

Explanatory Session for the Third Quarter Results of the Fiscal Year Ending March 2010

February 2010

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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Overview of Core Businesses during the Third Quarter Ended December 2009

Change for NEXT
Leopalace21

Overview of Apartment Construction Subcontracting Business

(Unit: 100 million yen)	FY 2007/03	FY 2008/03	FY 2009/03					FY 2010/03				Full- Year Forecast
	Full- Year	Full- Year	1Q	2Q	3Q	4Q	Full- Year	1Q	2Q	3Q	3Q Cumulative	
Total orders received	3,624	4,630	1,032	901	717	726	3,378	632	636	535	1,803	2,484
Total orders canceled	218	415	153	226	176	128	683	184	115	109	408	488
Cancellation rate	6.0%	9.0%	14.8%	25.1%	24.5%	17.6%	20.2%	29.3%	18.1%	20.4%	22.6%	19.7%
Net orders received	3,406	4,215	879	675	541	595	2,691	448	521	427	1,395	2,000
Orders received outstanding	2,486	3,426	4,039	3,238	3,519	2,528	—	2,638	2,292	2,425	—	2,130

○ Revision of Order Target (Full-Year ¥210 billion → ¥200 billion)

(i) Cancellation rate continues to rise from the previous fiscal year.

Credit cost increase, continued strict loan screening due to tightening of BIS regulations.

(ii) More careful selection of locations for lease business properties in order to control increase in vacancies.

Overview of Leasing Business

(Unit: x1,000; %)	FY 2007/03	FY 2008/03	FY 2009/03					FY 2010/03				Full-Year Forecast
	Full-Year	Full-Year	1Q	2Q	3Q	4Q	Full-Year	1Q	2Q	3Q	3Q Cumulative	
Total number of leases signed during period	362	374	81	86	87	130	384	83	90	87	259	410
Of which by realtor-brokers	14	15	3	5	6	13	27	5	7	7	19	31
Total number of leases terminated during period	319	330	85	79	87	110	361	96	86	82	264	367
Occupancy rate	92.8%	92.4%	91.2%	89.5%	86.7%	86.8%	88.5%	83.1%	81.9%	80.8%	81.9%	82.2%
Of which corporate tenants	-	-	39.0%	38.5%	35.6%	36.0%	37.3%	33.7%	33.3%	31.9%	33.0%	-
Of which personnel dispatch/outsourcing lessee tenants	-	-	6.2%	6.5%	4.5%	3.5%	5.2%	2.8%	2.6%	2.7%	2.7%	-
Units under management	388,500	442,025	456,671	472,671	488,840	506,742	-	519,743	528,785	539,109	-	549,114

Notes

- Total number of leases signed is the combined total of leasing system contracts and monthly system use units.
- Total number of corporate leases includes those from subsidiary Leopalace Leasing.
- The occupancy rate is the average value for each period (full year or quarter). Figures for units under management, corporate tenants, and for personnel dispatch/outsourcing lease tenants are as of the end of the final month for the relevant period, except for full year and 3Q cumulative figures.

○ Revision of Occupancy Rate Target (Annual Average 83.5% → 82.2%)

(i) Sluggish corporate earnings due to long-term deflation remains a concern.

(ii) High unemployment delaying recovery in employment conditions.

Determination of the Provision for Apartment Vacancy Loss, and Forecast Amounts

(Units: 100 million yen; Units; %)		FY 2009/03	FY 2010/03												
		Full-Year	1Q	2Q	3Q	Full-Year Estimate	1st Half		3Q Cumulative		Change in amount		Full-Year		
By Building Age	3 to 15 Years	39	52	58	79	108	Units under mgmt	Occupancy rate	Units under mgmt	Occupancy rate	Units under mgmt	Occupancy rate	New units in 4Q (Plan)	New units share	Orders received outstanding as of Dec 24, 2009 (units)
	Less than 3 Years	8	17	33	60	100									
Total		46	68	91	139	208									
By Area	Hokkaido	2	4	6	8	11	13,790	80%	14,190	76%	400	-4%	200	2%	1,317
	Tohoku	8	11	14	18	23	32,747	83%	33,208	83%	461	0%	600	6%	1,357
	North Kanto	5	7	8	12	17	41,401	77%	41,987	76%	586	-1%	500	5%	2,439
	Tokyo Metropolitan	3	4	6	12	23	145,654	87%	149,303	86%	3,649	-1%	2,900	30%	14,802
	Hokuriku	5	9	13	16	20	15,830	79%	15,940	79%	110	0%	200	2%	453
	Koshinetsu	2	3	4	6	9	22,994	82%	23,409	80%	415	-2%	600	6%	1,529
	Chubu	7	11	17	30	46	87,840	73%	89,181	71%	1,341	-2%	1,500	16%	5,437
	Kinki	8	10	12	17	25	73,993	82%	75,678	82%	1,685	0%	1,200	13%	6,629
	Chugoku	2	3	3	7	11	35,960	85%	36,553	84%	593	-1%	500	5%	1,639
	Shikoku	2	3	4	4	7	13,764	75%	14,001	74%	237	-1%	200	2%	603
	Kyushu	2	3	4	8	13	40,711	84%	41,458	82%	747	-2%	900	9%	3,701
	Okinawa	0	0	0	0	0	4,101	94%	4,201	91%	100	-3%	300	3%	751
Total		46	68	91	139	208	528,785	82%	539,109	81%	10,324	-1%	9,600	100%	40,657

Notes regarding determination of the provision for apartment vacancy loss and full-year forecasts:

- Increases/decreases to the provision are governed by sudden loss of apartment demand, or the supply of new units.

