FOR IMMEDIATE RELEASE

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Notice Concerning Beginning the Strategic Review Process for Drastic Business Strategies Reconstruction

Leopalace21 Corporation (Headquarters: Nakano, Tokyo; President and CEO: Bunya Miyao; the "Company") is in the midst of restoring the stakeholders' trust damaged by the construction defects problem and have been trying to work out the said problem and implementing the recurrence prevention measures as well as improving the corporate governance. In parallel to the sale of parts of businesses and assets, we have been making efforts in increasing profitability coupled with cost reduction across the company and enhancing the business model centered on the leasing business.

To restore the trust of our stakeholders and to ensure the business turnaround, the Company announces to begin the strategic review process for drastic business strategies reconstruction as described below.

1. Background

Formulating and reviewing business strategies is one of the most important issues for the Board of Directors. In June 2018, the Company identified it as a critical challenge based on the board's evaluation of effectiveness, in accordance with the Corporate Governance Code Principles 4-11 set by the Tokyo Stock Exchange. Since then, we have discussed the business strategies for each business and deepened the analysis. In parallel to making further discussions, we sold 15 buildings for rent use, 3 hotels in Japan and transferred all shares in Life Living Co., Ltd., a consolidated subsidiary of the Company as well as non-business assets sell-offs in the fiscal year ending March 2020 following the management policy of increasing efficiency in assets and capital which was presented in the past.

We formulated measures to prevent the recurrence in response to construction defects problem in May, 2019, and we are working hard to resolve the problem as the company's top priority issue. We completed most of the all-building investigations in October 2019 to grasp the extent and degree of the required repair works. We have been focusing on the repair works and the resumption of tenant recruitment since November. The occupancy rate bounced back to 80.19% at the end of January, and we are working to further increase the rate toward the end of the fiscal year.

Under these circumstances, we will begin the strategic review process for drastic business strategies reconstruction with the aim of regaining the trust of our stakeholders and securing the business recovery.

2. Details of the business strategies reconstruction

(1) Objectives

(i) The Company will conduct a fundamental review of its business strategies for all businesses including the subsidiaries, in order to redistribute the management resources through selective concentration.

(ii) The Company will make the plans concrete for repair works, resumption of tenant recruitment, improving occupancy rate and allocation of management resources in response to the construction defects problem.

(2) Ways of working

(i) Fundamentally review the business strategies based on the extensive analysis ranging from the social significance, business structure, operating environment to the environmental changes and future potential of each business.

(ii) Alternatives to take as a result of the strategic review include: a) strengthen; b) maintain and continue; c) shrink; and d) withdraw and transfer. Consider further productivity improvements, cost reductions, and business alliances, and so on.

(iii) Based on the results of (i) and (ii) above, reallocate management resources to focus on the selected businesses.

(3) Members to be engaged in the process

(i) The Board of Directors is the body to promote the process up to the decision making. Working groups are formed which consists of a number of executive officers and senior managers in accordance with the respective themes.

(ii) We will hold consultations with relevant specialists such as financial advisors, accountants and lawyers as necessary.

(iii) We will welcome any proposals by the shareholders during the process and discussions with the shareholders except Reno, Inc. and related parties. It is inferred that they plan to carry out a “dismantling-type acquisition” of the Company to further their own interests rather than to aim for enhancing the corporate value during mid to long term and for pursuing the common interests of the shareholders and general interest of stakeholders, which we believe important.

(4) Period of the process and outcome disclosure

We plans to complete the above mentioned strategic review process around the end of April, 2020 and thereafter disclose the outcome.

3. Formulation of renewed business plans reflecting the results of drastic business strategies reconstruction

We will restore the trust by our stakeholders and ensure business turnaround through resolving the construction defects problem and examining the drastic business strategies reconstruction up to implementing the renewed business plans.

We will finalize and target for announcement in May, 2020 the renewed business plans reflecting the outcome of the drastic business strategies reconstruction.

END