Leopalace21

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Integrated Report 2024

For fiscal year ended March 31, 2024

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Editorial Policy

This report is published as an integrated report. The purpose of this report is to enable management to communicate its message to all our stakeholders. We seek to present our management strategy, priority measures, an overview of business conditions, etc. as well as inform readers about our sustainability initiatives. This report covers the fiscal year from April 1, 2023 through March 31, 2024 (fiscal year 2023). The scope is Leopalace21 Corporation (the "Company") and its consolidated subsidiaries in Japan and overseas. Our aim is to publish to the extent possible the latest information available as of the publication date. With the aim of promoting deeper reader comprehension, the report includes macro-economic data relating to our businesses, and the "Data Compilation" section enables readers to understand trends to date. We take care to explain what we present in ways that are readily understandable so that the report serves as an effective communication tool that reaches our many stakeholders.

Reference Guidelines

- VRF International Integrated Reporting Framework
- ISO 26000
- GRI Standards

Forward-Looking Statements

Statements made in this integrated report with respect to our current plans, strategies, and future performance that are not historical facts are forward-looking statements involving risks and uncertainties. We caution that a number of factors could cause actual results to differ materially from such statements due to a number of factors including, but not limited to, general economic conditions in our markets; demand for, and competitive pricing pressure on, our products and services in the marketplace; our ability to continue to win acceptance for our products and services in these highly competitive markets; and movements of currency exchange rates.

Highlights of Integrated Report 2024

Integrated Report 2024 focuses on the four managerial resources (financial capital, human capital, social capital, and intellectual capital) that are the foundation of our value creation, and explains them in detail. In the business strategy section, we continue to publish information on our company-leased housing strategies and acquiring foreign-national customers in view of anticipated social changes. We will also highlight opportunities unlocked by the DX strategy. In addition, we will broaden the information we publish on our sustainability management initiatives, based on the Company's materiality issues.

Ever since construction defects were identified in fiscal year 2018, we have diligently been committing ourselves to reforming our corporate culture, strengthening the compliance and risks management system, and implementing business structural reforms. This report has been created with the intent of reflecting on the construction defects problem while providing insights into how the Company has changed and its future direction.

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Changes in the social environment

Changes expected in fiscal 2024
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- Increase in the number of foreign national workers and international students
- A shrinking labor force due to the falling birthrate and aging population
- Stricter labor regulations in the logistics industry

Changes in fiscal 2023 external environmental factors that affect management
- Easing of movement restrictions due to COVID-19
- Surge in prices of natural resources and others
- Acceleration of inflation
- Rapid depreciation of the Japanese yen

Highlights of Integrated Report 2023

Integrated Report 2023 summarized the key highlights for the Company within the cover story, and included a significant update to the Value Creation Process diagram. In the Strategy section, we published our business strategies, including a description of our competitive advantages, occupancy rate improvement measures, and structural reforms, along with detailed coverage of the energy strategy, DX strategy, and human capital management, for which initiatives were strengthened from fiscal 2022.

Furthermore, we aimed to incorporate the perspectives of the various stakeholders by increasing the number of interview articles to shed light on their opinions.

Leopalace21 Aims To Realize Our Long-Term Vision by Re-Examining the Purpose, or Our Raison d'Être and by Taking Action Every Day While Embracing Our Corporate Philosophy

Purpose

Create new value and provide better living solutions based on the theme of housing

Corporate Philosophy

Creating New Value

Long-Term Vision

Ensure competitive advantage in our business, with the provision of rental housing as social infrastructure at its core, and achieve sustainable growth along with stakeholders

Message from the President

We will resolve the construction defects problem by the end of the year and transform from a "company-centered" to an "employee-centered" organization

President and CEO

Leopalace21's Social Value and Past Initiatives

In Japan today, it is said that there are about 5.4 million single-person rental housing units. The approximately 550,000 units managed by Leopalace21 account for about 10% of that total. In addition, approximately 300,000 units of our properties are used by companies as company-leased housing. In all respects, we are a company that provides indispensable social infrastructure, and we are aware that our social responsibility is also very heavy. Despite this obligation, the construction defects problem came to light in 2018, putting the very existence of Leopalace21 in jeopardy and causing significant damage to various stakeholders, including property owners, employees, and shareholders.

Today, the top-down organizational culture that was the root cause of the problem has been fundamentally reformed, and we have worked to improve the Company's earnings structure and financial soundness by implementing a variety of painful business structural reforms while at the same time ensuring that the highest priority is placed on compliance. As a result, performance has recovered to a level higher than in fiscal year 2017 before the construction defects problem, and with respect to the construction defects problem itself, we are on track to completely eliminate obvious defects by the end of 2024.

Here, I would like to explain not only the business results and outlook, but also the improvement of the company's financial soundness and the future of the Leopalace21 Group.

Fiscal Year 2023 Review

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. As a result, both operating profit and net income have remained in the black for three years in a row. This was due to higher unit rent prices and the curbing of SG&A expenses, even though the occupancy rate was slightly lower than planned.

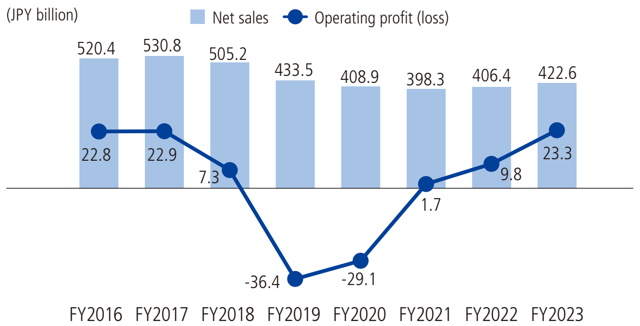
The reason for the occupancy rate falling below the plan is believed to be due to the adoption of a price-focused strategy that emphasizes the new contract profitability. In our price-focused strategy, we are trying to curb low-profit monthly contracts to focus on profitability. As a result, the occupancy rate for general rental housing was up by 2.16 percentage points year-on-year, while the occupancy rate for monthly contracts was down by 0.19 points as of March 31. The impact of this curtailment of monthly contracts resulted in an overall occupancy rate that was lower than planned.

The operating profit of JPY 23.3 billion slightly exceeds the figure for fiscal year 2017, which was just before the disclosure of the construction defects problem. Fiscal year 2017 was the highest ever profit since we launched our focus on the leasing business in the aftermath of the global financial crisis following the Lehman Brothers collapse.

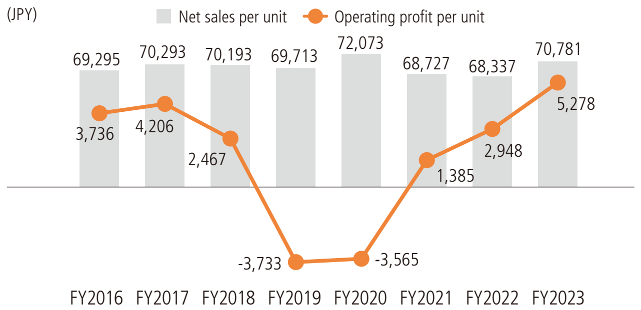
Despite the fact that operating profit was roughly the same in fiscal year 2017 and fiscal year 2023, net sales declined by approximately JPY 100 billion in the same period, from JPY 530.8 billion in fiscal year 2017 to JPY 422.6 billion in fiscal year 2023. Over the past seven years, we have made significant improvements in our earnings structure, mainly due to a reduction in fixed costs due to the halving of the number of employees from 7,690 to 3,853. As for occupancy rates, comparing fiscal year 2017 and fiscal year 2023, in fiscal year 2017, the average occupancy rate was 90% and the figure at the end of the year was nearly 93%-94%, while in fiscal year 2023, the average occupancy rate was 85% and the figure at end of the year was 88%, 5 percentage points lower. Considering the patterns of move-ins and move-outs during the year, in fiscal year 2017, the operating profit was raised to such a level where it could not be increased any further, but in fiscal year 2023, with a little more leeway in occupancy, we managed to generate operating profit exceeding that of fiscal year 2017, so I believe we are making steady progress in strengthening profitability, including by raising unit rent prices.

I believe that achieving these profit figures for fiscal year 2023, which surpassed those of fiscal year 2017, has enabled us to clear a significant hurdle in our business recovery.

Results Trends



Net sales and operating profit per unit*



*Net sales (operating profit) per unit = leasing segment net sales (operating profit) / total number of occupied units per year

Share Price Trends and Shareholder Return

Our share price, which is one indicator of how outsiders view the Company, has nearly doubled over the past year. I am grateful for this acknowledgment that our profitability, which had hit rock bottom, is now recovering thanks to various initiatives. However, while the operating profit for fiscal year 2023 is on par with fiscal year 2017, the share price is still not performing well, and this is because the damage from the construction defects problem has not been fully resolved. Going forward, with regard to the construction defects problem, we will definitely eliminate obvious defects by the end of 2024, and at the same time, I intend to be proactive in disseminating information that will help restore the Company's credibility.

Meanwhile, in terms of shareholder return, we finally managed to resume dividend payments in fiscal year 2023. In fiscal year 2023 we also carried out an acquisition of treasury stock after taking into consideration our financial soundness and share price level. Going forward, we plan to focus primarily on dividends, and for fiscal year 2024, we aim to increase dividends based on profit growth. After that, we will set medium- to long-term targets, including profitability targets, for the following fiscal year, which is when the construction defects problem ought to be resolved. In this context, I would like to explain our medium- to long-term shareholder return policy, including the dividend policy.

Progress on Construction Defects Problem

Since the construction defects problem came to light, we have been working to inspect the properties and undertake repair work. We have been inspecting vacant rooms, and in the case of occupied rooms, we have used postal mail, SMS, phone calls, and other means to ask for tenants' cooperation with inspections in terms of permission to enter and temporary relocation. As a result, as of the end of April 2024, we completed repairs on 68,320 of the 94,284 units that were identified as having obvious construction defects and classified as number of rooms requiring repairs.

What remains are the 14,018 units classified as number of rooms requiring repairs where defects have already been identified through inspections, and approximately 2,390 uninspected units where defects are predicted based on previous inspection results, totaling around 16,400 units that are considered to need repairs. If you calculate backwards from the time remaining, it is necessary to proceed with repair work at a pace of over 2,000 units per month, and to that end, we are taking steps to augment our repair capabilities beyond the current level.

For the future of the Company, resolving the construction defects problem is the number one priority. We will steadily undertake the repair of construction defects, and will work to eliminate obvious defects by the end of 2024, which is the target deadline.

Number of construction defects (as of April 30, 2024)

Apartment Series	Total number of buildings	No. of buildings containing obvious defects	No. of all rooms which corresponds to No. of buildings containing obvious defects	No. of rooms requiring repairs	No. of rooms with repairs completed and equivalent
*Nail series/ Six series**1	15,283	7,508	117,964	68,059	54,744
Other series*2	23,802	3,763	58,266	26,225	13,576
Total	39,085	11,271	176,230	94,284	68,320

*1 *Nail series/Six series*: Product series prioritized for inspection
Gold Nail *New Gold Nail*
Gold Residence *New Silver Residence*
New Gold Residence *Special Steel Residence*
Better Steel Residence *Con Grazia*
*2 Other series: Product series in addition to *Nail series* and *Six series*
This refers to 42 series of properties constructed by Leopalace21 that are subject to our inspections, excluding properties that are subject to priority inspections.

Future Outlook for Rental Housing

When considering the Company's future, we cannot ignore Japan's demographic trends. Japan's population has been declining since peaking in 2018, and it is estimated that the population will fall below 100 million by 2030. Although the overall population is declining rapidly, the number of single-person households, which our rental properties cater to, is predicted to decline at a slower rate than the population.

Furthermore, even as the decline continues, it has been uneven across regions, with some areas seeing large declines of 20% or 30%, while others are expected to remain roughly unchanged. We believe that the immediate impact of the population decline will be relatively small, as we primarily target the Tokyo metropolitan area and other areas where the population decline is less pronounced.

Furthermore, in view of the shortage of workers in various industries such as construction and caregiving, and the growing acceptance of foreign workers to do these jobs, we believe that there will be a sufficient need for single-person residences such as our apartments to accommodate these workers.

Taking all of these factors into consideration, I believe it is inevitable that the number of rental housing units we manage will decrease from the current 550,000. However, I also believe that the rate of decrease will be small, and that in some areas the number of units may actually increase in the future.

Resumption of Construction Contracting

We have 550,000 units under management, and some of these properties are beginning to exceed 25 years old. For these older properties, several options are anticipated, including transitioning to properties managed by the owners themselves, and Leopalace21 rebuilding the properties is one of those options. In the future, when the construction defects problem has been resolved, we are considering resuming the Development Business, which builds apartment buildings. I believe the rebuilding of older properties is a promising target for the Development Business.

For these older properties, the owners are aging and the time for a generational change is approaching. Going forward, while of course respecting the property owner's wishes, I would like to approach the next generation to clearly communicate the benefits of Leopalace21's rental management in the hope that they will choose us for their rebuilding needs, treating this as a sales activity that is just as important as new sales.

Introduction of Regional Branch Office System

Since the construction defects problem came to light, in parallel with the repair works aimed at eliminating the problem, Leopalace21 has been promoting reform of its corporate culture to address the issues that led to the construction defects problem in the first place, including the prevalence of top-down management and the lack of inter-departmental cooperation due to siloed thinking within a vertically structured organization.

As the final step in our corporate culture reform, we are considering the introduction of a regional branch system. We envision a system where business operations can be basically completed within the regional branch office, with local personnel handling sales to individuals, corporate sales, property management, communication with property owners after contract conclusion, and those who are engaged in design and construction.

Although we have explored regional autonomy in the past, the final decision-making authority ultimately rested with the head office. Going forward, we will establish clear rules for the top managers in each region and delegate significant decision-making authority to them, thereby strengthening our efforts to focus on profits in each region. This focus on regional profitability will eliminate the drawbacks of acting on top-down directives regardless of regional conditions and lead to greater awareness of the profitability of individual properties we handle. I also think that the regional branch system is a good fit for the new Leopalace21 as it will lead to a transformation into an organization where employees can think individually about how to improve profits.

Outlook for Fiscal Year 2024

Our goal for fiscal year 2024 is to increase both sales and profit for the fourth consecutive fiscal year, reaching net sales of JPY 428.6 billion and operating profit of JPY 26.6 billion through a profit optimization strategy centered on increasing occupancy rates and rent unit prices.

With respect to occupancy rates, we are aiming for improvements over the previous fiscal year of 2 percentage points, which would amount to an average annual occupancy rate of 87% and a year-end occupancy rate of 90%. To achieve these targets, we will focus on strengthening corporate sales and increasing the number of tenants of foreign nationality. With respect to increasing rental unit prices, we intend to achieve this by thoroughly reviewing and adjusting the rents on unprofitable properties. A representative example of what has been reviewed so far is the monthly contract. Monthly contracts were often signed with relatively low rents in order to maintain occupancy rates, which was a drag on efforts to improve profitability. Although reviewing monthly contracts sometimes resulted in contract termination and a decrease in the overall number of contracts, which in turn led to lower occupancy rates, reviewing contracts with an emphasis on profitability has led to increases in unit rent prices. Learning from the example of monthly contracts, we will proceed to review other contracts in the same way, taking into account rent per unit and other measures of profitability, rather than simply focusing on occupancy rates.

We are also considering revisiting our promotions related to attracting tenants in fiscal year 2024. These promotions sometimes include, for example, several months of free rent for tenants. We will analyze the merits and demerits of this free rent policy, which has remained in place as a matter of tradition, to see whether it is actually effective, taking into account factors such as the number of contracts and the length of the contracts. Combining the results of this analysis with the current impact of rising costs, we will consider the optimal promotion policies and review costs to ultimately improve profitability.

FY2024 Management Plan

1. Construction defects management

Complete repair of all obvious construction defects by the end of 2024

2. Strengthening profitability

Execute profit optimization strategy

- Occupancy rate plan
  Average: 87.00%
  Year-end: 90.00%
- Unit rent plan
  Ave. unit rent for new contracts: YoY +0.2%
  Ave. unit rent for all occupied units: YoY +2.5%

3. Promotion of sustainability management

- DX promotion
- Promotion of human capital management

4. Building a framework for medium- to long-term growth

- Establishment of a framework for resuming the Development Business
- Development of brand strategy

Sustainability Strategy

Initiatives to Promote Digital Transformation (DX)

In our management plan for fiscal year 2024, in addition to the complete repair of all obvious construction defects by the end of 2024, and execution of our profit optimization strategy to strengthen profitability, we will promote sustainability management. In terms of sustainability management, we will continue to advance the environmental initiatives in addition to promoting DX to improve productivity and promoting human capital management that will strengthen the human resources essential for the Company's sustainable value creation.

In the case of DX in particular, the previously unavoidable process of handing over room keys when renting housing has been replaced with smart locks that can be locked and unlocked using a smartphone or other device, which not only eliminates the need to change locks and hand over keys but also eliminates the need for keys for room inspections, among other benefits. It is estimated that the introduction of smart locks can reduce related administrative time by an average of 42 minutes per rental unit. We have already installed smart locks in 270,000 units, which means that we have saved approximately 180,000 hours of work per year.

Furthermore, in relation to promoting DX, last November we launched full-scale operation of contact centers that cover everything from room search to application and contracting. There are three such centers: a contact center responsible for finding rooms before moving in, a contract administration center handling move-in procedures, and a tenants support center for any problems that may arise during the tenancy. This allows us to handle everything from contract signing to move-in and post-move-in services for individual customers without face-to-face interaction. As a result, we have been able to consolidate our nationwide network of leasing offices from 109 to 70 locations.

Environmental Initiatives

As one of the environmental initiatives in our sustainability strategy, we have launched the *Leopalace Green LP Gas* service, which supplies LP gas with virtually zero CO_2 emissions to rental properties under management. This system uses LP gas supplied through Leopalace Green Energy, in which we have an equity stake. The supplied gas offsets greenhouse gases generated across the entire value chain with carbon credits obtained from environmental conservation projects, effectively rendering its CO_2 emissions from LP gas usage virtually zero. The cumulative supply from January 2023 to March 2024 amounted to approximately 470,000 m^3, and the CO_2 emission reduction from this supply amounted to approximately 3,000 tons. Following on from the earlier launch of *Leopalace Green LP Gas*, in June 2024 we also launched *Leopalace Green Electricity*, an electricity supply service that also features virtually zero CO_2 emissions. We hope to contribute to the environment by "greening" the energy sources that are essential to our daily lives.

Establishment of Scholarship Program

As part of our efforts to create social value through the provision of housing, we have been considering how to contribute to society through the rental housing we manage. As one such initiative, we have established the Leopalace21 Scholarship Program, a scholarship program that includes the free rental of our properties to address soaring tuition fees and long-term repayment of scholarship funds, which have become important issues in Japanese society.

Under this program, students entering a university, junior college, or vocational school in Japan in April 2025 will be eligible to receive either a free rental in one of our properties or an annual scholarship of JPY 360,000, lasting the number of years of regular enrollment in the school, faculty, or department in which the student is enrolled. The scholarship is in the form of a grant that does not require repayment. We hope to help solve social challenges by utilizing the rental housing we manage to support people in choosing their career path freely without being limited by financial circumstances.

In Conclusion

Since the press conference announcing our change in leadership in May 2019, we have been working to rebuild Leopalace21 with a strong determination to ensure it survives because of its important social value in supplying housing infrastructure for single people. Today, I feel that this rebuilding is finally being accomplished.

However, there would be no point in returning the Company to its original state. I think it is important to break away from the top-down approach that has led to undesirable outcomes in the past and transform from a "company-centered" to an "employee-centered" organization. To improve the value we deliver to society, I believe it is important to take ideas that have never been seen before and translate them into reality.

I would like to ask our stakeholders for their continued understanding and support of the Company's management.

Dialogue Between Outside Director and Outside Audit & Supervisory Board Member

The completion of repairs at the end of 2024 will mark the beginning of the resolution to the construction defects problem, but the true test will come when construction contracting resumes.

Yutaka Nakamura
Outside Director

The construction defects problem has prompted widespread reforms in corporate culture, compliance, governance, and more.

Background of the construction defects problem and the essential problems that Leopalace21 must solve

Yoshino: I think we need to start with some background information to help readers of this Integrated Report understand how Leopalace21 is currently undertaking reforms and why these reforms were necessary. I believe it is appropriate for me to discuss this matter, as I have had a long-standing relationship with the Company and am serving as a full-time Audit & Supervisory Board Member from outside the Company.

Leopalace21 is a company that expanded rapidly thanks to a single idea from its founder. Subsequently, the bursting of Japan's bubble economy and the global financial crisis led to the bankruptcies of independent condominium developers and homebuilders. However, owing to self-help efforts, we managed to survive without receiving debt forgiveness from the bank or anything like that. This fact deserves to be adequately appreciated today. I believe that the key to our revival at that time was the overwhelming speed we achieved by focusing on sales. To halt the deterioration of business performance, speed is required above all else. It might even be said that our vertical organization, with the founder at the top, and a corporate culture of orders coming down from above, were well suited to situations that demanded such speed.

At the same time, however, such a focus on speed makes it difficult to stop and think when there is a problem, and past successes can sometimes lead to overconfidence. The construction defects problem in question is not just about resolving the defects themselves. We also need to resolve important issues related to corporate culture, compliance approach, and governance that are at the heart of the Company.

Nakamura: I was appointed as an outside director after the construction defects problem came to light and the response to it had begun. I therefore don't know the details of what happened when the problem was discovered, but looking at Leopalace21's response from the outside, I honestly thought, "This is not good."

At the time, I was working for a housing manufacturer while also serving as chairman of the customer service quality committee at the Japan Prefabricated Construction Suppliers and Manufacturers Association, an industry organization for prefabricated housing. In 2005, when an apartment building was discovered that had falsified structural calculations and was problematic under the Building Standards Act, every company in the construction industry, including the housing industry, was conducting comprehensive inspections out of concern that structural issues with buildings might spread to other companies in the future. However, it appeared that Leopalace21 was not conducting such inspections.

Honestly, I had a feeling this was going to be a big problem, and that was exactly what happened. Later, when I joined the Company, I realized that the founder's influence was too great, there was a tendency for sales to take priority over technology, and there was no exchange of information with other companies, so when problems arose it was impossible to determine whether they were serious or not. I recognize that the reforms we are currently undertaking are an effort to clean up those past negative aspects of Leopalace21 and to fundamentally change the Company, not just to resolve construction defects.

Yoshino: We have received reports on the progress regarding the resolution of the construction defects, and we are on track to complete the repairs by the end of this year. Starting now, we will be moving into a phase where we can achieve results on the underlying Company issues that led to the construction defects problem and make people understand that Leopalace21 has changed.

The only way to prove whether the construction defects problem has been resolved is to resume construction contracting

Nakamura: With regard to the construction defects problem, although the repair work on the obvious defects is scheduled to be completed by the end of 2024, I personally don't believe it ends just by fixing the cases where problems occurred. Rather, I believe that the real test will come when we resume our construction contracting business to build apartments, which is expected to happen in the

Jiro Yoshino
Full-time Outside Audit & Supervisory Board Member

Going forward, we need to find a balance between thorough quality control and corporate competitiveness

near future. It is essential that no issues arise during the construction work, and it can be said that Leopalace21 has truly overcome the construction defects problem only when the constructed buildings are maintained without problems for many years.

