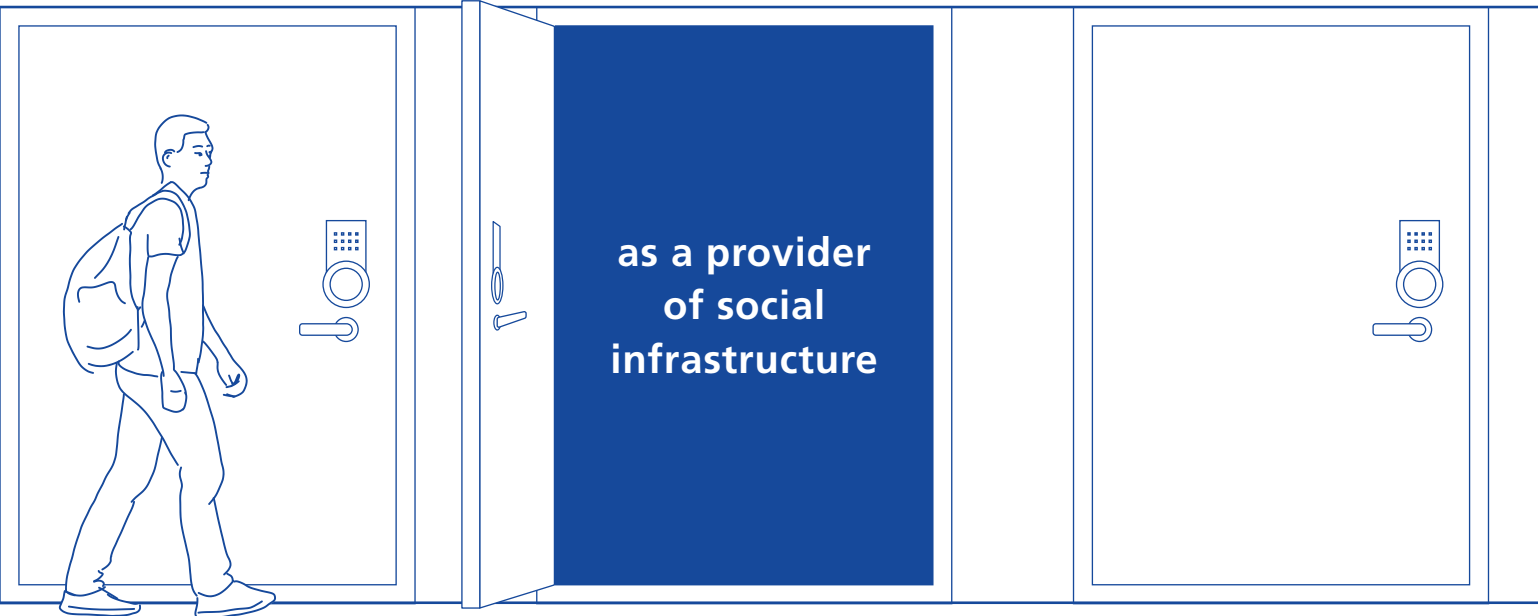
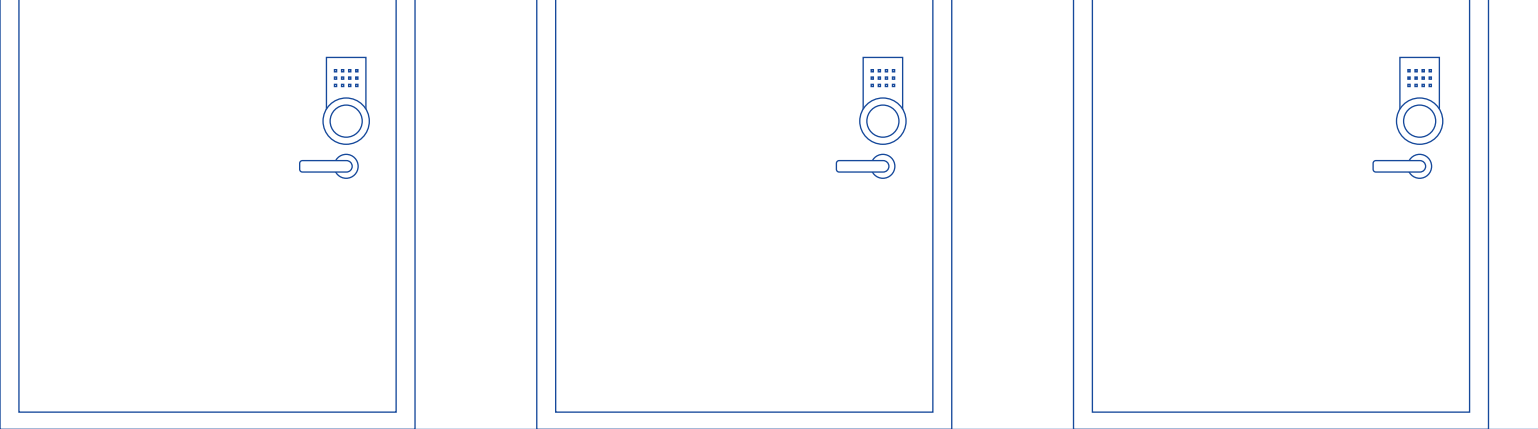


Leopalace21 Corporation

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<http://eg.leopalace21.com/>

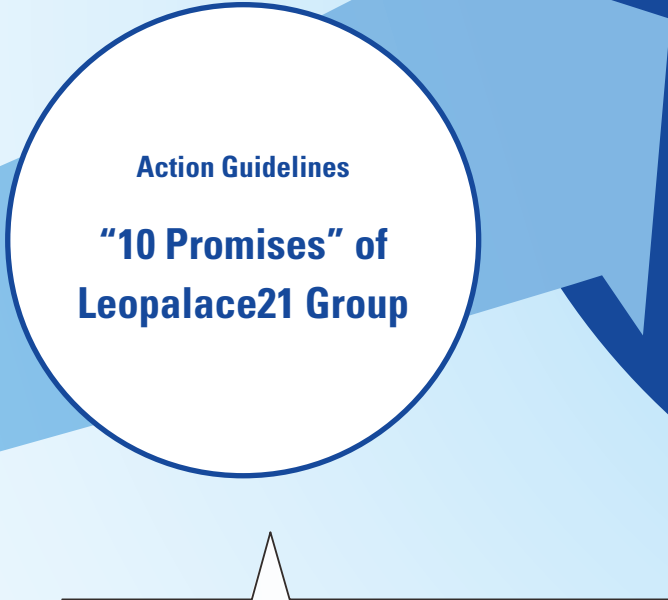


Leopalace21

Integrated Report 2021

For the fiscal year ended March 31, 2021

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



1. We will broadly contribute to society through continuous reform and the creation of new value.
2. We will aim to be a reliable and admired company with emphasis on equal opportunities and fair business practices.
3. We will prioritize serving our customers, and listen closely to what they have to say and identify their needs.
4. We will continue to provide valuable products and services in a timely manner, through constant innovation.
5. We will create a comfortable working environment where employees can fully exercise their skills and respect individuality and sense of values.
6. We will create a corporate culture where change and challenge is valued, and independence is respected.
7. We will provide appropriate returns of our results through fair, transparent and healthy business operations.
8. We will continue to grow through accurate identification of environmental changes, reforming our business model in a timely manner.
9. We will contribute to the development of society and the economy, by committing to high ethical standards and complying with the law.
10. We will diligently protect the global environment, and contribute to a prosperous society through corporate activities with close ties to regional communities.

Long-Term Vision

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

Editorial Policy

This report is published as an integrated report. The purpose of this report is to enable management to communicate its message to all our stakeholders. We seek to present our management strategy, priority measures, an overview of business conditions, etc. as well as inform readers about our sustainability initiatives. This report covers the fiscal year from April 1, 2020 through March 31, 2021 (fiscal year 2020). The scope is Leopalace21 Corporation (the “Company”) and its consolidated subsidiaries in Japan and overseas. Our aim is to publish to the extent possible the latest information available as of the publication date. With the aim of promoting deeper reader comprehension, the report includes macro-economic data relating to our businesses, and the “Data Compilation” section enables readers to understand trends to date. We take care to explain what we present in ways that are readily understandable so that the report serves as an effective communication tool that reaches our many stakeholders.

In this report, we focus on explaining how we are working to swiftly resolve the construction defects problem, enhance our purpose (significance of existence) as a company that provides social infrastructure with 570,000 apartments around Japan, and create value. We hope this report helps readers gain a better understanding of the Company.

Reference Guidelines

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

Forward-Looking Statements

Statements made in this integrated report with respect to Leopalace21 current plans, strategies, and future performance that are not historical facts are forward-looking statements involving risks and uncertainties. Leopalace21 cautions that a number of factors could cause actual results to differ materially from such statements due to a number of factors including, but not limited to, general economic conditions in Leopalace21’s markets; demand for, and competitive pricing pressure on, Leopalace21’s products and services in the marketplace; Leopalace21’s ability to continue to win acceptance for its products and services in these highly competitive markets; and movements of currency exchange rates.

To Our Stakeholders

First, I would like to express my sincerest gratitude to all of our stakeholders for your exceptional support.

Since assuming my role as President and CEO, I have given top priority to solving the problem of construction defects on our properties, and have been working on this with an unwavering determination. However, in the fiscal year ended March 31, 2021, the COVID-19 pandemic had a major impact on our operations leading to a sluggish occupancy rate. In order to make greater efforts to recover our business performance, we had no choice but to temporarily downscale our construction structure for addressing the construction defects. In addition, although we are progressing with the fundamental structural reforms set up in our business plan at the beginning of the said fiscal year, we deeply apologize that we have had a deficit for the third consecutive year.

Currently, we are continuing with fundamental structural reforms, promoting measures to improve our occupancy rate, and uncompromisingly reducing costs to return to operating profit in the fiscal year ending March 31, 2022. In addition, we have been steadily achieving the targets set out in the short-term repair work plans to fix construction defects.

At Leopalace21, we have social infrastructure for housing amounting to 570,000 managed units, which we have created together with 28,000 apartment owners. The apartment rooms are used as dormitories and company-provided housing by about 80% of Japan's listed companies. Based on the awareness that we have a role in maintaining this social infrastructure, it is our raison d'être (significance of existence) and social mission to firmly protect and further develop our good track record. In order to fulfill that mission, it is important to both resolve the problem of construction defects as well as achieve the business turnaround.

Dialogue with all stakeholders is essential for solving the problem and recovering our business. Therefore, I sincerely hope that this integrated report will be a catalyst for dialogue with you all.

I deeply ask for your continued understanding and support for the management of Leopalace21.



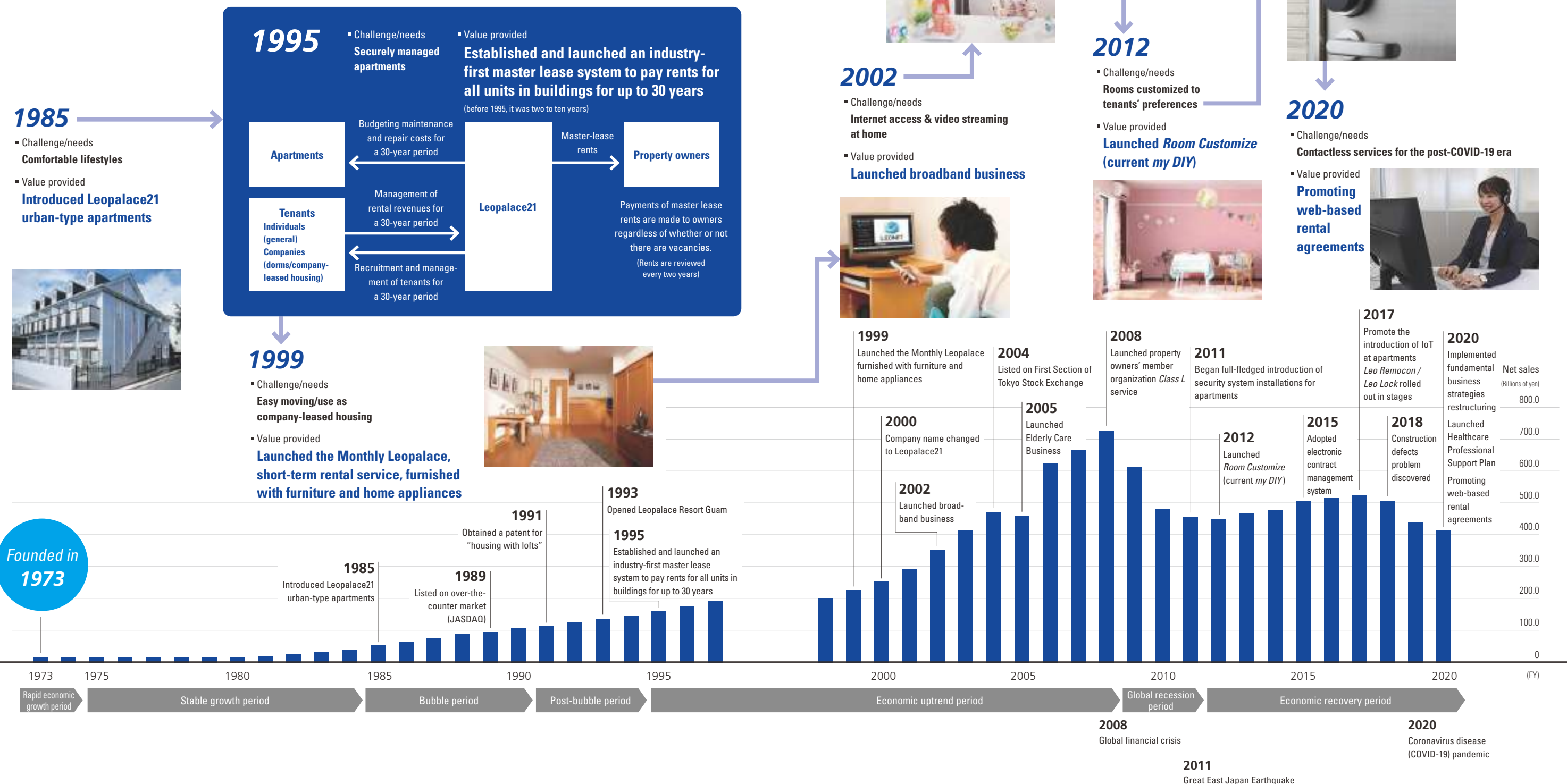
President and CEO

Contents

Cover 2	Our Purpose, Corporate Philosophy, Action Guidelines, Long-Term Vision
2	To Our Stakeholders
4	Our Journey in Value Creation
6	Value Creation Process
8	CEO Message
14	Source of Competitive Advantage
15	Apartments
16	Rental Expertise
17	Our People
18	Property Owners & Tenants
19	Business Partners
20	Business Model
21	Business at a Glance
22	Growth Strategy
27	Structural Reforms
28	Financial Strategy
29	Corporate Governance
30	Discussion at the Board of Directors
32	Corporate Governance System and Initiatives
34	Strengthening Our Management Structure
36	Initiatives Aimed at Improving Effectiveness
38	Compliance
40	Risk Management
42	Directors and Audit & Supervisory Board Members
44	Materiality
45	Leopalace21's Materiality Management
46	Leopalace21's Materiality Issues
48	Offer Rental Housing with Stable Operation
49	Respond to New Lifestyles in Preparation for the Post-COVID-19 Society
50	Maintain the Workable Corporate Governance System
51	Strengthen Compliance
52	Communication with Stakeholders
53	Work-Style Reform and HR Development
55	Respect for Human Rights
56	Attention to the Environment
58	Ten-Year Consolidated Financial Highlights
60	Financial Highlights
63	Non-Financial Highlights
64	Financial Section
118	Data Compilation
124	Corporate Profile

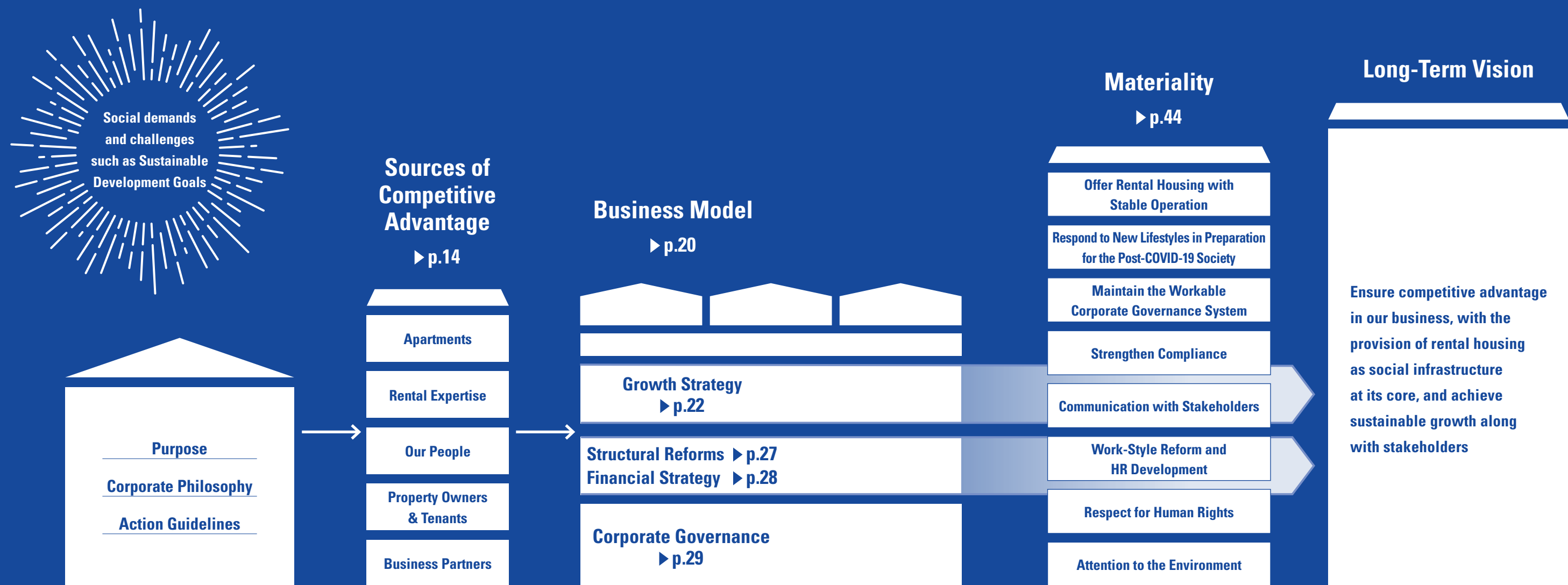
Leopalace21 has pioneered a variety of industry-first initiatives to provide new value to society

Ever since its establishment in 1973, Leopalace21 has pioneered numerous industry-first initiatives and addressed a variety of housing-related challenges and needs.



Value Creation Process

In the field of rental and other forms of housing, we will strive to solve social challenges by providing innovative services that meet the needs of the times and create new social value, while simultaneously achieving sustainable growth (expanding economic value) for Leoplace21.





Bunya Miyao, President and CEO

What is the Corporate Purpose of Leopalace21?

Due to the increasing trend of SDGs-related activities aimed at solving social issues, companies are required to clarify their corporate purpose, or *raison d’être* more than ever before.

Leopalace21 manages and operates approximately 570,000 rental housing units nationwide, mainly in the three major metropolitan areas, mostly targeting single-person households. Based on this, we believe that our corporate purpose is to provide high-quality housing as the basis of safe and secure living for about 20 million single-person households in our society.

