# Corporate Governance Report

Last Update: June 27, 2024

Leopalace21 Corporation
Bunya Miyao, President and CEO
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Securities Code: 8848
https://www.leopalace21.co.jp/english/index.html

The corporate governance of Leopalace21 Corporation (the "Company") is described below.

## I. Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information

### 1. Basic Views

The Company see the construction and reinforcement of corporate governance as one of our most critical management tasks, and will aim to realize our corporate philosophy, achieve business plans, improve corporate value in the medium to long term, and grow continuously by reinforcing the corporate governance.
Our fundamental goal of corporate activities is to pursue efficient, fair, and highly transparent operations to attain greater corporate value for the sake of all our stakeholders.
To achieve the above goal, the Company endeavor to improve our management system and management organization mainly through appropriate and rapid decision-making, reinforcing the monitoring function of our decision-making, establishment of a compliance system, improvement and strengthening of an internal control system, and establishment of good relations with stakeholders.

**[Disclosure Based on the Principles of the Corporate Governance Code]** Updated

**Principle 1-4 Cross-held shares**
The Company has a basic policy of not acquiring cross-held shares and does not hold any shares of listed companies. However, if the acquisition of shares of business partners and business alliance partners is deemed useful for maintaining and strengthening relationships with such partners and if the medium- to long-term economic benefits from acquiring the shares are expected to be greater than the expenses for the acquisition, the Company may acquire the shares according to the procedures set forth in the internal regulations.
The Company verifies the economic rationality of each company at the Board of Directors, such as the propriety with the purpose of acquisition, dividends, and the effectiveness of the business relationship. If there is any doubt about the economic rationality as a result of the verification, the Company will examine the necessity of maintaining the holding of the shares.
With respect to the exercise of voting on the proposals, the Finance and Accounting Department comprehensively takes into consideration the purpose of holding the shares as well as the governance system of the issuer and whether there is an improvement in shareholder value. The Department exercises voting rights after making decisions based on the Company's rules for segregated authority.

**Principle 1-7 Related party transactions**
If the Company needs to conduct a transaction with its officers, affiliates or major shareholders, the Company will conduct the transaction based on the Regulations on Related Party Transactions, which set forth the scope of the covered transactions, approval procedures and ex-post confirmation for the purpose of eliminating the impairment of the Company's interest and common interest of the shareholders and avoiding the violation of laws and regulations that should be observed by the officers.

Based on the Regulations, the Board of Directors will make a prior approval for the transaction and make an ex-post confirmation to see whether the transaction is conducted with the approved content by receiving a confirmation letter from the related party on the details and obligations arising from the transaction.

**Principle 2-3 Issues on sustainability from social and environmental aspects**

The Company believes that the physical and mental health of the employees are the foundation for realizing the corporate philosophy of creating new value, and the Company has been committed to health and productivity management since 2017.

From 2023, in addition to the maintenance and promotion of employees' good health, the Company aims to achieve well-being management to revitalize the workplace created by vibrant connections among employees and to realize good mutual relationships with customers, business partners, shareholders, and all other stakeholders.

President and CEO himself is the chief executive officer of the subject, and the Human Resources Department is positioned as the driving force of well-being promotion which implements various measures in cooperation with each office and the Health Committee.

The company has been certified as an Outstanding Health & Productivity Management Organization (large company category).

**Principle 2-4-1 Securing diversity including the promotion of the women's career advancement**

The Company has been actively promoting the activities by diverse manpower resources in such ways as providing career development training especially for female employees, introducing support system for work and housework in child raising and looking after elderly, and organizing diversity forums with the theme of supporting the persons with disability or LGBT employees in the workplace. The Company believes it is useful for each employee to acknowledge their capabilities and develop them further as an innovator. In addition, to realize the promotion of female employees to core positions, the Company disclosed the target number of female managers and its ratio in the latest annual securities report.

<Diversity>
Diversity | Sustainability | Leopalace21 Corporation

<Creating Pleasant Work Environment and Developing Diverse Human Resources>
Human Resource Development | Sustainability | Leopalace21 Corporation

<Annual Securities Report> (Japanese only)
Annual Securities Report（Japanese only）

**Principle 2-6 Roles of Corporate Pension Funds as an asset owner**

The Company's Corporate Pension Fund is a defined contribution type pension plan, and employees have control over investment decisions. The Company provides employees with various investment products to choose from, as well as the opportunity to learn about asset management.

**Principle 3-1 Enhancement of information disclosure**

(1) What the Company aims for (corporate philosophy, etc.), management strategies and business plans

The Company's corporate philosophy is to create new value in its own unique way by keeping a close eye on modern-day needs, constantly work to improve the products, services and technologies and grow as a company, and provide new value throughout society to help create a more comfortable and affluent society.

The Company has set three management policies for the fiscal year ended March 31, 2024: strengthen profitability and stabilize financial base; promote structural reforms and DX; and carry on repairing construction defects. The Company has improved the occupancy rate by increasing customer convenience through the promotion of web-based contract signing without face-to-face meeting and the installation of smart locks. The Company has worked to stabilize financial base while strengthening profitability by promoting DX and increasing the average rent.

(2) Fundamental view and policy of corporate governance
The Company regards the construction and enhancement of corporate governance as one of the most important management issues. The fundamental goal of corporate activities is to pursue efficient, fair and highly transparent management to attain greater corporate value for all the stakeholders.
To achieve the above goal, the Company endeavors to improve the management system and management organization mainly through appropriate and rapid decision-making, reinforcing the monitoring function of our decision-making, establishment of a compliance system, improvement and strengthening of an internal control system, and establishment of good relations with stakeholders.

(3) Policy and procedures for the Board of Directors to determine remuneration for management executives and Directors
Remuneration for Directors of the Company is provided for the purpose of motivating the Directors to execute their business to the maximum extent possible to achieve business plans and enhance the corporate value in the medium to long term.
For this purpose, the Company pays remuneration for Directors consisting of four components, namely basic remuneration, stock options, performance bonus for a single fiscal year and performance bonus for the period of the medium-term management plan.
The remuneration will be determined through deliberations by the Nomination and Compensation Committee so that the remuneration for individual Directors should be appropriate. Please refer to the policy and procedures for determining the remuneration for Directors which are stated in “Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods” of this Report and the Annual Securities Report.

(4) Policy and procedures for the Board of Directors to appoint and dismiss management executives and nominate candidates for Directors and Audit & Supervisory Board Members
To achieve the business plans and enhance the corporate value in the medium to long term, we set a policy of structuring the Board of Directors by giving due consideration to securing the speediness of decision making and strengthening the management supervisory function.
Accordingly, the Board will nominate the candidates for Directors from talent pool with extensive knowledge of the Company’s business and the business environment surrounding the Company as an executive Director, and at the same time, nominate persons with deep expert insight as Outside Directors to strengthen the management supervisory function. The Company adopted a policy of making one-third or more of Board of Directors consists of Outside Directors in order to emphasize the supervisory function.
With regard to candidates for Audit & Supervisory Board Members, the Board will nominate persons with in-depth knowledge of finance and accounting to strengthen the management supervisory function. Particularly for outside Audit & Supervisory Board Members, the Board will nominate persons with deep expert insight in an independent position.
Candidates for Outside Directors shall meet the independence criteria that the Company formulated in accordance with the independence standards of the Guidelines for Listing Examination, etc. of the Tokyo Stock Exchange.
To nominate candidates for Directors and Audit & Supervisory Board Members in accordance with these policies, the Board of Directors will determine through deliberations at the Nomination and Compensation Committee.
When a Director or an Audit & Supervisory Board Member is determined that they are not fulfilling their roles, a proposal for dismissing the subject Director and/or Audit & Supervisory Board Member will be brought up to the General Shareholders’ Meeting, after deliberations at the Nomination and Compensation Committee and resolution of the Board of Directors.

(5) Explanation of individual election and nomination when management executives are elected and dismissed and when candidates for Directors and Audit & Supervisory Board Members are nominated
At the Ordinary General Shareholders’ Meeting held on June 27, 2024, the election of ten Directors and two Audit & Supervisory Board Member were approved. The reasons for nominating them are disclosed in the reference materials for the General Shareholders’ Meeting. Please refer to the

reasons for the individual election and nominations stated on pages 6 through 17 of the Notice of the 51st Ordinary General Shareholders' Meeting. For Outside Directors and outside Audit & Supervisory Board Members, please refer to the relevant sections of this Corporate Governance Report as well.

**Principle 3-1-2 Greater information disclosure (English disclosure)**
The Company discloses the information in English, considering the ratio of overseas investors, such as consolidated financial statements, notice of general shareholders' meeting, corporate governance report, integrated report, and other IR materials through TDnet and on the Company website.
For the materials which require instantaneous disclosure such as consolidated financial statements and monthly data, the Company adopted the policy of simultaneous disclosure between the material in Japanese and its English version. The Company has been posting the English version of integrated reports including the financial part with the independent auditor's report on the Company website.
<Website in English language>
Leopalace21 Corporate site(ENG)

**Principle 3-1-3 Greater Information disclosure (disclosure for sustainability)**
Driven by the corporate philosophy of creating new value, the Company 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. In accordance with this approach, the Company has identified eight materiality issues as priority challenges in response to the changing needs of the stakeholders, social and environmental problems, and the requirements of various guidelines such as International Integrated Reporting Framework, ISO26000, and GRI Standards. For details, please refer to the Company website and integrated report. For details, please refer to the Company website and the integrated report.

