

# **Explanatory Session for the Interim Results of the Fiscal Year Ending March 2008**

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**November 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 Interim Period Ended September 2007

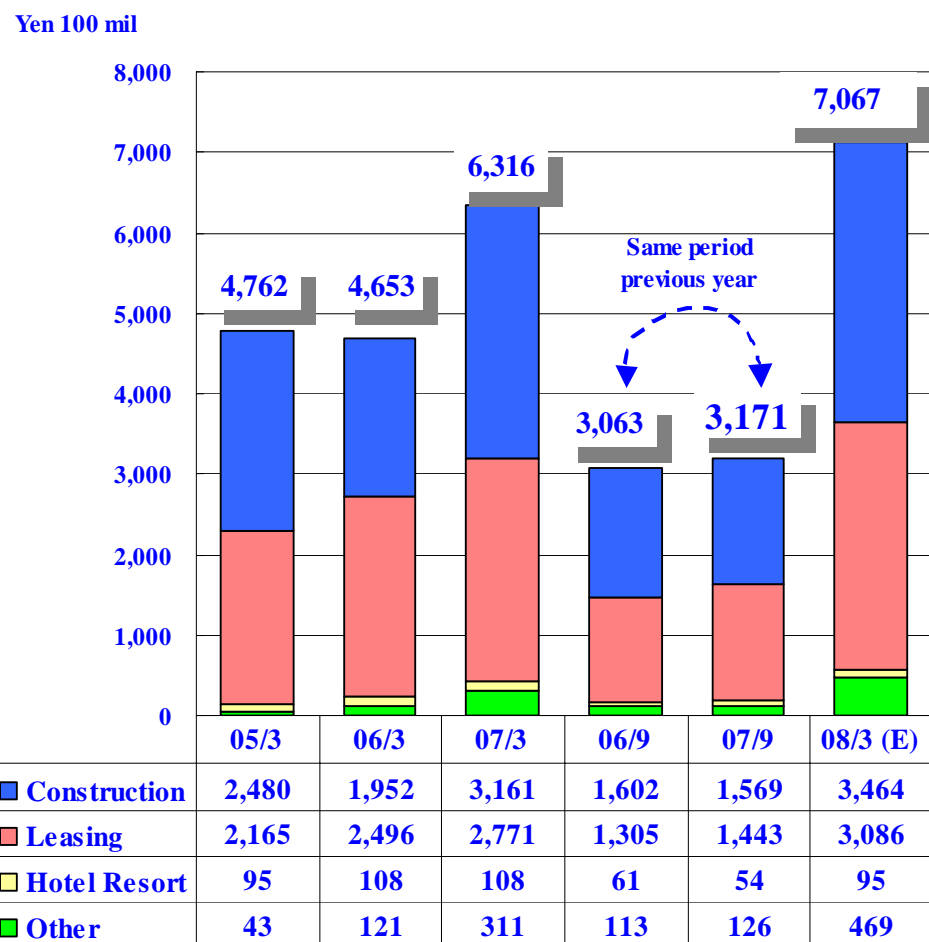
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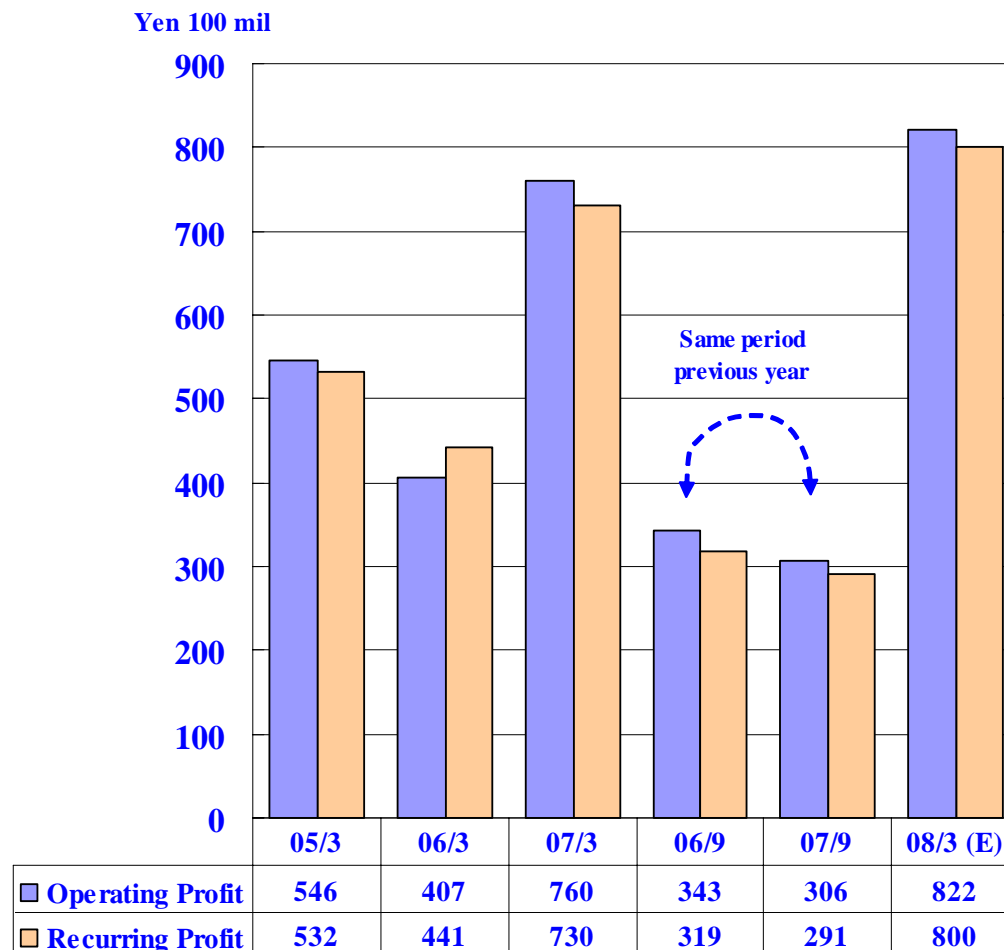
# Actual Results and Forecasts of Our Group (Consolidated)

- Interim results for the FY 08/3 showed growth in net sales had been limited, partly because of delays in completion of construction projects in the previous term. Operating profit and recurring profit were also lower.

