

● Corporate Data (As of September 30, 2009)

Company Name	● Leopalace21 Corporation
Head Office	● 2-54-11 Honcho, Nakano-ku, Tokyo TEL: +81-3-5350-0001 (Main Line)
President and CEO	● Yoshiteru Kitagawa
Established	● August 17, 1973
Common Stock	● ¥55,640.66 million
Number of Shares Outstanding	● 159.54 million shares
Listed Exchange	● Tokyo Stock Exchange, First Section
Operations	● Construction, leasing, and sales of apartments, condominiums, and residential housing; development and operation of resort facilities; hotel business; broadband business; Silver business, etc.
Number of Employees	● 9,793 (consolidated); 8,955 (non-consolidated)
Building Lots and Buildings Transaction Business License	● Minister of Land, Infrastructure and Transport Permit (9) No. 2846
Construction Business Permit	● Minister of Land, Infrastructure and Transport Permit (Special-20) No. 11502
Registration of Class-1 Architect Office	● Tokyo Governor Registration 36122
Loan Business Registration	● Kanto Finance Bureau Chief Registration (8) No. 00581
Memberships	● Japan Association of Home Suppliers Japan Financial Services Association Japan Prefabricated Construction Suppliers and Manufacturers Association
Affiliate Companies	● Domestic consolidated subsidiaries (5), overseas consolidated subsidiaries (4), equity method affiliates (1)

● Members of the Board of Directors (as of September 30, 2009)

President and CEO	Yoshiteru Kitagawa	Director	Satoshi Abe
Senior Managing Director	Eisei Miyama	Director	Hiroshi Takeda
Executive Managing Director	Tadahiro Miyama	Director	Naomichi Mochida
Director	Hiroyuki Miyata	Standing Auditor	Yoshinori Uehara
Director	Yoshikazu Miike	Standing Auditor	Shinya Watanabe
Director	Kou Kimura	Auditor	Masami Matsushita
Director	Yousuke Kitagawa	Auditor	Koichi Fujiwara

Leopalace21

Leopalace21 Corporation

2-54-11 Honcho, Nakano-ku, Tokyo 164-8622

TEL: +81-3-5350-0001 (Main Line) FAX: +81-3-5350-0058

● Shareholder Memo

Fiscal Year

April 1 to March 31

Record Date for Year-End Dividends

March 31

Record Date for Interim Dividends

September 30

Annual General Shareholders' Meeting

June

Shareholder Register Administrator/ Specified Account Management Institution

Mitsubishi UFJ Trust and Banking Corporation

Contact

Mitsubishi UFJ Trust and Banking Corporation Securities
Agency Division
7-10-11 Higashisuna, Koto-ku, Tokyo 137-8081
TEL. 0120-232-711 (free dial in Japan)

Listed Exchange

Tokyo Stock Exchange

Method of Public Notice

Electronic notification, through the official corporate website.
<http://www.leopalace21.co.jp/IR.html>
Or through publication in the Nihon Keizai Shimbun when accident or other factor prevents publication through electronic means.

[Note]

1. With implementation of the electronic share certificate system, inquiries regarding change of address, purchase requests and other procedures are, in principle, now accepted by the account managing institution where an account has been set up (securities company, etc.). Please note that such inquiries are not handled by Mitsubishi UFJ Trust and Banking Corporation, administrator of the Company's shareholder register.
2. Please contact Mitsubishi UFJ Trust and Banking Corporation, the account administrator, for procedures related to shares registered in special accounts. Inquiries can be made at any Mitsubishi UFJ Trust and Banking branch throughout Japan.
3. Unclaimed dividends are paid through the main office or any branch of Mitsubishi UFJ Trust and Banking Corporation.



Investor's Guide

Interim Financial Report for Fiscal Period 37

April 1, 2009 to September 30, 2009



Leopalace21 Corporation

Securities Code No. 8848

<http://www.leopalace21.co.jp>





President and CEO **Yoshiteru Kitagawa**

Dear Ladies and Gentlemen,

During the period under review, we continued to experience the effects of a deep recession since last autumn. Orders received in our apartment construction subcontracting business were down by 37.7% year-on-year, while the average occupancy rate during the period was down by 7.9 points in our leasing business. The recession has indeed had a significant impact on our core businesses.

As a result, Leopalace21 recorded lower consolidated revenues and operating income for the interim period under review, and we see no signs pointing toward a recovery in this difficult business environment during the second half of the year.

In response, the Company released “Notice Concerning Revision of Earnings and Dividend Forecasts” on October 27. Over the next few paragraphs, I will discuss the Company’s earnings for the interim period under review, our considerations regarding dividends, our future outlook and mid- to long-term prospects.

Working toward a quick return to our Medium-Term Management Plan. A fundamental restructuring is within

Earnings for the Interim Period under Review

An economic recession has swept the world since the financial crisis of last autumn. With few exceptions, Japanese industries are experiencing significant earnings declines. The September unemployment rate in Japan was 5.2%, marking the continuation of our worst unemployment levels in history. The gap in business activity between the metro Tokyo area and outlying regions has continued to grow, and the high unemployment has resulted in significant declines in occupancy rates for our Leasing Business Segment in areas where there is a high concentration of manufacturing firms. With this decline in occupancy rates, the Company recorded a reserve for future losses on apartment vacancies of approximately 9.1 billion yen during the second quarter, resulting in falling operating income. Stricter loan screening at financial institutions has had a significant impact on the volume of contracts received in our Subcontracting Business Segment. The Company recognized approximately 4.3 billion yen in foreign exchange losses related to our Guam resort business, which was another major factor that resulted in net income underperforming our initial plan.

The Company had adopted measures anticipating challenging economic conditions; however, the continuing nature of the current conditions exceeded our projections, resulting in the Company recording substantial losses.

However, since neither reserves for losses on apartment vacancies or foreign exchange losses involve actual cash, the Company was able to maintain a stable financial foundation. Net assets as of the last day of the interim period under review amounted to 141.0 billion yen. Leopalace21 was also able to maintain a healthy 31% equity ratio.

Dividend Policy

The Company recorded substantial losses for the current interim period, and we anticipate that the continuing effects of the financial crisis will have a significant negative impact on full-year earnings. With the potential for a double-dip recession, it is difficult to accurately forecast future conditions. Given these challenging conditions, we plan to conserve as much cash as possible, and will not pay dividend for the current interim period as we use the resources toward future growth. I ask for your understanding and support in this matter.

To take full responsibility for this net loss and non-payment of dividends, I have

profitability based on the basic policies of the realm of possibilities.

reduced my own compensation as president and CEO by 40% for the period between October 2009 and March 2010. The other nine Leopalace21 directors will likewise have their salary reduced by 30%.

We will expend all efforts to make a recovery in earnings that will allow us to pay dividends to our shareholders as quickly as possible.

New Corporate Slogan
Change for NEXT

Leopalace21 is undergoing a transformation as we look toward the next stage in our business. In an era of dramatic change and confusion, our goal is to create a solid business model that does not rely on the market conditions at any given time. We will focus our efforts in the apartment construction subcontracting and apartment leasing businesses, which have always been the core of our operations. We will unite as an organization, continuing to build corporate value as we respond to the needs of each and every one of our customers.

