



Explanatory Session for Fiscal Year Ended March 2005

May 2005

Leopalace21 Corporation

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

【Market Environment & Fiscal Year Results】

Market Environment	3
Results for FY of Our Group (Consolidated)	4
Actual Results for FY in Construction & Leasing ..	5

【Outline of Fiscal Year Results】

Highlights of FY Results (Consolidated & Non-consolidated)	7
Highlights of FY Results for Parent & Major Subsidiaries	8
Outline of Balance Sheets (Consolidated)	9
Outline of Cash Flows (Consolidated)	10
Profit/ Loss for Major Segments (Consolidated)	11

【Earnings Forecasts】

Earnings Forecasts (Consolidated & Non-consolidated)	13
Profit/ Loss Forecasts for Major Segments (Consolidated)	14

【Business & Financial Strategy】

Progress toward Comprehensive Habitation Sector	16
Business Strategy for Comprehensive Habitation Sector	17
Financial Strategy	18

【Status for Main Strategic Businesses】

Broadband Business – 1	20
Broadband Business – 2	21
Leopalace Resort Business	22
Status for New Strategic Businesses	23

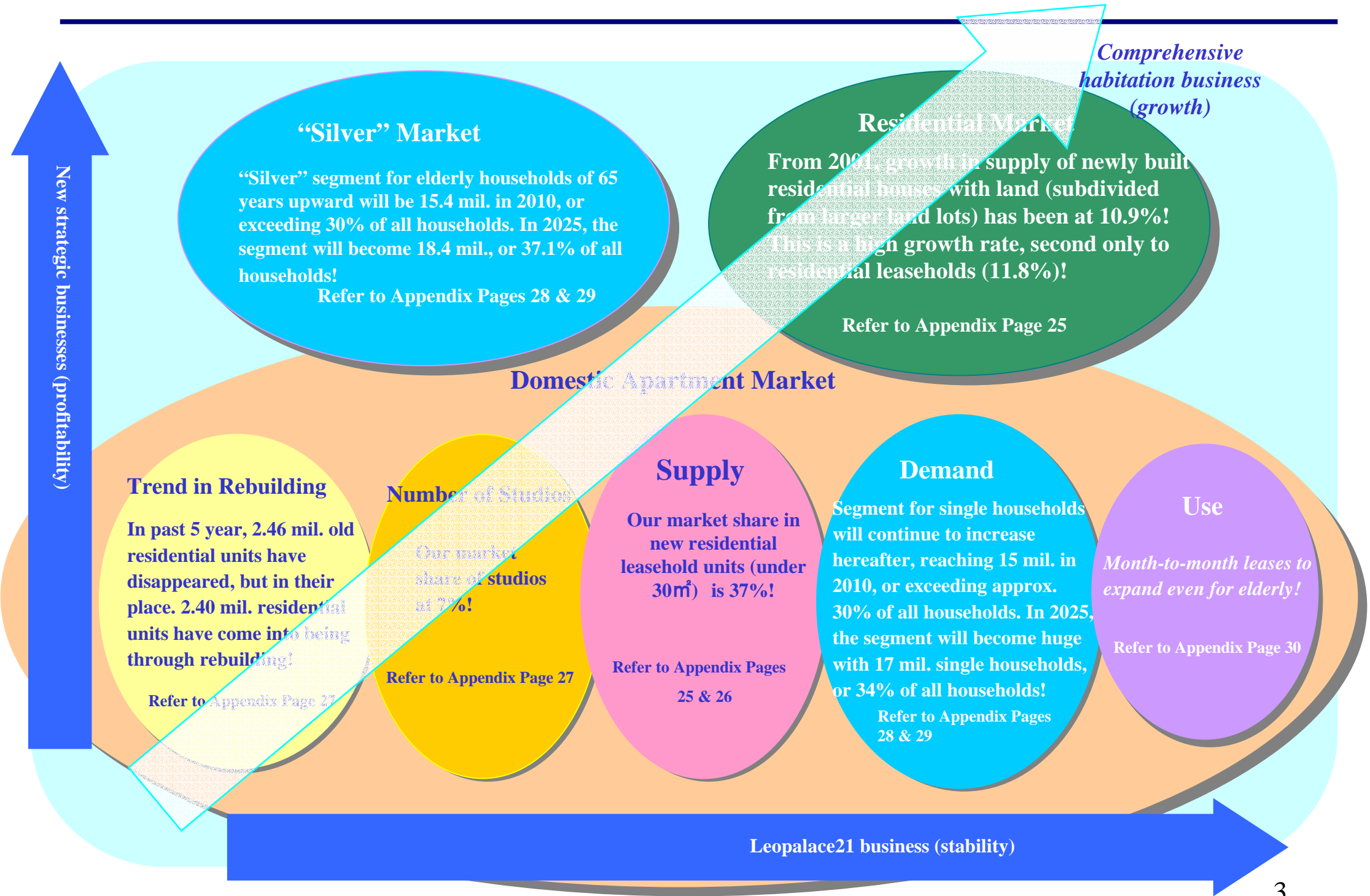
【Appendix】

Supply – 1 (Market for Housing)	25
Supply – 2 (Market for Studios)	26
Number of Units & Rebuilding (Apartment Market)	27
Demand – 1 (Studio Market)	28
Demand – 2 (Studio & “Silver” Market)	29
Use (Studio Market)	30
Trend in Shareholders	31

Market Environment & Fiscal Year Results



Market Environment

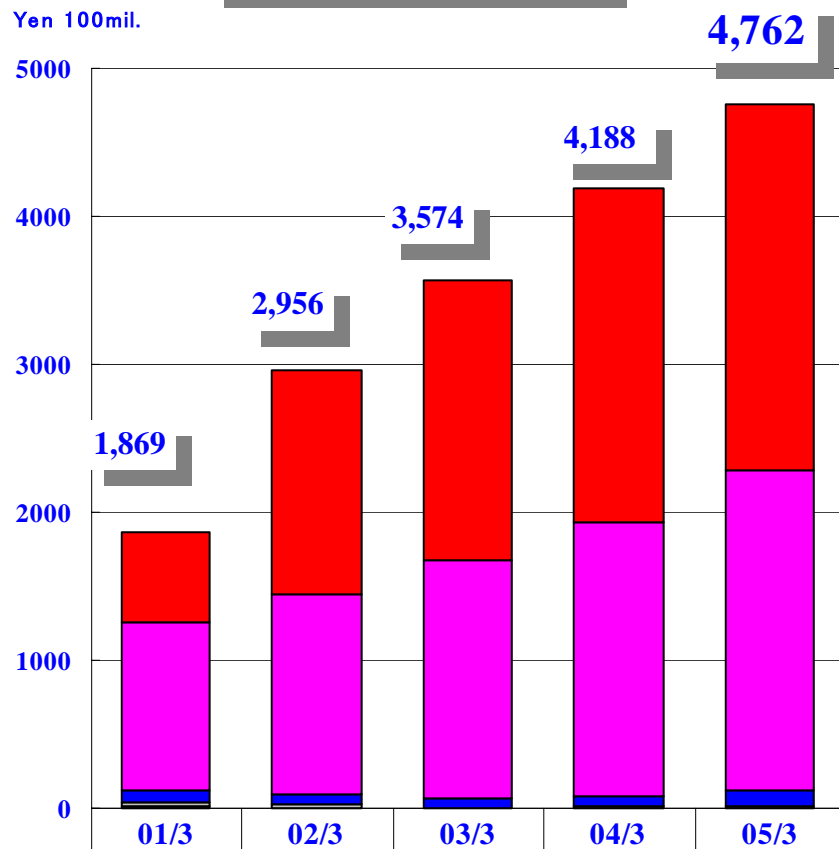


Results for FY of Our Group (Consolidated)



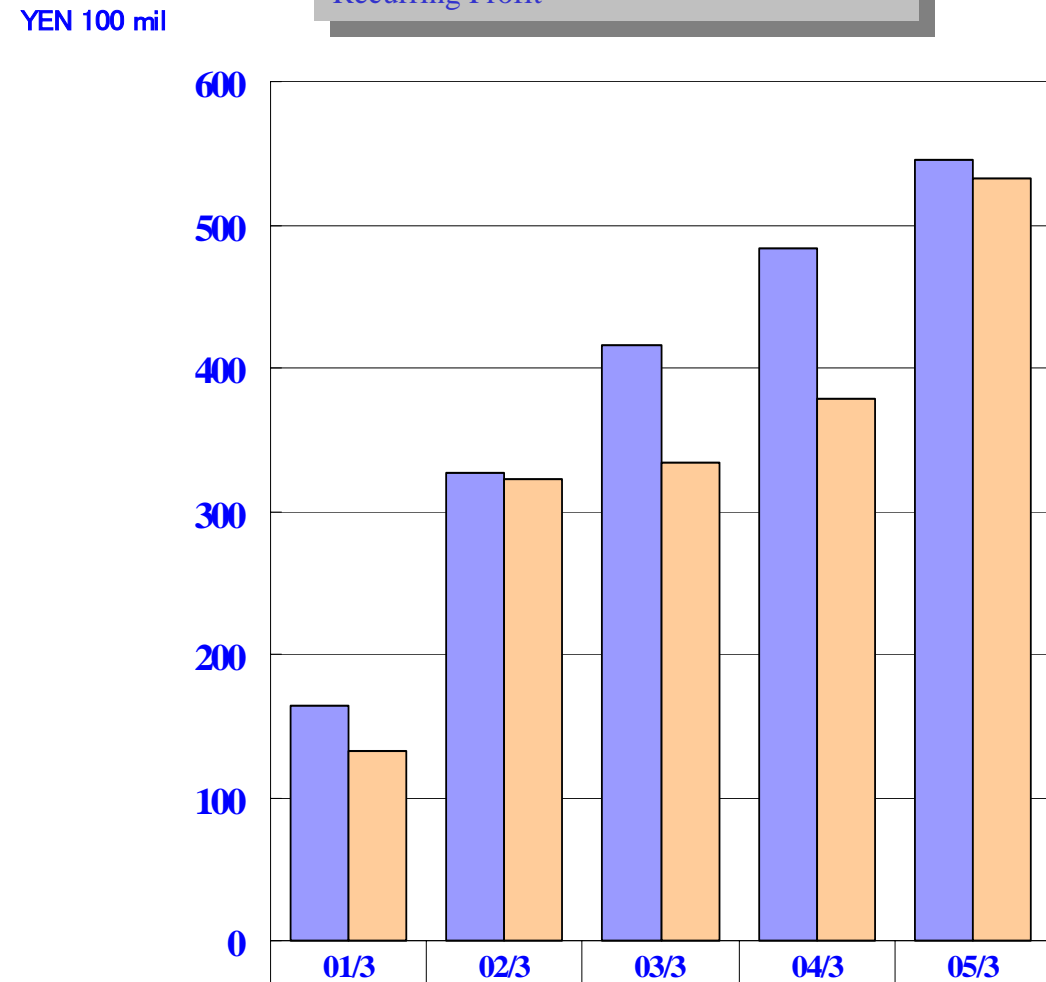
● Net sales, operating profit & recurring profit posted recorded highs for 4th consecutive FY!

