

Demand for the Convocation of an Extraordinary Shareholders' Meeting

To: Bunya Miyao
Representative Director
Leopalace 21 Corporation
2-54-11 Nakano Honcho, Nakano-ku, Tokyo

December 27, 2019

Demander: Hironao Fukushima
Representative Director
Reno, Inc.
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Demander: Tatsuya Ikeda
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Demander Reno, Inc. and Demander S-GRANT.CO., LTD. (collectively "the Demanders" hereafter) have jointly owned over 3/100 of the voting rights of Leopalace21 Corporation ("Leopalace" hereafter) from over 6 months ago. The Demanders, with this document and based on Article 297 Clause 1 of the Company Act, hereby demands the convocation of an extraordinary shareholders' meeting as stated below, within 8 weeks upon the arrival of this document. In exercising the above right, we have attached the original receipts of the individual shareholder notice.

As Leopalace has the obligation to process the convocation of an extraordinary shareholders' meeting in response to this document demanding the convocation of an extraordinary shareholders' meeting, we request that it promptly respond in writing regarding the scheduled date of the meeting of the directors of the board to make a board resolution for the convocation of said extraordinary shareholders' meeting. Upon holding said meeting of the directors of the board, we also request that Leopalace respond in writing regarding the scheduled date of the extraordinary shareholders' meeting as well as the scheduled date of sending out the convocation notice.

Additionally, we request that the Leopalace promptly specify and make a public notice of the record date for said shareholders' meeting.

We also request that the content of the Summary of Items for Resolution and Reasons for Proposals appear on the convocation notice as well as its reference documents in their original form as stated below without any abbreviation or editing, as the content has already been written in their minimal form. (Due to the nature of the convocation notices for shareholders' meetings and their reference documents, we have referred to Leopalace as "our company" within the Summary of Items for Resolution and Reasons for Proposal)

Notes

1. Meeting Agenda

Proposed Resolution 1. Dismissal of 10 directors of the board

Proposed Resolution 2. Election of 3 directors of the board

2. Items for Resolution and Reasons for Proposal

Proposed Resolution 1. Dismissal of 10 directors of the board

[Summary of Item for Resolution]

We propose the dismissal of 10 directors of the board. The following directors shall be subject to dismissal:

Candidate for Dismissal 1:

Bunya Misao, Director

Candidate for Dismissal 2:

Shigeru Ashida, Director

Candidate for Dismissal 3:

Katsuhiko Nanameki, Director

Candidate for Dismissal 4:

Seishi Okamoto, Director

Candidate for Dismissal 5:

Mayumi Hayashima, Director

Candidate for Dismissal 6:

Tadashi Kodama, Outside Director

Candidate for Dismissal 7:

Tetsuji Taya, Outside Director

Candidate for Dismissal 8:

Yoshiko Sasao, Outside Director

Candidate for Dismissal 9:

Yoshitaka Murakami, Outside director

Candidate for Dismissal 10:

Hisafumi Koga, Outside Director

[Reasons for Proposal]

(1) Management structure that allows large-scale downward revisions to business results forecasts as well as inappropriate disclosure of information

As it is widely known, ever since the construction defects problems involving the owners pointing out the lack of parting wall constructions in residential complexes that our company developed and sold (“construction defects problem” hereafter) have come to light on March 29 and April 17, 2018, our company conducted an all-building investigation of properties that our company constructed. As a result, it was found that many parting walls, outside walls, and ceilings do not meet legal standards, and the judgement was made that they needed to be taken care of through repairs etc., and as such, our company made repeated downward revisions to our business results forecasts on October 29, 2018, February 7, 2019, and May 9, 2019, for the 46th fiscal period (from April 1, 2018 ending March 31, 2019).

