FOR IMMEDIATE RELEASE

January 30, 2020

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Notice of Partial Change to the Notice Concerning Holding of an Extraordinary General Meeting of Shareholders and the Company's Board of Directors' Opinion on the Shareholders' Proposals due to Approval of Partial Revoke of the Shareholders' Proposals

Leopalace21 Corporation (Headquarters: Nakano, Tokyo; President and CEO: Bunya Miyao; the "Company") announced in its "Notice Concerning Shareholders' Demand for Calling an Extraordinary General Meeting of Shareholders" dated December 27, 2019, that it received a demand in writing to call an extraordinary general meeting of shareholders (the "Demand for Calling") from two of the Company's shareholders (the "Requesting Shareholders"). Further, the Company announced in its "Notice Concerning Deciding on a Record Date for Voting Rights in an Extraordinary General Meeting of Shareholders" dated January 6, 2020, that it began to examine the propriety of holding an extraordinary general meeting of shareholders in late February to early March of 2020 for which the record date for voting rights is January 24, 2020 (the "EGM"), and the Company announced in its "Notice Concerning Holding of an Extraordinary General Meeting of Shareholders and the Company's Board of Directors' Opinion on the Shareholders' Proposals" dated January 27, 2020, that it passed a resolution at the Board of Directors Meeting held that day concerning the date, venue and agendas for discussion of the EGM as well as the Company's Board of Directors' opinion on the shareholders' proposals. However, as the Company announced in its "Notice Concerning the Receipt of the Shareholders' Request for the Partial Revoke of Shareholders' Proposals" dated January 28, 2020, it received a written request from the Requesting Shareholders (the "Revocation Notice") which states that they would like to revoke a part of the shareholders' proposals they had proposed as agendas for the EGM (the "Initial Shareholders' Proposals").

After considering the Revocation Notice, the Company announces that, at its Board of Directors Meeting held today, it approved the revocation of the shareholders' proposals as stated in the Revocation Notice, and passed the following resolution concerning the date, venue and agendas for discussion of the EGM as well as the Company's Board of Directors' opinion on the shareholders' proposal.

Further, **the Company is still opposed to the agenda regarding the shareholders' proposal made after the approval of the Revocation Notice (the "Shareholders' Proposals")**. Please refer to 3. below and Appendix 3 for details on the Company's Board of Directors' opinion.

Particulars

1. Date, Venue and Agendas for Discussion of the EGM

   (1) Date and Time
   Thursday February 27, 2020, 10 a.m.
   (2) Venue
   Bellesalle Shibuya First
   Please note that the venue is different from the 46th Ordinary General Shareholders' Meeting (held on June 27, 2019); when attending the meeting, please refer to the "Location Map for the Venue" provided in the notice of calling.

(3) Agendas for Discussion

Proposed Agenda No. 1 (Company's proposal)	Appointment of Two (2) Directors
Proposed Agenda No. 2 (Shareholders' proposal)	Appointment of One (1) Director

2. Main points of the Agendas and Outline of the Reasons for the Proposal

(1) Company's Proposal

Main Points of the Agenda

Proposed Agenda No. 1 (Company's proposal): Appointment of two directors

Appointment of two directors (Candidates: Mr. Kazuyasu Fujita, Mr. Yutaka Nakamura)

Outline of the Reasons for the Proposal for Proposed Agenda No. 1

In relation to the Company holding the EGM, in accordance with the purport of the policy that had been decided earlier (i.e., the policy to submit a proposal that a majority of the directors should be outside directors in the Ordinary General Shareholders' Meeting which is scheduled to be held in June 2020), for the purpose of reinforcing its corporate governance, the Company decided to propose Mr. Kazuyasu Fujita and Mr. Yutaka Nakamura as candidates for the directors, as they meet the independency standard for outside directors of the Company, and based on their knowledge and experience, have a deep understanding of handling issues the Company is facing, such as corporate revitalization and business reorganization, as well as quality management and environmental control concerning construction work. The Company considers that Mr. Kazuyasu Fujita and Mr. Yutaka Nakamura would be able to contribute to the benefit of the stakeholders including all the shareholders and not merely for a part of major shareholders, taking into consideration the characteristics of the Company's business, and therefore are suitable to be outside directors of the Company.

If both Mr. Kazuyasu Fujita and Mr. Yutaka Nakamura are appointed as directors, the Board of Directors of the Company will consist of 12 directors: five executive directors and seven outside directors; accordingly, the majority of the directors will be outside directors.

Please refer to Appendix 1 for the details of the main points of the Proposed Agenda No. 1 and the reasons for the proposal.

