

FOR IMMEDIATE RELEASE

July 13, 2022

Company Name: **Leopalace21 Corporation**
Representative: Bunya Miyao, President and CEO
Code Number: 8848 (Tokyo Stock Exchange, Prime Market)
Contact: Shinji Takekura, Director, Chief of the Corporate Management Headquarters
Tel: +81-50-2016-2907
E-mail: ir@leopalace21.com

Q&A at the Ordinary General Shareholders' Meeting on June 29, 2022

Leopalace21 (Headquarters: Nakano-ku, Tokyo; President and CEO: Bunya Miyao; the "Company") announced the overview of the questions and answers at the 49th Ordinary General Shareholders' Meeting held on June 29, 2022. Please visit the following URL for the video of the Meeting. (only in Japanese, available up to September 30, 2022)

<https://www.net-presentations.com/8848/20220629s/dq53de/>

1. About a Report to the Auditing Firm

Q: Please explain the details about a report to the auditing firm that caused the postponement of the announcement of financial results, especially about the recording of allegedly fictitious loan of JPY 250 million to a certain business partner in the past.

A: We do not intend to discuss the details as the matter is a case pending in court. As the Company has already reported in the releases dated May 16 and May 31, 2022, an outside lawyer has looked into the matter and confirmed that there was a valid set of loan agreement, changed agreement and acknowledgement of debt with the claiming party's official company seal as well as the joint guarantor's seal put on each document, and did not find any proof that underpins the claimed fictitious loan. We concluded therefore that the claiming party's requests were groundless.

2. About the Roles of Director Mr. Yamashita and Director Mr. Ryu

Q: Regarding the proposal 2 of election of Directors, Messrs. Yamashita and Ryu will no longer be Outside Directors. Please explain the reason behind that and what kind of roles do you expect them to play? Would the increased number of Executive Directors lead to the strengthened corporate governance?

A: The both Directors will continue their roles in the same way as before. They are executive officers at a business entity with ties to a major shareholder of the Company. We would like the shareholders' approval for electing them as Non-executive Directors who are supposed to perform monitoring the management and others rather than as Outside Directors for protecting minor shareholders' interest. The proposal of increasing the number of Directors is based on an idea that Executive Directors should be increased with an aim of strengthening the sales operation and Independent Outside Directors should be increased.

3. About Newly Appointed Outside Directors

Q: How did you identify the two newly appointed Outside Directors?

A: We looked for candidates with the view that finance knowledge is critical for the Company to move from the stage of getting back to recording profitability and eliminating the excessive liabilities to the next stage of development. We received various candidate recommendations and determined the candidates through the deliberation at the Nomination and Compensation Committee.

4. About the Company Business Outlook

Q: Please share with us your idea as to how you intend to expand the business while the number of apartment buildings under management increases of which the master-lease contract expires.

A: Keeping and increasing the number of rooms under management is a critical management issue as the net sales is affected by the reduction in the number of rooms. We regard it important to discuss with the apartment owners dealing with the apartment buildings of which master-lease contracts expires. We will discuss the matter in the execution departments and the Board of Directors to prepare the policy for the construction subcontracting business and how to handle an opportunity of demolishing and rebuilding the existing properties. We have to rebuild the relationship with the financial institutions for their loan provision to the landlords.

5. About Resumption of Construction Subcontracting Business

Q: Please share with us your policy for resuming the construction subcontracting business?

A: There are a few ways for keeping and increasing the number of rooms under management: resume construction subcontracting business for new properties, receive orders for demolishing and rebuilding the existing properties, and to be entrusted for management of properties which have been built by some other companies. We have yet to address the issue of apartment loan to be provided by the financial institutions and the issues related to the structure of construction subcontracting business to restart the business. We believe that it takes two to three years to clearly determine the direction.

6. About the Number of New Housing Starts

Q: Please could you explain the background of the statement saying "The new housing starts of leased units increased for the first time in five years," in p.17 of Notice of the 49th Ordinary General Shareholders' Meeting. If they were built by the apartment owners, whereabouts and what was the reason behind that?

A: The statement was made on general industry's trends and not related to the Company's own business. We put priority on business turnaround and regain social trust in the wake of construction defects problem, and therefore have built few new apartments.

7. About Repair Works for Construction Defects

Q: It looks that no good progress was made in repairing construction defects. Please present a clear repair plan.

A: Please understand it is difficult to investigate the degree of defects and repair such defects as long as a tenant lives in a room requiring repairs. We aim to explain the status by apartment building.

8. About Information Management

Q: What is the Company's structure and policy for information management?

