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**Notice Concerning Report of Investigation Status
Prepared by the Outside Committee**

Leopalace21 Corporation (the “Company”) sincerely apologizes to our tenants, apartment owners, shareholders, and all our stakeholders for the trouble we have caused due to the construction defects in certain properties constructed by the Company (“subject defects”), announced in press releases published on the Company’s website on April 27, May 29, 2018, and February 7, 2019.

On February 27, 2019, we announced the establishment of an outside committee comprised of neutral and fair experts whom are completely independent from the Company. The outside committee was established to objectively verify the causes of the subject defects.

We have received a report regarding the investigation status from the outside committee today. A summary of the report is attached to this notice.

The Company will continue to fully cooperate with the outside committee. Going forward, a final report concerning measures to prevent recurrence and responsibilities of internal directors is scheduled to be prepared by late May this year. We will announce the contents of the report in a timely manner once we receive them.

Progress of the Outside Committee's Investigation (Summary)

Leopalace21 Corporation Outside Committee

Section 1 Outline of the Ongoing Investigation

The purpose of the current investigation by this Committee is to find out the facts, and determine the causes, of the problems announced by Leopalace21 Corporation (“**Leopalace21**”) on April 27, 2018, May 29, 2018, and February 7, 2019 regarding (i) the problem on the defects in which parting walls were not constructed in small-scale attic or spaces above ceilings (“**Problem on Parting Walls in Small-Scale Attic, Etc.**”), (ii) the problem on the defects in which foamed urethane was used as insulation material in parting walls although the construction certification documents describe to use glass wool or rock wool (“**Problem on Parting Walls Foamed Urethane**”), (iii) the problem on the defects in which exterior walls do not meet the specifications certified by the Minister of Land, Infrastructure and Transport (“**MLIT**”) as described in the construction certification documents (“**Problem on Exterior Wall Specifications**”), and (iv) the problem on the defects in which construction of ceilings does not meet the specifications certified by the MLIT Notice as described in the construction certification documents (“**Problem on Ceiling**,” and the defects of (i) through (iv), collectively, the “**Defects**”).

This Committee has conducted a total of 31 interviews with 25 relevant persons and reviewed related materials which this Committee received. This Committee will conduct data review and examine the floor plans and other items with external verification inspection agencies and other institutions. As most of the properties with the Defects were constructed and sold between 1993 and 2001, the persons involved in the construction and sales of such properties have either resigned or, even if they remain in office, their memory has deteriorated, and related materials have become scattered and lost. In addition, the relevant persons who may understand the situation at that time have been overloaded with the all-building investigation, repairs, and other work. Therefore, this investigation has been very time-consuming, even after the establishment of this Committee on February 27.

This Committee complies with the guidelines of the Japan Federation of Bar Associations, to the extent possible, and is also conducting this investigation based on the principles of the Japan Exchange Regulation, in order to ensure the independence and objectivity of the investigation.

Section 2 Status of the Investigation

1. Problem on Parting Walls in Small-Scale Attic, Etc.

Leopalace21 prepared multiple floor plans and other items, for development and construction of the properties, and this Committee has found multiple unconformities between such floor plans etc. Although the unconformities in the floor plans and other items, seem to be the direct reason why parting walls were not constructed in small-scale attic, etc., of some properties, this Committee's investigation has not yet revealed the reason why such unconformities were created. The Problem on Parting Walls in Small-Scale Attic, Etc. is widely spread in Leopalace21, and it is suspected that the non-construction of the parting walls in small-scale attic, etc. were result of intentional organization-wide conduct as well as resulting from the slipshod and weak development and construction structure for properties, which will be an important aspect of future investigations.

Furthermore, the question exists as to the procedure for discussion of legal conformity during product development and check during construction at that time.

Around 2012, in a civil action between Leopalace21 and an owner of a Leopalace21 property, the owner pointed out that parting walls were not constructed in the small-scale attic, etc. It is suspected that Leopalace21 had recognized the Problem on Parting Walls in Small-Scale Attic, Etc. before the defect is pointed out by another owner in 2018.

2. Problem on Parting Walls Foamed Urethane

The ex-president of Leopalace21 directed to use foamed urethane as insulation material in parting walls etc., and, foamed urethane was used as insulation material in parting walls in some properties. However, in the floor plans and other items of such properties describe that glass wool is to be used as the insulation material in parting walls. There are unconformities in the floor plans and other items relating to the use of either foamed urethane or glass wool, the question exists in the reason why such unconformities were created.