Actual Figures for Net Sales



Construction	607	1,508	1,902	2,250	2,480
Leasing	1,141	1,350	1,598	1,855	2,165
Hotel resort	76	75	66	70	95
Real Estate	36	16	4	0	1
Other	8	5	2	12	19

Actual Figures for Operating Profit & Recurring Profit



Operating profit	164	327	416	483	546
Recurring profit	132	323	334	379	532

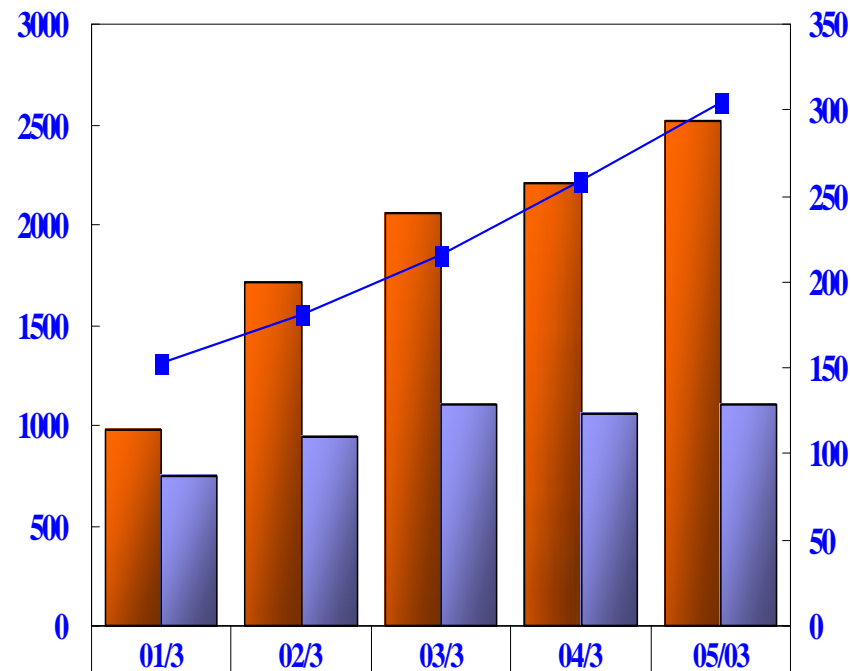
Actual Results for FY in Construction & Leasing



- Actual results for FY in construction: orders received for full FY increased 14.3% year-on-year!
- Actual results for FY in leasing: occupancy rate for full FY rose 0.8 percentage points year-on-year!

Trend in Actual Results for Construction

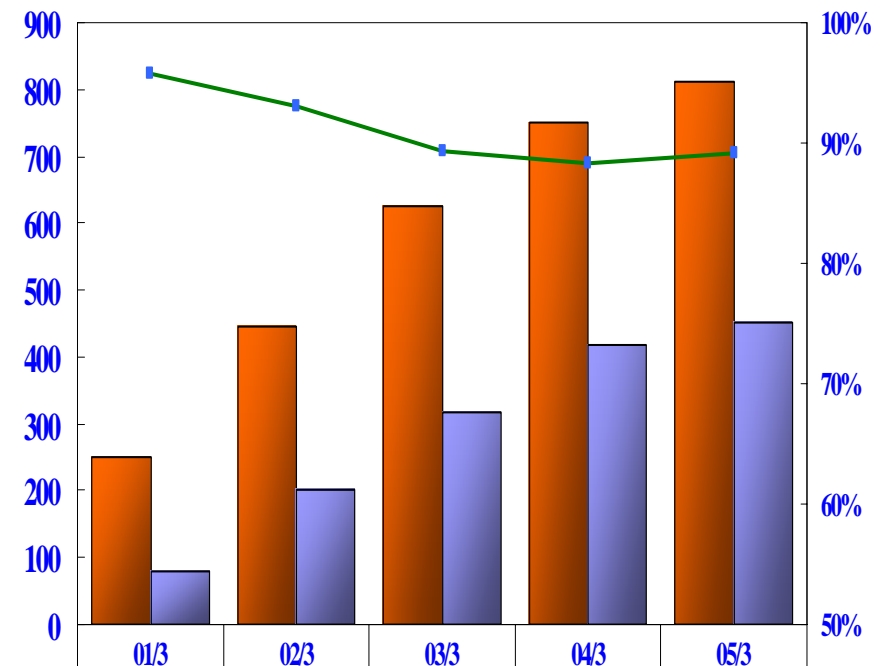
YEN 100 mil x1000



Orders received	977	1,708	2,056	2,207	2,522
Orders received outstanding	745	945	1,100	1,057	1,099
Managed units	152.3	181.4	216.4	259.2	304.1

Trend in Actual Results for Leasing

yen 100 mil



Month-to-month sales	251	446	624	750	812
Of which, repeat sales	78	201	318	419	452
Occupancy rate during FY	95.7%	93.0%	89.3%	88.3%	89.1%

Outline of Fiscal Year Results



Highlights of FY Results (Consolidated & Non-consolidated)

(Unit: Yen million)	Consolidated				Non-consolidated			
	FY ended March 2005	FY ended March 2004	Change in amount	Percentage change	FY ended March 2005	FY ended March 2004	Change in amount	Percentage change
Net sales	476,266	418,873	57,393	13.7%	469,181	413,239	55,942	13.5%
Gross profit	118,720	105,788	12,932	12.2%	120,299	104,505	15,793	15.1%
Gross profit ratio (%)	24.9%	25.3%	-0.4%	..	25.6%	25.3%	0.4%	..
Sales, general & administrative expenses	64,038	57,471	6,566	11.4%	65,419	56,075	9,344	16.7%
Operating profit	54,682	48,317	6,365	13.2%	54,879	48,429	6,449	13.3%
Operating profit ratio (%)	11.5%	11.5%	-0.1%	..	11.7%	11.7%	0.0%	..
Recurring profit	53,227	37,905	15,322	40.4%	51,779	43,710	8,069	18.5%
Recurring profit ratio (%)	11.2%	9.0%	2.2%	..	11.0%	10.6%	0.5%	..
Full FY net income	33,250	18,999	14,250	75.0%	28,738	25,883	2,854	11.0%

Highlights of FY Results for Parent & Major Subsidiaries

(Unit: Yen million)		FY ended March 2005	FY ended March 2004	Change in amount	Percentage change	Depreciation expenses for FY 2005/3	Depreciation expenses for FY 2004/3
Leopalace21 Corporation	Net sales	469,181	413,239	55,942	13.5%	3,049	2,958
	Recurring profit	51,779	43,710	8,069	18.5%		
MGC	Net sales	6,595	4,731	1,864	39.4%	2,559	2,059
	Recurring profit	1,047	7,357	6,310	..		
	foreign exchange gain (Δloss)	705	5,332	6,037	..		
TPH	Net sales	1,920	1,997	77	-3.9%	256	244
	Recurring profit	411	226	185	..		
Others & exclusion	Net sales	1,430	1,094	336	..	8	10
	Recurring profit	2,906	1,778	1,128			
Consolidated total	Net sales	476,266	418,873	57,393	13.7%	5,856	5,251
	Recurring profit	53,227	37,905	15,322	40.4%		
	foreign exchange gain (Δloss)	915	6,405	7,320	..		

(Note 1) MGC : MDI Guam Corporation (local subsidiary in Guam)

(Note 2) TPH : Trianon Palace Hotel De Versailles S.A. (local subsidiary in France)

Outline of Balance Sheets (Consolidated)



(Unit: Yen million)	FY ended March 2005	FY ended March 2004	Change in amount	Percentage change
<Assets>				
Current assets	149,418	130,210	19,207	14.8%
Cash & cash equivalents	39,991	30,735	9,256	30.1%
Trade receivables & accounts receivable for completed projects	41,588	31,699	9,888	31.2%
Operating loans	13,142	16,737	3,594	-21.5%
Payout for construction in progress	3,248	3,747	499	-13.3%
Fixed assets	294,456	281,283	13,172	4.7%
Buildings & structures	117,004	114,790	2,213	1.9%
Land	109,740	106,458	3,281	3.1%
Total assets	444,095	411,925	36,167	7.8%
<Liabilities>				
Current liabilities	191,061	166,278	24,783	14.9%
Long-term liabilities	90,555	151,505	60,950	-40.2%
Total liabilities	281,616	317,784	36,167	-11.4%
<Shareholders' equity>				
Share capital	55,640	37,500	18,140	48.4%
Capital surplus	33,759	15,495	18,263	117.9%
Retained earnings	67,123	36,428	30,694	84.3%
Total shareholders' equity	144,825	76,458	68,366	89.4%
Shareholders' equity ratio	32.6%	18.6%	14.0%	..

Outline of Cash Flows (Consolidated)

(Unit: Yen million)	FY ended March 2005	FY ended March 2004
Cash flows from operating activities	40,295	31,492
Net income before taxes & adjustments	52,577	36,651
Depreciation expense	5,855	5,251
Foreign exchange loss (gain)	915	6,405
Decrease (Δ increase) in assets receivable	12,841	3,684
Decrease (Δ increase) in inventories	452	449
Increase (Δ decrease) in long-term prepaid expenses	8,794	14,358
Increase (Δ decrease) in accounts payable	19,949	13,514
Income taxes paid	16,900	18,064
Cash flows from investing activities	9,925	12,532
Payout for purchase & proceeds from sale of tangible assets	8,890	12,711
Payout for purchase & proceeds from sale of investment securities	791	3,850
Payout for purchase of shares & bonds of affiliates	-	3,000
Cash flows from financing activities	20,959	30,129
Proceeds from & repayment of short-term debt	7,029	7,603
Proceeds from & repayment of long-term debt	44,346	28,417
Proceeds from shares issued	36,260	-
Proceeds from privately placed bonds	-	15,761
Dividends paid for shareholders	2,090	2,091
Net increase in cash & cash equivalents	9,256	10,482
Cash & cash equivalents at end of fiscal year	39,991	30,735

Profit/ Loss for Major Segments (Consolidated)

(Unit: Yen million)	FY ended March 2005	Sales comparison	FY ended March 2004	Sales comparison	Change in amount	Percentage change
Construction Division						
Net sales	248,032		225,011		23,021	10.2%
Gross profit	84,855	34.2%	77,745	34.6%	7,111	9.1%
Operating profit	57,051	23.0%	54,090	24.0%	2,961	5.5%
Leasing Division						
Net sales	216,593		185,516		31,077	16.8%
Gross profit	38,922	18.0%	31,435	16.9%	7,487	23.8%
Operating profit	7,243	3.3%	4,136	2.2%	3,107	75.1%
Hotel Resort Division						
Net sales	9,561		7,056		2,504	35.5%
Gross profit	938		749	10.6%	1,688	..
Operating profit	3,928		3,849	..	78	..

Construction Division: gross profit ratio was maintained at 34.2%, as impact of material price rises was prolonged, compared with forecasts at FY-start. Number of units at 113 (+6).

Leasing Division: occupancy rate was 0.8% below target. Number of units at 239 (+27).

Hotel Resort Division: efforts to attract customers by major travel agents drawn out to next FY, so extent of red ink to stay the same.