A: We believe it is vital to have a system and training in place for effective information management. We have information management rules in place and provided a regular training to the officers and employees. The Company monitors data flows of information management systems.

9. About Employee Motivation and the Company Operations

Q: I have seen the number of employees declining and wondered if the employees stay motivated. Isn't there any confusion taking place in terms of operating management? Do you consider if hiring is needed to replenish the leavers?

A: For the past two to three years I am afraid the employees may have had anxiety about the future. The management team tried to keep communication with the employees in order to uplift their motivation. We want to remunerate the employees' contribution in terms of compensation such as paying incentive bonuses as the business performance improves.

We aim to improve the operational efficiency through promoting IoT and implementing DX solutions. In parallel, we may hire necessary human resources including part-time employees and appoint right persons to the right places for effective deployment.

10. About Measures of Resumption of Dividend and Improving Occupancy Rate

Q: Please indicate when you pay dividend again. Do you see any good prospect in achieving occupancy rate improvement?

A: Although we have achieved profitability in terms of net income for the fiscal year ended March 2022, the equity ratio remained as low as 0.7%. Before indicating the time of resuming dividend payment, we should make sure to increase the occupancy rate, ensure to record profitability and strengthen ownership equity.

As to the outlook of occupancy rate improvement, we feel confident in achieving the increase by responding to the following firm demand: the number of corporate customers with rented room demand is increasing; and demand by foreign national customers including international students and technical interns is expanding as a result of relaxed entry restrictions into Japan.

11. About Interest Rate

Q: What is the background of interest payment of JPY 4.4 billion? I would like the Company to try to reduce the interest payment.

A: The interest payment is against the funds of JPY 30 billion borrowed from Fortress Investment Group as a part of fund raising. We will repay in accordance with the contract or discuss with Fortress Investment Group the various possibilities including repaying to Fortress by financing from financial institutions.

12. About Disposal Procedures for Waste Household Electric Appliances

Q: Isn't the handling of waste home appliances and waste furniture out of the apartment rooms in the monthly leasing business in compliant with the Home Appliance Recycling Act and Waste Management Act? If it is the case, you need to rectify as soon as possible. What is your plan for rectification?

A: We confirmed that we need to change the procedure in order to satisfy the law requirements of the Home Appliance Recycling Act. We have already consulted the Ministry of Environment and other competent ministries, and discussing the best way of rectification in parallel to continuing the investigation and preparing the corrective measures so that we should deal with the matter properly.

13. About Disposal Procedures for Waste Household Electric Appliances

Q: Doesn't the Company perform unlawful act in the handling of waste furniture and waste home appliances in the monthly leasing business and pay unreasonable amount of money to the business partners? In such a case, what will the Company do in taking responsibility and collection of unreasonable payment?

A: We are discussing the waste home appliances matter with the Ministry of Environment and other competent ministries for corrective actions. We will continue investigating the cases to see if the Company has made unreasonable payment. We will deal with it timely and pursue management accountability if the need arises.

14. About Negotiations for Contractual Adjustment of Rent Payment to the Apartment Owners

Q: As to the payment of reduced master-lease rent in the negotiation with the apartment owners, isn't it a default of contractual obligation and against the law?

A: We have been carrying out the procedure referring to an outside law firm's opinion. In case of a gap between the master-lease rent and the market rent in the vicinity, we believe that we can take action based on the lawful right to request to decrease in rent as stated in Article 32 (1) of the Act on Land and Building Leases. We do not however think that the rent should be determined without discussing it with the apartment owners. Please understand that it is not a compulsory action but discretionary based on future agreement as a result of continuing

negotiation.

15. About Negotiations for Contractual Adjustment of Rent Payment to the Apartment Owners

Q: How many apartment owners had the Company paid reduced rent without agreement by the end of March 2022?

A: We do not disclose the number. The Company's handling is based on the future agreement following continuing negotiation with the apartment owners who refused negotiation. We will continue to follow the same policy until we reach agreement.

16. How to Calculate the Monthly Occupancy Rate

Q: In calculation of occupancy rate, don't you manipulate it so that the result becomes higher than the reality? I have an opinion that there is a dubious element in the calculation mechanism.

A: The occupancy rate is calculated with denominator as the number of rooms under management and the numerator as the number of rooms rented at the end of the month. The numerator does not include the number of rooms for which the contract is terminated and settlement procedure is completed. According to the tenant's convenience, settlement procedure in the presence of the tenant may come a few days after the move-out date in some rare cases, which is then taken out from the numerator. It is not an intentional handling and will have little impact in terms of accounting result.

END