- (1) By area, regions with a high concentration of manufacturers, and areas with increases in new units supplied.

- (2) By supply period, the areas where supply has increased within the past three years.

- In considering the vacancy risk for the full year, there is still a high risk in areas with a high concentration of manufacturers, and increases in new units supplied.

Outline of the Third Quarter Results

Change for NEXT
Leopalace 21

Highlights of the Third Quarter Results (Consolidated & Full-Year Forecasts)

(Unit: Million yen)	Consolidated (Cumulative)				Forecasts for FY ending March 2010		
	3rd Quarter ended Dec. 2009	3rd Quarter ended Dec. 2008	Change in amount	Percentage change	FY ending March 2010	Change in Forecasts	Factors for revision
Net sales	434,409	473,481	(39,072)	-8.3%	624,800	(14,634)	Subcontracting down 9.9 billion yen Leasing down 5.4 billion yen
Gross profit	35,435	94,245	(58,810)	-62.4%	49,500	(16,494)	Subcontracting down 4.1 billion yen Leasing down 11.8 billion yen
(%)	8.2%	19.9%	-11.7%	—	7.9%	-2.4%	
Selling, general & administrative expenses	57,469	69,462	(11,993)	-17.3%	77,700	554	Subcontracting up 0.8 billion yen Leasing down 0.9 billion yen
Operating profit (loss)	(22,034)	24,782	(46,816)	—	(28,200)	(17,048)	Subcontracting down 5.0 billion yen Leasing down 10.9 billion yen
(%)	-5.1%	5.2%	-10.3%	—	-4.5%	-2.8%	
Recurring profit (loss)	(26,259)	17,600	(43,859)	—	(33,300)	(16,158)	Operating loss down 17.0 billion yen Foreign exchange loss improved 1.2 billion yen
(%)	-6.0%	3.7%	-9.7%	—	-5.3%	-2.6%	
Net income (loss)	(27,126)	2,941	(30,067)	—	(35,100)	(16,000)	

Highlights of the Third Quarter Results for Parent & Major Subsidiaries (Cumulative)

(Unit: Million yen)		3rd Quarter ended Dec. 2009	3rd Quarter ended Dec. 2008	Change in amount	Percentage change	3Q Dec. 2009 Depreciation expenses	3Q Dec. 2008 Depreciation expenses
Leopalace21 Corporation	Net sales	430,765	469,331	(38,566)	-8.2%	3,497	2,453
	Recurring profit (loss)	(24,552)	20,320	(44,872)	—		
LGC	Net sales	4,812	6,343	(1,531)	-24.1%	1,135	1,254
	Recurring profit (loss)	(2,675)	(4,062)	1,387	—		
	Foreign exchange gain (loss)	(2,708)	(4,506)	1,798	—		
Others & Exclusion	Net sales	(1,168)	(2,193)	1,025	—	22	26
	Recurring profit (loss)	968	1,342	(374)	—		
Consolidated total	Net sales	434,409	473,481	(39,072)	-8.3%	4,654	3,733
	Recurring profit (loss)	(26,259)	17,600	(43,859)	—		
	Foreign exchange gain (loss)	(3,049)	(6,071)	3,022	—		

Outline of Balance Sheet (Consolidated)

(Unit: Million yen)		3rd Quarter ended Dec. 2009	3rd Quarter ended Dec. 2008	Change in amount	FY ended Mar. 2009
Assets	Current assets	149,118	201,460	(52,342)	192,015
	Cash & cash equivalents	51,342	54,174	(2,832)	78,375
	Trade/account receivables for completed projects	11,510	5,698	5,812	9,471
	Operating loans	6,834	10,840	(4,006)	10,043
	Real estate for sale, sale in process	11,874	35,762	(23,888)	28,826
	Payout for construction in progress	18,077	42,304	(24,227)	14,925
	Fixed assets	269,475	273,749	(4,274)	275,280
	Buildings & structures	64,952	72,234	(7,282)	66,529
	Land	115,620	117,502	(1,882)	114,914
	Construction in progress	3,611	3,608	3	2,884
	Total assets	418,690	475,215	(56,525)	467,300
Liabilities	Current liabilities	186,421	238,354	(51,933)	231,432
	Short-term borrowings	32,503	40,159	(7,656)	17,492
	Long-term liabilities	109,744	87,373	22,371	89,425
	Long-term borrowings	32,429	28,820	3,609	22,897
	Provision for apartment vacancy loss	13,946	-	13,946	4,620
	Total liabilities	296,165	325,728	(29,563)	320,857
Net assets	Share capital	55,640	55,640	—	55,640
	Capital surplus	33,961	34,104	(143)	34,104
	Retained earnings	46,286	66,402	(20,116)	73,412
	Total net assets	122,524	149,486	(26,962)	146,442
Shareholder's equity ratio		29.2%	31.5%	-2.3%	31.3%

Outline of Cash Flow (Consolidated)

