Consolidated Financial Statements (Japanese Accounting Standards)

August 5, 2011

(For the three months ended June 30, 2011)

Name of Company Listed: Leopalace21 Corporation

Code Number: 8848

(URL: http://eg.leopalace21.com)

Representative: Position: President and CEO Name: Eisei Mivama Contact Person: Position: General Manager Name: Bunya Miyao

Scheduled Date of Filing of Quarterly Report: August 10, 2011

Supplemental Explanatory Material Prepared: Yes

Results Briefing Held: None

Stock Listing: Tokyo Stock Exchange

Telephone: +81-3-5350-0216

Scheduled Date of Commencement of Dividend Payments: -

1. Results for the Three Months Ended June 30, 2011 (April 1, 2011 through June 30, 2011)

(1) Consolidated financial results

(Amounts less than one million yen are omitted) (Percentages represent changes from the same period last year)

Location of Head Office: Tokyo

Net sales Operating loss Recurring loss Net loss Million yen % Million yen % Million yen % Million yen % Three months ended 105,486 (6.3)(3,831)(4,885)(3,798)June 30, 2011 Three months ended 112,634 (12.6)(15,971)(12,886)(13,629)June 30, 2010

Note: Comprehensive loss: Three months ended June 30, 2011: (1,759) million yen, -% Three months ended June 30, 2010: (10,753) million yen, -%

	Net loss per share	Diluted net income (loss) per share
	Yen	Yen
Three months ended June 30, 2011	(22.51)	-
Three months ended June 30, 2010	(89.70)	-

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Equity per share
	Million yen	Million yen	%	Yen
As of June 30, 2011	277,417	31,310	11.3	185.34
As of March 31, 2011	298,274	33,040	11.1	195.91

Note: Shareholders' equity: As of June 30, 2011: 31,292 million yen; As of March 31, 2011: 33,025 million yen

2. Dividend Status

		Dividend per share							
(Base date)	End of 1st quarter	End of 1st quarter							
,	Yen	Yen	Yen	Yen	Yen				
FY ended March 31, 2011	_	0.00	_	0.00	0.00				
FY ending March 31, 2012	-	-	-	_	-				
FY ending March 31, 2012 (Forecast)	-	0.00	-	0.00	0.00				

Note: Restatement of most recent dividend forecast (Y/N): None

3. Estimation of Business Results for the Fiscal Year Ending March 31, 2012 (April 1, 2011 through March 31, 2012)

(Amounts less than one million yen are omitted)

(Percentages represent changes compared with the previous full-year and six-month period results, respectively) Net income Operating income Recurring income Net sales Net income (loss) (loss) per (loss) (loss) sháre Million yen % Million yen % Million yen % Million yen % Yen Six months ending 233,400 (6.0)(7.400)(8,000)(6,800)(40.28)September 30, 2011 FY ending March 31. 499,900 3.2 3,200 3,000 17.77 2012

Note: Restatement of most recent consolidated business results forecasts (Y/N): None

4. Other

- (1) Changes in major subsidiaries during the period (Change in specific subsidiaries as a result of a change in the scope of consolidation):
- (2) Use of accounting procedures specific to the preparation of quarterly financial statements: Yes
- (3) Changes in accounting policies, changes in accounting estimates, restatements
 - (i) Changes in accounting policies accompanying revision of accounting standards, etc.: None
 - (ii) Changes in accounting policies other than (i) above: None
 - (iii) Changes in accounting estimates: None
 - (iv) Restatements: None
- (4) Total number of outstanding shares (Common stock)
 - (i) Total number of outstanding shares at term end (Include treasury stock)

As of June 30, 2011: 175,443,915 shares As of March 31, 2011: 175,443,915 shares

(ii) Total treasury stock at term end

As of June 30, 2011: 6,607,450 shares As of March 31, 2011: 6,867,850 shares

(iii) Average number of outstanding shares during the period

For the three months ended June 30, 2011: 168,730,231 shares For the three months ended June 30, 2010: 151,944,238 shares

Indication regarding the status of guarterly review procedures:

These financial statements are not subject to quarterly review procedures under the Financial Instruments and Exchange Act. The review of these financial statements in accordance with the Financial Instruments and Exchange Act completed at the time of disclosure.

Note on the proper use of the business forecasts contained in this report, and other disclaimers:

The business forecasts and other forward-looking statements contained in this report are based on information currently available to the Company and on certain assumptions that Leopalace21 has judged to be reasonable. Readers should be aware that a variety of factors might cause actual results to differ significantly from these forecasts.