(2) Shareholder's Proposal

Main Points of the Agenda

Proposed Agenda No. 2 (Shareholders' proposal): Appointment of one director

Appointment of one director (Candidate: Masahiro Ohmura)

Outline of the Reasons for the Proposal for Proposed Agenda No. 2

Current management team (i) allows improper information disclosure like repeated major downside revision of earnings forecasts subsequent to the parting wall defects and the like (hereinafter "Construction Defects Problem") in the apartment buildings which the Company developed and sold, (ii) announced delayed completion plan of the Construction Defects Problem soon after the announcement of original plan which demonstrated lack of managing capability to resolve the Construction Defects Problem, and (iii) generated deficit in the amount available for distribution to the shareholders because of the acquisition of the treasury shares between May and August, 2018, for which all the current directors are responsible for compensation. Because of the described reasons, the Requesting Shareholders have no longer confidence in the current directors to

manage the Company and therefore submitted the Initial Shareholders' Proposals; however, as the Company started to show willingness to seriously consider the reform plans including business alliances and business reorganizations requested by the Requesting Shareholders, which can be seen from the fact that the Company explained such reform plans to its other major shareholders, the Requesting Shareholders revoked their proposal concerning dismissal of the current directors so that the management system until the ordinary general meeting of shareholders in June could give priority to focusing on rectifying the Construction Defects Problem and operating business activities during the busy season. Further, in relation to holding the EGM, the Company announced its proposal to add two new outside directors; due to this, the Requesting Shareholders considered that it is not absolutely necessary to newly appoint three of the directors they nominated, and decided to nominate only one director, and therefore demand to appoint one new director who is able to address the improvement of the Company's corporate value with a shareholder's perspective.

Please refer to Appendix 2 for the details of the main points of the agendas and the reasons for the proposal for Proposed Agenda No. 2.

3. Opinions of the Board of Directors of the Company on the Shareholders' Proposals

The Board of Directors of the Company **is opposed to the Shareholders' Proposals for the following reasons:**

(1) In light of the Company's current situation, its highest priority is to recover the occupancy rate and its business results by swiftly resolving the Construction Defects Problem and to work on recurrence prevention measures. For early recovery of its credibility in society and business results which were damaged due to the Construction Defects Problem, the Company organized a new management system through its current management team appointed at the Ordinary General Shareholders' Meeting last year and is in the middle of sincerely working on the highest-priority issues mentioned above, particularly on the completion of an all-building investigation and repair works. It is true that the resolution of the Construction Defects Problem is taking time due to its significance larger than expected; however, the Company considers that improvements are steadily being made.

In the Initial Shareholders' Proposals, it is pointed out that the current management team is unable to resolve the Construction Defects Problem; however, the Requesting Shareholders have not provided any specific proposals to promptly resolve the Construction Defects Problem.

The current management has been sincerely handling the Construction Defects Problem to resolve the highest-priority issues in the Company's current situation, and the Company believes that it is not necessary to appoint Mr. Ohmura, who is not familiar with the Company's particular and specific business, as a director as proposed in the Shareholders' Proposals; therefore, the Company is opposed to the Shareholders' Proposals.

(2) Further, the Requesting Shareholders stated in its "Notice of Change to Our Shareholder Proposal Agenda Items" dated January 28, 2020, that (i) their "ultimate goal is not to gain management control of Leopalace" and (ii) "as for the Company's proposal of adding the agenda item of appointing 2 new candidates as outside board directors, we look at this positively"; they also stated that they made the Revocation Notice as a result of consideration "while listening to various opinions." On the following day, January 29, 2020, they notified the Company of the outline of the reasons for the Shareholders' Proposals, in which they stated

that they made the Revocation Notice for reasons including (iii) “with regards to the consideration of the reform plans including business alliances and business reorganizations requested by the Requesting Shareholders, the Company started to show willingness to seriously consider the reform plans, as can be seen from the fact that the Company explained such reform plans to its other major shareholders,” (iv) they “considered that it is not absolutely necessary to newly appoint three of the directors they nominated,” and (v) “the current directors of the board were not to be dismissed so that they can give priority to focusing on…operating business activities during the busy season”; in addition, it was also stated that (vi) “it is difficult to say that the Company in its current state addresses the improvement of corporate value from a shareholder’s perspective; it can change its Board of Directors to sincerely discuss such matters only after adding new directors with a shareholder’s perspective,” and that Mr. Ohmura is a “director who is able to think about improving the corporate value from a shareholder’s perspective.” However, as stated in Appendix 3 below, neither of these match the previous shareholders’ proposals, and as such, the Revocation Notice is tantamount to admitting that the Initial Shareholders’ Proposals were unreasonable from the beginning; the Company cannot accept such kind of proposals, even in part.

Especially, if they intend to “give priority to focusing on…operating business activities during the busy season,” then they would not have demanded to call for the EGM; it is clear that, the Requesting Shareholders’ demanding to call for the EGM during the busy season shows that they do not consider the damage that would be caused to the Company’s business value. In fact, in response to the Revocation Notice, on January 28, 2020, the Company requested that the Requesting Shareholders withdraw their demand to call the EGM, however, they did not agree to such request.

Further, Mr. Ohmura was the contact person of the Requesting Shareholders concerning their series of actions from the demand to call the EGM in the busy season, to the partial revoke of the shareholders’ proposals based on unreasonable grounds, and caused confusion in the Company. It is clear that Mr. Ohmura does not consider the damage that would be caused to the Company’s business value at all, and therefore he should not take part in the Company’s management.

(3) Further, in view of the Requesting Shareholders’ past investment methods and the process to the Shareholders’ Proposals, it is highly likely that the Requesting Shareholders proposed the Shareholders’ Proposals not with the aim to promote corporate value of the Company seriously but to carry out a “dismantling-type acquisition” of the Company to further their own interests as major shareholders and that the corporate value of the Company would be damaged, which would become a disadvantage to many stakeholders, including the general shareholders.

The Company’s current management team is handling the highest-priority issues centered on the Construction Defects Problem, taking into consideration all the stakeholders, including the shareholders, tenants and apartment owners; therefore, the Company is opposed to the Shareholders’ Proposals, whose sole purpose is to further their own interests as major shareholders.

