

Explanatory Session for the Fiscal Year Ended March 2007

May 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 Year Ended March 2007

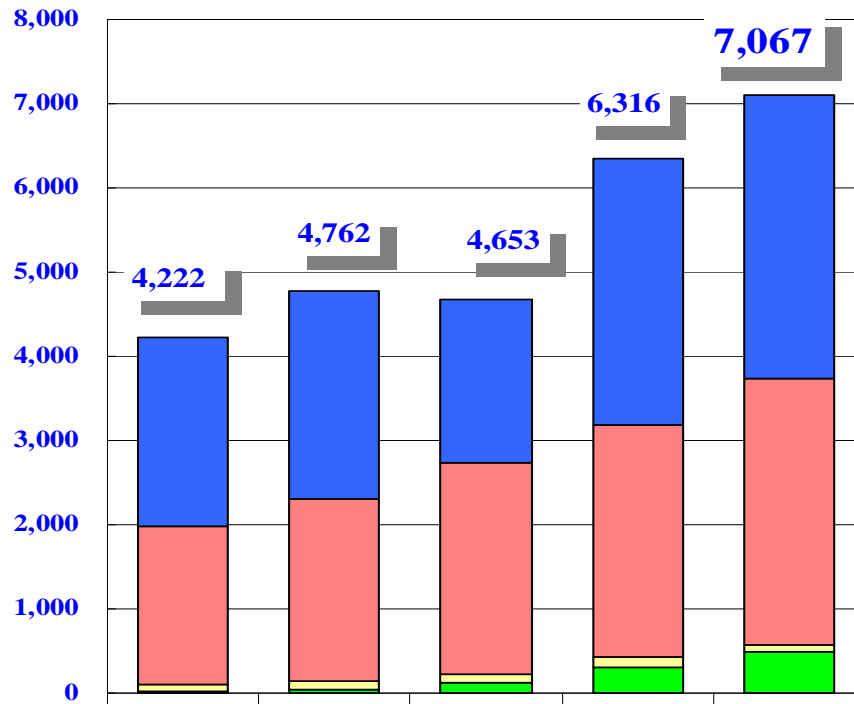


Results and Forecast for FY of Our Group (Consolidated)

- Net sales and profits for the FY ended March 2007 were both up significantly.

Actual Figures and Forecast
for Net Sales

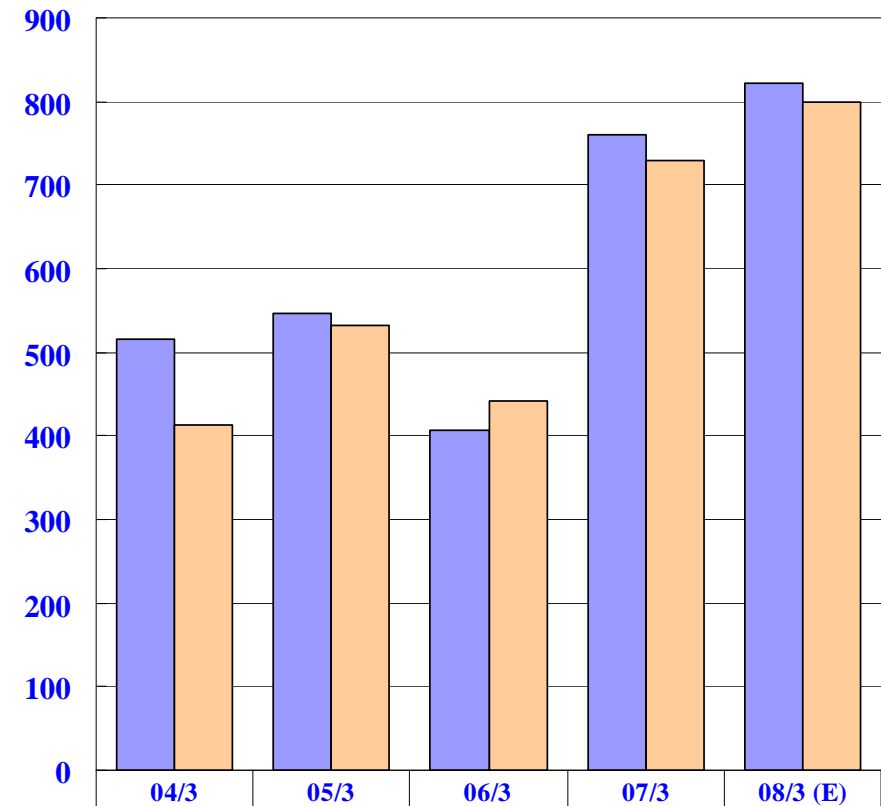
Yen 100 mil



Construction	2,250	2,480	1,952	3,161	3,364
Leasing	1,888	2,165	2,496	2,771	3,162
Hotel Resort	70	95	108	108	94
Other	25	43	121	311	484

