

Explanatory Session for the Results of the Three Months ended June 2012

August 2012

Leopalace21 Corporation

This document and reference materials may contain forward-looking statements, but please understand that actual results may differ significantly from these forecasts due to various factors.

Outline of Results

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Outline of Results

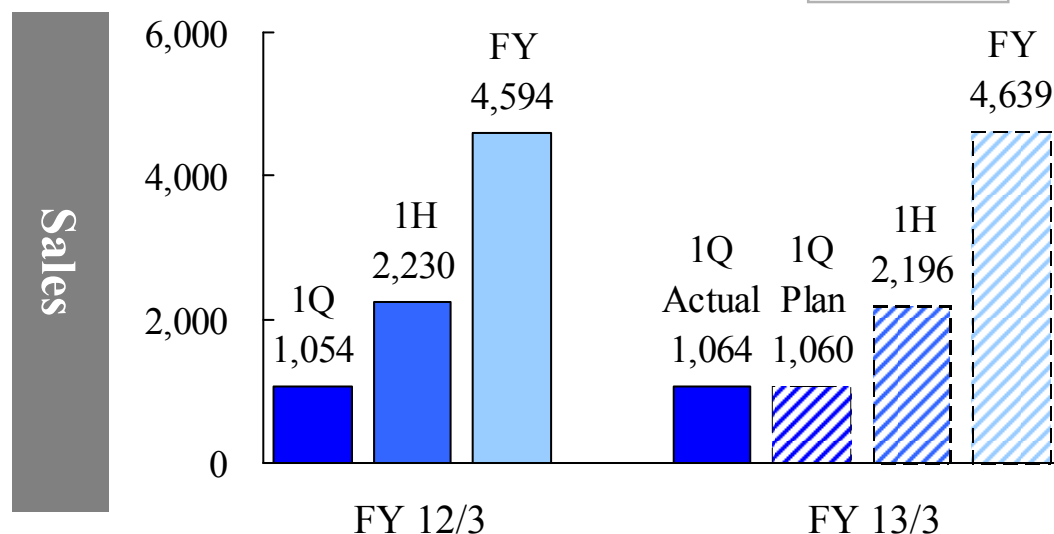
 **Leopalace21**

Highlights of Results (Consolidated)

(Million yen)	FY 12/3 1Q	FY 13/3			FY 13/3 Plan	
		1Q	YoY	%	1H	Full-year
Sales	105,486	106,449	+963	+0.9%	219,600	463,900
Gross profit	8,155	10,655	+2,500	+30.7%	23,800	60,900
%	7.7%	10.0%	+2.3p	—	10.8%	13.1%
SGAE	11,987	12,076	+89	+0.7%	25,400	52,900
Operating profit	(3,831)	(1,421)	+2,410	—	(1,600)	8,000
%	-3.6%	-1.3%	+2.3p	—	-0.7%	1.7%
Recurring profit	(4,885)	(3,683)	+1,201	—	(2,600)	6,100
%	-4.6%	-3.5%	+1.1p	—	-1.2%	1.3%
Net income	(3,798)	(4,009)	(210)	—	(2,900)	5,500

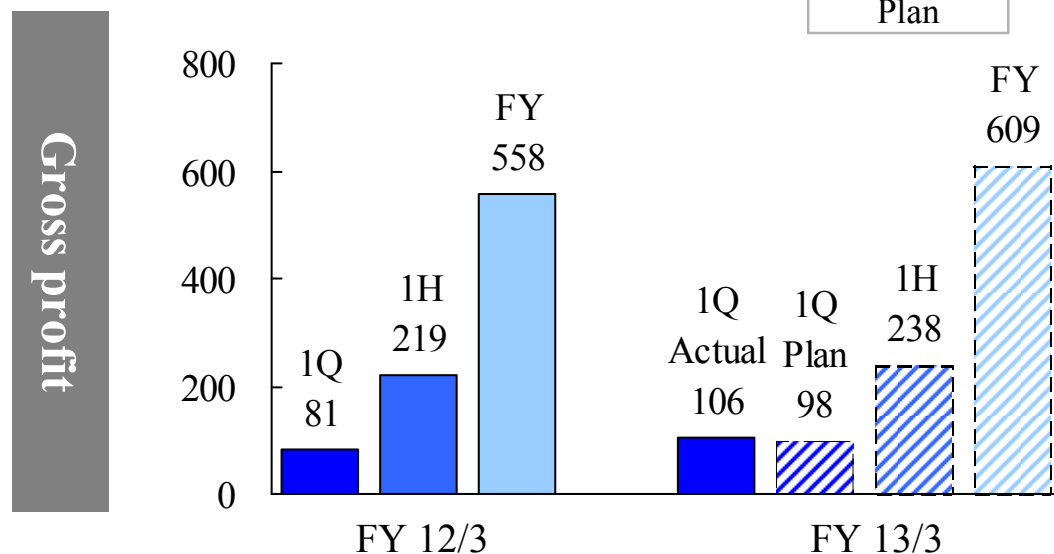
Summary of Consolidated Results 1

(100 million yen)



▪ **Sales YoY + ¥0.9 billion**

Leasing + ¥4.3 billion
 Construction (due to restraining units supplied) - ¥3.6 billion

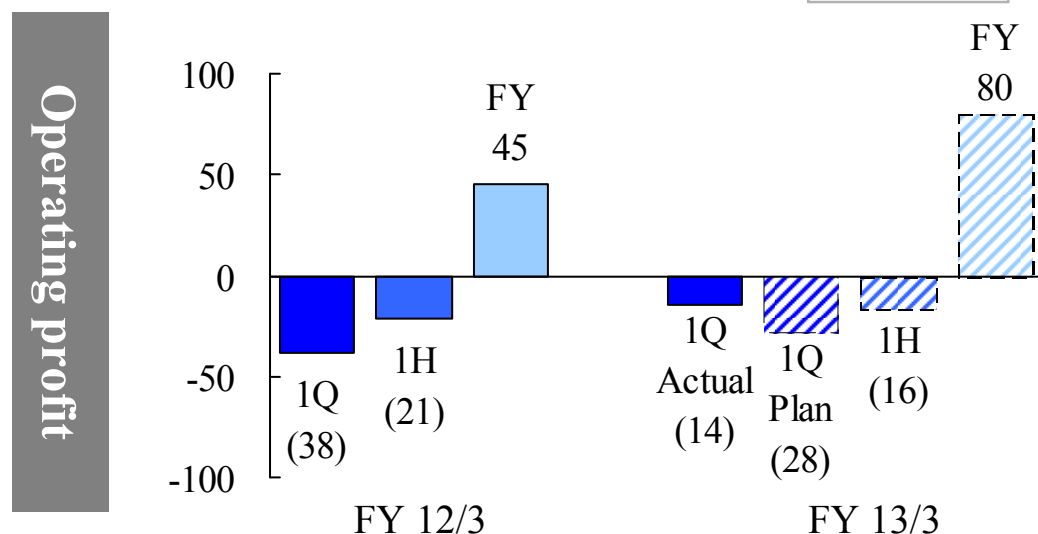


▪ **Gross profit YoY + ¥2.5 billion**

Leasing + ¥4.0 billion
 (of which, reversal in reserve for vacancy loss
 FY13/3 1Q: ¥1.4 billion FY12/3 1Q: ¥2.4 billion)
 Construction - ¥1.7 billion

Summary of Consolidated Results 2

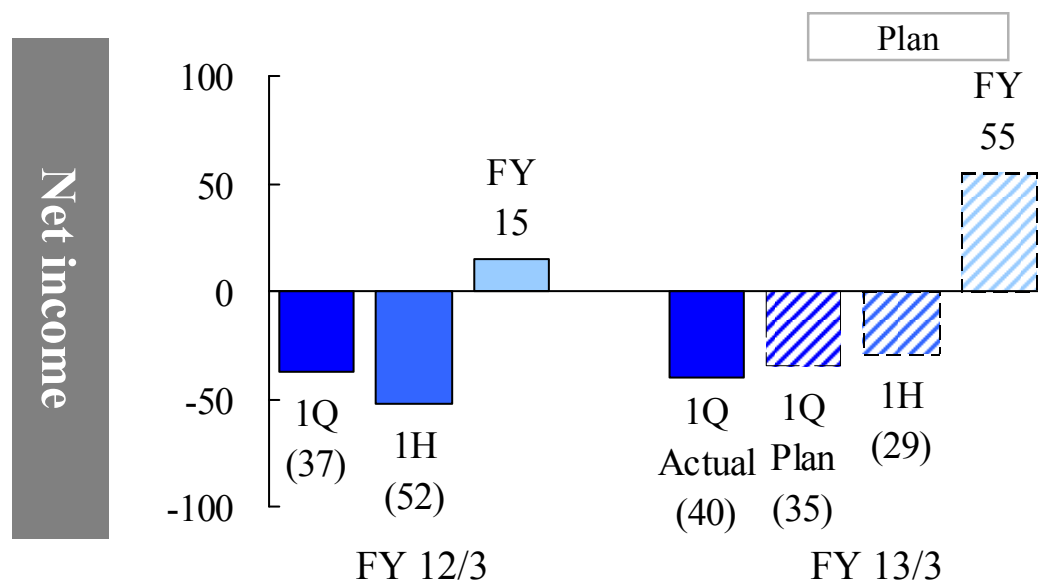
(100 million yen)



Operating profit YoY +¥2.4 billion

Leasing + ¥2.9 billion
 (of which, reversal in reserve for vacancy loss
 FY13/3 1Q: ¥1.4 billion FY12/3 1Q: ¥2.4 billion)

Construction - ¥0.7 billion



Net income YoY - ¥0.2 billion

Operating profit + ¥2.4 billion
 Increase in FX loss - ¥0.2 billion
 (FY12/3 1Q: ¥1.3 billion FY13/3 1Q: ¥1.6 billion)

Temporary decrease in profits
 (Non-operating and extraordinary profits)
 - ¥2.0 billion

