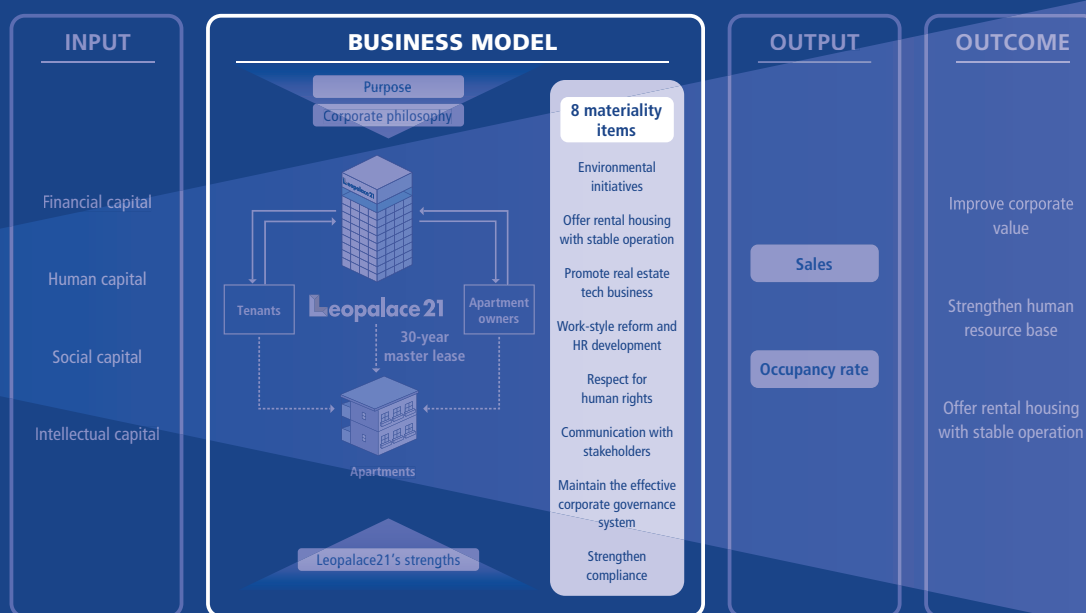


# Sustainability Management

## Sustainability Management

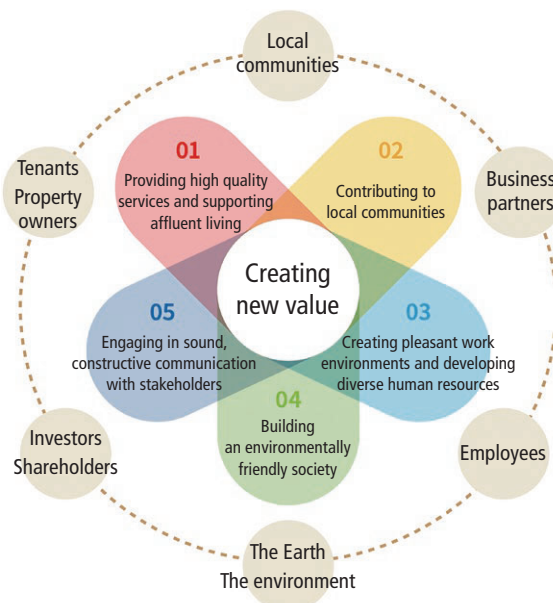
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# Sustainability Management

## Basic Policies on Sustainability

In 2013, we devised the Basic CSR Action Policy (renamed the Basic Policies on Sustainability in 2022) in response to the changing needs of our stakeholders, social and environmental problems, and the requirements of ISO26000 as well as other guidelines. To further advance sustainability activities through our business, we have established five basic policies and are steadily implementing initiatives. Based on compliance and corporate governance, which support our business, we aim to create new value together with all of our stakeholders by promoting sustainability activities in accordance with the basic policies.



## Sustainability Promotion Structure

Our Group has established a Sustainability Committee under the Board of Directors. The Sustainability Committee meets every three months to promote initiatives related to sustainability management that the Board of Directors advises on as part of business operations. The Sustainability Committee is chaired by the director in charge of sustainability and consists of the personnel responsible for sustainability from each department. It reviews the progress of initiatives aligned with the Basic Policies on Sustainability and discusses future directions while carrying out efforts to promote sustainability.



## Roles in the promotion structure

### Board of Directors

The Board of Directors is the decision-making body for basic management strategies and plans, and decides on climate change-related policies based on the deliberations of the Sustainability Committee and the Risk Management Committee as well as receives reports from and supervises the activities of these committees.

### Director in charge of sustainability

The director in charge of sustainability leads discussions and plays a central role in advising the Sustainability Committee when the Board of Directors decides on environment-related policies, including those related to climate issues.

### Sustainability Committee

Through reports from representatives of relevant internal departments and Group companies on the statuses of activities related to the environmental, social, and governance domains within each materiality as part of business operations, the Sustainability Committee shares the progress of sustainability efforts across the entire Group. The Sustainability Committee also sets numeric targets for environmental activities, including those related to climate change, and manages progress towards these goals. For important matters, the Committee reports to the Board of Directors, and risks related to climate change are submitted to the Board of Directors in collaboration with the Risk Management Committee.

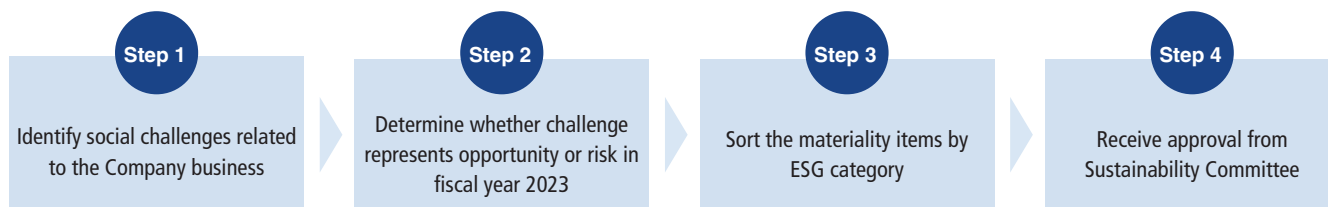
# Leopalace21's Materiality Issues

We have identified eight materiality issues as key issues toward our goal of sustainable growth together with society. Though materiality issues are identified with the year 2030 in mind, we have also set single-year KPIs for each materiality issue in order to monitor and manage the quantitative progress of associated countermeasures.

Materiality	Related SDGs	KPIs (fiscal year 2023)
Environmental Initiatives <b>E</b>	    	<ul style="list-style-type: none"> <li>• Reduce Scope 1 and 2 CO<sub>2</sub> emissions (by 46% from FY2016 level by FY2030)</li> <li>• Promote paperless operations (reduce annual paper usage by 15% against FY2022)</li> <li>• Reduction of CO<sub>2</sub> emissions through the <i>Leopalace Green Energy Project</i> (40,000 t-CO<sub>2</sub>)</li> </ul>
Offer Rental Housing with Stable Operation <b>S</b>	   	<ul style="list-style-type: none"> <li>• Implement measures to improve occupancy rate (end of FY: 90.40%; annual average: 86.56%)</li> <li>• Increase number of foreign tenants (12,000 individual contracts)</li> </ul>
Promote Real Estate Tech Business <b>S</b>	 	<ul style="list-style-type: none"> <li>• Install smart locks (in 240,000 units by March 2024)</li> </ul>
Work-Style Reform and HR Development <b>S</b>	    	<ul style="list-style-type: none"> <li>• Leadership and Succession</li> <li>• Diverse Talent Acquisition</li> <li>• Employee Engagement</li> <li>• Compliance and Ethics</li> <li>• Diversity &amp; Inclusion</li> <li>• Well-being Management</li> </ul>
Respect for Human Rights <b>S</b>		<ul style="list-style-type: none"> <li>• Conduct training for foreign national nursing care staff members (monthly, 12 times)</li> <li>• Maintain the employee retention rate through the special subsidiary (84%)</li> </ul>
Communication with Stakeholders <b>S</b> <b>G</b>	  	<ul style="list-style-type: none"> <li>• Hold engagement meetings with institutional investors (100 companies)</li> <li>• Hold engagement meetings with financial institutions (200 times a year)</li> <li>• Hold property owner briefing sessions (180 times a year)</li> <li>• Carry out a public relations strategy that enhances corporate value (24 press releases issued)</li> <li>• Deliver in-house newsletters (60 times a year)</li> <li>• Conduct customer satisfaction surveys (Group companies)</li> </ul>
Maintain the Effective Corporate Governance System <b>G</b>	 	<ul style="list-style-type: none"> <li>• Maintain dialogue between directors and employees (24 sessions)</li> <li>• Eliminate obvious defects by end of 2024</li> </ul>
Strengthen Compliance <b>G</b>	  	<ul style="list-style-type: none"> <li>• Operate the whistleblowing system (number of cases accepted: 80 cases)</li> <li>• Carry out compliance training (e-learning sessions conducted: 9 times)</li> </ul>

## Materiality issue identification process

As a framework for identifying materiality issues, we first identified social challenges that are relevant to our company and then determined whether those issues represent opportunities or risks for us. We have organized materiality issues under the ESG categories. For construction defects management, this was initially set as a materiality issue unique to the Company. To ensure thorough execution of our announced construction defects elimination plan to resolve these defects and to prevent recurrence of similar issues, we have established two KPIs related to materiality in the governance domain and will work on them as key issues.



## KPI and achievement

A: Achievement ≥ 95%; B: 75% ≤ Achievement < 95%; C: Achievement < 75%

### Environmental Initiatives

Evaluation indicators	Target completion	Numeric target	FY2021	FY2022	Evaluation	FY2023	Evaluation	Notes
Reduce Scope1 and 2 CO <sub>2</sub> emissions	FY2030	-46% vs. FY2016 Scopes 1 and 2 CO <sub>2</sub> emissions: 20,084 t-CO <sub>2</sub> (FY2016 result)	-47.6%	-43.5%	—	-41.5%	—	
Leopalace Green Energy Project	Every year	CO <sub>2</sub> emissions reduction amount FY2023: 40,000 t-CO <sub>2</sub>	—	—	—	3,238t-CO <sub>2</sub>	C	Incorporated into KPIs from fiscal year 2023.

### Offer Rental Housing with Stable Operation

Evaluation indicators	Target completion	Numeric target	FY2021	FY2022	Evaluation	FY2023	Evaluation	Notes
Occupancy rates at fiscal year-end and during the fiscal year	Every year	Fiscal year-end occupancy rate: Upper 85% to lower 90% Occupancy rate during the fiscal year: Upper 81% to mid-86%	Fiscal year-end: 85.1% Average during the fiscal year: 81.22%	Fiscal year-end: 88.83% Average during the fiscal year: 84.66%	A	Fiscal year-end: 88.03% Average during the fiscal year: 85.99%	A	

### Promote Real Estate Tech Business

Evaluation indicators	Target completion	Numeric target	FY2021	FY2022	Evaluation	FY2023	Evaluation	Notes
Number of units with smart locks installed	End of March 2025	End of March 2023: 109,000 End of March 2024: 240,000 End of March 2025: 310,000	—	The number of announced units exceeded 100,000 on June 16, 2023.	B	The number of announced units exceeded 200,000 on January 10, 2024.	A	

### Work-Style Reform and HR Development

Evaluation indicators	Target completion	Numeric target	FY2021	FY2022	Evaluation	FY2023	Evaluation	Notes
Leadership and Succession	Every year	Next-generation leadership development program: Held four times a year	—	—	—	12 times	A	Incorporated into KPIs from fiscal year 2023.
		Training to strengthen management skills: Held three times a year	—	—	—	9 times	A	Same as above
		Next generation executive development program: Held once a year	—	—	—	1 time	A	Same as above
		Time employees spend in training: 9,000 hours	4,265 hours	4,096 hours	—	8,159 hours	B	Same as above
Diverse Talent Acquisition	Every year	New graduates recruited in 2024: 50	—	—	—	67	A	Same as above
		Mid-career employees recruited in fiscal year 2023: 146	28	54	—	105	C	Same as above
Employee Engagement	Every year	Percentage of high-engagement employees based on stress check results: 10.0%	—	—	—	11.3%	A	Same as above
		Employee turnover rate: 5%-10%	16.0%	11.1%	A	9.0%	A	
Diversity & Inclusion (D&I)	Every year	Ratio of female managers (non-consolidated basis): 5.5%	6.5%	5.5%	A	5.4%	A	
		Ratio of male employees taking paternity leave and other leave for childcare purposes (non-consolidated basis): 40%	34.1%	35.7%	—	71.4%	A	Incorporated into KPIs from fiscal year 2023.
		Gender pay gap No specific numeric targets	—	Regular employees: 69.1% Non-regular employees: 63.6% Overall: 55.4%	—	Regular employees: 68.3% Non-regular employees: 45.0% Overall: 50.1%	—	Same as above
		Promotion of smoking cessation measures Ratio of smokers: FY2024 Under 25%	34.9%	31.9%	—	29.3%	A	
Well-being Management	Every year	Follow-up examination ratio after regular health checkups: 80% or higher (FY2025)	45.4%	27.1%	—	74.8%	B	
		Mental health measures Pulse Survey (introduced in August 2023)	—	—	—	93.8%	B	Incorporated into KPIs from fiscal year 2023.
		Response rate and support for individuals flagged by alerts	—	—	—	—	—	
		Exercise habit percentage: 50% or higher	42.2%	32.6%	C	34.3%	C	Same as above
		Deviation score from the Health and Productivity Management Survey: 60 or higher	—	53.7	B	58.0	A	Same as above

### Respect for Human Rights

Evaluation indicators	Target completion	Numeric target	FY2021	FY2022	Evaluation	FY2023	Evaluation	Notes
Conduct training for foreign national nursing care staff (number of sessions held)	Every year	12 times per year (once a month)	12 times	12 times	A	12 times	A	
Employment of people with disabilities through the special subsidiary		Employment rate: 2.3%	2.7%	2.8%	A	2.7%	A	
		Retention rate: 84%	—	—	—	84.1%	A	Incorporated into KPIs from fiscal year 2023.

