

# **Explanatory Session for the Fiscal Year Ended March 2007**

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**May 2007**

**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.

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## Results for Core Businesses during the Year Ended March 2007

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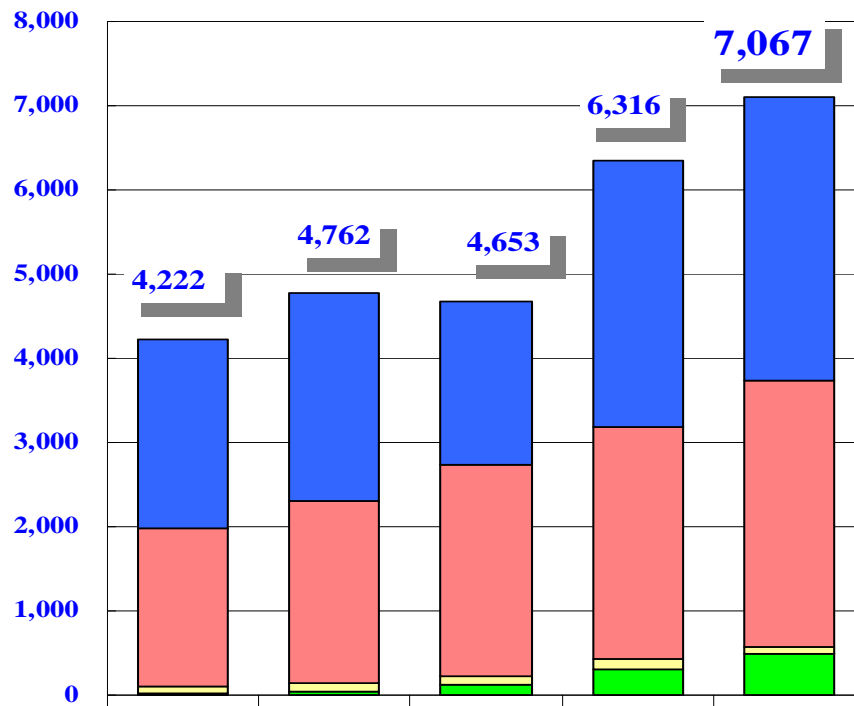


# Results and Forecast for FY of Our Group (Consolidated)

- Net sales and profits for the FY ended March 2007 were both up significantly.