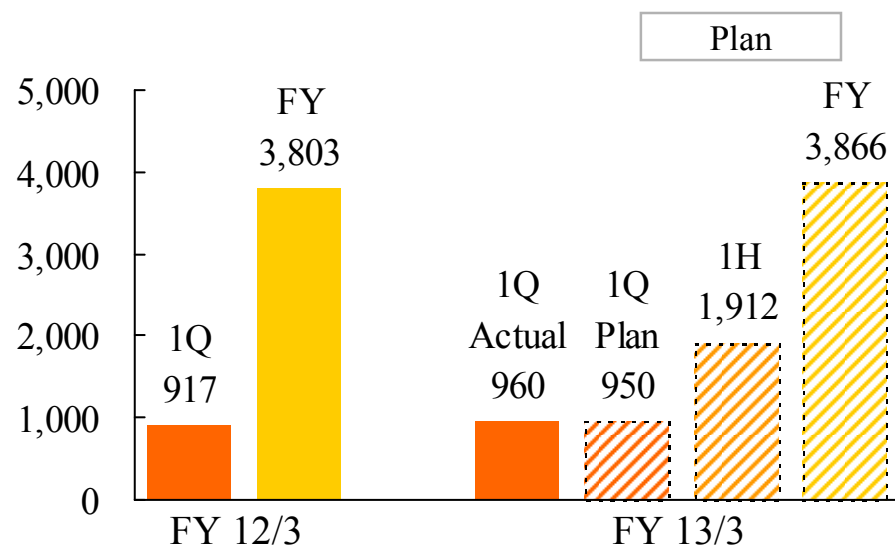
Results of Business Segments (Consolidated)

(Million yen)		FY 12/3 1Q	FY 13/3 1Q	FY 13/3		FY 13/3 Plan	
				YoY	%	1H	Full-year
Leasing	Sales	91,743	96,097	+4,353	+4.7%	191,200	386,600
	Gross profit	5,331	9,343	+4,012	+75.3%	19,500	45,200
	Operating profit	(2,008)	922	+2,931	—	2,200	9,500
Construction	Sales	9,570	5,910	(3,659)	-38.2%	20,000	60,200
	Gross profit	2,579	789	(1,790)	-69.4%	3,500	14,400
	Operating profit	(779)	(1,551)	(771)	—	(1,500)	3,000
Hotels & Resort	Sales	1,781	1,816	+35	+2.0%	3,200	6,600
	Gross profit	540	632	+92	+17.2%	900	1,900
	Operating profit	(137)	(116)	+20	—	(500)	(1,000)
Elderly Care & Others	Sales	2,391	2,625	+234	+9.8%	5,000	10,300
	Gross profit	198	328	+130	+65.6%	500	1,100
	Operating profit	(243)	(120)	+122	—	(400)	(700)

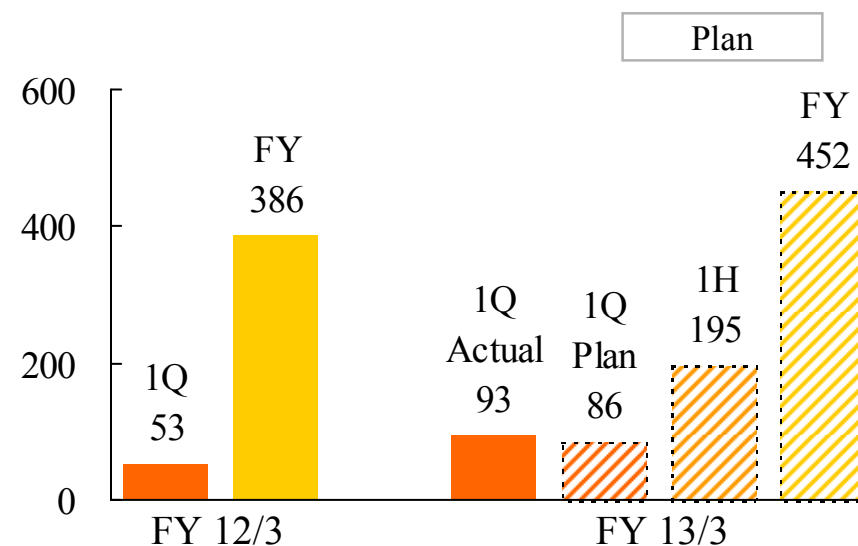
Summary of Segment Results (Leasing)

(100 million yen)

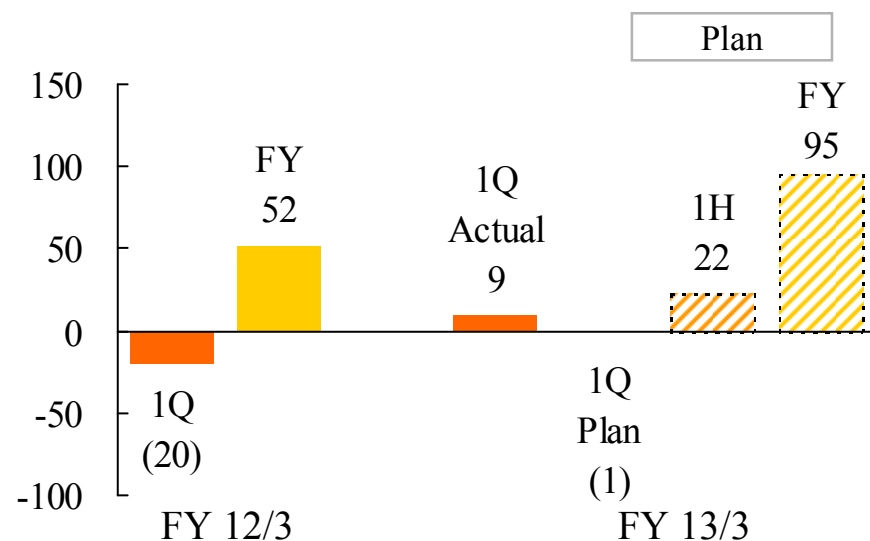
Leasing sales



Leasing gross profit



Leasing operating profit



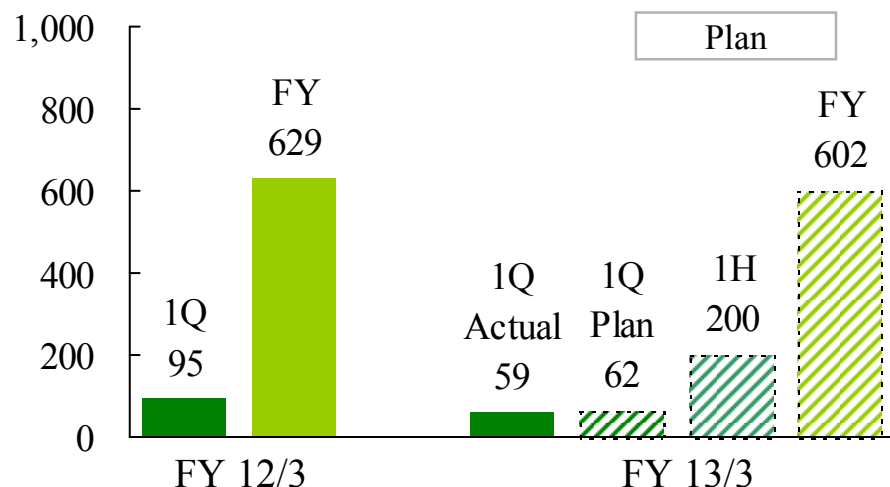
Factors which lead to operating profit

- Improvement in occupancy rate (average +1.3p)
+ ¥0.4 billion
- Reviewing leasing cost (rent, etc.)
+ ¥3.7 billion
- Reversal in reserve for apartment vacancy loss
FY13/3 1Q ¥1.4 billion
FY12/3 1Q ¥2.4 billion

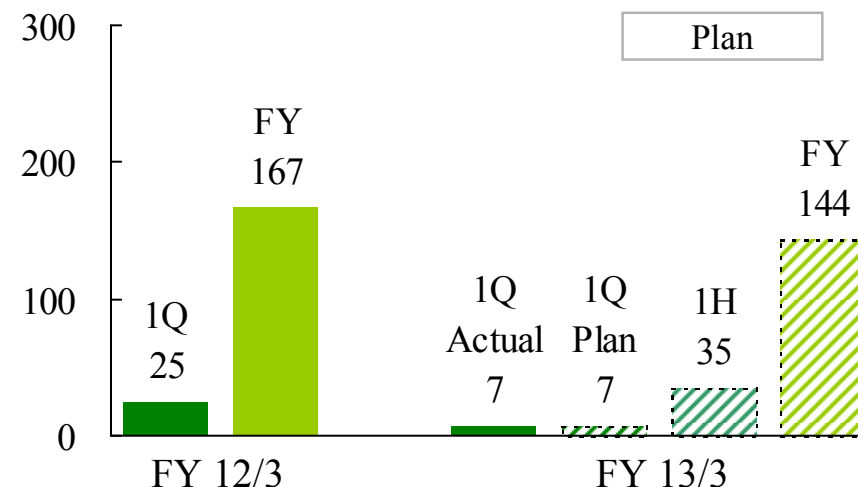
Summary of Segment Results (Construction)

(100 million yen)

