

**FOR IMMEDIATE RELEASE**

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### **Q&A at the Ordinary General Shareholders' Meeting on June 29, 2023**

Leopalace21 (Headquarters: Nakano-ku, Tokyo; President and CEO: Bunya Miyao; the "Company") announced the overview of the questions and answers at the 50th Ordinary General Shareholders' Meeting held on June 29, 2023.

#### **1. About LP Owners Association**

Q: There's a shady organization called "LP Owners Association". The brochures distributed by the Association include contents that slander or damage credibility of Leopalace21. Does Leopalace21 recognize the issue? I insist that the Company should cancel the agreements with owners who belong to the Association. What action will the Company take?

A: We recognize that there are many solicitations from outside parties targeting owners. We examine those solicitations carefully and we take actions, such as sending a notice of protest, if the solicitations include contents of inappropriate solicitation and damage credibility of Leopalace21. We will continue the actions. For each agreement with owners, it should be discussed individually.

#### **2. About the Repair Work on Properties with Construction Defects**

Q: Please show the percentage of the repair work of properties with construction defects. Also, please show the plan of the repair work of those properties.

A: As of the end of May, the number of units projected to be repaired is about 28,500 units. We will steadily repair those units by the end of 2024 and aim to eliminate all rooms with obvious defects.

#### **3. About the Situation of Decline in Share Price**

Q: Explain why the share price keeps falling.

A: Since the share price is the evaluation in the market, we are unable to answer your question. What we can answer is that we are not satisfied with the current share price. We will emphasize the efforts to convey the restoration of our performance and aim to enhance our market evaluation.

#### **4. About the Share Price**

Q: Do you have any plan for the Company's low performance in the stock market?

A: Of course we make efforts to recover the company's performance, and we will take all necessary steps to enhance our market evaluation.

#### **5. About Cost of Reporting**

Q: I receive reports from the Company very often, how much is the mailing cost per year?

A: We do not disclose the expenses, but, regarding the frequency of reporting, we will improve our operational procedure.

#### **6. About the Filing Action**

Q: What is the details of the TENZAN's demand for filing action?

A: Since the case is in litigation, we refrain from answering questions.

#### **7. About the Filing Action disclosed on June 27**

Q: Please explain the case that Leopalace21 Corporation had been paying through TENZAN the fees for maintenance outsourcing expenses to Sekaiz Co., Ltd.

A: Please refer our news release on June 27 for details of the demand for filing an action. Regarding the maintenance outsourcing expenses, due to the lack of proper understanding, the Company did not consider itself a retailer and employed wrong processing procedure to reuse or recycle home appliances, and paying fees as maintenance outsourcing expenses. However, the Company has begun a new processing procedure for discarded home appliances to ensure proper operation upon receiving the administrative recommendation which stated that "Leopalace21 Corporation is a retailer under the Act" by Ministry of The Environment and Ministry of Economy, Trade and Industry

#### **8. About the Structural Reforms**

Q: I have heard that the company has changed its structure and listen to the voice of its employees. However, I still hear complaints from your employees. It seems nothing has been changed to me. What do you think about it?

A: Now, the Company has started branch office visits by the management team to listen to the employees' opinions and will strengthen communication between the management team and employees. The whole company work together to accomplish the structural reforms to turn the business back on track.

#### **9. About Loans**

Q: Please explain about repayment of loans.

A: We have not been able to repay the loan within the first three years of the contract, and we

will be able to begin repaying our loans starting from November 2023. We are discussing our financial strategy regarding repayment.

#### **10. About the Comments at Ordinary General Shareholders' Meetings**

Q: Some people's comments on Ordinary General Shareholders' Meetings make the Company's share prices fall. Does the Company plan to take legal action against those people?

A: We will consider an option to take legal actions to those people whose behaviors influence share prices in negative ways depending on the situations.

