

The Company's Board of Directors' Opinion on the Agenda Items of the Extraordinary General Meeting of Shareholders

This material summarizes the main points of the agenda items proposed by Leoplace21 (hereinafter the "Company") and the reasons for the proposal, as well as the opinion of the Company's Board of Directors (hereinafter "BOD") on the requesting shareholders' proposal (hereinafter "Requesting Shareholders' Proposal"), in the holding of the extraordinary general meeting of shareholders (hereinafter "EGM").

Leoplace21 Corporation

▶ Agenda items for Discussion

Proposed Agenda No. 1
(Company's proposal)

Appointment of two directors

Proposed Agenda No. 2
(Requesting Shareholders'
Proposal)

Appointment of one director

Candidates for Outside Directors of Proposed Agenda No. 1

For the EGM, the Company is submitting an agenda item of appointing two outside directors in line with the policy of making the majority of the BOD to be outside directors, which was announced on December 16, 2019, an implementation ahead of original plan for the ordinary general meeting of shareholders scheduled for June, 2020.

We propose to reinforce corporate governance and to nominate candidates for directors who can contribute to resolving the current management issues.

Required expertise to resolve the management issues

Required expertise I

“Corporate revitalization and business restructuring”

Mr. Kazuyasu Fujita

Ex-Director of Toyo Shutter Co., Ltd.

- Mr. Fujita drew up management rehabilitation plans in accordance with the private rehabilitation guidelines at the time when the company was deep in a financial trouble. Mr. Fujita, then President and Representative Director, successfully completed the plans 3 years ahead of originally scheduled 7 years.
- Mr. Fujita has ample experiences and deep knowledge of corporate revitalization and business restructuring.

Required expertise II

“Quality management and environmental management in building construction”

Mr. Yutaka Nakamura

Ex-officer of Panasonic Homes Co., Ltd.

- Mr. Nakamura successfully raised the quality management and environmental management of the company to the top level in the industry as a Senior Councilor, Manager of Corporate Quality & Environmental Division.
- Mr. Nakamura has extensive experience and profound knowledge in the field of building construction as well as quality and environmental management

The BOD composition at the conclusion of the EGM

In case both Mr. Kazuyasu Fujita and Mr. Yutaka Nakamura are appointed as directors, the BOD will consist of 12 directors: five executive directors and seven outside directors with the latter being the majority.

Skillset Matrix of the BOD

		Attribute					Expertise, Experience, and Knowledge									
	Name	Executive Position	Independency	Nominating Compensation Committee	Age	Gender	Corporate Management	Corporate rehabilitation and business restructuring	Sales and Marketing	Global	Quality Management	Legal	Accounting and tax affairs	Finance	IR	Audit
1	Bunya Miyao	President and CEO Chairperson of the Board of Directors		Member	59	Male	○			○					○	
2	Shigeru Ashida	Director Managing Executive Officer			55	Male	○		○				○			
3	Katsuhiko Nanameki	Director Managing Executive Officer			58	Male	○						○	○		
4	Seishi Okamoto	Director Managing Executive Officer			57	Male	○	○						○		
5	Mayumi Hayashima	Director Executive Officer			46	Female	○		○			○				
6	Tadashi Kodama	Director	Lead Independent Outside	Chairperson	72	Male	○		○						○	
7	Tetsuji Taya	Director	Independent Outside	Member	56	Male	○	○		○		○	○	○		
8	Yoshiko Sasao	Director	Independent Outside	Member	59	Female	○	○	○							
9	Yoshitaka Murakami	Director	Independent Outside	Member	71	Male	○						○			○
10	Hisafumi Koga	Director	Outside	Member	72	Male	○									
11	Kazuyasu Fujita (scheduled to be appointed)	Director	Independent Outside	Member	73	Male	○	○			○				○	
12	Yutaka Nakamura (scheduled to be appointed)	Director	Independent Outside	Member	61	Male					○					

The Board of Directors of the Company is opposed to the Proposed Agenda No. 2 pertaining to the Shareholders' Proposal (appointment of one director).

