

Company Name: **Leopalace21 Corporation**  
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**Notice Concerning Recording of Income Taxes Adjustment (loss),  
Recording of Extraordinary Losses and Revision of Earnings Forecasts**

Pursuant to a resolution at a meeting of Board of Directors held on June 4, 2020, Leopalace21 Corporation (Headquarters: Nakano, Tokyo; President and CEO: Bunya Miyao; the "Company") announces that the Company made the recording of income taxes adjustment (loss), recording of extraordinary losses, and revision of earnings forecasts which were announced on November 8, 2019.

**1. Recording of Income Taxes Adjustment (loss)**

We have been making all-building investigations and conducting the repair works for the buildings which contain the construction defects related to parting walls defects in the attics, discrepancies of insulation materials in parting walls, exterior wall structures not meeting qualifications certified by the minister in authority, defects in the ceiling, and non-compliant parting walls, in fire-proof structure with the specifications certified by the minister in authority. Due to prioritization of all-building investigations and belated organizational response in the process, we experienced delays in completion of repair works and resumption of tenant recruitment, and the average occupancy rate in the Leasing Business for the year ended March 2020 decreased to 80.78%, a decrease of 7.56 points compared to the previous fiscal year. As the rent revenues decreased, we carefully examined recoverability of the deferred income tax assets and decided to record 21.4 billion yen of income taxes adjustment (loss).

**2. Recording of extraordinary losses**

With regard to the above-mentioned construction defects, we recorded an extraordinary loss of 12.5 billion yen as of the end of the third quarter of the fiscal year ended March 2020, due to an increase in the actual defective rate during the course of the all-building investigations, an increase in repair costs, and an extra cost incurred related to the investigations. Yet, due to an increase in the unit cost of repair works, we decided to record an extraordinary loss of 11.8 billion yen in the fourth quarter, which means in the cumulative total of 24.3 billion yen in the fiscal year ended March 2020. Reserve for losses related to repairs for the year ended March 2020 amounted to 56.2 billion yen.

We recorded 7.6 billion yen of impairment loss on the assets in line with the policy and others of transferring or withdrawing from the Hotels and Resort Business and International Business.

### 3. Revision of Earnings Forecasts

[Consolidated]

Revision to earnings forecasts for the period ended March 31, 2020

(April 1, 2019 through March 31, 2020)

(Million yen)

	Net sales	Operating profit	Recurring profit	Net income attributable to shareholders of the parent	Net income per share (yen)
Previous forecast (A)	447,300	(28,000)	(27,800)	(30,400)	(124.62)
Revised forecast (B)	433,500	(36,500)	(36,400)	(80,300)	(329.08)
Amount change (B – A)	(13,800)	(8,500)	(8,600)	(49,900)	
Percentage change	(3.1%)	—	—	—	
(Reference) Results for the fiscal year ended March 31, 2019	505,223	7,390	7,063	(68,662)	(278.58)

[Non-consolidated]

Revision to earnings forecasts for the fiscal year ending March 31, 2020

(April 1, 2019 through March 31, 2020)

(Million yen)

	Net sales	Operating profit	Recurring profit	Net income per share (yen)
Previous forecast (A)	427,200	(26,900)	(29,800)	(122.16)
Revised forecast (B)	413,800	(35,200)	(76,700)	(314.33)
Amount change (B – A)	(13,400)	(8,300)	(46,900)	
Percentage change	(3.1%)	—	—	
(Reference) Results for the fiscal year ended March 31, 2019	477,834	6,817	(68,754)	(278.95)

### 4. Reasons for Revision of Full-Year Forecasts for FY20/3

As mentioned in the item 1. Recording of Income Taxes Adjustment (loss), the average occupancy rate in the Leasing Business for the year ended March 2020 decreased to 80.78%, a decrease of 7.56 points compared to the previous fiscal year. Based on the fact that the rent revenue decreased, we revised the earnings forecasts for the Leasing Business.

In addition, we recorded 21.4 billion yen of income taxes adjustment (loss); 24.3 billion yen of loss related to repairs and 7.6 billion yen of impairment loss as extraordinary losses.

### 5. Reduction of director's remuneration

We have reduced remuneration for the directors since February 2019. We considered the revision of earnings forecast seriously and decided to continue remuneration reduction for the directors and the other management members to fulfill their responsibilities.

Period:	April 2020 to March 2021		
Target positions:	Directors, Audit & Supervisory Board Members, and Executive Officers		
Reduction rates:	President and CEO		60%
	Other Inside Directors		45% - 55%
	Full-time members of Audit & Supervisory Board		35%
	Executive Directors		35% - 45%

(NOTE) The above forecasts are based on the information available as of the date of publication of this document. Please note that actual results may differ from these forecasts for a number of reasons.

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