<Basic Policies on Sustainability>
Sustainability Policies | Sustainability | Leopalace21 Corporation

<ESG Activities in the context of Sustainability>
Sustainability Activities（ESG） | Sustainability | Leopalace21 Corporation

<Integrated Report>
Integrated Report / Annual Report | Information for Investors | Leopalace21 Corporation

Regarding environmental initiatives, a materiality, the Company expressed its support to TCFD in October 2021. As to the information disclosure on climate change based on TCFD, the Company has been trying to enhance the disclosure of the risks and opportunities based on the outcome of its scenario analysis. The risks include the Company's slow response to the required environmental countermeasures considering increased general environmental concerns and increased level of damage or flood on the properties under the Company's management and the effect of the Company's stakeholders as a more severe climate change impact. The opportunities include increased revenue and profit by developing environment-conscious apartment buildings.

<Creating an environmentally friendly society>
Environmental Initiatives | Sustainability | Leopalace21 Corporation

The Sustainability Committee headed by a Director in charge of sustainability discusses the challenges concerning sustainability and reports to the Board of Directors in principle on a quarterly basis.

**Principle 4-1-1 Roles and duties of the Board of Directors (1)** (Scope of delegation to management)

The Board of Directors Rules stipulate that the major roles of the Board of Directors of the Company are to make decisions on important matters for business operation, such as business plans, to resolve legally defined matters, and to monitor business activities.
However, certain judgment is delegated to the management to operate business promptly, and the Company's rules for segregated authority clearly define the scope of the delegation to management.

**Principle 4-9 Independence criteria and qualifications for independent Outside Directors**
To ensure the independence of outside officers, including Outside Directors, the Company developed independence criteria, taking into consideration issues for the business operation of the Company, with meeting the independence standards of Tokyo Stock Exchange, Inc. as the minimum requirement. For details, please refer to the relevant sections of this Corporate Governance Report.

**Principle 4-10-1 Employing voluntary structures**
The Board of Directors consists of total ten members, six Inside Directors (female: one, non-Japanese: one) and four Independent Outside Directors (female: nil, non-Japanese: nil). Two Inside Directors out of six are non-executive.
The Board of Directors established the Nomination and Compensation Committee led by an Independent Outside Director to secure independent and objective decisions along with stronger accountability for Directors and Executive Officers. The Committee has been properly involved to provide advice to the Board of Directors. It consists of four Independent Outside Directors and two non-executive Director and one executive Director. The Company believes that it enhanced independence and objectivity by having the Independent Outside Directors as the majority of the Committee.

**Principle 4-11-1 Prior conditions for securing the effectiveness of the Board of Directors and the Audit & Supervisory Board** (Policy and procedures for the appointment of Directors)
To achieve the medium-term management plan and enhance the corporate value in the medium to long term, the Company set a policy of structuring the Board of Directors by giving due consideration to securing the speediness of decision making and strengthening the management supervisory function.
Accordingly, candidates for Directors will be nominated from persons who have extensive knowledge about the Company's business and the business environment surrounding the Company as an executive Director, and at the same time, persons with deep expert insight will be nominated as Outside Directors to strengthen the management supervisory function. The Company adopted a policy of making the majority of Board of Directors consists of Outside Directors in order to emphasize on the supervisory function.
The Company pays attention to structuring the Board of Directors to avoid extreme disparity in the length of service of the Directors in order to strike a balance between the enhancement of experience and knowledge and creativity from a new perspective.
With respect to the number of Directors on the Board, the Articles of Incorporation stipulate twenty as the maximum number and the Company pays attention to setting a number that can secure fulfilling deliberations and is suited to the scale of business activities. The current Board of Directors consists of total eight Directors; three executive Directors (female: one, non-Japanese: nil) and five Outside Directors (female: one, non-Japanese: nil).

**Principle 4-11-2 Prior conditions for securing the effectiveness of the Board of Directors and the Audit & Supervisory Board** (Concurrent serving as an officer in another listed company)
The Company limits in principle the number of other listed companies to three where a Director or an Audit & Supervisory Board Member of the Company can concurrently serve as an officer, so as not to pose a problem for their execution of duty in the Company.
With respect to the Directors who are concurrently serving as officers in another listed company at present, Mr. Akira Watanabe, an Outside Director, serves as director of ASIA PILE HOLDINGS CORPORATION.

**Principle 4-11-3 Prior conditions for securing the effectiveness of the Board of Directors and the Audit & Supervisory Board** (Analysis and evaluation of the Board of Directors)

Subsequent to the fiscal year 2022, the Company evaluated the function and others to be fulfilled by the Board of Directors for the fiscal year 2023. The evaluation method was an individual evaluation using a questionnaire to all the members of the Board of Directors. For this year, in order to ensure anonymity of responses and to conduct a more transparent and objective effectiveness evaluation, the Company conducted questionnaires utilizing an external survey service provider, and analyzed and evaluated the results after obtaining advice from the service provider.
The Board of Directors analyzed, discussed, and evaluated the results of the questionnaire at its regular meeting in June 2024. The Board of Directors received a positive evaluation in general following the fiscal year 2022, and the Company recognized that the effectiveness of the Board of Directors as a whole has been ensured. Outstanding issues identified include furthering the discussions aimed at improving corporate value over the medium to long term and matters related to human resource development plans, and the Company will continue to take steps to improve these issues. Based on this effectiveness evaluation, the Company will continue its efforts to improve the functions of the Board of Directors by responding promptly to issues after thorough consideration.
In addition, each Audit & Supervisory Board Member evaluated for the seventh time the effectiveness of the Audit & Supervisory Board and submitted a report in writing to the President and CEO and Corporate Planning Department. For the fiscal year 2023, the Audit & Supervisory Board carried out the audits by putting emphasis on the measures presented in the management plan of strengthening profitability and stabilizing financial base, promoting structural reforms and DX, carrying on the repairing construction defects. The Audit & Supervisory Board concluded that it fulfilled the function with effective performance.
With regard to the establishment and operation of measures to prevent recurrence of the construction defects problem, namely, fundamental reform of the corporate culture, restructuring of the system for compliance and risk management, and revision of the construction business framework, the Company confirmed that all 50 items set forth as preventive measures have been addressed and completed. It has been more than four years since the announcement on May 29, 2019.

**Principle 4-14-2 Training of Directors and Audit & Supervisory Board Members** (Training policy)
In the belief that facilitating the acquisition of the necessary knowledge by the Directors and the Audit & Supervisory Board Members will contribute to the execution of business operation and the enhancement of corporate value in the future, the Company provided and supported opportunities for acquiring knowledge.
Specifically, the Company provided training that will contribute to the resolution of management issues such as corporate governance, corporate finance and TCFD. The Company also provided training on legal responsibilities after the Directors and the Audit & Supervisory Board Members have taken office.

**Principle 5-1 Policy for constructive dialogues with shareholders**
To promote the sustainable growth of the Company and enhance its corporate value in the medium to long term, the Company runs a department specializing in IR headed by the Director in charge of IR to promote constructive dialogues (meetings) with shareholders. Specifically, the Company provides clear explanations about the Company's management policies and others to stakeholders including shareholders by holding results briefings and Japanese and foreign institutional investors' meetings.
With respect to the policy and efforts for the development of a system for promoting constructive dialogues with shareholders, the Company developed an IR Policy and disclosed it on its website. Please refer to it.
<IR Policy>
IR Policy | Information for Investors | Leopalace21 Corporation

**Principle 5-2-1 formulating and announcing management strategy and plans**
The Company has three businesses: the Leasing Business, the Elderly Care Business, and the Other Businesses which contain operating Guam resort facilities and financing business. After the collapse of the Lehman Brothers, the Company has been strengthening the earnings base by

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| adopting the diversification strategy but then shifted to the profitability-oriented strategy centered on the Leasing Business in accordance with the drastic business restructuring started in the fiscal year ended March 2021. The Company is carrying out transfer or withdrawal from the non-core and unprofitable businesses. For the fiscal year ending March 2025, the Company performs the business with four sets of management policy: carry on construction defects management, strengthen profitability, promote sustainability management, and prepare framework for mid- to long-term growth. |

## 2. Capital Structure

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|---|---|
| Foreign Shareholding Ratio | Below 20% |