Reasons for Objection

1. In order to solve the high-priority management issues, the execution of business operations by the existing management team and supervision by highly independent outside directors are suitable, and the appointment of Mr. Ohmura is unnecessary.
2. We consider that the fact of the partial revocation of the Shareholders' Proposals is tantamount to admitting that the initial Shareholders' Proposals were unreasonable from the beginning.
3. We consider that, if the Requesting Shareholders' Proposal is approved, it is highly likely that the corporate value of the Company would be tarnished and that it would become a disadvantage to many stakeholders including general shareholders.

▶ The BOD's Opinion on the Proposed Agenda No. 2

In order to solve the important management issues of the Company, execution of business operations by the existing management team and the supervision by highly independent outside directors proposed by the Company are suitable.

Five executive directors	In order to solve the problems of the Company, they will actively continue to manage the Construction Defects Problem by sharing the roles of (i) the GM of Business Operation Headquarters, (ii) the GM of Management Headquarters, (iii) the GM of Management Planning Headquarters, (iv) the Chief of Emergency Headquarters for Construction Defects Problem, and (v) the GM of Compliance Management Headquarters.
Outside directors	They will continue to supervise the execution of the Company's operations from an independent and fair viewpoint, taking advantage of their respective knowledge and experience.

We are opposed to this Proposal because **it is unnecessary to appoint Mr. Ohmura whose knowledge and experiences are not relevant to the Company's main business of low-rise apartment buildings.**

▶ The BOD's Opinion on the Proposed Agenda No. 2

The Company received the Requesting Shareholders' written request dated January 28, 2020 that they would like to partially revoke their proposals for the EGM.

Initial Proposals for Resolution

Dismissal of ten directors

Appointment of three directors

Revised Proposals after Partial Revocation

Revoked entirety

Appointment of the two directors is revoked with the remaining one director unchanged

▶ The BOD's Opinion on the Proposed Agenda No. 2

Reasons for partial revocation by the Requesting Shareholders

Gaining management control is not the aim.

Mr. Ohmura should be able to contribute to increase corporate value from the shareholders' standpoint

Reasons for the partial revocation are considered to be irrational

Shareholders' initial proposals were
(i) to dismiss the current ten directors, and
(ii) to appoint the three nominees as directors, which illustrates their undoubted intention of gaining management control of the Company.

Mr. Ohmura is the Requesting Shareholders' focal point with the Company from the time of demanding to call an EGM to the time of the partial revoke of their initial proposals during the busiest period; he cannot take such actions if he truly aims for increasing the corporate value.

The Requesting Shareholders revoked all their proposals but appointment of Mr. Ohmura as director. **Their intention is obvious and can be seen to use revoked parts of the proposals as a means of exerting pressures on the Company. We do not believe this is a legitimate exercise of the shareholder's right.**

▶ The BOD's Opinion on the Proposed Agenda No. 2

The Requesting Shareholders' past investment methods and the process up to their proposals to the Company underline that the objective is the pursuit of their own profits and not raising the corporate value.

