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Notice Concerning Revision of Earnings Forecasts, Recording of Provision of Allowance for Doubtful Accounts, Additional Extraordinary Losses, and Income Tax-deferred (Profit)

Leopalace21 Corporation (Headquarters: Nakano, Tokyo; President and CEO: Bunya Miyao; the "Company") announced the following revision of earnings forecasts which were announced on May 16, 2022, because recurrent profit on a non-consolidated basis will exceed by 30.4% the previous earnings forecasts. The Company will record provision of allowance for doubtful accounts, extraordinary losses, and income tax-deferred (profit) for the fourth quarter of the fiscal year ended March 31, 2023.

1. Revision of Earnings Forecasts

(1) Outline of Revised Earnings Forecasts

[Consolidated]

Revision to earnings forecasts for fiscal year ended March 2023 (Apr 1, 2022 – Mar 31, 2023)

(JPY Million)

	Net sales	Operating profit	Recurring profit	Net income attributable to shareholders of the parent	Net income per share (yen)
Previous forecast (A)	410,800	11,700	6,800	24,900	75.71
Revised forecast (B)	406,400	11,000	7,700	20,900	63.53
Amount change (B – A)	(4,400)	(700)	900	(4,000)	
Percentage change (%)	(1.1)	(6.0)	13.2	(16.1)	
(Reference) Results for FY ended March 2022	398,366	1,774	(2,151)	11,854	36.04

[Non-consolidated]

Revision to earnings forecasts for fiscal year ended March 2023 (Apr 1, 2022 – Mar 31, 2023)

(JPY Million)

	Net sales	Recurring profit	Net income	Net income per share (yen)
Previous forecast (A)	394,700	7,900	27,600	83.92
Revised forecast (B)	391,300	10,300	23,800	72.34
Amount change (B – A)	(3,400)	2,400	(3,800)	
Percentage change (%)	(0.9)	30.4	(13.8)	
(Reference) Results for FY ended March 2022	382,822	(1,050)	14,251	43.33

(2) Reasons for Revision of Consolidated Earnings Forecasts

Net sales are expected to increase by JPY 8.0 billion compared with the result of FY2021 due to improved average occupancy rate by 3.44 point which were realized by continuous implementation of occupancy boost measures and eased impact of COVID-19. Net sales will fall short of the initial forecast by JPY 4.4 billion due to the lower-than-planned average occupancy rate as a result of COVID-19 impact during July and August in 2022, the unplanned transfer of subsidiary Morizou Co, Ltd., and the lower occupancy rate in Guam resort which was hit by COVID-19.

While operating profit is also expected to increase by JPY 9.2 billion compared with the result of FY2021 due to improved occupancy rate and significant curbs on SG&A expenses, it will fall short of the initial forecast by JPY 0.7 billion due to increased cost of sales resulted from soaring utility costs and construction materials as well as recording of provision of allowance for doubtful accounts as mentioned in below item 2. Recurring profit is expected to exceed the result of FY2021 by JPY 9.8 billion and the initial forecast by JPY 0.9 billion mainly due to recording of foreign exchange gains and interest income on loan extended to its overseas subsidiary.

The Company will record impairment losses and loss related to repairs in extraordinary losses. In addition, it will record income taxes-deferred (profit) based on prospective taxable income for a number of years. Consequently net income attributable to shareholders of the parent is expected to exceed the result of FY2021 by JPY 9.0 billion, but it will fall short of the initial forecast by JPY 4.0 billion.

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

As mentioned above, improved occupancy rate in general will help net sales to exceed the result of FY2021 by JPY 8.4 billion, but lower-than-planned average occupancy rate made net sales lower than initial forecast by JPY 3.4 billion. Recurring profit is expected to exceed the result of FY2021 by JPY 11.3 billion and surpassed the initial forecast by JPY 2.4 billion due to drastic curbing of SG&A expenses.

Net income is expected to exceed the result of FY 2021 by JPY 9.5 billion due to recording income taxes-deferred (profit) based on prospective taxable income for a number of years, but it will fall short of the plan by JPY 3.8 billion due to recording loss related to repairs and income taxes-deferred (profit) falling short of the initial forecast.

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 has been using lawyers' service to resolve the overdue receivables of settlement money at the time of tenant's move-out. The Company however determined to record provision of allowance for doubtful accounts of JPY 919 million as part of SG&A expenses for the consolidated financial statements of Q4 in the fiscal year ended March 2023 based on the fact that collection results fell short of initial estimates.

3. Additional Recording of Extraordinary Losses

(1) Additional Recording of Loss Related to Repairs

The Company will record additional loss related to repairs of JPY 2,085 million in extraordinary losses for both of consolidated and non-consolidated financial statements for Q4 of the fiscal year ended March 2023 because of the fact that the costs increased as a result of augmented unit repair cost based on soaring prices of construction materials and increased outsourcing ratio of repair works to eliminate obvious construction defects by the end of December 2024.

Along with JPY 458 million in extraordinary losses announced in “Notice Concerning Recording of Extraordinary Losses” dated February 10, 2023, the Company consequently will record a total of JPY 2,544 million in extraordinary losses for both of consolidated and non-consolidated financial statements for the fiscal year ended March 2023.

(2) Additional Recording of Impairment Loss

The Company has decided to post additional impairment loss of JPY 447 million in extraordinary losses based on the real estate appraisal value by an outside real estate appraiser for Guam resort owned by the Company’ subsidiary in Guam.

Together with other impairment loss of JPY 382 million for the fixed assets held by the Company, it will record total impairment loss of JPY 830 million in the consolidated financial statements for the fiscal year ended March 2023.

4. Recording of Income Taxes-deferred (profit)

The Company determined to record deferred tax assets based on prospective taxable income for a number of years for the fiscal year ended March 2023 considering the prospective business performance and collectability of deferred tax assets. The Company will record JPY 18,538 million of income taxes-deterred (profit) on a consolidated basis and JPY 17,921 million 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 2023 for institutional investors and security analysts at 17:00 on Friday, May 12, 2023 (only in Japanese). Those who wish to participate in the event, please make a reservation through the following URL: https://zoom.us/webinar/register/WN_fQQ-sfZQTF6nWxnsm2lXg

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