

Explanatory Session for the First Quarter Results of the Fiscal Year Ending March 2008

August 2007

Leopalace21 Corporation

This document and reference materials may contain forward-looking statements, so please understand that actual results may differ significantly from these forecasts due to various factors.

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Results for Core Businesses during the First Quarter Ended June 2007

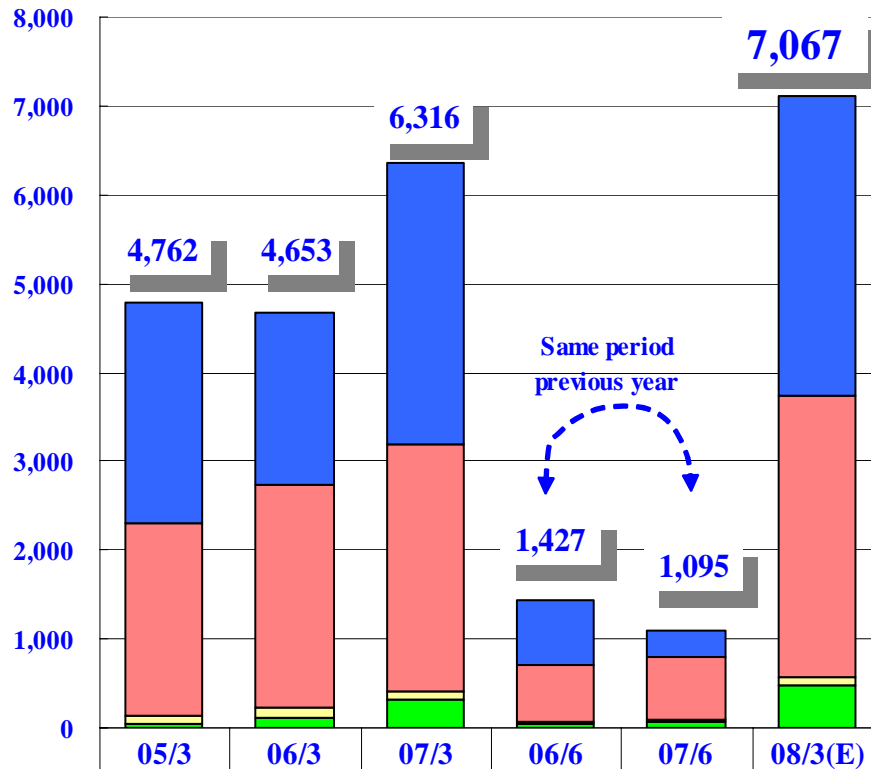


Actual Results and Forecasts of Our Group (Consolidated)

- After adjusting for the effect of projects originally scheduled for completion in the previous year, both net sales and operating profit showed continued growth during the first quarter of FY 08/03.

Actual Results and Forecasts for
Net Sales

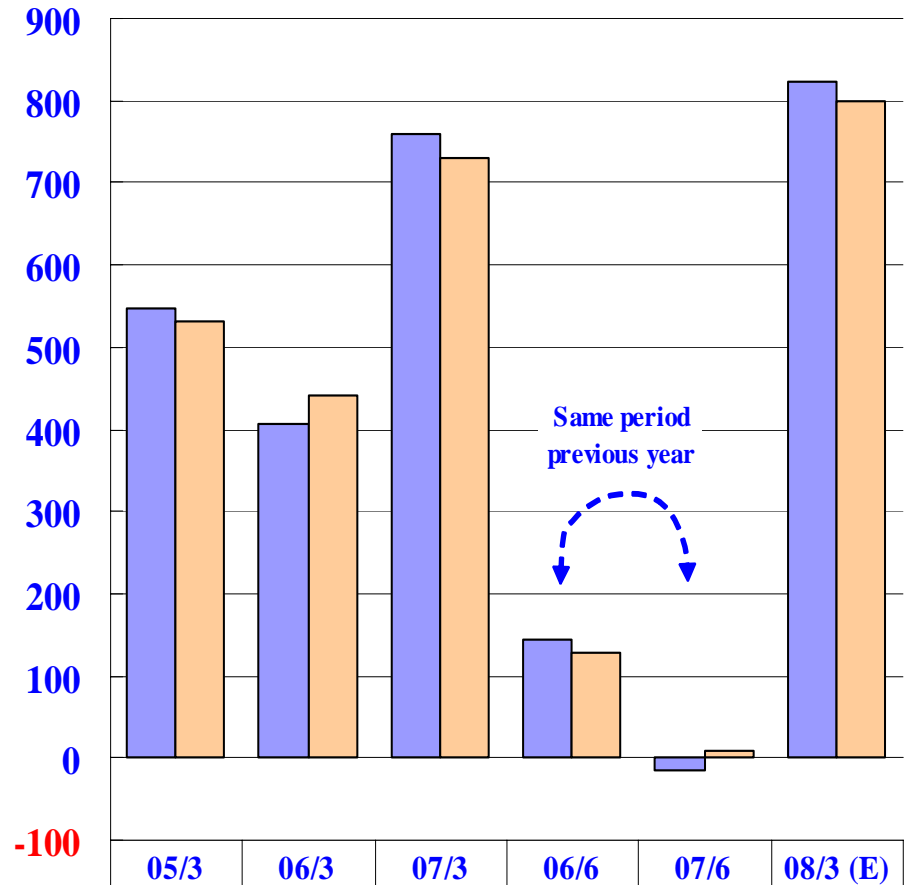
Yen 100 mil



Construction	2,480	1,952	3,161	725	311	3,364
Leasing	2,165	2,496	2,771	642	707	3,162
Hotel Resort	95	108	108	32	28	94
Other	43	121	311	37	57	484