Supplemental Explanatory Material on quarterly financial statements is scheduled to be posted on the Company's homepage on August 5, 2011.

1. Consolidated Balance Sheets

	June 30, 2011	March 31, 2011
<assets></assets>	,	·
Current assets		
Cash and cash equivalents	27,622	40,674
Trade receivables	3,862	6,259
Accounts receivable for completed projects	2,452	2,117
Operating loans	4,008	4,311
Real estate for sale/property inventories	13	13
Real estate for sale in process	104	104
Payment for construction in progress	850	586
Raw materials and supplies	471	457
Prepaid expenses	22,557	23,878
Deferred tax assets	3,712	3,712
Other accounts receivable	516	1,234
Other	10,685	11,872
Allowance for doubtful accounts	(974)	(1,005)
Total	75,883	94,219
Fixed assets		
Property, plant and equipment		
Buildings and structures (net)	59,053	59,191
Land	84,961	84,851
Leased assets (net)	3,356	3,510
Construction in progress	169	66
Other (net)	2,469	2,665
Total	150,010	150,284
Intangible assets	7,511	7,588
Investments and other assets		
Investment securities	6,801	6,534
Long-term loans	581	601
Deferred tax assets	2,275	2,269
Bad debt	4,677	4,452
Long-term prepaid expenses	29,721	34,222
Other	5,174	3,102
Allowance for doubtful accounts	(5,292)	(5,077)
Total	43,939	46,105
Total fixed assets	201,461	203,979
Deferred assets	72	75
Total assets	277,417	298,274

	1	(Million yen)
	June 30, 2011	March 31, 2011
<liabilities></liabilities>		
Current liabilities		
Accounts payable	2,520	2,699
Accounts payable for completed projects	4,717	12,634
Short-term borrowings	44,039	34,502
Bonds due within one year	560	560
Lease obligations	1,252	1,230
Unpaid expenses	8,110	11,685
Accrued expenses	68	4
Accrued income taxes	97	426
Advances received	87,705	97,154
Customer advances for projects in progress	6,404	4,055
Allowance for employees' bonuses	229	_
Reserve for warranty obligations on completed projects	118	133
Provision for fulfillment of guarantees	165	135
Provision for disaster losses	536	1,189
Provision for switch to terrestrial digital broadcasts	826	1,188
Asset retirement obligations	29	30
Other	4,415	6,090
Total	161,798	173,719
Long-term liabilities		
Bonds	2,600	2,600
Long-term debt	1,609	2,227
Lease obligations	2,558	2,738
Retirement benefit reserves	7,901	7,873
Provision for apartment vacancy loss	30,161	32,605
Lease/guarantee deposits received	24,679	26,035
Asset retirement obligations	46	47
Long-term advances received	13,411	14,830
Long-term accounts payable	23	1,210
Other	1,317	1,344
Total	84,308	91,513
Total liabilities	246,106	265,233
<net assets=""></net>		
Shareholders' equity		
Common stock	56,562	56,562
Capital surplus	34,152	34,334
Retained earnings	(50,351)	(46,552)
Treasury stock	(5,293)	(5,502)
Total	35,071	38,842
Accumulated other comprehensive income (loss)		
Net unrealized gains on "other securities"	193	204
Deferred gains or losses on hedges	-	(3)
Translation adjustments	(3,972)	(6,018)
Total	(3,778)	(5,817)
Share subscription rights	18	15
Total net assets	31,310	33,040
Total liabilities and net assets	277,417	298,274

2. Consolidated Statements of Operations and Consolidated Statements of Comprehensive Income (Loss)

Consolidated Statements of Operations

	Three months ended June 30, 2011 (Apr. 2011–June 2011)	Three months ended June 30, 2010 (Apr. 2010–June 2010)
Net sales	105,486	112,634
Cost of sales	97,330	109,590
Gross profit	8,155	3,043
Selling, general and administrative expenses	11,987	15,930
Operating loss	(3,831)	(12,886
Non-operating income		
Interest income	10	12
Income from the sale of investment real estate	-	78
Gain on bad debt recovered	418	-
Gain on adjustment of accounts payable	411	-
Other	77	20-
Total	917	29
Non-operating expenses		
Interest expenses	304	38
Commission fee	158	19
Foreign exchange loss	1,390	2,65
Equity in losses of affiliated companies	76	5
Other	41	9.
Total	1,971	3,38
Recurring loss	(4,885)	(15,97
Extraordinary income		
Gain on sale of property, plant and equipment	_	
Reversal of allowance for doubtful receivables	-	
Reversal of allowance for employees' bonuses	-	2,60
Reversal of share subscription rights	-	8
Reversal of provision for accrued retirement benefit for directors	1,185	
Total	1,185	2,69
Extraordinary losses		
Loss on disposal of property, plant and equipment	20	4
Impairment loss	18	22
Transfer to allowance for bad debt	-	
Disaster loss	4	
Total	43	28
Loss before taxes and minority interests	(3,743)	(13,56
Income taxes	54	6
Net loss	(3,798)	(13,62