### Communication with Stakeholders

Evaluation indicators	Target completion	Numeric target	FY2021	FY2022	Evaluation	FY2023	Evaluation	Notes
Hold property owners' meetings	Every year	FY2021 and FY2022: 90 times FY2023: 180 times	47 times	88 times	A	172 times	A	
Hold engagement meetings with financial institutions		200 times	—	143 times	C	147 times	C	
Customer satisfaction survey		Leopalace Leasing: Conduct once a year with a follow-up to identify issues	—	1 time	A	1 time	A	
		Plaza Guarantee: Conduct once a year	—	1 time	A	1 time	A	
		Asuka SSL: Satisfaction rate of 90% or higher	—	92%	A	92%	A	

### Maintain the Effective Corporate Governance System

Evaluation indicators	Target completion	Numeric target	FY2021	FY2022	Evaluation	FY2023	Evaluation	Notes
Carry out a public relations strategy that enhances corporate value	Every year	Press releases: 24	5	17	—	30	A	Incorporated into KPIs from fiscal year 2023.
Hold engagement meetings with institutional investors		Number of companies interviewed: 100	103	122	A	97	A	
Deliver in-house newsletters		60 times	75 times	68 times	A	101 times	A	
Maintain dialogue between directors and employees		FY2021: 4 times FY2022: 12 times FY2023: 24 times	26 times	15 times	A	59 times	A	

### Strengthen Compliance

Evaluation indicators	Target completion	Numeric target	FY2021	FY2022	Evaluation	FY2023	Evaluation	Notes
Operate the whistleblowing system	Every year	Set the target number of cases as the number of employees x 1.3%	77	90	A	80	A	
Carry out compliance training		Number of e-learning sessions conducted: 9 times	—	—	—	9 times	A	Incorporated into KPIs from fiscal year 2023.



# Environment

## Environment

### Sustainability Management

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# Environmental Management

We have established our own management system and engage in environmentally friendly business activities, such as responding to climate change and supplying *Leopalace Green LP Gas*, which has virtually zero CO<sub>2</sub> emissions.

## Environment Management System

Environmental issues are a challenge common to all humanity, and our Group continuously strives for repeated improvement by iterating the Plan-Do-Check-Action cycle, aiming to reduce the environmental impacts of our business activities as well as of the resulting products and services.



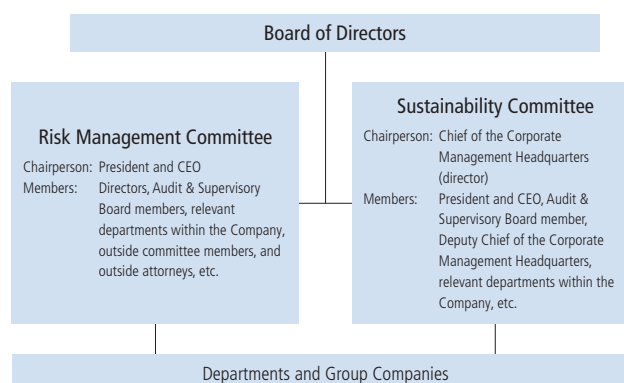
## Environment Management System

Our Group has established the Sustainability Committee under the Board of Directors to promote initiatives related to sustainability management that the Board advises on as part of business operations. The Board of Directors oversees climate-related issues, which it considers to be a critical aspect of sustainability management, by reviewing and advising on these matters. During fiscal year 2023, the Board of Directors approved the targets set for the *Leopalace Green Energy Project*, which will be discussed later. The Sustainability Committee is chaired by the director in charge of sustainability and consists of the personnel responsible for sustainability from each department. The committee deliberates and examines measures to push forward environmental initiatives, which are one of the Company's materiality issues.

As described under Risk Management on page 54, measures to address climate change-related risks are considered, formulated, and implemented mainly by the Sustainability Committee and the Risk Management Committee in cooperation with related departments.

Monitoring, including effectiveness verification, is also conducted by relevant departments as needed, and the results are reported to the Sustainability Committee and the Risk Management Committee before being shared with the Board of Directors.

### Environmental Management System Diagram



# Initiatives for TCFD

Our Group recognizes climate change as one of the key challenges affecting the environment. We expressed our support for the TCFD (Task Force on Climate-related Financial Disclosure) recommendations in October 2021 and joined the TCFD consortium in November of the same year for the purpose of gathering information.

## Governance

Please refer to our sustainability promotion framework described on page 48.

## Strategy

We have conducted scenario analysis as indicated below for the purpose of evaluating the financial impact and business impact under different scenarios (see table below), examining the resilience of our strategy and response to climate change risks and opportunities, and connecting them to future business strategies.

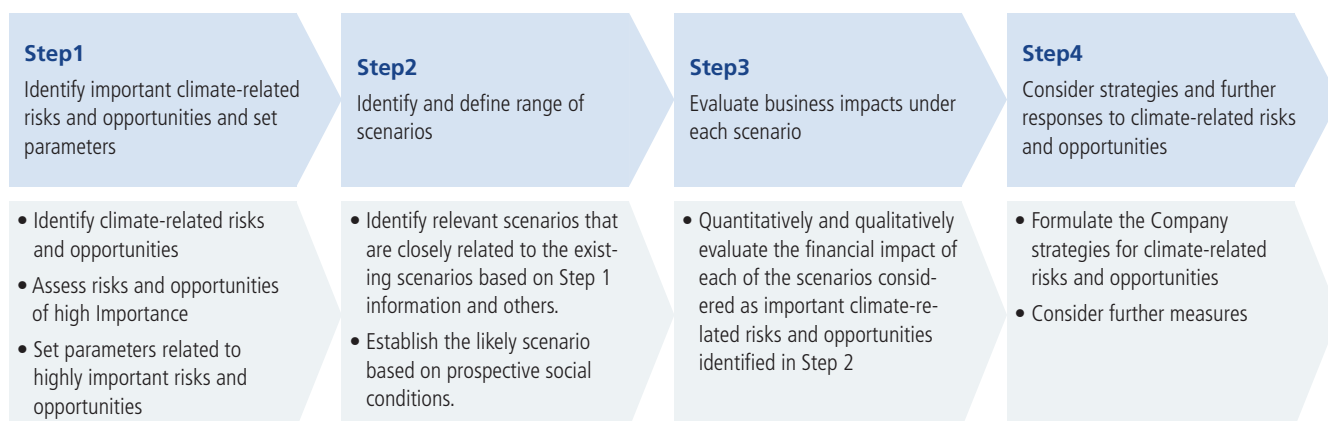
Since the Leasing Business accounts for more than 90% of our sales, the scope of the scenario analysis is the Leasing Business segment (construction, leasing, and management of apartments). In addition, since we have identified and disclosed materiality up to 2030 in line with the SDGs, the time frame for the scenario analysis was also assumed to be 2030.

### Reference scenario

Category	Scenario overview	Main reference scenarios
1.5°C to 2°C	A scenario in which policies and regulations aimed at achieving a decarbonized society are implemented, limiting the global temperature increase compared to before the industrial revolution to between 1.5°C and 2°C. While the transition risk is high, physical risks are reduced compared to the 4°C scenario.	<ul style="list-style-type: none"> <li>- IEA World Energy Outlook 2021 Net Zero Emissions by 2050 Scenario</li> <li>- IPCC RCP2.6, SSP1-1.9</li> </ul>
4°C	No new policies or regulations will be introduced, and global CO <sub>2</sub> emissions will continue to increase. The transition risk is low, but the physical risk is high.	<ul style="list-style-type: none"> <li>- IEA World Energy Outlook 2021 Stated Policies Scenario</li> <li>- IPCC RCP8.5, SSP5-8.5</li> </ul>

(Note) Created based on our own scenario analysis while referencing IEA World Energy Outlook 2021 and the IPCC Fifth and Sixth Assessment Reports.

### Scenario analysis steps



The scenario analysis we conducted identified the risks and opportunities indicated on the next page. We have already begun efforts to address the increased costs associated with carbon taxes, including setting Scope 1 and 2 reduction targets. In the future, we will discuss further measures for each risk and opportunity, such as starting full-scale development of ZEH apartments, and take appropriate measures.

Category		Category	Outline	Business/financial impact	
				1.5°C to 2°C	4°C
Risks	Transition risks	Policy and Legal	Increase in operating costs due to tighter regulations such as carbon taxes	Medium	Medium
		Technology	Increased construction costs for new properties	Large	Large
		Market	Increased construction costs for new properties	Large	Large
		Reputation	Corporate customers refusing to do business with us due to delay in environmental response	Medium	Medium
	Physical risks	Acute	Decline in sales due to weather disasters	Small	Small
		Chronic	Increased costs due to longer construction periods resulting from more frequent heat wave days	Medium	Medium
Opportunities		Products and services	Increased sales due to higher demand for environmentally friendly apartments (construction)	Small	Small
			Increased sales by providing environmentally friendly apartments (leasing)	Small	Small
			Increased sales due to the new production sites by corporate customers which are engaged in environmental business (leasing)	Medium	Medium
		Resilience	Restoration demand for repairs after flood damage (construction)	Medium	Medium

## Impact levels

- Large: Impact on sales of JPY 5 billion or more/significant impact on operations  
Medium: Impact on sales of JPY 500 million or more but less than JPY 5 billion/mid-level impact on operations  
Small: Impact on sales of less than JPY 500 million/minor impact on operations

## Risk management

The Group has established a Risk Management Committee under the Board of Directors to comprehensively identify and manage company-wide risks. Risks are being evaluated and addressed according to six broad classifications. Risks related to climate change are positioned as external factors in the risk classification. Climate change-related risks identified or periodically reviewed by the Sustainability Committee are communicated to the Risk Management Committee as appropriate and shared as Company-wide risks. The

Sustainability Committee and the Risk Management Committee take the lead in coordinating with relevant departments to study, formulate, and implement countermeasures against climate change-related risks. Monitoring, including verification of effectiveness, is conducted as appropriate by the relevant departments, and the results are reported to the Sustainability Committee and the Risk Management Committee, which then share them with the Board of Directors.

### Risk classification table

External factors	1. Risks of changes in the external environment 2. Country risks 3. Disaster risks	Compliance	1. Legal violations and lawsuit risks 2. Compliance risks
Strategy and governance	1. Strategy risks 2. Management risks 3. Contractor/subsidiary management risks	Operations	1. Operational risks 2. Information management risks 3. Personnel risks 4. System risks
Finance	1. Market risks 2. Liquidity risks 3. Default risks	Reputation	Risk of incurring losses caused by media reports, reputation, rumors, and hearsay

### Roles in the management system

#### • Board of Directors

The Board receives reports from the Sustainability Committee and the Risk Management Committee on the status and response to climate change risk management and exercises oversight over them.

#### • Risk Management Committee

While tracking and managing Company-wide risks, the Risk Management Committee shares climate change-related risks reported by each department with the Sustainability Committee as appropriate.

It also assesses climate change-related risks communicated to it by the Sustainability Committee.

#### • Sustainability Committee

The Sustainability Committee controls and manages climate change-related risks and reevaluates them as appropriate. Its work is shared with the Risk Management Committee as appropriate and reported to the Board of Directors on a quarterly basis.



## Initiatives for TCFD

## Metrics and targets

We have been compiling and disclosing our total CO<sub>2</sub> emissions from business activities since fiscal year 2016, and the total results for each fiscal year are shown on our website and in the integrated reports.

