FOR IMMEDIATE RELEASE

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Notice Concerning Revision of Earnings

Leopalace21 Corporation (Headquarters: Nakano, Tokyo; President and CEO: Bunya Miyao; the “Company”) announces the following revisions on earnings forecasts which were posted on May 10, 2019, due to a recording of extraordinary loss related to the construction defects in certain apartment buildings constructed by the Company, as well as in consideration of recent business performance. The matter was resolved at the meeting of the Board of Directors on November 7, 2019.

1. Revision of Earnings Forecasts

[Consolidated]

Revision to earnings forecasts for the six months ended September 30, 2019

(April 1, 2019 through September 30, 2019) (Million yen)

	Net sales	Operating profit	Recurring profit	Net income attributable to shareholders of the parent co.	Net income per share (yen)
Previous forecast (A)	241,100	(4,800)	(5,200)	(5,800)	(23.79)
Revised forecast (B)	221,500	(17,200)	(16,500)	(21,400)	(87.50)
Amount change (B – A)	(19,600)	(12,400)	(11,300)	(15,600)	
Percentage change	(8.1%)	—	—	—	
(Reference) Results for the six months ended September 30, 2018	255,479	7,192	7,159	5,819	(23.36)

Revision to earnings forecasts for the fiscal year ending March 31, 2020

(April 1, 2019 through March 31, 2020) (Million yen)

	Net sales	Operating profit	Recurring profit	Net income attributable to shareholders of the parent co.	Net income per share (yen)
Previous forecast (A)	502,200	2,200	1,300	100	0.41
Revised forecast (B)	447,300	(28,000)	(27,800)	(27,300)	(111.91)
Amount change (B – A)	(54,900)	(30,200)	(29,100)	(27,400)	
Percentage change	(10.9%)	—	—	—	
(Reference) Results for the fiscal year ended March 31, 2018	505,223	7,390	7,063	(68,662)	(278.58)

[Non-consolidated]

Revision to earnings forecasts for the six months ended September 30, 2019

(April 1, 2019 through September 30, 2019) (Million yen)

	Net sales	Recurring profit	Net income	Net income per share (yen)
Previous forecast (A)	227,500	(4,800)	(5,100)	(20.92)
Revised forecast (B)	210,200	(16,500)	(21,800)	(88.99)
Amount change (B – A)	(17,300)	(11,700)	(16,700)	
Percentage change	(7.6%)	—	—	
(Reference) Results for the six months ended September 30, 2018	244,990	7,591	(5,101)	(20.48)

Revision to earnings forecasts for the fiscal year ending March 31, 2020

(April 1, 2019 through March 31, 2020) (Million yen)

	Net sales	Recurring profit	Net income	Net income per share (yen)
Previous forecast (A)	472,300	1,400	1,000	4.10
Revised forecast (B)	427,200	(26,900)	(26,700)	(109.46)
Amount change (B – A)	(45,100)	(28,300)	(27,700)	
Percentage change	(9.5%)	—	—	
(Reference) Results for the fiscal year ended March 31, 2018	477,834	6,817	(68,754)	(278.95)

2. Reasons for the Revision of Earnings Forecasts for the first six months ended September 30, 2019

We are in the middle of all-building investigations and repair works in the wake of revealed construction defects including parting walls defects in the attics, discrepancies of insulation materials in parting walls, exterior wall structures not meeting qualifications certified by the Minister of Land, Infrastructure, Transport and Tourism (hereinafter the “Minister”), defects in the ceilings, and the noncompliant parting walls in fire-proof structure with the specifications certified by the Minister.

As to the leasing business, the average occupancy rate during the first six months ended September 30, 2019 was 81.11%, decreasing 9.88 points year-on-year. We increased a reserve for apartment vacancy loss by seven billion yen for the second quarter of this fiscal year as the vacancy rate increased due to the above construction defects. The Company revised the rent revenue in the leasing business as a result of lowered occupancy rate, which was caused by the delay in repair works and in new tenants’ recruitment vis-à-vis higher priority on all-building investigations.

On the development business, the Company faced sluggish new bookings because of the construction defects amid the intensified competition in the metropolitan areas and the financial institutions’ more cautious loan approval policy for apartment loans, and therefore revised the related revenue.

The Company has decided on, for the six months ended September 30, 2019, recording 10 billion yen of extraordinary loss based on increasing costs for repair works in the light of larger than the estimated ratio of defects confirmed in the all-building investigations and other incidental expenses during the course of the investigations. As a result, the balance of the reserve for loss related to repair works posted to 52.9 billion yen as of the end of second quarter of this fiscal year.

3. Reasons for the Revision of Earnings Forecasts for the period ending March 31, 2020

The reasons for the revision during the first six months remain unchanged for the rest of the fiscal year ending March 31, 2020.

As for the leasing business, the occupancy rate as of September 30, 2019 was 80.07%, decreasing 8.33 points year-on-year. On the development business, the orders received during the six months ended September 30, 2019 amounted only to 3.7 billion yen, an 87.9% reduction year-on-year on a non-consolidated basis. In the light of the above result, the Company decided on revising the consolidated and non-consolidated earnings forecasts for the fiscal year ending March 31, 2020.

Note: Revised earnings 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.