Future Outlook and Mid- to Long-Term Prospects

We expect that this challenging business environment will continue throughout the second half of the year. As such, our full-year earnings outlook for the current period anticipates a net loss. Looking to return to profitability as soon as the next fiscal year, the Leopalace21 Group launched a project team to create a system that facilitates the ability of all directors to concentrate fully on the leading edge of our sales efforts. This project team is also investigating a fundamental organizational restructuring, including a revision of our Medium-Term Management Plan. Our goal is to announce details of these revision plans sometime around the end of this year or the beginning of next.

However, we have no intention to change the basic policies that we have pursued under an integrated management structure for our subcontracting and leasing operations, which is the essence of our Medium-Term Management Plan, "Change for NEXT." Under this policy, we have consolidated management resources around

our core businesses, building a business structure that creates greater synergies between our apartment construction subcontracting business and leasing business. At the same time, we are pursuing overall optimization in our core businesses, establishing a high-profit/low-cost structure. Our "One-Stop Strategy" is a specific example how we will expand revenue opportunities in our subcontracting and leasing businesses, as we establish a comprehensive lineup of products that meets the needs of families as well as single tenants. We are also rolling out a variety of sales promotions to support this strategy, while creating a new structure that will result in higher occupancy rates. I and each and every Leopalace21 employee are well aware of the challenging business climate, and we are taking specific actions to achieve our organizational goals.

I ask for the continued understanding and support of our shareholders as we weather these difficult circumstances together.

November 2009

北川芳輝

■ Medium-Term Management Plan Action Plan for This Year (Inaugural Year)

First-Year Basic Policies	Toward a Business Structure Capable of Responding to Rapid Changes in the Business Environment
<p>1 Organizational Reform</p> <ul style="list-style-type: none"> Moving toward integrated subcontracting/leasing management A stronger management structure for related businesses; establish an investigative committee for each management issue 	<p>2 Core Businesses...Aggressive Sales Expansion</p> <ul style="list-style-type: none"> Improved stock valuation through sales of 1K/Large Plan 1K/Family-Type units Revision of leasing business management structure, profit structure
<p>3 Related Businesses ... Stronger Monitoring</p> <ul style="list-style-type: none"> Pinpoint priority businesses; consider reallocation of management resource investment 	<p>4 More Efficient Management</p> <ul style="list-style-type: none"> Reduce administrative expenses and fixed expenses



Launch a project team to promote a more fundamental structural reorganization



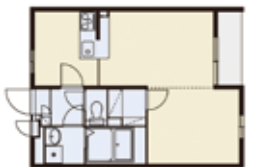

Propose a review plan

Special Feature (1) The One-Stop Strategy

Leopalace21 is creating a new business model through a “One-our subcontracting and leasing businesses.

Apartment Construction Subcontracting Business

From 1K to a full line-up

<p>Leopalace21 Conventional 1K units Leopalace21 Series 「Con Grazia」 (19.87 to 23.18 square meters)</p>  <p>(Living area: 7.5 mats*) *1 mat = 3.3 square meters</p>	<p>NEW LEONEXT Residence with attached rental unit LEO NEXT Series 「Lavo cerna」 (21.65 to 56.04 square meters)</p>  <p>(Total living area: 20 mats*) *1 mat = 3.3 square meters</p>	<p>NEW LEONEXT Large 1K units LEO NEXT Series 「LEPIDO」 (26.08 to 37.26 square meters)</p>  <p>(Living area: 12.2 mats*) *1 mat = 3.3 square meters</p>	<p>NEW LEONEXT Family type units LEO NEXT Series 「Lavo vita」 (67.49 to 77.77 square meters)</p>  <p>(Total living area: 31.5 mats*) *1 mat = 3.3 square meters</p>
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Central Areas (urban, commercial)

Suburbs (commuter neighborhoods, regional cities/towns)

Greater supply to areas with high demand

Upgraded studio units

Family use

Introduce new stock to grow target tenant segments

Traditionally, our products have been mainly targeted to younger people who live on their own in urban studio units (1K). Going forward under our new Medium-Term Management Plan, we will be building out our product lineup in a one-stop approach to expand our customer base to adults, DINKS (double-income, no kids), families, etc. by responding to the lifestyle changes experienced by a 1K tenant. Through this “One-Stop Strategy,” our goal is to stabilize orders received and expand the supply areas (urban area + suburban area) of our apartment construction subcontracting business, made possible by integrating our apartment construction subcontracting and leasing businesses.



Con Grazia

Con Grazia is the new standard in the Leopalace21 Series, available through a well-received monthly leasing system. An exterior design popular with young, single tenants, complete with all of the amenities they want.

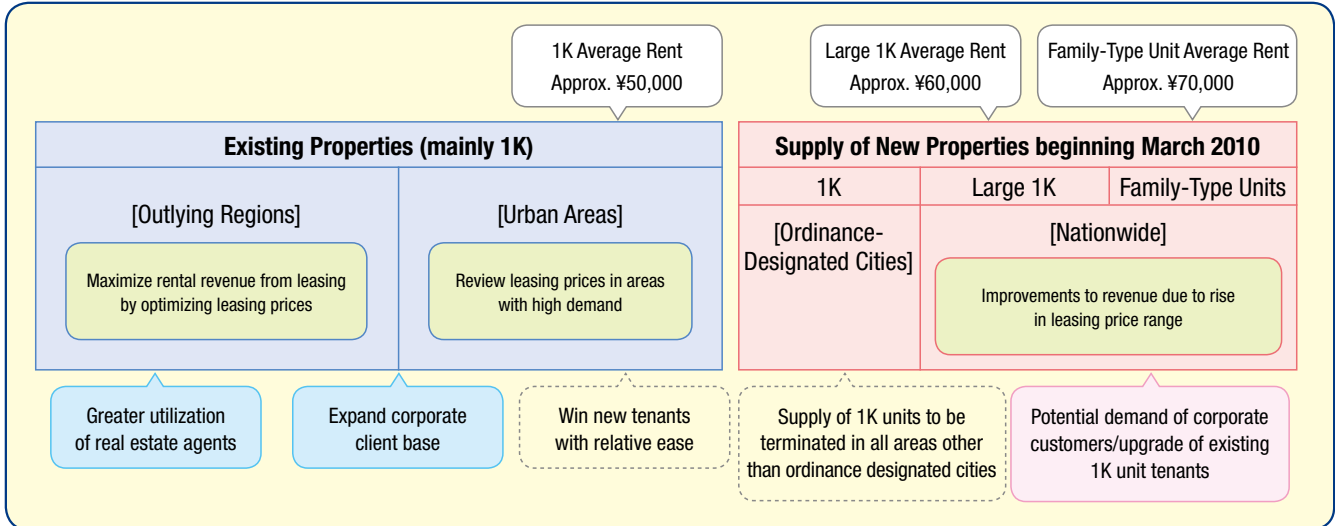


Lavo cerna

The Lavo cerna is a concept in the LEO NEXT Series that combines a family residence with a rental unit. This new product offers a way for customers thinking of remodeling a single-family home to make the best use of their asset.

