





Section 3

Management Foundation

In light of changes in the business environment and societal demands, we organized our considerations from two perspectives, using our Vision as a starting point, and identified new materiality issues. In addition, in this report's "Message from an Outside Director," one of our Outside Directors candidly shares his thoughts on the results of our governance reforms as well as on the topic of achieving further growth.

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Sustainability Management

Basic Policies on Sustainability

Our Group has developed the Basic Policies on Sustainability and established the following five basic activity policies to further develop sustainability activities through our business, and will steadily implement these initiatives.

1. Providing high quality services and supporting affluent living

Leopalace21 continues to offer tenants comfortable and convenient living space through new lifestyle proposals in response to the changing needs for rental housing amid social diversification.

2. Contributing to local communities

Leopalace21 as a housing supplier is working with the members of the local communities so that everyone can live with peace of mind.

3. Creating pleasant work environments and developing diverse human resources

We aim to create a comfortable and inclusive work environment where each employee can fully demonstrate their unique strengths and abilities.

4. Creating an environmentally friendly society

Leopalace21 recognizes the environmental burden of its operations and aims to make its housing business as environmentally friendly as possible through overall reduction of burdens.

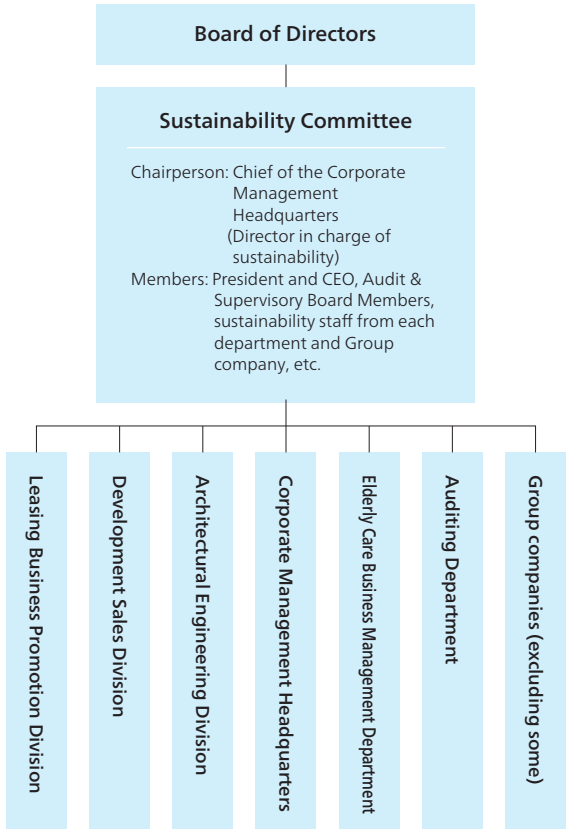
5. Engaging in sound, constructive communication with stakeholders

Leopalace21 is building sound and constructive partnership with all the stakeholders in the operations through a proactive disclosure stance and dialogue.



Sustainability promotion system

In our Group, a Sustainability Committee has been set up under the Board of Directors, and the Committee holds a meeting each quarter to promote sustainability management initiatives as part of our business based on consultation by the Board. This committee, chaired by the Director in charge of sustainability and composed of sustainability staff from each department, monitors the progress of initiatives according to the Basic Policies on Sustainability, discusses future direction, and undertakes initiatives for promoting sustainability.



Roles within the promotion system

Board of Directors

The Board of Directors is the body that decides basic management strategies and plans. Regarding responses to climate change, the Board decides policies based on deliberations of the Sustainability Committee and Risk Management Committee. The Board of Directors supervises the committees and receives reports on the committees' activities.

Director in charge of sustainability

When determining environmental policies, including those related to climate issues, at the Board of Directors, the executive in charge leads the discussion and plays a central role in consultations with the Sustainability Committee.

Sustainability Committee

Sustainability staff, representing relevant internal departments and each Group company, report on the status of activities related to each materiality issue in the areas of environment, society, and governance within their respective business activities, and share the status of sustainability promotion across the Group.

The Committee sets numerical targets for environmental activities, including initiatives for climate change, manages their achievement, and reports important matters to the Board of Directors. For climate-related risks, the Sustainability Committee and the Risk Management Committee, in collaboration with their relevant departments, consider, formulate, and implement countermeasures, and report their content to the Board.

Materiality Issues

In light of changes in the external environment, our Group has reassessed key social issues from two perspectives, using our Vision as a starting point. As a result, we identified a total of nine materiality issues across the areas of environment, society, and governance.

Background and the identification and review process

Since our Group adopted CSR management in 2009 and formulated a basic CSR policy, we have continuously identified and reviewed our materiality issues in light of changes in the business environment and societal demands.

In revising our materiality issues for 2026, we reaffirmed our purpose as a company that will continue to be needed by society, and based our deliberations on the Vision we established in 2025: To shape the future of "Single Living" by connecting with people, companies, and communities to make everyone's lives brighter through the concept of "Living Freely and Confidently."

Based on this, we identified key issues from the perspectives of economic value (offering rental housing with stable operation) and social value (building connections with people, businesses, and local communities) for our Group's business. Further, taking into account both short-term and medium- to long-term time horizons, we identified a total of nine materiality issues across the areas of environment, society, and governance.

When assessing importance levels, we conducted both qualitative and quantitative evaluations based on the degree of influence on our Group's corporate value creation and the impact on society, thereby identifying the issues that should be addressed with the highest priority.

Specifically, in terms of creating environmental value through our business, we placed a high priority on strengthening the circular economy through the provision of fully furnished rental housing, maintaining and extending the lifespan of our managed properties through regular maintenance, and addressing climate change. Furthermore, from the perspective of our growth strategy, we focused on providing comfortable housing services through the advancement of our real estate tech, and promoting human capital management that prioritizes well-being.

Additionally, in identifying materiality issues in the area of governance, we positioned structural issues specific to our Group arising from construction defects as key management challenges and sought to enhance objectivity and transparency by actively incorporating the insights of external experts.

The Sustainability Committee reviewed the course outlined above and confirmed that initiatives in these areas would contribute to enhancing corporate value over the medium to long term by improving economic value, enhancing social value, and strengthening our management foundation.

Subsequently, KPIs were established for each materiality issue following consultations with the relevant departments. The candidate materiality issues were then discussed again by the Sustainability Committee and finally approved by the Board of Directors.

Going forward, we will continue to closely align these materiality issues with our management strategy, establish specific measures and metrics, and monitor progress. At the same time, we will enhance their effectiveness through regular reviews, aiming to achieve both the sustainable enhancement of corporate value and the resolution of social issues.

STEP 1 | **Review of current materiality issues**

STEP 2 | **Reorganization of our materiality issues from two perspectives using our Vision as a starting point**

Using our Vision as a starting point, we reorganized our materiality issues from the perspectives of economic value (offering rental housing with stable operation) and social value (building connections with people, businesses, and local communities).

STEP 3 | **Identification of potential key issues**

We identified potential key issues based on ESG themes (such as the circular economy, climate change response, human capital, human rights, and governance effectiveness).

STEP 4 | **Importance assessment and prioritization**

We assessed importance levels and prioritized issues on the expectations and requests of stakeholders (such as shareholders, investors, property owners, tenants, employees, and local communities) and the extent to which they impact our business.

STEP 5 | **Internal approval**

The Sustainability Committee discussed the final candidate materiality issues. The final materiality issues were then approved by the Board of Directors.

New Materiality Issues Based on Key Themes

Key themes		Materiality issues		Recipients of value: Tenants and owners	Employees	Business partners	Shareholders and Investors	Local Communities	Local environments	FY2026 targets (KPIs)
Enhancement of corporate value	Enhancement of economic value: Stable provision of rental housing	Strengthen the circular economy by providing fully furnished rental housing	E S	◎		○	○		◎	● Home appliance reuse rate: 30%
		Maintain managed properties	S	◎		○	○		○	● Number of buildings inspected: 34,000 ● Number of employees holding four key qualifications (non-consolidated basis) Real estate transaction specialists or rental property management specialists: 1,000 by the end of March 2028 Licensed architects or construction management engineers: 450 by the end of March 2028 ● Tenant satisfaction survey by end of March 2027: 87%
		Address climate change	E	○			◎		◎	● Reduction in Scope 1 and 2 CO_2 emissions by 46% compared to FY2016 by FY2030 ● Number of households using *Leopalace Green Energy* and CO_2 emissions reduced: 256,000 households; carbon offset: 121,874 t- CO_2 ● Ratio of ZEH-M units among new orders: 10%
		Provide comfortable housing services through the promotion of real estate tech	S	◎	○	○	○			● Number of units with smart locks installed: 403,000
	Enhancement of social value: Build connections with people, companies, and local communities	Promote human capital management that prioritizes well-being	S		◎	○	◎			● Percentage of female managers (non-consolidated basis): 10.1% ● Gender pay gap (non-consolidated basis): regular employees: 66.8%, non-regular employees: 45.9%, total: 57.5% ● Investment in education and training per employee: JPY 61,150 (provisional figure) ● Engagement score: eNPS -53 ● Work engagement: 3.2 ● Presenteeism: 65 ● Turnover rate: Less than 10%
		Contribute to the resolution of social issues for community coexistence	S		○			◎		● Number of foreign national tenancies: corporations: 47,000; individuals: 30,000 ● Holding of forums for specified skilled workers (foreign national human resources): twice (September and February) ● Planning and implementation of collaborative measures with local governments, educational institutions, and other organizations: 2 projects
		Respect human rights	S	○	◎	◎	○			● Maintaining the employment rate for people with disabilities: Statutory employment rate of 2.70% ● Publication of guidelines, manuals, and case studies for establishing a system to address customer harassment: August 2026
	Strengthening the management foundation: Strengthen the governance foundation	Strengthen governance and ensure its effectiveness	G		○	○	◎			● Conducting an effectiveness evaluation of the Board of Directors: Once a year
		Engage in thorough compliance and risk management	G	○	◎	◎	○			● Raising awareness of information security E-learning participation rate: 80% (non-consolidated; excluding Elderly Care businesses) E-learning correct answer rate: 90% (non-consolidated; excluding Elderly Care businesses) ● Training sessions held: 22 (compliance training: 6, construction law training: 15, information management training: 1) ● Conducting compliance awareness surveys, harassment fact-finding surveys, and hotline surveys: Once a year, with a 90% response rate ● Number of process audits completed for new properties: 44 ● Number of new building product checks: 8

TCFD-aligned Disclosure

Our Group recognizes climate change as one of the important issues affecting the environment, and in October 2021, expressed support for the recommendations of the TCFD (Task Force on Climate-related Financial Disclosures) and, in the same month, joined the TCFD Consortium for information gathering purposes.

Governance

Please refer to the sustainability promotion system shown on p.45. Sustainability promotion system>>> p.45

Strategy

We conduct scenario analysis in accordance with the steps on the right, with the aim of evaluating the financial impact and business impact under different scenarios (see the table below), examining the resilience of our strategy and our response measures to climate change risks and opportunities, and linking this to future business strategies.

As the Leasing Business accounts for over 90% of our sales, the scope of the scenario analysis is limited to the Leasing Business segment (apartment construction, leasing, and management). In addition, taking into account the nature of our business and the medium- to long-term business environment, we conducted a scenario analysis looking ahead to 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 are introduced, and global CO_2 emissions continue to increase. The transition risk is low, but physical risk is high.	● IEA World Energy Outlook 2021 Stated Policies Scenario ● IPCC RCP8.5, SSP5-8.5

(Note) Prepared based on in-house scenario analysis with reference to IEA World Energy Outlook 2021 and IPCC 5th and 6th Assessment Reports

Scenario analysis steps

STEP 1

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

STEP 2

Identify and define the 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

STEP 3

Evaluate financial 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

STEP 4

Consider strategies and further responses to climate-related risks and opportunities

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

We identified risks and opportunities through scenario analysis, as shown on the next page. We have already started initiatives to address cost increases caused by carbon taxes, such as setting Scope 1 and 2 reduction targets. We will further deliberate and respond appropriately to each risk and opportunity, such as fully launching development of eco-friendly apartments.

Identified risks, opportunities, and their business/financial impact

Category		Classification	Details	Business/Financial Impact	
				1.5°C to 2°C	4°C
Risks	Transition risks	Policy / Regulation	Increase in operating costs due to strengthened regulations such as carbon tax	Medium	Medium
		Technology	Increase in construction costs for new properties	Large	Large
		Market	Low ratings from investors as a company with inadequate response to climate change	Large	Large
		Reputation	Avoidance of transactions by corporate clients due to delay in environmental response	Medium	Medium
	Physical risks	Acute	Decrease in sales due to occurrence of weather disasters	Small	Small
		Chronic	Increase in costs due to longer construction periods caused by an increase in extremely hot days	Medium	Medium
Opportunities		Products and services	Increase in sales due to increased demand for eco-friendly apartments (Construction)	Small	Small
			Increase in sales through providing eco-friendly apartments (Leasing)	Small	Small
			Increase in sales due to the new production sites established for corporations engaged in environmentally conscious businesses (Leasing)	Small	Small
		Resilience	Restoration demand at the time of water and flood disasters (Construction)	Medium	Medium

[Impact level]

<Large>

Impact amount on net sales of JPY 5 billion or more / Major impact on business operations

<Medium>

Impact amount on net sales of JPY 500 million or more but less than JPY 5 billion / Mid-level impact on business operations

<Small>

Impact amount on net sales of less than JPY 500 million / Minor impact on business operations

Risk management

In our company's risk classification, climate change-related risks are positioned as external factor risks. Climate change-related risks identified or regularly reviewed by the Sustainability Committee and Risk Management Committee are managed as company-wide risks. Countermeasures for climate change-related risks are considered, formulated, and implemented primarily by the Sustainability Committee and the Risk Management Committee, in collaboration with relevant departments. Monitoring, including effect verification, is conducted by relevant departments as appropriate. The results are reported to the Sustainability Committee and the Risk Management Committee, and then shared with the Board of Directors.

