

PRESS RELEASE

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Rescheduling Completion Dates of the Investigation and Repair Work of our Defective Buildings

Leopalace21 Corporation (the "Company"; Nakano-ku, Tokyo; President: Fumiya Miyao), with respect to the completion dates of the investigation and repair work pertaining to the series of construction defects published in the news releases on April 27, 2018, May 29, 2018, February 7, 2019, May 29, 2019, and July 12, 2019, announces the rescheduling of the completion date of the investigation to the end of October 2019, and the completion date of the repair work for buildings subject to top-priority investigations from the beginning of summer 2019 to the end of June 2020, due to the difficulty of completing the work needed to address additionally identified construction defects and the shortage of labor.

Because of the construction defect problems found last year and later, we have caused significant concern and trouble to all of our stakeholders, including our tenants and apartment owners. We are again causing concern and trouble, and we sincerely apologize for this situation.

1. Current progress

(1) Investigations

In the May 29, 2018 news release, the Company announced that it would investigate all buildings by June 2019. As of July 28, 2019, the Company has investigated 98.9% of the buildings subject to top-priority inspections. However, it has investigated only 69.0% of other buildings.

The reasons why the investigations were delayed are given below.

(a) Additional investigation required

For the all-building investigation after the news release on May 29, 2018, the Company was opening ceilings to check the installation condition of the parting walls in the attic and

roof spaces.

However, after the February 7, 2019 news release, because additional construction defects were found, the Company extended the scope of the investigation to include ceilings (checking materials), parting walls in rooms, and outer walls, in addition to the parting walls in the attic and roof spaces. The Company consequently needed to reinvestigate the rooms that had already been investigated for attic and roof space parting wall defects, on-site, to check ceilings, parting walls in rooms, and outer walls.

(b) Inspection system by the Company

To ensure the objectivity of the investigation findings, the Company has external first-class architects attend field surveys, as well as external first-class architects rechecking after internal determination. As a result, the required time from the survey to determination of the final results is longer than initially expected. In some cases, the Company investigated twice because the previous investigation was insufficient to finalize the results of the investigations.

To date, in order to complete the all-building investigation by the completion deadline, the Company has increased investigation personnel from 210 immediately after the announcement of the construction defect problem, to 852 in August of that year, to 1,092 in June 2019 as has been necessary. However, because reinvestigation is required, the number of first-class architects in areas that have many buildings to investigate is insufficient. In addition, the Company failed to secure sufficient resources to reinforce the process of determining investigation results after surveys and double-checking the results with external first-class architects. This prevented this process, and also processes necessary before future repair work, from progressing more quickly.

(c) Arrangements with people concerned

After obtaining prior agreement pertaining to the investigation from apartment owners, the Company conducts the investigation with the attendance of the apartment owner if requested and with the attendance of the tenant if the room is occupied. In addition, for buildings managed by management companies other than the Company, the Company investigates after obtaining prior agreement from the management company in addition to the apartment owner. Scheduling arrangements with these people concerned takes time.

Moreover, as the investigation progressed, the percentage of investigation of buildings with fewer vacant rooms increased. The progress of investigation has not advanced more quickly even after the reinforcement of personnel, causing the delay. For the same reason, more time is expected to be required before starting the investigation of the remaining uninvestigated buildings.

(2) Repair work

In the March 8, 2019 news release, the Company announced that it aimed to complete the

repair work of buildings subject to top-priority investigations before summer in 2019.

However, due to the reasons below, the Company found it difficult to complete the repair work by the deadline.

(a) A wider scope of the investigation of construction defects

When the Company announced the all-building investigation, it assumed that the potential construction defects, which would be found by the investigation, were only parting walls in the attic and roof spaces.

However, 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.

(b) Work to accommodate prior discussions with the responsible administrative agency

To ensure the correction of construction defects when conducting the repair work, the Company has advanced discussions pertaining to repair methods with the responsible administrative agency for the building.

In order for the responsible administrative agency to check the appropriateness of repair methods, the Company needs to create documents that describe the construction defect situation and repair work details for each building. Because this work is quite different from regular operations, it took time to establish a system for handling these tasks.

(c) Prioritized investigation

Because a wide range of construction defects were found during the investigation, the Company thought the investigation for grasping the entire situation should be its top priority. This required the Company to allocate human resources to focus on the investigation.

(d) Repair work system by the Company

Because the Company allocated personnel to the investigation as described above, the Company had insufficient personnel for the aforementioned defect determination, for discussions with responsible administrative agencies, and for the process management of the repair work. As a result, the progress of the processes continued to slow.