Actual Results and Forecasts for
Operating Profit & Recurring Profit

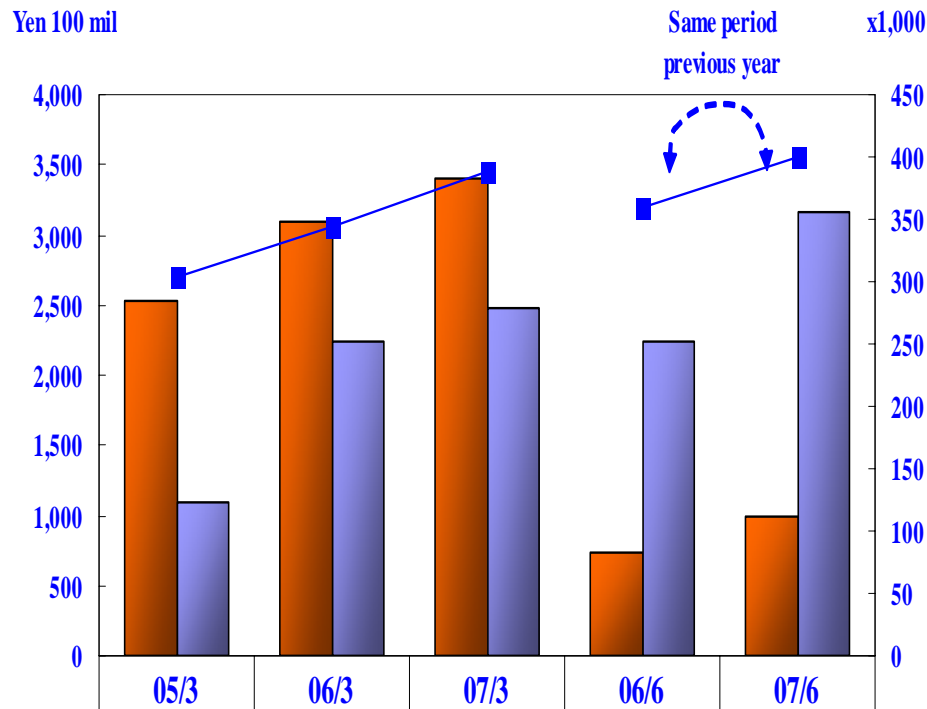
Yen 100 mil



Operating Profit	546	407	760	145	-14	822
Recurring Profit	532	441	730	127	10	800

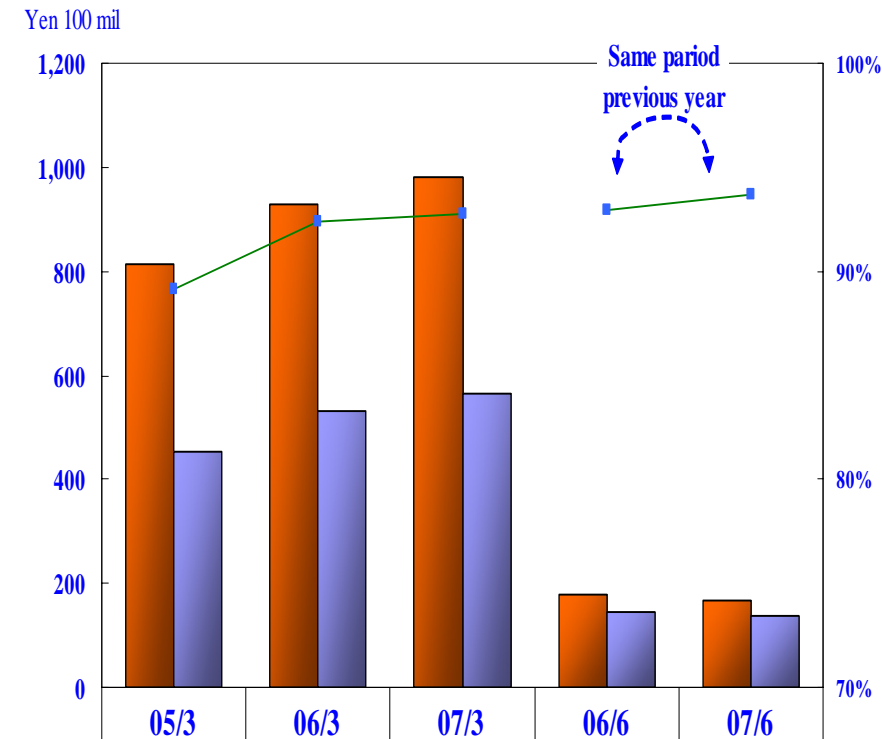
Actual Results and Forecasts in Construction & Leasing

Trend in Actual Results for Construction
1st Q FY 08/3



■ Orders received	2,522	3,094	3,406	731	983
■ Orders received outstanding	1,099	2,241	2,486	2,247	3,159
■ Managed units	304.1	344.0	388.5	359.4	399.1

Trend in Actual Results for Leasing
1st Q FY 08/3



■ Month-to-month sales	812	928	982	180	168
■ Of which, repeat sales	452	530	565	145	139
■ Occupancy rate during FY	89.1%	92.4%	92.8%	92.9%	93.7%