Actual Results and Forecasts for Net Sales



Actual Results and Forecasts for Operating Profit & Recurring Profit

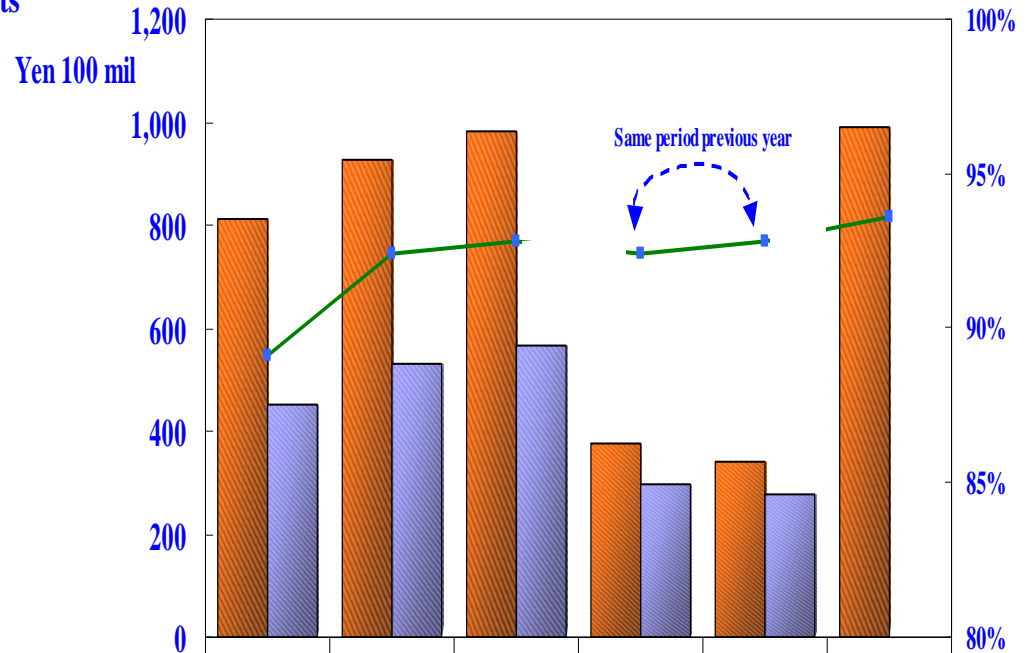
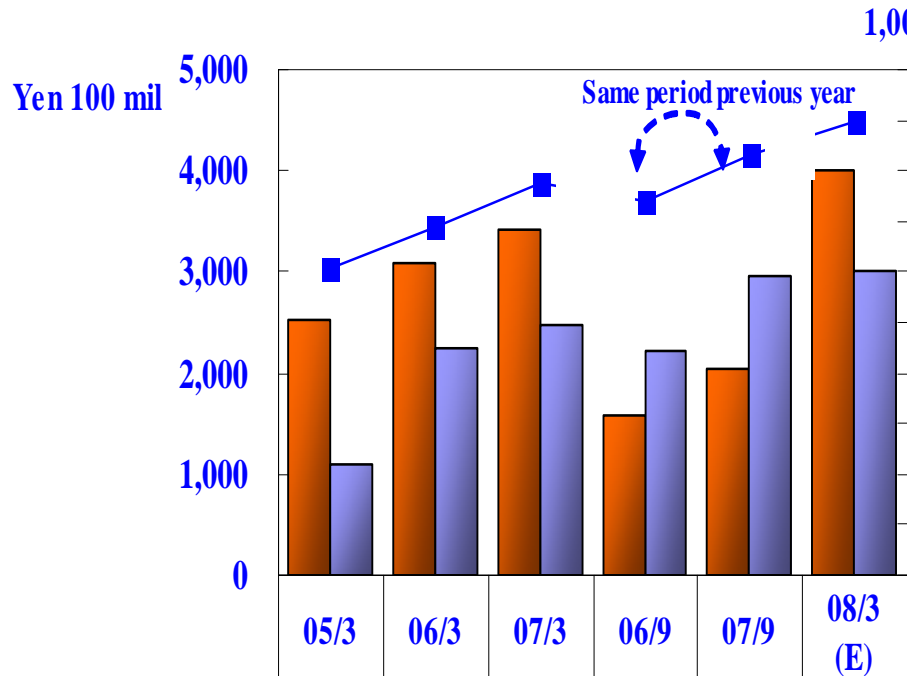


# Actual Results and Forecasts in Construction & Leasing

- Construction: Interim orders for the FY 08/3 totaled 203.7 billion yen, an increase of 28.9% compared with the same period in the previous year!
- Leasing: Interim occupancy rates for the FY 08/3 rose 0.4 points, to 92.8%!

Actual Results and Forecasts for Construction

Actual Results and Forecast for Leasing



Orders received	2,522	3,094	3,406	1,581	2,037	4,000
Orders received outstanding	1,099	2,241	2,486	2,221	2,955	3,022
Managed units	304.1	344.0	388.5	370.8	416.2	449.5

Month-to-month sales	812	928	982	378	339	990
Of which, repeat sales	452	530	565	297	278	
Occupancy rate	89.1%	92.4%	92.8%	92.4%	92.8%	93.6%

