

FOR IMMEDIATE RELEASE

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Notice Concerning Q & A at Ordinary General Shareholders' Meeting on June 27, 2024

Leopalace21 Corporation (Headquarters: Nakano-ku, Tokyo; President and CEO: Bunya Miyao; the "Company") announced the overview of the questions which the shareholders asked prior to and during the 51st Ordinary General Shareholders' Meeting and respective answers that were provided during the Meeting which was held on June 27, 2024.

<Questions asked prior to the Meeting>

1. Construction Defects Problem

Q: I would like to know about the current status and future plan of the investigation of construction defects and repair work, and the expected completion date. Is the current provision sufficient to cover the prevailing price increases for materials and the cost of temporary accommodation for the affected tenants, which may cost a lot of money?

A: As we have announced, we are working diligently to resolve the obvious defects by the end of 2024. Although there are some apartment rooms where we have not been able to obtain the consent of tenant for temporarily moving out for repairs, we are proceeding as planned while seeking advice from the government. As for provision for losses related to repairs, we have made a reasonable estimate of the repair costs that can be assumed at this point in time, and we believe that we have made sufficient provision for these losses.

2. Administrative Recommendation in accordance with Home Appliances Recycling Act

Q: It has been more than a year since the Company received the government's administrative recommendation in accordance with the Home Appliance Recycling Act. Has the Company been properly operating the system?

A: Since the administrative recommendation dated March 23, 2023, we have started proper operation with the government's guidance on the operation.

In addition, as announced recently, we have completed the monthly reporting of the quantity of home appliances disposed of and the quarterly progress reports for one year on measures to prevent recurrence, as required by the Ministry of the Environment and the Ministry of Economy, Trade and Industry.

3. Amendments to Consolidated Financial Statements and Annual Securities Report

Q: What was the reason for the amendments to the consolidated financial statements and annual reports for previous years? I suspected that it led to the change of accounting auditor in Proposal 4.

A: This is not a revision of the consolidated financial statements, but a change in the breakdown and replacement of figures in the segment information, which is one of the notes to the financial statements. Therefore, these amendments do not mean that there has been a change in the past financial results or a change in the business performance. These amendments are due to the fact that the accounting standard for revenue from apartment leasing, which was previously subject to the accounting standard for revenue recognition, has been changed to the accounting standard for lease transactions in order to adopt an alternative interpretation of the accounting standard and bring our accounting policy in line with the practices of the real estate industry. We have adopted an alternative interpretation of the accounting standard and amended our financial statements and annual securities report for prior periods in accordance with this change. Accordingly, the change has nothing to do with Proposal No. 4, Election of Accounting Auditor.

<Questions from the Floor>

1. Shareholder Benefit Plan

Q: Would the Company consider reopening the shareholder benefit program?

A: We have no plan to reopen it at the moment. We take your opinion and will look into it as part of our future policy.

2. Members of the Board of Directors

Q: Are there any board members who have knowledge about AI and DX?

A: It is a common understanding that AI technology will be required for the Company in the medium to long term. On the other hand, we believe that it is necessary for the board of directors and the Company as a whole to gather information from a wide range of outside experts and conduct a series of discussions on how to deal with DX and AI, rather than being influenced by the qualities of individual directors. We would like to hold repeated discussions including employees, rather than being influenced by the opinion of a single board member. Although the abilities of the board members may not specifically cover the field of DX and AI, we are confident in their ability to manage the Company and have selected them as candidates.

3. Policy after Resolving the Construction Defects Problem

Q: I am relieved to hear that the obvious defects are expected to be resolved by the end of this year and that steady progress is being made. Now I would like to know what the Company's goals and policies are once the construction defects are eliminated.

A: First of all, we are a company offering studio apartments. The apartments are furnished with

furniture and appliances and equipped with an Internet connectivity. On the other hand, statistics from the government indicate that there are approximately 5.4 million rental housing across Japan with the space of 29 square meters or less in the market. We manage just over 550,000 units, or 10% of the total market, which means that we manage the largest number of studio type apartments in the market.

In such a situation, what we need to do is to differentiate ourselves from the other companies. We believe that it is necessary to provide the tenants with a satisfying living experience, and to ensure that they stay longer or that new tenants choose our apartments. In terms of the development of the apartment business, face-to-face room searches have become less common, just like purchasing the Shinkansen train tickets. We already have a system in place that allows the tenants to sign contracts without a face-to-face meeting. We have also introduced smart locks in place of key delivery, for which face-to-face interaction was mandatory. We have created a system that allows the tenants to move in at a time of their own choosing without stopping by a leasing sales office. As we are engaged in new initiatives such as these, we will work to earn the trust of future tenants.

4. Stock Acquisition Rights

Q: I would like to know how the President and management team perceive Fortress Investment Group's line of thinking toward the stock acquisition rights and the share price.

A: The deadline for exercising the stock acquisition rights is November 2025, as announced in 2020. I believe that there will be opinions on how Fortress will exercise them as an investor in the future, but the only thing that is firm now is that the stipulated deadline is November 2025. It is a matter of course for the management to be aware of the need to improve corporate value, including the share price, and we will work diligently to improve the share price and corporate value in various ways, including shareholder return.