In 1999, we started offering *Monthly Leopalace* with convenient furniture and home appliances for temporary use. By expanding rental housing equipped with furniture and home appliances as basic equipment necessary for living to a scale of 570,000 units nationwide, I believe we play a major role in facilitating the relocation of single-person households from an ecological perspective. Meanwhile, we adopted a 30-year master lease system to support the construction, management, and operation of apartments. I also believe it’s valuable that we have offered an option of managing apartment to property owners who are worried about how to handle inheritance taxes and asset inheritance.

We will continue to provide high-quality housing as the basis of safe and secure living under a business model that benefits both tenants and property owners.

Our Efforts to Address Construction Defects in Fiscal Year 2020

It has now been two years since I assumed a role as President and CEO. Looking back on the resolution of the construction defects problem, which has been a top priority since my taking office, our investigations of all properties were mostly completed in October 2019. After that, we have been proceeding with repair work, which we have prioritized since the problem became apparent. However, over the same period, our occupancy rate declined and business performance deteriorated, causing us great financial damage. To ensure the survival of the Company, we therefore decided to carry out subsequent repairs while proceeding with the rebuilding of our main business. For this reason, we have downscaled our construction structure since July 2020.

During the four months between September and December 2020, the COVID-19 pandemic impacted our construction work. Despite this, however, we were able to complete the repair works of 2,183 units, whereas our repair target during the period was about 2,000 units. In the following six months from January to June 2021, 6,002 units were completed (as of the end of June 2021), compared to the approximately 6,000 units targeted for repair work during that period.

Fiscal Year 2020 Earnings

The COVID-19 pandemic made fiscal year 2020 a tough year. Due to restrictions placed on human movement, such as two emergency declarations issued mainly in the Tokyo metropolitan area due to COVID-19, it was extremely difficult to acquire new tenants. By customer type, our mainstay corporate customers showed a decrease in personnel transfers, in the number of new graduates hired, and in usage needs due to the cancellation of business trips and training. With respect to individuals and students, we saw decreased demand from students due to the spread of online classes at universities. Foreign customers were restricted from entering the country due to COVID-19 border protection measures, and the number of new immigrants also decreased, impacting demand. According to our analysis, average occupancy rate for the fiscal year ended March 31, 2021 dropped by about 4.85% due to the impact of these factors.

In response to this, in addition to promoting web-based customer service and web-based contract signing, we have been promoting external sales in collaboration with real estate agents. However, the occupancy rate continued to decline, and our average occupancy rate during the fiscal year was 78.89% (the previous year’s result was 80.78%).

As a result, in fiscal year 2020, we had net sales of JPY 408.9 billion, an operating loss of JPY 29.1 billion, and a net loss attributable to shareholders of the parent of JPY 23.6 billion. Fiscal year 2021 is anticipated to be a difficult year for our business environment on the whole, and we are implementing even more drastic business structural reforms.

The Progress of Our Business Structural Reforms in Fiscal Year 2020

In fiscal year 2020, we carried out business structural reforms centered on selective concentration. As the basic strategy of this approach, we are shifting from a conventional business diversification strategy to a profitability focus strategy centered on the Leasing Business.

Specifically, in order to optimize our workforce, we have implemented the company-wide voluntary retirement program for the first time since the Company was founded. 1,067 people applied for the voluntary retirement program, and in addition, by revising our benefits package, etc., our annual labor cost has been reduced by about JPY 8.6 billion. We also transferred or withdrew from non-core and unprofitable businesses, withdrew from the hotel business in Japan, transferred 17 residences for rent, transferred subsidiary Enplus Inc. which was engaged in the relocation management business and SA (serviced apartment) business, and liquidated WING MATE CO., LTD. In our overseas business, we transferred a local subsidiary in Vietnam as well as the SA business owned by a local subsidiary in Thailand.

Furthermore, as a result of promoting sales of investment securities, we have reduced our cross-held shares to zero. In addition, we have eliminated the positions of counselor and advisor and shareholder special benefits. Regarding the resort business in Guam that was subject to sale, traffic to Guam has been restricted due to the impact of COVID-19, but we will continue with the withdrawal plan in anticipation of the end of the pandemic.

We are shifting from a business diversification strategy to a profitability focus strategy centered on the Leasing Business.



Financial Strategy

In November 2020, we raised funds from the Fortress Investment Group (FIG) as part of our financial strategy, as we faced a difficult financial situation in which we were concerned about capital deficit due to poor performance stemming from construction defects.

The total amount of funds raised was JPY 57.2 billion, which is broken down to a capital increase of approximately JPY 12 billion through third-party allocation, issuance of preferred stock of Leopalace Power Corporation, a consolidated subsidiary of the Company, of approximately JPY 15 billion, and loans with stock acquisition rights of approximately JPY 30.2 billion. As a result of this funding, FIG’s affiliate, Chidori Godo Kaisha, has become a 25% stakeholder. The funds procured are being used for repair work costs, and was used for repayment of subsidiaries’ borrowings and as corporate bond redemption funds.

Net assets at the end of the fiscal year were JPY 3.2 billion including financing during the year. However, as a result of funding by subsidiaries issuing preferred stock being recorded as non-controlling interests, under the criteria of the Tokyo Stock Exchange which deducts non-controlling interests from net assets, we currently have an excess debt of JPY 8.1 billion.

In addition, as part of our financial strategy for fiscal year 2021, we changed the total number of authorized shares in June of this year and reduced our capital (share capital reduction) in August.

Regarding the change to our total authorized shares, if the number of potential shares of stock acquisition rights were added to our current number of issued shares, the total number would reach 98% of our 500 million authorized shares, so we raised the total number of authorized shares to 750 million. We believe that this increase will enable flexible financing in the future. Additionally, in our share capital reduction, 81.1 billion yen of our capital stock of 81.2 billion yen was reduced by transfer to capital surplus, the total of which is now 100 million yen.



Due to our difficult financial situation, we raised funds in November 2020 as part of our financial strategy.

Fiscal Year 2021 Business Outlook

For fiscal year 2021, with improvement of occupancy rate towards reconstruction and recovery of business performance as our highest priority, we will promote countermeasures focusing on three pillars: (1) Promotion of area-based strategy, (2) Recovery of room usage balance by corporate clients (intensified connections with existing customers), and (3) Stronger relationships with real estate agents.

With respect to (1) Promotion of area-based strategy, the whole country is divided into seven areas, and one manager, who is equivalent to the CEO there, is assigned to each area. The area manager aims to improve the occupancy rate with the optimal area strategy such as the setting of rent and promotion based on the characteristics of the corresponding area. At the same time, each area manager controls the income and expenditures of the properties in the area for which they are in charge and improves both sales and profits, working to improve both occupancy rates and earnings for our properties.

Regarding (2) Recovery of remaining room usage by corporate clients (intensified connections with existing customers), we will shift from acquiring new customers to expanding the number of our rooms used by existing customers. For corporate clients that are worried about construction defects, we will explain the safety of properties which have been confirmed through combustion experiments, formulate and promote sales strategies for each corporate client, and expand sales activity by top managers themselves.

Furthermore, for (3) Stronger relationships with real estate agents, the ratio of rental contracts through agents which was only 10% in the past, has been significantly increased by utilizing agents referred to by Village House under FIG. By proceeding simultaneously along with the elimination and consolidation of directly managed leasing sales offices, we will optimize contract costs and expand contract opportunities. We have achieved results to a certain extent: the occupancy rate at the beginning of the fiscal year, which used to be lower compared to March at the end of the previous fiscal year, remained almost unchanged from April to August 2021.

Through these measures, we aim to raise the year-end occupancy rate for the fiscal year ending March 2022 to 85.92% (81.72% at the end of the previous fiscal year) and the average occupancy rate to 81.65% (78.89% over the previous year). We are planning to return to profitability on an operating income basis with net sales of JPY 402.9 billion and operating income of JPY 2.0 billion.

New Reforms in Fiscal Year 2021

Based on the business structural reforms centered on selective concentration carried out in fiscal year 2020, in fiscal 2021 we will work on reforms in the two main areas: thorough and rigorous cost reviews by our in-house task force and negotiations on reviewing rents payable to apartment owners in accordance with the master lease contracts.

Our in-house task force was launched in April 2021, the members of which were selected from each business division. Its role is to review each and every cost item one by one, thoroughly manage costs, and strengthen our profitability.

On the other hand, in response to the new subleasing law that came into effect in December 2020, we began to review the rents, which had been frozen at least since the problem of construction defects were discovered. In cases where there is a discrepancy with surrounding rent markets while looking at actual circumstances such as the economic situation and the age of property, we are reviewing the master-lease rents based on the respective contracts with the owners. We have begun to explain and negotiate how to update the master-lease rents, first with the owners whose fixed rents are about to be revised starting from April 2021.

When this is combined with the reduction of costs and selling, general and administrative (SG&A) expenses by our in-house task force, we anticipate a cost reduction effect of JPY 37.1 billion compared to fiscal year 2020.



We will promote thorough and rigorous cost reviews by our in-house task force and the negotiations on reviewing master-lease rents for apartment owners.

Strengthening Governance and Compliance, Including Recurrence Prevention

Our aim is to recover business performance by promoting fundamental business structural reforms, but we believe it is also very important to prevent the recurrence of construction defects that led to the deterioration of our business performance. For this reason, we are working to strengthen governance and raise compliance awareness of our employees.

First, in terms of corporate governance, the majority of the Board of Directors is comprised of outside directors. Three internal directors and five outside directors are appointed (three of whom are independent outside directors). In addition, we are strengthening and monitoring the functions of the Board of Directors, mainly through the operation of the Nomination and Compensation Committee by four outside directors and the President and CEO, and evaluation of the effectiveness of the Board of Directors and the Audit & Supervisory Board. Furthermore, regarding our risk management system, we have established a system to thoroughly manage potential risks. Out of 50 items of recurrence prevention measures, 44 items have been completed, and we are continuing to work on the remaining six items.

On the other hand, regarding raising awareness of compliance, we have set “Compliance First” as one measure to prevent a recurrence, and have established a Compliance Management Headquarters as one of the four

headquarters that constitute the corporate structure. May 29th of every year has been designated as *Change Day 5.29*. On May 29, 2020, our second observing the regrettable anniversary, we conducted an employee awareness survey “*Change Day 5.29* Recurrence Prevention Questionnaire” motivated by Change Day, and I sent employees a message from the CEO on the Company intranet. We will continue to raise awareness while positioning May 29 as the day to pledge to prevent a recurrence. In addition, we are now able to get a good idea of the results of our awareness-raising efforts from the “Awareness Survey on Daily Work” conducted for all employees. Owing to the efforts, violations of laws and regulations and harassment cases have decreased, and workplace atmosphere has become more transparent and open.

For Our Stakeholders

Our business model would not be possible without partnerships with apartment owners. We may make requests that do not meet their expectations as we work toward the reconstruction, but we are making every effort to establish a win-win relationship over the long term, and we humbly request their understanding. As for employees, we will definitely reward their contributions to the recovery of business performance once it is complete, and we request their continued efforts.

We have caused a great deal of inconvenience to our shareholders, such as a slump in stock prices and ongoing non-payment of dividends. However, the social significance of our Company and the social value we are creating will surely lead to economic value, so their continued patience until our business performance recovers will be highly appreciated.

Even amid the current difficult situation, there are some positive signs such as the recovery of our occupancy rate. We sincerely ask for the continued understanding and support of all of our stakeholders for the Company’s management.

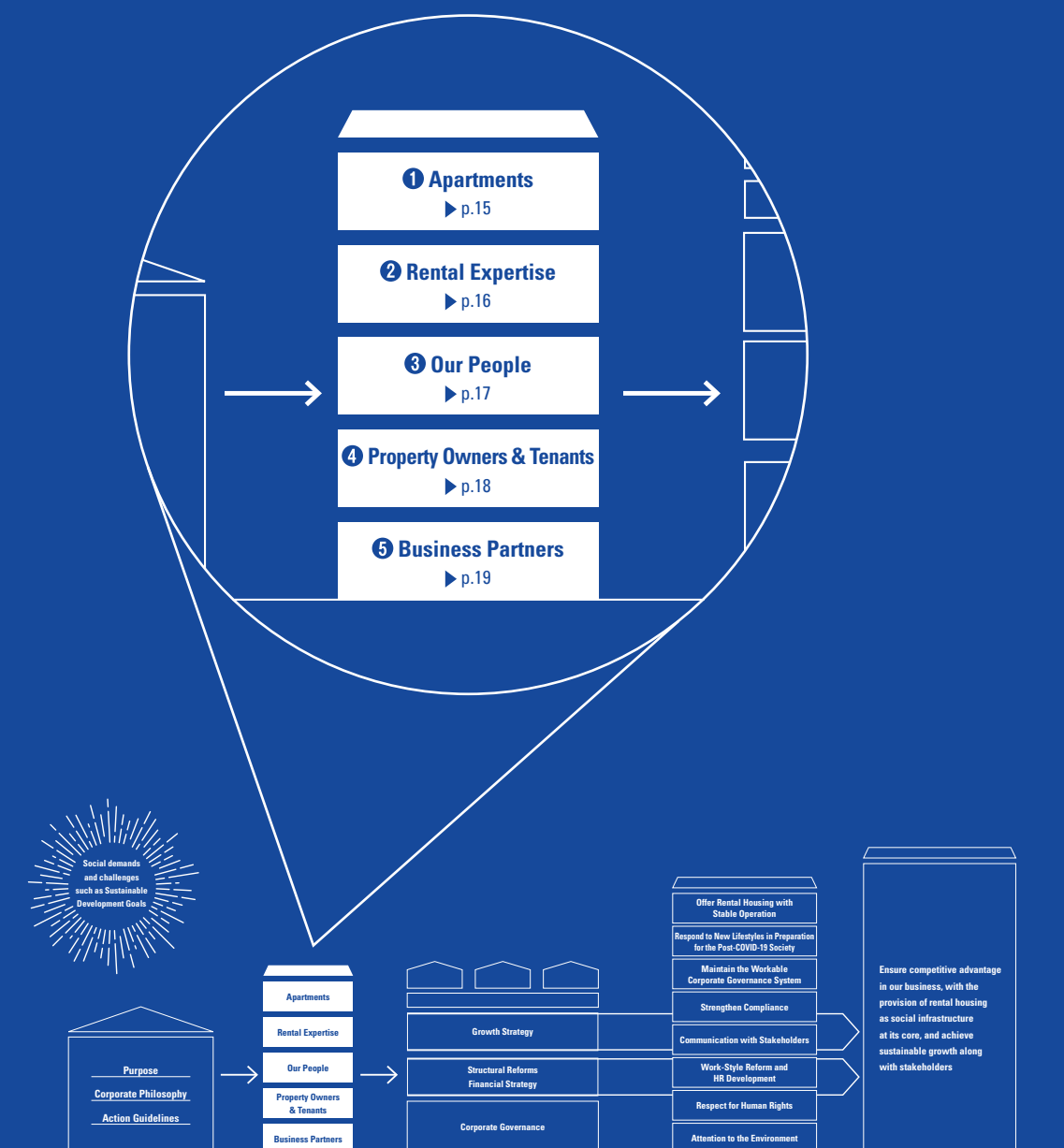
Bunya Miyao
President and CEO
September 2021



Source of Competitive Advantage

The Competitive Advantage of Leopalace21

Leopalace21 possesses capital with competitive advantage, such as 570,000 units under management, over forty years of accumulated rental expertise, talent with flexible mindsets, and partnerships with property owners and business partners.



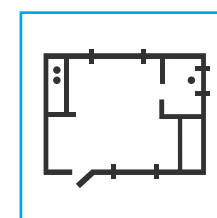
Source of Competitive Advantage ①

Apartments

Top lease management units for single-person households in the industry



Specialized in studio apartments with **570,000** units nationwide



Homogeneous floor plans as a stable service



Equipped with **furniture, home appliances, and internet** in principle

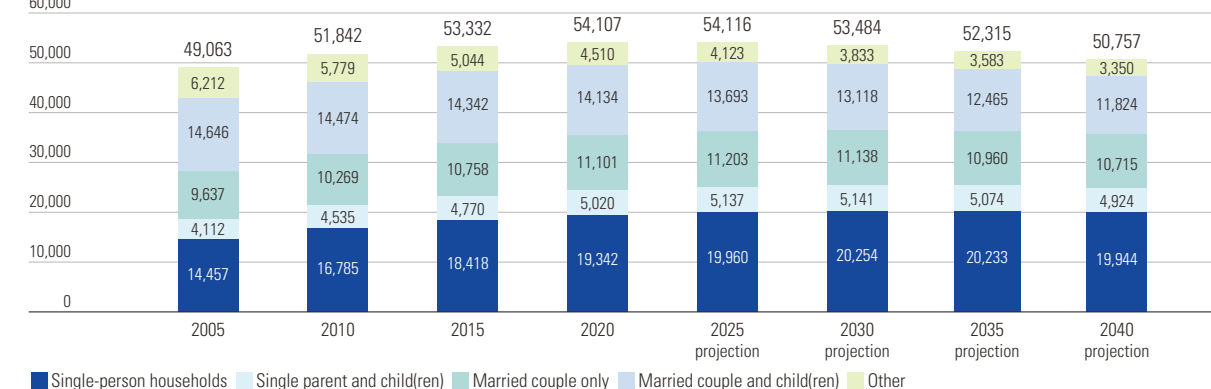
approx. **270,000** units are used by corporate tenants

approx. **80%** of listed companies use units as **dorms or company-leased housing**

While the Japanese population as a whole is in decline, single-person households are forecast to increase in future

Number of private households by family type

(Unit: thousand households)
60,000



Source: Household projections for Japan (2018) by the National Institute of Population and Social Security Research

Source of Competitive Advantage ②

Rental Expertise

Unparalleled and original rental expertise
upgraded in accordance with changing times

Innovative products & services

Units equipped with
furniture and
home appliances:
approx. **95%**

Units equipped
with internet:
approx. **98%**

Installation of
Leo Lock among
eligible units
(eligible units are those
completed since October 2017):
100%

Note: *Leo Lock* is an electronic key that
enables locking/unlocking and
confirmation via smartphone

Total *my DIY* cases:
approx.
50,000

Note: *my DIY* is a service that allows
tenants to change one surface of
wallpaper for free

High-quality service that meets needs

Japanese-language
call center
operating hours:
24 hours

Number of foreign
languages
supported:
6

Units with security
systems installed:
approx.
315,000

Buildings with
security cameras:
approx.
15,000

Directly managed
leasing sales
offices:
111

Monthly cleaning
visits:
4

Periodic property
inspections:
1 per year

Contracts through
corporate housing
services:
220 companies;
approx. 79,000 units

Tenant matching capabilities that leverage cutting-edge technology

Total online customer
service cases (online
viewings, interviews):
approx.
16,000

Total number
of web-based
contracts:
17,000

AI property search
(automatic proposal
of properties)

Note: The AI property search imports
room search requests and au-
tomatically distributes property
information that meet preferences

*As of the end of June 2021

Source of Competitive Advantage ③

Our People

Bringing in diverse talent to carve
out a new era with flexible ideas

Shifting the focus from new graduates to mid-career recruitment

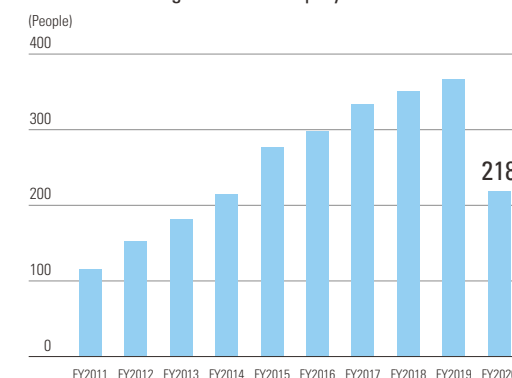
Proportion of
mid-career hires in
the fiscal year ended
March 31, 2016:
54.0%

Proportion of
mid-career hires in
the fiscal year ended
March 31, 2021:
94.2%

Ever since launching Leopalace21 urban-type apartments, which were revolution-
ary at the time in 1985, we have provided novel products and services, such as
short-stay plans and apartments equipped with furniture and home appliances.
With a master lease system to pay rents for all units in buildings for up to 30
years, we have established a business model that provides a one-stop service
handling everything from apartment construction to lease management. It was the
employees who contributed the business model creation and execution by their
understanding of our strengths through experiences that they built up since joining
the Company as new graduates. Recently, we have been shifting the focus from
new graduates to mid-career hires in our recruiting in response to our transition to
a business portfolio centered on the Leasing Business. By promoting mid-career
hiring, we will increase the diversity of our people and enhance our ability to
generate innovation by utilizing a variety of ideas, concepts, skills, and knowledge.

