

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

Notice Concerning Issuance of New Shares through Third Party Allotment and Issuance of the 5th Series Stock Acquisition Rights in connection with the Loan with Stock Acquisition Rights through Third Party Allotment, Issuance of Preferred Stock by Consolidated Subsidiary, and Expected Changes in Major Shareholders and the Largest Shareholder among the Major Shareholders

Leopalace 21 Corporation (Headquarters: Nakano, Tokyo; President and CEO: Bunya Miyao; the “Company”) announces that, at its Board of Directors’ Meeting held on September 30, 2020, the Company resolved (1) (i) an issuance of new shares of the Company (“New Shares”) through third party allotment (“Issuance of New Shares”) and (ii) an issuance of the 5th series of stock acquisition rights (“Stock Acquisition Rights”) in connection with the loan with stock acquisition rights (“Loan”) through third party allotment (“Issuance of Stock Acquisition Rights”) (collectively, “Third Party Allotment”), and (2) an issuance of the Class A Preferred Stock by Leopalace Power Corporation, a wholly-owned subsidiary of the Company (such Class A Preferred Stock and the issuance thereof shall be hereinafter referred to as “Preferred Stock” and “Issuance of Preferred Stock”, respectively) as follows.

The Company also announces that, in conjunction with the Third Party Allotment, changes in major shareholders of the Company and the largest shareholder among the major shareholders of the Company are expected.

I . Third Party Allotment

1. Outline of offering

[Offering in connection with Issuance of New Shares]

| | |
|---|--|
| (1) Date of payment | November 2, 2020 |
| (2) Number of new shares to be issued | 84,507,000 shares of common stock |
| (3) Issue price | 142 yen per share |
| (4) Amount to be raised | 11,999,994,000 yen (Note 1) |
| (5) Method of offering or allotment (Scheduled Allottee) | All shares will be allotted to Chidori Godo Kaisha (Note 2) (“Scheduled Allottee”) through third party allotment |
| (6) Others | Each item above shall be subject to the effectiveness of the securities registration statement under the Financial Instruments and Exchange Act of Japan, and the completion of the prior notification procedures under the Foreign Exchange and Foreign Trade Act of Japan (“Foreign Exchange Act”) by the Scheduled Allottee in respect of the Issuance of New Shares. |

[Offering in connection with Issuance of Stock Acquisition Rights]

| | |
|---|--|
| (1) Date of allotment | November 2, 2020 |
| (2) Total number of stock acquisition rights | 159,748,700 units |
| (3) Issue price | 215,660,745 yen (in total) (1.35 yen per unit of the Stock Acquisition Rights) |
| (4) Number of dilutive shares resulting from the issuance | number of dilutive shares : 159,748,700 shares |
| (5) Amount to be raised | 20,900,976,145 yen (Note 3) |
| (6) Exercise price | 142 yen |
| (7) Method of offering or allotment (Scheduled Allottee) | All units will be allotted to the Scheduled Allottee through third party allotment. |
| (8) Others | Each item above shall be subject to the effectiveness of the securities registration statement under the Financial Instruments and Exchange Act of Japan, and the completion of the prior notification procedures under the Foreign Exchange Act by the Scheduled Allottee in respect of the Issuance of New Shares. |

- (Notes) 1. The amount to be raised is obtained by subtracting the approximate amount of various costs for issuance of the New Shares from the aggregate amount to be paid for the New Shares.
2. Chidori Godo Kaisha is an affiliated entity of Fortress Investment Group LLC (hereinafter referred to as "FIG", and collectively, together with its affiliated entities, "Fortress"). For details, see "7. Reasons for selecting Scheduled Allottee, etc., (1) Outline of Scheduled Allottee".
3. The amount to be raised is obtained by subtracting (x) the approximate amount of various costs for issuance of the Stock Acquisition Rights from (y) the total amount of (a) the aggregate amount to be paid for the Stock Acquisition Rights and (b) the amount of the assets to be contributed upon exercise of the Stock Acquisition Rights. If no Stock Acquisition Rights are exercised during the exercise period, the amount to be raised may decrease.

[Outline of Loan]

| | |
|------------------------------------|-----------------------------------|
| (1) Borrower | Leopalace21 Corporation |
| (2) Lender | Kaede Godo Kaisha ("Loan Lender") |
| (3) Principal amount of loan | 30 billion (30,000,000,000) yen |
| (4) Date of execution of agreement | September 30, 2020 |
| (5) Loan drawdown date | November 2, 2020 |
| (6) Maturity date | November 4, 2025 |

| | |
|---|---|
| (7) Voluntary prepayment | Prepayment may be made after three (3) years from the loan drawdown date; provided, however, that, after two (2) years from the drawdown date, prepayment may be made only during the period when the occupancy rate of the Company's properties reaches a certain level. |
| (8) Applicable interest rate | 14.5% per annum However, only during the period when the occupancy rate of the Company's properties reaches a certain level, the applicable interest rate is 10.0% per annum. |
| (9) Up-front fee | 2.00% |
| (10) Security interests | Real estate, loan receivables held against the Company's subsidiaries, stock of subsidiaries (Leopalace Leasing Corporation, Plaza Guarantee Co., Ltd., and Azu Life Care Co., Ltd.), etc. |
| (11) Guaranty | Joint and several guarantees by the Company's subsidiaries (Leopalace Leasing Corporation, Plaza Guarantee Co., Ltd., and Azu Life Care Co., Ltd.) |
| (12) Exercise of stock acquisition rights | If contributions in cash are made upon exercise of the stock acquisition rights, the amount of such contribution in cash will be used to prepay a portion of the principal amount of the loan principal receivables and the loan interest receivables to the Company under a loan agreement concerning the Loan between the Company and the Loan Lender (the loan principal receivables and the loan interest receivables, and the loan agreement shall be hereinafter referred to as the "the Loan Receivables" and the "Loan Agreement", respectively). If contributions in the Loan Receivables are made upon exercise of the stock acquisition rights, the Loan Receivables so contributed will be deemed to have become due and payable and extinguished by merger up to the amount of such claim at the same time as such contribution. |

2. Purpose of and reason for offering

In order to restore the stakeholder confidence that has been damaged by the issue of construction defects, the Company has worked to solve the issue of construction defects, specify the measures to prevent recurrence, and raise the level of governance. At the same time, the Company has implemented structural reforms centered on transferring or withdrawing from non-core and unprofitable businesses and soliciting voluntary retirements, through which the Company has sought to drastically improve its corporate structure to increase its corporate value. Specifically, with a view of clarifying responsibilities for its sluggish performance and implementation of the structural reforms, the Company has reduced the number of executives, continued to reduce the amount of executive compensation, and abolished the advisor system. In addition, in accordance with its policy of transferring or withdrawing from non-core and unprofitable businesses, the Company completed the sale of Hotel Leopalace Nagoya in September 2020. Further, as a result of the voluntary retirement solicitation, the Company reduced the number of employees by 1,067 in August 2020. On the other hand, in the fiscal

year ended March 31, 2020, the Company recorded a substantial loss for its second fiscal year in a row, mainly due to its measures to deal with the construction defects and the worsening of occupancy rates associated with the measures to deal with the construction defects.

Against this backdrop, in addition to the measures to deal with the construction defects and the worsening of occupancy rates associated with the measures to deal with the construction defects, economic activity in Japan and overseas has been significantly restrained due to the impact of COVID-19 since the beginning of this year, and as a result, the number of installation and construction of new rent houses is decreasing, and the number of vacant houses is increasing. Accordingly, the business environment surrounding the Company is now extremely challenging.

Under such severe business environment, the Company recognizes that the amount of the consolidated net assets at the end of the first cumulative quarter consolidated period of the fiscal year ending March 2021 is the excess of liability of 11,818 million yen and that further improvement of its financial structure is necessary, and the Company has now concluded that it is necessary to aim to solve the issues with respect to its business and financial affairs thoroughly at an early stage, by newly selecting investors who can provide support including funding through capital contribution to the Company, and utilizing the funding provided by such investors.

The Company has been in negotiations with potential investors who will support the Company's group, and as a result, the Company decided that a fundraising scheme proposed by the Scheduled Allottee ("Scheme"), which is stated in "3. Outline of fundraising method and reasons for selection" below, best meets the Company's needs in that, while having temporary share dilution limited as much as possible, the Scheme will enable the Company to give sufficient consideration to the stock price and the profits of existing shareholders by reducing the temporary impact on the stock price, eliminate the excessive liabilities and realize improvement of the financial structure by increasing its equity capital, and to raise necessary funds to meet the essential funding requirements, such as payment of repair work expenses related to construction defects such as parting walls found in the properties constructed by the Company and existing borrowings and redemption of bonds.

3. Outline of fundraising method and reasons for selection

The Company has decided to adopt the Scheme, which combines (i) the issuance of the New Shares and the Stock Acquisition Rights through third party allotment and fundraising through the Loan with Stock Acquisition Rights (ii) the issuance of the Preferred Stock of Leoplace Power Corporation, the Company's wholly-owned subsidiary. The Company believes that, from the viewpoints of eliminating the Company's excessive liabilities and its medium-to long-term financial strategy, the above methods, each outlined as follows, form an integral part of the Scheme. The Company also believes that the Scheme is the best capital strategy among those available to the Company at present, in terms of fundraising probability with respect to each method, impact on the Company's balance sheet, and the timing of fundraising, etc.

(a) Outline of Third Party Allotment

< New Shares >

The New Shares to be issued under the Scheme have the following characteristics.

(i) Lock-up provision

In connection with the New Shares to be acquired through the Third Party Allotment by the Scheduled Allottee, the Company has confirmed with the Scheduled Allottee that the Scheduled Allottee will hold them for the purpose of the Company's growth and increase in the Company's corporate value from a medium-to long-term perspective. In addition, a third party allotment agreement executed between the Scheduled Allottee and the Company on September 30, 2020 ("Third Party Allotment Agreement"), prohibits any transfer or other disposition of the New Shares for a period of eighteen (18) months from the date of payment of the New Shares. By taking these measures, the Company intends to prevent a substantial decrease in the stock price caused by an immediate mass sale or disposal of the New Shares to be issued through the Third Party Allotment.

< Stock Acquisition Rights >

The Stock Acquisition Rights to be issued under the Scheme have the following characteristics.

(i) Loan with stock acquisition rights

The Loan is structured to allow a holder of the Stock Acquisition Rights to contribute assets upon exercise of the Stock Acquisition Rights either in cash or in the form of the Loan Receivables and the Loan Lender to transfer the Loan Receivables in connection with the Loan separately from the Stock Acquisition Rights. According to this structure, even if the Company, in light of economic rationality, prepays the Loan Receivables to meet any financial requirements, the Stock Acquisition Rights held by the Scheduled Allottee shall not be extinguished.

(ii) Fixed exercise price provision

The exercise price of the Stock Acquisition Rights is fixed, and it is structured that, if an increase in market valuation of the Company results in an increase of the stock price of the Company, and if the stock price exceeds the exercise price, the probability of the Scheduled Allottee exercising the Stock Acquisition Rights increases, which enables the Company to increase equity capital. On the other hand, even when the stock price of the Company declines, as long as the stock price exceeds the exercise price, the Company can expect the Stock Acquisition Rights to be exercised, and even if the stock price falls below the exercise price, the Company may raise funds by utilizing the structure of the Loan. In addition, since the exercise price of the Stock Acquisition Rights is fixed, even if the stock price of the Company declines, there would be no increase in share dilution; provided that even if the stock price of the Company increases, there would be no advantage in limiting share dilution

(iii) Prepayment

Fundraising through the Loan enables the Company to secure reliable financing at an early stage, and concurrently, after a certain period of time, the Company may prepay the Loan Receivables without having to pay a penalty or the amount in excess of the principal amount. In this way, it is structured that the Company may, in light of economic rationality, flexibly respond to meet any financial requirements.

(b) Issuance of Preferred Stock

In addition to the Third Party Allotment, the Company intends to raise funds through the issuance of the Preferred Stock to Kikyo Godo Kaisha and Willow Investment Holdings L.P. (collectively "the Scheduled Allottee of Preferred Stock"). For the outline of the issuance of the Preferred Stock to the Scheduled Allottee of Preferred Stock under the Scheme, see "II. Issuance of Preferred Stock" below. Through the capital increase in Leopalace Power Corporation, Leopalace Power Corporation will repay the existing borrowings of Leopalace Power Corporation, for which the Company is the guarantor as stated in "4. Amount of proceeds to be raised, and uses and scheduled timing of expenditure thereof, (2) Specific uses of proceeds to be raised, (ii) Repayment of borrowings obtained by subsidiary" below, and intends to increase the consolidated net assets of the Company and eliminate the excessive liabilities. Given that one of the purposes of the fundraising this time is to repay the existing borrowings obtained by Leopalace Power Corporation, for which the Company owes guarantee obligations, and that, if financial concerns are dispelled through such repayment of the existing borrowings, a stable profit could be expected from Leopalace Power Corporation, the Company has selected Leopalace Power Corporation as a company to issue preferred stock.

Leopalace Power Corporation is in breach of the covenant with respect to its existing debt of 13,407 million yen, but after the issuance of the Preferred Stock, the Company plans to cause Leopalace Power Corporation to pay dividends to the Company in the amount equal to the aggregate of (i) the amount to be paid for the Preferred Stock of 15 billion yen, less repayment of such existing borrowings, and (ii) the amount of cash and deposits balance of Leopalace Power Corporation (3,545 million yen) as of the end of March 2020, minus (a) the amount of working capital necessary for Leopalace Power Corporation and (b) the amount of debt other than borrowings of Leopalace Power Corporation. Given that the book value of Leopalace Power Corporation for the fiscal year ended March 31, 2020 amounts to 80 million yen, and the consolidated net assets for the fiscal year ended March 31 2020 amounts to 260 million yen compared to the amount obtained by the Company through the repayment of the existing borrowings and dividend of surplus, the Company believes that, it is economically reasonable to issue the Preferred Stock in the amount of 15 billion yen in accordance with the following conditions.

(c) Comparison with other fundraising methods

(i) Issuance of common stock through public offering

In addition to the measures to deal with the construction defects and the worsening of occupancy rates associated with the measures to deal with the construction defects, the economic situation has been severely disrupted due to the outbreak of COVID-19 and other factors, and accordingly, the business environment surrounding the Company is now extremely challenging. Under such severe business environment, the Company has determined that it is difficult to implement a capital increase through a public offering to be conducted after an underwriting examination by securities companies.

(ii) Issuance of new shares through third party allotment

An issuance of new shares through third party allotment in the amount equivalent to the aggregate amount of proceeds to be raised from the New Shares, the Loan and the Preferred Stock is considered to have a significant direct impact on the stock price because such issuance of new shares through third party allotment would immediately cause a dilution in earnings per share. Accordingly, the Company has determined that it is not the most appropriate method of fundraising at present.

(iii) Issuance of common stock and allotment of stock acquisition rights without consideration through shareholder allotment

Depending on the decision made by each allotted shareholder based on the stock price trends and other factors, not all share subscription rights will necessarily be exercised, and not all shareholders will necessarily accept the shareholder allotment, and therefore, the ultimate amount to be raised is unknown. Given that the Company needs to ensure implementation of an ample level of fundraising, the Company has accordingly determined that it is not an appropriate option at present.

(iv) Issuance of stock acquisition rights with moving strike price

As a characteristic of the stock acquisition rights, only if any holder of the stock acquisition rights exercises its right, it will be possible to raise funds in an amount equal to the exercise price multiplied by the number of shares to be issued or delivered. Given the risk that the Company may not be able to satisfy its funding requirements for the elimination of excessive liabilities and that if the stock price declines, the Company may not be able to raise funds in full, the Company has determined that it is not an appropriate option at present.

