

## FOR IMMEDIATE RELEASE

April 25, 2025

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### Notice Concerning Revision of Officer Remuneration System

Leopalace21 Corporation (Headquarters: Nakano-ku, Tokyo; President and CEO: Bunya Miyao; the “Company”) announces that its Board of Directors meeting held on April 25, 2025, it resolved to adopt a new remuneration system (the “Plan”) for its Executive Directors, Executive Officers not concurrently serving as Directors, and Directors of affiliated companies in order to further enhance corporate value going forward and place greater emphasis on those executives share profits with shareholders.

In accordance with the aforementioned changes, the Company has decided to submit a proposal relating to the introduction of share-based remuneration at the 52nd Ordinary General Shareholders’ Meeting scheduled to be held on June 26, 2025.

#### 1. Background of Officer Remuneration System

The Board of Directors of the Company established an executive remuneration plan on May 15, 2017, but as part of management’s responsibility for the construction defects problem, the Company has been reducing the remuneration of its executives since February 2019. As the Company moves forward with improving governance, improving performance, and resuming shareholder returns and prospects for dealing with stakeholders, the termination of the reduction has not returned the Company to the plan of eight years ago, but rather to the establishment of a new plan that also incorporates progressive initiatives.

#### 2. Basic Policy

The remuneration for Directors who are driving the realization of the corporate philosophy and the Medium-term Management Plan is determined based on the following rationale:

- (1) The level of remuneration should be competitive and commensurate with the Company’s profitability
- (2) The level of remuneration should correspond to the officer’s assigned responsibilities, and it should function as compensation for the expected roles
- (3) The Plan must reflect an emphasis on sharing profit with shareholders
- (4) The Plan should function as healthy incentive for enhancing corporate value over the medium to long term
- (5) The Plan must be fair and just and encourage the utmost efforts regarding compliance
- (6) The Plan and its determination process should ensure both transparency and reasonableness

### **3. Remuneration Governance**

The specific details concerning the amount of remuneration for individual Directors has been entrusted to the Representative Director, President and CEO by resolution of the Board of Directors. The Representative Director determines the evaluation of the Executive Directors, considering the performance of the entire Group and of the business that the Executive Director is responsible for, as well as determining each remuneration amount based on the result of the evaluation and the position-specific remuneration criteria.

The Board of Directors confirms that the details of the determined remuneration, etc. are in conformity with the Plan, and that the report from the Nomination and Compensation Committee has been respected. The Nomination and Compensation Committee, which has been established as an advisory body to the Board of Directors, assesses the reasonableness of the officer remuneration system and submits a report to the Board of Directors. In addition, the committee objectively assesses the examination process for determination of individual remuneration by Representative Director, President and CEO and submits a report to the Board of Directors. This way, the Company ensures the appropriateness, objectivity and transparency of individual assessment and remuneration amount for officers.

### **4. Details of the Remuneration System**

#### **a Remuneration system**

The remuneration for Executive Directors is comprised of “Directors Remuneration,” “Representative’s Allowance” corresponding to the assigned duties of a Director and/or the representative authority and “Executive Officer Remuneration” corresponding to the specific position of the Executive Officer. The Executive Officer Remuneration is comprised of three categories: “fixed remuneration,” which is determined by the largeness of the title and assigned responsibilities; “short-term incentive (bonus in cash),” which varies in accordance with the rate of achievement of the targets in the annual management plans; and “long-term incentive (performance-linked share-based remuneration),” which is provided to encourage management to give emphasis to enhancing corporate value and shareholder value over the medium to long term.

Non-executive Directors are paid only a “base remuneration” as a fixed remuneration that takes into consideration their duties.

#### **b Remuneration levels**

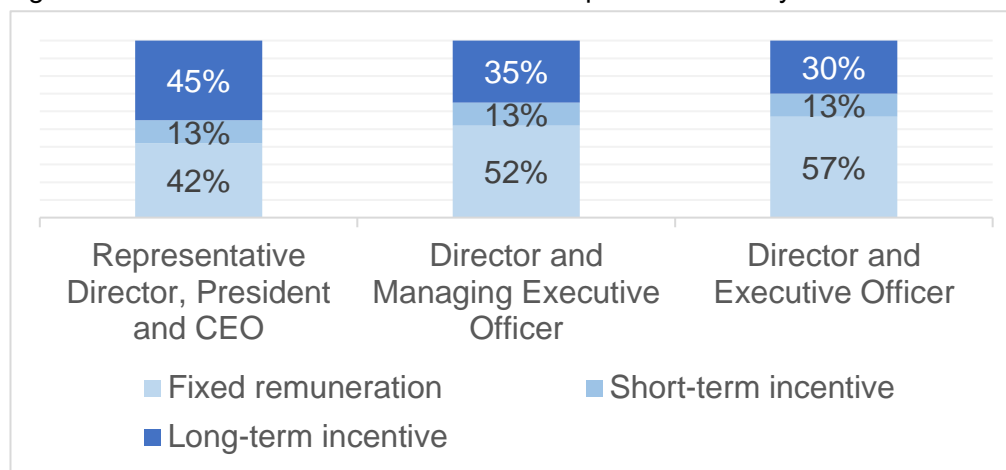
The remuneration levels of Directors are set at a suitable level by referencing remuneration survey data objectively prepared by external professional organizations, while taking into account the size of the Company’s earnings. This is done to ensure the remuneration functions as compensation for the expected roles and outcomes that corresponds to the officer’s assignment. The benchmark for remuneration is set at a suitable level, taking the size of the Company’s earnings into account.