Actual Figures and Forecast  
for Net Sales

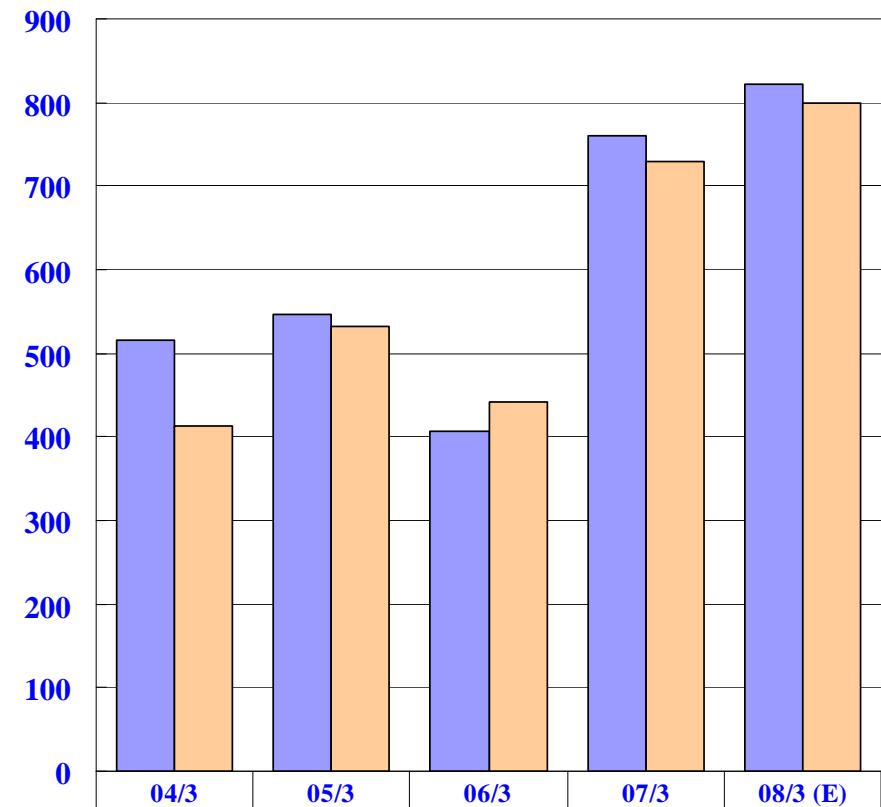
Yen 100 mil



<b>Construction</b>	2,250	2,480	1,952	3,161	3,364
<b>Leasing</b>	1,888	2,165	2,496	2,771	3,162
<b>Hotel Resort</b>	70	95	108	108	94
<b>Other</b>	25	43	121	311	484

Actual Figures and Forecast for  
Operating Profit & Recurring Profit

Yen 100 mil

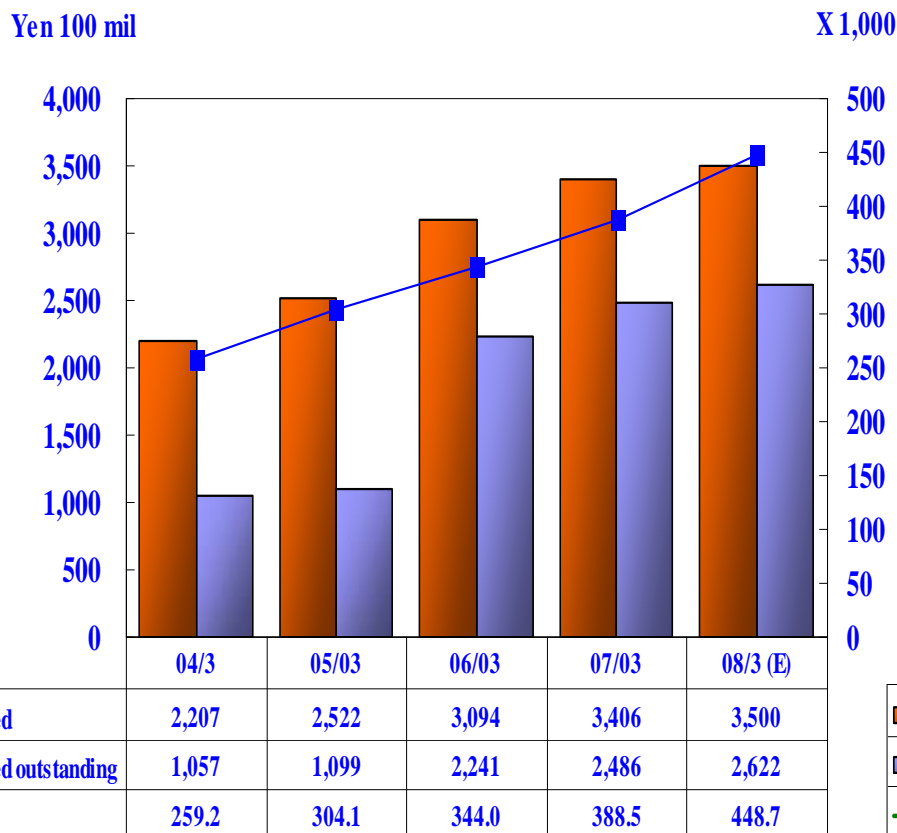


<b>Operating profit</b>	516	546	407	760	822
<b>Recurring profit</b>	412	532	441	730	800

