

Explanatory Session for the First Half Results of the Fiscal Year Ending March 2009

November 2008

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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*Figures presented in this material are truncated. In addition, since this is the first fiscal year in which quarterly disclosure rules apply, change amounts and percentages shown are for reference purposes.

In this material, any reference to “first half” shall mean the cumulative results for the second quarter.

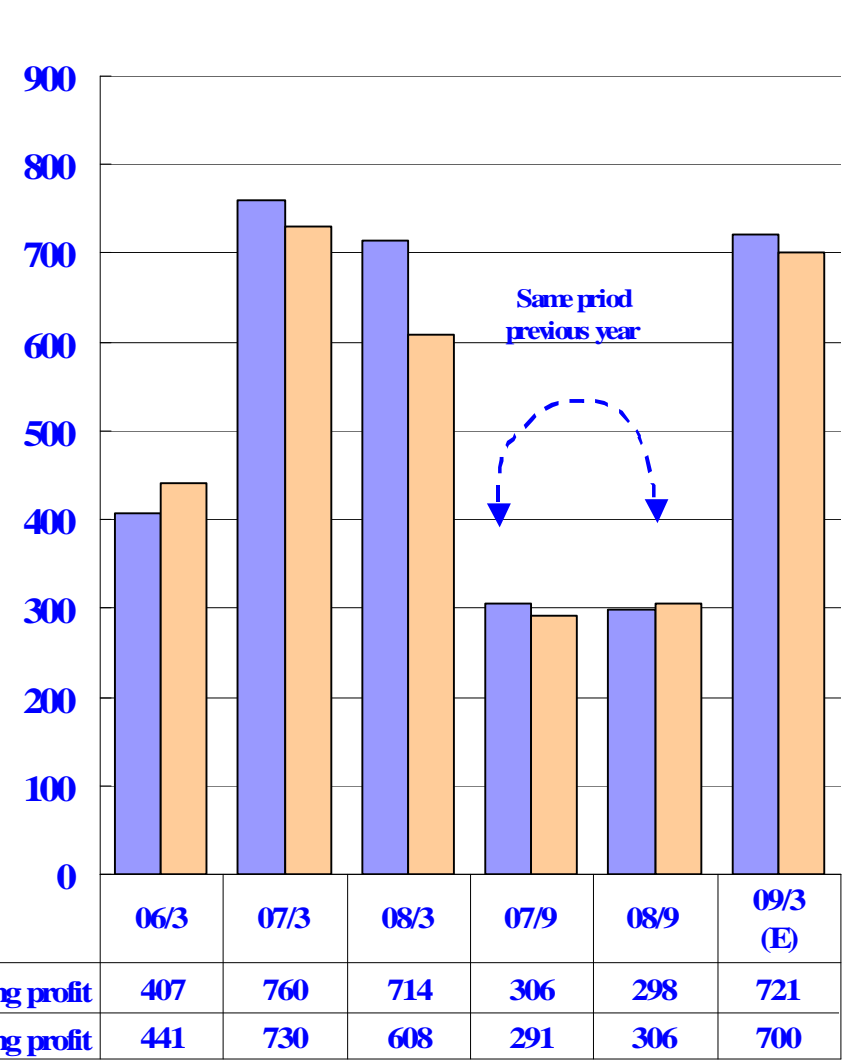
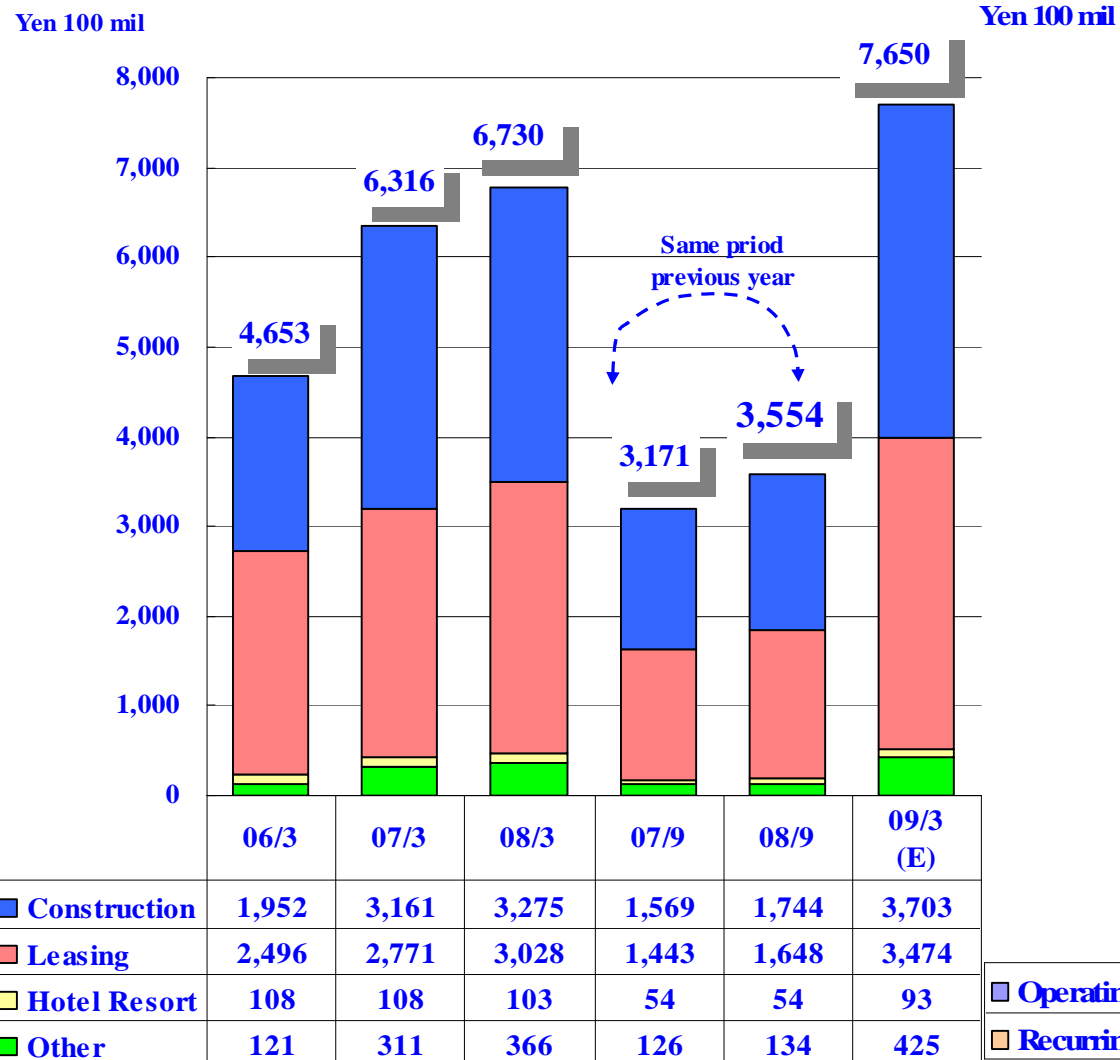
Results for Core Businesses during the First Half Ended September 2008