Additionally, for the business results forecasts for the fiscal year ending March 2020, our company made significant downward revisions on November 7, 2019, in the “Notice Concerning Revision of Earnings”, from the forecasts formerly announced on May 10, 2019. Operating income, which was forecast at 2.2 billion yen as of May 10, was revised down to an operating loss of 28 billion yen, ordinary income was revised down from a profit of 1.3 billion yen to a loss of 27.8 billion yen, and net income forecasts of 0.1 billion yen were revised down to a loss of 27.3 billion yen. The reasons to these significant downward revisions include extraordinary losses suffered from significant reserves for losses related to repair works that were made necessary by this construction defects problem.

The shareholders that made this shareholder proposal (“Proposing Shareholders” hereafter), through documents dated August 15 and September 20, 2019, had pointed out to our company that the doubtfulness of achieving 0.1 billion yen in net income for the fiscal year given the delay in rectifying the construction defects as well as lower occupancy rates of properties, and had also repeatedly requested proactive and timely disclosure so as to avoid the

loss of trust due to belated announcements of downward revisions. Despite this, the latest downward revision to the business results of the current financial year by our company was announced on November 7, just before the announcement of second quarter earnings.

Despite the fact that business forecasts are not just non-binding goals to strive for but rather realistic targets that management need to be committed to, the management of our company, as stated above, repeatedly made downward revisions to the forecasts that it announced itself, in an untimely manner. The greatest reason why the construction defects problem mounted and our company lost the trust of the public lies in our company's non-transparent management structure that allowed such irresponsible downward revisions and inappropriate information disclosure.

(2) Management team that cannot rectify the construction defects problem

In the press release "Notice Concerning System Reinforcements of Investigations and Repairs and Acceleration of Completion of Repairs" dated March 8, 2019, our company stated that we will accelerate the completion of repairs in relation to the construction defects problem that were originally scheduled for completion by the end of October 2019, in accordance with the instructions of the Ministry of Land, Infrastructure, Transport and Tourism to complete repairs of all buildings by this summer.

However, merely 4 months later, in the press release "Rescheduling Completion Dates of the Investigation and Repair Work of our Defective Buildings" dated July 31, 2019, our company stated that it plans to conduct repair works with a plan of completion at the end of June 2020 for certain buildings such as "Gold Nail" that it positions as "top-priority investigations", citing reasons such as "as the investigation progressed, the kinds of construction defects expanded beyond the above described parting walls in attic and roof spaces. Consequently, the number of buildings and places of the defects to be repaired increased significantly compared to those initially expected.", and further, in the release "Notice Concerning Progress of All-building Investigations Constructed by Leopalace21 and Further Course of Action for Repair Works" dated October 31, 2019, announced that our company plans to conduct the repair works with a plan of completion at the end of December 2020, for the buildings that are not subject to "top-priority investigations".

As can be seen from the above, our company initially announced that it will complete repair works by the summer of 2019, and announced just 4 months later that it will extend the completion by over one year, which shows just how the management team of our company lacks the ability to resolve the construction defects problem.

(3) Management team that created a loss of the distributable amount

Our company conducted a series of share buybacks over the period of May 14 to August 23, 2018 for a sum of approximately 5 billion yen, upon making a board meeting resolution for share buybacks on May 11, 2018 (the

“Share Buybacks” hereafter).

As described in (1) above, our company recorded extraordinary losses suffered from significant reserves for losses related to repair works that were made necessary by the construction defects problem, resulting in a negative distributable amount at the time of the finalization of financial statements for the 46th fiscal year.

According to the Companies act, when a corporation conducts a share buyback, if the distributable amount is negative at the time of approval of financial statements at the shareholder meeting for the year in which said share buyback is conducted, directors who performed duties in relation to the share buyback is held jointly and severally liable to the company for compensating the deficits in the distributable amount or the amount paid out by the company, whichever is lesser, unless said directors can prove that they did not fail to exercise due care with respect to the performance of their duties (“responsibility for compensating deficits” hereunder).