While it is important to prepare to avoid any defects, it is also true, based on my long experience working for a housing manufacturer, that overpreparation can be a problem. The compliance check framework proposed as a recurrence prevention measure is built on a theoretical ideal state, and if the entire framework were actually implemented, it would be considered excessive by industry standards. In that case, it may be difficult to expand the construction contracting business in the future competitive landscape. In the future, it will be important to strike a balance between safety and economic rationality by keeping only the necessary checks while firmly sorting out what is truly necessary and what is not, based on criteria that can withstand external scrutiny. The first project after resuming construction contracting will be crucial for that purpose and will serve as a touchstone to determine what is truly necessary.

Reforming our compliance approach, which is the root of the problem, must be implemented carefully and concretely

Yoshino: The starting point of reforming our compliance approach, which is considered to be the root cause of the construction defects problem, goes back to May 29, 2019, the day when an external investigation committee report by attorneys at the law firm Nishimura & Asahi called upon the Company to fundamentally reform its corporate culture and restructure its compliance and risk management system to prevent the recurrence of construction defects. Even then, the Company's structure included Risk Management Committee and Compliance Committee, but as the report pointed out, they were not functioning effectively and the compliance and risk management system needed to be restructured. We proceeded to review the 50 items based on the three pillars, including the fundamental reform of our corporate culture and the revision of the construction contracting business framework, and this review has now been completed.

This review is quite detailed. To give an example, previously, the department that inspects the properties that were built was located within the business division; in other words, the same person was in charge of stepping on the gas pedal and the brake. We therefore decided to separate them by moving the inspections to the compliance department. Today, as we carefully proceed with revisions like these that are deemed necessary for strengthening compliance, I can feel an attitude emphasizing compliance and risk management gradually taking hold, bringing significant changes to the system.

To prevent recurrence, we must not only change the system, but also seriously reform our corporate culture

Nakamura: Thanks to compliance reforms, I believe our current system makes it less likely for problems such as construction defects to occur. However, it is also true that any organization or system depends on the people who run it. Changing the corporate culture is therefore just as important as changing the system. Some aspects of our corporate culture that may have been considered good in the past need to change; for example, the attitude found in top-down organizations where nobody cares about matters outside their own responsibilities, the sales-first mindset, and the absolute obedience to orders from superiors.

We have been working to reform our corporate culture to make it easier for anyone to speak up, for example by introducing a whistleblowing system and establishing a mechanism for employees to report anything that does not seem right. Our young employees used to think it was enough to just do what their superiors told them to do, but that is no longer the case. By looking at their behavior, I feel that more people are starting to practice so-called self-propelled compliance, which involves thinking from their respective positions when performing their jobs. I cannot say that the old corporate culture has been completely eliminated, but it is certainly and steadily changing.

Governance reform initiatives and future expectations

Yoshino: Speaking of the points that were identified as needing to be changed, I would also like to talk about our efforts at governance reform. Because I was appointed as an outside Audit & Supervisory Board Member in June 2017, I have seen the situation before and after the management team was replaced after the construction defects problem was discovered. From that standpoint, I feel that under the new management system, the Board of Directors meetings have changed from simple debriefing sessions, which they were before, to a venue where real discussions can be held. As a result, each proposal is now carefully scrutinized, and in some cases, it is approved conditionally and sent back for further review. I believe that with proper checks by outside directors, we are steadily making progress toward greater management transparency, which is an important aspect of governance.

Nakamura: At the Board of Directors meetings, the executive directors (internal directors) mainly report and explain matters, and there is a tendency that they go along with the opinions made by the non-executive directors, so-called outside directors. When we submit a proposal that we believe will contribute to putting the Company on the right track, it is necessary to speak up and argue persuasively in order to get it passed. In that sense, I would like the executive directors to become more self-propelled and autonomous for the sake of governance reform.

Yoshino: By reforming our corporate culture, we aim to improve employees' ability to think and make decisions for themselves, but certainly the same is necessary for those engaged in execution.

To provide value to society in a sustainable manner

Nakamura: As we are currently working on, there are still a number of challenges we need to solve. I believe that the rental housing provided to single person households by Leopalace21 is of high social value and has a significant competitive advantage. I believe the theme for the future is how we can change our own business while responding to the changes and demands of society. One possibility might be to shift to a more region-based management system (regional branch office structure) that is better positioned to meet the needs of society.

To bring about such changes, it is necessary for the front-line employees who are closest to the information collected to be empowered to think and make decisions on their own. In that sense, I believe the reforms to corporate culture, compliance, and governance triggered by the construction defects problem will lead not only to resolving the defects, but also to strengthening the human capital of employees to shape the future of Leopalace21.

Compliance reforms are being implemented with a focus on even the smallest details

Value Creation Process

We aim to solve social challenges and create new value in the housing sector, particularly the rental housing sector, by providing innovative services that meet the needs of the times, while simultaneously achieving sustainable growth (expansion of economic value) for Leopalace21.

Social challenges

- Shrinking labor force because of falling birthrate and aging population
- Employment issues
- Demographic trends
- Innovations in digital technology
- Rising demand for convenient living conditions
- Tighter checks on corporate governance
- Climate change: realizing recycling and eco-friendly society

INPUT

Financial capital
- Equity capital: JPY 63.9 billion
- Interest-bearing debt: JPY 30.8 billion

Human capital
- Consolidated No. of employees: 3,853
- No. of sales personnel in Leasing Business: 1,006

Social capital
- No. of owners: approximately 26,600
- No. of tenants: approximately 480,000
- No. of business partners: approximately 1,760
- No. of units under management: 554,000

Intellectual capital
- Master lease program
- Apartment management expertise

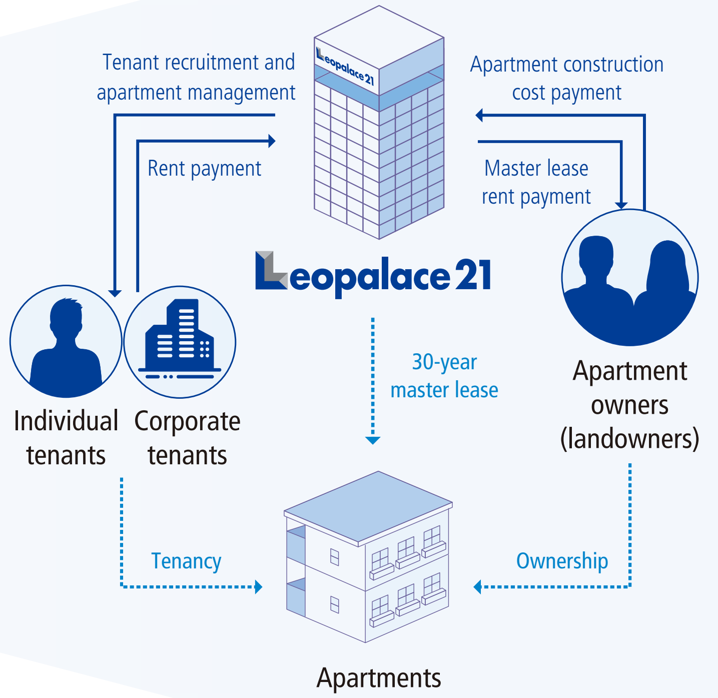
BUSINESS MODEL

Purpose

Create new value and provide better living solutions based on the theme of housing

Corporate philosophy

Creating new value



Leopalace21's strengths

- Scale
- Product appeal
- Service capabilities
- Tenant matching capabilities

8 materiality items

- Environmental initiatives
- Offer rental housing with stable operation
- Promote real estate tech business
- Work-style reform and HR development
- Respect for human rights
- Communication with stakeholders
- Maintain the effective corporate governance system
- Strengthen compliance

OUTPUT

Sales

FY2023

JPY **422.6** billion

Occupancy rate

Average for FY2023

85.99%

OUTCOME

Improve corporate value
- Operating profit: JPY 23.3 billion
- Free cash flows: JPY 22.2 billion
- EPS: JPY 130.91

Strengthen human resource base
- Improvement of employee engagement
- Realization of a fulfilling work environment
- Active participation of diverse human resources

Offer rental housing with stable operation
- Used as company-leased housing by approximately 74% of listed companies
- Lifestyle support for foreign national workers and international students
- Provision of housing for new hires and new students

Long-term vision

Ensure competitive advantage in our business, with the provision of rental housing as social infrastructure at its core, and achieve sustainable growth along with stakeholders

Business Model

We have created a unique business model that combines the construction and leasing of apartments.

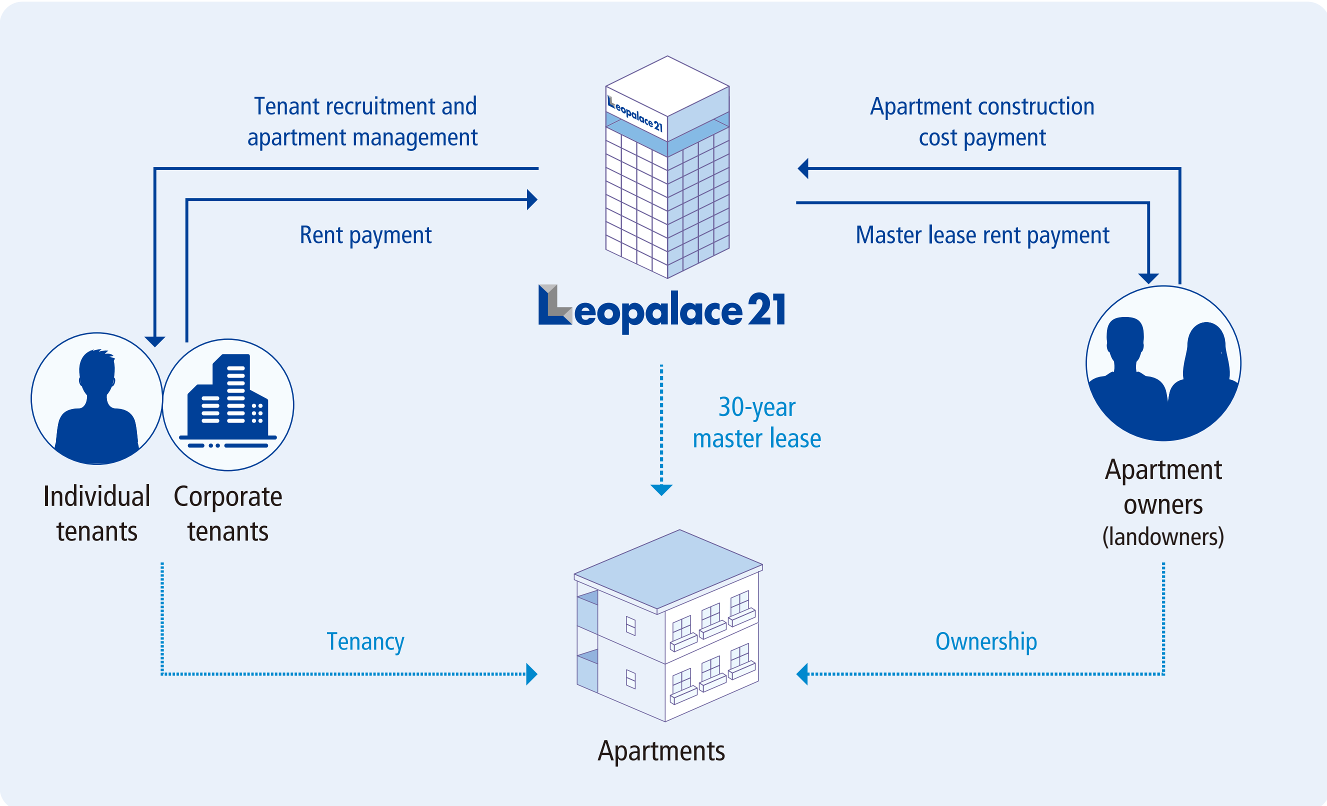
With real estate business expertise as its core competency, Leopalace21 has created a unique business model that combines apartment construction, leasing, and management.

Our business model has two main components: the Development Business and the Leasing Business. We contract the construction of apartments for landowners who own idle land, and then rent the constructed apartments from the owners through the master lease program and handle all aspects of operation, including tenant recruitment and maintenance work.

Most of the properties we offer are for single persons and are characterized by the fact that they are furnished and equipped with home appliances and internet access as standard features. Tenants can move in immediately with one bag when starting new chapters of their lives, thus reducing the initial costs of moving and avoiding the expense of disposing of furniture and home appliances, among other advantages.

The Leasing Business carries out an area intensive strategy which prioritizes to the regions where many single persons live and where many people are moving into due to economic growth and other factors, namely the regions of Kanto, Kansai, and Chukyo. In addition to these, we are strengthening initiatives to meet the needs of companies with a large volume of demand at one time, in particular the needs of company-leased housing, and as a result, corporate contracts account for about 60% of our tenants.

In recent years, we have focused on improving customer convenience and business efficiency by promoting DX and attracting foreign national human resources, which are on the rise, thereby continuing to refine our unique business model.



Leopalace21 by the Numbers (As of March 31, 2024)

Net sales
JPY 422.6 billion

Operating profit
JPY 23.3 billion

EBITDA
JPY 27.9 billion

Net income
JPY 42.0 billion

EPS
JPY 130.91

Equity ratio
31.2%

Units under management
554,373

Percentage of listed companies utilizing
Approx. 74%

Occupancy rate
Average for FY2023 85.99%
End of FY2023 88.03%

No. of owners
Approx. 26,600

No. of rooms installed with smart locks
Approx. 270,000
(As of July, 2024)

No. of employees
Consolidated 3,853
Non-consolidated 2,690

History of Leopalace21

Since its establishment in 1973, Leopalace21 has achieved many "industry firsts" and addressed various housing-related issues and needs.

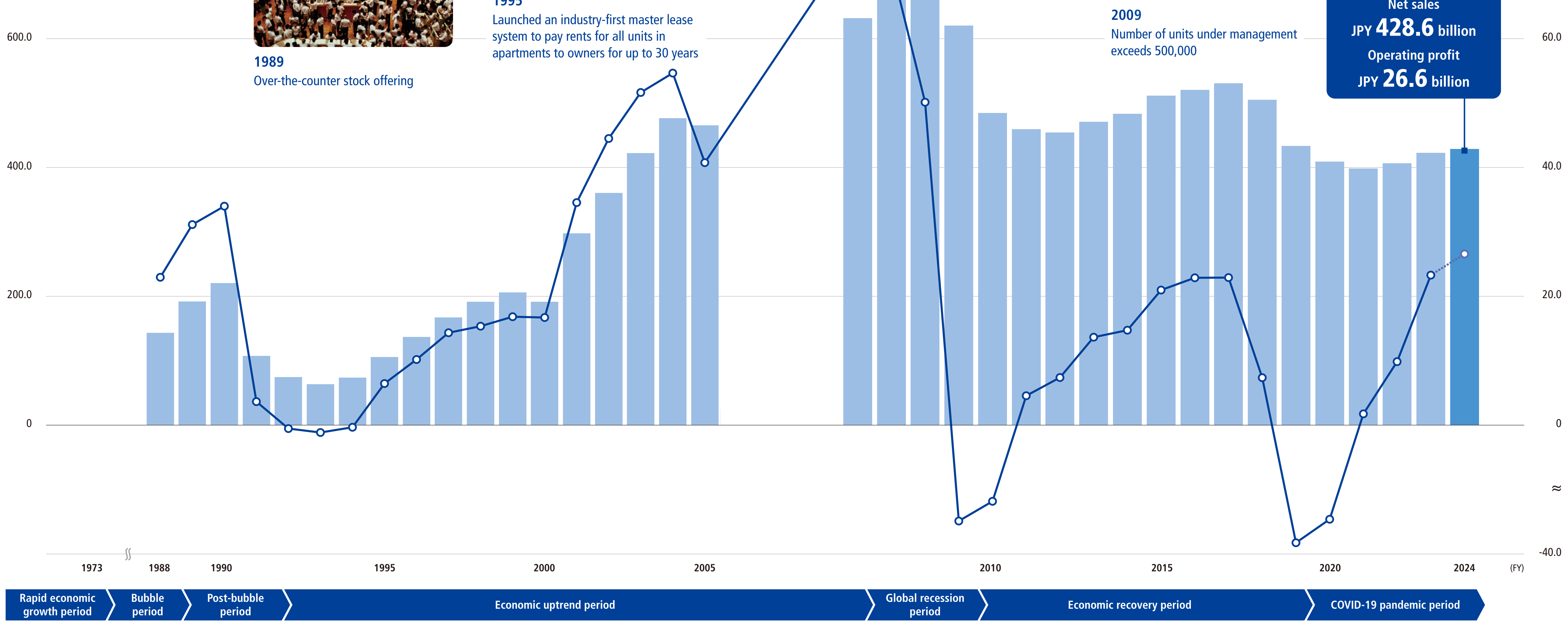
1973
Established

1989
Over-the-counter stock offering

1995
Launched an industry-first master lease system to pay rents for all units in apartments to owners for up to 30 years

2004
Listed on First Section of Tokyo Stock Exchange

2009
Number of units under management exceeds 500,000



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About the Construction Defects Problem

In 2018, we announced that there were construction defects in some of the properties built by the Company. We have vowed never to repeat the same mistake, and have committed the entire company to implementing measures to prevent recurrence while making full efforts to repair the properties with construction defects.

Overview of the Construction Defects

Background of the Issue

The construction defects problem came to light after receiving notice from two property owners, who informed us that the parting walls of attics depicted in construction certificate documents were not constructed in two apartment series *Gold Nail* and *New Gold Nail* (the "*Nail series*") developed and sold by the Company.

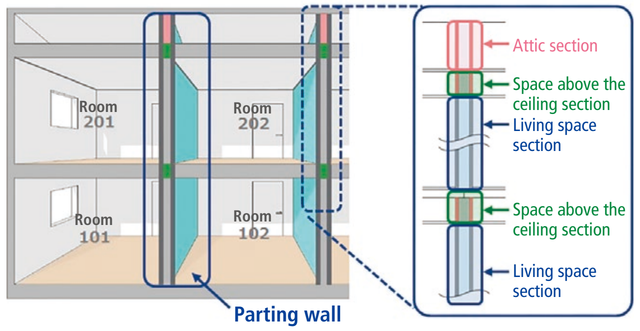
Also, during investigations of series other than the *Nail series*, we confirmed discrepancies between floor plans and construction manuals in the six series other than the *Nail series*: *Gold Residence*, *New Silver Residence*, *New Gold Residence*, *Special Steel Residence*, *Better Steel Residence,* and *Con Grazia*, which increased the likelihood that these parting walls were in violation of the Building Standard Act.

Investigation and Repair Work

After consultation with specified administrative agencies, it was decided that the investigation and repair work for the properties with parting wall construction defects should be carried out by the Company at its expense and responsibility. For cases where use of the room is restricted due to repair work, we provided temporary housing to the tenants living in the affected residences at their convenience. All related costs were borne by the Company.

Parting Walls

Parting walls are walls that separate dwelling units in apartments. These walls must fulfill certain standards in terms of fireproofing and sound insulation that is specified by the Building Standards Act and other related laws and regulations, and must reach the attic or space above the ceiling.



2018	**April**	• It was discovered that some parting walls installed in the attic sections of apartments developed and sold by the Company were not constructed as depicted in the construction certificate documents.
	May	• It was found that some apartments built by the Company between 1996 and 2009 may potentially violate the Building Standards Act.
2019	**February**	• All-building investigations confirmed multiple new potential violations of laws and regulations.
	March	• We further reinforced the frameworks for addressing the investigation of and repair work for apartments with parting wall construction defects.
	May	• All-building investigations confirmed parting wall defects that were different from those already announced.
		•The External Investigation Committee submitted an investigation report on the construction defects problem to the Company.
	July	• Regarding the construction defects, it was confirmed that along with the Building Standards Act, there were risks of not complying with the standards of the Fire Service Act and Fire Prevention Ordinances.
		• The External Investigation Committee submitted its final investigation report to the Company.
		• Measures aiming to prevent recurrence of the construction defects and other initiatives were decided based on the content of the status report and the final investigation report by the External Investigation Committee.
	October	• We announced the status of the all-building investigations regarding the construction defects and our policy on future repair work.
2020	**June**	• After deliberating a fundamental restructuring of our business strategies, a decision was made to undergo structural reforms based on the results.
		• We announced delays in repair work for apartments with construction defects and our policy on future repair work.
	December	• We released a notice on the repair plan for apartments with construction defects.

Causes and Background of the Construction Defects

The External Investigation Committee chaired by Attorney Tetsuo Ito (Nishimura & Asahi) was established to conduct investigations on February 27, 2019. Based on the investigations and the investigation results of the External Investigation Committee announced on May 29, the Company believes that the fundamental causes of the construction defects, including those of the parting walls, can be attributed to the following three points.

1. A corporate culture that focused on meeting the intentions of top management and disregards laws and regulations

a) A corporate culture with an atmosphere in which departments such as design and quality assurance are not able to voice their opinions to top management but focused on meeting management's intentions
b) A mentality that prioritizes swift commercialization over legal compliance
c) A corporate culture that prioritizes top management's management policy over legal compliance and construction quality

2. A lack of awareness on compliance with laws and regulations, including the Building Standards Act

a) A mistaken interpretation that installation of attic parting walls was unnecessary for the Nail series was adopted
b) The prepared confirmation drawings for construction applications did not accurately reflect the actual conditions
c) Foam panels were adopted, despite it could be recognized that they do not conform to the Minister's certification
d) There were failures to confirm legal compliance when developing new products
e) The findings on legal compliance raised by specified administrative agencies after introducing new products were not taken seriously

3. Inadequate construction management and supervisory systems

a) Construction management relied on self-inspections
b) Most architects were not involved in construction supervision
c) The construction management system was insufficient; it included inadequate process inspections and other factors due to a lack of licensed engineers
d) The construction supervision system was inadequate due to factors such as architects neglecting on-site supervision

Recurrence Prevention

As measures aiming to prevent recurrence of construction defects, the Company has committed itself to the following initiatives: 1. Fundamental Reform of the Corporate Culture, 2. Restructuring of the System for Compliance and Risk Management, and 3. Revision of the Construction Business Framework. The initiatives listed below had been completed by February 2022.

1. Fundamental Reform of the Corporate Culture	2. Restructuring of the System for Compliance and Risk Management	3. Revision of the Construction Business Framework
• Develop a customer-oriented corporate culture • Establish a compliance-first policy • Realize corporate culture reform through dialogue with stakeholders • Establish a system for reporting violations of laws and regulations, and the like • Implement training for corporate culture reform • Review performance management systems (implement the institutionalized job rotation)	• Establish the Compliance Management Division • Establish the Construction Legal Department within the Compliance Management Division to examine and inspect legal compliance of new products, etc. from the perspective of outside of business divisions • Review the operating methods of the Compliance Committee • Review risk management methods • Confirm legal compliance when starting new businesses or making changes to their content • Review the system for assigning persons in charge of compliance • Review the methods to address concerns related to legal violations • Establish a system to collect and verify risk information • Clarify the rules for storage and management of important documents	• Improve development processes for new products and others • Review the check system for confirmation drawings during the preparation stage • Review the construction supervision system to implement appropriate construction supervision • Ensure construction quality through appropriate construction management • Inspections by the Construction Legal Department, the Compliance Management Division • Implement training by the Construction Legal Department, the Compliance Management Division

*The Compliance Management Division has been renamed the Compliance Promotion Headquarters.

