

**Explanatory Session for the Third Quarter Results
of Fiscal Year Ending March 2009**

February 2009

Leopalace21 Corporation

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

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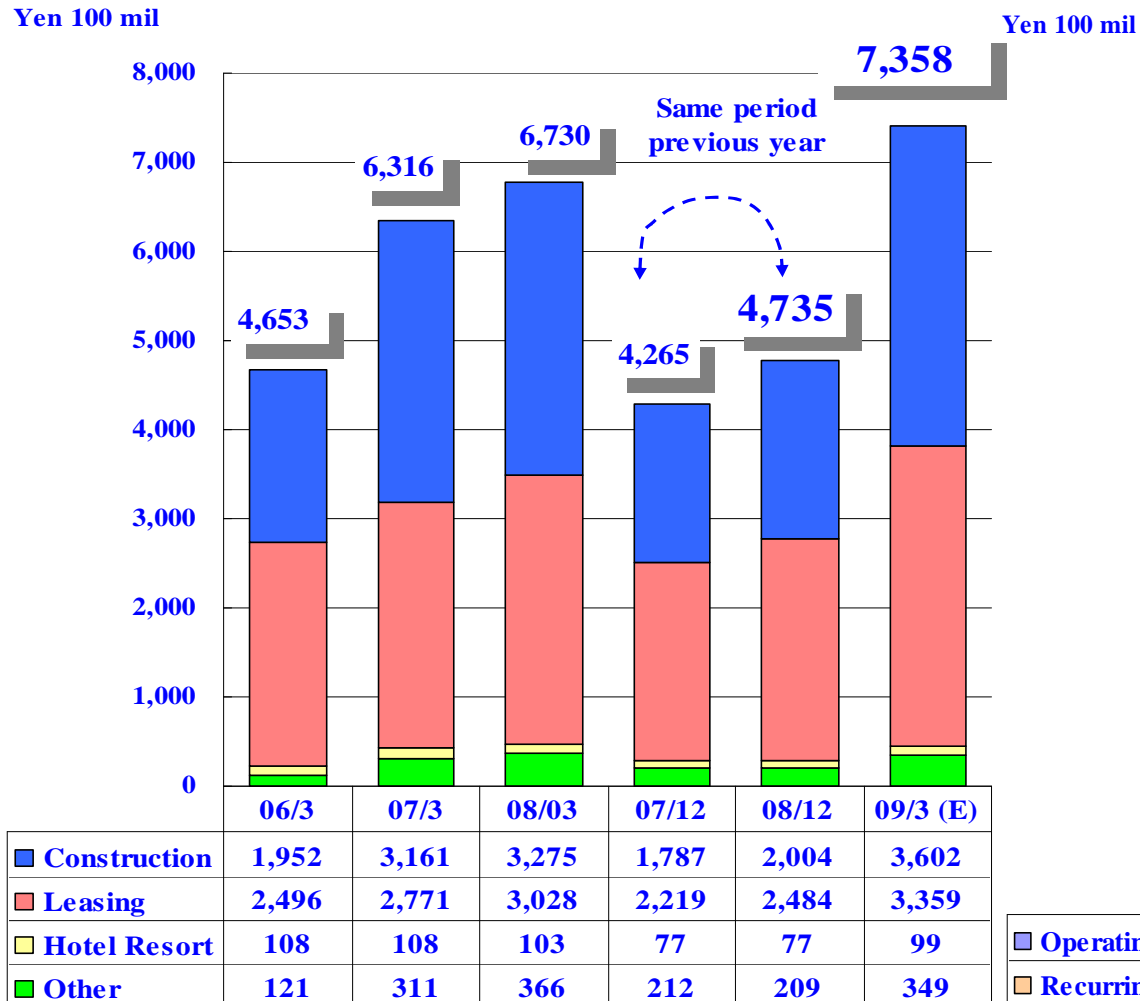
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Results and Forecasts for Core Businesses