(v) Straight bonds and bank loans

In considering the Scheme, the Company places importance on capital increase for the elimination of excessive liabilities, and the Company has determined that straight bonds and bank loans are not an appropriate option at present.

(d) Reasons for selecting Scheme

As stated in (a), (b), in the comparison with other fundraising methods stated in “3. Outline of fundraising method and reasons for selection, (c) Comparison with other fundraising methods” above, by way of the fundraising under the Scheme, (i) even though the New Shares will be issued, in combination with the issuance of the Stock Acquisition Rights in connection with the Loan and the fundraising through the issuance of the Preferred Stock of Leopalace Power Corporation, it is possible to limit temporary share dilution as much as possible, (ii) due to the restriction imposed on the sale of the New Shares for a certain period of time, it is possible to reduce temporary impact on the stock price, (iii) on the other hand, through the issuance of the New Shares and the Stock Acquisition Rights, and the issuance of Preferred Stock by Leopalace Power Corporation, it is possible to eliminate the excessive liabilities and realize improvement of the financial structure by increasing the consolidated net assets, and (iv) in combination with the Loan, while limiting share dilution, it is possible to procure funds to meet the essential funding requirements, such as payment of repair work expenses related to construction defects such as parting walls found in the properties constructed by the Company, and the existing borrowings and the redemption of bonds. Accordingly, the Company has determined that the fundraising method, which combines the issuance of the New Shares and the Stock Acquisition Rights, and the Stock Acquisition Rights in connection with the Loan, and the issuance of Preferred Stock by Leopalace Power Corporation, is the most appropriate option at present and decided to adopt it.

4. Amount of proceeds to be raised, and uses and scheduled timing of expenditure thereof

(1) Amount of proceeds to be raised

| | |
|---|--------------------|
| Aggregate amount to be raised | 34,899,970,145 yen |
| Breakdown | |
| Amount to be raised from Issuance of New Shares | 11,999,994,000 yen |
| Amount to be raised from Issuance of Stock Acquisition Rights | 215,660,745 yen |
| Amount to be raised from exercise of Stock Acquisition Rights | 22,684,315,400 yen |
| Approximate amount of various costs for issuance | 1,881,000,000 yen |
| Estimated net proceeds | 33,018,970,145 yen |

- (Notes) 1. In connection with the issuance of the Stock Acquisition Rights, the Company plans to raise, in addition to 215,660,745 yen, the aggregate amount to be paid for the Stock Acquisition Rights, 30 billion (30,000,000,000) yen, pursuant to the Loan Agreement.
- The approximate amount of various costs for issuance does not include national consumption tax and local consumption tax.
 - If any Stock Acquisition Rights are not exercised during the exercise period, the amount to be raised from the exercise of the Stock Acquisition Rights and the approximate amount of various costs for issuance will decrease.
 - The approximate amount of various costs for issuance consists of the sum of financial advisor fees, up-front fee, registration-related costs, legal fees and fees for calculating share price, etc.

(2) Specific uses of proceeds to be raised

The aggregate amount to be raised from the Third Party Allotment is scheduled to be 42,215,654,745 yen (Estimated net proceeds: 39,674,654,745 yen), which is the sum of (i) 11,999,994,000 yen, which is the aggregate amount to be paid for the New Shares, (ii) 215,660,745 yen, which is the aggregate amount to be paid for the Stock Acquisition Rights, and (iii) 30 billion (30,000,000,000) yen, which is the aggregate amount of borrowing under the Loan Agreement. In addition, together with 15 billion (15,000,000,000) yen (Estimated net proceeds: 14,336,000,000 yen), which is the amount to be raised from the issuance of the Preferred Stock by Leopalace Power Corporation to the Scheduled Allottee of Preferred Stock, as stated in "3. Outline of fundraising method and reasons for selection" above, which was resolved by Leopalace Power Corporation on the same date as the date on which the Third Party Allotment was resolved, the aggregate amount of proceeds to be raised is expected to be 57,215,654,745 yen (Estimated net proceeds: 54,010,654,745 yen), and specific uses thereof, and the amount to be used and scheduled timing of expenditure for each use are as follows.

| Specific uses | Amount | Scheduled timing of expenditure |
|--|--------------------|-----------------------------------|
| (i) Payment of repair work expenses related to construction defects such as parting walls in the properties constructed by the Company | 34,033 million yen | In and after October 2020 |
| (ii) Repayment of borrowings obtained by subsidiary | 13,407 million yen | From October to December 2020 |
| (iii) Funds for redemption of bonds | 6,570 million yen | From March 2021 to September 2022 |

(i) Payment of repair work expenses related to construction defects such as parting walls in the properties constructed by the Company

To be appropriated to the payment of repair work expenses related to construction defects such as parting walls found in the properties constructed by the Company and incidental expenses to be incurred.

As of August 31, 2020, among all properties constructed by the Company totaling 39,085 buildings, 38,700 buildings, excluding those that currently do not exist due to being demolished, etc., are subject to the Company's investigations. Out of such 38,700 buildings, investigations for 38,305 buildings have been completed, and as a result, the Company identified "obvious defects" in 13,626 buildings and has commenced renovation work for 7,394 buildings. Out of such renovation work for 7,394 buildings, the work for 1,055 buildings has been completed, and the number of buildings for which the renovation work has not commenced is 6,232. In addition to the above, the Company identified "minor defects" related to parting walls in attics in 16,457 buildings and has commenced renovation work for 3,902 buildings. Out of such renovation work for 3,902 buildings, the work for 55 buildings has completed, and the number of the buildings for which the renovation work has not commenced is 12,555. The Company accordingly recorded the reserve for losses on repair work of 54,428 million yen as of the end of June 2020.

Since business performance recovery is essential for the Company to implement measures to deal with construction defects in a stable manner, the Company has temporarily reduced the scale of construction and construction systems involved in dealing with construction defects and will review the renovation plan when the prospects for management improvement are in sight. For the time being, the Company will proceed with renovation work with the goal of completing the renovation work for around 2,000 buildings by the end of December 2020, focusing on vacancies, etc., for which solicitation of new tenants is pending due to construction defects, and formulate specific plans thereafter through consultation with the Scheduled Allottee. The Company plans to steadily proceed with renovation work related to construction defects, while promoting the management improvement.

However, as stated in "1. Third Party Allotment, 2. Purpose of and reason for offering" above, in addition to the measures to deal with the construction defects and the worsening of occupancy rates associated with the measures to deal with the construction defects, economic activity in Japan and overseas has been significantly restrained due to the impact of COVID-19 since the beginning of this year, and as a result, the number of installation and construction of new rent houses is decreasing, and the number of vacant houses is increasing. Accordingly, the business environment surrounding the Company is now extremely challenging.

Thus, the Company plans to appropriate the proceeds from the Third Party Allotment to a portion of the repair work expenses related to construction defects and incidental expenses, and thereby steadily proceed with renovation work related to construction defects.

(ii) Repayment of borrowings obtained by subsidiary

To be appropriated to the repayment of the existing borrowings of 13,407 million yen obtained by Leoplace Power Corporation, the Company's wholly-owned subsidiary.

Outline of the borrowings are as follows. (as of September 30, 2020)

| | |
|-----------------------------|---|
| Lender | Sumitomo Mitsui Banking Corporation |
| Borrowing drawdown date | September 30, 2014, June 30, 2016 |
| Tenor for borrowing | 16 years |
| Amount of initial borrowing | 5,200 million yen and 200 million yen, for a total of 5,400 million yen. |
| Borrowing balance | 3,589 million yen |
| Interest rates | 0.940% |
| Security interests | N/A |
| Guaranty | Joint and several guarantees by the Company |
| Use of funds | Capital expenditure |
| Financial covenants | Leoplace Power Corporation is in breach of the financial covenants and is having ongoing discussions with the lender, Sumitomo Mitsui Banking Corporation, but Leoplace Power Corporation may immediately be required to repay the borrowing pursuant to the agreement. |

| | |
|-------------------------|-------------------|
| Lender | Mizuho Bank, Ltd. |
| Borrowing drawdown date | March 30, 2015 |

| | |
|-----------------------------|---|
| Tenor for borrowing | 16 years and 9 months |
| Amount of initial borrowing | 1,500 million yen |
| Borrowing balance | 1,023 million yen |
| Interest rates | 1.600% |
| Security interests | N/A |
| Guaranty | Joint and several guarantees by the Company |
| Use of funds | Capital expenditure |
| Financial covenants | Leopalace Power Corporation is in breach of the financial covenants and is having ongoing discussions with the lender, Mizuho Bank, Ltd., concerning preservative measure, etc. |

| | |
|-----------------------------|---|
| Lender | Mizuho Bank, Ltd. |
| Borrowing drawdown date | June 30, 2015 |
| Tenor for borrowing | 16 years and 6 months |
| Amount of initial borrowing | 8,500 million yen |
| Borrowing balance | 5,795 million yen |
| Interest rates | 1.630% |
| Security interests | N/A |
| Guaranty | Joint and several guarantees by the Company |
| Use of funds | Capital expenditure |
| Financial covenants | Leopalace Power Corporation is in breach of the financial covenants and is having ongoing discussions with the lender, Mizuho Bank, Ltd., concerning preservative measure, etc. |

| | |
|-----------------------------|---|
| Lender | Mizuho Bank, Ltd. |
| Borrowing drawdown date | March 30, 2018 |
| Tenor for borrowing | 10 years |
| Amount of initial borrowing | 4,000 million yen |
| Borrowing balance | 3,000 million yen |
| Interest rates | 0.890% |
| Security interests | N/A |
| Guaranty | Joint and several guarantees by the Company |
| Use of funds | Capital expenditure |
| Financial covenants | Leopalace Power Corporation is in breach of the financial covenants and is having ongoing discussions with the lender, Mizuho Bank, Ltd., concerning preservative measure, etc. |

(iii) Funds for redemption of bonds

To be appropriated to the redemption of the outstanding bonds of the Company.

Outline of the bonds are as follows. (as of September 30, 2020)

| | |
|--------------------------|---|
| Name of bond | Leopalace 21 Corporation 14th unsecured straight bond |
| Aggregate amount of bond | 11,900 million yen |
| Date of issuance | September 30, 2015 |
| Redemption date | September 30, 2020 |
| Bond balance | 3,570 million yen |
| Interest rates | 6 month yen TIBOR |
| Security interests | N/A |
| Guaranty | Joint and several guarantees by Sumitomo Mitsui Banking Corporation |
| Use of funds | Working capital |

| | |
|--------------------------|--|
| Name of bond | Leopalace 21 Corporation 15th unsecured straight bond |
| Aggregate amount of bond | 10,000 million yen |
| Date of issuance | September 30, 2015 |
| Redemption date | September 30, 2022 |
| Bond balance | 3,000 million yen |
| Interest rates | 0.630% |
| Security interests | N/A |
| Guaranty | Joint and several guarantees by Resona Bank, Limited.) |
| Use of funds | Working capital |

The proceeds that are raised will be maintained in a bank account until they are actually used.

5. Rationale for the use of proceeds to be raised

The Company aims to use the proceeds of the Third Party Allotment to repay the repair work expenses related to construction defects such as parting walls in the properties constructed by the Company, repay the borrowings obtained by its subsidiary and redeem the bonds (for the breakdown, please see “4. (2) Specific uses of proceeds to be raised” above) in order to improve its profitability and stabilize its cash flow and achieve medium to long-term growth. At the same time, the Company also aims to have a system in place so that the Company may maintain and improve the flexibility of its financing, ensure stable and continuing transactions with financial institutions and reduce its financial costs, and increase cash on hand and achieve stable and long-term growth of the business, by strengthening its equity capital and its financial base.

The Company believes that the implementation of the Third Party Allotment will further improve its corporate value, and that the above-mentioned use of proceeds is in the best interest of the Company.

6. Reasonableness of terms and conditions of issuance

(1) Basis for determining that terms and conditions of issuance are reasonable, and specific details

(i) New Shares

The Company determined that the amount to be paid for the New Shares will be 142 yen per share (discount rate: 9.55%) on the basis of 157 yen, which is the closing price on September 29, 2020, the business day immediately preceding the board resolution date concerning the Issuance of New Shares.

Such amount to be paid represents 17.44% discount relative to the average closing price for the most recent one-month period (172 yen), 18.39% discount relative to the average closing price for the most recent three-month period (174 yen), and 33.02% discount relative to the average closing price for the most recent six-month period (212 yen), immediately preceding the board resolution date concerning the Issuance of New Shares.

Taking the following circumstances into consideration, the Company determined the discount rate as the most desirable rate for the Company based on the discussion with the Scheduled Allottee:

- As described in “2. Purpose of and reason for offering,” in order to restore the stakeholder confidence that has been damaged by the issue of construction defects, the Company has worked to solve the issue of construction defects, specify the measures to prevent recurrence, and raise the level of governance. At the same time, the Company has implemented structural reforms centered on transferring or withdrawing from non-core and unprofitable businesses and soliciting voluntary retirements, through which the Company has sought to drastically improve its corporate structure to increase its corporate value. Specifically, with a view of clarifying responsibilities for its sluggish performance and implementation of the structural reforms, the Company has reduced the number of executives, continued to reduce the amount of executive compensation, and abolished the advisor system. In addition, in accordance with its policy of transferring or withdrawing from non-core and unprofitable businesses, the Company completed the sale of Hotel Leopalace Nagoya in September 2020. Further, as a result of the voluntary retirement solicitation, the Company reduced the number

of employees by 1,067 in August 2020. On the other hand, in the fiscal year ended March 31, 2020, the Company recorded a substantial loss for its second fiscal year in a row, mainly due to its measures to deal with the construction defects and the worsening of occupancy rates associated with the measures to deal with the construction defects. Against this backdrop, in addition to the measures to deal with the construction defects and the worsening of occupancy rates associated with the measures to deal with the construction defects, economic activity in Japan and overseas has been significantly restrained due to the impact of COVID-19 since the beginning of this year, and as a result, the number of installation and construction of new rent houses is decreasing, and the number of vacant houses is increasing. Accordingly, the business environment surrounding the Company is now extremely challenging. Under such environment, that the amount of the consolidated net assets at the end of the first cumulative quarter consolidated period of the fiscal year ending March 2021 is the excess of liability of 11,818 million yen, therefore, the Company urgently needs to raise funds.

- As described in “3. Outline of fundraising method and reasons for selection,” the Company concluded that the fundraising through the Scheme would increase the benefit to its existing shareholders even by taking the above-mentioned discount rate into account, in that such fundraising could enable the Company to give sufficient consideration to the stock price and the profits of existing shareholders by reducing the temporary impact on the stock price, and to raise the necessary funds for realizing improvement of the financial structure by increasing its equity capital.

- As described in “2. Purpose of and reason for offering,” the Company’s group is exposed to the risk of decline in the share price of its common stock due to the fact that the business environment surrounding the Company continues to be extremely challenging, and the amount of the consolidated net assets at the end of the first cumulative quarter consolidated period of the fiscal year ending March 2021 is the excess of liability of 11,818 million yen.

The Company determined the amount to be paid on the basis of 157 yen, which is the closing price on September 29, 2020, the business day immediately preceding the board resolution date concerning the Issuance of New Shares, because the Company concluded that such closing price is the most recent market price and duly reflected the current stock value of the Company.

Such amount to be paid is in compliance with the “Guidelines for Third-Party Allotment” provided by the Japan Securities Dealers Association, which sets forth that “the amount to be paid shall be at least 90% of the value on the date immediately preceding the board resolution concerning the issuance of stock. Accordingly, the Company believes that such amount is not an especially favorable price for the Scheduled Allottee.