(Unit: Million yen)	3rd Quarter ended Dec. 2009	3rd Quarter ended Dec. 2008	Change in amount	FY ended Mar. 2009
Cash flows from operating activities	(49,022)	6,894	(55,916)	62,843
Net income (loss) before taxes & adjustments	(26,890)	11,756	(38,646)	33,446
Depreciation expenses	4,654	3,716	938	5,782
Increase (decrease) in provision for apartment vacancy loss	9,326	-	9,326	4,620
Foreign exchange loss (gain)	3,048	6,070	(3,022)	1,876
Decrease (increase) in accounts receivable	835	41,070	(40,235)	35,868
Decrease (increase) in real estate for sale	16,303	(1,995)	18,298	4,941
Decrease (increase) in amount paid for uncompleted works	(3,151)	(30,512)	27,361	(3,133)
Decrease (increase) in long-term prepaid expenses	8,580	(4,682)	13,262	(10,854)
Increase (decrease) in accounts payable	(37,969)	(46,999)	9,030	(26,860)
Income taxes paid	(14,105)	(22,871)	8,766	(22,884)
Cash flows from investing activities	(6,114)	(7,854)	1,740	(10,048)
Payout for purchase & proceeds from sale of tangible assets	(3,330)	(5,543)	2,213	(5,147)
Payout for purchase & proceeds from sale of investment securities	3	(327)	330	(419)
Cash flows from financial activities	27,945	(4,894)	32,839	(33,885)
Proceeds from & repayment of short-term debt	9,999	20,000	(10,001)	0
Proceeds from & repayment of long-term debt	14,542	4,364	10,178	(4,226)
Dividends paid to minority shareholders	-	(4,970)	4,970	(4,970)
Dividends paid for shareholders	-	(12,750)	12,750	(12,750)
Net increase (decrease) in cash & cash equivalents	(27,032)	(6,791)	(20,241)	17,410
Cash & cash equivalents at end of period	51,342	54,174	(2,832)	78,375

Profit/Loss for Major Segments (Consolidated, cumulative)

(Unit: Million yen)	3rd Quarter ended Dec. 2009		3rd Quarter ended Dec. 2008		Change in amount	Percentage change	Forecasts for FY 2010	
Construction Division	* Effect in switching to "percent of completion method": Net sales ¥18.4 billion; Gross income ¥5.1 billion.							
Net sales	150,009		200,391		(50,382)	-25.1%	240,074	
Gross profit	40,721	27.1%	62,879	31.4%	(22,158)	-35.2%	59,495	24.8%
Operating profit (loss)	17,284	11.5%	33,771	16.9%	(16,487)	—	27,997	11.7%
Leasing Division								
Net sales	256,106		256,849		(743)	-0.3%	346,548	
Gross profit (loss)	(2,599)	-1.0%	36,520	14.2%	(39,119)	-107.1%	(7,546)	-2.2%
Operating profit (loss)	(30,321)	-11.8%	2,527	1.0%	(32,848)	—	(44,961)	-13.0%
Hotel Resort Division								
Net sales	7,310		9,535		(2,225)	-23.3%	10,452	
Gross profit	1,584	21.7%	2,600	27.3%	(1,016)	-39.1%	2,165	20.7%
Operating profit (loss)	(929)	-12.7%	(221)	-2.3%	(708)	—	(1,143)	-10.9%
Other Division (Including Real Estate)								
Net sales	23,547		10,570		12,977	122.8%	31,101	
Gross profit (loss)	(1,777)	-7.5%	(4,055)	-38.4%	2,278	—	(1,335)	-4.3%
Operating profit (loss)	(5,350)	-22.7%	(7,644)	-72.3%	2,294	—	(5,529)	-17.8%

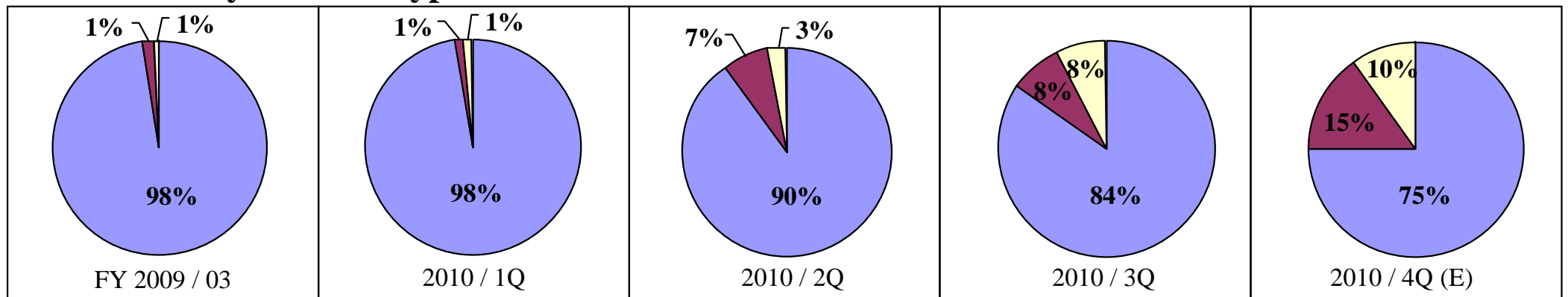
*Values for each are before eliminations between segments.