5. Master Lease Contracts with the Apartment Owners

Q: I have heard of owners who have had their rents lowered and want to terminate their lease contracts but cannot. I understand that they cannot unilaterally terminate the lease, but I am concerned the Company is perceived to take advantage of the law that protects the vulnerable. Would this become a social problem that will hinder the Company's growth?

A: Our business is based on operating assets through lease contracts. In this regard, our basic premise is that we are business partners with the apartment owners. Therefore, with regard to your concerns, we will continue to strengthen our relationship with owners, and although there may have been some shortcomings in our response to the owners, we will reflect on them and move forward under a policy of joint business operations. We take your concern seriously as a voice of owners and shareholders, and we will continue to make sincere efforts to respond to owners' needs to their satisfaction.

6. Use of Papers

Q: More than 100 pages of documents such as repair completion reports and invoices were sent to me in total between January and June this year. Amid the call for a paperless operation due to environmental attention, this use of paper is extremely wasteful.

I expressed my concerns here last year on the same subject, and I would like to ask for improvements.

A: I agree to the points you have pointed out. On the other hand, for the owner, there are documents that need to be submitted on paper for future tax returns, etc., so we will work to make those that should be submitted on paper and those that should not be paperless and issue them in data format. We would like to digitize documents that are not legally problematic, but we will take into account including the other owners' thoughts as well.

7. Executive Officers

Q: Many of the executive officers were dismissed in March, but I am not sure if the reason is due to poor performance or any other reasons. I would appreciate your comments on this issue.

A: They have not been dismissed from their positions, but are engaged in with new responsibility for executing the business. Both executive officers and directors are under the service agreement, and the term of office is stipulated in the service agreement. With this in mind, we are committed to managing the Company in a timely and appropriate manner.

8. Repairs of Apartment Rooms with Construction Defects

Q: I have some concerns about the construction defects. Is the repair work in compliant with the Building Standard Act, including Article 12, Section 5*?

* The Designated Administrative Agency, a building official or building surveillant may request a report on the site, construction, building equipment the use of a building, the receipt or delivery of materials, building equipment or other building parts, or on the scheme of construction work or progress of construction work on a building, or on the progress of surveys relating to the building site, structure, or building equipment.

A: We have prior meetings with each government agency and receive guidance on how to repair the buildings before carrying out law-compliant repair works. Regarding Article 12, Section 5, the timing of reporting and other matters is handled differently by each local government agency.

9. Company's Response to Specific Organizations

Q: I bought shares in the Company in anticipation of its performance growth. I believe the same holds true for many shareholders. However, opposite to shareholders who expect better performance, there are groups that are parasitic on their own interests. How long do we have to go along with these rascals? Once again, as a shareholder, I am expecting improved performance. I am serious. I would like you to take firm action, including legal action, against those who stand in the way of improving business performance.

A: As you have pointed out, we believe that it is the role of management to consider the common interests of our shareholders. We will take firm action. While there have been scattered anonymous exchanges of information, we are taking action, including legal proceedings. We will do more than you have indicated to ensure that the Company's credibility and shareholder interests are not undermined.

10. Total Return and Dividend Payout Ratio

Q: For the fiscal year ended March 2024, the Company has spent about JPY 6 billion on acquiring treasury stock and dividends. The total return ratio is 18%, but I think shareholders will pay attention if it were 30-40%. What is the specific target you would like to achieve?

A: At this time, we have not set any specific target for dividend payout ratio. We will continue to consider future dividend payout ratio, including for current fiscal year, as we monitor our business performance. The first item of the four management policies for FY2024 is to eliminate obvious defects. We believe that by completing it, we will enter the next stage, and we will consider financial aspects in the process.

11. About the organization called LP Owners Association

Q: I heard a rumor that a contractor recommended by a member of an organization called the LP Owners Association left the repair work for the buildings with the construction defects unfinished and the repair had to be redone by another contractor. Since the LP Owners Association is a nation-wide organization, such a problem on a national scale could lead to a delay in completing measures to address construction defects by the end of the year. How will you deal with contracts with owners who belong to the LP Owners Association? We would like you to consider eliminating them.

A: We will take appropriate action on the points you mentioned on an individual basis. We will strengthen our relationship with each construction contractor, as there should be no interference or other obstacles to the completion of our response to the construction defects by the end of this year.

12. Gender Ratio of Candidates for Board Members

Q: I think that the candidates for the board of directors are nearly all men and few women. It would be better to have a woman's detailed viewpoint in the sales activities as well. While it is a prerequisite to complete the repair of construction defects, it is also important to nurture female managers.

A: The Company's management policy for the current 52nd fiscal term is to achieve medium- to long-term growth, and we believe that increasing the number of female managers is precisely what is needed to achieve this goal. Toward this end, we will work diligently to create a better work environment, including recruitment, training, career planning, and continuation of management positions after childbirth.

13. Recruitment and Treatment of Human Resources

Q: What is the corporate value of Leopalace21? It is its people. In order to change the image of Leopalace21 in the future, it is necessary to improve the treatment of new and existing employees. I would like to hear about the Company's hiring plan and policy regarding the treatment of existing employees.

A: We believe that our stakeholders constitute our corporate value, and among them, we place particular emphasis on our employees. We have set a target of hiring 100 new graduates for the coming year. We implemented base pay increase last year and achieved a 6% wage increase this year. We will continue our efforts to improve the treatment of our employees, including base pay increase.

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