Furthermore, the Company obtained the opinion from the four members of its Audit & Supervisory Board (including two outside members) that in light of the details of the terms and conditions of the New Shares and the “Guidelines for Third-Party Allotment” provided by the Japan Securities Dealers Association, as (a) the amount to be paid for the New Shares is based on the market value, which is the objective value showing the stock value of the Company, and (b) such amount of 142 yen per share represents a 9.55 % discount relative to the closing price of the Company’s common stock at the Tokyo Stock Exchange on September 29, 2020, the business day immediately preceding the board resolution date concerning the Issuance of New Shares (157 yen), such amount is not an especially favorable price for the Scheduled Allottee, and there are no violations of laws and regulations in the board of directors’ conclusion that the New Shares will not be issued at a favorable price.

(ii) Stock Acquisition Rights

To ensure fairness, the Company requested a third party appraiser (PLUTUS CONSULTING Co., Ltd.; Headquartered at 3-2-5, Kasumigaseki, Chiyoda-ku, Tokyo, Representative: Mahito Noguchi) (“PLUTUS”) independent from the Company and the Scheduled Allottee to evaluate the Stock Acquisition Rights, taking into account the various conditions set forth in the terms and conditions of the Stock Acquisition Rights and the Third Party Allotment Agreement. On September 29, 2020, the Company obtained the “valuation report on the fifth series stock acquisition rights” (the “Stock Acquisition Rights Valuation Report”). PLUTUS evaluated the Stock Acquisition Rights by employing the Monte Carlo simulation among commonly used price calculation models, which

PLUTUS believed could relatively and approximately reflect the terms and conditions of the Stock Acquisition Rights, etc. into their appraisal results. By considering the market conditions on the valuation reference date, PLUTUS also made certain assumptions regarding the Company's share price, volatility, dividend yield, risk-free interest rate and other factors, and imposed certain preconditions concerning the Company's funding requirement and the exercise of the Company and the Scheduled Allottee's respective rights (including the case where Scheduled Allottee would exercise its rights and sell shares uniformly and dispersedly within the extent of a certain percentage of the market trading volume). The Stock Acquisition Rights Valuation Report states that the value of the Stock Acquisition Rights, which was calculated based on the closing price of the Company's shares on September 29, 2020, is JPY1.35 per Stock Acquisition Right. By referring to the value calculated by PLUTUS on the basis of the above-mentioned preconditions, the Company determined that the amount to be paid for a Stock Acquisition Right will be JPY1.35 following the discussion with the Scheduled Allottee.

Also, the Company determined that the exercise price of the Stock Acquisition Right will be 142 yen per share (discount rate: 9.55%) on the basis of 157 yen, which is the closing price on September 29, 2020, the date immediately preceding the board resolution date concerning the Issuance of Stock Acquisition Rights, as in the case of the New Shares.

In determining the amount to be paid and the exercise price of the Stock Acquisition Right, the Company concluded that as PLUTUS considered circumstances that could have an impact on the fair valuation and calculated the fair value using the Monte Carlo simulation which is commonly used as a method of calculating the valuation of stock acquisition rights, the appraisal result of PLUTUS shows the reasonable fair value and the amount to be paid per Stock Acquisition Right, which is the same price as such appraisal value obtained by such appraisal, is not a favorable price and is an appropriate and reasonable price.

Furthermore, the Company has obtained the opinion from the four members of its Audit & Supervisory Board (including two outside members) that in light of the details of the terms and conditions of the Stock Acquisition Rights and the appraisal basis of the Stock Acquisition Rights described in the stock acquisition rights valuation report, as (a) the amount to be paid per Stock Acquisition Right is the same price as the appraisal value, (b) the valuation was made by PLUTUS, which is a third party appraiser independent from the Company and the Scheduled Allottee, (c) the valuation method adopted by PLUTUS is a generally accepted and reasonable method in the field of financial engineering, (d) the valuation took into consideration all of the material facts that could have had an impact on the appraisal value of the Stock Acquisition Rights, and (e) there is nothing unreasonable in the valuation process and preconditions, etc., such amount is not an especially favorable price for the Scheduled Allottee, and there are no violations of laws and regulations in the board of directors' conclusion that the Stock Acquisition Rights will not be issued at a favorable price.

(2) Grounds for determining that issuance volume and the degree of dilution of the shares are reasonable

The number of New Shares to be issued pursuant to the Third Party Allotment is 84,507,000 shares (845,070 voting rights), the number of New Shares to be issued upon the exercise of all the Stock Acquisition Right is 159,748,700 shares (1,597,487 voting rights) and the dilution ratio using as a denominator the total number of outstanding shares of common stock of the Company (244,882,515 shares as of September 30, 2020 representing 2,442,567 voting rights) is expected to be 100.00% (the dilution ratio for the total number of voting rights is expected to be 100.00%), which will result in a significant dilution of shares.

However, the Third Party Allotment aims to eliminate the Company's excessive liabilities and realize improvement of the financial structure by increasing the consolidated net assets. The Company believes that the Third Party Allotment will enable the Company to stabilize its overall business foundation and financial foundation and help create a business foundation and financial foundation that will achieve its medium-to long-term growth, which will contribute to the enhancement of its corporate and shareholder value over the medium to long term. The Company also believes that establishing strong ties with the Scheduled Allottee will further stabilize its business foundation, which will also contribute to enhancing its corporate and shareholder value.

In addition, taking into account that (i) although the issuance volume of the New Shares and the Stock Acquisition Rights is significant, the payment for the New Shares as well as the issuance of the Preferred Stock by Leopalace Power Corporation will be conducted to the extent necessary for the equity financing deemed necessary to eliminate the excessive liabilities of the Company, (ii) the combination of the Loan Agreement and the Issuance of Stock Acquisition Rights will further improve the Company's group by enhancing its equity capital, (iii) the Scheme that combines the issuance of the New Shares and the Stock Acquisition Rights to the Scheduled Allottee with the issuance of the Preferred Stock by Leopalace Power Corporation would be the most appropriate equity financing method compared with other fundraising methods, (iv) in light of the severe financial condition surrounding the Company and the result of discussions and negotiations with prospective investors who would support the Company's group, the amount to be paid for the New Shares and the Stock Acquisition Rights is in the best interest of the Company and its existing shareholders, the Company concluded that the issuance volume of the New Shares and the Stock Acquisition Rights and the degree of dilution of the shares are reasonable notwithstanding the potential dilution that could occur from the issuance of the New Shares and the Stock Acquisition Rights.

7. Reasons for selecting Scheduled Allottee, etc.

(1) Outline of Scheduled Allottee

| | | | | |
|------|---|---|-------------------------------------|-------------------------------------|
| (1) | Name | Chidori Godo Kaisha | | |
| (2) | Address | C/o EP Consulting Service, 1-2-9 Nishi-Shinbashi, Minato-ku, Tokyo | | |
| (3) | Name and title of representative | Managing Member, Chidori General Incorporated Association Masayuki Meguro, Representative Director | | |
| (4) | Description of business | (1) Acquisition, holding, administration and disposal of monetary receivables, securities (including deemed securities), shares, equity interests of various entities, specified interests under the Act on the Securitization of Assets and other investment assets; (2) Acquisition, holding, leasing, administration and disposal of real properties; (3) Acquisition, holding, administration and disposal of trust beneficial interests; (4) Operation, management and administration of assets of investment business partnership, the purpose of which is to engage in any of the businesses described in item (1) through (3); and (5) All businesses associated with the preceding items | | |
| (5) | Paid-in capital | 0.1 million yen (as of September 23, 2020) | | |
| (6) | Date of Incorporation | September 9, 2020 | | |
| (7) | Number of shares outstanding | - | | |
| (8) | Fiscal year end | September 30 | | |
| (9) | Number of employees | 0 (as of September 23, 2020) | | |
| (10) | Major business partners | Not Applicable | | |
| (11) | Main financing banks | Not Applicable | | |
| (12) | Major investors and holding ratio | Chidori Holdings LLC | 99.99% | |
| | | Chidori Ippan Shadan Houjin | 0.01% | |
| (13) | Relationship between the parties | | | |
| | Capital relationship | Not Applicable | | |
| | Personnel relationship | Not Applicable | | |
| | Business relationship | Not Applicable | | |
| | Status as a related party | Not Applicable | | |
| (14) | Results of operations and financial condition for the last 3 years (in millions of yen, except otherwise noted) | | | |
| | Fiscal year end | Fiscal year ended September 2018 | Fiscal year ended September 2019 | Fiscal year ended September 2020 |
| | Net assets | - | - | - |
| | Total assets | - | - | - |

| | | | |
|--|---|---|---|
| Net assets per share (JPY) | - | - | - |
| Net sales | - | - | - |
| Operating profit | - | - | - |
| Recurring profit | - | - | - |
| Net income (loss) attributable to shareholders of the parent | - | - | - |
| Net income per share (JPY) | - | - | - |
| Dividends per share (JPY) | - | - | - |

(Note) Under the Third Party Allotment Agreement with the Scheduled Allottee, the Scheduled Allottee will make representations and warranties to the Company that neither the Scheduled Allottee nor any of its interest-holding members is an anti-social force, nor has any relationships with any anti-social force. Furthermore, the Company independently requested a specialized third party research firm, JP Research & Consulting, Inc. (Representative Director: Keisuke Furuno, and Headquarters: Toranomom Annex 6F, 3-7-12 Toranomom, Minato-ku, Tokyo, Japan) to conduct an investigation into whether or not the Scheduled Allottee or any of its interest-holding member is an anti-social force, or has any relationships with any anti-social force. The Company received the investigation report from JP Research & Consulting, Inc. on September 28, 2020. As such investigation report did not find any fact showing that either the Scheduled Allottee or any of its interest-holding members is an anti-social force, or has any relationships with any anti-social force, the Company concluded that neither the Scheduled Allottee nor any of its interest-holding members has any relationships with any anti-social force, and submitted the related undertaking to the Tokyo Stock Exchange.

(2) Reasons for selecting the Scheduled Allottee

In order to raise the funds described in “2. Purpose of and reason for offering” above, the Company has considered various fundraising methods and proceeded with discussions and negotiations with potential investors who would support the Company’s group. The Company has engaged SMBC Nikko Securities Co., Ltd. as its financial advisor, through which the Company discussed with several potential investors about the possibility of their providing support to the Company (including providing funding through investment in the Company). The Company determined that it would carefully consider the details of the proposals submitted by several potential sponsors, including the available amount of funding, the method of funding, the timing and feasibility of implementation, and their views on the Company’s management and business. In this context, the Company has been in extensive discussions with FIG, to which the Scheduled Allottee belongs, since around June 2020, and in August 2020, the Company received from FIG the proposal for the Scheme as described in “3. Outline of fundraising method and reasons for selection” above. As described in “3. Outline of fundraising method and reasons for selection” above, there are points of concern for each fundraising method such as the public offering of shares or borrowing from financial institutions, and the Company concluded that a fundraising method through the Scheme best meets the Company’s financing needs in that, while having temporary share dilution limited as much as possible, the Scheme will enable the Company to give sufficient consideration to the stock price and the profits of existing shareholders by reducing the temporary impact on the stock price, eliminate the excessive liabilities and realize improvement of the financial structure by increasing its equity capital, and to raise necessary funds to meet the essential funding requirements, such as payment of repair work expenses related to construction defects such as parting walls found in the properties constructed by the Company and existing borrowings and redemption of bonds.

The Scheduled Allottee, Chidori Godo Kaisha and the Loan Lender, Kaede Godo Kaisha are Fortress related entities. The fund required for the Third Party Allotment, loans under the Loan Agreement are to be procured from funds managed by Fortress. FIG is an international investment management company with approximately 45.5 billion US dollars (approximately, 4,775 trillion yen) (Note 1) of assets under management as of June 30, 2020. FIG was founded in 1998, and went public on the New York Stock Exchange in February 2007, becoming the first publicly traded alternative investment management company in the United States, and became a subsidiary of SoftBank Group Corp. in December 2017. FIG is headquartered in New York, U.S.A., and has approximately 850 employees worldwide. Fortress is the largest real estate investment fund manager in the world, with approximately 480 real estate investment professionals in its footprints in 14 countries. Since 2002, Fortress and various funds managed by Fortress have invested approximately 100 billion US dollars (approximately 10.605 trillion yen) in total in real estate and real estate-related companies worldwide. Fortress has approximately 50 professionals in Japan. Fortress manages five funds: Fortress Japan Opportunity Funds I, II, III, and IV, and Fortress Japan Income Fund, all of which are Japan-specific investment funds primarily investing in assets in Japan. These funds’ commitment-based investment (Note 2) totaled approximately 530 billion US dollars. To date, Fortress and the funds managed by Fortress have invested in various real estate and real estate companies in various ways. As a major track record in the housing field, Fortress acquired 1,149 public housing properties (formerly employment promotion housing) (2,911 buildings and 106,318 units) located in 47 prefectures nationwide from Hokkaido to Okinawa in 2017. Fortress incorporated Village House Management Co., Ltd. (“Village House”) as its wholly owned subsidiary that specializes in the operation of this large-scale housing portfolio, and has established an integrated operating and management system under its umbrella, which encompasses renovation work, advertisement, screening, and property management. To today, Fortress has implemented and managed complex renovation works on approximately 50,000 housing units in the portfolio, significantly increasing its occupancy rate to nearly double that at the time of acquisition. Moreover, Fortress has expanded Village House into a company with 9 locations nationwide and 1,010 employees (Note 3). The Company selected Chidori Godo Kaisha as the Scheduled Allottee because Fortress to which the Scheduled Allottee belongs, focuses on the leasing business and the Company can expect synergies with its business, in addition to the fact that Fortress proposed the financing methods that best meet the financing needs of the Company.

(Note 1) Conversion of U.S. dollar amounts into Japanese yen has been made at the rate of one US dollar to 105 yen, which is rounded to the nearest 100 million yen. The same applies hereinafter.

(Note 2) This refers to the maximum amount in the case where each investor in each fund is committed to making a cash contribution into the relevant fund up to a certain amount.

(Note 3) Figures are as of June 1, 2020.

The Company has agreed (i) with the Loan Lender that the Company as borrower will borrow 30 billion yen pursuant to the Loan Agreement with the Loan Lender as lender, and (ii) with the Scheduled Allottee that the Company will raise funds by issuing the Stock Acquisition Rights to the Scheduled Allottee. The structure of the Loan is summarized as follows:

- The Stock Acquisition Rights will not be issued without consideration, and the issue price of 1.35 yen per stock acquisition right will be paid;
- Assets to be contributed upon exercise of the Stock Acquisition Rights may be either money or the Loan Receivables. If money is contributed upon the exercise of the Stock Acquisition Rights, the Company will use it to repay the outstanding borrowings under the Loan Agreement, and if the Loan Receivables are contributed upon the exercise of Stock Acquisition Rights, the indebtedness in relation to the borrowings under the Loan Agreement, as is equal to the exercise price, will be extinguished. In either case, the Company will be able to improve its financial position;
- The exercise price of the Stock Acquisition Rights has been determined to be at 142 yen per share of the Company's shares to be acquired upon the exercise (the "Relevant Shares"), and the number of the Relevant Shares under the Stock Acquisition Rights will not change depending on trends in the market share price of the Company;
- The Loan Receivables under the Loan Agreement may be transferred to a third party;
- The loan under the Loan Agreement will be subject to the following conditions precedent:
 - (i) The New Shares and the Stock Acquisition Rights are issued to the Scheduled Allottee; and
 - (ii) The Preferred Stocks are issued to the Scheduled Allottee of Preferred Stock.
- Under the Loan Agreement, the Company has pledged to the Loan Lender the following matters until all of its obligations under the Loan Agreement have been fulfilled:
 - (i) The Company will maintain unrestricted cash and cash equivalents in excess of a certain amount on a consolidated basis;
 - (ii) The Company will obtain prior approval regarding its group business planning from the Loan Lender;
 - (iii) The Company will grant the Loan Lender and the Scheduled Allottee the right to appoint the Company's executive officer(s) who will oversee renovation, leasing, etc.; and
 - (iv) The Company will not, except with the prior written approval of the Loan Lender, engage in certain matters (including the issuance of certain shares, stock acquisition rights; certain borrowings and guarantees; certain new investments; certain material asset dispositions; certain corporate events; acquisition of shares; involving changes in affiliates; amendment of its articles of incorporation; dividends of surplus and other appropriations of surplus; and changes to certain material agreements).