*Segments have been changed since the FY ending March 2010. Please see page 14 for results of segment operations.

Full-Year Forecasts for Apartment Construction Subcontracting Business Costs, Sales Share by Product Type

(Unit: 100 million yen) (Excludes percentage of completion basis)	Results								Forecast					
	FY 2009/03 Full-Year		FY 2010/03 1Q		FY 2010/03 1H		FY 2009/03 3Q (Cumulative)		FY 2010/03 (Initial Plan)		FY 2010/03 (Revised Plan)		Changes	
	Results	%	Results	%	Results	%	Results	%	Full-Year	%	Full-Year	%	Compared to plan	Compared to plan
Net sales	3,590	100%	204	100%	1,144	100%	1,314	100%	2,950	100%	2,348	100%	(602)	0.0%
Cost of sales	2,495	69.5%	142	69.6%	833	72.8%	959	73.0%	2,109	71.5%	1,769	75.3%	(340)	3.8%
Direct expenses	2,263	63.0%	131	64.1%	730	63.8%	838	63.8%	1,873	63.5%	1,540	65.6%	(333)	2.1%
Construction GPM		37.0%		35.9%		36.2%		36.2%		36.5%		34.4%		-2.1%
Indirect expenses	226	6.3%	11	5.5%	106	9.3%	121	9.2%	236	8.0%	229	9.7%	(7)	1.7%
Gross income	1,094	30.5%	62	30.4%	311	27.2%	355	27.0%	841	28.5%	580	24.7%	(261)	-3.8%

Sales Share by Product Type



Two factors leading to the decrease in gross profit margin of the Apartment Construction Subcontracting division for the FY ending March 2010:

1. Significant decrease in sales (construction completion)

Sales (completion of buildings) decreased drastically compared to last FY, especially after the 2Q, and the reduction in fixed costs (indirect construction expenses) could not match this.

2. Increases in construction completion of family type and large-1K products

Family type and large-1K products were introduced from the FY ending March 2010 to secure orders and occupancy rate, and the sales share of these products will increase from 2% in the previous FY to 25% in the 4Q ending March 2010. This leads to a decrease in construction GPM.

Current Progress in the Development of Other Businesses

Change for NEXT
Leopalace 21

Results of Other Business Operations (Cumulative)

<Related Businesses> (Segment given in parenthesis underneath)

(Unit: Million yen)		3rd Quarter ended Dec. 2009	3rd Quarter ended Dec. 2008	Change in amount	Percentage change	Forecasts for FY 2010
Real Estate Business (New segment)	Net sales	16,672	4,789	11,883	248.1%	21,427
	Gross profit (loss)	(1,370)	(4,109)	2,739	-	(1,153)
	Operating profit (loss)	(2,361)	(5,331)	2,970	-	(2,542)
Silver Business (Other Business)	Net sales	6,319	5,203	1,116	21.4%	8,903
	Gross profit (loss)	(891)	(357)	(534)	-	(856)
	Operating profit (loss)	(1,627)	(1,131)	(496)	-	(1,845)
Domestic Hotel Business (Hotel Resort Business)	Net sales	1,731	1,882	(151)	-8.0%	2,278
	Gross profit (loss)	897	1,354	(457)	-33.8%	1,226
	Operating profit (loss)	(107)	304	(411)	-	(108)
Broadband Business (Leasing Business)	Net sales	10,929	10,333	596	5.8%	14,743
	Gross profit (loss)	2,356	1,133	1,223	107.9%	3,550
	Operating profit (loss)	1,789	651	1,138	174.8%	2,778

<Leopalace Resort>

(Unit: 1,000 US dollars)		Jan.-Aug. 2009	Jan.-Aug. 2008	Change in amount	Percentage change	FY Forecast (Jan.-Dec. 2009)
Leopalace Resort	Net sales	50,669	59,932	(9,263)	-15.5%	81,356
	Operating profit	93	3,776	(3,683)	-97.5%	4,823
	Depreciation expenses	11,953	11,848	105	-	16,159
	Operating rate (Leopalace Resort)	49.8%	58.0%	-8.2%	-	60.0%
	Operating rate (Westin)	53.0%	70.1%	-17.1%	-	70.1%

*Operating rate represents the average during the period.

Results of Real Estate and Silver Business (Cumulative)

<Real Estate Business>

(Unit: Million yen)	FY ended March 2009	First Half ended Sep. 2009	3rd Quarter ended Dec. 2009	Forecast for FY March 2010
Purchase contract amount	14,107	0	0	0
House sales contract amount	7,630	5,811	8,025	8,771
Revenue from house sales	7,977	4,195	7,022	9,443
Total revenue of Real Estate Business	11,281	11,270	16,672	21,427

