

Consolidated Financial Statements

July 26, 2007

(For FY 2008 1st Quarter ended June 30, 2007)

Name of Company Listed: **Leopalace21 Corporation**
 Code number: 8848
 (URL: <http://www.leopalace21.co.jp>)
 Representative: Position: President and CEO
 Name of Contact Person: Position: General Manager

Stock Listings: Tokyo Stock Exchange
 Location of Head Office: Tokyo

Name: Yoshiteru Kitagawa
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1. Results of FY 2008 1st Quarter (April 1, 2007 through June 30, 2007)

(1) Consolidated financial results

(Amounts less than one million yen are omitted)

	Net sales		Operating profit		Recurring profit		Net income (loss)	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY 2008 1st quarter	109,513	(23.3)	(1,436)	-	992	(92.2)	1,304	(79.7)
FY 2007 1st quarter	142,714	111.0	14,535	-	12,782	-	6,422	-
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 1st quarter	8.18	-
FY 2007 1st quarter	40.34	-
Ref. FY 2007	234.68	-

Note: The percentage figures accompanying net sales, operating profit, etc. represent the change from the same period last year.

(2) Consolidated financial position

	Total assets	Shareholders' equity	Equity ratio	Equity per share
	Million yen	Million yen	%	Yen
FY 2008 1st quarter	432,528	179,908	37.6	1,019.14
FY 2007 1st quarter	380,174	155,101	36.2	863.53
Ref. FY 2007	454,819	185,784	37.0	1,054.99

Note: Shareholders' equity for FY 2007 1Q and FY 2007 does not include minority interests.

[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 1st quarter	(48,085)	(3,965)	(31,347)	55,539
FY 2007 1st quarter	(10,247)	(1,282)	15,648	48,729
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 first quarter. The Company's dividend forecast for the fiscal year ending March 31, 2008, for both the interim and year-end dividend, remains unchanged from that announced on May 15, 2007. The Company has not paid quarterly dividends, and has not revised its estimations of dividend for both interim period and the end of fiscal year announced on May 15, 2007.

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

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

Results during the first quarter of FY 2008 (ending March 31, 2008) have been for the most part at the expected levels, and the Company has not revised its previous forecast of business performance announced on May 15, 2007.

	Net sales		Operating profit		Recurring profit		Net income		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
FY 2008 interim	320,200	4.5	29,900	(13.0)	29,000	(9.3)	15,400	(8.6)	96.62
FY 2008	706,700	11.9	82,200	8.1	80,000	9.6	43,000	15.1	269.80

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 methods: Yes
- (3) Changes to accounting methods in recent consolidated fiscal years: None

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

(Million yen)

	FY 2007	FY 2008	Increase		FY 2007
	1st quarter (As of June 30, 2006)	1st quarter (As of June 30, 2007)	(Decrease)		(As of Mar. 31, 2007)
<Assets>					
I Current assets					
Cash and cash equivalents	48,729	55,539	6,810	14.0%	75,166
Trade receivables and accounts receivable for completed projects	5,076	5,382	305	6.0%	9,594
Operating loans	10,030	8,253	(1,776)	-17.7%	8,501
Real estate for sale/property inventories	11,726	32,737	21,010	179.2%	27,765
Payout for construction in progress	8,895	13,131	4,236	47.6%	8,818
Other inventories	686	730	44	6.5%	722
Prepaid expenses	20,933	23,365	2,432	11.6%	21,819
Deferred tax assets	4,915	5,323	407	8.3%	5,076
Other accounts receivable	15,080	10,054	(5,026)	-33.3%	22,075
Other	6,177	9,525	3,347	54.2%	8,303
Allowance for doubtful accounts	(1,456)	(1,281)	175	-12.1%	(1,289)
Total	130,795	162,762	31,967	24.4%	186,555
II Fixed assets					
Tangible assets					
Buildings and structures	82,122	83,034	912	1.1%	80,626
Land	107,183	118,172	10,989	10.3%	118,255
Construction in progress	3,181	2,149	(1,031)	-32.4%	4,397
Other	3,623	4,236	612	16.9%	3,832
Total	196,110	207,593	11,483	5.9%	207,112
Intangible assets	578	570	(8)	-1.5%	569
Investments and other assets					
Investment securities	10,242	10,386	143	1.4%	7,934
Long-term loans receivable	2,272	2,384	112	4.9%	2,281
Deferred tax assets	2,018	2,287	268	13.3%	3,074
Long-term trade receivables	2,761	2,112	(649)	-23.5%	2,125
Long-term prepaid expenses	35,033	41,876	6,842	19.5%	42,727
Other	3,425	5,060	1,635	47.8%	4,942
Allowance for doubtful accounts	(3,200)	(2,559)	640	-20.0%	(2,575)
Total	52,553	61,546	8,992	17.1%	60,509
Total fixed assets	249,242	269,710	20,467	8.2%	268,190
III Deferred assets	135	55	(80)	-59.5%	73
Total assets	380,174	432,528	52,354	13.8%	454,819