Actual Results and Forecasts of Our Group (Consolidated)

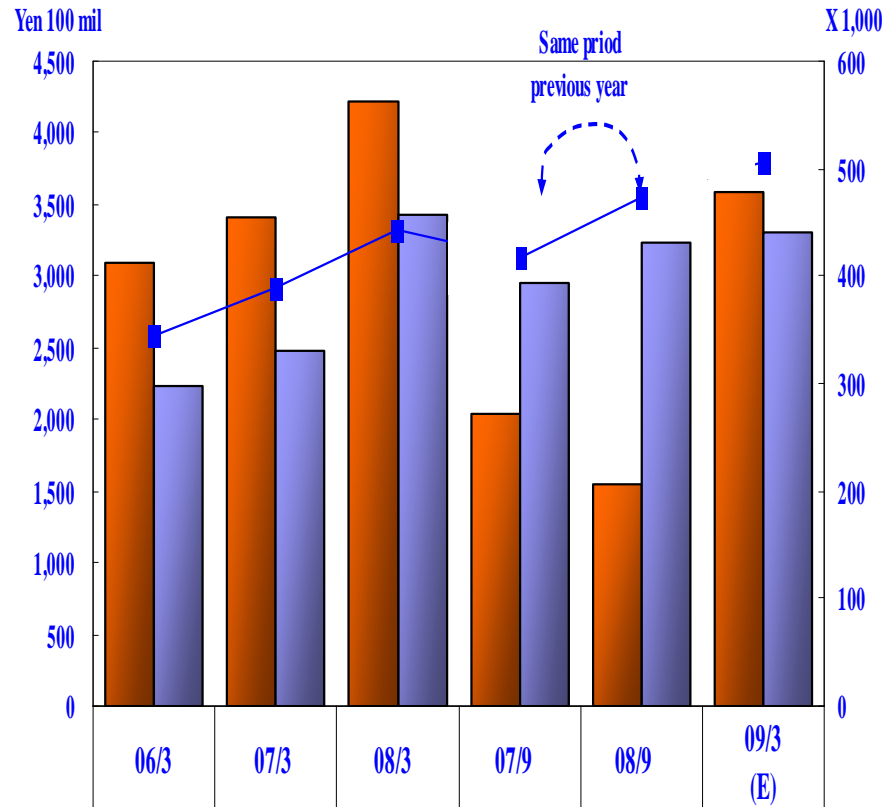
Actual Results and Forecasts for
 Net Sales

Actual Results and Forecasts for
 Operating Profit & Recurring Profit



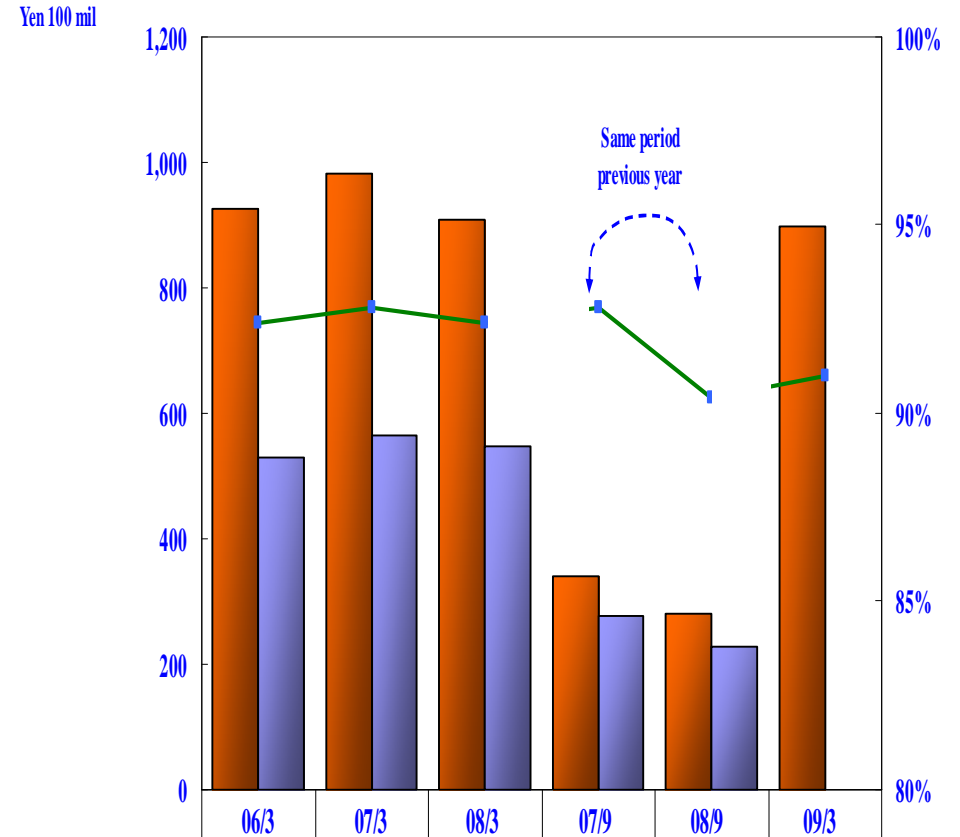
Actual Results and Forecasts in Construction & Leasing

Actual Results and Forecasts for Construction



■ Orders received	3,094	3,406	4,215	2,037	1,554	3,580
■ Orders received outstanding	2,241	2,486	3,426	2,955	3,238	3,300
■ Managed units	344.0	388.5	442.0	416.2	472.7	506.8