Stop Strategy” based on integrating

Leasing Business Maximize lease revenues; build a stronger tenant base through an expanded lineup of managed properties



This “One-Stop Strategy” in our leasing business will allow us to offer a full range of properties. In doing so, we expect to win more tenants as we provide services to existing 1K tenants who need to upgrade (e.g. marriage, birth, or other life stage changes), as well as to corporate clients (as a company benefit not only for non-married employees, but for married employees). Larger properties result in larger lease payments, which should contribute to improved revenues and profits for the Company.



LEPIDO

The LEPIDO is a large-scale 1K unit in our LEO NEXT Series, offering room and quality in a luxurious space not usually seen in rental units. Tenants enjoy upgraded amenities and specifications. We offer a comprehensive variety of layouts, including structure size, resulting in an apartment construction that provides unsurpassed asset efficiency.



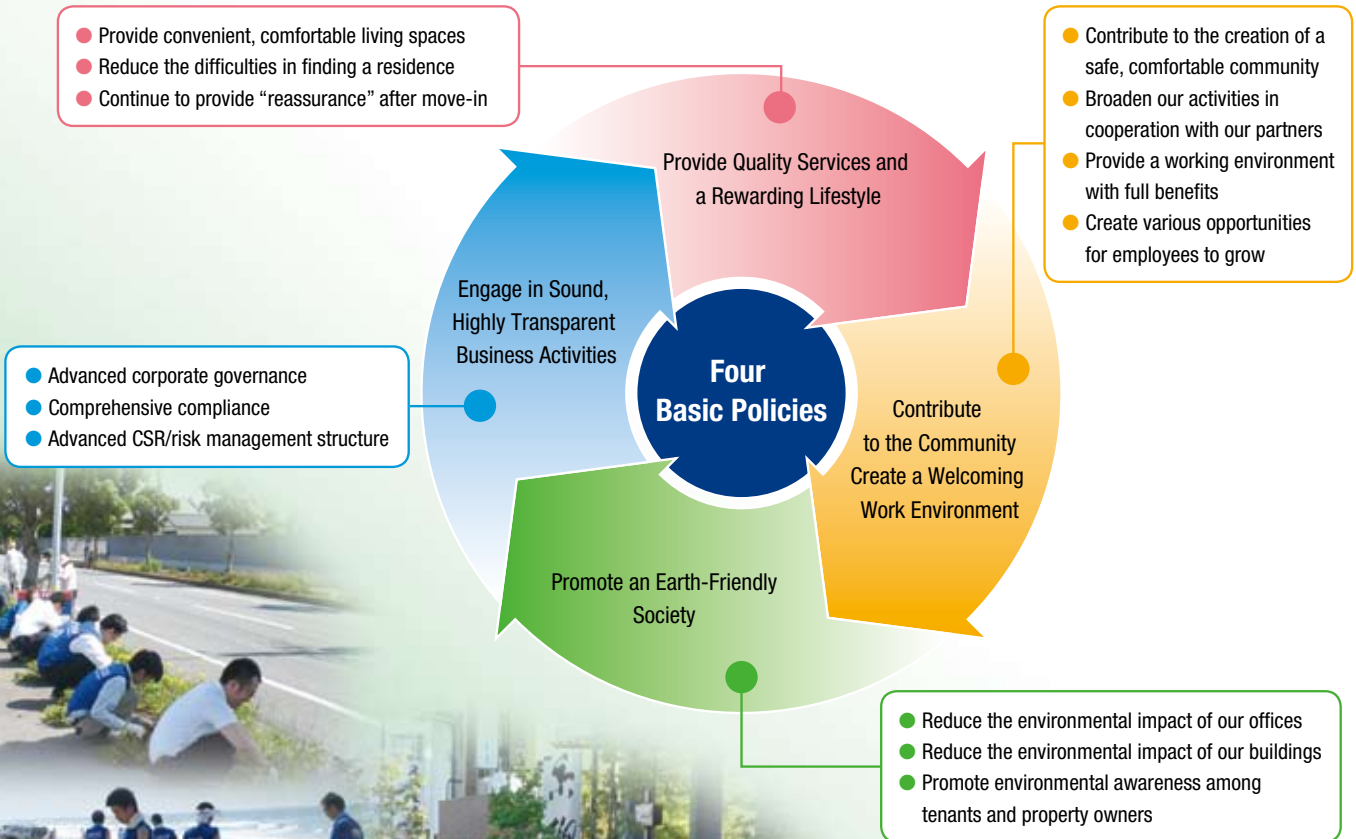
Lavo vita

The Lavo vita is a Family-Type unit in the LEO NEXT Series, offering the most room among all of our products. This product was created to meet the demand to upgrade from single-person units and semi-family residences.

Our CSR initiatives form an important part of our Medium-Term

The Leopalace21 Corporate Philosophy is “Create New Value.” Realizing our role as a corporate citizen; responding to the expectations of our customers, our shareholders, and all of our stakeholders; contributing to the creation of a sustainable society. We believe these to be central imperatives of our management mission.

In pursuit of this mission, Leopalace21 observes the following Four Basic Policies, actively building on our successes, and adding new measures as necessary.



Management Plan.

Provide Quality Services and a Rewarding Lifestyle...

Leopalace21 has established a Foreign Resident Support Call Center to better serve the increasing number of foreign resident tenants. A team of 10 full-time staff (fluent in Chinese, Korean, English and Portuguese) stands by to help tenants with everything from looking for a residence to advice about day-to-day living in Japan.



Foreign Resident Support Call Center

Contribute to the Community and Create a Welcoming Work Environment...

In August 2009, Leopalace21 established Leopalace Smile Co., Ltd. to offer more disabled individuals with work opportunities and a suitable work environment. The Company is hiring developmentally disabled individuals in greater numbers, employed to handle shredding and mail room functions subcontracted by the Leopalace21 Tokyo headquarters. Leopalace Smile applied for special subsidiary status in November 2009 as a step toward hiring in greater numbers and expanding the scope of work performed.



Shredding operations

Promote an Earth-Friendly Society...

The Leopalace21 head and branch offices are participating together with Ecocap Movement. To date, a cumulative 2,700,118 caps from plastic bottles have been recycled.
(as of October 2009)



Ecocaps

Engage in Sound, Highly Transparent Business Activities...

One of our most important challenges is to promote awareness about legal compliance among all of our employees. During the period under review, Leopalace21 brought in expert instructors to conduct compliance training for corporate officers, sales staff, etc.



Compliance training

During the first half of the current fiscal year under review, including building greater added value in our core businesses.

● Short-Term Home Content Insurance for Fixed-Term Rental Home Contracts

On May 1, Leopalace21 affiliate Leopalace Insurance Co., Ltd. introduced the first-ever “short-term home content insurance” package in the small amount/short term insurance industry (policy term of up to two years; adjustable term). This new product was developed to provide greater convenience to customers moving into Leopalace21 properties, as well as to respond to the Employment Stability Financing project of the Japanese Ministry of Health, Labour and Welfare.