Actual Figures and Forecast for
Operating Profit & Recurring Profit

Yen 100 mil

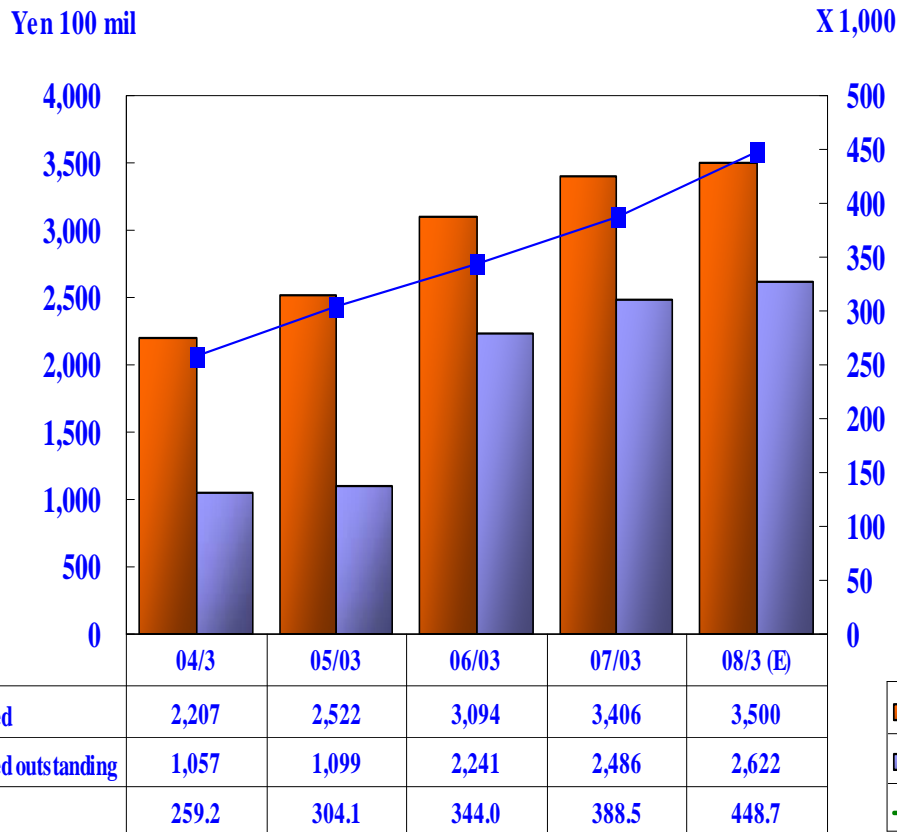


Operating profit	516	546	407	760	822
Recurring profit	412	532	441	730	800

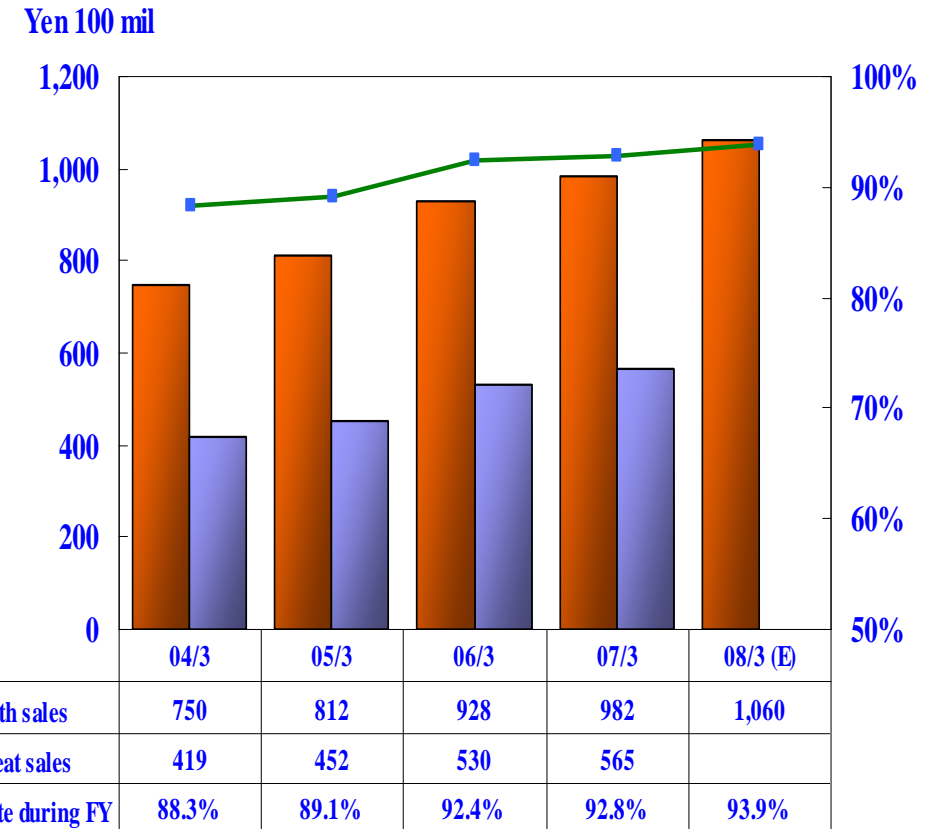
Actual Results and Forecast for FY in Construction & Leasing

- Construction: Orders for the FY ended March 2007 totaled 340.6 billion yen, an increase of 10.1% year-on-year!
- Leasing: Occupancy rates rose by 0.4 percentage point to 92.8% for the FY ended March 2007!

Trend in Actual Results and Forecast for Construction



Trend in Actual Results and Forecast for Leasing



Outline of Fiscal-Year Results



Highlights of FY Results (Consolidated & Non-consolidated)

(Unit: Yen million)	Consolidated				Non-Consolidated			
	FY ended Mar. 2007	FY ended Mar. 2006	Change in amount	Percentage change	FY ended Mar. 2007	FY ended Mar. 2006	Change in amount	Percentage change
Net sales	631,608	465,386	166,221	35.7%	624,553	457,135	167,417	36.6%
Gross profit	156,895	111,458	45,436	40.8%	158,301	111,816	46,485	41.6%
Gross profit ratio (%)	24.8%	23.9%	0.9%	-	25.3%	24.5%	0.9%	-
Selling, general & administrative expenses	80,887	70,683	10,204	14.4%	83,556	72,281	11,275	15.6%
Operating profit	76,007	40,775	35,232	86.4%	74,745	39,534	35,210	89.1%
Operating profit ratio (%)	12.0%	8.7%	3.3%	-	12.0%	8.7%	3.3%	-
Recurring profit	73,002	44,151	28,850	65.3%	74,183	38,752	35,430	91.4%
Recurring profit ratio (%)	11.6%	9.5%	2.1%	-	11.9%	8.5%	3.4%	-
Net income (loss)	37,358	(16,582)	53,940	-	39,597	(33,346)	72,944	-

Highlights of FY Results for Parent & Major Subsidiaries

(Unit: Yen million)		FY ended Mar. 2007	FY ended Mar. 2006	Change in amount	Percentage change	Mar. 2007 de pre ciation expenses	Mar. 2006 de pre ciation expenses
Leopalace 21 Corporation	Net sales	624,553	457,135	167,417	36.6%	2,674	2,679
	Recurring profit	74,183	38,752	35,430	91.4%		
MDI Guam	Net sales	7,878	7,608	270	3.5%	1,722	1,612
	Recurring profit (loss)	(366)	3,545	(3,911)	-		
	Foreign exchange gain	219	3,870	(3,651)	-		
TPH	Net sales	1,269	2,199	(930)	-42.3%	155	267
	Recurring profit (loss)	(57)	30	(87)	-		
Others & exclusion	Net sales	(2,093)	(1,556)	(537)	-	6	6
	Recurring profit (loss)	(758)	1,824	(2,582)	-		
Consolidated total	Net sales	631,608	465,386	166,221	35.7%	4,557	4,563
	Recurring profit	73,002	44,151	28,850	65.3%		
	Foreign exchange gain	501	4,780	(4,279)	-		

(Note 1) MDI Guam: MDI Guam Corporation (local subsidiary in Guam)

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

Outline of Balance Sheets and Cash Flows (Consolidated)

Balance Sheets for the FY ended March 2007

(Unit: Yen million)	FY ended Mar. 2007	FY ended Mar. 2006	Change in amount
<Assets>			
Current assets	186,555	163,518	23,036
Cash & cash equivalents	75,166	44,612	30,554
Trade receivables & accounts receivable for completed projects	9,594	8,114	1,479
Operating loans	8,501	10,426	(1,924)
Real estate for sale	27,765	7,524	20,241
Payout for construction in progress	8,818	35,249	(26,430)
Fixed assets	268,190	249,128	19,062
Buildings & structures	80,626	83,666	(3,040)
Land	118,255	107,216	11,038
Construction in progress	4,397	1,964	2,433
Total assets	454,819	412,803	42,016
<Liabilities>			
Current liabilities	216,914	205,674	11,239
Long-term liabilities	52,120	55,855	(3,734)
Total liabilities	269,035	261,530	7,505
<Shareholders' equity>			
Share capital	-	55,640	-
Capital surplus	-	33,759	-
Retained earnings	-	53,123	-
Total shareholders' equity	-	133,622	-
Shareholders' equity ratio	-	32.4%	-
<Shareholders' equity>			
Share capital	55,640	-	-
Capital surplus	34,104	-	-
Retained earnings	85,700	-	-
Total shareholders' equity	185,784	-	-
Shareholders' equity ratio	37.0%	-	-

Cash Flows for the FY ended March 2007

(Unit: Yen million)	FY ended Mar. 2007	FY ended Mar. 2006
Cash flows from operating activities	63,308	56,971
Net income before taxes & adjustments	69,329	(22,743)
Depreciation expenses	4,559	4,565
Increase (decrease) in retirement benefit reserves for directors	2,986	-
Foreign exchange loss	(501)	(4,780)
Equity-method investment loss (income)	2,320	(512)
Impairment loss	3,009	65,480
Gain on sales of affiliates' stock	(2,514)	(31)
Gain on sale of affiliates' bonds	(1,119)	-
Decrease (increase) in assets receivable	914	42,237
Decrease (increase) in inventories	-	(39,212)
Decrease (increase) in real estate for sale	(18,554)	-
Decrease (increase) in amount paid for uncompleted works	26,430	-
Decrease (increase) in long-term prepaid expenses	(12,366)	(7,345)
Increase (decrease) in accounts payable	(2,571)	(10,208)
Income taxes paid	(4,559)	(13,081)
Cash flows from investing activities	(15,930)	(11,266)
Payout for purchase & proceeds from sale of tangible assets	(21,822)	(12,279)
Payout for purchase & proceeds from sale of affiliates' stock	3,009	-
Proceeds from sale of affiliates' bonds	2,880	-
Cash flows from financing activities	(17,018)	(47,946)
Proceeds from & repayment of short-term debt	1,736	(10,814)
Proceeds from & repayment of long-term debt	(9,655)	(32,023)
Proceeds, repayment & redemption on privately placed bonds	(3,441)	(1,843)
Dividends paid for shareholders	(4,781)	(2,390)
Net increase in cash & cash equivalents	30,554	(2,240)
Cash & cash equivalents at end of period	75,166	44,612