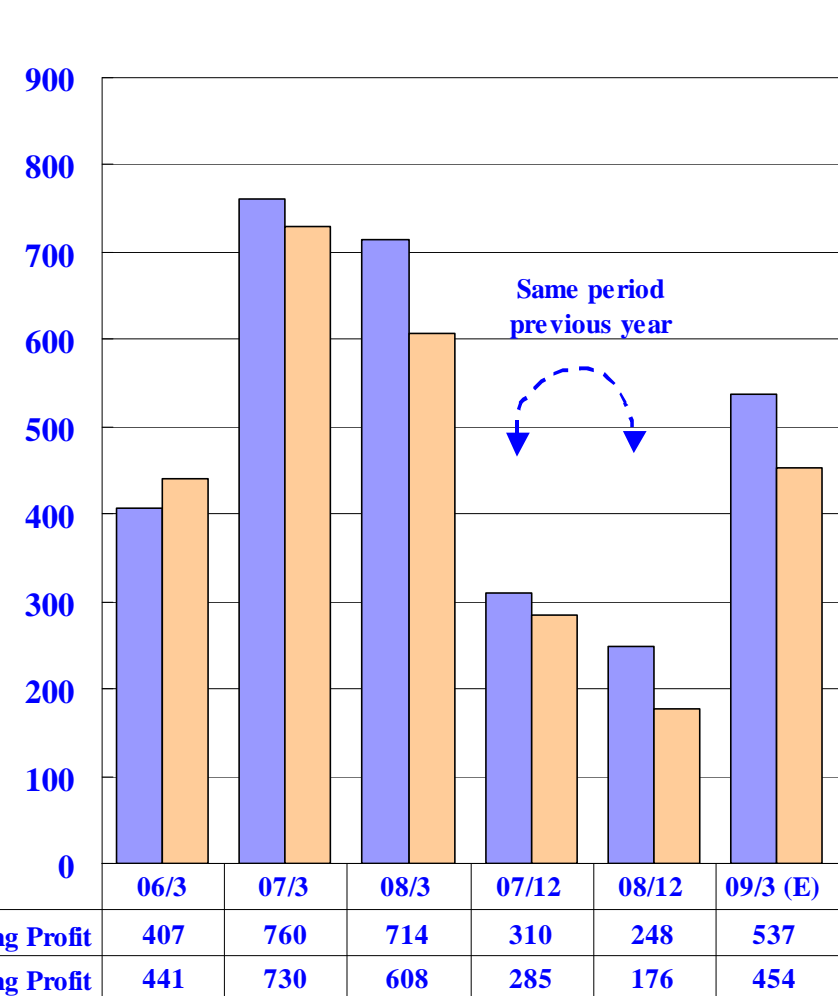


Results and Forecasts of Our Group (Consolidated)

Actual Figures and Forecast for
Net Sales



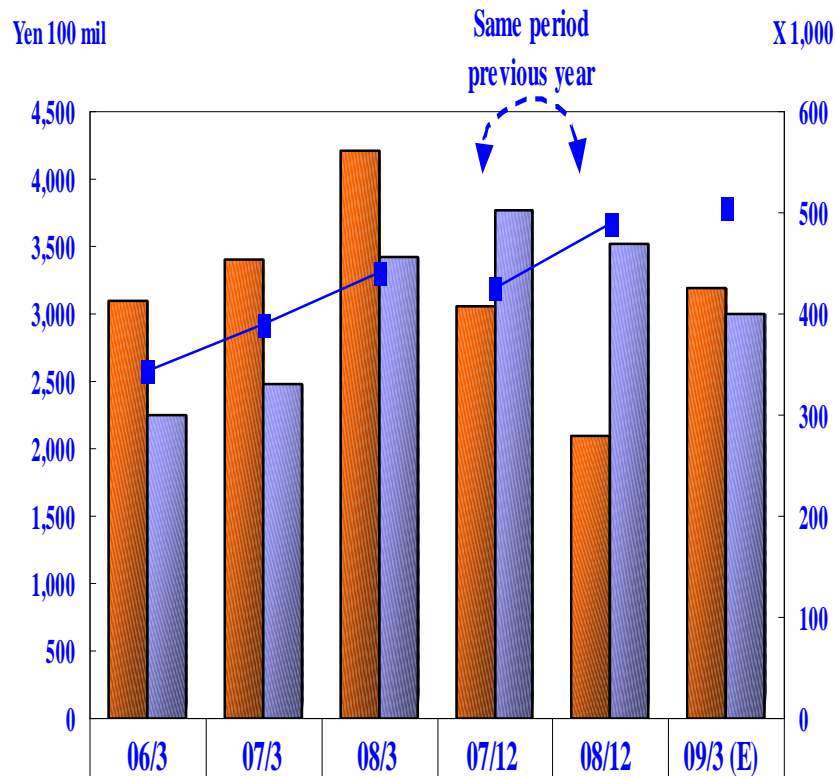
Actual Figures and Forecast for
Operating Profit & Recurring Profit



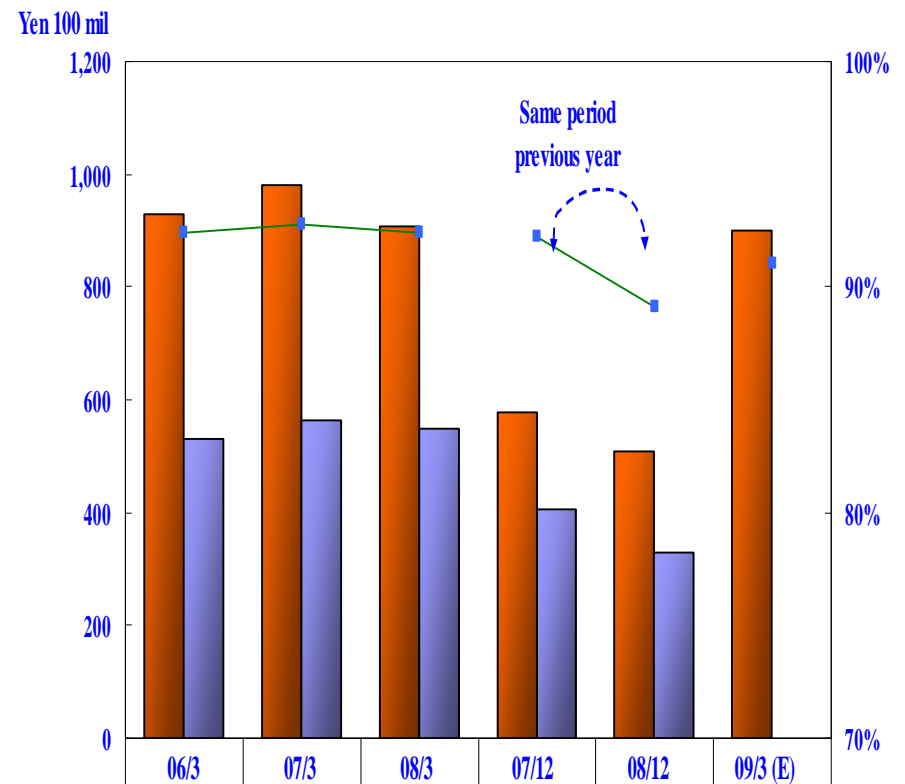
*"09/3 (E)" represents the forecast for FY 09/3.