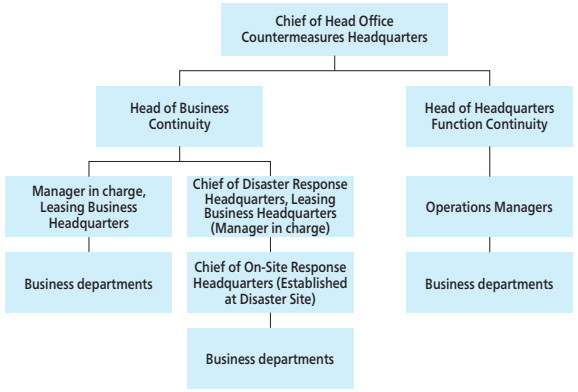
Unforeseen events such as earthquakes, typhoons, torrential rains, large-scale demonstrations, conflicts, and civil unrest due to terrorism or political instability, as well as infectious diseases, both domestically and internationally, could potentially cause significant damage or losses to our company's business. To prepare for these risks, we develop and regularly review our BCP (Business Continuity Plan), and in August 2025, we conducted training based on a large-scale disaster scenario for employees at our head office. Going forward, we plan to expand such training to include employees beyond the head office and gradually roll out similar training sessions.

Our company has set certain standards for launching Disaster Response Headquarters for each disaster, and when a linear rainband struck the Fukuoka and Kitakyushu regions in August 2025 and when Typhoon No. 15 (Peipah) occurred in September of the same year, we established Disaster Response Headquarters, quickly shared the damage status in the affected areas, and responded accordingly. In addition to checking on the safety of property owners and tenants via phone calls and text messages, we worked to provide timely and appropriate information by disseminating disaster prevention updates through our apps. In order to prevent the interruption of important business, or to restore it quickly if interrupted, we strive to promptly grasp internal damage and operation damage and take appropriate responses to recovery activities and to suppress the expansion of damages, thereby working to mitigate risks.





Disaster Response Headquarters organizational chart



Indicators and targets

Since FY2016, our Group has aggregated and disclosed CO_2 emissions generated through our business activities. The compiled results for each fiscal year have been disclosed on our website and in our integrated reports.

For CO_2 emissions from our facilities, we set a target, in 2020, to reduce emissions corresponding to Scope 1 and 2 (emission from gas, gasoline, and electricity used by the company) by 26% in FY2030 in comparison to FY2016. As of the end of FY2021, we had already achieved this target.

Integration of leasing sales offices as well as divestiture of and withdrawal from non-core and unprofitable business as a result of promoting business restructuring and streamlining, turned into one of the major factors contributing to the significant reduction in CO_2 emissions. From FY2022 onward, we have revised the reduction target for Scope 1 and 2 emissions to a 46% reduction compared to FY2016.

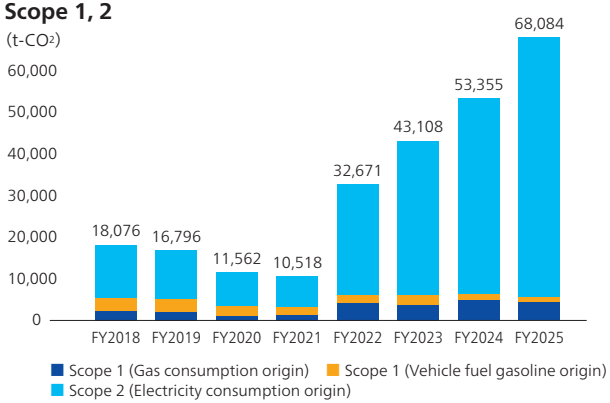
To obtain third-party assurance for our CO_2 emissions, starting with fiscal year 2024, we have improved the accuracy of our CO_2 emissions calculations and expanded the scope of those calculations to better reflect actual conditions. In addition, from the perspective of promoting consistency, we recalculated our CO_2 emissions retroactive to fiscal year 2022. Due to this expansion of our calculation scope, electricity and gas consumption in the common areas of properties was included, resulting in an increase in Scope 1 and 2 emissions and, consequently, Scope 3 Category 3 emissions also increased approximately fivefold. Furthermore, Scope 3 Category 1 emissions rose by about 42-fold as a result of expanding the calculation scope to include office supplies and advertising purchases, in addition to apartment construction materials.

Meanwhile, our Group is actively advancing energy-saving and decarbonization initiatives, such as converting lighting fixtures in managed properties to LED and developing/selling eco-friendly apartments, to reduce emissions. While expanding our calculation scope, we continue our efforts to achieve long-term reduction targets.

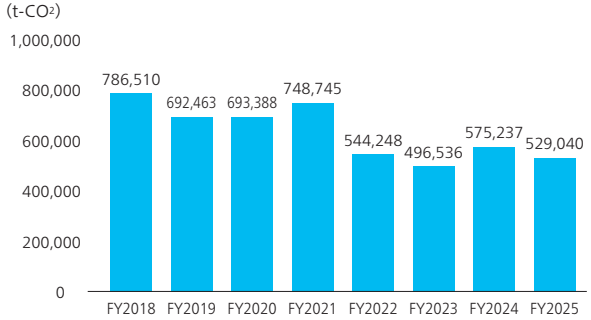
Scope 1, 2, and 3 results

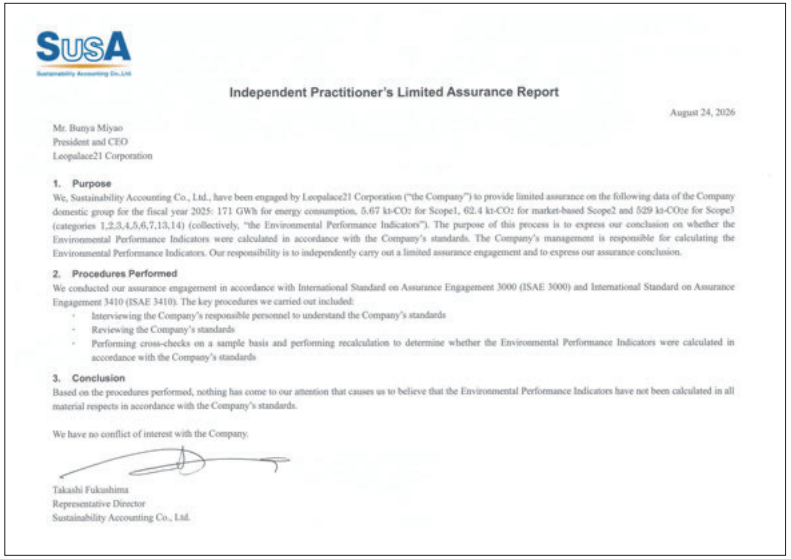
Item	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025
Scope 1	5,518	5,218	3,473	3,285	6,182	6,247	6,390	5,673
Scope 2	12,558	11,578	8,089	7,233	26,489	36,862	46,966	62,411
Scope 3	786,510	692,463	693,388	748,745	544,248	496,536	575,237	529,040

Scope 1, 2



Scope 3





SusA

Independent Practitioner's Limited Assurance Report

August 24, 2026

Mr. Bunya Miyao
President and CEO
Leopalace21 Corporation

1. Purpose

We, Sustainability Accounting Co., Ltd., have been engaged by Leopalace21 Corporation ("the Company") to provide limited assurance on the following data of the Company domestic group for the fiscal year 2025: 171 GWh for energy consumption, 5.67 kt-CO2 for Scope1, 62.4 kt-CO2 for market-based Scope2 and 529 kt-COze for Scope3 (categories 1,2,3,4,5,6,7,13,14) (collectively, "the Environmental Performance Indicators"). The purpose of this process is to express our conclusion on whether the Environmental Performance Indicators were calculated in accordance with the Company's standards. The Company's management is responsible for calculating the Environmental Performance Indicators. Our responsibility is to independently carry out a limited assurance engagement and to express our assurance conclusion.

2. Procedures Performed

We conducted our assurance engagement in accordance with International Standard on Assurance Engagement 3000 (ISAE 3000) and International Standard on Assurance Engagement 3410 (ISAE 3410). The key procedures we carried out included:

- Interviewing the Company's responsible personnel to understand the Company's standards
- Reviewing the Company's standards
- Performing cross-checks on a sample basis and performing recalculation to determine whether the Environmental Performance Indicators were calculated in accordance with the Company's standards

3. Conclusion

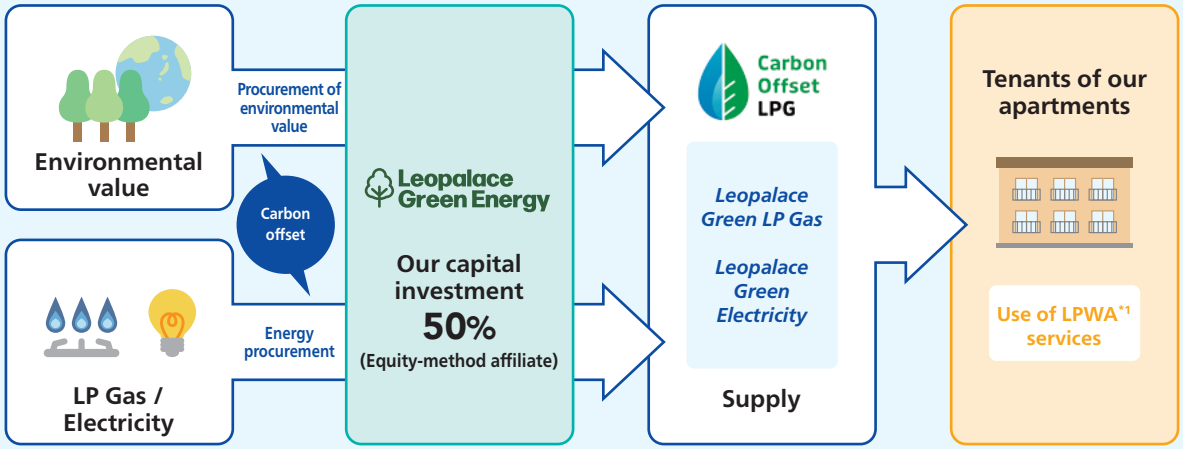
Based on the procedures performed, nothing has come to our attention that causes us to believe that the Environmental Performance Indicators have not been calculated in all material respects in accordance with the Company's standards.

We have no conflict of interest with the Company.

Takashi Fukushima
Representative Director
Sustainability Accounting Co., Ltd.

Countermeasure 1 *Leopalace Green Energy* Project

Through the *Leopalace Green Energy Project*, we are working on an ongoing basis to provide environmentally conscious properties. The project involves switching properties to *Leopalace Green Electricity* and *Leopalace Green LP Gas*. *Leopalace Green Electricity* achieves effectively carbon-neutral electricity and LP gas usage in our managed properties by bundling them with non-fossil certificates (certificates that represent the value of carbon dioxide not emitted during power generation). *Leopalace Green LP Gas* offsets greenhouse gas emissions generated throughout the LP gas lifecycle using carbon credits earned through various domestic and international projects that reduce or absorb such emissions.



Leopalace Green LP Gas

In January 2023, we began providing *Leopalace Green LP* Gas. Through introduction of LPWA*1 services, we have improved both the safety and convenience of tenants, and streamlined the gas suppliers' operations.

Leopalace Green Electricity

From June 2024, provision of *LG Electricity* started. *LG Electricity*, supplied by Astomos Energy Corporation, is provided to properties eligible for *Leopalace Green LP Gas* based on applications submitted by tenants.

Actual results (Up to FY2025)

Number of units provided (in terms of gas and electricity supplies) **247,806**

Carbon offset amount **146,440t-CO_2**

Plan

Planned number of units (in terms of gas and electricity supplies) **600,000***2

*1 LPWA: Low Power Wide Area *2 Planned number of units: total of 400,000 LGLP Gas units and 200,000 LG Electricity units

Countermeasure 2 Environmental Consideration and Promotion of ZEH-M

With the goal of accelerating energy conservation in the housing industry, in September 2025, Japan's Ministry of Economy, Trade and Industry (METI) announced and established the GX ZEH-M (Green Transformation Net Zero Energy House—Mansion) standards, which are based on energy-saving performance standards that exceed those of the conventional ZEH-M*1 (Net Zero Energy House—Mansion) standards. Aiming for a 50%*2 ZEH-M standard ratio in our construction contracts for fiscal year 2028, we will also take the GX ZEH-M standard into account as we advance the review and implementation of energy-saving performance specifications.