Profit/Loss for Major Segments (Consolidated)

(Unit: Yen million)	FY ended Mar. 2007	Sales comparison	FY ended Mar. 2006	Sales comparison	Change in amount	Percentage change
Construction Division						
Net sales	316,117		195,202		120,914	61.9%
Gross profit	106,721	33.8%	65,805	33.7%	40,916	62.2%
Operating profit	74,614	23.6%	39,452	20.2%	35,162	89.1%
Leasing Division						
Net sales	277,166		249,699		27,466	11.0%
Gross profit	49,046	17.7%	46,034	18.4%	3,011	6.5%
Operating profit	7,031	2.5%	8,079	3.2%	(1,048)	-13.0%
Hotel Resort Division						
Net sales	10,842		10,869		(26)	-0.2%
Gross profit	435	4.0%	444	4.1%	(9)	-2.0%
Operating profit (loss)	(2,628)	-	(2,667)	-	39	-
Other Division						
Net sales	31,187		12,149		19,038	156.7%
Gross profit	4,397	14.1%	1,707	14.1%	2,689	157.5%
Operating profit (loss)	1,091	3.5%	(393)	-	1,485	-

*Values for each are before eliminations between segments.

Earnings Forecasts



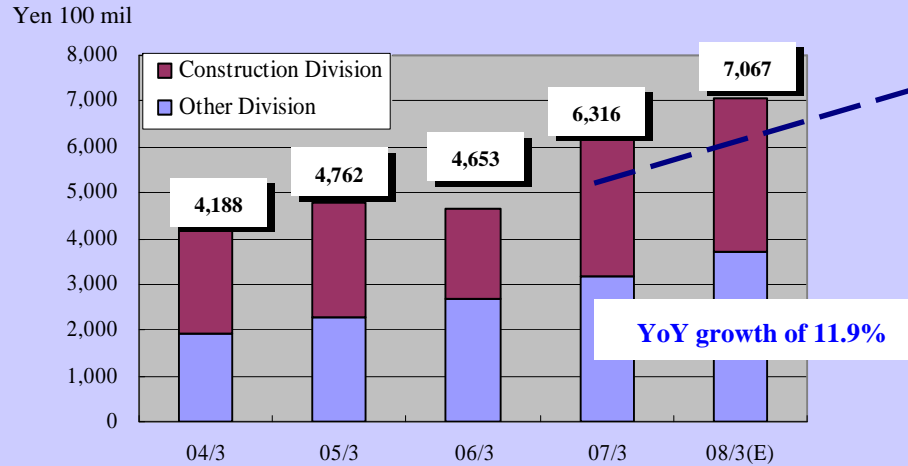
Earnings Forecasts (Consolidated & Non-consolidated)

(Unit: Yen million)		FY ending Mar. 2008	FY ended Mar. 2007	Change in amount	Percentage change
Leopalace 21 Corporation	Net sales	700,000	624,553	75,447	12.1%
	Gross profit	176,440	158,301	18,139	11.5%
	Sales, general & administrative expenses	95,840	83,556	12,283	14.7%
	Operating profit	80,600	74,745	5,855	7.8%
	Recurring profit	78,600	74,183	4,417	6.0%
	Net income	42,200	39,597	2,603	6.6%
MDI Guam	Net sales	8,850	7,878	972	12.3%
	Operating profit	412	(615)	1,027	-
TPH	Net sales	-	1,269	-	-
	Operating profit	-	(68)	-	-
Others & exclusion	Net sales	(2,150)	(2,093)	(57)	-
	Operating profit	1,188	1,945	(757)	-
Consolidated total	Net sales	706,700	631,608	75,091	11.9%
	Gross profit	175,800	156,895	18,905	12.0%
	Operating profit	82,200	76,007	6,193	8.1%
	Recurring profit	80,000	73,002	6,998	9.6%
	Net income	43,000	37,358	5,642	15.1%

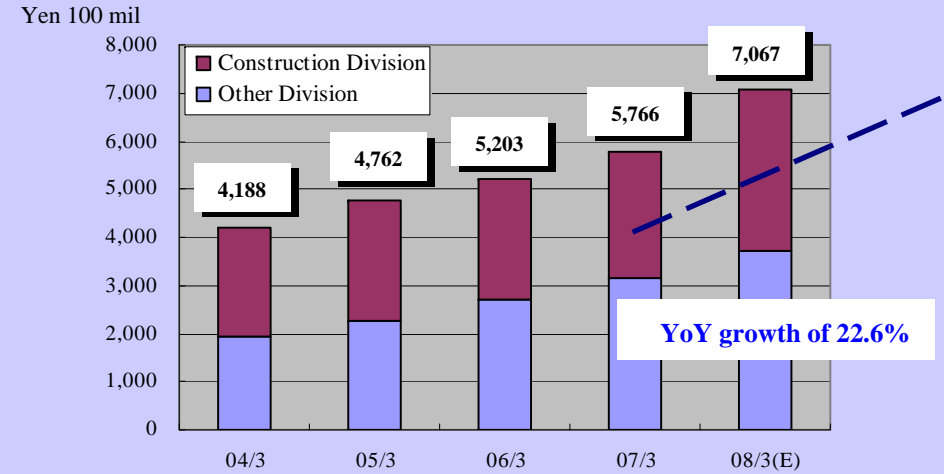
(Note 1) MDI Guam: MDI Guam Corporation (local subsidiary in Guam)

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

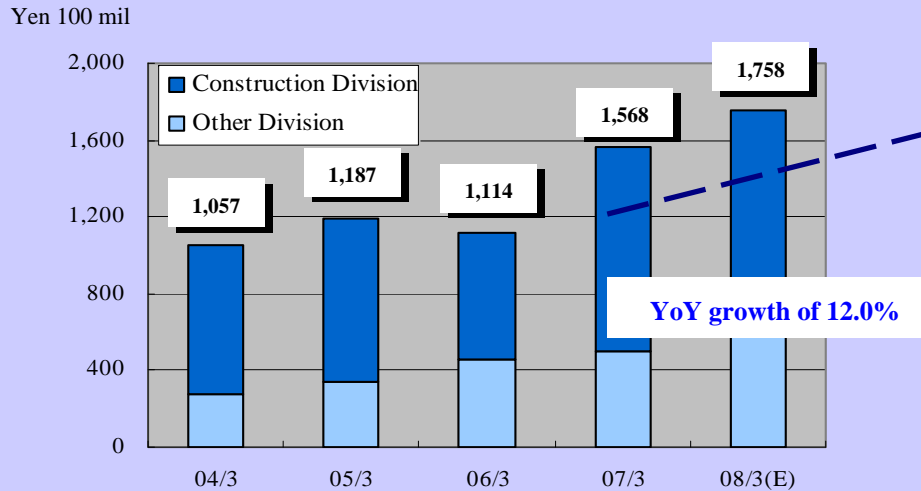
Consolidated Net Sales (unadjusted)