## Outline of Interim Period Results

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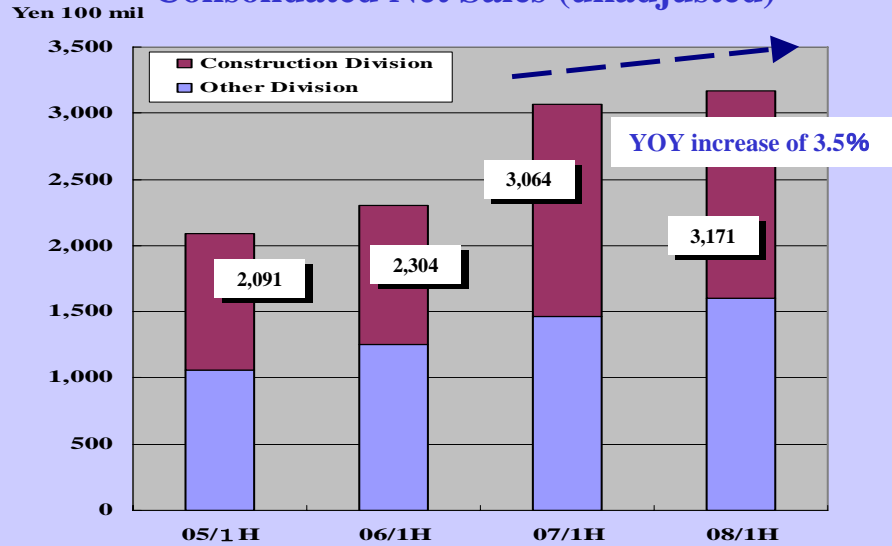


# Highlights of Interim Period Results (Consolidated & Non-Consolidated)

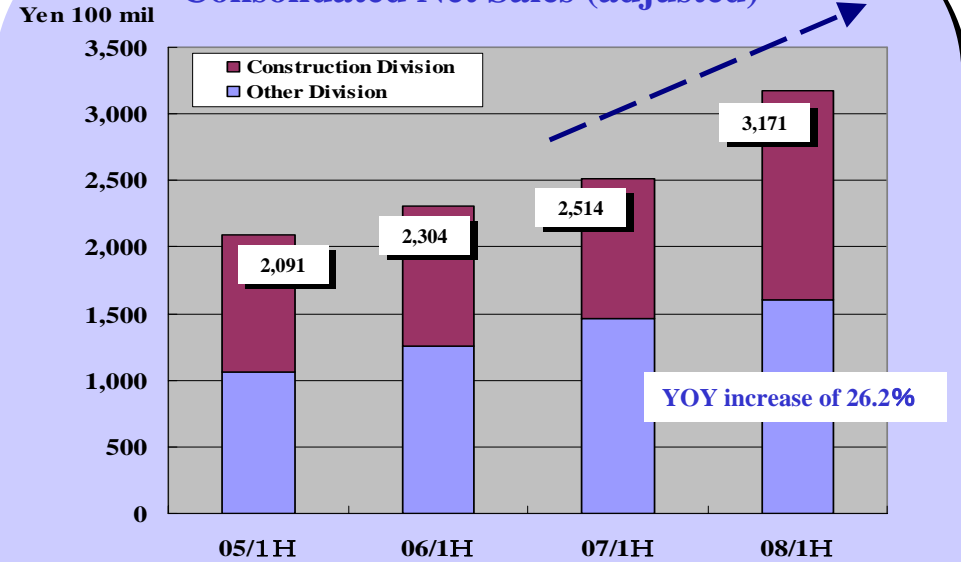
(Unit: Yen million)	Consolidated				Non-consolidated			
	Interim period ended Sep. 2007	Interim period ended Sep. 2006	Change in amount	Percentage change	Interim period ended Sep. 2007	Interim period ended Sep. 2006	Change in amount	Percentage change
Net sales	317,108	306,360	10,748	3.5%	313,746	302,216	11,530	3.8%
Gross profit	75,131	73,600	1,531	2.1%	75,735	74,275	1,460	2.0%
Gross profit ratio (%)	23.7%	24.0%	-0.3%	-	24.1%	24.6%	-0.4%	-
Selling general & administrative expenses	44,486	39,227	5,259	13.4%	45,814	40,765	5,049	12.4%
Operating profit	30,644	34,372	(3,728)	-10.8%	29,921	33,510	(3,589)	-10.7%
Operating profit ratio (%)	9.7%	11.2%	-1.6%	-	9.5%	11.1%	-1.6%	-
Recurring profit	29,178	31,961	(2,783)	-8.7%	28,896	33,126	(4,230)	-12.8%
Recurring profit ratio (%)	9.2%	10.4%	-1.2%	-	9.2%	11.0%	-1.8%	-
Net income (loss)	(11,848)	16,843	(28,691)	-	(11,791)	18,593	(30,384)	-

# Net Sales and Gross Profit Adjusted for FY Lag between Contracts and Sales

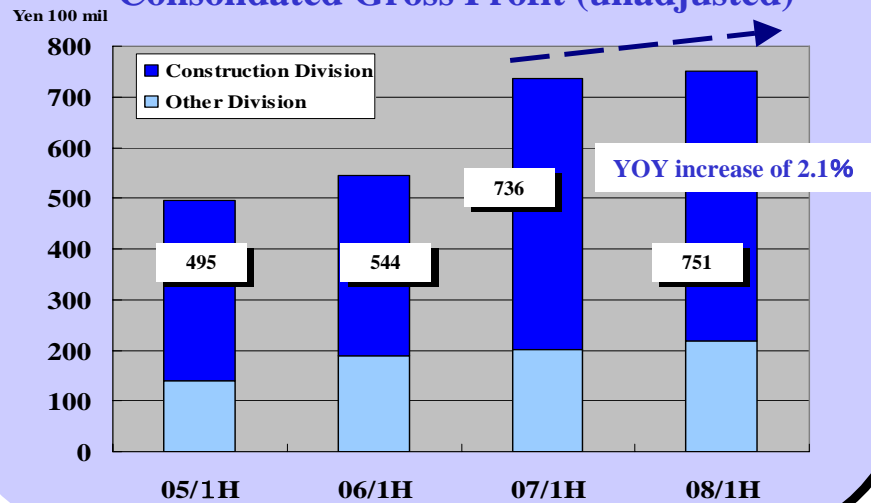
### Consolidated Net Sales (unadjusted)