Please refer to Appendix 3 for the details of Board of Directors’ opinions on the proposal.

End

Appendix 1

Main Points of the Agendas Proposed by the Company (Proposed Agenda No. 1) and Reasons for the Proposal

1. Proposed Agenda No. 1 (Company's Proposal)

Main Points of the Agendas
Appointment of two directors (Candidates: Kazuyasu Fujita and Yutaka Nakamura)

Candidate No.	Name (Date of Birth)	Career summary, positions in other companies, and important concurrent holding of positions
1	Kazuyasu Fujita (June 24, 1946)	April 1965 Joined the Osaka Prefectural Government November 1970 Joined Toyo Shutter Co., Ltd. October 1999 Business Administration Manager, Toyo Shutter Co., Ltd. June 2000 Director of Business Promotion Department and Purchasing Manager, Toyo Shutter Co., Ltd. June 2002 President and Representative Director, Toyo Shutter Co., Ltd. April 2006 President and Representative Director and Executive Officer for General Supervision, Toyo Shutter Co., Ltd. June 2010 Special Adviser, Toyo Shutter Co., Ltd. June 2011 Resigned from Toyo Shutter Co., Ltd. September 2011 Established Management Consulting Partners Inc., (Current) President and Representative Director,

		Management Consulting Partner, Inc. (Important concurrent holding of positions) President and Representative Director, Management Consulting Partner, Inc.
2	Yutaka Nakamura (September 28, 1958)	April 1981 Joined National Housing Materials Co., Ltd. (now Panasonic Homes Co., Ltd.) October 2002 Manager, Quality & Environmental Promotion Department, Panasonic Homes Co., Ltd. October 2006 Manager of Quality, Environment & IT Department, Panasonic Homes Co., Ltd. April 2011 Councilor, Manager of Corporate Quality & Environmental Division, Panasonic Homes Co., Ltd. April 2012 Senior Councilor, Manager of Corporate Quality & Environmental Division, Panasonic Homes Co., Ltd. April 2018 Senior principal for Quality & Customer Satisfaction, Panasonic Homes Co., Ltd. March 2019 Resigned from Panasonic Homes Co., Ltd.

(Notes)
1. There are no special interests existing between the candidates and the Company.
2. Both Candidate No. 1 Kazuyasu Fujita and Candidate No. 2 Yutaka Nakamura are candidates for outside directors of the Company. Mr. Kazuyasu Fujita and Mr. Yutaka Nakamura are candidates for independent directors as stipulated in Article 436-2 of the Securities Listing Regulations of Tokyo Stock Exchange, Inc. As the candidates

also satisfy the independence criteria set forth by the Company, the Company deems that the independence of the candidates is also assured.

3. The reasons for appointment of each candidate.

(1) Mr. Kazuyasu Fujita worked for Toyo Shutter Co., Ltd. When the said company faced a business crisis resulting from a large loss of derivatives transactions in 1999, he was appointed as Business Administration Manager. He was involved independently in the planning of proposed rehabilitation plans in accordance with the Private Rehabilitation Guidelines and participated in negotiations with financial institutions and making business plans. Furthermore, as President and Representative Director of the said company, he implemented a seven-year reconstruction plan and completed the reconstruction in four years, which is a shorter term by three years. Thus, he has deep experience and knowledge of corporate revitalization and business reorganization. Therefore, the Company deems that he can make a contribution based on his experience and knowledge in efforts for early recovery of the Company's social credibility and results that were damaged by the Construction Defects Problem and play a role in supervising business execution in the Board of Directors from an independent and fair viewpoint, and the Company selected him as a candidate for outside director.

(2) Mr. Yutaka Nakamura worked for Panasonic Homes Co., Ltd. He consistently performed his duties of quality management and environmental management since joining said company, and as Senior Councilor, Manager of Corporate Quality & Environmental Division of said company, successfully raised the quality management and environmental management of the Company to the top level in the industry. In addition, he has experience serving in important positions of several groups in the housing industry (i.e., Chairperson of the CS Quality Committee of the Japan Prefabricated Construction Suppliers and Manufacturers Association, Chairperson of the Technical Committee of the Provision of Quality Housing Stock Association, Chairperson of the Training Planning Department of the Housing Industry Association). Although Mr. Nakamura has no past experience engaging in company management other than as an outside director or outside auditor, he has deep experience and knowledge in the field of quality management and environmental management in construction work, and he also has rich connections in the housing industry. Therefore, the Company deems that he can make a contribution based on his experience and knowledge in solving its quality management and environmental management issues that were revealed by the Construction Defects Problem and play a role in supervising business execution in the Board of Directors from an independent and fair viewpoint, and the Company selected him as a candidate for outside director.

4. If the election of Mr. Kazuyasu Fujita and Mr. Yutaka Nakamura is approved, in accordance with the provisions of Article 427, Paragraph 1 of the Companies Act, the Company plans to enter into limited liability agreements with them limiting their liability for damages under Article 423, Paragraph 1 of the Companies Act to the minimum limit amount prescribed by laws and regulations.