Actual Results and Forecast for Leasing



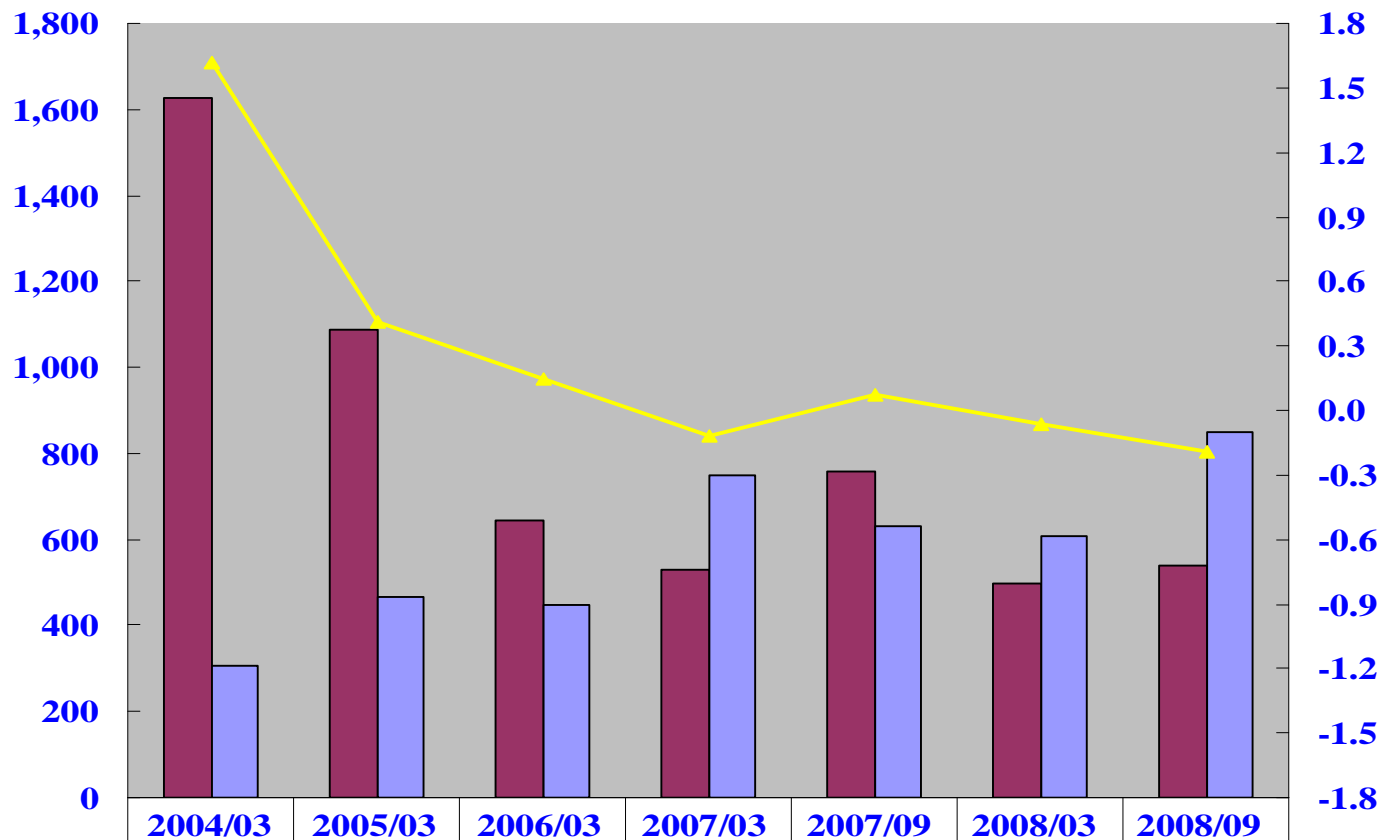
■ Month-to-month sales	928	982	908	339	279	900
■ Of which, repeat sales	530	565	548	278	229	
■ Occupancy rate	92.4%	92.8%	92.4%	92.8%	90.4%	91.0%

Cash & cash equivalents and liabilities with interest

Trend in cash & cash equivalents and liabilities with interest
(Consolidated)

Yen 100mil

Times



Liabilities with interest	1,627	1,087	645	531	758	497	541
Cash & cash equivalents	307	468	446	751	631	609	851
Net D/E Ratio	1.6	0.4	0.1	-0.1	0.1	-0.1	-0.2

Outline of the First Half Results



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

(Unit: Yen million)	Consolidated				Non-Consolidated			
	The first half ended Sep. 2008	The first half ended Sep. 2007	Change in amount	Percentage change	The first half ended Sep. 2008	The first half ended Sep. 2007	Change in amount	Percentage change
Net sales	355,352	317,108	38,244	12.1%	352,364	313,746	38,618	12.3%
Gross profit	77,481	75,131	2,350	3.1%	78,870	75,735	3,135	4.1%
Gross profit ratio(%)	21.8%	23.7%	-1.9%	-	22.4%	24.1%	-1.8%	-
Selling, general & administrative expenses	47,678	44,486	3,192	7.2%	48,853	45,814	3,039	6.6%
Operating profit	29,803	30,644	(841)	-2.7%	30,017	29,921	96	0.3%
Operating profit ratio(%)	8.4%	9.7%	-1.3%	-	8.5%	9.5%	-1.0%	-
Recurring profit	30,562	29,178	1,384	4.7%	29,412	28,896	516	1.8%
Recurring profit ratio(%)	8.6%	9.2%	-0.6%	-	8.3%	9.2%	-0.9%	-
Net income(loss)	12,280	(11,848)	24,128	-	12,892	(11,790)	24,682	-

Highlights of the First Half Results for Parent & Major Subsidiaries

(Unit: Yen million)		The first half ended Sep. 2008	The first half ended Sep. 2007	Change in amount	Percentage change	FY 2009 forecast	Sep. 2008 depreciation expenses	Sep. 2007 depreciation expenses
Leopalace21 Corporation	Net sales	352,364	313,746	38,618	12.3%	758,200	1,604	1,593
	Recurring profit	29,412	28,896	516	1.8%	69,500		
LGC	Net sales	4,553	5,098	(545)	-10.7%	8,236	828	909
	Recurring profit (loss)	2,096	(212)	2,308	-	616		
	Foreign exchange gain (loss)	1,487	(997)	2,484	-	-		
Others & exclusion	Net sales	(1,565)	(1,736)	171	-9.9%	(1,436)	17	(7)
	Recurring profit (loss)	(946)	494	(1,440)	-	(116)		
Consolidated total	Net sales	355,352	317,108	38,244	12.1%	765,000	2,449	2,494
	Recurring profit	30,562	29,178	1,384	4.7%	70,000		
	Foreign exchange gain (loss)	1,436	(1,273)	2,709	-	-		

Notes: LGC: Leopalace Guam Corporation (local subsidiary in Guam).