Actual Results and Forecasts in Construction & Leasing

Trend in Actual Results for Construction
 3rd Q FY 09/3



Trend in Actual Results for Leasing
 3rd Q FY 09/3



Orders received	3,094	3,406	4,215	3,064	2,096	3,200
Orders received outstanding	2,241	2,486	3,426	3,764	3,519	3,000
Managed units	344.0	388.5	442.0	425.2	488.8	506.4

Month-to-month sales	928	982	908	579	507	900
Of which, repeat sales	530	565	548	405	330	
Occupancy rate during FY	92.4%	92.8%	92.4%	92.2%	89.1%	91.0%

Outline of the Third Quarter Results



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

(Unit: Yen million)	Consolidated				Non-consolidated			
	December 2008 3rd quarter	December 2007 3rd quarter	Change in amount	Percentage change	December 2008 3rd quarter	December 2007 3rd quarter	Change in amount	Percentage change
Net sales	473,481	426,452	47,029	11.0%	469,331	421,450	47,881	11.4%
Gross profit (loss)	94,245	96,162	(1,917)	-2.0%	96,610	97,149	(539)	-0.6%
Gross profit ratio (%)	19.9%	22.5%	-2.6%	-	20.6%	23.1%	-2.5%	-
Selling, general & administrative expenses	69,462	65,144	4,318	6.6%	70,782	66,895	3,887	5.8%
Operating profit (loss)	24,782	31,017	(6,235)	-20.1%	25,829	30,253	(4,424)	-14.6%
Operating profit ratio (%)	5.2%	7.3%	-2.0%	-	5.5%	7.2%	-1.7%	-
Recurring profit (loss)	17,600	28,525	(10,925)	-38.3%	20,320	28,104	(7,784)	-27.7%
Recurring profit ratio (%)	3.7%	6.7%	-3.0%	-	4.3%	6.7%	-2.3%	-
Net income (loss)	2,941	(13,185)	16,126	-	5,467	(13,122)	18,589	-

Highlights of the Third Quarter Results for Parent & Major Subsidiaries

(Unit: Yen million)		December 2008 3rd quarter	December 2007 3rd quarter	Change in amount	Percentage change	FY 2009 forecast	Dec. 2008 Depreciation Expenses	Dec. 2007 Depreciation Expenses
Leopalace 21 Corporation	Net sales	469,331	421,450	47,881	11.4%	730,400	2,453	2,470
	Recurring profit (loss)	20,320	28,104	(7,784)	-27.7%	49,200		
LGC	Net sales (loss)	6,343	7,028	(685)	-9.7%	8,297	1,254	1,356
	Recurring profit (loss)	(4,062)	(750)	(3,312)	-	(4,000)		
	Foreign exchange gain (loss)	(4,506)	(1,479)	(3,027)	-	..		
Others & exclusion	Net sales (loss)	(2,193)	(2,026)	(167)	-	(2,897)	26	(8)
	Recurring profit	1,343	1,171	172	-	200		
Consolidated total	Net sales	473,481	426,452	47,029	11.0%	735,800	3,733	3,819
	Recurring profit	17,600	28,525	(10,925)	-38.3%	45,400		
	Foreign exchange gain (loss)	(6,071)	(1,878)	(4,193)	-	..		

(Note 1) LGC: Leopalace Guam Corporation (local subsidiary in Guam).

Outline of Balance Sheet (Consolidated)

December 2008 3rd Q Balance Sheet

(Unit: Yen million)	December 2008 3rd quarter	December 2007 3rd quarter	Change in amount	Ended March 2008
<Assets>				
Current assets	201,460	178,703	22,757	218,684
Cash & cash equivalents	54,174	40,059	14,115	60,965
Trade receivables & accounts receivable for completed projects	5,698	5,904	(206)	15,159
Operating loans	10,840	18,341	(7,501)	15,789
Real estate for sale	35,762	38,885	(3,123)	37,819
Payout for construction in progress	42,304	17,626	24,678	11,792
Fixed assets	273,749	265,540	8,209	275,265
Buildings & structures	72,234	77,272	(5,038)	76,556
Land	117,502	114,836	2,666	116,295
Construction in progress	3,608	1,838	1,770	1,901
Total assets	475,215	444,268	30,947	493,956
<Liabilities>				
Current liabilities	238,354	245,840	(7,486)	268,621
Long-term liabilities	87,373	48,119	39,254	55,179
Total liabilities	325,728	293,960	31,768	323,800
< Shareholders' equity >				
Share capital	55,640	55,640	0	55,640
Capital surplus	34,104	34,104	0	34,104
Retained earnings	66,402	62,683	3,719	76,211
Total shareholders' equity	149,486	150,308	(822)	170,155
Shareholders' equity ratio	31.5%	32.7%	-1.2%	33.4%

Outline of Cash Flows (Consolidated)