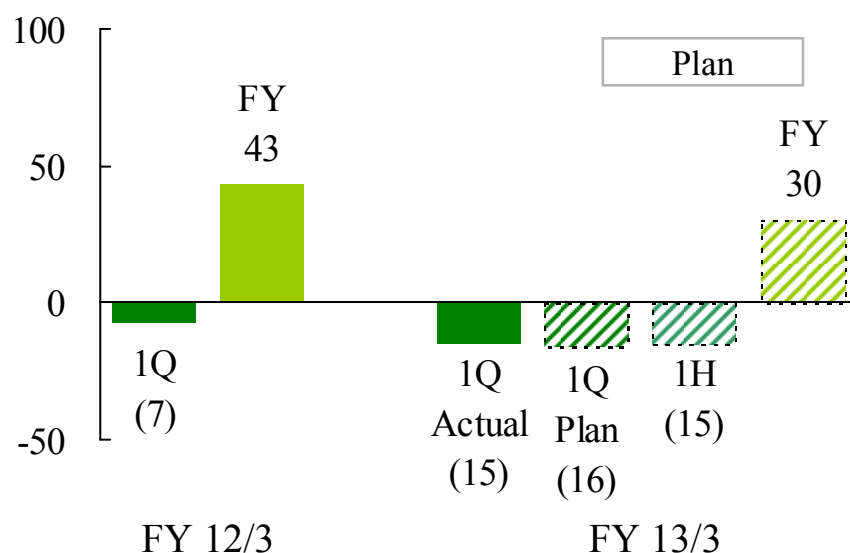
Construction sales



Construction gross profit



Construction operating profit



Previous-year level maintained

- Restrained apartments supplied

FY 12/3 1Q	117 buildings	1,387 units
FY 13/3 1Q	72 buildings	723 units

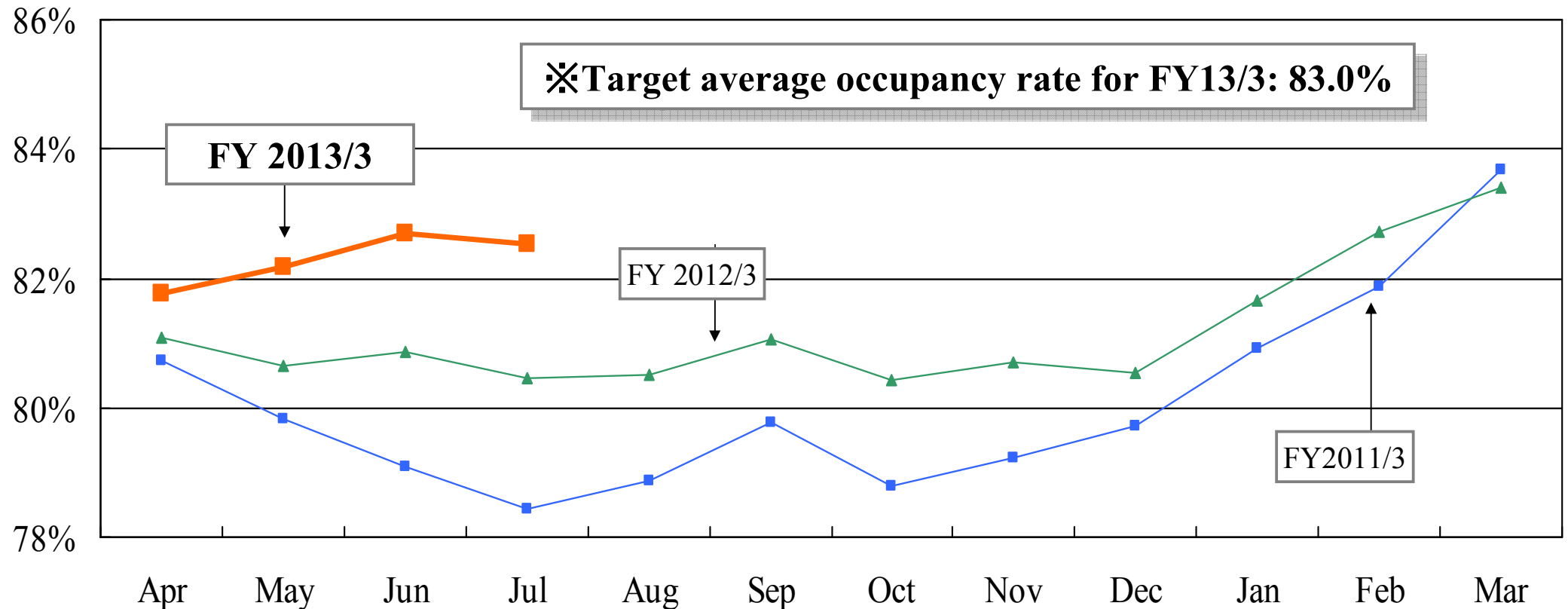
- Sales of solar power systems

FY 12/3 1Q	187 buildings
FY 13/3 1Q	414 buildings

Outline of Businesses

 **Leopalace21**

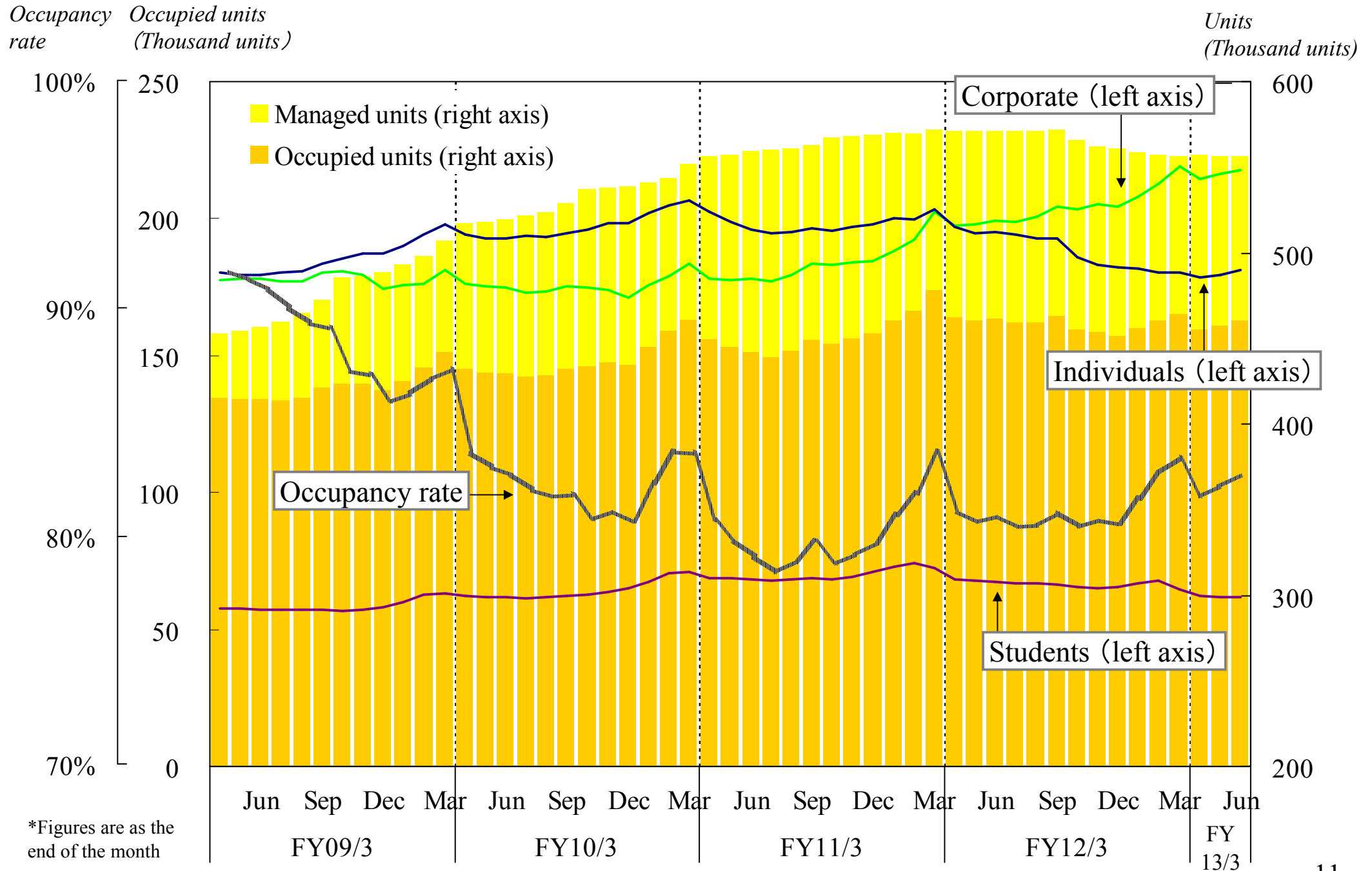
Leasing 1. Occupancy Rate



【Occupancy rate】 (Occupancy rate = Occupied units / Managed units, %)

	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Avg.
FY 2011/3	80.72	79.83	79.09	78.43	78.87	79.78	78.80	79.22	79.71	80.93	81.89	83.69	80.08
FY 2012/3	81.09	80.64	80.87	80.45	80.50	81.05	80.43	80.69	80.54	81.65	82.73	83.40	81.16
FY 2013/3	81.77	82.18	82.69	82.53									82.29

Leasing 2. Occupancy by Group - 5 year trend



Leasing 3. Occupancy by Group

	FY 2011/3					FY 2012/3					FY 13/3
	1Q	2Q	3Q	4Q	Full-year	1Q	2Q	3Q	4Q	Full-year	1Q
Units under management	559,241	562,923	568,829	571,656	—	571,068	571,908	561,084	556,207	—	556,546
Occupied units	442,292	449,085	453,411	478,438	—	461,846	463,509	451,925	463,877	—	460,231
Occupancy rate (average)	79.9%	79.0%	79.2%	82.2%	80.1%	80.9%	80.7%	80.6%	82.6%	81.2%	82.2%
Corporate-occupied units	178,259	183,786	184,415	202,584	—	199,441	204,279	204,415	219,239	—	217,517
Corporate share (Corporate-occupied units / Occupied units)	40.3%	40.9%	40.7%	42.3%	—	43.2%	44.1%	45.2%	47.3%	—	47.3%
Individual-occupied units	195,860	196,580	198,070	203,539	—	195,089	192,874	182,004	180,186	—	181,047
Individual share (Individual-occupied units / Occupied units)	44.3%	43.8%	43.7%	42.5%	—	42.2%	41.6%	40.3%	38.8%	—	39.3%
Student-occupied units	68,173	68,719	70,926	72,315	—	67,316	66,356	65,506	64,452	—	61,667
Students share (Student-occupied units / Occupied units)	15.4%	15.3%	15.6%	15.1%	—	14.6%	14.3%	14.5%	13.9%	—	13.4%

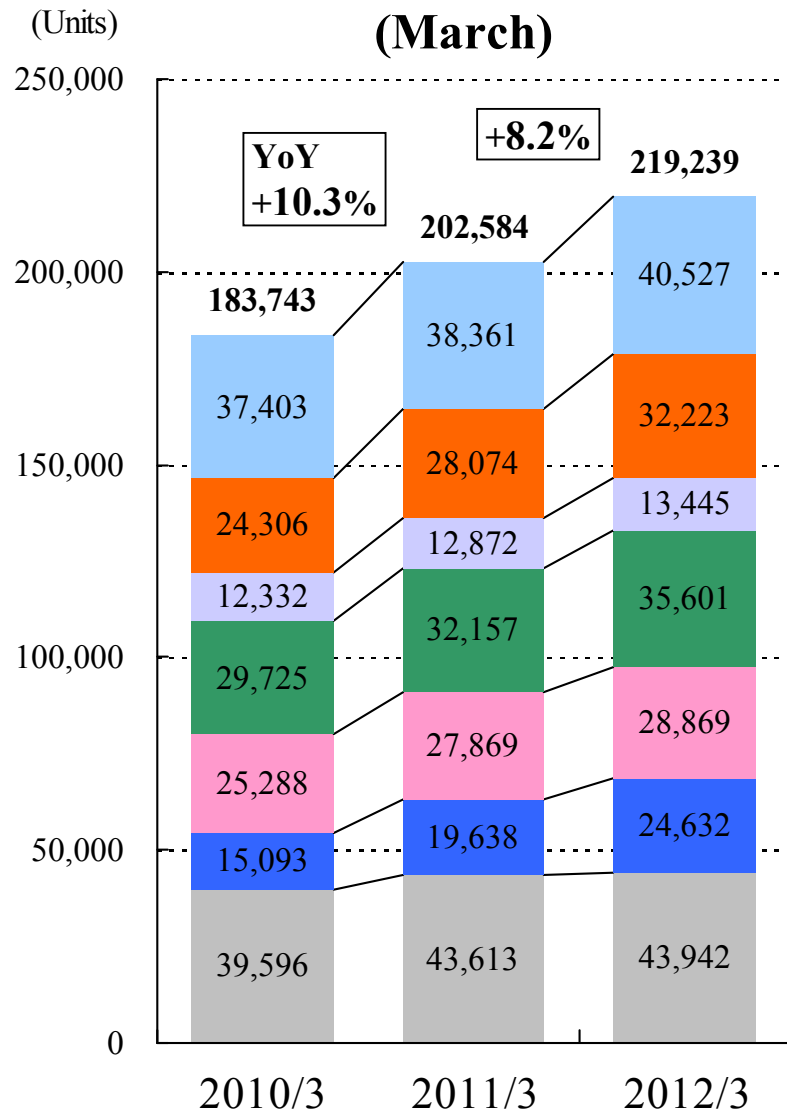
1. Occupancy rate is the average value for each period (Full-year or quarter).

