

FOR IMMEDIATE RELEASE

December 13, 2023

Company Name: **Leopalace21 Corporation**
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Notice Concerning Shareholder Derivative Lawsuit

Leopalace21 Corporation (Headquarters: Nakano-ku, Tokyo; President and CEO: Bunya Miyao; the “Company”) announced that the Company’s President and CEO, and Audit & Supervisory Board Members received the notices of lawsuit, on December 13, 2023, from TENZAN Co., Ltd. (hereinafter referred to as “TENZAN”; shareholding ratio 0.0003%) a corporate shareholder who used to have a business relation with the Company. The notices of lawsuit dated October 2, 2023 were about TENZAN’s filing of the cases with the Tokyo District Court (hereinafter referred to as “Lawsuits”), claiming compensation for damages against five current and former Audit & Supervisory Board Members and against twenty-four current and former Directors of the Company respectively.

The Company suspects that the notices of lawsuit are related with the announcement dated June 27, 2023, titled as [“Notice Concerning Leopalace21’s Response to TENZAN’s Demand for Filing Action.”](#)

1. Plaintiff of the Lawsuits

Name	TENZAN Co., Ltd.
Location	2-1-18, Yahara, Nerima-ku, Tokyo Japan 177-0032
Job title and name of representative	Muneyoshi Onji, Representative Director

2. Defendants of the Lawsuits

Twenty-four current and former Directors of the Company
Five current and former Audit & Supervisory Board Members of the Company
Please note that one of the Audit & Supervisory Board Members is the same person as one former director of the Company.

3. Outline of the Lawsuits

(1) Leopalace21 Corporation had been paying through TENZAN the fees for discarded furniture and home appliances including recycling fees as maintenance outsourcing expenses to Sekaiz Co., Ltd. which was engaged in reuse business of discarded furniture and home appliances. Although the 28 Company’s Directors and the Audit & Supervisory Board Members at the time were in a position to know such a business flow, allowing the payment to continue is a breach of a prudent manager’s obligation of due care by the

involved Directors and Audit & Supervisory Board Members. They are therefore liable for the compensation of JPY 3,518,894,547 to the Company.

- (2) With regard to the tender procedures for the delivery, installation, and removal of furniture and home appliances organized by the Company in February 2022, the then Directors of the Company and Audit & Supervisory Board Members caused damage to the Company because the invitation for tender was made at short notice, and the bidding did not produce the intended cost saving effect in line with CSR Procurement Guidelines. It was a violation of a prudent manager's obligation of due care by the then 8 Directors and Audit & Supervisory Board Members. They are therefore liable for the compensation of JPY 406,802,007 to the Company.

4. Company's Opinion

TENZAN filed lawsuits against the Company demanding for reinstating its business relation and compensation for the lost profits and others, since the Company terminated the contract concerning the Company's leasing business based on monthly contracts as a consequence of the tender conducted to strengthen the operation of Leoplace21 Group CSR Procurement Guidelines. TENZAN has repeatedly claimed that it suffered damage and the Company should compensate TENZAN for over JPY 2.8 billion, which was the amount paid as maintenance outsourcing expenses to Sekaiz Co., Ltd. through TENZAN. In the midst of this situation, TENZAN has now come to file the Lawsuits, claiming that the Company incurred damages.

TENZAN perhaps suspected that each of the above claims was inadmissible, it has filed the Set of Lawsuits: it has newly claimed that the Company had incurred damages due to the payment of maintenance outsourcing expenses, which is described in 3 (1) above; TENZAN has similarly filed the claim described in 3 (2) above, which alleged that the Company has incurred damages as a result of the unfair bidding. After the Company terminated its business relation with TENZAN in connection with the above tendering, TENZAN filed the lawsuits demanding for reinstating its business relation and compensation for damages, alleging that the tendering was unfair and the like. However, TENZAN does not believe that each of the claims was inadmissible and has now filed the Lawsuits, claiming that the tendering caused damages to the Company.

TENZAN's series of actions therefore, made the Company to believe that both claims of the Lawsuits were intended to benefit TENZAN or to cause damage to the Company.

5. Public Notice

The Company will immediately make an electric public notice as set forth below.

"The Company noticed under the provisions of Article 849 (5) of the Companies Act that a shareholder derivative lawsuit against twenty-four current and former Directors, and five current and former Audit & Supervisory Board Members in the Tokyo District Court by a shareholder of the Company (Case number: 2023(Wa)70587) and the Company received the notices of lawsuit on December 13, 2023. Please note that one of the Audit & Supervisory Board Members is the same person as one former director of the Company."

6. Impact on Business Performance

The Lawsuit is brought by the Company's shareholder against the Company's twenty-four current and former Directors, and the Company's five current and former Audit & Supervisory Board Members. Please note that one of the Audit & Supervisory Board Members is the same person as one former director of the Company. The Company does not believe that it will affect the business performance. The Company will promptly announce any matters that need to be disclosed in the future.

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