Roadmap toward a decarbonized society

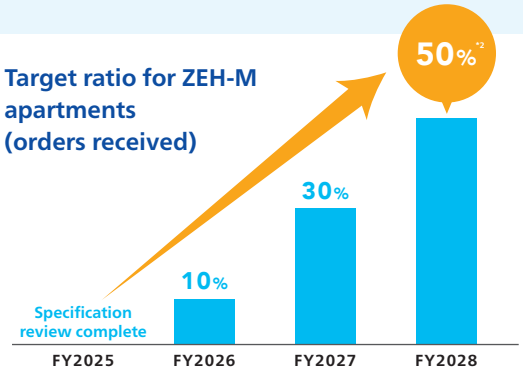


ZEH developer
ZM2025-00283-DC

Registered as a ZEH Developer in October 2025 (Leopalace21's ZEH Developer Mark)



Rendering of a ZEH-M-compliant building



*1 ZEH-M (Net Zero Energy House—Mansion) refers to a multi-unit residential building that aims to achieve a net zero energy balance by improving the building's thermal insulation performance, implementing energy-saving through the introduction of highly efficient equipment, and adopting renewable energy sources such as solar power.
*2 Including ZEH-M Oriented and GX ZEH-M Oriented

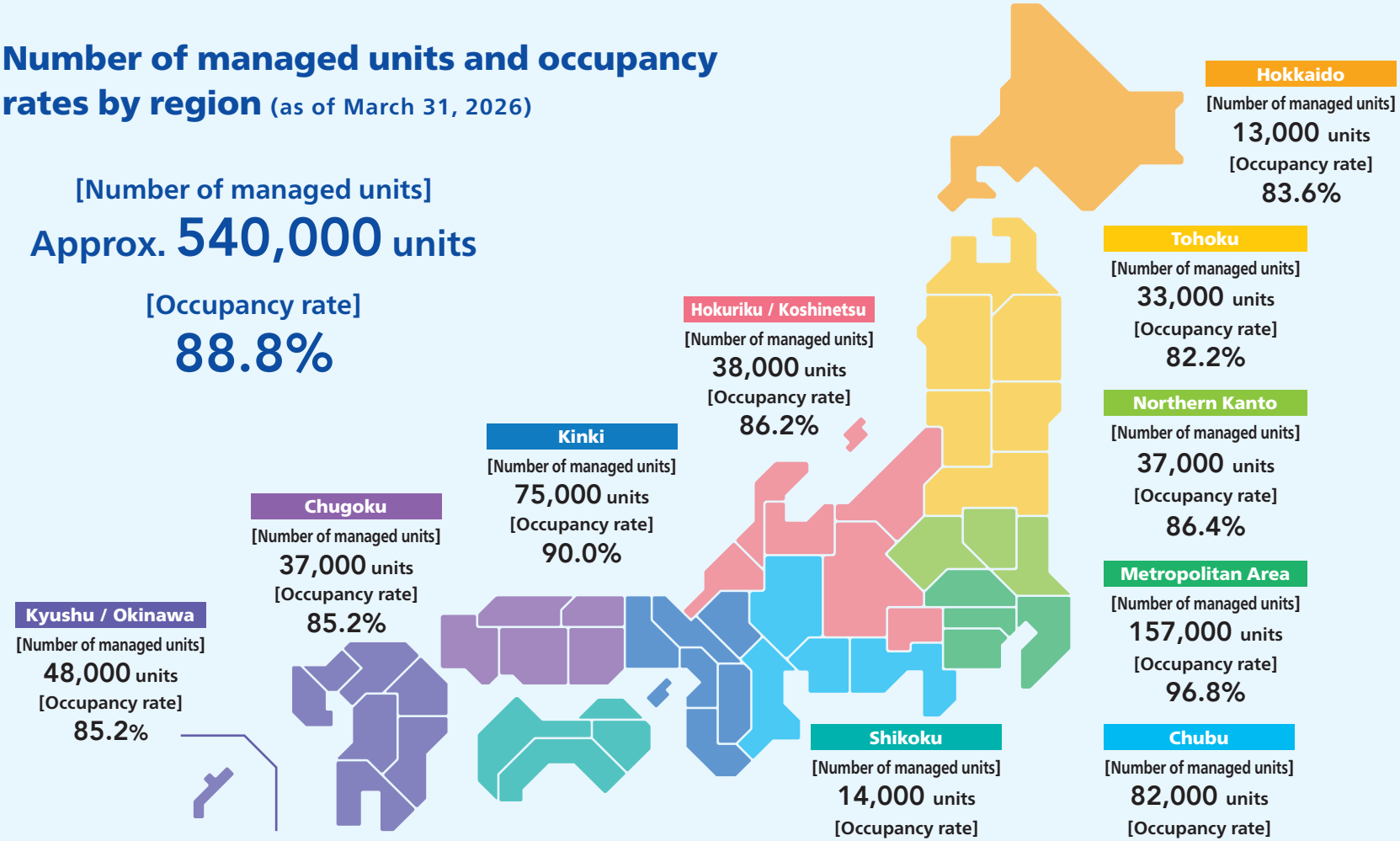
Stable Provision of Rental Housing

Our Company provides housing that balances convenience with environmental consideration through a nationwide stable supply system and a system for the circular use of furniture and home appliances.
While supporting diversifying lifestyles and the increased mobility of people, we are contributing to the resolution of social issues and the creation of a sustainable society.

Number of managed units and occupancy rates by region (as of March 31, 2026)

[Number of managed units]
Approx. 540,000 units

[Occupancy rate]
88.8%



Hokkaido
[Number of managed units]
13,000 units
[Occupancy rate]
83.6%

Tohoku
[Number of managed units]
33,000 units
[Occupancy rate]
82.2%

Northern Kanto
[Number of managed units]
37,000 units
[Occupancy rate]
86.4%

Metropolitan Area
[Number of managed units]
157,000 units
[Occupancy rate]
96.8%

Chubu
[Number of managed units]
82,000 units
[Occupancy rate]
84.0%

Hokuriku / Koshinetsu
[Number of managed units]
38,000 units
[Occupancy rate]
86.2%

Kinki
[Number of managed units]
75,000 units
[Occupancy rate]
90.0%

Chugoku
[Number of managed units]
37,000 units
[Occupancy rate]
85.2%

Kyushu / Okinawa
[Number of managed units]
48,000 units
[Occupancy rate]
85.2%

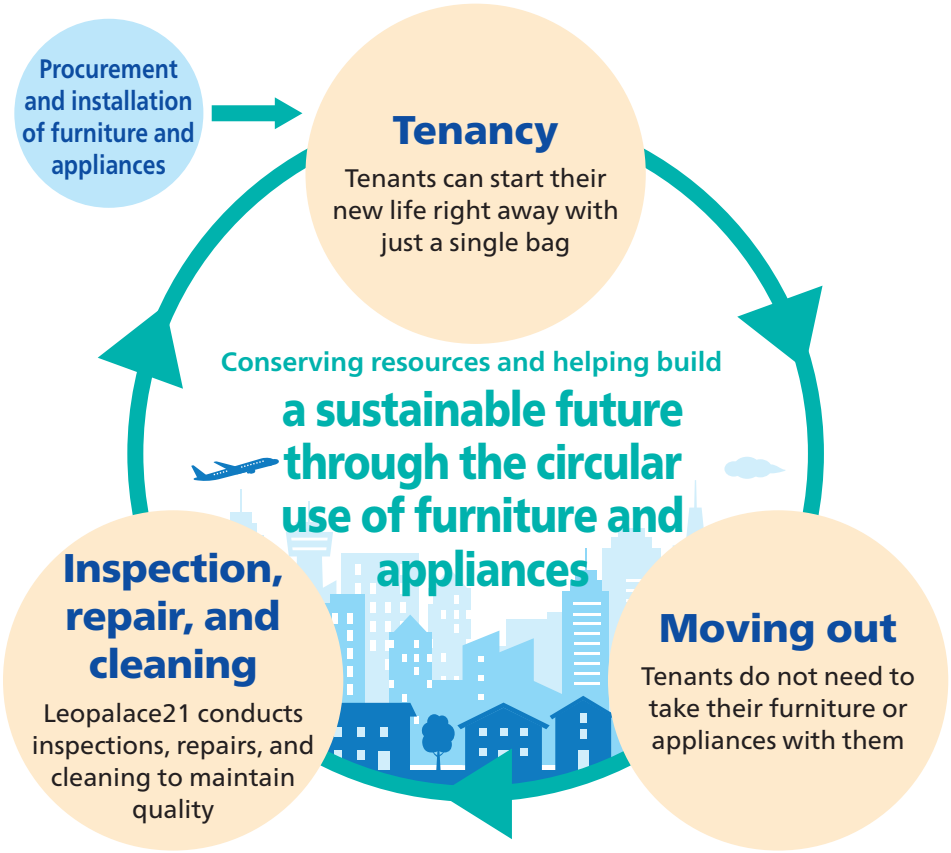
Shikoku
[Number of managed units]
14,000 units
[Occupancy rate]
76.2%

Realizing a circular economy through the supply of fully furnished rental housing

By promoting the circular use of furniture and appliances, our business model reduces environmental impact throughout their life cycle and contributes to improving resource efficiency. At the same time, by reducing tenants' initial costs and increasing their flexibility in moving, we provide living environments where people can reside with peace of mind broadly. By creating these environmental (E) and social (S) values through our core business, we are contributing to the building of a sustainable society and the realization of a circular economy.

The advantages of apartments

Our rental housing also offers environmental benefits. Typically, when a person first starts living on their own, they purchase a full set of furniture and appliances needed for daily life. However, with our properties, there is no need to buy furniture or appliances, nor is it necessary to dispose of them when moving out, which in turn reduces the volume of belongings that need to be transported when moving.



Three values created by circular use

Environmental value

- Waste reduction
- CO_2 emissions reduction

Value to society and customers

- Effective use of resources
- Reduction of initial moving costs
- Ability to start a new life immediately

Economic value

- Streamlining of procurement and repairs
- Effective use of assets

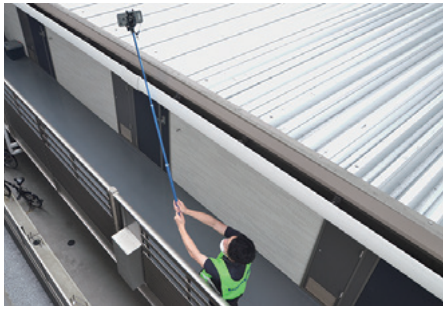
Maintenance of managed properties

Our Company relaunched its Development Business in earnest in April 2025. We recognize that, in order to ensure a stable supply as part of the housing infrastructure, it is important that we work to secure both housing supply quantity and quality in an integrated manner. For new building projects, we are working to develop and rigorously enforce our construction quality management system, while for existing properties, we are striving to maintain and enhance safety and asset value by strengthening our inspection and maintenance.

Promoting preventive maintenance for managed properties

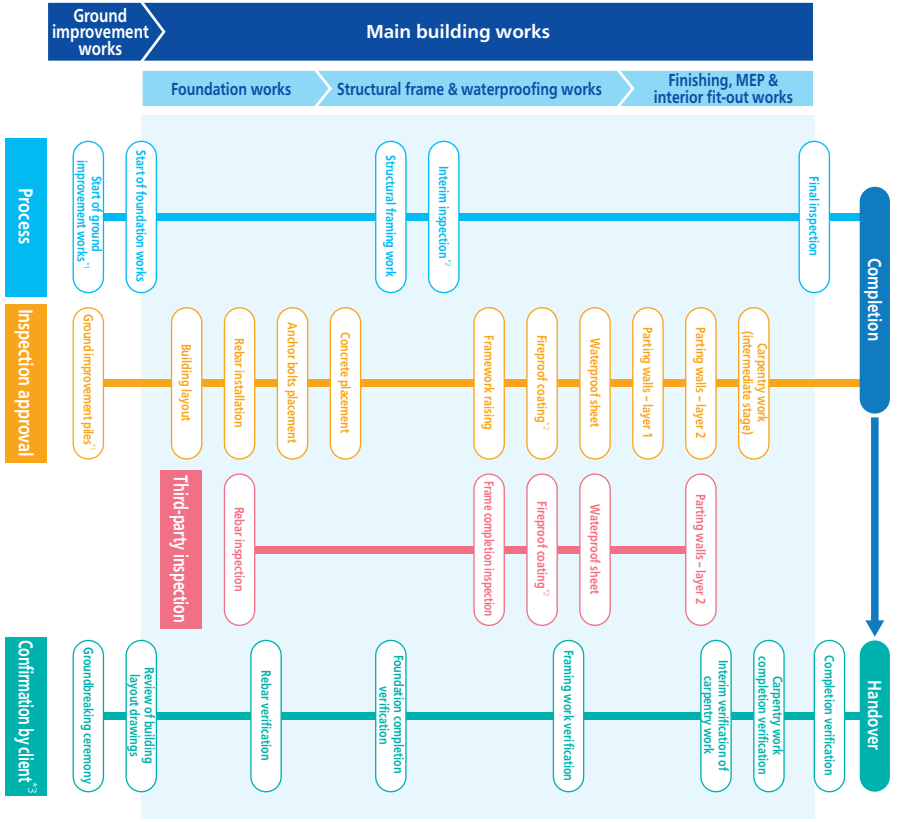
In principle, our managed properties undergo regular annual building inspections, with the aim of providing owners and tenants with peace of mind and comfort. For these building inspections, starting in April 2021, the inspection checklist consisting of 50 check items was revised, and more detailed inspections with 100 checkpoints are now conducted. The vast amount of data obtained from inspection results can be utilized to perform more detailed analyses of the given inspection areas. We focus not only on early detection of building problems and prompt identification of deterioration, but also on promoting preventive maintenance of managed properties for the future by leveraging the accumulated inspection data over the years. By carrying out building maintenance work at the most appropriate timing and with the most appropriate method, which puts the safety and security of tenants first, we focus on maintaining and enhancing property value, ensuring that older apartment buildings can continue to be lived in with comfort.