#### **c Remuneration composition ratio**

The remuneration composition ratio for the Executive Officer Remuneration has been designed to increase the percentage of the incentive remuneration component

(particularly long-term incentive remuneration) for the purpose of providing motivation not only to achieve earnings results and performance targets, but also to enhance the corporate value and shareholder value over the medium to long term. The remuneration composition ratio varies depending on the Director's position. The figure below shows the respective composition ratios.

Figure 1: Executive Officer Remuneration Composition Ratio by Director Position



d Short-term incentive (bonus in cash)

Short-term incentive (bonus in cash) is remuneration designed to provide motivation for both performance targets and earnings results. It is a scheme with a high correlation to earnings results while incorporating evaluations from the perspectives of consolidated financial indicators, non-consolidated financial indicators, business division targets, and individual targets.

e Long-term incentive (performance-linked share-based remuneration)

Long-term incentive (performance-linked share-based remuneration) is remuneration provided for the purpose of medium- to long-term corporate growth. To begin with, it will be provided via a share delivery trust (the "Trust") that is linked to the financial performance, etc. over the period of three fiscal years from the fiscal year ending March 31, 2026 through the fiscal year ending March 31, 2028. The Trust acquires the Company's shares by either purchasing them on the stock market or receiving them from the Company (in principle a stock market purchase is conducted).

Share grant points where one share equals one point are determined by multiplying the "standard points" awarded according to the eligible person's role by the "payment rate" calculated according to financial performance. Eligible persons, in principle, shall receive a grant of the Company's shares and a payment of money that correspond to the number of share grant points via the Trust, which is established by the Company. In order to receive the aforementioned, the eligible person must carry out prescribed procedures after the annual granting of standard points, either at the time of retirement (excluding death) or at a determined point in time during the trust period.

N.B.: Voting rights attached to the Company's shares held in the Trust are not exercised during the trust period in order to ensure neutrality toward management. Dividends paid for the Company's shares held in the Trust shall be received by the Trust to be appropriated for its trust fees and expenses.

If residual shares remain in the Trust when the trust period expires as a result of failure to achieve performance targets of the target period, the Trust will continue to be used for the purpose of the Plan or similar type of incentive scheme modeled on the Plan by amending the trust agreement and making additional contributions to the Trust.

If the Trust is terminated due to the expiration of the trust period, the Company plans to receive a transfer of the residual shares from the Trust. The Company plans to cancel such shares by resolution of the Board of Directors. Remaining dividends received on the Company's shares within the Trust upon the expiration of the trust period will be utilized as share acquisition funds in the case that the Trust continues to be used. However, in case of termination of the Trust due to expiration of the trust period, the Company plans to donate a portion of money of the residual property in the Trust at the time of its termination to a specified public interest corporation with which the Company or its Directors, etc. have no relationship of interest.

This revision is subject to the approval and adoption of the related proposal at the 52nd Ordinary General Shareholders' Meeting.

## 5. Maximum Amount of Remuneration

Concerning the maximum amount of remuneration, etc. for the Company's Directors and Audit & Supervisory Board Members, if the related proposal is approved and adopted at the 52nd Ordinary General Shareholders' Meeting, the following will take effect.

Eligible officer	Type of remuneration	Remuneration limit amount	Date of shareholder meeting	Number of officers as of shareholder meeting	Remarks
Directors	Monetary remuneration	Within JPY 800 million per year (including an amount of up to JPY 100 million for Outside Directors) (not including employee salaries paid to Directors who serve concurrently as employees)	June 29, 2017	11	
	Stock options as share-based remuneration	Within JPY 300 million per year (not including employee salaries paid to	June 29, 2017	11	Scheduled to be abolished

Eligible officer	Type of remuneration	Remuneration limit amount	Date of shareholder meeting	Number of officers as of shareholder meeting	Remarks
		Directors who serve concurrently as employees)			at 52nd meeting
	Share delivery trust	<ul style="list-style-type: none"> <li>Upper limit of money contributed by the Company as the necessary funds for the acquisition of the Company's shares to be granted to the eligible persons Total: JPY 300 million (not including employee salaries paid to Directors who serve concurrently as employees)</li> <li>Total number of points awarded to eligible persons during the trust period for one fiscal year:750,000 points</li> </ul> <p>However, in addition to contributing money of an upper limit of the amount shown above in the initial target period, the Company will separately contribute money of an upper limit of JPY 600 million as funds for acquisition of shares corresponding to points awarded to Directors as a transitional measure in shifting from stock options as share-based remuneration.</p>	June 26, 2025 (scheduled)	10	Scheduled to be proposed at 52nd meeting
Audit & Supervisory Board Members	Basic remuneration	Within JPY 60 million per year	June 29, 2004	2	

## **6. Malus and Clawback Provision**

As a deterrence against excessive risk-taking or misconduct by Executive Directors or Executive Officers, the Company has established a malus and clawback provision that enables the Company to take action to reduce, freeze, demand return of share-based remuneration when either of the following cases apply: (i) fraudulent preparation of financial statements or erroneous entry or altering of records, or (ii) if it is found that a grave violation of laws and regulations, misconduct, or violation of internal rules or the corporate code of ethics has occurred. The remuneration that may be subject to the malus and clawback provision is all or part of the share-based remuneration paid or granted during the Company's fiscal year in which the event occurred and the three preceding fiscal years.

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