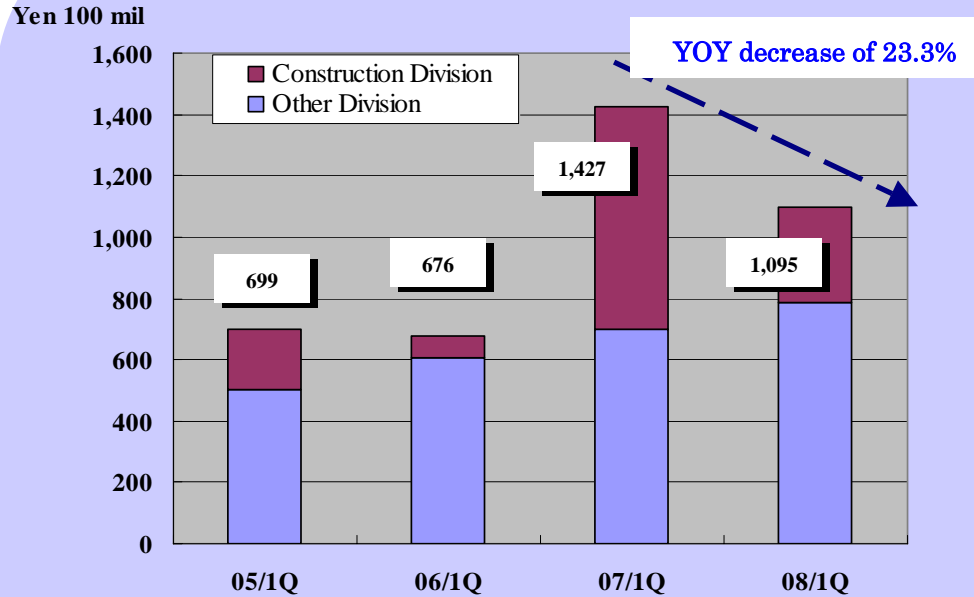
Outline of the First Quarter Results



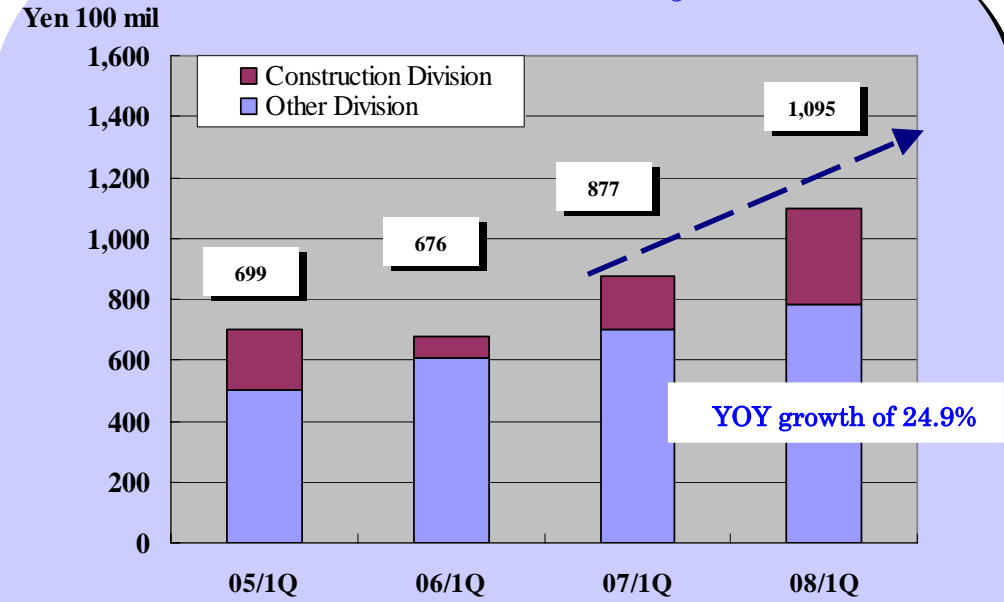
Highlights of the First Quarter Results (Consolidated & Non-Consolidated)

(Unit: Yen million)	Consolidated				Non-consolidated			
	June 2007 1st quarter	June 2006 1st quarter	Change in amount	Percentage change	June 2007 1st quarter	June 2006 1st quarter	Change in amount	Percentage change
Net sales	109,513	142,714	(33,200)	-23.3%	107,633	140,613	(32,979)	-23.5%
Gross profit	20,775	33,977	(13,202)	-38.9%	20,832	34,355	(13,522)	-39.4%
Gross profit ratio (%)	19.0%	23.8%	-4.8%	-	19.4%	24.4%	-5.0%	-
Selling, general & administrative expenses	22,212	19,441	2,770	14.2%	23,041	20,338	2,703	13.3%
Operating profit (loss)	(1,436)	14,535	(15,972)	-	(2,208)	14,017	(16,226)	-
Operating profit ratio (%)	-1.3%	10.2%	-11.5%	-	-2.1%	10.0%	-12.1%	-
Recurring profit (loss)	992	12,782	(11,789)	-92.2%	(1,789)	13,641	(15,431)	-
Recurring profit ratio (%)	0.9%	9.0%	-8.1%	-	-1.7%	9.7%	-11.4%	-
Net income (loss)	1,304	6,422	(5,117)	-79.7%	(1,450)	7,490	(8,941)	-

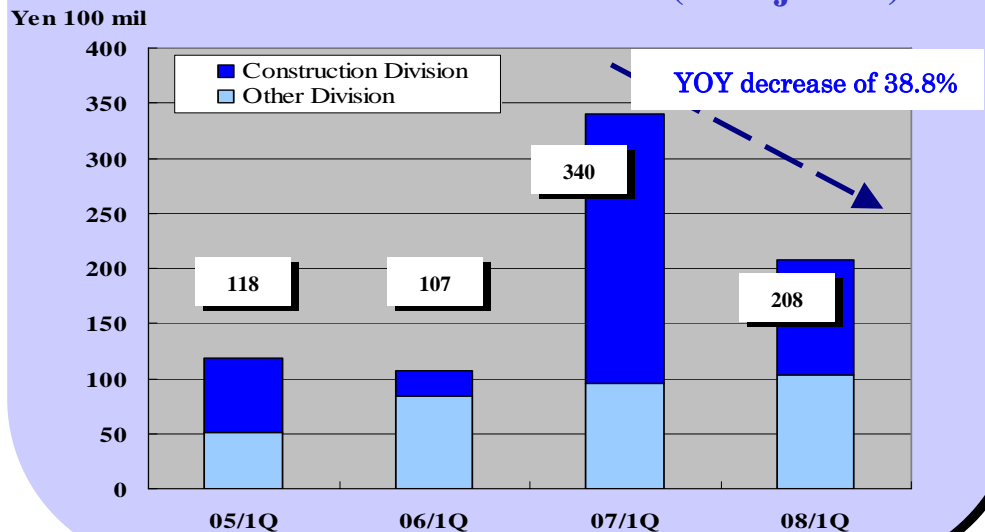
Consolidated Net Sales (unadjusted)