**[Status of Major Shareholders] Updated**

| Name / Company Name | Number of Shares Owned | Percentage (%) |
|---|---|---|
| Chidori Godo Kaisha | 84,507,700 | 26.09 |
| UH Partners 2, Inc | 50,581,700 | 15.61 |
| The Master Trust Bank of Japan, Ltd. (Trust Account) | 22,984,700 | 7.09 |
| Custody Bank of Japan , Ltd. (Trust Account) | 11,912,300 | 3.67 |
| HIKARI TSUSHIN, INC. | 8,606,500 | 2.65 |
| MSIP CLIENT SECUITIES | 7,497,775 | 2.31 |
| Stockholding Association for Leopalace21's Apartment Owners | 6,988,200 | 2.15 |
| MLI FOR CLIENT GENERAL OMNI MON COLLATERAL NON-TREATY-PB | 6,519,621 | 2.01 |
| Stockholding Association for Leopalace21's Business Connection | 5,532,700 | 1.70 |
| Stockholding Association for Leopalace21's Employees | 3,062,890 | 0.94 |

| | |
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| Controlling Shareholder (excluding Parent Company) | – |
| Parent Company | None |

| Supplementary Explanation |
|---|
| – |

## 3. Corporate Attributes

| | |
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| Listed Stock Market and Market Section | Tokyo Stock Exchange Prime Market |

| | |
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| Fiscal Year-End | March |
| Type of Business | Real Estate |
| Number of Employees (consolidated) as of the End of the Previous Fiscal Year | More than 1,000 |
| Sales (consolidated) as of the End of the Previous Fiscal Year | From JPY 100 billion to less than JPY 1 trillion |
| Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year | From 10 to less than 50 |

## 4. Policy on Measures to Protect Minority Shareholders in Conducting Transactions with Controlling Shareholder

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## 5. Other Special Circumstances which may have Material Impact on Corporate Governance

**Updated**

The Company set up on February 27, 2019 as a result of the construction defects problem, a third-party External Investigation Committee which is independent and does not hold any interest with the Company. The Company received an investigation report from the Committee and took special notice of the overall and fundamental causes of the problem which the Committee specified in the report.
The Company completed the recurrence preventing measures and maintaining some of them continuously. The Company will proceed with negotiations for the repair of apartment rooms that are currently occupied or apartments that are now managed by other companies in order to eliminate any obvious construction defects by the end of December 2024.

## II. Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management

### 1. Organizational Composition and Operation

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| Organization Form | Company with Audit & Supervisory Board Member |

**[Directors]**

| | |
|---|---|
| Maximum Number of Directors Stipulated in Articles of Incorporation | 20 |
| Term of Office Stipulated in Articles of Incorporation | 1 year |
| Chairperson of the Board | President and CEO |
| Number of Directors | 10 |
| Election of Outside Directors | Elected |
| Number of Outside Directors | 4 |
| Number of Independent Directors | 4 |

Outside Directors' Relationship with the Company (1)

| Name | Attribute | Relationship with the Company* | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | a | b | c | d | e | f | g | h | i | j | k |
| Akira Watanabe | From another company | | | | | | | | | | | |
| Yutaka Nakamura | From another company | | | | | | | | △ | | | |
| Takumi Shibata | From another company | | | | | | | | | | | |
| Kan Ishii | From another company | | | | | | | | △ | | | |

Categories for "Relationship with the Company"

○ when the director presently falls or has recently fallen under the category;
△ when the director fell under the category in the past
● when a close relative of the director presently falls or has recently fallen under the category;
▲ when a close relative of the director fell under the category in the past

a. Executive of the Company or its subsidiaries
b. Non-executive director or executive of a parent company of the Company
c. Executive of a fellow subsidiary company of the Company
d. A party whose major client or supplier is the Company or an executive thereof
e. Major client or supplier of the Company or an executive thereof

f. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as a director/Audit & Supervisory Board Member
g. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a legal entity)
h. Executive of a client or supplier company of the Company (which does not correspond to any of d, e, or f) (the director themselves only)
i. Executive of a company, between which and the Company outside directors/Audit & Supervisory Board Members are mutually appointed (the director themselves only)
j. Executive of a company or organization that receives a donation from the Company (the director themselves only)
k. Others

Outside Directors' Relationship with the Company (2) Updated

| Name | Designa-tion as Indepen-dent Director | Supplementary Explanation of the Relationship | Reasons of Appointment |
|---|---|---|---|
| Akira Watanabe | Yes | Mr. Akira Watanabe is an Outside Director, Maeda Road Construction Co., Ltd. While Maeda Road Construction Co., Ltd. has a business relationship with the Company, the amount was insignificant, less than 2% of the past consolidated net sales or total revenue of Maeda Road Construction Co., Ltd, it does not have an impact on the independence of the Outside Director.<br><br>Important concurrent positions<br>・Director, ASIA PILE HOLDINGS CORPORATION<br>・Outside Director, Maeda Road Construction Co., Ltd.<br>・ Partner, Comm & Path Law Office | Mr. Akira Watanabe possesses expertise as an attorney at law and deep knowledge of corporate management accumulated as an outside director of other companies. He fulfills an appropriate role as lead Outside Director in supervising the business execution of the Company from an independent and fair perspective. Moreover, as the chairman of the Nomination and Compensation Committee, he has increased the transparency and objectivity of officer nomination and remuneration decision procedures. It is judged that his high level of expertise in legal affairs and compliance are essential for strengthening the functions of the Company's Board of Directors and enhancing corporate governance, so the Company has nominated him again as a candidate for Outside Director.<br>Mr. Watanabe meets the independence standards set forth by the Tokyo Stock Exchange in the Article 436-2 of its Guidelines for Listing Examination and the Company's own Independence Criteria for Independent Directors. As such, the Company judged that his independence is secured. |
| Yutaka Nakamura | Yes | Important concurrent position<br>・Nothing in particular | Mr. Yutaka Nakamura has been involved in quality management and environmental management in the housing industry for many years, and possesses experience in key positions in several organizations in the housing industry. Based on his abundant track record and deep knowledge, he fulfills an appropriate role as Outside Director in |

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| | | | supervising the business execution of the Company from an independent and fair perspective. Moreover, as the chairman of the Company's Compliance Committee, he has worked to strengthen and enhance the Company's compliance system. It is judged that his expertise and experience in construction and technologies are essential to supervising and providing advice on the Company's business execution, so Company has nominated him again as a candidate for Outside Director. |
| Takumi Shibata | Yes | Important concurrent positions<br>・Representative Director, Fiducia, Inc.<br>・Representative Director, Terra Foods Corporation<br>・Outside Director, Nano Summit Co., Ltd.<br>・Outside Director, Seeds Co., Ltd.<br>・Outside Director, PJC Investments<br>・Outside Director, Accordia Golf co., Ltd. | Mr. Takumi Shibata possesses broad insight as a corporate manager accumulated through his career, which includes important positions at a securities company and an asset management company, in addition to deep knowledge in asset management and finance. He also fulfills an appropriate role as Outside Director in supervising the business execution of the Company from an independent and fair perspective during the Board of Directors meetings and other meetings. It is judged that his high level of expertise is essential to realizing the structural reforms that the Company aims for and strengthening the functions of the Board of Directors, so the Company has nominated him again as a candidate for Outside Director. |
| Kan Ishii | Yes | Mr. Kan Ishii had held the positions of Representative Director President, Director, Vice Chairman, and Special Advisor at FUKUOKA JISHO CO., LTD. before he retired from office in May 2018.<br>While the Company has a business relationship with FUKUOKA JISHO CO., LTD., the amount was insignificant, less than 2% of the past consolidated net sales or total revenue of FUKUOKA JISHO CO., LTD., it does not have an impact on the independence of the Outside Director.<br><br>Important concurrent positions | Mr. Kan Ishii possesses broad insight and experience concerning corporate rehabilitation accumulated through his career, which includes important positions at an investment bank and serving as Trustee Representative of Japan Airlines. He also fulfills an appropriate role as Outside Director in supervising the business execution of the Company from an independent and fair perspective. It is judged that his high level of expertise is essential to realizing the structural reforms that the Company aims for and strengthening the functions of the Board of Directors, so the Company has nominated him again as a candidate for Outside Director. |

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| | | ・Specially appointed Professor, The Graduate School of Project Design<br>・Advisor, TERRACE Mile, Inc.<br>・Representative Director, PJC Investments<br>・Representative Director, President and CEO, Accordia Golf co., Ltd. | |

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| Voluntary Establishment of Committee(s) Corresponding to Nomination Committee or Remuneration Committee | Established |

Committee's Name, Composition, and Attributes of Chairperson

| | Committee Corresponding to Nomination Committee | Committee Corresponding to Remuneration Committee |
|---|---|---|
| Committee's Name | Nomination and Compensation Committee | Nomination and Compensation Committee |
| All Committee Members | 7 | 7 |
| Full-time Members | 0 | 0 |
| Internal Directors | 3 | 3 |
| Outside Directors | 4 | 4 |
| Outside Experts | 0 | 0 |
| Other | 0 | 0 |
| Chairperson | an Outside Director | an Outside Director |

Supplementary Explanation Updated

The Company established policies for nominating candidates for Directors and Audit & Supervisory Board Members and for determining remuneration recommendations for these officers as well as procedures for making decisions through deliberations by the Nomination and Compensation Committee, an advisory body to the Board of Directors, according to the policies for making the best nomination and determination of remuneration.
The Nomination and Compensation Committee was held six times in the fiscal year ended March 2024.