● Corporate Presentation for Individual Investors

(May 30 (Saturday); Tokyo)



2009

4
April

● Four Silver Business Facilities Opened on May 1

- La Terrace Sekikawa
- La Terrace Horigome
- Azumi En La Terrace Showa
- Azumi En La Terrace Katsuragi

● A Clean Town. A Happy Town. Hometown Cleaning Project

(Hometown cleaning and soccer seminar event/ scheduled for 2009 and 2010)

Beginning at Omiya on April 12, 2009, activities were conducted according to plan in five locations during the first half of the current fiscal year.

- April 12 Omiya (Omiya Ardija)
- April 29 Nagoya (Nagoya Grampus)
- July 26 Osaka (Gamba Osaka)
- August 29 Shizuoka (Jubilo Iwata)
- September 20 Kobe (Vissel Kobe)



5
May

6
June

● Established Local Chinese Subsidiary (Shanghai) and Beijing Branch

As more Chinese nationals visit Japan for business, education and pleasure, the number of Chinese living in Japan has climbed dramatically. Leopalace21 established a representative office in Shanghai in 2004. In June 2009, the Company established the local subsidiary “Leopalace21 Business Consulting (Shanghai) Co., Ltd.,” as well as a branch office in Beijing in August. With these new entities, Leopalace21 is expanding its brand awareness (presence) in China, while offering greater convenience to Chinese customers in terms of information about lease properties in Japan, move-in paperwork, etc.



Shanghai Headquarters



Beijing Branch Office

Leopalace21 continued to engage in a number of initiatives,

New Products from the LEO NEXT Series Introduction of “Leffect”

On July 3, Leopalace21 launched the new product in the LEO NEXT Series, “Leffect.” Leffect is a model compatible with narrow or small lots, designed mainly with urban areas in mind. This new template allows for buildings to be constructed on land that had presented challenges in the past.

Only about six meters in depth, this design (row-house model) is perfect for narrow or small lots that could only be used as parking lots in the past, opening up new potential uses for a wide range of property owners. This design provides flexibility to deal with setback regulations by altering window settings on either side of the living space (north/south). A 1K model affording different frontage/depth combinations, or combined with maisonette-type rooms lets builders work with irregularly shaped lots, lots with narrow frontage, etc.

7
July

8
August

9
September

Solar Panel Half-Off Promotion: Lavo cerna

To celebrate the launch of a two-story plan for the Lavo cerna (residence with attached rental unit), Leopalace21 conducted a promotion to supplement 50% of the installation price for optional solar panels (for contracts signed by late September 2009).

Conceptual drawing of installed panels



ECO Life Support Campaign

Business Alliance with Gulliver International

In September, Leopalace21 signed a business alliance agreement with Gulliver International Co., Ltd., a major used car dealer in Japan. Under the terms of this agreement, Leopalace21 and Gulliver will offer a car sharing service, called Leo Gulliver, beginning late November. The plan calls for 500 cars to be available in different locations around Japan before year-end, utilizing Leopalace21 parking lot properties.

Leopalace21 was attracted to the idea of “using” cars through a car-sharing format when necessary based on lifestyle needs, rather than “owning” a car that requires upkeep and maintenance. This service will provide another level of convenience to our tenants and add value to our properties, leading to higher occupancy rates.



Leo Gulliver Car Sharing Station

New Leopalace21 Scholarship for International Students

Leopalace21 has established the “Leopalace21 Scholarship” to help support the education of international students living and studying in Japan.

Leopalace21 contributed 12 million yen to fund the scholarship, providing 200 students 10,000 yen per month for six months. The scholarship is administered by Japan Educational Exchanges and Services.

(Applications accepted through 174 universities and vocational colleges in Japan. Application deadline for 2009 is October 9.)

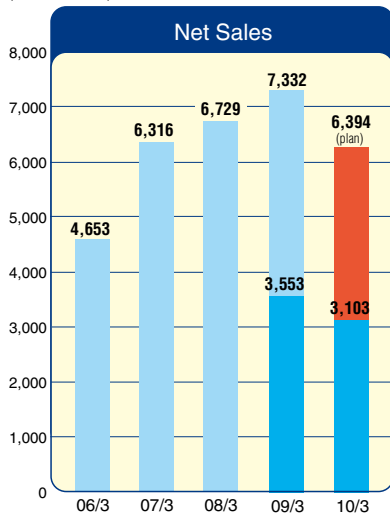
Corporate Presentation for Individual Investors

(August 29 (Saturday); Nagoya and Osaka)

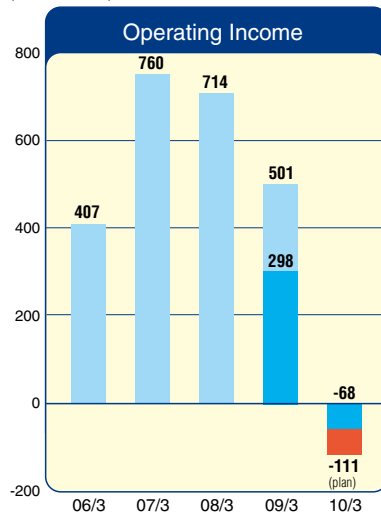
Financial Highlights (consolidated)

Full-Year Interim

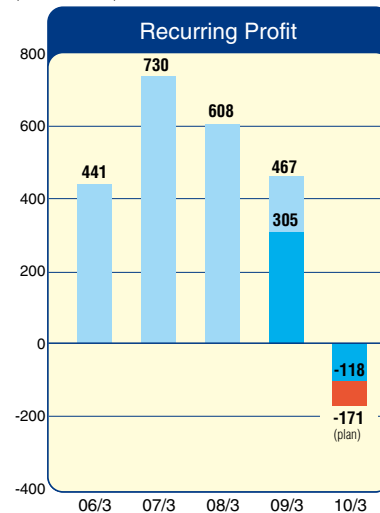
(¥ hundred million)



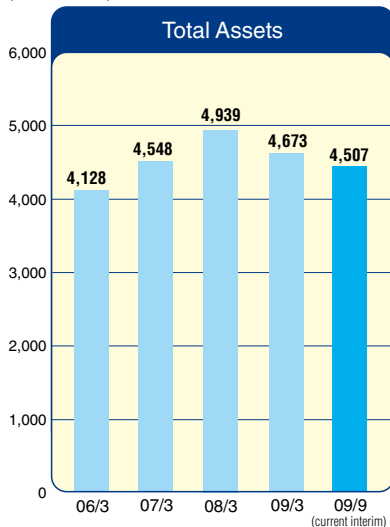
(¥ hundred million)



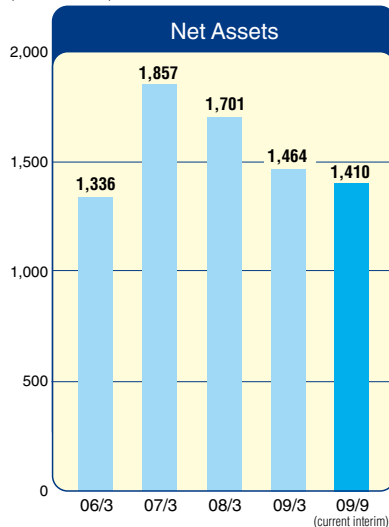
(¥ hundred million)