2. Figures for units under management and occupied units are as of the end of the final month for the relevant period.

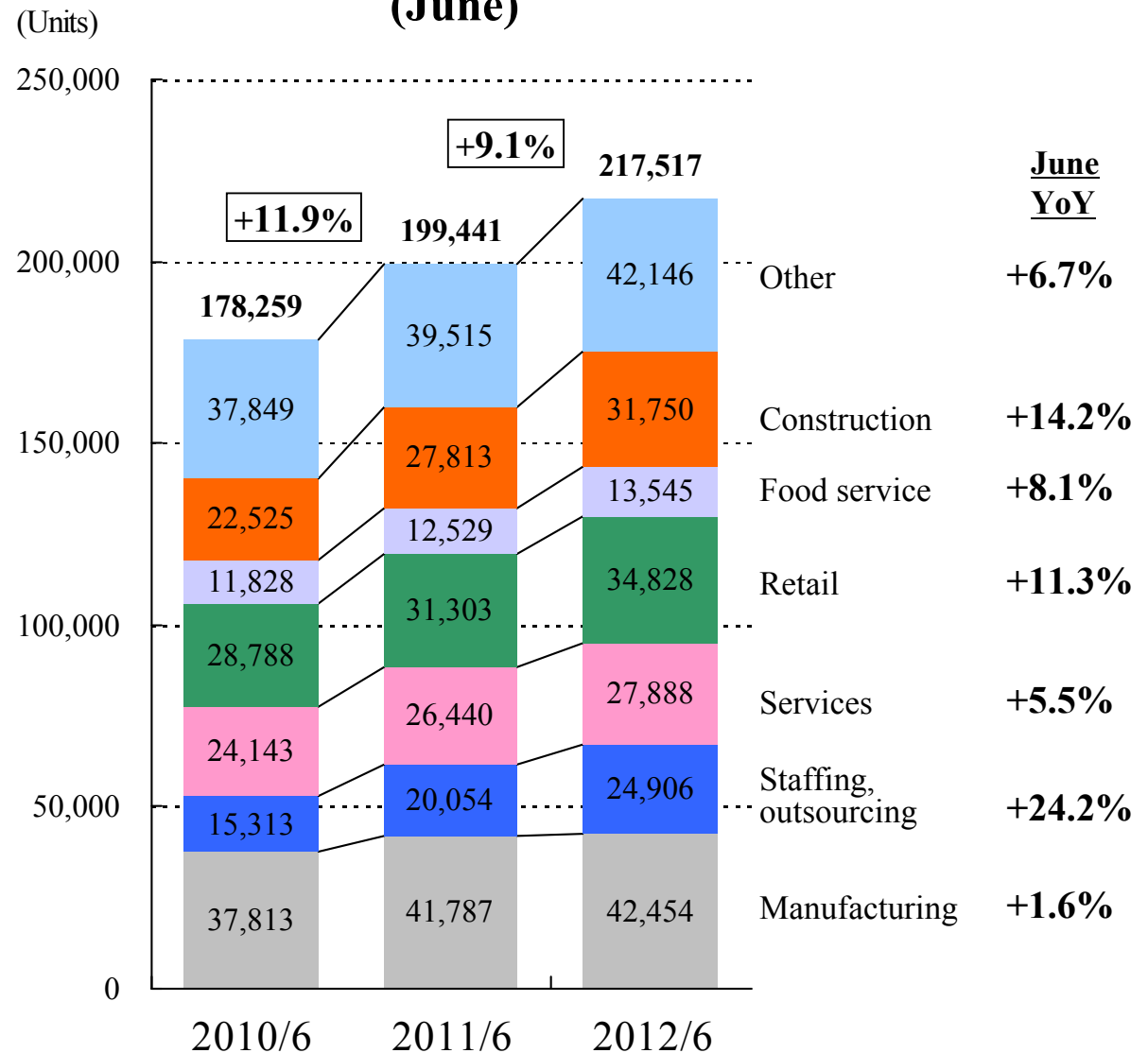
Leasing 4. Corporate Sales

- Strategies:**
1. Expand major business connections
 2. Cultivate “low-use” business connections

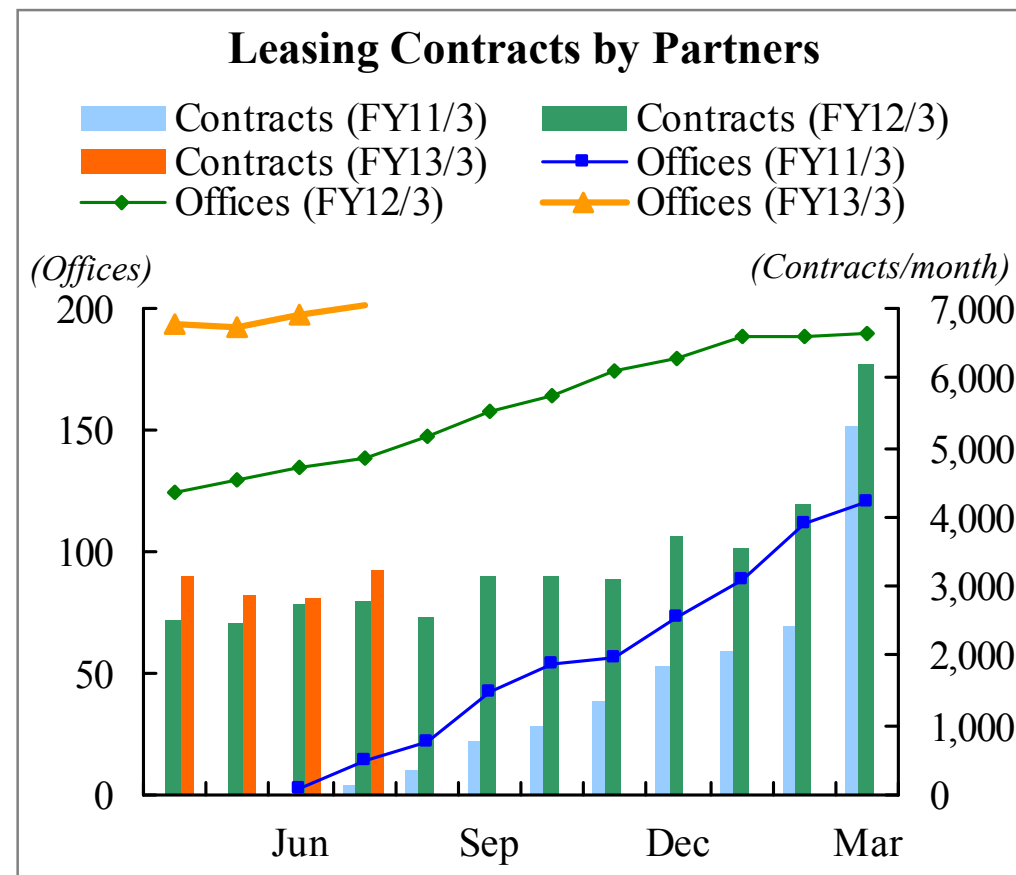
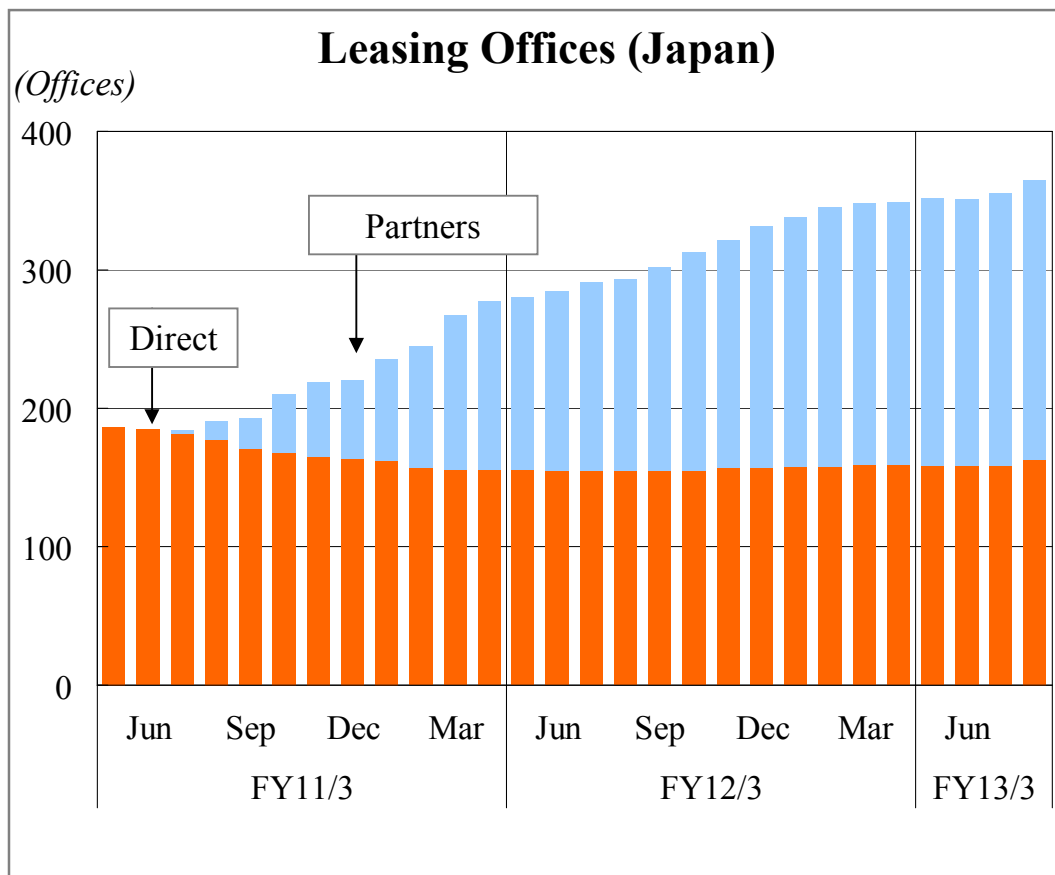
Occupied Units by Industry (March)



(June)



Leasing 5. Acquiring Individual Tenants - Leoplace Partners



	FY 2011/3				FY 2012/3			
	Jun	Sep	Dec	Mar	Jun	Sep	Dec	Mar
Partner offices	2	42	73	121	136	158	180	190
Direct offices	180	166	162	156	155	155	158	159
Total leasing offices	182	208	235	277	291	313	338	349
Contracts by Partners	19	765	1,823	5,286	2,730	3,144	3,711	6,196

FY 2013/3			
Apr	May	Jun	Jul
193	192	197	202
159	159	159	163
352	351	356	365
3,158	2,875	2,848	3,217

New direct offices open (13 new offices planned for FY13/3)

- Last fiscal year, *Kichijoji*, *Shibuya*, and *Akabane* opened in October, *Takadanobaba* opened in December, and *Akihabara* opened in February.
- This fiscal year, 4 offices (*Chitose*, *Nagoya station*, *Tennoji*, *Kusatsu*) opened in July and 2 offices (*Kokubunji*, *Urawa*) opened in August.
- In order to increase occupancy rates, we will continue to open direct offices in the three metropolitan areas.