**[Audit & Supervisory Board Members]**

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| Establishment of Audit & Supervisory Board | Established |

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| Maximum Number of Audit & Supervisory Board Members Stipulated in Articles of Incorporation | 4 |
| Number of Audit & Supervisory Board Members | 4 |

## Cooperation between Audit & Supervisory Board Members, Accounting Auditor and Internal Auditing Department Updated

The Audit & Supervisory Board Members and the Accounting Auditor exchange opinions by holding quarterly briefing meetings on the settlement of accounts four times a year, and ad-hoc meetings as required. The Company appointed the new Accounting Auditor after being approved by the General Shareholders' Meeting held in June 2024. In addition, the Company appointed a Chief Financial Officer (CFO) so that he can improve financial health and strengthen its financial strategy.
With regard to the Internal Audit organization, the Auditing Department, which is independent from the business departments, was established as a department under the direct control of the President and CEO and reports the audit results to the Directors and the Audit & Supervisory Board Members at the monthly meetings of Auditing Council to share information.
The Auditing Department informs the Outside Directors of the major results of the internal audits at the meeting with Outside Directors; and the Accounting Auditor of results of their internal audits.

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| Election of Outside Audit & Supervisory Board Members | Elected |
| Number of Outside Audit & Supervisory Board Members | 2 |
| Number of Independent Audit & Supervisory Board Members | 2 |

## Outside Audit & Supervisory Board Member's Relationship with the Company (1) Updated

| Name | Attribute | Relationship with the Company* | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | a | b | c | d | e | f | g | h | i | j | k | l | m |
| Jiro Yoshino | From another company | | | | | | | | | | △ | | | |
| Kazutaka Shimohigoshi | From another company | | | | | | | | | | | | | |

Categories for "Relationship with the Company"
○ when the director presently falls or has recently fallen under the category;
△ when the director fell under the category in the past
● when a close relative of the director presently falls or has recently fallen under the category;
▲ when a close relative of the director fell under the category in the past

a. Executive of the Company or its subsidiary
b. Non-executive director or accounting advisor of the Company or its subsidiaries
c. Non-executive director or executive of a parent company of the Company
d. Audit & Supervisory Board Member of a parent company of the Company
e. Executive of a fellow subsidiary company of the Company
f. A party whose major client or supplier is the Company or an executive thereof

g. Major client or supplier of the Company or an executive thereof
h. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as an Audit & Supervisory Board Member
i. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a legal entity)
j. Executive of a client or supplier company of the Company (which does not correspond to any of f, g, or h) (the Audit & Supervisory Board Member themselves only)
k. Executive of a company, between which and the Company outside directors/Audit & Supervisory Board Members are mutually appointed (the Audit & Supervisory Board Member themselves only)
l. Executive of a company or organization that receives a donation from the Company (the Audit & Supervisory Board Member themselves only)
m.Others

Outside Audit & Supervisory Board Member's Relationship with the Company (2) Updated

| Name | Designation as Independent Audit & Supervisory Board Member | Supplementary Explanation of the Relationship | Reasons of Appointment |
|---|---|---|---|
| Jiro Yoshino | Yes | Mr. Jiro Yoshino held positions such as an executive officer and the full-time auditor of MS&AD Insurance Group Holdings, Inc. and retired from it in June 2017. He assumed the office of a full-time outside Audit & Supervisory Board Member of the Company in June 2017. While the Company has a business relationship with MS&AD Insurance Group Holdings with the insignificant amount, less than 2% of the past consolidated net sales or total revenue of MS&AD Insurance Group Holdings, it does not have an impact on his independence as an Audit & Supervisory Board Member.<br><br>Important concurrent position<br>・Nothing in particular | Mr. Yoshino held important positions in MS&AD Insurance Group Holdings, Inc. and possesses deep insights and considerable business experiences through his career as management at the listed company. He served as a full-time auditor of MS&AD Insurance Holdings, Inc. The Company nominated Mr. Yoshino again as a candidate for Outside Audit & Supervisory Board Member to properly monitor the Company's management due to his knowledge and experiences.<br>Mr. Yoshino meets the independence standards set forth by the Tokyo Stock Exchange in the Article 436-2 of its Guidelines for Listing Examination and the Company's own Independence Criteria for Independent Officers. As such, the Company judged that his independence is secured. |
| Kazutaka Shimohigoshi | Yes | Important concurrent position<br>・Nothing in particular | Mr. Kazutaka Shimohigoshi has a high level of insight in accounting and taxation, |

| | | | |
|---|---|---|---|
| | | | which is required of an Outside Audit & Supervisory Board Member who is responsible for accounting audits. JP Consultants Group, of which he is Representative Director, is well versed in the field of asset succession and has been providing tax advice to the Company's property owners since around 2016, and is familiar with the Company's business model. Therefore, the Company has determined that he is needed as an Audit & Supervisory Board Member.<br>Mr. Shimohigoshi meets the independence standards set forth by the Tokyo Stock Exchange in the Article 436-2 of its Guidelines for Listing Examination and the Company's own Independence Criteria for Independent Officers. As such, the Company judged that his independence is secured. |

**[Independent Directors/Audit & Supervisory Board Members]**

| | |
|---|---|
| Number of Independent Directors/Audit & Supervisory Board Members | 6 |

Other matters relating to Independent Directors/Audit & Supervisory Board Members

The Company's criteria for independence at the time of appointing an Outside Director and an Outside Audit & Supervisory Board Member stipulate that they shall not fall under any of the following.

(a) A person who executes business in the Group (a person who executes business such as a Director (excluding an Outside Director), an Executive Officer, an employee who executes business, an Administrative Officer or any other similar manager or employee of the Company or the Group)

(b) A major shareholder of the Company (a shareholder who directly or indirectly holds 10% or more of the total voting rights) or a person who executes business at the major shareholder

(c) A person who executes business in a corporation in which the Company is a significant investor (a person who directly or indirectly holds 10% or more of the total voting rights)

(d) An entity of which the major business partner is the Company (a business partner which provides products or services to the Company and whose transactions with the Company in the immediately preceding fiscal year accounted for 2% or more of its net sales or total revenue) or a person who executes business at the entity

(e) A major business partner of the Company (a business partner to whom the Company provides products or services and the Company's transactions with which, in the immediately preceding fiscal year, accounted for 2% or more of the Company's net sales) or a person who executes business at the major business partner

(f) A person who executes business at a major financial institution of the Company (a financial institution from which the Company borrows and the amount of borrowings of the Company which, in the immediately preceding fiscal year, accounted for 2% or more of the Company's total assets)

(g) A person who belongs to an audit firm that conducts statutory audits of the Company

(h) A person who receives a fee of at least JPY 10 million a year, or 2% of net sales or total revenue of an accounting expert such as a certified public accountant, a tax expert such as a certified tax accountant, a legal expert such as a lawyer or other consultant (hereinafter collectively referred to the "Consultant and the like"), whichever is higher, from the Company in the immediately preceding fiscal year, except for their officer's remuneration, or a person who belongs to a group in cases where the Consultant and the like is the group, such as a corporation and an association

(i) A person who executes business in the Company, if they serve as an outside officer at present or within the past three years at some other company

(j) An entity which received a donation of JPY 10 million a year or 2% of the entity's net sales or total revenue, whichever is higher, from the Company in the immediately preceding fiscal year, or a person who executes business at the entity

(k) An entity which or a person who has fallen under any of (a) through (j) in the past three years

(l) A relative within second degree of kinship of any of the persons listed in (a) through (j) above or a person who depends on any of the persons listed in (a) through (j) above (however, in the "person who executes business" listed in (b) through (f), (i) and (j) above, this is limited to a director (excluding an outside director), an executive officer, an employee who executes business, an executive board member or a person who executes important business such as a responsible person of a department, and in the "person who belongs to" listed in (g) and (h) above, this is limited to a person who has a professional qualification such as a certified public accountant or a lawyer)

(m) A person who is reasonably judged to give rise to conflicts of interest with shareholders who is equivalent to that in (a) through (l) above

**[Incentives]**

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|---|---|
| Incentive Policies for Directors | Stock Options |

Supplementary Explanation

At the meeting of the Board of Directors held on May 15, 2009, we resolved to reform the Directors' remuneration system. That is, the Company decided to introduce an incentive bonus system linked to the business performance of the Company to create a fair and transparent Directors' remuneration system by clarifying the Directors' responsibility for the business results and abolish the current retirement benefit plan. For executive Directors, the Company decided to change the system to a method of incorporating some of the current payment amount in their monthly remuneration and granting the remaining payment amount as a stock option. These measures were approved and passed at the Ordinary General Shareholders' Meeting held on June 29, 2009.