(Million yen)

	FY 2007 1st quarter (As of June 30, 2006)	FY 2008 1st quarter (As of June 30, 2007)	Increase (Decrease)		FY 2007 (As of Mar. 31, 2007)
<Liabilities>					
I Current liabilities					
Accounts payable including payables for completed projects	35,207	33,112	(2,094)	-5.9%	77,392
Short-term borrowings	39,925	54,847	14,922	37.4%	16,518
Bonds due within one year	1,435	1,126	(308)	-21.5%	1,126
Unpaid expenses	10,780	12,500	1,720	16.0%	13,287
Accrued expenses	123	135	12	9.7%	30
Accrued income taxes	-	174	174	-	27,021
Advances received	35,343	42,207	6,863	19.4%	46,744
Customer advances for projects in progress	37,770	46,664	8,894	23.5%	23,529
Allowance for employees' bonuses	3,919	4,407	488	12.5%	2,798
Other	5,995	6,032	37	0.6%	8,465
Total	170,499	201,209	30,709	18.0%	216,914
II Long-term liabilities					
Bonds	11,327	8,194	(3,133)	-27.7%	8,194
Long-term borrowings	30,090	26,142	(3,948)	-13.1%	27,320
Retirement benefit reserves	3,449	4,324	875	25.4%	4,111
Directors' accrued severance indemnities	-	3,033	3,033	-	2,986
Provision of reserve for rental income	-	533	533	-	533
Lease/guarantee deposits received	9,627	9,181	(446)	-4.6%	8,974
Other	78	-	(78)	-	-
Total	54,572	51,409	(3,163)	-5.8%	52,120
Total liabilities	225,072	252,619	27,546	12.2%	269,035
<Shareholders' equity>					
I Shareholders' equity					
Share capital	55,640	55,640	-	-	55,640
Capital surplus	33,759	34,104	345	1.0%	34,104
Retained earnings	57,154	81,966	24,811	43.4%	85,700
Treasury stock	(198)	(96)	102	-51.5%	(96)
Total	146,356	171,615	25,258	17.3%	175,348
II Effect of evaluation and exchange rate difference					
Net unrealized gains on other securities	515	1,346	830	161.2%	532
Translation adjustments	(9,414)	(10,531)	(1,116)	11.9%	(7,737)
Total	(8,899)	(9,184)	(285)	3.2%	(7,205)
III Minority interests					
	17,644	17,478	(165)	-0.9%	17,641
Total net assets	155,101	179,908	24,807	16.0%	185,784
Total liability and net assets	380,174	432,528	52,354	13.8%	454,819

2. (Summary) Consolidated Quarterly Statements of Operations

(Million yen)

	FY 2007 1st quarter (Apr. 2006– June 2006)	FY 2008 1st quarter (Apr. 2007– June 2007)	Increase (Decrease)		FY 2007 (Apr. 2006– Mar. 2007)
I Net sales	142,714	109,513	(33,200)	-23.3%	631,608
II Cost of sales	108,736	88,738	(19,998)	-18.4%	474,713
Gross profit	33,977	20,775	(13,202)	-38.9%	156,895
III Selling, general and administrative expenses	19,441	22,212	2,770	14.2%	80,887
Operating profit (loss)	14,535	(1,436)	(15,972)	-	76,007
IV Non-operating profit	246	2,965	2,718	-	1,497
V Non-operating expenses	2,000	536	(1,463)	-73.2%	4,502
Recurring profit (loss)	12,782	992	(11,789)	-92.2%	73,002
VI Extraordinary income	5	568	563	-	3,725
VII Extraordinary losses	222	0	(222)	-99.8%	7,397
Net income (loss) before taxes and adjustments	12,565	1,561	(11,004)	-87.6%	69,329
Tax expense	5,925	194	(5,730)	-96.7%	31,100
Minority interests	217	62	(155)	-71.4%	871
Net income (loss)	6,422	1,304	(5,117)	-79.7%	37,358

3. (Summary) Quarterly Statements of Cash Flows

(Millions of Yen)