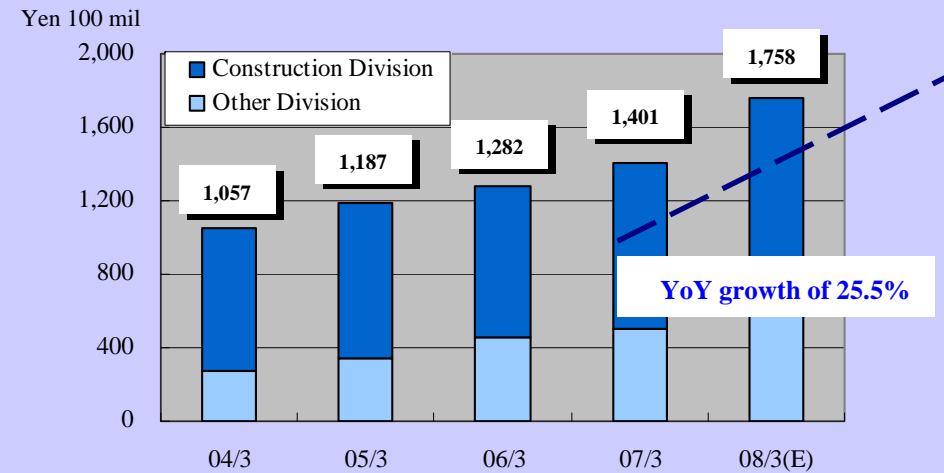
Consolidated Net Sales (adjusted)



Consolidated Gross Profit (unadjusted)



Consolidated Gross Profit (adjusted)



Profit/Loss Forecasts for Major Segments (Consolidated)

(Unit: Yen million)	FY ending Mar. 2008	Sales comparison	FY ended Mar. 2007	Sales comparison	Change in amount	Percentage change
Construction Division						
Net sales	336,400		316,117		20,283	6.4%
Orders received at FY-start	248,600		224,196		24,404	10.9%
Orders received during FY	350,000		340,606		9,394	2.8%
Gross profit	109,500	32.6%	106,721	33.8%	2,779	2.6%
Operating profit	74,900	22.3%	74,614	23.6%	286	0.4%
Leasing Division						
Net sales	316,200		277,166		39,034	14.1%
Units managed at end-FY	448,758		388,500		60,258	15.5%
Average units managed during FY	420,043		370,426		49,617	13.4%
Average occupancy rate during FY	93.9%		92.8%		1.1%	-
Gross profit	60,490	19.1%	49,046	17.7%	11,444	23.3%
Operating profit	10,800	3.4%	7,031	2.5%	3,769	53.6%
Hotel Resort Division						
Net sales	9,400		10,842		(1,442)	-13.3%
Gross profit	1,320	14.0%	435	4.0%	885	-
Operating profit (loss)	(2,000)	-	(2,628)	-	628	-
Other Division						
Net sales	48,400		31,187		17,213	55.2%
Gross profit	8,120	16.8%	4,397	14.1%	3,723	84.7%
Operating profit (loss)	3,200	6.6%	1,091	3.5%	2,109	193.3%

*Values for each are before eliminations between segments.

Status of Major Strategic Business Ventures



Residential Business

			Results for the term ended March 2006	Results for the term ended March 2007	Forecast for the term ending March 2008
Purchase contracts	Revenue	million yen	8,034	30,167	50,000
Sales	Value of sales contracts concluded	million yen	1,566	6,685	17,320
	Units sold	units	42	154	433
Revenue	Revenue	million yen	839	6,974	15,560
	Total units sold	units	24	160	389
Total revenue of Residential Business		million yen	1,743	14,150	23,500

*Includes real estate development.



“Lu Cerna Asumigaoka-Higashi,” Chiba City, Chiba

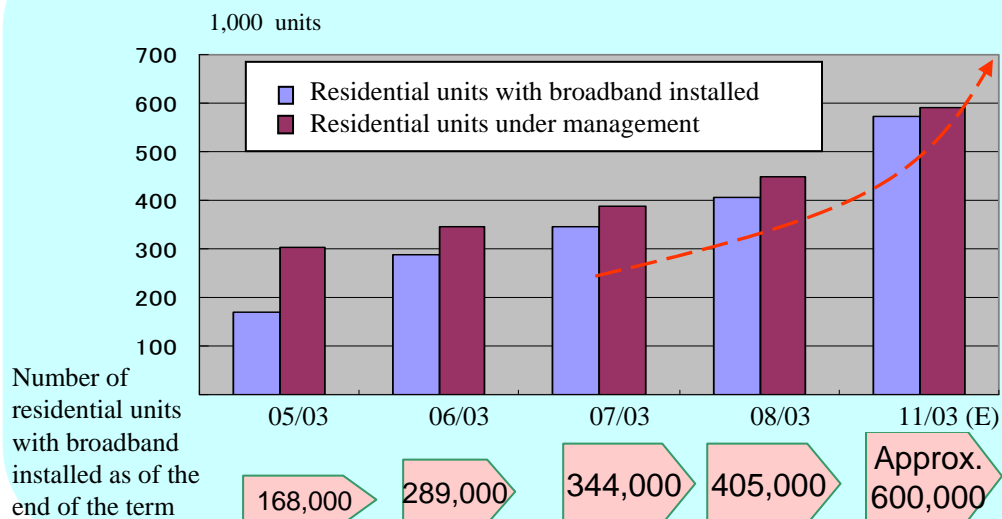
Silver Business

			Results for the term ended March 2006	Results for the term ended March 2007	Forecast for the term ending March 2008
Direct operation	Revenue	million yen	17	884	2,300
	Total units as of end of term	units	5	16	36
Under contract	Total value of contracts	million yen	7,526	6,852	12,600
	Units ordered	units	25	15	36
	Revenue	million yen	2,417	4,460	7,700



“Azumien Minami-Sakurai,” Kasukabe City, Saitama

<Broadband Business>



	05/3	06/3	07/3	08/3 (E)
Users	116,000	203,000	302,000	357,000
Sales (yen)	3.5 bil.	7.4 bil.	11.1 bil.	14.5 bil.
Gross profit (loss) on sales (yen)	(2.18) bil.	0.44 bil.	0.85 bil.	2.00 bil.

<Leopalace Resort Business (MGC)>

(Unit: 1,000 US dollars)

		Q1 results (Jan. - Mar.)	Interim results (Jan. - Jun.)	Q3 results (Jan. - Sep.)	FY 2005 results (Jan. - Dec.)
FY 2005	Net sales	19,593	35,028	49,419	67,137
	Operating profit (loss)	2,141	362	-1,746	-425,627
	Depreciation expenses	3,528	7,080	10,629	14,221
	Occupancy rate (Leopalace Resort)	72.4%	61.5%	56.3%	57.7%
	Occupancy rate (Westin)	70.4%	65.5%	65.7%	63.7%
		Q1 results (Jan. - Mar.)	Interim results (Jan. - Jun.)	Q3 results (Jan. - Sep.)	FY 2006 results (Jan. - Dec.)
FY 2006	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%

Of which \$422.6 million is impairment loss.