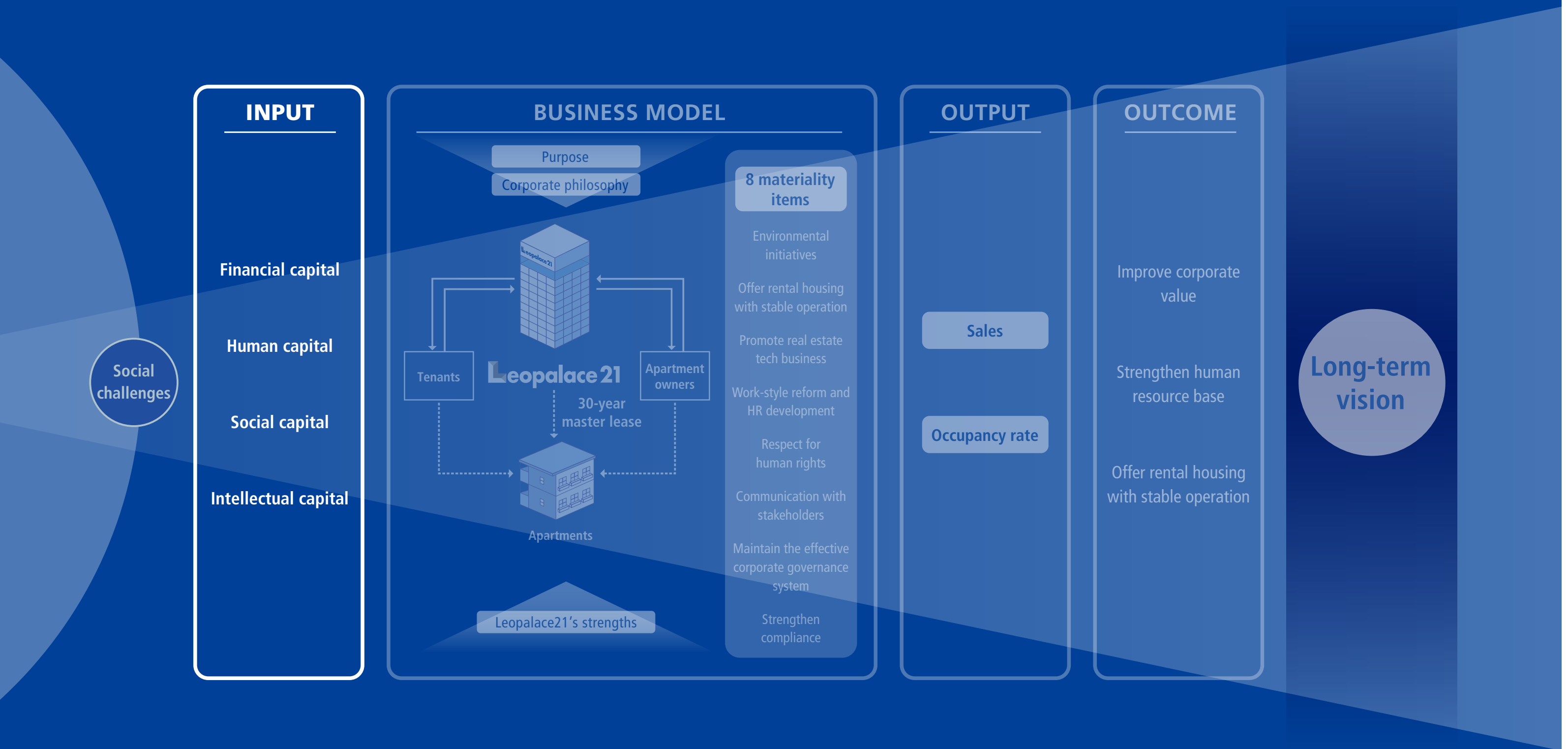
Future Actions

After the construction defects came to the light, we conducted all-building investigations. As a result, after consulting with specified administrative agencies, we have proceeded to inspect and repair the apartments with parting wall construction defects.

The challenges we now face include tenants refusing to accept visiting their dwelling units or not responding to our communications; tenants not being satisfied with their temporary housing or relocation; property owners disagreeing with us about the repair methods; and difficulties in addressing property owners and tenants who are managed by other companies. Despite these various factors, we will persist with our visits and negotiations, and for difficult matters, we will consider the opinions of neutral third parties through activities including mediation; we will have the entire Company commit itself to resolving obvious defects by the end of 2024.

Four Management Resources for Value Creation

Four Managerial Resources for Value Creation



Financial Capital

CFO Message

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.

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-subsidiary 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 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.

(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

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.

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.

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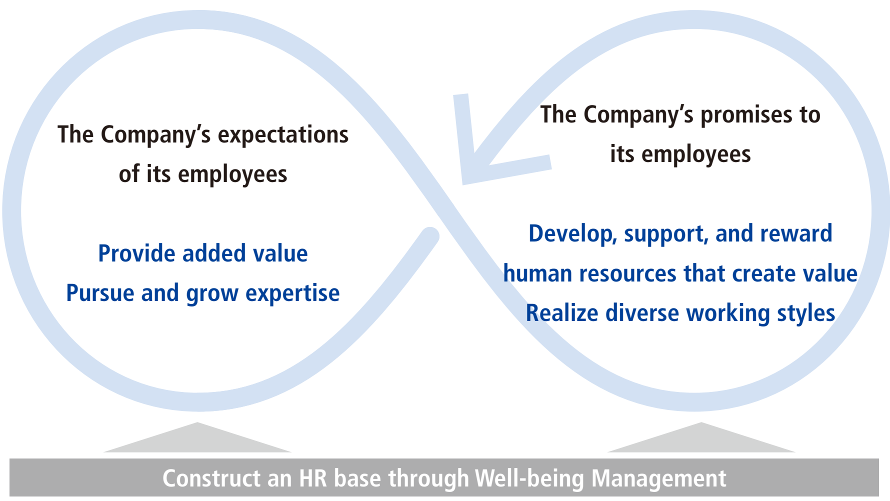
HR Visions and KPI

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	■ We recognize our people and organization as human capital, and committed to fostering their growth. ■ We motivate all employees to enrich their lives. ■ We support those who share our philosophy and work together to continue creating value.



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 = (Human value contribution – Human investment costs) × Average number of working years × 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

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%

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%

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.

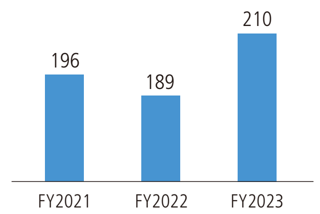
Enhancement of Professional Development

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



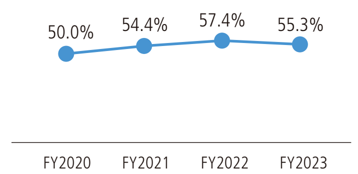
The Dual-track HR System

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

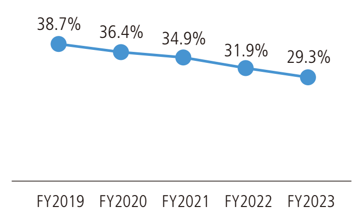
The Company believes that employees' physical and mental health is essential as the foundation of achieving its corporate philosophy of creating new value, and has been making efforts related to health and productivity management since 2017. In addition to health promotion, since 2023, the Company has 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.

2024
健康経営優良法人
Health and productivity

Ratio of smokers



The Leopalace21 Workplace Smoke-free Policy Declaration

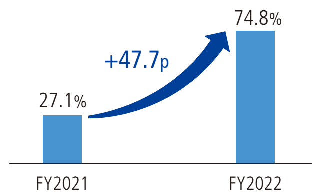
The ratio of smokers at the Company peaked in fiscal 2017 at 40%, and has gradually been decreasing by the year. We believe that the health risks posed by smoking to employees who smoke and to employees around smokers cannot be overlooked, so we issued the Leopalace21 Workplace Smoke-free Policy Declaration 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

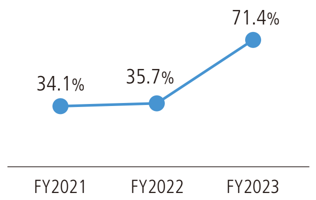
As the average age of employees rises, the tendency of medical findings at checkups increases. Despite this, the rate of medical visits has not improved despite our encouragement efforts.

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



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%.

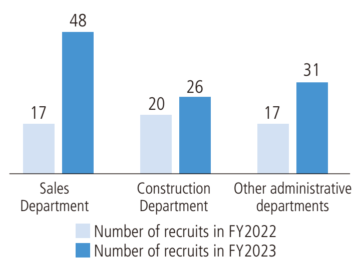
Acquisition and Retention of Human Resources that Provide Added Value

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

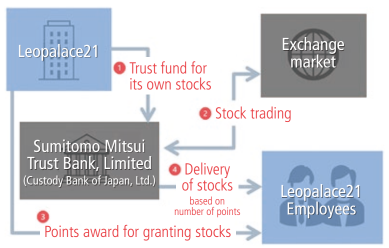


Mid-career recruitment

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.

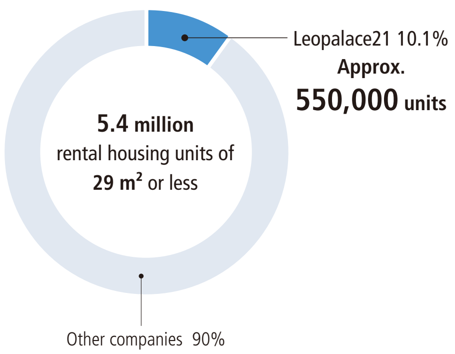
Tenants can move in immediately with smallest luggage when starting new chapters in their lives, thus reducing the initial costs of moving and avoiding the expense of disposing of furniture and home appliances, among other advantages.

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 m² 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 m² 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.



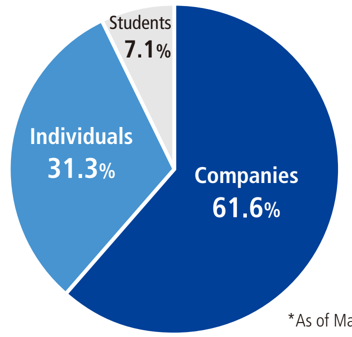
Use as Company-Leased Housing by the Companies Nationwide

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



*As of March 31, 2024

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.

	Searching for an apartment	Upon starting occupancy	During occupancy
IT	• **Online contract** The entire process, from viewing units to signing a contract, can be completed online without an in-person visit • **EcoSystem** AI assists in apartment search for company-leased housing	• **Smart lock** No need to visit in person to pick up the keys • **Electronic contract (individuals)/ *Leo-sign* (corporate)** Achieved paperless procedures by making contracts electronic	• **Chatbot** AI responds to all manner of inquiries • **Voicebot** AI listens to inquiries and converts them to text • **Corporate WEB System** Centralized management of information, ranging from billing to cancellation
Contact points	**Contact Center** Established on October 1, 2023 Full-scale operation started on November 1, 2023 Handles everything, from apartment search to contract application to signing	**Contract Administration Center** Handles administrative procedures related to contracts	**Tenants Support Center** Responds to tenant inquiries 24/7

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.

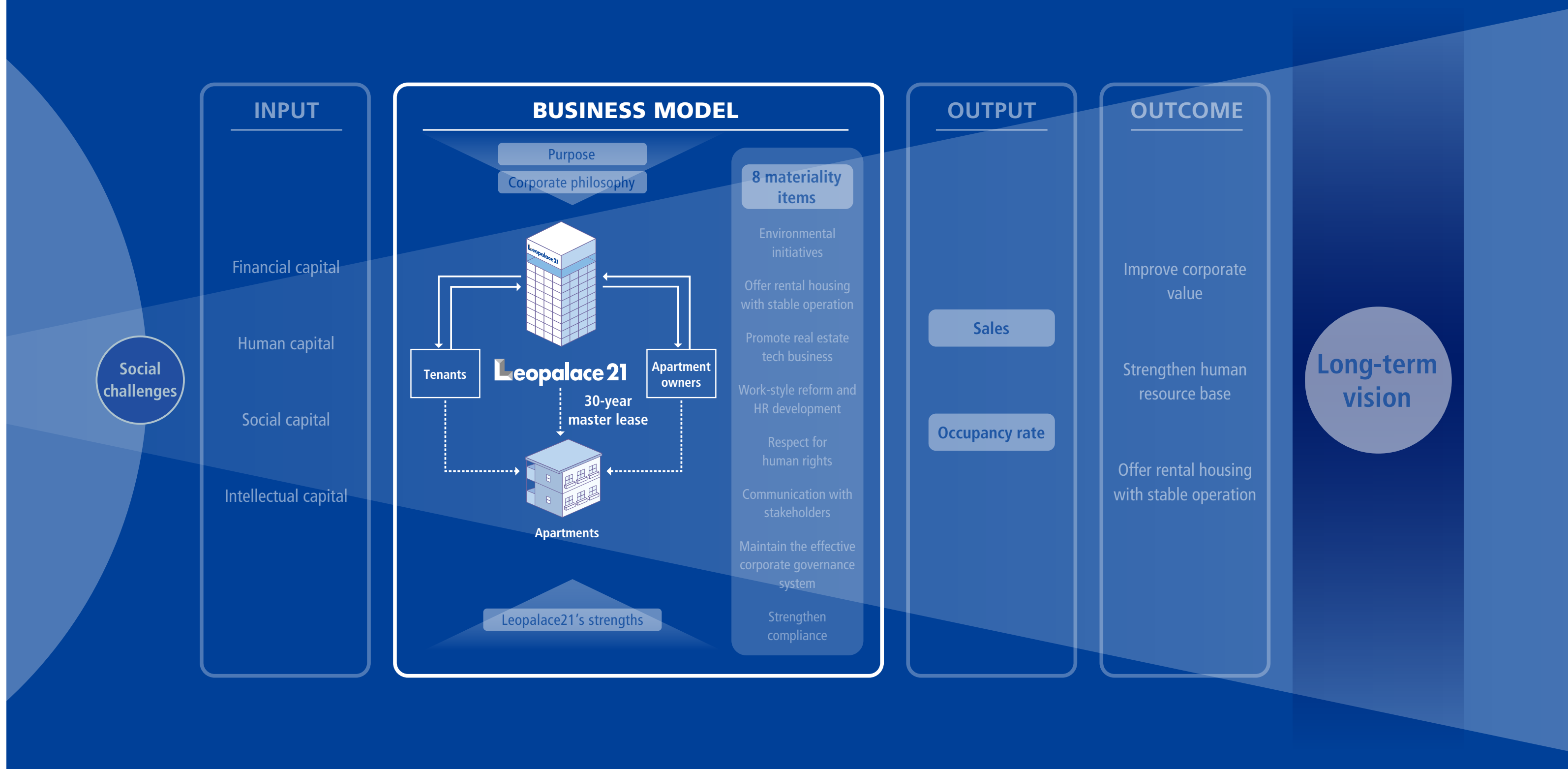
Improvement of customer convenience

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

Business Strategy

Business Strategy



The Brains behind the Company-Leased Housing Strategy

We aim to establish a position as the brains behind the company-leased housing strategy, a partner that works to resolve issues related to company-leased housing for client companies and to become the first company that comes to the clients' mind for all matters related to company-leased housing.

Corporate sales policy as the brains behind the company-leased housing strategy

We view the Leasing Business as social infrastructure and provide stable rental housing to corporate and individual customers. Especially in corporate contracts, we emphasize our role as the brains behind the company-leased housing strategy, which provides comprehensive solutions to all issues related to company-leased housing, somewhat like a company's main bank, and aim to position ourselves as a trusted partner rather than merely a regular supplier.

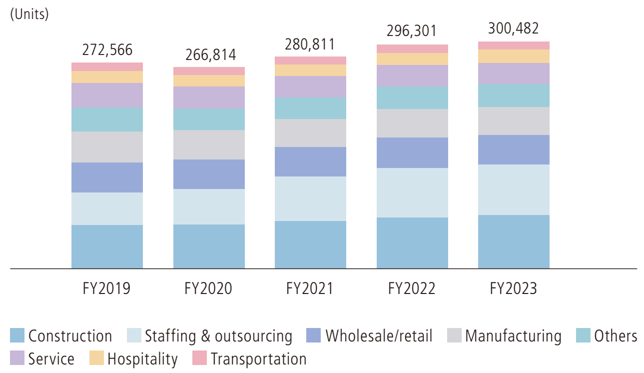
To this end, we believe that the most important point is to have clients' management understand the value of utilizing our company through working together and demonstrating the track record of operational efficiency and cost reductions. Specifically, the President and Sales Department heads are leading top-level sales in solidifying relationships of trust with customer companies. To build long-term partnerships, we also strengthened our sales structure by establishing additional sales departments, mainly in the Tokyo metropolitan area. Furthermore, we are developing solution sales to comprehensively resolve issues related to corporate housing for corporate customers by thoroughly implementing strategies per customer tailored to individual characteristics and needs.

For this fiscal year, we have set a numerical target of increasing corporate uses by approximately 9,000 units. Our medium- to long-term goal is to speedily achieve an occupancy rate of over 90%, and to do so, we will continue our efforts to establish ourselves as the brains behind the company-leased housing strategy.

Steady expansion of corporate contracts

We aim to establish ourselves as the brains behind the company-leased housing strategy to our corporate customers, and our efforts have led to an increase in the number of corporate contracts and their composition ratio of sales. As of March 31, 2024, 42,335 companies had signed corporate contracts for 300,482 units, marking a largest level of units ever in use. Among these, by business type, the staffing & outsourcing and hospitality industries are showing solid growth. In particular, the hospitality industry has seen a significant increase due to increased demand for corporate housing following the relaxation of COVID-19 regulations. Meanwhile, the construction industry, which accounts for a large percentage, is experiencing sluggish growth in the building field, so we hope to expand coverage to the entire construction industry by newly focusing on the civil engineering field.

Number of units used by industry



VOICE

We will assess economic trends in each industry and conduct sales activities.

Yuki Matsumura, Group Manager, Corporate Sales Promotion Office

Demand for company-leased housing fluctuates according to the economic trends in each industry, and we believe it is important to roll out sales activities based on such fluctuating cycles. To this end, we have designated logistics as a new industry of focus for sales activities in addition to our ongoing focus on the staffing, construction, hospitality, and retail industries.

The logistics industry, which faces the 2024 issue with stricter regulations on overtime for drivers, is required to secure human resources and implement work style reforms. Given such an environment, a major issue for companies is how to arrange for housing for their employees, and we believe that our service, which is for single persons, furnished, and requiring no key money deposit, can significantly contribute to solving the company-leased housing problem in the logistics industry, so we have included it among our industries of focus. In terms of regions, we are strengthening sales in the Tokyo metropolitan area, where there are many potential corporate customers.

Strengthening Efforts to Acquire Foreign National Customers

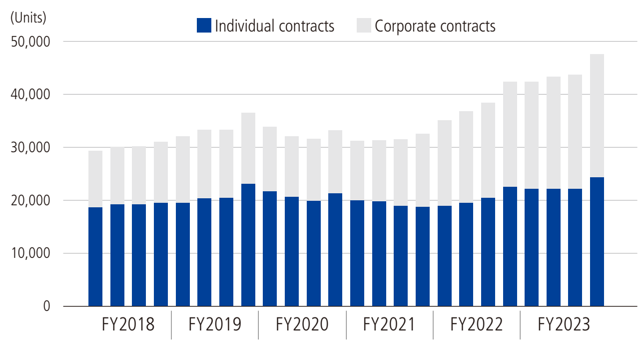
We provide consistent support from apartment search to post-occupancy services for foreign nationals who feel anxiety in finding a home in Japan in unfamiliar conditions.

Foreign national users account for about 10% of the total number of units used

The influx of foreign workers has been rising against the backdrop of Japan's labor shortages, among other factors. Over the past decade, we have also seen an upward trend in the percentage of foreign national customers. Subsequently, due to the impact of the COVID-19 pandemic, there was a temporary decline, but with the subsiding of the pandemic and the easing of entry restrictions, foreign national customers are once again showing an increasing trend.

As of March 31, 2024, the number of units in use by foreign national tenants totaled approximately 47,000, including 24,000 units under individual contracts and 23,000 units under corporate contracts, representing 9.7% of the total number of units in use at our properties. This is the second largest segment following the number of units used by corporate customers. We believe that, given the ongoing shortage of workers in Japan and the need for better properties to improve the treatment of foreign national workers, demand will continue to grow, so we will focus on gaining foreign national customers.

Units in use



Leopalace21's strengths

Leopalace21 offers multilingual support in five languages on its apartment search website, which serves as a portal for expanding use by foreign national residents. In addition, we have established five IFCs (International Front Centers), which are sales offices exclusively for foreign national customers, in Tokyo, Nagoya, Okayama, Osaka, and Fukuoka. Customer service for tenants by phone is available in five languages. Our strength lies in an established service framework that makes it easy for tenants to find an apartment and live without anxiety.

1 Apartment search website
Available in five languages

2 Dedicated to foreign national customers
Establishment of IFC

3 Customer service by phone
Five languages

VOICE

The flexibility to choose from short-term to long-term contracts is also appealing.

Zhang Hao, Section Manager, International Contact Center, PM Sales Promotion Department

There are a wide variety of reasons why international customers choose our apartment units. First, the apartments are fully furnished and equipped with home appliances, which greatly reduces initial costs and efforts when moving in, and internet access is available from day one. Second, we offer 24-hour multilingual support so that tenants can start the new chapters of their lives without being bothered by language barriers. In addition to these advantages, the flexible contract terms, from short-term to long-term, are very convenient for international customers who are staying for study or short-term work. Recently, international students and skilled workers from Asia have shown an increasing trend, and in the business sector, stays related to multinational corporations and startup projects are on the rise. Moreover, there is growing demand for long-term housing due to the increasing number of young people using working holiday visas and foreign nationals obtaining family residence or permanent residency.

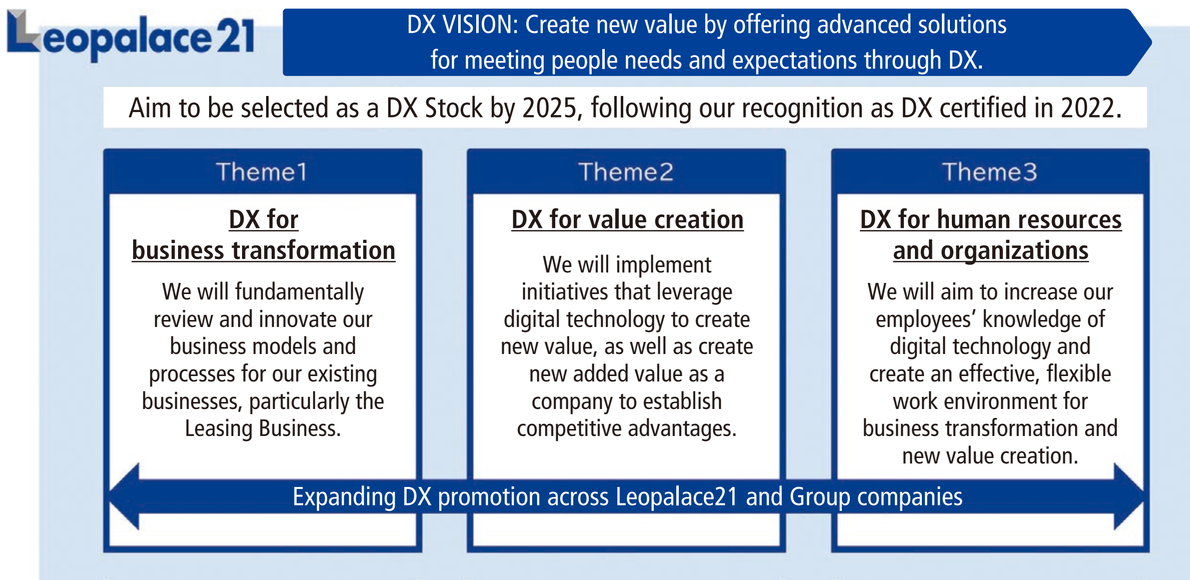
01 Leopalace21's Value Creation
02 Four Managerial Resources for Value Creation
03 Business Strategy
04 Sustainability Management
05 Data Section

Leopalace21's DX Vision and Strategy

We aim to build a sustainable, flexible business foundation by advancing DX and responding swiftly to changes in society. DX is an initiative to leverage digital technology to innovate business processes and enhance competitiveness. We aim to enhance the customer experience, maximize operational efficiency, and create new business models through DX.