Reasons for the Proposal

As advised in the "Notice Concerning a New Policy in the Board of Directors Composition Aiming to Reinforce Corporate Governance System" which is a press release dated December 16, 2019, as part of a measure to prevent recurrence of the Construction

Defects Problem, the Company has already decided a policy to submit a proposal that a majority of the directors should be outside directors in the Ordinary General Shareholders' Meeting of the Company which is scheduled to be held in June 2020, in order to strengthen the corporate governance of the Company.

Now, in relation to the holding of the EGM, the Company decided to bring forward the policy that had been decided earlier and for the purpose of earlier strengthening of its corporate governance, to submit a proposal in the EGM to appoint Mr. Kazuyasu Fujita and Mr. Yutaka Nakamura, who have a deep understanding of handling issues that the Company is facing, such as quality management and environmental management in corporate revitalization, business reorganization, and construction work, as candidates for the directors, as they meet the independency standard for outside directors of the Company, and based on their knowledge and experience. The Company considers that Mr. Kazuyasu Fujita and Mr. Yutaka Nakamura would be able to contribute to the benefit of the stakeholders including all the shareholders and not merely for a part major shareholders, taking into consideration the characteristics of the Company's business, and therefore are suitable to be outside directors of the Company.

If both Mr. Kazuyasu Fujita and Mr. Yutaka Nakamura are appointed as directors, the Board of Directors of the Company will consist of 12 directors: five executive directors and seven outside directors; accordingly, the majority of the directors will be outside directors.

Appendix 2

Main Points of the Agendas Proposed by the Shareholders (Proposed Agendas No. 2) and Reasons for the Proposal

1. Proposed Agenda No. 2 (Shareholders' Proposal)

Main point of the agenda
Appointment of one director (Candidate: Masahiro Ohmura)

Candidate No.	Name (Date of Birth)	Career summary, positions in other companies, and important concurrent holding of positions
1	Masahiro Ohmura (March 18, 1974)	April 1997 Joined Shimizu Corporation May 2004 Joined Sumitomo Trust and Banking Co., Ltd. February 2007 Joined Redwood Group Japan, Co., Ltd. August 2009 Joined Reno, Inc. February 2013 (Current) Representative Director, City Index Hospitality, Inc. (Important concurrent holding of positions) Representative Director, City Index Hospitality, Inc.

(Notes)
1. There are no special interests existing between the candidate and the Company.
2. The reasons for appointment of the candidate.
   Mr. Masahiro Ohmura has acquired knowledge of construction, real estate and finance through his work at Shimizu Corporation and Sumitomo Trust and Banking Co., Ltd. Currently, he serves as the President & CEO of City Index Hospitality, Inc., which operates aged care related businesses centered on fee-based residential homes for the elderly, and he has extensive knowledge and experience of corporate governance, economics and management, in addition to knowledge of the aged care industry. The Company operates aged care businesses as well as its main business, leasing; Mr. Ohmura's knowledge would be perfectly suited to the Company's current situation concerning the construction defects problem; accordingly, it can be expected that he would make a great contribution to the Company. Therefore, the Requesting Shareholders find him suitable to be a director of the Company and request his appointment.

Outline of the Reasons for the Proposal
(The Company's Comment) The outline of the reasons for the proposal of the Initial Shareholders' Proposal and the outline of the reasons for the proposal notified by the Requesting Shareholders on January 29, 2020, after the Revocation Notice is stated in sequence below.

Outline of the Reasons for the Proposal of the Initial Shareholders' Proposal
The Company's current management team has problems as described in (i) to (iii) below; due to those problems, the Requesting Shareholders no longer have confidence in the current management team to manage the Company and therefore demand to appoint one director as stated in the main point of the agenda above.

(i) Management System Allowing Major Downside Revision of Earnings Forecasts and Improper Disclosure of Information

After the Construction Defects Problem was discovered, the Company conducted all-building investigations and found that actions such as repairs needed to be taken; as such, the Company repeatedly made major downside revision of earnings forecast for the fiscal year ending March 31, 2019. Further, the Company made major downside revision of the earnings forecast for the fiscal year ending March 31, 2020 as well. The cause of such major downside revision is that, amongst other reasons, a large amount of reserve for loss related to repair works was accounted for as extraordinary loss due to the Construction Defects Problem.

The Requesting Shareholders pointed out to the Company that, in light of the delay in completing the correction of the construction defects and the decreasing occupancy rate, it is doubtful that the earnings forecast can be achieved, and repeatedly requested that the Company disclose information proactively and promptly so that it will not lose its credibility due to late downside revision of business performance. Despite this request, the Company announced its last downside revision of the full-year earnings forecast on November 7, which was just before the announcement of business results for the second quarter.

An earnings forecast is not merely a non-binding target but a realistic figure which the management team should commit to achieving; however, as stated in the above, the Company's management team made multiple downside revisions of the earnings forecast it announced one after another, and the disclosure of such revisions was made later. The main factor that caused the escalation of the Construction Defects Problem and the Company losing its credibility in society is its unclear management system that allows irresponsible downside revision of business performance and improper disclosure of information as mentioned in the above.

(ii) Management Team's Inability to Resolve the Construction Defects Problem

In the Company's notice "Notice Concerning System Reinforcements of Investigations and Repairs and Acceleration of Completion of Repairs" dated March 8, 2019, the Company announced that, in accordance with the instruction from the Ministry of Land, Infrastructure, Transport and Tourism concerning the Construction Defects Problem, it will accelerate the completion of repair works which was originally planned to be completed by the end of October, 2019.