Ensuring diversity and meeting customer needs by hiring foreign national employees

Number of foreign national employees



Leopalace21 believes that a workforce of people from a broad array of back-
grounds with diverse values helps create new value, and greatly contributes to
the growth of our company. In addition, multilingual customer support is needed
in response to the increase in the number of foreign national workers and interna-
tional students in Japan. In order to secure the diverse talent needed to achieve
this, we have been proactively recruiting foreign national employees. As of the
end of March 2021, we employ 218 foreign nationals, which is a decrease on last
year due to the transfer and liquidation of subsidiaries related to the International
Business. While most of our businesses focus on domestic demand, we will con-
tinue to employ a certain number of foreign national employees in order to ensure
diversity and address customer needs.

Source of Competitive Advantage ④

Property Owners & Tenants

Sharing goals
with property owners

Bringing comfort and
peace of mind to tenants

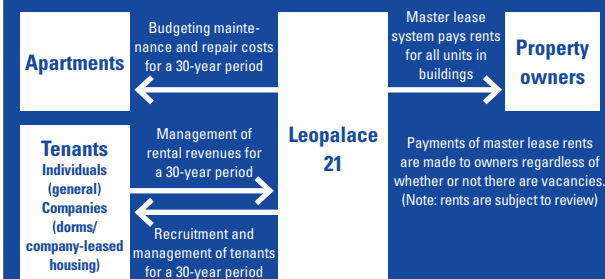
In partnership with 28,000 property owners throughout Japan

Our rental apartment management is an ultra-long-term land use project. Relationships of trust with property owners are crucial to ensure smooth project management.

Nationwide rollout centered on master lease to pay rents for all units in buildings for up to 30 years

We have established a subleasing business model whereby apartments are built on landowners' land, we lease the constructed apartments for 30 years and rent them out to customers, and we pay the property owners (landowners) rent for 30 years.

Master lease system to pay rents for all units in buildings for up to 30 years



Class L Operation

We previously ran *Class L* as a voluntary membership organization for property owners and provided various services, but in April 2021 we waived annual fees and upgraded it to an organization for all of our property owners. By offering a wide range of services to enhance the lives of property owners, we provide a satisfying service lineup for both property owners and their families as a partner that supports the life stages of property owners.

Dialogue with customers through "Customer's Voice"

We distribute an article of "Customer's Voice" internally once a month on the intranet. It is for the purpose of boosting employee engagement and fostering a customer-oriented culture as well as improving the quality of customer service at leasing sales offices, by sharing customers' feedback throughout the Company. The article announces the winners of Outstanding Customer Service Award (individual/leasing sales office), given to those who have been recognized to provide excellent customer service based on responses from customer surveys conducted when customers come to leasing sales offices, and the moth's Spotlight Award while containing tips for improvement and real customers' feedback.



Corporate
customer's voice

Going forward, I have high hopes for products that meet a wide variety of needs, such as more properties and properties that allow pets.

Our company has a lot of staff transfers, and many of our employees are single, so a high percentage of our workforce lives in company-leased housing. Our partnership with Leopalace21 goes back for quite some time. We find it very helpful how Leopalace21 reduces our expenses, makes speedy bulk proposals for the arrangement of rooms for our new graduate intake in April, and how their staff are swift and flexible in their work. I also get the impression that the company is very thorough in handling compliance issues when handing over keys in particular.

However, I do think we would be able to use Leopalace21's services even more in future if they had products that meet a wide variety of needs, such as more properties and properties that allow pets, in order to eliminate mismatches with demand.



KUSURI NO AOKI Co., Ltd.
General Manager,
General Affairs Department
Mr. Daisuke Hasegawa

Source of Competitive Advantage ⑤

Business Partners

Providing value through collaboration
with our business partners

Working together with business partners to promptly resolve the construction defects problem and maintain apartment quality



Number of business
partners involved in building
and facility construction:

approx. 550



Number of
cleaning visit partners:

approx. 100



Number of
house cleaning partners:

approx. 80



Number of
property maintenance
partners:

approx. 1,050

Supplier's voice

Let us, a business partners and Leopalace21 come together to work as one.

Our relationship with Leopalace21 goes back around 25 years, and is primarily centered around maintenance work. We cover the Kanto, Chubu, and part of the Kyushu regions, so I imagine we are one of top companies in terms of the number of properties we handle. In various initiatives, we have been able to help establish maintenance services through mutual exchange of opinions. We are reassured by our stable relationship with Leopalace21, and their vendor-friendly system puts our mind at ease. We are ready to give our all as a business partner, so let us work together as one.



JESS Co., Ltd.
President and
Representative Director
Mr. Takashi Matsumura

We will work on property management while seeing ourselves as "apartment concierge."

We have been engaged in cleaning the common areas of Leopalace21 properties ever since the company started its apartment business. We make sure to be careful in our work in order to ensure that a wonderful living environment is provided to tenants and that property owners can entrust their valuable assets with peace of mind. Through regular skills training and meetings with Leopalace21 staff, we are committed to developing human resources who can sincerely respond to customer expectations. Going forward, we will continue to see ourselves as "apartment concierge" and work on property management in partnership with Leopalace21.

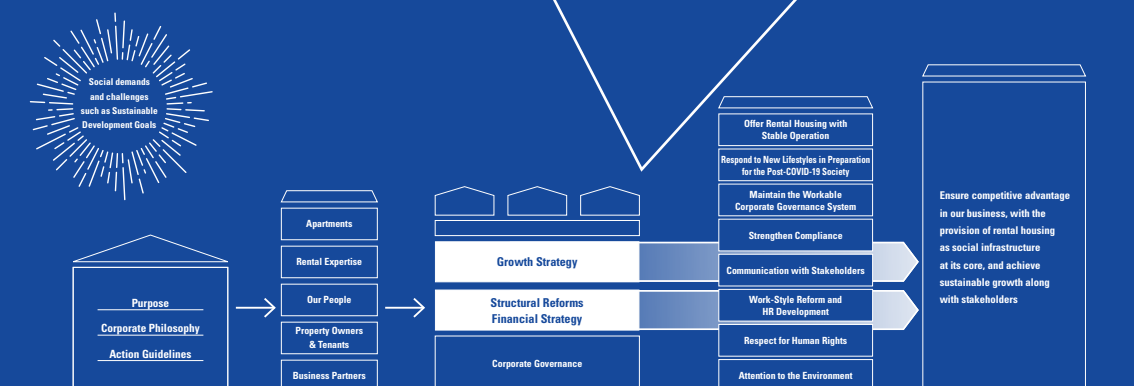
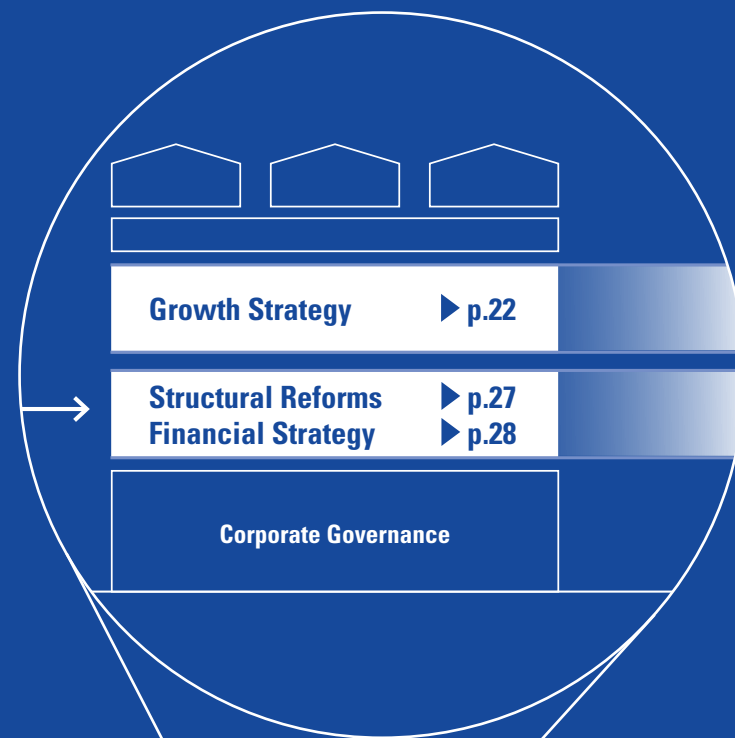


MCS Co., Ltd.
Representative Director
Ms. Michiyo Endo

Business Model

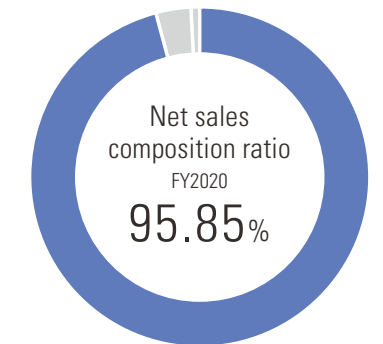
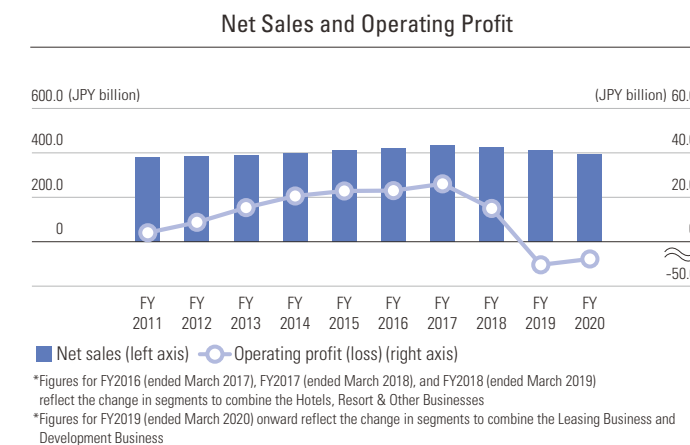
About Leoplace21's Business Model

With rental expertise as our core competence, we have established an original business model that integrates the core Leasing Business with the strategic Elderly Care Business.

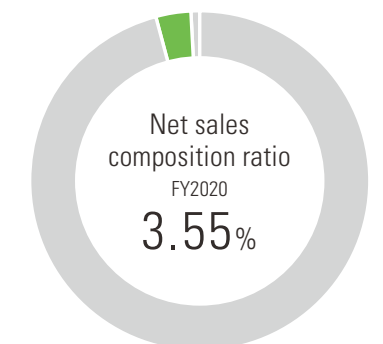
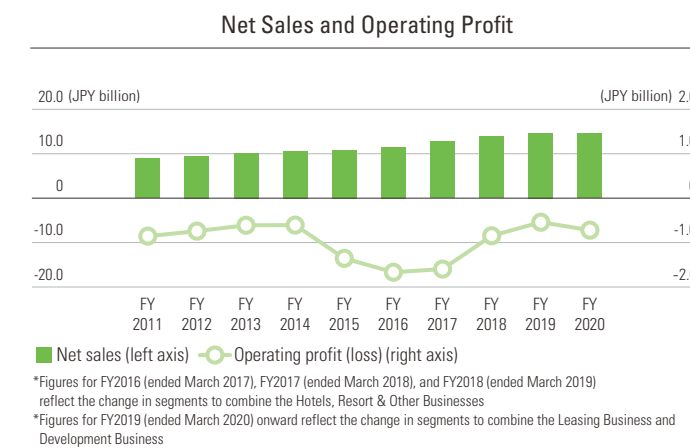


Business at a Glance

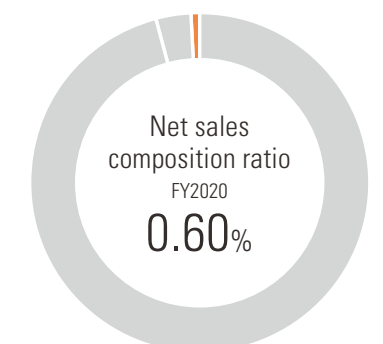
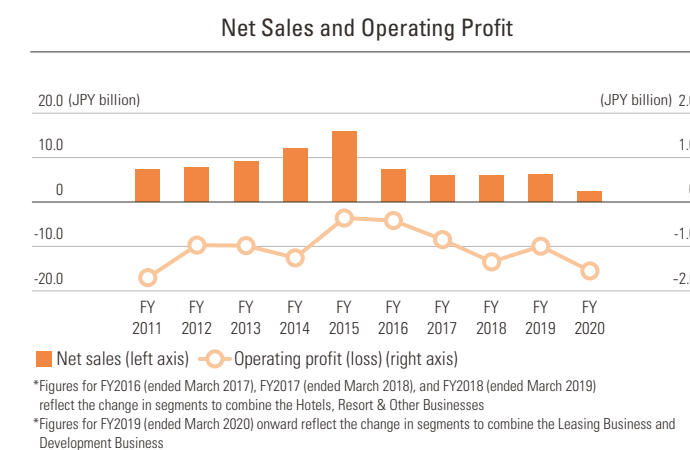
Core Business (Leasing Business)



Strategic Business (Elderly Care Business)



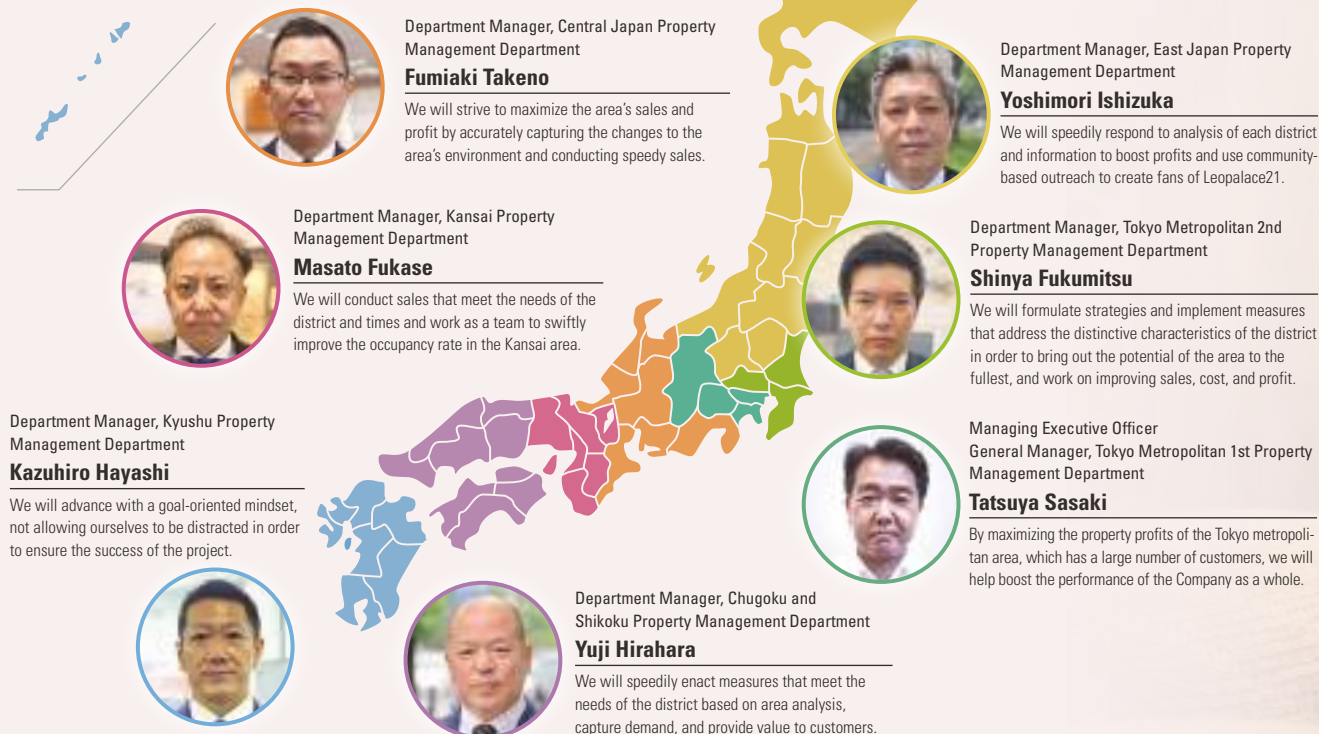
Non-Core Businesses (Other Businesses)



Growth Strategy: Securing Stable Occupancy Rates

Measures to Boost Occupancy Rates (1) Area Intensive Strategy

We will switch from a uniform nationwide strategy to a strategy to achieve optimal sales in each area, and aim to increase the number of corporate and individual contracts as well as the balance of occupied units.



Measures to Boost Occupancy Rates (2) Deepen Relationships with Existing Corporate Customers

We will aim to uncover demand from corporate clients and secure recovery in the balance of occupied units by promoting top-level sales, implementing strategies for each corporate customer, and strengthening ties with company housing agencies.

Message from Corporate Sales Department Manager

Radically Reforming the Conventional Approach

We will be executing a strategy to radically reform our conventional approach. Returning to where we started, we will team up with planning and sales departments to roll out top-level sales and other individual measures that meet the needs of each customer.

In order to recover the trust lost due to the construction defects problem, we will strengthen communication in addition to establishing a status as the "brains of company-leased housing strategy" and boost company-leased housing share of Leoplace21 and achieve an increase the balance of occupied rooms.



Department Manager, Corporate Sales Department
Naomichi Mochida

Appointment of area managers

Divide the country into seven areas, and appoint an area manager who is responsible for strategy in each area

Up until now, we had executed a uniform, nationwide sales strategy, but we have decided to split the country into seven areas based on the belief that executing detailed strategies that meet the circumstances of each area will be an effective way of boosting occupancy rates. We reformed our system to appoint area managers, who will function as a CEO of each area. These managers will be responsible for strategies that leverage the unique characteristics of each area.

Area strategies and promotions

Implement strategies and promotions that meet the unique characteristics of each area

The characteristics and needs of tenants differ by area. We will therefore work to ensure optimal performance by implementing the necessary strategies and promotions to the target in each area. The crux of the new strategy is moving away from Headquarters-led operation to enable each area to work with speed on deciding how to interact with customers, collect information, and put it into action.

Sales, cost, and profit management for each area

Implement sales, cost, and profit management for each area, and work to improve profitability with an independent profitability approach

In addition to executing sales strategies that meet the unique characteristics of each area, management of sales, cost, and profit will also be conducted by each area. The area managers will also be responsible for deciding how to improve profit, including management costs such as restoring a property to its original state and cleaning, and will work to raise the overall level of earnings by boosting occupancy rates with an eye to enhancing net sales and profit.

