

## FOR IMMEDIATE RELEASE

March 23, 2023

Company Name: **Leopalace21 Corporation**  
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### **Notice Concerning Administrative Recommendation by Ministry of The Environment and Ministry of Economy, Trade and Industry**

Leopalace21 Corporation (Headquarters: Nakano-ku, Tokyo; President and CEO: Bunya Miyao; the "Company") announced on July 4, 2022 in the announcement titled "[Comments on Certain Media Report on June 30, 2022](#)" and on January 24, 2023 in the announcement titled "[Comments on Certain Media Report on January 23, 2023](#)" that the Company had been investigating the cases to confirm the facts and had consulted the Ministry of the Environment and the Ministry of Economy, Trade and Industry for preparing the corrective measures against the improper disposal procedure for home appliances in the Leasing Business (hereinafter the "previous processing procedure"). The Company announced on March 23, 2023 that it received the following administrative recommendation by the Ministry of the Environment dated March 23, 2023.

We deeply apologize to our shareholders, business partners, and all other stakeholders for any concern and inconvenience caused by this matter. The Company will begin a new processing procedure for discarded home appliances to ensure proper operation, as well as to prevent recurrence and strengthen and enhance the compliance system.

#### **1. Outline of the Administrative Recommendation**

The Ministry of the Environment issued an administrative recommendation based on Article 16.1. of the Home Appliances Recycling Act (hereinafter the "Act") which states the Minister's action with respect to the responsibility of retailers in terms of collecting and transporting the discarded home appliances.

#### **2. Reasons that led to the Administrative Recommendation**

Since the Company purchases the home appliances controlled by the Act, namely air conditioners, refrigerators, washing machines and televisions, from home appliance trading companies, installs them in the apartments under management, and receives payment from apartment owners, it is considered a retailer under the Act. Retailers are obliged to collect the discarded home appliances as well as issue, control, and store the recycling tickets when disposing of the home appliances according to the Act. However, because the Company did not consider itself a retailer, it consigned the disposal of the home appliances to contractors without issuing

recycling tickets. It was in violation of the obligation to collect the home appliances from the apartment owners under Article 9.

The number of disposals with recycling tickets issued by the contractors and per the Company's request with recycling tickets was 99,440 from April 2020 to August 2022.

### **3. Development of the matter**

The Company began conducting internal investigation and considering corrective actions in April 2022. The Company's inquiry to the Ministry of the Environment and the Ministry of Economy, Trade and Industry in June 2022 revealed that the previous processing procedure turned out to be a violation of the Act.

Since then, the Company consulted the two Ministries for preparing the corrective measures, and finally received the administrative recommendation by the two Ministries.

### **4. Outlook**

For air conditioners out of the controlled home appliances under the Act, the Company began operating a new processing procedure formulated under the guidance of the Ministry of the Environment on November 1, 2022. For refrigerators, washing machines, and televisions, the revised procedure is scheduled to be put into operation on April 21, 2023. Please refer to the appendix for the revised processing procedures.

Due to the lack of proper understanding of the related law, the Company employed wrong processing procedure which had been designed without due consideration of who constitutes a retailer, which is the most critical factor in this case. The Company will prevent recurrence by thoroughly verifying legal compliance from all angles when examining operation methods, and will further strengthen and enhance the compliance system through continuous legal training and other measures.

There will be no impact on the Company's business performance as a result of the rectification since the Company simply replaces the previous processing procedure where costs it paid to the contractors with the revised processing procedure where it directly issues recycling tickets. There will be no impact on the apartment owners and the tenants since the installation of appliances and the handling of repairs and replacement of appliances remain unchanged.

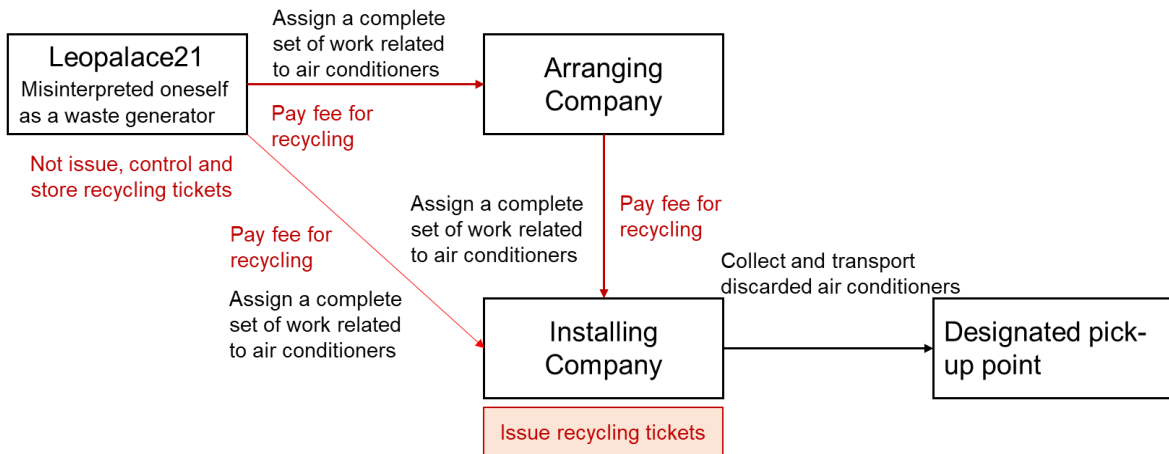
END

[Appendix]