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| Recipients of Stock Options | Internal Directors |

Supplementary Explanation

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| The Company will provide the equivalent amount of remuneration right to those eligible Directors who receive the allotment of share acquisition rights and offset their rights to request remuneration from the Company against their payment obligations to be paid for the allotment of share acquisition rights. |

**[Director Remuneration]**

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|---|---|
| Disclosure of Individual Directors' Remuneration | No Individual Disclosure |

Supplementary Explanation Updated

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| Content of Directors' and Audit & Supervisory Board Members' remuneration (the payment amounts in the most recent fiscal year)<br>The payment amounts to 6 Directors, 2 Audit & Supervisory Board Member and 7 outside Officers for 15 in total aggregated to JPY 202 million.<br>The Annual Securities Report and the Business Report in which the above content is stated are posted on the Company's website. |

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|---|---|
| Policy on Determining Remuneration Amounts and Calculation Methods | Established |

Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods Updated

| |
|---|
| The Company holds a basic policy of the remuneration system for Directors, namely the amount and calculation method, which will contribute to an improvement in the Company's business performance in various ranges and the enhancement of its corporate value.<br>The remuneration has two components: the basic performance-based annual salary that fluctuates according to the percentage of target achievement of the management plan for a single fiscal year, and incentive remuneration that is paid only when shareholders dividends are paid.<br>Incentive remuneration may be paid in the form of monetary and non-monetary remuneration. For non-executive directors, only base remuneration as fixed remuneration is paid in consideration of their duties. In formulating the remuneration system, a remuneration table is established in consideration of other companies' standards, the Company's business performance, and the level of employee salaries, as well as each director's responsibilities and related risks.<br>Of the monetary remuneration (annual performance-based pay and incentive remuneration), annual performance-based pay is determined in accordance with the evaluation based on the remuneration table established by taking into consideration the consolidated net sales, consolidated net income, and the contribution of each director, as well as the responsibilities and risks associated with each position, in order to raise awareness of responsibility for improving performance for each fiscal year under the management plan. Incentive remuneration is based on the table established by taking into consideration the responsibilities of each position and the risks involved, and the amount paid is determined according to an evaluation that comprehensively takes into account the Company's performance and the contribution of each director. Incentive remuneration is paid only when the Company pays dividends to shareholders in the fiscal year. Stock options in the form of stock-linked remuneration, which fall under the category of non-monetary remuneration, are determined based on a stock option table established by taking into consideration the responsibilities of each position and the risks associated with such responsibilities, and whether or not to grant stock options and the number of stock options granted are determined based on an evaluation that comprehensively considers consolidated net sales, consolidated net income and each director's contribution to the Company.<br>The resolution date for the Directors' remuneration was June 29, 2017 at the ordinary general shareholders' meeting. The annual remuneration for Directors is capped at JPY 800 million which excludes employee-portion of salaries and that for Outside Directors is limited to JPY 100 million. |

The stock option scheme as stock-linked compensation is granted JPY 300 million at maximum which excludes employee-portion of salaries. The General Shareholders' Meeting also decided upon leaving the individual amount of remuneration with the Board of Directors. The maximum number of Directors are stipulated as 20 in the Articles of Incorporation.
The Board of Directors has the authority of determining the calculation method and individual amount of remuneration, accordingly the Board approves the respective Directors' amount of remuneration in accordance with the internal regulations.
The Nomination and Compensation Committee, a voluntary organ, submits the proposal to the Board of Directors for approval. The General Shareholders' Meeting determined on June 29, 2004, the maximum amount of remuneration for the Audit & Supervisory Board Members as JPY 60 million and the individual amount is discussed and mutually agreed in the Audit & Supervisory Board.

**[Support for Outside Directors and/or Outside Audit & Supervisory Board Members]**

The Corporate Planning Department provides support for the activities of the Outside Directors. As a measure to realize the properly informed decision making, the Senior Department Manager of the Corporate Planning Department provides information on changes in important business environment and prior explanation on the individual agenda items as and when necessary. An employee who belongs to the Audit & Supervisory Board provides support for the activities of the Outside Audit & Supervisory Board Members. The Company established an Outside Directors Meeting where the Outside Directors, Outside Audit & Supervisory Board Members and the Auditing Department attend so that the Meeting can share the mutually complementary specialized knowledge and enhance the quality of supervision on the business execution.

## 2. Matters on Functions of Business Execution, Auditing, Oversight, Nomination and Remuneration Decisions (Overview of Current Corporate Governance System) Updated

1. Corporate Governance System
The Company set up the Board of Directors which has the authority to decide important matters concerning business operations such as the decision of business plans, to make resolutions set out by the laws and regulations as well as the Articles of Incorporation, and to monitor the business activities with the objective of improving corporate value by responding dynamically to the changes in the business and management environment.
The Board of Directors consults before the meeting of the Board of Directors the Corporate Management Council for which the screening process for the agenda items is put in place to facilitate sufficient discussion for smaller number of agenda items since October 2023. In addition, the Board of Executive Officers meeting is held to share information about company management to aim at smooth business operation and further organizational cooperation.
The Board of Directors set up various committees as its advisory bodies to discuss the major management challenges of the Company and make recommendations back to the Board. Specifically, the Company set up the "Nomination and Compensation Committee" for nominating Director candidates and for preparing a proposal for Directors' remuneration, the "Risk Management Committee" to manage risks in the business operation, the "Compliance Committee" to maintain and manage the compliance structure, the "Personnel Committee" to confer about personnel utilization, the "IT Committee" to maintain IT environment, the "Sustainability Committee" to work on sustainability challenges.
In the business operation structure, the Company holds four headquarters organizations: the Leasing Business Headquarters managing the Company's core business; Corporate Management Headquarters which formulates and monitors the management strategies, strengthens the ties between the business divisions, and supporting the business operations; Compliance Promotion Headquarters which maintains the legal compliance and monitor to see if the compliance is duly put in place; and Construction Defects Response Headquarters which deal with construction defects.
The Company also recognize that improving our capabilities to oversee business operations is a key management issue. That is why the Company has in place the Audit & Supervisory Board to

monitor business execution of Directors, appointed Outside Directors, and in addition set up the Auditing Department to perform internal audits, through which we strive to enhance management oversight functions.
Under these systems, the Company is taking steps to clarify the scope of responsibilities and authority and make every effort to further strengthen our corporate governance.

The Board of Directors, composed of 10 Directors including 4 Outside Directors, emphasizes both securing speediness of decision-making process and improving monitor function. The Company thinks appropriate election of Directors is important to improve the corporate value and therefore incorporate in the decision process the deliberation at Nomination and Compensation Committee which has Outside Directors as committee members. The Board of Directors holds a monthly regular meetings and extraordinary meetings at any time as required, to make timely decisions on critical management matters as well as to monitor business operations and Directors' performance of duties.

The Director in charge of the Corporate Management Headquarters is responsible for supervising the management of Leopalace21 and its affiliates in order to achieve thorough governance throughout the Group. The Company holds a regular affiliates conference to facilitate smooth information exchange and to align all group activities. In addition, Directors of each affiliate are in charge of establishing Sustainability promoting framework, compliance system, and risk management system, in line with policies based on business plan and efficient business operation.

To strengthen the compliance system, the Company established the Compliance Committee as an advisory body to the Board of Directors, in addition to implementing the Corporate Ethics Charter and the whistle-blowing hotline. With one of the Outside Directors serving as chair, the Compliance Committee consists of the members which include lawyers and other external experts. In the efforts to bolster governance, the Committee develops various measures relating to compliance such as enhancing training and reinforcing the information management system as well as strengthening monitoring systems and identifying problems for improvement. Each department assigns a Compliance Manager and Person in charge of compliance to ensure promoting compliance-related measures in the respective workplaces.

The Company established Compliance Management Department (later renamed it Compliance Promotion Headquarters) in response to the construction defects problem in order to fundamentally review and rebuild a solid compliance and risk management framework for the Group in January 2019, which directly reported to President and CEO. The Compliance Promotion Headquarters 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 Headquarters takes the lead in sharing information with the design, construction, and other departments as well as subsidiaries and affiliates, reconstructuring 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 Headquarters strives to foster an organizational culture defined by the compliance-first policy, thereby setting the stage for successful management.

To reinforce risk management, the Company established the Risk Management Committee as an advisory body to the Board of Directors to comprehensively identify and manage the risks facing the entire Company. With the president serving as chair, the Risk Management Committee membership includes lawyers and other external experts. The Committee not only examines risk management conditions but also plans and implements training and other measures in its efforts to reduce risk and increase preparedness and prevention. Each department extracts and analyzes risks concerning their operations, establishes and supervises risk countermeasures, and reports these efforts to the Risk Management Committee. The Committee ensures the proper management of risks in each department through consultation and guidance.