(* Values for each are before eliminations between segments)

Earnings Forecasts



arnings Forecasts (Consolidated & Non-consolidated)



(Unit: Yen million)		FY ending March 2006	FY ended March 2005	Change in amount	Percentage change
Leopalace21 Corporation	Net sales	524,000	469,181	54,819	11.7%
	Gross profit	130,800	120,299	10,501	8.7%
	Sales, general & administrative expenses	72,200	65,419	6,781	10.4%
	Operating profit	58,600	54,879	3,721	6.8%
	Recurring profit	55,400	51,779	3,621	7.0%
	Recurring profit ratio (%)	10.6%	11.0%	-0.4%	--
	Net income	19,500	28,738	48,238	--
MGC	Net sales	7,800	6,595	1,205	18.3%
	Operating profit	900	1,584	684	--
TPH	Net sales	2,200	1,920	280	14.6%
	Operating profit	0	432	432	--
Others & exclusion	Net sales	1,000	1,430	430	--
	Operating profit	1,800	1,819	19	--
Consolidated total	Net sales	533,000	476,266	56,734	11.9%
	Gross profit	130,400	118,720	11,680	9.8%
	Operating profit	59,500	54,682	4,818	8.8%
	Recurring profit	56,900	53,227	3,673	6.9%
	Net income	4,900	33,250	38,150	--

Profit/ Loss Forecasts for Major Segments (Consolidated)



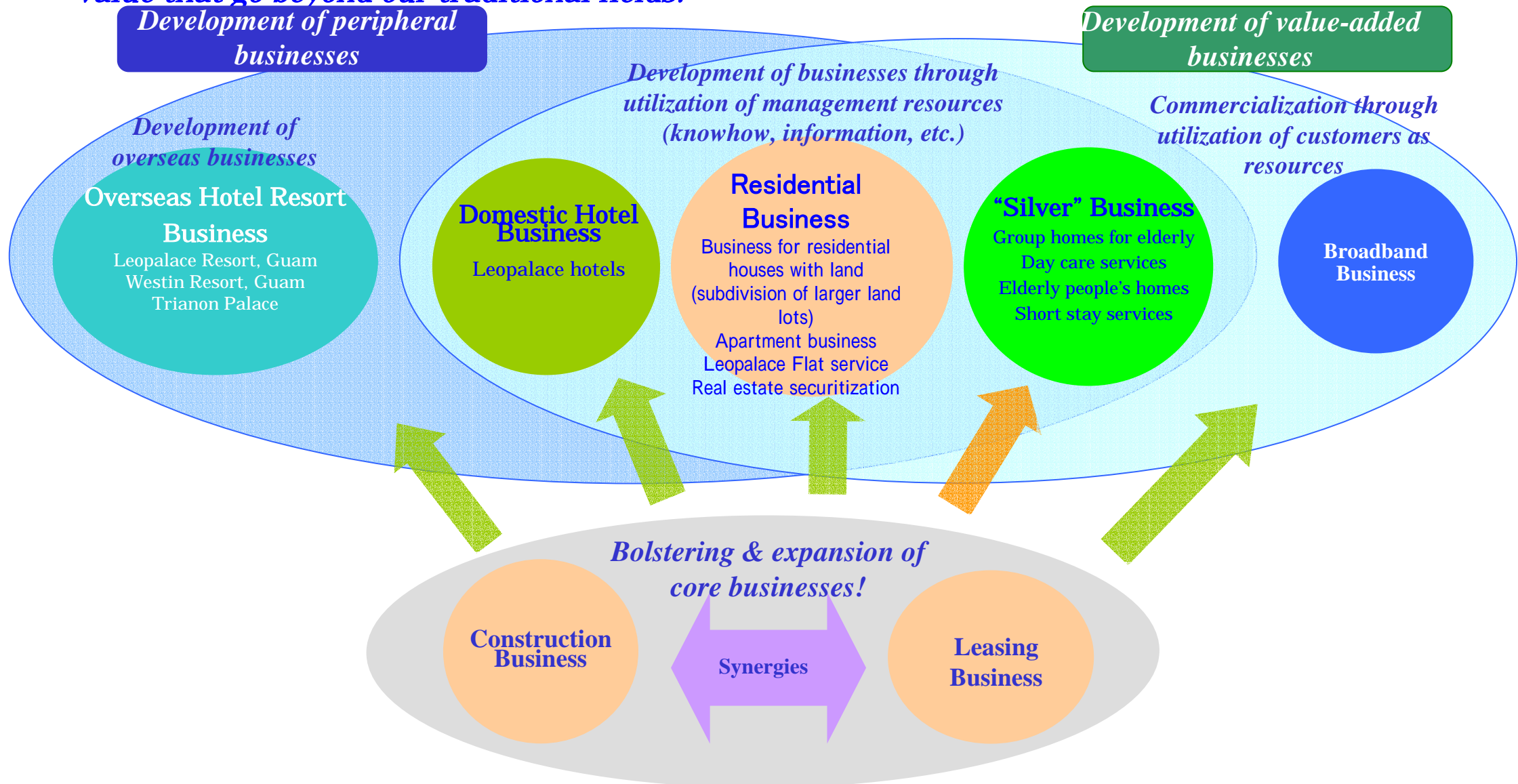
(Unit: Yen million)	FY ending March 2006	Sales comparison	FY ended March 2005	Sales comparison	Change in amount	Percentage change
Construction Division						
Net sales	250,000		248,032		1,967	0.8%
Orders received at FY-start	109,992		105,753		4,239	4.0%
Orders received during FY	270,000		252,271		17,729	7.0%
Gross profit	82,500	33.0%	84,855	34.2%	2,355	-
Operating profit	55,900	22.4%	57,051	23.0%	1,151	-2.0%
Leasing Division						
Net sales	254,500		216,593		37,906	17.5%
Units managed at end-FY	357,000		304,111		52,889	17.4%
Average units managed during FY	332,000		284,145		47,855	16.8%
Average occupancy rate during FY	91.0%		89.1%		1.9%	-
Gross profit	47,430	18.6%	38,922	18.0%	8,507	21.9%
Operating profit	9,700	3.8%	7,243	3.3%	2,456	33.9%
Hotel Resort Division						
Net sales	11,200		9,561		1,638	17.1%
Gross profit	80		938		858	
Operating profit	3,000		3,928		928	
Other Division						
Net sales	19,500		4,361		15,138	347.1%
Gross profit	2,750	14.1%	1,836		4,586	
Operating profit	400	2.1%	2,640		3,040	

Business & Financial Strategy



Enhancement in corporate value!

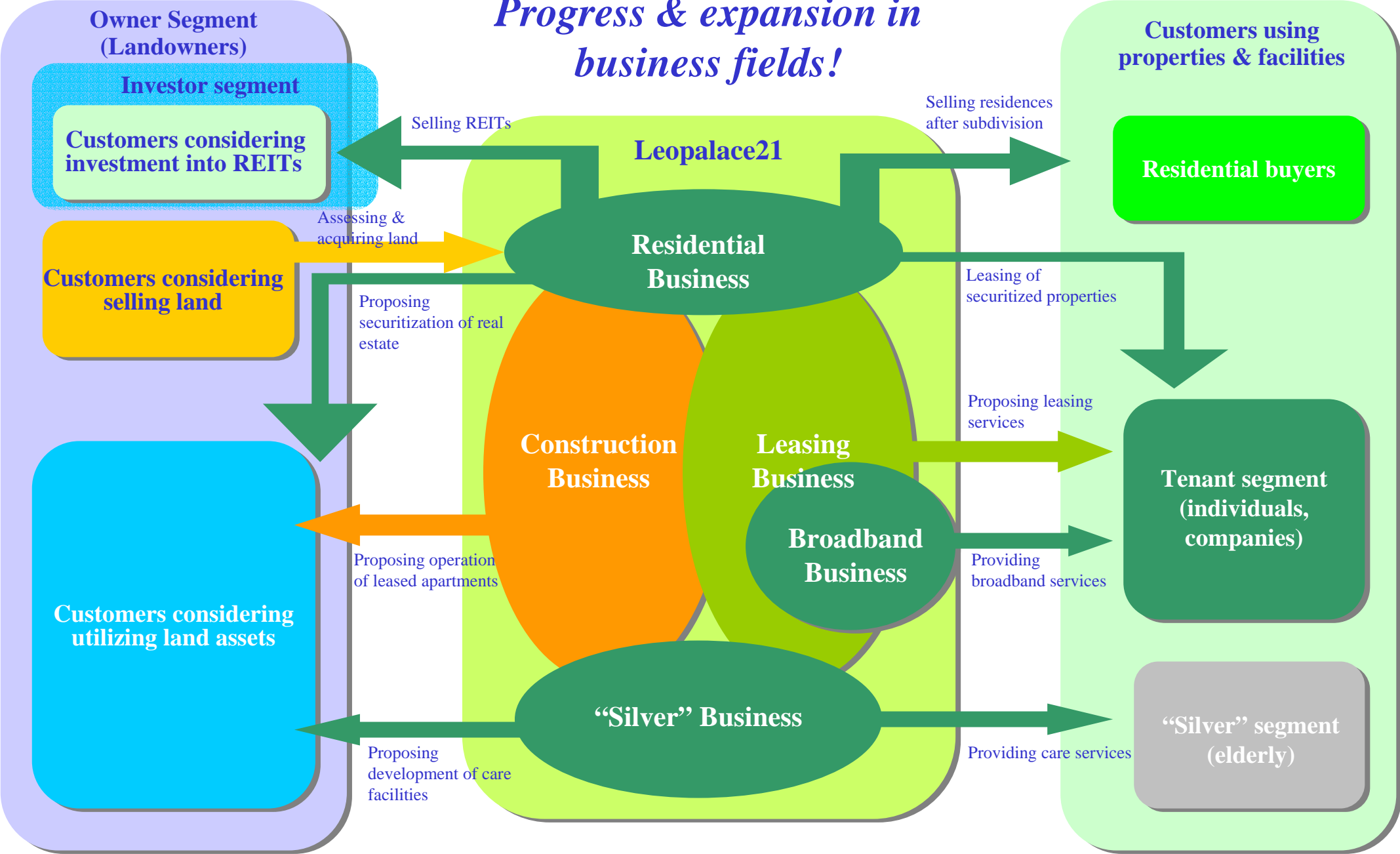
With construction and leasing of apartments as the core, the challenges ahead in creating new value that go beyond our traditional fields!