However, only four months after that, the Company announced in its notice "Rescheduling Completion Dates of the Investigation and Repair Work of our Defective Buildings" dated July 31, 2019 (its English version was dated August 22,2019), that due to reasons including "as the investigation progressed,

the kinds of construction defects expanded…the number of buildings and places of the defects to be repaired increased significantly compared to those initially expected," it will reschedule the completion date of the repair work for certain properties such as "Gold Nail," which are categorized as "buildings subject to top-priority investigations," to the end of June 2020. Further, the Company announced in its notice "Notice Concerning Progress of All-building Investigations Constructed by Leopalace21 and Further Course of Action for Repair Works" dated October 31, 2019, that it plans to complete the repair works for properties other than the "buildings subject to top-priority investigations" by the end of December, 2020.

As stated above, although the Company announced that it will complete the repair work by summer 2019, only four months after that, it announced that the completion of the work would be postponed for one year or more. This demonstrates nothing but the current management team's lack of management capability necessary to resolve the Construction Defects Problem.

(iii) Management Team Generated Deficit in the Distributable Amount

The Company passed a resolution concerning acquisition of treasury shares at the Board of Directors Meeting held May 11, 2018, and during the period from May 14, to August 23, 2018, the Company acquired treasury shares, the acquisition value of which amounts to 5 billion yen in total ("Acquisition of Treasury Shares").

On the other hand, as stated in the above (i), the Company accounted for a large amount of reserve for loss related to repair works as extraordinary loss due to the Construction Defects Problem; because of this, the Company's distributable amount was negative as at the finalization of financial statements for the fiscal year ending March 31, 2019.

Under the Companies Act, in cases where a stock company acquires treasury shares, when the distributable amount is negative at the time approval by the general meeting of shareholders is obtained with respect to the financial statements for the fiscal year that contains the day on which such acquisition of treasury shares was carried out, the directors who performed duties in relation to such acquisition of treasury shares would be jointly and severally liable to such stock company for payment of the smaller amount of either such negative distributable amount (i.e., the amount of deficit) or the amount of property such stock company had paid out, unless such directors prove that they did not fail to exercise due care with respect to the performance of their duties ("Deficit Compensation Liability").

The Acquisition of Treasury Shares was resolved at a Board of Directors Meeting after March 2018, which was when the Construction Defects Problem had been discovered and the Company was in an unusual situation; accordingly, the Company's directors who cast affirmative votes regarding such resolution should have exercised more due care in relation to the execution of the Acquisition of Treasury Shares than at ordinary times.

In addition, there are no circumstances that support the necessity or urgency of the execution of the Acquisition of Treasury Shares. Further, at the time the Acquisition of Treasury Shares was carried out, the progress of the investigation regarding the Construction Defects Problem was still at an early stage, and it is likely that the Company had not yet grasped the extent of the Construction Defects Problem and the corresponding scale of the amount of loss; taking the aforementioned situation into consideration, the Company's directors at the time

the Acquisition of Treasury Shares was carried out should have adequately estimated that more problems may be detected in the course of the all-building investigations, and that this would result in a situation requiring further actions such as additional repairs.

Based on the above, it is clearly not the case that the Company's directors at that time who cast affirmative votes for the resolution on or carried out the Acquisition of Treasury Shares (four directors among the current management team, Bunya Miyao, Tadashi Kodama, Tetsuji Taya, and Yoshiko Sasao fall under this condition) "did not fail to exercise due care with respect to the performance of their duties" concerning the Acquisition of Treasury Shares, and therefore, the directors should owe the Deficit Compensation Liability.

It is extremely unusual for directors of a listed company to owe Deficit Compensation Liability after the listed company resolved and carried out acquisition of treasury shares; therefore, it is clear that the directors who caused this unusual situation are not suitable for the Company's management team.

(iv) Summary

As stated in the above, the Company has not changed the unclear management system that makes irresponsible downside revisions of the earnings forecast and allows improper disclosure of information, and caused the escalation of the Construction Defects Problem, allowing its credibility in society to be damaged. Further, it has postponed the completion of repair works soon after the announcement of the original plan; it is clear that the current management team lacks the management capability necessary to resolve the Construction Defects Problem. In addition, the current management team includes four directors who are to be liable for Deficit Compensation Liability after execution of acquisition of treasury shares, which is an unusual situation for a listed company. Due to the stated reasons, the Requesting Shareholders no longer have confidence in the current directors to manage the Company, and therefore, propose the Proposed Agendas.

With regards to the current executive officers, the Requesting Shareholders will have them continue their duties as long as no particular problems are found upon examination.

Outline of the Reasons for the Proposal Notified by the Requesting Shareholders on January 29, 2020, after the Revocation Notice

Outline of the Reasons for the Proposal

The Requesting Shareholders submitted to the Company a demand in writing to call an extraordinary general meeting of shareholders on December 27 last year. The shareholders' proposal by the Requesting Shareholders included two agendas: (i) dismissal of all current directors, and (ii) appointment of three directors nominated by the Requesting Shareholders.

Thereafter, the Requesting Shareholders filed a petition to the Tokyo District Court for permission to call an extraordinary general meeting of shareholders, and the Company announced its intention not to call an extraordinary general meeting of shareholders.

As a result of discussions at the Tokyo District Court, the Company conceded the validity of the Requesting Shareholders' demand to call an extraordinary general meeting of shareholders, and decided to call and hold an extraordinary general meeting of shareholders.

