

**Explanatory Session for the Third Quarter Results
or Fiscal Year Ending March 2007**

February 2007

Leopalace21 Corporation

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

[Results for Core Businesses during the Third Quarter Ended December 2006] Results and Forecasts of Our Group (Consolidated)	3	[Status of Major Strategic Business Ventures] Residential Business and Silver Business	15
Actual Results and Forecasts in Construction & Leasing	4	Broadband Business and Leoplace Resort Business	16
[Outline of the Third Quarter Results] Highlights of the Third Quarter Results (Consolidated & Non-consolidated)	6	[Appendix] Supply – 1 (Market for Housing).....	18
Highlights of the Third Quarter Results for Parent & Major Subsidiaries	7	Supply – 2 (Market for Studios)	19
Outline of Balance Sheets (Consolidated)	8	Use (Studio Market)	20
Outline of Cash Flows (Consolidated)	9		
Profit/Loss for Major Segments (Consolidated)	10		
[Quarterly Data] Earnings Results and Forecasts (Consolidated, cumulative).....	12		
Earnings Results (Consolidated,quarterly).....	13		

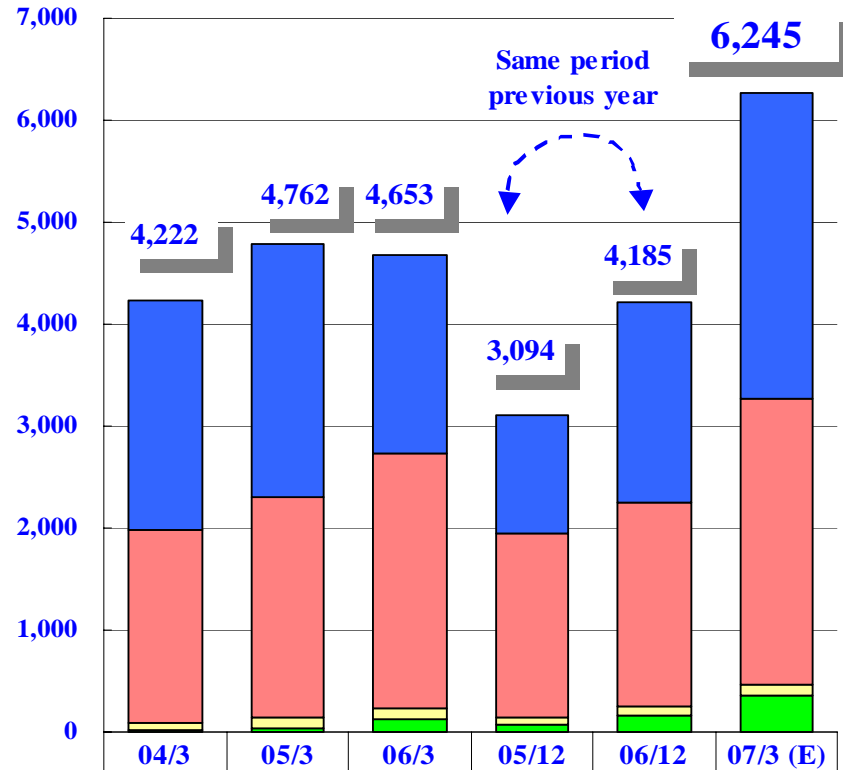
Results and Forecasts for Core Businesses



Results and Forecasts of Our Group (Consolidated)

