

Consolidated Financial Statements

February 1, 2008

(For FY 2008 3rd Quarter ended December 31, 2007)

Name of Company Listed: **Leopalace21 Corporation**

Code number: 8848

(URL: <http://leopalace21.co.jp>)

Representative:

Name of Contact Person:

Position: President and CEO

Position: General Manager

Stock Listings: Tokyo Stock Exchange

Location of Head Office: Tokyo

Name: Yoshiteru Kitagawa

Name: Masumi Iwakabe

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1. Results of FY 2008 3rd Quarter (April 1, 2007 through December 31, 2007)

(1) Consolidated financial results

(Amounts less than one million yen are omitted)

(Percentages shown indicate rate of gain or loss compared with the same quarter in the previous FY)

	Net sales		Operating profit		Recurring profit		Net income (loss)	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY 2008 3rd quarter	426,452	1.9	31,017	(21.4)	28,525	(23.4)	(13,185)	-
FY 2007 3rd quarter	418,518	35.3	39,453	107.0	37,221	68.9	20,534	-
Ref. FY 2007	631,608	-	76,007	-	73,002	-	37,358	-

	Net income (loss) per share	Diluted net income (loss) per share
	Yen	Yen
FY 2008 3rd quarter	(82.73)	-
FY 2007 3rd quarter	129.00	-
Ref. FY 2007	234.68	-

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
FY 2008 3rd quarter	444,268	150,308	32.7	910.72
FY 2007 3rd quarter	401,712	167,867	37.3	941.03
Ref. FY 2007	454,819	185,784	37.0	1,054.99

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Million yen	Million yen	Million yen	Million yen
FY 2008 3rd quarter	(58,169)	2,565	19,532	40,059
FY 2007 3rd quarter	17,386	(12,453)	202	49,775
Ref. FY 2007	63,308	(15,930)	(17,018)	75,166

2. Dividend Status

The Company does not pay a dividend based on a record date for the end of the each quarter. The Company's dividend forecast for the fiscal year ending March 31, 2008 remains unchanged from that announced on November 22, 2007.

	Dividend per share			
	(Base date)	End of interim period	End of FY	Annual
		Yen	Yen	Yen
FY 2007		15.00	35.00	50.00
FY 2008 (actual)		30.00	-	80.00
FY 2008 (forecast)		-	50.00	

3. Estimation of Business Results of FY 2008 (April 1, 2007 through March 31, 2008)

The Company's forecasts of consolidated business results for the fiscal year ending March 31, 2008 remains unchanged from that announced on November 22, 2007.

(Percentages shown indicate rate of gain or loss compared with the same quarter in the previous FY)

	Net sales		Operating profit		Recurring profit		Net income		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
FY 2008	706,700	11.9	82,200	8.1	80,000	9.6	16,500	(55.8)	103.53

4. Other

- (1) Changes in major subsidiaries during the FY (Change in specific subsidiaries as a result of a change in the scope of consolidation): None
- (2) Adoption of simplified accounting practices: Yes
- (3) Changes in accounting treatment from the most recent consolidated fiscal year: Yes

Note on the proper use of the business forecasts contained in this report, and other disclaimers.

The business forecasts and other forward-looking statements contained in this report are based on information currently available to the Company and on certain assumptions that the Company has judged to be reasonable. Readers should be aware that a variety of factors might cause actual results to differ significantly from these forecasts.

(Reference materials)