In addition, the following terms and conditions are stipulated under the Third Party Allotment Agreement executed between the Company and the Scheduled Allottee,

- The payment by the Scheduled Allottee in connection with the Issuance of New Shares and Issuance of the Stock Acquisition Rights under the Third Party Allotment will be subject to the following conditions precedent:
 - (i) The prior notification procedures based on the Foreign Exchange and Foreign Trade Act have been completed with respect to the Issuance of New Shares, and the prior notification procedures based on the Foreign Exchange and Foreign Trade Act have been completed with respect to the Preferred Stock;
 - (ii) The Securities Registration Statement has become effective;
 - (iii) All of the conditions precedent with respect to the loan under the Loan Agreement have been satisfied or waived; and
 - (iv) All of the conditions precedent with respect to the payment by the Scheduled Allottee of Preferred Stock in connection with the issuance of the Preferred Stock under the allotment agreement with the Scheduled Allottee of Preferred Stock in connection with the issuance of the Preferred Stock (the "Preferred Stock Allotment Agreement") have been satisfied or waived.
- Under the Third Party Allotment Agreement, the Company has pledged to the Scheduled Allottee the following matters provided that the Scheduled Allottee holds more than 10 % of its outstanding

common stock:

- (i) The Company will obtain prior approval regarding its group business planning from both the Loan Lender and the Scheduled Allottee;
 - (ii) The Company will grant the Loan Lender and the Scheduled Allottee the right to appoint the Company's executive officer(s) who will oversee renovation, leasing, etc.; and
 - (iii) The Company will not issue certain shares, stock acquisition rights, etc. and engage in certain other activities, except with the prior written approval of the Loan Lender.
- Under the Third Party Allotment Agreement, the Scheduled Allottee has pledged to the Company the following matters:
 - (i) The Scheduled Allottee will not sell the New Shares acquired through the Third Party Allotment for an 18-month period commencing on the date of payment for the New Shares.
 - (ii) The Scheduled Allottee will not transfer or otherwise dispose of the Stock Acquisition Rights except with the Company's prior written consent. However, the Stock Acquisition Rights may be transferred to banks, brokerage firms or other financial institutions, or affiliates of Fortress Japan Investment Holdings LLC or vehicles managed or controlled by Fortress Japan Investment Holdings LLC or its affiliates.

(3) Shareholding policy of the Scheduled Allottee

New Shares to be acquired by the Scheduled Allottee through the Third Party Allotment will be subject to a lock-up period of 18 months commencing on the date of payment for the New Shares under the Third Party Allotment Agreement executed with the Scheduled Allottee on September 30, 2020. The Company has confirmed that the Scheduled Allottee currently intends to hold the New Shares, the Stock Acquisition Rights and the shares of the Company's common stock delivered through the exercise of the Stock Acquisition Rights in the medium to long term, with the aim of achieving the Company's growth and enhancing its corporate value over the medium to long term. The Company will obtain from the Scheduled Allottee a written undertaking to the effect that the Scheduled Allottee agrees that (i) if the Scheduled Allottee transfers any or all of its New Shares within two years after the date of payment for the New Shares, it will immediately report in writing to the Company information such as the name and address of the transferee, the number of shares transferred, the transfer date, the transfer price, the reason for the transfer and the method of the transfer, (ii) the Company will report such information to the Tokyo Stock Exchange, and (iii) such information will be made available for public inspection, and the Company will submit such undertaking to the Tokyo Stock Exchange.

In addition, acquiring the Stock Acquisition Rights by transfer will be subject to the approval of the Company's board of directors. However, a transfer to banks, brokerage firms or other financial institutions or affiliates of Fortress Japan Investment Holdings LLC or vehicles managed or controlled by Fortress Japan Investment Holdings LLC or its affiliates will be deemed to have been approved by the Company's board of directors. If the Company gives its approval on the transfer of the Stock Acquisition Rights, the Company will confirm the identity of the transferee, whether or not such transferee is an anti-social force, how such transferee will make payment to exercise the Stock Acquisition Rights, and for what purpose such transferee intends to hold the Stock Acquisition Rights.

(4) Confirmation of existence of assets required for the Scheduled Allottee to make payment

As of the filing date of the Securities Registration Statement, Chidori Godo Kaisha, the Scheduled Allottee, does not have funds necessary to make payment for the New Shares and the Stock Acquisition Rights, Kaede Godo Kaisha, the Loan Lender, does not have funds necessary to loan under the Loan Agreement, and Kikyo Godo Kaisha, the Scheduled Allottee of Preferred Stock, does not have funds necessary to make payment for the Preferred Stock.

The funds necessary for the Scheduled Allottee to make payment for the New Shares and the Stock Acquisition Rights, the assets necessary for the Loan Lender to loan under the Loan Agreement, and the funds necessary for Kikyo Godo Kaisha, the Scheduled Allottee of Preferred Stock, to make payment for the Preferred Stock will be raised through anonymous association (*tokumei-kumiai*) investment by FJOF IV QII 2 L.P. ("FJOF IV QII 2 Fund"), etc.

FJOF IV QII 2 Fund obtained an investment certificate dated September 29, 2020 from Fortress Japan Opportunity Fund IV (Yen A) L.P., Fortress Japan Opportunity Fund IV (Yen B) L.P., Fortress Japan Opportunity Fund III (Yen C) L.P., Fortress Japan Opportunity Fund IV (Dollar A) LP, Fortress Japan

Opportunity Fund IV (Dollar B) L.P. and Fortress Japan Opportunity Fund IV (Dollar C) L.P., which are entities intending to provide funds to FJOF IV QII 2 Fund, to the effect that those entities had prepared to contribute funds up to 132.8 billion yen in total. The Company has confirmed the investment certificate and believes that, in relying on the investment certificate, there is no problem in procuring the funds necessary for the Scheduled Allottee to make payment for the New Shares and the Stock Acquisition Rights, the assets necessary for the Loan Lender to loan under the Loan Agreement, and the funds necessary for Kikyo Godo Kaisha, the Scheduled Allottee of Preferred Stock, to make payment for the Preferred Stock.

In addition, as of the filing date of the Securities Registration Statement, Willow Investment Holdings L.P., the Scheduled Allottee of Preferred Stock, does not have funds necessary for Willow Investment Holdings L.P. to make payment for the Preferred Stock.

The funds necessary for Willow Investment Holdings L.P., the Scheduled Allottee of Preferred Stock, to make payment for the Preferred Stock, will be raised through a provision of funds by Fortress Japan Income Fund L.P. ("FJIF Fund") to Willow Investment Holdings L.P. Willow Investment Holdings L.P. obtained an investment certificate dated September 29, 2020 from FJIF Fund to the effect that FJIF Fund had prepared to contribute funds up to 8.9 billion yen in total. The Company has confirmed the investment certificate and believes that, in relying on the investment certificate, there is no problem in procuring the funds necessary for Willow Investment Holdings L.P., the Scheduled Allottee of Preferred Stock, to make payment for the Preferred Stock.

8. Major shareholders and shareholding ratio after offering

| Prior to the Third Party Allotment (As of May 28, 2020) | | After the Third Party Allotment | |
|---|--------|--|---------|
| Ardisia Investment, Inc | 19.94% | Chidori Godo Kaisha | 25.71 % |
| City Index Eleventh Co., Ltd. | 8.97% | Ardisia Investment, Inc | 14.81 % |
| S-GRANT.CO.,LTD. | 6.74% | City Index Eleventh Co., Ltd. | 6.66 % |
| The Master Trust Bank of Japan, Ltd. (Trust Account) | 3.13% | S-GRANT.CO.,LTD. | 5.00 % |
| Japan Trustee Services Bank, Ltd. (Trust Account 5) | 2.16% | The Master Trust Bank of Japan, Ltd. (Trust Account) | 2.32 % |
| Stockholding Association for Leopalace21's Business Connection | 2.03% | Japan Trustee Services Bank, Ltd. (Trust account 5) | 1.60 % |
| JP MORGAN BANK (IRELAND) PLC 380423 (Standing Agent: Mizuho Bank, Ltd., Settlement & Clearing Services Department) | 1.94% | Stockholding Association for Leopalace21's Business Connection | 1.51 % |
| Stockholding Association for Leopalace21's Employees | 1.64% | JP MORGAN BANK (IRELAND) PLC 380423 (Standing Agent: Mizuho Bank, Ltd., Settlement & Clearing Services Department) | 1.44 % |
| UBS AG LONDON A/C IPB SEGREGATED CLIENT ACCOUNT (Standing proxy: Citibank, N.A. Tokyo Branch) | 1.56% | Leopalace21 Employee Holdings Association | 1.22 % |
| STATE STREET BANK AND TRUST COMPANY 505103 (Standing Agent: Mizuho Bank, Ltd., Settlement & Clearing Services Department) | 1.49% | UBS AG LONDON A/C IPB SEGREGATED CLIENT ACCOUNT (Standing proxy: Citibank, N.A. Tokyo Branch) | 1.16 % |

※ 1 The shareholding ratio shown in the above table is based on the shareholders' register as of May

28, 2020 and rounded down to the nearest second decimal place.

- ※ 2 The shareholding ratio after the offering is calculated by adding the number of voting rights to be increased by the Issuance of New Shares under the Third Party Allotment (845,070) to the total number of voting rights as of May 28, 2020. As it is currently difficult to reasonably estimate the number of shares of common stock to be delivered upon the exercise of the 5th series stock acquisition rights (the number of dilutive shares), such number is not included in the calculation of the major shareholders and the shareholding ratio after the Third Party Allotment.

9. Future Prospects

The Company intends to use the proceeds from the Third Party Allotment to repay the repair work expenses related to construction defects such as parting walls in the properties constructed by the Company, repay the borrowings obtained by its subsidiary and redeem the bonds. However, the Company is currently in the process of examining the specific impact on its earnings and will promptly disclose any revisions to its earnings forecast when necessary.

10. Matters related to procedures in the Corporate Code of Conduct

The Third Party Allotment will result in dilution of at least 25% of the Company's common stock. Accordingly, the Company requested the third-party committee (the "Third-Party Committee") consisting of three members in total (all of whom are independent officers of the Company), Tadashi Kodama, its outside director; Tetsuji Taya, its outside director; and Takao Yuhara, outside member of its Audit & Supervisory Board; as those who have a certain independence from its management, to issue an objective opinion on the necessity and appropriateness of the fundraising through the Third Party Allotment, in accordance with Article 432 of the Securities Listing Regulations stipulated by the Tokyo Stock Exchange. On September 29, 2020, the Company obtained the written opinion from the Third-Party Committee that the fundraising through the Third Party Allotment is necessary and appropriate. The opinion issued by the Third-Party Committee is as follows:

I. Opinion issued by the Third-Party Committee

Giving careful consideration, the Third-Party Committee unanimously concluded that the Third Party Allotment is necessary and reasonable. The reason and its consideration are as follows:

II. Reason and Consideration

1. Necessity of Third Party Allotment

(1) Status of the Company's fund management and use of proceeds

Based on this press release and the answers made by the responsible person in the Company to the questions from the Third-Party Committee, the reason and background for the fundraising this time are summarized as follows:

(i) In order to restore the stakeholder confidence that has been damaged by the issue of construction defects, the Company has worked to solve the issue of construction defects, specify the measures to prevent recurrence, and raise the level of governance. At the same time, the Company has implemented structural reforms centered on transferring or withdrawing from non-core and unprofitable businesses and soliciting voluntary retirements, through which the Company has sought to drastically improve its corporate structure to increase its corporate value.

(ii) Specifically, the Company has reduced the number of executives, continued to reduce the amount of executive compensation, and abolished the advisor system. In addition, the Company completed the sale of a series of assets. Further, the Company solicited the voluntary retirement and reduced the number of employees by 1,067 in August 2020. On the other hand, in the fiscal year ended March 31, 2020, the Company recorded a substantial loss for its second fiscal year in a row, due to its measures to deal with the construction defects and the worsening of occupancy rates associated with the measures to deal with the construction defects, etc.

(iii) In addition to the worsening of occupancy rates, due to the impact of COVID-19, the number of installation and construction of new rent houses is decreasing, and the number of vacant houses is increasing. Accordingly, the business environment surrounding the Company is now extremely challenging.

(iv) Under such severe business environment, the Company recognizes that the amount of the consolidated net assets at the end of the first cumulative quarter consolidated period of the fiscal year ending March 2021 is the excess of liability of 11,848 million yen.

(v) As stated above, the Company has to eliminate the excessive liabilities and realize improvement of the financial structure by increasing its equity capital, and raise necessary funds to meet the essential funding requirements, such as payment of repair work expenses related to construction defects such as parting walls found in the properties constructed by the Company and existing borrowings and redemption of bonds.

(ii) Specific use of proceeds

Based on this press release and the answers made by the responsible person in the Company to the questions from the Third-Party Committee, the specific uses of the aggregate amount of the proceeds which is expected to be 57,215,654,745 yen (Estimated net proceeds: 54,010,654,745 yen) that the Company intends to raise this time are summarized as follows.

| Specific uses of proceeds | Amount | Scheduled timing of expenditure |
|--|--------------------|-----------------------------------|
| (i) Payment of repair work expenses related to construction defects such as parting walls in the properties constructed by the Company | 34,033 million yen | In and after October 2020 |
| (ii) Repayment of borrowings obtained by Leopalace Power | 13,407 million yen | From October to December 2020 |
| (iii) Funds for redemption of bonds | 6,570 million yen | From March 2021 to September 2022 |

(i) Although the renovation work has not been commenced or completed for most of the properties constructed by the Company that were confirmed to have “obvious defects” or “minor defects”, and there are still properties for which the renovation work has yet to be commenced. Since business performance recovery is essential for the Company to implement measures to deal with construction defects in a stable manner, the Company has temporarily reduced the scale of construction and construction systems involved in dealing with construction defects and plans to review the renovation plan when the prospects for management improvement are in sight. Accordingly, the Company plans to complete the renovation work for around 2,000 buildings by the end of December 2020, and the Company will determine the specific plan for future periods upon the discussion with the Scheduled Allottee and plans to steadily proceed with renovation work related to construction defects, while promoting the management improvement.

(ii) Leopalace Power has obtained borrowings from Sumitomo Mitsui Banking Corporation (“Sumitomo Mitsui Bank”) and Mizuho Bank, Ltd. (“Mizuho Bank”). The aggregate amount of the existing borrowings is 13,407 million yen. Currently, Leopalace Power is in breach of the financial covenants in relation to the borrowing from Sumitomo Mitsui Bank, and Leopalace Power may immediately be required to repay the borrowing pursuant to the agreement. Further, Leopalace Power is in breach of the financial covenants in relation to the borrowings from Mizuho Bank.

(C) The Company issued two types of bonds, the maturity date of which is respectively September 30, 2022, and such funds are being used as working capital. The outstanding bond balance totals 6,570 million yen.

(iii) Consideration

Based on the status of the Company’s fund management and use of proceeds stated in (1) above, and the explanation of the specific use of proceeds stated in (2) above, it is recognized that the Company has an objective and reasonable necessity to raise funds for the purpose of eliminating excessive liabilities and meeting funding requirements, such as repair work expenses

construction costs.