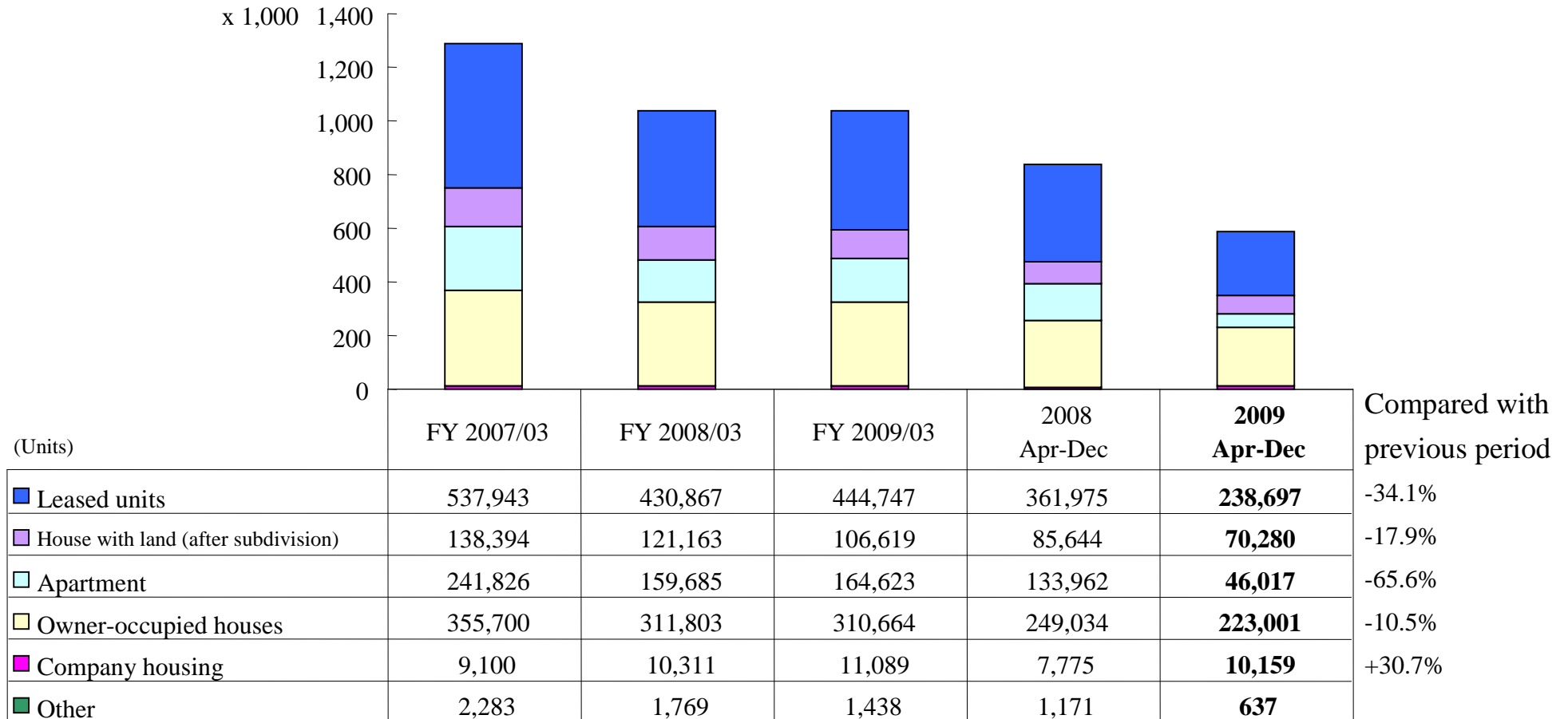
<Silver Business>

(Unit: Million yen)		FY ended March 2009	First Half ended Sep. 2009	3rd Quarter ended Dec. 2009	Forecast for FY March 2010
Direct operation	Revenue	4,728	3,024	4,720	6,520
	Total units open at end of term	49	56	56	57
Under contracts	Contract amount	4,142	242	242	242
	Facilities ordered	12	1	1	1
	Revenue	3,225	995	1,598	2,383
Total revenue of Silver Business		7,953	4,020	6,319	8,903