Themes and initiatives for promoting DX

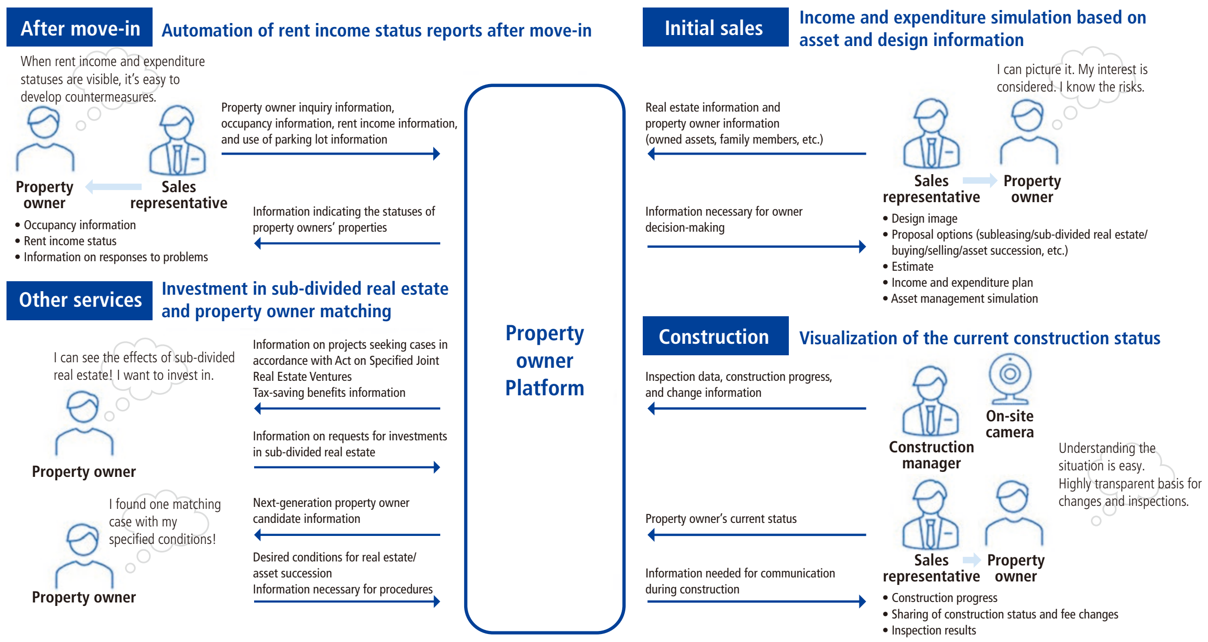
Since being recognized as a DX-Certified Company in 2022, we have been collectively working to be selected as a DX Stock by 2025. To this end, we have been implementing DX based on the following three themes:



Initiatives for DX for business transformation

In terms of DX for business transformation, we are working to achieve data-driven management, assurance of product quality and added value, and strengthening of relationships with business partners under the aim of evolving into the Leasing Business that customers continue to choose.

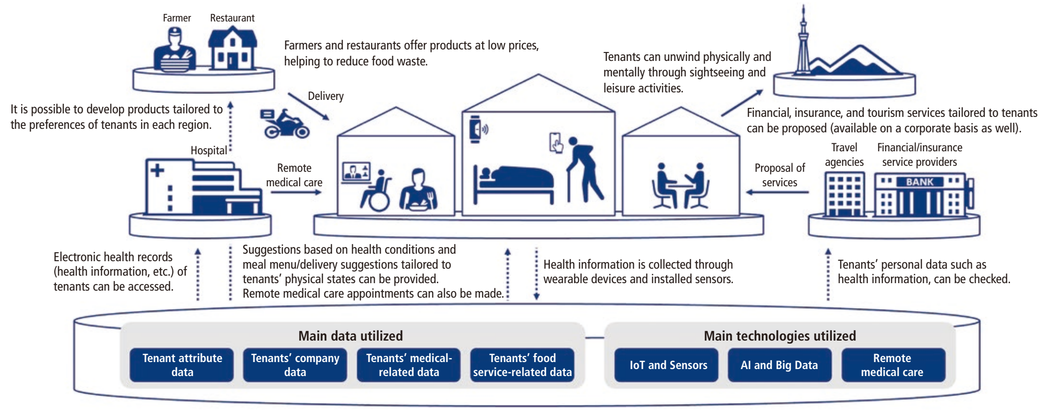
Example initiative for DX for business transformation



Initiatives for DX for value creation

In terms of DX for value creation, we will implement initiatives that build on our existing Leasing Business by leveraging digital technology to create new added value as a company while working to establish a competitive advantage. We will proceed with the development of new services by leveraging open innovation with external partners and utilizing the latest digital technologies.

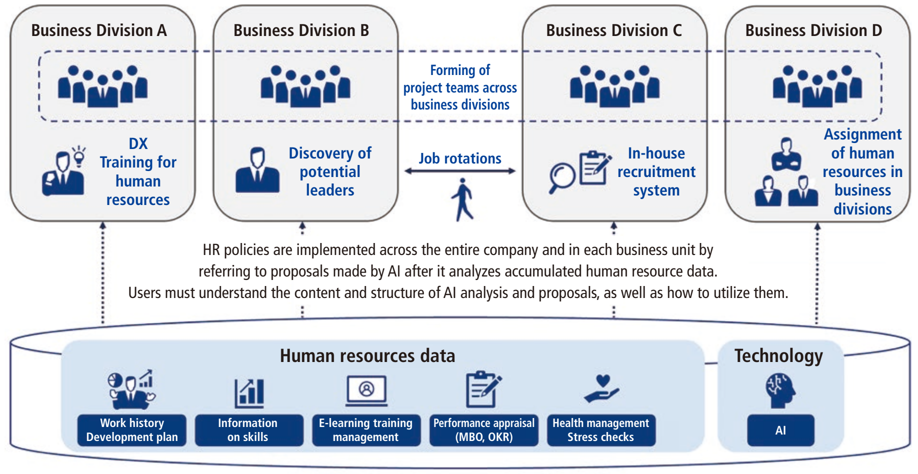
Providing an environment where tenants can live safely and comfortably will strengthen our competitiveness and accelerate our efforts to expand business outside the company.



Initiatives for DX for human resources and organizations

In promoting DX, we are focusing on building a new organizational structure and developing talent. As part of this effort, we have introduced a DX leader development program to foster the next generation of leaders.

Additionally, we are focusing on securing diverse talent, and promoting DE&I (Diversity, Equity, and Inclusion). We have created an environment where members from diverse backgrounds collaborate through actively recruiting top talent both internally and externally. We also regularly conduct training aimed at promoting DE&I as well as fostering a culture in which all employees understand and respect the importance of diversity. We aim to foster the next generation of digital professionals by strengthening initiatives that support active participation of people with diverse perspectives, including women and individuals with disabilities.



Outlook

At Leopalace21, we have identified three key themes as domains for driving DX. In addition to promoting initiatives in each domain, we will work to enhance the overall synergy effects.

Our ultimate goal is, beyond achieving the ideal state outlined in each roadmap, to establish a sustainable, flexible business foundation that enables us to respond quickly to the rapid changes in society. Additionally, as we introduce new technologies and partnerships to create new markets, it is essential to manage external factors such as regulations, standards, and social norms that are deeply rooted in society. To address matters in which we lack experience or knowledge regarding building external environments, we plan to utilize external expert resources.

Through these initiatives, we will establish leadership in the industry and attain sustainable growth by driving DX initiatives.

Structural Reforms

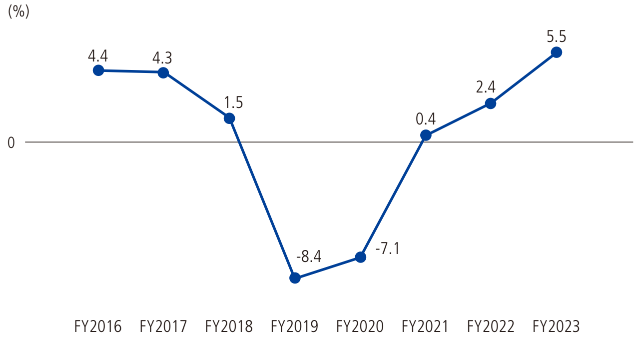
Transitioning to a lean earnings structure through structural reforms

By continuously working on fundamental reforms such as cost control and strengthening the profitability of our core Leasing Business, we have improved our financial position and achieved a lean earnings structure.

A higher operating profit margin than immediately prior to the construction defects problem coming to light

Due to the construction defects problem surfacing and the impact of the COVID-19 pandemic, we experienced operating losses for two consecutive fiscal years in fiscal year 2019 and fiscal year 2020, but by implementing structural reforms, we returned to positive operating profit in fiscal year 2021. Improvements in the quality of contracts, including the review of existing plans, along with cost control measures such as revising both costs and SG&A expenses, contributed to our posting of an operating profit margin in fiscal year 2023 that exceeds the level of fiscal year 2017, which was immediately before the construction defects problem was discovered.

Operating profit ratio

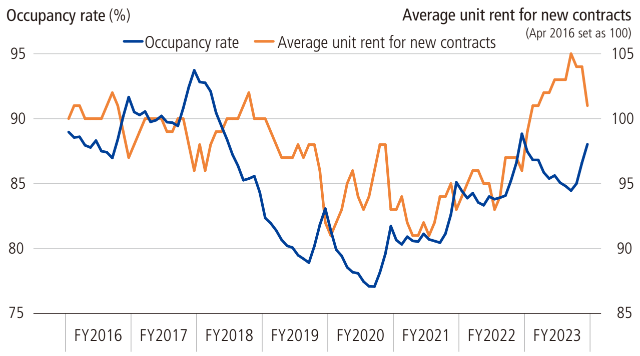


Improved average unit rent for new contracts through the price-focused strategy

Although the average unit rent for new contracts remained at a low level until the first half of fiscal year 2022 as part of our efforts to improve occupancy rates, the shift to a price-focused strategy in the second half led to the improvement. In fiscal year 2023, we flexibly adjusted the price-focused strategy for leased properties to align with each area's characteristics, and, supported by strong corporate demand and the success of various initiatives, the average rent for new contracts has trended above the levels seen in fiscal year 2017, immediately before the construction defects problem coming to light.

For fiscal year 2024, we aim to maximize revenue by executing a revenue optimization strategy with an improved occupancy rate and appropriate pricing levels.

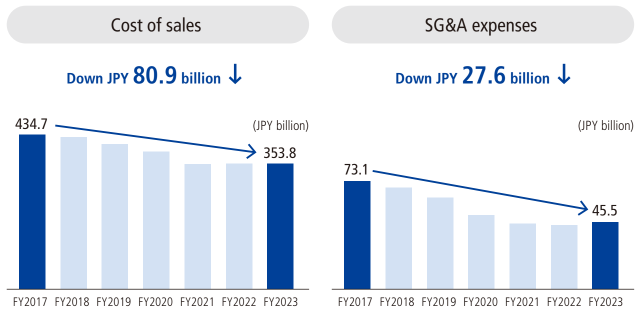
Occupancy Rate and Average Unit Rent for New Contracts (Index)



Decreased cost of sales and SG&A expenses by cost optimization

The suspension of new orders in fiscal year 2019 led to a reduction in the cost of sales in the Development Business, and factors such as curbing future property maintenance, a decrease in the number of units under management, and the contractual adjustments of master-lease rent contributed to a significant decrease in the cost of sales from fiscal year 2017 to fiscal year 2023.

Regarding SG&A expenses, personnel expenses decreased by approximately JPY 19.6 billion from fiscal year 2017 to fiscal year 2023. In addition to the company-wide SG&A expenses reductions that have been ongoing since fiscal year 2018, we have continued to reform our earnings structure, including the voluntary retirement of 1,067 employees implemented in August 2020 and the consolidation of 80 leasing sales offices from fiscal year 2020 to fiscal year 2021.

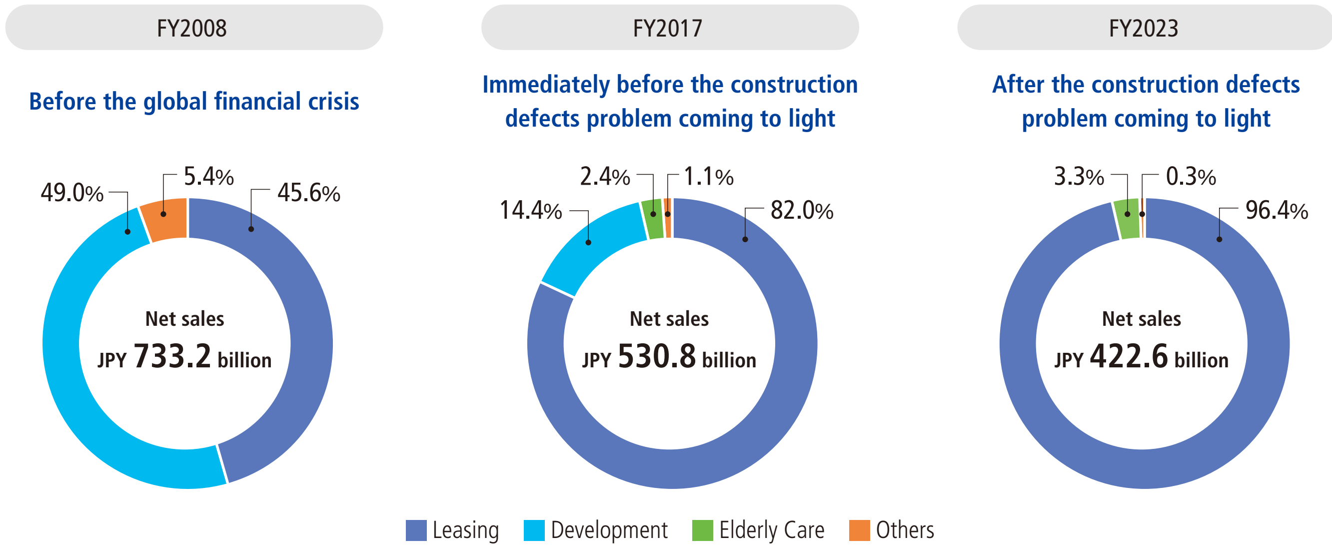


Business streamlining by focusing on the Leasing Business

We have positioned the Leasing Business as our core business and are promoting structural reforms, including a review of our business portfolio. Aiming to maintain a lean corporate structure over the medium to long term, we are divesting or withdrawing from non-core businesses.

Change in the net sales segment breakdown

Since the global financial crisis, we have shifted to a stock business centered on the Leasing Business, aiming to achieve a stable earnings structure over the medium to long term. Sales of the Leasing Business, which accounted for 45.6% of total sales in fiscal year 2008, rose to 82.0% in fiscal year 2017, and the percentage of sales from the Leasing Business rose further to 96.4% as the Company stopped accepting new apartment contract orders following the construction defects problem coming to light in fiscal year 2017.



Changes in Group Companies

While continuing to liquidate Group companies related to non-core businesses, we have established Leopalace Green Energy to offer *Leopalace Green LP Gas* and *Leopalace Green Electricity*, both of which have virtually zero CO_2 emissions.

End of May 2018

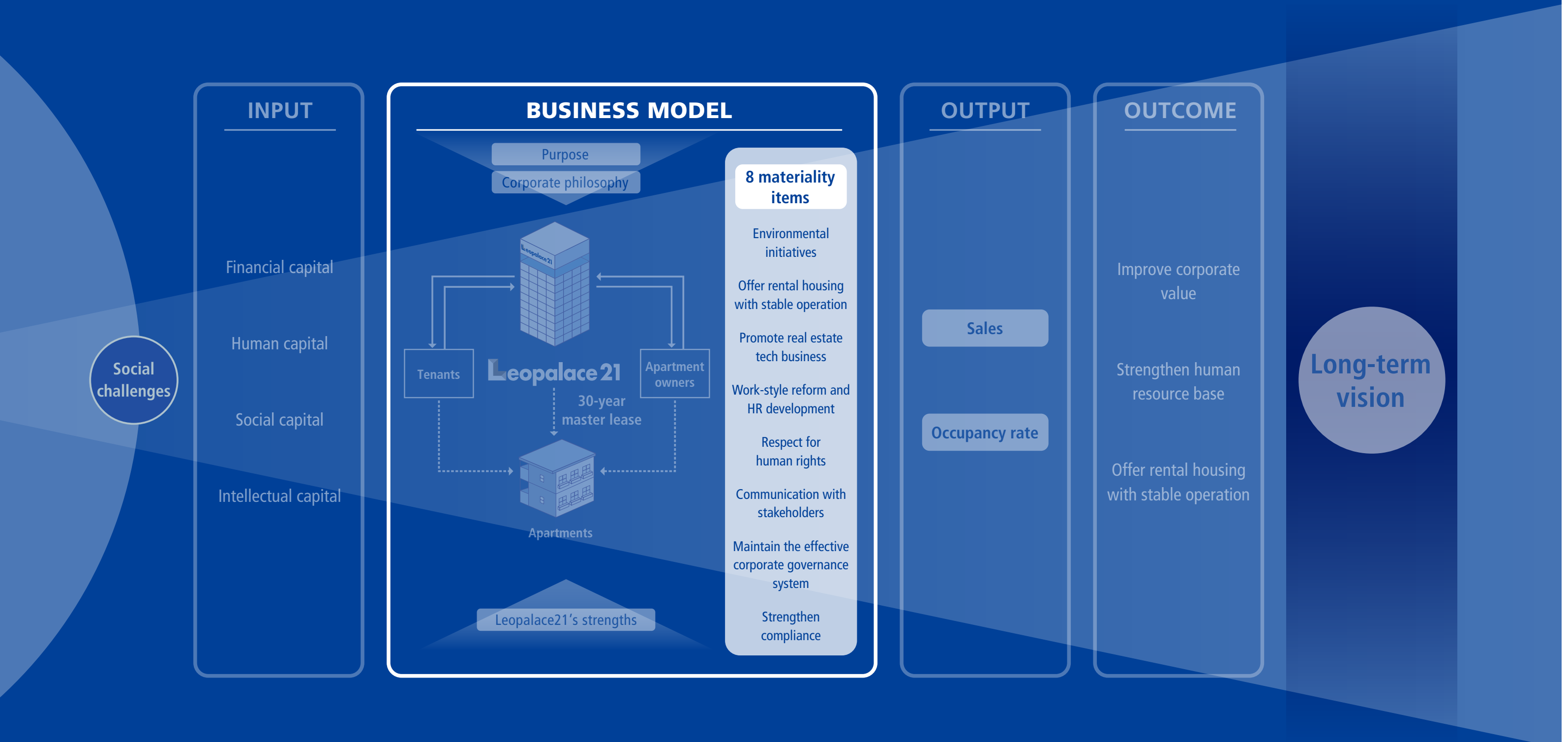
Leasing Business	Leopalace Leasing Corporation Corporate housing agent	Plaza Guarantee Co., Ltd. Rent guarantee	ASUKA SSI Tenant household contents insurance
	Leopalace Power Corporation Power generation	Leopalace21 Business Consulting (Shanghai) Co., Ltd. Tenant recruitment	Woori & Leo PMC Co., Ltd. Leasing management in South Korea
International Business	Leopalace21 (Thailand) CO., LTD. Real estate brokerage and referral in Thailand	LEOPALACE21 VIETNAM CO., LTD. Real estate brokerage and referral in Vietnam	Leopalace21 (Cambodia) Co., Ltd. Real estate brokerage and referral in Cambodia
	LEOPALACE21 PHILIPPINES INC. Real estate referral in the Philippines	PT. Leopalace Duasatu Realty Real estate business in Indonesia	Leopalace21 Singapore Pte. Ltd. Investment consulting business
	Enplus Inc. Relocation management		
Development Business	Morizou Co., Ltd. Custom-built homes	Life Living Co., Ltd. Property development	Leopalace Trust Co., Ltd. Land trust and real estate management trust
Elderly Care Business	Azu Life Care Co., Ltd. Elderly Care Business		
Hotel resorts and other businesses	Leopalace Guam Corporation Resort business	WING MATE CO., LTD. Business travel management	Leopalace Smile Co., Ltd. Special subsidiary

End of March 2024

Leasing Business	Leopalace Leasing Corporation Corporate housing agent	Plaza Guarantee Co., Ltd. Rent guarantee	ASUKA SSI Tenant household contents insurance
	Leopalace Power Corporation Power generation	Leopalace21 Business Consulting (Shanghai) Co., Ltd. Tenant recruitment	Leopalace Green Energy Corporation Environment
International Business	Leopalace21 Singapore Pte. Ltd. Investment management		
Elderly Care Business	Azu Life Care Co., Ltd. Elderly Care Business		
Other businesses	Leopalace Guam Corporation Resort business	Leopalace Smile Co., Ltd. Special subsidiary	

Sustainability Management

Sustainability Management



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.

Board of Directors

Sustainability Committee

Chairperson: Chief of the Corporate Management Headquarters (Director in charge of sustainability)

Members: President and CEO, Audit & Supervisory Board Member, Deputy Chief of the Corporate Management Headquarters, persons in charge of sustainability from each department and Group companies, etc.

Leasing Business Headquarters	Architectural Engineering Division	Development Division	Elderly Care Business Division	Corporate Management Headquarters	Compliance Promotion Headquarters	Construction Defects Response Department	Auditing Department	Group Companies (not all)

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	E	3, 7, 11, 13, 15	• Reduce Scope1 and 2 CO_2 emissions (by 46% from FY2016 level by FY2030) • Promote paperless operations (reduce annual paper usage by 15% against FY2022) • Reduction of CO_2 emissions through the *Leopalace Green Energy Project* (40,000 t-CO_2)
Offer Rental Housing with Stable Operation	S	9, 11, 12, 16	• Implement measures to improve occupancy rate (end of FY: 90.40%; annual average: 86.56%) • Increase number of foreign tenants (12,000 individual contracts)
Promote Real Estate Tech Business	S	9, 11	• Install smart locks (in 240,000 units by March 2024)
Work-Style Reform and HR Development	S	4, 5, 8, 10, 17	• Leadership and Succession • Diverse Talent Acquisition • Employee Engagement • Compliance and Ethics • Diversity & Inclusion • Well-being Management
Respect for Human Rights	S		• Conduct training for foreign national nursing care staff members (monthly, 12 times) • Maintain the employee retention rate through the special subsidiary (84%)
Communication with Stakeholders	S / G	11, 16, 17	• Hold engagement meetings with institutional investors (100 companies) • Hold engagement meetings with financial institutions (200 times a year) • Hold property owner briefing sessions (180 times a year) • Carry out a public relations strategy that enhances corporate value (24 press releases issued) • Deliver in-house newsletters (60 times a year) • Conduct customer satisfaction surveys (Group companies)
Maintain the Effective Corporate Governance System	G	8, 16	• Maintain dialogue between directors and employees (24 sessions) • Eliminate obvious defects by end of 2024
Strengthen Compliance	G	8, 16, 17	• Operate the whistleblowing system (number of cases accepted: 80 cases) • Carry out compliance training (e-learning sessions conducted: 9 times)

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.