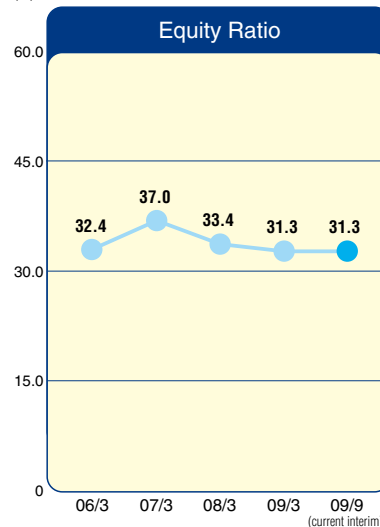
(¥ hundred million)



(¥ hundred million)



(%)

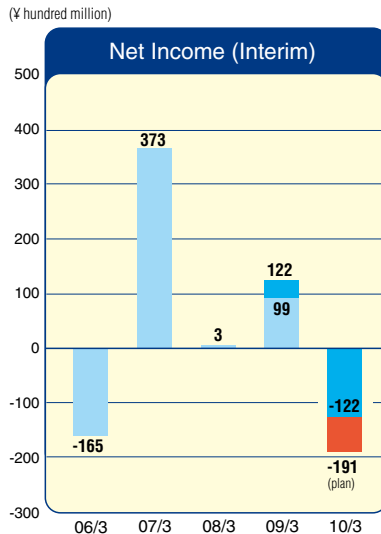


● Changes in Business Classifications (beginning FYE March 2010)

Under the New Medium-Term Management Plan: Change for NEXT, Leopalace21 will concentrate management resources in its two core businesses (apartment construction subcontracting business and leasing business). The plan also clarifies the order of priority for related businesses (non-core businesses; including businesses managed by subsidiaries), emphasizing those with relevance to core businesses.

Consequently, Leopalace21 has decided to change the business classifications used for disclosures beginning FYE March 2010, to reflect the approach taken in our New Medium-Term Management Plan. With this change, the Company will be able to provide more accurate and appropriate disclosures.

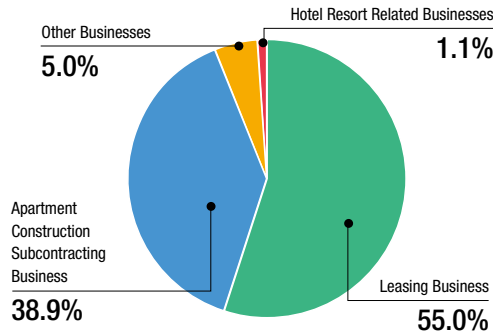
Our broadband business was essentially an extension of the leasing business; accordingly, we reclassified this business under the Leasing Business Segment. At the same time, we have combined our domestic hotel business (which had been a business within the Leasing Business Segment until FYE March 2009) together with the resort business, which has a similar management format. This new division will be classified as the Hotel and Resort Business segment.



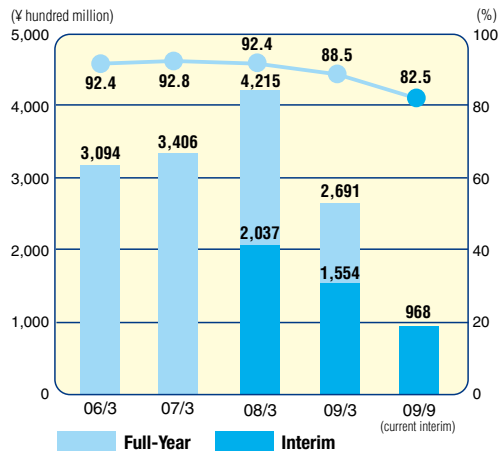
Segment Name	Corresponding Businesses	
	FYE March 2009	FYE March 2010
Construction Subcontracting Business Segment	Construction Subcontracting Business Division	Construction Subcontracting Business Division
Leasing Business Segment	Leasing Business Division	Leasing Business Division
	Domestic Hotel Business Division	Broadband Business Division
Hotel and Resort Business Segment	Leopalace Guam Division	Leopalace Guam Division
		Hotel Sales Department (organizational name change)
Other Businesses Segment	Residential Business Division	Real Estate Division (organizational name change)
	Silver Business Division	Silver Business Division
	Broadband Business Division	Leopalace Leasing Corporation
	Leopalace Leasing Corporation	Leopalace Insurance Co., Ltd.
	Leopalace Insurance Co., Ltd.	Leopalace Finance Co., Ltd.
	Leopalace Finance Co., Ltd.	

Segment Information (consolidated)

● Sales by Segment (Fiscal Period Ended September 2009)



● Apartment Construction Orders Received and Occupancy Rates during the Period



During the interim period under review, Orders received for the apartment construction subcontracting business continued to suffer the effects of the recession, falling 37.7% year-on-year to 96.828 billion yen. Order backlog fell 29.2% year-on-year to 229.164 billion yen. Occupancy in the leasing business during the period was 82.5%, representing a 7.9 point decline year-on-year. This decline was due to unexpectedly high vacancy rates, mainly related to our corporate contracts, which began to decline in fall of the prior year.

Apartment Construction Subcontracting Business

■ Business Overview

The basic business of the Apartment Construction Subcontracting Business is the subcontracting of apartment building construction. In this business, Leopalace21 develops and supplies products offering highly integrated living functions (low cost, low energy, highly durable, etc.), design, and easy functionality, and provides a total support system backing up rental unit management for property owners.

Leasing Business

■ Business Overview

The Leasing Business is engaged in the leasing and management of Leopalace21 properties, the leasing and management of whole buildings for which we subcontracted the construction, and apartment maintenance and repair work. Our main products in this business are the long-term “Leopalace21 Leasing System” and the short-term “Monthly System.” We have included the broadband business in this segment due to the related nature of the services involved.

Hotel and Resort Related Business

■ Business Overview

The Hotel and Resort Related Business will include our Domestic Hotel Business beginning this fiscal year, in addition to the Leopalace Resort Manenggon Hills Guam, located near the center of Guam, and the Westin Resort Guam, located in the northwest part of the island. These two world-class resorts are managed by the Leopalace Guam, a wholly owned subsidiary.

Other Businesses

■ Business Overview

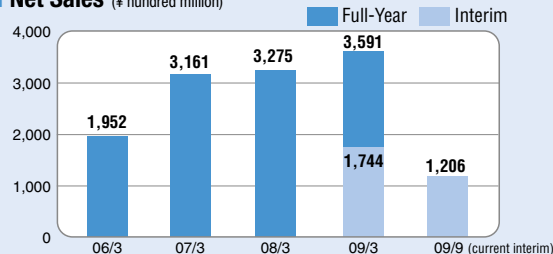
Other Businesses consist mainly of our real estate sales business, silver business, finance business, and tenant insurance offered by Leopalace Insurance Co., Ltd.

