FOR IMMEDIATE RELEASE

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Company Name: **Leopalace21 Corporation**
Representative: Eisei Miyama, President and CEO
Code Number: 8848 (Tokyo Stock Exchange, First Section)
Contact: Masumi Iwakabe, General Manager
Tel: +81-3-5350-0216
E-mail: ir@leopalace21.com

Notice Concerning Revision of Earnings Forecasts

Leopalace21 Corporation ("the Company"), in consideration of recent performance, announces the following revisions to its earnings forecasts from those announced on May 14, 2010.

1. Revision of Earnings Forecast

(1) Consolidated Forecast

Revision to first half earnings forecasts for the fiscal year ending March 31, 2011

(April 1, 2010 through September 30, 2010) (Millions of yen)

	Net sales	Operating income	Recurring income	Net income	Net income per share (yen)
Previous forecast (A)	277,200	2,000	1,000	800	5.27
Revised forecast (B)	248,300	(12,600)	(19,300)	(17,600)	(115.65)
Amount change (B – A)	(28,900)	(14,600)	(20,300)	(18,400)	—
Percentage change	- 10.4%	—	—	—	—
(Reference) Results for the first half of the fiscal year ended March 31, 2010	310,390	(6,872)	(11,850)	(12,239)	(80.85)

Revision to full year earnings forecasts for the fiscal year ending March 31, 2011

(April 1, 2010 through March 31, 2011) (Millions of yen)

	Net sales	Operating income	Recurring income	Net income	Net income per share (yen)
Previous forecast (A)	564,700	5,300	3,400	3,000	19.75
Revised forecast (B)	504,000	(10,000)	(18,000)	(16,300)	(107.11)
Amount change (B – A)	(60,700)	(15,300)	(21,400)	(19,300)	—
Percentage change	- 10.7%	—	—	—	—
(Reference) Results for the fiscal year ended March 31, 2010	620,376	(29,727)	(33,831)	(79,075)	(521.91)

(2) Non-Consolidated Forecast

Revision to first half earnings forecasts for the fiscal year ending March 31, 2011

(April 1, 2010 through September 30, 2010) (Millions of yen)

	Net sales	Operating income	Recurring income	Net income	Net income per share (yen)
Previous forecast (A)	274,500	1,900	900	800	5.27
Revised forecast (B)	245,300	(12,900)	(18,100)	(16,400)	(107.77)
Amount change (B – A)	(29,200)	(14,800)	(19,000)	(17,200)	—
Percentage change	-10.6%	—	—	—	—
(Reference) Results for the first half of the fiscal year ended March 31, 2010	307,949	(6,145)	(10,341)	(10,977)	(72.52)

Revision to full year earnings forecasts for the fiscal year ending March 31, 2011

(April 1, 2010 through March 31, 2011) (Millions of yen)

	Net sales	Operating income	Recurring income	Net income	Net income per share (yen)
Previous forecast (A)	559,300	5,100	3,200	2,900	19.09
Revised forecast (B)	497,500	(11,000)	(17,100)	(15,600)	(102.51)
Amount change (B – A)	(61,800)	(16,100)	(20,300)	(18,500)	—
Percentage change	-11.0%	—	—	—	—
(Reference) Results for the fiscal year ended March 31, 2010	615,367	(28,448)	(32,825)	(78,736)	(519.68)

2. Reasons for the Revision

With regard to earnings forecasts for the cumulative second quarter (first half) of the fiscal year ending March 31, 2011, the impact of the economic downturn continues to exceed the Company’s estimates. We now anticipate that net sales will be primarily affected by a substantial shortfall in sales by the Apartment Construction Subcontracting Business compared with our initial forecasts. The reasons for this decline include the moving back of project completions owing to tighter loan application screening procedures, and a fall in orders and cancellations occurring from a drop in rental occupancy rates. As background for the decline in net sales, under the medium-term management plan announced in May 2010, which lies at the core of the Company’s business structural reform efforts, we have accelerated the schedule for reducing the number of sales offices operated by the Apartment Construction Subcontracting Business. Consequently, through restraint on the number of apartments supplied driven by reforms of our business structure, we believe that there has been a significant impact on the project completion schedule for projects handled by the sales offices affected by retrenchment. With regard to operating income, although we continue to pursue reductions in selling, general and administrative (SG&A) expenses through a range of management rationalization measures, we anticipate that earnings performance will be much weaker than initially forecast. Furthermore, factoring in foreign exchange losses and other factors, we now expect recurring income and net income performance to be weaker than previous forecasts.

With regard to earnings forecasts for the full fiscal year ending March 31, 2011, we are factoring in the impact of the prolonged economic downturn. In addition, in the Apartment Construction Subcontracting Business, we will continue to implement structural reforms through restraint on the number of apartments supplied. In the Leasing Business, we will pursue a partner-based strategy focusing on the franchise sales channel, and apply a rent-pricing strategy that uses the individual apartment building as the basic pricing unit. Furthermore, taking into account the structural cost improvements that we have already implemented and substantive contributions from new earnings improvement measures that we expect to be reflected in results from the third quarter of the fiscal year, we anticipate earnings in the second half of the fiscal year to recover profitability. Consequently, we have revised forecasts at each earnings stage—net sales, operating income (loss), recurring income (loss) and net income (loss).

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.

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