By the end of fiscal year 2021 we had already achieved the target we set in 2020 to reduce the Scope 1 and 2 CO<sub>2</sub> emissions—emissions from the use of electricity, gas, and vehicle gasoline—of our facilities by 26% by fiscal year 2030 compared to fiscal year 2016.

Reduction of leasing sales offices by pushing forward structural reforms in our core business along with streamlining and rationalizing operations by withdrawing from non-core and unprofitable businesses have become significant factors for the substantial reduction of CO<sub>2</sub> emissions. For Scopes 1 and 2 emissions, starting from FY2022, we have revised our reduction target to a 46% decrease compared to FY2016 in order to commit ourselves to

achieving further reductions.

Going forward, to contribute more to environmental conservation, we will work to understand and reduce our Scope 3 emissions (CO<sub>2</sub> emissions indirectly generated upstream and downstream in business activities). Given that the majority of our Scope 3 emissions come from electricity and gas usage by tenants, we are addressing this by measures such as replacing the lighting fixtures in our properties under management with LED lights. As occupancy rates increase, Scope 3 CO<sub>2</sub> emissions are expected to rise. Therefore, we will continue to work to further reduce Scope 3 emissions by developing and selling ZEH apartments and by providing electricity and LP gas with virtually zero CO<sub>2</sub> emissions in managed properties through the *Leopalace Green Energy Project*.

## Scope 1 and 2 reduction targets

## 46% reduction by FY 2030 compared to FY 2016

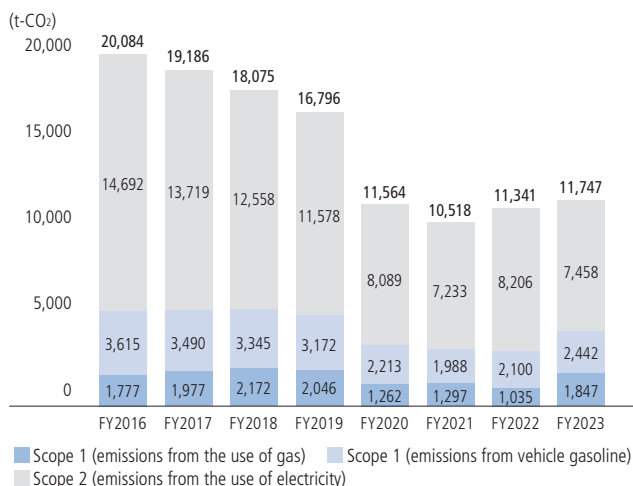
\*Target value changed starting in FY 2022

## Scope 1, 2, 3 results

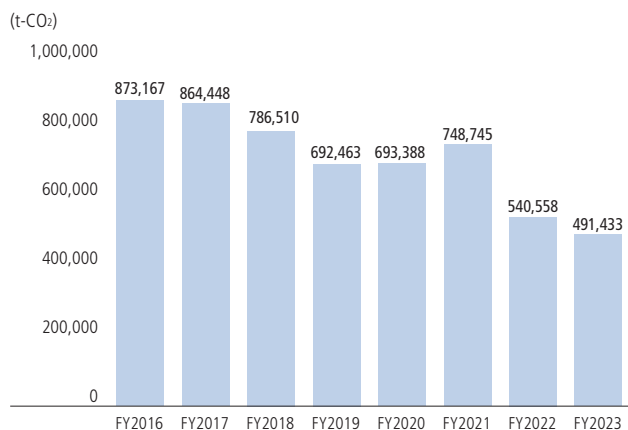
Item	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022*	FY2023
Scope 1	5,392	5,467	5,518	5,218	3,475	3,285	3,135	4,289
Scope 2	14,692	13,719	12,558	11,578	8,089	7,233	8,206	7,458
Scope 3	873,167	864,448	786,510	692,463	693,388	748,745	540,558	491,433

\*From FY2022, Scope 2 emissions are calculated using the market-based method.

## Scope 1, 2



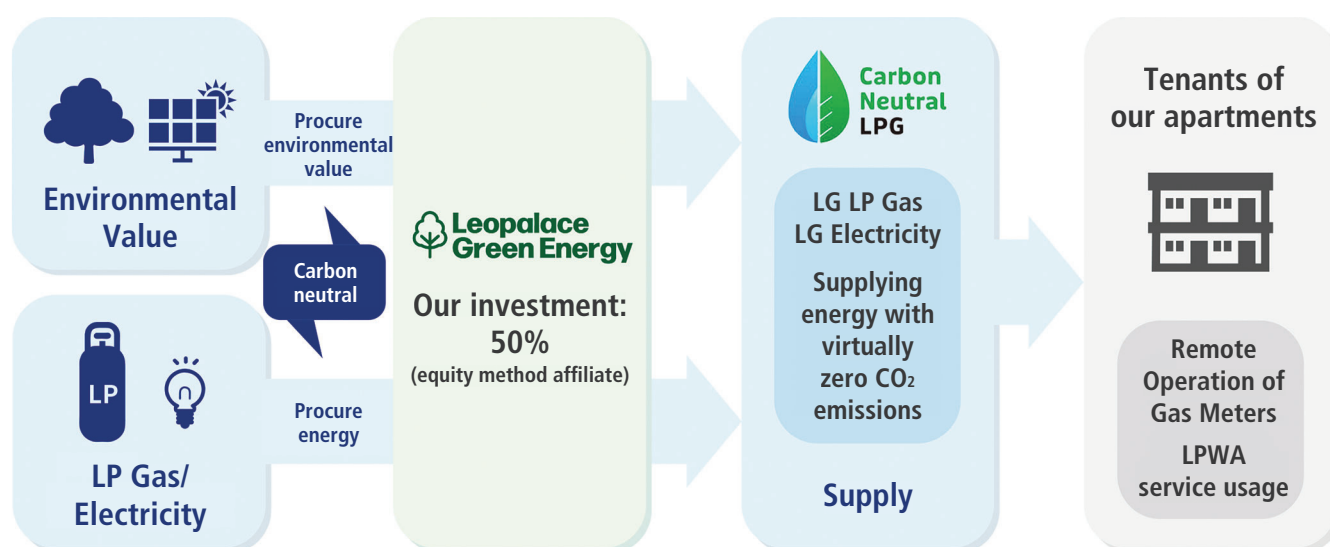
## Scope 3



## Leoplace Green Energy Project

In response to increased efforts to reduce greenhouse gas emissions at the corporate level, Leoplace21 is strengthening GX (green transformation) initiatives for rental housing, such as promoting the introduction of LP gas and green electricity—which have virtually zero CO<sub>2</sub> emissions—as part of its energy strategy.

### Leoplace Green Energy Project



## Starting provision of Leoplace Green LP Gas (LGLP Gas)

As part of our goals of contributing to global warming countermeasures, of improving convenience and safety for our tenants, and of promoting the real estate tech business, we established Leoplace Green Energy Corporation and, in cooperation with partner companies, began to provide rental housing that we manage with *Leoplace Green LP Gas (LGLP Gas)*, which has virtually zero CO<sub>2</sub> emissions, in January 2023. In June 2024 we also began offering *Leoplace Green Electricity (LG Electricity)*, which is effectively renewable energy achieved by utilizing non-fossil fuel energy certificates, and we plan to expand this service to approximately 75,000 units by March 2025.

*LGLP Gas* offsets the greenhouse gas emissions generated throughout the entire LP gas value chain, from production to consumption and including transport, with carbon credits obtained from environmental conservation projects carried out by the producer

around the world (carbon offsets), and is designed to reduce emissions from LP gas usage to virtually zero. Meanwhile, *Leoplace Green Electricity* is effectively renewable energy that has virtually zero CO<sub>2</sub> emissions thanks to incorporating non-fossil fuel energy certificates certifying the value of no carbon dioxide emissions during power generation.

In addition to supplying *LGLP Gas*, we will also introduce an LPWA service that enables remote control of gas meters. Introducing this service will improve the convenience and safety of energy usage for tenants by enabling online application to start gas use, online billing, and 24-hour gas usage monitoring while improving operational efficiency for *LGLP Gas* supply companies. In this way, we can provide a service that is beneficial to both our tenants and gas suppliers.

## Effects of reducing CO<sub>2</sub> emissions

In January 2023, we began supplying *LGLP Gas* to our managed properties, and by the end of March 2024, the cumulative supply had reached approximately 470,000 m<sup>3</sup>. As a result, we reduced CO<sub>2</sub> emissions by more than 3,000 tons.

This is equivalent to eliminating the emissions of approximately 98 million plastic shopping bags by bringing reusable bags, or eliminating the emissions of 42 million 350-ml plastic cups by bringing personal bottles.\*

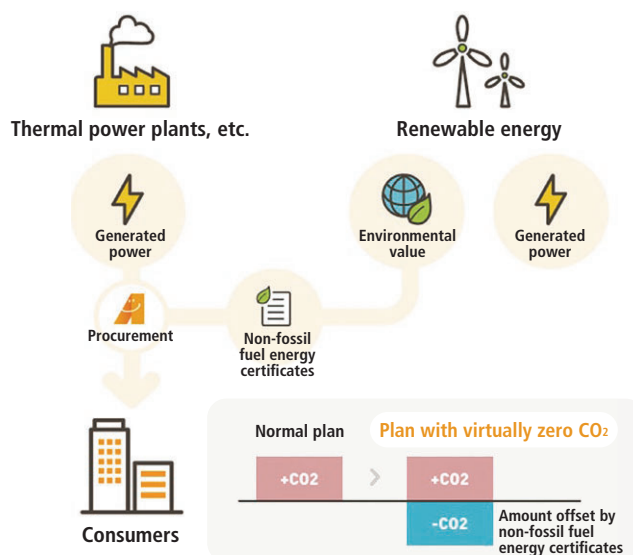
\*Source: Calculated based on the 3R Intensity Calculation Method by the Ministry of the Environment

## Starting provision of *Leopalace Green Electricity (LG Electricity)*

In June 2024, we began offering *LG Electricity*, which offsets CO<sub>2</sub> emissions using non-fossil fuel energy certificates. *LG Electricity*, which is provided by Astomos Energy Corporation, is available for both monthly contracts and utilities-included plans.

By incorporating non-fossil fuel energy certificates, *LG Electricity* is effectively renewable energy with virtually zero CO<sub>2</sub> emissions. We aim to provide *LG Electricity* to 75,000 units by March 2025. If we achieve this goal, we estimate a reduction in CO<sub>2</sub> emissions of approximately 81,993 tons annually.\*

\*Assumes annual usage of 2,496.0 kWh per room and a CO<sub>2</sub> emissions factor of 0.000438 t-CO<sub>2</sub>



## Outlook

We aim to supply *LGLP Gas* to approximately 400,000 units by 2025. By supplying both *LGLP Gas* and *LG Electricity* to 400,000 units in this manner, we can reduce CO<sub>2</sub> emissions by approximately 360,000 t-CO<sub>2</sub> per year, which is equivalent to 25.7 million cedar trees, and by offsetting the energy use of gas and electricity by approximately 360,000 t-CO<sub>2</sub> per year via carbon offsetting, we can realize rental housing with virtually zero CO<sub>2</sub> emissions.

This is one of the industry's largest-scale initiatives\* and contributes to global environmental conservation by reducing and limiting greenhouse gas emissions on a global scale. It is also linked to the Sustainable Development Goals (SDGs), which aim for the coexistence of people and nature.

\*In rental housing managed by a single company or individual (as of September 2022, based on research by the Company)



# Society

## Society

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# Offer Rental Housing with Stable Operation

Amid the declining birthrate and aging and decreasing population, we contribute to the development of social infrastructure by providing rental housing. With approximately 550,000 rental housing units across Japan, we serve corporate customers as a provider of company-leased housing as well as stably provide rental housing to individuals and students. We also provide housing to personnel involved in disaster recovery efforts and those affected by disasters.

## Established the Leopalace21 scholarship program for students

Entering a university or vocational school is a new step in life for students, but the economic hurdles to higher education continue to rise due to the recent soaring tuition fees and the prolonged economic stagnation. As a result, students have become increasingly dependent on scholarships, and the long-term repayments after graduation has become a major burden on new workers in their daily lives, which has recently become a social issue in Japan.

Amid these difficult economic conditions for students, we have established a new scholarship program for students who are joining universities, junior colleges, and vocational schools in April 2025. It is intended to support talented students who will lead the future and help solve the social problem. Under this scholarship program, students can choose either (1) to use of a room of Leopalace21 apartment without paying rent, or (2) to receive a benefit-type scholarship. Applications opened in October 2023, and payment will start in April 2025.

Applicants must be in the second year of high school who wish to enter a university, junior college, or vocational school. There are no restrictions on nationality, household income, or intended field of study.

