FOR IMMEDIATE RELEASE

October 29, 2018

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

Notice Concerning Revision of Earnings and Dividend Forecasts

Due to a recording of extraordinary loss related to transfer of fixed assets and parting wall deficiencies in certain apartments constructed by Leopalace21 Corporation ("the Company"), as well as in consideration of recent performance, the Company announces the following revisions on earnings forecasts announced on August 3, 2018 and dividend forecasts announced on May 11, 2018. These matters were resolved at the meeting of the Board of Directors on October 29, 2018.

1. Revision of Earnings Forecasts

[Consolidated]

Revision to earnings forecasts for the six months ended 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	2,700	10.71
Revised forecast (B)	255,000	7,100	7,100	-5,800	-22.95
Amount change (B – A)	-5,400	-2,100	-2,600	-8,500	
Percentage change	-2.1%	-22.8%	-26.8%	—	
(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	11,500	45.63
Revised forecast (B)	510,000 ～ 516,000	7,500 ～ 10,500	7,000 ～ 10,000	-5,000 ～ -7,000	-19.78 ～ -27.70
Amount change (B – A)	-37,000 ～ -43,000	-14,000 ～ -17,000	-14,000 ～ -17,000	-16,500 ～ -18,500	
Percentage change	-6.7% ～ -7.7%	-57.1% ～ -69.3%	-58.3% ～ -70.8%	—	
(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 ended 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	2,400	9.52
Revised forecast (B)	244,000	7,500	-5,100	-20.18
Amount change (B – A)	-6,300	-1,700	-7,500	
Percentage change	-2.5%	-18.4%	—	
(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	11,200	44.44
Revised forecast (B)	483,000 ～ 487,000	6,700 ～ 9,500	-4,300 ～ -6,100	-17.01 ～ -24.14
Amount change (B – A)	-36,700 ～ -40,700	-13,200 ～ -16,000	-15,500 ～ -17,300	
Percentage change	-7.0% ～ -7.7%	-58.1% ～ -70.4%	—	
(Reference) Results for the fiscal year ended March 31, 2018	505,849	21,879	14,917	58.40

2. Reasons for the Revision of Earnings Forecasts

(1) Extraordinary loss related to repair works on parting wall deficiencies

To prepare for repair work expenses related to parting wall deficiencies in certain apartments and other incidental expenses such as fees for investigations conducted by third-party organizations, the Company has recorded 5 billion yen in extraordinary loss as a reserve for losses related to parting wall deficiencies as of the end of the first quarter of this fiscal year. However, due to changes in the ratio of defects confirmed in the all-building investigation progress status as of October 17, 2018, the Company has changed the estimated cumulative amount of losses to 7 billion yen as of the end of the second quarter of this fiscal year.

Due to this change, the consolidated and non-consolidated earnings forecasts for the first six months (ended September 30, 2018) and the fiscal year (ending March 31, 2019) were revised.

(2) Revisions to earnings forecasts related to parting wall deficiencies

The occupancy rate as of the end of September 2018 was 88.40%, decreasing 1.81p year-on-year. This decrease in occupancy rates was caused by the suspension of new tenant recruitments on properties subject to top-priority investigations until completion of investigations and repair works, and was not expected at the start of the fiscal year. Since a decrease in rent revenue is expected, forecasts of the consolidated and non-consolidated Leasing Business earnings for the fiscal year (ending March 2019) were revised. Forecasts of the consolidated and non-consolidated Development Business earnings for the fiscal year (ending March 2019) were also revised, due to a decrease of 11.9% in construction orders year-on-year (non-consolidated) from increased competition in metropolitan areas and environmental changes in apartment loans.

Since the resumption schedule for new tenant recruitments is fluctuating, we have set a range on the number of expected resumptions for the fiscal year ending March 31, 2019, and consolidated and non-consolidated earnings forecasts for the fiscal year ending March 31, 2019 will be disclosed as range estimates.

(3) Extraordinary loss related to transfer of fixed assets

The Company has been reviewing asset holdings as part of its financial strategy of promoting "efficient asset and capital management," a policy set in its three-year medium-term management plan "Creative Evolution 2020" announced in May 15, 2017. Under this strategy, the Company has sold 420 apartment buildings in the previous fiscal year, and has resolved to sell an additional 120 apartment buildings in this fiscal year. Related to this settlement, an extraordinary loss (impairment loss) of 7.56 billion yen will be recorded as of the end of the second quarter of this fiscal year. The subject apartments (120 buildings, 1,607 units) will continue to be managed by the Company after the transfer. Also, details of the buyer (a fund based in Tokyo) will not be disclosed, due to a confidentiality agreement between the buyer and the Company. However, there are no capital or personnel relationships between the buyer and the Company.

In addition to its traditional construction subcontracting, the Company promotes real estate development for the growth and diversification of the Development Business. Going forward, real estate developed by the Company and apartments sold by our apartment owners will be sold to the fund which is the buyer of this subject settlement, aiming to achieve profitability and expand the Development Business.

a. Details of the transferred assets
(the below losses include expenses such as brokerage fees)

Name and location	Transfer price	Book value	Loss
Leopalace Toritsu-daigaku III and 119 other buildings (Meguro-ku, Tokyo, etc.)	9,997 million yen	17,151 million yen	7,560 million yen

b. Date of transfer

1. Date of resolution at the Board of Directors meeting	October 29, 2018
2. Date of settlement	October 29, 2018
3. Date of transfer	November 30, 2018

3. Revision of Dividend Forecasts

	Dividend per share				
Settlement date	End of Q1	End of Q2	End of Q3	End of FY	Annual
Previous forecast	Yen —	Yen 10.00	Yen —	Yen 12.00	Yen 22.00
Revised forecast	—	0.00	—	— (TBD)	— (TBD)
Actual for the fiscal year ending March 31, 2019	—	—			
(Reference) Results for the fiscal year ended March 31, 2018	—	10.00	—	12.00	22.00

4. Reasons for the Revision of Dividend Forecasts

In consideration of the above earnings forecasts for the first six months (ended September 30, 2018) and the fiscal year (ending March 31, 2019), the Company has revised dividend forecasts. Interim dividends will not be paid, and term-end dividends are yet to be determined. Term-end dividend forecasts will be announced in accordance to the progress of fiscal year earnings forecasts.

To increase shareholders' value, the Company will not only distribute profit earned from business measures in the form of dividends, but will maximize mid- to long-term corporate value and increase EPS (earnings per share) through investments in matters such as real estate, overseas businesses, mergers and acquisitions, IT, and research and development. The Company has set a total payout ratio of 50% as its managerial goal, and has repurchased 8.3 million shares during the fiscal year ending March 31, 2019, and has retired 7.8 million shares (3.09% of the total number of shares outstanding before retirement) as of October 15, 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.