Actual Figures and Forecast for
Net Sales

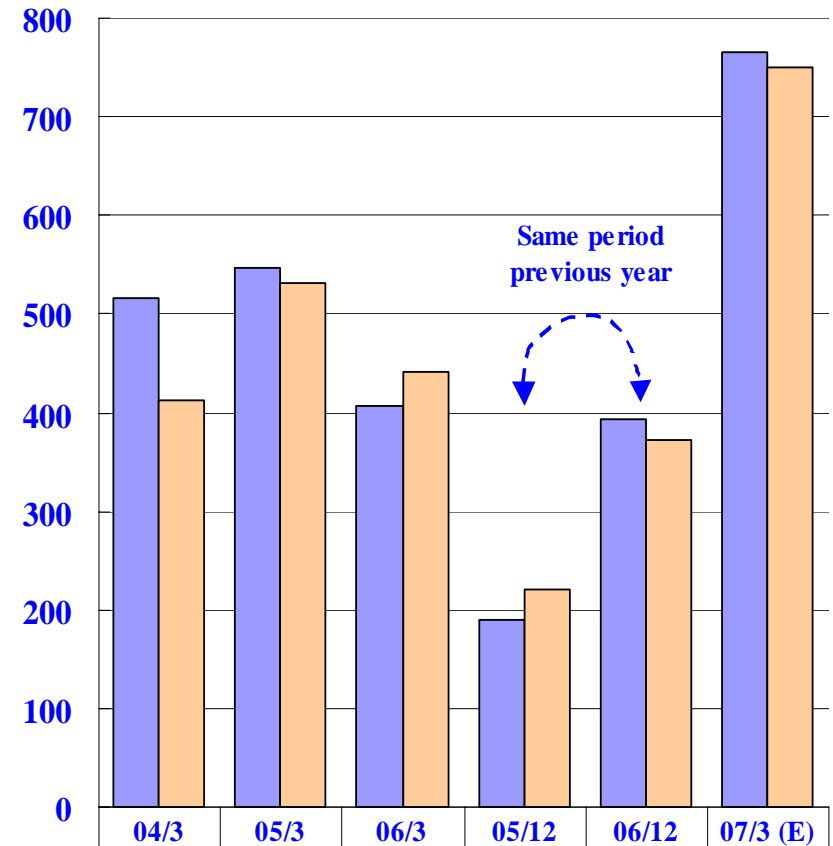
Yen 100 mil



Construction	2,250	2,480	1,952	1,161	1,957	3,000
Leasing	1,888	2,165	2,496	1,807	2,006	2,810
Hotel Resort	70	95	108	77	82	115
Other	25	43	121	65	167	349

Actual Figures and Forecast for
Operating Profit & Recurring Profit

Yen 100 mil



Operating Profit	516	546	407	190	394	766
Recurring Profit	412	532	441	220	372	750

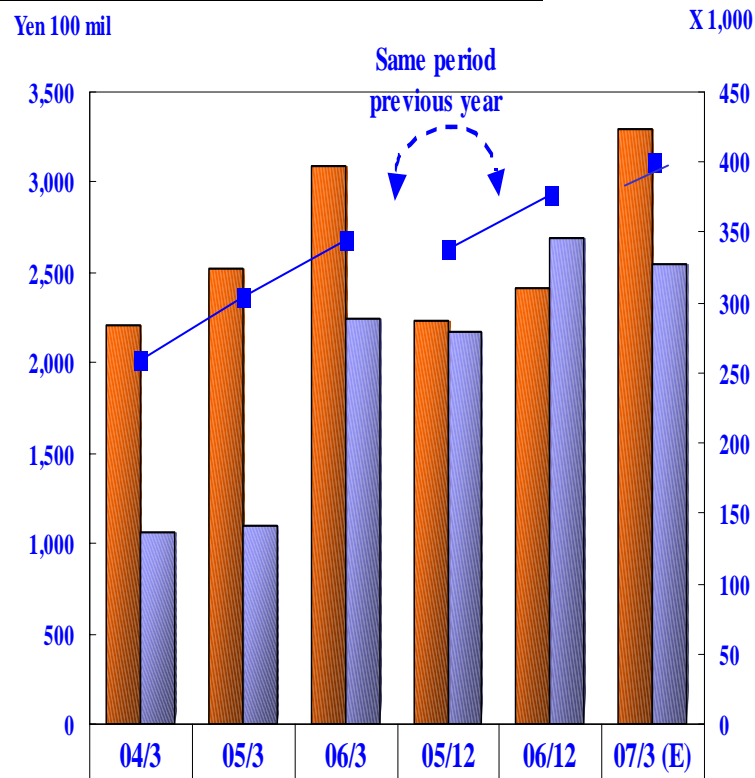
*"07/3 (E)" represents the forecast for FY 07/3.

Actual Results and Forecasts in Construction & Leasing

- Construction: Construction orders during the 3rd quarter of FY 2007 totaled 241.1 billion yen, an increase of 7.8%!
- Leasing: Achieved a high 92.2% occupancy rate during the 3rd quarter of FY 2007, an increase of 0.3 points!