In addition, it is essential for us to obtain cooperation from external contractors for repair work; however, some areas have fewer contractors compared to the buildings subject to repair. The Company failed to secure sufficient personnel to complete repair work by the deadline.

(e) Arrangements with people concerned

During repair work, in the same manner as the investigation, we need to arrange dates for repair work after obtaining the agreement from the people concerned, such as the

apartment owner and tenants. It is expected that this process will take time before repair work can begin. In particular, for repair of occupied rooms, we need to ask tenants to stay at a temporary residence while the repair work is conducted. We must act carefully so that tenants experience as little inconvenience as possible.

2. Rescheduling of the completion dates of the investigation and repair work

Given the above described progress and causes of delay, the Company will move forward with the following policy.

First, to smoothly advance arrangements with the people concerned, including tenants, with whom arrangements are a common issue for investigation and repair work, the Company will further review the allocation of personnel in the Company and increase resources to make arrangements with the people concerned.

(1) Investigation

The Company has built an investigation system to advance operations without delay, including the determination of defects. Moving forward, the Company will increase the number of people who arrange scheduling with tenants, aiming at completing the all-building investigation by the end of October 2019, with maximum consideration for reducing tenants' burden. The actual completion date may change a little depending on schedule arrangements.

Buildings that may not comply with regulations such as the Fire Defense Law (in the July 12, 2019 news release) are prioritized in the investigation.

The Company will continue to publish the progress of the investigation monthly on its website.

(2) Repair work

To facilitate repair work and complete prior discussions with responsible administrative agencies early, the Company will allocate investigation personnel to repair work preparation and on-site inspection flexibly depending on the progress and situation of investigation. In order to overcome the shortage of contractors compared to the buildings subject to repair, the Company will make efforts to use more external contractors, and lend and borrow personnel between areas because the distribution of contractors is imbalanced.

For the repair work of occupied rooms, the Company considers the top priority to be the reduction of the burden on tenants, and will in principle ask tenants to temporarily stay in a residence in the same building (*1) during the repair work. When arranging the schedule, the Company will act with care, considering the wishes of the people concerned, including the apartment owner and tenants.

When determining the subject of repair work, in the same manner as the investigation, the

Company prioritizes buildings which are identified as not conforming to regulations such as the Fire Defense Law. Additionally, the Company will start repair work quickly after arrangements with the people concerned are made.

Following the policy described above, the Company will advance the repair work in parallel with the investigation. For the buildings subject to top-priority investigations (*2), the Company aims to complete the repair work by the end of June 2020, including occupied rooms. However, the actual completion date may change slightly due to scheduling arrangements with the people concerned.

It is essential to significantly increase external resources to complete the repair work of buildings subject to top-priority investigations by the deadline, and the Company will broadly ask contractors for their cooperation.

For the target completion date of repair work for the buildings other than those subject to top-priority investigations (*3), the Company will make another announcement in the middle of October 2019.

The Company will continue to publish the progress of the repair work monthly on its website.

(*1) Process to ask a tenant to move to a temporary residence within the same building during the repair work

For buildings with respect to which the investigation was completed and construction defects were identified, the Company will conduct the repair work as follows. In order to secure a temporary residence for the tenant, the Company will first conduct the repair work for vacant rooms in the building. If the building doesn't have a vacant room or if the building is managed by another company, the Company may offer a vacant room in another building that it manages, or else a hotel room, as a temporary residence.

- (a) First, the repair work is conducted in vacant rooms
- (b) In the case of occupied rooms that are subject to repair work, the tenant is asked to temporarily move to a renovated vacant room within the same building
- (c) Repair work is then conducted on the room after the tenant has moved out
- (d) After the completion of repair work for the room described in (c) above, the tenant who was staying in the temporary residence, moves back to the original room
- (e) For other occupied rooms, the procedures from (b) to (d) described above are repeated

(*2) Buildings subject to top-priority investigations

The buildings that fall under the following apartment series, with respect to which the possibility of construction defects were announced in the news releases on April 27, 2018 and May 29, 2018.

Gold Nail, New Gold Nail

Gold Residence, New Silver Residence, New Gold Residence
Special Steel Residence, Better Steel Residence, Congrazia

(*3) Buildings other than those subject to top-priority investigations

The buildings of the 42 series, which are buildings constructed by the Company and subject to its investigation other than buildings subject to top-priority investigations