* Business segments have been reclassified beginning this fiscal year. Accordingly, only the interim figures for the prior year (FYE March 2009) have been reclassified to match the new segment classifications. Figures for FYE March 2008 and earlier represent the older classification scheme.

■ Results for the Interim Period Under Review

Leopalace21 introduced the new LEO NEXT Series brand of high-quality, high-value-added units, designed to spur a recovery in orders. Transitioning to sales bases incorporating an area strategy and revising staff assignments, Leopalace21 reduced the number of offices by three compared to the end of the prior fiscal year, down to 123 locations. However, due to the major impact of the prolonged economic recession, net sales for the apartment construction subcontracting business amounted to 120.635 billion yen, representing a 30.8% year-on-year decrease.

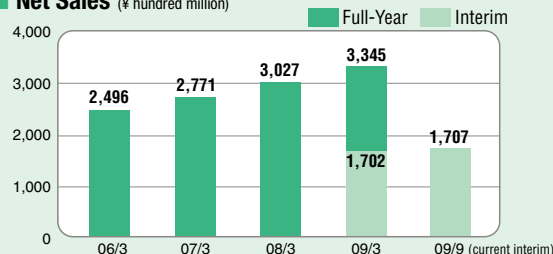
■ Net Sales (¥ hundred million)



■ Results for the Interim Period Under Review

At the end of the interim period under review, Leopalace21 had 528,000 units under management, an increase of 22,000 units over the last day of the prior fiscal year. Despite this increase, occupancy trended at a low 80%. As a result, net sales for the leasing business amounted to 170.782 billion yen (0.3% year-on-year increase). We recorded an additional reserve for loss on apartment vacancies in anticipation of future losses on apartment vacancies.

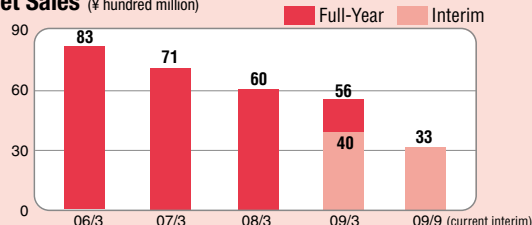
■ Net Sales (¥ hundred million)



■ Results for the Interim Period Under Review

With the economic recession, sports resorts in Guam and domestic hotels (eight locations) experienced stagnant operations. Consequently, net sales for the hotel and resort related business amounted to 3.347 billion yen, representing a year-on-year decrease of 18.3%.

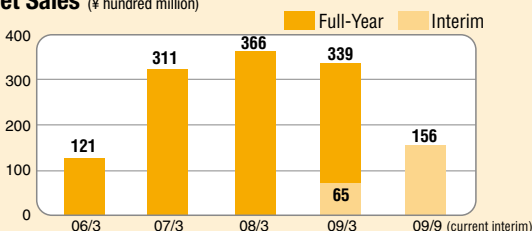
■ Net Sales (¥ hundred million)



■ Results for the Interim Period Under Review

While strong performance in the subdivision of free-standing residences in the real estate sales business resulted in increased net sales, the silver business and financing business struggled. As a result, net sales for other businesses experienced a 139.0% year-on-year increase, amounting to 15.625 billion yen. The silver business had 56 facilities under management (an increase of seven compared to the last day of the prior fiscal year).

■ Net Sales (¥ hundred million)



The Leopalace21 Group consists of eleven entities in total: Leopalace21 Corporation, nine consolidated subsidiaries, and one equity method affiliate.

Leopalace21 Corporation

Apartment Construction Subcontracting Business

Toyo Miyama Kogyo Co., Ltd.
(manufacturing and sales of housing materials)

Leasing Business

Leopalace Leasing Corporation
(Company housing agency and real estate agency)

Leopalace21 Business Consulting (Shanghai) Co., Ltd.
(Real estate agency and consulting services outside China)

Hotel and Resort Related Business

LEOPALACE GUAM CORPORATION
(hotel/resort operations in Guam)

Leopalace Travel, Ltd.
(travel agency)

Other Businesses

Leopalace Finance Co., Ltd.
(finance business)

Leopalace Insurance Co., Ltd.
(small amount/short term insurance business)

Leopalace Smile Co., Ltd.
(special subsidiary)

Note: Leopalace21 is also a 100% indirect shareholder of two companies holding operating licenses.

- Domestic consolidated subsidiary
- Foreign consolidated subsidiary
- Equity method affiliate

Consolidated Balance Sheets

	Current Interim Period (as of September 30, 2009)	Prior Interim Period (as of September 30, 2008)	Prior Period (as of March 31, 2009)
Assets			
1 Current Assets	172,996	232,284	192,015
Cash and deposits	77,545	85,101	78,375
Trade receivables and accounts receivable for completed projects	8,372	6,572	9,471
Operating loans	7,438	12,019	10,043
Real estate for sale	2,676	7,668	7,560
Real estate for sale in process	14,957	25,305	21,266
Payments for construction in progress	13,166	15,705	14,925
Raw materials and supplies	553	641	597
Prepaid expenses	27,901	26,183	27,671
Deferred tax assets	8,046	12,085	8,046
Other accounts receivable	2,297	28,285	2,596
Other	11,180	14,155	12,932
Allowance for doubtful accounts	-1,139	-1,441	-1,472
2 Fixed Assets	277,667	276,456	275,280
Tangible Fixed Assets			
Buildings and structures (net)	67,728	73,959	66,529
Land	116,411	116,900	114,914
Construction in progress	3,303	1,243	2,884
Other (net)	8,221	4,090	7,015
Intangible Fixed Assets			
	4,640	689	3,027
Investments and Other Assets			
	77,362	79,572	80,909
Investment securities	6,125	7,142	6,103
Long-term loans receivable	1,087	762	995
Deferred tax assets	5,467	3,493	5,474
Long-term receivables	6,079	5,598	4,563
Long-term prepaid expenses	57,324	59,873	61,132
Other	7,598	7,258	8,123
Allowance for doubtful accounts	-6,319	-4,557	-5,483
Deferred Assets	100	5	4
Total Assets	450,763	508,745	467,300

(units: ¥ millions)