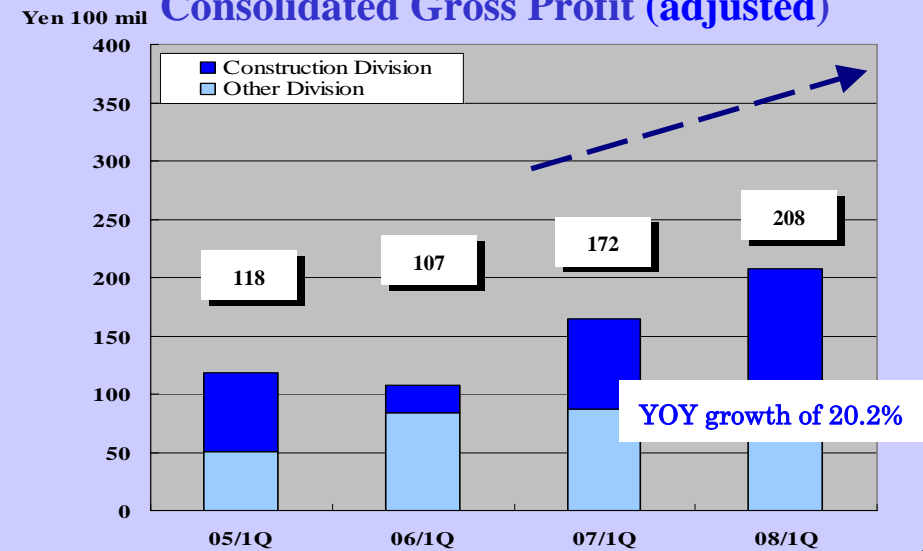
Consolidated Net Sales (adjusted)



Consolidated Gross Profit (unadjusted)



Consolidated Gross Profit (adjusted)



Highlights of the First Quarter Results for Parent & Major Subsidiaries

(Unit: Yen million)		June 2007 1st quarter	June 2006 1st quarter	Change in amount	Percentage change	June 2007 depreciation expenses	June 2006 depreciation expenses
Leopalace21 Corporation	Net sales	107,633	140,613	(32,979)	-23.5%	787	637
	Recurring profit (loss)	(1,789)	13,641	(15,431)	—		
MDI Guam	Net sales	2,887	2,265	623	27.5%	453	420
	Recurring profit (loss)	2,457	(668)	3,125	—		
	Foreign exchange gain (loss)	1,828	(800)	2,628	—		
TPH	Net sales	0	513	(513)	—	0	78
	Recurring profit (loss)	0	(102)	102	—		
Others & exclusion	Net sales	(1,007)	(677)	(330)	—	(8)	1
	Recurring profit (loss)	326	(89)	414	—		
Consolidated total	Net sales	109,513	142,714	(33,200)	-23.3%	1,232	1,136
	Recurring profit (loss)	992	12,782	(11,789)	-92.2%		
	Foreign exchange gain (loss)	2,293	(970)	3,263	—		

Notes: 1. MDI Guam: MDI Guam Corporation (local subsidiary in Guam)

2. TPH: Trianon Palace Hotel de Versailles S.A. (local subsidiary in France)

Outline of Balance Sheet and Cash Flows (Consolidated)

June 2007 1st Q Balance Sheet

(Unit: Yen million)	June 2007 1st quarter	June 2006 1st quarter	Change in amount	FY ended March 2007
<Assets>				
Current assets	162,762	130,795	31,967	186,555
Cash & cash equivalents	55,539	48,729	6,810	75,166
Trade receivables & accounts receivable for completed projects	5,382	5,076	305	9,594
Operating loans	8,253	10,030	(1,776)	8,501
Real estate for sale	32,737	11,726	21,010	27,765
Payout for construction in progress	13,131	8,895	4,236	8,818
Fixed assets	269,710	249,242	20,467	268,190
Buildings & structures	83,034	82,122	912	80,626
Land	118,172	107,183	10,989	118,255
Construction in progress	2,149	3,181	(1,031)	4,397
Total assets	432,528	380,174	52,354	454,819
<Liabilities>				
Current liabilities	201,209	170,499	30,709	216,914
Long-term liabilities	51,409	54,572	(3,163)	52,120
Total liabilities	252,619	225,072	27,546	269,035
<Shareholders' equity>				
Share capital	55,640	55,640	—	55,640
Capital surplus	34,104	33,759	345	34,104
Retained earnings	81,966	57,154	24,811	85,700
Total shareholders' equity	179,908	155,101	24,807	185,784
Shareholders' equity ratio	37.6%	36.2%	1.4%	37.0%

June 2007 1st Q Cash Flows

(Unit: Yen million)	June 2007 1st quarter	June 2006 1st quarter
Cash flows from operating activities	(48,085)	(10,247)
Net income before taxes & adjustments	1,561	12,565
Depreciation expenses	1,232	1,136
Foreign exchange gain (loss)	(2,293)	970
Decrease (increase) in accounts receivable	17,065	11,436
Decrease (increase) in real estate for sale	(4,971)	(4,202)
Decrease (increase) in amount paid for uncompleted works	(4,312)	26,354
Decrease (increase) in long-term prepaid expenses	1,027	(2,871)
Increase (decrease) in accounts payable	(41,684)	(45,454)
Income taxes paid	(27,059)	(4,437)
Cash flows from investing activities	(3,965)	(1,282)
Payout for purchase & proceeds from sale of tangible assets	(2,188)	(1,678)
Payout for purchase & proceeds from sale of investment securities	(1,075)	69
Cash flows from financing activities	31,347	15,648
Proceeds from & repayment of short-term debt	38,424	19,814
Proceeds from & repayment of long-term debt	(1,273)	(1,549)
Dividends paid to minority shareholders	(225)	(225)
Dividends paid for shareholders	(5,578)	(2,390)
Net increase (decrease) in cash & cash equivalents	(20,717)	4,116
Cash & cash equivalents at end of 1st quarter	55,539	48,729