In addition, with regards to the consideration of the reform plans including business alliances and business reorganizations requested by the Requesting Shareholders, the Company started to show willingness to seriously consider the reform plans, as can be seen from the fact that the Company explained such reform plans to its other major shareholders; as such, the Requesting Shareholders reached the conclusion that: as for the management system until the ordinary general meeting of shareholders in June, it would be best if the current directors of the board were not dismissed so that they can give priority to focusing on rectifying the Construction Defects Problem and operating business activities during the busy season, while discussing and considering with the new directors the reform plans that will enable major improvement of the Company's corporate value; and for the management system that will be appointed at the ordinary general meeting of shareholders in June to implement those reform plans. Therefore, the Requesting Shareholders decided to revoke their proposal concerning dismissal of the current directors.

The Requesting Shareholders' demand since the beginning was for the Company to change its Board of Directors with the addition of directors who are able to think about improving the corporate value from a shareholder's perspective.

With regards to the Company holding an extraordinary general meeting of shareholders, the Company announced its proposal on adding two new outside directors; as such, the Requesting Shareholders considered that it is not absolutely necessary to newly appoint three of the directors they nominated, and decided to nominate only one director.

During the four months until the ordinary general meeting of shareholders that will be held in June, the Company's management team will be required to rectify the Construction Defects Problem and perform business activities during the busy season for leasing, while at the same time proceeding with discussion and consideration of the reform plans that would enable major improvement of the corporate value.

Although such reform plans would be implemented under the management system that will be appointed at the ordinary general meeting of shareholders in June, it is important that directors who are able to think about improving the corporate value from a shareholder's perspective take part in the consideration of the reform plans.

It is difficult to say that the Company in its current state addresses the improvement of corporate value from a shareholder's perspective; it can change its Board of Directors to sincerely discuss such matters only after adding new directors with a shareholder's perspective.

This proposed agenda is to request the appointment of the above candidate as a director suitable for the aforementioned reasons.

Appendix 3

Opinions of the Board of Directors of the Company on the Shareholders' Proposals

The Board of Directors of the Company is opposed to the Shareholders' Proposals. Reasons for the opposition are as follows.

(1) The present management team is now sincerely addressing to solve the problems of the Company, and the appointment of Mr. Ohmura is unnecessary

As announced in the "Notice Concerning Causes and Measures to Prevent Recurrence of Defects Related to Parting Walls etc. in Properties Constructed by the Company" dated May 29, 2019 (its English version was dated May 30,2019), the Company takes the Construction Defects Problem seriously and will continue to conduct investigations and repairs of buildings as soon as possible on a company-wide basis, and undertake drastic reform of the corporate culture, restructuring the compliance risk management system and review of the construction subcontracting business system as recurrence prevention measures, and regard such measures as top management priorities. In addition, the Company has developed a new management system composed of ten directors appointed at the 46th Ordinary General Shareholders' Meeting of the Company held on June 27, 2019, in order to quickly recover the credibility and business performances that have been damaged by the Construction Defects Problem and reform its management system, and has been addressing the above most important management issues sincerely, especially the completion of all-building investigations and repairs.

In fact, because the Construction Defects Problem was such a scale more significant than expected, there were many defects found through the process of all-building investigations, and the repair expenses and the number of repairs required have increased more than originally expected, and this delayed the completion of repairs and resumption of tenant recruitment; as such, it was true that the Company had to conduct a downside revision concerning the earnings forecasts of the fiscal year ending March 31, 2019 and the fiscal year ending March 31, 2020, and to postpone the completion of repairs announced in March 2019 in July 2019, and it has to be said that the Company's lack of foresight was one of the reasons for such results.

However, under the new management system established in late June 2019 as described above, the Company actively continues to manage the larger than expected scale of the Construction Defects Problem mainly among the following directors in the following ways: with Bunya Miyao, the president and CEO of the Company, playing a central role, each of five executive directors respectively share the roles of the GM of Business Operation Headquarters and the GM of Management Headquarters and Management Planning Headquarters, as well as the Chief of Emergency Headquarters for Construction Defects Problem and GM of Compliance Management Headquarters, roles which were newly established after the Construction Defects Problem occurred; and the remaining four independent outside directors and one outside director properly carry out their roles of supervising execution of the Company's operations from an independent and fair viewpoint, taking advantage of their respective knowledge and experience, and it is understood that progress is being made slowly but steadily (please note that the progress of the all-building investigations and repairs has been announced on the Company's webpages on a timely basis).

In response to this, it is pointed out in the Initial Shareholders' Proposals that the current management team is unable to resolve the Construction Defects Problem; however, the Requesting Shareholders have not provided any specific proposals to promptly resolve the Construction Defects Problem.

The present management team is now sincerely working on solving the problems of the Company arising from the Construction Defects Problem. In addition, the reasons for appointment of Mr. Ohmura, which is the Shareholders' Proposals, include his knowledge of construction and real estate through his experience at Shimizu Corporation, but the architectural knowledge of a major contractor is not utilized in the Company's mainstay of building low-rise collective houses, and it is irrelevant to sublease business of the Company. Accordingly, the Company is of the opinion that there is no need to appoint Mr. Ohmura, who is not familiar with the Company's particular and specific business of the Company, as director and the Company is opposed to the Shareholders' Proposals.