Implement top-level sales

Aim to secure a status as the "brains of company-leased housing strategy"

Under our corporate client sales strategy, we will promote top-level sales by the management team and strengthen the connection with our customers. In order to return to where we started and become the "brains of company-leased housing strategy," we will establish a win-win relationship with customers while solving the issues they face.

Formulate and promote strategies for each corporate customer

Aim to encourage room use by devising and promoting strategies that meet the unique characteristics and needs of customers

We had previously used a uniform strategy for corporate clients. We will change to an approach where we perform an in-depth analysis of customer industry type, area, and characteristics and devise strategies for individual corporate customers as with area intensive strategy, that address the issues and needs of each customer to build a win-win relationship.

Strengthen ties with company housing agencies

Shift from a fully in-house system to a strategy of collaboration with company housing agencies

Up until now, we have carried out sales activities while keeping everything in house. In order to pioneer new fields, we will collaborate with agents to promote the use of rooms among companies with which we do not yet have business. We aim to further increase the number of contracts by reinforcing our relationships.

Growth Strategy: Securing Stable Occupancy Rates

Measures to Boost Occupancy Rates (3) Strengthen Ties with Real Estate Agents for Individual Customers

We will strengthen ties with real estate agents to uncover potential customer segments spread across the country. Through this measure, we will aim to facilitate growth in the number of contracts for individuals.



Securing More Foreign National Customers and Services for Foreign National Workers

We have been focusing on the growing demand from foreign national customers, such as the international students and foreign national workers who are increasing in number every year, and are working to strengthen our measures to gain customers from this customer segment.



Partnership and collaboration with Fortress’s subsidiary

Partner and collaborate with Village House, a rental housing management company under the umbrella of Fortress, to strengthen sales activities to real estate agents who offer properties

As part of measures to boost occupancy rates, we will partner and collaborate with rental housing management company Village House, which is a subsidiary of the Fortress Investment Group from which we procured funds. Village House manages low-cost rental housing throughout Japan, and has a network of approximately 3,800 stores run by partner real estate agents. Until now, we have responded to requests for housing through directly operated leasing sales offices as well as approximately 3,000 partner real estate agents, but the focus was on directly operated leasing sales offices. By making offerings of our properties possible through Village House partner stores through the start of this collaboration, we can expect to expand the range of our potential customer base and, as a result, growth in the number of contracts.

Number of contracts with real estate agents:

7,646

approx. 40%
YoY growth

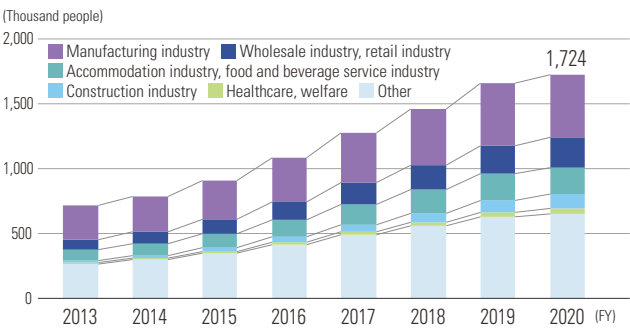
Note: Based on results for Q1 of the fiscal year ending March 2022

Efforts to secure foreign national customers (1)

Labor shortages mean that the number of foreign national workers will continue to grow

The number of international students is experiencing overall yearly growth, and while the COVID-19 pandemic led to a slight stagnation in FY2020 in the number of foreign national workers to address domestic labor shortages, their number is on the rise. In light of these trends, we expect that rental demand from foreign customers will remain firm.

Number of foreign national workers



*Status of reporting on the employment of foreign workers by employers (as of October 31, 2020), Ministry of Health, Labour and Welfare

Efforts to secure foreign national customers (2)

Multilingual rental website and enabled rental agreements signed without having to meet face-to-face

Demand from foreign national customers is growing, and their nationalities are becoming increasingly diverse. On our rental website for tenants, property display and search can be performed in five languages, including English and Chinese, and we have established a system that allows tenants to sign rental agreements with peace of mind without having to meet face-to-face before they arrive in Japan.



Growth Strategy: Providing Housing as Social Infrastructure

Post-COVID-19 Strategy

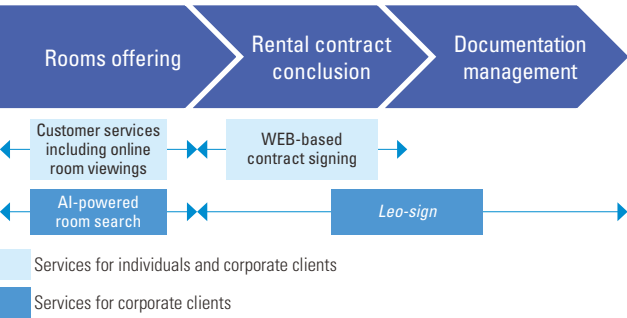
Avoiding the “three Cs” (closed spaces, crowded places, and close-contact settings) is key when dealing with COVID-19, and it will continue to be an effective post-COVID-19 strategy. We will therefore push forward with progress on web-based contracts.

Post-COVID-19 strategy (1)

Promoting web-based rental contracts

Avoiding the “three Cs” is key to preventing infection of COVID-19. We will therefore continue to promote web-based rental contracts even though they are usually signed in person. We started using web-based rental agreements in June 2019, and we will promote remote support further by expanding the use of service.

Introduced advanced IT in each step of rental contract conclusion to promote smarter contract signing and management

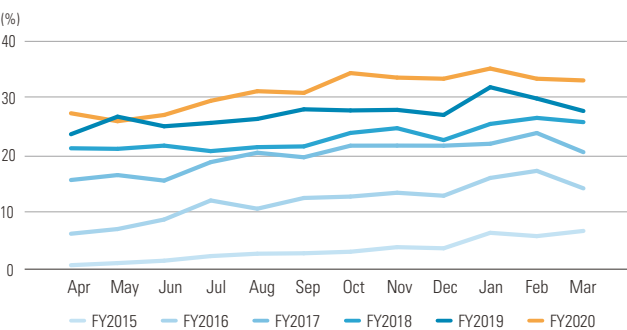


Post-COVID-19 strategy (2)

Leo-sign (electronic contract management system)

As with face-to-face contract signing, the Japanese business custom of stamping contracts with a *hanko* seal remains strongly rooted. With an eye to the post-COVID-19 world, however, we will aim to boost uptake of *Leo-sign* as part of efforts to increase proportion of admin-saving online tasks. We introduced *Leo-sign* in 2015, and it has been already employed for over 30 percent of corporate contracts. We will promote remote rental contract signing by further boosting use of the system.

Proportion of corporate contracts using *Leo-sign*



Structural Reforms

: Returning to Profitability in Operating Profit and Eliminating Excess Liabilities

Strongly Pushing Forward with Structural Reforms Such as Shifting to a Leasing Business-Focused Strategy, Transferring or Withdrawing from Non-Core and Unprofitable Businesses, and Optimizing the Workforce

By thoroughly implementing structural reforms, we are aiming to achieve profitability in operating profit for the fiscal year ending March 2022, profitability in net income and eliminating excess liabilities by the fiscal year ending March 2023.

Structural reform (1)

Initiatives in the fiscal year ended March 2021

Under the drastic structural reforms that were started in June 2020, we have promoted transfer or withdrawal from non-core and unprofitable businesses; we sold domestic hotels and company-owned apartments, transferred Enplus Inc. and the Company's subsidiary in Vietnam, liquidated WING MATE CO., LTD. and the Company's subsidiary in Thailand, and sold investment securities among other activities. We also implemented our first ever voluntary retirement program in an effort to optimize our workforce and reduce costs. In addition, as part of our efforts to clarify management responsibility and reform governance, we have made changes in the management team, curtailed officer compensation, and made redundant the positions of counselor and advisor.

- Completed withdrawal from hotels business in Japan
- Transferred or withdrew from, non-core and unprofitable businesses (transfer of Enplus Inc. and the Company's subsidiary in Vietnam, liquidation of WING MATE CO., LTD. and the Company's subsidiary in Thailand)
- Sold assets (selling investment securities and company-owned apartments)
- Optimized workforce (voluntary retirement program)
- Fulfilled management responsibility (curtail officer compensation, make redundant the positions of counselor and advisor)

Structural reform (2)

Establishing an internal task force team

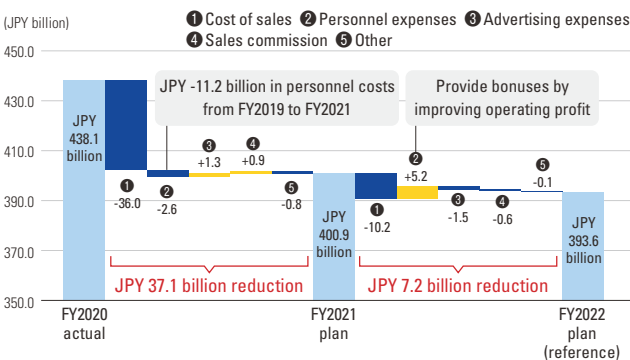
In terms of profit structural reforms in the Leasing Business, we will reduce lease operating costs and construction and real estate costs as well as carry out cost reductions across the entire company with no field left untouched. In order to realize these cost reductions, we will ensure thorough cost reductions and management by setting up an internal task force and revise the operational process through the

dedicated team. In particular, in terms of lease management costs, we will aim to ensure cost reductions to the scale of JPY 5 billion per year by rationally revising the way we manage costs for rental properties, such as the costs associated with cleaning and restoring room to its original state.

Cost reduction measures from the fiscal year ending March 2022 onward

Continuing the radical structural reforms that have been introduced since the fiscal year ended March 2021, we will concentrate managerial resources on the core Leasing Business while striving to secure stability from both a business and financial perspective.

In addition to cost reductions, we will work to proactively save costs in terms of advertising expenses, as well as sales, general, and administrative (SGA) expenses, which have seen increasing sales commission. Through radical reform of work processes and thorough cost reductions, we will aim to reduce costs and SGA expenses. We expect cost reductions of around JPY 37.1 billion for the fiscal year ending March 2022, and JPY 7.2 billion for the fiscal year ending March 2023.



Financial Strategy

Building a Stable Financial Base

Raising JPY 57 Billion of Funding to Address the Construction Defects Problem and Pay Back Loans

We will aim to build a stable financial base by accelerating improvements to our financial standing by securing funding, while at the same time ensuring flexibility and agility in capital policy by reducing capital and increasing the total number of authorized shares.

Funding

Funding of JPY 57 billion from Fortress Investment Group

In November 2020, we issued third party allotment of shares (approx. JPY 12 billion) and issued preferred shares (JPY 15 billion) of our consolidated subsidiary Leopalace Power to the US-based fund Fortress Investment Group. At the same time, we received financing with share subscription rights (JPY 30 billion), thus the financial arrangement of a total of JPY 57 billion was carried out. This funding has enabled us to secure funds to deal with the construction defects problem and redeem bonds and repay loans due for repayment.

Due to the impacts of the COVID-19 pandemic, we had excess liabilities as stipulated by the listing rules of the Tokyo Stock Exchange as of the end of the fiscal year ended March 2021. We will aim to improve our earnings in order to eliminate excess liabilities within the grace period for delisting standards (extended one year to the end of the fiscal year ending March 2023 per special provisions due to the COVID-19 pandemic).



Reduction of common stock and increase of the total number of issuable shares

Ensuring future flexibility and agility in capital policy to build a stable financial base

With an eye to resuming dividends in future, we reduced the common stock as per the resolution of the Ordinary General Shareholders' Meeting held on June 29, 2021. The reduction of common stock was made by reducing JPY 81.1 billion from JPY 81.2 billion to make JPY 100 million. No changes were made to the number of outstanding shares, and therefore no changes in the number of shares held by investors or net assets per share. The entire amount of capital to be reduced was transferred to other capital surplus.

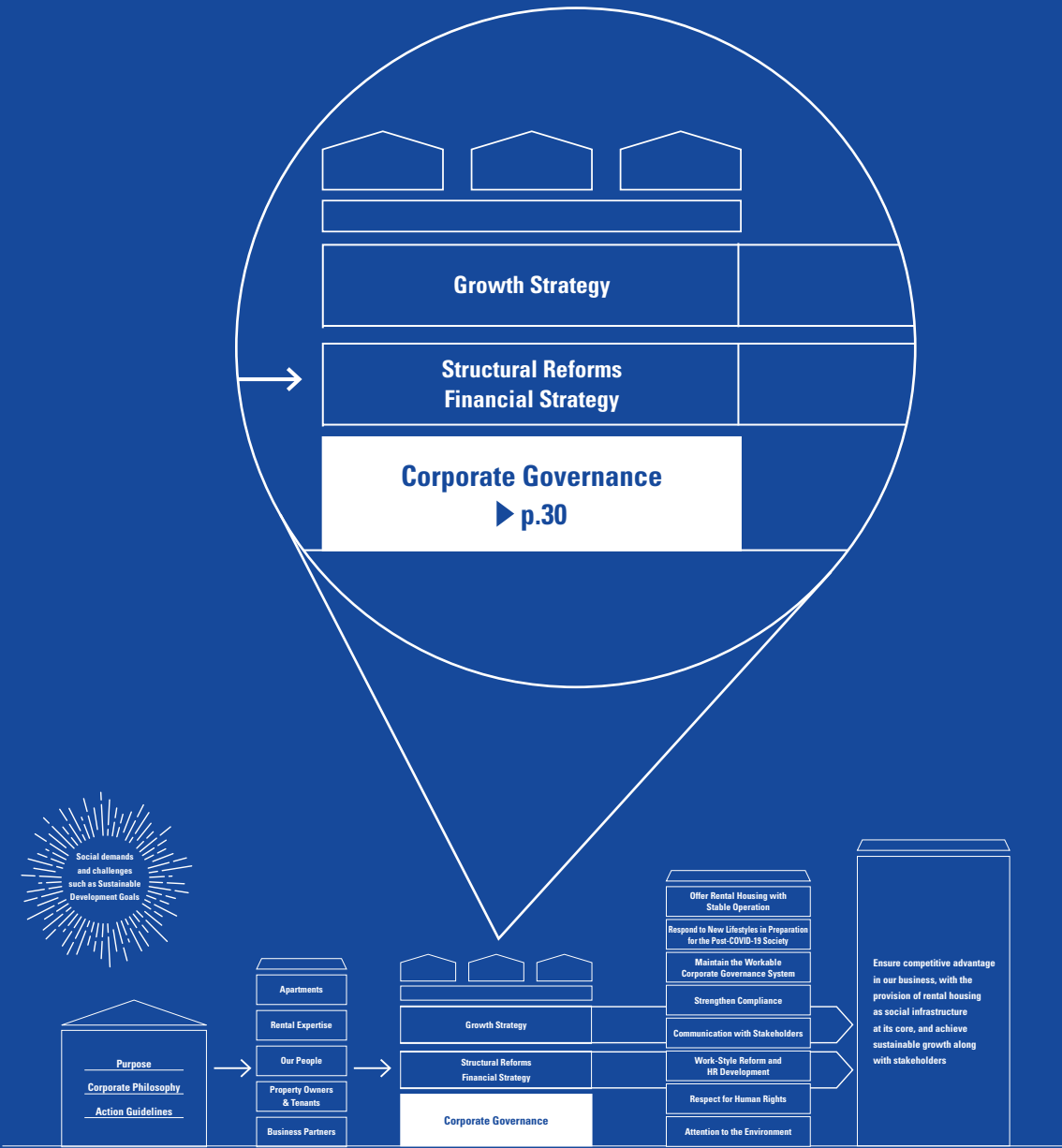
The number of outstanding shares including dilutive shares was 489 million as per 2020 capital policy, bringing the number close to the number of issuable shares of 500 million. In order to ensure flexibility and agility in future capital policy, we increased the number of issuable shares by 250 million to a total of 750 million.

Goal of common stock reduction	To ensure future flexibility and agility in capital policy
Summary of common stock reduction	Pre-reduction common stock: JPY 81,282,359,829 → post-reduction common stock: JPY 100,000,000
Method of common stock reduction	Transfer the entire amount of common stock to be reduced (JPY 81,182,359,829) to other capital surplus without changing outstanding number of shares.

Corporate Governance

About Leopalace21's Corporate Governance

Welcoming two new outside directors, the board of directors is working to build a robust management system by making appropriate and speedy decisions, strengthening the supervisory function and compliance system, and establishing good relationships with stakeholders.



Discussion at the Board of Directors



Bunya Miyao
President and CEO

Shigeru Ashida
Director and Managing Executive Officer



Mayumi Hayashima
Director and Executive Officer

Akira Watanabe
Outside Director

Kazuyasu Fujita
Outside Director

Yutaka Nakamura
Outside Director

Measures to Improve Occupancy Rates

- Miyao**

In order to improve occupancy rates, we first of all need to establish a system that enables monthly reporting of sales, cost, and profit management. If we cannot analyze the previous month result, it essentially means we are not conducting the *check* and *act* parts of the plan-do-check-act cycle. We need to pay renewed attention to income and expenditure control – including costs and sales, general and administrative (SGA) expenses – without focusing solely on the top line.
- Ashida**

Rather than confirming the results of various measures, we need to make sure we can timely grasp the status of progress in order to improve occupancy rates. We should constantly optimize our organization and allocation of personnel to ensure that we do not have staff shortages in the field. At the same time as implementing measures, we also need to enact far-reaching, comprehensive cost reductions.
- Hayashima**

Our analysis of failure factors and market value analysis are not sufficient. By making visible the sales, cost, and profit of each of the seven areas, we should be able to perform causal analysis. Area managers should adjust their respective approach accordingly in the next month, and examine the results of doing so. Responsibility for results should also be made clear, and the area managers will be in charge of that.
- Watanabe**

I got the impression that matters pointed out at the Board of Directors meetings were not being promptly enacted in operating departments. They should speedily come up with measures to resolve the month's challenges and put them into action.
- Fujita**

I found it necessary to foster a company culture that the operating departments should follow through until action item progress checklists from meetings are ticked for completion. I am afraid that many proposals do not come with clear mentioning of deadlines and cost-effectiveness. People should be aware that deadlines, costs, required personnel, and cost-effectiveness are mandatory when making a proposal.
- Nakamura**

We need to clarify measures to achieve profit targets on a monthly basis, and analyze the progress of target achievement for failure reasons and countermeasures. We should organize KPIs and KGIs and keep an eye on them. It is necessary to clarify a feasible business portfolio and appoint candidates for the next generation of the management team to work on a concrete roadmap for realizing the new business portfolio and to assign each theme for them to tackle.

Drastic Business Structure Reforms

- Miyao**

It is necessary to review the cost of sales as a structural reform to somehow reduce the breakeven point. To this end, a review of workflows, personnel rotation, and systemization are vital. We also need to keep an eye on whether implementation of the voluntary retirement program is leading to work overload for some departments and staff members.
- Ashida**

The various comments received from outside directors at meetings of the Board of Directors create a sense of urgency among operating departments and provide many insights. We need to optimize the allocation of personnel and integrate similar tasks performed across departments.
- Hayashima**

Each business division must prioritize its tasks as they face reduced personnel and cost constraints. They need to review routine tasks in order to increase efficiency and the managers of organizations must make the decision to stop low-priority tasks.
- Watanabe**

We need to thoroughly reform the way we think. It is very important to leave behind the mindset we had during our period of high performance, and repeatedly work to boost our motivation to overcome the financial difficulties.
- Fujita**

I got the impression that satisfaction with the status quo runs through all areas. Bold reforms are necessary for rebuilding. If we do not break through the barriers of mindset, physical ability, and system, we will not be able to rebuild the business in a true sense of corporate rehabilitation.
- Nakamura**

I feel that there is a necessity for drastic structural reforms to enable operating departments to independently and autonomously formulate and implement measures toward rebuilding the business. Having the management team who can make decisions free from past constraints is the biggest point in the structural reform. It is first of all necessary to reset operations other than those that directly link to current sales and profit as well as those that seek to promote growth strategy for the near future.