December 2008 3rd Q Cash Flows

(Unit: Yen million)	December 2008 3rd quarter	December 2007 3rd quarter
Cash flows from operating activities	6,894	(58,169)
Net income (loss) before taxes & adjustments	11,756	(17,731)
Depreciation expenses	3,716	3,818
Foreign exchange loss	6,070	1,877
Equity in earnings of affiliated companies	(211)	(138)
Loss on devaluation of real estate for sales	2,560	-
(Gain) loss on devaluation of investment securities	2,737	684
Decrease (increase) in real estate for sales	(1,995)	(11,119)
Increase (decrease) in long-term prepaid expenses	(4,682)	(4,138)
Increase (decrease) in accounts payable	(46,999)	(49,403)
Increase (decrease) in advances received	(12,235)	40,219
Income taxes paid	(22,871)	(30,422)
Cash flows from investing activities	(7,854)	2,565
Payout for purchase & proceeds from sale of tangible assets	(5,543)	7,467
Payout for purchase & proceeds from sale of investment securities	(327)	(2,662)
Cash flows from financing activities	(4,894)	19,532
Proceeds from & payment of short-term debt	20,000	33,762
Proceeds from & payment of long-term debt	4,364	9,405
Dividends paid for shareholders	(12,750)	(10,359)
Payment for redemption of investment in minority interests	(4,970)	(12,484)
Net increase (decrease) in cash & cash equivalents	(6,791)	(36,197)
Cash & cash equivalents at end of 1st quarter	54,174	40,059

Profit/Loss for Major Segments (Consolidated)

(Unit: Yen million)	December 2008 3rd quarter	Sales comparison	December 2007 3rd quarter	Sales comparison	Change in amount	Percentage change	FY 2009 forecast
Construction Division							
Net sales	200,391		178,657		21,734	12.2%	360,150
Gross profit	62,879	31.4%	60,083	33.6%	2,796	4.7%	109,950
Operating profit	33,771	16.9%	34,665	19.4%	(894)	-2.6%	69,450
Leasing Division							
Net sales	248,398		221,947		26,451	11.9%	335,900
Gross profit	36,742	14.8%	35,522	16.0%	1,220	3.4%	47,000
Operating profit	2,180	0.9%	836	0.4%	1,344	160.8%	250
Hotel Resort Division							
Net sales	7,652		7,683		(31)	-0.4%	9,900
Gross profit	1,245	16.3%	1,114	14.5%	131	11.8%	1,700
Operating profit (loss)	(525)	-	(468)	-	(57)	-	(1,000)
Other Division							
Net sales	20,903		21,160		(257)	-1.2%	34,900
Gross profit (loss)	(2,921)	-14.0%	2,395	11.3%	(5,316)	-222.0%	(4,200)
Operating profit (loss)	(6,992)	-	(576)	-	(6,416)	-	(9,900)

*Values for each are before eliminations between segments.

Quarterly Data



Quarterly Data (Consolidated, cumulative)

Cumulative (Unit: Yen million)	08/03				09/03			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	FY Forecast
Net sales	109,513	317,108	426,452	672,973	115,813	355,352	473,481	735,800
Cost of sales	88,738	241,977	330,290	511,054	94,246	277,871	379,235	586,400
Gross profit	20,775	75,131	96,162	161,919	21,566	77,481	94,245	149,400
(%)	19.0%	23.7%	22.5%	24.1%	18.6%	21.8%	19.9%	20.3%
Selling, general & administrative expenses	22,212	44,486	65,144	90,516	23,201	47,678	69,462	95,700
(%)	20.3%	14.0%	15.3%	13.5%	20.0%	13.4%	14.7%	13.0%
Operating profit (loss)	(1,436)	30,644	31,017	71,402	(1,634)	29,803	24,782	53,700
(%)	-1.3%	9.7%	7.3%	10.6%	-1.4%	8.4%	5.2%	7.3%
Recurring profit	992	29,178	28,525	60,847	1,367	30,562	17,600	45,400
(%)	0.9%	9.2%	6.7%	9.0%	1.2%	8.6%	3.7%	6.2%
Net income (loss)	1,304	(11,848)	(13,185)	342	(732)	12,280	2,941	12,600
(%)	1.2%	-	-	0.1%	-0.6%	3.5%	0.6%	1.7%
Orders received (Period total)	98,397	203,733	306,440	421,534	87,954	155,482	209,613	320,000
Orders received outstanding (End of period)	315,970	295,529	376,469	342,679	403,979	323,860	351,930	300,000
Managed units (End of period)	399,147	416,219	425,237	422,025	456,671	472,671	488,840	506,438
Occupancy rate (Period average)	93.7	92.8	92.2	92.4	91.3	90.4	89.1	91.0

Quarterly Data (Consolidated, quarterly)

Quarterly (Unit: Yen million)	08/03				09/03		
	1Q	2Q	3Q	4Q	1Q	2Q	3Q
Net sales	109,513	207,595	109,344	246,521	115,813	239,539	118,129
Cost of sales	88,738	153,239	88,313	180,764	94,246	183,625	101,364
Gross profit	20,775	54,356	21,031	65,757	21,566	55,915	16,764
(%)	19.0%	26.2%	19.2%	26.7%	18.6%	23.3%	14.2%
Selling, general & administrative expenses	22,212	22,274	20,658	25,372	23,201	24,477	21,784
(%)	20.3%	10.7%	18.9%	10.3%	20.0%	10.2%	18.4%
Operating profit (loss)	(1,436)	32,080	373	40,385	(1,634)	31,437	(5,021)
(%)	-1.3%	15.5%	0.3%	16.4%	-1.4%	13.1%	-4.3%
Recurring profit (loss)	992	28,186	(653)	32,322	1,367	29,195	(12,962)
(%)	0.9%	13.6%	-0.6%	13.1%	1.2%	12.2%	-11.0%
Net income (loss)	1,304	(13,152)	(1,337)	13,527	(732)	13,012	(9,339)
(%)	1.2%	-6.3%	-1.2%	5.5%	-0.6%	5.4%	-7.9%
Orders received (Quarterly total)	98,397	105,336	102,707	115,094	87,954	67,528	54,130
Managed units (Quarterly average)	396,818	408,738	423,917	434,704	454,698	465,836	486,872
Occupancy rate (Quarterly average)	93.7	91.9	91.1	92.8	91.3	89.5	86.7