Step 1 Identify social challenges related to the Company business

Step 2 Determine whether challenge represents opportunity or risk in fiscal year 2023

Step 3 Sort the materiality items by ESG category

Step 4 Receive approval from Sustainability Committee

KPI and achievement

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

Environmental Initiatives

Evaluation indicators	Target completion	Numeric target	FY2021	FY2022	Evalua-tion	FY2023	Evalua-tion	Notes
Reduce Scope1 and 2 CO_2 emissions	FY2030	-46% vs. FY2016 Scopes 1 and 2 CO_2 emissions: 20,084 t-CO_2 (FY2016 result)	-47.6%	-43.5%	—	-41.5%	—	
Leopalace Green Energy Project	Every year	CO_2 emissions reduction amount FY2023: 40,000 t-CO_2	—	—	—	3,238t-CO_2	C	Incorporated into KPIs from fiscal year 2023.

Offer Rental Housing with Stable Operation

Evaluation indicators	Target completion	Numeric target	FY2021	FY2022	Evalua-tion	FY2023	Evalua-tion	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	Evalua-tion	FY2023	Evalua-tion	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	Evalua-tion	FY2023	Evalua-tion	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
Well-being Management	Every year	Promotion of smoking cessation measures Ratio of smokers: FY2024 Under 25%	34.9%	31.9%	—	29.3%	A	
		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) Response rate and support for individuals flagged by alerts	—	—	—	93.8%	B	Incorporated into KPIs from fiscal year 2023.
		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	Evalua-tion	FY2023	Evalua-tion	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	Evalua-tion	FY2023	Evalua-tion	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 SSI: Satisfaction rate of 90% or higher	—	92%	A	92%	A	

Maintain the Effective Corporate Governance System

Evaluation indicators	Target completion	Numeric target	FY2021	FY2022	Evalua-tion	FY2023	Evalua-tion	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	Evalua-tion	FY2023	Evalua-tion	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

Sustainability Management

Environment

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_2 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.

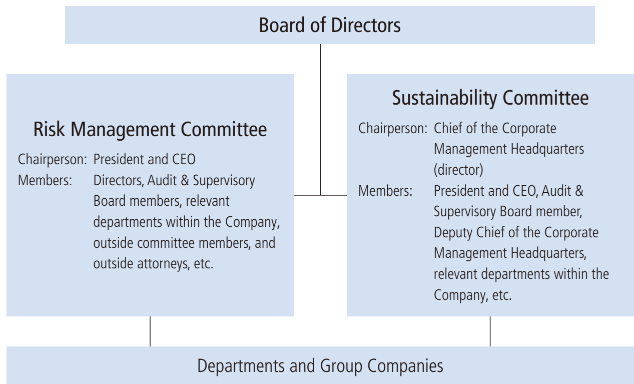
Environment Management System

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.	- IEA World Energy Outlook 2021 Net Zero Emissions by 2050 Scenario - IPCC RCP2.6, SSP1-1.9
4°C	No new policies or regulations will be introduced, and global CO_2 emissions will continue to increase. The transition risk is low, but the physical risk is high.	- IEA World Energy Outlook 2021 Stated Policies Scenario - IPCC RCP8.5, SSP5-8.5

(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

Step1
Identify important climate-related risks and opportunities and set parameters
- Identify climate-related risks and opportunities
- Assess risks and opportunities of high Importance
- Set parameters related to highly important risks and opportunities

Step2
Identify and define range of scenarios
- Identify relevant scenarios that are closely related to the existing scenarios based on Step 1 information and others.
- Establish the likely scenario based on prospective social conditions.

Step3
Evaluate business impacts under each scenario
- Quantitatively and qualitatively evaluate the financial impact of each of the scenarios considered as important climate-related risks and opportunities identified in Step 2

Step4
Consider strategies and further responses to climate-related risks and opportunities
- Formulate the Company strategies for climate-related risks and opportunities
- Consider further measures

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	Business/financial impact 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.

Metrics and targets

We have been compiling and disclosing our total CO_2 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_2 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_2 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_2 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_2 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_2 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

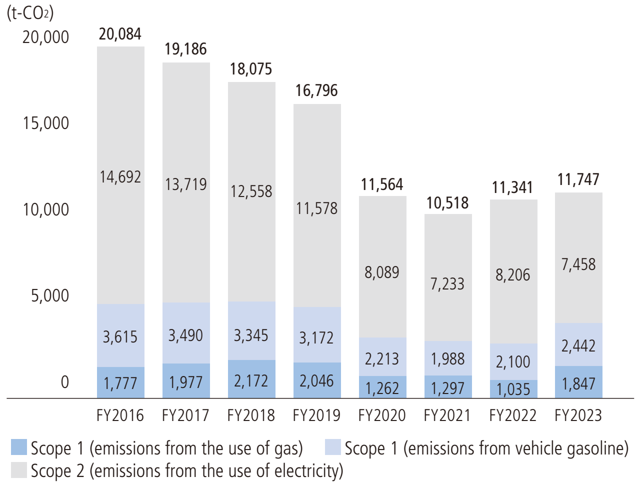
*Target value changed starting in FY 2022

Scope 1, 2, 3 results

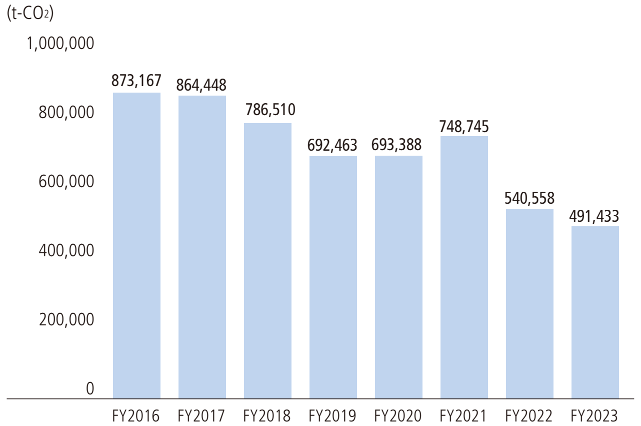
Item	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022*	FY2023
Scope 1	5,392	5,467	5,518	5,218	3,475	3,285	3,135	4,289
Scope 2	14,692	13,719	12,558	11,578	8,089	7,233	8,206	7,458
Scope 3	873,167	864,448	786,510	692,463	693,388	748,745	540,558	491,433

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

Scope 1, 2



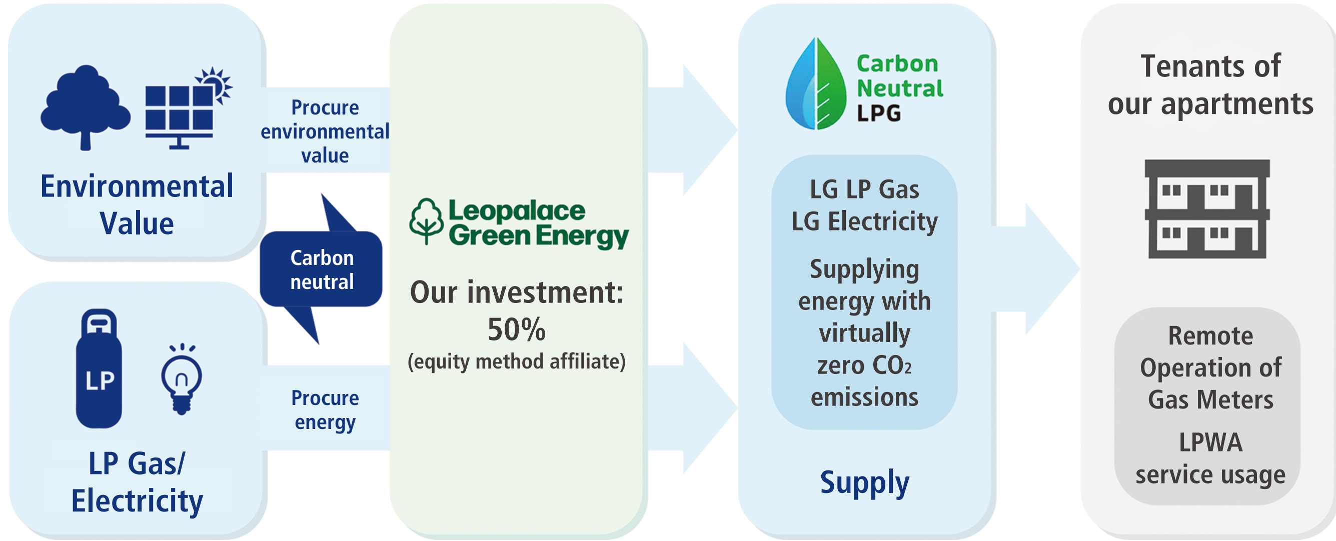
Scope 3



Leopalace Green Energy Project

In response to increased efforts to reduce greenhouse gas emissions at the corporate level, Leopalace21 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_2 emissions—as part of its energy strategy.

Leopalace Green Energy Project



Starting provision of *Leopalace 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 Leopalace Green Energy Corporation and, in cooperation with partner companies, began to provide rental housing that we manage with *Leopalace Green LP Gas (LGLP Gas)*, which has virtually zero CO_2 emissions, in January 2023. In June 2024 we also began offering *Leopalace 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, *Leopalace Green Electricity* is effectively renewable energy that has virtually zero CO_2 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_2 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^3. As a result, we reduced CO_2 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.*

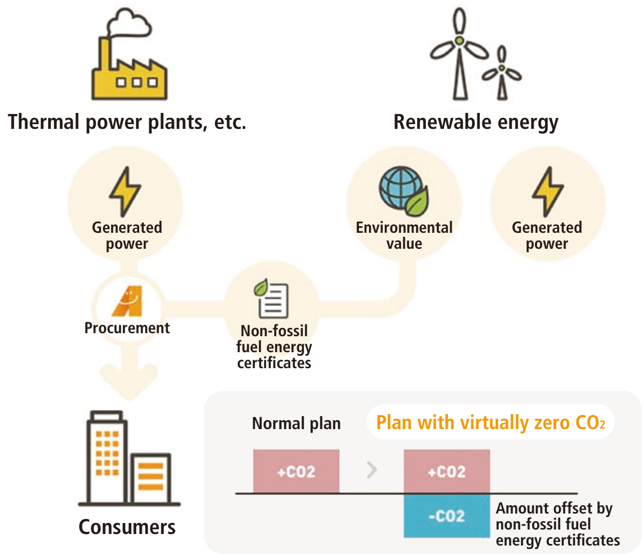
*Source: Calculated based on the 3R Intensity Calculation Method by the Ministry of the Environment

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

In June 2024, we began offering *LG Electricity*, which offsets CO_2 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_2 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_2 emissions of approximately 81,993 tons annually.*

*Assumes annual usage of 2,496.0 kWh per room and a CO_2 emissions factor of 0.000438 t-CO_2



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_2 emissions by approximately 360,000 t-CO_2 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_2 per year via carbon offsetting, we can realize rental housing with virtually zero CO_2 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

Sustainability Management

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.

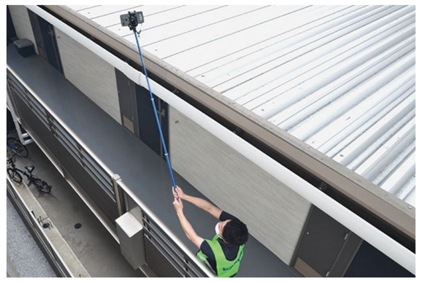
Applicants must be in the second year of high school who wish to enter a university, junior college, or vocational school. There are no restrictions on nationality, household income, or intended field of study.

	(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

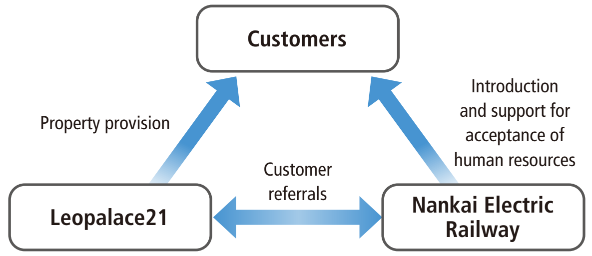
The properties under our management generally undergo annual periodic building inspections to ensure a safe and comfortable environment for property owners and tenants. Starting in April 2021, we revised the inspection process for these periodic check, and expanded the previous 50 inspection items to 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

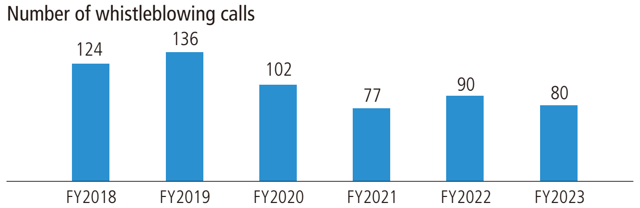
We formulated a basic policy and announced a declaration to eliminate harassment in April 2020, in an effort to maintain a healthy work environment, improve trust relationships in the workplace, and thereby achieve an invigorated work environment with a pleasant atmosphere. In accordance with this declaration, 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:

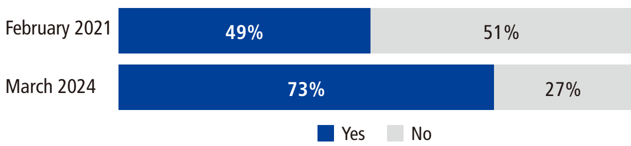
- Transparency increased and I felt a noticeable effort to make a change.
- Anonymity and consideration for employees seeking advice are secured.
- The availability of the hotline creates an environment where opinions can be shared with confidence and peace of mind.

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.

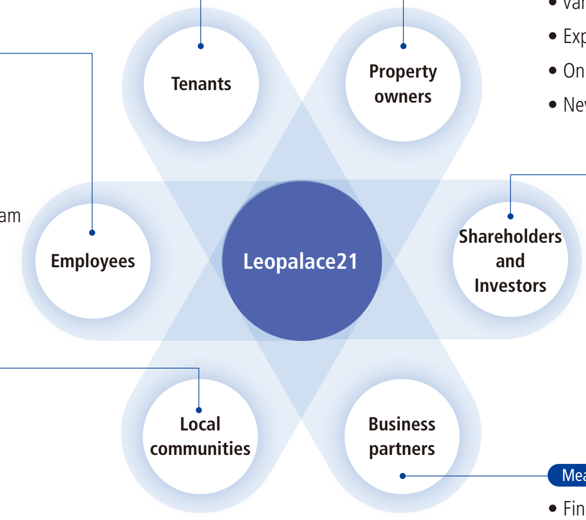
Guidelines on Customer Abuse of Employees
https://www.leopalace21.co.jp/english/sustainability/esg/compliance/efforts/customer-harassment/index.html

Communication with Stakeholders

Means of communication
- *&leo*
- Customers' Voice –> p.36

Means of communication
- Organizational surveys, pulse surveys
- Town Meetings, in which the President visits branches
- Utilization of the company newsletter (*Leoleo*)
- Implementation of the internal recognition program (Good Performer Program)
- *Dream Quest*
- Implementation of 1-on-1 meetings

Means of communication
- Flower planting activities
- Participation in blood donations
- Volunteer vendors
- Leopalace Recycle Reading
- Scholarship program –> p.59
- Disaster relief support –> p.60



Means of communication
- *Class L*, a membership organization for property owners
- Various individual consultation sessions
- Explanatory meetings for property owners
- Online seminars
- Newsletter publication

Means of communication
- Financial results briefings
- Individual meetings
- Small meetings
- Conferences hosted by securities companies
- Briefing sessions for individual investors
- Posting of IR materials

Means of communication
- Financial results briefings for our business partners
- Outstanding cleaning partners award ceremony

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

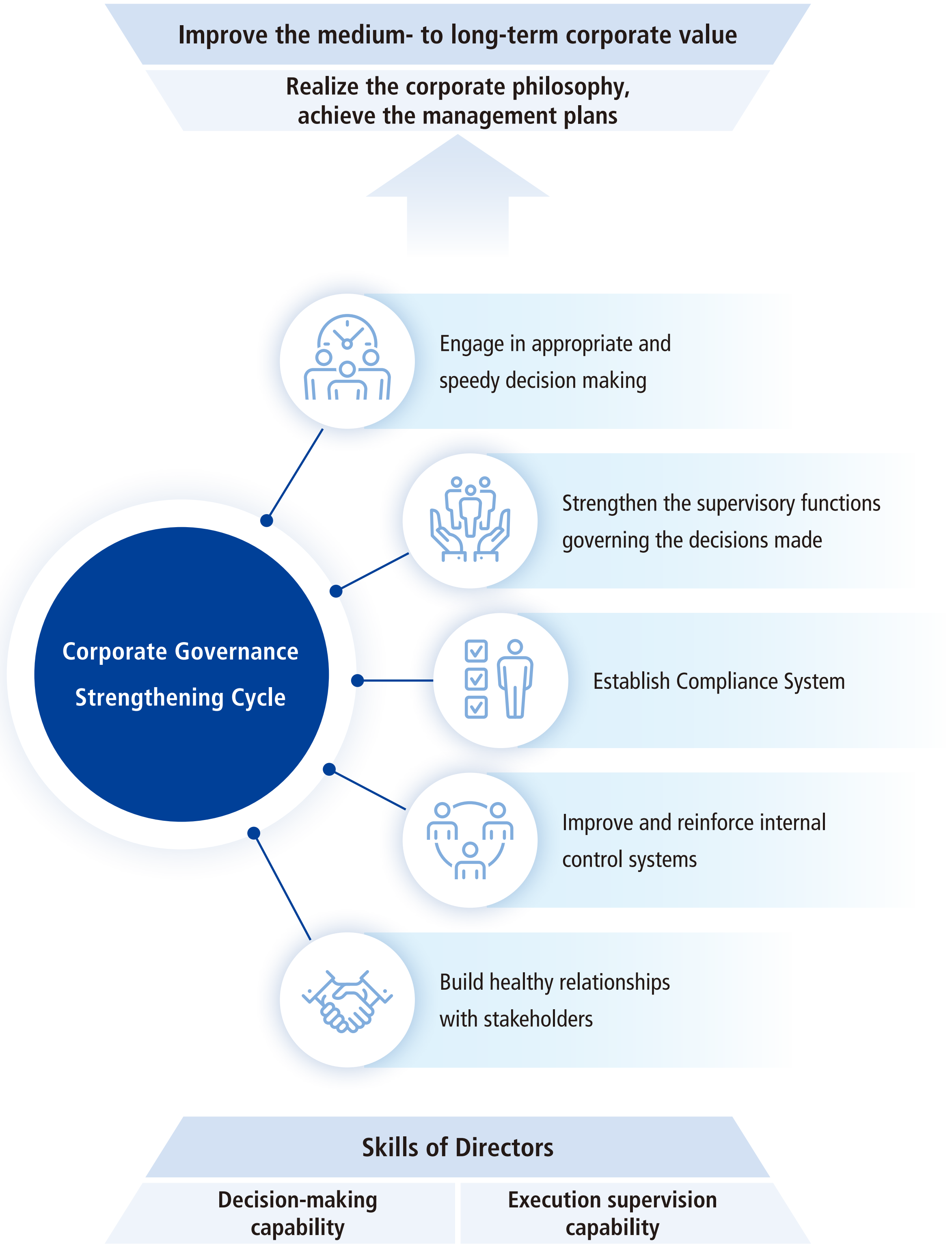
The Representative Director, President & CEO visits each location and engages in direct dialogue with employees, thereby strengthening communication across the organization. This provides an opportunity for the employees at each location to directly share their thoughts with the President. By quickly 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

Sustainability Management

Leopalace21's Corporate Governance

Leopalace21's distinctive corporate governance contributes to improvement of the medium- to long-term corporate value though 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.

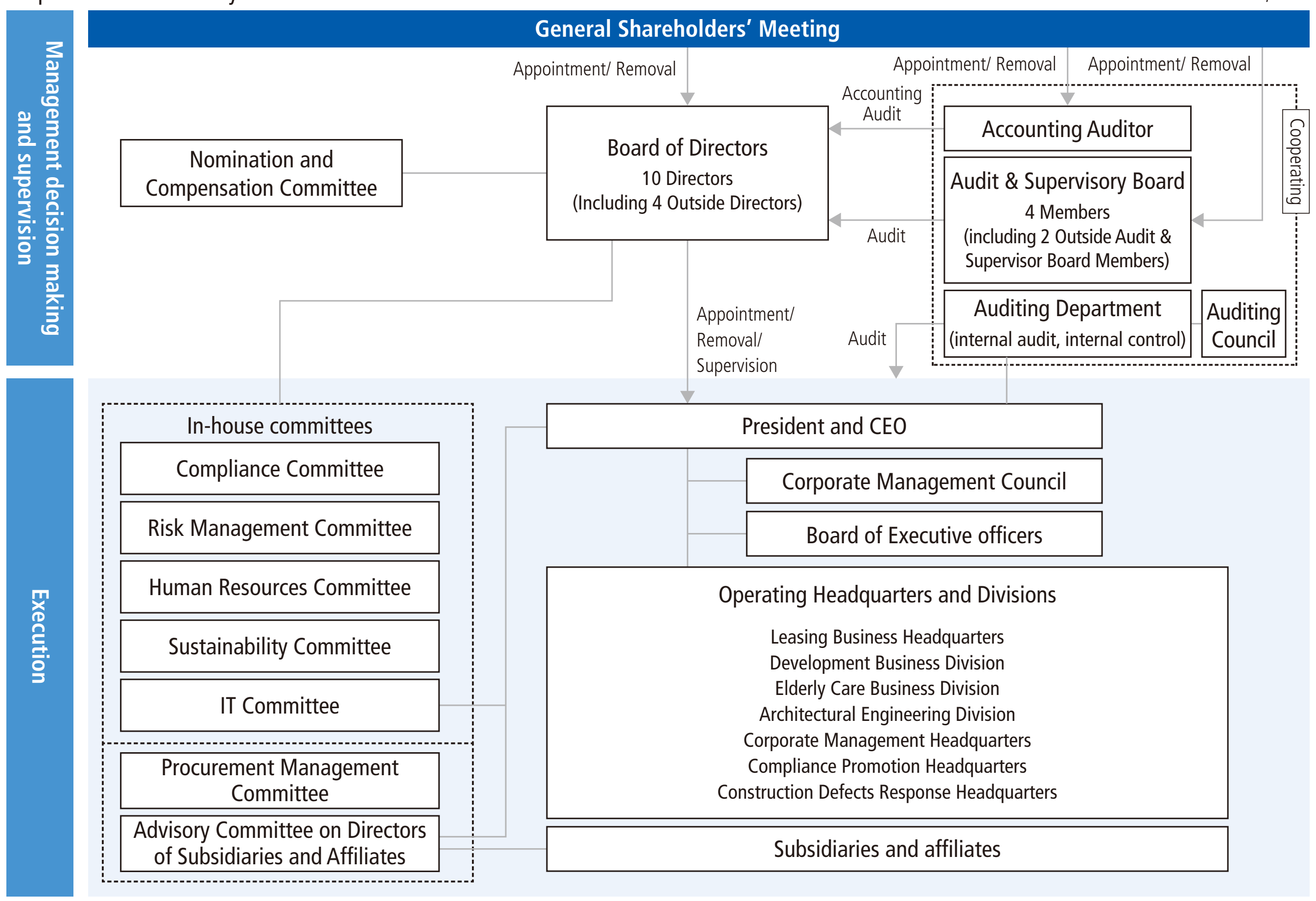
The Board of Directors has also established a number of committees to discuss key management issues for which the Board of Directors consults, and these committees offer the recommendations to the Board of Directors so the Board can thoroughly examine them.