Customize your room with “Room-Customize”

1. “Designer’s Plan”

- Choose from among 6 patterns, designed by interior-designer Makiko Yamaguchi.

2. “My-Collection Plan”

- Custom wallpaper for free. Thumbtacks, shelves, and scribbling on the wall is OK!
- 25 color variations + 35 patterns = 60 types to choose from!

3. “Comfort Plan”

- Choose from 4 types of wallpaper with functions such as deodorizing, humidity controlling, and photocatalyst self-cleaning (fee-charging).

Example of “My-Collection Plan”



お部屋カスタマイズ

You can use the wall as a chalkboard by applying special paint! You can also fix a shelf or draw on the wall, and create your own customized room even in rental apartments!



1 month rent off with “Moving Support Campaign”

- One month rent off on limited apartments.
- For individuals who are currently living in apartments other than Leopalace21.
- From July 1 to July 31, 2012.

おかげさまで40周年
40th
Anniversary



“Welcome-to-Japan Campaign”

- Free one night stay at Leopalace Hotels with a monthly contract.
- For foreigners.
- From June 5 to September 30, 2012.



“Early Room Reservation Campaign”

- Reserve an apartment for spring; no rent required during the reservation period.
- For students and new working adults.
- Until February 28, 2013.



“Friends’ Discount Campaign”

- Discount on rent for friends applying for the same apartment building
- For individual tenants (chintai & monthly contracts)
- From July 1 to September 30, 2012



“Triple-Zero”

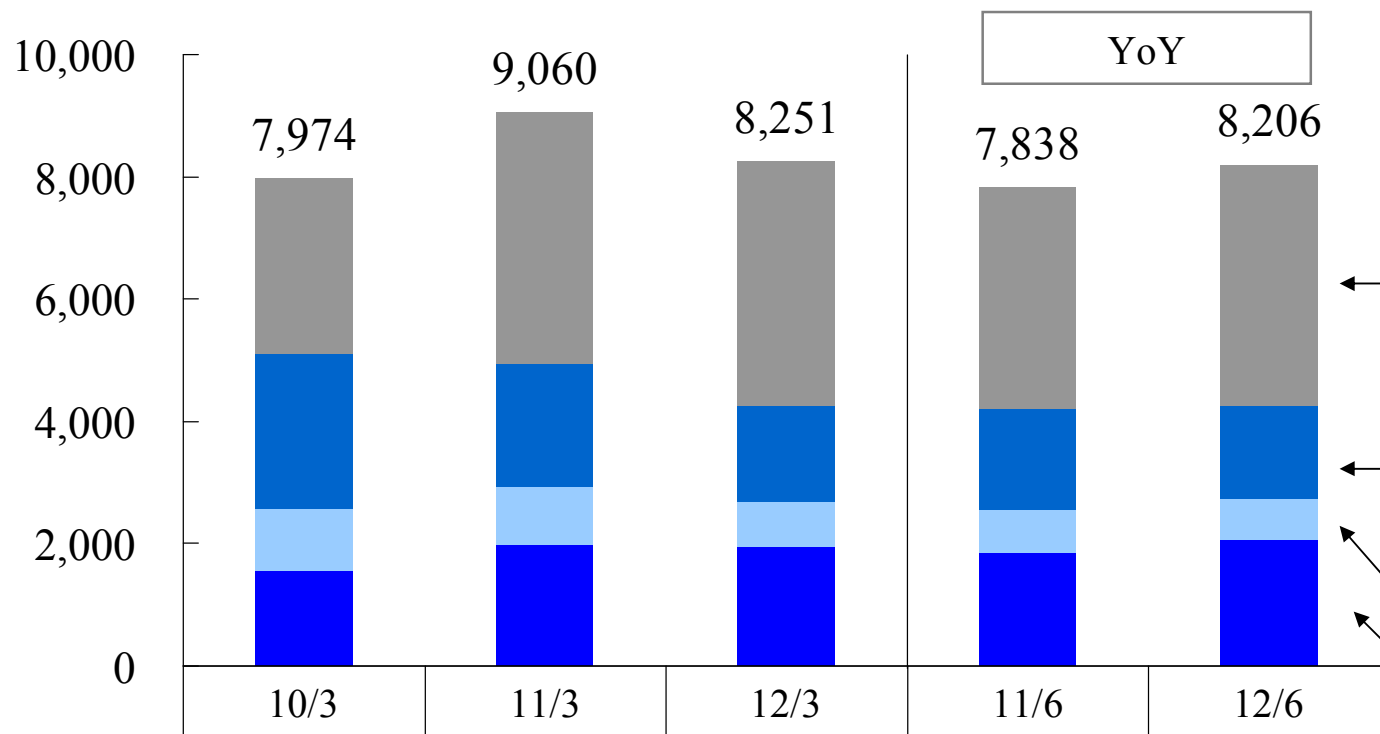
- No deposit, rei-kin, initial rent, and key-exchange fee required.
- On limited apartments.
- For individual tenants (chintai contract)



Leasing 9. Foreign Tenants

Foreign tenants temporarily decreased due to the Great East Japan Earthquake, but has bottomed out. In addition to oversea offices, foreign students can make lease contracts through our “LAM school.”

Leased Units by Foreign Nationals
(excluding corporate contracts)

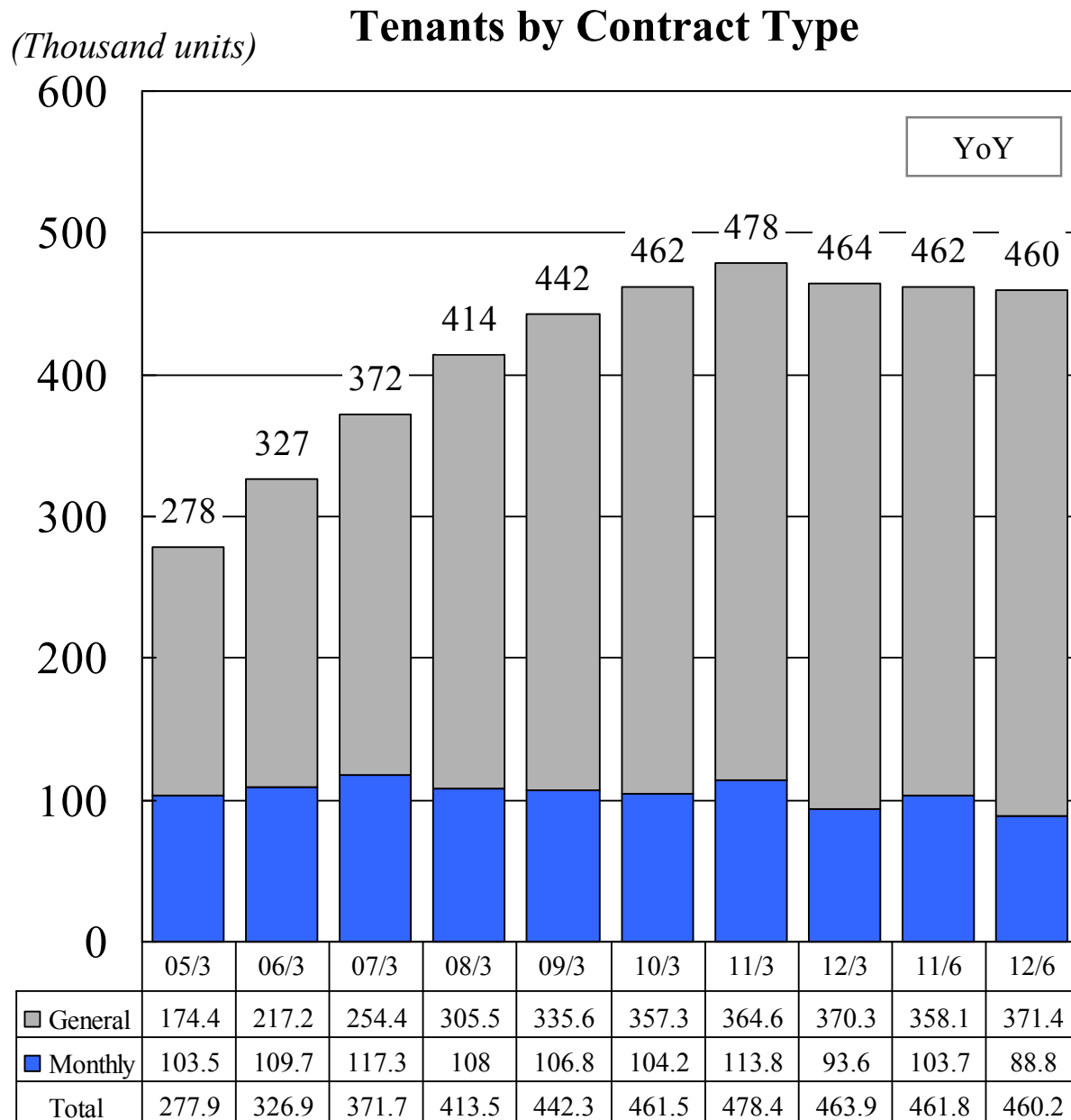


LAM School System (Leopalace Alliance Members) is a system for foreign students planning to study in Japan, enabling them to search for apartments and make lease contracts through the internet from their home country.