#### **11. About Questions and Answers at the Diet**

Q: The Ministry of Land, Infrastructure, Transport and Tourism said that Leopalace21's own investigation results should not be the criteria for determining whether the repair is needed.

Shouldn't the company still proceed repair works?

Also, what is your opinion that the contracts should not be terminated without repairing the properties?

A: Definitely, Leopalace21, as a construction company, should repair the buildings even if the management contract is terminated. Regarding the contract, this is a separate issue from the repair work, and we should discuss with the owners individually.

#### **12. About Shareholder Return**

Q: While it is necessary to return profits to shareholders, the Company should also return profits to employees who have worked hard and owners who have cooperated with Leopalace21 during the Company's difficult times.

A: We believe that the return of profits to shareholders, owners, and employees is something that should be considered separately. For our apartment owners, we have a long-term relationship with them and it is necessary to include maintaining the quality of the properties, repairs, occupancy rates, etc. By promoting DX, such as installation of smart locks and non-face-to-face interactions including contract signings, we hope to differentiate ourselves from our competitors and provide value for our apartments. For employees, we are reviewing personnel system and also making investments related to human resources.

#### **13. About Financial Results**

Q: I would like to ask about deferred tax assets for the previous period.

A: Deferred tax assets shall be recorded when it is recognized that earnings can be secured in the following fiscal years. Therefore, we have determined that the business of the Company is stable and sustainable enough to record deferred tax assets for multiple years in accordance with tax accounting.

#### **14. About Provisions**

Q: I would like to ask about provision for loss related to repairs.

A: In the liabilities section of the BS, we have set the amount at approximately JPY 17.5 billion. We have increased this amount at the end of the previous fiscal year due to the rising cost of materials and labor. Future expenditures will be reflected as a decrease in provision in BS, not in PL, and a decrease in cash and deposits.

#### **15. About Share Subscription Rights**

Q: When will be subscription rights exercised?

A: This is at the discretion of the creditor. Please be aware that if the right exercised, it would result in an increase in cash and shareholders' equity.

#### **16. About Corporate Outlook**

Q: I would like to know what Mr. Yamashita think of Leopalace21 and its shareholders.

A: It is my wish as a director and shareholder that Leopalace21 makes a profit, and the profit leads to business growth and ultimately to an increase in the share price. By sharing our know-how and Leopalace21's know-how, we hope to increase the occupancy rate, boost profits, and enhance corporate and shareholder value.

#### **17. About Acquisition of Treasury Stock**

Q: What are your thoughts on the increasing number of share buybacks in Japan?

A: We are at the stage of being ready with the approval of the first proposal, so there is nothing we can state at this time.

#### **18. About the Supply of New Apartments**

Q: I believe Leopalace21 has supplied properties mainly in Tokyo, Osaka and Nagoya. Recently a large demand flow is coming to Kyushu and other regional cities. What are your thoughts on this?

A: 60% of our properties are used by corporate clients. We are working to anticipate the needs of each company, including their regional production bases, by interviewing them.

#### **19. About Order-Taking Activities for New Apartments**

Q: What are your thoughts on the need for new property orders in order to restructure the business?

A: Since the construction defects problem, we have not received any orders for new properties. However, from this fiscal year, we plan to start order-taking activities for existing apartment buildings as reconstruction, although only in limited areas. We hope to resume such activities over time.

## **20. About Increasing in Rent**

Q: What are your thoughts on the need for rent increases that are in balance with the world's trends?

A: While the occupancy rate is important, our goal is to achieve the operating profit plan in the leasing business. We also have a plan for rent per unit, and since there are low-profit areas and high-profit areas, we are trying to balance them, formulate strategies, and manage the business with the aim of maximizing profits.

## **21. About Corporate Branding**

Q: There are a lot of bad information and negative reputation about Leoplace21 out there, do you have any plans to deal with them?

A: We feel that it is our regret not being able to deliver good news through the media. We will focus on strengthening our public relations activities and delivering information to the public.

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