Outline of Balance Sheet and Cash Flows (Consolidated)

September 2008 1st H Balance Sheet

September 2008 1st H Cash Flows

(Unit: Yen million)	The first half ended Sep. 2008	The first half ended Sep. 2007	Change in amount	FY ended March 2008	(Unit: Yen million)	The first half ended Sep. 2008	The first half ended Sep. 2007
<Assets>					Cash flows from operating activities	36,378	(26,533)
Current assets	232,284	199,787	32,497	218,684	Net income before taxes & adjustments	25,595	(16,360)
Cash & cash equivalents	85,101	63,104	21,997	60,965	Depreciation expenses	2,460	2,493
Accounts receivable	3,832	3,687	145	6,381	Foreign exchange loss (gain)	(1,436)	1,273
Receivables for completed projects	2,740	5,694	(2,954)	8,777	Equity in earnings of affiliated companies	(170)	(98)
Operating loans	12,019	11,903	116	15,789	(Gain) loss on sales of tagible fixed assets	0	(4,464)
Real estate for sales	32,974	37,850	(4,876)	37,819	Decrease (increase) in accounts receivable	10,693	(3,842)
Payout for construction in progress	15,705	10,242	5,463	11,792	Decrease (increase) in real estate for sales	1,291	(10,084)
Fixed assets	276,456	270,924	5,532	275,265	Decrease (increase) in long-term prepaid expenses	(7,741)	(5,108)
Buildings & structures	73,959	80,687	(6,728)	76,556	Increase (decrease) in accounts payable	(1,470)	4,655
Land	116,900	115,446	1,454	116,295	Increase (decrease) in advances received	(14,879)	39,383
Construction in progress	1,243	1,081	162	1,901	Increase (decrease) in guarantee deposits received	31,517	38
Total assets	508,745	470,755	37,990	493,956	Income taxes paid	(14,332)	(27,373)
<Liabilities>					Cash flows from investing activities	(3,226)	4,444
Current liabilities	254,621	262,508	(7,887)	268,621	Payment for purchase & proceeds from sales of tangible fixed assets	(2,430)	8,629
Long-term liabilities	90,055	44,491	45,564	55,179	Payment for purchase & proceeds from sales of investment securities	(136)	(3,068)
Total liabilities	344,677	307,000	37,677	323,800	Cash flows from financing activities	(8,547)	8,909
<Shareholder's equity>					Proceeds from & repayment of short-term debt	2,800	17,178
Share capital	55,640	55,640	0	55,640	Proceeds from & repayment of long-term debt	6,687	6,083
Capital surplus	34,104	34,104	0	34,104	Payment for redemption of investment in minority interests	(4,970)	(7,984)
Retained earnings	80,522	68,801	11,721	76,211	Dividends paid for shareholders	(7,968)	(5,578)
Total net assets	164,068	163,755	313	170,155	Net increase (decrease) in cash & cash equivalents	24,136	(13,151)
Shareholder's equity ratio	32.2%	32.8%	-0.6%	33.4%	Cash & cash equivalents at end of period	85,101	63,104

Profit/Loss for Major Segments (Consolidated)

(Unit: Yen million)	The first half ended Sep. 2008	Sales comparison	The first half ended Sep. 2007	Sales comparison	Change in amount	Percentage change	Forecast for FY 2009	Sales comparison
Construction Division								
Net sales	174,426		156,889		17,537	11.2%	370,300	
Gross profit	55,738	32.0%	53,199	33.9%	2,539	4.8%	112,900	30.5%
Operating profit	34,404	19.7%	35,356	22.5%	△ 952	-2.7%	71,000	19.2%
Leasing Division								
Net sales	164,804		144,293		20,511	14.2%	347,400	
Gross profit	25,729	15.6%	21,836	15.1%	3,893	17.8%	56,600	16.3%
Operating profit (loss)	3,218	2.0%	△ 1,563	—	4,781	—	6,200	2.0%
Hotel Resort Division								
Net sales	5,415		5,403		12	0.2%	9,400	
Gross profit	1,114	20.6%	924	17.1%	190	20.6%	1,430	15.2%
Operating loss	△ 10	—	△ 54	—	44	—	△ 1,100	-11.7%
Other Division								
Net sales	13,405		12,602		803	6.4%	42,500	
Gross profit (loss)	△ 2,516	-18.8%	1,243	9.9%	△ 3,759	-302.4%	7,140	16.8%
Operating profit (loss)	△ 5,166	—	△ 667	—	△ 4,499	—	1,300	3.1%

*Values for each are before eliminations between segments.

[Quarterly Data]

Earnings Results and Forecasts (Consolidated, cumulative)

Cumulative (Unit: Yen million)	07/03				08/03				09/03	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	H Results	FY Forecast
Net sales	142,714	306,360	418,518	631,608	109,513	317,108	426,452	672,973	355,352	765,000
Cost of sales	108,736	232,760	321,014	474,713	88,738	241,977	330,290	511,054	277,871	591,500
Gross profit	33,977	73,600	97,503	156,895	20,775	75,131	96,162	161,919	77,481	173,500
(%)	23.8%	24.0%	23.3%	24.8%	19.0%	23.7%	22.5%	24.1%	21.8%	22.7%
Selling, general & administrative expenses	19,441	39,227	58,049	80,887	22,212	44,486	65,144	90,516	47,678	101,400
(%)	13.6%	12.8%	13.9%	12.8%	20.3%	14.0%	15.3%	13.5%	13.4%	13.3%
Operating profit (loss)	14,535	34,372	39,453	76,007	(1,436)	30,644	31,017	71,402	29,803	72,100
(%)	10.2%	11.2%	9.4%	12.0%	-1.3%	9.7%	7.3%	10.6%	8.4%	9.4%
Recurring profit	12,782	31,961	37,221	73,002	992	29,178	28,525	60,847	30,562	70,000
(%)	9.0%	10.4%	8.9%	11.6%	0.9%	9.2%	6.7%	9.0%	8.6%	9.2%
Net income (loss)	6,422	16,843	20,534	37,358	1,304	(11,848)	(13,185)	342	12,280	32,900
(%)	4.5%	5.5%	4.9%	5.9%	1.2%	-	-	0.1%	3.5%	4.3%

Orders received (Period total)	73,125	158,104	241,133	340,606	98,397	203,733	306,440	421,534	155,482	358,000
Orders received outstanding (End of period)	224,736	222,090	269,582	248,685	315,970	295,529	376,469	342,679	323,860	330,000
Managed units (End of period)	359,355	370,825	377,723	388,500	399,147	416,219	425,237	422,025	472,671	506,757
Occupancy rate (Period average)	92.9%	92.4%	92.2%	92.8%	93.7%	92.8%	92.2%	92.4%	90.4%	91.0%

[Quarterly Data]
Earnings Results (Consolidated, 2Q comparisons)