Trend in Actual Results for Construction

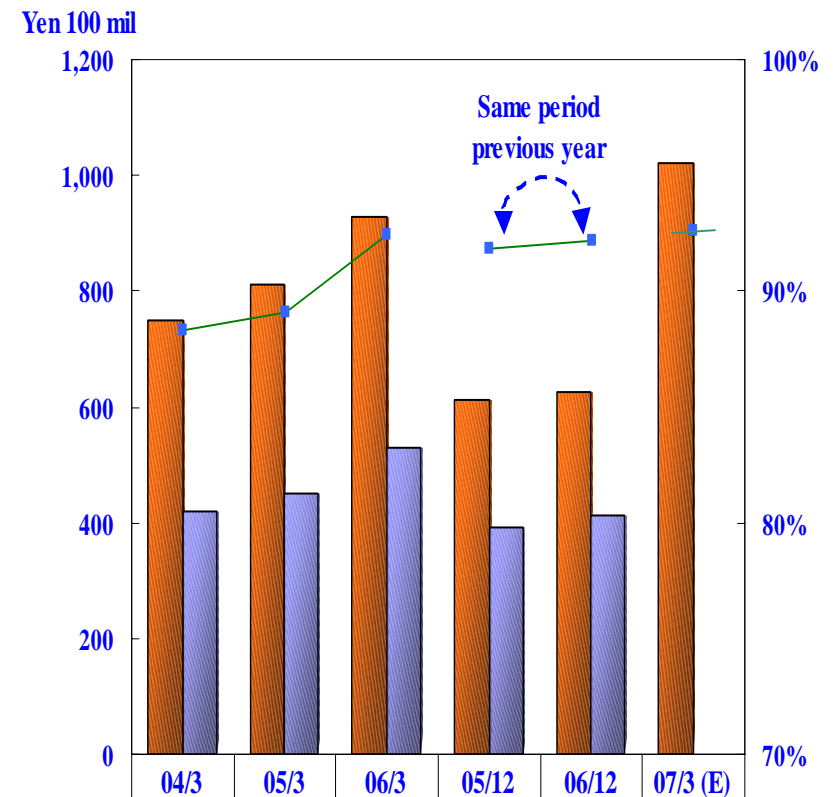
3rd Q FY 07/3



Orders received	2,207	2,522	3,094	2,237	2,411	3,300
Orders received outstanding	1,057	1,099	2,241	2,175	2,695	2,542
Managed units	259.2	304.1	344.0	337.9	377.7	400.0

Trend in Actual Results for Leasing

3rd Q FY 07/3



Month-to-month sales	750	812	928	612	625	1,020
Of which, repeat sales	419	452	530	391	413	
Occupancy rate during FY	88.3%	89.1%	92.4%	91.8%	92.2%	92.6%

Outline of the Third Quarter Results



Highlights of the Third Quarter Results (Consolidated & Non-Consolidated)



(Unit: Yen million)	Consolidated				Non-consolidated			
	December 2006 3rd quarter	December 2005 3rd quarter	Change in amount	Percentage change	December 2006 3rd quarter	December 2005 3rd quarter	Change in amount	Percentage change
Net sales	418,518	309,419	109,099	35.3%	413,249	303,631	109,618	36.1%
Gross profit	97,503	70,335	27,168	38.6%	98,662	70,415	28,247	40.1%
Gross profit ratio (%)	23.3%	22.7%	0.6%	-	23.9%	23.2%	0.7%	-
Selling, general & administrative expenses	58,049	51,280	6,769	13.2%	60,226	52,477	7,749	14.8%
Operating profit	39,453	19,055	20,398	107.0%	38,435	17,937	20,498	114.3%
Operating profit ratio (%)	9.4%	6.2%	3.2%	-	9.3%	5.9%	3.4%	-
Recurring profit	37,221	22,031	15,190	68.9%	37,904	17,341	20,563	118.6%
Recurring profit ratio (%)	8.9%	7.1%	1.8%	-	9.2%	5.7%	3.5%	-
Net income (loss)	20,534	(25,286)	45,820	-	21,120	(42,039)	63,159	-

Highlights of the Third Quarter Results for Parent & Major Subsidiaries

(Unit: Yen million)		December 2006 3rd quarter	December 2005 3rd quarter	Change in amount	Percentage change	FY 2007 forecast	Dec. 2006 Depreciation Expenses	Dec. 2005 Depreciation Expenses
Leopalace 21 Corporation	Net sales	413,249	303,631	109,618	36.1%	616,000	1,962	2,019
	Recurring profit	37,904	17,341	20,563	118.6%	73,000		
MDI Guam	Net sales	5,855	5,540	314	5.7%	8,205	1,282	1,192
	Recurring profit	203	3,857	(3,654)	-94.7%	165		
	Foreign exchange gain	582	4,037	(3,455)	-	..		
TPH	Net sales	1,269	1,593	(324)	-20.3%	1,269	155	197
	Recurring profit	(57)	(18)	(39)	-	(57)		
Others & exclusion	Net sales	(1,855)	(1,345)	(510)	-	(974)	4	6
	Recurring profit	(829)	851	(1,680)	-	1,892		
Consolidated total	Net sales	418,518	309,419	109,099	35.3%	624,500	3,402	3,414
	Recurring profit	37,221	22,031	15,190	68.9%	75,000		
	Foreign exchange gain	820	4,997	(4,178)	-	..		

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

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

Outline of Balance Sheet (Consolidated)

December 2006 3rd Q Balance Sheet

(Unit: Yen million)	December 2006 3rd quarter	December 2005 3rd quarter	Change in amount	Ended March 2006
<Assets>				
Current assets	139,481	123,438	16,043	163,518
Cash & cash equivalents	49,775	37,125	12,650	44,612
Trade receivables & accounts receivable for completed projects	4,771	6,501	(1,729)	8,114
Operating loans	8,911	10,821	(1,909)	10,426
Real estate for sale	19,916	5,601	14,314	7,524
Payout for construction in progress	12,105	10,433	1,671	35,249
Fixed assets	262,136	251,606	10,529	249,128
Buildings & structures	80,700	83,413	(2,713)	83,666
Land	119,536	109,579	9,956	107,216
Construction in progress	4,345	3,022	1,323	1,964
Total assets	401,712	375,233	26,479	412,803
<Liabilities>				
Current liabilities	178,620	148,600	30,020	205,674
Long-term liabilities	55,223	84,023	(28,799)	55,855
Total liabilities	233,844	232,623	1,221	261,530
<Shareholders' equity>				
Share capital	—	55,640	—	55,640
Capital surplus	—	33,759	—	33,759
Retained earnings	—	44,419	—	53,123
Total shareholders' equity	—	124,527	—	133,622
Shareholders' equity ratio	—	33.2%	—	32.4%
< Shareholders' equity >				
Share capital	55,640	—	—	—
Capital surplus	33,759	—	—	—
Retained earnings	68,876	—	—	—
Total shareholders' equity	167,867	—	—	—
Shareholders' equity ratio	37.3%	—	—	—