In particular, based on the Company's financial condition, the necessity of dealing with the construction defects at an early stage, and the fact that Leopalace Power is in breach of the financial covenants in relation to its borrowings and may immediately be required by the lender to repay the borrowing, it is extremely urgent to procure funds for the purpose of responding to these issues. Accordingly, it is recognized that the Company has a high degree of necessity for conducting the third party allotment.

2. Appropriateness of Third Party Allotment

(1) Reason for selection of fundraising method

Based on this press release and the answers made by the responsible person in the Company to the questions from the Third-Party Committee, the reason for selection of fundraising method is summarized as follows:

The fundraising method in this case is the scheme (the "Scheme") in which (i) the issuance of the New Shares through third party allotment and (ii) fundraising through the loan with stock acquisition rights with (ii) the issuance of the preferred stock of Leopalace Power, the Company's wholly-owned subsidiary, are integrated.

(A) Issuance of shares through third party allotment

In connection with the New Shares, the Third Party Allotment Agreement contains a lock-up provision to prohibit any transfer or other disposition of the New Shares for a period of eighteen (18) months from the date of payment of the New Shares. By taking these measures, the Company intends to prevent a substantial decrease in the stock price caused by an immediate mass sale or disposal of the New Shares to be issued through the Third Party Allotment.

(B) Loan with stock acquisition rights

The loan with stock acquisition rights is structured to allow the a holder of the Stock Acquisition Rights to contribute assets upon exercise of the Stock Acquisition Rights either in cash or in the form of the Loan Receivables and the Loan Lender to transfer the Loan Receivables in connection with the Loan separately from the Stock Acquisition Rights. According to this structure, even if the Company prepays the Loan Receivables, the Stock Acquisition Rights held by the Scheduled Allottee shall not be extinguished.

In addition, the exercise price of the Stock Acquisition Rights is fixed, and it is structured that, if an increase in market valuation of the Company results in an increase of the stock price of the Company, and if the stock price exceeds the exercise price, the probability of the Scheduled Allottee exercising the Stock Acquisition Rights increases, which enables the Company to increase equity capital. On the other hand, even when the stock price of the Company declines, as long as the stock price exceeds the exercise price, the Company can expect the Stock Acquisition Rights to be exercised, and even if the stock price falls below the exercise price, the Company may raise funds by utilizing the structure of the loan with stock acquisition rights. In addition, since the exercise price of the Stock Acquisition Rights is fixed, even if the stock price of the Company declines, there would be no increase in share dilution; provided that even if the stock price of the Company increases, there would be no advantage in limiting share dilution. Further, the fundraising through the Loan enables the Company to secure reliable financing at an early stage, and concurrently, after a certain period of time, the Company may prepay the Loan Receivables without having to pay a penalty or the amount in excess of the principal amount. In this way, it is structured that the Company may, in light of economic rationality, flexibly respond to meet any financial requirements.

(iii) Issuance of preferred stock of Leopalace Power

In addition to the Third Party Allotment, the Company intends to raise funds through the issuance of the preferred stock of Leopalace Power to the Scheduled Allottee of Preferred Stock. Through the capital increase in Leopalace Power, the Company will repay the existing borrowings of Leopalace Power, for which the Company is the guarantor, and intends to increase the consolidated net assets

of the Company and eliminate the excessive liabilities. Given that one of the purposes of the fundraising this time is to repay the existing borrowings obtained by Leopalace Power Corporation, the Company has selected Leopalace Power Corporation as a company to issue preferred stock. Leopalace Power Corporation is in breach of the covenant with respect to its existing debt of 13,407 million yen, but after the issuance of the Preferred Stock, the Company plans to cause Leopalace Power Corporation to pay dividends to the Company in the amount equal to the aggregate of (i) the amount to be paid for the Preferred Stock of 15 billion yen, less repayment of such existing borrowings, and (ii) the amount of cash and deposits balance of Leopalace Power Corporation (3,545 million yen) as of the end of March 2020, minus the amount of working capital necessary for Leopalace Power Corporation. Given that the book value of Leopalace Power Corporation for the fiscal year ended March 31, 2020 amounts to 80 million yen, and the consolidated net assets for the fiscal year ended March 31 2020 amounts to 260 million yen compared to the amount obtained by the Company through the repayment of the existing borrowings and dividend of surplus, the Company believes that, it is economically reasonable to issue the Preferred Stock in the amount of 15 billion yen in accordance with the conditions set forth in the agreement with the Scheduled Allottee of Preferred Stock.

Based on the above, the Third-Party Committee has evaluated that, the Company, after giving consideration to both of its fundraising needs and the protection of the interests of existing shareholders, and comparing this method to other fundraising methods, has determined that the fundraising method, which combines (i) the issuance of the New Shares through third party allotment and (ii) fundraising through the Loan with (iii) the issuance of preferred stock of Leopalace Power, is the most appropriate option at present, and the Third-Party Committee believes that such determination is reasonable.

(2) Comparison with other fundraising methods

Based on this press release and the answers made by the responsible person in the Company to the questions from the Third-Party Committee, the comparison with other fundraising methods is summarized as follows:

(i) Issuance of common stock through public offering

In addition to the measures to deal with the construction defects and the worsening of occupancy rates associated with the measures to deal with the construction defects, the economic situation has been severely disrupted due to the outbreak of COVID-19 and other factors, and accordingly, the business environment surrounding the Company is now extremely challenging. Under such severe business environment, it is difficult to implement a capital increase through a public offering to be conducted after an underwriting examination by securities companies.

(ii) Issuance of new shares through third party allotment

An issuance of new shares through third party allotment in the amount equivalent to the aggregate amount of proceeds to be raised from the New Shares, the Loan and the preferred stock of Leopalace Power is considered to have a significant direct impact on the stock price because such issuance of new shares through third party allotment would immediately cause a dilution in earnings per share. Accordingly, it is not the most appropriate method of fundraising at present.

(iii) Issuance of common stock and allotment of stock acquisition rights without consideration through shareholder allotment

Depending on the decision made by each allotted shareholder based on the stock price trends and other factors, not all share subscription rights will necessarily be exercised, and not all shareholders will necessarily accept the shareholder allotment, and therefore, the ultimate amount to be raised is unknown. Given that the Company needs to ensure implementation of an ample level of fundraising, it is not an appropriate option at present.

(iv) Issuance of stock acquisition rights with moving strike price

As a characteristic of the stock acquisition rights, only if any holder of the stock acquisition rights exercises its right, it will be possible to raise funds in an amount equal to the exercise price multiplied by the number of shares to be issued or delivered. Given the risk that the Company

may not be able to satisfy its funding requirements for the elimination of excessive liabilities and that if the stock price declines, the Company may not be able to raise funds in full, it is not an appropriate option at present.

(v) Straight bonds and bank loans

In considering the Scheme, the Company places importance on capital increase for the elimination of excessive liabilities, and straight bonds and bank loans are not an appropriate option at present.

As stated above, in the comparison with other fundraising methods, by way of the fundraising under the Scheme, (i) even though the New Shares will be issued, in combination with the issuance of the Stock Acquisition rights in connection with the Loan and the fundraising through the issuance of the Preferred Stock of Leopalace Power, it is possible to limit temporary share dilution as much as possible, (ii) due to the restriction imposed on the sale of the New Shares for a certain period of time, it is possible to reduce temporary impact on the stock price, (iii) on the other hand, through the issuance of the New Shares and the Stock Acquisition Rights, and the issuance of Preferred Stock by Leopalace Power, it is possible to eliminate the excessive liabilities and realize improvement of the financial structure by increasing the consolidated net assets, and (iv) in combination with the Loan, while limiting share dilution, it is possible to procure funds to meet the essential funding requirements, such as payment of repair work expenses related to construction defects such as parting walls found in the properties constructed by the Company, and the existing borrowings and the redemption of bonds. Accordingly, the Company has determined that the fundraising method, which combines the issuance of the New Shares and the Stock Acquisition Rights in connection with the Loan, and the issuance of Preferred Stock by Leopalace Power, is the most appropriate option at present.

The Third-Party Committee did not find any unreasonable points in the Company's explanation above.

(3) Reasonableness of terms and conditions of issuance

(1) Basis for determining the issue price and the reasonableness of the terms and conditions of issuance

(i) New Shares

The Company determined that the amount to be paid for the New Shares will be 142 yen per share (discount rate: 9.55%) on the basis of 157 yen, which is the closing price on September 29, 2020, the business day immediately preceding the board resolution date concerning the Issuance of New Shares.

Such amount to be paid represents 17.44% discount relative to the average closing price for the most recent one-month period (172 yen), 18.39% discount relative to the average closing price for the most recent three-month period (174 yen), and 33.02% discount relative to the average closing price for the most recent six-month period (212 yen), preceding the board resolution date concerning the Issuance of New Shares.

The basis for determining such amount to be paid is based on the "Guidelines for Third-Party Allotment" provided by the Japan Securities Dealers Association, which sets forth that "the amount to be paid shall be at least 90% of the value on the date immediately preceding the board resolution concerning the issuance of stock. Accordingly, The Third-Party Committee believes that there is nothing unreasonable in such basis.

(ii) Stock Acquisition Rights

To ensure fairness, the Company requested a third party appraiser (PLUTUS CONSULTING Co., Ltd.) ("PLUTUS") independent from the Company and the Scheduled Allottee to evaluate the Stock Acquisition Rights, taking into account the various conditions set forth in the terms and conditions of the Stock Acquisition Rights and the Third Party Allotment Agreement. On September 29, 2020, the Company obtained the Valuation Report. PLUTUS evaluated the Stock Acquisition Rights by employing the Monte Carlo simulation among commonly used price calculation models, which PLUTUS believed could relatively and approximately reflect the terms and conditions of the Stock

Acquisition Rights, etc. into their appraisal results. By considering the market conditions on the valuation reference date, PLUTUS also made certain assumptions regarding the Company's share price, volatility, dividend yield, risk-free interest rate and other factors, and imposed certain preconditions concerning the Company's funding requirement and the exercise of the Company and the Scheduled Allottee's respective rights (including the case where Scheduled Allottee would exercise its rights and sell shares uniformly and dispersedly within the extent of a certain percentage of the market trading volume). The Valuation Report states that the value of the Stock Acquisition Rights, which was calculated based on the closing price of the Company's shares on September 29, 2020, is JPY1.35 per Stock Acquisition Right. By referring to the value calculated by PLUTUS on the basis of the above-mentioned preconditions, the Company determined that the amount to be paid for a Stock Acquisition Right will be JPY1.35 following the discussion with the Scheduled Allottee.

Also, the Company determined that the exercise price of the Stock Acquisition Right will be 142 yen per share (discount rate: 9.55%) on the basis of 157 yen, which is the closing price on September 29, 2020, the date immediately preceding the board resolution date concerning the Issuance of Stock Acquisition Rights, as in the case of the New Shares.

In determining the amount to be paid and the exercise price of the Stock Acquisition Right, the Company concluded that as PLUTUS considered circumstances that could have an impact on the fair valuation and calculated the fair value using the Monte Carlo simulation which is commonly used as a method of calculating the valuation of stock acquisition rights, the appraisal result of PLUTUS shows the reasonable fair value and the amount to be paid per Stock Acquisition Right, which is within such appraisal value range obtained by such appraisal, is not a favorable price and is an appropriate and reasonable price.

The Third-Party Committee does not believe that there is anything unreasonable in the Company's explanation and the details of the Valuation Report.

(iii) Preferred stock of Leopalace Power

Although the Company intends to raise 15,000 million yen by issuing the preferred stock issued by Leopalace Power, the Company did not evaluate the preferred stock due to the urgent necessity of securing the funds. Nonetheless, as discussed in (2), the Third-Party Committee did not find anything unreasonable in respect of the Company's conclusion that the issuance of the preferred stock by Leopalace Power under the relevant terms and conditions, in combination with other products, is currently the best choice. Therefore, the Third-Party Committee believes that the relevant terms and conditions are reasonable.

(ii) Evaluation of dilution of shares

The number of New Shares to be issued pursuant to the Third Party Allotment is 84,507,000 shares (845,070 voting rights), the number of New Shares to be issued upon the exercise of all the Stock Acquisition Right is 159,748,700 shares (1,597,487 voting rights) and the dilution ratio using as a denominator the total number of outstanding shares of common stock of the Company (244,882,515 shares as of September 30, 2020 representing 2,442,567 voting rights) is expected to be 100.00% (the dilution ratio for the total number of voting rights is expected to be 100.00%), which will result in a significant dilution of shares.

However, the Third Party Allotment aims to eliminate the Company's excessive liabilities and realize improvement of the financial structure by increasing the consolidated equity capital. The Company believes that the Third Party Allotment will enable the Company to stabilize its overall business foundation and financial foundation and help create a business foundation and financial foundation that will achieve its medium-to long-term growth, which will contribute to the enhancement of its corporate and shareholder value over the medium to long term. The Company also believes that establishing strong ties with the Scheduled Allottee will further stabilize its business foundation, which will also contribute to enhancing its corporate and shareholder value.

In addition, taking into account that (i) although the issuance volume of the New Shares and the Stock Acquisition Rights is significant, the payment for the New Shares as well as the issuance of the Preferred Stock by Leopalace Power Corporation will be conducted to the extent necessary for the equity financing deemed necessary to eliminate the excessive liabilities of the Company, (ii) the combination of the Loan Agreement and the Issuance of Stock Acquisition Rights will further improve

the Company's group by enhancing its consolidated net assets, (iii) the Scheme that combines the issuance of the New Shares and the Stock Acquisition Rights to the Scheduled Allottee with the issuance of the Preferred Stock by Leoplace Power Corporation would be the most appropriate equity financing method compared with other fundraising methods, (iv) in light of the severe financial condition surrounding the Company and the result of discussions and negotiations with prospective investors, the amount to be paid for the New Shares and the Stock Acquisition Rights is in the best interest of the Company and its existing shareholders, and the issuance volume of the New Shares and the Stock Acquisition Rights and the degree of dilution of the shares are reasonable notwithstanding the potential dilution that could occur from the issuance of the New Shares and the Stock Acquisition Rights.

The Third-Party Committee believes that there is nothing unreasonable in the Company's explanation. There is no denying that the dilution caused by the Third Party Allotment would be significant but as discussed in 1. (3) above, given that the Company urgently needs to raise funds, the Third-Party Committee concluded that the issuance terms and conditions of the Third Party Allotment are reasonable.

(iv) Appropriateness of the Scheduled Allottee

The Company has considered various fundraising methods and proceeded with discussions and negotiations with potential investors. The Company has engaged SMBC Nikko Securities Co., Ltd. as its financial advisor, through which the Company discussed with several potential investors about the possibility of their providing support to the Company (including providing funding through investment in the Company). The Company determined that it would carefully consider the details of the proposals submitted by several potential sponsors, including the available amount of funding, the method of funding, the timing and feasibility of implementation, and their views on the Company's management and business. In this context, the Company has been in extensive discussions with FIG since around June 2020, and in August 2020, the Company received from FIG the proposal for the Scheme as described in "3. Outline of fundraising method and reasons for selection" above. There are points of concern for each fundraising method such as the public offering of shares or borrowing from financial institutions, and the Company concluded that a fundraising method through the Scheme best meets the Company's financing needs in that, while having temporary share dilution limited as much as possible, the Scheme will enable the Company to give sufficient consideration to the stock price and the profits of existing shareholders by reducing the temporary impact on the stock price, eliminate the excessive liabilities and realize improvement of the financial structure by increasing the equity capital, and to raise necessary funds to meet the essential funding requirements, such as payment of repair work expenses related to construction defects such as parting walls found in the properties constructed by the Company and existing borrowings and redemption of bonds. The Company selected Chidori Godo Kaisha as the Scheduled Allottee because FIG focuses on the leasing business and the Company can expect synergies with its business.

The Third-Party Committee did not find anything unusual in the Company's explanation above.