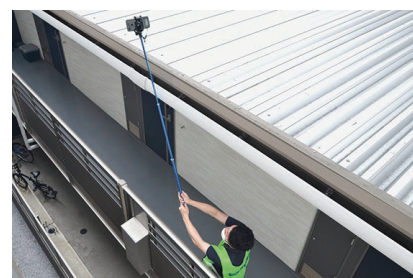


	(1) Use of a room of Leopalace21 apartment without paying rent	(2) Benefit-type Scholarship
Support content	Provision of apartment room free of charge up to JPY 1.2 million/year	JPY 360,000 per year (JPY 30,000 per month)
Support period	Period in school (maximum 6 years)	
Beneficiary	New students to universities, junior colleges, or vocational schools	

## Strengthening of property inspections

The properties under our management generally undergo annual periodic building inspections to ensure a safe and comfortable environment for property owners and tenants. Starting in April 2021, we revised the inspection process for these periodic check, and expanded the previous 50 inspection items to a more detailed 100. By leveraging the vast amount of assessment data obtained from inspections, we can conduct more detailed analyses of each item. In addition to allowing for early detection of building defects and timely understanding of deterioration, this also facilitates preventive maintenance for apartments under management by utilizing the accumulated data to prepare for the future.

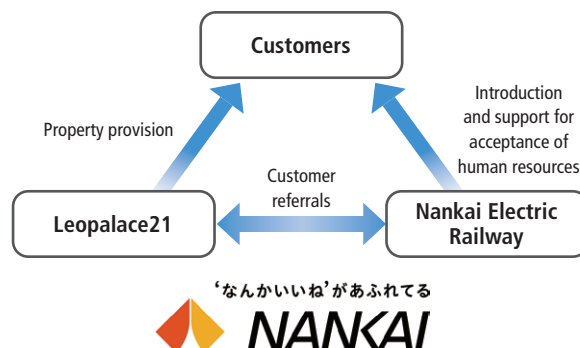
For building maintenance, we offer property owners the Building Maintenance Contract (BM), which helps to level out repair and maintenance costs. By implementing building maintenance work at the most appropriate timing and using the most appropriate methods while giving top priority to the safety and security of tenants, we focus on maintaining and improving the value of properties so that the tenants can lead safe and comfortable living even in older properties.





## Entered into a business alliance with Nankai Electric Railway Co., Ltd. on the acceptance of foreign national human resources for companies.

We entered into a business alliance with Nankai Electric Railway on February 1, 2024, regarding the acceptance of foreign national human resources for companies. Nankai Electric Railway, through its overseas IT talent introduction service *Japal*, will support the acceptance of foreign national human resources and provide recruitment services to companies, while we will offer apartments under management as company-leased housing for these human resources. We have been supporting many foreign nationals by providing multilingual call centers and housing services. With this new alliance, we will offer integrated support for both acceptance of foreign national human resources by companies and their housing needs, and we believe this will enable us to further contribute to the realization of sustainable urban development.



## Property leasing to IRIS Inc. for use as a group home for people with disabilities

We have provided one of our apartment buildings under management to IRIS Inc., which operates group homes for people with disabilities. Provision of the first property commenced in Osaka City in December 2023. Going forward, we will consider expanding the number of properties provided according to IRIS's needs.

In recent years, demand for group homes has been increasing due to the government's efforts to support the independence of people with disabilities. While the number of group home users is increasing annually, rising to approximately 140,000 as of February 2021, the insufficient supply of group home facilities is emerging as a social issue. We aim to contribute to the community by stably providing rental housing, and we hope that provision of apartments under management such as this case will help alleviate the shortage of group homes.



## Support for people affected by the Noto Peninsula earthquake in partnership with Daiichi Koutsu Sangyo Group

We partnered with Daiichi Koutsu Sangyo Group, which operates a taxi business, to support people affected by the Noto Peninsula earthquake that occurred on January 1, 2024. Daiichi Koutsu Sangyo Group has set a goal of hiring approximately 100 disaster-affected people as full-time employee, mainly as taxi drivers, to support the recovery of those who lost their homes and workplaces due to the earthquake. As part of this initiative, we will secure and provide rental housing for the individuals hired by Daiichi Koutsu Sangyo Group. In the event of a large-scale disaster such as an earthquake, in many cases it is anticipated that people's homes may collapse, so we will support recovery efforts by utilizing our 550,000 rental housing units nationwide.



## Signed an agreement with Obayashi Corporation to provide properties in the event of a disaster

With the many natural disasters such as earthquakes and typhoons that have been occurring across Japan in recent years, securing the living quarters in disaster-stricken areas for people engaged in the work to restore the social infrastructure has become a major issue in the restoration activities. As a first step, it is essential for general contractors to promptly play a role in repairing the social infrastructure such as roads, which are necessary to transport restoration materials and equipment, workers, and relief personnel.

To this end, we have concluded an agreement with Obayashi Corporation, one of Japan's major general contractors, on the leasing of properties in the event of a disaster. Under the agreement, we will provide apartments under management to Obayashi employees and others engaged in recovery and reconstruction activities in the event of a large-scale disaster. Going forward, we will consider offering housing tailored to the needs of other companies as well.





# Respect for Human Rights

While keeping in mind our Purpose, which is to create new value and provide better living solutions based on the theme of housing, the Group acts in a manner that respects the human rights of all people in our day-to-day business activities. Respect for human rights is the foundation of our business activities, and we believe that protecting human rights is an important responsibility that companies must fulfill. We have established the Leopalace21 Group Human Rights Policy to supplement and clarify this principle of respect for human rights, which we have already adopted as a materiality in accordance with our Corporate Ethics Charter, CSR Procurement Guidelines, and Basic Policies on Sustainability.



Leopalace21 Group Human Rights Policy  
<https://www.leopalace21.co.jp/english/sustainability/esg/humanrights/policy/index.html>

## Respect for human rights initiatives

### Promotion of employing people with disabilities

We believe that providing an environment for a broad range of people from diverse backgrounds who have different values contributes to the creation of new value, and greatly helps the Company to grow. In August 2009, we established Leopalace Smile, a special subsidiary that employs people with disabilities. We want to provide a rewarding place to work for all people, and our efforts go beyond meeting the statutory employment rate as we carry out initiatives to improve retention rates.

### Implementation of training programs for foreign national nursing care staff members

As a solution to the chronic labor shortage in the nursing care industry, we are increasing the number of foreign national staff members while implementing training to improve their skills. Our goal is to develop human resources who can be active in Japan over the long term. To this end, in addition to improving communication skills necessary in the nursing care field such as promoting the study of the Japanese language, which is needed for daily work in nursing care, we help them to acquire nursing care qualifications and to master *kanji* characters and *keigo* (honorific language) with an eye toward passing the Japanese Language Proficiency Test.

## Declaration to eliminate harassment

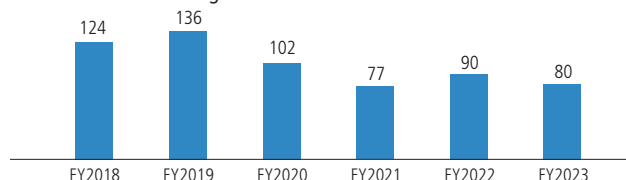
We formulated a basic policy and announced a declaration to eliminate harassment in April 2020, in an effort to maintain a healthy work environment, improve trust relationships in the workplace, and thereby achieve an invigorated work environment with a pleasant atmosphere. In accordance with this declaration, the Group implemented training aimed at preventing harassment as part of its compliance-related training and established a consultation hotline for whistleblowing. We also conduct a harassment survey targeting all officers and employees.

In the harassment survey conducted in 2024, 73% of officers and employees responded that they can trust the hotline as a consultation channel, a 24-point increase compared to the survey three years ago. The following opinions were cited as the main reasons for this:

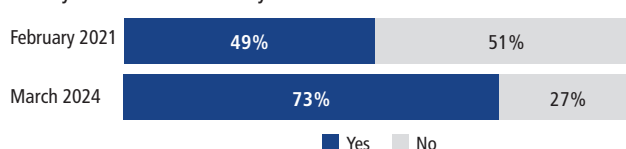
- Transparency increased and I felt a noticeable effort to make a change.
- Anonymity and consideration for employees seeking advice are secured.
- The availability of the hotline creates an environment where opinions can be shared with confidence and peace of mind.

Reasons for not trusting the hotline included respondents being unsure because they had never used the hotline.

Number of whistleblowing calls



Survey on harassment: Do you trust the hotline?



Declaration to Eliminate Harassment  
<https://www.leopalace21.co.jp/english/sustainability/esg/compliance/efforts/harassment/index.html>

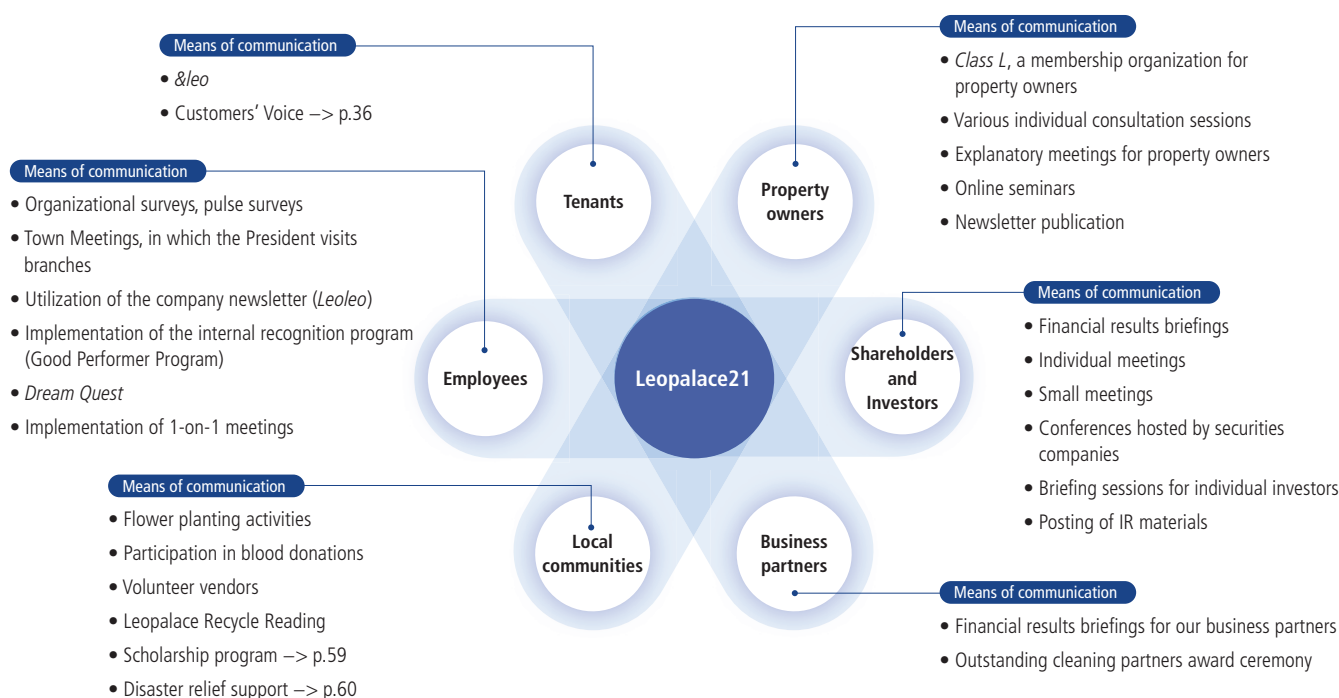
## Responding to customer abuse of employees

In June 2023, we established the Guidelines on Customer Abuse of Employees to achieve our goal of putting customers first while continuing to provide services that satisfy our customers. If behavior or remarks that exceed socially acceptable boundaries are found to hinder our employees' performance of carrying out their normal daily work and negatively affect the service provided to other customers, we will take actions in accordance with the Guidelines.



Guidelines on Customer Abuse of Employees  
<https://www.leopalace21.co.jp/english/sustainability/esg/compliance/efforts/customer-harassment/index.html>

# Communication with Stakeholders



## Pick up

### Communication with shareholders and investors

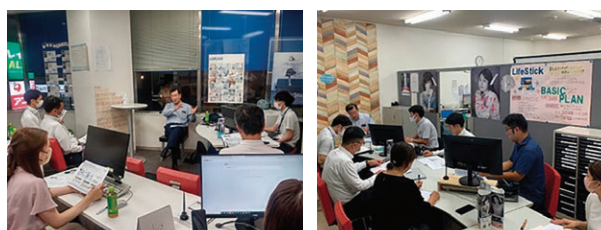
To achieve sustainable growth and to enhance mid- and long-term corporate value, we have established a department dedicated to IR, which is headed by the director in charge of IR, in order to promote communication with shareholders and investors. Feedbacks from shareholders and investors are regularly reported to the management team and shared with relevant internal departments as needed.