Overview of the Requesting Shareholders

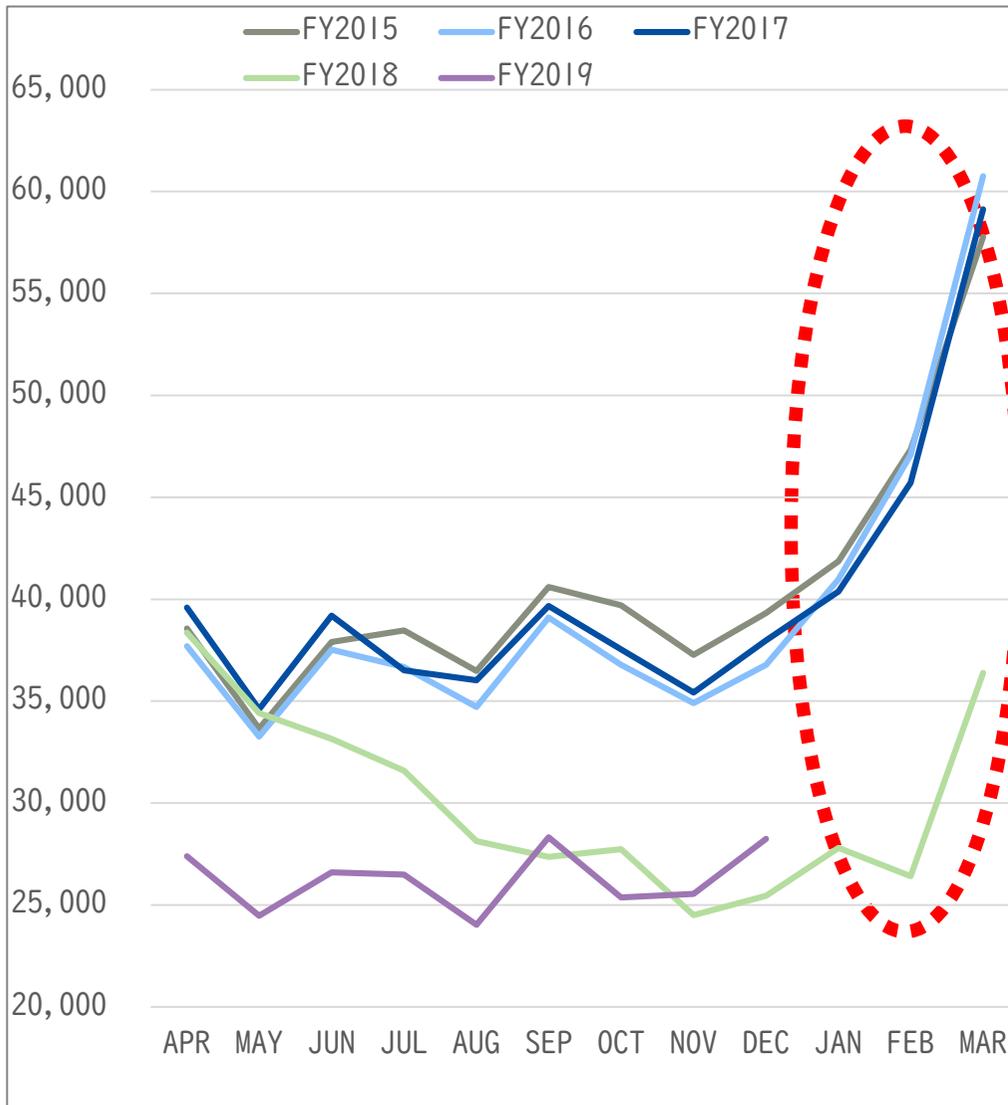
- The Requesting Shareholders are a part of the Murakami Fund Group which is known to show investment behavior of exerting various pressures on the management of the target companies, such as sending their nominated director(s) and demanding a high standard of return to shareholders.
- The Murakami Fund Group sometimes makes so-called “dismantling-type acquisitions” where possible by selling the whole or parts of the company’s assets once they gain management control.
- They hinted that the dismantlement could be a rational approach during the dialogues with the Company.
- It is obvious that they are not interested in increasing the corporate value in mid to long term; on the contrary they pursue their own short-term profits at the expense of the stakeholders including the other shareholders.

Due to the above, we are opposed to the proposal because **Mr. Ohmura is working as executive officer of such a major shareholder who is only interested in pursuing own interests.**