3. Conclusion

In conclusion, the Third-Party Committee believes that the Third Party Allotment is necessary and reasonable.

11. Results and equity financing for the last three years

(1) Results for the last three years (consolidated)

| | Fiscal year ended March 31, 2018 | Fiscal year ended March 31, 2019 | Fiscal year ended March 31, 2020 |
|---|-------------------------------------|-------------------------------------|-------------------------------------|
| Net sales | JPY 530,840 million | JPY 505,223 million | JPY 433,553 million |
| Operating profit (loss) | JPY 22,930 million | JPY 7,390 million | JPY - 36,473 million |
| Recurring profit (loss) | JPY 22,354 million | JPY 7,063 million | JPY - 36,341 million |
| Net income (loss) attributable to shareholders of the parent | JPY 14,819 million | JPY - 68,662 million | JPY - 80,224 million |

| | | | |
|-----------------------------|------------|--------------|--------------|
| Net income (loss) per share | JPY 58.02 | JPY - 278.58 | JPY - 328.77 |
| Dividend per share | JPY 22.00 | - | - |
| Equity per share | JPY 630.84 | JPY 331.87 | JPY 5.34 |

(2) Current number of shares outstanding and number of dilutive shares (as of June 30, 2020)

| | Number of shares | Ratio to the number of shares outstanding |
|--|--------------------|---|
| Number of shares outstanding | 244,882,515 shares | 100.00% |
| Number of dilutive shares at the current conversion price (exercise price) | 388,000 shares | 0.17% |
| Number of dilutive shares at the floor conversion price (exercise price) | - | - |
| Number of dilutive shares at the ceiling conversion price (exercise price) | - | - |

※ All the dilutive shares are related to the stock options.

(3) Recent share prices

(i) Over the last three years

| | Fiscal year ended March 31, 2018 | Fiscal year ended March 31, 2019 | Fiscal year ended March 31, 2020 |
|---------------|-------------------------------------|-------------------------------------|-------------------------------------|
| Opening price | JPY 572 | JPY 884 | JPY 224 |
| High price | JPY 946 | JPY 1,023 | JPY 438 |
| Low price | JPY 566 | JPY 199 | JPY 185 |
| Closing price | JPY 887 | JPY 221 | JPY 266 |

(ii) Over the last 6 months

| | 2020 April | May | June | July | August | September |
|---------------|------------|---------|---------|---------|---------|-----------|
| Opening price | JPY 268 | JPY 240 | JPY 270 | JPY 212 | JPY 155 | JPY 184 |
| High price | JPY 272 | JPY 284 | JPY 276 | JPY 212 | JPY 187 | JPY 184 |
| Low price | JPY 221 | JPY 229 | JPY 209 | JPY 150 | JPY 147 | JPY 147 |
| Closing price | JPY 240 | JPY 268 | JPY 211 | JPY 154 | JPY 183 | JPY 157 |

(Note) The figures of 2020 September represent the information up to September 29, 2020.

(iii) Share price on the business day immediately preceding the issue resolution date

| | September 29, 2020 |
|---------------|--------------------|
| Opening price | JPY 154 |
| High price | JPY 160 |
| Low price | JPY 154 |
| Closing price | JPY 157 |

(4) Status of equity financing in the Last 3 Years
Not applicable.

II . Issuance of the Preferred Stock

1. Issuance of the Preferred Stock

In addition to the Third Party Allotment, the Company intends to raise funds by causing Leopalace Power Corporation to issue its Preferred Stock to the Scheduled Allottee of Preferred Stock. Through the capital increase in Leopalace Power Corporation, the Company will repay the existing borrowings of Leopalace Power Corporation, for which the Company is the guarantor as stated in “I. Third Party Allotment, 4. Amount of proceeds to be raised, and uses and scheduled timing of expenditure thereof, (2) Specific uses of proceeds to be raised, (ii) Repayment of borrowings obtained by subsidiary” above and intends to increase the consolidated net asset of the Company and eliminate the excessive liabilities.

2. Outline of Leopalace Power Corporation and details of issuance of Preferred Stock

| | | |
|------|--|--|
| (1) | Company Name | Leopalace Power Corporation |
| (2) | Location | 2-54-11, Honcho, Nakano-ku, Tokyo |
| (3) | Representative | Shigeru Ashida |
| (4) | Ownership ratio | Wholly-owned subsidiary of the Company |
| (5) | Results of Operations and Financial Position (in thousands of yen) (Consolidated) (Fiscal year ended March 31, 2020) | |
| | Net assets | 260,617 |
| | Total assets | 14,487,668 |
| | Net sales | 2,785,705 |
| | Operating profit | 902,440 |
| | Recurring profit | 611,894 |
| | Net income | 440,695 |
| (6) | Date of payment | November 2, 2020 |
| (7) | Number of new shares | 750,000 shares of Class A Preferred Stock |
| (8) | Issue price | 20,000 per share |
| (9) | Total issue price | 15,000,000,000 yen |
| (10) | Capitalization amount | 7,500,000,000 yen |
| (11) | Amount designated as capital surplus | 7,500,000,000 yen |
| (12) | Method of offering or allotment | All of the Preferred Stock will be allotted to the Scheduled Allottee of Preferred Stock through a third-party allotment. |
| (13) | Preferred dividend | <p>The rate which is the higher of 7 percent per annum or the internal rate of return for the Preferred Stock approved at the class shareholders' meeting comprising the preferred stock holders</p> <ul style="list-style-type: none"> Preferred dividend is cumulative and non-participating, and no dividends of surplus will be paid in excess of the preferred dividend and unpaid and cumulating preferred dividend. |
| (14) | Others | <ul style="list-style-type: none"> The Preferred Stock may be converted into shares of Leopalace Power Corporation's common stock. The voting ratio will be 99.78%, assuming that all the Preferred Stock are converted into common stock. The total number of issued and outstanding shares of Leopalace Power Corporation is 1,600. The Scheduled Allottee of Preferred Stock may request Leopalace Power Corporation to purchase the Preferred Stock. The number of one full unit of the Preferred Stock is 909 shares, and the total number of voting rights carried by the Preferred Stock represents 34.0% of the total voting rights of Leopalace Power Corporation. |

III. Expected Changes in Major Shareholders and the Largest Shareholder among the Major Shareholders

1. Date of Change

November 2, 2020 (scheduled)

2. Background to Change

As a result of the Issuance of the New Shares through the Third Party Allotment (the date of payment will be November 2, 2020), it is expected that there will be a change in the Company's major shareholders and the largest shareholder among the major shareholders.

3. Outline of shareholders to be changed

(1) Shareholder who ceases to be the largest shareholder among the major shareholders

| | |
|----------------------------------|---|
| Name | Ardisia Investment, Inc |
| Address | 7-13-6, Ginza, Chuo-ku, Tokyo |
| Name and title of representative | Takuya Yamazaki, Representative Director |
| Business activities | Investment management business, investment advisory and agency business, etc. |
| Total amount of investment | 10 million yen |

(2) Shareholder who will be the largest shareholder among the major shareholders

| | |
|----------------------------------|---|
| Name | Chidori Godo Kaisha |
| Address | C/o EP Consulting Service, 1-2-9 Nishi-Shinbashi, Minato-ku, Tokyo |
| Name and title of representative | Managing Member, Chidori General Incorporated Association Masayuki Meguro, Representative Director |
| Business activities | (1) Acquisition, holding, administration and disposal of monetary receivables, securities (including deemed securities), shares, equity interests of various entities, specified interests under the Act on the Securitization of Assets and other investment assets; (2) Acquisition, holding, leasing, administration and disposal of real properties; (3) Acquisition, holding, administration and disposal of trust beneficial interests; (4) Operation, management and administration of assets of investment business partnership, the purpose of which is to engage in any of the businesses described in item (1) through (3); and (5) All businesses associated with the preceding items |
| Paid-in capital | 0.1 million yen (as of September 23, 2020) |

4. The number of voting rights held (number of shares held) by such shareholders before and after the change and the ratio to the number of voting rights held by all shareholders before and after the change

(1) Ardisia Investment, Inc

| | Number of Voting Rights (Number of Shares Held) | Ratio to the number voting rights held by all shareholders | Major shareholder ranking |
|---------------|--|---|---------------------------------|
| Before change | 486,836 (48,683,600 shares) | 19.94% | First place |
| After change | 486,836 (48,683,600 shares) | 14.81 % | Second place |

(Note) 1. The ratio to the number of voting rights of all shareholders held before and after the change is calculated by using the number of voting rights of all shareholders (2,440,905) as the denominator.

The number of voting rights of all shareholders represents the number of voting rights in respect of the number of shares outstanding (244,882,515) as of May 28, 2020 less the number of non-voting right shares (771,200 shares of treasury stock and 20,815 shares representing fractional shares).

- The ratio to the number of voting rights of all shareholders is rounded to the second decimal place.

(2) Chidori Godo Kaisha

| | Number of Voting Rights (Number of Shares Held) | Ratio to the number voting rights held by all shareholders | Major shareholder ranking |
|---------------|--|--|---------------------------------|
| Before change | 0 (0 shares) | - | - |
| After change | 845,070 (84,507,000 shares) | 25.71 % | First place |

(Note) 1. The ratio to the number of voting rights of all shareholders held before and after the change is calculated by using the number of voting rights of all shareholders (2,440,905) as the denominator. The number of voting rights of all shareholders represents the number of voting rights in respect of the number of shares outstanding (244,882,515) as of May 28, 2020 less the number of non-voting right shares (771,200 shares of treasury stock and 20,815 shares representing fractional shares).

- The ratio to the number of voting rights of all shareholders is rounded to the second decimal place.

5. Future Outlook

New Shares to be acquired by the Scheduled Allottee through the Third Party Allotment will be subject to a lock-up period of 18 months commencing on the date of payment of the New Shares under the Third Party Allotment Agreement executed with the Scheduled Allottee on September 30, 2020.

Terms and Conditions for Issuance of Offered Shares

1. Type and number of shares to be offered
Common stock: 84,507,000 shares
2. Payment price for the offered shares
142 yen per share
3. Aggregate amount to be paid
11,999,994,000 yen
4. Amount of capital and capital reserve to be increased
Capital: 5,999,997,000 yen
Capital reserve: 5,999,997,000 yen
5. Method of offering
All shares will be allotted to Chidori Godo Kaisha through third party allotment.
6. Date of payment
November 2, 2020
7. Others
Each item above shall be subject to the effectiveness of the securities registration statement under the Financial Instruments and Exchange Act of Japan and the completion of the prior notification procedures under the Foreign Exchange Act by the Scheduled Allottee.

[END]

Terms and Conditions for Issuance of
5th series of Stock Acquisition Rights of Leopalace21 Corporation (“Company”)

1. Name of the Stock Acquisition Rights
Leopalace21 Corporation’s 5th series of Stock Acquisition Rights (“Stock Acquisition Rights”)
2. Aggregate number of the Stock Acquisition Rights
159,748,700 units
3. Amount to be paid for each Stock Acquisition Right
1.35 yen
4. Aggregate amount to be paid for the Stock Acquisition Rights
215,660,745 yen
5. Application Date
November 2, 2020
6. Date of payment and allotment date
November 2, 2020
7. Method of offering and name of Allottee
All Stock Acquisition Rights will be allotted to Chidori Godo Kaisha (“Allottee”) through third party allotment.
8. Type and number of shares to be issued upon exercise of the Stock Acquisition Rights and the calculation method therefor
The type of shares to be issued upon exercise of the Stock Acquisition Rights is common stock of the Company.
The number of shares of common stock of the Company to be newly issued upon exercise of a Stock Acquisition Right, or the number of shares of common stock of the Company held by the Company to be disposed instead of such issuance (hereinafter, such issuance and disposition of shares of common stock of the Company are collectively referred to as “Delivery”), is the maximum whole number that is obtained by multiplying the number of the Stock Acquisition Rights exercised by holders of the Stock Acquisition Rights (“Holders”) by the initial Exercise Price (to be defined in Condition 9, Item (2)), and dividing the product by the effective Exercise Price determined pursuant to Conditions 9 and 10 (provided, however, any fraction less than one (1) share shall be rounded off and no cash adjustment shall be made.).
9. Statement to the effect that asset other than money shall be the form of contribution upon the exercise of the Stock Acquisition Rights and description and value thereof
 - (1) The asset to be contributed upon the exercise of each Stock Acquisition Rights will be (i) money that is obtained by multiplying the Exercise Price by the number of the shares to be issued upon exercise of Stock Acquisition Rights, or (ii) a monetary claim that is obtained by multiplying the Exercise Price, in principal amount, by the number of the shares to be issued upon exercise of Stock Acquisition Rights among the loan principal receivable and interest receivables to the Company under the loan agreement dated September 30, 2020, executed by and between the Kaede Godo Kaisha and the Company (“Loan Agreement”), and the value of such monetary claims shall be the same as the principal amount thereof.
 - (2) The amount to be paid per share upon the exercise of the Stock Acquisition Rights (the “Exercise Price”) will initially be 142 yen.
10. Adjustment of the Exercise Price

Upon the occurrence of any of the events described below, the Exercise Price shall be adjusted as follows:

(1) *Stock Split and Consolidation of Shares*: if the Company shall (a) make a Stock Split, (b) consolidate its outstanding Shares into a smaller number of shares, or (c) re-classify any of its Shares into other securities of the Company, then the Exercise Price shall be appropriately adjusted so that the Holders, the effective date for exercise of Stock Acquisition Rights in respect of which occurs after the coming into effect of the adjustment described in this item, shall be entitled to receive the number of Shares and/or other securities of the Company which it would have held or have been entitled to receive after the coming into effect of any of the events described above had the Stock Acquisition Rights been exercised immediately prior to the coming into effect of such event (or, if the Company has fixed a prior Record Date for the determination of shareholders entitled to receive any such Shares or other securities issued upon any such Stock Split, consolidations or re-classification, immediately prior to such Record Date), but without prejudice to the effect of any other adjustment to the Exercise Price made with effect from the date of the coming into effect of such event (or such Record Date) or any time thereafter. An adjustment made pursuant to this item shall become effective immediately on the relevant event becoming effective or, if a prior Record Date is fixed therefor, immediately after the Record Date; provided that, in the case of a relevant transaction which must, under applicable Japanese law, be approved by a general meeting of shareholders or the Board of Directors of the Company before being legally effective, and which is so approved after the Record Date fixed for the determination of shareholders entitled to receive such Shares or other securities, such adjustment shall, immediately upon such approval being given, become effective retroactively to immediately after such Record Date.

If the Company shall make a Stock Split and the Record Date therefor is also:

- (i) the Record Date for the issue of any rights or warrants (including stock acquisition rights) which requires an adjustment of the Exercise Price pursuant to Item (2) or (3); or
 - (ii) the date of payment or the last date of the period during which payment may be made for any securities convertible into or exchangeable for Shares which requires an adjustment of the Exercise Price pursuant to Item (5) or (8); or
 - (iii) the date of payment or the last date of the period during which payment may be made for the issue or transfer of any Shares which requires an adjustment of the Exercise Price pursuant to Item (6) or (8); or
 - (iv) the date of issue of any rights or warrants which requires an adjustment of the Exercise Price pursuant to Item (7) or (8),
- then (except where such Stock Split gives rise to a retroactive adjustment of the Exercise Price under this item) no adjustment of the Exercise Price in respect of such Stock Split shall be made under this item, but in lieu thereof an adjustment shall be made under Item (2), (3), (5), (6), (7) or (8), as the case may be, by including in item "n" of the formula described therein the aggregate number of additional Shares to be delivered pursuant to such Stock Split;

(2) *Issue to Shareholders of Rights or Warrants to Acquire Shares*: if the Company shall allot, grant, issue or offer to the holders of Shares rights or warrants (including stock acquisition rights) entitling them to subscribe for, purchase or otherwise acquire Shares:

- (i) at a consideration per Share receivable by the Company (determined as provided in Item (11)) which is fixed on or prior to the Record Date mentioned below and is less than the Current Market Price per Share on such Record Date; or
 - (ii) at a consideration per Share receivable by the Company (determined as aforesaid) which is fixed after the Record Date mentioned below and is less than the Current Market Price per Share on the date on which the Company fixes the said consideration,
- then the Exercise Price in effect (in a case within (i) above) on the Record Date for the determination of shareholders entitled to receive such rights or warrants or (in a case within (ii) above) on the date on which the Company fixes the said consideration shall be adjusted in accordance with the following formula:

$$\text{NCP} = \text{OCP} \times \frac{\text{N} + \text{v}}{\text{N} + \text{n}}$$

where:

NCP = the Exercise Price after such adjustment.