1. (Summary) Consolidated Quarterly Balance Sheets

	FY 2007 3rd quarter (As of Dec. 31, 2006)	FY 2008 3rd quarter (As of Dec. 31, 2007)	Increase (Decrease) from FY 2007 3rd quarter		FY 2007 (As of Mar. 31, 2007)
	Million yen	Million yen	Million yen	%	Million yen
<Assets>					
I Current assets					
Cash and cash equivalents	49,775	40,059	(9,716)	(19.5)	75,166
Trade receivable and accounts receivable for completed projects	4,771	5,904	1,132	23.7	9,594
Operating loans	8,911	18,341	9,430	105.8	8,501
Real estate for sale/property inventories	19,916	38,885	18,969	95.2	27,765
Payout for construction in progress	12,105	17,626	5,520	45.6	8,818
Other inventories	807	717	(90)	(11.2)	722
Prepaid expenses	21,410	23,350	1,940	9.1	21,819
Deferred tax assets	2,955	11,900	8,945	302.7	5,076
Other accounts receivable	12,419	10,485	(1,933)	(15.6)	22,075
Other	7,718	12,519	4,801	62.2	8,303
Allowance for doubtful accounts	(1,310)	(1,089)	220	(16.9)	(1,289)
Total	139,481	178,703	39,221	28.1	186,555
II Fixed assets					
Tangible assets					
Buildings and structures	80,700	77,272	(3,428)	(4.2)	80,626
Land	119,536	114,836	(4,699)	(3.9)	118,255
Construction in progress	4,345	1,838	(2,507)	(57.7)	4,397
Other	3,516	4,357	841	23.9	3,832
Total	208,099	198,306	(9,793)	(4.7)	207,112
Intangible assets	570	619	49	8.7	569
Investments and other assets					
Investment securities	7,785	9,871	2,086	26.8	7,934
Long-term loans	2,585	2,556	(28)	(1.1)	2,281
Deferred tax assets	2,599	2,856	256	9.9	3,074
Long-term accounts receivable	3,395	2,034	(1,360)	(40.1)	2,125
Long-term prepaid expenses	37,216	46,350	9,134	24.5	42,727
Other	3,728	5,428	1,699	45.6	4,942
Allowance for doubtful accounts	(3,843)	(2,484)	1,358	(35.4)	(2,575)
Total	53,466	66,614	13,147	24.6	60,509
Total fixed assets	262,136	265,540	3,403	1.3	268,190
III Deferred assets	94	25	(68)	(73.1)	73
Total assets	401,712	444,268	42,556	10.6	454,819

	FY 2007 3rd quarter (As of Dec. 31, 2006)	FY 2008 3rd quarter (As of Dec. 31, 2007)	Increase (Decrease) from FY 2007 3rd quarter		FY 2007 (As of Mar. 31, 2007)
	Million yen	Million yen	Million yen	%	Million yen
<Liabilities>					
I Current liabilities					
Accounts payable including payables for completed projects	35,899	26,335	(9,563)	(26.6)	77,392
Short-term borrowings	26,478	55,260	28,782	108.7	16,518
Bonds due within one year	1,435	8,757	7,322	510.3	1,126
Unpaid expenses	10,908	9,605	(1,303)	(11.9)	13,287
Accrued expenses	145	189	43	29.9	30
Accrued income taxes	10,009	99	(9,910)	(99.0)	27,021
Advances received	36,279	86,931	50,651	139.6	46,744
Customer advances for projects in progress	50,229	49,426	(802)	(1.6)	23,529
Allowance for employees' bonuses	1,353	1,547	194	14.3	2,798
Allowance for indemnification of completed projects	-	1,299	1,299	-	-
Other	5,881	6,386	505	8.6	8,465
Total	178,620	245,840	67,219	37.6	216,914
II Long-term liabilities					
Bonds	10,610	-	(10,610)	-	8,194
Long-term borrowings	31,205	31,744	539	1.7	27,320
Retirement benefit reserves	3,889	4,814	925	23.8	4,111
Retirement benefit reserves for directors	-	1,553	1,553	-	2,986
Reserves for rents due on leaseback agreements	-	390	390	-	533
Lease/guarantee deposits received	9,518	9,616	97	1.0	8,974
Total	55,223	48,119	(7,103)	(12.9)	52,120
Total liabilities	233,844	293,960	60,115	25.7	269,035
<Net assets>					
I Shareholders' equity					
Share capital	55,640	55,640	-	-	55,640
Capital surplus	33,759	34,104	345	1.0	34,104
Retained earnings	68,876	62,683	(6,193)	(9.0)	85,700
Treasury stock	(199)	(98)	101	(50.8)	(96)
Total	158,077	152,330	(5,746)	(3.6)	175,348
II Valuation and translation adjustments					
Net unrealized gains on "other securities"	463	413	(50)	(10.8)	532
Translation adjustments	(8,749)	(7,594)	1,154	(13.2)	(7,737)
Total	(8,285)	(7,180)	1,104	(13.3)	(7,205)
III Minority interests					
	18,075	5,158	(12,917)	(71.5)	17,641
Total net assets	167,867	150,308	(17,559)	(10.5)	185,784
Total liabilities and net assets	401,712	444,268	42,556	10.6	454,819