Proposals submitted to the Board of Directors

The Company held 43 Board of Directors meetings in the fiscal year ended March 2020, and 25 in the fiscal year ended March 2021.

While the Board of Directors faced a reduction of proposals related to the board structure, compensation for the officers, construction defects problem and recurrence prevention, it faced an increase in proposals related to business and financial strategy and structural reforms.

In addition to passing resolutions on proposals, at Board of Directors meetings held in the fiscal year ended March 2021, the Board monitored sales results and project progress status for each department on a monthly basis.

The Board had a series of lively discussions on how to recover the business performance and drive the restructuring of the Company.

Business and Financial Strategy

- The fiscal year ended March 2020 saw discussions focused on establishing drastic business strategies reconstruction.
- The fiscal year ended March 2021 saw an increase in proposals aimed at rebuilding the business base and strengthening the financial base, such as bolstering the profitability of the Leasing Business, capital policy, and selling assets, in order to execute the drastic business strategies reconstruction.

Structural Reforms

- The Board had the discussions about formulating and implementing specific measures to carry out drastic structural reforms.
- The Board confirmed that steady progress had been made as a result of the discussion held and decisions made at Board of Directors meetings, on the items such as the partial transfer of non-core businesses, implementation of the first ever voluntary retirement program, and the closures and consolidations of leasing sales offices.

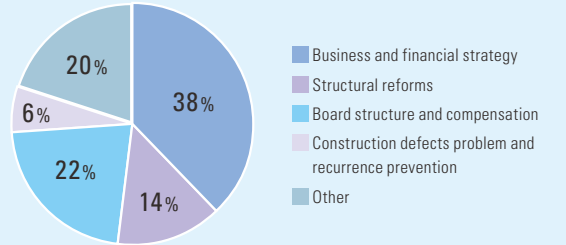
Board Structure and Compensation

- While there was a reduction in the number of proposals compared to the fiscal year ended March 2020, the Board had a series of discussions on how to improve the effectiveness of the Board of Directors, covering topics such as revision of detailed regulations regarding the selection of candidates for officers; revision of rules regarding the election, dismissal, compensation, and discipline of officers of affiliated companies; an abolition of the advisory system.

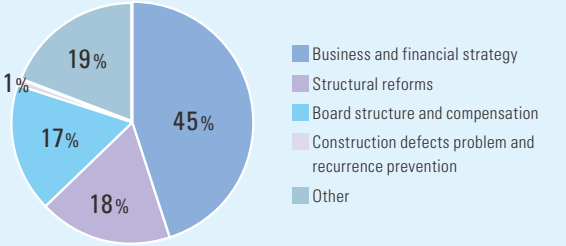
Construction Defects Problem and Recurrence Prevention

- As a result of ongoing discussions held ever since the discovery of the construction defects problem, the establishment of a system and the formulation of a course of action and roadmap have reached a satisfactory outcome.
- In the fiscal year ended March 2021, the Construction Defects Response Headquarters was primarily responsible for dealing with the construction defects problem, and so was the Compliance Promotion Headquarters for dealing with prevention of recurrence.
- While the proportion of proposals related to this issue did fall, the Board of Directors continued to monitor it on an ongoing basis as a priority issue.

Proposals submitted to the Board of Directors in the fiscal year ended March 2020



Proposals submitted to the Board of Directors in the fiscal year ended March 2021



Corporate Governance System and Initiatives

Basic approach to Corporate Governance

We consider developing and strengthening corporate governance to be one of our most important management issues. By strengthening corporate governance, we are aiming to realize our corporate philosophy, achieve our management plans, enhance corporate value over the medium to long term, and achieve sustainable growth. In order to realize a higher corporate value for all stakeholders, we place aiming for efficient, fair, and transparent management as the basic approach underpinning our corporate activities.

Based on this approach, we are working to develop management frameworks, structures, and systems that will allow us to engage in appropriate and speedy decision making, strengthen our monitoring and oversight functions of decision making, establish compliance systems, improve and reinforce internal control systems, and build healthy relationships with stakeholders.

For the purpose of achieving even faster management decision making and smoother business execution, the Board of Directors has established the Corporate Management Council and the Board of Executive Officers. The former convenes to discuss important matters

related to overall business execution prior to Board of Directors meetings, while the latter shares information about Company management in the aim of strengthening collaboration so that business execution proceeds smoothly.

Also, the Board of Directors has established a number of meeting bodies including the Nomination and Compensation Committee, Risk Management Committee, Compliance Committee, Personnel Committee, IT Committee, CSR Executive Committee, and CSR Committee, to discuss key management issues. The meeting bodies discuss key management issues for which the Board of Directors consults, and they offer the recommendations to the Board of Directors so the Board can thoroughly examine them. The management structure comprises the four headquarters: the Business Operation Headquarters, the Corporate Management Headquarters, the Compliance Promotion Headquarters, and the Construction Defects Response Headquarters.

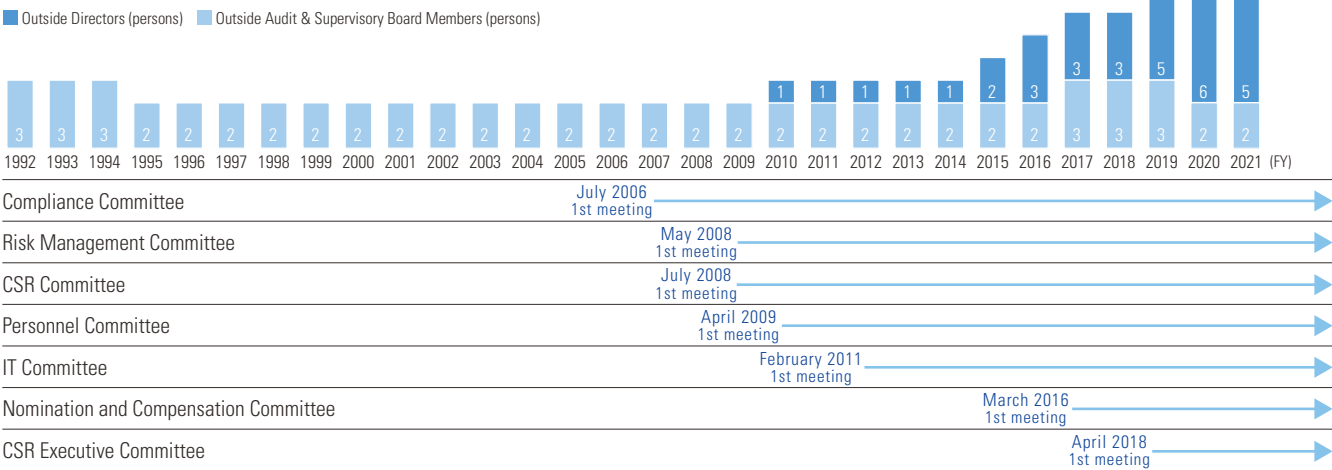
Under this system, we will take steps to clarify the scope of responsibilities and authority and make every effort to further strengthen our corporate governance.

Progress towards strengthening governance

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

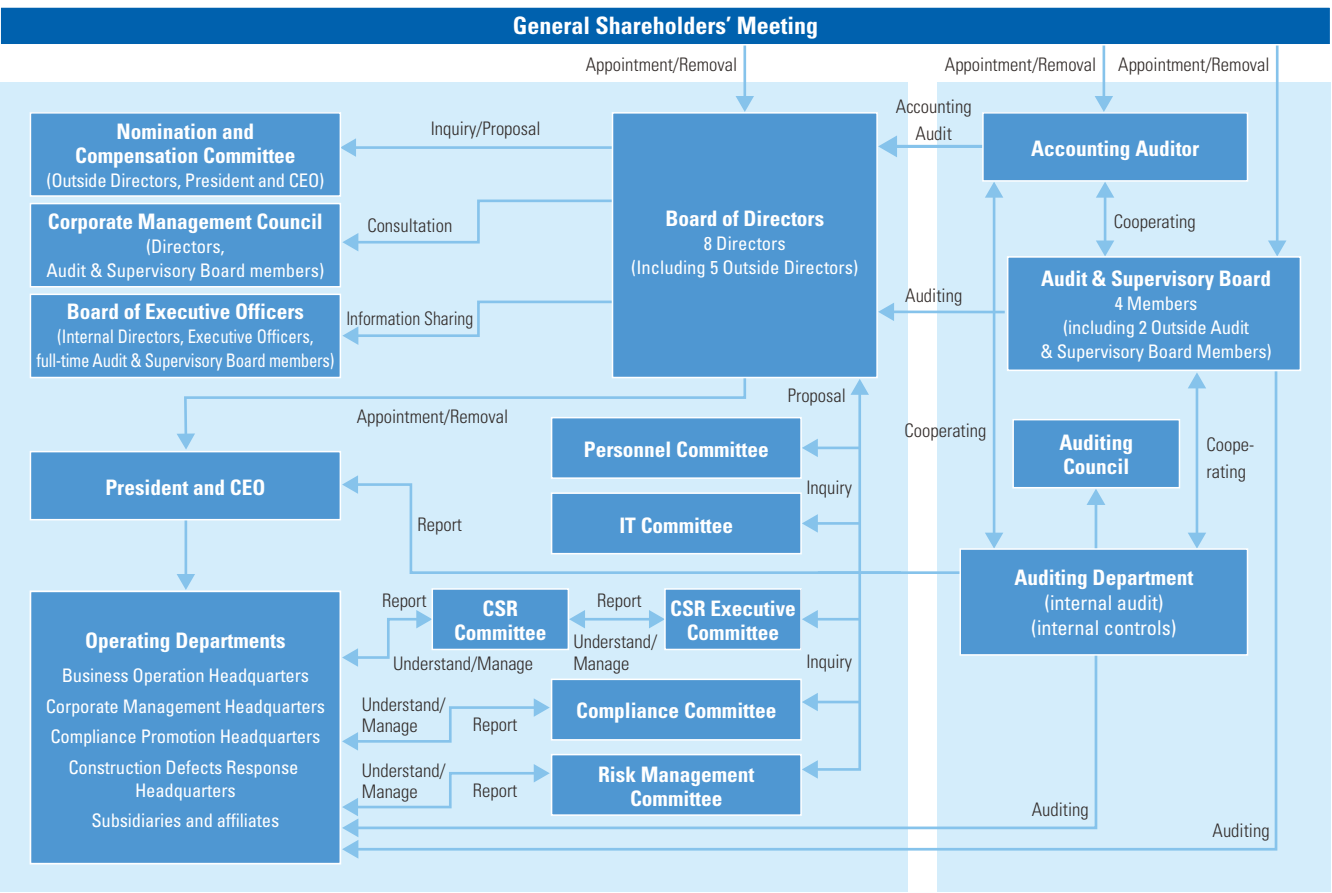
We subsequently increased the number of outside directors to further strengthen the supervisory function of our management. With five outside directors, a majority of directors are outside directors. The composition of directors is well-balanced, with directors possessing experience in areas such as corporate management, corporate rehabilitation and business restructuring, and legal affairs. In addition, the Board of Directors has established committees to examine major management issues in the Company and provide advisory as appropriate.

Major Corporate Governance Initiatives



Corporate Governance System

As of June 29, 2021



Members of each established body, etc.

Position	Name	Board of Directors	Corporate Management Council	Board of Executive Officers	Nomination and Compensation Committee	Risk Management Committee	Compliance Committee	Personnel Committee	IT Committee	CSR Executive Committee	CSR Committee
President and CEO	Bunya Miyao	◎	◎	◎	○	◎	○	◎	○	○	○
Director	Shigeru Ashida	○	○	○	○	○	○	○	◎	◎	◎
Director	Mayumi Hayashima	○	○	○	○	○	○	○	○	○	○
Outside Director	Akira Watanabe	○	○	○	○	○	○	○	○	○	○
Outside Director	Kazuyasu Fujita	○	○	○	◎	○	○	○	○	○	○
Outside Director	Yutaka Nakamura	○	○	○	○	○	◎	○	○	○	○
Outside Director	Akio Yamashita	○	○	○	○	○	○	○	○	○	○
Outside Director	Jin Ryu	○	○	○	○	○	○	○	○	○	○
Audit & Supervisory Board Member	Kenichiro Samejima	Notes 2	○	○	○	○	○	○	○	○	○
Audit & Supervisory Board Member	Yoshitaka Murakami	Notes 2	○	○	○	○	○	○	○	○	○
Outside Audit & Supervisory Board Member	Jiro Yoshino	Notes 2	○	○	○	○	○	○	○	○	○
Outside Audit & Supervisory Board Member	Takao Yuhara	Notes 2	○	○	○	○	○	○	○	○	○
Executive Officers	—			8		6	2	4	2	8	1
Employees	—			3		7	2	4	5		11
Outside Experts, etc.	—					2	2				

Notes 1. ◎ indicates a chairperson, while ○ indicates a member.
2. All Audit & Supervisory Board members attend meetings of the Board of Directors, and they supervise the execution of business by the directors.

Strengthening Our Management Structure

Nomination and Compensation Committee

We have established the Nomination and Compensation Committee as an advisory body to the Board of Directors in order to deliberate on the fairness and appropriateness of officer appointment/removal, compensation and other issues to ensure the transparency and accountability of our management. This committee consists of the President and CEO as well as outside directors, and—in order to ensure the independence and neutrality of the committee—all the committee members other than the President and CEO are appointed only from outside directors.

Members	Chairperson : an outside director (independent outside director) Committee members : the President and CEO and three outside directors (of which two are independent outside directors)
Objective	To ensure the appropriateness of decisions related to officer candidates nomination and compensation recommendations
Role	This committee handles the nomination, removal as well as the compensation composition and levels for the President and CEO, directors, Audit & Supervisory Board members, and executive officers considering the company business performance and other factors for objective deliberation. The committee reports the results of such deliberation to the Board of Directors.
Number of meetings held in the fiscal year ending March 2021	7
Main deliberation content	The committee mainly deliberated on the nomination and removal of directors and Audit & Supervisory Board members as well as officer compensation recommendations. In particular, during the previous fiscal year ended in March 2021, the committee held deep deliberations on the appointment of the President and CEO, the policy of having a majority of outside directors, and the selection of outside director candidates based on this policy.

Reasons for appointing new outside directors

We appointed five outside directors with the aim of obtaining objective advice on decision-making and strengthening the supervisory function of our management. Outside directors attend important meetings such as Board of Directors meetings and provide a variety of advice that contributes to the enhancement of our corporate value from an objective perspective. We consider objective decision-making to be particularly important when it comes to the appointment of officers and setting their compensation.

Name	Reason for appointment
Akio Yamashita	Mr. Yamashita possesses abundant experience as an officer and employee of financial institutions and other organizations. He has also been involved in various projects spanning real estate related businesses, real estate finance, urban redevelopment funds, management buyouts, and corporate rehabilitation. We believe that he can leverage his deep insights and in-depth expertise and experience of corporate management to contribute to our growth strategy. Therefore, the Company has appointed him as an outside director.
Jin Ryu	Mr. Ryu possesses an extensive track record and experience as officer and employee of investment funds. He has also been involved in various projects in the real estate related business and corporate investment and revitalization. We believe that he can leverage his deep insights and in-depth expertise and experience of corporate management to contribute to our growth strategy. Therefore, the Company has appointed him as an outside director.

Skills of officers

The Board of Directors is aiming to strengthen our governance system and to flexibly and promptly solve problems. We reviewed the skill set of the Board of Directors as necessary given the business environment and other factors. As of June 29, 2021, there were a total of eight directors, of which five were appointed as outside directors. This means that outside directors are in the majority, and over one in three are independent outside directors.

The Company requires its directors to have an extremely broad range

of expertise, experience, and knowledge, and so many of the appointed directors possess multiple of the required qualities. Particular focus is paid to knowledge of corporate management, corporate rehabilitation and business restructuring, quality management, and legal affairs when appointing outside directors. We expect that directors will be able to leverage these skills to make significant contribution to the Company's efforts to implement structural reforms and strive to recover performance and trust.

Skill set matrix

	Name	Attribute					Expertise, Experience, and Knowledge									
		Executive Position	Independency	Nomination and Compensation Committee	Age	Diversity	Corporate Management	Corporate Rehabilitation, Business Restructuring	Sales and Marketing	Quality Management	Legal	Accounting and Tax Affairs	Finance	IR	Global	Audit
1	Bunya Miyao	President and CEO Chairman of the Board of Directors		Member	61	Male	○							○	○	
2	Shigeru Ashida	Director and Managing Executive Officer			56	Male	○		○			○				
3	Mayumi Hayashima	Director and Executive Officer			48	Female	○		○		○					
4	Akira Watanabe	Director	Independent Outside	Member	74	Male	○	○			○					○
5	Kazuyasu Fujita	Director	Independent Outside	Member	74	Male	○	○	○	○				○		
6	Yutaka Nakamura	Director	Independent Outside	Member	62	Male				○						
7	Akio Yamashita	Director	Outside	Member	59	Male	○	○					○			
8	Jin Ryu	Director	Outside		36	Male, foreign national	○	○					○			

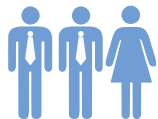
Note: Ages of each director are listed as of June 7, 2021

Initiatives Aimed at Improving Effectiveness

The Board of Directors

The Board of Directors focuses on both ensuring agile management and achieving comprehensive supervisory functions, and it currently consists of eight directors, including five outside directors. In order to improve corporate value, we consider it important to deliberate on nominating suitable directors, and making compensation recommendations, which we have incorporated in the decision-making process by the Nomination

and Compensation Committee with outside directors as its members. In addition to regularly meeting once a month, the Board of Directors flexibly convenes meetings as necessary to make important management decisions, monitor how business is being executed, and supervise the execution of duties by directors.



Internal directors



Outside directors

Evaluation of the effectiveness of the Board of Directors

After the end of the fiscal year ended March 2021, we evaluated the function and others to be fulfilled by the Board of Directors, mainly to improve management issues. The evaluation method was an individual evaluation using a questionnaire targeting all the board members. The secretariat of the Board of Directors reported the aggregated and analyzed results to the Board of Directors, and discussions were held. In the evaluation for the fiscal year ended March 2021, we confirmed that the Board of Directors and governance system functioned effectively in general.

More specifically, based on the evaluation of the Board of Directors

in the previous fiscal year, we steadily implemented structural reform, strengthened the profitability of the Leasing Business, and worked on initiatives aimed at resolving the problem of construction defects.

For the fiscal year ending March 2022, the Board of Directors agreed to implement the business plan as a top priority and to monitor the progress of initiatives aimed at implementing structural reforms to turn the business back on track, boosting the profitability of the Leasing Business, and strengthening communication between the management team and employees so that the Board can discuss, make decisions, and instruct necessary corrections.