OCP = the Exercise Price before such adjustment.

N = the number of Shares outstanding (having regard to Item (12)) at the close of business (in a case within (i) above) on such Record Date or (in a case within (ii) above) on the date on which the Company fixes the said consideration, but excluding the number of Shares, if any, contained in the definition of "n" below, but only to the extent that such Shares are then issued and outstanding.

n = the number of Shares to be allotted, issued or acquired on exercise of all such rights or warrants at the initial subscription, purchase or acquisition price.

v = the number of Shares which the aggregate consideration receivable by the Company (determined as provided in Item (11)) would purchase at such Current Market Price per Share specified in (i) above or, as the case may be, (ii) above.

Such adjustment shall become effective (in a case within (i) above) immediately after the Record Date for the determination of shareholders entitled to receive such rights or warrants or (in a case within (ii) above) immediately after the day upon which the Company fixes the said consideration but retroactively to immediately after the Record Date for the said determination.

If, in connection with an allotment, grant, issue or offer to the holders of Shares of rights or warrants (including stock acquisition rights) entitling them to subscribe for, purchase or otherwise acquire Shares, any such rights and/or warrants which are not subscribed for, purchased or otherwise acquired by the persons entitled thereto are offered to and/or subscribed for, purchased or otherwise acquired by others (whether as places or members of the public or pursuant to underwriting arrangements or otherwise), no further adjustment shall be required or made to the Exercise Price by reason of such offer and/ or subscription, purchase or acquisition;

(3) Issue to Shareholders of Rights or Warrants to Acquire Convertible/Exchangeable Securities: if the Company shall grant, issue or offer to the holders of Shares rights or warrants (including stock acquisition rights) entitling them to subscribe for, purchase or otherwise acquire any securities convertible into or exchangeable for Shares (including bonds with stock acquisition rights):

(i) at a consideration per Share receivable by the Company (determined as provided in Item (11)) which is fixed on or prior to the Record Date mentioned below and is less than the Current Market Price per Share on such Record Date; or

(ii) at a consideration per Share receivable by the Company (determined as aforesaid) which is fixed after the Record Date mentioned below and is less than the Current Market Price per Share on the date on which the Company fixes the said consideration,

then the Exercise Price in effect (in a case within (i) above) on the Record Date for the determination of shareholders entitled to receive such rights or warrants or (in a case within (ii) above) on the date on which the Company fixes the said consideration shall be adjusted in accordance with the following formula:

$$NCP = OCP \times \frac{N+v}{N+n}$$

where:

NCP = the Exercise Price after such adjustment.

OCP = the Exercise Price before such adjustment.

N = the number of Shares outstanding (having regard to Item (12)) at the close of business (in a case within (i) above) on such Record Date or (in a case within (ii) above) on the date on which the Company fixes the said consideration.

n = the number of Shares to be acquired upon conversion or exchange of all such convertible or exchangeable securities at the initial conversion or exchange price or ratio following the exercise of all such rights or warrants at the initial subscription, purchase or acquisition price.

v = the number of Shares which the aggregate consideration receivable by the Company (determined as provided in Item (11)) would purchase at such Current Market Price per Share specified in (i) above or, as the case may be, (ii) above.

Such adjustment shall become effective (in a case within (i) above) immediately after the Record Date for the determination of shareholders entitled to receive such rights or warrants or (in a case within (ii) above) immediately after the day upon which the Company fixes the said consideration but

retroactively to immediately after the Record Date for the said determination.

If, in connection with a grant, issue or offer to the holders of Shares of rights or warrants (including stock acquisition rights) entitling them to subscribe for, purchase or otherwise acquire securities convertible into or exchangeable for Shares (including bonds with stock acquisition rights), any such securities convertible into or exchangeable for Shares (including bonds with stock acquisition rights) which are not subscribed for, purchased or otherwise acquired by the persons entitled thereto are offered to and/or subscribed for, purchased or otherwise acquired by others (whether as placees or members of the public or pursuant to underwriting arrangements or otherwise), no further adjustment shall be required or made to the Exercise Price by reason of such offer and/or subscription, purchase or acquisition.

(4) *Distribution to Shareholders of Assets (including Dividends)*: if the Company shall distribute to the holders of Shares (i) evidences of its indebtedness (such as bonds), (ii) shares of capital stock of the Company (other than Shares), (iii) cash or assets of the Company, or (iv) rights or warrants (including stock acquisition rights) to subscribe for, purchase or otherwise acquire shares (other than Shares) or securities of the Company (other than those rights and warrants referred to in Items (2) and (3)), in each of the cases set out in (i) through (iv) above, then the Exercise Price in effect on the Record Date for the determination of shareholders entitled to receive such distribution shall be adjusted in accordance with the following formula:

$$\text{NCP} = \text{OCP} \times \frac{\text{CMP} - \text{fmv}}{\text{CMP}}$$

where:

NCP = the Exercise Price after such adjustment.

OCP = the Exercise Price before such adjustment.

CMP = the Current Market Price per Share on the Record Date for the determination of shareholders entitled to receive such distribution.

fmv = (i) in cases other than a dividend, the fair value ((a) as determined by the Company in consultation with an Independent Financial Adviser (whose advice the Company will take fully into account), or (b) if pursuant to applicable Japanese law such determination is to be made by application to a court of competent jurisdiction, as determined by such court or by an appraiser appointed by such court) of the portion of the evidences of indebtedness, shares, cash, assets, rights or warrants so distributed applicable to one Share or, (ii) in the case of a dividend, the amount of such dividend per Share.

Such adjustment shall become effective immediately after the Record Date for the determination of shareholders entitled to receive such distribution; provided, however, that (a) if such distribution must, under applicable Japanese law, be approved by a general meeting of shareholders or the Board of Directors of the Company before being legally made, and if such distribution is so approved after the Record Date fixed for the determination of shareholders entitled to receive such distribution, such adjustment shall, immediately upon such approval being given, become effective retroactively to immediately after such Record Date and (b) if the fair value of the evidences of indebtedness, shares, cash or assets, rights or warrants so distributed cannot be determined until after the Record Date fixed for the determination of shareholders entitled to receive such distribution, such adjustment shall, immediately upon such fair value being determined, become effective retroactively to immediately after such Record Date.

(5) *Issue to Non-shareholders of Convertible/Exchangeable Securities*: if the Company shall issue any securities convertible into or exchangeable for Shares, including bonds with stock acquisition rights (other than in any of the circumstances described in Items (2) and (3)), and the consideration per Share receivable by the Company (determined as provided in Item (11)) shall be less than the Current Market Price per Share on the date on which the Company fixes the said consideration (or, if the issue of such convertible or exchangeable securities is subject to approval by a general meeting of shareholders, on the date on which the Board of Directors of the Company fixes the consideration to be recommended at such meeting), then the Exercise Price in effect on the date of payment or the last day of the period during which payment may be made in respect of the issue of such convertible or exchangeable securities shall be adjusted in accordance with the following formula

(provided, however, such adjustment shall be complied with the provisions of Item (8)):

$$\text{NCP} = \text{OCP} \times \frac{\text{N} + \text{v}}{\text{N} + \text{n}}$$

where:

NCP = the Exercise Price after such adjustment.

OCP = the Exercise Price before such adjustment.

N = the number of Shares outstanding (having regard to Item (12)) at the close of business on the date of payment or the last day of the period during which payment may be made in respect of such convertible or exchangeable securities.

n = the number of Shares to be acquired upon conversion or exchange of all such convertible or exchangeable securities at the initial conversion or exchange price or ratio.

v = the number of Shares which the aggregate consideration receivable by the Company (determined as provided in Item (11)) would purchase at such Current Market Price per Share.

Such adjustment shall become effective on the date immediately after the date of payment or the last day of the period during which payment may be made in respect of such convertible or exchangeable securities.

(6) *Issue of Shares*: if the Company shall issue or transfer any Shares (other than Shares issued or transferred (i) on conversion or exchange of any convertible or exchangeable securities allotted, granted, issued or offered by the Company, (ii) on the exercise of any rights or warrants (including stock acquisition rights) allotted, granted, issued or offered by the Company, (iii) to the extent permitted by the Articles of Incorporation, to any holder of shares constituting less than one unit for the purpose of making such holder's holding, when added to the Shares held by such holder, constitute a full one unit, (iv) in any of the circumstances described in Items (1), (2) and (3), (v) to shareholders of any corporation which merges into the Company upon such merger or which becomes a wholly-owned subsidiary of the Company by a share exchange (*kabushiki-kokan*), in proportion to their shareholding in such corporation immediately prior to such merger or such exchange or (vi) to any corporation or to shareholders of any corporation which transfers its business to the Company following the split of such corporation's business (*kyushu bunkatsu*)), and the consideration per Share receivable by the Company (determined as provided in Item (11)) shall be less than the Current Market Price per Share on the date on which the Company fixes the said consideration (or, if the issue or transfer of such Shares is subject to approval by a general meeting of shareholders, on the date on which the Board of Directors of the Company fixes the consideration to be recommended at such meeting), then the Exercise Price in effect on the date of payment or the last day of the period during which payment may be made in respect of the issue or transfer of such Shares shall be adjusted in accordance with the following formula (provided, however, such adjustment shall be complied with the provisions of Item (8)):

$$\text{NCP} = \text{OCP} \times \frac{\text{N} + \text{v}}{\text{N} + \text{n}}$$

where:

NCP = the Exercise Price after such adjustment.

OCP = the Exercise Price before such adjustment.

N = the number of Shares outstanding (having regard to Item (12)) at the close of business on the date of payment or the last day of the period during which payment may be made in respect of the issue or transfer of such Shares, but excluding the number of Shares, if any, contained in the definition of "n" immediately below, but only to the extent that such Shares are then issued and outstanding.

n = the number of Shares being issued or transferred as aforesaid.

v = the number of Shares which the aggregate consideration receivable by the Company (determined as provided in Item (11)) would purchase at such Current Market Price per Share.

Such adjustment shall become effective on the date immediately after the date of payment or the last day of the period during which payment may be made in respect of the issue or transfer of such Shares.

(7) *Issue to Non-shareholders of Rights or Warrants to Acquire Shares or Convertible/ Exchangeable*

Securities: if the Company shall grant, issue or offer any rights or warrants (including stock acquisition rights) entitling to subscribe for, purchase or otherwise acquire Shares or securities convertible into or exchangeable for Shares (other than the Stock Acquisition Rights or in any of the circumstances described in Items (2), (3), (4) and (5)) and the consideration per Share receivable by the Company (determined as provided in Item (11)) shall be less than the Current Market Price per Share on the date on which the Company fixes the said consideration (or, if the grant, issue or offer of such rights or warrants is subject to approval by a general meeting of shareholders, on the date on which the Board of Directors of the Company fixes the consideration to be recommended at such meeting), then the Exercise Price in effect on the date of the grant, issue or offer of such rights or warrants shall be adjusted in accordance with the following formula (provided, however, such adjustment shall be complied with the provisions of Item (8)):

$$NCP = OCP \times \frac{N + v}{N + n}$$

where:

NCP = the Exercise Price after such adjustment.

OCP = the Exercise Price before such adjustment.

N = the number of Shares outstanding (having regard to Item (12)) at the close of business on the date of the grant, issue, or offer of such rights or warrants.

n = the number of Shares to be acquired on exercise of all such rights or warrants at the initial subscription, purchase or acquisition price, or upon conversion or exchange of all such convertible or exchangeable securities at the initial conversion or exchange price or ratio following the exercise of all such rights or warrants.

v = the number of Shares which the aggregate consideration receivable by the Company (determined as provided in Item (11)) would purchase at such Current Market Price per Share.

Such adjustment shall become effective immediately after the date of issue of such rights or warrants.

(8) *Combined Adjustment*: if the Company shall grant, issue, transfer or offer (as the case may be) securities of a type falling within Item (5), (6) or (7) which otherwise require an adjustment to the Exercise Price pursuant thereto and the date of grant, issue, transfer or offer of such securities or, if applicable, the date of payment or the last day of the period during which payment may be made in respect thereof (in each case, referred to as the "relevant date") is also the relevant date in respect of securities of another type or types (including a different tranche or issue of a same type) falling within Items (5), (6) and/or (7) which otherwise require an adjustment to the Exercise Price (all such securities being hereafter referred to as "Relevant Securities"), then any adjustment of the Exercise Price shall not be made separately under each such Item but in one calculation in accordance with the following formula:

$$NCP = OCP \times \frac{N + v1 + v2 + v3}{N + n1 + n2 + n3}$$

where:

NCP = the Exercise Price after such adjustment.

OCP = the Exercise Price before such adjustment.

N = the number of Shares outstanding (having regard to Item (12)) at the close of business on the relevant date but excluding the number of Shares contained in the definition of "n2" below to the extent that such Shares are then issued and outstanding.

n1 = the number of Shares to be acquired upon conversion or exchange of any convertible or exchangeable securities (included within the Relevant Securities) at the initial conversion or exchange price or ratio.

n2 = the number of any Shares (included within the Relevant Securities) being issued or transferred.

n3 = the number of Shares to be acquired on exercise of any rights or warrants (included within the Relevant Securities) at the initial subscription, purchase or acquisition price, or upon conversion or exchange of any convertible or exchangeable securities at the initial conversion or exchange price or ratio following the exercise of such rights or warrants.

v1 = the number of Shares which the aggregate consideration receivable by the Company for such convertible or exchangeable securities (determined as provided in Item (11)) would purchase at the Current Market Price per Share on the date on which the Company fixes the said consideration (or,

if the issue of such convertible or exchangeable securities is subject to approval by a general meeting of shareholders, on the date on which the Board of Directors of the Company fixes the consideration to be recommended at such meeting).

v2 = the number of Shares which the aggregate consideration receivable by the Company for the issue or transfer of such Shares (determined as provided in Item (11)) would purchase at the Current Market Price per Share on the date on which the Company fixes the said consideration (or, if the issue or transfer of such Shares is subject to approval by a general meeting of shareholders, on the date on which the Board of Directors of the Company fixes the consideration to be recommended at such meeting).

v3 = the number of Shares which the aggregate consideration receivable by the Company for the issue or transfer of the total number of Shares to be acquired on exercise of such rights or warrants and (if applicable) upon conversion or exchange of such convertible or exchangeable securities (determined as provided in Item (11)) would purchase at the Current Market Price per Share on the date on which the Company fixes the said consideration (or, if the grant, issue or offer of such rights or warrants is subject to approval by a general meeting of shareholders, on the date on which the Board of Directors of the Company fixes the consideration to be recommended at such meeting).

Any such adjustment shall become effective on the date immediately after the date of issue, which is the relevant date.

(9) *Tender offer or exchange offer.* In the case the Company or any of its subsidiaries makes payment in respect of a tender offer or exchange offer for Shares, and if the cash and value of any other consideration to be paid for per Share exceeds the average of the closing prices of Shares for the ten (10) consecutive trading days commencing on the trading day immediately following the last date of the period during which tender offer or exchange offer may be made pursuant to such tender or exchange offer (subject to change), the Exercise Price shall be adjusted in accordance with the following formula (such last date, the "Tender Offer Expiration Date"):

$$NCP = OCP \times \frac{SP \times OS0}{AC + (SP \times OS1)}$$

where:

NCP = the Exercise Price after such adjustment.