#### Communication implementation status (FY2023 results)

Activities	Number of times held	Description	Person who handles
Financial results briefings	4	Conduct quarterly for analysts and institutional investors online on the day of the financial results announcements. Materials and transcripts are made available on our IR website.	Representative Director, President & CEO Director in charge of IR
Individual meetings	71	Respond to requests for individual interviews by domestic and international institutional investors and securities analysts.	Representative Director, President & CEO Outside director Director in charge of IR Department dedicated to IR
Small meetings	8	Respond to requests for small meetings held by sell-side analysts, etc. who cover the Company.	Representative Director, President & CEO Director in charge of IR
Conferences hosted by securities companies	1	Attend investor conferences organized by securities firms and hold individual meetings with international institutional investors.	Director in charge of IR Department dedicated to IR
Briefing sessions for individual investors	0	Participate in IR events for individual investors and hold presentation meetings.	Representative Director, President & CEO Director in charge of IR Department dedicated to IR
Posting of IR materials	—	Post various IR-related materials on our website.	—

### Town Meetings, in which the President visits branches

The Representative Director, President & CEO visits each location and engages in direct dialogue with employees, thereby strengthening communication across the organization. This provides an opportunity for the employees at each location to directly share their thoughts with the President. By quickly addressing concerns and challenges, the Town Meetings are expected to enhance job satisfaction. The Q&A sessions and dialogue from the visits to each branch are later shared with all employees via the company newsletter.





# Governance

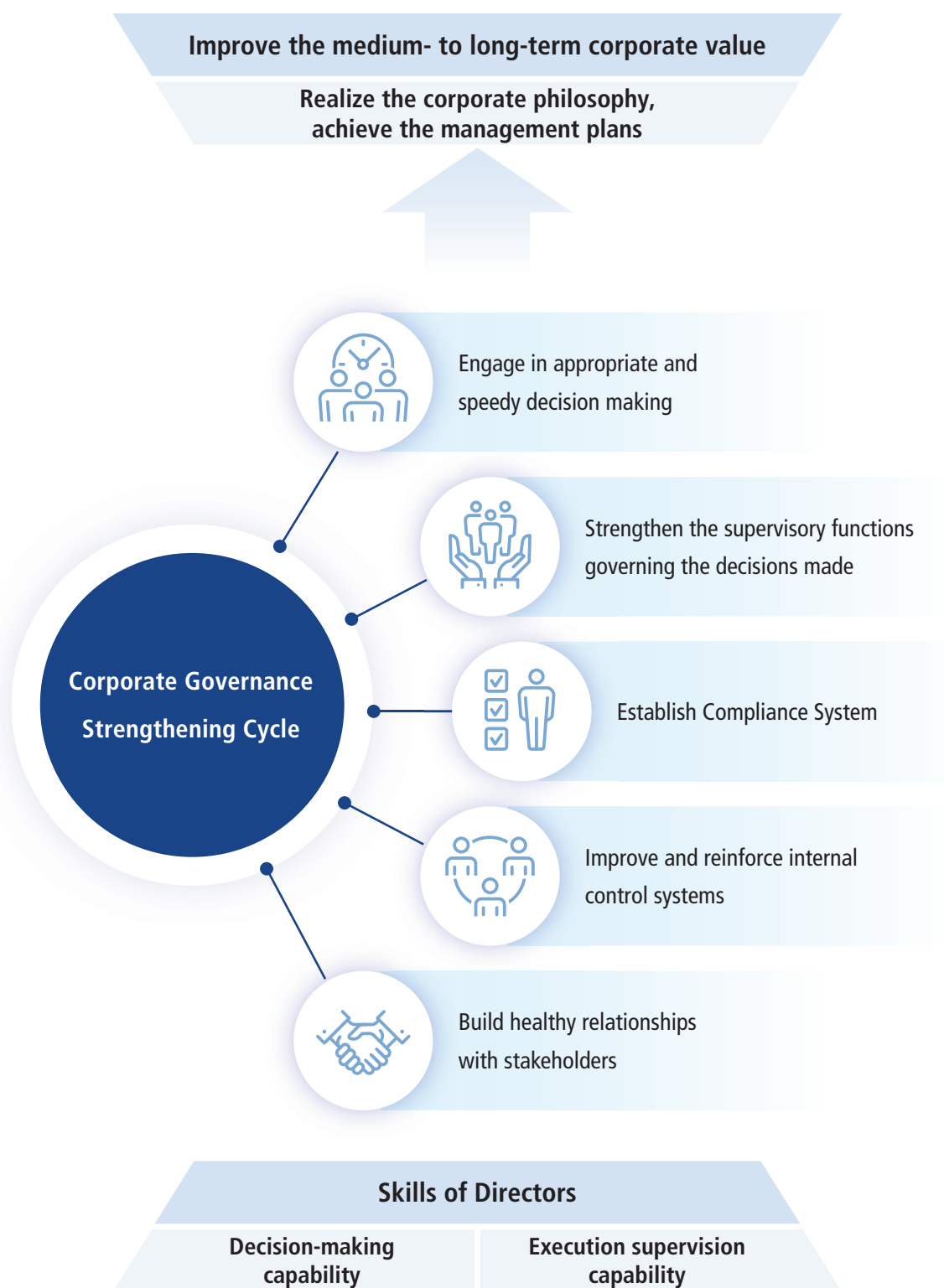
## Governance

### Sustainability Management

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# Leopalace21's Corporate Governance

Leopalace21's distinctive corporate governance contributes to improvement of the medium- to long-term corporate value through the strengthening cycle



# Corporate Governance System

## Basic approach to Corporate Governance

We consider developing and strengthening corporate governance to be a key management issue. By strengthening corporate governance, we are aiming to realize the corporate philosophy, achieve the management plans, enhance the corporate value over the medium to long term, and achieve sustainable growth. In addition, to realize higher corporate value for stakeholders, we consider aiming for efficient, fair, and highly transparent management to be the basic approach underpinning our corporate activities.

Based on this approach, we are working to develop management structures, organizations, and systems that will allow us to engage in appropriate and speedy decision making, strengthen the supervisory functions governing the decisions made, establish compliance systems, improve and reinforce internal control systems, and build healthy relationships with stakeholders.

To achieve even faster decision making and smoother business execution, the Board of Directors has established the Corporate Management Council, which convenes to discuss important matters related to overall business execution prior to Board of Directors meetings. In addition, in October 2023, we introduced a preliminary review process before submitting proposals to the Corporate Management Council to improve the accuracy of the proposals. The Board of Directors has also established the Board of Executive Officers, which shares information about Company management with the aim of strengthening collaboration so that business

execution proceeds smoothly.

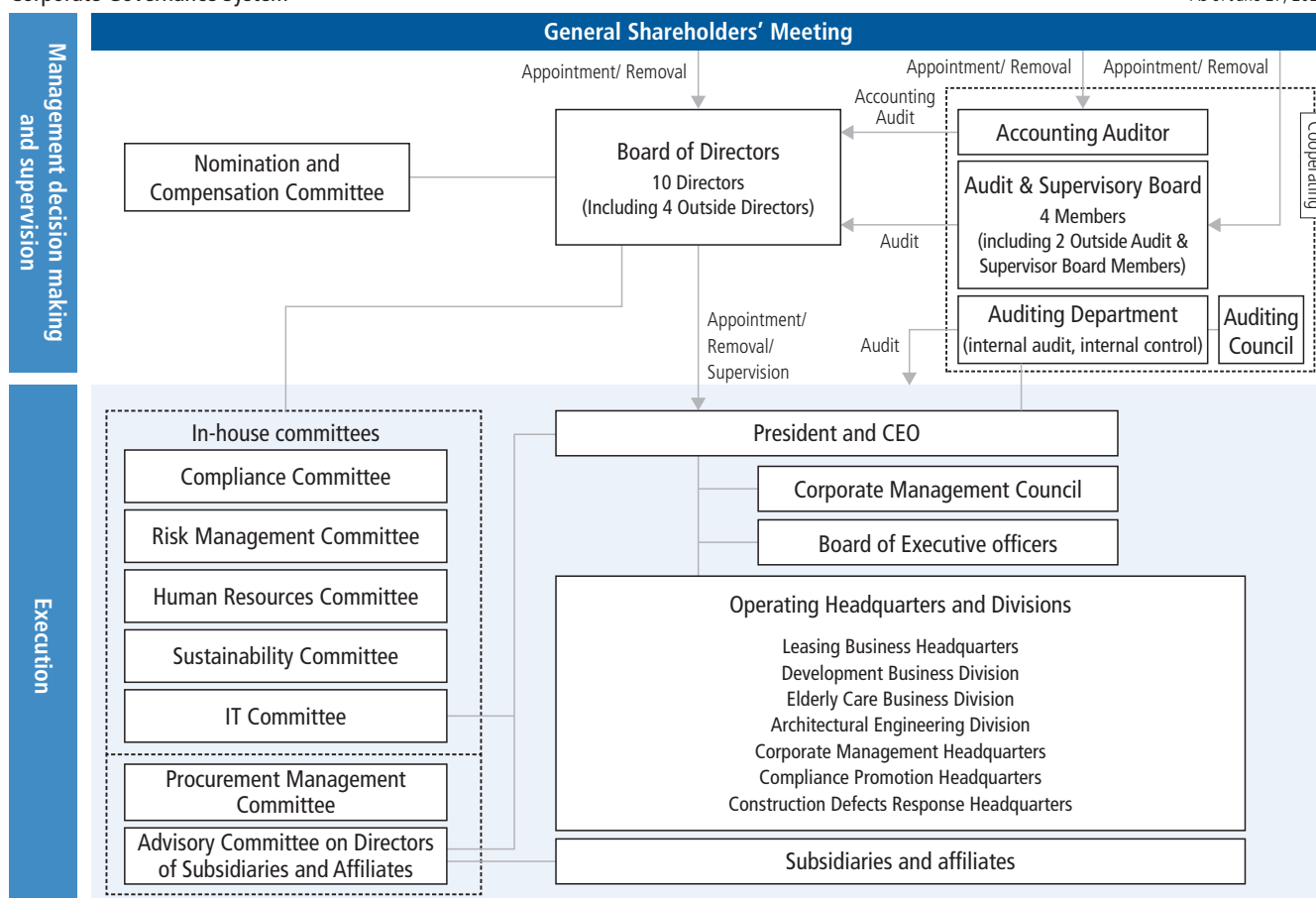
The Board of Directors has also established a number of committees to discuss key management issues for which the Board of Directors consults, and these committees offer the recommendations to the Board of Directors so the Board can thoroughly examine them.

Specifically, the Board of Directors established the Nomination and Compensation Committee to confer about the selection and remuneration of directors, the Compliance Committee to develop and manage the legal compliance systems, the Risk Management Committee to manage risks in the business operation, the Human Resources Committee to confer about human resources utilization, the Sustainability Committee to promote sustainability initiatives, and the IT Committee to maintain the IT environment.

In the business execution structure, Leopalace21 has put in place four headquarters comprised of: the Leasing Business Headquarters which manages the Company's core leasing business; the Corporate Management Headquarters which establishes and monitors the management strategies, increases inter-divisional synergy and supports smooth business operation; the Compliance Promotion Headquarters which aims to develop and monitor our legal compliance systems; and the Construction Defects Response Headquarters which manages construction defects. With this structure in place to clarify responsibilities and authorities, we aim to continuously enhance our corporate governance.