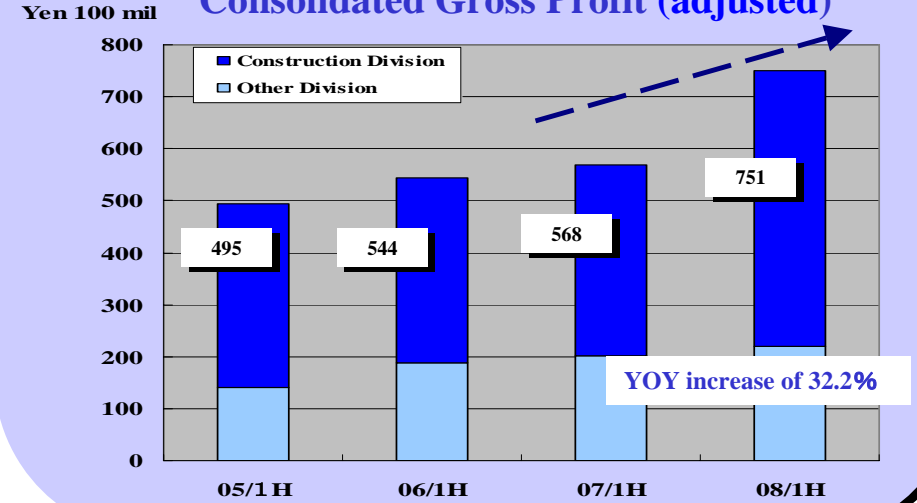
### Consolidated Net Sales (adjusted)



### Consolidated Gross Profit (unadjusted)



### Consolidated Gross Profit (adjusted)





# Highlights of Interim Period Results for Parent & Major Subsidiaries

(Unit: Yen million)		Interim period ended Sep. 2007	Interim period ended Sep. 2006	Change in amount	Percentage change	FY 2008 forecast	Sep. 2007 depreciation expenses	Sep. 2006 depreciation expenses
<b>Leopalace21 Corporation</b>	Net sales	313,746	302,216	11,530	3.8%	700,000	1,593	1,557
	Recurring profit	28,896	33,126	(4,230)	-12.8%	78,600		
<b>MDI Guam</b>	Net sales	5,098	4,201	897	21.4%	8,850	909	846
	Recurring profit (loss)	(212)	132	(344)	-	425		
	Foreign exchange gain (loss)	(997)	152	(1,149)	-	-		
<b>TPH</b>	Net sales	0	1,269	(1,269)	-100.0%	-	0	155
	Recurring profit (loss)	0	(57)	57	-	-		
<b>Others &amp; exclusion</b>	Net sales	(1,736)	(1,326)	(410)	-	(2,150)	24	(51)
	Recurring profit (loss)	494	(1,240)	1,734	-	975		
<b>Consolidated total</b>	Net sales	317,108	306,360	10,748	3.5%	706,700	2,525	2,507
	Recurring profit	29,178	31,961	(2,783)	-8.7%	80,000		
	Foreign exchange gain (loss)	(1,273)	298	(1,571)	-	-		

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)

## September 2007 1st H Balance Sheet

(Unit: Yen million)	Interim period ended Sep. 2007	Interim period ended Sep. 2006	Change in amount	FY ended March 2007
<Assets>				
Current assets	199,787	133,558	66,229	186,555
Cash & cash equivalents	63,104	44,685	18,419	75,166
Trade receivables & accounts receivable for completed projects	9,381	5,855	3,526	9,594
Operating loans	11,903	9,394	2,509	8,501
Real estate for sale	37,850	13,528	24,322	27,765
Payout for construction in progress	10,242	9,525	717	8,818
Fixed assets	270,924	265,019	5,905	268,190
Buildings & structures	80,687	82,504	(1,817)	80,626
Land	115,446	119,645	(4,199)	118,255
Construction in progress	1,081	3,628	(2,547)	4,397
Total assets	470,755	398,693	72,062	454,819
<Liabilities>				
Current liabilities	262,508	187,029	75,479	216,914
Long-term liabilities	44,491	45,441	(950)	52,120
Total liabilities	307,000	232,470	74,530	269,035
<Shareholders' equity>				
Share capital	55,640	55,640	0	55,640
Capital surplus	34,104	33,759	345	34,104
Retained earnings	68,801	67,576	1,225	85,700
Total shareholders' equity	163,755	166,222	(2,467)	185,784
Shareholders' equity ratio	32.8%	37.2%	-4.4%	37.0%

## September 2007 1st H Cash Flows

(Unit: Yen million)	Interim period ended Sep. 2007	Interim period ended Sep. 2006
Cash flows from operating activities	(26,533)	23,104
Net income before taxes & adjustments	(16,360)	30,461
Depreciation expenses	2,493	2,287
Foreign exchange gain (loss)	1,273	(298)
Equity-method investment loss (income)	(98)	2,087
Loss on sales of tangible fixed assets	(4,464)	-
Decrease (increase) in accounts receivable	(3,842)	6,101
Decrease (increase) in real estate for sale	(10,084)	-
Decrease (increase) in long-term prepaid expenses	(5,108)	(6,277)
Increase (decrease) in accounts payable	4,655	(12,960)
Increase (decrease) in advance received	39,383	(3,053)
Income taxes paid	(27,373)	(4,355)
Cash flows from investing activities	4,444	(14,582)
Payout for purchase & proceeds from sale of tangible assets	8,629	(16,941)
Payout for purchase & proceeds from sale of investment securities and affiliates' stock	(3,068)	2,934
Cash flows from financing activities	8,909	(8,475)
Proceeds from & repayment of short-term debt	17,178	828
Proceeds from & repayment of long-term debt	6,083	(5,968)
Payment for redemptions of investment in minority shareholders	(7,984)	-
Dividends paid for shareholders	(5,578)	(2,390)
Net increase in cash & cash equivalents	(13,151)	73
Cash & cash equivalents at end of period	63,104	44,685

## Profit/Loss for Major Segments (Consolidated)

(Unit: Yen million)	Interim period ended Sep. 2007	Sales comparison	Interim period ended Sep. 2006	Sales comparison	Change in amount	Percentage change	Forecast for FY 2008
<b>Construction Division</b>							
Net sales	156,889		160,210		(3,321)	-2.1%	346,400
Gross profit	53,199	33.9%	53,508	33.4%	(309)	-0.6%	114,700
Operating profit	35,356	22.5%	37,349	23.3%	(1,993)	-5.3%	78,500
<b>Leasing Division</b>							
Net sales	144,293		130,566		13,727	10.5%	308,600
Gross profit	21,836	15.1%	20,255	15.5%	1,581	7.8%	53,500
Operating profit (loss)	(1,563)	-	251	0.2%	(1,814)	-	7,700
<b>Hotel Resort Division</b>							
Net sales	5,403		6,196		(793)	-12.8%	9,460
Gross profit	924	17.1%	386	6.2%	538	139.4%	1,320
Operating loss	(54)	-	(974)	-	920	—	(1,570)
<b>Other Division</b>							
Net sales	12,602		11,398		1,204	10.6%	46,850
Gross profit	1,243	9.9%	1,463	12.8%	(220)	-15.0%	6,760
Operating loss	(667)	-	(22)	-	(645)	-	2,290

\*Values for each are before eliminations between segments.