2. (Summary) Consolidated Quarterly Statements of Operations

	FY 2007 3rd quarter (Apr. 2006 - Dec. 2006)	FY 2008 3rd quarter (Apr. 2007 - Dec. 2007)	Increase (Decrease) from FY 2007 3rd quarter		FY 2007 (Apr. 2006 - Mar. 2007)
	Million yen	Million yen	Million yen	%	Million yen
I Net sales	418,518	426,452	7,934	1.9	631,608
II Cost of sales	321,014	330,290	9,275	2.9	474,713
Gross profit	97,503	96,162	(1,341)	(1.4)	156,895
III Selling, general and administrative expenses	58,049	65,144	7,094	12.2	80,887
Operating profit (loss)	39,453	31,017	(8,436)	(21.4)	76,007
IV Non-operating profit	1,538	1,286	(252)	(16.4)	1,497
V Non-operating expenses	3,771	3,778	7	0.2	4,502
Recurring profit (loss)	37,221	28,525	(8,695)	(23.4)	73,002
VI Extraordinary income	3,693	5,145	1,452	39.3	3,725
VII Extraordinary losses	2,788	51,402	48,614	1,743.7	7,397
Net income before taxes and adjustments	38,127	(17,731)	(55,858)	-	69,329
Tax expense	16,938	(4,733)	(21,671)	-	31,100
Minority interests	653	186	(466)	(71.4)	871
Net income (loss)	20,534	(13,185)	(33,719)	-	37,358

3. (Summary) Quarterly Statements of Cash Flows

(Million yen)

	FY 2007 3rd quarter (Apr. 2006 - Dec. 2006)	FY 2008 3rd quarter (Apr. 2007 - Dec. 2007)	FY 2007 (Apr. 2006 - Mar. 2007)
I Cash flows from operating activities			
Net income (loss) before taxes and adjustments	38,127	(17,731)	69,329
Depreciation expenses	3,403	3,818	4,559
Increase (decrease) in allowance for doubtful accounts	648	(291)	159
Increase (decrease) in retirement benefit reserves for directors	-	(1,433)	2,986
Interest expense	1,016	1,093	1,332
Foreign exchange loss (gain)	(819)	1,877	(501)
Equity in earnings of affiliated companies	2,156	(138)	2,320
Gain on sale of tangible fixed assets	-	(4,464)	-
Loss on sale of tangible fixed assets	0	120	16
Write-offs of tangible fixed assets	162	64	215
Impairment loss	1,944	158	3,009
Gain on sale of affiliates' stock	(2,514)	-	(2,514)
Gain on sales of affiliates' bonds	(1,067)	(560)	(1,119)
Gain on sale of investment securities	(87)	(4)	(166)
Loss on devaluation of investment securities	-	684	210
Decrease (increase) in accounts receivable	14,755	7,284	914
Decrease (increase) in real estate for sales	(12,392)	(11,119)	(18,554)
Decrease (increase) in work in process	23,144	(8,807)	26,430
Decrease (increase) in long-term prepaid expenses	(5,775)	(4,138)	(12,366)
Increase (decrease) in accounts payable	(44,708)	(49,403)	(2,571)
Increase (decrease) in customer advances for projects in progress	8,168	25,896	(18,531)
Increase (decrease) in advances received	(1,345)	40,219	9,093
Increase (decrease) in guarantee deposits received	(661)	216	(780)
Increase (decrease) in accrued consumption taxes	1,190	(4,154)	2,923
Other	(2,712)	(6,185)	2,633
Subtotal	22,631	(27,000)	69,028
Interest and dividends received	92	189	129
Interest paid	(866)	(936)	(1,290)
Income taxes paid	(4,471)	(30,422)	(4,559)
Net cash provided by (used in) operating activities	17,386	(58,169)	63,308

(Million yen)