The Company controls and maintains the proper operations of its subsidiaries by adhering to the management rules of the affiliated companies and by holding a regular affiliates conference to facilitate the smooth information exchange and to align all group activities. The decision on each subsidiary’s management issues requires prior approval by and subsequent reporting to the Company’s Board of Directors, or Corporate Management Council, or responsible Board member

in accordance with the decision rules. Furthermore, the Chief of the Corporate Management Headquarters is responsible for supervising the Company's affiliates and he performs his overseeing duty by receiving reports by the relevant subsidiaries at the affiliates conference.
The respective Directors are responsible for overseeing each subsidiary's business while respecting its autonomy, ensuring its business activities aligned with the corporate business plans, and implementing the Group's compliance system and risk management system to support the efficient operations.
Such Directors collect relevant information through regular and ad-hoc meetings with the relevant subsidiaries and report the state of managing subsidiaries to the Board of Directors and the Corporate Management Council.

Our Group's basic policy of the internal control system is to base our corporate activities on legal compliance and compliance with social ethics. Specifically, the Audit & Supervisory Board, the Compliance Committee, the Compliance Promotion Department, the Human Resources Department, and the Auditing Department supervise and check if all departments comply with relevant laws and regulations, with the Corporate Ethics Charter as a fundamental reference. Additionally, the Company established the Auditing Council to prepare proper financial statements while aiming to comply with relevant laws and regulations, to safeguard the company's assets, and to carry out efficient business activities. The Company also created the Risk Management Committee, which operates a system to investigate in advance all management risks within the company group to sort them into categories of significance. The Company set up a function of internal hotlines to collect and grasp various risk issues and others to further improve and reinforce the internal control system.

**2. Internal Audit and Audit by the Audit & Supervisory Board Members**
The Auditing Department, directly reporting to the President, oversees the internal control and internal audit functions and conducts audits not only for the Company but for affiliated companies as well. The Auditing Council was set up to maintain sound internal control such as monitoring management activities and risk management and thereby strengthens governance. The Auditing Department reports the results of audits to the Directors and the Audit & Supervisory Board Members at monthly meetings of the Auditing Council and also to the Accounting Auditor for information sharing.

The Audit & Supervisory Board, composed of four Members including two Outside Members, makes audit plans, and the Members attend important meetings, including meetings of the Board of Directors, according to the audit plans to monitor important decision-making processes and the Directors' performance of their duties. They also conduct operational status investigations and regularly exchange opinions with the President to enhance the effectiveness of audits. All of the four Members have considerable knowledge of finance and accounting, for Jiro Yoshino having experience of an executive officer and an audit & supervisory board member of a listed company, for Kenichiro Samejima for his wealth of experience in the Leasing Business of the Company, for Kazutaka Shimohigoshi being a certified public accountant and tax accountant, and Yoshitaka Murakami with his experience of serving as a Director of a listed company and as an audit & supervisory board member of a listed company. The Audit & Supervisory Board Members and the Accounting Auditor exchange their opinions at quarterly briefing sessions on closing of accounts and hold other meetings as needed.
As described above, the Auditing Department, the Audit & Supervisory Board Members, and the Accounting Auditor work together to carry out efficient internal audits and auditor's audits.

**3. Outside Directors and Outside Audit & Supervisory Board Members**
The Company has four Outside Directors: Akira Watanabe, Yutaka Nakamura, Takumi Shibata and Kan Ishii; and two Outside Audit & Supervisory Board Members: Jiro Yoshino and Kazutaka Shimohigoshi.
The Company expects that the appointment of the Outside Directors and the Outside Audit & Supervisory Board Members will help secure the transparency and fairness of management by strengthening the function of making proposals and of supervision from an objective standpoint based on the considerable knowledge and experience and deep insight as corporate executives they cultivated through their careers.

There is no personal, capital or business relationship or any other interest between the Company and the Outside Directors and the Outside Audit & Supervisory Board Members, except for their holding of the Company's shares by Akira Watanabe, Yutaka Nakamura, Takumi Shibata, Jiro Yoshino and Kazutaka Shimohigoshi.
Mr. Akira Watanabe is an Outside Director, Maeda Road Construction Co., Ltd. While the Company has a business relationship with Maeda Road Construction Co., Ltd., the amount was less than 0.1% of the past consolidated net sales of the Company and Maeda Road Construction Co., Ltd respectively. There is no relationship between the Company and Maeda Road Construction Co., Ltd. requiring disclosure. Other than that, there is no personal, capital or business relationship or any other interest between the Company and the companies where the Outside Directors and the Outside Audit & Supervisory Board Members have a concurrent post.
The Company notified Tokyo Stock Exchange, Inc. of Akira Watanabe, Yutaka Nakamura, Takumi Shibata and Kan Ishii of the Outside Directors as Independent Directors, and of Jiro Yoshino and Kazutaka Shimohigoshi, Outside Audit & Supervisory Board Members as independent.
With respect to their independence at the time of appointing them as Outside Directors or Outside Audit & Supervisory Board Members, they have independence based on the Independence Criteria for Outside Officers established by the Company on its own and the independence standards set forth by the Tokyo Stock Exchange in its Guidelines Concerning Listing Examination, etc.
For the details, please refer to the relevant part of this Corporate Governance Report.

The Company believes that the objective and neutral management supervision is duly in place because ten members of the Board of Directors consists of four Independent Outside Directors as exceeding one third of the total.

The reference is made to the supervision by the Outside Directors and mutually coordinated audits between audits by the Outside Audit & Supervisory Board Members, internal audits, audits by the Audit & Supervisory Board and financial audits as well as the status of control by the departments responsible for the internal control. The Outside Directors fulfill their duty of supervision by attending the Board of Directors meetings and Auditing Council meetings to receive reports on the findings by the internal audits, audits by the Audit & Supervisory Board and financial audits as well as the things raised by the responsible departments for internal control, for making relevant proposals and recommendations as needed. The Outside Audit & Supervisory Board Members strive to perform efficient audits in mutual coordination between internal audits, audits by the Audit & Supervisory Board Members and the financial audits by receiving reports on the findings of these audits and the status of control by the departments responsible for internal control at the Board of Directors meetings and the Audit & Supervisory Board meetings.

## 3. Reasons for Adoption of Current Corporate Governance System

The Company adopted the current corporate governance system to strengthen the supervisory function over decision-making, to establish the compliance system, to enhance and strengthen the internal control system, and to build good relationships with stakeholders and so on.

## III. Implementation of Measures for Shareholders and Other Stakeholders

### 1. Measures to Vitalize the General Shareholders Meetings and Smooth Exercise of Voting Rights

| | Supplementary Explanations |
|---|---|
| Electromagnetic Means of Exercising Voting Rights | The Company developed and have been utilizing the voting environment by using the electronic voting platform for institutional investors operated by ICJ, Inc. |
| Participation in Electronic Voting Platform and Other Initiatives to Improve the Environment for Exercising Voting Rights by Institutional Investors | The Company developed and have been utilizing the voting environment by using the electronic voting platform for institutional investors operated by ICJ, Inc. |
| Providing Convocation Notice in English | The Company has been preparing an English convocation notice (summary version). |

### 2. IR Activities

| | Supplementary Explanations | Explanation by the Repre-sentative in Person |
|---|---|---|
| Preparation and Publication of Disclosure Policy | The Company makes disclosure in “Information for Investors” on the website. | — |
| Organize Regular Investor Briefings for Analysts and Institutional Investors | The Company holds, in principle, an online results briefing on the business day of the announcement of the quarterly results and the annual results. The Company releases on the IR part of the website the presentation materials and transcription of the meeting. | Yes |
| Posting of IR Materials on Website | The URL of the IR site is Information for Investors \| Leopalace21 Corporation which contains the materials including monthly data, materials for timely disclosure, financial statements, Investor Meeting presentations, Integrated Reports, the medium-term management plans. | — |
| Dedicated Organization or Personnel Handling IR Matters | Department in charge of IR: PR and IR Section, Corporate Planning Department<br>Officer in charge of IR: Shinji Takekura, Director, Executive Officer and Chief of the Corporate Management Headquarters | — |

| | | |
|---|---|---|
| Other | Deliver monthly result of major indicators (occupancy rates and the like) to institutional and individual investors in Japan and overseas by email. | — |

## 3. Measures to Demonstrate Respect for Stakeholders

| | Supplementary Explanations |
|---|---|
| Stipulate Stakeholder-related Clauses in Internal Rules or other things | The Corporate Ethics Charter prescribes relationships with all stakeholders including customers, business partners, shareholders, investors and employees. It is disclosed on the website. |
| Implement Environmental Activities, Sustainability Activities etc. | As the basic policy on Sustainability activities, the Company set the following five themes: 1. “Providing high-quality services and supporting affluent living,” 2. “Contributing to local communities,” 3. “Creating pleasant work environments and developing diverse human resources,” 4. “Creating an environmentally friendly society” and 5. “Engaging in sound, constructive communication with stakeholders.” The Company continues its Sustainability activities based on this policy.<br>Specifically, the Company works to propose and provide a living environment tailored to customers’ lifestyles by capturing their needs, and to increase their satisfaction through the technology enabled by IoT such as “promotion of smart apartments” and the “electronic contract services.” The Company also strives to reduce the environmental burden of our business activities through efforts to save electricity and water in our apartments nationwide and the promotion of a “Cool Biz” dress code for summer, the reuse of discarded materials and the introduction of more mini motor vehicles in the fleet.<br>The Company places emphasis on work-life balance for the creation of pleasant workplace environments and the development of human resources. It works to ensure that the work-life balance prevail in practice with understanding the management policy focusing on diversity, including promoting female employees’ career development and harnessing the capability of global human resources. For communications with stakeholders, the Company built a careful follow-up system for customers.<br>The Company also provides opportunities to actively share information on the Company’s business and performance by regularly holding events and seminars to enhance our IR activities. In addition, the Company publishes the Integrated Report annually for the purpose of comprehensively reporting our efforts through business activities for the fiscal year. |
| Develop Policies on Information Provision to Stakeholders | The Corporate Ethics Charter stipulates that “Officers and employees shall maintain appropriate and harmonious relationships with customers, shareholders, investors and other stakeholders, make every effort to disclose management information fairly, timely and adequately, and ensure that management is transparent and sound.” According to the Charter, the Company set the IR basic policy and established the PR and IR Section, Corporate Planning Department to provide information promptly to all stakeholders. |

