

Company Name: **Leopalace21 Corporation**
 Representative: Eisei Miyama, President and CEO
 Code Number: 8848 (Tokyo Stock Exchange, First Section)
 Contact: Bunya Miyao, Director
 Tel: +81-50-2016-2907
 E-mail: ir@leopalace21.com

Notice Concerning Revision of Earnings

Due to a recording of extraordinary loss related to construction defects 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 February 7, 2019. These matters were resolved at the meeting of the Board of Directors on May 9, 2019.

1. Revision of Earnings Forecasts

[Consolidated]

Revision to earnings forecasts for the fiscal year ended 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)	510,000 ~516,000	7,500 ~10,500	7,000 ~10,000	-40,000 ~-38,000	-161.72 ~-53.63
Revised forecast (B)	505,000	7,300	7,000	-69,000	-278.58
Amount change (B – A)	-5,000 ~-11,000	-200 ~-3,200	0 ~-3,000	-29,000 ~-31,000	
Percentage change	-1.0% ~-2.1%	-2.7% ~-30.5%	0.0% ~-30.0%	—	
(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 fiscal year ended 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)	483,000 ~487,000	6,700 ~9,500	-39,100 ~-37,300	-158.08 ~-150.80
Revised forecast (B)	477,000	6,800	-68,800	-278.95
Amount change (B – A)	-6,000 ~-10,000	100 ~-2,700	-29,700 ~-31,500	
Percentage change	-1.2% ~-3.1%	1.5% ~-28.4%	—	
(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 repairs on construction defects

As of the end of the third quarter of the fiscal year ended March 31, 2019, we have recorded 43.0 billion yen as a reserve for losses related to repairs. This reserve is related to parting wall defects announced on April 27 and May 29, 2018, as well as newly confirmed defects announced on February 7, 2019.

In the fourth quarter of the fiscal year ended March 31, 2019, we will record an additional extraordinary loss of 11.7 billion yen (total 54.7 billion yen), due to refinements of repair cost estimates and changes in defect ratios of properties not subject to top-priority investigations.

(2) Revisions to earnings forecasts related to construction defects

The occupancy rate as of the end of March 2019 was 84.33% (decreasing 9.39p year-on-year) and the annual average occupancy rate was 88.34% (decreasing 2.25p year-on-year). This decrease was caused by the suspension of new tenant recruitments on properties subject to top-priority investigations until completion of investigations and repair works. Since a decrease in rent revenue is expected, forecasts of the consolidated and non-consolidated Leasing Business earnings for the fiscal year ended March 2019 were revised.

(3) Extraordinary loss related to provision of reserve for apartment vacancy loss

Due to increased vacancies related to construction defects, we have recorded an extraordinary loss of 9.6 billion yen as a provision to the reserve for apartment vacancy loss. This loss has been recorded as an extraordinary loss since this loss is transient and large, and will not occur during ordinary business activities.

3. Decrease in director remunerations

The Company has announced the decrease of director remunerations as of February 2019. Due to the above revisions to earnings forecasts, we will additionally decrease remunerations as follows.

Period:	May 2019 to March 2020	
Subject:	Directors, audit & supervisory board members, and executive officers	
Content:	President and CEO	60% decrease
	Other internal directors	45% to 55% decrease
	Standing audit & supervisory board members	35% decrease
	Executive officers	35% to 45% decrease

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.