



**FOR IMMEDIATE RELEASE**

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### **Notice Concerning Recording of Extraordinary Losses and Revision of Earnings Forecasts**

Leopalace21 Corporation (the Company) announces the recording of the following extraordinary losses for the fiscal year ended March 31, 2010 (April 1, 2009 through March 31, 2010), together with revisions to its earnings forecasts for the fiscal year ended March 2010 from those announced on February 5, 2010.

#### **1. Recording of Extraordinary Losses**

Leopalace21, in response to the acute deterioration in earnings performance during the subject fiscal year, will record the following extraordinary losses as a means of quickly regaining profitability through implementation of fundamental business restructuring reforms in line with the three-year management plan announced simultaneously today.

(1) Loss on business restructuring

Leopalace21 will record a loss amounting to ¥29,855 million as expenses relating to business restructuring. The principal restructuring expense items are: ¥18,761 million for impairment losses on cancelled development projects and assets planned for sale; ¥10,204 million for the difference arising from a change in accounting treatment relating to indirect expenses in the Apartment Construction Subcontracting Business; ¥511 million for expenses relating to the closing of business locations; and ¥297 million for early cancellation penalties relating to terminated lease contracts.

(2) Provision for apartment vacancy loss

The method for estimating the provision for apartment vacancy loss in the Leasing Business will be changed from a method based on past occupancy rates to one based on anticipated future occupancy rates. Leopalace21 will record a loss of ¥10,342 million in accordance with this change.

(3) Impairment loss

The profitability of apartments and other properties held as lease assets has diminished as a result of a slowdown in the rent market, the fall in land prices, and other factors. Leopalace21 will record a loss of ¥3,237 million to reflect the decline.

## 2. Revision of Earnings Forecasts

- (1) Revision to consolidated earnings forecasts for the fiscal year ended March 31, 2010 (April 1, 2009 through March 31, 2010)

(Million yen)

	Net sales	Operating income (loss)	Recurring income (loss)	Net income (loss)	Net income (loss) per share
Previous forecast (A)	624,800	(28,200)	(33,300)	(35,100)	(231.82)
Revised forecast (B)	620,300	(29,600)	(33,700)	(79,000)	(521.41)
Amount change (B – A)	(4,500)	(1,400)	(400)	(43,900)	—
Percentage change	-0.7%	—	—	—	—
(Reference) Results for the fiscal year ended March 31, 2009	733,235	50,156	46,785	9,951	63.54

- (2) Revision to non-consolidated earnings forecasts for the fiscal year ended March 31, 2010 (April 1, 2009 through March 31, 2010)

(Million yen)

	Net sales	Operating income (loss)	Recurring income (loss)	Net income (loss)	Net income (loss) per share
Previous forecast (A)	619,000	(27,200)	(32,200)	(34,400)	(227.20)
Revised forecast (B)	615,300	(28,300)	(32,700)	(78,700)	(519.43)
Amount change (B – A)	(3,700)	(1,100)	(500)	(44,300)	—
Percentage change	-0.6%	—	—	—	—
(Reference) Results for the fiscal year ended March 31, 2009	727,316	51,381	48,823	9,116	58.21

## 3. Reasons for the Revision

Final figures for net sales, operating income (loss), and recurring income (loss) in the fiscal year ended March 2010 are all expected to be basically in line with the previous forecast. The net loss, however, is expected to exceed the previous forecast as a result of the extraordinary losses described in “1. Recording of Extraordinary Losses” above, comprising ¥29.8 billion for loss on business restructuring; ¥10.3 billion for provision for apartment vacancy loss; and ¥3.2 billion for impairment loss.

## 4. Reduction of Executive Compensation and Return of Stock Acquisition Rights (Stock Compensation-Type Stock Options)

Leopalace21 previously reduced executive compensation in October 2009. However, considering the seriousness of the current earnings revision, and to clarify management responsibility, we will maintain and make the following additional reductions to executive compensation. The Company has also decided in regard to the stock acquisition rights issued to directors, announced on July 28, 2009, that the portion issued

for the subject fiscal year is to be returned, and that the distribution of stock acquisition rights for the fiscal year ending March 2011 will be suspended.

- Executive compensation to the president will be reduced by 60% (40% in the previous announcement), and to other directors by 45 to 49% (30% previously).
- The period for these reductions will be April 2010 through March 2011.

Note: The business forecasts and other estimates presented above 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.

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