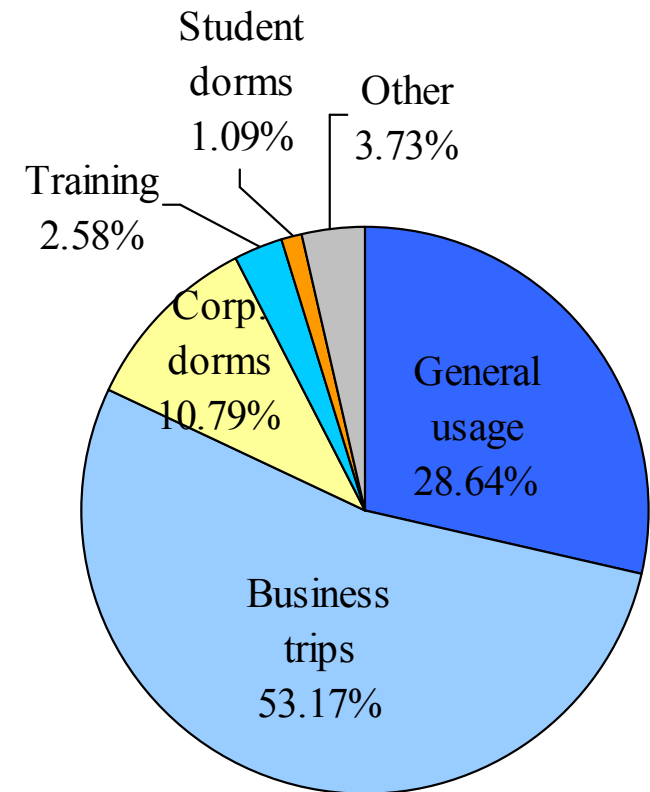
- ← **China: 4 offices**
Beijing, Dalian, Shanghai, Guangzhou
- ← **South Korea: 3 offices**
Busan, Seoul Gangnam, Seoul Jongno
- ← **Taiwan: 1 office** Taipei
- ← **Other**

■ China	2,864	4,115	3,993	3,644	3,938
■ S.Korea	2,525	2,024	1,565	1,636	1,533
■ Taiwan	1,019	925	737	707	675
■ Other	1,566	1,996	1,956	1,851	2,060
Total	7,974	9,060	8,251	7,838	8,206

Leasing 10. Contract Type and Usage Pattern



Breakdown of Users of Monthly Contracts (June 2012)

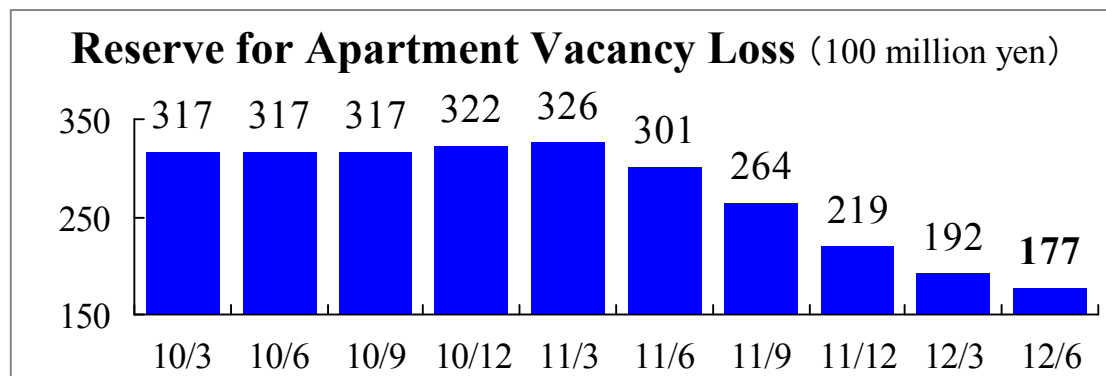


Leasing 11. Reserve for Apartment Vacancy Loss

Due to:

1. Profitability improvement of subject apartments
2. Passage of remaining period

there was a reversal of apartment vacancy loss of **1.4 billion yen** (reduction in cost) in the subject 1st quarter. (Apr. 2012 - June 2012).



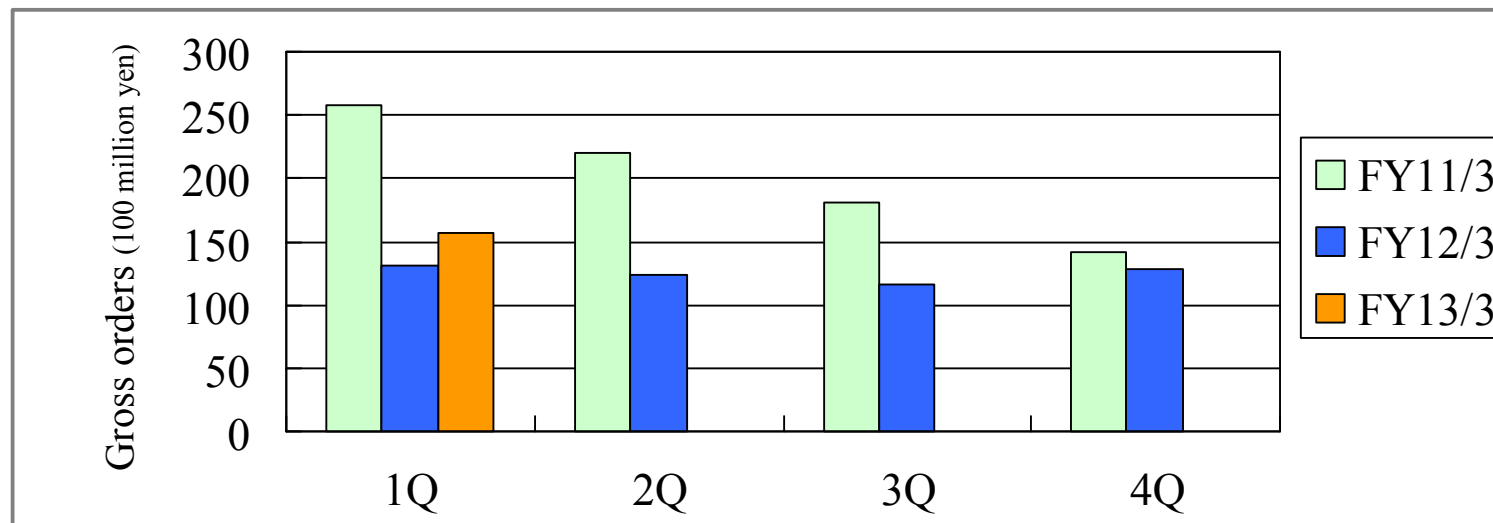
Reserve by area (100 million yen)

	'11/3	'11/6	'11/9	'11/12	'12/3	'12/6	Compared to '12/3
Hokkaido	14	13	12	11	7	6	0
Tohoku	9	8	5	2	1	1	0
North Kanto	31	28	24	19	19	17	(2)
Tokyo Metropolitan	24	22	19	15	27	26	0
Hokuriku, Koshinetsu	23	21	17	15	17	17	0
Chubu	134	125	111	95	80	72	(8)
Kinki	54	49	43	36	20	18	(1)
Chugoku	11	10	10	8	6	6	0
Shikoku	6	6	6	5	3	3	0
Kyushu, Okinawa	15	14	12	9	6	6	0
Total	326	301	264	219	192	177	(14)

Occupancy rate by area (%)

	'11/6	'12/3	'12/6	Compared to '12/3
78%	75%	78%	+3p	
90%	93%	92%	0p	
77%	81%	79%	(2)p	
83%	85%	84%	(1)p	
82%	78%	77%	(1)p	
75%	80%	79%	(1)p	
81%	84%	84%	0p	
83%	86%	85%	(1)p	
77%	78%	79%	+1p	
83%	86%	86%	+1p	
80.9%	83.4%	82.7%	(0.7)p	

Orders, sales (including solar power systems)



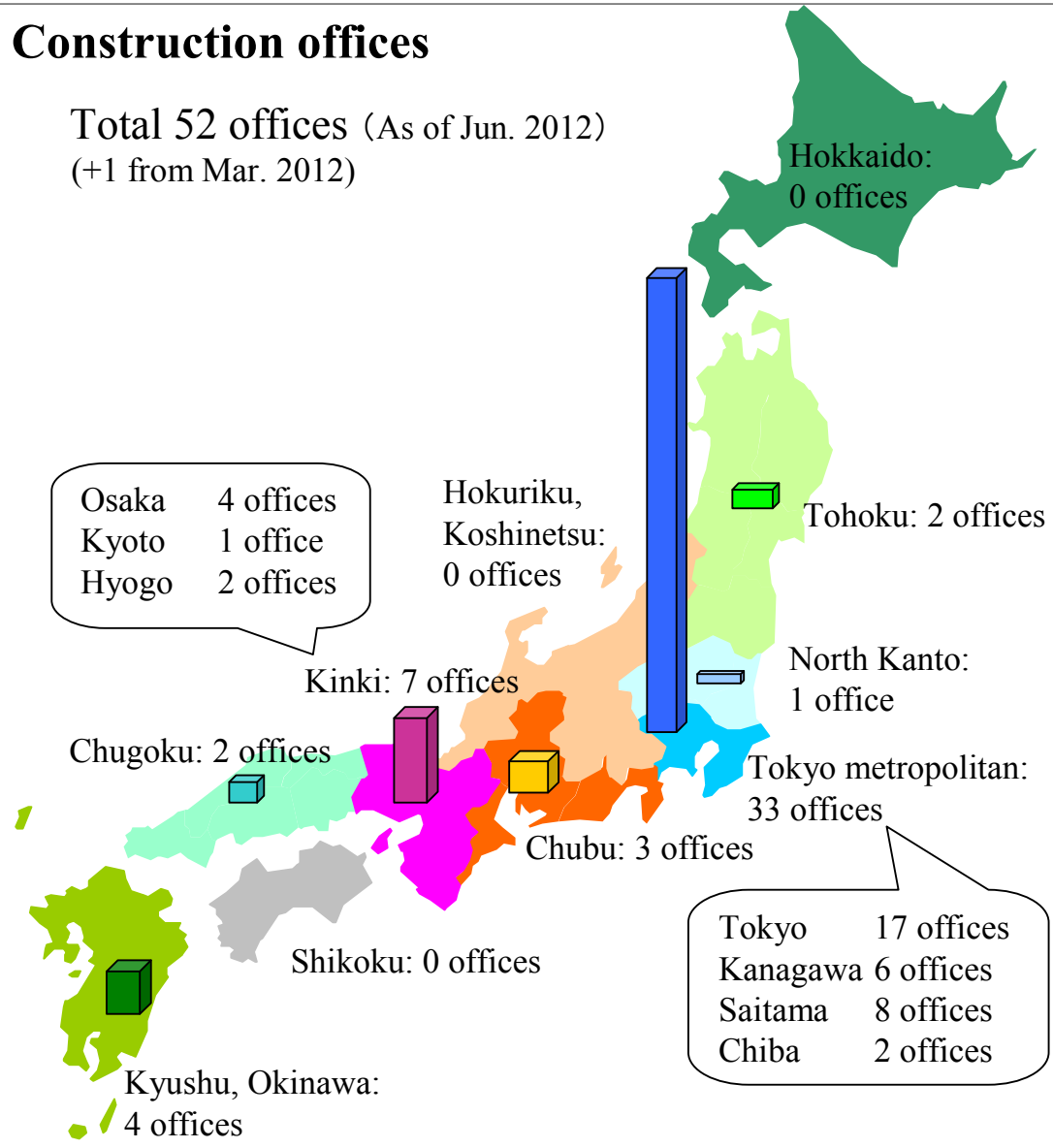
(100 million yen)	FY 11/3					FY 12/3					FY 13/3	FY 13/3 Plan	
	1Q	2Q	3Q	4Q	Full-year	1Q	2Q	3Q	4Q	Full-year	1Q	1H	Full-year
Gross orders received (Buildings)	409	382	279	222	1,292	160	115	152	139	566	208	452	1,019
(100 million yen)	258	220	181	142	803	131	123	116	128	500	157	353	768
Orders outstanding (100 million yen)	1,788	1,479	1,451	1,202	1,202	1,153	948	854	544	544	586	—	—
Sales (100 million yen)	217	458	124	276	1,076	78	208	99	217	605	58	200	602

