my convenience at home. The explanatory videos tailored to specific smartphone models are very good.

## Approximately 550,000 Apartments for Singles with Furniture and Home Appliances

Apartments for single-person households that come standard with furniture, home appliances and internet access are the capital that supports the foundation of our business. In terms of single-person housing, we operate it on the largest scale in Japan with a mission of maintaining and developing its function as a social infrastructure.

### Providing 550,000 uniform properties across Japan

We have conventionally operated with two main pillars: the Leasing Business and the Development Business. We build standardized apartment with layouts we have designed on land belonging to property owners, and we manage these apartments as our business model.

In addition, most of the 550,000 properties we manage nationwide have uniform room specifications. For companies that operate nationwide, the fact that we provide properties without regional disparities is a very important factor for ensuring equal treatment of their employees.



### Studio units with furniture, home appliances, and internet as standard equipment

Most of the studio units we offer nationwide are furnished and equipped with home appliances.

Tenants can move in immediately with smallest luggage when starting new chapters in their lives, thus reducing the initial costs of moving and avoiding the expense of disposing of furniture and home appliances, among other advantages.

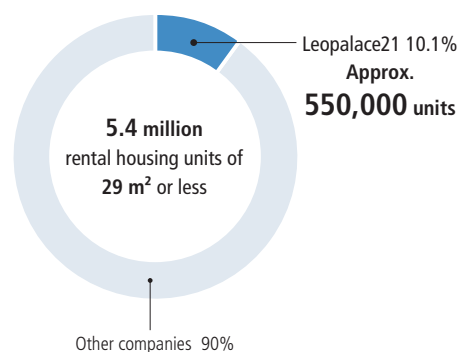
In addition, by providing internet access as standard, the apartments are advantageous in attracting tenants who plan to stay for certain periods of time, such as short stays for business or for higher education.



\*Examples of furniture and home appliances included with a unit

### Market share of main products: approximately 10%

According to the Housing and Land Survey (2018) by the Statistics Bureau, the Ministry of Internal Affairs and Communications, of Japan's approximately 55.64 million residential housing units, approximately 19 million are rental units. Of these approximately 19 million rental units, approximately 5.4 million are estimated to be 29 m<sup>2</sup> or smaller, which is about the same size as our mainstay apartments. Based on these figures, we estimate our share of units under management in this category (rental housing units of 29 m<sup>2</sup> or less) to be approximately 10%. While there are many rental housing providers, we are one of the largest-scale private landlords in Japan, offering approximately 550,000 units through a single company.



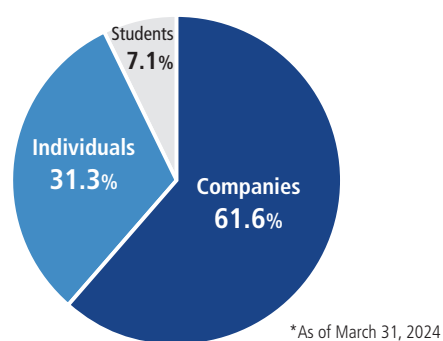
## Use as Company-Leased Housing by the Companies Nationwide

By offering around 550,000 rental housing units nationwide, we fulfill the role of company-leased housing provider, and because of the convenience of our services, many customers use us as their partner for company-leased housing.

### About 60% of our apartments are used by the companies

We categorize our customer base into three groups: companies, individuals, and students. In particular, for corporate use, we have been focusing on acquiring corporate contracts because we can expect stable use. Currently, through a strategy aimed at acquiring the position as the brains behind the company-leased housing strategy, we are strengthening sales to specific industries where labor shortages are serious such as logistics and construction, and thoroughly implementing company-specific strategies. Corporate use has reached a record high of 61.6% of the total, making it the largest customer segment. The total of 300,482 units in corporate use as of March 31, 2024 is second only to the record high of 309,062 units as of March 31, 2018.

Number of units used by attribute



### 74% of the listed companies use our apartments

As part of the efforts to reduce assets that are not directly related to the business, the companies have been phasing out company-leased housing. As a consequence of phase-out, growing number of companies have contracted with Leopalace21, which resulted in increased corporate contracts. Currently, companies in all kinds of industries, including construction, temporary staffing and outsourcing, retail, and manufacturing, have contracts with us, and 74% of the listed companies in Japan have used Leopalace21 apartments.

Factors contributing to broad use by many listed companies include our ability to provide housing anywhere in Japan with a single point of contact; the uniformity of apartment grades, layouts, and major facilities nationwide; and cost reductions such as lower brokerage

fees. Customer companies see these factors as significant benefits.

The wide range of industries that use our apartments and the fact that we are not biased toward any particular company ensures a safe environment for our corporate customers, while simultaneously enabling us to secure a stable number of contracts, unaffected by the performance of particular industries or companies.