Corporate Governance System

As of June 27, 2024



# Strengthening Our Management Structure

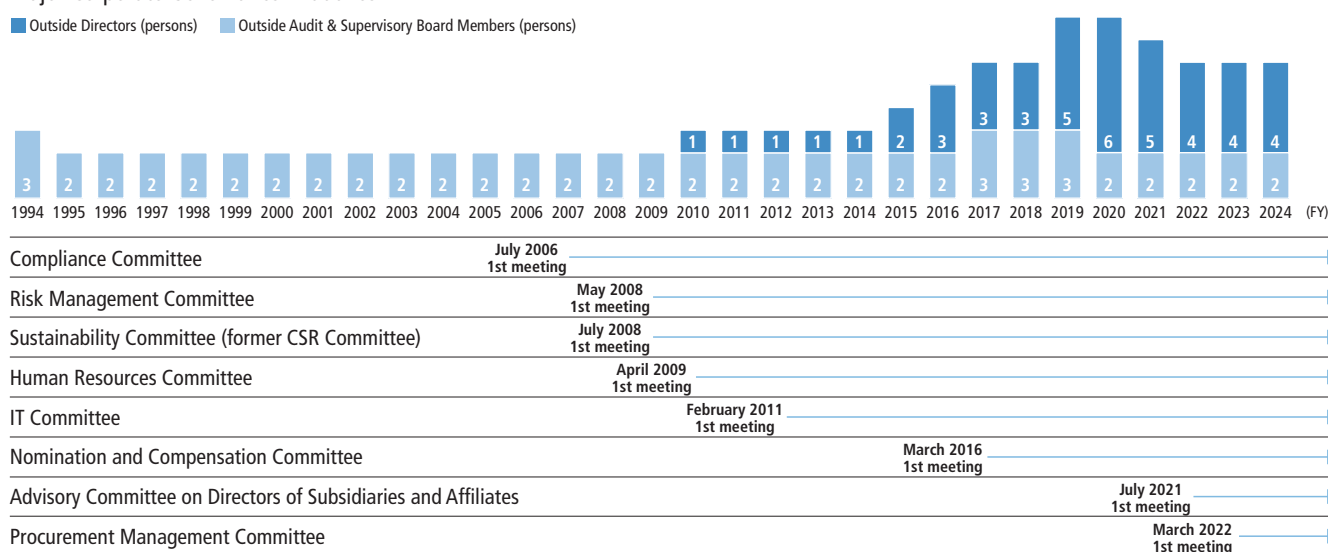
## Progress towards strengthening governance

We have strengthened our corporate governance system in order to achieve the corporate philosophy, attain the management plan, improve the medium- to long-term corporate value, and achieve sustained growth. To apply external points of view to our management, we have been appointing outside Audit & Supervisory Board members for over 25 years, and outside directors since immediately after the global financial crisis, which had a major effect on the management of the Company.

We subsequently increased the number of outside directors to considerably strengthen the supervisory function of the management. We currently have four independent outside directors, making up over one third of all directors. Based on our reflections on the construction defects problem, we have also reshuffled our executive directors, reducing their number to four from eight, six years ago. In addition, the Board of Directors has set up various committees and has pursued timely inquiries in order to examine major management issues faced by the Company.

### Major Corporate Governance Initiatives

■ Outside Directors (persons) ■ Outside Audit & Supervisory Board Members (persons)



### Members of each advisory body

Position	Name	Board of Directors	Corporate Management Council	Board of Executive Officers	Nomination and Compensation Committee	Compliance Committee	Risk Management Committee	Human Resources Committee	Sustainability Committee	IT Committee
President and CEO	Bunya Miyao	◎	◎	◎	○	○	◎	◎	○	○
Director	Mayumi Hayashima	○	○	○		○	○	○		○
Director	Naomichi Mochida	○	○	○			○	○		
Director	Shinji Takekura	○	○	○		○	○	○	◎	◎
Director	Akio Yamashita	○	○		○					
Director	Jin Ryu	○	○		○					
Outside Director	Akira Watanabe	○	○		○	◎	○			
Outside Director	Yutaka Nakamura	○			◎	○	○			
Outside Director	Takumi Shibata	○			○	○	○			
Outside Director	Kan Ishii	○			○	○	○			
Audit & Supervisory Board Member	Kenichiro Samejima	(Notes 2)	○	○		○	○	○	○	○
Audit & Supervisory Board Member	Yoshitaka Murakami	(Notes 2)	○							
Outside Audit & Supervisory Board Member	Jiro Yoshino	(Notes 2)	○	○		○	○	○		○
Outside Audit & Supervisory Board Member	Kazutaka Shimohigoshi	(Notes 2)	○							
Executive Officers	—	1	1	7		2	5	5	4	2
Employees	—					4	8	5	7	5
Subsidiaries and Affiliates	—								4	
Outside Experts and others	—					2	2			

Notes 1. ◎ indicates a chairperson, while ○ indicates a member.

2. All Audit & Supervisory Board members attend meetings of the Board of Directors, and they supervise the execution of business by the directors.



## Strengthening Our Management Structure

### Nomination and Compensation Committee

Believing that strengthening of independence, objectivity, and accountability is particularly necessary regarding the nomination and remuneration of directors and other upper management, we have established the Nomination and Compensation Committee with an independent outside director serving as chairperson, and we are obtaining appropriate involvement and advice from the Committee. The Nomination and Compensation Committee consists of four independent outside directors, two non-executive directors and one internal director, and the fact that the independent outside directors account for the majority of the members increases the Committee's independence and objectivity.

Members	Chairperson: an independent outside director Committee members: three independent outside directors, President and CEO, and two non-executive directors
Objective	To ensure the appropriateness of decisions related to officer candidates nomination and compensation recommendations
Role	This Committee handles the nomination, removal as well as the compensation composition and levels for President and CEO, directors, Audit & Supervisory Board members, and executive officers considering the company business performance and other factors for objective deliberation. The Committee reports the results of such deliberation to the Board of Directors.
Number of meetings held in fiscal year 2023	6
Main deliberation content	The Committee discussed the appointment of directors, executive officers, and Audit & Supervisory Board members, and deliberated on selection/removal, compensation, and evaluation systems for directors, Audit & Supervisory Board members, and executive officers. Regarding the evaluation of directors and executive officers, the Committee has adopted a process under which a final decision is made regarding the evaluation based on discussions of the self-reported evaluation content at the Nomination and Compensation Committee, and there have been cases where self-reported evaluation results were changed. In addition, to make the connection between company performance and evaluation clearer, evaluations are conducted every six months, and promotions and demotions are also reviewed as needed.

### Board members' compensation

Our basic policy regarding decisions on the amounts of remuneration and other compensation for directors and the method for calculating them is to adopt a compensation system which contributes to improvement of the company performance and improvement of corporate value over a diverse range. The composition of remuneration for the executive directors consists of two types: the basic performance-based annual compensation which fluctuates in accordance with the rate of achievement of the targets in the annual management plans, and the incentive bonus which is paid only if a shareholder dividend is paid. The incentive bonus can be paid as monetary remuneration and non-monetary remuneration.

Regarding the composition of remuneration for non-executive directors, we pay only a basic remuneration as a fixed remuneration in light of their duties. When establishing the compensation system, we established a compensation table taking into consideration the level of other companies, the Company's business performance, and the level of employee salaries and considering each director's responsibilities and the associated risks, and ensured that the compensation would be decided based on this table.

## Skills of officers

The Board of Directors is aiming to strengthen our governance system and to flexibly and promptly solve problems. We reviewed the skillset of the Board of Directors as necessary given the business environment and other factors. Effective June 29, 2022, the Board consists of ten directors in total, of which four are appointed as independent outside directors, so that more than one-third are independent outside directors.

The Company requires its directors to have an extremely broad range of expertise, experience, and knowledge, and therefore many of the appointed directors satisfy multiple required territories. Particular focus is given to knowledge of corporate management, structural reforms, quality management, and compliance and risk management when appointing outside directors. We expect that directors will be able to leverage these skills to make significant contributions to the Company's efforts to continue structural reforms and strive to recover performance and trust.

## Skillset matrix

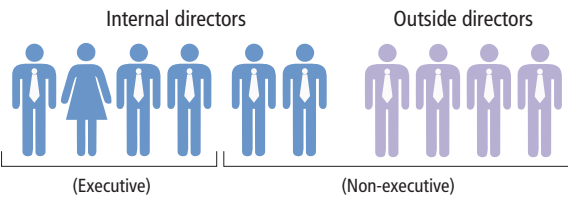
	Attribute							Skills particularly required by Leopalace21					
	Name	Title	Execution of business	Independency	Nomination and Compensation Committee	Age	Gender	Corporate management	Structural reforms	Sales and marketing	Compliance and risk management	Quality management	Finance
1	Bunya Miyao	Representative Director, President and CEO Chairperson of the Board of Directors	Executive		Member	64	Male	○	○		○		○
2	Mayumi Hayashima	Director and Managing Executive Officer	Executive			51	Female		○	○	○		
3	Naomichi Mochida	Director and Executive Officer	Executive			61	Male		○	○			○
4	Shinji Takekura	Director and Executive Officer	Executive			52	Male			○	○		○
5	Akio Yamashita	Director	Non-executive		Member	62	Male	○	○				○
6	Jin Ryu	Director	Non-executive		Member	40	Male		○	○			○
7	Akira Watanabe	Director	Non-executive	Independent outside	Member	77	Male	○	○		○		
8	Yutaka Nakamura	Director	Non-executive	Independent outside	Member	65	Male				○	○	
9	Takumi Shibata	Director	Non-executive	Independent outside	Member	71	Male		○		○		○
10	Kan Ishii	Director	Non-executive	Independent outside	Member	70	Male	○	○				○

Note: Ages of each director are listed as of June 27, 2024

# Initiatives Aimed at Improving Effectiveness

## The Board of Directors

The Board of Directors focuses on both ensuring agile management and achieving comprehensive supervisory functions, and it currently consists of ten directors, including four outside directors. To improve our corporate value, we believe it is important to appoint suitable directors and determine their compensation, and we have incorporated deliberation by the Nomination and Compensation Committee which is made up of outside directors, into the determination process. In addition to regular monthly meetings, the Board of Directors flexibly convenes meetings as necessary to make important management decisions, monitor how business is being executed, and supervise directors' execution of their duties.



## Evaluation of the effectiveness of the Board of Directors

At the end of each fiscal year, we evaluate the function and other duties to be fulfilled by the Board of Directors, mainly to improve management issues.

To ensure the transparency of responses and achieve a highly objective evaluation of effectiveness, the process was changed to a system in which an external organization conducts, collects, and aggregates questionnaires, and then the secretariat of the Board of Directors, based on advice from the external organization, reports the aggregated and analyzed results to the Board of Directors.

As in the previous year, the Board of Directors of the Company was generally found to be functioning effectively.

Priority issues during fiscal year 2023		Priority issues during fiscal year 2024
<ol style="list-style-type: none"><li>1. Boost the profitability of the Leasing Business</li><li>2. Strengthen the risk and crisis management system</li><li>3. Eliminate the construction defects problem</li></ol>		<ol style="list-style-type: none"><li>1. The Board should conduct thorough discussions on the sustainable growth of the company and the creation of corporate value over the medium- to long-term</li><li>2. Internal directors should be aware that they are supervisors of management and should properly articulate their views based on a company-wide perspective</li></ol>
Positive points	Points to be improved	
<ul style="list-style-type: none"><li>• Free, open and constructive discussions and exchanges of opinions rather than formalities</li><li>• Based on its basic policy for building internal control systems, the Board supervises and monitors the establishment and operation of internal control systems, including those at subsidiaries</li><li>• Outside directors are fulfilling their supervisory role for the Board of Directors</li></ul>	<ul style="list-style-type: none"><li>• Ensure that the development of successor candidates for the management team is carried out in a planned manner with sufficient time and resources</li><li>• The secretariat of the Board of Directors must provide BoD materials covering all necessary information to the Board in a timely and appropriate manner</li></ul>	

### Change in accounting auditor

Our accounting auditor, Grant Thornton Taiyo LLC, concluded its term at the end of the 51st Ordinary General Shareholders' Meeting held on June 27, 2024. With the expiration of this term, after comprehensively considering factors such as expertise, independence, quality control system, scale, and other factors of the firm, we have appointed Ernst & Young ShinNihon LLC as the new accounting auditor.

In order to grasp and manage Company-wide risks, the Group has put in place a Risk Management Committee as an advisory body to the Board of Directors. The President and CEO serves as chairperson of the Risk Management Committee, the Chief of the Corporate Management Headquarters and Chief of the Compliance Promotion Headquarters serve as vice-chairperson, while other members of the Committee comprise external experts such as lawyers. The Committee not only monitors risk management status and provides improvement guidance, but also works to mitigate or prevent risks from materializing.

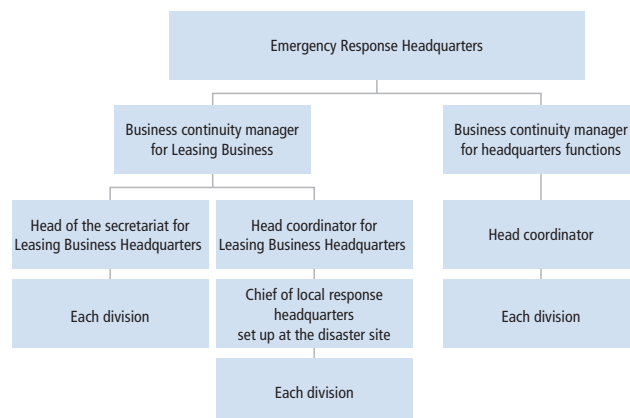
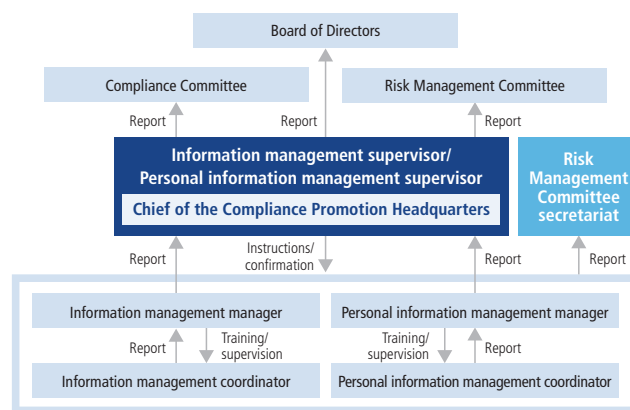
## Information management system

If a problem with information security is discovered and determined to have a significant impact, the necessary referrals are made to the Risk Management Committee or the Compliance Committee.