## Status of Major Strategic Business Ventures

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# Residential Business and Silver Business

## Residential Business

(Unit: Yen million)		Results for FY ended March 2007	1Q results for FY ending March 2008	1H results for FY ending March 2008	Forecasts for FY ending March 2008
Purchase contracts	Revenue	30,167	7,631	10,497	31,000
Sales	Value of sales contracts concluded	6,685	1,415	3,211	14,900
	Units sold	154	32	78	348
Revenue	Revenue	6,974	1,297	3,059	13,400
	Total units sold	160	28	73	318
Total revenue of Residential Business		14,150	1,593	3,767	22,700



“Lu Cerna Chitosedai II,”  
Setagaya-ku, Tokyo

Note: Includes real estate development.

## Silver Business

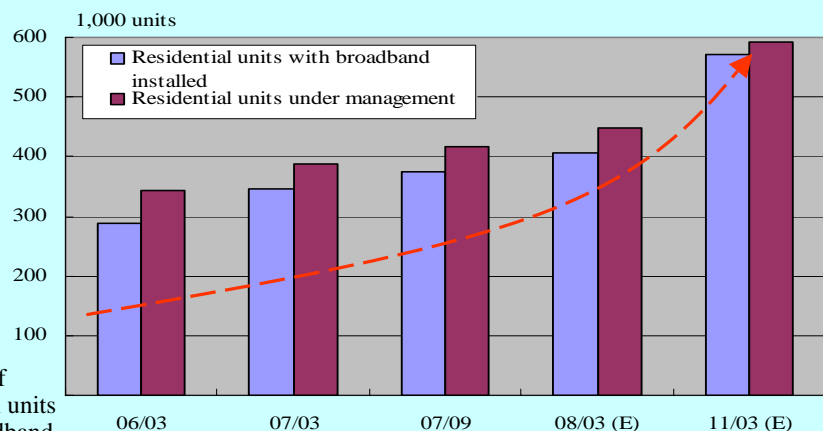
(Unit: Yen million)		Results for FY ended March 2007	1Q results for FY ending March 2008	1H results for FY ending March 2008	Forecasts for FY ending March 2008
Direct operation	Revenue	884	519	1,130	2,300
	Total units as of end of term	16	24	25	36
Under contracts	Total value of contracts	6,852	3,641	6,381	12,600
	Units ordered	15	6	14	36
	Revenue	4,460	325	972	7,700
Total revenue of Silver Business		5,344	844	2,102	10,000



“Azumien Takamihara,”  
Tsukuba City, Ibaraki

# Broadband Business and Leoplace Resort Business

## <Broadband Business>



Number of residential units with broadband installed as of the end of the term



	06/3	07/3	07/9	08/3 (E)
Users	203,000	302,000	321,000	334,000
Sales (yen)	7.4 bil.	11.1 bil.	6.4 bil.	13.3 bil.
Gross profit on sales (yen)	0.44 bil.	0.85 bil.	0.48 bil.	1.20 bil.

## <Leoplace 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.)
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 (Leoplace 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.)
FY 2007	Net sales	24,101	42,429	-	76,958
	Operating profit	5,186	5,972	-	3,579
	Depreciation expenses	3,790	7,563	-	15,244
	Occupancy rate (Leoplace Resort)	74.8%	63.0%	58.8%	65.1%
	Occupancy rate (Westin)	70.5%	61.9%	66.3%	68.1%