Construction 2. Offices and Sales by Area

By placing offices in areas with high occupancy demand, areas in which we receive orders are narrowed down.

Construction offices

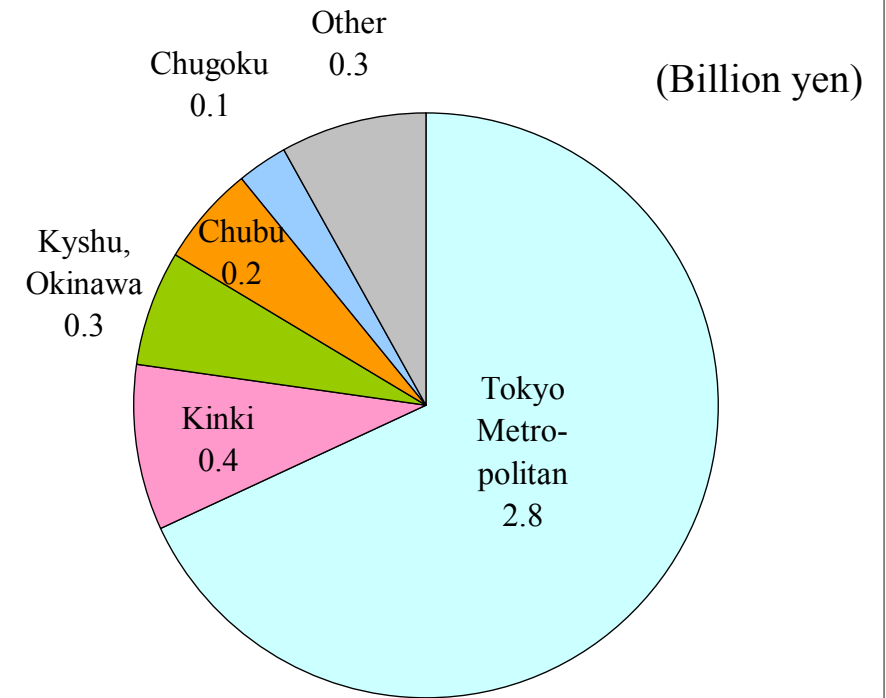
Total 52 offices (As of Jun. 2012)
(+1 from Mar. 2012)



Apartment Construction Sales

(FY13/3 1Q)

(excludes solar power systems)



- Tokyo metropolitan area makes up 67% of construction sales
- Due to narrowing down areas, the three metropolitan areas (Tokyo, Kinki, and Chubu) make up 83% of construction sales

Construction 3. “Dual-L” and “Dual-Alta”

To celebrate our 40th anniversary, we have announced products with “lofts,” one of our strong points. “Dual-L” is a two-story wooden apartment announced in May, and “Dual-Alta” is a three-story steel-framework apartment announced in June.



Model apartment (head office)

Large storage with “double-lofts”

Built with two lofts facing each other, and combined with the closet, make up a storage area equal to the living space.

Higher noise reduction

Equipped with noise-reduction flooring, walls, and soundproof drainpipes.

7 items of “40th Anniversary Specs”

Equipped with women-friendly items, eco-friendly items, and kitchen/bathroom appliances.

(Figures are images)

LED lighting



Motion sensor lighting (LED)



Unit-bath color panel



Thermo-faucets



Umbrella stand



Indoor clothesline



Entrance hook



Construction 3. Elderly Care Facilities

Example of elderly care facility construction: Setagaya-ku, Tokyo.
Operated by a nursing care company
(Listed on 1st Section of Tokyo Stock Exchange)



Enhancing Property Value 1. Solar Power Systems

		FY 12/3			FY 13/3	FY 13/3 Plan	
		1H	2H	Full-year	1Q	1H	Full-year
Orders	Buildings	2,021	1,951	3,972	437	1,070	1,770
	100 million yen	89	84	173	23	40	65
Sales	Buildings	1,478	2,336	3,814	414	1,160	1,930
	100 million yen	66	99 billion	166 billion	18	45	73
	Generating capacity	12,122 kW	18,262 kW	30,385 kW	3,453 kW	—	—

Reduction in CO₂ emissions per year achieved by solar power systems installed:

10,239
t-CO₂ per
year

730,000
Japanese
cedars

4.45 million liters of
gasoline

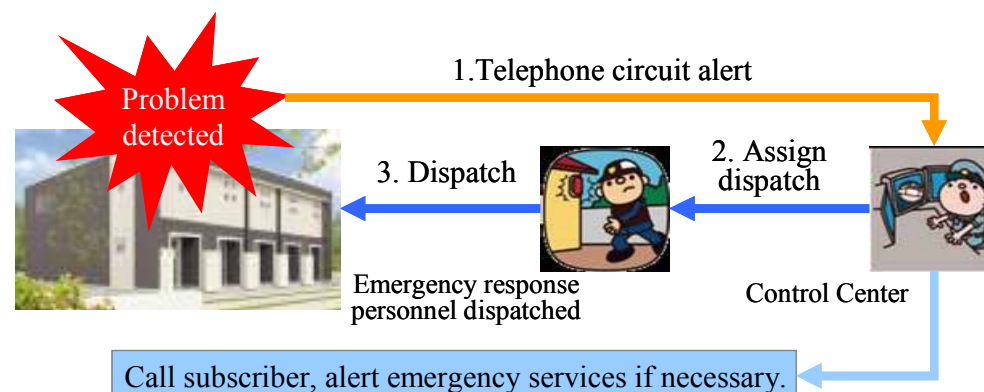
- More than 90% of electricity generated can be sold.
- Subsidies of J-PEC (Japan Photovoltaic Expansion Center) will continue for fiscal year 2012 (under 10 kW).
- Due to the feed-in-tariff law taking effect from July 1, 2012, we have started taking orders for large solar power systems (over 10 kW).



Enhancing Property Value 2. Security Systems

		FY 12/3			FY 13/3	FY 13/3 Plan	
		1H	2H	Full-year	1Q	1H	Full-year
Orders	Units	20,076	56,733	76,809	20,933	33,000	67,000
	Billion yen	25	80	105	31	45	90
Sales	Units	9,344	51,323	60,667	20,237	33,000	61,000
	Billion yen	12	71	83	30	46	85

- Business alliances with two major security companies.
- The standard equipment includes fire sensing systems and emergency systems, in addition to sensors that detect intruders.
- We anticipate an increase in the percentage of female tenants.
- We are seeking to meet demand for security in company housing.
(Large companies emphasize security.)



Hotels & Resort Business

(Million yen)		FY 12/3 1Q	FY 13/3 1Q	Change	%	FY 13/3 Plan	
						1H	Full-year
Domestic Hotels	Sales	517	545	+28	+5.4%	1,100	2,300
	Operating profit	(41)	(21)	+19	—	4	(48)
	Depreciation and amortization	129	108	(21)	-16.3%	210	430
	Occupancy rate	67.3%	70.4%	+3.1p	—	74.7%	73.8%

*Domestic Hotel Business includes 8 hotels (Asahikawa, Sapporo, Sendai, Niigata, Nagoya, Yokkaichi, Okayama, and Hakata)

(\$1,000)		FY2011/12 1Q*	FY2012/12 1Q*	Change	%	FY 2012/12 Plan	
						1H	Full-year
Leopalace Guam	Sales	\$19,601	\$19,739	+138	+0.7%	31,000	63,000
	Operating profit	1,557	1,878	+320	+20.6%	(800)	(1,000)
	Depreciation and amortization	3,949	4,002	+52	+1.3%	7,000	15,000
	Occupancy rate (Leopalace Resort)	59.0%	77.5%	+18.5p	—	66.6%	70.2%
	Occupancy rate (Westin Resort Guam)	81.8%	87.4%	+5.6p	—	71.9%	74.0%

*Non-consolidated figures for Leopalace Guam.

*Fiscal year of Leopalace Guam ends in December. 1Q is from January to March.