The Requesting Shareholders also pointed out as one of the reasons for the proposal of the Initial Shareholders' Proposals that, concerning the Acquisition of Treasury Shares executed from June 14, 2018 to August 23, 2018 by the Company, the directors in office at that time should be liable for deficit compensation; however, regarding this point, as the Company announced in the "Notice of Receipt of Audit & Supervisory Board Members' Opinion on the Responsibility of Directors in the Purchase of Treasury Stock for the 46th Fiscal Periods" dated July 31, 2019, the Company has received an opinion from the Company's Audit & Supervisory Board Members to the effect that, based on the recognition and status of consideration of the Company's directors at that time and the background leading to the cause of the deficit, it reached the conclusion that the Company's directors are not liable for deficit compensation and damages in relation to executing the Acquisition of Treasury Shares; therefore, it will not pursue the liability of the directors. Accordingly, the current directors will not be liable for not only deficit compensation but also damages concerning the Acquisition of Treasury Shares, and it is considered that there is no doubt as to the eligibility of the directors.

(2) The Revocation Notice is tantamount to admitting that the proposals of the Initial Shareholders' Proposals were unreasonable

Further, the Requesting Shareholders stated in its "Notice of Change to Our Shareholder Proposal Agenda Items" dated January 28, 2020, that (i) their "ultimate goal is not to gain management control of Leopalace" and (ii) "as for the Company's proposal of adding the agenda item of appointing 2 new candidates as outside board directors, we look at this positively"; they also stated that they made the Revocation Notice as a result of consideration "while listening to various opinions." On the following day, January 29, 2020, they notified the Company of the outline of the reasons for the Shareholders' Proposals, in which they stated that they made the Revocation Notice for reasons including (iii) "with regards to the consideration of the reform plans including business alliances and business reorganizations requested by the Requesting Shareholders, the Company started to show willingness to seriously consider the reform plans, as can be seen from the fact that the Company explained such reform plans to its other major shareholders," (iv) they "considered that it is not absolutely necessary to newly appoint three of the directors they nominated," and (v) "the current directors of the board were not to be dismissed so that they can give priority to focusing on…operating business activities during the busy season"; in addition, it was also stated that (vi) "it is difficult to say that the Company in its current state addresses the improvement of corporate value from a shareholder's perspective; it can change its Board of Directors to sincerely discuss such matters only after adding new directors with a shareholder's perspective," and that Mr. Ohmura is a "director who is able to think about improving the corporate value from a shareholder's perspective." However, as stated in Appendix 3 below, neither of these match the previous shareholders' proposals, and as such, the Revocation Notice is tantamount to admitting that the Initial Shareholders' Proposals were unreasonable from the beginning; the Company cannot accept such kind of proposals, even in part.

(i) As the Company advised in the "Notice Concerning Shareholders' Demand for Calling an Extraordinary General Meeting of Shareholders" as of December 27, 2019, the Initial Shareholders' Proposals were to appoint three candidates

proposed by the Requesting Shareholders after dismissing ten current directors of the Company, and it is obvious that the purpose of the Initial Shareholders' Proposals is to take over the management rights of the Company.

(ii) Regarding the policy announced by the Company on December 16, 2019 (i.e., the policy to submit a proposal for a majority of directors to be outside directors in the ordinary general shareholders' meeting of the Company to be held in June 2020), in the "Demand for Calling an Extraordinary General Meeting of Shareholders of Leopalace21 Corporation" as of December 31, 2019 from the Requesting Shareholders, they insisted on the "necessity to appoint outside directors recommended by major shareholders for a majority" of directors, for the reason that the policy to merely have a majority of directors be outside directors is not substantially different from the present board of directors, because simply new participation of one outside director in the present board of directors, or resignation of one director who is not an outside director can meet the requirement; therefore this cannot be said to be an improvement of corporate governance at all," and that there is required to "be a majority of directors who have a shareholder's perspective."

(iii) First of all, as described in the following (3), the background of the Initial Shareholders' Proposals proposed by the Requesting Shareholders is that while the Company was preparing to announce the commencement of consideration of drastic reforms of the management, including business alliances, concurrently with the response to the Construction Defects Problem, the Requesting Shareholders requested the Company to allow them to participate in the discussions concerning that plan for drastic reforms, and immediately after the Company refused that demand, the Initial Shareholders' Proposals were proposed. The Company has consistently continued to show a willingness to consider a plan for drastic reform of the management from before the Initial Shareholders' Proposals, and the Initial Shareholders' Proposals are irrelevant to the consideration of a plan for drastic reform of the management of the Company.

(iv) On January 26, 2020, which is immediately before the Company decided to convene the EGM, the Requesting Shareholders demanded that the Company propose, as the Company's own proposal, an agenda item to appoint three candidates, including Mr. Ohmura, who were recommended by the Requesting Shareholders as candidates for director, in exchange for withdrawing the agenda item to dismiss ten current directors of the Company from the Initial Shareholders' Proposals.

(v) In the first place, if "give priority to operating business activities during the busy season," they would not demand that the EGM be called, and therefore from the fact that they did, in fact, demand that the EGM be called during the busy season, it has to be said that the Requesting Shareholders do not consider the possible damage that would be caused to the Company's business value at all.