Units

Units

%

%

Status of Major Strategic Business Ventures



〈Residential Business〉

(Unit: Yen million)		Results for FY ended March 2008	Result for the term ended September 2008	Result for the 3rd quarter ended December 2008
Purchase contracts	Revenue	14,107	4,287	5,755
Sales	Value of Sales contracts concluded	7,630	2,607	4,274
	Units sold	180	60	101
Revenue	Revenue	7,977	2,268	3,865
	Total units sold	188	49	85
Total revenue of Residential Business		11,281	2,788	4,789



“Lu Cerna Funabashi Miyamoto i”
Funabashi City, Chiba

*including land transactions.

〈Silver Business〉

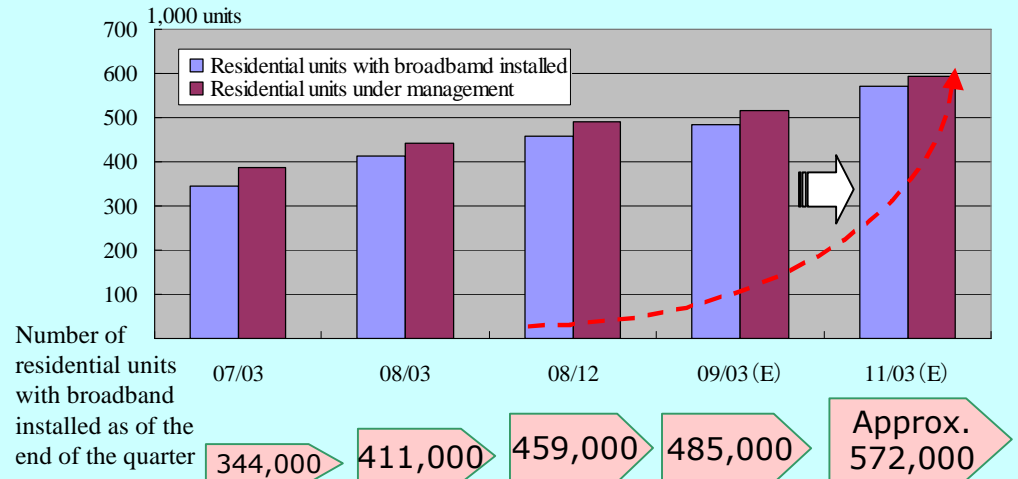
		Results for the term ended March 2008	Result for the term ended September 2008	Result for the 3rd quarter ended December 2008
Direct operation	Revenue	2,668	2,098	3,370
	Total units as of end of term	35	46	47
Under contract	Total value of contracts	10,221	789	2,455
	Units ordered	26	4	10
	Revenue	8,506	1,223	1,832
Total revenue of Silver Business		11,174	3,321	5,204



“Azumien Shikanuma”
Shikanuma City, Tochigi

Broadband Business/Resort Business

〈Broadband Business〉



	07/3	08/3	08/12 Q3 result	09/3 (E)
Users	302,000	362,000	380,000	430,000
Sales (yen)	11.1 bil	13.2 bil	10.3 bil	14.3 bil
Gross profit (loss) on sales (yen)	0.85 bil	1.32 bil	1.13 bil	1.43 bil