**74% of the listed companies use our apartments**

\*As of March 31, 2024

### Reasons why customers choose us: Reducing the burdens on corporate customers' employees in charge of company-leased housing

#### 1 Single point of contact

Owing to the fact that we can provide housing anywhere in Japan, we can offer a single point of contact for our corporate customers, thereby reducing their administrative burden.

#### 2 Standardized products across the country

By maintaining consistent standards of apartment grade, layout, and equipment across all regions, we can reduce any feelings of inequality among employees in company-leased housing.

#### 3 Reduced expenses

We alone can meet a significant amount of demand, which benefits our corporate customers in the form of lower brokerage fees and other expenses.



# Intellectual Capital

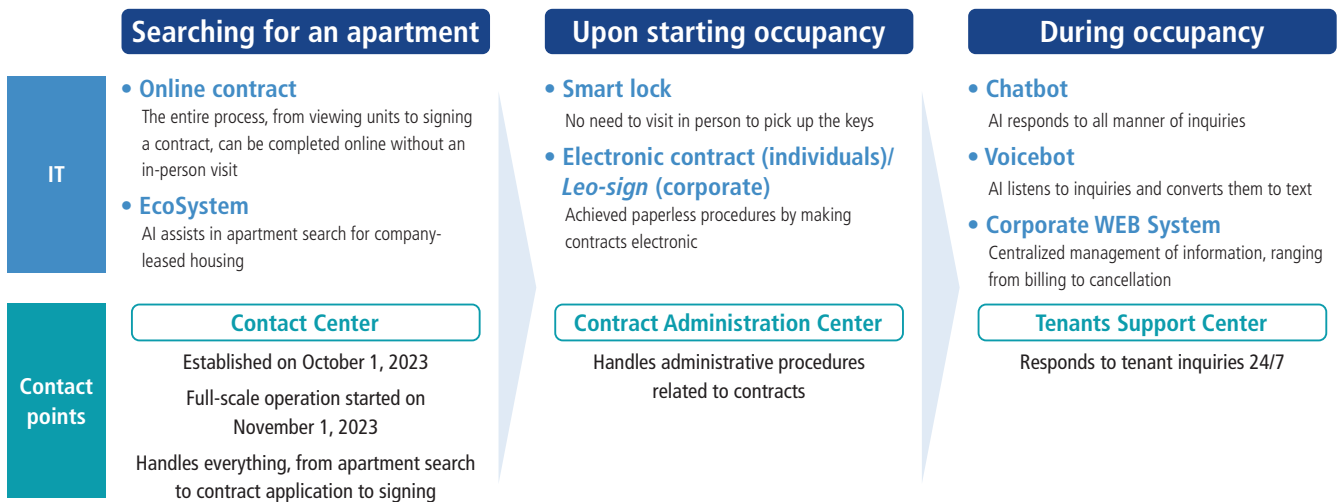
## Unique Leasing Expertise No Other Company Has

Since 1985, when we started selling urban-type Leopalace21 apartment units, we have pioneered the introduction of diverse services, including furnished units with home appliances, internet as standard, smart locks, and an online flow from consultation to contracting.

### Offering support both before and after moving in

We fully utilize DX to improve convenience for our customers both before and after moving in. For the time before moving in, we established the Contact Center in 2023, which covers everything from finding a room to signing a contract. We have created a system in which the entire process, from viewing units to completing the contract, can be done online. Additionally, for corporate customers, we launched the EcoSystem whereby AI assists in apartment search for company-leased housing. When moving-in, the Contract Administration Center handles the contract paperwork. We are also

promoting the installation of smart locks and realization of paperless contracts by making our contracts digital. During occupancy, we make full use of AI, including a chatbot that uses AI to respond to all manner of inquiries, and a voicebot that listens to inquiries and converts them into text. Meanwhile, we are building a corporate web system that centrally monitors various information related to corporate contracts, from billing to cancellation. These efforts are designed to improve customer convenience while reducing our costs.



### Installation of smart locks

Since June 2022, we have been progressively installing smart locks to improve tenant convenience in properties under our lease management and to promote real estate tech business. As of the end of July 2024, we have completed installation of approximately 270,000 units, one of the highest installation base in the industry. Thanks to smart lock installation, tenants can start new chapters in their lives without having to stop by a Leasing Sales Office to pick up keys. This has also improved our work efficiency, as daily work related to physical keys used to take approximately 42 minutes per unit, but the introduction of smart locks resulted in an overall reduction of approximately 140,000 hours in FY2023.

In addition, approximately 90% of new tenants during the busy season (January-March) in 2024 moved into properties with smart locks installed.

#### Improvement of customer convenience

By eliminating the need for customers to visit in person to view rooms and pick up keys when moving in, we can reduce their travel time and effort.



- Start a new chapter in life without dropping by a Leasing Sales Office
- Can unlock via a smartphone app, IC card, or keypad
- Enhanced security with self-locking door
- Reduced risk of key loss