



**FOR IMMEDIATE RELEASE**

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### Notice Concerning Revision of Earnings Forecasts and Reversal of Deferred Tax Assets

Leopalace21 Corporation (“the Company”), in consideration of recent performance, announces the following revisions to its earnings forecasts from those announced on October 29, 2010.

#### 1. Revision of Earnings Forecasts

Consolidated earnings forecasts for the fiscal year ending March 2011 (April 1, 2010 through March 31, 2011)

(Million yen)

	Net sales	Operating income (loss)	Recurring income (loss)	Net income (loss)	Net income (loss) per share
Previous forecast (A)	504,000	(10,000)	(18,000)	(16,300)	(107.11)
Revised forecast (B)	484,300	(23,600)	(31,800)	(40,800)	(242.03)
Amount change (B – A)	(19,700)	(13,600)	(13,800)	(24,500)	—
Percentage change	(3.9%)	—	—	—	—
(Reference) Results for the fiscal year ended March 31, 2010	620,376	(29,727)	(33,831)	(79,075)	(521.91)

Non-consolidated earnings forecasts for the fiscal year ending March 2011 (April 1, 2010 through March 31, 2011)

(Million yen)

	Net sales	Operating income (loss)	Recurring income (loss)	Net income (loss)	Net income (loss) per share
Previous forecast (A)	497,500	(11,000)	(17,100)	(15,600)	(102.51)
Revised forecast (B)	478,100	(23,800)	(30,500)	(39,800)	(236.10)
Amount change (B – A)	(19,400)	(12,800)	(13,400)	(24,200)	—
Percentage change	(3.9%)	—	—	—	—
(Reference) Results for the fiscal year ended March 31, 2010	615,367	(28,448)	(32,825)	(78,736)	(519.68)

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.

## 2. Reasons for the Revision

The Leopalace21 Group anticipates its business results will fall below the previous forecast in consequence of the impact from the continuing economic slowdown that has been greater than anticipated, and the effects from the Great East Japan Earthquake that struck during the busy season.

In the Leasing Business, despite the implementation of various measures such as the rollout of the new sales channel strategy FC Partners, performance was impacted by the deterioration in the business environment, along with occupancy rates, contract lease rates, and monthly sales amounts that were below expectations. In the Apartment Construction Subcontracting Business, the main reasons for decline were sluggish construction orders and cancellations on account of stricter loan screenings and declining occupancy rates. Although business streamlining measures achieved a 25% reduction in SG&A expenses year on year, operating income and recurring income are both forecast to fall below previous estimates. Net income was bolstered by an approximately ¥2.0 billion gain on the sale of idle fixed assets that exceeded plan, but is expected to fall short of forecast as a result of the recording of extraordinary losses including a ¥2.2 billion impairment loss and a ¥1.2 billion loss stemming from the Great East Japan Earthquake, along with a partial reversal of deferred tax assets.

## 3. Reversal of Deferred Tax Assets

In consideration of results from the subject fiscal year and expected earnings trends, and a careful consideration the collectability of the Company's deferred tax assets, Leopalace21 decided to make a ¥7.6 billion partial reversal of deferred tax assets for the fiscal year ending March 2011, and record this amount in the income taxes-deferred item.

## 4. Reduction of Director Compensation and Return of Director Retirement Benefits

Leopalace21 previously reduced director compensation in October 2009. However, considering the seriousness of the current earnings revision, and to clearly indicate management responsibility, from April 2011 we will maintain and make additional reductions to director compensation, as follows.

President:	<b>68%</b> (60% in the previous announcement; an additional 20% decrease from the amount of compensation after the previous reduction)
Other directors:	<b>56%–59%</b> (45%–49% in the previous announcement; an additional 20% decrease from the amount of compensation after the previous reduction)

In addition, payment of director retirement benefits was suspended by resolution at the General Meeting of Shareholders held on June 29, 2009, and an unpaid amount of ¥1,185 million is recorded as long-term accounts payable. After gaining the consent of the directors concerned, the Company decided today to record a reversal of the full amount of the retirement benefits for directors as an extraordinary gain for the fiscal year ending March 2012.

**5. Regarding Forecasts for the Fiscal Year Ending March 2012**

In consideration of the effects from the Great East Japan Earthquake, the outlook for the business environment and other factors, Leopalace21 plans to announce its forecasts for the fiscal year ending March 2012, along with its earnings statement for the fiscal year ended March 2011 to be released on May 13, 2011.

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