Appendix

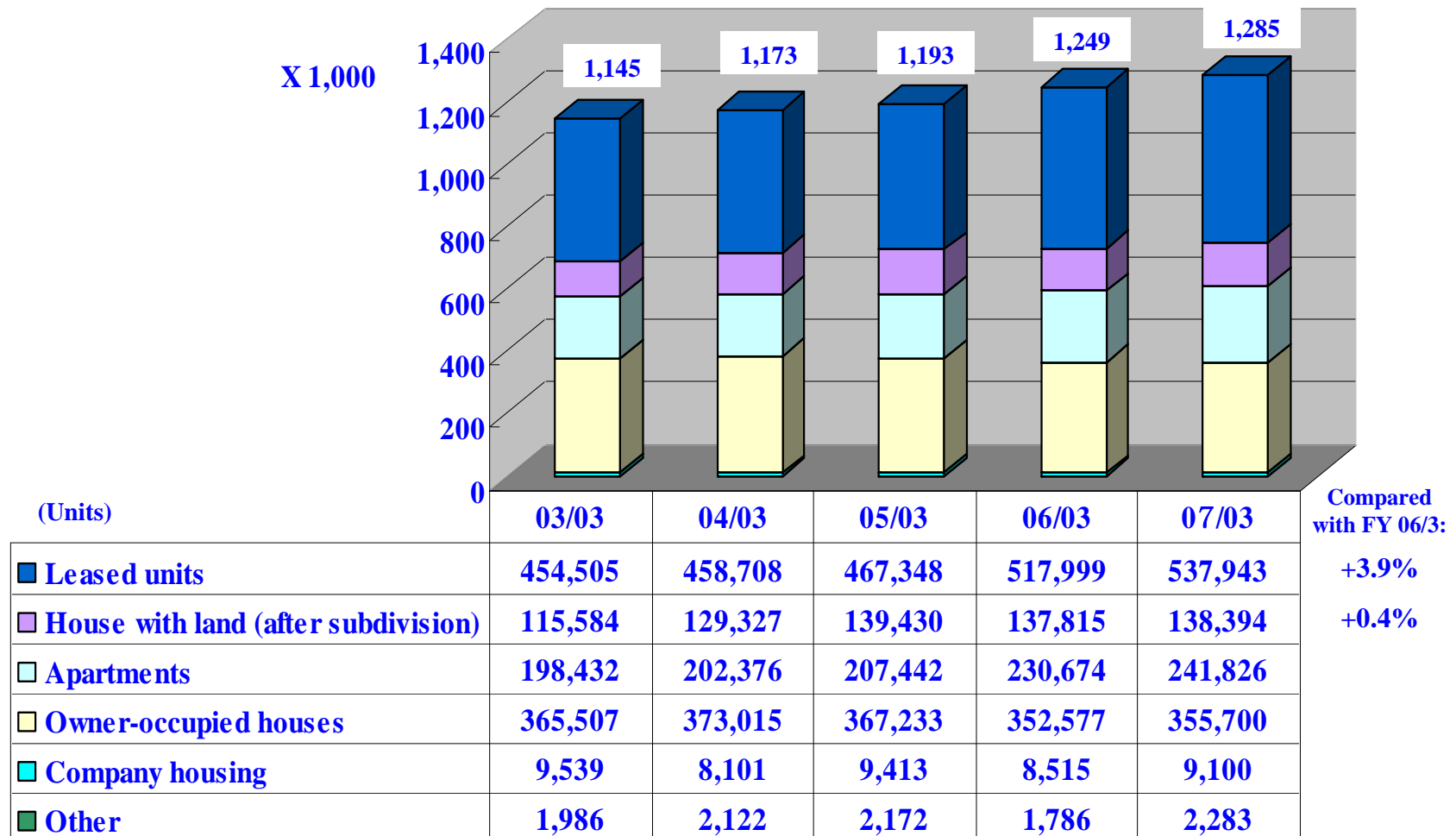


New Housing Starts

-New housing starts during the FY under review (supply) reached 1,285,000, an increase of 2.9%. Growth was driven particularly by the leasing sector, where new supply grew by 3.9%, or 537,000 units. Single family homes in housing development basically showed a flat trend with an increase of 0.4%.

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

New Housing Starts (No. of use breakdown)



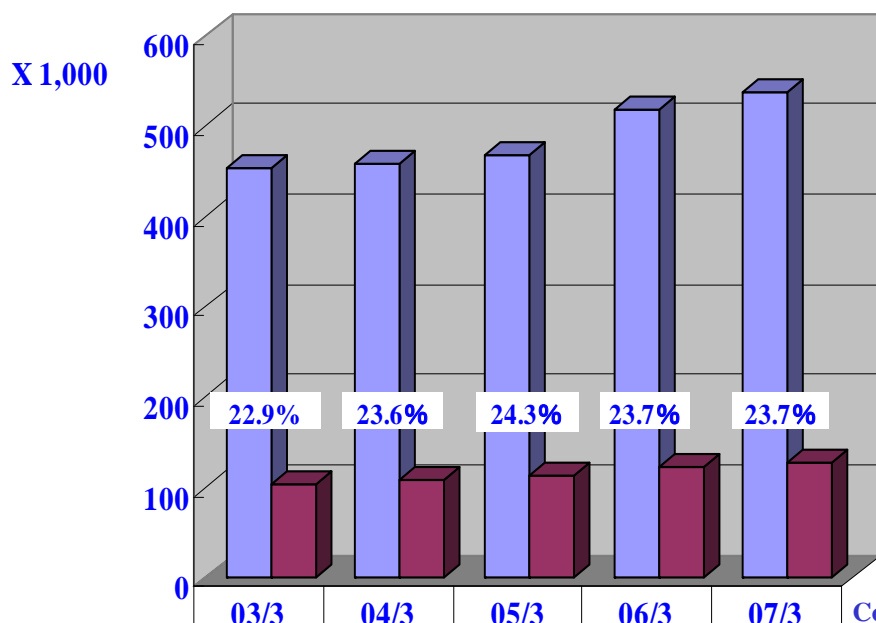
New Housing Starts (Units under 30 square meters)

-Within new residential household units (left graph), which have been further narrowed down to those under 30 square meters, the year-on-year growth rate is high at 3.8%. The cause for this growth can be understood to be from studios, whose share of the total leasing market has reached 23.7%.

-Further, the right graph shows the number of new units supplied in studios (Construction Division) by our company within the new residential leasehold units under 30 square meters. During the term under review *our share of total supply of housing units reached 43.8%*.

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

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



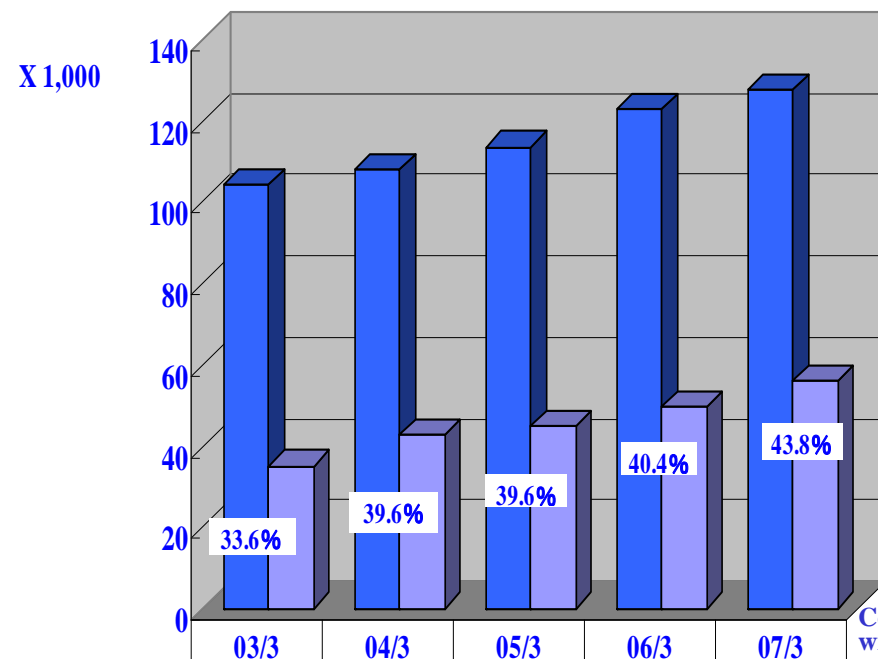
■ New residential lease holds	454.5	458.7	467.3	517.9	537.9
■ Under 30 m ²	104.2	108.1	113.5	122.8	127.6

Compared with FY 06/3:

+3.9%

+3.9%

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



■ Under 30 m ²	104.2	108.1	113.5	122.8	127.6
■ Our supply of units	35.0	42.8	44.9	49.7	55.9

Compared with FY 06/3:

+3.9%

+12.5%

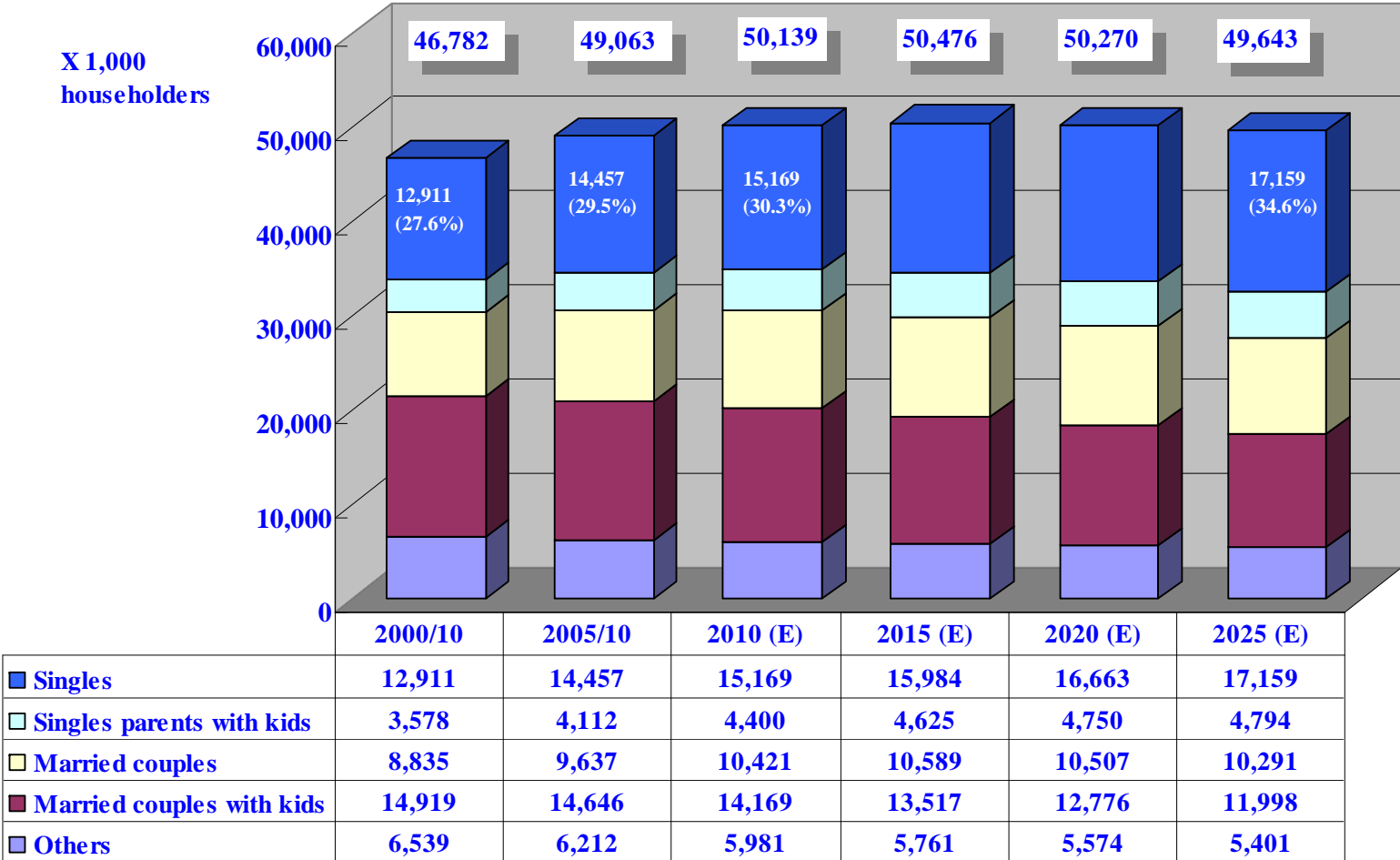
*Our supply units represents actual units sold.

Forecasts for Number of Households by Type

- As the decline in births continues, looking at the Japanese population (for which the population decline and graying are key issues) by type of household, the segment for those living alone amounted to 14.45 million households in 2005, representing 29.5% of total households. In 2010, there will be 15.16 million such households, representing 30.3%. Further, for estimates in 2025, there will be an increase to 17.15 million households, amounting to 34.6% of total households. This signifies that for Japanese household composition a huge segment of those living alone will be formed at high speed.

(Based on the 2005 Census & “2003 Number of Households and Future Estimates,” National Institute of Population)

Forecasts for No. of Households by Type

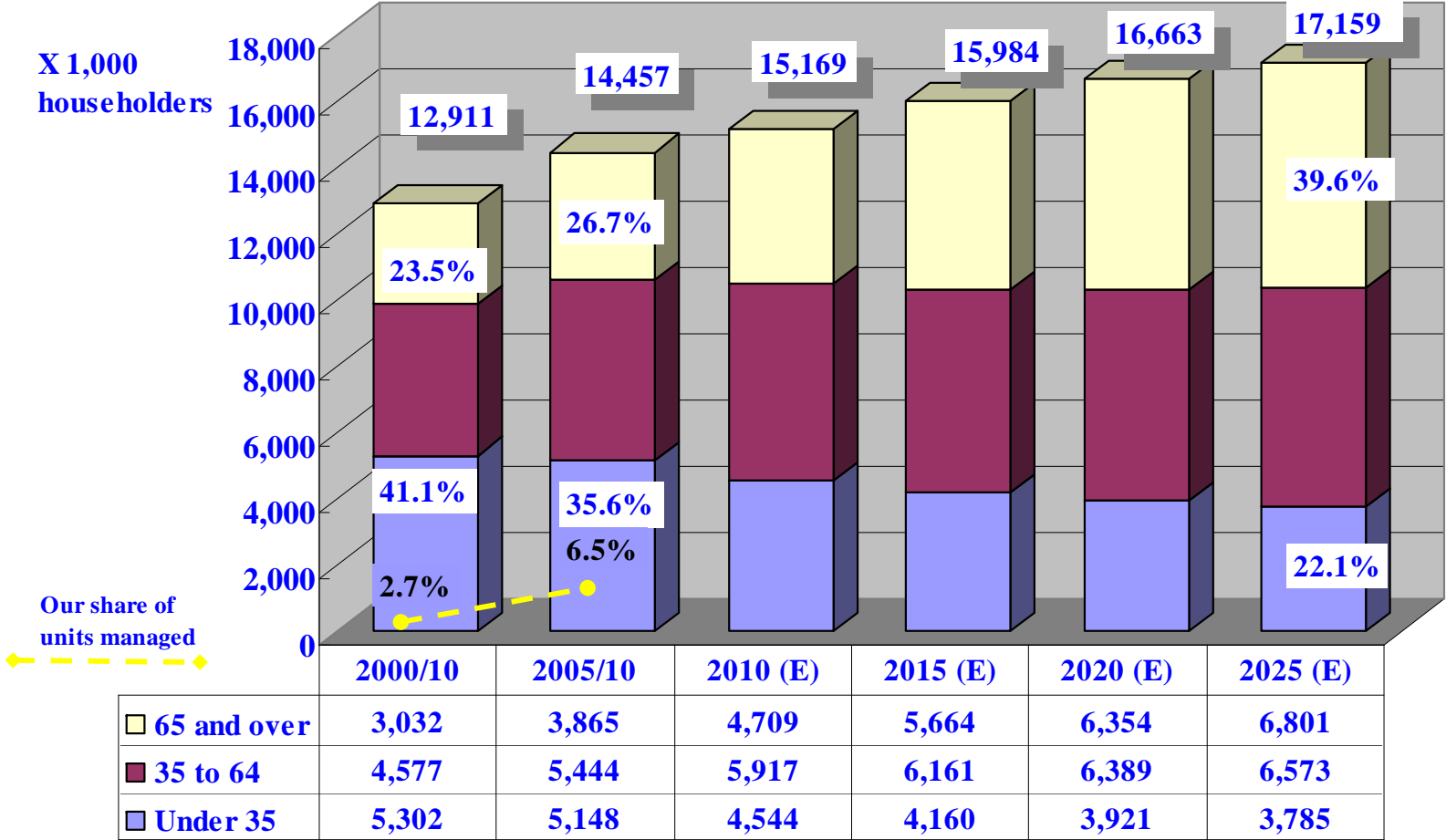


Forecasts for Number of Single Households

-The following graph is based on a breakdown by age of the data for single households on page 19. Although there will be a definite decline in the number of singles 35 years of age and younger living alone—the usual purpose for one-room units—with the falling birthrate, there is a possibility that this decline can be covered by an increase in corporate users, or by targeting those 65 years of age and older for use for hobbies or nursing care. Leopalace21’s share of the market for under-35 single households was 2.7% in 2000, and 6.5% in 2005.