Priority issues during the fiscal year ended March 31, 2021	
1. Steadily implement structural reforms	
2. Strengthen the profitability of the Leasing Business	
3. Support the initiatives aimed at resolving the problem of construction defects	
Positive points	Points to be improved
<ul style="list-style-type: none">Transfer or withdrawal from non-core unprofitable businessesFormulation and implementation of policy and strategy relating to raising funds as a capital policyAchievement of repair plan by June 2021Restart of tenant recruitment, shift to handling repair works in-house	<ul style="list-style-type: none">Postponing the formulation of a medium-term management strategy due to focusing on the construction defects problemBoosting employee motivation and improving performanceOccupancy rates plan not achievedVisualizing costs related to construction defects, funds management (already dealt with)

Priority issues during the fiscal year ending March 31, 2022	
1. Implement structural reforms to turn the business back on track	
2. Boost the profitability of the Leasing Business	
3. Strengthen communication between the management team and employees	

Board members' compensation

In order to set directors' compensation at an appropriate level, it is decided through deliberations of the Nomination and Compensation Committee. Comprising outside directors and the President and CEO, this committee is chaired by Mr. Fujita, an outside director. In addition, the compensation of Audit & Supervisory Board members is decided through deliberations of the Audit & Supervisory Board. Officer compensation has been curtailed since February 2019, and the scale of

reductions to officer compensation has been revised as announced on February 12, 2021 (see the table below for more details).

Curtailed of officer compensation (April 2021–March 2022)	
President and CEO	60%
Other Internal Directors	40 – 45%
Full-time Audit & Supervisory Board members	35%
Executive Officers	35 – 40%

Messages from Outside Directors

I was appointed as outside director after the company to which I belong became a sponsor of Leopalace21. The Company has a solid customer base and an established business model. While the Company does have attractive points like these, it is currently struggling with the construction defects problem. I would like to take a hands-on approach to bring out the potential of the Company and work together with the members of the management to bring the business back on track.

Since I have become involved with Leopalace21, I have come to feel that the Company has positive aspects other than its customer base and business model. That is to say, the energy of the employees. The younger generation of Japan are said to have been mollycoddled with a pressure-free upbringing. But when I look at how seriously and energetically the Company's employees approach their work, I think there will be no problem in getting the business back on track as long as proper methods are used.

I believe that what we need to achieve this goal is completely novel expertise and a sense of speed and leadership in our work. By bringing these aspects into play, I hope to swiftly resolve the Company's issues and rapidly restore its performance.

Another important point is committing to achieving the numerical targets. We need to set specific and feasible quantitative targets for the management team and right down to the frontline employees,

fully commit to these targets, and achieve them. Up until now, the Company had been in a negative spiral with regard to the construction defects problem, but moving forward, I would like to see us create a positive spiral triggered by boosting the monthly occupancy rate. The results of this are already starting to appear.



Outside Director
Representative in Japan, Fortress Investment Group (Japan)
Managing Director
Akio Yamashita

I have been working closely with the management team and employees since November 2020, before I was appointed as an outside director. During this time, I strongly felt that there are still a lot of outstanding employees in the Company and that many employees believe in the Company revival and are giving their all to their work on a day-to-day basis. I would also like to serve as a member of the Company and work



Outside Director
Fortress Investment Group (Japan)
Managing Director
Jin Ryu

together with employees to rebuild it, with an even greater sense of personal involvement than ever before.

I see my role as leveraging my extensive experience in corporate and real estate investment to make hypotheses, using numbers to shed light on facts, and explaining them in words that anyone would understand. There is a high possibility of taking the wrong course of action if we make management decisions when it is not clear which of the many facts are important, and which are not. Visualizing important matters is therefore helpful in making the correct management decisions in future, such as in which areas we should concentrate managerial resources.

To be quite frank, the Company is currently in a crisis situation, and the management team is also aware that they should have a higher sense of urgency. Among the matters at hand, we first need to solve the issue of financing. It is important to shed light on facts, show employees effective measures to stop the outflow of funds, and put those measures into action. In order to get out of this crisis situation and achieve recovery in performance, it is vital for each and every employee to understand what needs to be done and why it needs doing, commit to target figures, and work with a sense of speed in the limited time available.

Compliance

To entrench an enduring compliance-first policy within the organization, we established the Compliance Promotion Headquarters, with the Compliance Promotion Department at its core, which verifies the legal compliance of Company-wide businesses and products and also builds and operates information management systems, thereby promoting the development of an organizational framework with strong internal controls.

Compliance system

We established the Compliance Promotion Department in response to the problem of construction defects in order to fundamentally review and rebuild a solid compliance and risk management framework for the Group. The Compliance Promotion Department plans and drafts the construction of new systems, and verifies the legal compliance of the Group's new businesses, services, products, etc. The Compliance Promotion Department also takes the lead in sharing information with

our design, construction, and other departments as well as subsidiaries and affiliates, reconstructing systems for sharing risk information in the field throughout the Group, and actively carrying out training and other initiatives aimed at providing knowledge and raising awareness of compliance. In this way, the department strives to foster an organizational culture defined by our compliance-first policy, thereby setting the stage for successful management.

Compliance training

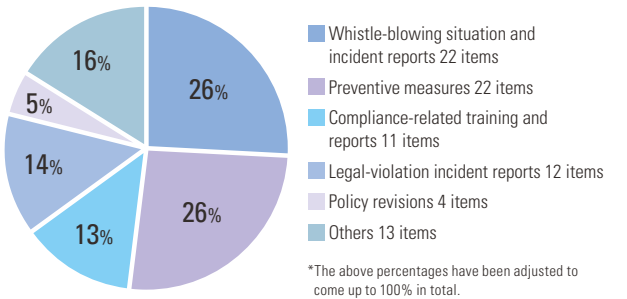
Compliance training was conducted in the fiscal year ended March 2021 as detailed below. Additionally, we made efforts to instill a compliance mindset in all employees by frequently posting internal notices about compliance.

E-Learning, training, etc. related to compliance (18 times)	
Promotion of understanding of the compliance-first policy	11 times
Harassment prevention (for managers)	2 times
Basic knowledge about sexual harassment and how to deal with it (for non-managers)	1 time
Training to reflect on the construction defects problem and prevention of recurrence	1 time
Surveys on compliance	2 times
Call for essays on the subject of "Leopalace21 10 years from now"	1 time

Compliance Committee

With one of the outside directors serving as the chairman, the Compliance Committee consists of members that include lawyers and other external experts. To strengthen governance, the committee develops various compliance measures, such as enhancing training and reinforcing information management systems, as well as strengthening monitoring systems and identifying problems for improvement.

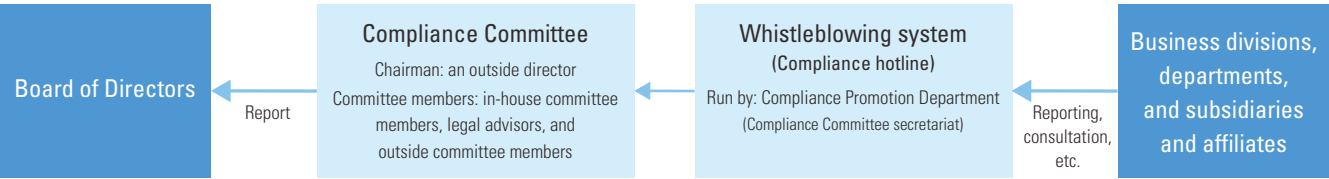
Compliance Committee deliberations content (April 2020–March 2021)



Compliance consulting service

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

partners hotline to handle cases involving our business partners. We also started operating a Compliance Mailbox so that we can promptly respond to any incidents that may occur by receiving a wide variety of information and consultations from Company officers and employees and having a system to discover potential risks.



Whistleblowing compliance management system certification registration

The whistleblowing system of our Group has been registered for the Whistleblowing Compliance Management System (WCMS) certification regime introduced by the Consumer Affairs Agency. The Whistleblowing Compliance Management System Certification (self-declaration of conformity system) regime is a system whereby a business evaluates its own internal reporting system, is registered as a business with self-declaration of conformity if it meets the certification criteria via the

screening of the designated registration organization, and is granted the right to use the WCMS symbol.



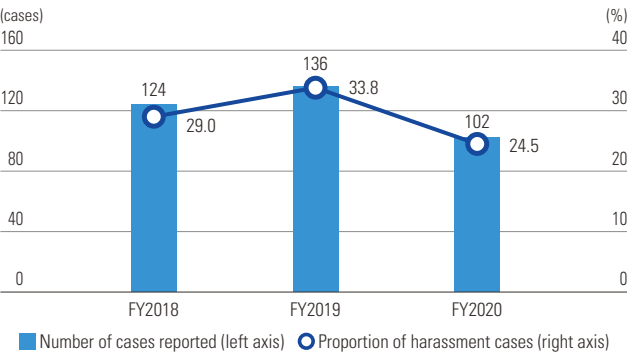
Declaration to eliminate harassment

Declaration to eliminate harassment
1. We will not tolerate harassment.
2. We will not overlook any acts of harassment.
3. We will make serious efforts to eliminate acts of harassment.

In accordance with the declaration to eliminate harassment, in particular, in the fiscal year ended March 2021, we implemented harassment prevention training sessions held from September to October for managerial employees to learn the necessary knowledge and skills to prevent harassment, and E-learning courses in October for non-managerial employees to acquire basic knowledge about sexual harassment and methods for preventing sexual harassment. In February 2021, a harassment field survey was conducted among all officers and employees in order to gain an understanding of current circumstances in the workplace. The results of the survey and six awareness-raising documents for preventing harassment have been posted internally.

Steady progress has been made toward transforming the mindsets of employees, and the proportion of all types of harassment in the whistleblowing system in the fiscal year ended March 2021 fell in comparison to the previous year.

Proportion of cases of harassment in the whistleblowing system



Risk Management

Restructuring of the risk management framework

In order to grasp and manage Company-wide risks and strengthen our risk management framework, the Group has put in place a Risk Management Committee as an advisory body to the Board of Directors. The President and CEO serves as chair of this Risk Management Committee, while other members of the Committee comprise external experts such as lawyers. The Committee not only monitors risk management status, but also plans and implements training sessions and works to mitigate or prevent risks from materializing. Each department identifies and analyzes risks related to the work it is in charge of,

formulates a risk response plan to manage these risks, and reports the results to the Risk Management Committee. The Risk Management Committee regularly meets once a month and whenever the chair determines that an extraordinary meeting is required. It offers consultation and guidance to ensure that risk is appropriately managed by each department. Furthermore, the general manager of the Compliance Promotion Headquarters reports on the status of risk management to the Board of Directors on a quarterly basis.

Review of the risk management method

To manage both materialized and potential risks, in October 2019 and January 2020, we invited external instructors to hold risk management training sessions and workshops for the senior managers of each department as well as the top management of the subsidiaries and affiliates. In the fiscal year ended March 2021, we identified risks in each department, organized response methods with dead lines in accordance

with the size of the risk, and calculated potential costs. Based on the six major risk types and fifteen sub-types shown in the risk type table below, action is taken upon the results of analysis of major and minor risks for each department which are reevaluated through the risk management system of the Risk Management Committee.

Risk type table

External factors	(1) Risks relating to changes in external environment The risk of a major impact on performance due to a delay in addressing changes to legal, political, economic, and/or social phenomena (2) Country risks (3) Disaster risks	Compliance	(1) Legal violation/lawsuit risks (2) Compliance risks The risk of incurring losses due to the signing of inappropriate contracts, harassment, or other factors
Strategy/governance	(1) Strategy risks The risk of a major impact on performance due to flawed strategy of the Company, in items such as management plans (2) Managerial risks The risk of the failure of managerial functions due to factors such as the absence of a decision-maker due to unforeseen circumstances, etc. (3) Contractor/subsidiary management risks	Operations	(1) Operational risks (2) Information management risks (3) Personnel risks (4) System risks
Financial	(1) Market risks (2) Liquidity risks The risk of incurring losses due to inability to raise funds or termination of transactions due to factors such as credit uncertainties of the Company (3) Default risks	Reputation	The risk of incurring losses due to reports in the mainstream media, reputation, gossip, rumors, etc.

Responding to disaster risks — to protect the social infrastructure of 570,000 units

With the Leasing Business as our core business, we are able to exist thanks to the use by customers of buildings we construct, manage, and operate. For this reason, it is our social mission to swiftly respond to building damage and direct damage to customers including injuries and promptly enact countermeasures. In 2010, we established a Disaster Response Policy in the aim of swiftly grasping internal damages such as safety of employees and damage to company office buildings and facilities and business

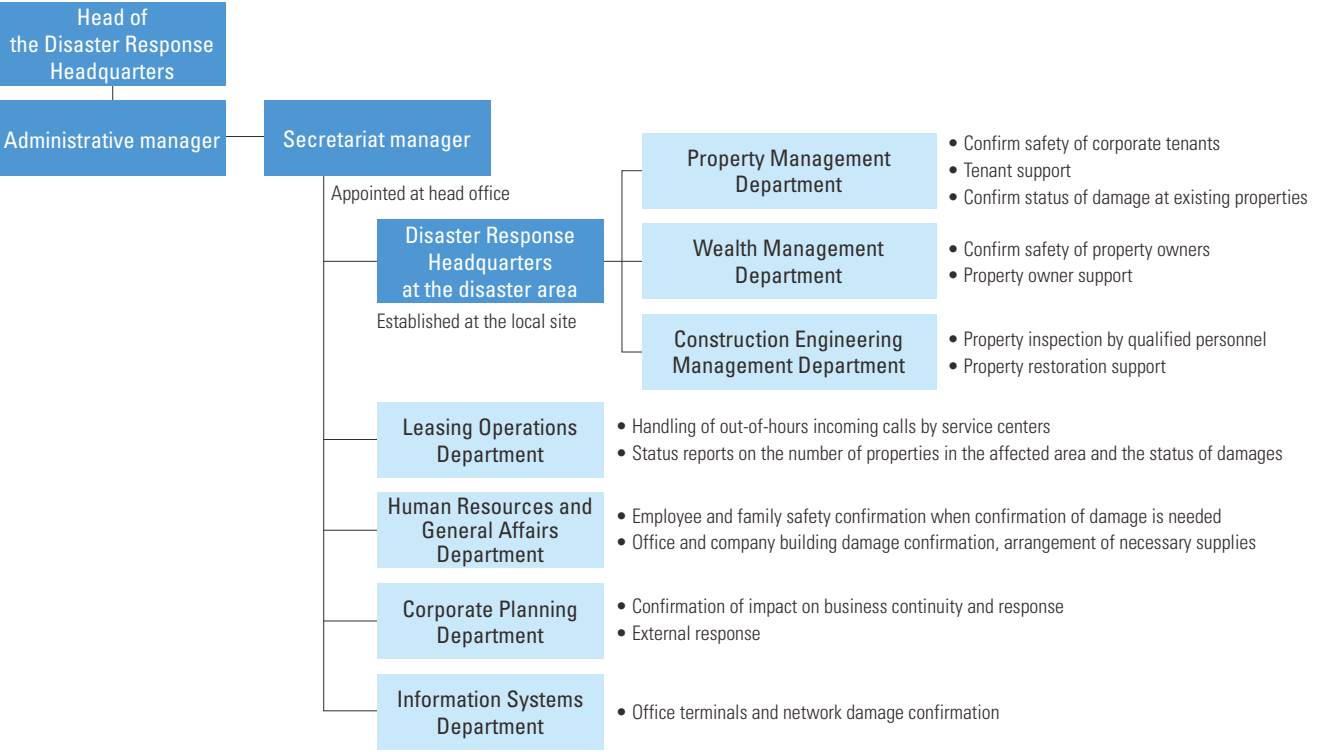
damages such as damage to apartment buildings managed and operated as part of businesses in which we engage, and safety of tenants and property owners in preparation for earthquake, typhoon, concentrated downpours and infectious diseases. The policy is set for obtaining basic information needed for restoration activities and initiatives to prevent the spread of damage and is revised as necessary. The Disaster Response Policy is also the backbone of our business continuity plan.

Disaster Response Policy

Under the Disaster Response Policy, the roles of relevant departments are clarified with an end-to-end system whereby secretariats are established at head office in accordance with disaster type and scale and a Disaster Response Headquarters is established at the location of the disaster. The policy also stipulates criteria for activation and dissolution of Disaster Response Headquarters, preliminary preparations for assessing internal damages, initial disaster response, and measures for recovery from internal and business damages. In particular, in an effort to mitigate damage to business, we conduct building inspections and promote awareness among tenants with regards

to typhoons and other disasters for which prevention activities are possible. From a business continuity plan perspective, post-disaster response is stipulated as follows: tenants safety confirmation procedure; property owners safety confirmation and damage confirmation procedure; plan to dispatch staff in accordance with disaster scale; provision of rescue materials; procedures for property inspections in disaster areas and the subsequent repairs and insurance response. The Disaster Response Policy and manuals that detail these measures are also stored in paper format at each Group branch and office in anticipation of power cuts and damage to IT devices in the event of a disaster.