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



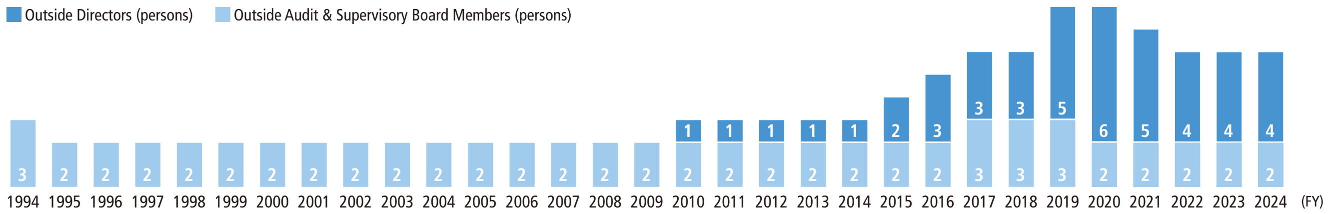
Strengthening Our Management Structure

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



Committee	1st meeting
Compliance Committee	July 2006 1st meeting
Risk Management Committee	May 2008 1st meeting
Sustainability Committee (former CSR Committee)	July 2008 1st meeting
Human Resources Committee	April 2009 1st meeting
IT Committee	February 2011 1st meeting
Nomination and Compensation Committee	March 2016 1st meeting
Advisory Committee on Directors of Subsidiaries and Affiliates	July 2021 1st meeting
Procurement Management Committee	March 2022 1st meeting

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.

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

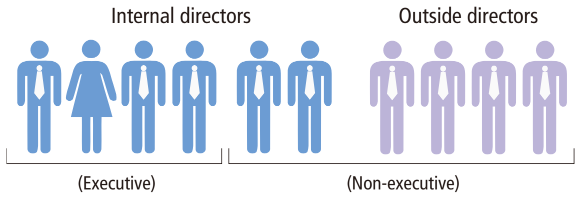
		Attribute						Skills particularly required by Leopalace21					
	Name	Title	Execution of business	Independency	Nomination and Compensation Committee	Age	Gender	Corporate management	Structural reforms	Sales and marketing	Compliance and risk management	Quality management	Finance
1	Bunya Miyao	Representative 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	
1. Boost the profitability of the Leasing Business 2. Strengthen the risk and crisis management system 3. Eliminate the construction defects problem	
Positive points	**Points to be improved**
• Free, open and constructive discussions and exchanges of opinions rather than formalities • 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 • Outside directors are fulfilling their supervisory role for the Board of Directors	• Ensure that the development of successor candidates for the management team is carried out in a planned manner with sufficient time and resources • The secretariat of the Board of Directors must provide BoD materials covering all necessary information to the Board in a timely and appropriate manner

Priority issues during fiscal year 2024
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 2. Internal directors should be aware that they are supervisors of management and should properly articulate their views based on a company-wide perspective

Change in accounting auditor

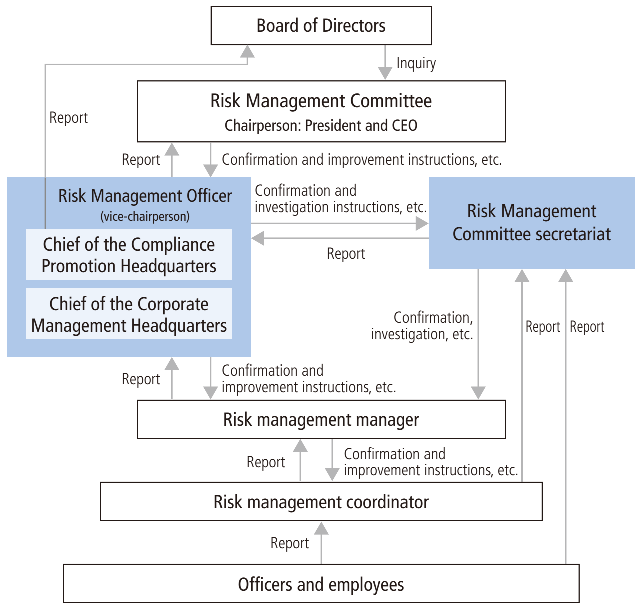
Our accounting auditor, Grant Thornton Taiyo LLC, concluded its term at the end of the 51st Ordinary General Shareholders' Meeting held on June 27, 2024. With the expiration of this term, after comprehensively considering factors such as expertise, independence, quality control system, scale, and other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

Risk Management

The risk management system

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.

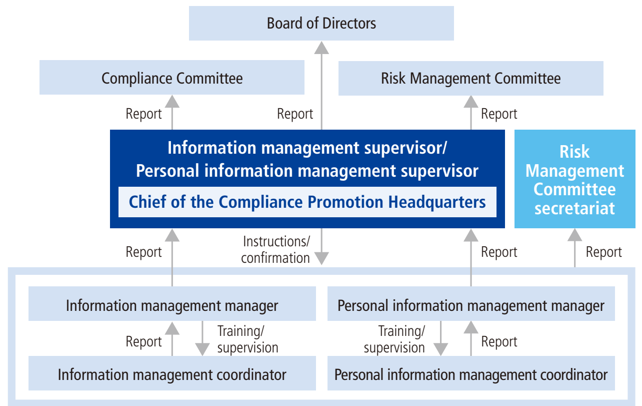
Each department identifies, analyzes, and evaluates risks related to the work it is in charge of, formulates risk response measures to manage those risks, and reports the results to the Risk Management Committee. The Risk Management Committee offers consultation and guidance to ensure that risk is appropriately controlled by each department. Furthermore, the Chief of the Compliance Promotion Headquarters reports on the status of risk management to the Board of Directors on a quarterly basis.



Information management system

Regarding all of its information assets as important assets indispensable for management, the Group has established a basic policy on information security based on a commitment to strict control and management of information. To implement information management appropriately and smoothly, we have also established an operational structure that clarifies organizational roles and responsibilities, and we train all employees who have access to information assets about this policy and promote the appropriate use of information assets.

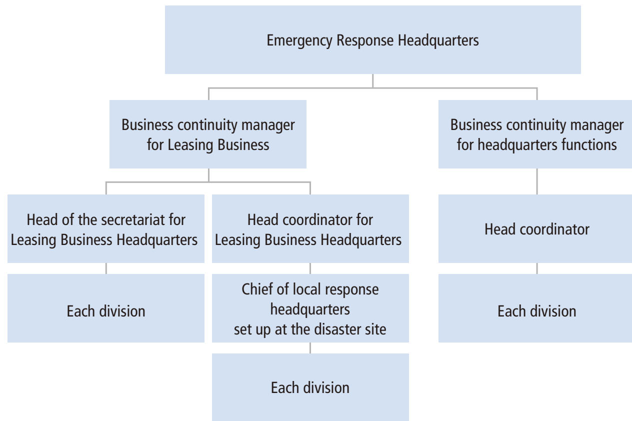
If a problem with information security is discovered and determined to have a significant impact, the necessary referrals are made to the Risk Management Committee or the Compliance Committee.



Business Continuity Plan (BCP)

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 Leopalace21's business. To prepare for these risks, we formulate business continuity plans (BCPs), regularly review them, and conduct drills in anticipation of disasters.

To ensure that critical business operations are not disrupted and can be restored in a short period of time, we strive to reduce risks by swiftly grasping both internal damage and business damage and taking appropriate measures to restore operations and prevent the spread of damage.



Sustainability Management

Compliance

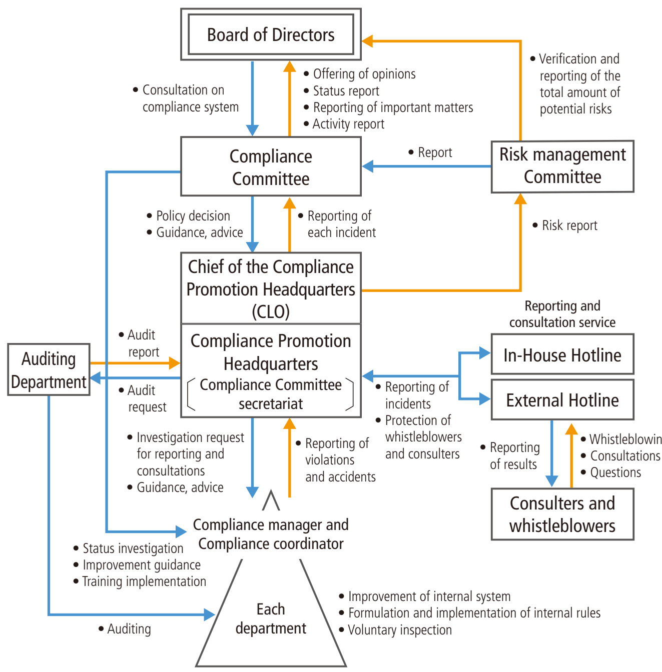
Based on the belief of Compliance First that compliance with laws, regulations, and social ethics is the most important policy in conducting business and it is the starting point of corporate activities, the Group is working to continuously instill compliance awareness and enhance compliance.

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.

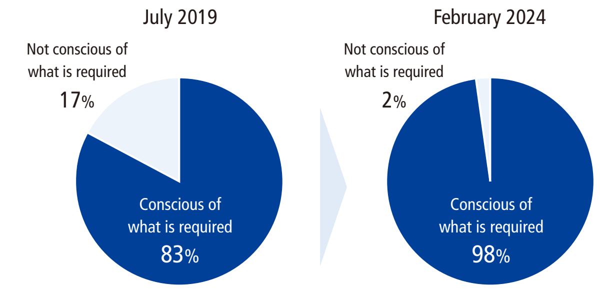
Compliance training that incorporates the opinions of each employee

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



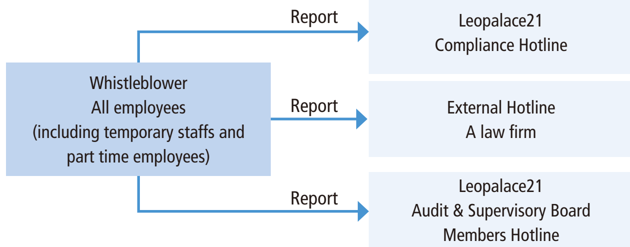
Compliance consulting service

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.

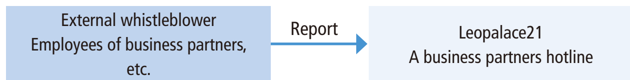
The internal hotline accepts telephone calls, emails, sealed letters, and interviews; the external hotline accepts telephone calls, emails, and sealed letters; the hotline with Audit & Supervisory Board members accepts emails and sealed letters; and the partner hotline accepts online submission forms. 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.

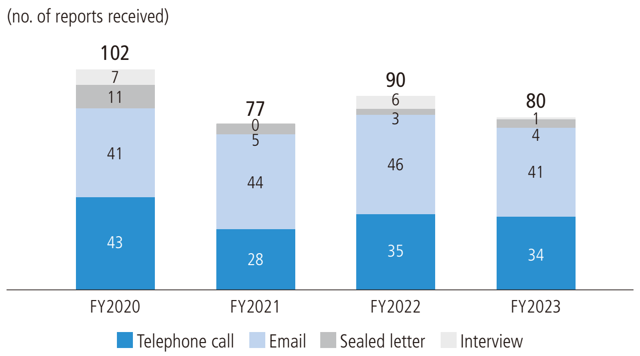
Whistleblowing contact



A business partners hotline



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



*The count for emails includes the submission form on the Leopalace21 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 Leopalace21 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 Leopalace21 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 Leopalace21 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 Department Manager of the Broadband Service Promotion Department
Apr 2010 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 Leopalace 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 Leopalace21 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, Leopalace21 Corporation (current)
Jan 2022 Director, PJC 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, Leopalace21 Corporation (current)
Jan 2022 Director, PJC 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, Leopalace21 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, Leopalace21 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, Leopalace21 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, Leopalace21 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, Leopalace21 Corporation (current)

Full-time Audit & Supervisory Board Member

Kenichiro Samejima

Apr 1984 Joined Nikkei House Co., Ltd.
Feb 1986 Joined Leopalace21 Corporation
Apr 1999 Department Manager of the Store Management Department, Leopalace 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
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, Leopalace21 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, Leopalace21 Corporation
Jul 2020 Audit & Supervisory Board Member, Leopalace21 Corporation (current)

Outside Audit & Supervisory Board Member

Kazutaka Shimohigoshi

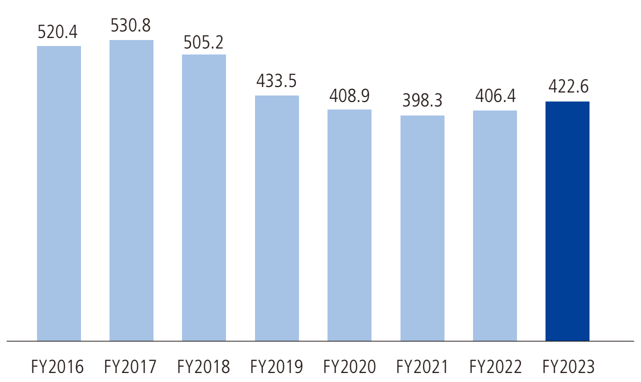
Oct 1979 Joined Asahi Auditing Firm (now KPMG AZSA LLC)
Aug 1983 Registered as a Certified Public Accountant
Jul 1985 Joined Nihon Keieikeikaku Co., Ltd. (now Alma Co.,Ltd.)
Sep 1992 Managing Director, Pendel Management Institute (current)
Head of Shimohigoshi Certified Public Accountant Office (current)
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, Leopalace21 Corporation (current)

Financial Highlights

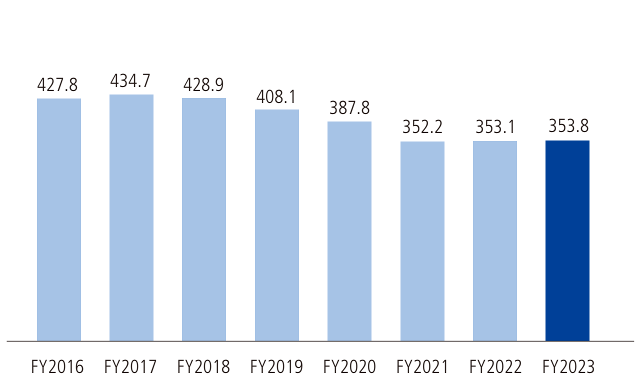
Our business performance deteriorated after the construction defects problem came to light in fiscal year 2018, then again in fiscal year 2020 when the COVID-19 pandemic broke out, causing us to fall into excessive liabilities. However, continued structural reforms have brought the Company back into the black, and the equity ratio has recovered to 31.2% for fiscal year 2023.

(JPY billion)

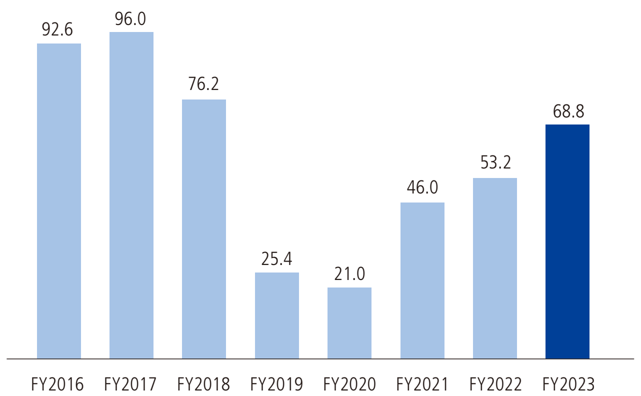
Net sales



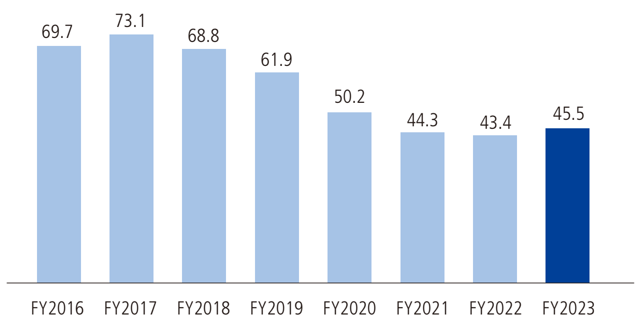
Cost of sales



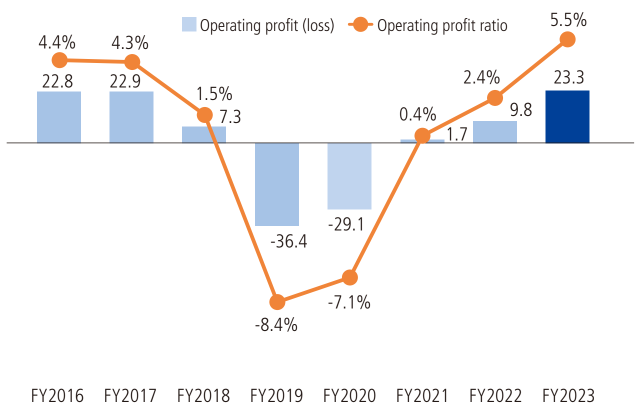
Gross profit



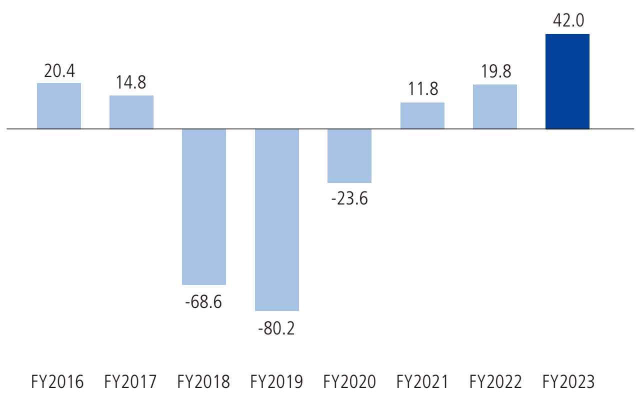
Selling, general and administrative expenses



Operating profit (loss)

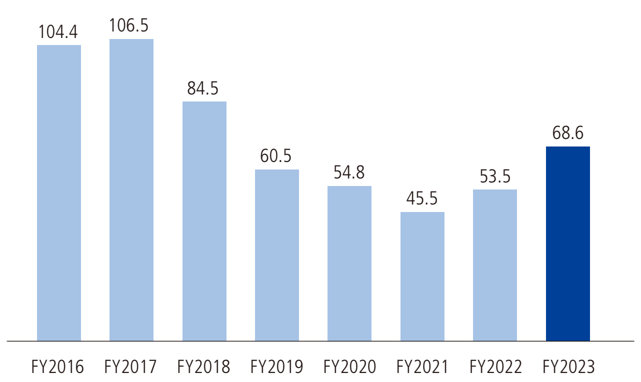


Net income (loss)

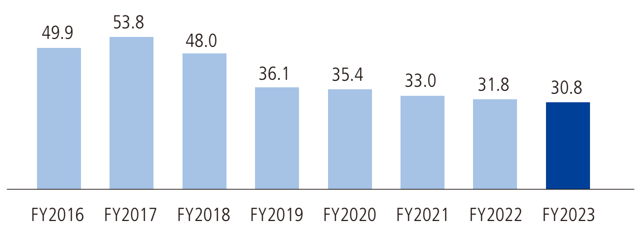


(JPY billion)

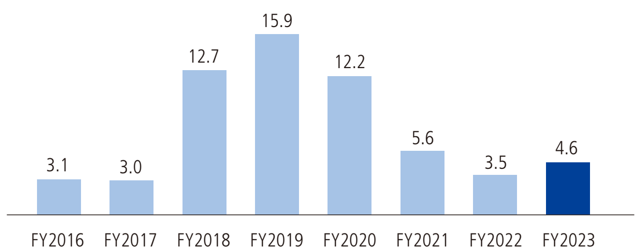
Cash and deposits balance



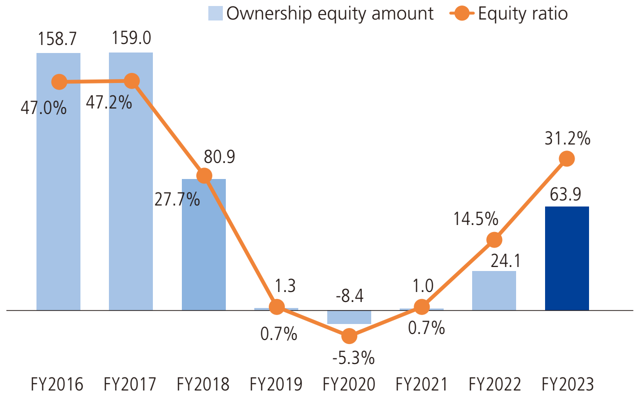
Interest-bearing debt



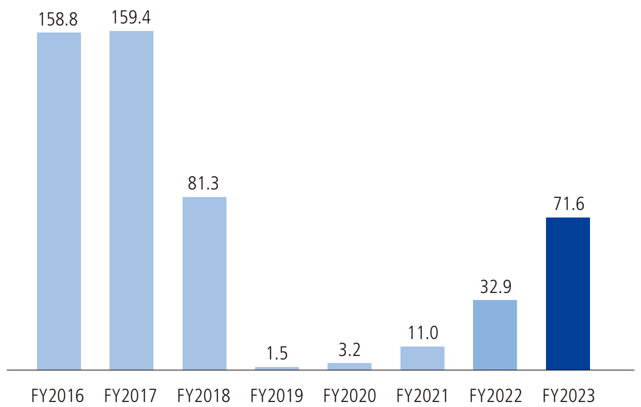
Provision for apartment vacancy loss



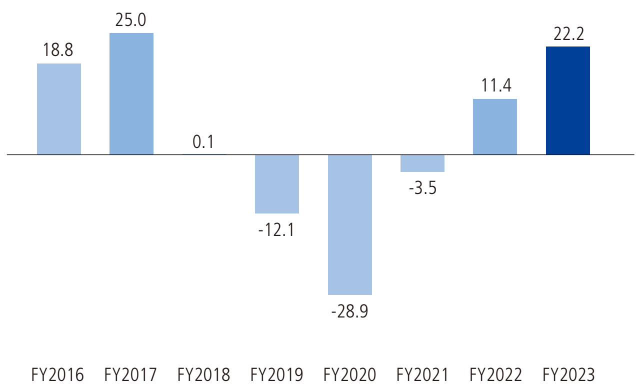
Ownership equity



Net assets



Free cash flows



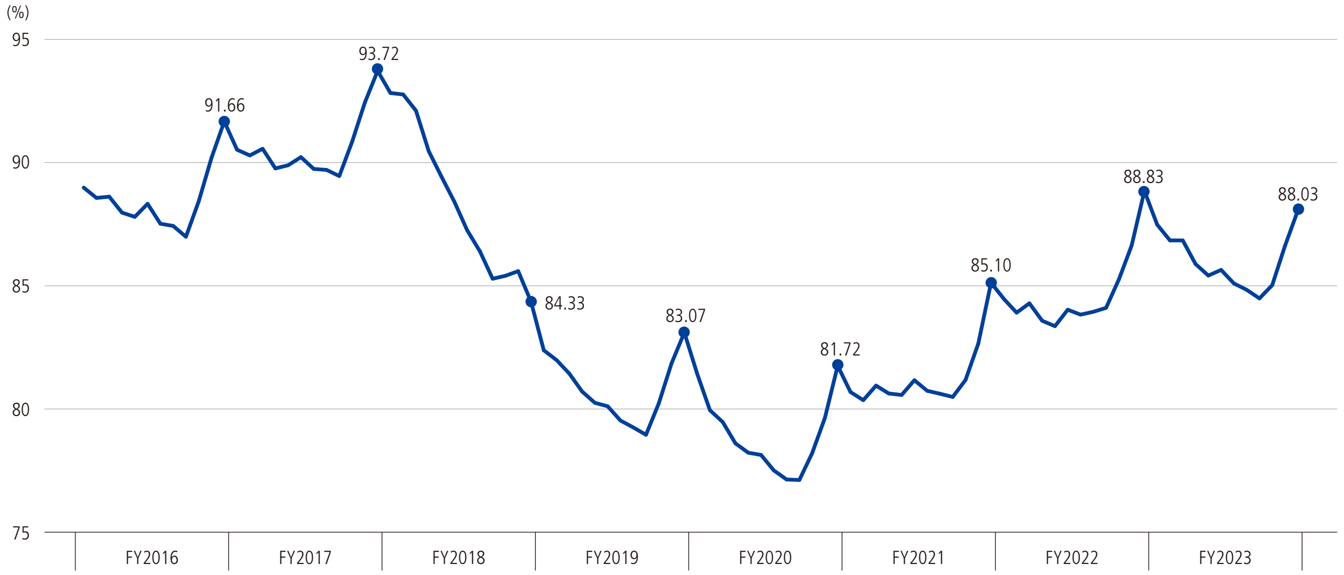
Leasing Business Highlights

In order to recover occupancy rates during the COVID-19 pandemic, rental agreements were signed at lower rent levels from fiscal year 2019 to fiscal year 2021. From fiscal year 2021 onwards, by implementing measures to improve occupancy rates and flexibly adjusting the rental pricing to match local characteristics, we were able to raise the average unit rent for new contracts for fiscal year 2023 above the level in fiscal year 2017 before the construction defects problem came to light.