The Share Buybacks were conducted based on the resolution of the board after March 2018 when the construction defects problem surfaced, when our company was in a highly unusual state. Directors that agreed to this resolution needed to be mindful of their duty of due care more than in normal situations when conducting the Share Buybacks.

It should also be noted that there were no circumstances to suggest any need or urgency to conduct these Share Buybacks. Additionally, the construction defects problem was still in its early stages when these Share Buybacks were conducted, and considering the high possibility that the full picture of the construction defects problem and the size of related losses were not fully grasped at the time, the directors at the time of the executions of these Share Buybacks needed to have foreseen the potential need for additional repairs arising from additional issues being uncovered through the process of the all-building investigation.

Given the above, the directors of our company that either agreed to the resolution regarding these Share Buybacks or were directors at the times of the executions of the Share Buybacks (the condition applies to 4 members of the current management team: Bunya Miao, Tadashii Kodama, Tetsuji Taya, and Yoshiko Sasao) cannot be considered to have exercised due care with respect to the performance of their duties pertaining to these Share Buybacks, and shall be held responsible for compensating deficits.

It is highly unusual for directors of a publicly traded company to be held responsible for compensating deficits after said company makes a resolution for a share buyback, and it is clear that the directors that brought about such an unusual situation are not fit to be members of the management team of the company.

(4) Summary

As described above, our company has conducted irresponsible downward revisions, has neglected to rectify the lack of transparency in our management structure that tolerates inappropriate disclosure, has amplified the

construction defects problem, and has allowed society's trust in our company to fall. Our company has also rescheduled the planned completion of repair work shortly after we announced our original schedule, making it clear that we lack the ability to resolve the construction defects problem. Additionally, the current management team has 4 directors that should be held responsible for compensating deficits for executed share buybacks, which is highly unusual for a publicly traded company. This proposal for resolution has been made based on the thought that such a management team cannot be trusted to manage our company going forward.

The Proposing Shareholders requested in a document dated December 10, 2019 that our company makes a public announcement by December 16, 2019, regarding its proposal for resolution to make the majority of the board directors that have been nominated by large shareholders at the general shareholders' meeting for the 47th fiscal year, but the announcement that our company released on December 16, 2019 was a release regarding "the new policy of making the majority of the Board of Directors to be outside directors", and "submitting a proposal for the resolution of electing directors in line with the above policy to the Ordinary General Meeting of Shareholders, which is planned to be held in June, 2020." As for the candidates for outside directors, the release merely stated that "The Company will study the external directors' duties and responsibilities taking account of the Company's business requirements and examine the candidates from the available pool of talents in the market to achieve the governance policy considering the viewpoints of regaining trust by all the stakeholders including the customers."

Regarding the above release, the Proposing Shareholders pointed out in a letter dated on the same day that making the majority of the Directors of the Board outside directors can be completed simply by adding one outside director to the current structure, or by having just one current Director that is not external step down. As such, the Proposing Shareholders requested that our company make a separate announcement stating that it will shift to a management structure in which the majority of directors will be outside directors nominated by large shareholders.

Additionally, in a letter dated December 17, 2019, the Proposing Shareholders notified our company that they will make a demand for the convocation of an extraordinary shareholders' meeting unless either our President gives them an explanation by December 19 regarding the board structure from the next fiscal period, or our company releases a statement by December 20 that states that the majority of the board will be outside directors nominated by large shareholders.

The Proposing Shareholders received a message from our company concerning President Miyao's request for a meeting. As this was behind schedule as was usually the case, the Proposing Shareholders communicated that they will be willing to attend the meeting if our company's replies to the following questions were in good faith: (1) the reasons why meetings had been avoided up to this point, (2) confirmation that our company will conduct timely disclosures going forward, and (3) confirmation that a board will be structured with the majority being outside directors nominated by large shareholders from the next fiscal period onward.