Appendix

Change for NEXT
 **Leopalace 21**

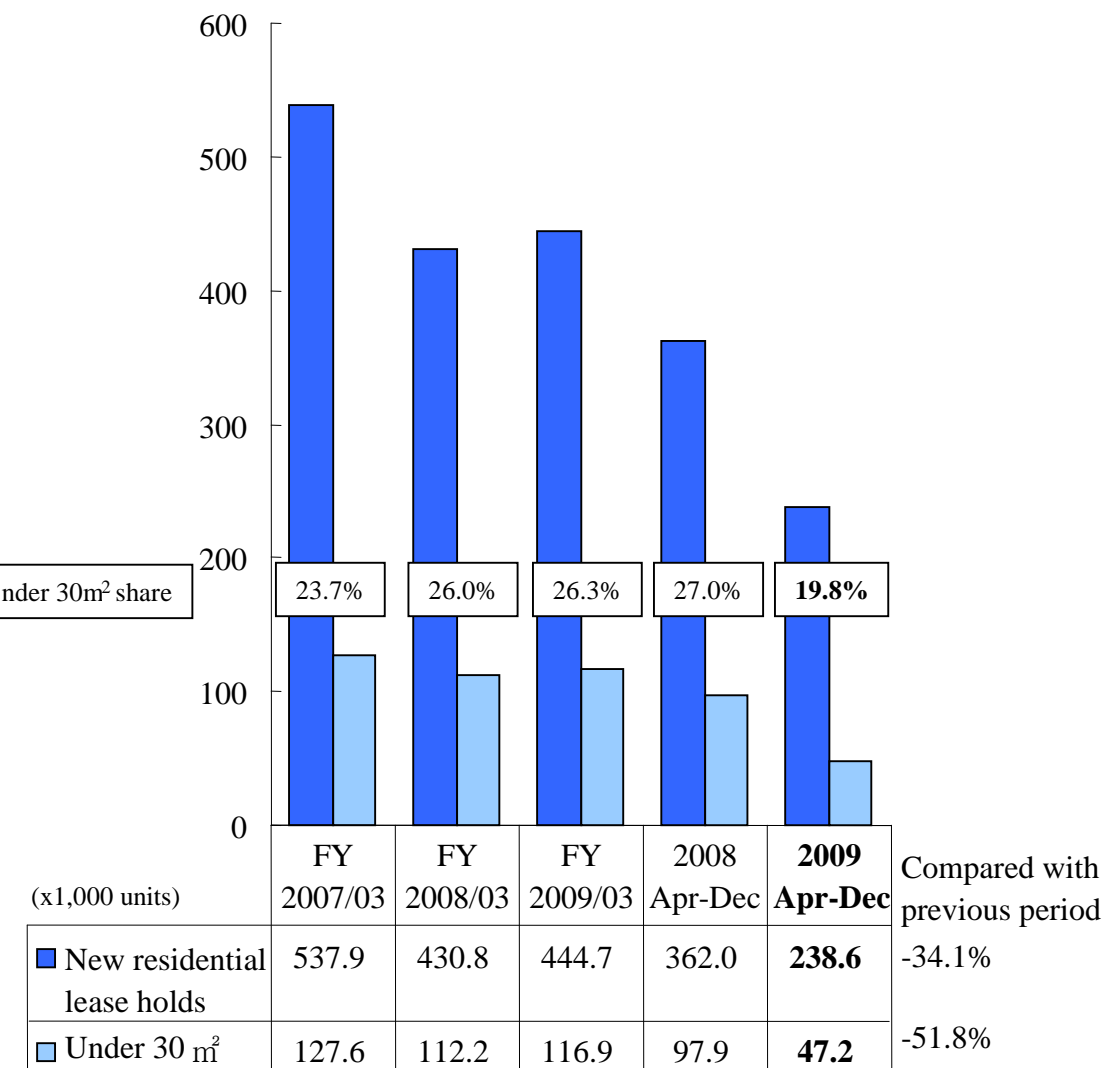
New Housing Starts (No. of use breakdown)



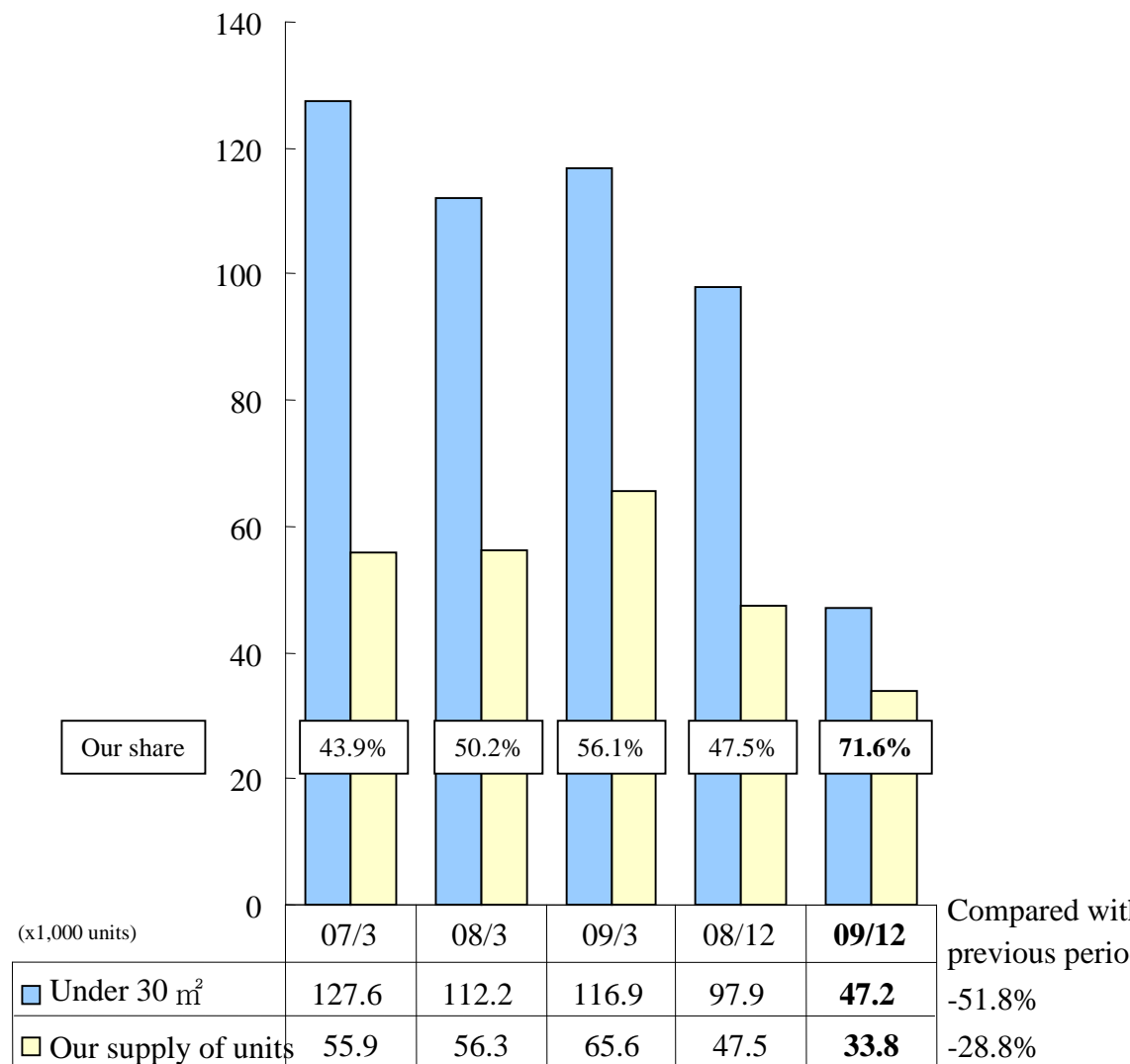
(Based on housing start statistics for the FY December 2009, Ministry of Land, Infrastructure & Transport)