Both in Japan and abroad, the occurrence of unforeseen events, such as earthquakes, typhoons, torrential rains and other natural disasters, large-scale demonstrations, conflicts, civil unrest due to terrorism or political instability, and infectious diseases, could cause significant damage and losses to Leopold21's business. To prepare for these risks, we formulate business continuity plans (BCPs), regularly review them, and conduct drills in anticipation of disasters.

The diagram illustrates the organizational structure of the Risk Management Committee (RMC). At the top is the **Board of Directors**. Below it is the **Risk Management Committee**, with the **Chairperson: President and CEO**. The RMC is supported by two main branches: the **Risk Management Officer (vice-chairperson)** and the **Risk Management Committee secretariat**. The RMO oversees the **Chief of the Compliance Promotion Headquarters** and the **Chief of the Corporate Management Headquarters**. The RMC secretariat reports to the RMO. The RMO reports to the RMC, while the RMC secretariat reports to the RMO. The RMO also provides confirmation and improvement instructions to the **Risk management manager**. The RMC secretariat provides confirmation, investigation, etc. to the **Risk management manager**. The **Risk management manager** reports to the **Risk management coordinator**, who in turn reports to the **Officers and employees**. The **Risk management coordinator** also provides confirmation and improvement instructions to the **Risk management manager**. The **Officers and employees** report to the **Risk management coordinator**. The **Risk management manager** also reports to the **Risk management coordinator**. The **Risk management coordinator** also provides confirmation and improvement instructions to the **Risk management manager**.

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graph TD; Board[Board of Directors] -- Inquiry --> RMC[Risk Management Committee<br/>Chairperson: President and CEO]; RMC -- Report --> Board; RMC -- Report --> RMO[Risk Management Officer<br/>(vice-chairperson)]; RMO -- Confirmation and improvement instructions, etc. --> RMC; RMO -- Confirmation and investigation instructions, etc. --> RMC_S[Risk Management Committee secretariat]; RMC_S -- Report --> RMO; RMO -- Confirmation and improvement instructions, etc. --> RMM[Risk management manager]; RMC_S -- Confirmation, investigation, etc. --> RMM; RMM -- Report --> RMC_C[Risk management coordinator]; RMC_C -- Confirmation and improvement instructions, etc. --> RMM; RMC_C -- Report --> Officers[Officers and employees]; Officers -- Report --> RMC_C;
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# Compliance

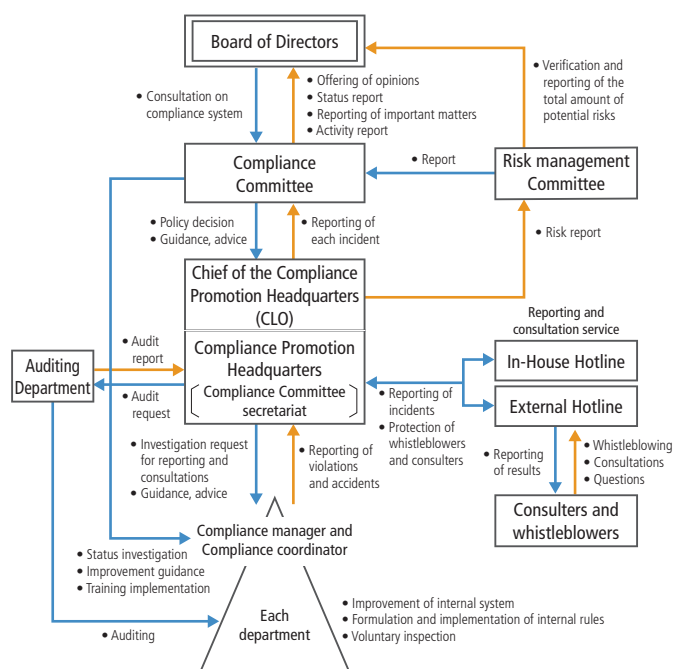
Based on the belief of Compliance First that compliance with laws, regulations, and social ethics is the most important policy in conducting business and it is the starting point of corporate activities, the Group is working to continuously instill compliance awareness and enhance compliance.

## Compliance promotion system

We have put in place a Compliance Committee as an advisory body to the Board of Directors with an outside director serving as chairperson. The Compliance Committee meets 12 times a year, and is working to strengthen the compliance system of the Group. In particular, it is working on a drastic reform of its corporate culture prompted by the construction defects problem. Regarding the measures to prevent recurrence, even after we completed the initial plan we have implemented continuous initiatives so that the memories of the problem never fade away over time. As part of the Group's efforts of strengthening governance, the Compliance Committee plans and implements measures regarding the Group's compliance framework, including reinforcing training and the information management system, and builds up the monitoring framework in accordance with the compliance policy to identify the issues for improvement.

We have put in place the Compliance Promotion Headquarters as a body for the promotion of daily compliance. This Promotion Headquarters plans and formulates measures pertaining to compliance promotion, and in addition verifies the legal compliance of new businesses, new services, and new products in the Group. We are also building systems for realizing the promotion of self-propelled compliance, under which a compliance manager is appointed to each department and affiliate to actively implement measures related to compliance in the business execution.

Compliance system diagram



## Promotion of self-propelled compliance in each department, subsidiary, and affiliate

Compliance measures are proactively implemented by the compliance manager and the compliance coordinator of each department, and any violations are met with a swift response. This response includes collecting evidence, informing the customer, confirming the facts with the employee who committed the violation, and reporting the matter to the regulators. The status of the response will be added to the Report on Occurrence of Compliance Violations and reported to the Compliance Promotion Department. Compliance coordinators ensure that rules are observed, provide an environment in which violations can be reported immediately upon discovery, and prohibit any retaliation against those who report violations.

### Flow of response when an incident occurs

Incident report	Analysis and investigation	Measures to prevent recurrence	Monitoring	Training
The compliance coordinator prepares an incident report in the prescribed format and promptly submits it to the Compliance Promotion Department and the compliance manager.	The compliance manager takes the lead in confirming the facts and investigating and analyzing the causes of the incident.	The compliance coordinator formulates measures to prevent recurrence, while the compliance manager discusses the measures with the compliance coordinator and provides guidance and advice.	The implementation status of the measures established to prevent recurrence are monitored regularly. Without exception, a record of the response is prepared including details of what was observed.	Compliance-related training is provided and compliance-related measures are publicized.

## Compliance training that incorporates the opinions of each employee

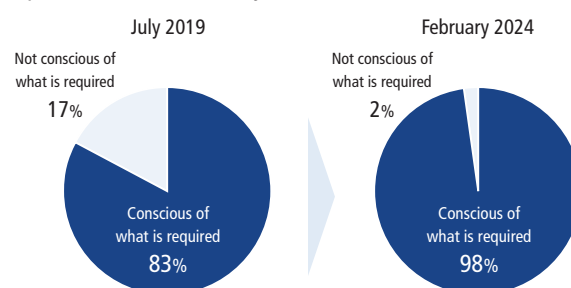
To strengthen the awareness improvement and knowledge acquisition of each individual officer and employee, we regularly implement group training and E-learning for the understanding of the basic concepts of compliance and also on themes adapted to the needs of this era; for example, harassment prevention, or the handling of personal information. These E-learning and group training are held according to job level and job duties. We are also regularly and continuously working for further improvement of our compliance and ethics. For example, we disclose information as needed in response to amendments to laws and other changes.

In order to instill the concept that promoting compliance enhances corporate value, we have endeavored to foster compliance awareness among all officers and employees by implementing mechanisms for evaluating compliance promotion efforts and actions, as well as regular multifaceted feedback, in our personnel appraisal system.

In July 2019, a message from the President was sent out stating

that Compliance First is our management policy. Survey results have shown that the percentage of officers and employees answering that they are conscious of compliance increased from 83% in 2019 to 98% in February 2024. This confirms that many officers and employees are conscious of compliance in their work and are making some kind of effort.

### Compliance awareness survey



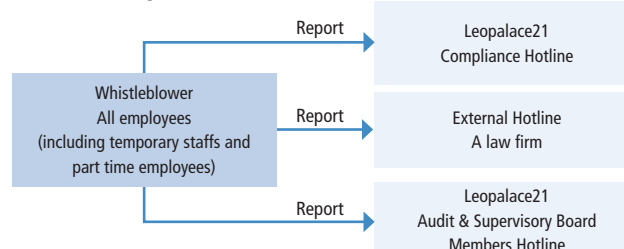
## Compliance consulting service

To handle cases where legal violations or similar acts are discovered by officers and employees, the Group has established a whistleblowing system, namely compliance hotlines, to deal with the associated consultation and reporting in-house (the Compliance Promotion Headquarters), outside of the company (a law firm), and for Audit & Supervisory Board members (the Audit & Supervisory Board). We have also established a partner hotline to receive reports from our business partners.

The internal hotline accepts telephone calls, emails, sealed letters, and interviews; the external hotline accepts telephone calls, emails, and sealed letters; the hotline with Audit & Supervisory Board members accepts emails and sealed letters; and the partner hotline accepts online submission forms. By accepting reports through email and online submission forms, which have no restrictions on reception times, we have established a system that allows whistleblowers to report at any time.

The number of internal reports received for fiscal year 2023 was 80, which compared to 90 in the previous fiscal year. In an annual survey of all employees, awareness of the whistleblowing system, namely compliance hotline, was 94% which compared to 92% in the previous year. We are working to promote understanding and awareness of the Whistleblowing Compliance Management System to create an environment in which employees can consult with us regarding potential compliance issues at the early stage when doubts first emerge.

### Whistleblowing contact

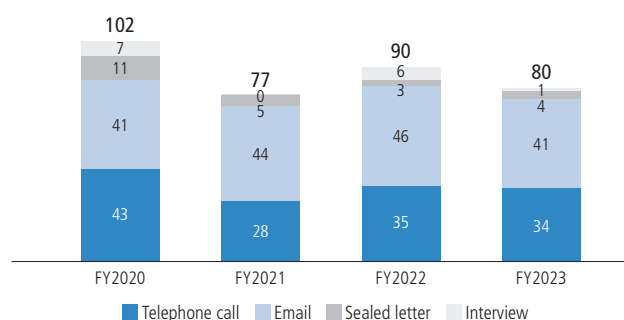


### A business partners hotline



### Number of internal reports received (including those received through the partner hotline)

(no. of reports received)

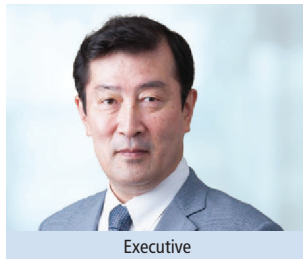


\*The count for emails includes the submission form on the Leoplace21 website used by the partner hotline.