OCP = the Exercise Price before such adjustment.

AC = the total amount of aggregate cash and any other consideration to be paid for Shares (as determined in accordance with the provisions of Item (11)).

OS0 = the number of shares outstanding immediately prior to the Offer Expiration Date (including all Shares accepted for purchase or exchange in such application).

OS1 = the number of shares outstanding immediately after the Offer Expiration Date (excluding all Shares accepted for purchase or exchange in such application).

SP = the average of the closing prices for the ten (10) consecutive trading days commencing on the trading day immediately following the Offer Expiration Date.

Such adjustment shall take effect retroactively to the trading day immediately following the Offer Expiration Date, on the day eleven (11) trading days following the Offer Expiration Date. Provided, however, that the Exercise Price shall not be adjusted upward by the foregoing.

(10) *Current Market Price per Share:* for the purpose of these Conditions, "Current Market Price per Share" on any date shall be deemed to be the average of the daily closing prices of the Shares for the thirty (30) consecutive trading days commencing on the forty-fifth (45th) trading day preceding such date.

If, during the said forty-five (45) Trading Day period or any period thereafter up to but excluding the date as of which the adjustment of the Exercise Price in question shall be effected, any event (other than the event which requires the adjustment in question and any event which requires an adjustment with reference to the same Current Market Price per Share) shall occur which gives rise to a separate adjustment (excluding a retroactive adjustment to take effect on or after such date) to the Exercise Price under the provisions of this Condition, the Current Market Price per Share as determined above shall be adjusted in such manner and to such extent as the Company in consultation with an Independent Financial Adviser (whose advice the Company will take fully into account) shall deem

to be appropriate and fair in order to compensate for the effect of such event.

(11) *Consideration per Share*: for the purposes of any calculation of the consideration per Share receivable pursuant to Items (2), (3), (5), (6), (7), and (8) and (9), the following provisions shall be applicable:

- (i) in the case of the issue or transfer of Shares for cash, the consideration shall be the amount of such cash, provided that in no case shall any deduction be made for any commissions or any expenses paid or incurred by or on behalf of the Company for any underwriting of the issue or transfer or otherwise in connection therewith;
- (ii) in the case of the issue or transfer of Shares for a consideration in whole or in part other than cash, the consideration other than cash shall be deemed to be the fair value thereof as determined by the Company in consultation with an Independent Financial Adviser or, if pursuant to applicable Japanese law such determination is to be made by application to a court of competent jurisdiction, as determined by such court or an appraiser appointed by such court, irrespective of the accounting treatment thereof. Such determination shall be final and binding on the Company and Holders;
- (iii) (a) in the case of the issue by the Company of securities convertible into or exchangeable for Shares, including bonds with stock acquisition rights, the aggregate consideration receivable by the Company shall be deemed to be the consideration for any such securities plus the additional consideration (if any) to be received by the Company upon (and assuming) the conversion or exchange of such securities at the initial conversion or exchange price or ratio, and (b) in the case of the allotment, grant, issue, transfer or offer of rights or warrants, including stock acquisition rights, to subscribe for, purchase or otherwise acquire securities convertible into or exchangeable for Shares, the aggregate consideration receivable by the Company shall be the consideration (if any) received by the Company for any such rights or warrants plus the additional consideration to be received by the Company upon (and assuming) the exercise thereof at the initial exercise, purchase or acquisition price and (if applicable) upon the following conversion or exchange of such securities at the initial conversion or exchange price or ratio. The consideration per Share receivable by the Company shall be such aggregate consideration divided by the number of Shares to be acquired upon (and assuming) such conversion or exchange at the initial conversion or exchange price or ratio (if applicable) following the exercise of such rights or warrants at the initial exercise, purchase or acquisition price (the consideration in each case to be determined in the same manner as provided in sub- paragraphs (i) and (ii) above);
- (iv) in the case of the allotment, grant, issue, transfer or offer of rights or warrants (including stock acquisition rights) entitling to subscribe for, purchase or otherwise acquire Shares, the aggregate consideration receivable by the Company shall be deemed to be the consideration (if any) received by the Company for any such rights or warrants plus the additional consideration to be received by the Company upon (and assuming) the exercise of such rights or warrants at the initial exercise, purchase or acquisition price (the consideration in each case to be determined in the same manner as provided in sub- paragraphs (i) and (ii) above), and the consideration per Share receivable by the Company shall be such aggregate consideration divided by the number of Shares to be acquired upon (and assuming) such exercise at the initial exercise, purchase or acquisition price; and
- (v) if any consideration referred to in the foregoing provisions of this Item is receivable in a currency other than yen, such consideration shall, in any case where there is a fixed rate of exchange between yen and the relevant currency provided for the purposes of the issue of such Shares or the conversion or exchange of such securities or the exercise of such rights or warrants, be translated into yen for the purposes of this Item at such fixed rate of exchange and shall, in all other cases, be so translated at the mean of the exchange rate quotations (being quotations for the cross rate through Dollars if no direct rate is quoted) by a leading bank in Japan for buying and selling spot units of the relevant currency by telegraphic transfer against yen on the date as at which such consideration is required to be calculated.

(12) *Later Adjustments*: if, at the time of computing an adjustment (the "later adjustment") of the

Exercise Price pursuant to any of Items (2) to (9) (both inclusive), the Exercise Price already incorporates an adjustment made (or taken into account pursuant to the proviso to Item (16)) to reflect the issue or transfer of such Shares, or the allotment, grant, issue, transfer of offer of rights or warrants (including stock acquisition rights) to subscribe for, purchase or otherwise acquire such Shares or other securities convertible into or exchangeable for such Shares, but such Shares are not outstanding at the time relevant for ascertaining the number of outstanding Shares for the purposes of computing the later adjustment, such Shares shall be deemed to be outstanding for the purposes of making such computation to the extent that the number of the Shares so deemed to be outstanding exceeds the actual number of Shares in issue as a result thereof at the time of making such computation. For the purposes of determining the number of Shares outstanding in Items (2), (3), (5), (6), (7), (8) and (9), the Shares held by the Company as treasury stock on the relevant date shall be deemed not to be outstanding.

(13) *Meaning of "Fixed"*: any reference in this Condition to the date on which the consideration is "fixed" shall be construed as a reference to the first day on which such consideration in a cash amount can be ascertained, where the consideration is originally expressed by reference to a formula and not then ascertainable in a cash amount.

(14) *Other Events*: if the Company determines at its sole discretion that a downward adjustment should be made to the Exercise Price as a result of one or more events or circumstances not otherwise referred to in this Condition, the Company shall, at its own expense, request an Independent Financial Adviser to determine as soon as practicable what adjustment (if any) to the Exercise Price is fair and reasonable to take account thereof and, if the adjustment would result in a reduction in the Exercise Price, the date on which such adjustment should take effect and, upon such determination, such downward adjustment (if any) shall be made and shall take effect in accordance with such determination.

(15) *Modification to Operation of Adjustment Provisions*: notwithstanding the foregoing, where the circumstances giving rise to any adjustment pursuant to this Condition have already resulted or will result in an adjustment to the Exercise Price or where the circumstances giving rise to any adjustment arise by virtue of other circumstances which have already given rise or will give rise to an adjustment to the Exercise Price, such modification (if any) shall be made to the operation of the provisions of this Condition as may be advised by an Independent Financial Adviser to be in its opinion appropriate to give the intended result.

(16) No adjustment of the Exercise Price shall be required unless such adjustment would result in an increase or decrease in such Exercise Price of at least one yen provided that any adjustment which by reason of this Item is not required to be made shall be carried forward and taken into account (as if such adjustment were made at the time when it would be made but for the provisions of this Item) in any subsequent adjustment.

(17) The exercise price after the adjustment shall be calculated to two decimal places and rounded to first decimal place.

(18) Notwithstanding the provisions of this Condition, the adjustment of the Exercise Price shall not be required in the event that the Shares or other securities (including the stock acquisition rights) are issued, offered, allotted or granted to the officers and/or employees of the Company or its subsidiaries or affiliated companies.

(19) In this Conditions:

"Independent Financial Adviser" means an independent investment bank, securities company, accounting firm or consultant firm with established reputation appointed by the Company at its own expense and notified in writing to Holders or, if the Company fails to make such appointment and such failure continues for a reasonable period (as determined by the holders of a majority of the Stock Acquisition Rights in their absolute discretion) and the holders of a majority of the Stock Acquisition Rights are indemnified and/or secured and/or prefunded to its satisfaction against the

costs, fees, and expenses of such adviser, appointed by the holders of a majority of the Stock Acquisition Rights;

“Record Date” means the date fixed by the Articles of Incorporation or otherwise specified by the Company for the purpose of determining entitlements to dividends or other distributions to, or rights of, holders of Shares; provided, however, that if the Company has fixed no such Record Date and the context so requires, the “Record Date” shall be construed as a reference to the date of any event in question coming into effect;

“Shares” means the common stock of the Company; and

“Stock Split” means any kind of stock split in relation to the Shares, including an allotment of Shares without consideration to the holders of Shares, a stock dividend or a sub-division of Shares.

11. Period during which Stock Acquisition Rights may be exercised (“Exercise Requesting Period”) From and including November 2, 2020, up to and including November 2, 2025.
12. Other conditions for exercise of the Stock Acquisition Rights No Stock Acquisition Right may be exercised in part.
13. Restrictions on Transfer of the Stock Acquisition Rights Any acquisition of the Stock Acquisition Rights by transfer requires the resolution of the Board of Directors of the Company. However, the transfers to banks, securities companies and other financial institutions and affiliated companies of Fortress Japan Investment Holdings LLC, or vehicles managed or controlled by Fortress Japan Investment Holdings LLC or its affiliated companies shall be deemed to be approved by the Board of Directors of the Company. (Note: In cases where the contents of the above proviso cannot be registered in the practice of commercial registration procedures, appropriate adjustments shall be made and, where necessary, settled under the Agreement.)
14. Increase in capital and capital reserve in the case of the issuance of new shares through the exercise of the Stock Acquisition Rights In the event of the issuance of shares by exercising the Stock Acquisition Rights, the amount to be contributed to capital shall be half the upper limit of an increase in capital and capital reserve calculated in accordance with Article 17, Paragraph (1) of the Rules of Corporate Accounting (with any fractional amounts less than one yen resulting from such calculation rounded up). The increase in capital reserve in the event of share issuance by exercising the Stock Acquisition Rights shall be the amount reached by deducting the aforementioned amount to be contributed to capital from the aforementioned upper limit of an increase in capital and capital reserve.
15. Delivery of the Stock Acquisition Rights upon Merger, Absorption-type Company Split, Incorporation-type Company Split, Stock Exchange and/or Stock Transfer In case the Company conducts a merger (limited to the case where the Company is to be dissolved as a result of the merger), an absorption-type company split (limited to the case where the Company is to be a split company), an incorporation-type company split, a stock exchange (limited to the case where the Company is to be a wholly owned subsidiary) or a stock transfer (limited to the case where the Company is to be a wholly owned subsidiary) (hereafter collectively referred to as the “Reorganization”), the Company shall notify the Holders of the Reorganization in advance, and then shall have a stock company, as stipulated in Article 236, Paragraph 1, Item 8 (a) to (e) of the Companies Act (the “Reorganized Company”) deliver to the Holders no later than immediately before the effective date of the Reorganization (i.e., the effective date of the Absorption-type merger in connection with an Absorption-type merger, the date of incorporation of a formed stock company incorporated through consolidation-type merger in connection with a consolidation-type merger, the effective date of the absorption-type company split in connection with an absorption-type company split, the date of incorporation of a stock company incorporated through incorporation-type company split in connection with incorporation-type company split, the effective date of stock exchange in connection with a stock exchange, and the date of incorporation of the parent company incorporated through share transfer in connection with the share transfer; the same shall apply hereinafter) the

stock acquisition rights of the Reorganized Company in lieu of the Stock Acquisition Rights held by the Holders, in accordance with the following conditions:

- (1) Number of the Stock Acquisition Rights of the Reorganized Company to be delivered
The number of the Stock Acquisition Rights identical to the number of the Stock Acquisition Rights held by the Holders no later than immediately before the effective date of the Reorganization shall be delivered.
- (2) Type of shares to be issued upon exercise of the Stock Acquisition Rights
Shares of common stock of the Reorganized Company.
- (3) Number of shares to be issued upon exercise of the Stock Acquisition Rights
To be determined in accordance with Condition 8, taking into consideration the conditions of the Reorganization and other factors.
- (4) Amount of assets to be contributed upon exercise of the Stock Acquisition Rights
The amount of the assets to be contributed upon the exercise of the Stock Acquisition Rights to be delivered shall be the amount obtained by multiplying the Exercise Price after restructuring, which is adjusted after taking into account the conditions of the Reorganization, by the number of shares of the Reorganized Company, which is the subject of the Stock Acquisition Rights to be determined in accordance with Item (3) above.
- (5) Period during which the Stock Acquisition Rights are exercisable
The period during which the Stock Acquisition Rights to be delivered may be exercised shall commence on the date of commencement of the period stipulated in Condition 11 or on the effective date of the Reorganization, whichever is later, and end on the date of expiration of the period during which the Stock Acquisition Rights as stipulated in Condition 11 may be exercised.
- (6) Conditions for the exercise of the Stock Acquisition Rights
The conditions will be determined in accordance with Condition 12.
- (7) Restriction on acquisition of the Stock Acquisition Rights by transfer
The restriction will be determined in accordance with Condition 13.
- (8) Matters concerning the capital and capital reserve to be increased when shares are issued upon exercise of the Stock Acquisition Rights
The matters will be determined in accordance with Condition 14.

16. Method of Exercising the Stock Acquisition Rights

- (1) If a holder of the Stock Acquisition Rights wishes to exercise the Stock Acquisition Rights, he/she/it shall, after affixing his/her/its signature and seal to such written exercise request, submit, during the Exercise Requesting Period (during the business hours of the location for submitting exercise request set out in Condition 18 ("Location for Submitting Exercise Requests")) to the Location for Submitting Exercise Requests, a written exercise request in a form to be designated by the Company that presents the Stock Acquisition Rights to be exercised and that includes matters such as the date of the exercise.
- (2) An exercise of the Stock Acquisition Rights will become effective only when all of the necessary documents for the exercise are received at the Location for Submitting Exercise Requests, (i) on the date on which the right is to be exercised as stated in the written exercise request or (ii) on the date on which the written exercise request arrives at the Location for Submitting Exercise Requests, whichever comes later.

17. Issuance of Stock Acquisition Rights Certificates

No certificates representing the Stock Acquisition Rights will be issued.

18. Location for Submitting Exercise Requests

Leopalace21 the Management Planning Department

19. Payment handling location

Sumitomo Mitsui Banking Corporation, Shinjuku branch

20. Amendment to law or ordinance, or regulation

In the case where any measure becomes necessary to be taken, including the provisions of these terms and conditions, of which terms should be replaced, for example, due to revisions to the

Companies Act and other laws, the Company shall take such necessary measures.

21. Others

- (1) The issuance of the Stock Acquisition Rights shall be subject to (i) the entry into force of the notification in accordance with the Financial Instruments and Exchange Act and (ii) the completion of the prior notification procedures related to foreign direct investment under the Foreign Exchange and Foreign Trade Act in connection with the issuance of new shares under the resolution of the Board of Directors of the Company as of September 30, 2020.
- (2) Other necessary matters related to the issuance of the Stock Acquisition Rights shall be entrusted to, President and CEO of the Company.

[END]