(Unit: Yen million)	05/03	06/03	07/03	08/03	09/03	
	2Q	2Q	2Q	2Q	2Q Results	FY Forecast
Net sales	139,189	162,793	163,646	207,595	239,539	765,000
Cost of sales	101,510	119,102	124,024	153,239	183,624	591,500
Gross profit	37,679	43,691	39,623	54,356	55,914	173,500
(%)	27.1%	26.8%	24.2%	26.2%	23.3%	22.7%
Selling, general & administrative expenses	16,437	17,765	19,786	22,274	24,476	101,400
(%)	11.8%	10.9%	12.1%	10.7%	10.2%	13.3%
Operating profit	21,241	25,925	19,837	32,080	31,438	72,100
(%)	15.3%	15.9%	12.1%	15.5%	13.1%	9.4%
Recurring profit	22,213	26,882	19,179	28,186	29,195	70,000
(%)	16.0%	16.5%	11.7%	13.6%	12.2%	9.2%
Net income (loss)	14,599	14,814	10,421	(13,152)	13,012	32,900
(%)	10.5%	9.1%	6.4%	-6.3%	5.4%	4.3%
Orders received (Quarter total)	64,719	80,584	84,978	105,335	67,528	358,000
Orders received outstanding (End of period)	130,621	149,914	222,090	295,529	323,860	330,000
Managed units (End of period)	280,604	327,051	370,825	416,219	472,671	506,757
Occupancy rate (Quarter average)	89.5%	92.6%	92.0%	91.9%	89.5%	91.0%

Status of Major Strategic Business Ventures



Residential Business and Silver Business

<Residential Business>

(Unit : Yen million)		Results for FY ended March 2008	1Q results for FY ending March 2009	1H results for FY ending March 2009	Forecasts for FY ending March 2009
Purchase contracts	Revenue	14,107	2,265	4,287	7,200
Sales	Value of sales contracts concluded	7,630	1,246	2,607	13,000
	Units sold	180	28	60	280
Revenue	Revenue	7,977	985	2,268	12,000
	Total units sold	188	23	49	250
Total revenue of Residential Business		11,281	1,164	2,788	15,000



“Lu Cerna Saginomiya,”
Nakano-ku, Tokyo

<Silver Business>

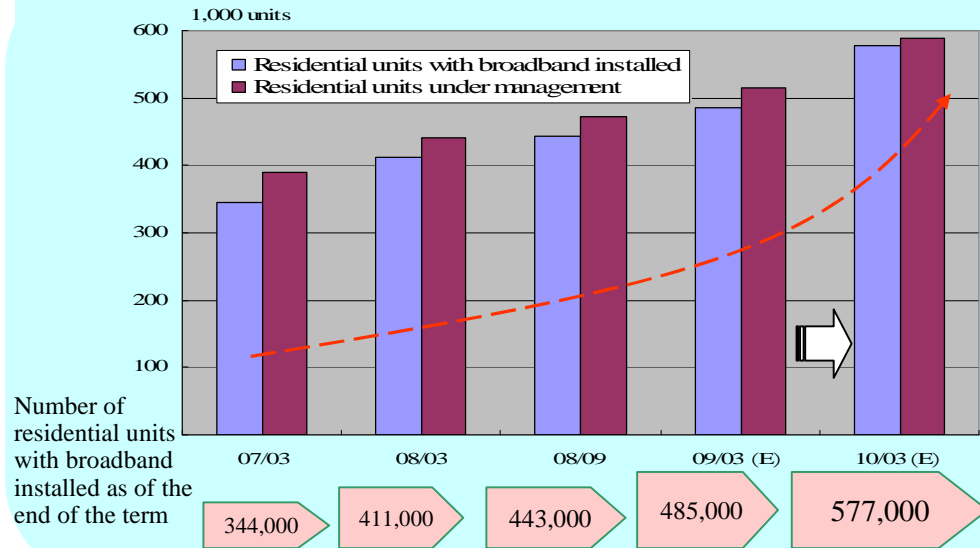
(Unit : Yen million)		Results for FY ended March 2008	1Q results for FY ending March 2009	1H results for FY ending March 2009	Forecasts for FY ending March 2009
Direct operation	Revenue	2,668	965	2,098	6,500
	Total units as of end of term	35	43	46	58
Under contracts	Total value of contracts	10,221	269	789	6,000
	Units orderd	26	1	4	19
	Revenue	8,506	932	1,223	5,000
Total revenue of Silver Business		11,174	1,897	3,321	11,500



“Azumien Oota,”
Oota City, Gunma

Broadband Business and Leopalace Resort Business

<Broadband Business>



	2007/3	2008/3	2008/9	2009/3 (E)
Users	302,000	362,000	378,000	430,000
Sales (yen)	11.1 bil	13.2 bil	6.9bil	14.3 bil
Gross profit on sales (yen)	0.85 bil	1.32 bil	0.7bil	1.43 bil

