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December 31, 2019

Regarding Our Demand for a Convocation of an Extraordinary Shareholders' Meeting for Leopalace21 Corporation

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Representative Director
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Reno, Inc. and S-GRANT.Co., LTD. collectively own 14.46% of the outstanding shares in Leopalace21 Corporation ("Leopalace" hereafter) as of December 11, 2019, including shares under joint ownership.

On December 27, 2019, we have submitted a demand for the convocation of an extraordinary shareholders' meeting regarding the dismissal of all ten current Directors of the Board as well as the election of three Directors of the Board that we suggest.

Below, we will describe the series of events as well as our opinions on the matter that led to us submitting a demand for the convocation of an extraordinary shareholders' meeting.

Ever since it has been brought to light that there are multiple residential complexes that Leopalace has built which fail to meet the requirements of the Building Standards Law ("construction defects problem" hereafter), the company has been faced with an extremely difficult business environment, which continues to this day. All stakeholders, including residential complex owners and inhabitants, are demanding that Leopalace rebuild its social credibility and improve its business results as soon as possible.

In order for Leopalace to reestablish its credibility, it must engage in transparent and proactive disclosure, as well as put the construction defects problem to an end. We, as laid out in the appendix "Series of Events Regarding Discussions with Leopalace", have continued to make repeated demands to Leopalace. However, Leopalace did not respond to our demands, but continued to make repeated, large downward revisions to their business forecasts, and even released an updated schedule to rectify the construction defects problem that was over a year behind the original plan.

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Additionally, regarding the share buyback executed during the 46th fiscal period, Directors of the Board should have adequately assessed the damages of the construction defects problem after the problems were brought to light, but instead they went through with the share buyback which there was no urgent need for, and then proceeded to announce a large downward revision to business forecasts immediately thereafter.

Leopalace renewed their management team this fiscal year, stating they will strive to end the construction defects problem swiftly and make a quick recovery in business results, but they continue to fall behind in making disclosures of downward revisions, and have not been able to show clear, credible goals regarding the construction defects problem. Additionally, four of the current ten Directors of the Board were Directors at the time of the decision to make the aforementioned share buyback. Thus, we believe that they are unfit to foresee the future as management, and feel that the company faces a critical need for a bold renewal of the management team. As for the renewal of the management team, we believe that transparency and fairness are of utmost importance, thus we are ready to flexibly react and potentially change our proposal shall there be other suggestions for nominees to become Directors of the Board from other major shareholders.

Regarding this demand for a convocation of an extraordinary shareholders' meeting, we have repeatedly explained the necessity to have the majority of the Directors of the Board be outside directors that have been suggested by large shareholders, and have requested that this be an agenda item for the annual shareholders' meetings from the next fiscal period (our "Proposal" hereafter), as detailed in the appendix "Series of Events Regarding Discussions with Leopalace".

In response, Leopalace issued a statement on December 16, 2019, titled "Notice Concerning a New Policy in the Board of Directors Composition Aiming to Reinforce Corporate Governance System" ("12/16 Release" hereunder). Though the release states that the company intends to make the majority of the Directors of the Board outside directors, as for the candidates, they only say "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."

Merely making the majority of the Directors of the Board outside directors will not make an effective change to the current structure of the Board, as this condition can be met simply by adding one outside director to the current structure, or by having just one current Director that is not external step down. This cannot be construed as an improvement in corporate governance.

We believe that the early closure to the construction defects problem, recovery of social credibility, and the resulting recovery in business results can only be achieved by a management structure with a majority of Board Directors that have the ability to sincerely consider the maximization of enterprise value with the perspective of shareholders.

We had notified the company that we will make a demand for the convocation of an extraordinary shareholders' meeting unless either President Miyao, who represents the Board, gives us an explanation by December 19 , or the company releases a statement that is in line with our Proposal by December 20, but we were contacted on the night of December 20, after our proposed deadline, with a proposal for a meeting.

Though we regret that the company continues to be behind in its actions, we entered into discussions with the company with a one-week time limit.
The first discussion was held on December 23, where we communicated our thoughts to President Miyao, and informed him that we would be ready to attend a board meeting at any time to explain our thoughts to all the directors. Thereafter, on December 25, we received a draft release (see Appendix 2) from Leopalace (with explanation that the content could change as it had not been approved at a board meeting yet, but nonetheless was scheduled for release on December 27). We believed that the content would benefit stakeholders and that the described actions should be promoted aggressively, but we communicated that it may be better if we were involved in the aforementioned consideration process too, as we could not just wait for approximately 3 months given the series of events that led to this point in time, and thus requested a meeting by December 27 for a discussion.

However, Leopalace ignored the fact that they had agreed to setting the week until December 30 as the discussion period, and did not agree to another meeting during said discussion period, giving reasons such as "the President's schedule conflicts" or that "the company is closed for business after December 28", etc. We came to the decision that the current management team, that will not even enter into discussions, is not fit to run the company any longer, and have therefore submitted our demand for the convocation of an extraordinary shareholders' meeting on December 27.
Additionally, after we made our intentions clear to submit our demand for the convocation of an extraordinary shareholders' meeting, Leopalace told us that they decided not to publicly release the aforementioned drat release. We requested that the release be publicized as we believe that Leopalace should disclose information appropriately to shareholders and other stakeholders, but the request was not accepted.

Such actions, of not publicly releasing items that may have a large impact on the future of the company, are examples of how the current management lacks in corporate governance, and we believe that this is something that must be changed going forward.

We intend to do our best to recover Leopalace's social credibility as well as its business results by renewing its management structure.