Profit/Loss for Major Segments (Consolidated)

(Unit: Yen million)	June 2007 1st quarter	Sales comparison	June 2006 1st quarter	Sales comparison	Change in amount	Percentage change	Forecast for FY2008	Sales comparison
Construction Division								
Net sales	31,112		72,585		(41,473)	-57.1%	336,400	
Gross profit	10,496	33.7%	24,381	33.6%	(13,885)	-57.0%	109,500	32.6%
Operating profit	2,717	8.7%	16,456	22.7%	(13,739)	-83.5%	74,900	22.3%
Leasing Division								
Net sales	70,782		64,279		6,503	10.1%	316,200	
Gross profit	10,159	14.4%	9,981	15.5%	178	1.8%	60,490	19.1%
Operating profit	(2,534)	-	40	0.1%	(2,574)	-	10,800	3.4%
Hotel Resort Division								
Net sales	2,869		3,274		(405)	-12.4%	9,400	
Gross profit	529	18.4%	283	8.6%	246	86.9%	1,320	14.0%
Operating profit	221	7.7%	(458)	-	679	-	(2,000)	-
Other Division								
Net sales	5,717		3,728		1,989	53.4%	48,400	
Gross profit	559	9.8%	487	13.1%	72	14.8%	8,120	16.8%
Operating profit	(379)	-	(220)	-	(159)	-	3,200	6.6%

*Values for each are before eliminations between segments.

Earnings Results and Forecasts (Consolidated, cumulative)

Cumulative (Unit: Yen million)	06/03				07/03				08/03	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	FY Forecast
Net sales	67,625	230,418	309,419	465,386	142,714	306,360	418,518	631,608	109,513	706,700
Cost of sales	56,965	176,067	239,083	353,928	108,736	232,760	321,014	474,713	88,738	530,900
Gross profit	10,660	54,351	70,335	111,458	33,977	73,600	97,503	156,895	20,775	175,800
(%)	15.8%	23.6%	22.7%	23.9%	23.8%	24.0%	23.3%	24.8%	19.0%	24.9%
Selling, general & administrative expenses	16,207	33,972	51,280	70,683	19,441	39,227	58,049	80,887	22,212	93,600
(%)	24.0%	14.8%	16.6%	15.2%	13.6%	12.8%	13.9%	12.8%	20.3%	13.2%
Operating profit (loss)	(5,547)	20,378	19,055	40,775	14,535	34,372	39,453	76,007	(1,436)	82,200
(%)	-8.2%	8.8%	6.2%	8.8%	10.2%	11.2%	9.4%	12.0%	-1.3%	11.6%
Recurring profit (loss)	(4,707)	22,175	22,031	44,151	12,782	31,961	37,221	73,002	992	80,000
(%)	-7.0%	9.6%	7.1%	9.5%	9.0%	10.4%	8.9%	11.6%	0.9%	11.3%
Net income (loss)	(39,136)	(24,321)	(25,286)	(16,582)	6,422	16,843	20,534	37,358	1,304	43,000
(%)	-57.9%	-10.6%	-8.2%	-3.6%	4.5%	5.5%	4.9%	5.9%	1.2%	6.1%

Orders received (Period total)	64,379	144,964	223,708	309,406	73,125	158,104	241,133	340,606	98,397	350,000
Orders received outstanding (End of period)	167,322	149,914	217,501	224,196	224,736	222,090	269,582	248,685	315,970	262,200
Managed units (End of period)	318,909	327,051	337,967	344,045	359,355	370,825	377,723	388,500	399,147	448,758
Occupancy rate (Period average)	90.5%	91.6%	91.9%	92.4%	92.9%	92.4%	92.2%	92.8%	93.7%	93.9%

[Quarterly Data]
Earnings Results (Consolidated, 1Q comparisons)

(Unit: Yen million)	04/03	05/03	06/03	07/03	08/03	
	1Q	1Q	1Q	1Q	1Q Results	FY Forecasts
Net sales	57,011	69,873	67,625	142,714	109,513	706,700
Cost of sales	48,429	58,029	56,965	108,736	88,738	530,900
Gross profit	8,581	11,843	10,660	33,977	20,775	175,800
(%)	15.1%	16.9%	15.8%	23.8%	19.0%	24.9%
Selling, general & administrative expenses	13,817	15,751	16,207	19,441	22,212	93,600
(%)	24.2%	22.5%	24.0%	13.6%	20.3%	13.2%
Operating profit (loss)	(5,235)	(3,907)	(5,547)	14,535	(1,436)	82,200
(%)	-9.2%	-5.6%	-8.2%	10.2%	-1.3%	11.6%
Recurring profit (loss)	(6,298)	(3,557)	(4,707)	12,782	992	80,000
(%)	-11.0%	-5.1%	-7.0%	9.0%	0.9%	11.3%
Net income (loss)	(4,854)	(2,460)	(39,136)	6,422	1,304	43,000
(%)	-8.5%	-3.5%	-57.9%	4.5%	1.2%	6.1%

Orders received (Period total)	54,436	63,198	64,379	73,125	98,397	350,000
Orders received outstanding (End of period)	150,772	149,538	167,322	224,736	315,970	262,200
Managed units (End of period)	227,334	271,836	318,909	359,355	399,147	448,758
Occupancy rate (Period average)	86.9%	89.8%	90.5%	92.9%	93.7%	93.9%

Status of Major Strategic Business Ventures



Residential Business

(Unit: Yen million)		Results for FY ended March 2007	1Q results for FY ending March 2008	Forecasts for FY ending March 2008
Purchase contracts	Revenue	30,167	7,631	50,000
Sales	Value of sales contracts concluded	6,685	1,415	17,320
	Units sold	154	32	433
Revenue	Revenue	6,974	1,297	15,560
	Total units sold	160	28	389
Total revenue of Residential Business		14,150	1,593	23,500

Note: Includes real estate development.