〈Leopalace Resort Business (LGC)〉

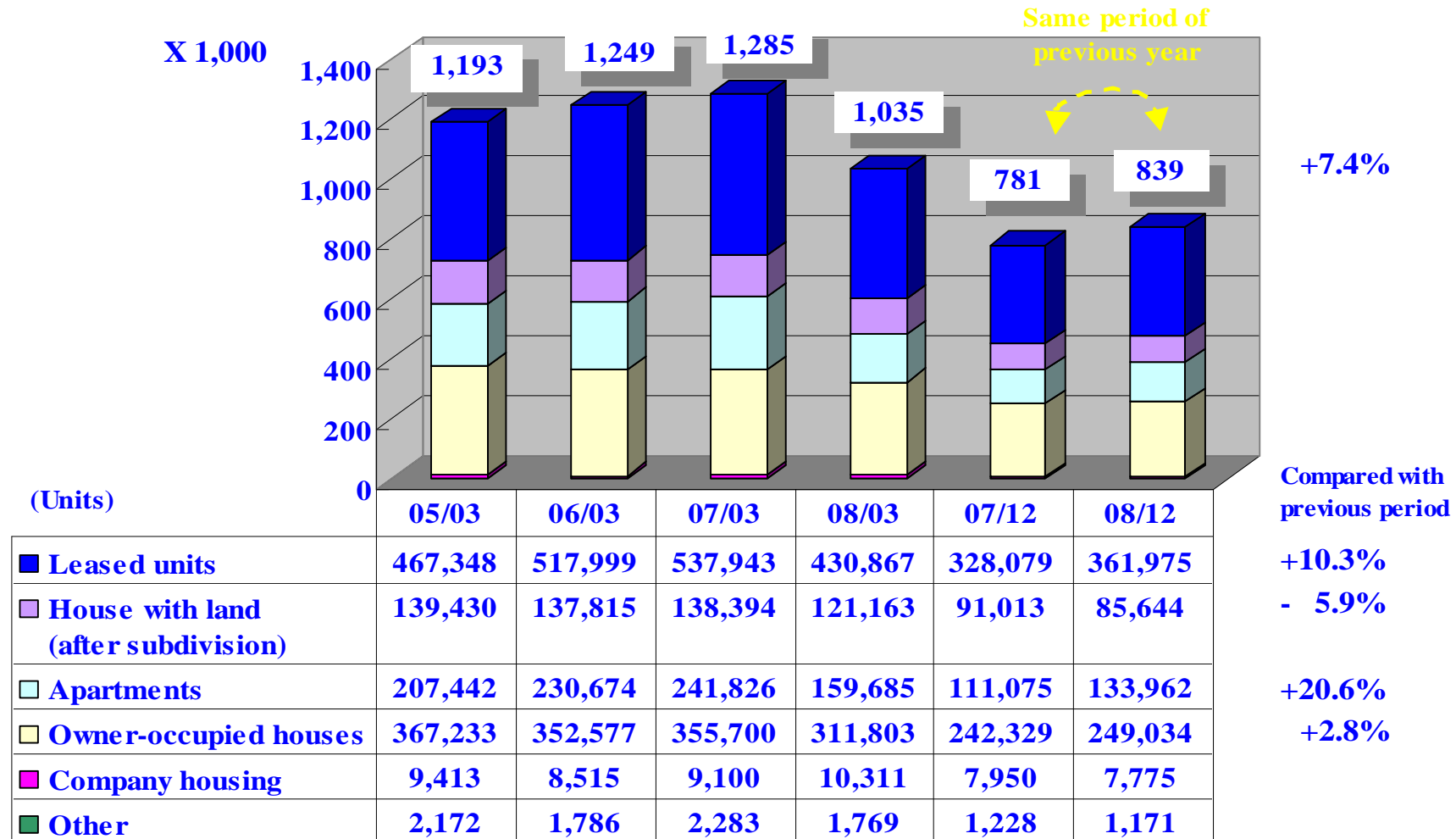
(Units: 1,000 US dollars)		1Q results (Jan. - Mar.)	Interim results (Jan. - Jun.)	3Q results (Jan. - Sep.)	FY 2007 (Jan. - Dec.)
FY 2007	Net Sales	24,171	42,429	58,790	77,676
	Operating Income	5,166	5,972	5,126	4,920
	Depreciation Expenses	3,790	7,563	11,328	15,160
	Occuring Rate (Leopalace Resort)	74.8%	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 (E) (Jan. - Dec.)
FY 2008	Net Sales	23,485	43,411	59,932	80,182
	Operating Income	4,346	5,578	3,776	5,217
	Depreciation Expenses	3,888	7,889	11,848	15,792
	Occuring Rate (Leopalace Resort)	69.0%	60.5%	58.0%	67.8%
	Occupancy Rate (Westin)	69.3%	69.3%	70.1%	72.4%

Appendix



Supply – 1 (Market for Housing)

Housing Starts (No. by use breakdown)