(Based on the 2005 Census & “2003 Number of Households and Future Estimates,” National Institute of Population)

Forecasts for No. of Single Households

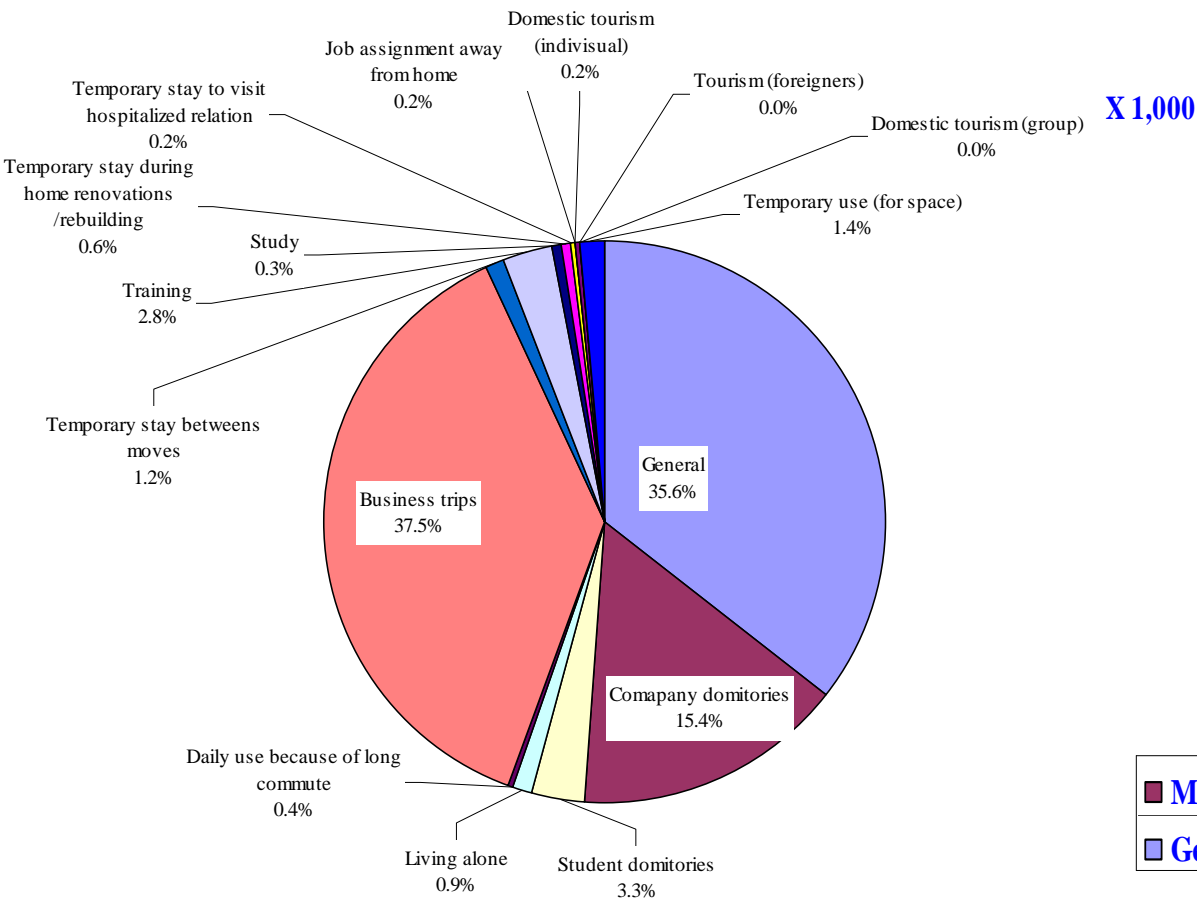


Usage Pattern for Leopalace21's One-Room Units and Contract Type

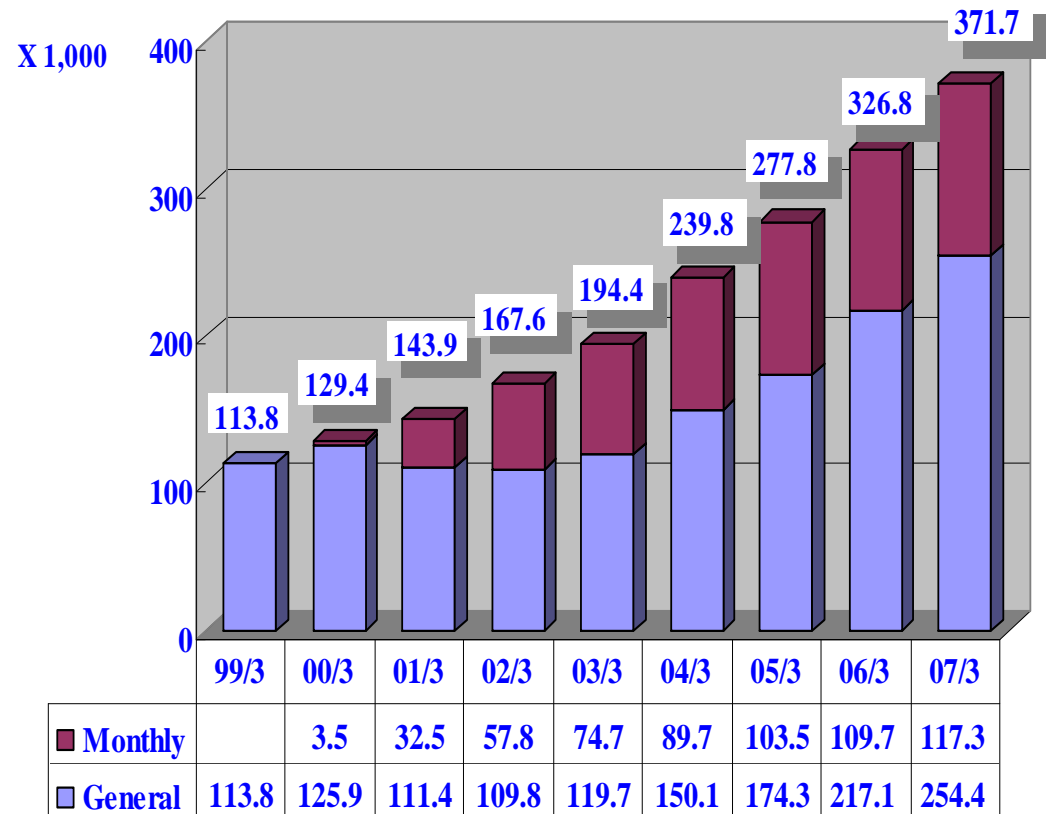
- As a result of an expansion in use of the Monthly Leopalace Flat, one of our main products, there is progress in cultivating a new market.
- Based on the diverse needs, new use segments are steadily expanding.

