

**FOR IMMEDIATE RELEASE**

June 5, 2020

Company Name: **Leopalace21 Corporation**  
Representative: Bunya Miyao, President and CEO  
Code Number: 8848 (Tokyo Stock Exchange, First Section)  
Contact: Kiyoshi Arai, Executive Officer  
Tel: +81-50-2016-2907  
E-mail: ir@leopalace21.com

**Notice Concerning Delayed Repair Works of the Buildings Leopalace21 constructed  
and New Repair Policy**

Leopalace21 Corporation (Headquarters: Nakano, Tokyo; President and CEO: Bunya Miyao; the "Company") announced on October 31, 2019 in the "Notice Concerning Progress of All-building Investigations Constructed by Leopalace21 and Further Course of Action for Repair Works" that the Company decided to complete at the end of June 2020 the repair works for the buildings that were identified as obviously defective in the product series subject to priority investigations (note 1), and accomplish at the end of December the repair works for the buildings in the other product series (note 2). In addition, the Company announced its decision of informing the repair works plan at the end of June 2020 for those buildings with minor defects.

We prepared and announced the above-mentioned repair works plans on the basis of our determined utmost efforts, but eventually failed. We sincerely apologize for the delays in the progress which cause concerns and inconveniences to all of our stakeholders, including tenants and apartment owners.

We provide the reasons for the delayed repair works and a new repair policy as follows.

1. Reasons for delays in repair works

- (1) Delay in the completion of consultations with the respective specified administrative agencies concerning the start of repair works

In addition to the time-consuming documents preparation for the preliminary consultation of repair works, a considerable number of in-house architects in charge of administrative consultation left the Company after the announcement of repair works plans, which caused the delay in completing the consultation required for starting the repair works.

Specifically, 71 architects resigned during the fiscal year ended March 2020, whereas 382 architects were on payroll at the beginning of the said fiscal year. 30 architects out of 71 resigned after the announcement of the repair works plans. As a result, there was a shortage of administrative manpower resources all across Japan. We tried to make up for the shortage by shifting personnel between the regions, but we were unable to secure adequate numbers in the offices in the metropolitan areas where there are a lot of buildings for repair and at the head office that supports all the offices in Japan.

The Company originally planned to complete the consultations by the end of December 2019 in order to complete the repair works for the priority series by the end of June 2020. However, 74.9% of consultations were completed nationwide at the end of December 2019,

and 89.9% at the end of May 2020.

There were 6,367 out of 7,638 buildings of priority repair works for which the repair works actually started as at the end of May 2020, which means 83.4% of the total, and 1,271 buildings or 16.6% remained untouched for repairs. Of 1,271 buildings untouched for repairs, the consultation for 774 were not completed with the specified administrative agencies.

The number of buildings for which the consultations are incomplete amounted to 611 which are located mainly in four prefectures of Tokyo, Chiba, Saitama and Hyogo, representing approximately 80 percent of the total incomplete. The large number of buildings subject to repair are located in the four prefectures and there have been a lot of architects resigned in the same prefectures, which led to imbalance between the guidance items instructed by the specified administrative agencies and the available manpower resources to handle those items. As a result, the administrative consultation was delayed and not completed in time.

(2) Shortage of construction managing engineers and the withdrawal of construction contractors

The consultations with the specified administrative agencies completed at the end of May 2020, for 6,864 out of 7,638 buildings subject to priority repair works, and the repair works began for 6,367 buildings, which made 497 buildings waiting for the start of repair works.

The main factors behind the failure to start repair works for 497 buildings are as follows. There were 42 resignations of engineers including construction managing engineers who are in charge of construction management in the period ended March 2020. 23 engineers out of 42 resigned after the announcement of the repair works plans. In addition, 99 buildings, primarily in the regions of southern Tohoku and Kanto, were damaged by the floods which took place in October last year, and we were forced to shift 15 of the remaining engineers to the disaster regions for restoring the damaged buildings. The situation is still ongoing.

As stated in the announcement on October 31, 2019, we tried to widely recruit construction contractors to build up our repairing capacities. We had overall 472 contractors who were prepared to work with the Company with 186 joined in October 2019 onward. However, the aforementioned shortage in the number of engineers including construction managing engineers in charge of the repair works sites prevented preparation of repair plans, a lot of contractors fell out of the allies as we did not timely manage to place orders.

In order to compensate for the shortage of construction managing engineers, we took measures such as sourcing such engineers from specialist staffing agencies or asking contractors to prepare construction managing engineers, but we were unable to secure enough number of competent engineers at the end.

(3) Interruption of repair works due to the declaration of state of an emergency in response to the spread of the novel coronavirus

The spread of the COVID-19 infection disease led to the nationwide declaration of the state of emergency from April till May 2020, imposing restrictions on movement of people and economic activities.

In order to prevent the spread of the epidemic disease, we suspended the repair works until the removal of declaration, consequently the repair works were delayed.

## 2. Future repair works

The entire company has been so far working to resolve construction defects problem as soon as possible. However, we were forced to experience delays in repair works as described above, due to the fact that we were unable to maintain an adequate organizational setup and resources during the prolonged period in responding to the construction defects problem.

On the other hand, our business results and financial conditions remain severe and we regret to report the net loss earnings forecast for the fiscal year ending in March 2021 as disclosed in the consolidated financial statements for the fiscal year ended March 2020 which we announced today. The recovery of business performance is indispensable for surely implementing measures against construction defects problem. Therefore, we decided on reallocating manpower and physical resources including offering a voluntary retirement program in accordance with the "Notice Concerning Implementing Structural Reforms based on Strategic Review Results for Drastic Business Strategies Reconstruction" as announced today.

Based on the above, we regret to inform you that we determined to temporarily reduce the scale of repair works and organizational setup to tackle the construction defects from July 2020.

Since it is difficult to clearly indicate at this time when the repair works for obvious defects will be completed and when the repair schedule for only minor defects will be reported, we will review the repair works plans and report them when we have prospects to realize improvement in business performance.

We received opinions from our stakeholders in a variety of ways, and we take seriously the fact that you have been worried and anxious about the construction defects problem for a long time.

Therefore, we once again apologize for not being able to present a specific outlook for solving the construction defects problem this time.

Nevertheless, there is no change in the policy itself in which we regard resolving the construction defects problem as a key issue, and we will surely implement the measures. We will strive to restore confidence by making steady progress toward resolving the construction defects problem while establishing a structure that enables to implement the measures to resolve the problem in a stable manner through structural reforms that accompany the drastic business strategies reconstruction.

### (note1) The product series that are subject to priority investigations

The product series refer to the properties that fall under the following product series which was announced in the news release on April 27, 2018 and in the news release on May 29, 2018 that there was a doubt about construction failures.

"Gold Nail" and "New Gold Nail"

"Gold Residence," "New Silver Residence," and "New Gold Residence"

"Special Steel Residence," "Better Steel Residence," and "Con Grazia"

### (note 2) The other product series

These refer to the 42 series of properties that are subject to investigation excluding the product series subject to priority investigation.

End