System diagram in the event of a natural disaster I. Natural disaster such as earthquake, storm and flood damage; fire; leak of hazardous substances



Directors and Audit & Supervisory Board Members

Internal Directors (as of June 29, 2021)



President and CEO
Chief of the Business Operation Headquarters

Bunya Miyao

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



Director, Managing Executive Officer,
Chief of the Corporate Management Headquarters,
Chief of the Construction Defects Response Headquarters (concurrent)

Shigeru Ashida

Apr. 1988 Joined Leoplace21 Corporation
Nov. 2003 Deputy Manager of the Financial Department
Apr. 2010 General Manager of the Corporate Planning Department
May 2012 General Manager of the Business Operation Department
Apr. 2013 Administrative Officer
Apr. 2014 Executive Officer
Jun. 2019 Director and Managing Executive Officer (current), Chief of the Emergency Headquarters for Construction Defects
Jul. 2020 Chief of the Corporate Planning Headquarters
May 2021 Chief of the Corporate Management Headquarters (current), Chief of the Construction Defects Response Headquarters (current)



Director, Executive Officer, Chief of the Compliance Promotion Headquarters, CLO*,
Deputy Chief of the Corporate Management Headquarters (concurrent) *CLO: Chief Legal Officer

Mayumi Hayashima

Apr. 1996 Joined Leoplace21 Corporation
Apr. 2009 Deputy Department Manager of the Eastern Japan Corporate Sales Department Leasing Section3, Leasing Business Division
Jul. 2010 Department Manager of the Corporate Sales Department, Eastern Japan Section2, Leasing Business Division
Apr. 2014 Department Manager of the Corporate Business Promotion Department
Apr. 2015 Administrative Officer
Apr. 2018 Executive Officer
Jun. 2019 Director and Executive Officer (current), Chief of the Compliance Management Headquarters, Chief Legal Officer (CLO)
Jun. 2020 Chief of the Compliance Promotion Headquarters, Chief Legal Officer (CLO) (current)
Jul. 2020 Chief of the Management Headquarters
May 2021 Deputy Chief of the Corporate Management Headquarters (current)

Outside Directors (as of June 29, 2021)



Outside Director

Akio Yamashita

Apr. 1984 Joined Japan Development Bank (now Development Bank of Japan Inc.)
Jan. 2006 Joined Morgan Stanley Securities Co., Ltd. (now Morgan Stanley MUFG Securities Co., Ltd.)
Jun. 2008 Joined Fortress Investment Group, Managing Director (current)
Mar. 2013 Representative in Japan, Fortress Investment Group (current)
Jun. 2021 Outside Director, Leoplace21 Corporation (current)



Outside Director

Jin Ryu

Apr. 2010 Joined Morgan Stanley MUFG Securities Co., Ltd.
Apr. 2011 Joined RBS Securities Japan Ltd.
May 2012 Joined Fortress Investment Group
Dec. 2020 Managing Director, Fortress Investment Group (current)
Jun. 2021 Outside Director, Leoplace21 Corporation (current)

Audit & Supervisory Board Members (as of June 29, 2021)



Outside Director

Akira Watanabe

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



Outside Director

Kazuyasu Fujita

Apr. 1965 Joined the Osaka Prefectural Government
Nov. 1970 Joined Toyo Shutter Co., Ltd.
Oct. 1999 Business Administration Manager, Toyo Shutter Co., Ltd.
Jun. 2000 Director, Manager of Business Promotion Department and Purchasing Department, Toyo Shutter Co., Ltd.
Jun. 2002 President and Representative Director, Toyo Shutter Co., Ltd.
Apr. 2006 President and Representative Director, Executive Officer for General Supervision, Toyo Shutter Co., Ltd.
Jun. 2010 Special Adviser, Toyo Shutter Co., Ltd.
Jun. 2011 Resigned from Toyo Shutter Co., Ltd.
Sep. 2011 Established Management Consulting Partners Inc., President and Representative Director, Management Consulting Partner, Inc. (current)
Feb. 2020 Outside Director, Leoplace21 Corporation (current)



Outside Director

Yutaka Nakamura

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



Full-time Audit & Supervisory Board Member (Outside)

Jiro Yoshino

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

Full-time Audit & Supervisory Board Member

Kenichiro Samejima

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

Audit & Supervisory Board Member (Outside)

Takao Yuhara

Apr. 1969 Joined NIPPON CHEMICAL INDUSTRIAL CO., LTD.
May 1971 Joined Sony Corporation
Jun. 2003 Corporate Senior Vice President and Group CFO, Corporate Executive Officer, Sony Corporation
Dec. 2007 Managing Executive Officer, Zensho Co., Ltd. (now ZENSHO HOLDINGS CO., LTD.)
Jun. 2008 Audit & Supervisory Board Member, Ricoh Company, Ltd.
May 2011 Managing Executive Director and CFO, Zensho Co., Ltd.
Jun. 2013 Audit & Supervisory Board Member, mofria Corporation
Jun. 2014 Auditor, KAMEDA SEIKA CO., LTD. (current)
Jun. 2015 Audit & Supervisory Board Member, Leoplace21 Corporation (current)
Dec. 2015 Auditor, T. HASEGAWA CO., LTD.
Dec. 2019 Outside Director, T. HASEGAWA CO., LTD. (current)

Audit & Supervisory Board Member

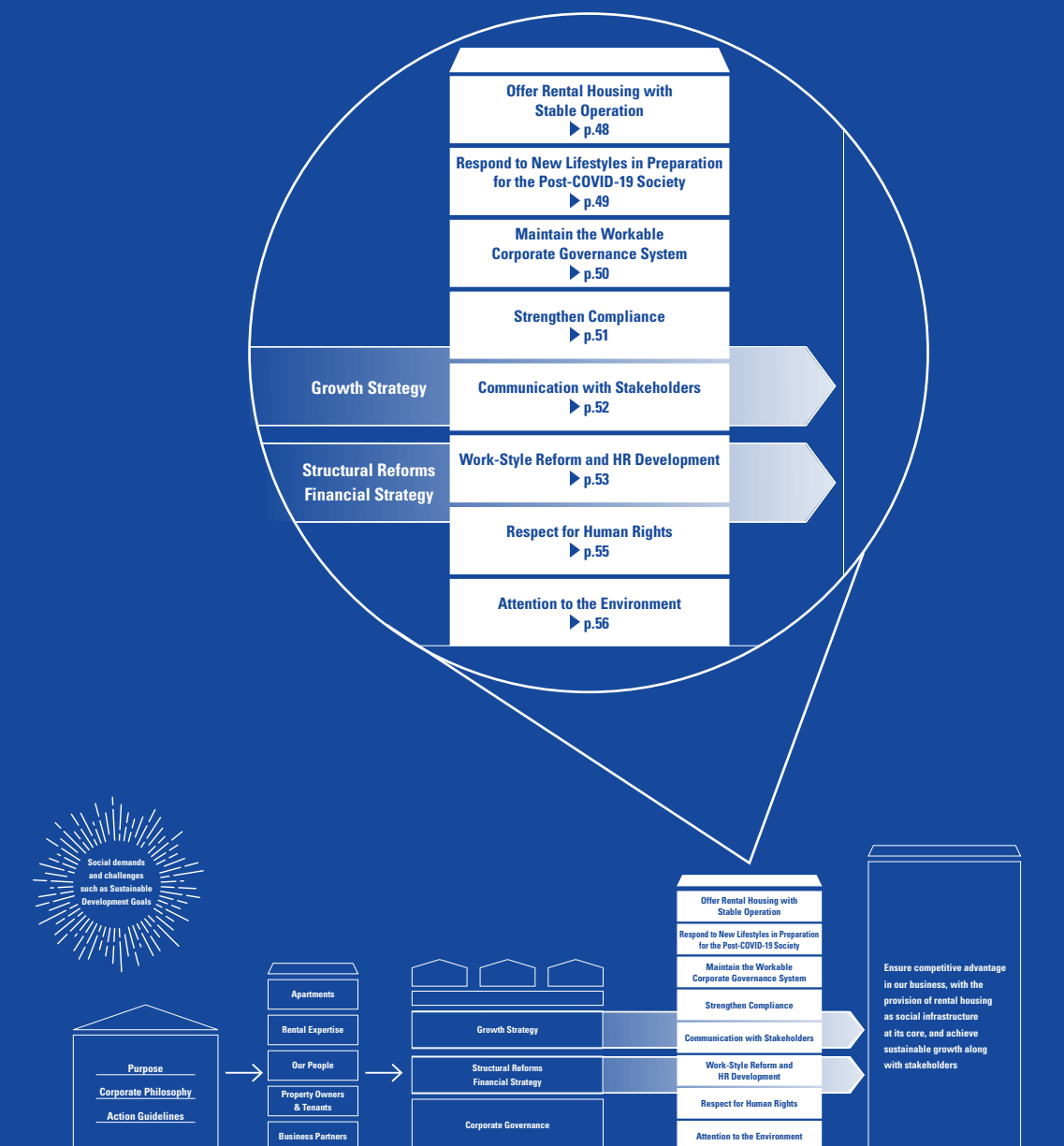
Yoshitaka Murakami

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

Materiality

Leopalace21's Material Issues

Leopalace21 has identified material issues from two perspectives—those which it aims to resolve through its business operations and those for which it should concentrate on strengthening its management foundation, and working on efforts to respond to challenges.



Leopalace21's Materiality Management

Driven by the corporate philosophy of creating new value, Leopalace21 seeks to meet the expectations of all stakeholders by conducting activities aimed at fostering a sustainable society in line with the needs of the times.

Achieving a sustainable society

The Sustainable Development Goals (SDGs) are global targets for the years 2016 to 2030 that were adopted at the United Nations Summit in September 2015. They consist of 17 universal goals and 169 targets, which are applied to all countries including developed countries, addressing challenges such as disparities, sustainable consumption and production, and climate change. The Company strives to meet the needs and demands of society and contribute to solving the issues through initiatives which are in line with our Basic CSR Action Policy.



Updating material issues given the current socioeconomic climate and the Company's own business conditions

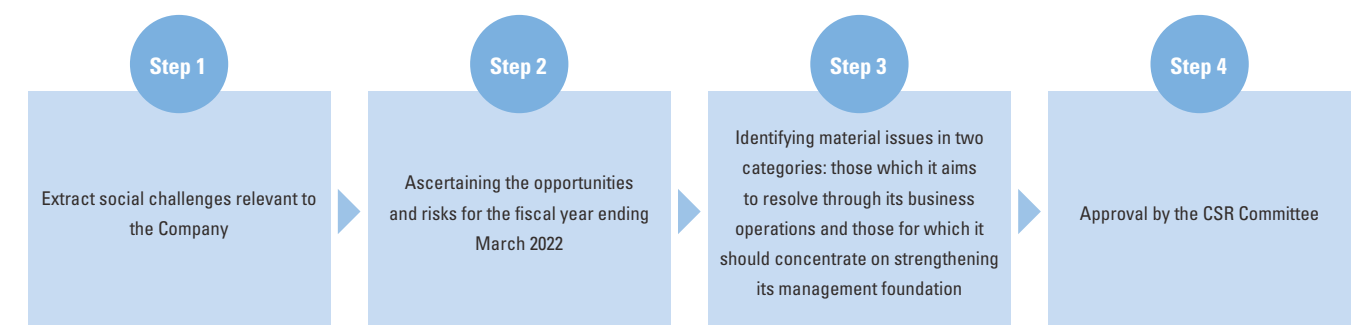
The Company initially identified the material issues for the fiscal year ended March 2021, and updated them considering the current socioeconomic climate as well as the Company's own business conditions.

The Company extracted social challenges that are related to the Company's business and analyzed them whether they would be risks or challenges for the Company for the fiscal year ending March 2022.

Replacing the existing Environment, Social and Governance segmentation, the Company categorized material issues into those which it

aims to resolve through its business operations and those for which it should concentrate on strengthening its management foundation.

Handling construction defects problem was a materiality unique to the Company. The Company is making sure that the problem receives continued priority by setting two KPIs related to material issues in the governance field, to ensure the execution of publicly announced repair completion plan and to avoid a recurrence of the same problem.



Leopalace21's Materiality Issues

Based on Leopalace21's corporate philosophy of creating new value, the Company strives to meet the expectations of all stakeholders, and make every effort to contribute to a sustainable society. In accordance with this approach, the Company has identified material issues as priority challenges in response to the changing needs of its stakeholders, social and environmental problems, and the requirements of ISO26000 as well as other standards and guidelines.

Social challenges		Opportunities and risks relevant to the Company*
Shrinking labor force because of falling birthrate and aging population	Opportunities	<div>○ Increased demand for housing for single-person households to respond to growing number of single-person households, foreign national workers, and students</div> <div>○ Increasing number of elderly people</div> <div>○ Growing demand for nursing care</div>
	Risks	<div>● Excess supply of apartments</div> <div>● Increasing number of abandoned houses</div> <div>● Shortage of nursing care staff</div>
Demographic trends	Opportunities	<div>○ Population concentration in the three major metropolitan areas</div> <div>○ Corporate customers' continuing demand for housing in areas other than the three major metropolitan areas</div>
	Risks	<div>● Intense competition in acquiring orders for new apartment buildings</div>
Rising demand for convenient living conditions	Opportunities	<div>○ Changes to living environments as a result of COVID-19 impact</div> <div>○ Improving daily life through ICT advancement</div>
	Risks	<div>● Dilapidated apartment buildings</div> <div>● Shift in customer needs</div>
Innovation in digital technology	Opportunities	<div>○ Expanding demand due to electronic commerce growth</div> <div>○ Enhanced convenience for the benefit of people who live in remote areas and foreign national customers</div>
	Risks	<div>● Systems and services becoming obsolete due to rapid advances in ICT</div> <div>● Reduced relocations due to the popularization of remote working</div> <div>● More university classes held online</div>
Tighter checks on corporate governance	Opportunities	<div>○ Increased number/ratio of independent outside directors</div> <div>○ Diversity in the Board of Directors</div> <div>○ Requirement for dialogue with shareholders</div>
	Risks	
Employment issues	Opportunities	<div>○ Creation of jobs to compensate for the declining population of working age</div> <div>○ Multiple ways of working and respect for diversity</div> <div>○ Pursuit of comfortable working environments</div> <div>○ Growing demand for shared offices</div>
	Risks	<div>● Shortage of workers</div>
Climate change: realizing recycling and eco-friendly society	Opportunities	<div>○ Wider spread of energy-saving net-zero energy houses (ZEH)</div> <div>○ Growing interest in the use of renewable energy</div> <div>○ Realizing carbon neutrality in 2050</div>
	Risks	<div>● Increasing interest in green-minded society</div> <div>● Frequent occurrence of natural disasters</div>

* ○ denotes opportunities and ● denotes risks

Updated material issues

Leopalace21 initially identified the material issues for the fiscal year ended March 31, 2021, and updated them considering the current socioeconomic climate as well as the Company's own business conditions. Replacing the existing Environment, Social and Governance segmentation, the Company categorized material issues into those which it aims to resolve through its business operations and those for which it should concentrate on strengthening its management foundation.

	Materiality		Related SDGs	KPI
Challenges the Company aims to resolve through its business operations	Offer rental housing with stable operation	S	<div>9 AFFORDABLE HOUSING AND COMMUNITIES</div> <div>11 SUSTAINABLE CITIES AND COMMUNITIES</div> <div>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</div> <div>16 PEACE, JUSTICE AND STRONG INSTITUTIONS</div>	<div>• Implement measures for increasing occupancy rates (end of Mar. 2022: 85.92%; average during FY2021: 81.65%)</div> <div>• Promote the diagnostic inspection of apartment buildings by Leopalace21's own engineers (70% of inspection carried out by Leopalace21's own engineers)</div>
	Respond to new lifestyles in preparation for the post-COVID-19 society	S	<div>9 AFFORDABLE HOUSING AND COMMUNITIES</div> <div>11 SUSTAINABLE CITIES AND COMMUNITIES</div> <div>16 PEACE, JUSTICE AND STRONG INSTITUTIONS</div>	<div>• Promote web-based customer services and web-based contract signing (number of web-based rental contracts: 25,000 during FY2021)</div>
Challenges for which the Company should concentrate on strengthening its management foundation	Maintain the workable corporate governance system	G	<div>8 DECENT WORK AND ECONOMIC GROWTH</div> <div>16 PEACE, JUSTICE AND STRONG INSTITUTIONS</div>	<div>• Dialogue between Directors and employees (four times a year)</div> <div>• Complete repair of all obvious construction defects by the end of 2024</div>
	Strengthen compliance	G	<div>8 DECENT WORK AND ECONOMIC GROWTH</div> <div>16 PEACE, JUSTICE AND STRONG INSTITUTIONS</div> <div>17 PARTNERSHIPS FOR THE GOALS</div>	<div>• Implement measures to prevent the recurrence of the construction defects problem and disclose the state of progress (twice a year)</div> <div>• Ensure to respond to posts to the suggestion box for management (100% response rate)</div> <div>• Make use of the whistleblowing system (100 cases received) Note: the receipt of a certain number of reports proves that the system is being run properly</div>
	Communication with stakeholders	<div>S</div> <div>G</div>	<div>11 SUSTAINABLE CITIES AND COMMUNITIES</div> <div>16 PEACE, JUSTICE AND STRONG INSTITUTIONS</div> <div>17 PARTNERSHIPS FOR THE GOALS</div>	<div>• Share customer feedback with all employees (12 times a year/once a month)</div> <div>• Hold property owner briefing sessions (90 times a year)</div> <div>• Hold engagement meetings with institutional investors (meetings with investors from 100 companies)</div> <div>• Deliver in-house newsletters (60 times a year)</div>
	Work-style reform and HR development	S	<div>4 QUALITY EDUCATION</div> <div>5 GENDER EQUALITY</div> <div>8 DECENT WORK AND ECONOMIC GROWTH</div> <div>10 REDUCED INEQUALITIES</div> <div>17 PARTNERSHIPS FOR THE GOALS</div>	<div>• Organize training sessions for foreign national nursing care staff (12 times a year/once a month)</div> <div>• Implement 360-degree assessment (target number of employees: 644)</div> <div>• Paid leave acquisition rate (acquisition rate: 85%)</div> <div>• Promote health and productivity management (ratio of fitness habits: 70% or more; ratio of overweight and obesity: 28% or less)</div>
	Respect for human rights	S	<div>17 PARTNERSHIPS FOR THE GOALS</div>	<div>• Employment of persons with disabilities (maintain employment ratio of 2.3%)</div> <div>• Create jobs for Leopalace Smile, for roles such as the provision of security camera recordings, replacement of apartment locks and keys, document mail service (outsource 100% of specified jobs to Leopalace Smile)</div>
	Attention to the environment	E	<div>3 GOOD HEALTH AND WELL-BEING</div> <div>7 AFFORDABLE AND CLEAN ENERGY</div> <div>11 SUSTAINABLE CITIES AND COMMUNITIES</div> <div>13 CLIMATE ACTION</div> <div>15 LIFE ON LAND</div>	<div>• CO₂ emissions reduction for Scope 1 and 2 (achieve 26% reduction in FY2030 in comparison to FY2016)</div> <div>• Engage in electricity saving by use of energy-saving lighting (lighting replacement opportunities by LED lighting: 100%)</div> <div>• Reduce paper consumption (reduce consumption by 20% compared to FY2020 result)</div>



Materiality



Offer Rental Housing with Stable Operation

KPI

Targets to be completed by the end of the fiscal year ending March 2022

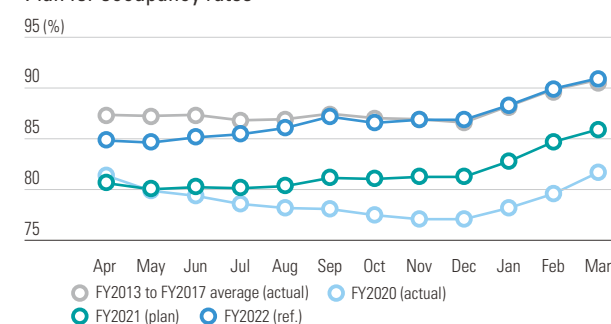
- Implement measures for increasing occupancy rates (end of Mar. 2022: 85.92%; average during FY2021: 81.65%)
- Promote the diagnostic inspection of apartment buildings by Leopalace21's own engineers (70% of inspection carried out by Leopalace21's own engineers)

Leopalace21's initiatives

Implement measures for increasing occupancy rates

In order to ensure the provision of rental housing with stable operation, we consider it essential to boost the occupancy rate. To this end, we are taking measures to improve occupancy rates in accordance with customer types, such as corporate, individual, student, and foreign national. Particular measures include: area intensive strategy, whereby the country is split into seven areas and measures are taken in accordance with the unique characteristics of the area; recovery in the balance of occupied rooms by corporate clients, whereby we will seek to boost use among existing corporate clients through top-level sales; and strengthening ties with real estate agents for individuals, whereby we will aim to boost agreements made via real estate agents by working with Village House. Through these measures, we are aiming to increase the number of contracts and the balance of occupied rooms.

Plan for occupancy rates



Promote the diagnostic inspection of apartment buildings by Leopalace21's own engineers

Leopalace21 has been implementing an annual building inspection as a matter of principle to ensure peace of mind for property owners and to provide comfort for tenants to live in the apartments that Leopalace21 manages. In order to enhance the management services, Leopalace21 increased the number of check items from 50 to 100 per building in July 2021.

Leopalace21's own engineers will perform most of the periodic building checks to ensure good quality inspections and record the state of building wear and tear by assigning five levels in place of four for more accurate diagnosis to determine the priority for repair.



Materiality



Respond to New Lifestyles in Preparation for the Post-COVID-19 Society

KPI

Targets to be completed by the end of the fiscal year ending March 2022

- Promote web-based customer services and web-based contract signing (number of web-based rental contracts: 25,000 during FY2021)

Leopalace21's initiatives

Promote web-based customer services and web-based contract signing

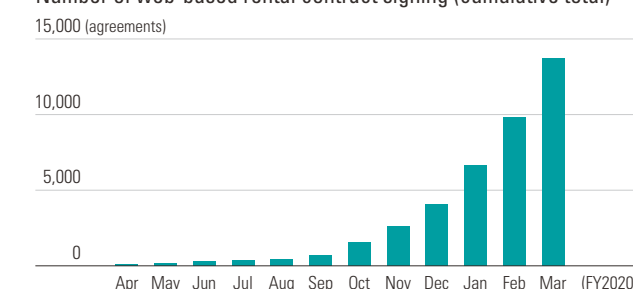
It is important to avoid closed spaces, crowded places, and close-contact settings in order to prevent the spread of COVID-19, and we have been promoting web-based customer services and rental contract signing that are usually carried out in person.