Strengthening Construction Quality Management System

We are working to strengthen our construction quality management system in order to provide safe and comfortable living environments. Throughout the 12 major processes from groundbreaking to completion, we implement three-step, in-house inspections involving the construction contractor, the construction engineer, and the construction supervisor, and strictly enforce a system that prohibits proceeding to the next process without the licensed architect's approval. Further, we are striving to enhance on-site transparency and ensure quality. In addition to audit-based confirmations performed by our legal division, we commission third party organizations to conduct inspections, and have the client take part in on-site confirmation as part of the major processes.



*1 Depending on ground conditions and other factors, this may not be implemented.
*2 Depending on the size and structure of the property, this may not apply.
*3 On-site confirmation by the client may not be implemented depending on their circumstances.

Respect for Human Rights

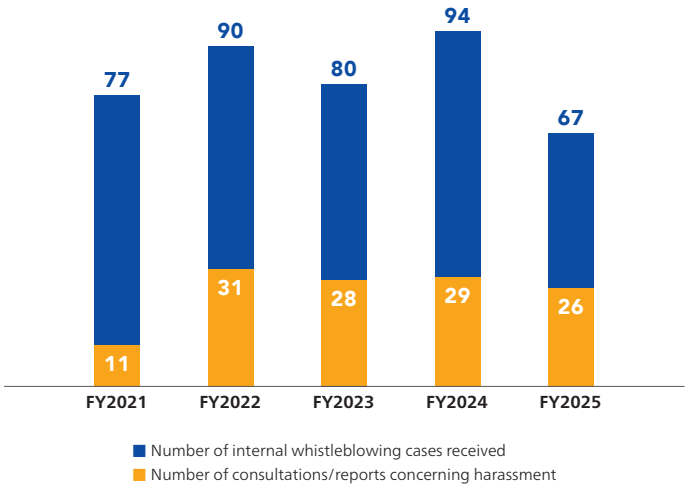
Our Group upholds the mission of "To create new value and *imagineer* joyful living" and, as part of its daily business activities, acts with respect for the human rights of all people.

Leopalace21 Group Human Rights Policy

Initiatives to eliminate harassment

In April 2020, we established a basic policy and issued the Declaration to Eliminate Harassment to maintain a healthy workplace environment, strengthen workplace trust, and create a vibrant and comfortable company. In accordance with this declaration, we continuously conduct compliance training sessions for the purpose of preventing harassment. Through awareness-raising activities regarding harassment, employee awareness of harassment has increased. Since fiscal year 2022, the number of consultations and reports regarding harassment has remained around 30 cases annually, but consultations and reports regarding suspected harassment have increased, contributing to prevention before escalation.

Number of consultations and reports regarding harassment (cases)



Initiatives against customer harassment

In light of the fact that, effective October 1, 2026, employers will be required to take necessary measures in their employment management to prevent customer harassment, we will review our company policies, develop an internal manual to standardize on-site response, and provide education and training to employees.

Guidelines on Customer Abuse of Employees

Guided by our Customer First policy, our Group aims to provide services that our customers can always trust. We seek to address customer requests and feedback to the best of our ability and, in turn, to work toward resolving relevant challenges. However, we have confirmed instances where certain customers' words and actions toward our employees have exceeded what is considered socially acceptable, preventing normal business operations from being conducted and adversely affecting the service provided to other customers. Therefore, if such behavior is observed, we will respond in accordance with our guidelines. The following examples are provided for illustrative purposes only and are not exhaustive.

[Relevant cases]

- Acts of violence
- Unwanted physical contact
- Threats, intimidation, other extremely overbearing behavior, extremely violent acts
- Prolonged loitering, detention, and confinement without reasonable cause
- Insults, words or actions that demean an individual
- Discriminatory or sexual remarks or behavior
- Requests for support beyond the scope of compensation, demands for services that are excessive by social standards
- Demands to our Company for apologies, monetary compensation, or other forms of compensation, or demands for disciplinary action against employees or other personnel, made in a manner or for reasons that lack a reasonable basis



Customer harassment countermeasures poster
Source: Ministry of Health, Labour and Welfare, Cheerful Workplace Support Group

Note: The content of the above Guidelines on Customer Abuse is as of the date of this integrated report was compiled.

Supply Chain Management

Our Group believes that the cooperation of the business partners who make up our supply chain is essential for us to conduct business activities as an enterprise that contributes to society. Based on fair and transparent business relationships, we emphasize legal compliance and corporate ethics, and aim to achieve sustainable business operations and create social value by building partnerships founded on mutual trust.

Structure

Based on our CSR Procurement Guidelines, our Group has established a Procurement Management Committee to ensure the proper procurement of goods and services and the selection of business partners.

Chaired by the President and CEO and composed of coordinators from relevant divisions, this committee deliberates on and decides important matters related to procurement. It also works to strengthen risk management and enhance transparency throughout the entire supply chain, thereby establishing a framework to ensure fair and transparent transactions as well as appropriate quality.

In addition, we have established a dedicated hotline desk where business partners who have ongoing dealings with our Group can feel confident in consulting with us or reporting any violations of laws and regulations or our corporate ethics (Corporate Ethics Charter) within our Group, or any suspected violations thereof.

Results of initiatives for fiscal year 2025

Our Group is promoting the creation of a sustainable supply chain through fair and equitable transactions with our business partners. For fiscal year 2025, we positioned the establishment of fair business practices and the strengthening of corporate governance as key issues, and worked to improve systems, advance digitalization, and raise compliance awareness. To promote the fair passing on of price increases, we have made it mandatory to report internally whenever we receive a request for a price review from a business partner, and have established a system to ensure a prompt and appropriate response. To promote responsible procurement, we raised awareness of our CSR Procurement Guidelines, encouraged the use of our business partner hotline, and worked with business partners to ensure thorough compliance.

We also publicized the purpose of our Partnership Building Declaration both internally and externally to promote mutual understanding and foster relationships of trust. In addition, we continued to operate an award system for construction contractors and cleaning companies, and during fiscal year 2025, we recognized partner companies that contributed to quality improvement and continuous improvement. We conducted E-learning on the Act on Ensuring Proper Transactions Involving Specified Entrusted Business Operators, and worked to foster a fair trading environment by raising each employee's awareness of legal compliance. Through these initiatives, we aimed to strengthen the sound partnerships we have with our business partners while enhancing the sustainability and resilience of the entire supply chain.

パートナーシップ構築宣言



Award ceremony for cleaning partners

Implementation of a new procurement management system

We are promoting the implementation of a new procurement management system with the aim of ensuring proper transactions and strengthening governance.

The introduction of this system is expected to promote the shift toward paperless and online operations among our business partners, leading to benefits such as improved operational efficiency and reduced administrative workload. The system is scheduled to go live in December 2026.

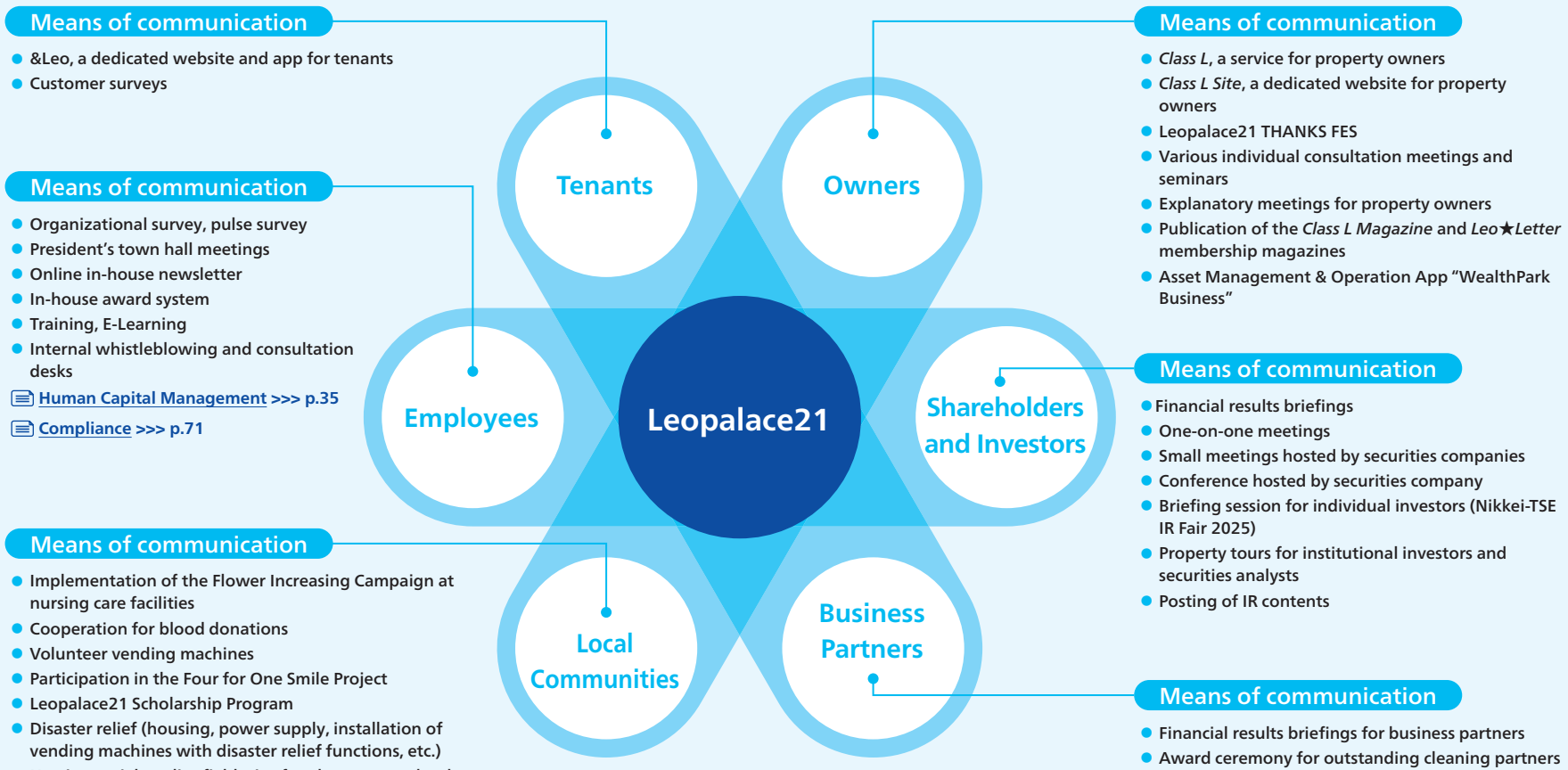
Future initiatives

To strengthen our supply chain management, alongside our existing CSR Procurement Guidelines, we established the Price Pass-Through Guidelines in July 2026. Going forward, through the implementation of these guidelines, we will strive to comply with relevant laws and regulations and maintain fair and positive business relationships with our business partners, and aim to build a sustainable supply chain.

In addition, as part of our ongoing monitoring of the business partner survey conducted in July 2024, we conducted a second survey from July through mid-August 2026. As part of the survey, in a section we call "VOS" (Voices of Suppliers), we collected feedback from business partners with transaction amounts of JPY 10 million or more in fiscal year 2025, and conducted a CSR assessment covering topics such as quality, compliance, information security, and business continuity planning, thereby promoting the development of a sustainable supply chain.

Dialogue with Stakeholders

To realize higher corporate value for customers, business partners, shareholders, and all stakeholders, we have established efficient, fair, and highly transparent management as the basis of our corporate activities. Based on this approach, we define ideal relationships with stakeholders and work to enhance corporate value through ongoing dialogues.



Means of communication

- &Leo, a dedicated website and app for tenants
- Customer surveys

Means of communication

- Organizational survey, pulse survey
- President's town hall meetings
- Online in-house newsletter
- In-house award system
- Training, E-Learning
- Internal whistleblowing and consultation desks

Human Capital Management >>> p.35
Compliance >>> p.71

Means of communication

- Implementation of the Flower Increasing Campaign at nursing care facilities
- Cooperation for blood donations
- Volunteer vending machines
- Participation in the Four for One Smile Project
- Leopalace21 Scholarship Program
- Disaster relief (housing, power supply, installation of vending machines with disaster relief functions, etc.)
- Hosting social studies field trips for elementary school students

Means of communication

- *Class L*, a service for property owners
- *Class L Site*, a dedicated website for property owners
- Leopalace21 THANKS FES
- Various individual consultation meetings and seminars
- Explanatory meetings for property owners
- Publication of the *Class L Magazine* and *Leo★Letter* membership magazines
- Asset Management & Operation App "WealthPark Business"

Means of communication

- Financial results briefings
- One-on-one meetings
- Small meetings hosted by securities companies
- Conference hosted by securities company
- Briefing session for individual investors (Nikkei-TSE IR Fair 2025)
- Property tours for institutional investors and securities analysts
- Posting of IR contents

Means of communication

- Financial results briefings for business partners
- Award ceremony for outstanding cleaning partners

Supply Chain Management >>> p.57

Dialogue with shareholders and investors

We have established a dedicated investor relations section led by the Executive in Charge of IR, and we engage in ongoing dialogue through means such as financial results briefings, one-on-one meetings, small meetings, and conferences. The IR section compiles the feedback received through these dialogues and reports it to management on a quarterly basis. Important matters are also shared promptly and incorporated into improvements to our capital policy and disclosure practices. In addition, in fiscal year 2025, we held property tours to help promote understanding of the quality and competitiveness of our new products.

