

January 20, 2020

Reno, Inc.
S-GRANT.CO., LTD.

Regarding the Press Release by Leopalace 21 Corporation

Leopalace 21 Corporation (“Leopalace” hereafter), in its press release “Notice Concerning the Company’s Response to the Shareholders’ Demand for Calling an Extraordinary General Meeting of Shareholders” dated January 17, 2020, has stated that it will not proceed with the procedures for calling an extraordinary shareholders’ meeting, stating the following reasons:

1. Suspension of preparing drastic reform proposals, including business collaboration and business restructuring, as well as concerns on the impact on business performance
2. Opinions on the proposal for the dismissal of all current Directors as well as the proposal for appointing three Directors
3. Opposing opinion to business divestitures, using the words “dismantling-type acquisitions”

First of all, we would like to make it clear that our request is to have our proposals voted on at a shareholders’ meeting, to confirm the intentions of all shareholders.

While we are legally making a request in accordance with the stipulations of the Company Act, Leopalace is asserting that our demand for an extraordinary shareholders’ meeting is an abuse of rights with the aim of “dismantling” Leopalace. Although they are using the word “dismantle”, which has malicious connotations, in order to agitate the readers, the truth of Leopalace’s claims is nothing other than the opposing opinions of the board directors of Leopalace against the proposed agenda items. The agenda items we are proposing shall be voted on by the shareholders at a shareholders’ meeting, and not decided on by the board directors of Leopalace (especially given that the agenda items concern their own dismissal).

While we are taking procedures in accordance with relevant laws and ensuring that all shareholders understand what is being proposed at the extraordinary shareholders’ meeting well in advance by clearly stating our specific intents and ensuring a transparent and fair process, Leopalace is making vague claims with no specific numbers, such as the “suspension of preparing drastic reform proposals”, “affecting business performance during the busy season”, or “opposing a “dismantling-type acquisition” that sacrifices mid- to long-term corporate value”. We believe that such an act of obstructing the early convocation of a shareholder meeting is an abuse of their rights, and will be filing

an opinion with the Tokyo District Court accordingly.

Below, we will summarize our opinions on each of the reasons to why Leopalace is opposed to the convocation of an extraordinary shareholders' meeting:

1. Suspension of preparing drastic reform proposals, including business collaboration and business restructuring, as well as concerns on the impact on business performance

As stated in earlier press releases, we originally did not aggressively seek for an extraordinary shareholders' meeting to be held. We have been repeatedly asking the current directors of the board for their opinions or counterproposals, each time we made a proposal for a business divestiture in our discussions.

However, we neither were able to hear any counterproposals, nor were we even able to hear about their thoughts on the Company or its businesses, and we finally decided to demand the convocation of an extraordinary shareholders' meeting because we were unable to see that they were sincerely tackling these issues.

Given these series of events, we are not sure what exactly Leopalace means when they claim that their drastic reform preparations will be suspended; we fail to see what was being seriously considered. As for the concerns on the impact on business performance, we are not sure what kind of expectations the stakeholders had regarding the current Directors who are responsible for repeated downward revisions, but as we have stated in our Demand for the Convocation of an Extraordinary Shareholders' Meeting, we intend to have the current Executive Officers continue in their duties if no particular issues arise as a result of assessments.

2. Opinions on the proposal for the dismissal of all current Directors as well as the proposal for appointing three Directors

As stated above, it is odd that a shareholders' meeting shall not be held because the current Directors are opposed to a proposal concerning their own dismissal; the decision is one that shall be made by all the shareholders. Additionally, it shall be all the shareholders that make judgements on the aptitudes of the Director candidates that we have proposed.

3. Opposing opinion to business divestitures, using the words "dismantling-type acquisitions"

The concept of “dismantling” is not defined in any way in the Company Act or any other laws. Leopalace is claiming that our demand for business divestitures and mergers fall under the category of the “dismantling” of a company, but the businesses of the company will continue to exist beyond business divestitures and mergers, and in many situations these actions could prove more beneficial to shareholders, business counterparts, and other stakeholders.

Leopalace is currently in a state where it is losing trust due to the construction defects problem, and there is still no sign of resolution to this issue. We believe that leaving the current state as is, without taking any action, goes against the interests of all shareholders and stakeholders.

There is no time to be wasted in renewing the management team and restoring enterprise value. Leopalace claims that matters shall be sorted out in the scheduled annual general shareholders’ meeting in June this year, but that is tantamount to claiming that the possibility of further loss in enterprise value by the current board directors shall be left unchecked for another four months, and that is a claim that cannot be accepted as a shareholder.

Again, the judgement on the proposal to renew the current management team shall be made by all the shareholders of Leopalace, and not its board directors.