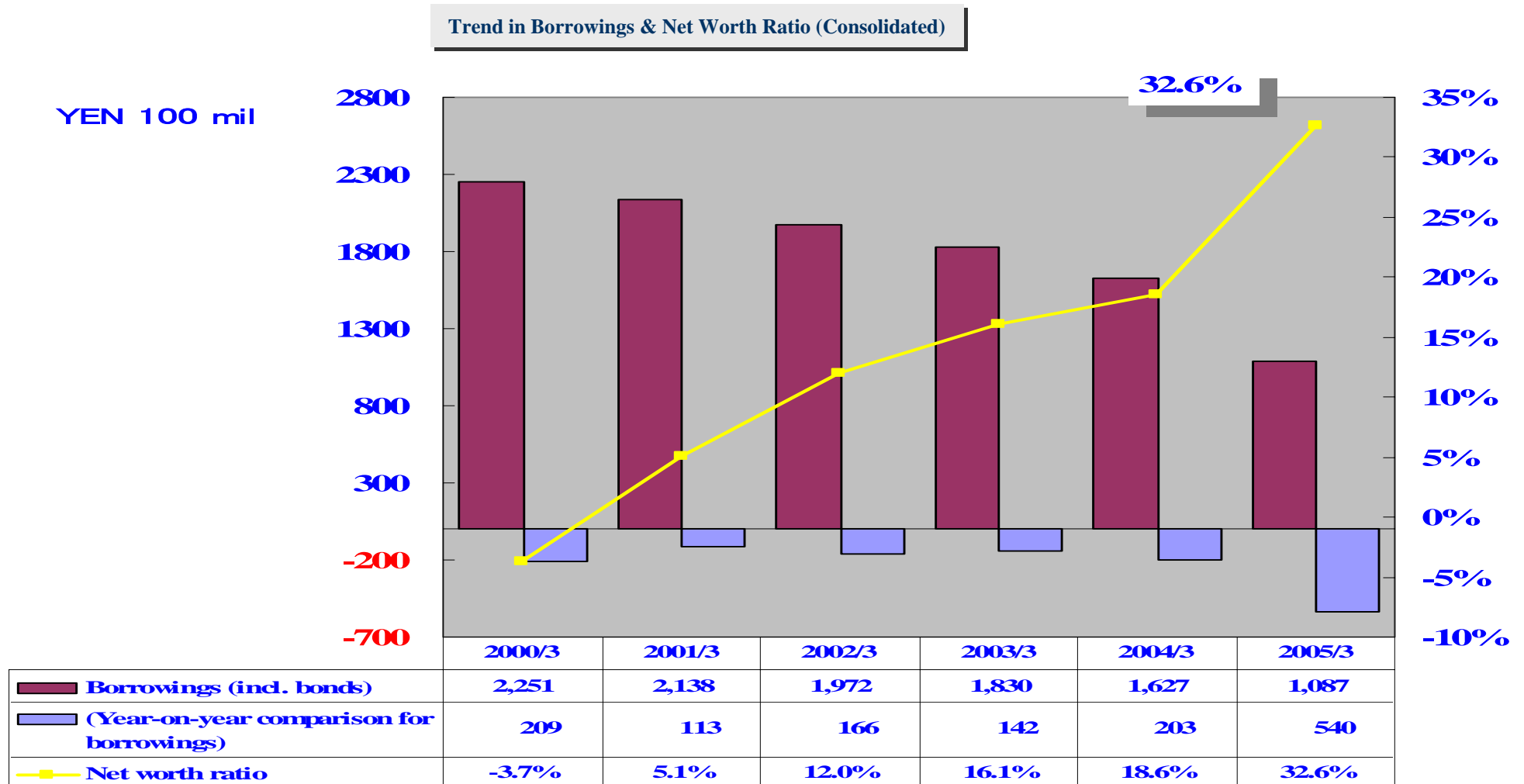
Business Strategy for Comprehensive Habitation Sector (excluding overseas businesses)



Progress & expansion in business fields!



Financial Strategy (interest-bearing liabilities & net worth ratio)



● About interest-bearing liabilities and net worth ratio

In the FY ended March 2005, we used Yen 54 billion in proceeds from the public offering of new stock to reduce interest-bearing liabilities, totaling Yen 108.7 billion at FY-end. Also, compared with last FY-end, the net worth ratio has increased by 14 percentage points, to 32.6%.

Status for Main Strategic Businesses

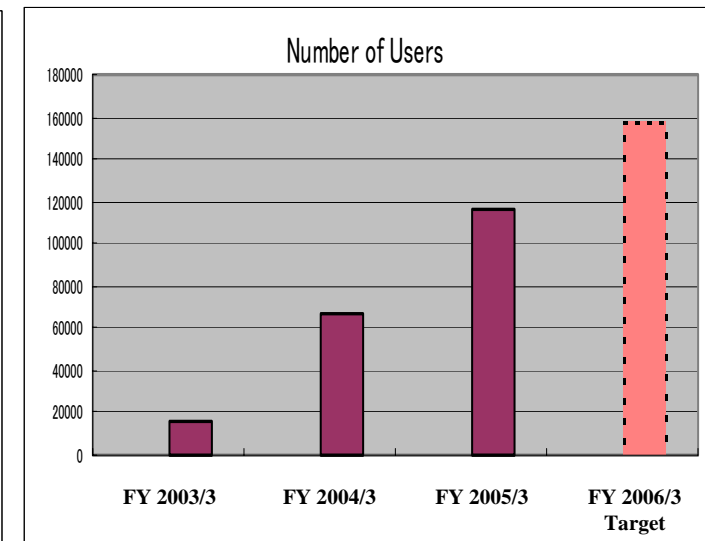
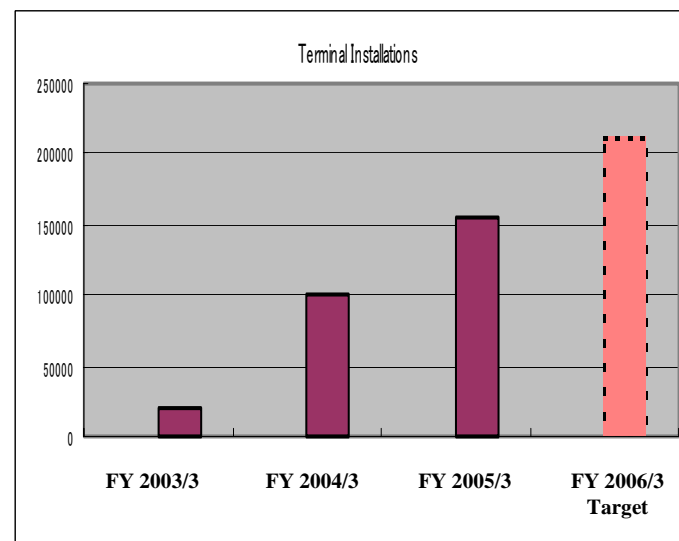
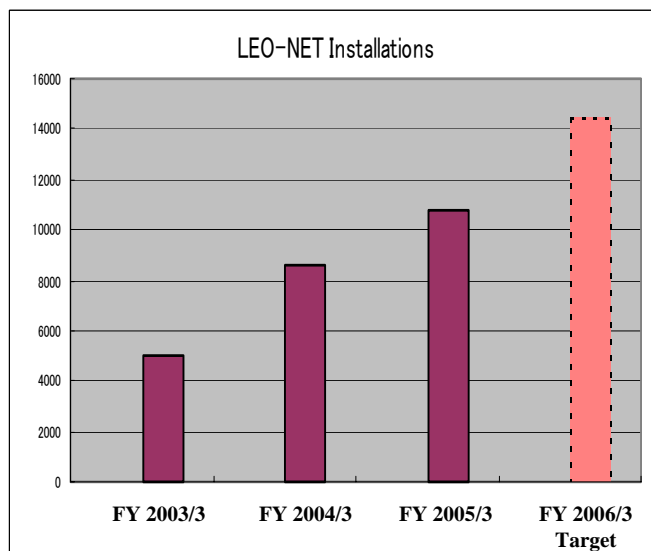
 **Leopalace21**

Broadband Business - 1

<From January 2005, no need for basic subscription fee>

~ Actively developing the convenience of broadband as a new service to tenants ~

	End of March 2004 (Actual)	End of March 2005 (Actual)	End of March 2006 (Target)
LEO-NET installations	Approx. 8,600 properties	Approx. 10,800 properties	Approx. 14,500 properties
Terminal installations	Approx. 98,000	Approx. 156,000	Approx. 212,000
Number of subscribers	Approx. 68,000	Approx. 116,000	Approx. 157,000



Broadband Business - 2

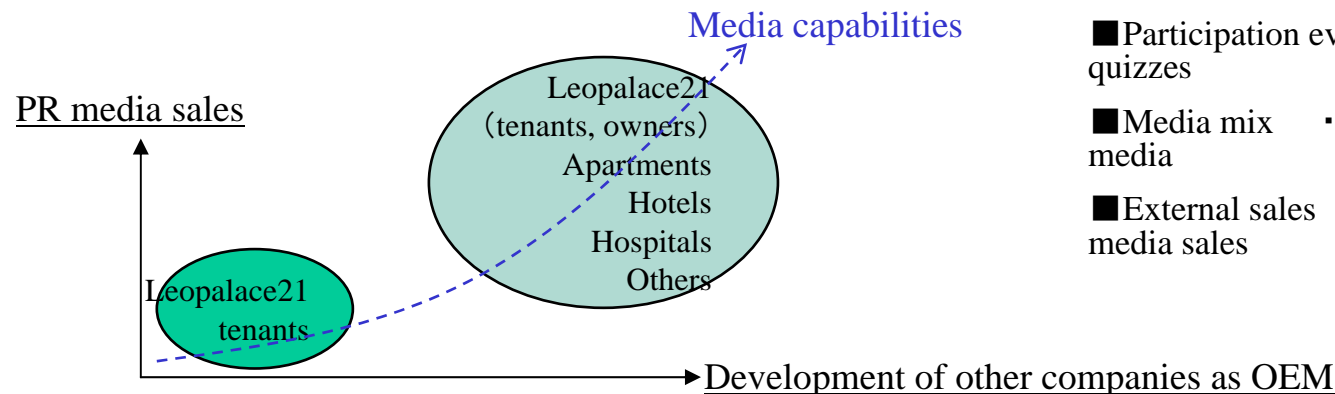
<The broadband service, “LeopalaceBB”, being provided by Leopalace21>

- 1. **Digital rental videos (chargeable)** (number of titles in stock amount to approx. 3,000; non movies also being introduced)
- 2. **CS free broadcast (free or chargeable)** (retransmission of same programs as general CS channels)
- 3. **Internet service (free)** (provision of environment for 24-hour access)
- 4. **IP telephone “LEO-PHONE”** (no need for telephone line subscription; free between tenants)
- [NEW]**
- 6. **Content release of each type** (cars, maps, news, shopping, horoscope, games, etc.)
- 7. **Start of commercial related sales program**
(after viewing a commercial, tool for automatic request for further information, filling up questionnaires, etc.)
- 8. **TV & mobile related program** (letter input using mobile phone)



<Sales Targets Hereafter>

- Secure external sales profit
(Development of other companies as OEM × media sales)



<Details of Development Hereafter>

- Bolstering contents ▪ Every type of information (regional, gourmet, shopping, etc.)
- Marketing ▪ Questionnaires & surveys, monitoring
- Participation events ▪ Public auditions, live broadcasts, knock-out quizzes
- Media mix ▪ Collaboration across Website, mobile phone, paper media
- External sales ▪ Development of other companies as OEM, PR media sales

	2004/3	2005/3	2006/3 Target	2007/3 Target
Users (persons)	70,000	120,000	200,000 (of which, external: 40,000)	300,000 (of which, external: 100,000)
Sales (Yen)	1.7 bil.	3.5 bil.	7.0 bil.	10.0 bil.



▪ Viewers can vote using remote control

Securing a dominant presence in the Guam tourism business!

