

FOR IMMEDIATE RELEASE

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Notice Concerning Efforts in Excessive Liabilities Elimination

Leopalace21 Corporation (Headquarters: Nakano, Tokyo; President and CEO: Bunya Miyao; the "Company") announced today the consolidated financial statements (Japanese accounting standard) for the fiscal year ended March 31, 2021 where the Company stated the recurring loss of 34,170 million yen due to drastic decline in operating revenues resulting from a declaration of a state of emergency in response to the spread of COVID-19 and economic impact by requests to stay home and refrain from going out. Consequently, the Company's liabilities exceeded its assets* by 8,494 million yen

The Company described the efforts for eliminating excessive liabilities.

* The Tokyo Stock Exchange defines the "net assets" in its listing regulations as subtracting the share subscription rights and non-controlling interests from the total net assets in the consolidated balance sheet.

1. Causes of excessive liabilities

Due to the construction defects problem discovered in April 2018, the Company recorded net loss of 68,662 million yen for the fiscal year ended March 2019 and net loss of 80,224 million yen for the fiscal year ended March 2020 but anticipated a return to profitability in the fiscal year ended March 2021, as the performance began to recover following the completion of all-building investigations in the fiscal year ended March 2020 and the resumption of tenant recruitment.

The spread of COVID-19 however continued and resulted in restraint of transfers by corporate customers, which are the main customer segment of Leasing Business, and sluggish new tenants from other customer segments including students, single-person customers, and foreign nationals. As a result of these factors, net sales reduced significantly and made incomes declined remarkably in the fiscal year ended 31 March, 2021.

For details, please refer to "1. Results for the Fiscal Year ended March 31, 2021 in the accompanying materials of the Consolidated Financial Statements for the fiscal year ended March 31, 2021" and "Investor Meeting Presentation for the fiscal year ended March 31, 2021" which were announced today.

As a result, the Company recorded a recurring loss of 34,170 million yen for the consolidated fiscal year ended March, 2021, and posted an excessive liabilities of 8,494 million yen at the end of the fiscal year.

2. Basic policy for excessive liabilities elimination

We will continue to pursue the policy set forth in the "Drastic Business Strategies Reconstruction" announced on April 30, 2020. We will invest management resources in our core Leasing Business through selection and concentration. We will also continue to implement structural reforms to drastically improve our corporate structure starting in the fiscal year ended March 2021. We will strive to stabilize our business and finances, improve our balance of revenues and expenditures on a sustainable basis, and strive to realize excessive liabilities elimination.

3. Efforts of implementing the basic policy and related timeline

(1) Efforts of profitability improvement

(i) Drastic restructuring

As part of structural reforms, the Company implemented various measures to reduce SG&A expenses. The measures include withdrawal from non-core and unprofitable businesses such as sale of real estate and investment securities and transfer or winding-up of subsidiaries. In addition, the Company reviewed its personnel cost structure and offered a voluntary retirement; reduced executive remuneration; terminated contracts with advisors and counselors; reduced payroll cost including various allowances cutdown in tandem with a revised human resources management system. The Company further implemented the reduction of the cost of revenue from operations and cost of management in Leasing Business including the fixed cost of the leasing offices through reorganization; abolished the shareholders benefit plan; reduced the advertising and sales promotion expenses; cut down the commission expenses through reviewing outsourcing contracts; and lowered the IT system related expenses.

In the fiscal year ending March 31, 2022, we are continuing structural reforms to reform our profitability structure, and are planning to significantly reduce these costs as some measures bring about the full 12-month reduction effect which were executed in the middle of fiscal year ended March 2021.

(ii) Improving occupancy rates

Since Leasing Business, being our core business, is a recurring revenue business model, it is essential to improve occupancy rates in order to stabilize the business as a goal.

In the second half of the fiscal year ended 31 March, 2021, despite the impact of COVID-19 remained unchanged, the occupancy rates gradually increased as a result of efforts in utilizing IT, such as customer interactions via internet, online room viewing and web-based contract conclusion, and in strengthening ties with real estate agents network for recruiting tenants.

In addition to continue and strengthen the above measures in the fiscal year ending March 2022, we will increase our sales efforts with specific targets such as corporate customers, individual customers and foreign national customers and reorganize Leasing Business by implementing region oriented strategies for providing quicker response to the market and allocating human resources to realize the goal.

For details please refer to "Investor Meeting Presentation for the fiscal year ended March 31, 2021" which we disclosed on May 14, 2021.

(2) Efforts in maintaining sufficient cash position

At the end of the fiscal year ended March 2021, the Company had cash and cash equivalents of 54,863 million yen, a sufficient funds to continue operations for foreseeable future.

We will continue to monitor liquidity on hand in the future.

(3) Time of excessive liabilities elimination

We will strive to eliminate excessive liabilities at the end of the fiscal year ending March 2023, on the assumption that the share subscription rights are not exercised. We will inform the results quarterly.

As the major reason behind the excessive liabilities was the impact caused by COVID-19, the Tokyo Stock Exchange's grace period until delisting is planned to be extended from 1 year to 2 years. The Tokyo Stock Exchange will confirm its decision upon the Company's filing of the Annual Securities Report (Japanese only) scheduled for late June.

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