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**Notice Concerning Revision of Earnings Forecasts, Recording of Provision of Allowance for Doubtful Accounts, Additional Recording of Extraordinary Income, and Recording of Deferred Tax Assets**

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 February 4, 2022. The Company is going to record a provision of allowance for doubtful accounts, an extraordinary income, and deferred tax assets for the fourth quarter of the fiscal year ended March 2022.

**1. Revision of Earnings Forecasts**

(1) Outline of Revised Earnings Forecasts

[Consolidated]

Revision to earnings forecasts for fiscal year ended 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)	399,400	2,600	(1,800)	1,800	5.47
Revised forecast (B)	398,400	1,800	(2,200)	11,900	36.18
Amount change (B – A)	(1,000)	(800)	(400)	10,100	
Percentage change (%)	(0.3)	(30.8)	—	561.1	
(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 ended March 2022 (Apr 1, 2021 – Mar 31, 2022)

(JPY Million)

	Net sales	Recurring profit	Net income	Net income per share (yen)
Previous forecast (A)	383,400	(3,300)	2,500	7.60
Revised forecast (B)	382,800	(1,100)	14,300	43.48
Amount change (B – A)	(600)	2,200	11,800	
Percentage change (%)	(0.2)	—	472.0	
(Reference) Results for FY ended March 2021	392,513	(29,005)	(18,685)	(66.97)

(2) Reasons for Revision of Consolidated Earnings Forecasts

Despite having achieved the planned occupancy rate in March, the Company expects to record the decrease in net sales, operating profit, and recurring profit because of shortfall of occupancy rate in February 2022, which was affected by re-expansion of COVID-19 pandemic, and due to recording of provision of allowance for doubtful accounts as part of SGA expenses.

The Company is improving net income attributable to shareholders of the parent to reflect additional reversal of provision for losses related to repairs and recording of deferred tax assets.

(3) Reasons for Revision of Non-consolidated Earnings Forecasts

The Company expects to record the increase of recurring profit resulting from reversal of provision for apartment vacancy loss of JPY 1,617 million which is in addition to cumulative JPY 5,012 million up to the third quarter of the fiscal year and further reduction in SGA expenses despite the decrease in net sales as a result of shortfall of occupancy rate against the plan in February 2022.

The Company is going to record improved net income as a result of additional reversal of provision for losses related to repairs and recording of deferred tax assets as mentioned earlier in (2).

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. Recording of Provision of Allowance for Doubtful Accounts**

The Company experienced temporary increase of overdue receivables of settlement money at the time of tenant's move-out as a consequence of COVID-19 pandemic. The Company has been using lawyers' service to resolve the overdue receivables but determined to record provision of allowance for doubtful accounts of JPY 2,041 million as part of SGA expenses by judging those as potentially uncollectible for the consolidated financial statements ended March 2022. There will be no impact on the non-consolidated financial statements.

**3. Additional Recording of Extraordinary Income**

The Company is going to record reversal of provision for losses related to repairs of JPY 5,815 million in extraordinary income because of lowered unit repair cost by placing batch orders and by insourcing repairs combined with further reduced number of buildings to be repaired due to updated deficiency judgment and increase of demolition for the fourth quarter of the fiscal year ended March 2022.

As a result, along with JPY 6,144 million in extraordinary income announced in the "Notice Concerning Revision of Earnings Forecasts, Additional Recording of Extraordinary Income, and Consolidated Subsidiary's Completion of Pro Rata Reinsurance Contracts" dated February 4, 2022, the Company will record JPY 11,959 million in total in extraordinary income for both of consolidated and non-consolidated financial statements for the fiscal year ended March 2022.

#### **4. Recording of Deferred Tax Assets**

The Company determined to record deferred tax assets for the fiscal year ended March 2022 considering the prospective performance and collectability of deferred tax assets. The Company expects to record JPY – 4,401 million (– means profit) of income taxes-deterred on a consolidated basis and JPY – 4,157 million (– means profit) on a non-consolidated basis.

The Company is going to hold an announcement of business results and briefing session for the fiscal year ended March 2022 for institutional investors and security analysts at 17:00 on Friday, May 13, 2022. Those who wish to participate in the event, please make a reservation through the following URL: [https://zoom.us/webinar/register/WN\\_gQ2nKpy4St-edfwrGpv2iQ](https://zoom.us/webinar/register/WN_gQ2nKpy4St-edfwrGpv2iQ)

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