	Current Interim Period (as of September 30, 2009)	Prior Interim Period (as of September 30, 2008)	Prior Period (as of March 31, 2009)
Liabilities			
Current Liabilities	204,670	254,621	231,432
Accounts payable including payables for completed projects	44,976	89,305	62,587
Short-term borrowings	44,895	22,959	17,492
Bonds due within one year	560	—	—
Accrued income taxes	281	13,610	13,258
Advances received	83,034	83,579	97,945
Customer advances for projects in progress	11,639	22,630	14,835
Allowance for employee bonuses	3,847	3,726	3,759
Allowance for completed construction indemnification	695	1,061	1,123
Other	14,739	17,747	20,429
Long-Term Liabilities	105,048	90,055	89,425
Bonds	3,440	—	—
Long-term borrowings	31,319	31,143	22,897
Retirement benefit reserves	6,813	5,608	6,193
Retirement benefit reserves for directors	—	1,217	1,281
Reserve for rental income	—	505	—
Reserve for loss on apartment vacancies	9,093	—	4,620
Long-term lease/guarantee deposits received	48,636	51,277	50,870
Other	5,745	303	3,561
Total Liabilities	309,718	344,677	320,857
Net Assets			
Shareholders' Equity	144,377	170,169	156,616
Common stock	55,640	55,640	55,640
Capital surplus	34,104	34,104	34,104
Retained earnings	61,173	80,522	73,412
Treasury stock	-6,542	-98	-6,541
Valuation and Translation Differences	-3,421	-6,100	-10,173
Net unrealized gains on other securities	78	-85	17
Deferred gains or losses on hedges	-6	-14	-7
Translation adjustments	-3,493	-6,001	-10,183
Stock Purchase Warrants	90	—	—
Total Net Assets	141,045	164,068	146,442
Liabilities and Net Assets	450,763	508,745	467,300

1 Current Assets

In addition to a decrease in accounts receivable, the Company also experienced a decrease in real estate for sale. Consequently, current assets amounted to 172.996 billion yen, representing a 19.018 billion yen decrease compared to the prior fiscal year end.

2 Fixed Assets

Despite a decrease in investments and other assets, the balance of real estate for lease and other tangible fixed assets increased. Accordingly, fixed assets amounted to 277.667 billion yen, an increase of 2.387 billion yen compared to the prior fiscal year end.

3 Interest-Bearing Debt

Due to increases in long-term and short-term borrowings (+35.825 billion yen), bonds (+4.0 billion yen), and lease obligations (+1.031 billion yen), interest-bearing debt amounted to 85.045 billion yen, representing a 40.857 billion yen increase over the prior fiscal year end. Short-term borrowings include 3.0 billion yen in ESOP trust account borrowings.

4 Total Liabilities

While interest-bearing debt increased, accounts payable for completed projects, advances received, accrued income taxes all decreased. Accordingly, total liabilities amounted to 309.718 billion yen, or an 11.139 billion yen decrease compared to the prior fiscal year end.

5 Treasury Stock

The Company adopted an Employee Stock Ownership Committee-linked ESOP, selling 3,597,100 shares of treasury stock to the Leopalace21 Employee Stock Ownership Committee trust account. Due to an accounting treatment that regards the Company and the trust account as one, these shares, amounting to 2.881 billion yen, are included in treasury stock.

(Note) Under an ESOP, the stock ownership committee and the trust account assignee coordinate stock transactions and the execution of voting rights, establishing a system that improves corporate value.

6 Total Net Assets

Despite a contraction in translation adjustment losses, the Company recorded a net loss for the quarter, resulting in a decrease in retained earnings. Consequently, total net assets decreased by 5.397 billion yen compared to the end of the prior fiscal year, amounting to 141.045 billion yen. The equity ratio remained at the same level as the end of the prior fiscal year, at 31.3%.

Consolidated Financial Statements

Consolidated Statements of Income

(units: ¥ millions)

	Current Interim Period (April 1, 2009 to September 30, 2009)	Prior Interim Period (April 1, 2008 to September 30, 2008)	Prior Period (April 1, 2008 to March 31, 2009)
Net Sales	310,390	355,352	733,235
Cost of Sales	277,663	277,871	589,833
Gross Profit	32,727	77,481	143,401
Selling, General and Administrative Expenses	39,600	47,678	93,244
Operating Income (Loss)	-6,872	29,803	50,156
Non-Operating Income	539	2,117	1,269
Equity in earnings of affiliates	92	170	324
Foreign currency translation gain	—	1,436	—
Other	447	510	944
Non-Operating Expenses	5,517	1,358	4,640
Interest expense	550	584	1,224
Foreign currency translation loss	4,258	—	1,876
Other	708	774	1,539
Recurring Profit (Loss)	-11,850	30,562	46,785
Extraordinary Income	486	244	695
Gain on sale of fixed assets	70	0	0
Reversal of allowance for doubtful accounts	323	244	296
Reversal of reserve for rental income	—	—	399
Reversal of retirement benefit reserves for directors	92	—	—
Extraordinary Losses	732	5,211	14,035
Loss on sale of fixed assets	192	0	0
Loss on disposal of fixed assets	327	92	162
Loss on valuation of property held for sale	—	2,560	2,560
Impairment losses	194	402	2,807
Markdown on investment securities	—	1,918	3,405
Provision for allowance for doubtful accounts	17	237	786
Provision for reserve for loss on apartment vacancies	—	—	4,313
Net Income (Loss) before Taxes and Adjustments	-12,096	25,595	33,446
Corporate, residential, and enterprise taxes	142	13,315	21,502
Income tax adjustments	—	—	1,992
Net Income (Loss)	-12,239	12,280	9,951

Summarized Consolidated Statements of Cash Flows

(units: ¥ millions)

	Current Interim Period (April 1, 2009 to September 30, 2009)	Prior Interim Period (April 1, 2008 to September 30, 2008)	Prior Period (April 1, 2008 to March 31, 2009)
Cash flows from operating activities	-35,095	36,378	62,843
Cash flows from investing activities	-5,421	-3,226	-10,048
Cash flows from financing activities	39,350	-8,547	-33,885
Effect of exchange rate changes on cash and cash equivalents	336	-468	-1,498
Net increase (decrease) in cash and cash equivalents	-830	24,136	17,410
Cash and cash equivalents at beginning of period	78,375	60,965	60,965
Cash and cash equivalents at end of quarter (period)	77,545	85,101	78,375

7 Cash Flows from Operating Activities

Net loss before taxes and adjustments was 12.096 billion yen. Accounts payable for completed projects (payment obligations) related to apartment construction subcontracting business net sales that converged in March of the prior period decreased by 19.847 billion yen, while payments for corporate, residential, and enterprise taxes amounted to 14.081 billion yen. As a result, cash used in operating activities amounted to 35.095 billion yen (cash was generated in the amount of 36.378 billion yen during the prior interim period).

8 Cash and Cash Equivalents at the End of the Quarter

Cash flows from financing activities increased by 39.350 billion yen due to increases in borrowings and bonds. Meanwhile, there was a net outlay in cash flows from operating activities and cash flows from investing activities. As a result, cash and cash equivalents at the end of the interim period under review amounted to 77.545 billion yen, representing a decrease of 830 million yen compared to the end of the prior fiscal year.