“Lu Cerna Wakaba-cho,”
Neyagawa City, Osaka

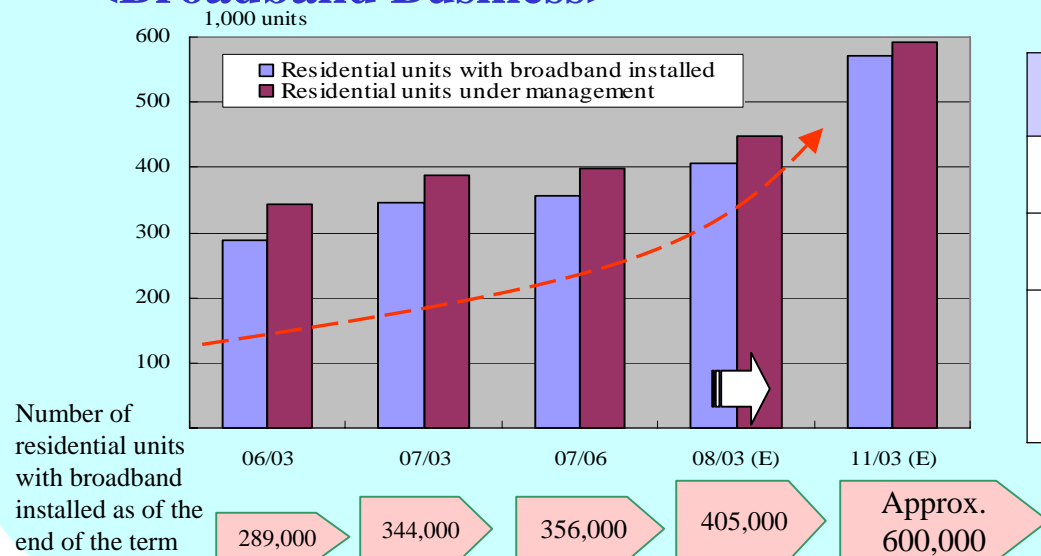
Silver Business

(Unit: Yen million)		Results for FY ended March 2007	1Q results for FY ending March 2008	Forecasts for FY ending March 2008
Direct operation	Revenue	884	519	2,300
	Total units as of end of term	16	24	36
Under contracts	Total value of contracts	6,852	3,641	12,600
	Units ordered	15	6	36
	Revenue	4,460	325	7,700
Total revenue of Silver Business		5,344	844	10,000



“Azumien Ina,”
Kita-Adachi City, Saitama

<Broadband Business>



	06/3	07/3	07/6	08/3 (E)
Users	203,000	302,000	310,000	357,000
Sales (yen)	7.4 bil.	11.1 bil.	3.1 bil.	14.5 bil.
Gross profit on sales (yen)	0.44 bil.	0.85 bil.	0.23 bil.	2.00 bil.

<Leopalace Resort Business (MGC)>

(Unit: 1,000 U.S. dollars)		1Q results (Jan.–Mar.)	Interim results (Jan.–Jun.)	3Q results (Jan.–Sep.)	Full-year results (Jan.–Dec.)
06/12	Net sales	19,779	36,409	50,676	67,695
	Operating profit (loss)	1,142	-237	-3,252	-5,288
	Depreciation expenses	3,665	7,329	11,014	14,798
	Occupancy rate (Leopalace Resort)	76.0%	64.5%	59.2%	59.9%
	Occupancy rate (Westin)	62.4%	58.3%	58.9%	57.4%
		1Q results (Jan.–Mar.)	Interim results (Jan.–Jun.)	3Q results (Jan.–Sep.)	Full-year forecasts (Jan.–Dec.)
07/12	Net sales	24,101	-	-	76,958
	Operating profit (loss)	5,186	-	-	3,579
	Depreciation expenses	3,790	-	-	15,244
	Occupancy rate (Leopalace Resort)	74.8%	63.0%	-	64.4%
	Occupancy rate (Westin)	70.5%	61.9%	-	68.1%