The Proposing Shareholders decided to conduct the meeting, given the responses for the questions from our

company were: (1) our company had followed the advice of the legal advisors, but it will engage in proactive discussions with shareholders going forward, (2) our company will engage in proactive, timely disclosure, and (3) our company would like to choose candidates carefully, upon continuous discussions with shareholders.

Prior to the meetings, our company and the Proposing Shareholders entered into a non-disclosure agreement for the duration of the discussion period, assuming that the discussions will be held for one week.

During the meeting with President Miyao held on December 23, 2019, the Proposing Shareholders explained to our company the necessity of a reformation into a structure whose majority are outside board members nominated by large shareholders, and reiterated their request for such a reformation. Additionally, given the current devaluation of the brand, they also suggested that an alternative idea to this structure change could be considered, in which a public announcement shall be made by December 30, 2019, regarding the launch by March 2020 of an initiative to maximize enterprise value through all fathomable means including business divestitures and reorganizations.

Given the above meeting, our company presented a draft release for December 27, which consisted of a statement to engage in consideration of fundamental reforms that involve business alliances and reorganizations, announcing the results of the considerations at around the end of March 2020. As the Proposing Shareholders did not have complete faith in the current management team and could not just keep waiting with no visibility on what procedures will be taken, they requested involvement in the aforementioned consideration process with the underlying assumption that the trading of Leopalace shares will be suspended until the announcement in the end of March 2020, and asked for a meeting by December 27 to hear our company's response to their request.

However, our company sent a reply stating that another meeting within the discussion period could not be held, despite these discussions being of a nature that will affect the future of the company. The reply also stated that the consideration of reforms shall be conducted by management on behalf of the shareholders, and that our company cannot accept outside involvement in the process.

Given the response from our company which showed no understanding of the process of events that all stemmed from the lack of faith in the current management team, the Proposing Shareholders reconfirmed the need for a change in the current management structure, decided that further discussions will be meaningless, and submitted a demand for the dismissal of all current directors of the board.

As for the current Executive Officers, the plans are to have them continue in their duties if no particular issues arise as a result of assessments.

Proposed Resolution 2. Election of 3 directors of the board

[Summary of Item for Resolution]

We propose the election of 3 directors of the board. The following are the candidates for election as directors of the

board:

Candidate for Election 1:

(Name)

Masahiro Omura

(Date of Birth)

March 18, 1974

(Brief Personal History and Representative Status in Other Companies)

April 1997 Joined Shimizu Corporation

May 2004 Joined Sumitomo Trust and Banking Co., Ltd.

February 2007 Joined Redwood Group Japan Co., Ltd.

August 2009 Joined Reno, Inc.

February 2013 Representative Director, City Index Hospitality, Inc. (current role)

(Significant Representative Status in Other Companies)

Representative Director, City Index Hospitality, Inc.

(Shares Owned in Our Company)

471,500 shares

Candidate for Election 2:

(Name)

Hironao Fukushima

(Date of Birth)

July 13, 1959

(Brief Personal History and Representative Status in Other Companies)

April 1982 Joined ORIX Corporation

October 2007 Co-Head of Investment Banking Division, ORIX Corporation

September 2008 Co-Head of Risk Management Division, ORIX Corporation

October 2013 Joined Reno, Inc.

December 2014 Representative Director, Reno, Inc. (current role)

September 2016 Representative Director, City Index, Inc. (current role)

June 2019 Outside Director, EXCEL Co., Ltd. (current role)

(Significant Representative Status in Other Companies)

Representative Director, Reno, Inc.

Representative Director, City Index, Inc.

Outside Director, EXCEL Co., Ltd.