# Appendix

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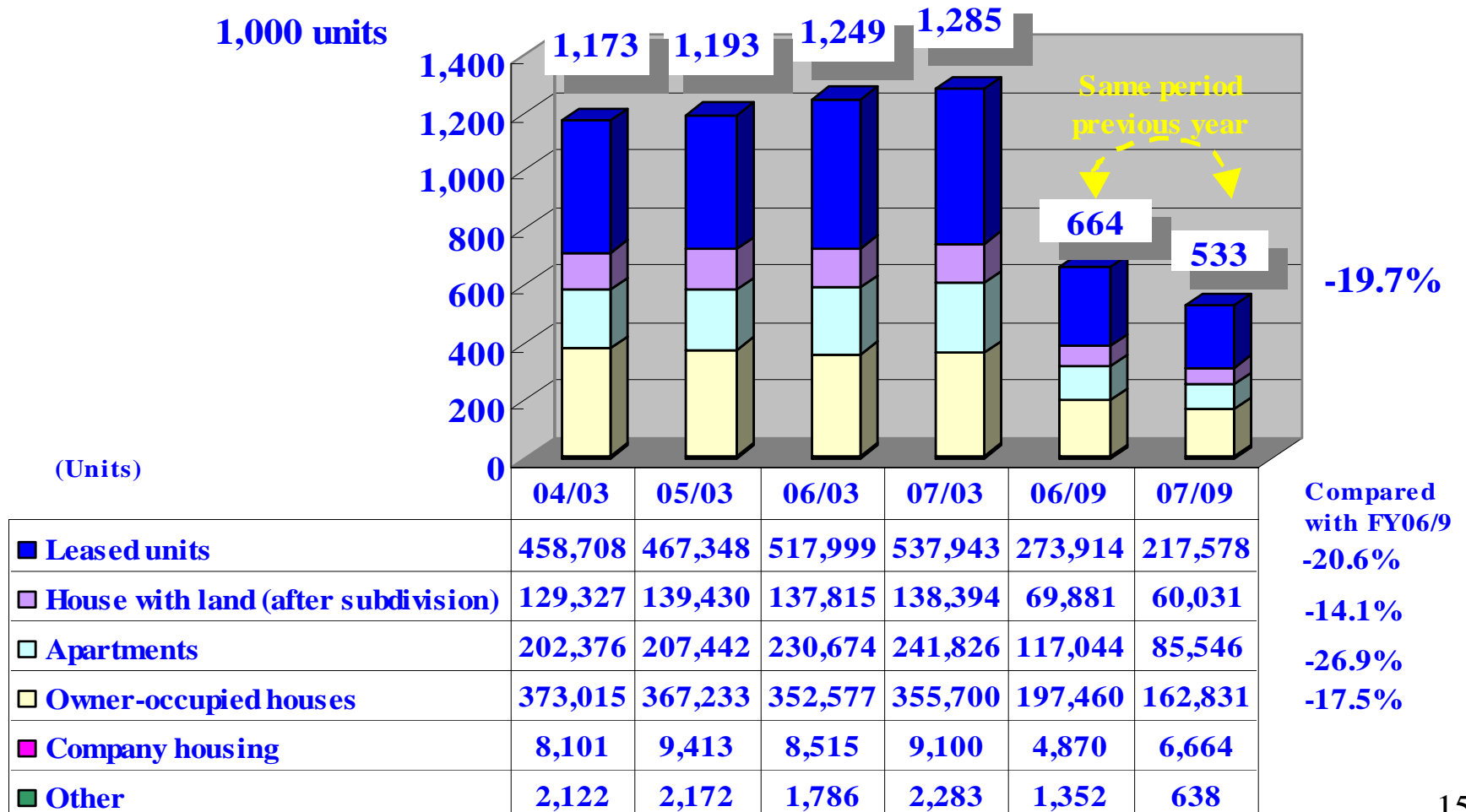


# New Housing Starts

- New housing starts (supply) during the present interim term were down sharply, except for company housing, as a result of passage on June 20, 2007 of the Revised Building Standard Law.

(Based on housing starts statistics, Ministry of Land, Infrastructure & Transport, September 2007)

New Housing Starts (No. of use breakdown)