## IV. Matters Related to the Internal Control System

### 1. Basic Views on the Internal Control System and the Progress of System Development Updated

**1. Systems for execution of duties by Directors and employees of the Company as well as its subsidiaries to ensure compliance with laws and regulations and the Articles of Incorporation**

(1) The Company and its subsidiaries ("the Group") shall conduct business based on its corporate philosophy of "creating new value." As part of that process, the Company created a Corporate Ethics Charter. The Company shall be determined to establish legal and social compliance be most important policy (compliance-first) in the business execution and as the cornerstone of all of its corporate activities. This is exemplified by the President and CEO and the Chief of Compliance Promotion Headquarters, and concurrently Chief Legal Officer (CLO), whose role is to continuously share the spirit of this charter with all officers and employees of the Group.

(2) The Company's Board of Directors, of which Outside Directors should consist of at least one third, develops the control environment including compliance system and enhances the function for overseeing the legality of the decision-making and the execution of business of the Board of Directors to ensure the transparency and fairness of management.

(3) The Company established the Compliance Committee as an advisory body to the Board of Directors and ensured a system related to compliance. The Committee is composed of one of the Outside Directors as the chairman and members including the external experts such as attorneys at law. The Compliance Committee as a part of the Group's efforts of strengthening governance, plans and implements the measures regarding Group's compliance framework including reinforcing the training and information management system, and monitors the corporate activities in accordance with the compliance regulations to identify the issues for improvement. In cases of suspected violations of laws and regulations, the Compliance Committee will have the authority to suspend operations.

(4) The Company established the Compliance Promotion Headquarters headed by the Chief of the Compliance Promotion Headquarters, and concurrently Chief Legal Officer (CLO), who manages all the matters related to the legal compliance. The Compliance Promotion Headquarters is responsible for planning and implementing measures to promote the Group's compliance as well as improving issues to develop the autonomous corporate culture.

(5) The Company created under the Compliance Promotion Headquarters the Compliance Promotion Department which is responsible for planning and drafting functions related to compliance promotion within the Group, as well as for the function of checking the legal compliance, which is separated from business departments, particularly for verifying the products such as buildings comply with related laws and regulations. The Department is also responsible for supporting, progress management and monitoring of the compliance-related operations conducted by business departments, as well as legal functions such as confirming contracts and handling lawsuits.

(6) As a system which the Group proactively implements compliance-related measures, the Group appoint a Compliance Manager and Person in charge of compliance and assign them to each business site. In addition, as a system that the Group does not overlook compliance concerns, in the event that a violation or potential violation of compliance discovered, the Compliance Manager and the Person in charge of compliance shall take the initiative and take the necessary actions in response to the incident.

(7) The internal reporting system has been established and a whistle-blowing hotline has been set up both inside and outside the Company. The Company instruct officers and employees of the Group to immediately consult about or report any compliance violations. The Group organizes surveys regularly on the employees' awareness with a view to grasp risks at an early stage and to gauge the degree of compliance awareness. The Group prohibit treating the whistleblowers unfavorably by the reason of recognizing an act, etc., which is doubtful based on laws and

regulations and the Articles of Incorporation, consultation or whistleblowing. The Group also provides a clause about the protection of whistleblowers to the Internal Report Regulations.

(8) The Auditing Department was established as a department under the direct supervision of the Company's President and CEO, which oversees the internal control function and internal audit function. The Auditing Department shall examine the business audit items and implementation methods. In addition, to perform monitoring and risk management of business activities in the Group, as well as to implement governance strengthening and promote creation of the appropriate financial statements and compliance with regulations, enabling the Group to conserve assets and efficiently carry out its business activities. The Company holds Auditing Council to increase the effectiveness of the auditing system.

(9) The Company works continuously to develop the compliance regulations, related individual regulations, guidelines, manuals, etc. and to periodically organize the compliance-centered training programs in light of hierarchical positions and jobs so that the Company can enhance the compliance awareness by officers and employees in the Group. In addition, in order to instill the concept that promoting compliance enhances corporate value, the performance appraisal system may include the measurement in terms of proactively demonstrating compliance behavior and multidirectional feedback, which implemented regularly.

(10) The Company promotes the active dialogues between the management team and all the stakeholders so that it leads to develop the customer-oriented corporate culture by increasing the transparency of management and fostering the mutual understanding.

(11) Through the establishment of these systems, the Group put as basis development of a firm sense of compliance in the organization, and having in combination the structure that ensures legal compliance in an organizational manner spearheaded by the Compliance Promotion Headquarters and the structure that does not overlook the illegality assisted by the Auditing Department's audits and internal reporting system, the Group can pursue the concept of "compliance-first."

**2. Systems for retention and management of information on execution of duties by Directors**

The President and CEO of the Company shall appoint the Chief of the Corporate Management Headquarters of the Company as the person generally responsible for the retention and management of information on the execution of the duties of Directors. As to the retention and management of information on the execution of duties of Directors, the information, which is recorded in documents or electromagnetic record media, shall be organized and retained based on Document Handling Regulations and Information Management Regulations. The Company conducts training with the aim of strengthening the information management system and strictly manages information.

**3. Regulations and other systems concerning management of risk of loss by the Company as well as its subsidiaries**

(1) The Company established a Risk Management Committee as an advisory organ of its Board of Directors to comprehensively identify and manage the Group's various risk. The Risk Management Committee is composed of the Company's President and CEO as the chairman and members including outside experts, such as attorneys at law.

(2) The Risk Management Committee shall confirm the development and operational status of the Risk Management Regulations, related individual regulations, guidelines, manuals, etc. for the risk management of the Group, and conduct trainings for officers and employees of the Group. The Company's Chief of the Compliance Promotion Headquarters, and concurrently Chief Legal Officer (CLO) shall submit quarterly reports on risk management of the Group to the Company's Board of Directors.

(3) The Company's Auditing Department shall audit the conditions for the execution of business execution for each department of the Group. If an act with a risk of loss was found in business

operations, the Auditing Department shall immediately notify the Company's President and CEO, as well as the department in charge of its details of the degree of loss to be thereby incurred.

**4. Systems to ensure the efficient fulfillment of duties by Directors**

(1) The Company set up the Board of Directors to enhance business performance through appropriate and rapid decision-making, responding flexibly to changes in the business and management environment. The Board of Directors shall be composed of a fair and appropriate number of members with diverse background, considers important management functions and hold regular meetings once a month, while extraordinary meetings can be called at any time as required, in order for decisions to be made on critical management matters as well as to monitor the status of business performance.

(2) As a prior deliberative organ of the Board of Directors, regular meetings of the Corporate Management Council shall be held to discuss business operation policies and its implementation and to consider measures to be taken.

(3) The Company shall set up a Medium-term Management Plan for the Group, and determine the priority objective and budgetary allocation of the whole Group every fiscal year to materialize the Plan.

(4) The progress of income and expenditure plans and other important business plans of each department and subsidiary shall be reviewed monthly or appropriately by the Board of Directors and other bodies, where problems will be extracted and counter measures will be executed.

**5. Systems for reporting of matters concerning execution of duties of Directors of the Company's subsidiaries, and other systems to ensure appropriate business operations in the Group**

(1) The Affiliated Companies Management Regulations shall be applied to subsidiaries of the Company. Each subsidiary shall obtain approval of the Board of Directors or the Officers of the Company in charge of the respective subsidiary for important matters of corporate management in accordance with the internal decision-making rules of the Company and ensure the appropriateness of business operations.

(2) The management of subsidiaries of the Company shall be supervised by the Chief of the Corporate Management Headquarters. The Company's Chief of the Corporate Management Headquarters shall periodically hold an affiliates conference to smoothly exchange information and promote group activities, and mutually receive reports between the Company and its subsidiaries as necessary.

(3) The manager of the responsible department shall supervise and manage business conducted by subsidiaries to establish a compliance system, and a risk management system in line with measures based on management plans and efficient business execution while respecting the independency of subsidiaries. The manager of the responsible department shall make periodic reports on the condition of progress in the management of subsidiaries by exchanging information in regular and timely manners with the subsidiary to the Board of Directors and the Corporate Management Council.