Outline of Cash Flows (Consolidated)

December 2006 3rd Q Cash Flows

(Unit: Yen million)	December 2006 3rd quarter	December 2005 3rd quarter
Cash flows from operating activities	17,386	15,151
Net income (loss) before taxes & adjustment	38,127	(41,689)
Depreciation expenses	3,403	3,413
Foreign exchange loss	(819)	(4,997)
Equity-method investment loss (income)	2,156	377
Impairment loss	1,944	62,375
Gain from sale of affiliates' bonds	(3,581)	(31)
Decrease (increase) in assets receivable	14,755	55,784
Decrease (increase) in inventories	10,506	(12,426)
Increase (decrease) in long-term prepaid expenses	(5,775)	(4,076)
Increase (decrease) in accounts payable	(44,708)	(59,765)
Income taxes paid	(4,471)	(12,533)
Cash flows from investing activities	(12,453)	(11,648)
Payout for purchase & proceeds from sale of tangible assets	(19,263)	(11,255)
Payout for purchase & proceeds from sales of subsidiary equities	3,009	-
Payout for purchase & proceeds from sale of investment securities	2,939	732
Cash flows from financing activities	202	(13,361)
Proceeds from & payment of short-term debt	5,432	(1,000)
Proceeds from & payment of long-term debt	497	(8,619)
Dividends paid for shareholders	(4,781)	(2,390)
Net income in cash & cash equivalents	5,163	(9,727)
Cash & cash equivalents at end of 1st quarter	49,775	37,125

Profit/Loss for Major Segments (Consolidated)

(Unit: Yen million)	December 2006 3rd quarter	Sales comparison	Forecast for FY2007	Sales comparison	Results for FY2006	Sales comparison
Construction Division						
Net sales	195,747		300,000		195,202	
Gross profit	65,242	33.3%	100,800	33.6%	65,805	33.7%
Operating profit	42,266	21.6%	69,200	23.1%	39,452	20.2%
Leasing Division						
Net sales	200,679		281,000		249,699	
Gross profit	32,804	16.3%	54,800	19.5%	46,031	18.4%
Operating profit	2,165	1.1%	11,700	4.2%	8,079	3.2%
Hotel Resort Division						
Net sales	8,265		11,500		10,869	
Gross profit	339	4.1%	1,150	10.0%	444	4.1%
Operating profit	(1,638)	-	(1,700)	-14.8%	(2,667)	-
Other Division						
Net sales	16,760		34,900		12,149	
Gross profit	2,053	12.2%	5,100	14.6%	1,707	14.1%
Operating profit	(199)	-	1,500	4.3%	(393)	-

*Values for each are before eliminations between segments.

Quarterly Data



Quarterly Data (Consolidated, cumulative)

Cumulative (Unit: Yen million)	06/03			
	1Q	2Q	3Q	4Q
Net sales	67,625	230,418	309,419	465,386
Cost of sales	56,965	176,067	239,083	353,928
Gross profit	10,660	54,351	70,335	111,458
(%)	15.8%	23.6%	22.7%	23.9%
Selling, general & administrative expenses	16,207	33,972	51,280	70,683
(%)	24.0%	14.7%	16.6%	15.2%
Operating profit (loss)	(5,547)	20,378	19,055	40,775
(%)	-8.2%	8.8%	6.2%	8.8%
Recurring profit (loss)	(4,707)	22,175	22,031	44,151
(%)	-7.0%	9.6%	7.1%	9.5%
Net income (loss)	(39,136)	(24,321)	(25,286)	(16,582)
(%)	-57.9%	-10.6%	-8.2%	-3.6%

07/03			
1Q	2Q	3Q	FY Forecast
142,714	306,360	418,518	624,500
108,736	232,760	321,014	465,500
33,977	73,600	97,503	159,000
23.8%	24.0%	23.3%	25.5%
19,441	39,227	58,049	82,400
13.6%	12.8%	13.9%	13.2%
14,535	34,372	39,453	76,600
10.2%	11.2%	9.4%	12.3%
12,782	31,961	37,221	75,000
9.0%	10.4%	8.9%	12.0%
6,422	16,843	20,534	41,000
4.5%	5.5%	4.9%	6.6%

Orders received (Period total)	64,379	144,964	223,708	309,406
Orders received outstanding (End of period)	167,322	149,914	217,501	224,196
Managed units (End of period)	318,909	327,051	337,967	344,045
Occupancy rate (Period average)	90.5	91.6	91.9	92.4

Units

%

73,125	158,104	241,133	330,000
224,736	222,090	269,582	254,200
359,355	370,825	377,723	400,000
92.9	92.4	92.2	92.6