Status of dialogue (FY2025)

Activity	Number of times	Details	Person in charge
Financial results briefings	4	Quarterly financial results briefings for analysts and institutional investors held online on the day of earnings announcements. Materials and transcripts are disclosed on our company's IR website.	President and CEO Executive in Charge of IR
One-on-one meetings	87	One-on-one meetings with domestic and overseas institutional investors and securities analysts.	President and CEO Executive in Charge of IR / IR Section
Small meetings	11	Participation in small meetings hosted by sell-side analysts covering the Company.	President and CEO Executive in Charge of IR
Conference hosted by securities company	1	Participation in an investor conference hosted by a securities company and one-on-one meetings with overseas institutional investors.	IR section
Briefings for individual investors	1	Participation in an IR event and a briefing session for individual investors.	President and CEO Executive in Charge of IR / IR Section
Posting of IR contents	—	Publication of IR materials on the Company's website.	—

Main dialogue topics and areas of interest

Medium-Term Management Plan: New Growth 2028, shareholder return policy, occupancy rates and average unit rent, status of repairs to properties with construction defects, progress of the Development Business, quarterly performance trends, major shareholder ownership trends, cash allocation, etc.

Dialogue with individual investors

As part of our efforts to create opportunities for constructive dialogue with individual investors, we exhibited at Nikkei-TSE IR Fair 2025 and held a company briefing session to explain our business strategy and sustainability initiatives.



Property tours for institutional investors and securities analysts

We held property tours for institutional investors and securities analysts in Odawara City, Kanagawa Prefecture, in November 2025, and in Kunitachi City, Tokyo, in March 2026. These tours provided an opportunity for attendees to gain a deeper understanding of our Company by enabling us to convey our business policies and commitment to quality, such as our construction management system; and the design and functionality offered by our new product, *ArLk*, which launched in fiscal year 2025.



Involvement with local communities

As a member of the local communities in which we operate, our Group continues to undertake initiatives that contribute to solving regional issues through our business activities. As a company deeply rooted in these communities, we will contribute to the realization of a sustainable society through dialogue and collaboration with our diverse stakeholders.

Conducting social studies field trips

We held social studies field trips for local elementary school students at our head office. By giving students a glimpse into our business and how our employees work, we promoted learning that extends beyond the classroom and provided an opportunity to directly experience our connection with the local community.



Participation in Riko Higashio's Four for One Smile Project

The Four for One Smile Project supports the creation of an environment where women can feel comfortable and secure by providing sanitary napkins that employees can use for free in the women's restrooms of companies. Our Company supports this project and has placed sanitary napkins in the women's restrooms at our head office.

In addition, the program is structured so that donations are made to schools based on the usage of the sanitary napkins, and through this initiative, we are working to both improve the workplace environment for women and support the education of the next generation. We will continue to contribute to the realization of a society that respects health and diversity.



Strengthening community disaster prevention

We began installing vending machines equipped with disaster relief functions in 2025. These vending machines monitor the area using security cameras during normal times and, during disasters, switch to emergency power to provide free beverages.

In addition, we have entered into an agreement with Asaka City to provide power during disasters. In the event of a power outage, we will utilize the solar power generation systems at participating properties to supply electricity by making these buildings available as charging stations during daylight hours when the sun is out and power generation is possible.

Through these initiatives, we aim to further strengthen our disaster prevention systems in collaboration with local communities, while also contributing to ensuring the safety and peace of mind of area residents during emergencies.





Message from an Outside Director

Governance that supports Leopalace21's quality and credibility

Defining quality clearly and driving continuous improvement



Yutaka Nakamura
Outside Director

Steadily improved corporate culture and governance

Let me begin with a word about my own career. I studied industrial engineering at university, and after graduating, I joined National Housing Materials Co., Ltd. (now Panasonic Homes Co., Ltd.), where I spent many years in housing quality control. I later headed the company's quality control, environmental, and CS (customer satisfaction) functions while also participating in industry-wide activities. As Chair of the CS Quality Committee at the Japan Prefabricated Construction Suppliers and Manufacturers Association, among other roles, I worked with government agencies and other companies in the sector to raise quality control and customer satisfaction standards across the housing industry. It was on the strength of that experience that I became an Outside Director of Leopalace21 in 2020. Since then, I have supported the Company's reform, principally from a quality control perspective.

Since the construction defects problem came to light in 2018, the Company has committed itself as a whole to inspecting and repairing existing buildings. By the end of December 2024, inspection and remedial work had been completed on every obvious defect where the cooperation of tenants and building owners could be obtained. I think very highly of the fact that, under real business constraints, including the suspension of new construction contracting, the Company faced the negative legacy of the past head-on and saw a difficult task through to the end.

Through that process, the character of the Company itself has steadily changed. When I took up my role, a strongly top-down culture was still much in evidence and employees could be seen waiting for instructions. In working through the problem, the organization has been changing into one where each employee thinks for themselves and acts on their own initiative. I also sense the beginnings of a culture in which management and employees can debate frankly, regardless of rank. On quality and compliance, too, the principle that what must be observed will be observed has spread throughout the organization, and internal standards are set at an extremely high level. That an insistence on doing things properly has taken root in the culture can fairly be called an achievement of governance reform.

The strengthening of the talent base is also progressing steadily. Thanks to active support for employees seeking qualifications and to mid-career recruitment of qualified people, the shortage of qualified engineers that emerged as an issue after the construction defects problem came to light is gradually being resolved, and front-line technical capability has improved markedly.

Redefining quality and elevating quality management to the next level

The Company's underlying character is improving, then, but the reform still has some way to go. I go out myself to the sites that underpin quality control and make opportunities to talk directly with employees, and I still sense a lingering assumption that in the end, somebody else will make the decision for them. The same is true of management. Only when that assumption is cleared away will this become an organization that can truly run under its own power.

The other important task ahead is to redefine what quality means for Leopalace21. Because of the construction defects problem, quality has tended to be viewed primarily in terms of building design and construction quality. But the core of the Company's business is leasing, and we need to recognize that the living space and the services we provide to tenants are equally part of what quality means.

In my view, there are three kinds of quality that the Company should hold clear. First, quality seen through the tenant's eyes: a comfortable interior and a standard of upkeep that makes someone think, "I want to live in this apartment." Second, the quality of the physical building: quality built into new construction, and the maintenance and renovation of existing buildings. Third, the quality of every point of contact with the client, from winning the order for a new building through design, construction, and after-sales service. It is important to define clearly what each of these should look like and to raise the standard of each.

There are encouraging signs in all three areas. The Leasing Business Headquarters is working with the Architectural Engineering Division to step up the beautification of buildings inside and out, through maintenance of existing buildings and cleaning by partner contractors. Last fiscal year, the Quality Promotion Department was also established within the Architectural Engineering Division. However, because that department sits inside the Architectural



Engineering Division, it can address the physical quality of new construction and maintenance, but it is not structured to cover quality as the tenant sees it. The accelerator and the brake — driving the business forward and controlling its quality — sit within the same organization, so the check function may not work as it should. I therefore believe the Company will need a body that oversees quality across the business as a whole from an independent position. If a structure can be put in place that does not merely point out quality problems but proposes practical improvements grounded in the constraints the front line actually faces, the Company's quality will advance further still.

The real test of reform will come as the Development Business gets underway in earnest

Whether the reform has genuinely taken root will, I think, become clear once the supply of new apartments is fully underway. At present, small faults and errors arising on new-build projects are shared at meetings, and everyone involved discusses how to put them right. But as the number of construction starts rises and the business grows in scale, will the Company hold to that same discipline? Only when the Company can maintain and continue raising the quality control standards it has set for itself, even as the business expands, will the reform truly have taken hold. It is also important to accurately assess which processes carry the greatest risk and the competence of each partner construction contractor, to manage them in order of priority, and to continually verify that the inspections being carried out are actually effective.

Translating reform into further growth

To further advance reform and translate it into sustainable growth, I look to management for the following.

First, actively communicate the new Leopalace21 to the outside world. Last fiscal year, for example, the Company launched *ArLk*, a new product strong in both concept and design, yet its appeal has not been conveyed to the market nearly enough. Proclaiming a "new Leopalace21" internally will not change how the Company is judged or perceived from outside. Management may still feel the weight of the construction defects problem not being fully resolved, but the Company has already entered a new stage and should show society, with confidence, that it is moving forward.

Quality and customer satisfaction cannot be discussed without understanding the frontline. Rather than simply receiving reports at meetings, I would like management to go out to the frontline sites themselves, check quality from the tenant's perspective, and talk repeatedly with the employees and partner contractors working there. Monitoring the frontline continuously and keeping communication with it open are also how the early signs of a problem are picked up and the problem is prevented before it arises.

Putting the customer's voice to work in improving management is also important. Since the last fiscal year,

the Company has used NPS® (Net Promoter Score)*, a survey method for measuring customer satisfaction and loyalty. What matters is not the score itself but what is drawn from it and what improvements follow. I would like to see a mechanism built that clearly defines the underlying quality, links NPS® measurements to improvements in that quality, and carries both forward into continuous improvement.

Sharing a picture of the Company's future with employees is also extremely important. Many of our employees are conscientious and have a strong sense of responsibility, so if management sets out a clear vision of the company it is aiming to become, I think each of them will be able to advance the reform with greater autonomy.

* NPS® is a registered trademark of Bain & Company, Inc., Fred Reichheld, and NICE Systems, Inc.

Deepening discussion of long-term growth themes

Now that the response to the construction defects problem is broadly in sight, I want the Board to go deeper still in its discussion of long-term growth strategy. Building a management foundation that can absorb market changes and unforeseen events to achieve sustainable growth will also require consideration of various options, including diversifying the business portfolio.

The Company manages some 540,000 units across Japan. Rather than simply leasing them, it should use that network and customer base to ask what services it could offer and where it might collaborate with corporate customers, and then try. And it should do so not by rolling out uniform measures nationwide from the headquarters, but by letting each region take the lead and act on its own local characteristics. That is precisely what the regional branch structure now being built is for, and I expect it to develop people and become an engine of the Company's growth.

It is also important to carve out activities such as cleaning and maintenance, which are often treated as costs, and turn them into businesses that generate revenue. That in turn calls for developing people who can run a business with profitability in mind. Drawing actively on the knowledge of Outside Directors from a range of specialties, I would like the Company to take a step beyond leasing apartments, widen its business opportunities, and create new value.

Putting expertise to work, toward governance that is effective in practice

The role of an Outside Director is to oversee management and to prevent problems before they arise. I hope that specialists from a wider range of fields relevant to the Company's business will join the Board, so that its discussions become more multifaceted and more effective. For my part, I intend to keep raising the issues I identify by going and seeing the frontline and, in that way, to contribute to governance that is effective in practice.

In recent years, Outside Directors, too, have been expected to engage actively in dialogue with stakeholders. When Outside Directors with different specialties each communicate the Company's initiatives and thinking from their own perspective, understanding of the Company and trust in it will deepen.

At the same time, I recognize that an important part of the role is not merely to receive reports from the executive side but to grasp the situation firsthand and exercise the check function before a problem surfaces.

Toward medium- to long-term value creation

Our housing is home to people of many different backgrounds, each with their own needs and priorities. The Company already offers multilingual support at its call center and a watch-over service, and there is room to consider such things as women-only properties designed with safety and security in mind. Services that deliver new value to address the challenges facing tenants and local communities still offer room to grow. It will not be easy, but if the Company can work with government bodies and other companies rather than alone and build businesses that help resolve social issues region by region, its standing as a piece of social infrastructure will become firmer still.

Now that the Company has at last reached the starting line for new growth, securing that growth will demand a clear definition of what quality is and a commitment to improving it from many angles. I would like every department to work on improving quality within its own area of expertise and responsibility, and for the organization as a whole to build a structure that underpins it. On that foundation, I hope the Company will achieve sustainable growth and become an employee-centered company, where every employee works with pride and realize their full potential.