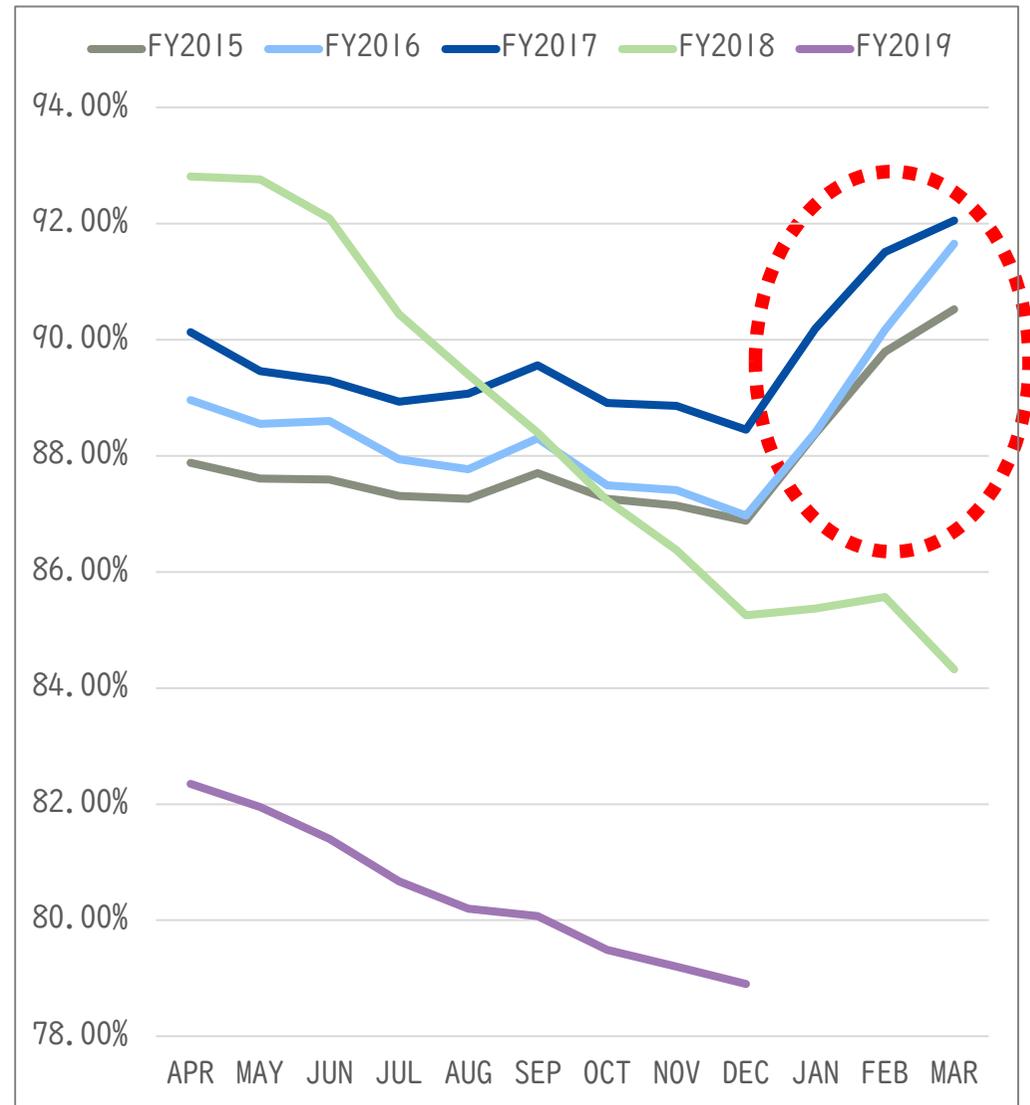
Jan – Mar is the busiest period for tenant recruitment

The Requesting Shareholders knowingly demanded to call the EGM during the busiest period for tenant recruitment. – lack of consideration for improving the corporate value

► Number of tenancy contracts



► Occupancy rates



Summary

The Board of Directors of the Company is opposed to the proposed agenda No. 2 pertaining to the Requesting Shareholders' proposal

The Company

1. Resolve the construction defects problem and improve the corporate value for mid to long term by drastic reforms considering the Company's business characteristics, which are only doable by the Company.
2. Increase the share value and pursue the common interests of shareholders as well as the stakeholders' interests.
3. Maintain and develop the business of 570,000 rooms under own management, part of social infrastructure, which is a result of collaboration with 28,000 owners.

Requesting Shareholders

1. Damage the corporate value by making a "dismantling-type acquisition."
2. Pursue the Requesting Shareholders' own short-term profits
3. Lack of understanding the Company's business characteristics.

The Board of Directors' opinion

1. The current management has been seriously tackling the highest-priority issues such as acceleration of resolving the construction defects problem and the early recovery of business performance.
2. In view of the Requesting Shareholders' past investment methods and the process up to the Shareholders' Proposals, they are believed to intend to carry out a "dismantling-type acquisition" of the Company and use a means of shareholder proposal for pursuing their own interests as major shareholders and not for enhancing the corporate value of the Company.
3. Due to the above reasons, we are opposed to the Shareholders' Proposal because of the concerns about the Proposal as it is very likely that the Company's corporate value would be damaged and the Proposal would work adversely for the interests of many stakeholders including general shareholders.



Leopalace21