Units

%

Quarterly Data (Consolidated, quarterly)

Quarterly (Unit: Yen million)	06/03			
	1Q	2Q	3Q	4Q
Net sales	67,625	162,793	79,001	155,967
Cost of sales	56,965	119,102	63,016	114,845
Gross profit	10,660	43,691	15,984	41,123
(%)	15.8%	26.8%	20.2%	26.4%
Selling, general & administrative expenses	16,207	17,765	17,308	19,403
(%)	24.0%	10.9%	21.9%	12.4%
Operating profit (loss)	(5,547)	25,925	(1,323)	21,720
(%)	-8.2%	15.9%	-1.7%	13.9%
Recurring profit (loss)	(4,707)	26,882	(144)	22,120
(%)	-7.0%	16.5%	-0.2%	14.2%
Net income (loss)	(39,136)	14,815	(965)	8,704
(%)	-57.9%	9.1%	-1.2%	5.6%

07/03		
1Q	2Q	3Q
142,714	163,646	112,158
108,736	124,024	88,254
33,977	39,623	23,903
23.8%	24.2%	21.3%
19,441	19,786	18,822
13.6%	12.1%	16.8%
14,535	19,837	5,081
10.2%	12.1%	4.5%
12,782	19,179	5,260
9.0%	11.7%	4.7%
6,422	10,421	3,691
4.5%	6.4%	3.3%

Orders received (Quarterly total)	64,379	80,585	78,743	85,698
Managed units (Quarterly average)	315,795	323,721	336,345	339,749
Occupancy rate (Quarterly average)	90.5	92.6	92.5	93.9

Units

73,125	84,979	83,029
355,012	366,220	377,335
92.9	92.0	91.9

Units

Status of Major Strategic Business Ventures



〈Residential Business〉

		Results for FY ended March 2006		Result for the term ended September 2006		Result for the 3rd quarter ended December 2006		Results for FY ending March 2007	
Purchasing	Purchase contracts	8,034	million yen	14,603	million yen	25,363	million yen	30,000	million yen
	Number of units scheduled for sale	321	units	458	units	708	units	1,500	units
Sales	Value of sales contracts concluded	2,544	million yen	52	million yen	6,984	million yen	18,000	million yen
	Units sold	46	units	75	units	117	units	460	units
	Total revenue	1,743	million yen	44	million yen	5,845	million yen	15,000	million yen
Stocks	Sales stocks	7,524	million yen	13,477	million yen	19,916	million yen		
	Units	279	units	413	units	521	units		



“Lu Cerna Nakaochiai”
Shinjuku, Tokyo

*including land transactions.

〈Silver Business〉

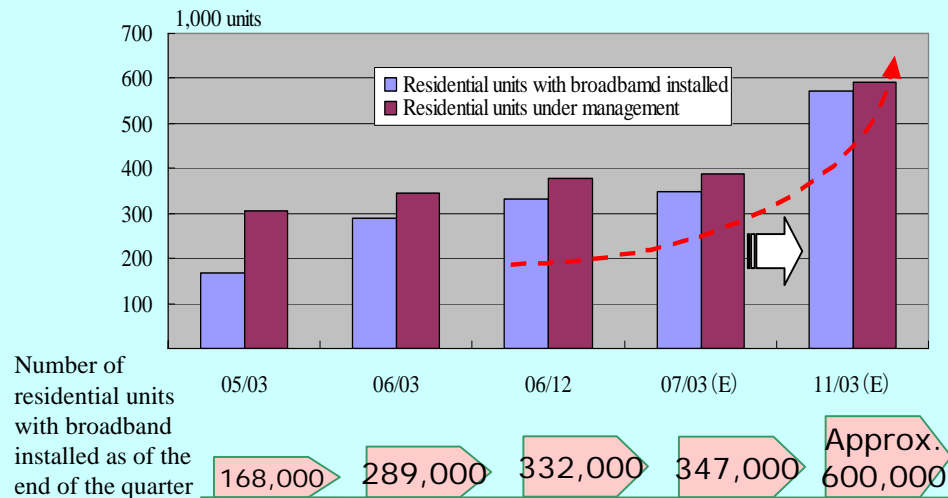
			Results for the term ended March 2006	Result for the term ended September 2006	Result for the 3rd quarter ended December 2006	Forecast for the term ending March 2007
Direct operation	Revenue	million yen	17	250	506	940
	Total units as of end of term	units	5	11	14	25
Under contract	Total value of contracts	million yen	7,526	6,472	8,488	15,000
	Units ordered	units	25	18	20	50
	Total revenues	million yen	2,417	1,244	1,867	7,000



“Azumien Tatemachi”
Hachioji, Tokyo

Broadband Business/Resort Business

〈Broadband Business〉



	05/3	06/3	06/9 interim result	06/12 3Q result	07/3 (E)
Users	116,000	203,000	254,000	271,000	309,000
Sales (yen)	3.5 bil	7.4 bil	5.2 bil	8.13 bil	11.9 bil
Gross profit (loss) on sales (yen)	(2.18) bil	0.44 bil	0.45 bil	0.66 bil	1.2 bil