Management Team

Management Team

Internal Directors (As of June 25, 2026)



Executive

Bunya Miyao

Representative Director
President and CEO
Chief of the Development Business Headquarters

■ Shareholdings (thousand shares): 12

Jun 1990 Joined Leopalace21 Corporation
May 2019 Representative Director (current) President and CEO (current)
Apr 2025 Chief of the Development Business Headquarters (current)



Executive

Mayumi Hayashima

Director and Managing Executive Officer
Chief of the Leasing Business Headquarters

■ Shareholdings (thousand shares): 5

Apr 1996 Joined Leopalace21 Corporation
May 2022 Director and Managing Executive Officer (current)
Apr 2026 Chief of the Leasing Business Headquarters (current)



Executive

Shinji Takekura

Director and Executive Officer
Chief of the Corporate Management Headquarters
Deputy Chief of the Development Business Headquarters

■ Shareholdings (thousand shares): 24

Apr 1996 Joined Leopalace21 Corporation
May 2022 Chief of the Corporate Management Headquarters (current)
Jun 2022 Director and Executive Officer (current)
Apr 2025 Deputy Chief of the Development Business Headquarters (current)



Non-executive

Akio Yamashita

Director

■ Shareholdings (thousand shares): 0

Jun 2021 Outside Director, Leopalace21 Corporation
Jun 2022 Director, Leopalace21 Corporation (current)



Non-executive

Jin Ryu

Director

■ Shareholdings (thousand shares): 0

Jun 2021 Outside Director, Leopalace21 Corporation
Jun 2022 Director, Leopalace21 Corporation (current)

Outside Directors (As of June 25, 2026)



Non-executive

Akira Watanabe

Outside Director

■ Shareholdings (thousand shares): 11

Jul 2020 Outside Director, Leopalace21 Corporation (current)



Non-executive

Yutaka Nakamura

Outside Director

■ Shareholdings (thousand shares): 4

Feb 2020 Outside Director, Leopalace21 Corporation (current)



Non-executive

Takumi Shibata

Outside Director

■ Shareholdings (thousand shares): 26

Jun 2022 Outside Director, Leopalace21 Corporation (current)



Non-executive

Kan Ishii

Outside Director

■ Shareholdings (thousand shares): 0

Jun 2022 Outside Director, Leopalace21 Corporation (current)

Audit & Supervisory Board Members (As of June 25, 2026)



Jiro Yoshino

Full-time Audit & Supervisory Board Member (Outside)

■ Shareholdings (thousand shares): 12

Jun 2017 Outside Full-time Audit & Supervisory Board Member, Leopalace21 Corporation (current)



Kenichiro Samejima

Full-time Audit & Supervisory Board Member

■ Shareholdings (thousand shares): 34

Feb 1986 Joined Leopalace21 Corporation
Jul 2020 Full-time Audit & Supervisory Board Member, Leopalace21 Corporation (current)



Yoshitaka Murakami

Part-time Audit & Supervisory Board Member

■ Shareholdings (thousand shares): 0

Jun 2019 Outside Director, Leopalace21 Corporation
Jul 2020 Audit & Supervisory Board Member, Leopalace21 Corporation (current)



Kazutaka Shimohigoshi

Part-time Audit & Supervisory Board Member (Outside)

■ Shareholdings (thousand shares): 6

Jun 2023 Outside Audit & Supervisory Board Member, Leopalace21 Corporation (current)

* "Shareholdings (thousand shares)" is as of March 31, 2026.

Corporate Governance Structure

Basic concept of corporate governance

Our Group considers developing and strengthening corporate governance to be a key management issue. By strengthening corporate governance, we are aiming to achieve the management plan in line with our Group's mission, enhance 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. At its meetings, the Corporate Management Council conducts preliminary deliberations on matters to be resolved by the Board of Directors and makes decisions regarding important business execution. In addition, starting in October 2023, we have been conducting preliminary reviews before submitting agenda items to the Corporate Management Council in an effort to improve the quality of those items. The Board of Directors has also established the Board of Executive Officers, which shares information about company management with the aim of ensuring the smooth execution of business operations and strengthening coordination in the execution of those operations.

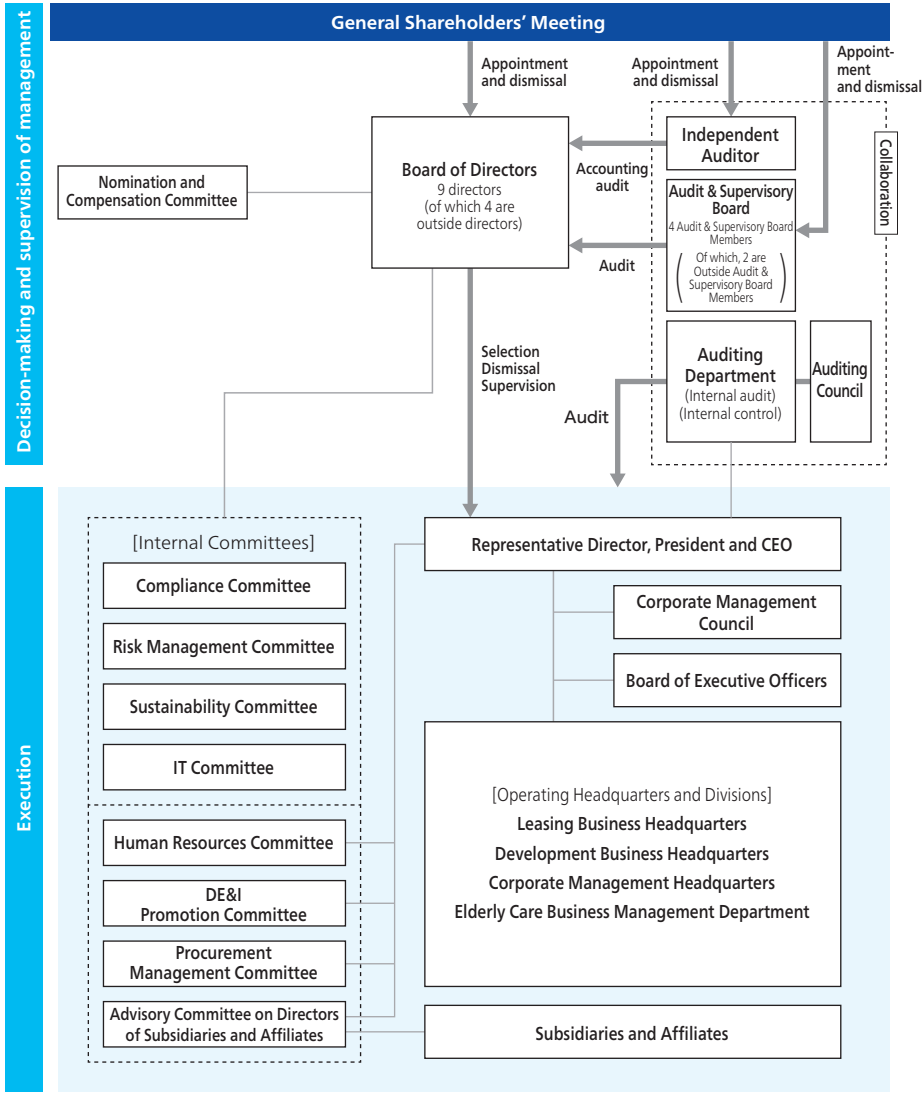
The Board of Directors has also established a number of committees to discuss key management issues for which the Board of Directors consults, and these committees offer their recommendations to the Board of Directors so the Board can thoroughly examine them.

Specifically, the Board of Directors has established the Nomination and Compensation Committee to confer about the selection and remuneration of Directors, the Compliance Committee to develop and manage legal compliance systems, the Risk Management Committee to manage risks in business operations, the Sustainability Committee to promote sustainability initiatives, and the IT Committee to oversee IT investments and DX.

Additionally, we have established the Human Resources Committee, the Procurement Management Committee, and the Advisory Committee on Directors of Subsidiaries and Affiliates, all chaired by the president and CEO; as well as the DE&I Promotion Committee, which serves as an advisory body to the president and CEO. The Human Resources Committee discusses matters related to human resources utilization, while the DE&I Promotion Committee deliberates on matters related to creating a workplace environment where diverse employees can thrive. The Procurement Management Committee deliberates and decides on important matters related to procurement. The Advisory Committee on Directors of Subsidiaries and Affiliates deliberates on the appropriateness of matters concerning the nomination of and compensation for officers of subsidiary and affiliated companies, as well as disciplinary actions related to illegal acts, etc.

Corporate governance structure

(As of June 25, 2026)



Strengthening Management System

Progress toward enhanced governance

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.

Thereafter, in order to further strengthen management's supervision functions, we increased the number of Outside Directors, and currently have four Independent Outside Directors, constituting more than one-third of the Directors. Reflecting on the construction defects problem, we have also reviewed the Executive Directors and streamlined the number from eight eight years ago to three. Additionally, the Board of Directors has set up various committees to address the key management issues and conduct consultations as necessary.

Composition of each established body

Title	Name	Board of Directors	Corporate Management Council	Board of Executive Officers	Nomination and Compensation Committee	Compliance Committee	Risk Management Committee	Sustainability Committee	IT Committee	Human Resources Committee	DE&I Promotion Committee	Procurement Management Committee	Advisory Committee on Directors of Subsidiaries and Affiliates
President and CEO	Bunya Miyao	◎	◎	◎	○		◎	○	○	◎		◎	◎
Director	Mayumi Hayashima	○	○	○			○		○	○	◎	○	
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	(Note 2)	○	○		○	○	○	○	○			
Audit & Supervisory Board Member	Yoshitaka Murakami	(Note 2)	○										
Outside Audit & Supervisory Board Member	Jiro Yoshino	(Note 2)	○	○		○	○	○	○	○			
Outside Audit & Supervisory Board Member	Kazutaka Shimohigoshi	(Note 2)	○										
Executive Officer	–	1	1	8		7	8	5	3	8		4	
Employees	–			1		4	3	6	4	2	9	2	
Affiliated companies	–						3	4					
Outside expert and others	–					2	2						

(Note) ◎ indicates Chairperson or Committee Chair; ○ indicates member. All Audit & Supervisory Board Members attend the Board of Directors meetings and oversee Directors' business execution. (as of June 25, 2026)

Key actions for corporate governance

	From FY2000	From FY2010	From FY2020
Organizational Structure	**FY2006** Establishment of Compliance Committee **FY2008** Establishment of Risk Management Committee **FY2008** Establishment of CSR Committee (now Sustainability Committee) **FY2009** Establishment of Human Resources Committee	**FY2010** Establishment of IT Committee **FY2015** Establishment of Nomination and Compensation Committee	**FY2021** Establishment of Advisory Committee on Directors of Subsidiaries and Affiliates **FY2021** Establishment of Procurement Management Committee **FY2026** Establishment of DE&I Promotion Committee
Directors		**FY2019** Half of all Directors are Independent Outside Directors	**FY2020** Majority of Directors are Independent Outside Directors **FY2022** Appointment of Internal Non-executive Director
Effectiveness Evaluation		**FY2015** Commencement of Board of Directors Effectiveness Evaluation	**FY2023** Introduction of Questionnaire by External Organization
Nomination and Compensation	**FY2009** Reform of Directors' Remuneration System (Abolition of retirement benefit system and introduction of Stock Compensation-Type Stock Options)	**FY2019** Reduction of Directors' Remuneration (May 2019 – June 2025)	**FY2025** Revision of Directors' Remuneration System (Introduction of performance-linked share-based remuneration system and malus and clawback provision)
Other	**FY2002** Change of Independent Auditor **FY2007** Change of Independent Auditor	**FY2020** Disclosure of Skill Matrix	**FY2020** Abolition of Advisor/Consultant System **FY2024** Change of Independent Auditor

Directors' Skills

Our Board of Directors aims to strengthen the governance system and respond to challenges in an agile and swift manner. We review the skill set of the Board of Directors as needed in light of the business environment and other factors. Our Board of Directors consists of a total of nine members: five Internal Directors (three Executive Directors and two Non-Executive Directors) and four independent Outside Directors, with independent Outside Directors comprising at least one-third of the Board.

As the expertise, experience, and knowledge required of our Directors are extremely wide-ranging, we appoint many Directors who satisfy multiple criteria. In particular, regarding Outside Directors, we prioritize expertise in corporate management, structural reform, quality control, and compliance and risk management. By leveraging these skills, we expect that these Directors will significantly contribute to strengthening our business foundation, which is centered on our Leasing Business and Development Business, and further enhancing our corporate value in the future, in accordance with our Medium-Term Management Plan.

Skills matrix

Attribute						Skills especially required by Leopalace21					
Name		Position	Executive of business	Outside perspective	Age	Corporate management	Structural reforms	Sales and marketing	Compliance and risk management	Quality control	Finance
1	Bunya Miyao	Representative Director, President and CEO, Chairperson of the Board of Directors	Executive		66	○	○		○		○
2	Mayumi Hayashima	Director and Managing Executive Officer	Executive		53		○	○	○		
3	Shinji Takekura	Director and Executive Officer	Executive		54			○	○		○
4	Akio Yamashita	Director	Non-executive		64	○	○				○
5	Jin Ryu	Director	Non-executive		42		○	○			○
6	Akira Watanabe	Director	Non-executive	Independent Outside	79	○	○		○		
7	Yutaka Nakamura	Director	Non-executive	Independent Outside	67				○	○	
8	Takumi Shibata	Director	Non-executive	Independent Outside	73		○		○		○
9	Kan Ishii	Director	Non-executive	Independent Outside	72	○	○				○

(Note) The ages of each Director are as of June 25, 2026

About the Nomination and Compensation Committee

For the nomination and remuneration of Directors and other senior management, the Company believes in the need to particularly strengthen independence, objectivity, and accountability. Accordingly, the Company has established a Nomination and Compensation Committee chaired by an Independent Outside Director, from which appropriate involvement and advice are provided. The Nomination and Compensation Committee is composed of four Independent Outside Directors, two Non-Executive Directors, and the President and CEO, with Independent Outside Directors forming the majority to enhance independence and objectivity.

Members

Chairperson: Independent Outside Director
Members: Three Independent Outside Directors, President and CEO, two Non-Executive Directors

Purpose

To ensure the appropriateness of executive nominations and remuneration decisions

Role

The Committee deliberates objectively, taking into account the Company's performance and other evaluations, on the appointment of President and CEO, Directors, Audit & Supervisory Board Members, and Executive Officers, and on the remuneration structure and levels for President and CEO, Directors, and Executive Officers. The Committee then reports the results to the Board of Directors.

Number of meetings in FY2025

5 times

Main agenda items

The Committee held discussions regarding the appointment of Directors, Audit & Supervisory Board Members, and Executive Officers, and deliberated on revisions to the nomination, compensation, and evaluation systems for Directors, Audit & Supervisory Board Members, and Executive Officers.
For the evaluation of Directors and Executive Officers, the Company has adopted a process in which each individual self-reports their evaluation content, which is then discussed at the Nomination and Compensation Committee and finalized, so there are cases where the final evaluation results differ from what was self-reported. Based on these evaluation results, the Company also deliberated on the promotion and demotion of Directors and Executive Officers.