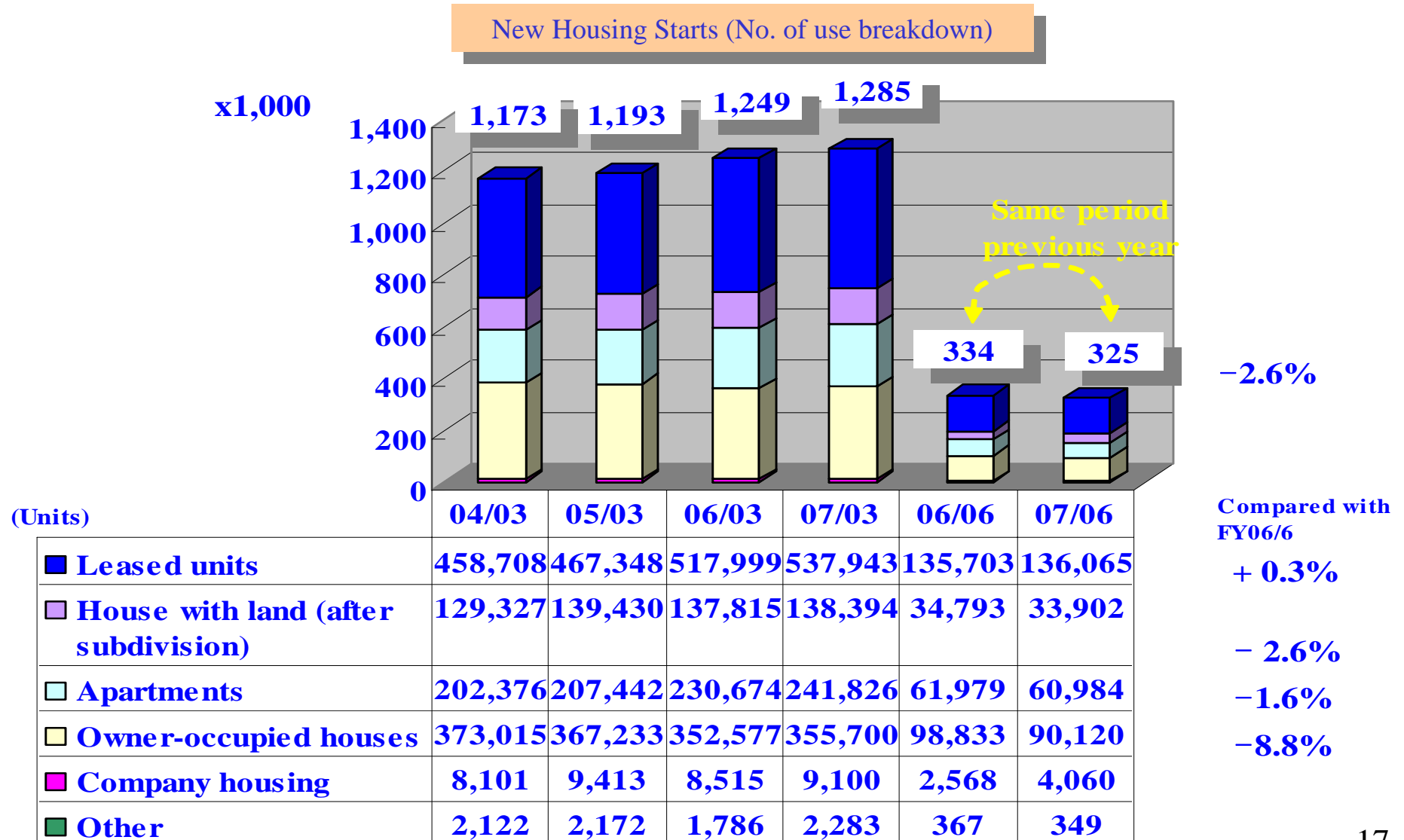
Appendix



New Housing Starts

- Overall new housing starts during the first quarter of FY08/03 were down 2.6% compared with the previous year, but leased housing starts grew by 0.3%.

(Based on housing starts statistics for the FY June 2007, Ministry of Land, Infrastructure & Transport)



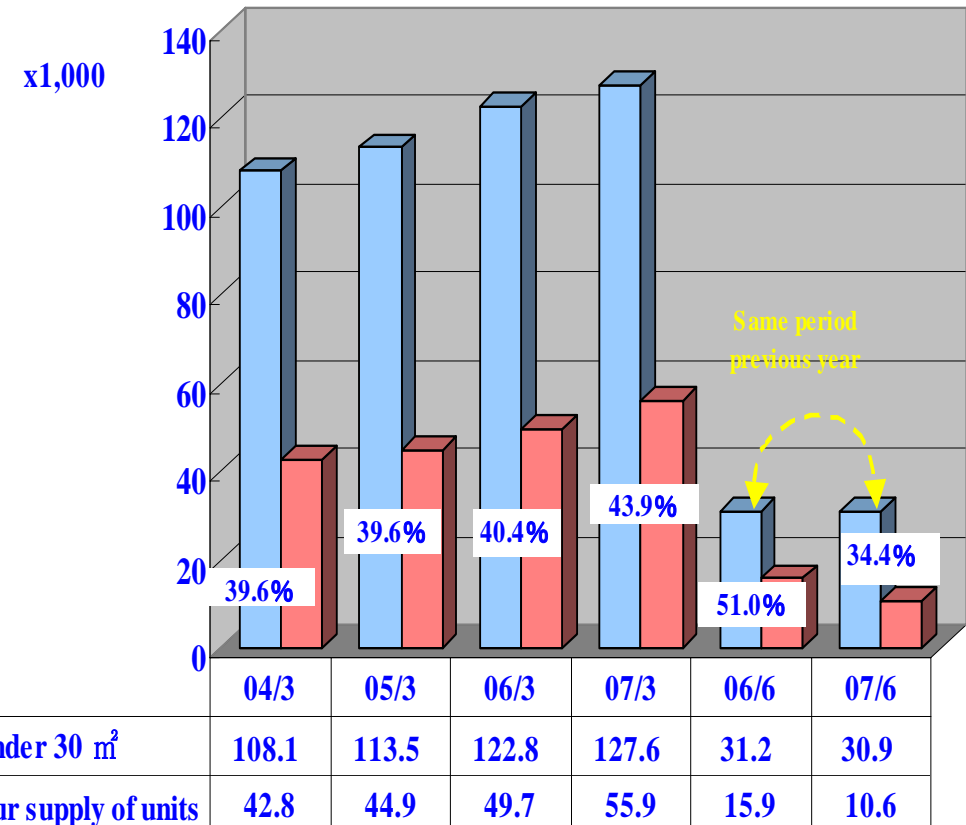
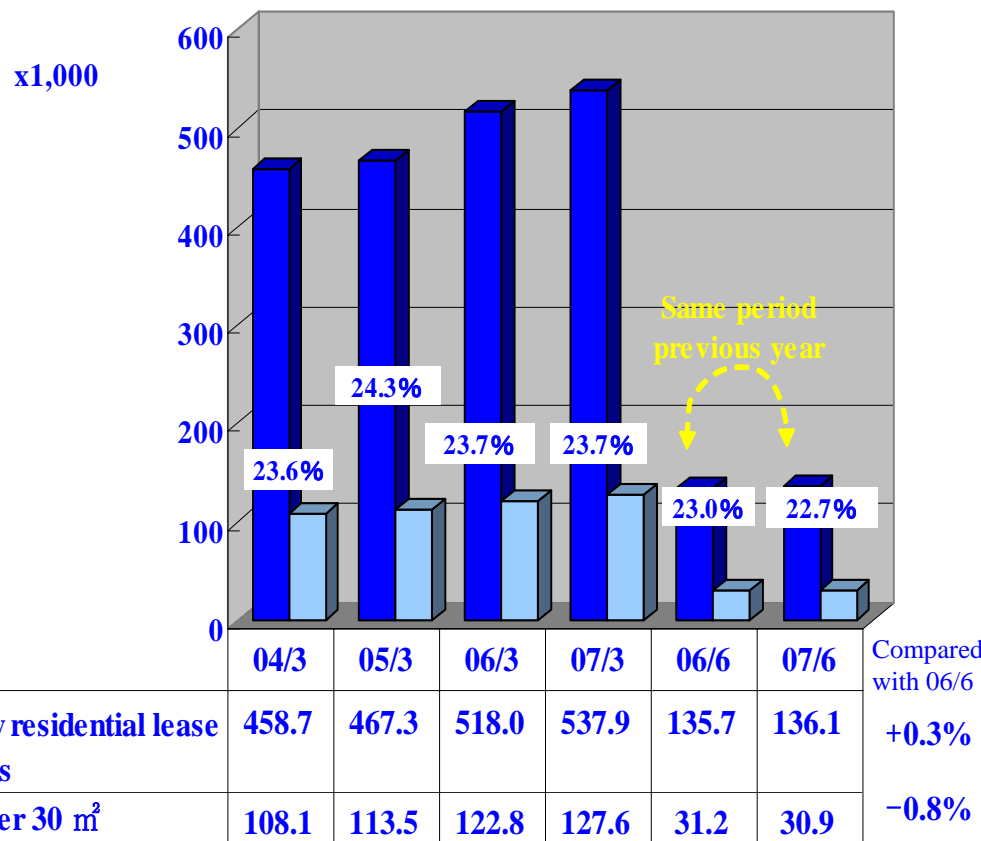
New Housing Starts (Units under 30 square meters)