(Based on our company data, end-March 2007)

Breakdown of Users of Month-to-Month Leases



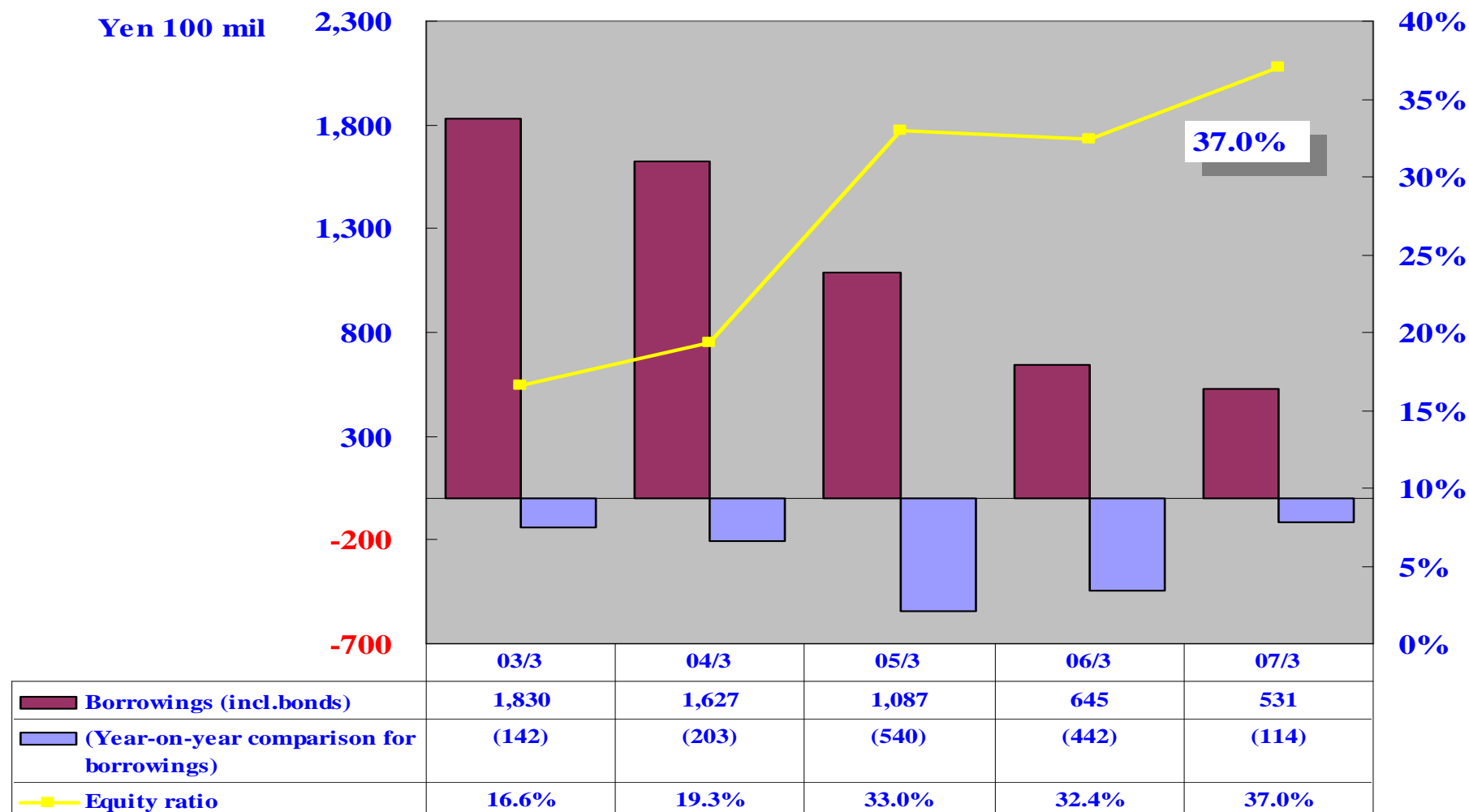
No. of Tenants by Contract Type



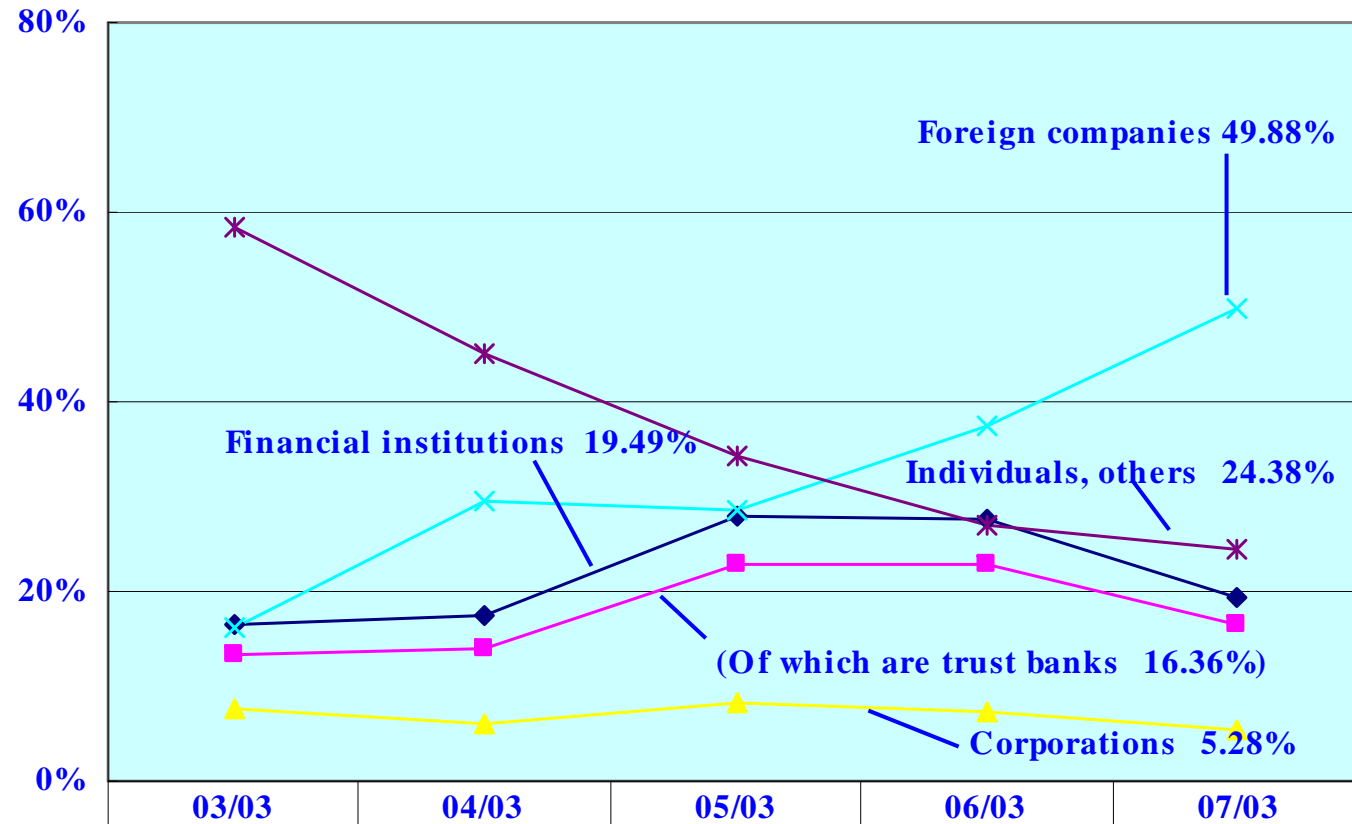
Interest-Bearing Liabilities and Equity Ratio

-Approximately 11.4 billion yen of liabilities were repaid during the FY ended March 2007. Total outstanding borrowings as of end of March 2007 stood at 53.1 billion yen. Also, compared with the last FY-end, the equity ratio has increased to 37.0%.

Trend in Borrowings & Equity Ratio (Consolidated)



Trend in Shareholders



◆ Financial institutions	16.57%	17.48%	27.84%	27.61%	19.49%
■ (Of which are trust banks)	13.39%	13.93%	22.72%	22.96%	16.36%
▲ Corporations	7.68%	6.15%	8.12%	7.43%	5.28%
✕ Foreign companies	16.19%	29.43%	28.46%	37.56%	49.88%
✱ Individuals, others	58.42%	45.03%	34.35%	26.88%	24.38%