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Notice Concerning Recording of Extraordinary Loss and Revision of Earnings Forecasts

Leopalace21 Corporation (“the Company”) announces the recording of 50 billion yen in extraordinary loss related to parting wall deficiencies confirmed in certain apartments constructed by Leopalace21. Due to this extraordinary loss, the Company also announces the following revisions to its earnings forecasts from those announced on May 11, 2018.

1. Revision of Earnings Forecasts

[Consolidated]

Revision to earnings forecasts for the six months ending September 30, 2018

(April 1, 2018 through September 30, 2018)

(Million yen)

	Net sales	Operating profit	Recurring profit	Net income attributable to shareholders of the parent	Net income per share (yen)
Previous forecast (A)	260,400	9,200	9,700	7,200	28.56
Revised forecast (B)	260,400	9,200	9,700	2,700	10.71
Amount change (B – A)	—	—	—	-4,500	
Percentage change	—	—	—	-62.5%	
(Reference) Results for the six months ended September 30, 2017	258,740	13,987	13,827	9,488	36.68

Revision to earnings forecasts for the fiscal year ending March 31, 2019

(April 1, 2018 through March 31, 2019)

(Million yen)

	Net sales	Operating profit	Recurring profit	Net income attributable to shareholders of the parent	Net income per share (yen)
Previous forecast (A)	553,000	24,500	24,000	15,000	59.50
Revised forecast (B)	553,000	24,500	24,000	11,500	45.63
Amount change (B – A)	—	—	—	-3,500	
Percentage change	—	—	—	-23.3%	
(Reference) Results for the fiscal year ended March 31, 2018	530,840	22,930	22,354	14,819	58.02

[Non-consolidated]

Revision to earnings forecasts for the six months ending September 30, 2018

(April 1, 2018 through September 30, 2018)

(Million yen)

	Net sales	Recurring profit	Net income	Net income per share (yen)
Previous forecast (A)	250,300	9,200	6,800	26.97
Revised forecast (B)	250,300	9,200	2,400	9.52
Amount change (B – A)	—	—	-4,400	
Percentage change	—	—	-64.7%	
(Reference) Results for the six months ended September 30, 2017	248,884	13,721	9,729	37.61

Revision to earnings forecasts for the fiscal year ending March 31, 2019

(April 1, 2018 through March 31, 2019)

(Million yen)

	Net sales	Recurring profit	Net income	Net income per share (yen)
Previous forecast (A)	523,700	22,700	14,400	57.12
Revised forecast (B)	523,700	22,700	11,200	44.44
Amount change (B – A)	—	—	-3,200	
Percentage change	—	—	-22.2%	
(Reference) Results for the fiscal year ended March 31, 2018	505,849	21,879	14,917	58.40

2. Reasons for the Revision

Net income for the six months ending September 30, 2018 and the fiscal year ending March 31, 2019 is expected to decrease compared to previous forecasts due to a recording of 5 billion yen in extraordinary loss, as a reserve for losses related to parting wall deficiencies confirmed in certain apartments constructed by Leoplace21. The reserve for losses is recorded to prepare for occurrence of repair works and other incidental expenses such as fees for investigations conducted by third-party organizations, and is calculated based on the ratio of defects, etc. confirmed in the all-building investigation progress status as of July 22, 2018.

Note: Revised business forecasts are calculated based on information available to the Company as of this announcement. Actual results may differ from these forecasts for a variety of reasons.