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Notice Concerning Formulation of a New Medium-Term Management Plan "Creative Evolution 2020"

Leopalace21 Corporation ("the Group") has created a new three-year Medium-Term Management Plan "Creative Evolution 2020", launching April 2017.

In the new Medium-Term Management Plan "Creative Evolution 2020", the Group will determine its ideal state in the present business environment, and aim to create corporate and social value. The group will achieve this goal by continuing to grow in its core businesses, as well as building a strong growth business structure for future growth.

1. Review of the previous Medium-Term Management Plan

The Group's mission is "Creating New Value", and the Group implements business with aim of creating an affluent society with a pleasant lifestyle.

Under the previous medium-term management plan "Expanding Value" announced in May 2014, the Group had been aiming to build a solid management structure by focusing on the leasing and construction businesses while expanding our business territory, based on its fundamental policy of "*focusing on core businesses and challenging itself with new business fields*".

The group has accelerated growth in the core businesses, especially in the stock-based Leasing Business, and achieved a three-year-total operating and recurring profit of 56 billion yen and 52 billion yen, respectively, which surpassed our initial plan. Also, non-consolidated retained earnings had been negative at the start of the previous plan, but have turned positive and the Group has returned profit to shareholders through dividend payments.

	Previous Medium-Term Management Plan "Expanding Value"	
	Plan	Actual
Total net sales	1,558.5 billion yen	1,515.1 billion yen
Total operating profit	56.0 billion yen	58.8 billion yen
Total recurring profit	52.0 billion yen	55.7 billion yen
Total net income	47.0 billion yen	55.1 billion yen
Final year net assets	152.0 billion yen	158.8 billion yen
Average shareholders' equity ratio	44.7%	44.2%
Average ROE	11.4%	13.6%
Average EPS	59.7 yen	70.0 yen
Average ROA	5.2%	5.7%

2. Overview of the new Medium-Term Management Plan "Creative Evolution 2020"

① Basic policy

Support continuous growth of core businesses in ways that further increase corporate value while constructing a base for growth areas

- Business Strategies (Cash flow generation for value creation)
  - ✓ Core businesses: Balance apartment supply and management & operation, diversify
  - ✓ Growth businesses: Move the Elderly Care Business and International Business into profit, which are less exposed to the aging, shrinking domestic population
- Financial Strategies (Value creation via balance sheet management)
  - ✓ Introduce ROIC as a key indicator
  - ✓ Review asset holdings with a view to enhancing asset and capital efficiency

② Corporate Slogan



③ Plan period April 2017 to May 2020 (three years)

④ Numerical targets (consolidated)

	FY March 2017 (Actual)	FY March 2020 (Plan)
Net Sales	520.4 billion yen	575.0 billion yen
Operating profit	22.8 billion yen	26.0 billion yen
Recurring profit	21.6 billion yen	25.5 billion yen
Net income	20.4 billion yen	16.0 billion yen
Adjusted net income *1	18.4 billion yen	20.0 billion yen
ROIC *2	7.1%	8% - 10%
Adjusted ROE *3	12.0%	Maintain 12%

A reversal of deferred tax assets is expected during the subject plan period, and therefore the Group will calculate management indices with figures excluding temporary profits and losses.

*1: Adjusted net income = Net income + deferred income taxes
*2: ROIC = After-tax operating profit (NOPLAT) / (interest-bearing debt + net assets)
*3: Adjusted ROE = Adjusted net income / average net assets

Note: Revised business forecasts are calculated based on information available to the Group as of this announcement. Actual results may differ from these forecasts for a variety of reasons.

END