- **Taking in travel demand for individuals**

Bolstering our direct marketing for customer appeal through the major travel agents throughout Japan

- **Active response to demand for bridal services & golf**

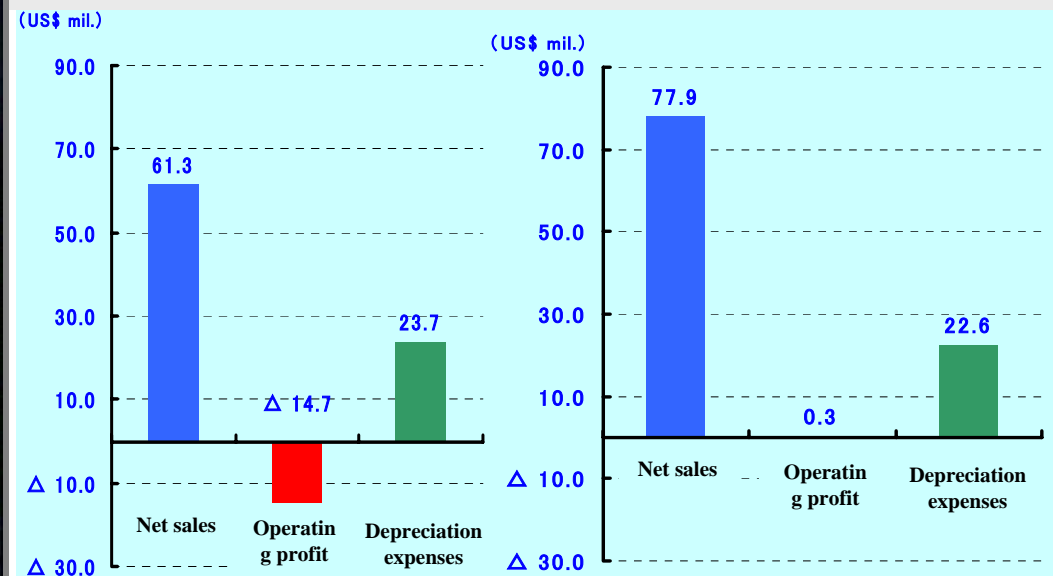
We are actively promoting: bridal business through direct sales at bridal salons in 3 domestic locations (Tokyo, Osaka, Nagoya) & packaged sales through travel agents; and demand for playing golf through direct sales & packages through representatives

- **Bolstering activities for sports groups, school graduation trips, package tours**

“Sports paradise”, one of themes under Stage 2 construction, is the only general sports complex in Guam that boasts high reput. In addition to direct sales approach implemented up to now, we will actively attract customers through tours available at travel agents.



MGC Actual for FY ended Dec. 2004 **MGC Target for FY ending Dec. 2006**



Status for New Strategic Businesses

Development of residential business

Target for 1st FY: Sales at Yen 10 bil. (no. of land lots for subdivision: 300 lots)

Sales organization: 4 sales divisions, 17 branches, 135 employees

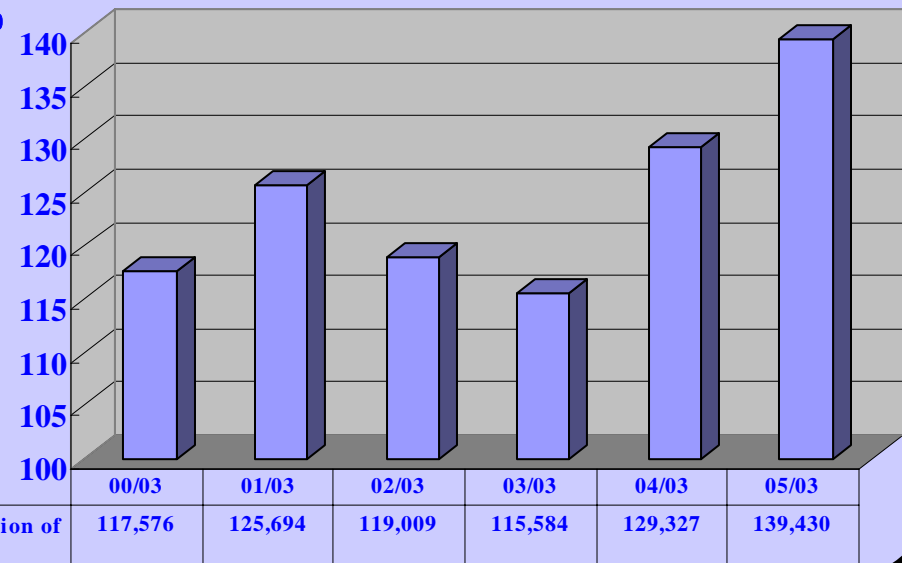
Active areas: Tama, Chiba, Saitama, Kanagawa

Concept: By using SE structural methods, houses that have free space, strong structure & low price

(Housing starts statistics for FY 2004, Ministry of Land, Infrastructure & Transport)

x 1,000

Housing starts (houses with land after subdivision)



□ Houses with land (after subdivision of larger land lots)

Development of “silver” business

Target for 1st FY: Sales at Yen 2 bil. (no. of facilities opened: 6 locations)

Orders received at Yen 4.5 bil.

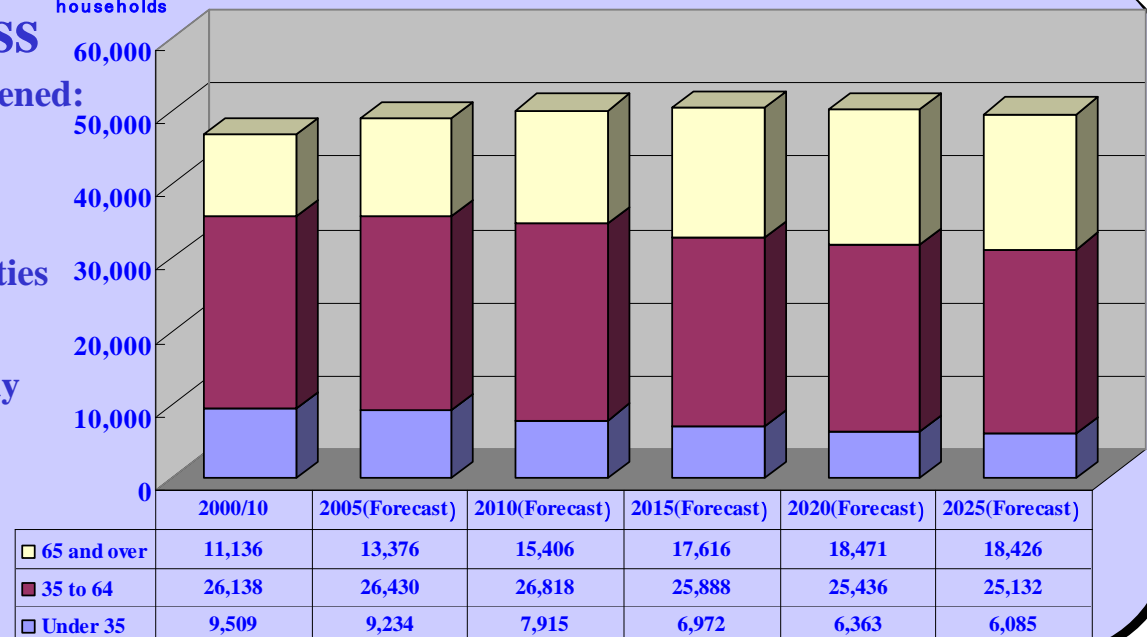
Sales organization: Division for planning & sales, facilities operations, approx. 20 employees

Operational facilities: Combination of group homes, day services, short stays, chargeable homes for elderly

(Based on 2000 Census & “2003 Number of Households and Future Estimates” report by National Institute of Population)

x1,000 households

Future estimates for no. of households by age group



Appendix

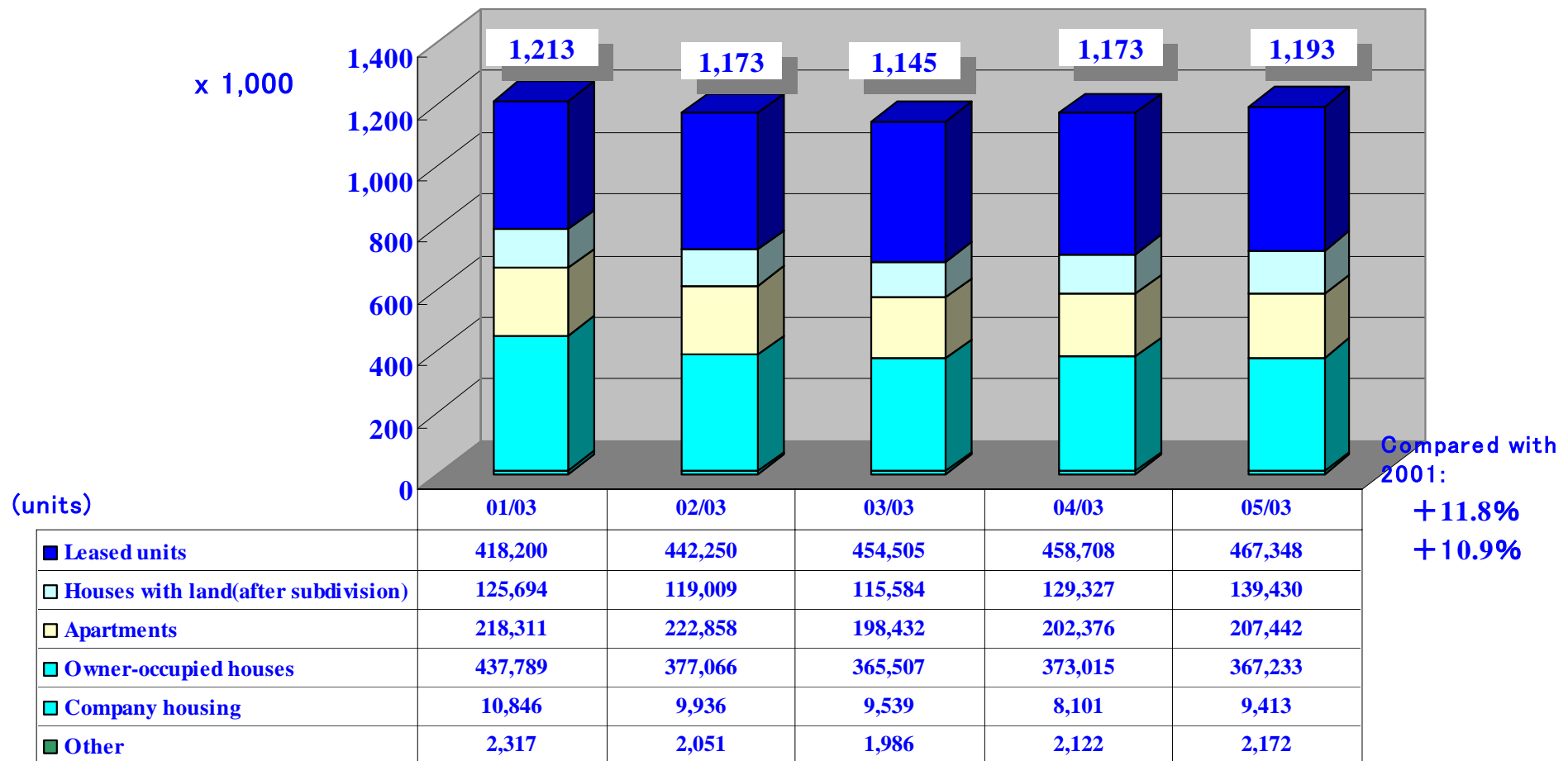


Supply – 1 (Market for Housing)

● The number of housing starts from 2001 has shown a flat trend overall, but by use breakdown, there has been a growth of 11.8% in leased units and 10.9% in residential houses with land (after subdivision of larger land lots). So it can be understood that both these areas have played a significant part in adding to the supply.