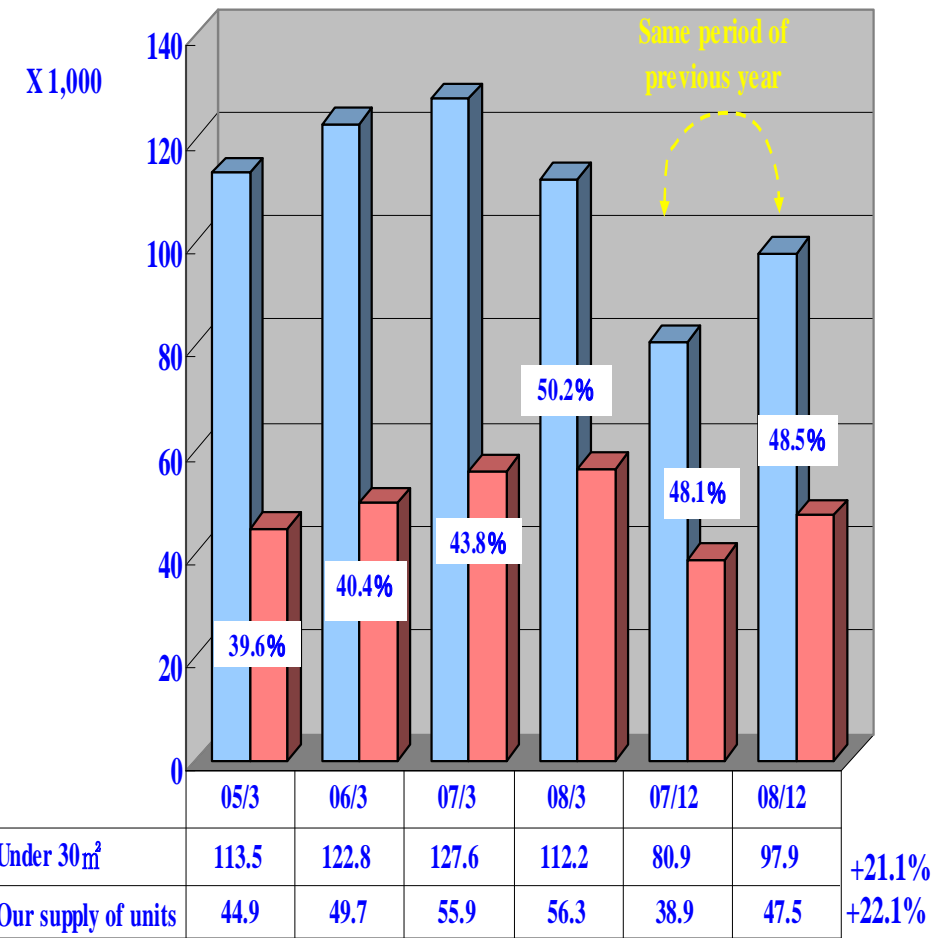
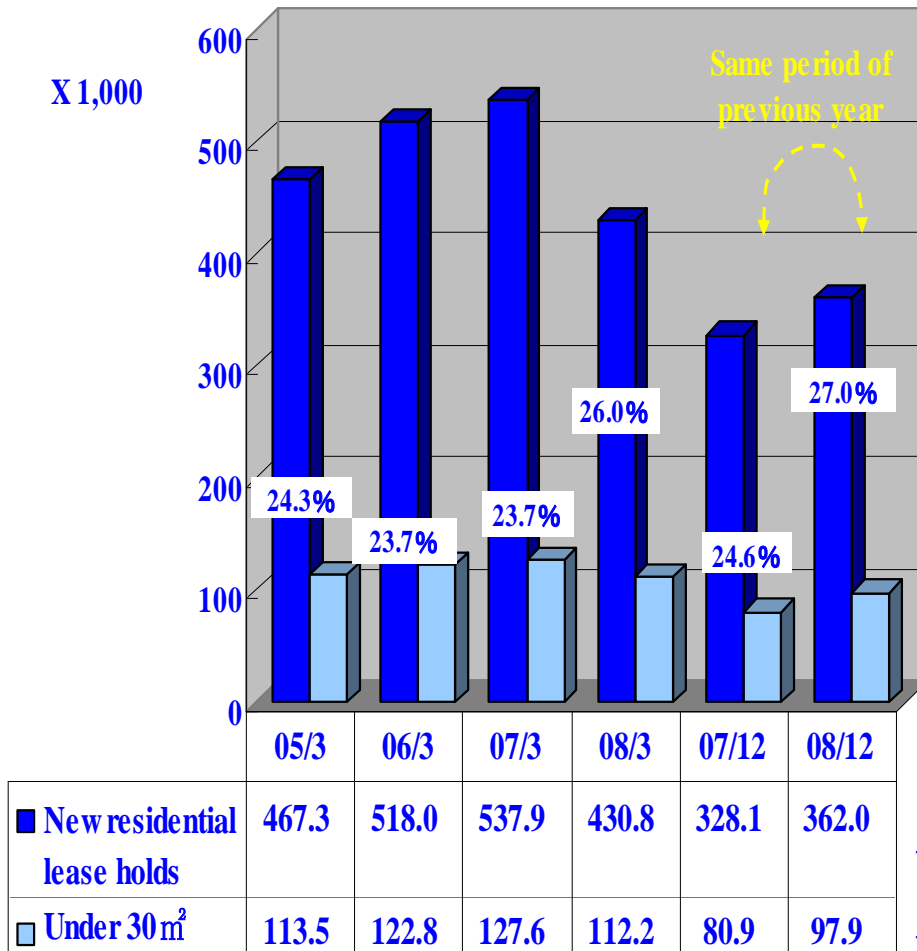


(Based on housing start statistics for December 2008 Ministry of Land, Infrastructure & Transport)

Supply – 2 (Market for Studios)

