

**FOR IMMEDIATE RELEASE**

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**Notice Concerning Implementing Structural Reforms based on Strategic Review  
Results for Drastic Business Strategies Reconstruction**

As informed by the announcement dated February 7, 2020, “Notice Concerning Beginning the Strategic Review Process for Drastic Business Strategies Reconstruction,” Leopalace21 Corporation (Headquarters: Nakano, Tokyo; President and CEO: Bunya Miyao; the “Company”) has conducted strategic review for drastic business strategies reconstruction so that the Company should be able to restore the stakeholders’ trust and achieve business turnaround.

The Board of Directors resolved at the meeting held today to implement structural reforms, which focus on transferring or withdrawing from non-core and unprofitable businesses, as well as offering a voluntary retirement program, so that the Company should drastically improve the financial base for increased corporate value, based on the results of the strategic review.

**I. Background of implementing the structural reforms**

The Company recorded a significant loss for the second consecutive year, mainly due to the construction defects problem and resultant decrease in the occupancy rate as disclosed today in the consolidated financial statements for the fiscal year ended March 2020.

In light of the situation, we fundamentally revised our business strategies and, as described in the announcement dated April 30, “Notice Concerning the Outline of Drastic Business Strategies Reconstruction,” we decided to shift from a strategy of business diversification to a strategy of selective concentration with the leasing business placed in a central core and strengthening its profitability.

Based on the strategic review of the business strategies, we will implement structural reforms centered on a policy of transferring or withdrawing from non-core and unprofitable businesses and offering a voluntary retirement so that the Company should drastically improve the financial base aiming at increased corporate value.

## II. Specific details of the structural reforms

### 1. Policy for transfer or withdrawal from non-core and unprofitable businesses

#### (1) Hotels and Resort Business

##### (i) Leopalace Guam Corporation

We plan to make early transfer of the Guam company, while observing the global spread of the novel coronavirus infection and its consequences.

##### (ii) Hotel Leopalace Nagoya

We will transfer the hotel business during the first half of the fiscal year ending March 2021

#### (2) International business

We plan to transfer or withdraw from the business by the end of fiscal year ending March 2021, while observing the global spread of the novel coronavirus and its consequences.

#### (3) Abolition of shareholder benefits

In line with the above-mentioned policy of transferring or withdrawing from the hotels and resort business, we will abolish shareholder benefits.

### 2. Voluntary retirement program

#### (1) Reasons for offering a voluntary retirement program

We will be offering a voluntary retirement program to respond to the business structure changes based on selective concentration strategy with the aim to realize workforce rightsizing to the future operations in the tough business conditions, and to further reduce the fixed cost.

#### (2) Outline of voluntary retirement

##### (i) Eligible applicants

Employees aged 35 or older as of April 1, 2020

##### (ii) Expected number of applicants

About 1,000

##### (iii) Application period

From June 22, 2020 to July 31, 2020

##### (iv) Planned leave date

August 31, 2020

##### (v) Others

In addition to the retirement allowances stipulated in the retirement allowance regulations, the Company will pay special severance allowance to the applicants and will provide them with outplacement service.

### 3. Fulfillment of management responsibilities and implementation of governance reforms

To fulfill the management responsibilities for the continued poor performance that provoked structural reforms, the Company will reduce the number of Directors and Executive Officers and continue to reduce their remunerations. Furthermore, we will make advisors and counselors redundant.

#### (1) Reduction of Board members and reduction of executive remuneration

##### (i) Reduction of Directors and Officers

- Total number of Board members: Reduced from 12 to 9
- Total number of Executive Officers: Reduced from 14 to 8

##### (ii) Reduction in executive remuneration (continued)

- Continue reducing executive remuneration as shown in the announcement "Notice Concerning Reporting of Income Taxes Adjustment (loss), Recording of Extraordinary Losses and Revision of Earnings Forecasts" disclosed on 4 June, 2020.
- Implement following additional reduction for the executives who were in office of executive directors at the time of announcing the construction defects of buildings constructed by the Company.

President and CEO	90%	(further 30% on top of the reduction above announcement)
Executive Officer (then Board member and Senior Managing Executive Officer)	60%	(further 25% on top of the reduction above announcement)

#### (2) Terminating the contracts with Advisors and Counselors

- At the end of June 2020, the Company will make the position of Advisors and Counselors redundant and terminate the contracts.

### III. Outlook for the current and next fiscal year

We anticipate an extraordinary loss of approximately 3 billion yen as a special severance allowance for the above-mentioned voluntary retirement program, and incorporate it into the performance forecast for the fiscal year ending March 2021 in the consolidated financial statements disclosed today.

We aim to recover our business performance and return to profitability in the fiscal year ending March 2022 and onward by implementing structural reforms during the current fiscal year and by strengthening the profitability of the core leasing business.

End