New Housing Starts (Units under 30 square meters)

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



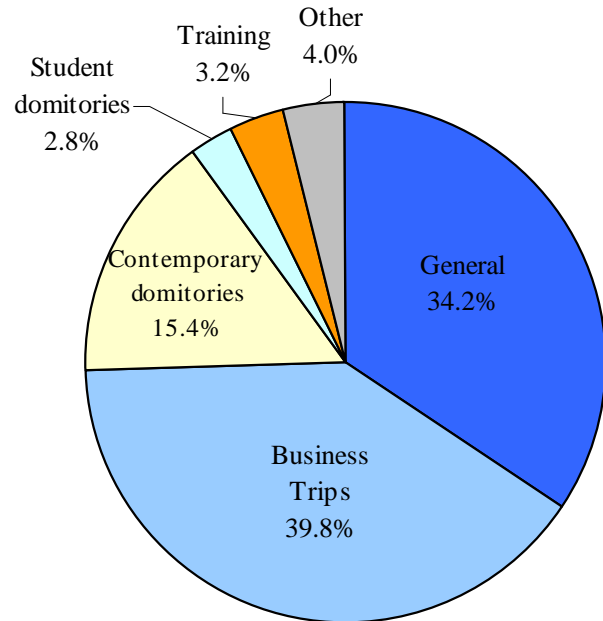
Trend in No. of New Residential Leaseholds under 30 Square Meters & Our Market Share



(Based on housing start statistics for the FY December 2009, Ministry of Land, Infrastructure & Transport)

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

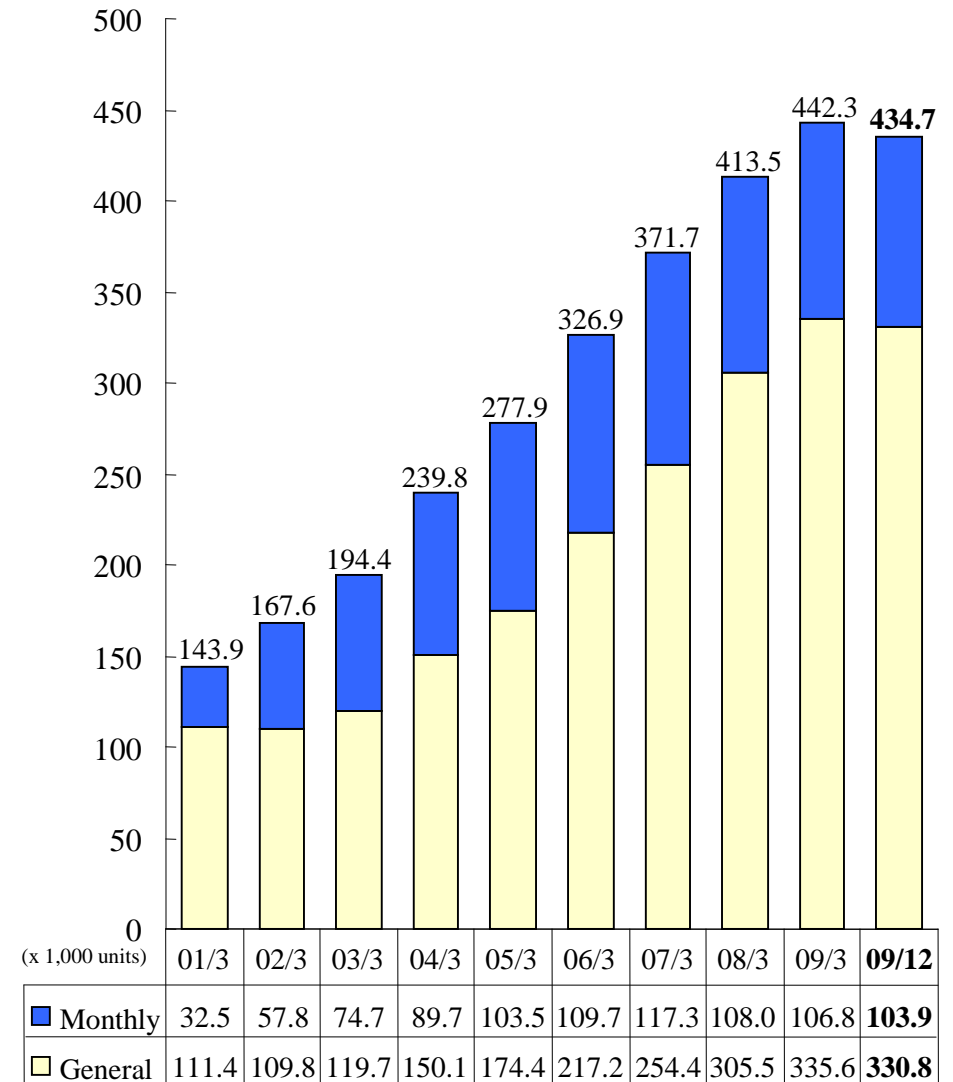
**Breakdown of Users of Month-to-Month Leases
(December 2009)**