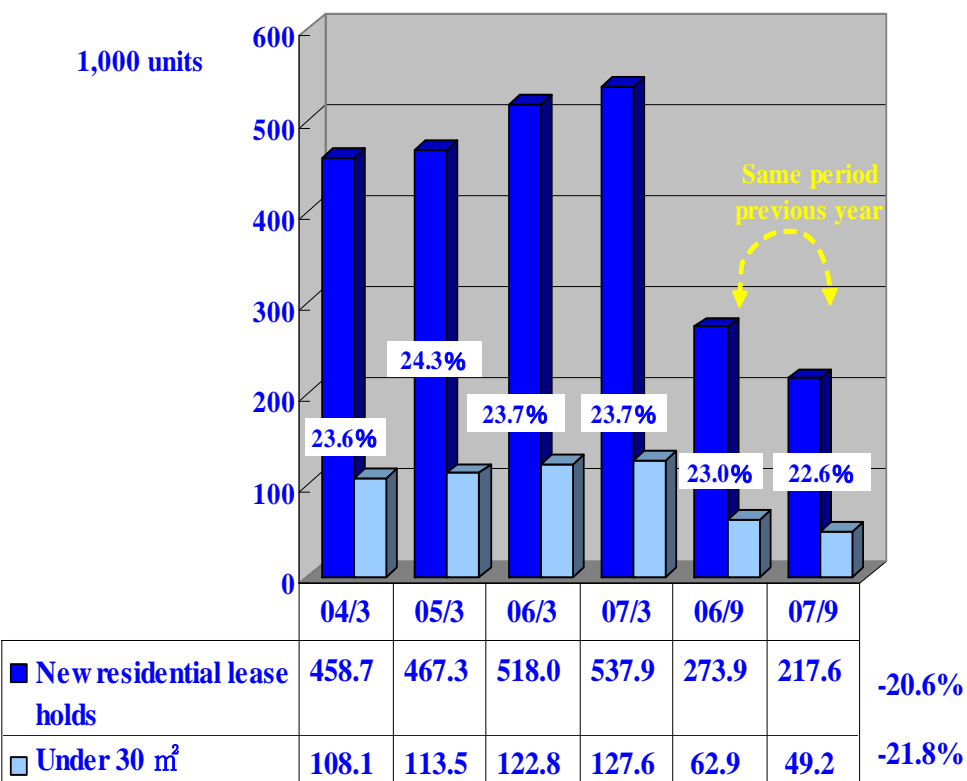


# New Housing Starts (Units under 30 square meters)

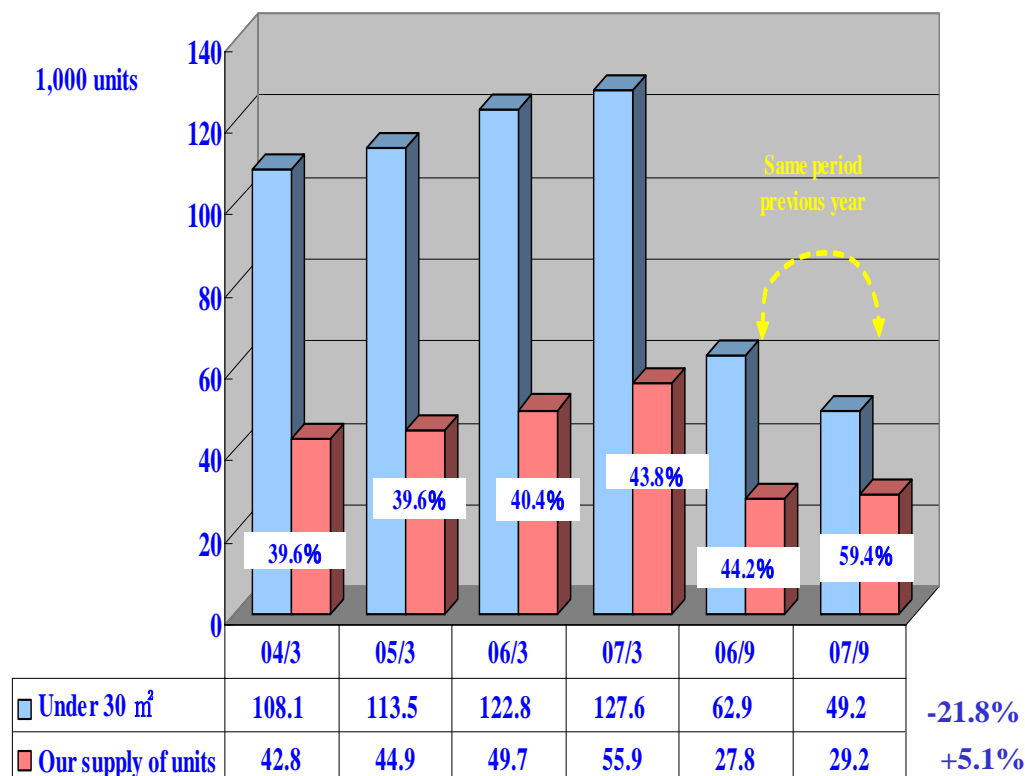
- The graph at left shows that among new rental housing starts, new supply of one-room studio apartments (floor space of 30m<sup>2</sup> or less) was also adversely affected by the enactment of the Revised Building Standards Law.
- The graph at right shows the Company's share of new supply of one-room studio apartments (floor space of 30m<sup>2</sup> or less) from its apartment construction business. The results demonstrate that during the interim period under review the Company's supply of housing units continued to expand steadily, and the influence of the Revised Building Standards Law has been minimal.

(Based on housing start statistics, Ministry of Land, Infrastructure & Transport, fiscal 2007)

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



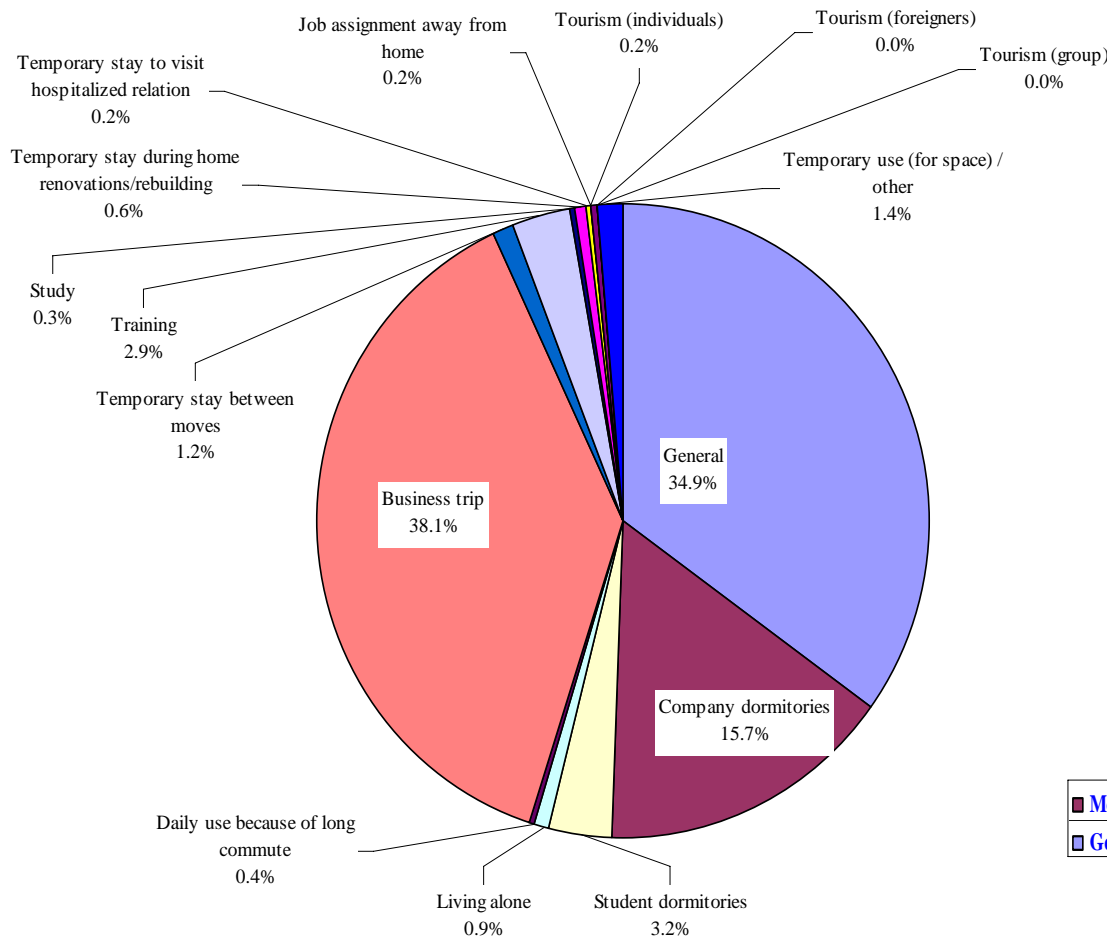
Note: Our supply of units after 06/3 represent actual units sold. 16