Average Unit Rent for New Contracts (index)

*April 2016 (FY2016) is set as 100

Occupancy rate

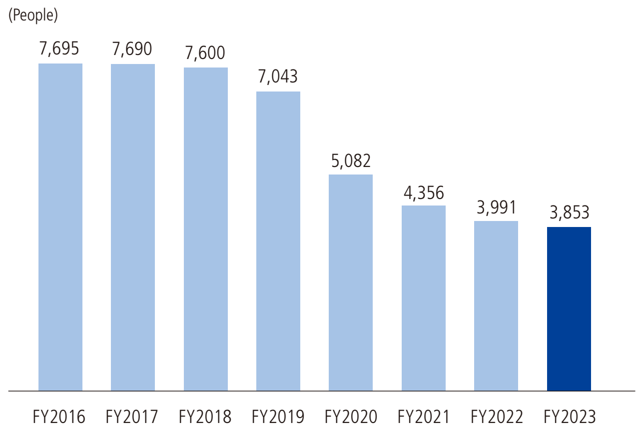


*Occupancy rate = number of occupied units /number of units under management at the end of each month

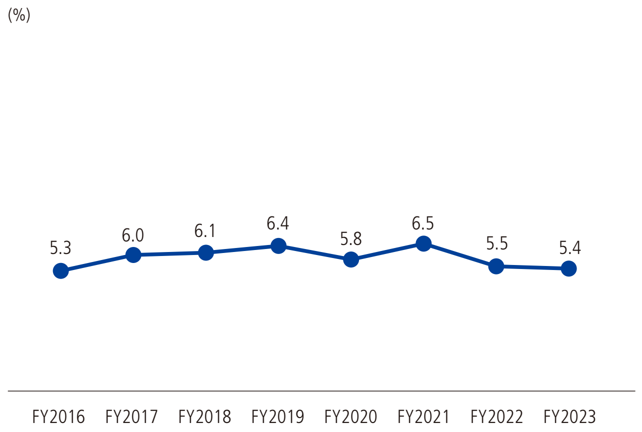
Non-Financial Highlights

The number of employees decreased by approximately half due to the implementation of a Company-wide voluntary retirement program in August 2020. In this context, we are building a comfortable and pleasant work environment so that a wide range of people with diverse backgrounds and values can play an active role.

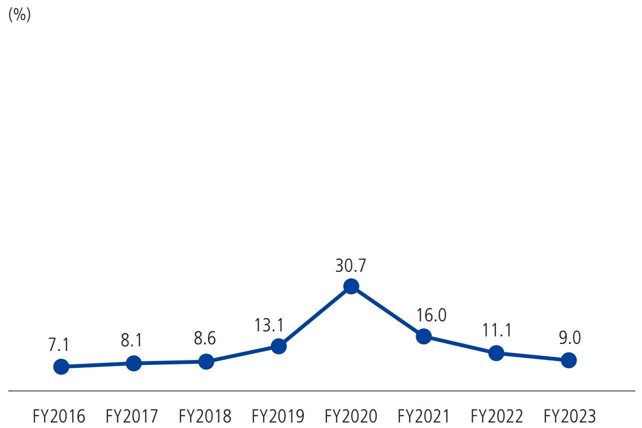
No. of employees (consolidated)



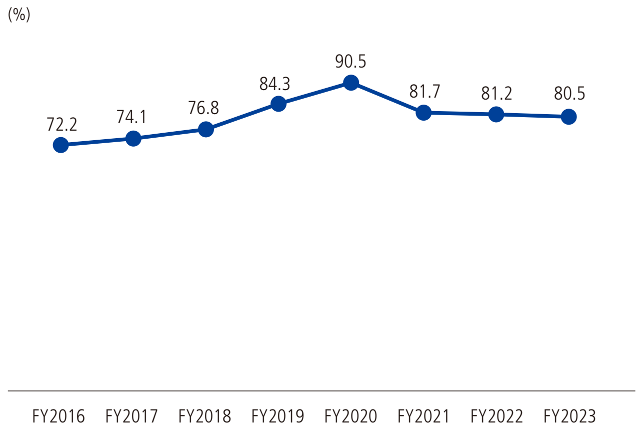
Ratio of female managers (consolidated, excluding Guam)



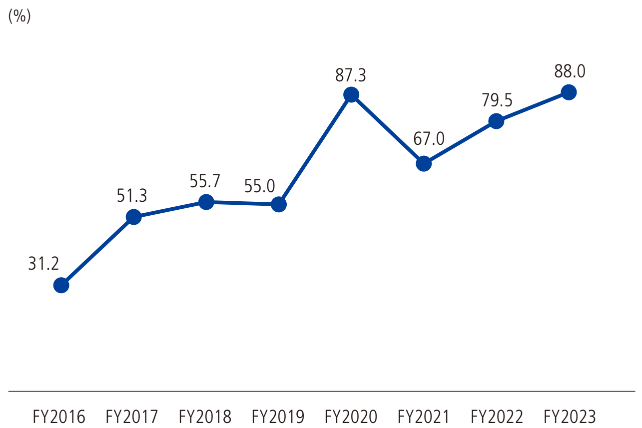
Rate of employee turnover (non-consolidated)



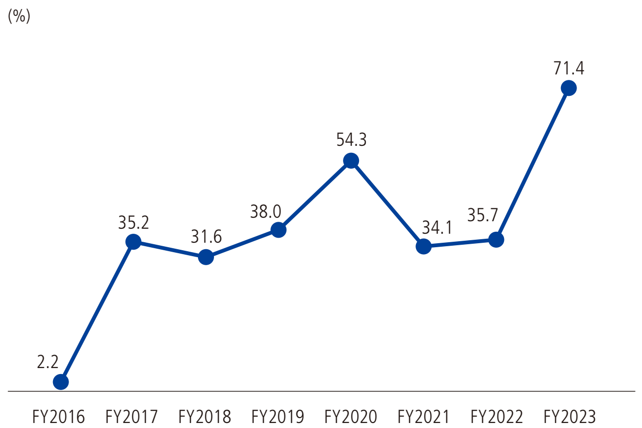
Ratio of paid leave usage (non-consolidated)



Ratio of childcare leave (non-consolidated)



Ratio of male employees taking childcare leave (non-consolidated)



*Childcare leave is calculated with April as the starting month

Eleven-Year Consolidated Financial Data

Statements of Income: (JPY million)	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023
Net sales	470,883	483,247	511,513	520,488	530,840	505,223	433,553	408,959	398,366	406,449	**422,671**
Leasing Business	388,562	399,375	410,641	416,594	435,537	426,388	388,939	391,964	383,043	391,438	**407,489**
Development Business	63,135	61,312	74,160	74,566	76,587	58,992	23,806	—	—	—	**—**
Elderly Care Business	10,171	10,608	10,798	11,536	12,807	13,922	14,620	14,524	14,258	13,941	**14,007**
Other Businesses	9,013	11,950	15,913	17,791	5,908	5,919	6,186	2,469	1,064	1,069	**1,175**
Cost of sales	401,510	407,433	422,604	427,820	434,762	428,988	408,112	387,872	352,289	353,163	**353,836**
Gross profit	69,373	75,814	88,909	92,668	96,077	76,235	25,441	21,086	46,077	53,285	**68,835**
Gross profit ratio (%)	14.7	15.7	17.4	17.8	18.1	15.1	5.9	5.2	11.6	13.1	**16.3**
Selling, general and administrative expenses	55,906	60,992	67,823	69,769	73,147	68,844	61,915	50,269	44,302	43,406	**45,521**
Operating profit (loss)	13,467	14,822	21,085	22,898	22,930	7,390	(36,473)	(29,182)	1,774	9,879	**23,313**
Operating profit ratio(%)	2.9	3.1	4.1	4.4	4.3	1.5	(8.4)	(7.1)	0.4	2.4	**5.5**
Leasing Business	15,364	20,590	22,848	22,459	26,062	14,987	(20,828)	(19,385)	7,719	16,887	**30,386**
Development Business	2,951	211	3,340	5,051	3,663	(995)	(5,181)	—	—	—	**—**
Elderly Care Business	(610)	(606)	(1,354)	(1,650)	(1,596)	(846)	(559)	(720)	(789)	(1,208)	**(621)**
Other Businesses	(981)	(1,257)	(360)	664	(846)	(1,346)	(1,000)	(1,551)	(1,668)	(2,706)	**(2,391)**
Adjustments	(3,256)	(4,116)	(3,388)	(3,626)	(4,353)	(4,407)	(8,903)	(7,524)	(3,486)	(3,092)	**(4,059)**
EBITDA	19,460	22,558	30,700	32,235	34,656	20,336	(24,316)	(18,766)	11,127	16,449	**27,974**
Recurring profit (loss)	11,368	13,483	19,909	22,355	22,354	7,063	(36,341)	(34,170)	(2,151)	6,526	**19,476**
Net income (loss)	15,730	15,175	19,631	20,401	14,819	(68,662)	(80,224)	(23,680)	11,854	19,810	**42,062**
Balance Sheet: (JPY million)											
Total assets	288,165	308,882	327,609	337,828	337,257	291,790	196,953	161,708	145,430	166,548	**205,000**
Net assets	103,354	124,928	144,865	158,870	159,438	81,338	1,589	3,277	11,034	32,922	**71,679**
Cash and deposits balance	74,767	75,221	88,043	104,432	106,543	84,536	60,501	54,863	45,523	53,560	**68,627**
Interest-bearing debt	37,227	44,487	50,824	49,918	53,829	48,047	36,137	35,409	33,045	31,849	**30,879**
Statement of Cash Flows: (JPY million)											
Cash flows from operating activities	15,584	15,715	22,104	27,504	27,338	(7,212)	(51,639)	(40,816)	(4,460)	10,545	**21,422**
Cash flows from investing activities	(6,929)	(17,550)	(11,087)	(8,653)	(2,336)	7,379	39,533	11,829	886	906	**851**
Cash flows from financing activities	8,848	1,747	1,374	(14,048)	(18,354)	(15,181)	(12,048)	23,571	(5,886)	(2,819)	**(7,119)**
Free cash flows (FCF)	8,654	(1,834)	11,017	18,850	25,001	167	(12,106)	(28,986)	(3,574)	11,452	**22,273**
Amounts per share: (JPY)											
Net assets (BPS)	393.05	475.17	550.94	603.76	630.84	331.87	5.34	(25.83)	3.25	73.29	**201.15**
Net income (EPS)	69.38	57.73	74.68	77.61	58.02	(278.58)	(328.77)	(84.88)	36.04	60.22	**130.91**
Cash dividend (DPS)	—	—	10.00	22.00	22.00	—	—	—	—	—	**5.00**
Management index: (%)											
Return on equity (ROE)	19.7	13.3	14.6	13.4	9.3	(57.2)	(195.1)	—	—	157.3	**95.6**
Return on invested capital (ROIC)	6.1	5.8	7.1	7.2	7.1	3.7	(64.1)	(66.0)	3.5	12.4	**17.0**
Return on assets (ROA)	4.1	4.5	6.3	6.7	6.6	2.2	(14.9)	(19.1)	(1.4)	4.2	**10.5**
Debt to equity ratio	0.4	0.4	0.4	0.3	0.3	0.6	22.7	10.8	3.0	1.0	**0.4**
Equity ratio	35.9	40.4	44.2	47.0	47.2	27.7	0.7	(5.3)	0.7	14.5	**31.2**
Dividend payout ratio	—	—	13.4	28.3	37.9	—	—	—	—	—	**3.8**
Dividend-yield	0.0	0.0	1.5	3.8	2.5	0.0	0.0	0.0	0.0	0.0	**1.0**
Dividend on equity ratio (DOE)	0.0	0.0	1.9	3.8	3.5	0.0	0.0	—	—	0.0	**3.7**
Stock price index											
Market capitalization (JPY million)	132,384	168,222	181,861	153,780	224,129	54,119	65,138	50,396	66,536	117,592	**170,294**
Stock price (JPY)	495	629	680	575	887	221	266	153	202	357	**517**
Price earnings ratio (PER) (Times)	7.1	10.9	9.1	7.4	15.3	(0.8)	(0.8)	(1.8)	5.6	5.9	**3.9**
Price book-value ratio (PBR) (Times)	1.3	1.3	1.2	1.0	1.4	0.7	49.8	(5.9)	62.2	4.9	**2.6**

*1 Due to a change in accounting policy at a subsidiary in the fiscal year ended March 31, 2017, figures for prior periods are presented reflecting retroactive adjustments.
2 Merged the Hotel, Resort Business with the Other Businesses in the fiscal year ended March 31, 2018.The figures for the fiscal years ended March 31, 2014 through March 31, 2016 show the sum of the Hotel, Resort and Other Businesses.
3 Effective from the fiscal year ended March 31, 2021, the Development Business and the Leasing Business have been merged, and the Hotel, Resort and Other Businesses has been renamed the Other Businesses.

Data Compilation

ESG Data

The Company engages in sustainable management initiatives under the leadership of the Sustainability Committee, which is chaired by the Director in charge of Sustainability, in collaboration with departments and Group companies. The Sustainability Committee reports on the progress of initiatives in line with the five themes of the Basic Policies on Sustainability based on the quantitative targets set by each department and Group company, and moves initiatives to the next phase of the PDCA cycle. For fiscal year 2021, we updated the materiality issues identified for the previous fiscal year considering the current socioeconomic climate as well as the Company's own business conditions, and set KPIs for each materiality. Key topics and KPIs are periodically reported to the Board of Directors, thereby conducting sustainability activities.

Environment

Efforts to Reduce Environmental Impact

(t-CO_2)

	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 1, 2 Total	20,084	19,186	18,075	16,796	11,564	10,518	11,341	**11,747**
Scope 3	873,167	864,448	786,510	692,463	693,388	748,745	540,558	**491,433**
Category 1 (purchased materials)	51,992	44,810	31,263	10,898	5,850	83	122	**61**
Category 2 (capital goods)	17,892	34,127	29,835	12,692	9,621	5,041	2,068	**1,203**
Category 3 (fuel- and energy-related activities not included in Scope 1 or Scope 2)	—	—	2,979	2,945	2,063	1,917	2,141	**2,362**
Category 4, 9 (transportation and distribution)	—	—	—	—	—	—	353	**497**
Category 5 (waste generated in operations)	—	—	—	—	—	—	784	**1,098**
Category 6 (business travel)	3,529	2,230	2,250	2,894	1,665	1,334	1,013	**1,390**
Category 7 (employee commuting)	1,244	1,231	1,220	1,098	1,203	967	1,009	**1,056**
Category 8 (upstream leased assets)	—	—	—	—	—	—	—	**—**
Category 10 (processing of sold products)	—	—	—	—	—	—	—	**—**
Category 11 (use of sold products)	—	—	—	—	—	—	—	**—**
Category 12 (end-of-life treatment of sold products)	—	—	—	—	—	—	—	**—**
Category 13 (rental property electricity and gas usage)	798,946	781,102	724,543	663,171	672,987	739,403	533,067	**483,766**
Category 14 (franchises)	—	—	—	—	—	—	—	**—**
Category 15 (investments)	—	—	—	—	—	—	—	**—**
Scope 1, 2, 3 Total	893,251	883,634	804,586	709,259	704,950	759,263	551,898	**503,180**
Scope 1, 2, 3 Total YoY (%)	—	-1.1	-8.9	-11.8	-0.6	+7.7	-27.3	**-8.8**
Scope 1, 2, 3 Net sales intensity ratio (t-CO_2/billion yen)	17.16	16.65	15.93	16.36	17.24	19.06	13.58	**11.90**

Note: The calculation method was partly changed starting from the results for Fiscal year 2022.

Industrial Waste

(t)

	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023
Industrial waste	38,330	32,739	24,895	15,588	9,004	1,887	2,519	**3,442**
Emissions associated with demolition work	25,620	19,592	12,068	2,515	1,040	79	0	**0**
Emissions associated with new construction	12,710	13,147	10,330	4,244	1,329	48	16	**24**
Emissions associated with repair work	—	—	2,497	8,828	6,635	1,760	2,504	**3,418**
YoY (%)	—	-14.6	-24.0	-37.4	-42.2	-79.0	+33.5	**+36.6**

Paper Consumption

(no. of A4 sheets in millions)

	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023
Paper consumption	—	113	111	58	44	37	31	**40**
YoY (%)	—	—	-1.8	-47.7	-24.1	-15.9	-16.2	**+29.0**

Society

Employee Composition (on a non-consolidated basis)

(People)

	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023
No. of employees (on a consolidated basis)	7,695	7,690	7,600	7,043	5,082	4,356	3,991	**3,853**
No. of employees	6,542	6,494	6,331	5,820	4,172	3,589	2,804	**2,690**
No. of temporary hires	1,536	1,559	1,544	1,517	1,241	1,233	1,209	**1,002**
Average age	36 years, 3 months	36 years, 11 months	37 years, 7 months	38 years, 8 months	39 years, 0 months	40 years, 3 months	40 years, 11 months	**41 years, 5 months**
Average cumulative years of service	8 years, 3 months	8 years, 11 months	9 years, 7 months	10 years, 6 months	10 years, 6 months	11 years, 6 months	13 years, 4 months	**13 years, 10 months**
No. of new graduates hired	261	275	164	18	0	0	0	**67**
No. of mid-career hires	210	129	104	65	18	28	54	**105**
Ratio of mid-career hires (%)	44.6	31.9	38.8	78.3	100.0	100.0	100.0	**61.0**
Rate of employee turnover (%)	7.1	8.1	8.6	13.1	30.7	16.0	11.1	**9.0**

Work-Life Balance (on a non-consolidated basis)

(hours)

	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023
Total no. of working hours per month	178.4	176.7	173.0	166.3	160.3	165.3	166.8	**169.2**
Overtime work hours per month	20.0	18.2	15.0	13.3	11.4	11.3	13.2	**16.4**
No. of employees with reduced working hours	154	188	199	277	216	228	231	**236**
No. of employees on childcare leave	330	304	262	298	149	191	117	**81**
Ratio of employees taking childcare leave (%)	31.2	51.3	55.7	55.0	87.3	67.0	79.5	**88.0**
Ratio of male employees taking childcare leave or other leave for childcare purposes (%)	2.2	35.2	31.6	38.0	54.3	34.1	35.7	**71.4**
Engagement score	—	—	—	—	—	—	—	**-71**
Ratio of paid leave usage rate (%)	72.2	74.1	76.8	84.3	90.5	81.7	81.2	**80.5**

Note: The no. of employees taking childcare leave and the ratio of employees taking childcare leave are calculated using April as the starting month.
Survey results using the survey tool Geppo (eNPS: employee satisfaction index; at the time of the survey, the average for general companies was -67)

Well-being Management

(%)

	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023
Ratio of smokers	39.6	40.0	39.4	38.7	36.4	34.9	31.9	**29.3**
Follow-up examination ratio after regular health checkups	—	—	27.2	23.1	35.1	45.4	27.1	**74.8**

Development of next-generation leaders

(People)

	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023
Time employees spend in training (hours)*1	32,047	20,296	15,581	3,738	9,838	4,265	4,096	**8,159**
No. of young leaders produced*2	0	0	0	0	0	0	0	**85**
No. of managers produced*3	399	499	578	613	613	638	686	**758**

*1 Total hours of employee participation in hierarchy-based training, selective training, 360-degree feedback training, and career development training
*2 No. of employees who have completed the selective training program for young non-managerial employees (introduced in Fiscal year 2023)
*3 No. of employees who have completed the management transition program (introduced in Fiscal year 2015)

Training

(People)

	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023
No. of participants in career training*1	—	—	—	—	213	327	—	**92**
360-degree evaluation	—	—	—	—	—	621	642	**688**
No. of E-learning sessions	—	—	—	—	36	31	33	**38**
Career coaching training*2	—	—	—	—	427	617	60	**59**

*1 Total no. of participants in career training by age group in a single fiscal year (temporarily suspended in Fiscal year 2022)
*2 The training was completed in Fiscal year 2022 for those who were eligible, and further sessions were provided to only those who have not taken the course and newly appointed managers from Fiscal year 2023 onwards

Diversity (consolidated (excluding Guam), non-consolidated basis but with special subsidiary for employees with disabilities)

(People)

	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023
No. of employees with disabilities (annual average)	132.8	140.8	138.0	128.9	107.9	103.1	90.2	**107.0**
Ratio of employees with disabilities (annual average)	2.1	2.2	2.2	2.3	2.3	2.7	2.8	**2.7**
No. of mandatory retirees that have been rehired	26	19	26	18	16	15	12	**10**
No. of foreign national employees	189	207	220	213	171	144	116	**118**
No. of foreign national managers	14	15	18	18	16	13	11	**10**
Ratio of full-time female employees	30.0	30.2	30.8	32.3	37.1	38.0	38.7	**39.0**
Ratio of female managers	5.3	6.0	6.1	6.4	5.8	6.5	5.5	**5.4**

Composition of Female Leaders and Managers (on a non-consolidated basis)

(People)

	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023
Assistant Manager	67	87	129	149	160	146	144	**136**
Manager	77	91	95	97	55	46	35	**36**
Department Manager	2	3	2	1	1	1	0	**0**
Director and Executive officer	1	1	2	2	1	1	2	**2**

Gender Pay Gap (non-consolidated)

(%)

	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023
Regular employee	—	—	—	—	—	—	69.1	**68.3**
Non-regular employee	—	—	—	—	—	—	63.6	**45.0**
Overall	—	—	—	—	—	—	55.4	**50.1**

Note: Disclosure began in Fiscal year 2022 in accordance with the amendment to Japan's Act on Promotion of Women's Participation and Advancement in the Workplace.
The gender pay gap indicates the ratio of women's pay to men's pay. It reflects differences in personnel structure by grade, not differences in pay for equivalent work.