〈Leopalace Resort Business (MGC)〉

(Units: 1,000 US dollars)		1Q results (Jan. - Mar.)	Interim results (Jan. - Jun.)	3Q results (Jan. - Sep.)	FY 2005 (Jan. - Dec.)
FY 2005	Net Sales	19,593	35,028	49,419	67,137
	Operating Income	2,141	362	-1,746	-425,627
	Depreciation Expenses	3,528	7,080	10,629	14,221
	Occuring Rate (Leopalace Resort)	72.4%	61.5%	56.3%	57.7%
	Occupancy Rate (Westin)	70.4%	65.5%	65.7%	63.7%
		1Q results (Jan. - Mar.)	Interim results (Jan. - Jun.)	3Q results (Jan. - Sep.)	FY 2006 (Jan. - Dec.)
FY 2006	Net Sales	19,779	36,409	50,676	74,593
	Operating Income	1,142	-237	-3,252	1,497
	Depreciation Expenses	3,665	7,329	11,014	13,826
	Occuring Rate (Leopalace Resort)	76.0%	64.5%	59.2%	71.6%
	Occupancy Rate (Westin)	62.4%	58.3%	58.9%	65.8%

Of which \$422.6 million is impairment loss.

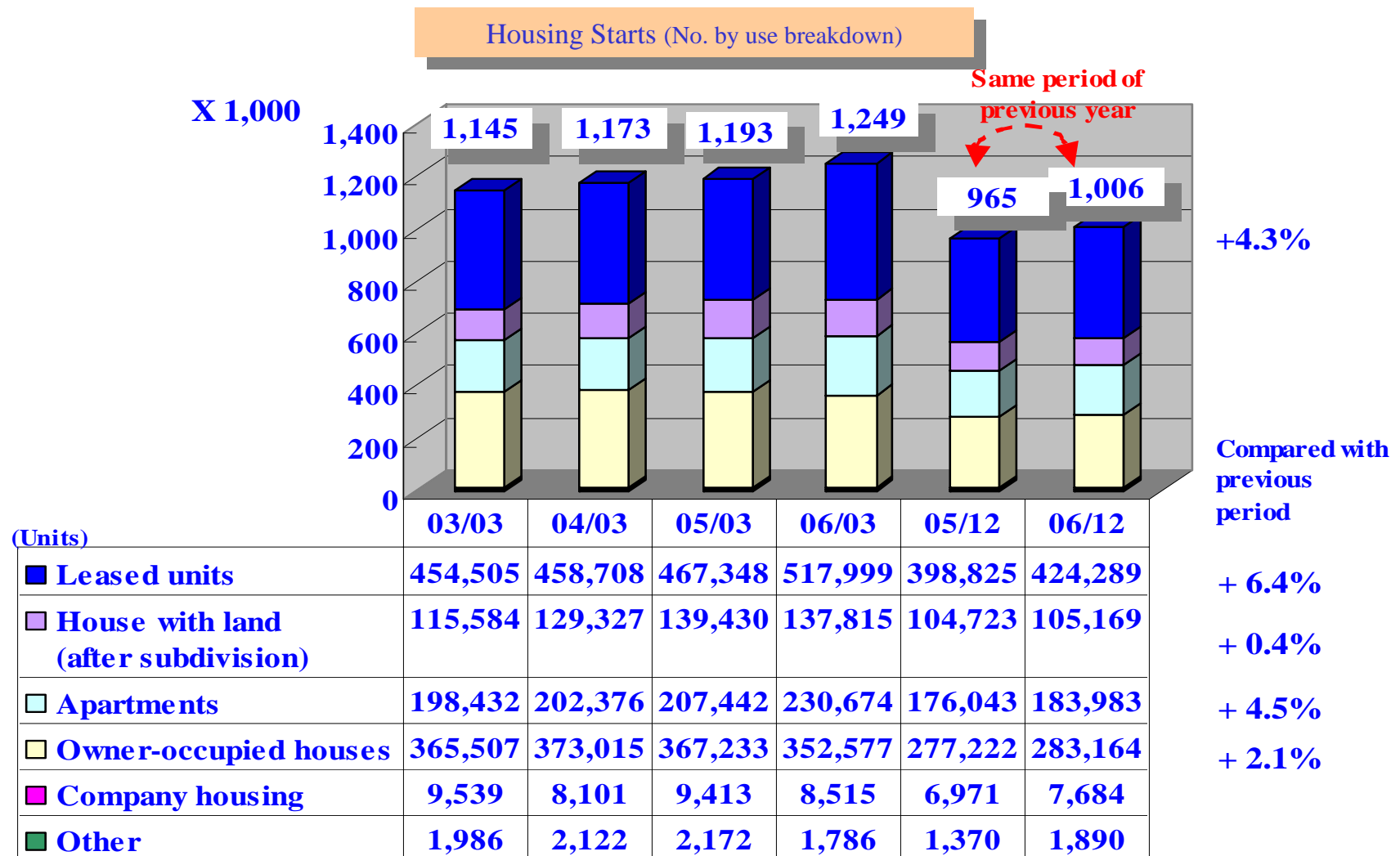
Appendix



Supply – 1 (Market for Housing)

- New housing starts during the 3rd quarter under review (supply) reached 1,006,000, an increase of 4.3% compared with the same period in 2005. Growth was driven particularly by the leasing sector, where new supply grew by 6.7%, or 424,000 units. Single family homes in housing developments was increased 0.4%, reached 105,000 unites.