Further, Mr. Ohmura was the contact person of the Requesting Shareholders concerning their series of actions from the demand to call the EGM in the busy season, to the partial revoke of the shareholders' proposals based on unreasonable grounds, and caused confusion in the Company. It is clear that Mr. Ohmura does not consider the damage that would be caused to the Company's business value at all.

In fact, in response to the Revocation Notice, the Company demanded on January 28, 2020, that the Requesting Shareholders withdraw their demand to call the EGM itself, however, Mr. Ohmura did not agree to such request. The Company is of the opinion that it cannot allow Mr. Ohmura to participate in the Company's management, because he attempted to hinder the Company's business activities by deliberately demanding the

non-urgent holding of an extraordinary general meeting of shareholders in the busiest season for the Company.

The Requesting Shareholders stated in the reasons for the proposal as of January 29, 2020, that “as a result of discussions at the Tokyo District Court, the Company conceded the validity of the Requesting Shareholders’ demand to call an extraordinary general meeting of shareholders, and decided to call and hold an extraordinary general meeting of shareholders,” however, the Company does not concede the validity of the Requesting Shareholders’ demand to call the EGM.

(3) In view of the Requesting Shareholders’ past investment methods and the process to the Shareholders’ Proposals, it seems that the Requesting Shareholders proposed the Shareholders’ Proposals aiming not to promote the Company’s corporate value seriously but to further their own (i.e. the major shareholders’) interests

It is a well-known fact that, while all the Requesting Shareholders belong to the Murakami Fund Group (which collectively refers to the investment companies related to the entity formerly known as the Murakami Fund, including the Requesting Shareholders; the same shall apply hereinafter), the Murakami Fund Group has also repeated this method of acquiring shares of companies on a large scale in the past by advocating for the reinforcement of corporate governance, to put various pressures on the companies’ management teams. In addition, there was also a case where the Murakami Fund Group sent in a director recommended by the Murakami Fund Group itself to a company, repeated unrealistic demands such as demanding a high standard of return to shareholders, and resulted in the company being delisted. Moreover, there are several examples in the past where the Murakami Fund Group conducted a so-called “dismantling-type acquisition” by selling off of a company’s assets by the piece in whole or in a part after acquiring the right of management of the company.

Based on the above past investment activities by the Murakami Fund Group, it is considered that the purpose of the Shareholders’ Proposals is not to carry out promotion of the mid-to-long-term corporate value of the Company, but to further their own interests through sacrificing the interests of stakeholders including other shareholders.

In fact, the Requesting Shareholders began acquiring the Company’s shares from around March 2019, after the discovery of the Construction Defects Problem, and has continued further acquisition of shares through putting pressure on the Company by statements hinting at dismantling the Company in the course of meetings and letter exchanges with the Company from April 2019 onwards and through statements made as if they had a motive to obtain the rights to control the Company. In addition, in the meeting with the Company in December 2019, the Requesting Shareholders mentioned that it would be reasonable to even dismantle the Company through the aforementioned examples which can be said to be the best examples of the “dismantling-type acquisition” recently carried out by the Murakami Fund Group.

Moreover, the Requesting Shareholders made proposals to the Company such as suggesting publishing information to begin considering drastic reforms including business sprits, etc., for the purpose of improvement of the corporate value of the Company, and if the Company did not respond to their proposals, they said that they would file a demand in writing to call an extraordinary general meeting of shareholders. After the discovery of the Construction Defects Problem, the Company has recognized the necessity of drastic reform of the management including the alliance in parallel with handling investigations and repairs, etc. as well as taking action to establish measures to prevent recurrence, and the Company decided to proactively consider publishing information about the situation voluntarily, so that the stakeholders could consider the details, because it was thought that the Company having policies to consider drastic reform of the management would contribute to restoring trust with stakeholders. However, while the Requesting

Shareholders requested to be involved in the consideration process of the above drastic reform proposals, the Company declined such request because it was thought that the reforms led by some major shareholders contradicted the common interests of the stakeholders, including all shareholders. Immediately after the Company declined the proposal, it received the demand in writing from the Requesting Shareholders to call the EGM.

Although the Requesting Shareholders withdrew a part of the agenda items, excluding the proposal to appoint Mr. Ohmura as a director, it is obvious that the withdrawn item was just used as a means of applying pressure on the Company from the beginning, and it has to be said that there is some doubt as to whether the act can be said to be a legitimate exercise of shareholder rights.

As described above, in the situation where the Company is busy dealing with the Construction Defects Problem, based on the fact that the Requesting Shareholders even mentioned the examples of the “dismantling-type acquisition” that the Requesting Shareholders actually implemented through further acquisition of shares by taking advantage of such opportunity and hinting at dismantling the Company or obtaining the rights to control the Company, and that the Requesting Shareholders request to be involved in the management reforms as major shareholders, etc., it is likely that the Requesting Shareholders intend to carry out a “dismantling-type acquisition” of the Company through the Shareholders’ Proposals. Looking at the forceful nature of their action to immediately demand to call the EGM for the purpose of dismissal, etc., of all the directors of the Company because the Company did not accept the Requesting Shareholders’ request, it is obvious that the Requesting Shareholders have no intention to carry out promotion of the mid-to-long-term corporate value of the Company. The Company is opposed to the Shareholders’ Proposals because if such “dismantling-type acquisition” is implemented, it is likely that the interests of many stakeholders including all shareholders other than the Requesting Shareholders will be sacrificed.