(Housing starts statistics for FY 2004, Ministry of Land, Infrastructure & Transport)

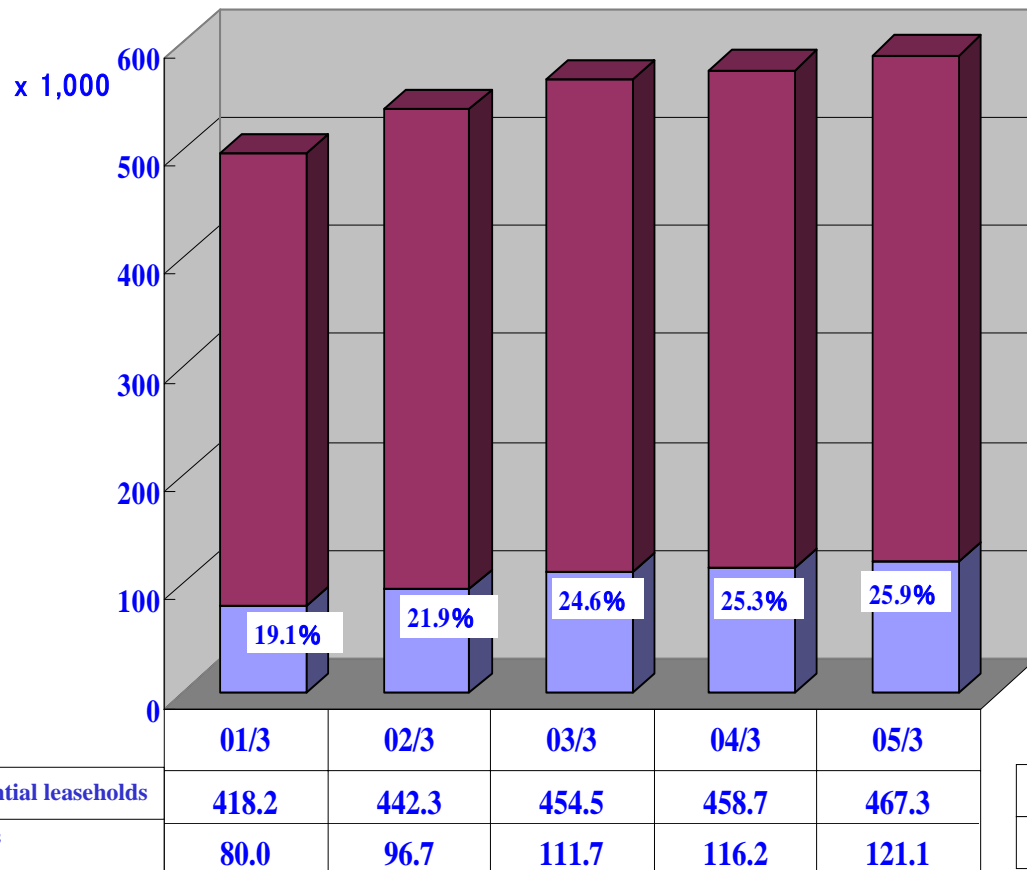
Housing Starts (no. by use breakdown)



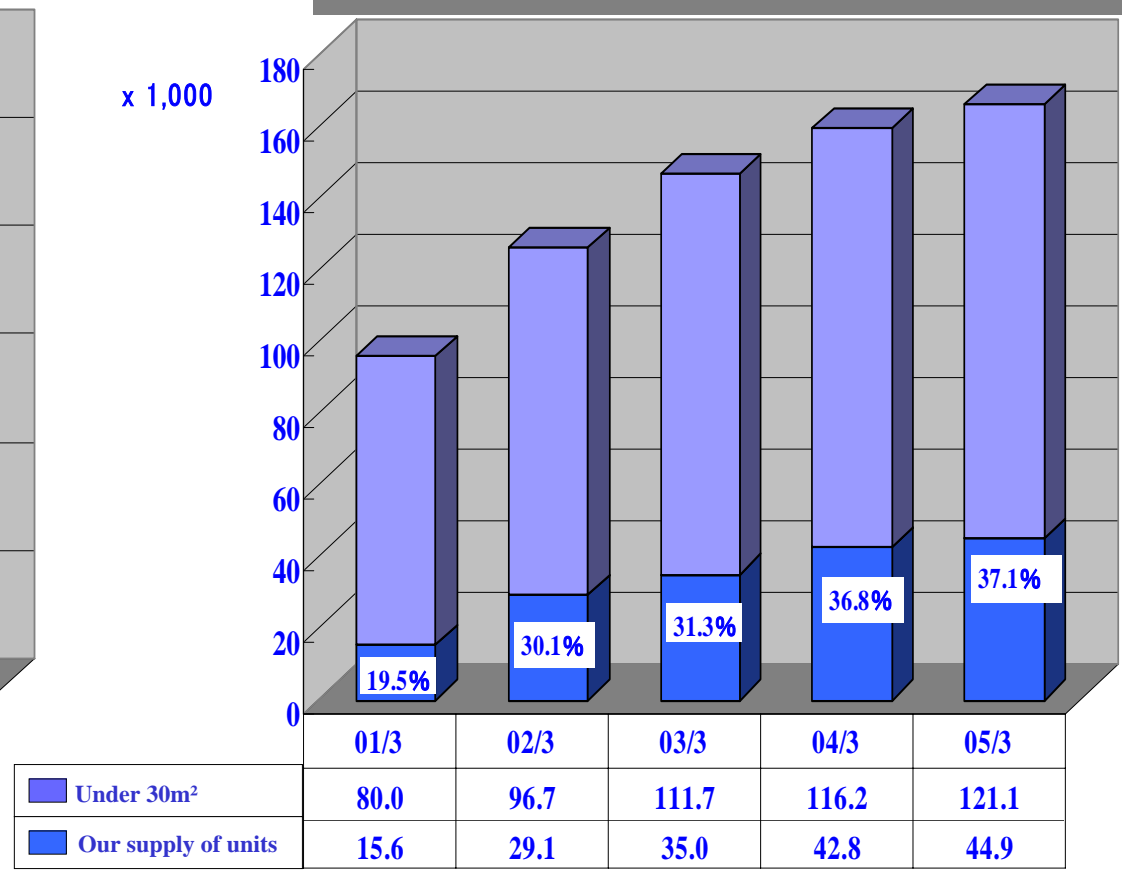
Supply – 2 (Market for Studios)

- Within new residential leasehold units (left graph), which have been further narrowed down to those of under 30m², the year-on-year growth rate is high at 4.2%. The cause for this growth can be understood to be from studios. Our share of the total has expanded 0.6% to 25.9%.
- Further, the right graph shows the number of new units supplied in studios (Construction Division) by our company within the new residential leasehold units under 30m². Even this FY, we maintained a market share of 37.1% within total supply of units. (Based on annual housing starts statistics from Ministry of Land, Infrastructure & Transport)

Trend in No. of New Residential Leaseholds Overall & Market Share for Units under 30m²



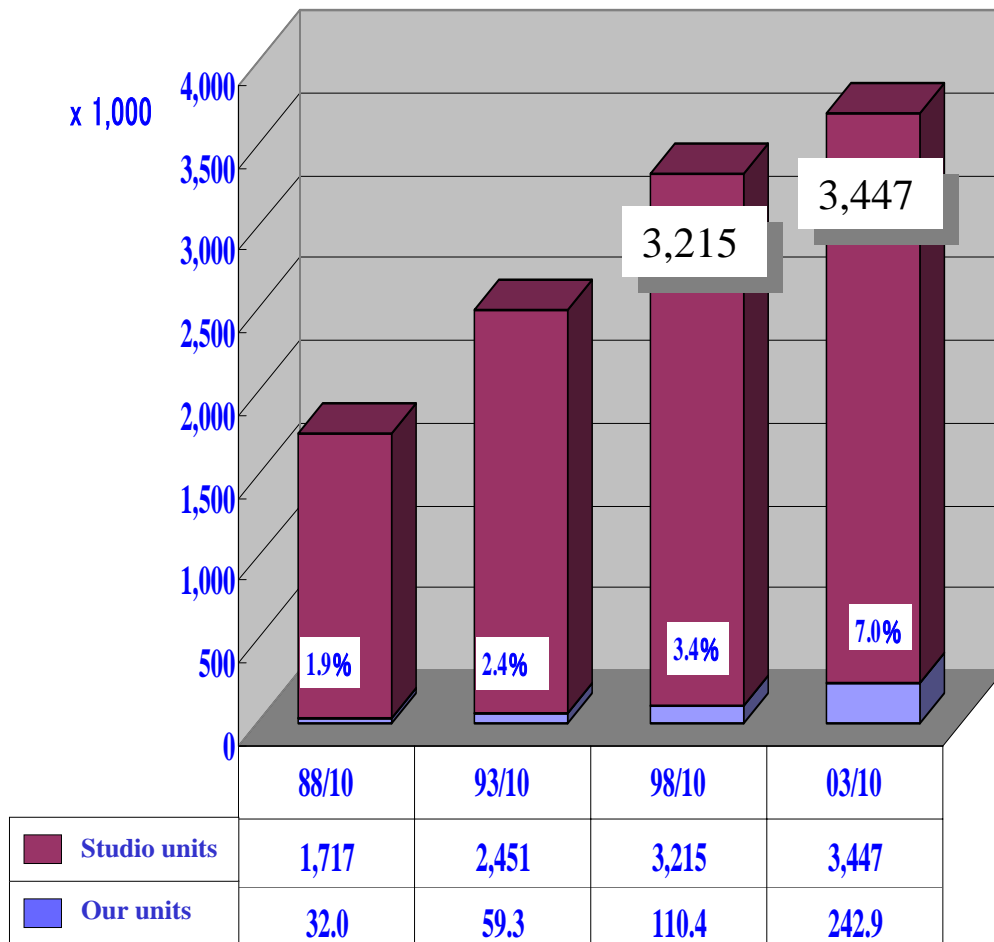
Trend in No. of New Residential Leaseholds under 30m² & Our Market Share