(Based on housing start statistics for December 2006, Ministry of Land, Infrastructure & Transport)



Supply – 2 (Market for Studios)

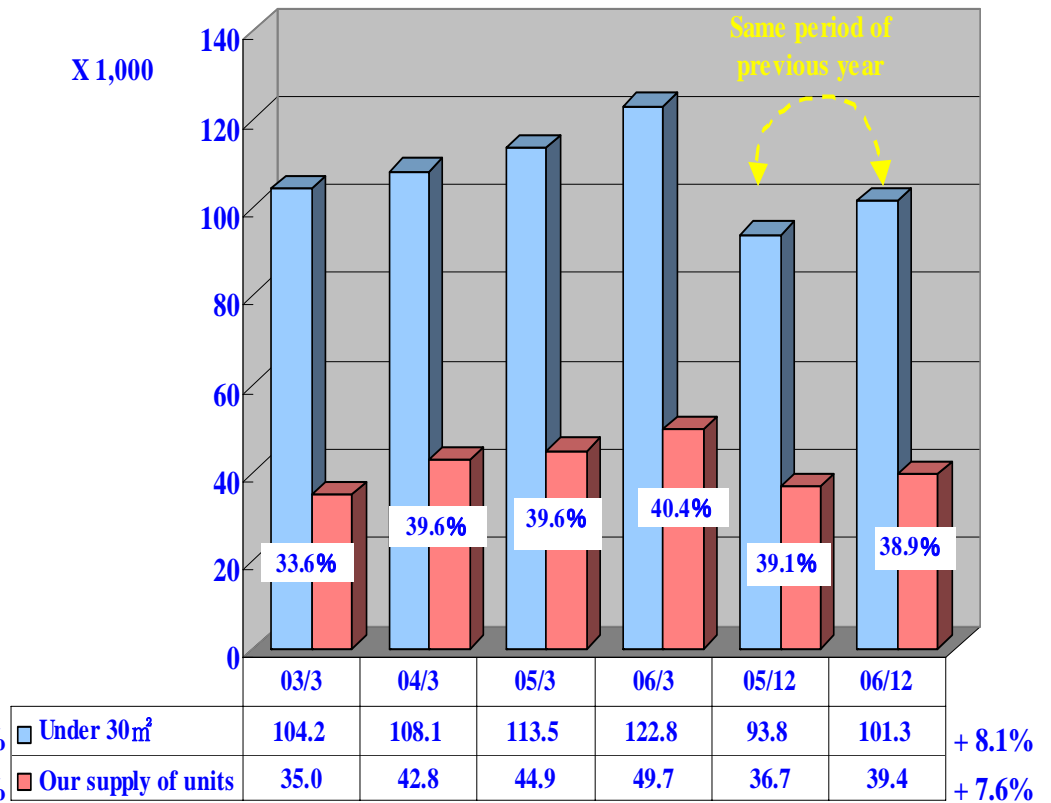
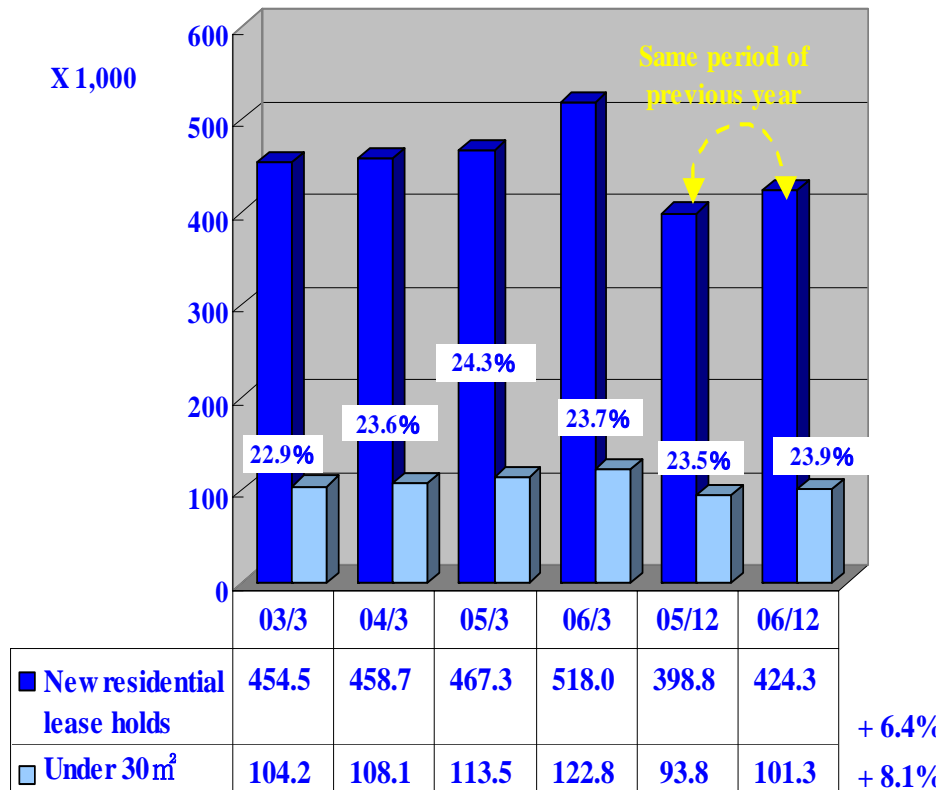
- Within new residential leasehold units (left graph), which have been further narrowed down to those under 30 square meters, the year-on-year growth rate is high at 8.1%, achieved 101,000 units. Our share of the total leasing market has reached 23.9%.

