

FOR IMMEDIATE RELEASE

February 10, 2023

Company Name: **Leopalace21 Corporation**
Representative: Bunya Miyao, President and CEO
Code Number: 8848 (Tokyo Stock Exchange, Prime Market)
Contact: Shinji Takekura, Director, Chief of the Corporate Management Headquarters
Tel: +81-50-2016-2907
E-mail: ir@leopalace21.com

Notice Concerning Recording of Extraordinary Losses

Leopalace21 Corporation (Headquarters: Nakano-ku, Tokyo; President and CEO: Bunya Miyao; the "Company") announced that the Company recorded following extraordinary losses in Q3 cumulative results of the fiscal year ending March 31, 2023.

1. Details of Extraordinary Loss

The Company makes a reasonable estimate of the amount of losses to be borne based on the incidence of defects and the unit cost of repairs and records this as provision for losses related to repairs in order to provide for repair work costs and incidental costs related to defects in the apartments constructed by the Company. Provision for losses related to repairs is calculated, and the difference between the reversal of the provision incurred and the actual amount is recorded quarterly as extraordinary income or extraordinary losses.

The Company has been making efforts to reduce the unit cost of repairs to date by continuously implementing efficiency improvements such as bulk ordering and insourcing repair works. However, during Q3 cumulative of the fiscal year ending March 31, 2023, the rate of insourced repairs temporarily declined mainly due to the priority given to instructing subcontractors on quality and safety and the actual unit cost of repairs increased. It resulted in loss related to repairs of JPY 458 million in extraordinary losses.

2. Impact on the Company Performance

The Company has reflected the impact of the above mentioned extraordinary losses on Consolidated Financial Statements (Japanese Accounting Standard) for the nine months ended December 31, 2022, announced on February 10, 2023.

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