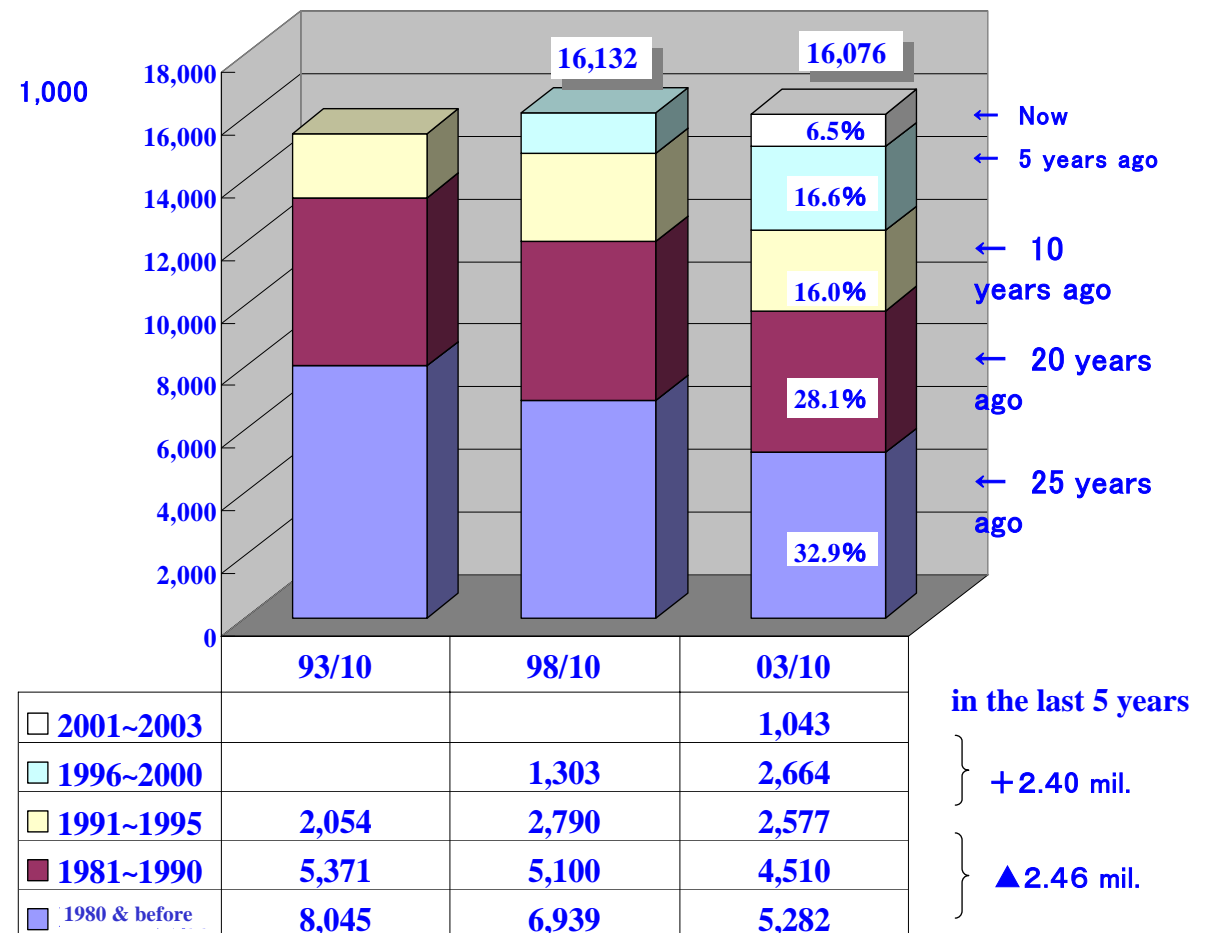
Number of Units & Rebuilding (Apartment Market)

● On the backdrop of new supply of studios, the market has expanded to approx. 3.4 mil., or 7.2% growth, in the last 5 years, and our market share of units is expanding at 7%. Also, looking at the data on the right, in 5 years, 2.46 mil. leased units built before 1995 (10 years ago) have disappeared, and in their place, 2.4 mil. units have come into being through rebuilding. The scale of the replacement demand hereafter shows it is a huge market.
 (FY 2003 statistics on housing & land, Ministry of Internal Affairs & Communications)

Trend in Studio Leaseholds & Our No./ Market Share



Trend in Residential Leaseholds

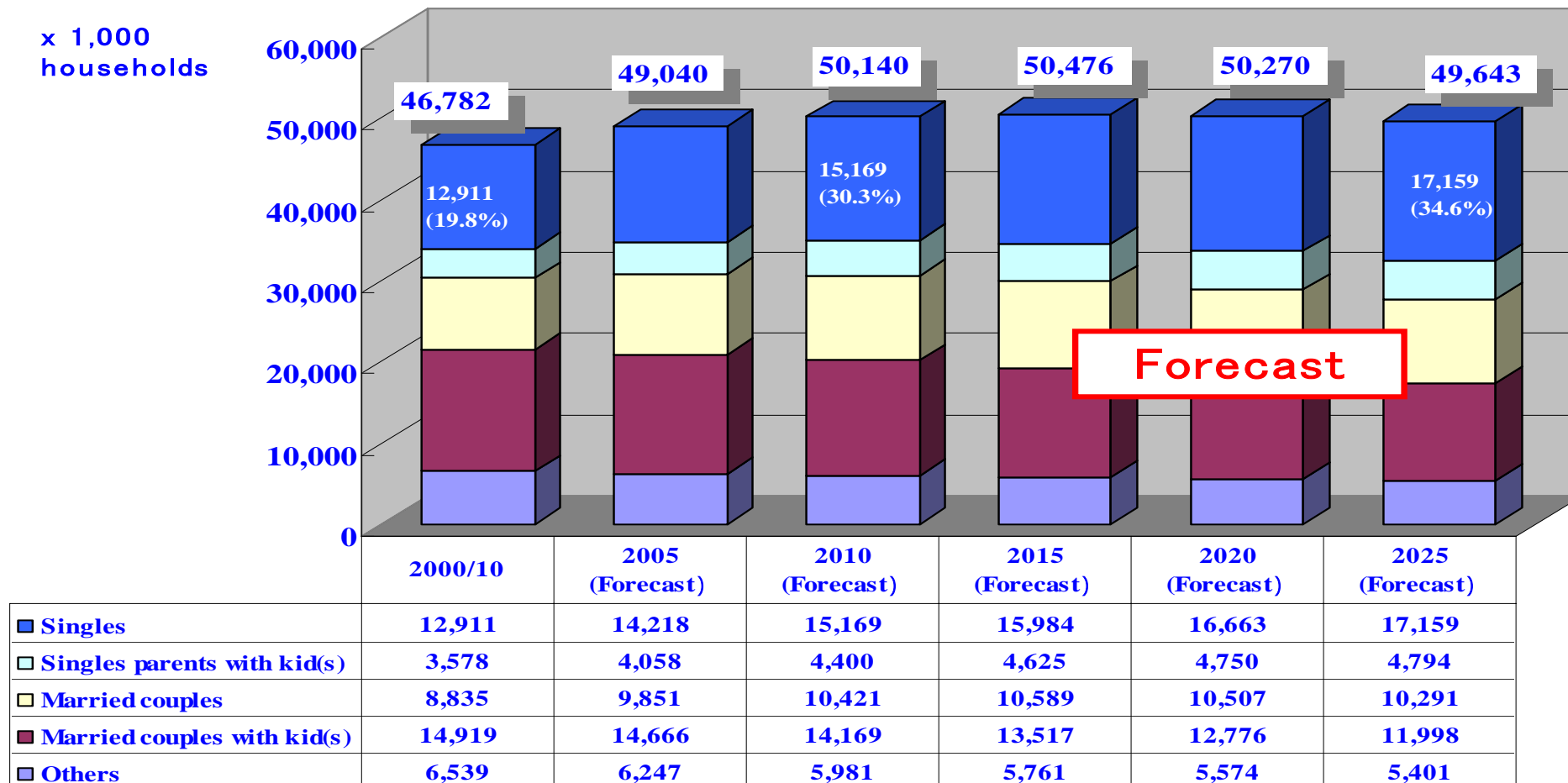


Demand – 1 (Studio Market))

● As the decline in births continues, looking at the Japanese population (for which the population decline and graying are key issues) by type of household, the segment for those living alone amounted to 12.91 million households in 2001, representing 19.8% of total households. In 2010, there will be 15.16 million such households, representing 30.3%. Further, for estimates in 2025, there will an increase to 17.15 million households, amounting to 34.6% of total households. This signifies that for Japanese household composition a huge segment of those living alone will be formed at high speed.

Based on 2000 Census & “2003 Number of Households and Future Estimates” report by National Institute of Population

Estimate & Forecast for No. of Households by Type

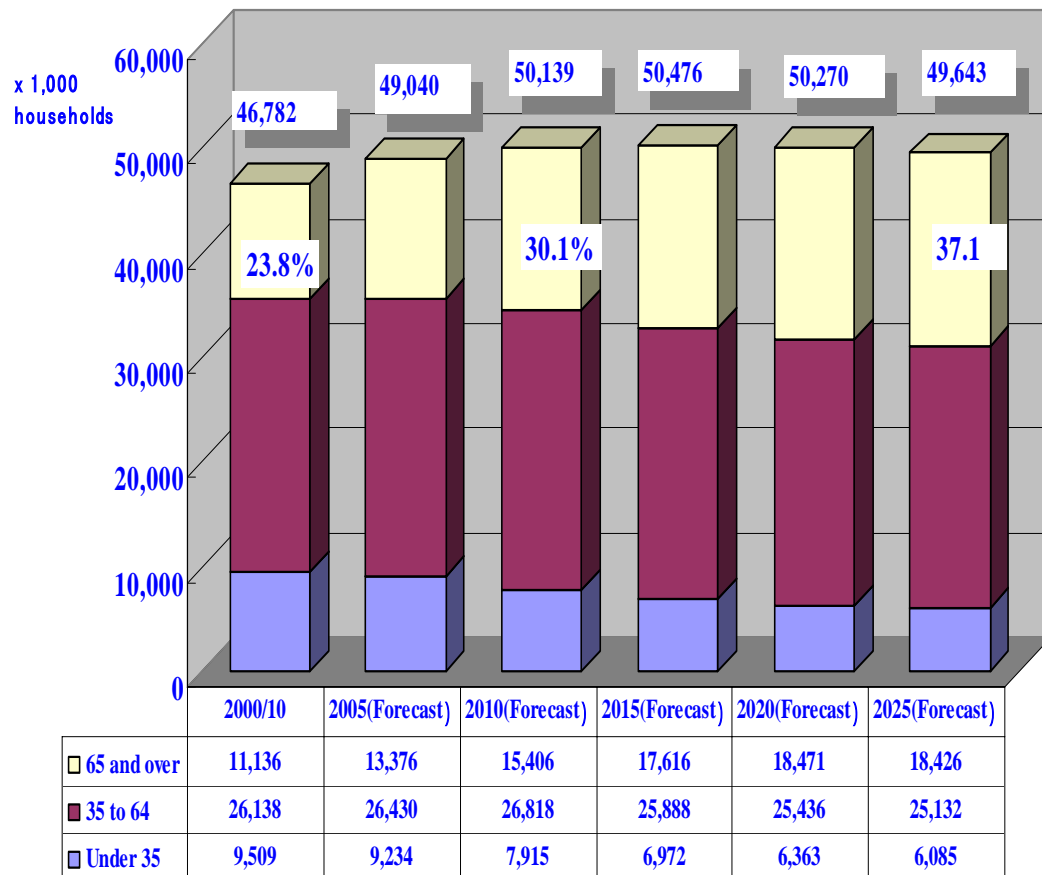


Demand – 2 (Studio & “Silver” Market)

