

FOR IMMEDIATE RELEASE

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Notice Concerning the Outline of Drastic Business Strategies Reconstruction

As released on February 7, 2020 with the title of “Notice Concerning Beginning the Strategic Review Process for Drastic Business Strategies Reconstruction,” Leopalace21 Corporation (Headquarters: Nakano, Tokyo; President and CEO: Bunya Miyao; the “Company”) began the strategic review process and has been looking into the drastic business strategies reconstruction so that the Company should be able to restore the trust of the stakeholders and ascertain to realize the business turnaround.

The Company hereby summarize and announce the outline of the drastic business strategies reconstruction as follows.

1. General Policy

Our strategy is to shift from a current strategy of business diversification to a strategy of concentration with the Leasing Business turning into the core and becoming more profitable business.

At the same time, we will work to drastically improve our business structure and push through structural reforms in order to increase the corporate value, thereby make a solid business recovery.

2. Direction of each business

The strategic review explored several alternatives for each business and yielded following business reorientation for the drastic reconstruction. By way of selectively concentrating its management resources, the Company reconfirmed to focus on the Leasing Business as the core business and to strengthen its profitability.

a) Strengthen

Leasing Business

b) Maintain and continue

Elderly Care Business

c) Shrink

Development Business

d) Withdraw or transfer

International Business, and Hotel and Resort Businesses

3. Policies for Structural Reforms (Overview)

Based on the drastic business strategies reconstruction, we will implement structural reforms to fundamentally improve the earnings structure to increase the corporate value.

- 1) Withdraw or transfer non-core businesses based on the review of business strategies
- 2) Fundamentally optimize and reduce workforce based on the review of business strategies
- 3) Thoroughly reduce SG&A expenses and other costs in line with business scale optimization

4. Policies for dealing with construction defects

We will for sure carry out repairing the construction defects in parallel to the drastic business strategies reconstruction and the structural reforms.

Following the government's declaration of a state of emergency in response to the spread of infection with the novel coronavirus, we are currently suspending repair works on the apartment buildings with the construction defects in all the prefectures. Even if the emergency declaration is lifted, we will refrain from restarting the repair works until it is understood and accepted by the owners and the tenants. We will pay careful attention to close personal contact to avoid any impact on the owners, tenants, our construction staff, and construction contractors when we carry out the repair works on the buildings for which we obtain the owners' and tenants' agreement.

Since it is uncertain to carry out the repair works as usual for the time being, we will postpone the time of completion of the repair works for obvious defects and the time of reporting the plan for repairing the properties only with minor defects. We will review the repair plans and announce them after assessing the development of the situation related to the novel coronavirus infectious disease and its impact.

5. Formulation and publication of business plans

We are working on the details of the drastic business strategies reconstruction based on the aforementioned policies and directions, and will promptly disclose any management resolutions that should be disclosed.

We will formulate business plans that reflect the specific content of the drastic business strategies reconstruction, and announce them at the same time when we report the financial results.

End