# Directors and Audit & Supervisory Board Members

## Internal Directors (As of June 27, 2024)



Executive

Representative Director, President and CEO,  
Chief of the Construction Defects Response  
Headquarters

### Bunya Miyao

Apr 1983 Joined Nakamichi Leasing Co., Ltd.  
Jun 1990 Joined Leoplace21 Corporation  
Sep 2000 Deputy Manager of the Financial  
Department  
Jul 2008 General Manager of the Resort  
Business Headquarters  
Jul 2010 General Manager of the Corporate  
Planning Department  
Jul 2012 Administrative Officer  
Apr 2013 Executive Officer  
Jun 2016 Director and Executive Officer  
May 2017 Representative in charge of the  
Corporate Planning Department and  
Public Relations Department  
Apr 2018 Director and Managing Executive  
Officer, Representative in charge of  
Corporate Planning and Investor  
Relations  
May 2019 President and CEO (current)  
Jun 2019 Chief of the Business Operation  
Headquarters  
May 2022 Chief of the Construction Defects  
Response Headquarters (current)



Executive

Director and Managing Executive Officer,  
Chief of the Leasing Business Headquarters

### Mayumi Hayashima

Apr 1996 Joined Leoplace21 Corporation  
Apr 2009 Deputy Department Manager of  
the Eastern Japan Corporate Sales  
Department, Leasing Sales Section 3,  
Leasing Business Division  
Jul 2010 Department Manager of the Corporate  
Sales Department, Eastern Japan  
Section 2, Leasing Business Division  
Apr 2014 Department Manager of the Corporate  
Business Promotion Department  
Apr 2015 Administrative Officer  
Apr 2018 Executive Officer  
Jun 2019 Director and Executive Officer,  
Chief of the Compliance Management  
Headquarters, Chief Legal Officer (CLO)  
Jun 2020 Chief of the Compliance Promotion  
Headquarters, Chief Legal Officer (CLO)  
Jul 2020 Chief of the Management  
Headquarters  
May 2021 Deputy Chief of the Corporate  
Management Headquarters  
May 2022 Director and Managing Executive  
Officer (current)  
Chief of the Leasing Business  
Headquarters (current)



Executive

Director and Executive Officer,  
Deputy Chief of the Leasing Business  
Headquarters, General Manager of the  
Corporate Sales Division

### Naomichi Mochida

Apr 1985 Joined The Mitsui Bank, Limited (now  
Sumitomo Mitsui Banking Corporation)  
Jun 2007 Joined Leoplace21 Corporation  
Director, General Manager of the  
Corporate Planning Department  
Apr 2009 Director and Executive Officer  
Department Manager of the 3rd Sales  
Department, Leasing Business Division  
Apr 2010 Department Manager of the Broadband  
Service Promotion Department  
Head of the Related Businesses  
Controlling Division  
Jun 2010 Executive Officer  
May 2011 Head of the Corporate Sales  
Management Division  
Apr 2013 Deputy General Manager of the  
Leasing Business Division  
Apr 2014 Managing Executive Officer  
Jul 2015 Deputy General Manager of the  
Construction Contracting Business  
Division  
Jun 2020 Representative Director of Leoplace  
Leasing Corporation  
May 2021 Administrative Officer and Department  
Manager of the Corporate Sale  
Planning Department  
May 2022 Executive Officer, Deputy Chief of  
the Leasing Business Headquarters  
(current)  
General Manager of the Corporate  
Sales Division (current)  
Jun 2022 Director and Executive Officer (current)

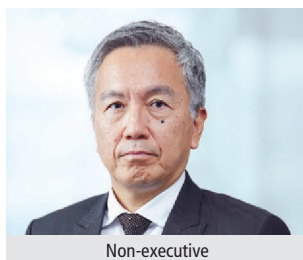


Executive

Director and Executive Officer,  
Chief of the Corporate Management Headquarters,  
Chief of the Compliance Promotion Headquarters,  
Chief Legal Officer (CLO)

### Shinji Takekura

Apr 1996 Joined Leoplace21 Corporation  
Apr 2014 Department Manager of the 1st  
Construction Contracting Business  
Department, West Japan Region  
May 2018 Department Manager of the 3rd  
Construction Contracting Business  
Department, East Japan Region  
Jun 2020 Department Manager of the 2nd  
Wealth Management Department,  
East Japan Region, and responsible for  
the Emergency Response Project for  
Construction Defects Problem  
Oct 2020 Senior Department Manager of the  
Corporate Planning Department  
Apr 2021 Executive Officer  
May 2022 Chief of the Corporate Management  
Headquarters (current)  
Chief of the Compliance Promotion  
Headquarters, Chief Legal Officer (CLO)  
(current)  
Jun 2022 Director and Executive Officer (current)

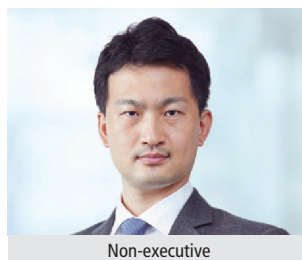


Non-executive

Director

### Akio Yamashita

Apr 1984 Joined Japan Development Bank  
(now Development Bank of Japan Inc.)  
Jan 2006 Joined Morgan Stanley Securities  
Co., Ltd. (now Morgan Stanley MUFG  
Securities Co., Ltd.)  
Jun 2008 Joined Fortress Investment Group  
(Japan) GK, Managing Director  
(current)  
Mar 2013 Representative in Japan, Fortress  
Investment Group (Japan) GK (current)  
Jun 2021 Director, Leoplace21 Corporation  
(current)  
Jan 2022 Director, PJIC Investments (current)  
Director, Accordia Golf Co., Ltd.  
(current)  
Sep 2023 Director, Sogo & Seibu Co., Ltd.  
(current)



Non-executive

Director

### Jin Ryu

Apr 2010 Joined Morgan Stanley MUFG  
Securities Co., Ltd.  
Apr 2011 Joined RBS Securities Japan Ltd.  
May 2012 Joined Fortress Investment Group  
(Japan) GK  
Apr 2020 Director, FHK Company (current)  
Dec 2020 Managing Director, Fortress Investment  
Group (Japan) GK (current)  
Jun 2021 Director, Leoplace21 Corporation  
(current)  
Jan 2022 Director, PJIC Investments (current)  
Director, Accordia Golf Co., Ltd.  
(current)  
Sep 2023 Representative Director, Sogo & Seibu  
Co., Ltd. (current)

## Outside Directors (As of June 27, 2024)



Non-executive

Outside Director

### Akira Watanabe

Apr 1973 Registered as an attorney at law  
Nov 2006 External Statutory Auditor, FAST RETAILING CO., LTD.  
Jun 2007 Outside Director, MAEDA CORPORATION  
Outside Audit & Supervisory Board Member, KADOKAWA GROUP HOLDINGS, INC. (now KADOKAWA CORPORATION)  
Apr 2010 Outside Director, MS&AD Insurance Group Holdings, Inc.  
Mar 2013 Outside Director, DUNLOP SPORTS CO., LTD.  
Oct 2015 Director, ASIA PILE HOLDINGS CORPORATION (current)  
Sep 2018 Partner, Comm & Path Law Office (current)  
Jun 2019 Outside Director, MAEDA ROAD CONSTRUCTION Co., Ltd. (current)  
Jul 2020 Outside Director, Leoplace21 Corporation (current)  
Jun 2022 Outside Director and Audit & Supervisory Committee Members, KADOKAWA CORPORATION



Non-executive

Outside Director

### Yutaka Nakamura

Apr 1981 Joined National Housing Materials Co., Ltd. (now Panasonic Homes Co., Ltd.)  
Oct 2002 Manager of Quality & Environmental Promotion Department, Panasonic Homes Co., Ltd.  
Oct 2006 Manager of Quality, Environment & IT Department, Panasonic Homes Co., Ltd.  
Apr 2011 Councilor and Manager of Corporate Quality & Environmental Division, Panasonic Homes Co., Ltd.  
Apr 2012 Senior Councilor and Manager of Corporate Quality & Environmental Division, Panasonic Homes Co., Ltd.  
Apr 2018 Senior Principal for Quality & Customer Satisfaction, Panasonic Homes Co., Ltd.  
Mar 2019 Retired from Panasonic Homes Co., Ltd.  
Feb 2020 Outside Director, Leoplace21 Corporation (current)

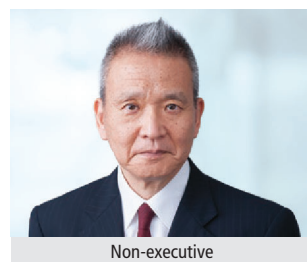


Non-executive

Outside Director

### Takumi Shibata

Apr 1976 Joined Nomura Securities Co., Ltd.  
Jul 1997 Managing Director, Nomura International plc.  
Jul 1998 Director, Nomura Securities Co., Ltd.  
Apr 2000 Managing Director, Nomura Europe Holdings plc.  
Apr 2005 President and CEO, Nomura Asset Management Co., Ltd.  
Jul 2007 Deputy President and COO, Nomura Holdings, Inc.  
Jul 2013 Executive Chairman, Nikko Asset Management Co., Ltd.  
Jan 2014 President and COO, Nikko Asset Management Co., Ltd.  
Jun 2020 Representative Director, Fiducia, Inc. (current)  
Apr 2022 Representative Director, Terra Foods Corporation (current)  
Jun 2022 Outside Director, Leoplace21 Corporation (current)  
Jul 2022 Outside Director, Nano Summit Co., Ltd. (current)  
May 2023 Outside Director, Sees Co., Ltd. (current)  
Jun 2023 Outside Director, PJC Investments (current)  
Outside Director, Accordia Golf Co., Ltd. (current)



Non-executive

Outside Director

### Kan Ishii

Apr 1977 Joined Japan Development Bank (now Development Bank of Japan Inc.)  
Oct 2008 Managing Executive Officer, Development Bank of Japan Inc.  
Jan 2010 Trustee Representative, Japan Airlines Co., Ltd.  
Aug 2011 Representative Director President, FUKUOKA JISHO CO., LTD.  
Jun 2017 Outside Director, NIPPON PISTON RING CO., LTD.  
Apr 2018 Visiting Professor, The Graduate School of Project Design  
Jun 2018 Director, The Nishinippon Shimbun  
Apr 2019 Specially Appointed Professor, The Graduate School of Project Design (current)  
Jun 2021 Advisor, TERRACE MILE, Inc. (current)  
Jun 2022 Outside Director, Leoplace21 Corporation (current)  
Representative Director, PJC Investments (current)  
Representative Director, President and CEO, Accordia Golf Co., Ltd. (current)

## Audit & Supervisory Board Members (As of June 27, 2024)



Full-time Outside Audit & Supervisory Board Member

### Jiro Yoshino

Apr 1978 Joined The Dai-Tokyo Fire & Marine Insurance Co., Ltd. (now Aioi Nissay Dowa Insurance Co., Ltd.)  
Apr 2011 Executive Officer, Aioi Nissay Dowa Insurance Co., Ltd.  
Apr 2012 Managing Executive Officer, Aioi Nissay Dowa Insurance Co., Ltd.  
Executive Officer, MS&AD Insurance Group Holdings, Inc.  
Jun 2013 Full-time Audit & Supervisory Board Member, MS&AD Insurance Group Holdings, Inc.  
Jun 2017 Audit & Supervisory Board Member, Leoplace21 Corporation (current)



Full-time Audit & Supervisory Board Member

### Kenichiro Samejima

Apr 1984 Joined Nikkei House Co., Ltd.  
Feb 1986 Joined Leoplace21 Corporation  
Apr 1999 Department Manager of the Store Management Department, Leoplace World Shinjuku, Leasing Business Division  
Oct 1999 Department Manager of the Planning Department, Head Office, Leasing Business Division  
Apr 2009 Executive Officer and Department Manager of the Operations Department, Leasing Business Division  
Feb 2010 Department Manager of the Planning and Operations Department, Leasing Business Division  
Apr 2012 Department Manager of the Information Systems Department  
Jul 2012 Administrative Officer  
Apr 2014 Executive Officer  
Jul 2019 Management Headquarters, in charge of Information Systems  
Jun 2020 Administrative Officer and Head of Audit & Supervisory Board Members Office  
Jul 2020 Audit & Supervisory Board Member, Leoplace21 Corporation (current)



Audit & Supervisory Board Member

### Yoshitaka Murakami

Apr 1972 Joined Ministry of Finance  
July 1993 Assistant Regional Commissioner (Management and Coordination), Tokyo Regional Taxation Bureau  
Jul 1998 Deputy Commissioner (Large Enterprise Examination and Criminal Investigation), National Tax Agency  
Jun 2000 Deputy Commissioner (Taxation), National Tax Agency  
Jun 2003 First Deputy Commissioner, National Tax Agency  
Oct 2005 Senior Executive Officer, East Nippon Expressway Company Limited  
Jun 2011 Full-time Audit & Supervisory Board Member, Credit Saison Co., Ltd.  
Jun 2019 Director, Leoplace21 Corporation  
Jul 2020 Audit & Supervisory Board Member, Leoplace21 Corporation (current)



Outside Audit & Supervisory Board Member

### Kazutaka Shimohigoshi

Oct 1979 Joined Asahi Auditing Firm (now KPMG AZSA LLC)  
Aug 1983 Registered as a Certified Public Accountant  
Jul 1985 Joined Nihon Keieikeikaku Co., Ltd. (now Alma Co., Ltd.)  
Sep 1992 Managing Director, Pendel Management Institute (current)  
Head of Shimohigoshi Certified Public Accountant Office (current)  
Jun 1993 Registered as a Certified Public Tax Accountant  
Jan 2007 Representative Partner, Pendel Certified Public Tax Accountant Firm  
Jun 2009 Auditor, Fourteenforty Research Institute, Inc. (now FFRI Security, Inc.)  
Aug 2015 Representative Director, JP Consultants Group Co., Ltd. (current)  
Jun 2016 Director and Audit Committee Member, FFRI, Inc. (now FFRI Security, Inc.)  
Dec 2017 Partner tax accountant, Pendel Certified Public Tax Accountant Firm (current)  
Jun 2023 Audit & Supervisory Board Member, Leoplace21 Corporation (current)