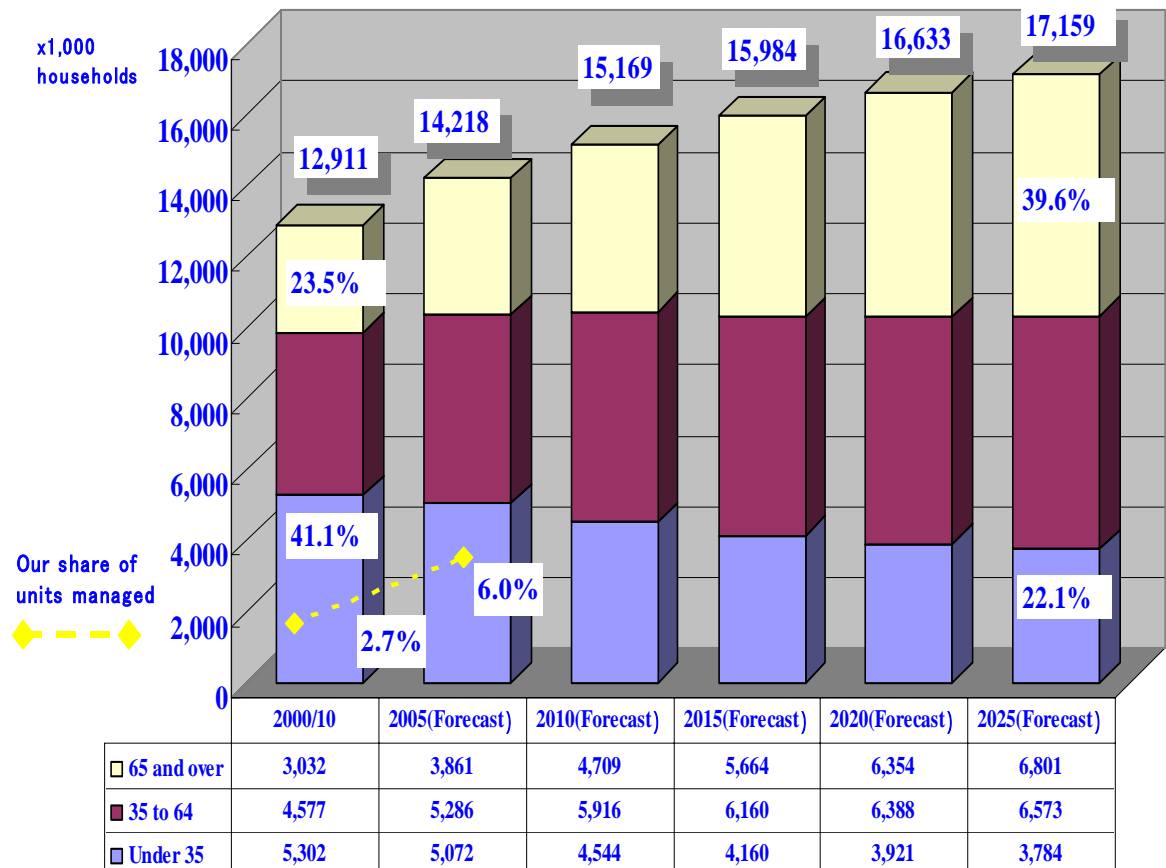
- The left graph shows the estimate and forecast data given on page 28 by age, and it can be seen that the “silver” segment (elderly of 65 and over) will exceed 30% in 2010. In 2025, the proportion will reach 37.1%, meaning 1 in 3 households will belong to the “silver” segment, representing a huge market.
- Further, in the right graph, which categorizes the segment for those living alone given on page 28, the target market segments shall be: corporate users that focus on under-35, and the “silver” (elderly of 65 and over) whose use for recreation and care services is expanding, centered on the studios up to now. Within these, our market share for under-35 single households was 2.7% in 2000 and at the 6% level in 2005.

Based on 2000 Census & “2003 Number of Households and Future Estimates” report by National Institute of Population

Estimate & Forecast for No. of Households by Age



Estimate & Forecast for No. of Single Households

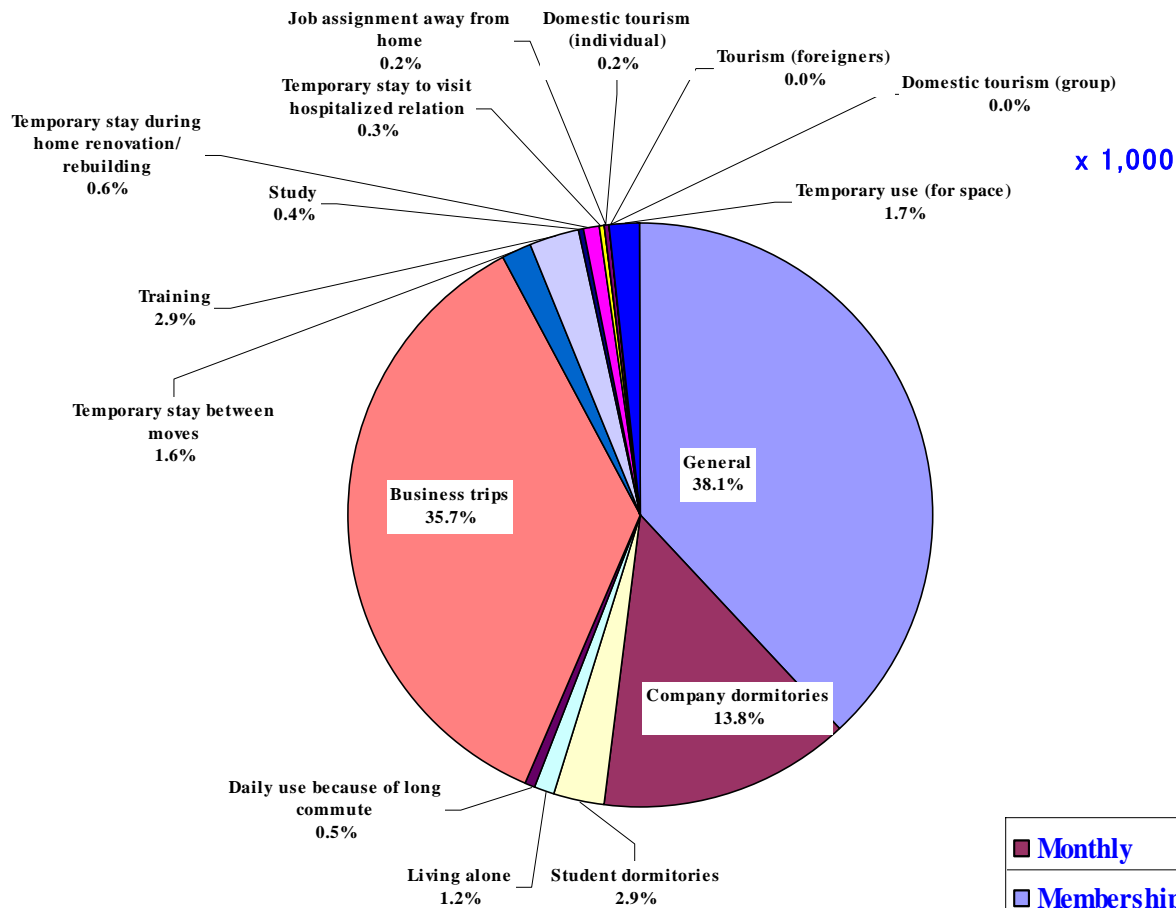


Use (Studio Market)

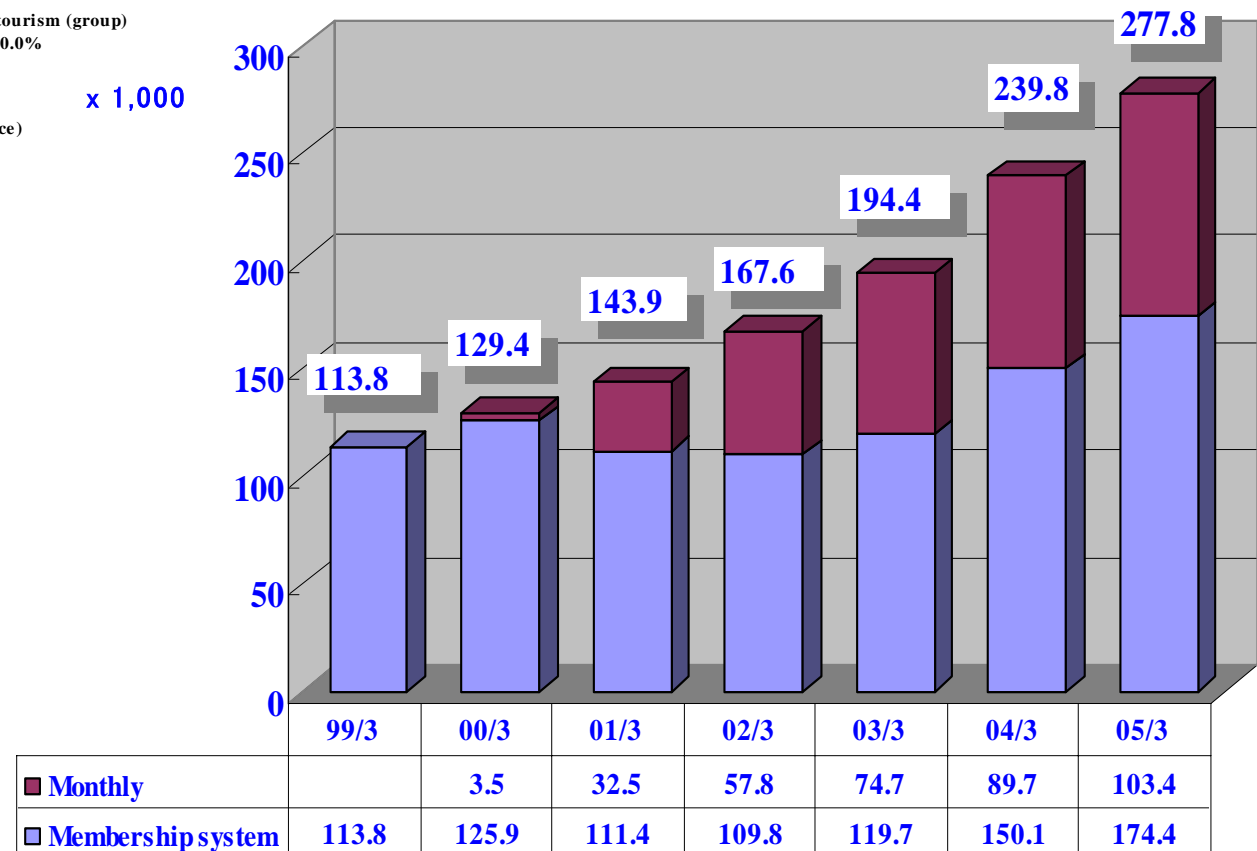
- As a result of an expansion in use of the Monthly Leopalace Flat, one of our main products, there is progress in cultivating a new market.
- Based on the diverse needs, new use segments are steadily expanding.

(Based on our company data, end-March 2005)

Breakdown of Uses of Month-to-month Leases (March 2005)



No. of Tenants by Contract Type



Trend in Shareholders