(4) The Company's Auditing Department and Audit & Supervisory Board Members shall conduct a regular or special audit of each subsidiary while cooperating with Audit & Supervisory Board Members of subsidiaries and then report to the Company's President and CEO and the Auditing Council.

**6. Matters concerning employees when Audit & Supervisory Board Members request the secondment of employees to assist with duties, matters concerning the independence of those employees from Directors and matters for securing effective direction of Audit & Supervisory Board Members**

(1) When a Company's Audit & Supervisory Board Member requests to assign an employee to assist with the duties of the Audit & Supervisory Board Member, the Company's Board of Directors shall nominate an employee assisting the Audit & Supervisory Board Member from the members of the Company's Auditing Department after consultation with the Company's Audit & Supervisory Board Member.

(2) In assisting the duties of Audit & Supervisory Board Members of the Company, the right of command over the appointed employee shall be transferred to the Company's Audit & Supervisory Board Members to ensure independence from the Company's Board of Directors. The appointed employee shall submit to the orders of the Audit & Supervisory Board Members when supporting their duties. An evaluation of the support work of Audit & Supervisory Board Member's duties shall be conducted by the Company's Audit & Supervisory Board. The Company's Audit & Supervisory Board Member and the Senior Department Manager in charge of the Human Resources Department shall confer about personnel changes and treatment.

**7. Systems for Directors and employees, as well as Directors, Audit & Supervisory Board Members, and employees, etc. of the subsidiaries to report to Audit & Supervisory Board Members, other systems of reporting to Audit & Supervisory Board Members, and other systems to secure effective conduct of audits by Audit & Supervisory Board Members**

(1) Officers and employees of the Group shall make reports on matters possibly causing serious damage and losses to the Group, illegal acts and other necessary important matters to the Company's Audit & Supervisory Board Members as necessary based on laws and regulations, and internal regulations such as the Audit & Supervisory Board Regulations and Auditing Standards for the Audit & Supervisory Board Members. In order to ensure thorough reporting to the Audit & Supervisory Board Members, the relevant system shall be regularly communicated to officers and employees. The Company's Audit & Supervisory Board Members may always require officers and employees to report as necessary.

(2) The Company's Audit & Supervisory Board Members may attend the meetings of important committees such as the Board of Directors, the Corporate Management Council, the Compliance Committee, the Risk Management Committee and affiliates conference to understand the process of important decision-making and the conditions of the execution of the duties by Directors of the Group, and may peruse important documents about the fulfillment of such duties, such as circular memos for approval. The Company's Audit & Supervisory Board Members shall periodically exchange opinions with the Company's President and CEO, and monitor and inspect each department of the Group and Audit & Supervisory Board Members of the subsidiaries through periodic hearings and on-the-spot audits.

(3) The Company's Audit & Supervisory Board Members, by the independence and authority based on the Audit & Supervisory Board Regulations and the Auditing Standards for the Audit & Supervisory Board Members, shall ensure the effectiveness of the audit, and maintain close cooperation with the Auditing Department and the Accounting Auditors to promote the achievement of their outcomes by receiving reports of audit situation of each department from the Auditing Department.

(4) The Group shall prohibit unfavorable treatment of officers and employees of the Group who have reported to the Company's Audit & Supervisory Board Members on the grounds of having made a report, and fully enforce this rule.

(5) In the case where an Audit & Supervisory Board Member demands payment in advance or redemptions of expenses incurred for duties executed, the subject expenses or liabilities shall immediately be paid or reimbursed, excluding the case where such expenses or the liabilities are not necessary for the execution of the duties of the Company's Audit & Supervisory Board Member.

**8. Systems to ensure reliable financial reporting**

For the purpose of securing reliable financial reporting of the Company and effective and proper submission of internal control reports by the Company as provided in the Financial Instruments an Exchange Act, the Group shall set up a structure to establish and apply a proper internal control system under the command of the Company's President and CEO, continue to evaluate whether or not the structure will function properly, make necessary corrections, and ensure conformity with the Financial Instruments and Exchange Act and other applicable laws and regulations.

## 2. Basic Views on Eliminating Anti-Social Forces and the Progress of System Development

1. Development of a system to eliminate anti-social forces

(1) The Group's Corporate Ethics Charter shall clearly set out the Group's determination to "oppose all anti-social forces." The Group is committed to eliminate all ties, and dealing resolutely, with any anti-social forces or organizations posing a threat to public order or safety.

(2) The Group shall enact detailed regulations for opposing anti-social forces and establish a system that will not yield to unlawful demands from anti-social forces by appointing a person responsible for preventing unlawful demands in all branches and sales offices. The General Affairs and Purchasing Department and the Compliance Promotion Headquarters of the Company shall be generally responsible for establishing the system, and the cases shall be reported to or consulted with the Compliance Committee, the Risk Management Committee, related departments and external professional organizations.

## V. Other

### 1. Adoption of Anti-Takeover Measures

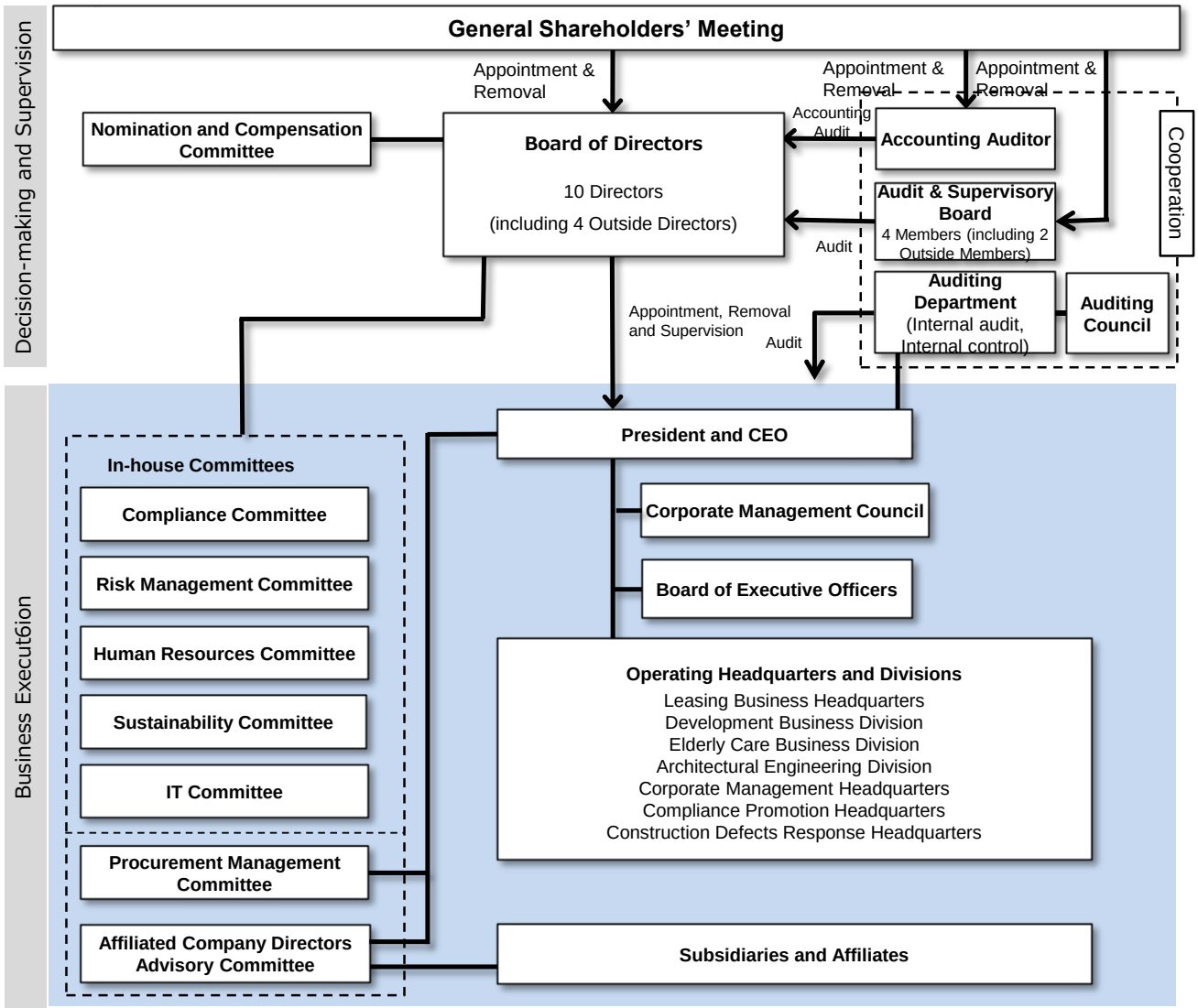
| Adoption of Anti-Takeover Measures | Not Adopted |
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| Supplementary Explanation |
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### 2. Other Matters Concerning to Corporate Governance System

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## Corporate Governance Diagram



## Information Disclosure System