Officer remuneration

With the aim of further enhancing corporate value and sharing benefits with shareholders, the Board of Directors resolved to introduce a new remuneration system for executives at its meeting held in April 2025. Following approval at the Ordinary General Shareholders' Meeting in June of the same year, the system was implemented and has been put into operation.

Basic policy

In order to realize our corporate philosophy system and medium-term management plan, we have established the following basic policies regarding the remuneration for Directors:

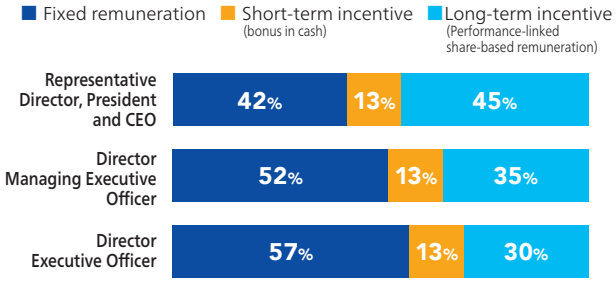
1. **The level of remuneration should be competitive and commensurate with the Company's profitability**
2. **The level of remuneration should be commensurate with each officer's responsibilities and expected role, and function as legitimate compensation**
3. **The Plan* must be a remuneration system that promotes profit sharing with shareholders**
4. **The Plan* should function as healthy incentive for enhancing corporate value over the medium to long term**
5. **The Plan* must be fair and just and encourage the utmost efforts regarding compliance**
6. **The Plan* and its determination process should ensure both transparency and reasonableness**

*The Plan is a performance-linked share-based remuneration.

Remuneration system

The remuneration system for Executive Directors consists of three categories: "fixed remuneration" reflecting position and previous year evaluation, "short-term incentive bonus (in cash)" based on the achievement against targets and results, and "long-term incentive: performance-linked share-based remuneration" which emphasizes sustainable growth of the company and linkage with capital markets. In particular, regarding the long-term incentive, with a view to promoting sustainable growth and maximizing corporate value, we have raised the ratio of share-based remuneration to the industry's top level, thereby further strengthening the linkage between management remuneration and shareholder interests. The incentive scheme is designed to be highly effective, encouraging officers to always be conscious of the sustained enhancement of corporate and shareholder value and to make management decisions from a medium- to long-term perspective.

Remuneration composition ratio for Executive Officers by Director position



Governance on renumeration

Decision process

Regarding the individual remuneration for Directors, the President and CEO evaluates the Executive Directors based on overall company and relevant business performance, and remuneration is determined according to the evaluation results and the remuneration benchmark for each position.

The Nomination and Compensation Committee, established as an advisory body to the Board of Directors, objectively evaluates the validity of the officer remuneration system and the decision-making process of the President and CEO, submitting recommendations to the Board of Directors to ensure the appropriateness, objectivity, and transparency of individual evaluations and remuneration amounts. Remuneration for Executive Directors and Executive Officers is decided by the Board of Directors after consultation with the Committee.

Establishment of Malus & Clawback clauses

In the event of a serious violation of laws or fraudulent acts, etc., by Executive Directors or Executive Officers, the Company has established Malus & Clawback clauses to seek all or part (reduction, forfeiture, or return) of stock-based compensation granted during the business year in question and the previous three business years.

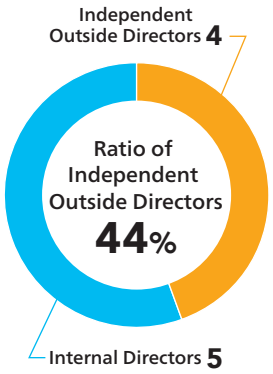
Initiatives to Improve Effectiveness

About the Board of Directors

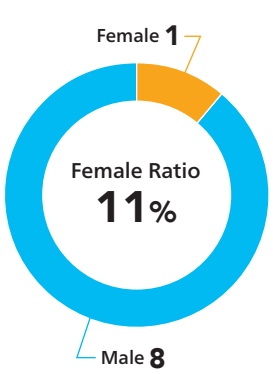
With the focus on both the agility of management and supervisory functions, the Board of Directors is composed of nine members (one of whom is female), including four Independent Outside Directors. Of these, six are Non-Executive Directors, and three are Executive Directors.

With this structure, recognizing that the appropriate selection of Directors is vital to enhancing corporate value, we have incorporated discussions by the Nomination and Compensation Committee into the selection process alongside decisions on remuneration.

The Board of Directors meets regularly once a month and additionally as needed, making decisions on important management matters and by monitoring business execution and supervising the execution of duties by Directors, achieves highly effective governance.







Board of Directors effectiveness evaluation

At our Company, in order to enhance the functions of the Board of Directors and improve medium- to long-term corporate value, we conduct an effectiveness evaluation of the Board of Directors after the end of each fiscal year. To ensure transparency and objectivity in the evaluation, an external organization designs, collects, and tabulates the survey, and based on advice from the external organization, the Board of Directors' Secretariat compiles and analyzes the results and reports to the Board of Directors.

For fiscal year 2025, we conducted the effectiveness evaluation using the same method as in fiscal year 2024. Based on the results of the survey, the analysis, discussion, and evaluation were conducted at the regular Board of Directors meeting held in June 2026, and it was confirmed that the Board of Directors as a whole maintains an adequate level of effectiveness.

Major points in the effectiveness evaluation for fiscal year 2025

Key Issues

- Deepening on discussions on development of executive successor candidates
- Active exchange of opinions on new businesses and Development Business Headquarters newly established in fiscal year 2025
- Further increasing the ratio of discussions on growth strategies for the future

Recognized Initiatives

- Free-flowing and constructive discussions and exchanges of opinions rather than being merely formalities
- Discussions on incentives for Internal Directors
- Proper supervision and approval by the Board of Directors regarding conflicts of interest with executives, controlling shareholders, and other related parties

Areas for Improvement

- Expanding discussions on growth strategies for the future and the creation of corporate value over the medium to long term
- Ensure appropriate oversight of the development of successor candidates for CEO and other key executives by allocating sufficient time and resources in a planned manner.

Key Issues for fiscal year 2026

- Expanding discussions on company medium- to long-term strategy and future vision
- Deepening discussions on executive succession planning

Risk Management

Risk classification and reporting system

The Group identifies potential risks that may cause physical, economic, or credit losses or disadvantages, and implements measures and manages them systematically in order to reduce and prevent such risks. Risks are broadly classified into six categories, which are further subdivided into a total of 16 types. To prevent risks from materializing, each business division appoints its risk management managers and risk management coordinators, clearly defining their roles and responsibilities to carry out risk management. The president of each affiliated company serves as a risk management officer and is responsible for reporting risk information from the affiliated company to the Company.

Risk management system

In order to comprehensively identify and manage company-wide risks, the Group has established a Risk Management Committee as an advisory body to the Board of Directors. The Risk Management Committee is chaired by the President and CEO and includes external members with specialized knowledge such as attorneys. The Committee meets once every quarter to evaluate risks. The Committee reports on the status of risk management to the Board of Directors every half-year.

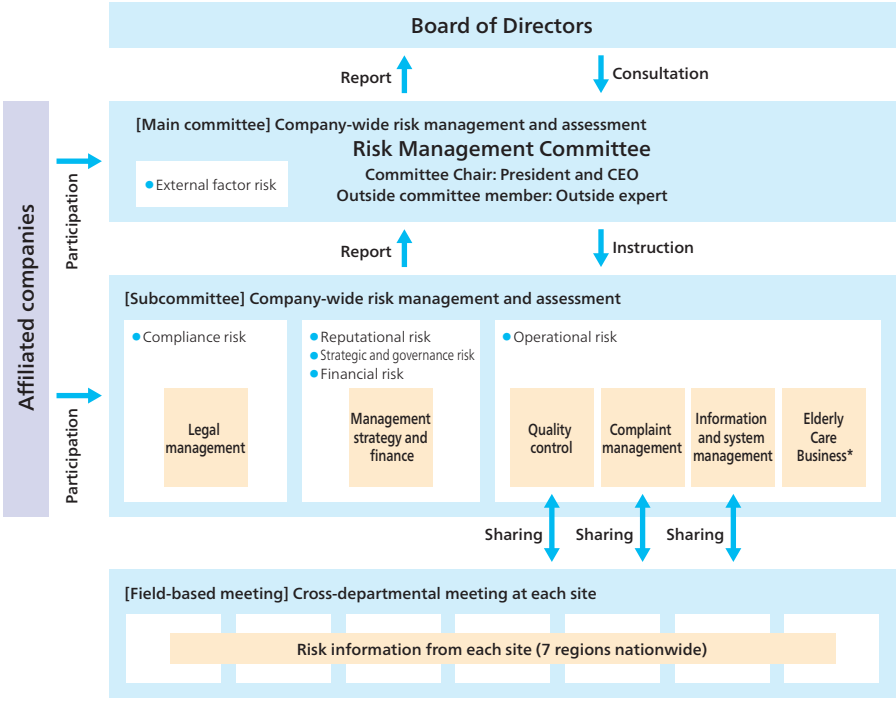
Given the increasing trend of risks arising due to recent changes in the external environment, we are working to strengthen and expand our risk management framework to incorporate preventive measures before occurrence and initiatives to prepare responses when materialized for potential risks. To this end, we have established six subcommittees under the Risk Management Committee. We have defined specific risks for each subcommittee, and they conduct discussions from a specialized perspective on risk assessment and materialized incidents.

Furthermore, we have established field-based cross-departmental committees for each of seven regions nationwide, to share information about high-risk events (accidents/incidents) and complaint information with the subcommittees to quickly roll out information across the Company. The countermeasures discussed in the subcommittees based on this information are shared with the field committees in all areas.

Risk classification table

External factors	1. Risk of changes in external environment 2. Country risk 3. Disaster risk	**Compliance**	1. Legal violation/litigation risk 2. Compliance risk
Strategy / Governance	1. Strategic risk 2. Management risk 3. Outsourcing and subsidiary management risk	**Operation**	1. Business risk 2. Information management risk 3. Human resource risk 4. System risk
Finance	1. Market risk 2. Liquidity risk 3. Default risk	**Reputation**	Risk of loss due to media reports, reputation, rumors, etc.

Risk management system



* Composed of administrative team staff and the managers of each facility, discussions are held on systems, procedures, complaint information, etc. for the entire Elderly Care Business from both the headquarters and on-site perspectives

Information Security Initiatives

In response to the ever-increasing risks to information security, including cyberattacks and data breaches, we have formulated an information security strategy to promote, across the entire Group, the enhancement of employees' security awareness, the strengthening of our security response capabilities, and the advancement of our processes. Based on this strategy, we will work to provide safer and more secure services.

Raising employee security awareness

The Group regularly conducts information security training for all employees, from executives to contract employees. In fiscal year 2025, we conducted information security training and targeted phishing simulations. Delivering our information security training via e-learning, starting in 2025, we increased the frequency of sessions from once every six months to once a week. We conducted our targeted phishing simulations on an irregular basis with the aim of improving our practical risk response capabilities.

In addition, we continuously update our knowledge of the latest threat cases and phishing tactics through means such as training provided by security vendors.

As a result, employees have more opportunities to be mindful of information security in their daily work, which is helping to instill information security literacy and integrate it into their day-to-day operations.

Information security e-learning participation rate* 82.6%

* Limited to employees who use work-designated computers or smartphones

Strengthening information security risk response capabilities

In the wake of the COVID-19 pandemic, as work styles have diversified—including remote work and hybrid work—the risks of cyberattacks and data breaches have increased.

To address these risks, in addition to traditional perimeter security, we are establishing a security environment that leverages the latest technologies. In 2025, we introduced a system to comprehensively manage threats and enable early response in the event of a breach. In addition, we continuously conduct vulnerability assessments and manage vulnerabilities on servers and devices that are considered susceptible to intrusion or exploitation from an attacker's perspective, thereby identifying and addressing risks. Furthermore, we have established a framework to conduct 24/7 network monitoring, detect unusual activity in real time, and provide prompt response.

Process enhancement

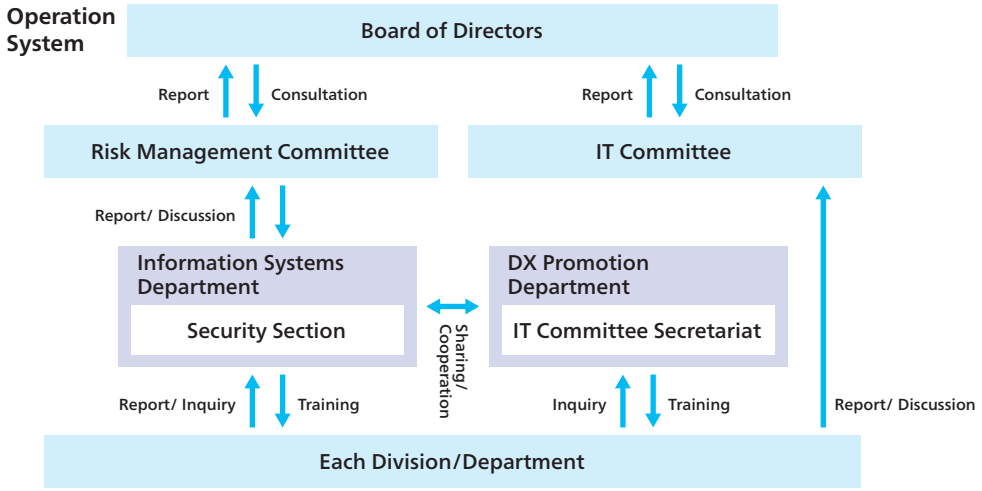


Speaking at an external information security event (2025)

As part of our business continuity planning (BCP) measures, we have established guidelines for emergency response in the event of an incident. The Information Systems Department has obtained ISO/IEC 27001 certification, the international standard for information security management systems, and operates in accordance with its security management standards. We conduct regular reviews and updates of our procedure manuals and regulations to adapt to changes in society and the business environment, as well as amendments to relevant laws and regulations.

