

Consolidated Financial Statements

May 31, 2006

(For the year ended March 31, 2006)

Name of Company Listed: **Leopalace21 Corporation**

Code number: 8848

(URL: <http://leopalace21.com>)

Representative:

Name of Contact Person:

Position: President and CEO

Position: General Manager

Stock Listings: Tokyo Stock Exchange

Location of Head Office: Tokyo

Name: Yusuke Miyama

Name: Masumi Iwakabe

Telephone: +81-3-5350-0216

Date of the Meeting of the Board of Directors for Approval of Settlement of Accounts: May 31, 2006

Application of U.S. Accounting Standards: No

1. Results of FY 2006 (April 1, 2005 through March 31, 2006)

(1) Consolidated financial results

(Amounts less than one million yen are omitted)

	Net sales		Operating profit		Recurring profit	
	Million yen	%	Million yen	%	Million yen	%
FY ended March 2006	465,386	(2.3)	40,775	(25.4)	44,151	(17.1)
FY ended March 2005	476,266	12.8	54,682	5.8	53,265	29.0

	Net income (loss)		Net income (loss) per share	Diluted net income (loss) per share	Return on equity	Recurring profit/Total capital	Recurring profit/Net sales
	Million yen	%	Yen	Yen	%	%	%
FY ended March 2006	(16,582)	-	(104.17)	-	(11.7)	10.2	9.5
FY ended March 2005	33,262	58.7	220.79	-	28.8	12.2	11.2

Notes: 1) Equity in earnings of affiliates in FY 2006: 512 million yen, FY 2005: 1,481 million yen.

2) Average number of shares outstanding (consolidated) in FY 2006: 159,180,414 shares, FY 2005: 150,653,092 shares.

3) Change in accounting method: No.

4) The percentage figures accompanying net sales, operating profit, recurring profit and net income (loss) represent year-on-year changes.

(2) Consolidated financial position

	Total assets	Shareholders' equity	Equity ratio	Equity per share
	Million yen	Million yen	%	Yen
FY ended March 2006	412,803	133,622	32.4	839.44
FY ended March 2005	453,434	149,798	33.0	941.06

Note: Number of shares outstanding in FY 2006: 159,180,065 shares, FY 2005: 159,180,755 shares.

(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 year
	Million yen	Million yen	Million yen	Million yen
FY ended March 2006	56,971	(11,266)	(47,946)	44,612
FY ended March 2005	40,348	(8,978)	(20,959)	46,852

(4) Scope of consolidation and equity method

Consolidated subsidiaries	9 companies
Unconsolidated subsidiaries	None
Equity method affiliates	2 companies

(5) Change in scope of consolidation and equity method

Consolidated subsidiaries	(Newly applied)	None	(Excluded)	None
Equity method companies	(Newly applied)	None	(Excluded)	None

2. Estimation of business results for the year ending March 31, 2007

	Net sales	Recurring profit	Net income
	Million yen	Million yen	Million yen
FY ending March 2007 interim	295,800	30,000	16,000
FY ending March 2007	624,500	75,000	41,000

Reference: Estimated net income per share (full year): 257.57 yen.

Note: The above forecasts are based on information available to management on the day of the announcement. These statements involve a variety of uncertainties including assumptions about future economic conditions and as a result actual performance may differ materially from these forecasts.