(Shares Owned in Our Company)

0 shares

Candidate for Election 3:

(Name)

Fuminori Nakashima

(Date of Birth)

December 19, 1960

(Brief Personal History and Representative Status in Other Companies)

| | |
|----------------|---|
| April 1986 | Lawyer registration (current role) |
| January 2001 | Established Nakashima & Miyamoto Attorneys at Law (current Nakashima, Miyamoto & Mizoguchi Attorneys at Law) |
| June 2005 | Auditor, Sevenseas Holding, Inc. |
| September 2008 | Director, Reno, Inc. |
| June 2010 | Outside Director, Sevenseas Holding, Inc. |
| November 2014 | Outside Director, City Index, Inc. (current role) |

(Significant Representative Status in Other Companies)

Director, Reno, Inc.
Outside Director, City Index, Inc.

(Shares Owned in Our Company)

0 shares

*Notes:

1. There are no particular interests between any of the candidates and our company.
2. Hironao Fukushima (Candidate 2) and Fuminori Nakashima (Candidate 3) are candidates for outside directors.
3. Reasons for selecting each candidate for director:
 - (1) Masahiro Omura has knowledge in construction, real estate and finance through his career at Shimizu Corporation and Sumitomo Trust and Banking Co., Ltd. He is currently the President of City Index Hospitality, Inc., a company that conducts businesses for senior citizens centered around paid nursing homes, and is knowledgeable not only about business for senior citizens but also has extensive insight and experience about corporate governance, economy and management in general. Our company focuses on leasing businesses while also conducting businesses for senior citizens, and his expertise is a perfect match for our company that currently is in the process of resolving construction defects problems. As he can be expected to make significant contributions, we find him appropriate as a director of the board of our company, and request that he be elected.
 - (2) Hironao Fukushima has been in managerial positions at ORIX Corporation within its Investment Banking and Risk Management Divisions, and currently is in the roles of Representative Director of Reno, Inc. and City Index, Inc. as well as Outside Director of EXCEL Co., Ltd., with extensive knowledge and expertise in initiatives for maximizing enterprise value. He has been chosen as a candidate for Outside Director, as we have judged that by having him leverage his knowledge and

expertise in providing appropriate advice and supervision, he will be able to contribute to the maximization of our company's enterprise value as well as the interests of all stakeholders.

- (3) Fuminori Nakashima owns extensive knowledge and experience in corporate governance, economics and management. He has been chosen as a candidate for Outside Director, as we have judged that by having him providing the necessary advice from the professional standpoint of a lawyer for the board to make appropriate and adequate decisions, he will be able to contribute to the maximization of our company's enterprise value as well as the interests of all stakeholders.

[Reasons for Proposal]

As described in the [Reasons for Proposal] for Proposed Resolution 1 above, our company has neglected to rectify the lack of transparency in our management structure that tolerates inappropriate disclosure, and clearly lacks the ability to resolve the construction defects problem. Additionally, the current management team has 4 directors that will be held responsible for compensating deficits. Such a management team cannot be trusted to manage our company going forward.

The current structure that allowed the management team of the time to execute Share Buybacks that create responsibilities for compensating deficits, made repeated downward revisions as well as belated disclosures, and greatly delayed the resolution of the construction defects problem, is a structure in which governance is not functioning appropriately, and as it is believed that only by renewing the management team will our company be able to conduct transparent and proactive disclosure, regain the trust of the public, and maximize shareholder value through the recovery of business results, we request the election of the 3 directors of the board listed previously in the [Summary for Item of Resolution] as qualified directors.

3. Reason for convocation

The Demanders demand the holding of an extraordinary shareholders' meeting, as they believe that the swift resolution of the items in the aforementioned [Summary of Item for Resolution] will contribute to the maximization of shareholder value at our company, for the reasons cited in the aforementioned [Reasons for Proposal].

As the Demanders believe that transparency and fairness are of utmost importance in this process, they will consider resubmitting the demand for the convocation of a shareholders' meeting with a renewed list of candidates, shall there be other suggestions for candidates to become Directors of the Board from other major shareholders after the initial submission of the demand for the convocation for a shareholders' meeting by the Demanders.

Attachment:

Receipt of the individual shareholder notice (original)

1 copy each (total 2 copies)