	FY 2007 1st quarter (Apr. 2006–Jun. 2006)	FY 2008 1st quarter (Apr. 2007–Jun. 2007)	FY 2007 (Apr. 2006–Mar. 2007)
I Cash flows from operating activities			
Net income (loss) before taxes and adjustments	12,565	1,561	69,329
Depreciation expenses	1,136	1,232	4,559
Increase (decrease) in allowance for doubtful accounts	103	(24)	159
Increase in directors' accrued severance indemnities	-	47	2,986
Interest expense	334	328	1,332
Foreign exchange loss (gain)	970	(2,293)	(501)
Equity method loss (income)	497	(13)	2,320
Loss on sales of tangible fixed assets	-	0	16
Write-offs of tangible fixed assets	118	0	215
Impairment loss	-	-	3,009
Gain on sales of affiliates' stock	-	-	(2,514)
Gain on sales of affiliates' bonds	-	(560)	(1,119)
Gain on sales of investment securities	(74)	(4)	(166)
Loss on devaluation of investment securities	-	-	210
Decrease (increase) in accounts receivable	11,436	17,065	914
Decrease (increase) in real estate for sales	(4,202)	(4,971)	(18,554)
Decrease (increase) in expenses from uncompleted works	26,354	(4,312)	26,430
Decrease (increase) in long-term prepaid expenses	(2,871)	1,027	(12,366)
Increase (decrease) in accounts payable	(45,454)	(41,684)	(2,571)
Increase (decrease) in amount received for uncompleted works	(4,290)	23,135	(18,531)
Increase (decrease) in advances received	(2,356)	(4,412)	9,093
Increase (decrease) in guarantee deposits received	(156)	(218)	(780)
Increase (decrease) in accrued consumption tax	1,005	(3,068)	2,923
Other	(748)	(3,704)	2,633
Subtotal	(5,631)	(20,871)	69,028
Interest and dividends received	42	61	129
Interest paid	(221)	(215)	(1,290)
Income taxes paid	(4,437)	(27,059)	(4,559)
Net cash provided by (used in) operating activities	(10,247)	(48,085)	63,308
II Cash flows from investing activities			
Payment for purchase of tangible fixed assets	(1,684)	(2,188)	(21,830)
Proceeds from sale of tangible fixed assets	6	0	8
Payment for purchase of affiliates' stock	-	-	(1,100)
Income from sale of affiliated companies' stock due to changes in consolidation	-	-	4,109
Proceeds from sales of affiliates' bonds	-	-	2,880
Payment for purchase of investment securities	(228)	(1,283)	(792)
Proceeds from sale of investment securities	297	208	1,000
Payment for loans made	(611)	(104)	(1,378)
Proceeds from collection of loans	1,271	1	3,646
Other	(333)	(599)	(2,475)
Net cash used in investing activities	(1,282)	(3,965)	(15,930)
III Cash flows from financing activities			
Proceeds from short-term debt	20,000	40,610	34,190
Repayment of short-term debt	(186)	(2,186)	(32,454)
Proceeds from long-term debt	-	-	13,000
Repayment of long-term debt	(1,549)	(1,273)	(22,655)
Payment for purchase depreciation of privately placed bonds	-	-	(2,006)
Payment for redemptions of privately placed bonds	-	-	(1,435)
Dividends paid to minority shareholders	(225)	(225)	(873)
Payment for purchase of treasury stock	(1)	-	(2)
Dividends paid for shareholders	(2,390)	(5,578)	(4,781)
Net cash provided by (used in) financing activities	15,648	31,347	(17,018)
IV Effect of exchange rate changes on cash and cash equivalents	(1)	(13)	195
V Net increase (decrease) in cash and cash equivalents	4,116	(20,717)	30,554
VI Cash and cash equivalents from newly consolidated subsidiaries	44,612	75,166	44,612
VII Cash and cash equivalents at end of period	-	1,089	-
VIII Cash and cash equivalents at end of period	48,729	55,539	75,166

4. Segment Information

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

FY 2008 1st quarter (April 1, 2007 through June 30, 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	31,112	70,781	1,902	5,717	109,513	-	109,513
(2) Intra-group sales and transfers	-	0	967	-	967	(967)	-
Total	31,112	70,782	2,869	5,717	110,481	(967)	109,513
Operating expenses	28,395	73,317	2,647	6,096	110,457	493	110,950
Operating profit (loss)	2,717	(2,534)	221	(379)	24	(1,460)	-1,436

FY 2007 1st quarter (April 1, 2006 through June 30, 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	72,585	64,278	2,121	3,728	142,714	-	142,714
(2) Intra-group sales and transfers	-	0	1,152	-	1,153	(1,153)	-
Total	72,585	64,279	3,274	3,728	143,867	(1,153)	142,714
Operating expenses	56,128	64,238	3,733	3,949	128,049	128	128,178
Operating profit (loss)	16,456	40	(458)	(220)	15,818	(1,282)	14,535

(Reference materials)

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 and repairs

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

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

4. That portion of operating expenses that involves unallocatable expenses in the eliminations/unallocated category is accounted as management expenses of the General Affairs Department of the Company submitting the consolidated financial statements.

FY2007 1st quarter	1,282 million yen
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FY2008 1st quarter	1,460 million yen
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FY2007	4,101 million yen
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