Concerning web-based customer services in particular, we can assist customers' apartment-hunting and deal with various inquiries via video calling from anywhere they like such as their home. The customers can enjoy the same level of services including receiving information about rooms without visiting Leopalace21 leasing offices. We also run online room viewings, which is a real-time service of video calling which enables a customer to take a look at the room and to talk to a Leopalace21 staff.

Written documents have typically been the norm for rental agreements, and shifting to web-based rental contract signing proved difficult. Overcoming these obstacles, we now also provide web-based rental contract signing services that enable customers to complete rental agreement procedures without coming into direct contact, such as filling out housing applications and submission of personal identification documents online and the explanation of important matters via video calls.

By making customer services, room viewings, and rental contracts signing possible online, we can avoid the "3Cs" and improve convenience for those relocating from remote areas without having to visit the leasing sales offices.

Number of web-based rental contract signing (cumulative total)





KPI

- Targets to be completed by the end of the fiscal year ending March 2022**
- Dialogue between Directors and employees (four times a year)
 - Complete repair of all obvious construction defects by the end of 2024

KPI

- Targets to be completed by the end of the fiscal year ending March 2022**
- Implement measures to prevent the recurrence of the construction defects problem and disclose the state of progress (twice a year)
 - Ensure to respond to posts to the suggestion box for management (100% response rate)
 - Make use of the whistleblowing system (100 cases received)
- Note: the receipt of a certain number of reports proves that the system is being run properly

Leopalace21's initiatives

Dialogue between Directors and employees

We set up opportunities for dialogue between Directors and employees as part of efforts to ensure effective governance and measures to prevent recurrence. In the fiscal year ended March 2020, we were able to conduct dialogue with employees in regional areas under the regional small meetings initiative. We were not able to conduct this initiative in the fiscal year ended March 2021 due to the effects of the COVID-19 pandemic and our sluggish business performance. However, we plan to run both online and face-to-face meetings regularly from the fiscal year ending March 2022 onward.

With participants recruited via self-nomination, the initiative is designed to facilitate proactive exchange of opinions rather than just being one-way communications from Directors. We also work to ensure transparency by reporting the content on the Company intranet.



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

We are proceeding with repair works in good faith, on the basis of discussions with property owners and relevant government authorities. In addition, we proceed with repair works upon gaining the understanding of tenants by giving thorough explanations. To give an update on the most recent status of repairs, we have completed works for the 2,000 units we aimed to repair from September to December 2020, and we also achieved our target of 6,000 repaired units for January to June 2021. Following on from this, we have continued to carry out repair works while disclosing monthly progress reports. We aim to completely repair all obvious construction defects by the end of 2024.

(As of July 31, 2021)

Series	Total number of buildings	Number of obviously defective buildings	Total number of units in obviously defective buildings	Total number of units	
				Requires repair, etc.*	Repairs complete
Nail/6 series	15,283	7,746	121,652	95,444	43,992
Other series	23,802	5,010	78,193	69,939	4,641
Total	39,085	12,756	199,845	165,383	48,633

*Includes units that have not yet been surveyed

Leopalace21's initiatives

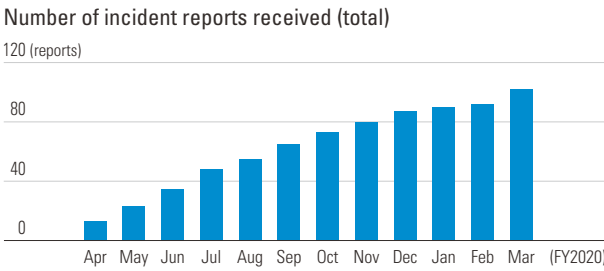
Implement measures to prevent the recurrence of the construction defects problem and disclose the state of progress

We publish status updates regarding the measures to prevent recurrence in response to the construction defects problem announced in May 2019 via our website in order to communicate progress to a wide audience.

More specifically, we outline progress of each item of the three major categories of the measures to prevent recurrence: 1. fundamental reform of the corporate culture; 2. restructuring of the system for compliance and risk management; and 3. revision of the construction business framework. Measures to prevent recurrence continue to be positioned as one of our most important management challenges. As we work on building a strong system through continued implementation and reforms, we communicate our commitment and resolve toward measures to prevent recurrence by giving progress updates on an ongoing basis to a wide external audience.

Make use of the whistleblowing system

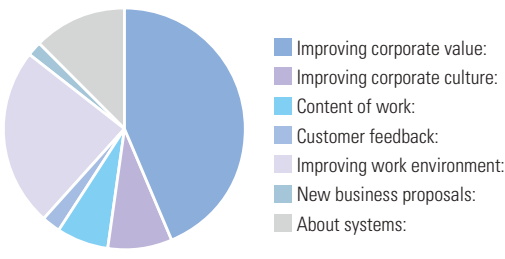
In order to evaluate whether the whistleblowing system is being operated appropriately, we run the system with targets set for the number of reports received by multiplying the number of employees by a certain percentage. For the fiscal year ended March 2021, we continued the previous fiscal year's target of 100 reports received.



Ensure to respond to posts to the suggestion box for management

In July 2019, we started operating a suggestion box for management as a system for employees to make direct suggestions to the management. Submissions to this suggestion box are divided into seven categories that include improving our corporate value, improving our corporate culture, and improving our work environment. In the fiscal year ended March 2021, submissions concerning improving corporate culture were most numerous. The management team does not just read the posts, but replies to 100% of submissions, thereby enabling mutual communication between employees and the management team.

Number of posts to the suggestion box for management





Materiality

G

S

Communication with Stakeholders

KPI

Targets to be completed by the end of the fiscal year ending March 2022

- Share customer feedback with all employees (12 times a year/once a month)
- Hold property owner briefing sessions (90 times a year)
- Hold engagement meetings with institutional investors (meetings with investors from 100 companies)
- Deliver in-house newsletters (60 times a year)

Leopalace21's initiatives

Share customer feedback with all employees

We conduct surveys of customers who visit our leasing sales offices and publish the results internally once a month. Based on the answers received, outstanding cases of customer service are recognized with the Outstanding Customer Service Awards (individual/leasing sales office), and particularly exceptional cases are recognized with the Monthly Spotlight Award. These awards are presented alongside identified areas for improvement and real customer feedback in the aim of improving the quality of customer service provided at leasing sales offices and boosting employee engagement and fostering a customer-oriented culture by sharing customer feedback throughout the Company. This initiative was started in the fiscal year ended March 2021, and we plan to continue it from the fiscal year ending March 2022 onward.

Hold engagement meetings with institutional investors

With dedicated IR team acting as the point of contact, we conduct engagement meetings with institutional investors and analysts from Japan and overseas throughout the year. In individual meetings, the Executive Officer and Senior Department Manager of the Corporate Planning Department acts as the main speaker. We also strive to incorporate feedback from markets into our management with by holding meetings where the President and CEO also participates. In addition to individual meetings, we also hold twice-yearly financial results briefings and participate in conferences held by securities firms.

Last year, we also conducted shareholder relations activities and meetings from an ESG perspective in addition to investor relations meetings. In this way, we have increased communication with investors concerning not only short-term performance, but also the medium- to long-term improvement of corporate value.

Hold property owner briefing sessions

The Company has long been regularly holding property owner briefing sessions throughout the country as a way for the property owners all over Japan to interact with Company employees. We strive to regain the trust of property owners by explaining corporate policy and building and maintaining a relationship of mutual trust. In the fiscal year ended March 2021, we managed to hold 87 briefing sessions for over 3,000 participants, including online sessions. While we are reviewing the way we hold these briefing sessions in light of the impact of the COVID-19 pandemic, we also plan to primarily conduct briefings online in the fiscal year ending March 2022.

In addition to the property owner briefing sessions, we deliver video messages from the President and CEO via *Class L*, our portal site for all property owners.

Deliver in-house newsletters

The history of our in-house newsletter *Leoleo* goes back over 20 years. At first, we distributed a paper-based newsletter to all employees once a month. Newly joined employees around head office were primarily selected for the *Leoleo* editorial team, who worked to publish easy-to-understand articles from their perspectives as new employees.

In 2010, the publication was moved from its existing paper-based format to online. Since the editorial team are now free to choose how often to communicate information, over 50 articles a year are posted. The Public Relations Group of the Corporate Planning Department is in charge of the publication. Articles are written based on interviews with various departments and Group companies and are published in a format that enables mutual communication between employees, with a *LeoLike!* button and a comment field.



Materiality

S

Work-Style Reform and HR Development (1)

KPI

Targets to be completed by the end of the fiscal year ending March 2022

- Organize training sessions for foreign national nursing care staff (12 times a year/once a month)
- Implement 360-degree assessment (target number of employees: 644)

Leopalace21's initiatives

Organize training sessions for foreign national nursing care staff

In response to the growing number of foreign staff as a solution to chronic labor shortages in the nursing care industry, we conduct training sessions in the aim of improving staff skills. Using dedicated teaching material and through conversation that actually occurs in nursing care settings, the training sessions do not only improve the necessary communication skills for working in the nursing care fields, including the Japanese language skills needed for nursing, but also aim to develop personnel who will be able to work in Japan over the long term, with course content covering the acquisition of nursing care qualifications and study of kanji characters and honorifics targeted for Japanese language proficiency test.



Implement 360-degree assessment

As part of our personnel evaluation system based in fairness and transparency, we have introduced a multi-faceted evaluation system with 360-degree assessments. In the previous fiscal year, we held seminars taught by external instructors and briefings about 360-degree assessment for senior department managers throughout the Company. In December 2020, we introduced 360-degree assessment for senior department managers across the Company. In the current fiscal year, we are aiming to roll out the system to include in the scope lower managers than senior department managers level.





Work-Style Reform and HR Development (2)



Respect for Human Rights

KPI

Targets to be completed by the end of the fiscal year ending March 2022

- Paid leave acquisition rate (acquisition rate: 85%)
- Promote health and productivity management (ratio of fitness habits: 70% or more^{*1}; ratio of overweight and obesity: 28% or less^{*2})

^{*1} Exercising at least 30 minutes once a week

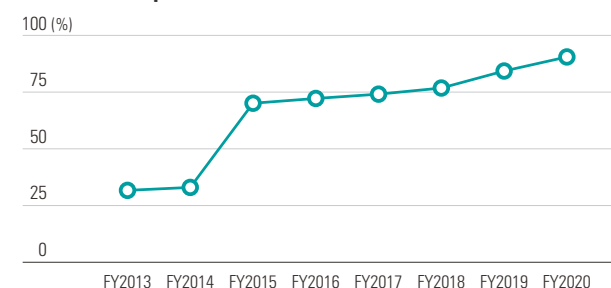
^{*2} BMI of 25 or more; national average: 26.3% (National Health and Nutrition Survey 2019, Ministry of Health, Labour and Welfare)

Leopalace21's initiatives

Paid leave acquisition rate

We consider work-life balance promotion an important issue, and part of this includes creating a system and work environment that make it easy for our employees to use their paid leave entitlement. More specifically, we are promoting the usage of the planned five-day annual leave in summer and winter as well as the three-day refreshment leave, which can be used anytime throughout the year. We have also introduced a half-day paid leave and hourly paid leave system. These efforts, along with the impact of the voluntary retirement system, resulted in a paid leave acquisition rate of 90.5% in the fiscal year ended March 2021, a considerable improvement over the ratio of 31.7% in the fiscal year ended March 2014.

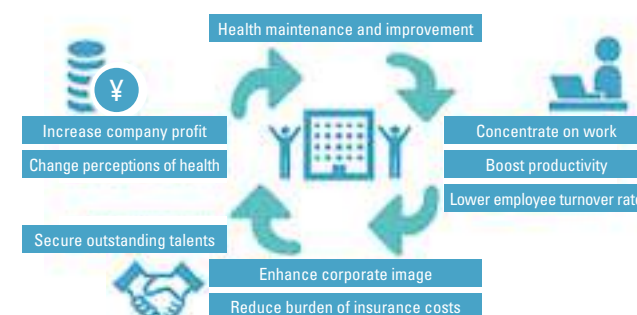
Paid leave acquisition rate



Promote health and productivity management

Based on the belief that the mental and physical health of each and every employee is a driving force for innovation, we support the health of employees and proactively implement a health and productivity management strategy. With the officer in charge of human resources responsible for health promotion, we proactively offer health supports to improve employee health literacy and promote good health with full-time health nurses and clinical psychotherapists. The key themes of the strategy seek to create a workplace environment where employees can thrive energetically, including: 1. mental health promotion plan; 2. support for balancing work with treatment for conditions such as cancer and cerebrovascular disease; and 3. improvement of health index figures. The rate of obesity among our employees is higher than the national average. To address this, we conduct internal awareness-raising activities to reduce the rate of obesity while seeking to boost the ratio of employees with regular exercise habits.

Health and Productivity Management Cycle:
Physical and Mental Health is a Key to the Company Growth



KPI

Targets to be completed by the end of the fiscal year ending March 2022

- Employment of persons with disabilities (maintain employment ratio of 2.3%)
- Create jobs for Leopalace Smile, for roles such as the provision of security camera recordings, replacement of apartment locks and keys, and document mail service (outsource 100% of specified jobs to Leopalace Smile)

Leopalace21's initiatives

Employment of persons with disabilities

We are aiming to expand our hiring of persons with disabilities. To do so, we established Leopalace Smile Co., Ltd. in August 2009 and received the authorization as a special subsidiary company in November 2009. This company currently handles the Leopalace Group's mail sorting, shipping, and related outsourced work. Our operations are aimed at achieving the normalization of persons with disabilities in society.



Create jobs for Leopalace Smile, for roles such as the provision of security camera recordings, replacement of apartment locks and keys, and document mail service

A wide variety of tasks are outsourced to Leopalace Smile. Tasks that used to be carried out by staff of leasing services departments are now conducted by Leopalace Smile employees, such as mail sorting and sending, analysis and processing of security camera videos, resetting of apartment key equipment, and sending documents to tenants. This not only allows us to create work to promote the employment of persons with disabilities, but also significantly reduce the working hours of leasing services department staff by outsourcing to Leopalace Smile, helping to improve productivity across the entire Group.





KPI

- Targets to be completed by the end of the fiscal year ending March 2022**
- CO₂ emissions reduction for Scope 1 and 2 (achieve 26% reduction in FY2030 in comparison to FY2016)

KPI

- Targets to be completed by the end of the fiscal year ending March 2022**
- Engage in electricity saving by use of energy-saving lighting (lighting replacement opportunities by LED lighting: 100%)
 - Reduce paper consumption (reduce consumption by 20% compared to FY2020 result)

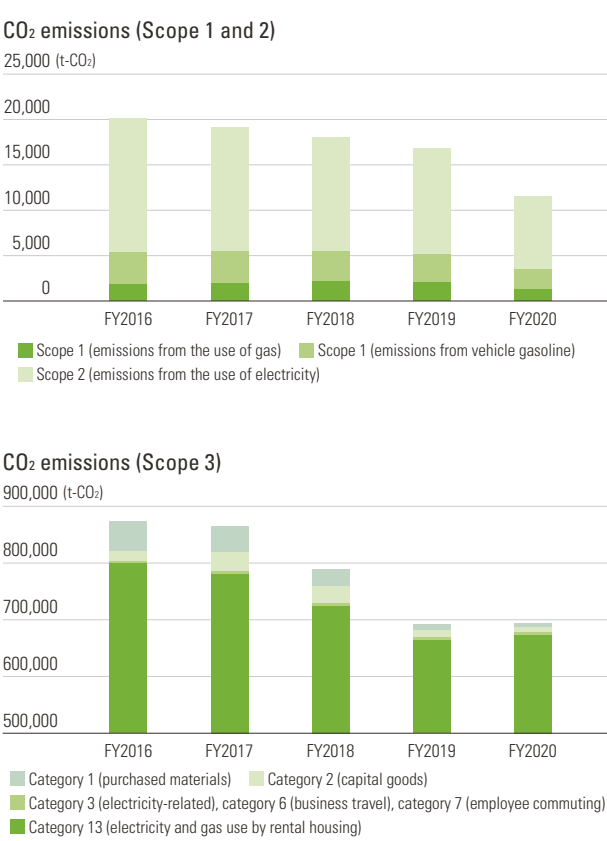
Leopalace21's initiatives

CO₂ emissions reduction for Scope 1 and 2

We have set a goal of reducing the Scope 1 and 2 CO₂ emissions—emissions from the use of electricity and gas, and vehicle gasoline—of our facilities by 26% in FY2030 compared to FY2016.

In line with this goal, we started disclosing our total CO₂ emissions in FY2016, and the total results for each fiscal year are shown on our website and in the integrated reports. Furthermore, regarding our totalization process and results, we have obtained the guarantee of an independent third party to increase the reliability of the information we present. Each of our employees will continue to maintain an awareness of the environment as they go about their work, and as a company we will continue to conduct environmental protection activities, including the reduction of company cars and the green procurement of business supplies.

While setting targets for reductions to Scope 1 and 2 emissions, it is important to identify the processes that should be focused on for environmental conservation by gaining an understanding of the emissions that occur in upstream and downstream business activities. Based on this belief, our Scope 3 emissions are mainly from electricity and gas usage by tenants, which we address by taking measures such as using LED lighting. Also, we consider the way we lease apartments equipped with furniture and home appliances to be eco-friendly in and of itself, because tenants can move in with just one suitcase, reducing the waste that is produced when moving and minimizing energy consumption when moving belongings.

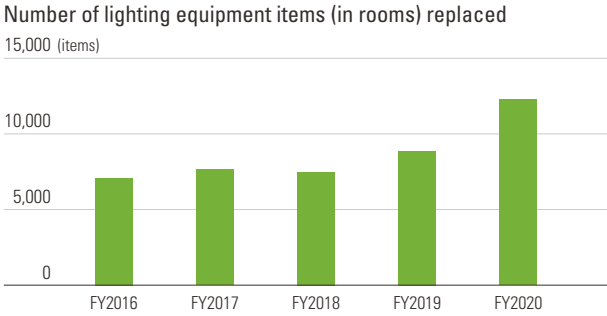


Leopalace21's initiatives

Engage in electricity saving by use of energy-saving lighting

Leopalace21 manages approximately 57,000 apartments across Japan. We recognize that we also have a responsibility to take measures to address the environmental burden of electricity usage by tenants. We replace approximately 10,000 items of lighting equipment installed in private room spaces a year. As we do so, we are proactively replacing fittings with LED lightbulbs, with a future goal of 100% LED lighting.

In addition to energy reductions in private room spaces, we are also looking into rolling out measures to reduce the electricity used in common areas, such as adjusting the time lights are turned on and off by season.



Reduce paper consumption

The amount of paper we use in our head office, branches and offices throughout Japan is falling on a yearly basis. We reduce paper usage of all Company officers and employees by, for example, working to reform individual employee mindsets and running meetings using tablets. At the same time, we have also reduced the amount of paper used for customer-facing work through the electronic contract management system we have introduced in 2015 and the web-based rental contract signing that was launched across Japan in 2020. In addition, we expanded the scope of digitized services for individuals in June 2021, by launching the electronic contract signing service for parking spaces. These efforts have enabled us to go paperless and digitize all rental contractual procedures we conclude with customers, with the exception of fixed-term rental agreements, which must be signed in writing by law.