Consolidated Statements of Comprehensive Income (Loss)

	Three months ended June 30, 2011	Three months ended June 30, 2010
	(Apr. 2011-June 2011)	(Apr. 2010-June 2010)
Net loss	(3,798)	(13,629)
Other comprehensive income (loss)		
Net unrealized gains on "other securities"	(10)	(118)
Translation adjustments	2,045	2,994
Share of other comprehensive income of associates	3	0
Total	2,038	2,876
Comprehensive loss	(1,759)	(10,753)
(Breakdown)		
Comprehensive loss attributable to shareholders of the parent entity	(1,759)	(10,753)

3. Notes Regarding the Premise of the Company as a Going Concern

There are no relevant items.

4. Segment Information

Segment Information by Business Type

i Three Months Ended June 30, 2010 (April 1, 2010 through June 30, 2010)
Operating Revenues and Earnings (or Loss) by Reportable Segment

(Million yen)

	Reportable Segment								Amount on Consolidated
	Leasing Division	Apartment Construction Subcontracting Division	Hotel Resort Division	Residential Sales Division	Total	Other (Note 1)	Total	Adjustment (Note 2)	Statements of Operations (Note 3)
Net sales									
(1) Sales to customers	85,687	21,820	1,880	1,140	110,529	2,104	112,634	-	112,634
(2) Inter-segment sales and transfers	81	_	594	ı	675	12	688	(688)	-
Total	85,768	21,820	2,474	1,140	11,205	2,117	113,322	(688)	112,634
Segment earnings (or loss)	(9,745)	(2,019)	(112)	99	(11,778)	(379)	(12,158)	(728)	(12,886)

Notes: 1. The "Other" classification is the business segment not included in reported segments, and comprises such businesses as the silver business, small-claims and short-term insurance, and financing businesses.

- 2. The segment earnings (or loss) adjustment of (¥728) million includes (¥688) million in inter-segment eliminations, and (¥40) million in corporate expenses not allocated to reportable segments. Corporate expenses consist mainly of general administrative expenses for administrative departments that are not part of reportable segments.
- 3. Segment earnings (or loss) are adjusted to the operating loss figure on the Consolidated Statements of Operations.
- ii Three Months Ended June 30, 2011 (April 1, 2011 through June 30, 2011) Sales and Profit, as well as Losses by Reportable Segment

(Million yen)

		Reportable Segment						Amount on Consolidated
	Leasing Division	Apartment Construction Subcontracting Division	Hotel Resort Division	Total	Other (Note 1)	Total	Adjustment (Note 2)	Statements of Operations (Note 3)
Net sales								
(1) Sales to customers	91,743	9,570	1,781	103,095	2,391	105,486	_	105,486
(2) Inter-segment sales and transfers	113	_	367	480	15	495	(495)	-
Total	91,856	9,570	2,148	103,575	2,406	105,981	(495)	105,486
Segment earnings (or loss)	(2,008)	(779)	(137)	(2,925)	(243)	(3,169)	(662)	(3,831)

Notes: 1. The "Other" classification is the business segment not included in reported segments, and comprises such businesses as the silver business, small-claims and short-term insurance, residential sales, and financing businesses.

- 2. The segment earnings (or loss) adjustment of (¥662) million includes (¥495) million in inter-segment eliminations, and (¥166) million in corporate expenses not allocated to reportable segments. Corporate expenses consist mainly of general administrative expenses for administrative departments that are not part of reportable segments.
- 3. Segment earnings (or loss) are adjusted to the operating loss figure on the Consolidated Statements of Operations.
- 4. The "Residential Sales Division" business had been a reportable segment until the previous fiscal year, but is included in the "Other" category from the subject fiscal year because its importance has diminished due to contraction of the business. Sales amounted to ¥0 million and segment earnings amounted to ¥6 million in the "Residential Sales Division" business during the three months ended June 30, 2011.

5. Note Regarding Significant Changes in Shareholders' Equity

There are no relevant items.