(Million yen)	FY 12/3 1Q	FY 13/3 1Q	Change	%	FY 13/3 Plan	
					1H	Full-year
Sales	2,120	2,340	+220	+10.4%	4,500	9,100
Gross profit	(83)	24	+108	—	(22)	20
Operating profit	(259)	(187)	+71	—	(450)	(810)
Occupancy rate (Day-service)	60.2%	67.7%	+7.5p	—	65.4%	66.2%
Occupancy rate (Short-stay)	93.4%	96.6%	+3.2p	—	96.1%	96.7%
Occupancy rate (Private residential homes, etc.)	75.1%	82.4%	+7.3p	—	83.2%	84.7%

*Elderly care Business includes 58 “Azumi-en” facilities in Tokyo and 6 prefectures

*Private residential homes include Group homes

Appendix



Schedule of Operations of Leopalace Group

(Million yen)		FY 12/3 1Q	FY 13/3 1Q	Change	
Leopalace21	Sales	103,587	104,707	+1,120	+1.1%
	Operating profit	(4,362)	(1,705)	+2,656	—
	Recurring profit	(4,836)	(3,341)	+1,495	—
	FX gain (loss)	(156)	(171)	(15)	—
Leopalace Guam	Sales	1,613	1,566	(47)	-2.9%
	Operating profit	128	149	+20	+16.2%
	Recurring profit	(1,103)	(1,297)	(193)	—
	FX gain (loss)	(1,233)	(1,445)	(212)	—
Domestic Subsidiaries*	Sales	1,290	1,539	+249	+19.3%
	Operating profit	396	113	(283)	-71.5%
	Recurring profit	396	112	(284)	-71.7%
Others & Exclusions	Sales	(1,004)	(1,364)	(359)	—
	Operating profit	5	21	+16	+315.5%
	Recurring profit	658	842	+184	+28.0%

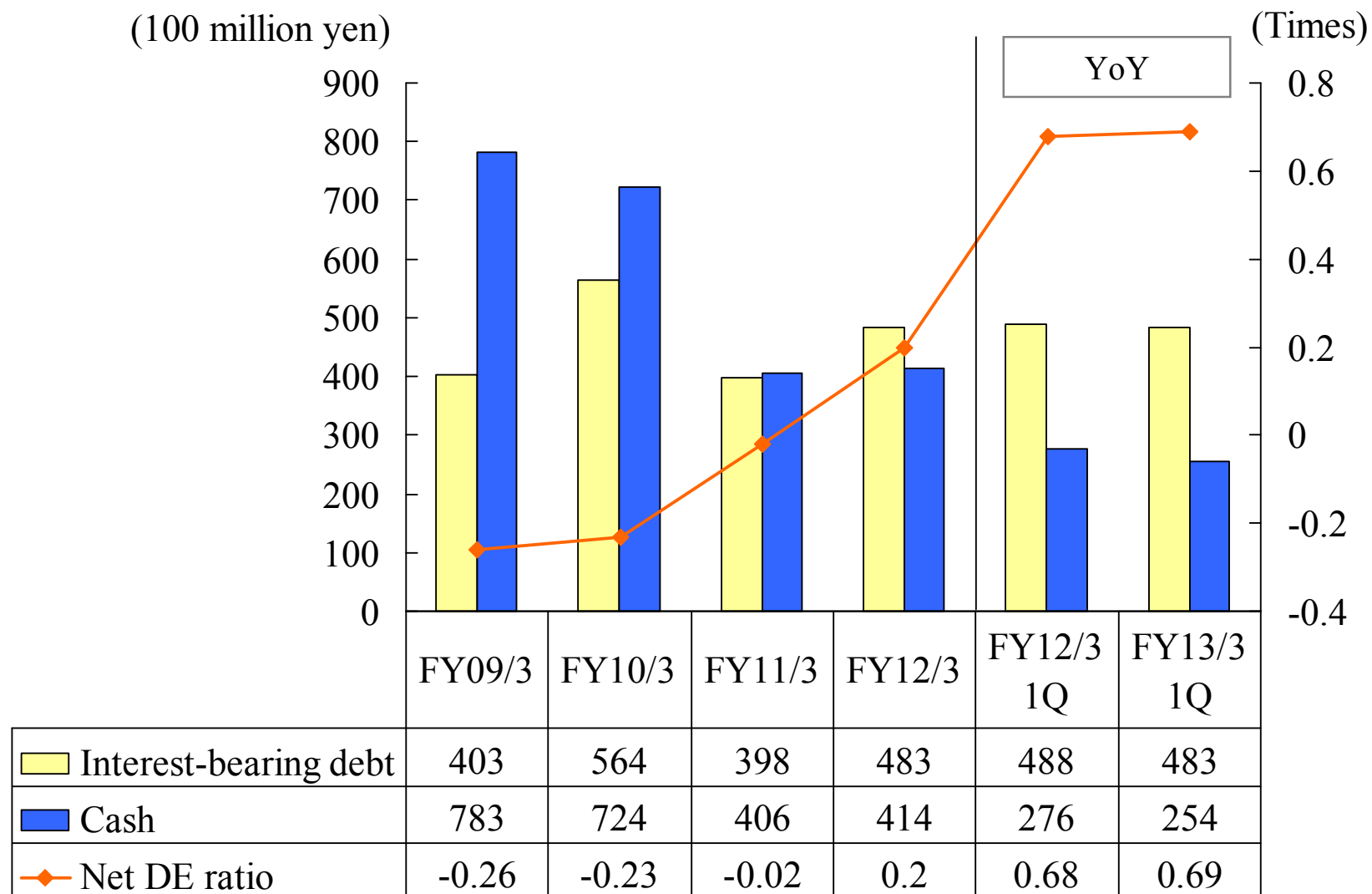
*Domestic subsidiaries include Leopalace Leasing, LEOPALACE SSI, Plaza Guarantee, and Leopalace Travel

Balance Sheets (Consolidated)

(Million yen)		FY 12/3	FY 13/3 1Q
Assets	Cash and cash equivalents	41,477	25,459
	Trade receivables	4,541	3,802
	Accounts receivables for completed projects	1,004	648
	Prepaid expenses	18,997	17,547
	Current assets	83,061	62,300
	Buildings and structures	55,116	55,688
	Land	82,105	82,214
	Leased assets	2,906	2,601
	Intangible assets	7,079	6,900
	Long-term prepaid expenses	18,295	14,877
Fixed assets	181,659	178,245	
Total assets	264,783	240,604	

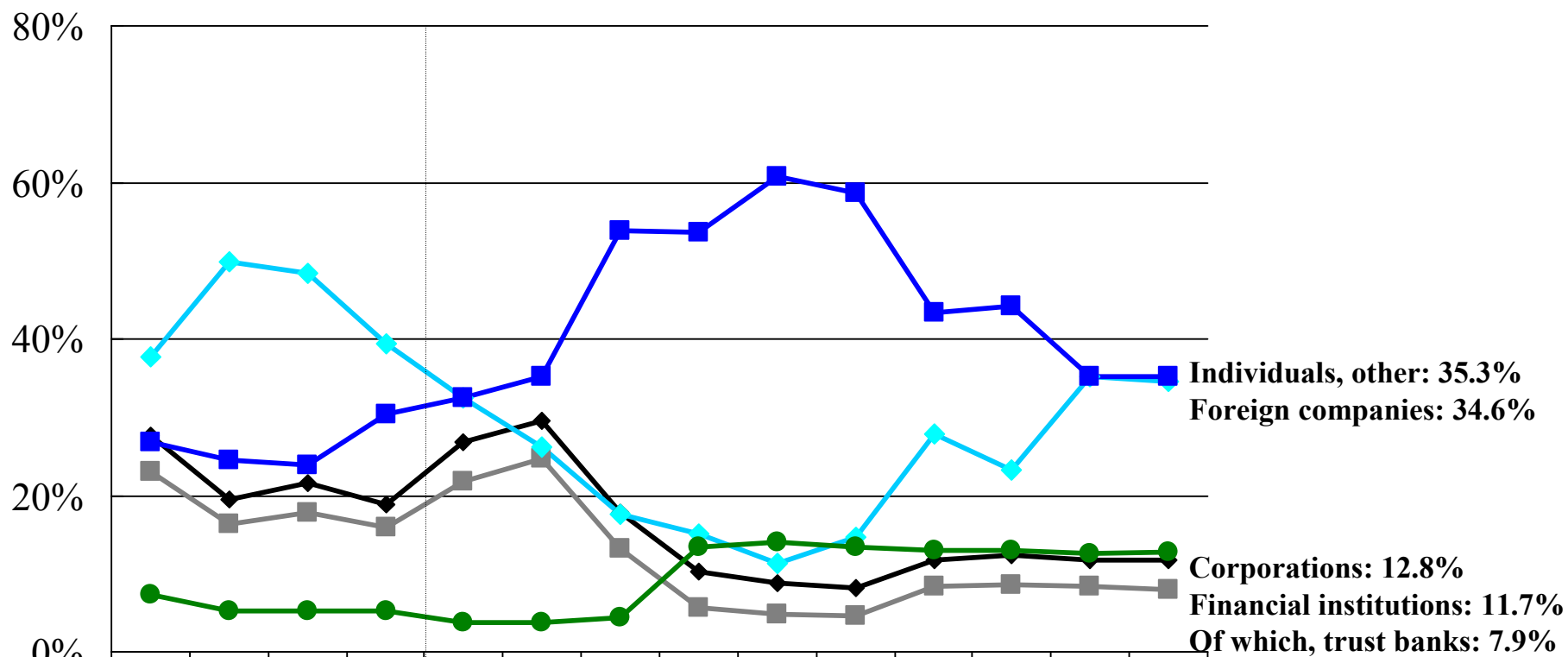
(Million yen)		FY 12/3	FY 13/3 1Q
Liabilities	Short-term borrowings	45,705	45,705
	Advances received	79,073	70,966
	Current liabilities	166,295	145,784
	Reserve for vacancy loss	19,207	17,781
	Lease/guarantee deposits received	9,853	9,472
	Long-term advances received	21,908	20,864
	Long-term liabilities	64,656	61,573
Total liabilities	230,951	207,358	
Net assets	Common stock	56,562	56,625
	Capital surplus	33,883	33,901
	Retained earnings	(44,963)	(48,973)
	Total net assets	33,831	33,246
Shareholders' equity ratio		12.8%	13.8%

Cash/Deposits and Interest-bearing Debt



*Net DE ratio = (Interest-bearing debt – Cash) / Shareholders' equity

Trend in Shareholders



	06/3	07/3	08/3	09/3	10/3	10/6	10/9	10/12	11/3	11/6	11/9	11/12	12/3	12/6
◆ Financial institutions	27.6	19.5	21.5	18.8	26.8	29.6	17.9	10.3	8.7%	8.1%	11.8	12.3	11.7	11.7
■ (of which, trust banks)	23.0	16.4	17.7	16.0	21.7	24.7	13.2	5.6%	4.9%	4.7%	8.4%	8.6%	8.3%	7.9%
◆ Foreign companies	37.6	49.9	48.3	39.4	32.4	26.2	17.5	15.1	11.3	14.6	27.8	23.3	35.2	34.6
■ Individuals, other	26.9	24.4	23.9	30.4	32.4	35.1	53.8	53.7	60.7	58.6	43.3	44.3	35.2	35.3
● Corporations	7.4%	5.3%	5.2%	5.2%	3.8%	3.8%	4.4%	13.4	14.1	13.4	13.0	13.0	12.7	12.8