- The graph at left shows new starts of small rental apartments (floor space of 30m² or less) as a percentage of total new residential leaseholds during the first quarter of FY08/03. The graph at right shows our share of the market for new one-room rental apartments. During the first quarter under review our construction lead times were about one month longer than usual, causing our market share to fall to 34.4%. Nevertheless the Company continues to enjoy a very large percentage of the market.

(Based on housing start statistics for the FY June 2007, Ministry of Land, Infrastructure & Transport)

Trend in No. of New Residential Leaseholds Overall & Market Share for Units under 30 Square Meters

Trend in No. of New Residential Leaseholds under 30 Square Meters & Our Market Share

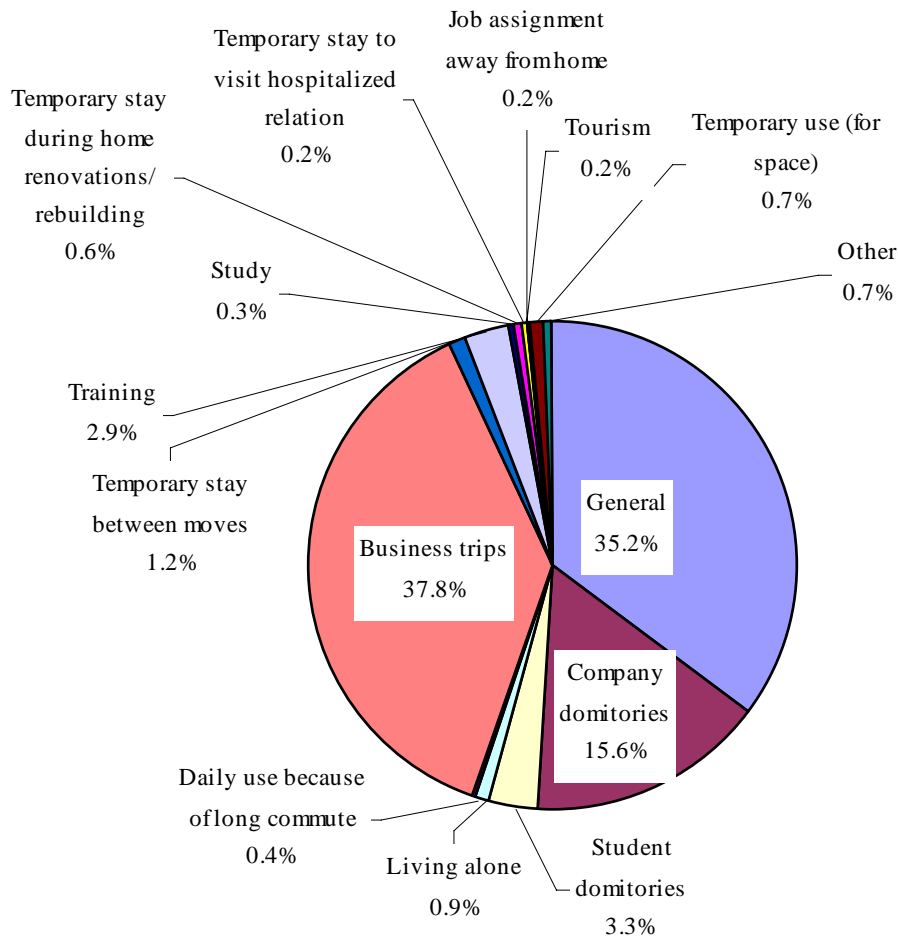


Note: Our supply units after 06/3 represents actual units sold.

- We are successfully developing a new market by attracting users with different types of needs to our mainstay Monthly Leoplace Flat system.
- By serving a more diverse range of needs, we are steadily expanding our customer base.

(Based on our company data, as of June 30, 2007)

Breakdown of Users of Month-to-Month Leases (June 2007)



No. of Tenants by Contract Type