**[Disposal of Air Conditioners]**

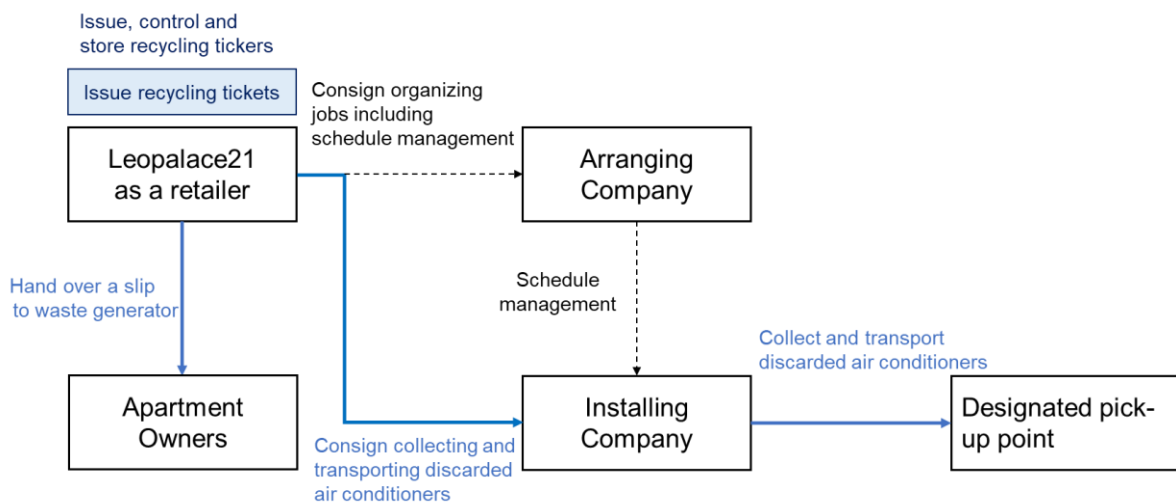
■ **Before revision**

- The Company did not collect the discarded air conditioners as well as issue, control and store the recycling tickets as a retailer stated in the Act.
- The Company consigned an Arranging Company and an Installing Company for a complete set of work. An Installing Company issued the recycling tickets.



■ **After revision**

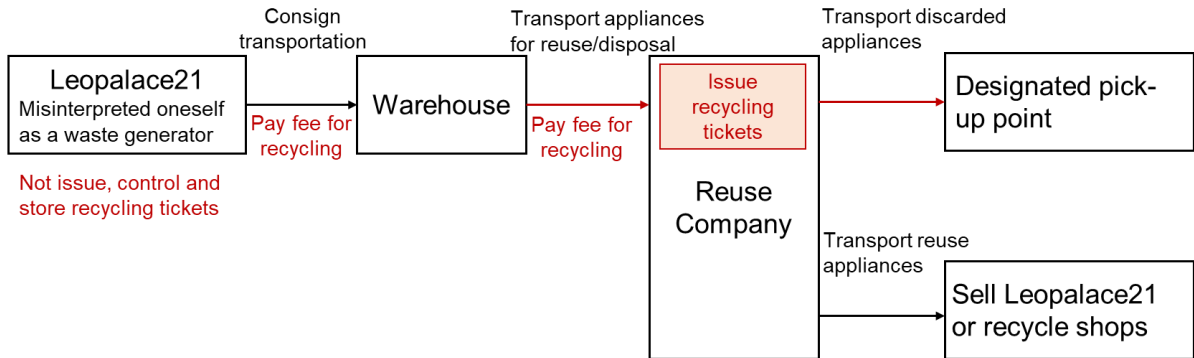
- The Company collects the discarded air conditioners as well as issues, controls and stores the recycling tickets as a retailer stated in the Act.
- The Company consigns an Installing Company licensed under the Waste Management Act for collecting and transporting the discarded air conditioners.



## 【Disposal of Refrigerators, Washing Machines, and Televisions】

### ■ Before revision

- The Company did not collect the discarded home appliances as well as issue, control and store the recycling tickets as a retailer stated in the Act.
- The Company consigned transportation to a transporting company and instructed a Reuse Company to issue the recycling tickets .



### ■ After revision

- The Company collects the discarded home appliances as well as issues, controls and stores the recycling tickets as a retailer stated in the Act.
- The Company consigns a transportation of the discarded appliances to licensed transporting companies. The Company does not involve a Reuse Company in transporting the discarded appliances to the designated pick-up point.
- Two-staged checks are put in place to judge reuse, recycle or discard; primary check at Leopalace21 and secondary check at Warehouse.