<Leopalace Resort Business (LGC)>

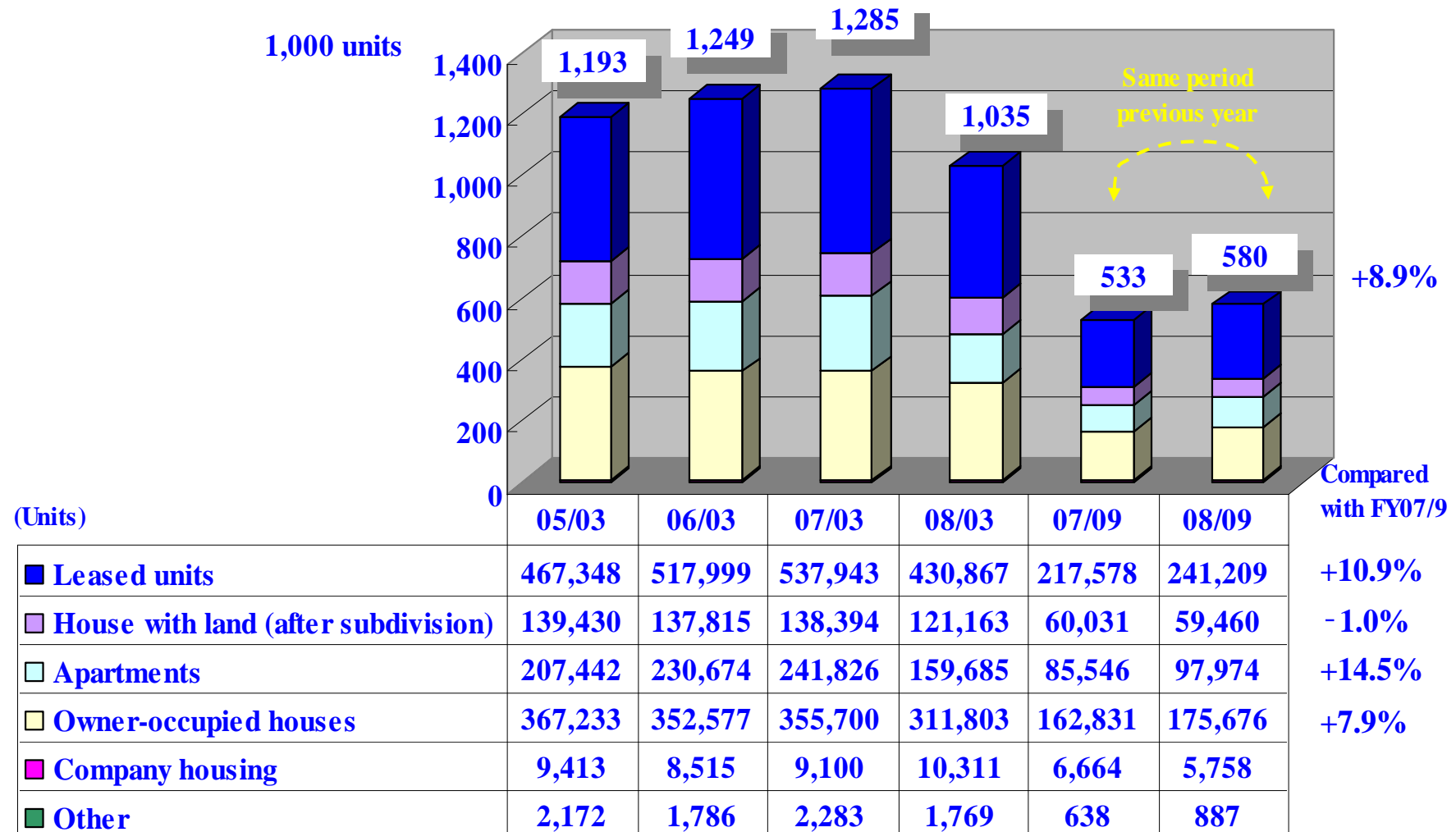
(Unit: 1,000 US dollars)		1Q results (Jan.-Mar.)	Interim results (Jan.-Jun.)	3Q results (Jan.-Sep.)	FY 2007 results (Jan.-Dec.)
FY 2007	Net sales	24,101	42,429	59,123	77,676
	Operating profit	5,186	5,972	5,373	4,920
	Depreciation expenses	3,790	7,563	11,328	15,160
	Occupancy rate (Leopalace Resort)	74.8%	63.0%	58.8%	59.1%
	Occupancy rate (Westin)	70.5%	61.9%	66.3%	64.1%
		1Q results (Jan.-Mar.)	Interim results (Jan.-Jun.)	3Q results (Jan.-Sep.)	FY 2008 results (Jan.-Dec.)
FY 2008	Net sales	23,578	43,411	-	82,358
	Operating profit	4,390	5,578	-	6,123
	Depreciation expenses	3,867	7,889	-	15,555
	Occupancy rate (Leopalace Resort)	69.0%	60.5%	53.0%	67.8%
	Occupancy rate (Westin)	69.3%	69.3%	71.6%	72.4%

Appendix



New Housing Starts

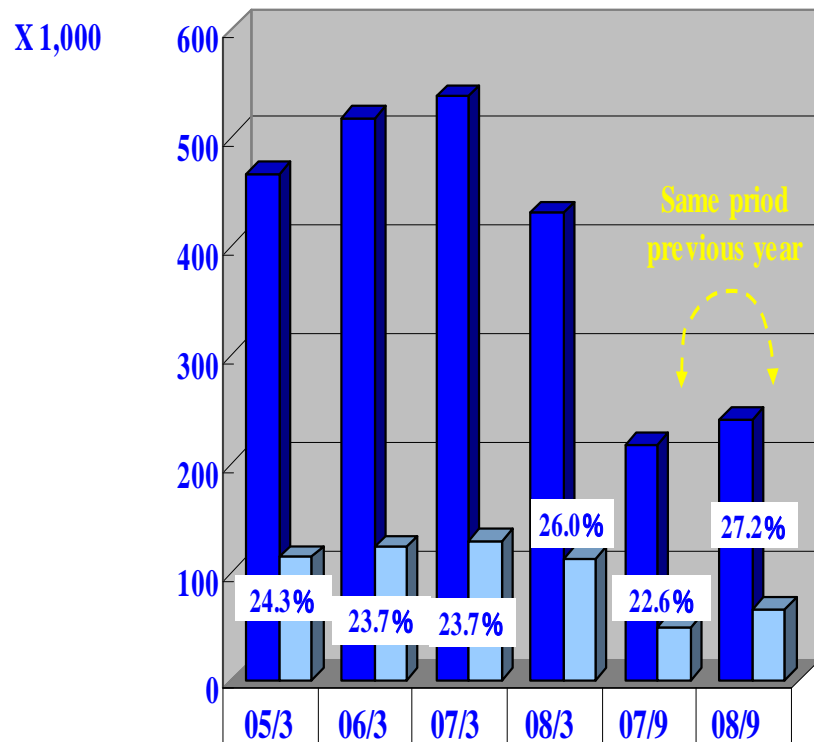
New Housing Starts (No. of use breakdown)