In addition, as part of our external activities, we speak at third party information security events to demonstrate transparency regarding our security measure approach and efforts.

Going forward, we will also promote initiatives to enhance supply chain security in order to further strengthen safe and sustainable transactions.



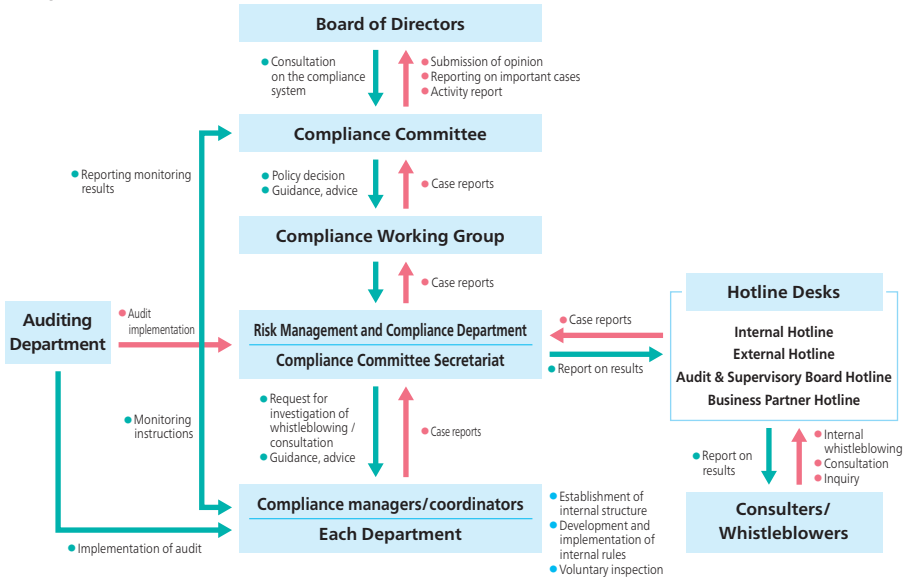
Compliance

Our Group sets legal compliance and adherence to social ethics as the most important policy (Compliance First) in conducting business, and regards this as the foundation of our corporate activities, committing to continuously instilling compliance awareness and advancing compliance.

Compliance promotion system

We have established the Compliance Committee, chaired by an Outside Director, as an advisory body to the Board of Directors. As part of measures to strengthen governance, we plan and propose initiatives related to our Group's compliance, such as enhancing training and information management systems, while reinforcing our monitoring system based on compliance regulations and striving to identify and improve issues. In October 2024, we established the Compliance Working Group as a subsidiary body to strengthen the functions of the Compliance Committee and ensure a swift and efficient response to compliance-related issues. In the event that a clear compliance violation occurs in the Group's operations, or if it is determined that there is a likelihood of such a violation, this subcommittee discusses the identification of issues and corrective measures. Accordingly, the Compliance Committee has decided to focus on reviewing measures from a Group-wide perspective, deliberating on important matters, and enhancing education and training, and has changed the frequency of its meetings from monthly to quarterly. As the body promoting everyday compliance, the Risk Management and Compliance Department has been established to plan and propose compliance initiatives, as well as to verify the legal conformity of new businesses, services, and products, etc., within our Group. Furthermore, compliance managers and coordinators are appointed at each division and subsidiaries and affiliates, building a system to actively execute compliance initiatives at the operational level, aiming to realize autonomous promotion of compliance.

Compliance structure



Autonomous promotion of compliance at each division and affiliated company

Compliance measures are proactively carried out by the compliance managers and coordinators at each division and affiliated company. When violations occur, they respond promptly. Response includes evidence collection, customer verification, facts confirmation with violating employees, and report to administrative authorities. The status of response measures is documented in a Compliance Violation Report and is reported to the Risk Management and Compliance Department. Compliance coordinators ensure thorough adherence to rules, establish an environment for immediate reporting upon discovering violations, and strictly prohibit any unfavorable treatment of employees who report or consult.

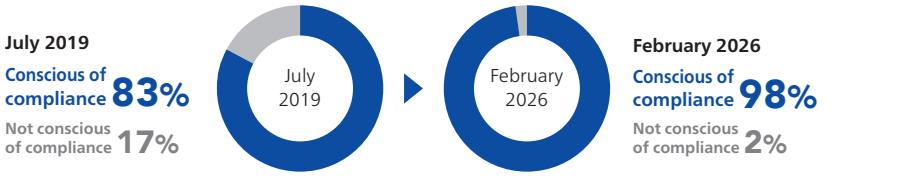
Response flow for compliance incidents

Incident report	Analysis and investigation	Measure to prevent recurrence	Monitoring	Training
The compliance coordinator prepares an incident report in the prescribed format and promptly submits it to the Risk Management and Compliance Department and the compliance manager.	The compliance manager leads fact-checking, and investigation and analysis of the causes of the reported incident.	The compliance coordinator develops recurrence prevention measures, and the compliance manager discusses the content with the compliance coordinator to provide guidance and advice.	Implementation status of the developed recurrence prevention measures is monitored on a regular basis. The details of responses and confirmations must be documented.	Training related to compliance promotion is implemented and compliance initiatives are communicated.

Compliance training

To promote awareness and strengthen knowledge acquisition for each and every officer and employee, we regularly conduct compliance training through group training and e-learning, tailored to the characteristics of each job level and role, focusing on understanding the basic concepts of compliance as well as timely themes such as harassment prevention and the handling of personal information, to address contemporary needs. We also further enhance compliance and ethical awareness in a regular and continuous manner by communicating information as appropriate in response to law amendments and relevant changes. Furthermore, to instill the idea that promoting compliance increases corporate value, we have made efforts to strengthen compliance awareness among all officers and employees by implementing mechanisms to evaluate compliance promotion initiatives and actions in our appraisal system, and by regularly providing multifaceted feedback. In July 2019, a message from the President and CEO announcing the adoption of "Compliance First" as a management policy was distributed. In the annual awareness survey, 98% of officers and employees responded that they are conscious of compliance in February 2026. This survey confirms that many officers and employees recognize the importance of compliance and are engaged in their work accordingly.

Awareness survey results



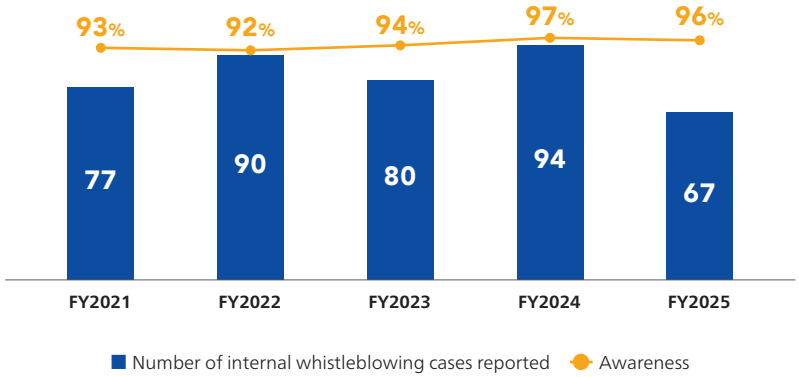
Compliance-related training and awareness activities

Details	Target	Number of times (annually)
E-learning for understanding the basics and importance of compliance, and Compliance First	Career hires	Any time
The basics and importance of compliance, and the Company's compliance structure	New graduate hires	1
Harassment prevention training	New graduate hires	1
Recurrence prevention survey	All officers and employees	1
Video training and e-learning on preventing sexual harassment	All officers and employees	1
Business division-specific compliance training	Relevant business division employees	4
Compliance awareness survey	All officers and employees	2
Harassment fact-finding survey	All officers and employees	2
Hotline-related survey	All officers and employees	2

Compliance hotline

For officers and employees who discover legal violations or misconduct, we have established three types of compliance hotlines for consultation and whistleblowing, with lines available internally (Risk Management and Compliance Department), externally (law firm), and for the Audit & Supervisory Board members (Audit & Supervisory Board). We have also set up a business partner hotline for our business partners with whom we have ongoing transactions. The internal hotline accepts reports via phone, email, letter, and in-person; the external hotline accepts phone, email, and letter; the Audit & Supervisory Board hotline accepts email and letter; and the business partner hotline accepts reports via dedicated reception form. All hotlines accept reports via email or the dedicated reception form without any restrictions on reception hours, enabling whistleblowers to make reports at any time. The President and CEO has distributed a message, notifying the internal whistleblowing system and use of the hotline. An annual survey targeting all employees found awareness of the compliance hotlines at 96% (previous fiscal year: 97%). The number of internal whistleblowing cases received in fiscal year 2025 was 67 (previous fiscal year: 94). We respond promptly by conducting fact-check investigations and quickly rectifying clear compliance violations.

Number of Internal whistleblowing cases / Awareness



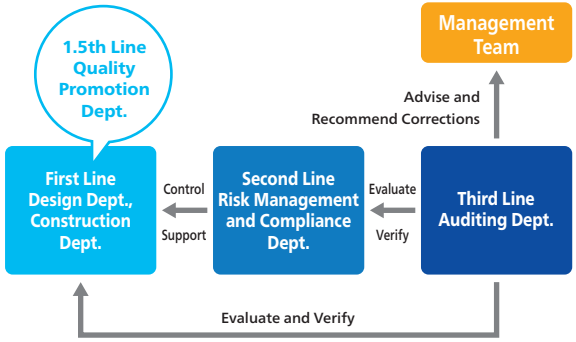
Measures to Prevent Recurrence

The Company has taken the construction defects problem that was uncovered in 2018 very seriously. Building on the lessons learned from that experience, we have formulated a three-pillar plan to prevent recurrence and have been steadily implementing it. Although the measures to prevent recurrence were completed in fiscal year 2022 as originally planned, we now move beyond simply marking them as completed and work to ensure they are continuously implemented as part of each division's daily operations and become deeply ingrained in our organizational culture.

Measures to Prevent Recurrence

Overview of recurrence prevention

We have been advancing a three-pillar approach that involves reforming our governance structure, strengthening our management framework, and restructuring our construction business management framework. Through our company's unique framework of Four Lines of Defense, we have established four tiers of defense—the First Line, 1.5th Line, Second Line, and Third Line—and we aim to achieve both transparent organizational governance underpinned by checks and balances provided by the Quality Promotion Department and the Risk Management and Compliance Department, and sustainable growth of the business. We will also continue to pursue continuous improvement by establishing a system that ensures the PDCA cycle operates seamlessly at every level of the organization.



The three pillars of recurrence prevention

To prevent the recurrence of construction defects problem, the Company is advancing three pillars in an integrated and comprehensive manner: "Governance Reform / Reform of the Corporate Culture," "Restructuring and Strengthening the Compliance and Risk Management Framework," and "Restructuring and Embedding the Quality Management Systems." These are designed not as individual measures, but rather as a mechanism that connects the functions of management, administration, and the front lines across the organization.

1 Governance Reform / Reform of the Corporate Culture

1. We fundamentally reviewed the composition and nomination process of the Board of Directors and carried out a major reshuffle of its members.
2. We established a Nomination and Compensation Committee led by Outside Directors to rebuild a robust governance structure that enhances transparency and independence.
3. Under the new management structure, we hold town hall meetings and engage in two-way communication with property owners to drive reforms in our corporate culture.

2 Restructuring and Strengthening the Compliance and Risk Management Framework

1 Compliance Committee　2 Risk Management Committee

3 Restructuring and Embedding the Quality Management Systems

1. Establishment of Quality Promotion Department (1.5th Line)
2. Operational improvements based on the Quality Control Manual
3. Clarification of quality standards
4. Strengthening inspection and supervision systems
5. Enhancing quality control through digital transformation

Future initiatives

Although we completed the initial phase of our recurrence prevention measures in fiscal year 2022, we do not view completion as the end goal. Rather, we are using this initiative as a starting point to integrate continuous improvement activities into our daily operations and ensure they become firmly established. Furthermore, by ensuring that the PDCA cycle continues to function seamlessly at every level of the organization, we will drive progress on two fronts: improving the quality of our operations and reforming our corporate culture.

1 Governance Reform / Reform of the Corporate Culture

- Strengthen mechanisms to embed MVVC and compliance-first mindset into our daily actions and decision making

2 Restructuring and Strengthening the Compliance and Risk Management Framework

- Strengthen the Group-wide risk management framework
- Continuously identify and rectify issues through the violation reporting system and the whistleblowing system

3 Restructuring and Embedding the Quality Management Systems

- Strengthen our systems to ensure quality, assurance, and reliability
- Promote consistent quality assurance from product development through to maintenance
- The Quality Promotion Department (1.5th Line) and the Risk Management and Compliance Department (Second Line) work together to integrate governance and field support
- Improve customer satisfaction and build up brand value through the use of DX, and ongoing training and audits