● Stock Information

Number of Shares Authorized	250,000,000 shares
Number of Treasury Shares	4,568,766 shares
Number of Shares Outstanding	159,543,915 shares
Number of Shareholders	23,642

● Major Shareholders

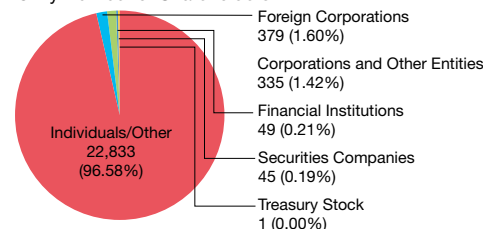
Shareholder Name	Number of Shares	Ownership Ratio
Yusuke Miyama	21,051,774	13.19%
State Street Bank and Trust Company 505223 (Standing Proxy: Mizuho Corporate Bank, Ltd., Kabutocho Settlement & Clearing Services Division)	7,978,144	5.00%
Japan Trustee Services Bank, Ltd. (trust account)	6,605,800	4.14%
The Master Trust Bank of Japan, Ltd. (trust account)	6,361,200	3.99%
Leopalace21 Corporation	4,568,766	2.86%
State Street Bank and Trust Company 505225	3,991,476	2.50%
Sumitomo Mitsui Banking Corporation (trust account)	3,597,100	2.25%
Toyo Kanetsu K.K.	2,745,900	1.72%
Mellon Bank NA as Agent for its Client Mellon Omnibus US Pension (Standing Proxy: Mizuho Corporate Bank Ltd., Kabutocho Settlement & Clearing Services Division)	2,260,938	1.42%
Japan Trustee Services Bank, Ltd. (trust account 9)	2,101,400	1.32%

Note) Large shareholding reports were received from Fidelity Investments Japan Ltd., AllianceBernstein Japan Ltd., and Goldman Sachs Japan Limited on April 22, 2009, June 4, 2009 and July 22, 2009, respectively. However, the Company was unable to confirm the number of shares beneficially owned as of the end of the current fiscal period. Consequently, the aforementioned entities were not included in the list of major shareholders above. Details of the large shareholding report are as follows.

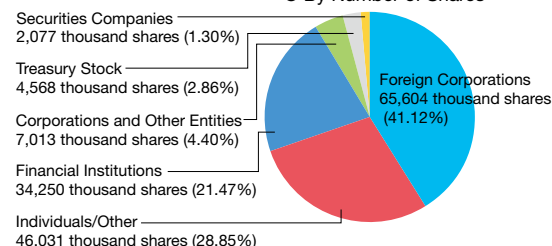
Name	Number of Shares	Ownership Ratio
Fidelity Investments Japan Ltd.	10,204,050	6.40%
Goldman Sachs Japan Limited	8,707,148	5.46%
Barclays Global Investors Japan Limited	7,374,607	4.62%
Henderson Investment Management Limited	7,071,900	4.43%
AllianceBernstein Japan Ltd.	6,091,279	3.82%

● Shareholder Composition

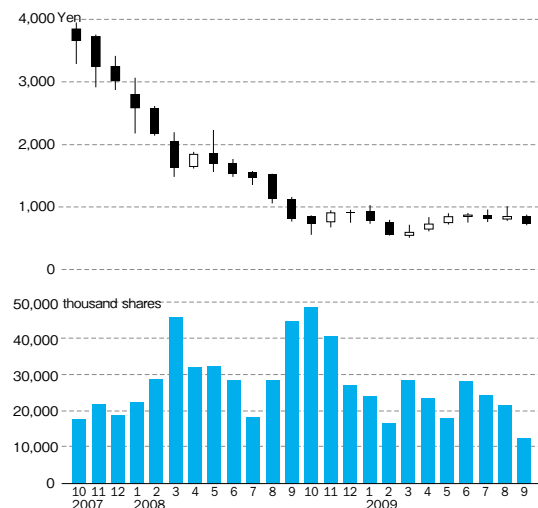
● By Number of Shareholders



● By Number of Shares



● Share Price/Volume History



Special Benefits for Shareholders

Twice each year (March 31 [year-end] and September 30 [interim]), the Company offers special benefits to shareholders of record as of the date of record.

Benefit Eligibility

		Overseas	Domestic	Total
(1)	Number of Shares Owned Between 100 and 999 shares	2	2	4
(2)	Number of Shares Owned More than 1,000 shares	2	8	10

Benefit

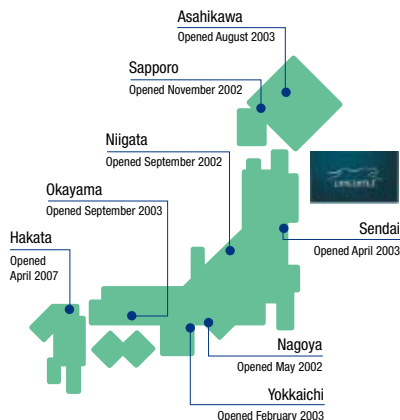
- Shareholders owning between 100 and 999 shares of Company stock will be awarded one packet each. Each packet will contain four coupons (two coupons for a free one-night stay at the Leopalace Resort Guam Hotel; two coupons for half-off on a one-night stay at any Leopalace domestic hotel).
- Shareholders owning 1,000 shares or more will be awarded one packet each. Each packet will contain ten coupons (two coupons for a free one-night stay at the Leopalace Resort Guam Hotel; eight coupons for half-off on a one-night stay at any Leopalace domestic hotel).

How to Collect Benefits

The benefits stated above will be sent in the mail together with the report on matters resolved at the annual general shareholders' meeting and the interim financial report.

Eligible Hotels

Benefits can be enjoyed in Japan at one of eight "Hotel Leopalace" facilities operated in major cities throughout the country. Shareholders may also take advantage of the Leopalace Resort Guam, a full-service resort hotel on the island of Guam. We urge all of our shareholders to put the Leopalace hotels and resorts on a page of their travel itineraries.



Hotel Leopalace Asahikawa



Hotel Leopalace Sapporo



Hotel Leopalace Sendai



Hotel Leopalace Niigata



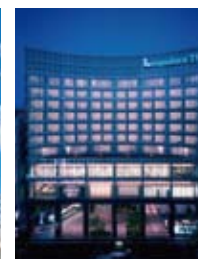
Hotel Leopalace Nagoya



Hotel Leopalace Yokkaichi



Hotel Leopalace Okayama



Hotel Leopalace Hakata

● How to Use Your Benefits

Coupons for a free night's stay at the Leopalace Resort Guam (airfare not included) or for a half-off one-night stay at one of eight Hotel Leopalace facilities in Japan may be used together with cash payments. One coupon is good for one room/one night. Please note that there will be blackout days during the busy season.

● Expiration

Coupons issued for March 31 year-end	Use between July 1 and December 31
Coupons issued for September 30 interim	Use between January 1 and June 30



Leopalace Resort Guam



Track and Soccer Field



Lawn Tennis Court



Competition Swimming Pool

Sharing Profits with our Shareholders

● Profit Distribution Policy

One of the goals stated in our New Medium-Term Management Plan is a dividend payout ratio of 30%

Leopalace21 Corporation believes that an important part of our mission is to return part of our profits to our shareholders. Our established policy is a dividend payout ratio of 30%.

However, the impact of a lingering economic recession resulted in lower revenues for the interim period under review and a net loss for the quarter; the challenging conditions show every sign of continuing. Consequently, the Company has decided to withhold the dividend payment for the interim period under review, judging that maintaining as much cash as possible within the Company is the best course of action to support future growth. We deeply and sincerely apologize for these circumstances.

● Dividend Payment History