Trend in No. of New Residential Leaseholds Overall & Our Market Share

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

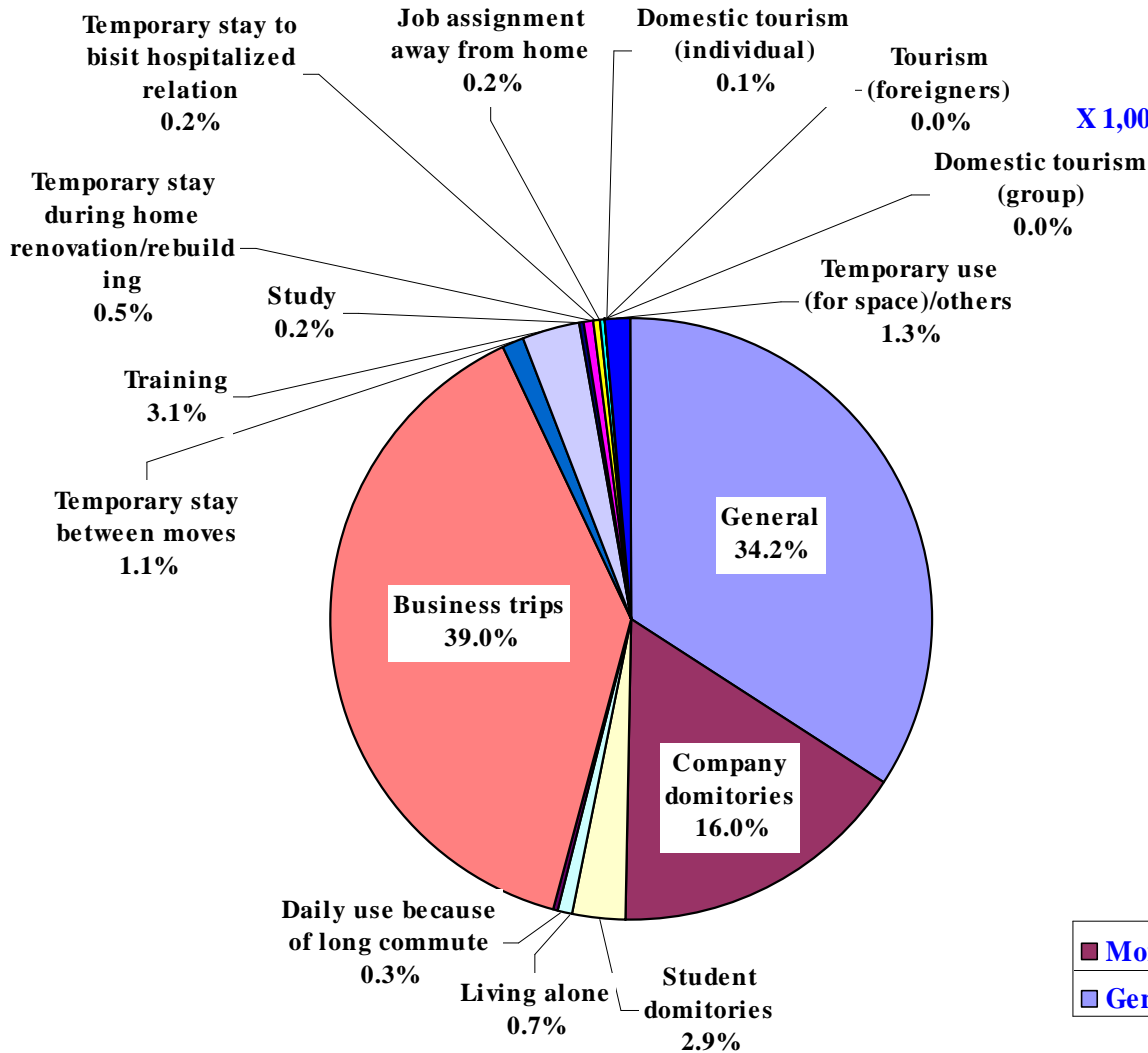


(Based on housing start statistics for December 2008, Ministry of Land, Infrastructure & Transport)

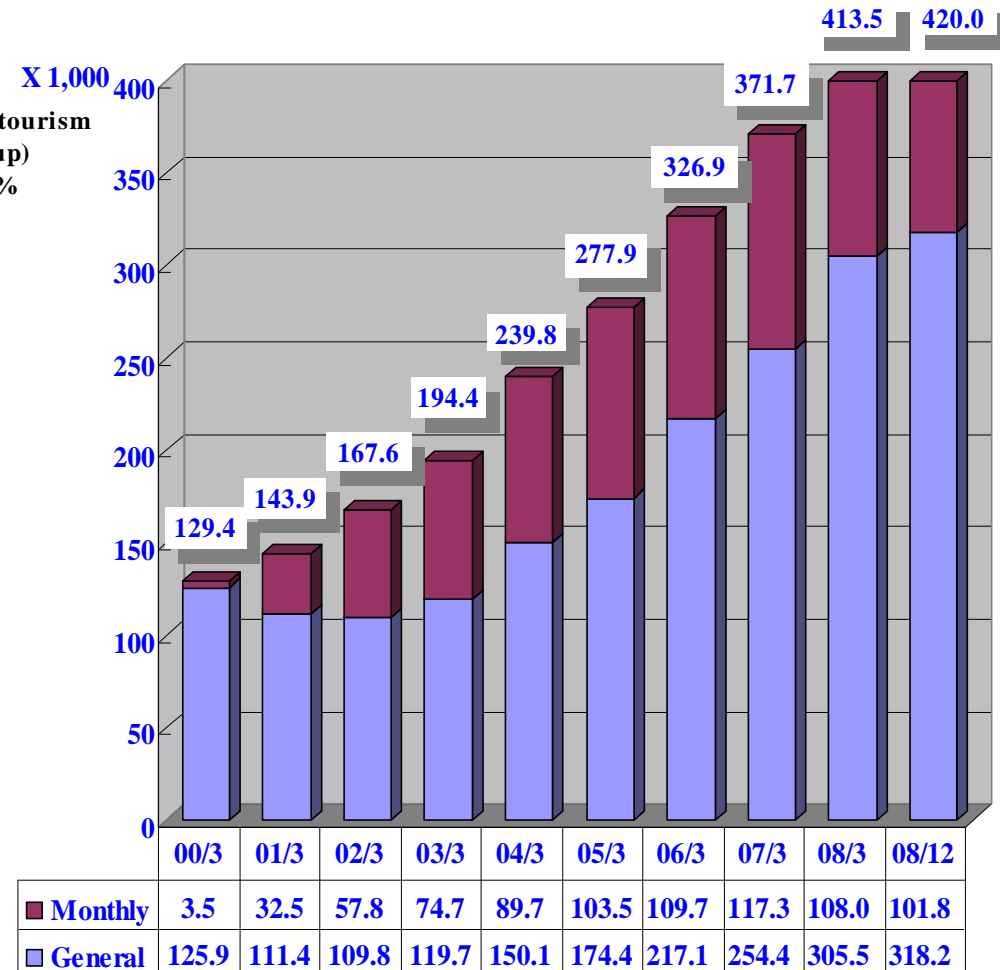
*Supply of units after FY 06/3 represents actual units sold.

Use (Studio Market)

Breakdown of Users of Month-to-month Leases (December 2008)



No. of Tenants by Contract Type



(Based on our company data, end-December 2008)