- Further, the right graph shows the share of our company's studios (Construction Division) within the new residential leasehold units under 30 square meters. During the term under review our share of total supply of housing units reached 38.9%.

(Based on housing start statistics for December 2006, Ministry of Land, Infrastructure & Transport)

Trend in No. of New Residential Leaseholds
Overall & Our Market Share

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



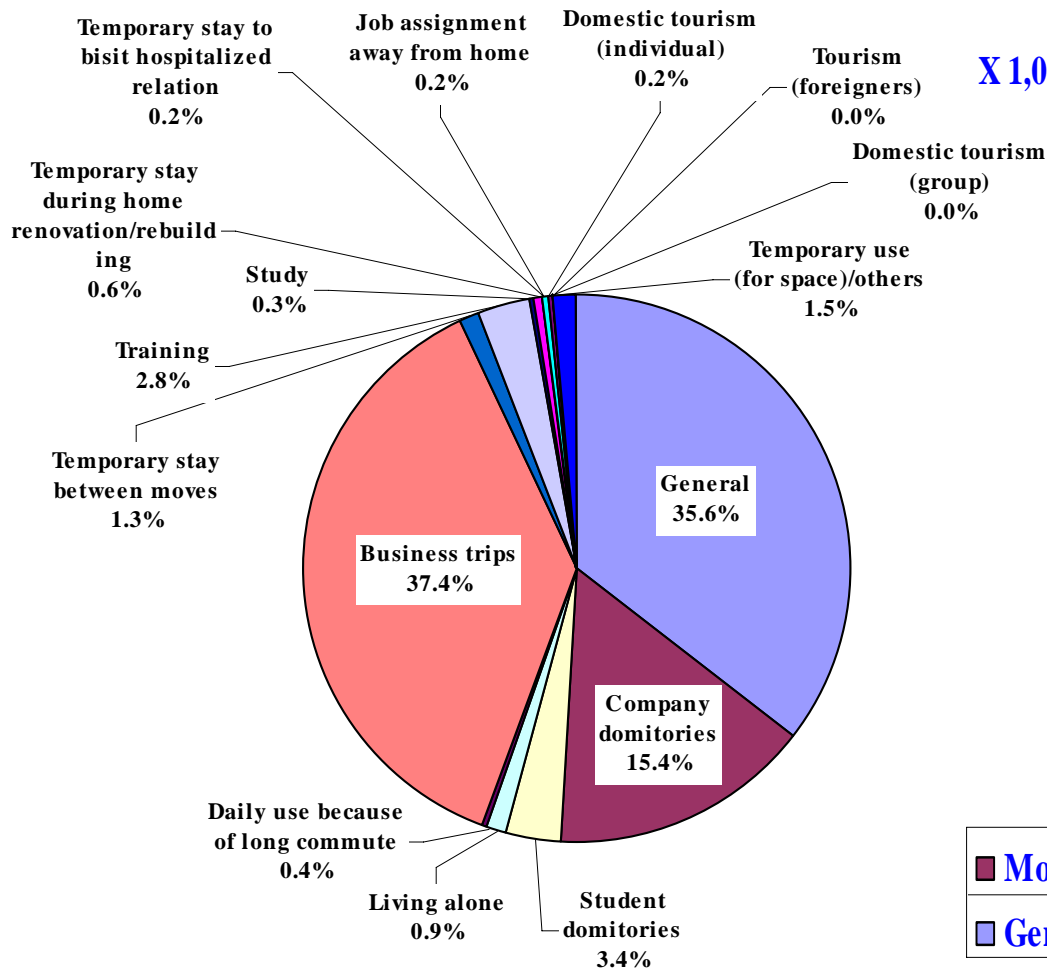
*Supply of units after FY 06/3 represents actual units sold.

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-December 2006)

Breakdown of Users of Month-to-month Leases (December 2006)



No. of Tenants by Contract Type