Breakdown of other:

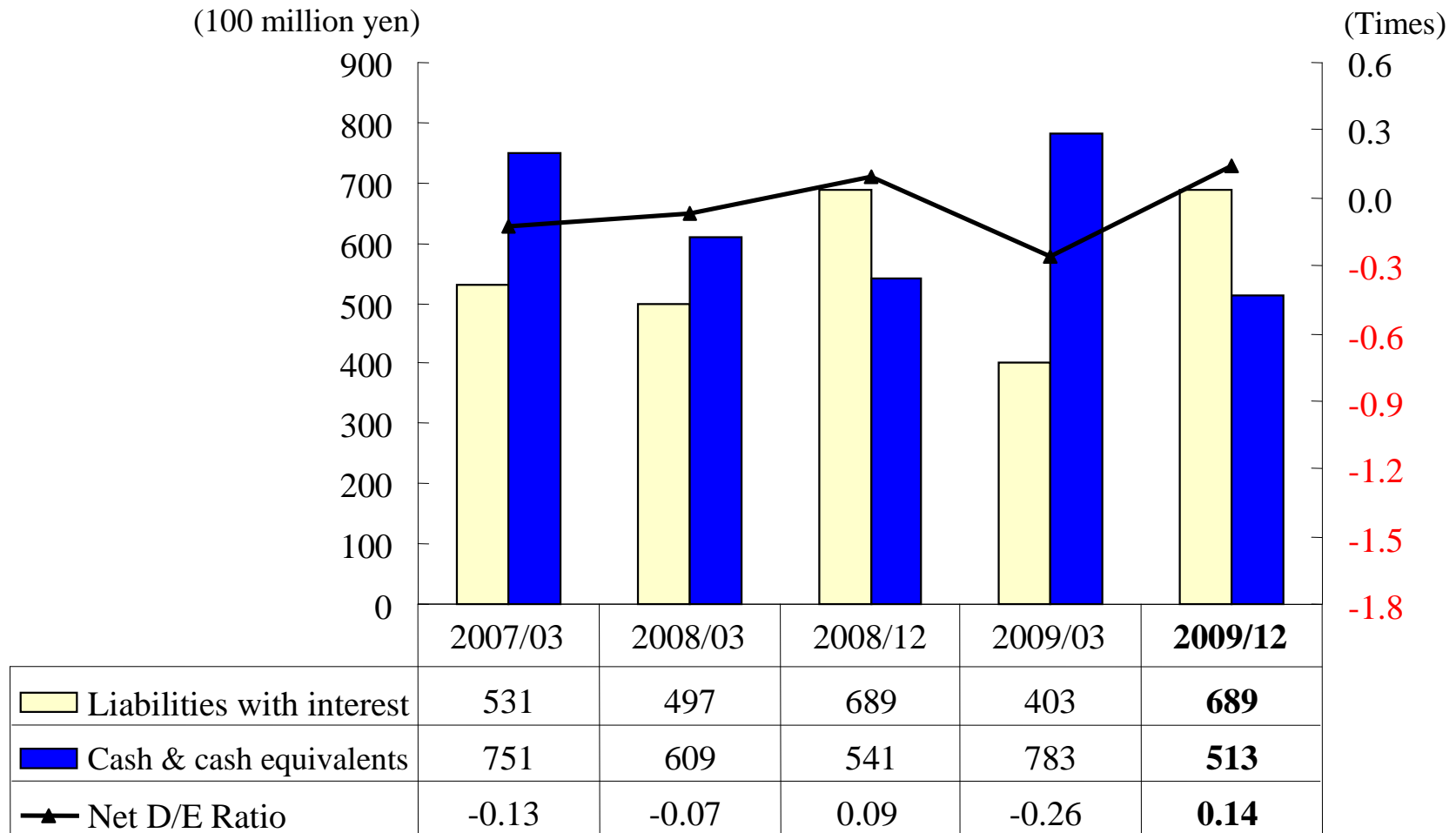
Temporary stay between moves	1.03%
Living alone	0.68%
Temporary use (for space)	0.58%
Temporary stay during home renovations	0.55%
Daily use because of long commute	0.33%
Study	0.23%
Temporary stay to visit hospitalized relations	0.22%
Job assignment away from home	0.20%
Tourism	0.17%
Other	0.74%

No. of Tenants by Contract Type



(Based on our company data, as of December 31, 2009)

Balance of Cash and Deposits, and Interest-Bearing Debt (Consolidated)



Trend in Shareholders