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

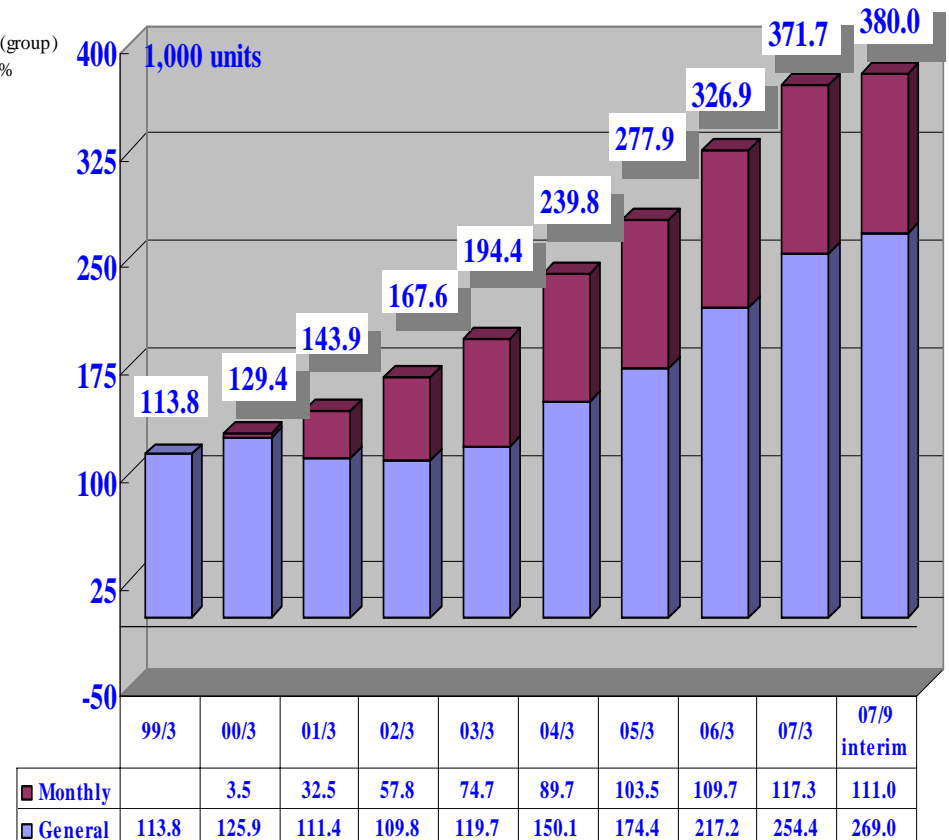
- We are successfully developing a new market by attracting users with different types of needs to our mainstay Monthly Leopalace Flat system.
- By serving a more diverse range of needs, we are steadily expanding our customer base.

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

**Breakdown of Users of Month-to-Month Leases (September 2007)**

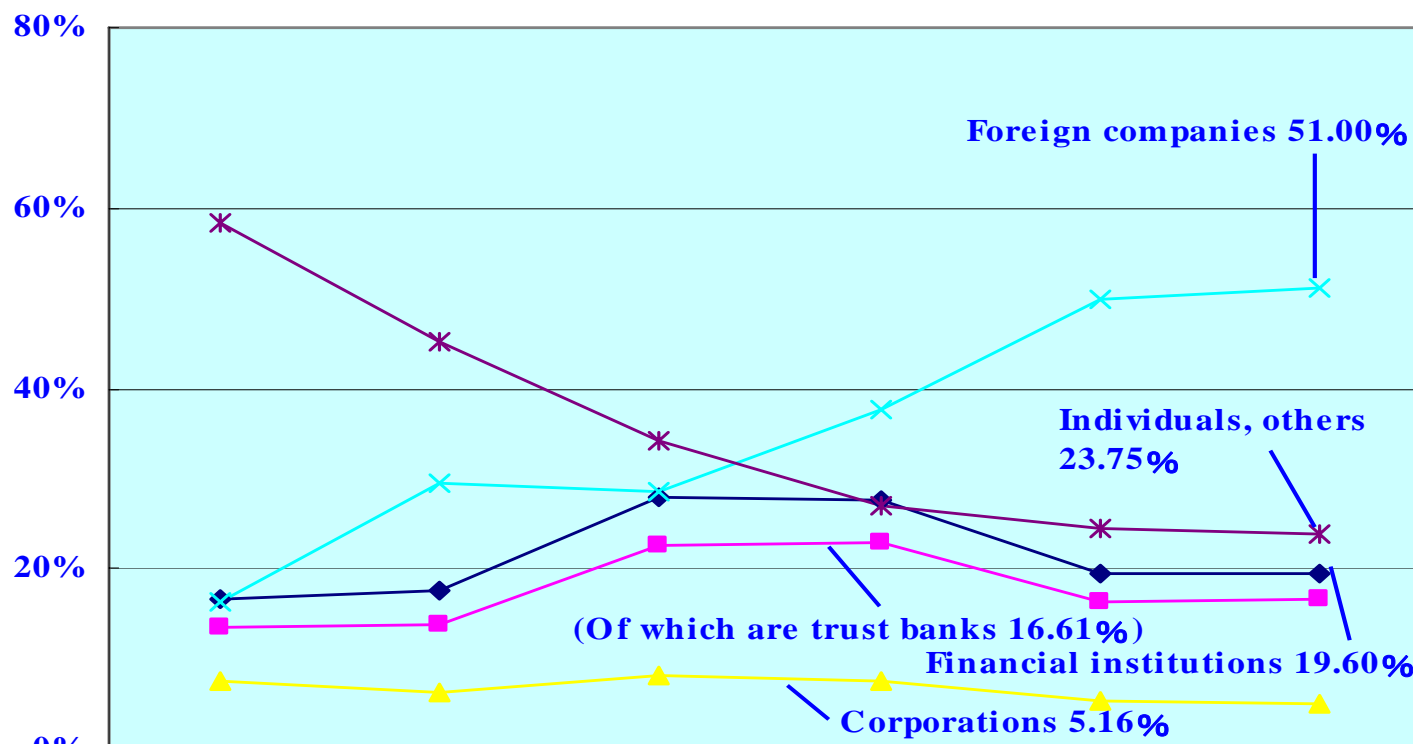


**No. of Tenants by Contract Type**



# Trend in Shareholders

## Trend in Shareholders



	03/03	04/03	05/03	06/03	07/03	07/09
◆ Financial institutions	16.57%	17.48%	27.84%	27.61%	19.49%	19.60%
■ (Of which are trust banks)	13.39%	13.93%	22.72%	22.96%	16.36%	16.61%
▲ Corporations	7.68%	6.15%	8.12%	7.43%	5.28%	5.16%
✕ Foreign companies	16.19%	29.43%	28.46%	37.56%	49.88%	51.00%
✱ Individuals, others	58.42%	45.03%	34.35%	26.88%	24.38%	23.75%