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### Notice Concerning Revision of Earnings Forecasts, Additional Recording of Extraordinary Income, and Consolidated Subsidiary's Completion of Pro Rata Reinsurance Contracts

Leopalace21 Corporation (Headquarters: Nakano, Tokyo; President and CEO: Bunya Miyao; the "Company") announced the following revision of earnings forecasts considering the recent performance trends comparing with the previous earnings forecasts which were announced on November 8, 2021. The Company is going to record an extraordinary income for the third quarter of the fiscal year ended December 31, 2021. In addition the Company announced that a Company's consolidated subsidiary completed the conclusion of pro rata reinsurance contracts.

#### 1. Revision of Earnings Forecasts

##### (1) Outline of revised earnings forecasts

[Consolidated]

Revision to earnings forecasts for fiscal year ending March 2022 (Apr 1, 2021 – Mar 31, 2022)

(JPY Million)

	Net sales	Operating profit	Recurring profit	Net income attributable to shareholders of the parent	Net income per share (yen)
Previous forecast (A)	400,600	2,000	(2,900)	(1,500)	(4.56)
Revised forecast (B)	399,400	2,600	(1,800)	1,800	5.47
Amount change (B – A)	(1,200)	600	1,100	3,300	
Percentage change (%)	(0.3)	30.0	—	—	
(Reference) Results for FY ended March 2021	408,959	(29,182)	(34,170)	(23,680)	(84.88)

[Non-consolidated]

Revision to earnings forecasts for fiscal year ending March 2022 (Apr 1, 2021 – Mar 31, 2022)

(JPY Million)

	Net sales	Recurring profit	Net income	Net income per share (yen)
Previous forecast (A)	386,200	(2,800)	300	0.91
Revised forecast (B)	383,400	(3,300)	2,500	7.60
Amount change (B – A)	(2,800)	(500)	2,200	
Percentage change (%)	(0.7)	—	733.3	
(Reference) Results for FY ended March 2021	392,513	(29,005)	(18,685)	(66.97)

(2) Reasons for Revision of Consolidated Earnings Forecasts for the Fiscal Year ending March 2022

Although the increase of net sales by ASUKA SSI, a subsidiary of the Company, is going to boost the Company's net sales on a consolidated basis, the Company expects to record the decrease in net sales by JPY 1,200 million because of slower recovery pace than the planned occupancy rates, which was affected by re-expansion of COVID-19 pandemic. The Company is going to post the increase of operating profit by JPY 600 million due partly to the reduction in cost of sales of JPY 200 million mainly resulting from reversal of provision for apartment vacancy loss of JPY 5,012 million, and partly to the reduction of SGAE of JPY 1,600 million for declined personnel cost as well as taxes and public charges. Cost reduction across the board has been showing effect as a result of having implemented measures for drastic structural reforms such as curtailing operation cost and management cost in the Leasing Business, as well as lowering fixed cost through consolidating leasing sales offices. Consequently operation cost was decreased by JPY 24,846 million year on year and SGAE was decreased by JPY 6,870 million year on year in the nine months of the fiscal year ending March 2022.

The Company is improving net income attributable to shareholders of the parent by JPY 3,300 million to reflect reversal of provision for losses related to repairs.

(3) Reasons for Revision of Non-consolidated Earnings Forecasts for the Fiscal Year ending March 2022

The Company expects on a non-consolidated basis to record the decrease in net sales by JPY 2,800 million as a result of slower recovery pace than the planned occupancy rates and continuing unit rent decline affected by re-expansion of COVID-19 pandemic.

The Company is going to record improved net income by JPY 2,200 million as a result of reversal of provision for losses related repairs as mentioned above.

Note: The forecasts of financial results reported herein were prepared based on the information available as of the date on which this material was announced, and actual results may differ from the forecasts due to the future factors.

## 2. Additional Recording of Extraordinary Income

The Company is going to record reversal of provision for losses related to repairs of JPY 2,818 million in extraordinary income because of lowered unit repair cost by placing batch orders and by insourcing repairs combined with reduced number of buildings to be repaired due to updated deficiency judgment and increase of demolition for the three months from October 1 to December 31, 2021.

As a result, along with JPY 3,326 million in extraordinary income announced in the "Notice Concerning Revision of Earnings Forecasts and Recording of an Extraordinary Income" dated November 8, 2021, the Company will record JPY 6,144 million in total in extraordinary income for the fiscal year ending March 2022.

### **3. Consolidated Subsidiary's Completion of Concluding Pro Rata Reinsurance Contracts**

The reference is made to the "Notice Concerning Consolidated Subsidiary's Concluding Pro Rata Reinsurance Contracts" dated December 24, 2021. ASUKA SSI, a subsidiary of the Company, completed the pro rata reinsurance contracts on December 29, 2021.

The Company expects the increase in net sales of JPY 1,700 million in accordance with reinsuring to the reinsurance companies for the consolidated fiscal year ending March 2022.

As to the sales measures that the Company adopted since the previous fiscal year, they resulted in the increased number of web-based contracts of 17,045, a 319.4% increase year on year, and the increased number of contracts through real estate agents network of 21,902, an increase of 50.1% year on year, both of which contributed to improve the average occupancy rate to 80.65%, a 2.07p increase year on year, for the nine months of the fiscal year ending March 2022.

The Company is going to hold an announcement of business results and briefing session for Q3 FY2021 for institutional investors and security analysts at 17:00 on Thursday, February 10, 2022. Those who wish to participate in the event, please make a reservation through the following URL: [https://zoom.us/webinar/register/WN\\_nNmunuH5T2qlpc8k4VR2Ow](https://zoom.us/webinar/register/WN_nNmunuH5T2qlpc8k4VR2Ow)

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