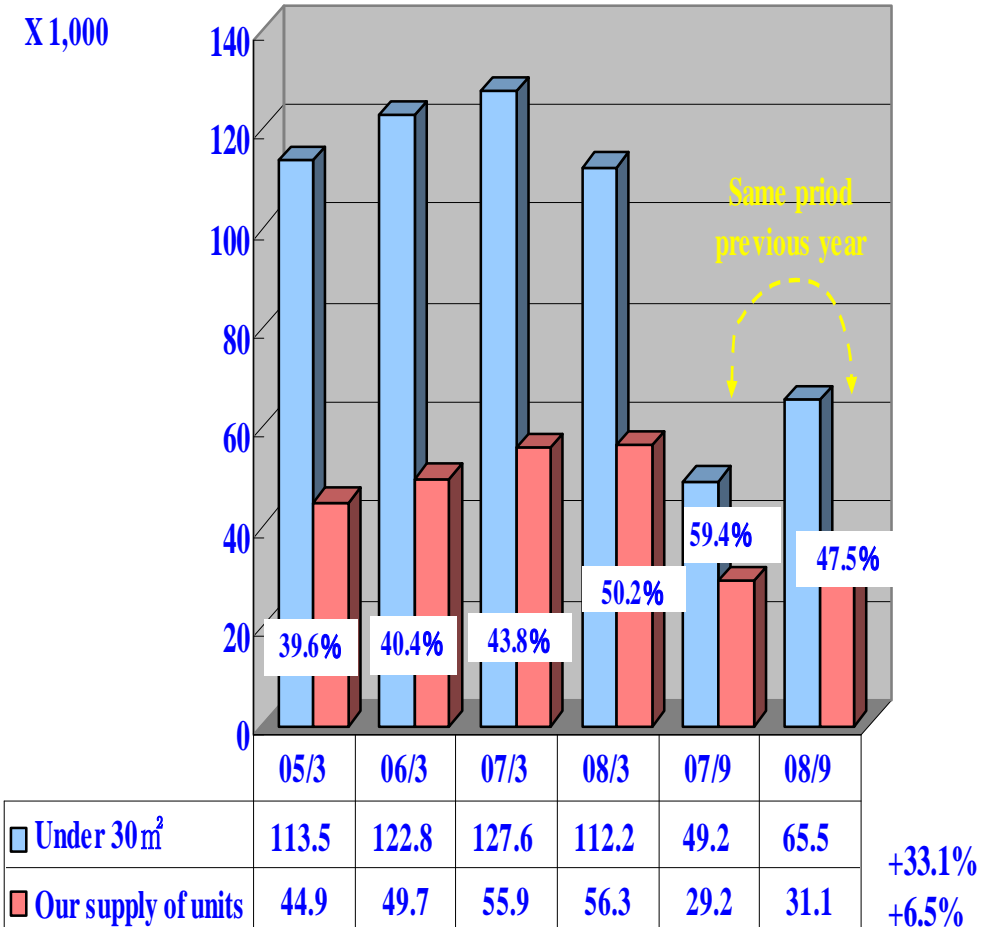
(Based on housing starts statistics, Ministry of Land, Infrastructure & Transport, September 2008)

New Housing Starts (Units under 30 square meters)

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



■ New residential lease holds	467.3	518.0	537.9	430.8	217.6	241.2	+10.8%
■ Under 30m ²	113.5	122.8	127.6	112.2	49.2	65.5	+33.1%

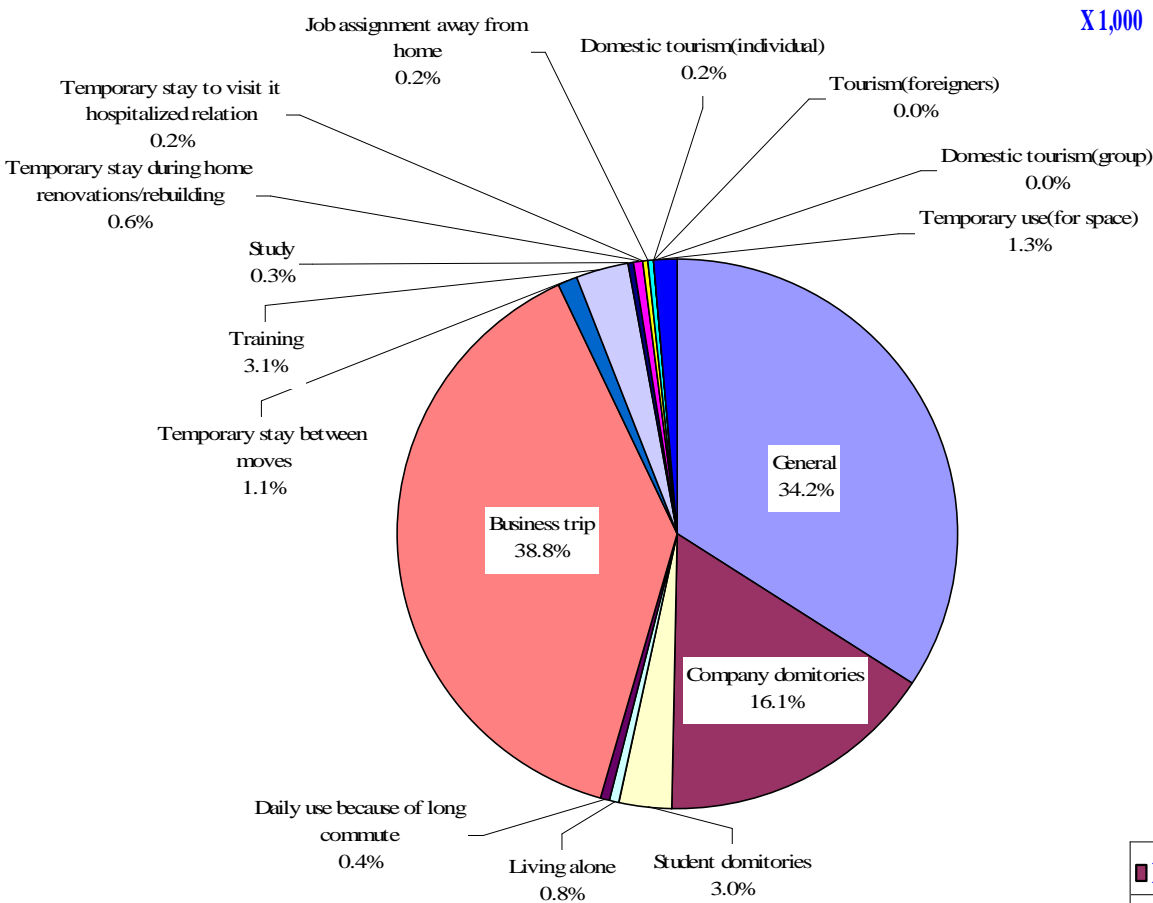
■ Under 30m ²	113.5	122.8	127.6	112.2	49.2	65.5	+33.1%
■ Our supply of units	44.9	49.7	55.9	56.3	29.2	31.1	+6.5%

(Based on housing start statistics, Ministry of Land, Infrastructure & Transport, fiscal 2008)