Data Related to Social Contribution Activities

(People)

	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023
No. of blood donors	259	544	284	124	61	72	77	**68**
Volunteer vendor donation amount (yen)	1,623,326	1,736,986	1,824,728	1,966,138	1,553,215	1,041,085	699,189	**979,693**
"Hondering" crime victim support donation amount (yen)	22,066	11,439	1,875	4,635	7,239	7,052	5,289	**8,199**
No. of students accepted for Leopalace Smile tours and practical training	571	444	417	111	0	76	23	**78**

Stakeholder Communication Initiatives

	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023
No. of property owner briefing sessions	231	424	517	381	87	0	88	**172**
Dialogue with institutional investors (no. of companies)	238	213	236	204	95	103	122	**97**

Labor Safety and Health

(cases)

	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023
No. of labor accidents	37	44	55	56	46	33	36	**50**
Accidents requiring time off work	16	3	14	21	19	14	15	**18**
Accidents not requiring time off work	21	41	41	35	27	19	21	**32**

Certified Employees (consolidated)

(People)

	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023
Certified public accountant	3	2	2	2	1	1	1	**1**
Attorney-at-law	1	2	5	6	4	5	5	**6**
Real estate broker	678	747	846	899	717	636	636	**543**
Rental property manager	316	375	506	537	408	403	397	**385**
Architect (first-class, second-class)	453	446	428	374	244	207	242	**168**
Building construction management engineer (1st grade, 2nd grade)	367	360	333	296	194	165	148	**137**
Certified skilled worker of financial planning (1st grade, 2nd grade)	142	224	271	283	204	190	212	**207**
Land surveyor, Assistant land surveyor	35	35	37	34	23	19	18	**16**
Care worker	496	556	690	705	720	687	695	**654**
Care support specialist	184	189	186	178	205	185	148	**146**
Home-visit care worker (1st grade, 2nd grade)	375	373	398	373	345	308	289	**265**

Governance

Governance-Related Data

(People)

	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023
No. of directors	11	11	11	10	9	8	10	**10**
of which, outside directors (independent outside directors)	3 (3)	3 (3)	3 (3)	5 (4)	6 (5)	5 (3)	4 (4)	**4 (4)**
Ratio of independent directors (%)	27.3	27.3	27.3	40.0	55.6	37.5	40.0	**40.0**
No. of female directors	1	1	1	2	1	1	1	**1**
No. of foreign national directors	—	—	—	—	—	1	1	**1**
No. of Audit & Supervisory Board members	4	4	4	4	4	4	4	**4**
of which, outside Audit & Supervisory Board members (independent outside Audit & Supervisory Board members)	2 (2)	3 (3)	3 (3)	3 (3)	2 (2)	2 (2)	2 (2)	**2 (2)**
Ratio of independent Audit & Supervisory Board members (%)	50.0	75.0	75.0	75.0	50.0	50.0	50.0	**50.0**

(times)

	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023
No. of meetings of the Board of Directors	24	25	24	41	28	26	25	**19**
No. of meetings of the Nomination and Compensation Committee	3	4	2	11	7	7	8	**6**

(JPY million)

	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023
Directors' compensation	457	655	595	228	170	162	180	**202**
Directors (excluding outside directors)	370	563	495	131	56	60	96	**112**
Audit & Supervisory Board members (excluding outside ASB members)	31	19	19	13	16	18	18	**20**
Outside directors and outside ASB members	54	71	80	83	97	82	65	**69**

Compliance-Related Data

	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023
No. of meetings of the Compliance Committee	12	12	12	12	12	12	12	**12**
No. of incident reports received through the whistleblowing system	68	109	124	136	102	77	90	**80**
Rate of incident reports to no. of employees (%)*	0.9	1.4	1.6	1.9	2.0	1.8	2.3	**2.1**

Note: According to the May 9, 2020 edition of the *Nihon Keizai Shimbun*, "the figure of one whistleblower case per 100 employees per year is becoming established as a guideline for whistleblowing." Furthermore, according to *Toyo Keizai* Online, which has been collecting data on whistleblowing for its CSR Corporate Directory since 2011, one of the guidelines for a well-functioning whistleblowing compliance management system is that "one out of every 100 employees makes a report in a year" (i.e., 1% of all employees make a report).

Leasing Business Data

As of March 31, 2024, rental houses and apartments under management—the earnings base for our Leasing Business—numbered 554,373. The FY-end occupancy rate bottomed out in Fiscal year 2020 and began to rise, reaching 88.03% at the end of Fiscal year 2023.

We disclose the average unit rent for new contracts as an index, setting the value for April 2016 as 100. As a result of strengthening our marketing efforts aimed at corporate customers, where we can expect stable, long-term earnings, the average unit rent for new contracts for Fiscal year 2023 remains at a high level.

After reviewing the monthly contracts and adjusting them to a more appropriate price range, the proportion of monthly contracts is decreasing, and the proportion of more stable rental contracts without fixed terms is increasing.

No. of Units Under Management

(Units)

	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023
Hokkaido	14,088	13,932	13,909	13,866	13,550	13,390	13,209	**13,142**
Tohoku	35,270	35,434	35,652	35,623	35,327	35,099	34,878	**34,528**
Kita-Kanto	40,553	40,321	40,494	40,494	40,437	40,260	39,959	**39,446**
Tokyo metro area	165,590	168,313	170,358	171,080	170,320	167,446	164,392	**162,451**
Hokuriku-Koshin'etsu	40,639	40,095	40,003	39,981	39,943	39,793	39,593	**39,139**
Chubu	88,086	87,916	88,194	88,086	87,756	87,030	86,275	**85,159**
Kinki	80,715	80,362	80,861	81,011	80,859	79,796	79,123	**77,751**
Chugoku	38,798	38,945	39,208	39,415	39,390	39,010	38,700	**38,431**
Shikoku	14,671	14,671	14,691	14,736	14,736	14,714	14,644	**14,546**
Kyushu-Okinawa	50,329	50,683	51,428	51,506	51,355	50,776	50,458	**49,780**
Total	568,739	570,672	574,798	575,798	573,673	567,314	561,231	**554,373**

Fiscal Year-End Occupancy Rates by Region

(%)

	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023
Hokkaido	84.7	87.1	69.0	73.1	69.8	77.9	83.0	**84.3**
Tohoku	94.1	94.5	84.8	84.7	83.0	85.1	87.9	**82.4**
Kita-Kanto	87.2	90.7	80.3	77.2	77.3	82.0	87.1	**85.8**
Tokyo metro area	92.6	94.2	86.0	84.9	81.8	85.3	91.2	**91.7**
Hokuriku-Koshin'etsu	90.0	92.7	79.1	79.1	80.6	83.1	88.0	**89.2**
Chubu	91.1	94.5	85.1	81.9	80.3	84.8	85.8	**84.6**
Kinki	91.3	93.8	83.1	81.5	81.8	85.4	89.5	**88.8**
Chugoku	93.8	93.1	88.0	87.0	86.5	88.0	88.6	**87.2**
Shikoku	89.9	91.8	84.3	83.4	82.6	84.4	82.7	**79.4**
Kyushu-Okinawa	93.9	96.1	87.6	87.4	86.5	88.3	91.3	**89.5**
Total (Annual Average)	88.5	90.6	88.3	80.8	78.9	81.2	84.7	**86.0**

Occupied Units by Contract Type

	FY2016		FY2017		FY2018		FY2019		FY2020		FY2021		FY2022		FY2023	
	Units	%	Units	%	Units	%	Units	%	Units	%	Units	%	Units	%	**Units**	**%**
Corporate	293,824	56.4	309,062	57.8	280,643	57.9	272,566	57.0	266,814	56.9	280,811	58.2	296,301	59.4	**300,482**	**61.6**
Individuals	180,617	34.6	178,643	33.4	163,318	33.7	165,594	34.6	164,441	35.1	167,380	34.7	165,168	33.1	**152,984**	**31.3**
Students	46,857	9.0	47,142	8.8	40,757	8.4	40,135	8.4	37,548	8.0	34,597	7.2	37,090	7.4	**34,546**	**7.1**
Total	521,298	100	534,847	100	484,718	100	478,295	100	468,803	100	482,788	100	498,559	100	**488,012**	**100**

No. of Leasing Sales Offices and Sales Personnel

	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023
No. of leasing sales offices	308	307	302	295	239	206	204	**157**
Directly managed	189	189	189	189	139	109	109	**72**
Partners	119	118	113	106	100	97	95	**85**
No. of leasing sales personnel	1,589	1,546	1,494	1,339	1,047	1,064	1,103	**1,006**

Average Unit Rent for New Contracts (index)

	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
FY2016	100	101	101	100	100	100	100	101	102	101	99	97
FY2017	98	99	100	100	100	100	99	99	100	100	98	96
FY2018	98	96	98	99	99	100	100	100	101	102	100	100
FY2019	100	99	98	97	97	97	98	97	98	98	96	92
FY2020	91	92	93	95	96	94	93	94	96	98	98	93
FY2021	93	94	92	91	91	92	91	92	94	94	95	93
FY2022	94	95	96	96	95	95	93	94	97	97	97	96
FY2023	**99**	**101**	**101**	**102**	**102**	**103**	**103**	**103**	**105**	**104**	**104**	**101**

*April 2016 (Fiscal year 2016) is set as 100

Monthly Occupancy Rates

(%)

	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
FY2016	88.97	88.55	88.60	87.95	87.78	88.31	87.50	87.41	86.97	88.41	90.18	91.66
FY2017	90.51	90.28	90.55	89.75	89.88	90.21	89.73	89.69	89.44	90.83	92.43	93.72
FY2018	92.82	92.76	92.10	90.45	89.41	88.40	87.24	86.38	85.26	85.38	85.57	84.33
FY2019	82.35	81.95	81.40	80.67	80.21	80.07	79.49	79.21	78.91	80.19	81.82	83.07
FY2020	81.40	79.91	79.43	78.56	78.18	78.09	77.46	77.09	77.07	78.16	79.60	81.72
FY2021	80.65	80.32	80.91	80.59	80.53	81.13	80.70	80.58	80.45	81.14	82.62	85.10
FY2022	84.44	83.88	84.26	83.55	83.33	84.00	83.80	83.91	84.08	85.23	86.61	88.83
FY2023	**87.46**	**86.82**	**86.82**	**85.86**	**85.39**	**85.62**	**85.07**	**84.81**	**84.46**	**85.00**	**86.60**	**88.03**

Long-term Contract/Monthly Contract Ratio

(%)

	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023
Long-term contract	90.0	91.1	94.1	93.2	93.9	93.6	94.5	**96.8**
Monthly contract	10.0	8.9	5.9	6.8	6.1	6.4	5.5	**3.2**

Elderly Care Business Data

The Company has been developing the Elderly Care Business as a business segment to better support Japan's aging population. As of March 31, 2024, the number of facilities decreased from Fiscal year 2022, bringing the total number of facilities to 85. The Elderly Care Business operates fee-based nursing homes, day service/short stay facilities, and group homes. The business maintains high occupancy rates, with an utilization rate of 88.2% for short stays and an utilization rate of 84.1% for fee-based nursing homes and group homes.

No. of Facilities

(Facilities)

	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023
Fee-based nursing homes	21	21	21	21	21	21	21	**21**
Day-care services, Short-stays	53	60	64	64	64	64	64	**62**
Group homes	2	2	2	2	2	2	2	**2**
Total	76	83	87	87	87	87	87	**85**

Utilization Rate

(%)

	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023
Day-care services	72.5	72.8	72.6	72.8	67.1	65.9	62.5	**66.7**
Short-stays	87.6	90.2	93.6	95.6	92.1	91.1	87.5	**88.2**
Fee-based nursing homes & group homes	93.0	88.8	91.6	92.4	93.0	89.4	84.9	**84.1**

Corporate Profile

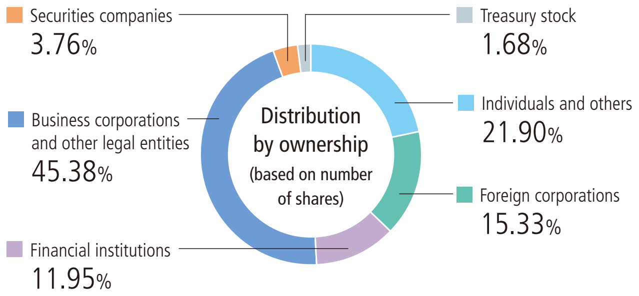
Corporate Data (As of March 31, 2024)

Company Name:	Leopalace21 Corporation
Head Office:	2-54-11 Honcho, Nakano-ku, Tokyo 164-8622 TEL: +81-3-5350-0001 (Main phone number)
Established:	August 17, 1973
Common stock:	JPY 100 million
Operations:	Construction, leasing and sale of apartments, condominiums, and residential housing; development and operation of resort facilities; broadband business; and elderly care business, etc.
Number of Employees:	3,853 (consolidated basis) 2,690 (non-consolidated basis)

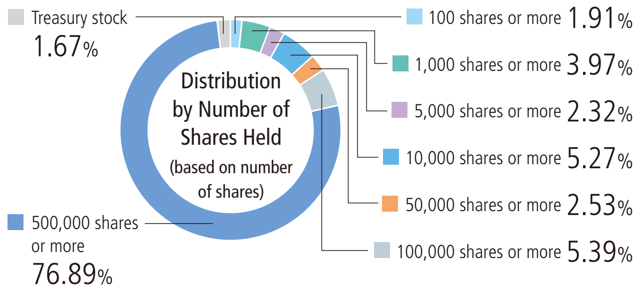
Basic Stock information (As of March 31, 2024)

Number of shares authorized:	750,000,000
Number of shares outstanding:	329,389,515
Number of shareholders:	41,552
Listing:	Prime Market of the Tokyo Stock Exchange
Administrator of shareholder registry:	Sumitomo Mitsui Trust Bank, Limited

Shareholder Composition (As of March 31, 2024)



*Percentage figures have been adjusted.



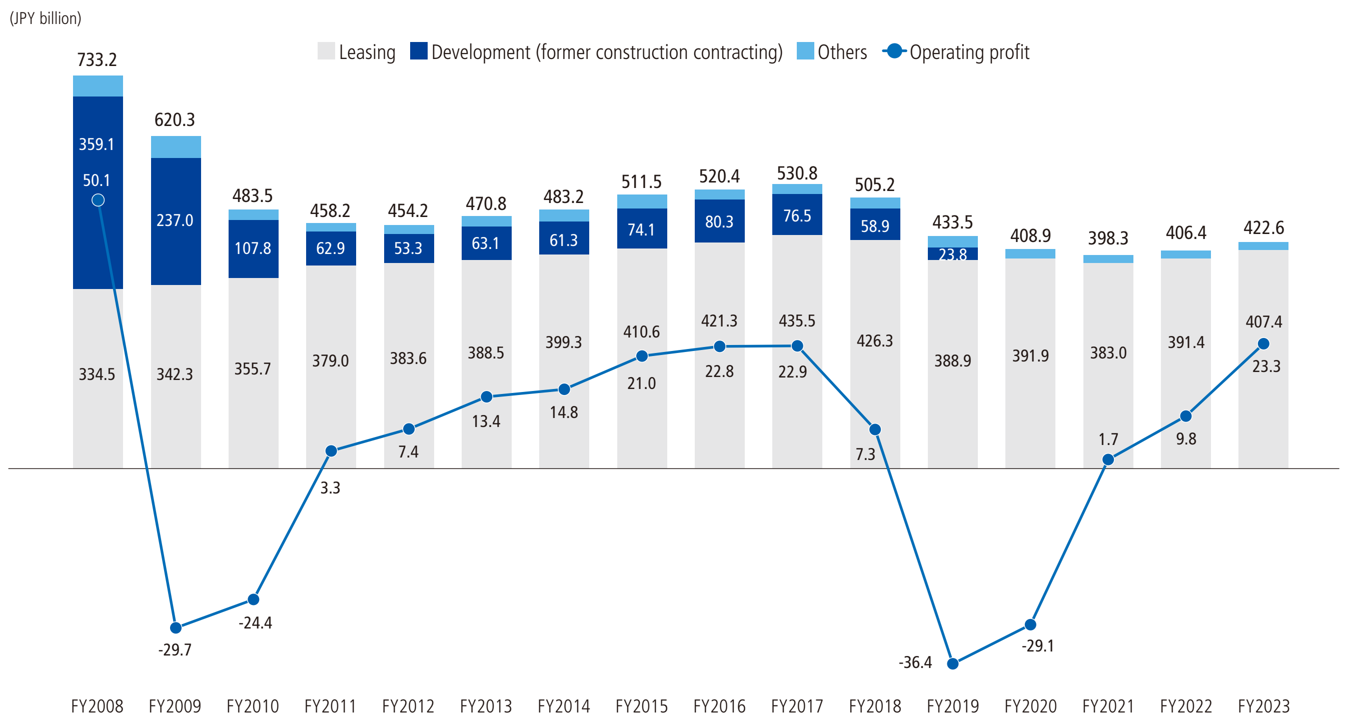
*Percentage figures have been adjusted.

Major Shareholders (Top 10) (As of March 31, 2024)

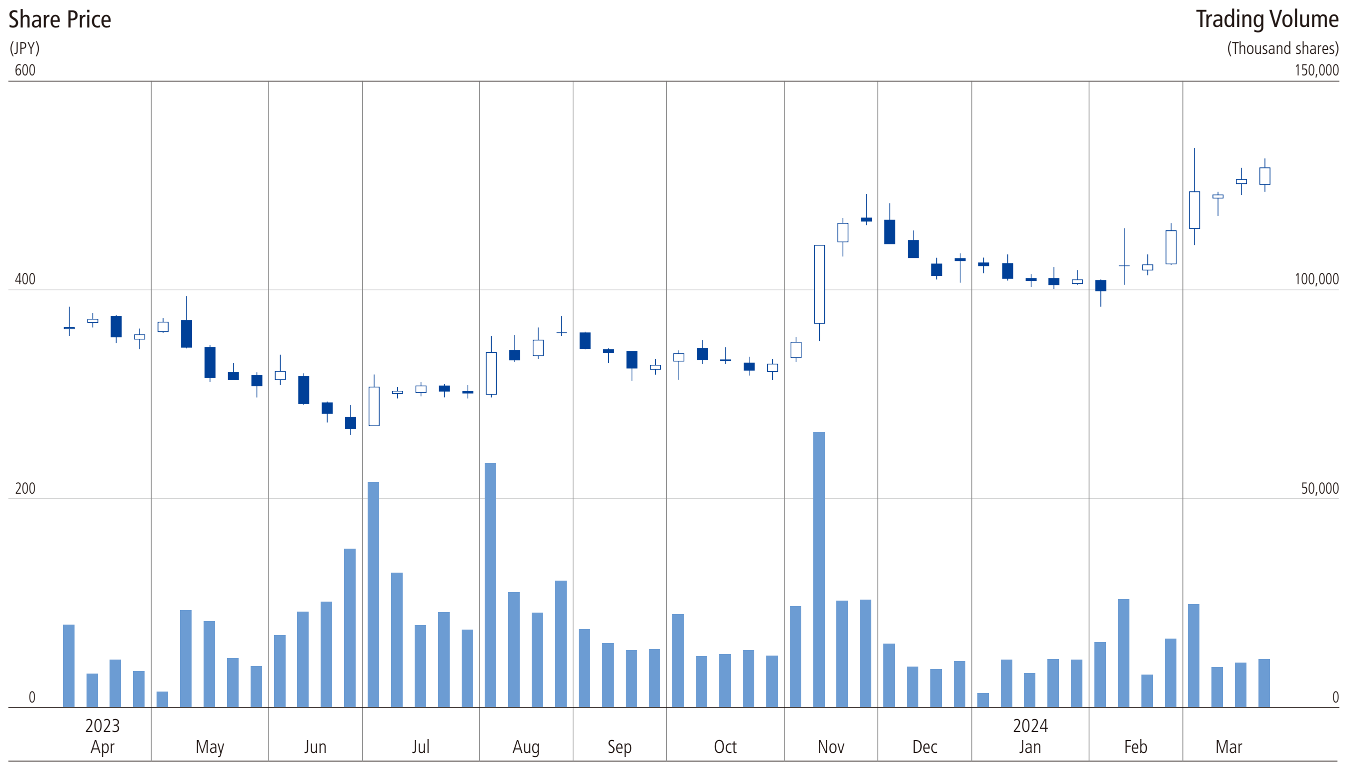
Shareholder Name (honorific titles are omitted)	Number of Shares (thousands of shares)	Percentage of Outstanding Shares
1 Chidori Godo Kaisha	84,507	26.09
2 UH Partners 2, Inc.	50,581	15.61
3 The Master Trust Bank of Japan, Ltd. (Trust Account)	22,984	7.09
4 Custody Bank of Japan, Ltd. (Trust Account)	11,912	3.67
5 HIKARI TSUSHIN, INC.	8,606	2.65
6 MSIP CLIENT SECURITIES	7,497	2.31
7 Stockholding Association for Leopalace21's Apartment Owners	6,988	2.15
8 MLI FOR CLIENT GENERAL OMNI NON COLLATERAL NON TREATY-PB	6,519	2.01
9 Stockholding Association for Leopalace21's Business Connection	5,532	1.70
10 Stockholding Association for Leopalace21's Employees	3,062	0.94

Notes: 1. Of the shares held above, those held in trust accounts as part of trust bank operations are as follows.
The Master Trust Bank of Japan, Ltd. (Trust Account): 10,499 thousand shares (of which, 10,346 thousand shares are established in investment trusts and 153 thousand shares are established in pension trusts)
Custody Bank of Japan, Ltd. (Trust Account): 3,836 thousand shares (of which, 3,592 thousand shares are established in investment trusts and 244 thousand shares are established in pension trusts)
2. The above percentage of outstanding shares is calculated excluding treasury stock. Treasury stock does not include Company stock owned by the stock grant trust for the employees.

Results Trend



Share Price and Trading Volume



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