	FY 2007 3rd quarter (Apr. 2006 - Dec. 2006)	FY 2008 3rd quarter (Apr. 2007 - Dec. 2007)	FY 2007 (Apr. 2006 - Mar. 2007)
II Cash flows from investing activities			
Payment for purchase of tangible fixed assets	(19,270)	(4,677)	(21,830)
Proceeds from sale of tangible fixed assets	7	12,144	8
Payment for purchase of affiliates' stock	(1,100)	-	(1,100)
Proceeds from sale of affiliates' stock following change in scope of consolidation	4,109	-	4,109
Proceeds from sales of affiliates' bonds	2,880	-	2,880
Payment for purchase of investment securities	(791)	(3,383)	(792)
Proceeds from sale of investment securities	850	721	1,000
Payment for loans made	(1,281)	(322)	(1,378)
Proceeds from collection of loans	3,245	2	3,646
Other	(1,103)	(1,920)	(2,475)
Net cash used in investing activities	(12,453)	2,565	(15,930)
III Cash flows from financing activities			
Proceeds from short-term debt	32,190	78,610	34,190
Repayment of short-term debt	(26,758)	(44,848)	(32,454)
Proceeds from long-term debt	13,000	17,000	13,000
Repayment of long-term debt	(12,503)	(7,595)	(22,655)
Payment for purchase depreciation on privately placed bonds	-	-	(2,006)
Payment for redemptions of privately placed bonds	(717)	(563)	(1,435)
Dividends paid for minority shareholders	(225)	(225)	(873)
Payment for redemption of investment in minority interests	-	(12,484)	-
Payment for purchases of treasury stock	(1)	(1)	(2)
Dividends paid for shareholders	(4,781)	(10,359)	(4,781)
Net cash provided by (used in) financing activities	202	19,532	(17,018)
IV Effect of exchange rate changes on cash and cash equivalents	27	(126)	195
V Net increase (decrease) in cash and cash equivalents	5,163	(36,197)	30,554
VI Cash and cash equivalents at beginning of period	44,612	75,166	44,612
VII Cash and cash equivalents from newly consolidated subsidiaries	-	1,089	-
VIII Cash and cash equivalents at end of period	49,775	40,059	75,166

4. Segment Information

Our business results for each segment by business category are discussed below.

FY 2007 3rd quarter (April 1, 2006 through December 31, 2006)

(Million yen)

	Apartment Construction Subcontracting Division	Leasing Division	Hotel Resort Division	Other Division	Total	Eliminations/ Unallocated	Consolidated
Net sales and operating profit (loss)							
Net sales							
(1) Sales to customers	195,747	200,677	5,332	16,760	418,518	-	418,518
(2) Intra-group sales and transfers	-	2	2,932	-	2,934	(2,934)	-
Total	195,747	200,679	8,265	16,760	421,452	(2,934)	418,518
Operating expenses	153,480	198,514	9,904	16,959	378,859	205	379,064
Operating profit (loss)	42,266	2,165	(1,638)	(199)	42,593	(3,140)	39,453

FY 2008 3rd quarter (April 1, 2007 through December 31, 2007)

(Million yen)

	Apartment Construction Subcontracting Division	Leasing Division	Hotel Resort Division	Other Division	Total	Eliminations/ Unallocated	Consolidated
Net sales and operating profit (loss)							
Net sales							
(1) Sales to customers	178,657	221,932	4,702	21,160	426,452	-	426,452
(2) Intra-group sales and transfers	-	14	2,981	-	2,996	(2,996)	-
Total	178,657	221,947	7,683	21,160	429,448	(2,996)	426,452
Operating expenses	143,991	221,110	8,152	21,737	394,991	442	395,434
Operating profit (loss)	34,665	836	(468)	(576)	34,456	(3,439)	31,017

FY 2007 (April 1, 2006 through March 31, 2007)

(Million yen)

	Apartment Construction Subcontracting Division	Leasing Division	Hotel Resort Division	Other Division	Total	Eliminations/ Unallocated	Consolidated
Net sales and operating profit (loss)							
Net sales							
(1) Sales to customers	316,117	277,163	7,140	31,187	631,608	-	631,608
(2) Intra-group sales and transfers	-	2	3,701	-	3,704	(3,704)	-
Total	316,117	277,166	10,842	31,187	635,313	(3,704)	631,608
Operating expenses	241,502	270,134	13,471	30,095	555,204	396	555,601
Operating profit (loss)	74,614	7,031	(2,628)	1,091	80,108	(4,101)	76,007

Notes: 1. The above segments are defined according to our own internal management system.

2. Segments and business content

(1) Apartment Construction Subcontracting Division-----Contract apartment construction

(2) Leasing Division-----Apartment leasing, management, related services, repairs and company housing services

(3) Hotel Resort Division-----Hotel and resort management, sales of resort club memberships, etc.

(4) Other Division-----Residential business, broadband business, silver business, financial services (real-estate loans, etc.)

3. That portion of operating expenses that involves write-offs and unallocatable expenses in the eliminations/unallocated category are accounted as management expenses of the General Affairs Department of the Company submitting the consolidated financial statements.

Previous third quarter	3,140 million yen
Current third quarter	3,481 million yen
Previous consolidated FY	4,101 million yen