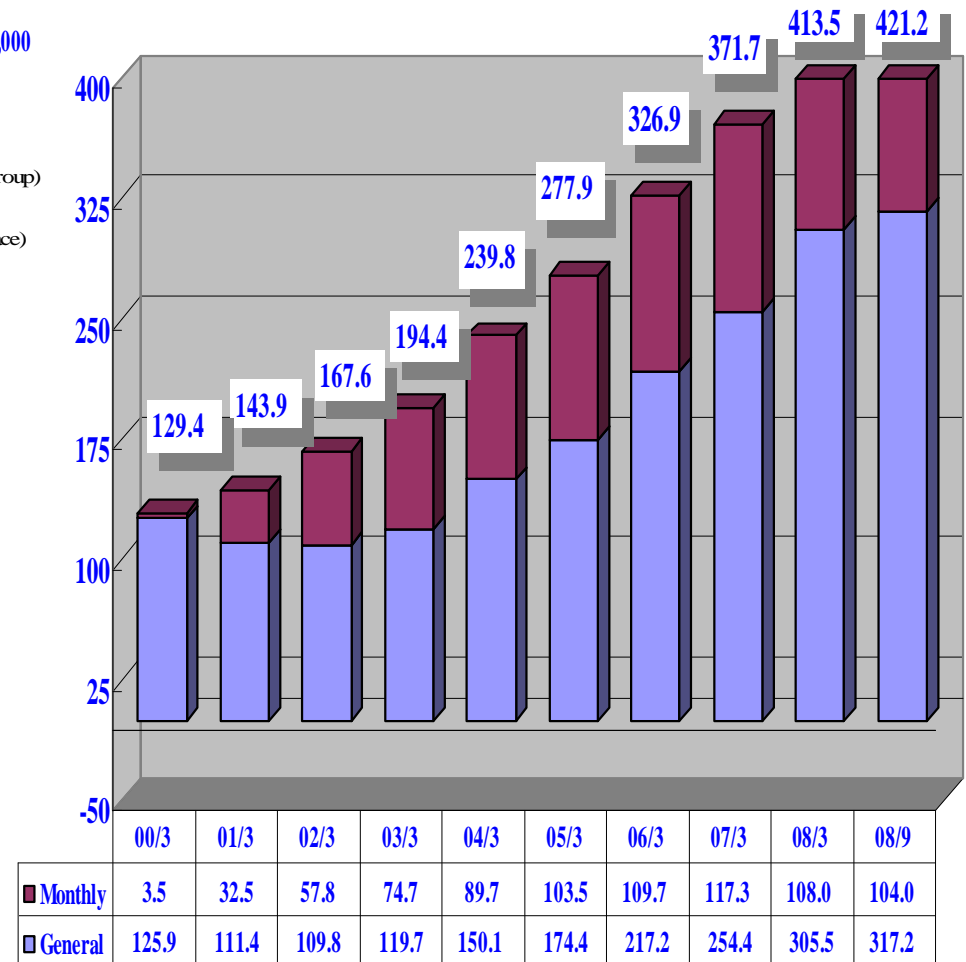
Note: Our supply of units after 06/3 represent actual units sold.

Usage Pattern for Leopalace21's One-Room Units and Contract Type

Breakdown of Users of Month-to-Month Leases (September 2008)



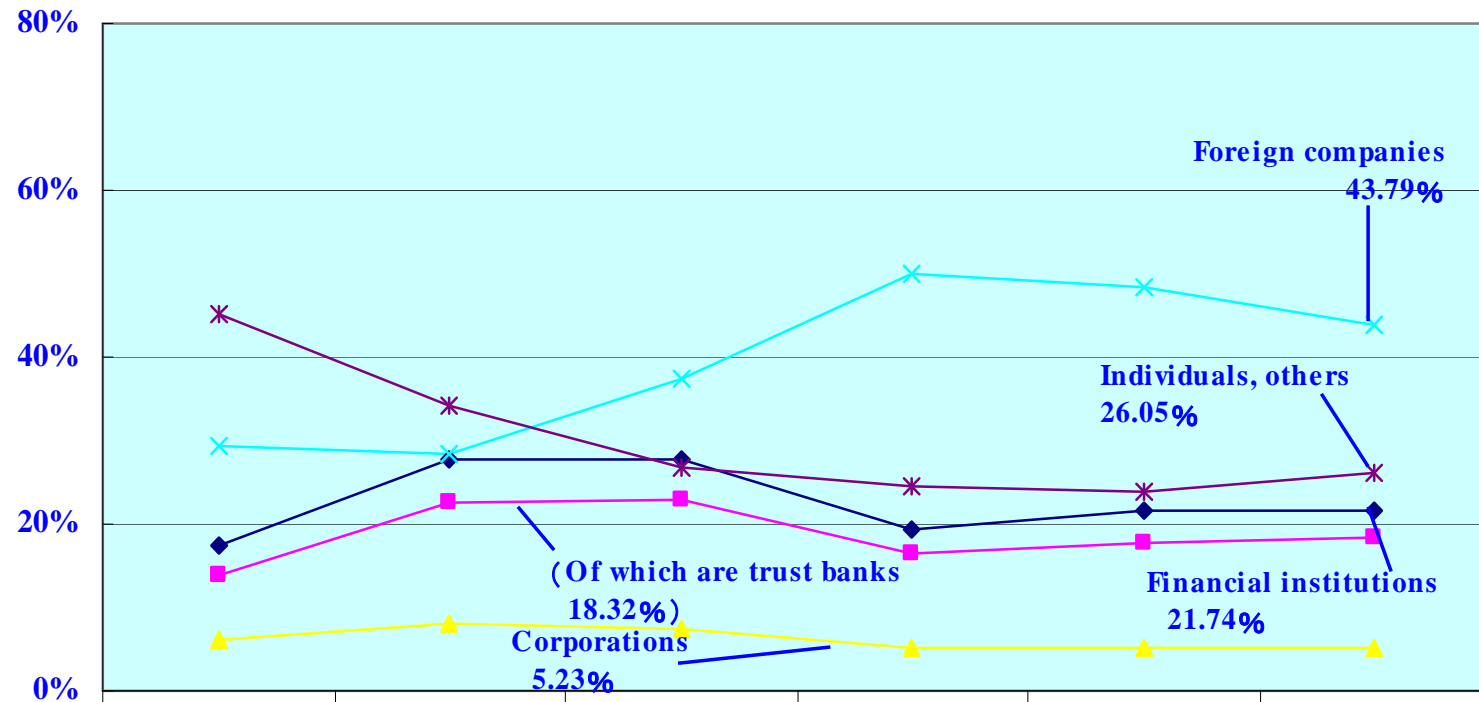
No. of Tenants by Contract Type



(Based on our company data, as of September 30, 2008)

Trend in Shareholders

Trend in Shareholders



	04/03	05/03	06/03	07/03	08/03	08/09
◆ Financial institutions	17.48%	27.84%	27.61%	19.49%	21.52%	21.74%
■ (Of which are trust banks)	13.93%	22.72%	22.96%	16.36%	17.73%	18.32%
▲ Corporations	6.15%	8.12%	7.43%	5.28%	5.16%	5.23%
✕ Foreign companies	29.43%	28.46%	37.56%	49.88%	48.28%	43.79%
✱ Individuals, others	45.03%	34.35%	26.88%	24.38%	23.88%	26.05%