The more important point is that use of foamed urethane as insulation material in parting wall may result in the building not meeting the sound insulation standards required by applicable laws. It is assumed that sufficient performance tests for the use of foamed urethane in parting wall were not conducted at the development stage because it was according to the top-down directions given by the president at that time, and this Committee also need to investigate the implementation status of performance tests at that time, the compliance-consciousness of the relevant persons, and other related matters.

3. Problem on Exterior Wall Specifications

The panels for exterior walls were not meeting qualifications certified by the MLIT, and it is assumed that production drawings for the panels were insufficient. Therefore, this Committee needs to investigate the understanding of each relevant person regarding the certification of the MLIT, the process by which production drawings for the panels were prepared, and other related matters.

Furthermore, as was the case with 2. above, foamed urethane was used as insulation material in exterior walls, under the direction of the president at that time but, as with the Problem on Parting Walls Foamed Urethane, the floor plans and other items describe that glass wool is to be used as the insulation material in exterior wall. Therefore, the reason why such unconformity in these floor plans and other items created, is also an issue.

From May 2015 through July 2018, requests for decision were applied for repair work of the properties with foamed urethane used as insulation material for exterior wall. It is suspected that Leopalace21 had recognized the Exterior Wall Specifications Problem before the all-building investigations.

4. Problem on Ceiling

The floor plans and other items of some properties include misleading descriptions regarding the construction of ceilings, which may have caused the misunderstanding of the product ordering department, sub-constructors, and other related persons, and such misunderstandings may have resulted in the defects of ceiling. The reason and circumstances why such misleading descriptions were created, history of changes and revisions of floor plans, and other related matters are the issue.

5. Procedure for Check of Legal Conformity, Qualities, Performance, etc.

At the time of the properties with the Defects were produced, Leopalace21 had no department or person in charge of handling legal issues professionally, and it seems that there were no clear rules concerning how to consider legal issues in the product development stage. In addition, it is not yet revealed what consultations occurred between Leopalace21 and the outside experts retained for product development.

Leopalace21 took measures such as setting up a quality assurance section and introducing an accompanying inspection system by a senior staff member of the construction team; however, the question exists as to whether these measures actually functioned.

Section 3 Potential Causes and Backgrounds of the Defects at this Moment

1. Structural and Systemic Problems

According to the investigation thus far, considering the facts that (i) the Defects arose in multiple property series, (ii) problems such as the Problem on Parting Walls in Small-Scale Attic, Etc. arose in the large majority in the targets of investigation, (iii) it is said that the Defects had continued occurring for several years but were not recognized as the problems until several decades later, and (iv) unconformities with the construction certification have been ignored, the problems that became the cause of and background to the Defects, such as unconformity in the floor plans, have existed not only in some departments, officers, or employees, but systematically and structurally in Leopalace21. The point is whether the problems above were just resulting from the company-wide slipshod and weak development and construction structure for properties, or whether they were conducted intentionally across the organization; and so the further investigation is necessary.

In addition, it seems that the characteristics of the lease business of Leopalace21 are such that there are some demands, such as reducing construction time and streamlining the construction business, which were related significantly to the Defects.

Furthermore, it seems that development structures in the product development department, which was under the direct control of the president at that time, became the cause and background of neglecting laws and regulations as well as quality.

2. Problems with Process pertaining to Development and Construction

It seems that the procedure for checking legal conformity, qualities, performance, was not sufficiently performed at that time in Leopalace21.

The issues causing the Defects may have occurred in multiple different stages. Therefore, it is necessary to investigate whether there were problems in stages such as the preparation of floor plans in the product development department and the designing departments of branch offices, construction management, construction and confirmation by contractors, and preparations of materials in the product ordering department.

Section 4 Action Plan

This Committee will further proceed with its investigation and will endeavor to identify the causes of the Defects. Although this Committee is now working on comparing floor plans and other items, it is expected that such works should take a relatively long time.

This Committee plans to report the results of its investigation to Leopalace21, regarding the cause analysis of the Defects, recommendations of measures to prevent reoccurrence, and the responsibilities of relevant officers (including the ones who have already resigned), by around late May this year.

End.