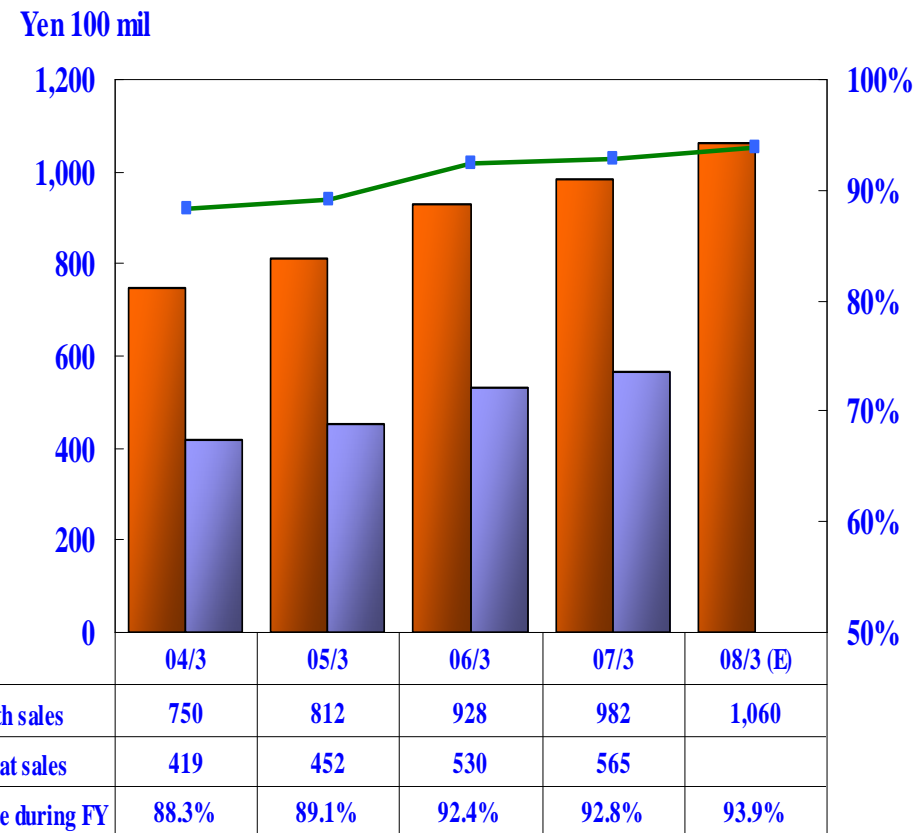
# Actual Results and Forecast for FY in Construction & Leasing

- Construction: Orders for the FY ended March 2007 totaled 340.6 billion yen, an increase of 10.1% year-on-year!
- Leasing: Occupancy rates rose by 0.4 percentage point to 92.8% for the FY ended March 2007!

Trend in Actual Results and Forecast for Construction



Trend in Actual Results and Forecast for Leasing



# Outline of Fiscal-Year Results

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# Highlights of FY Results (Consolidated & Non-consolidated)

(Unit: Yen million)	Consolidated				Non-Consolidated			
	FY ended Mar. 2007	FY ended Mar. 2006	Change in amount	Percentage change	FY ended Mar. 2007	FY ended Mar. 2006	Change in amount	Percentage change
Net sales	631,608	465,386	166,221	35.7%	624,553	457,135	167,417	36.6%
Gross profit	156,895	111,458	45,436	40.8%	158,301	111,816	46,485	41.6%
Gross profit ratio (%)	24.8%	23.9%	0.9%	-	25.3%	24.5%	0.9%	-
Selling, general & administrative expenses	80,887	70,683	10,204	14.4%	83,556	72,281	11,275	15.6%
Operating profit	76,007	40,775	35,232	86.4%	74,745	39,534	35,210	89.1%
Operating profit ratio (%)	12.0%	8.7%	3.3%	-	12.0%	8.7%	3.3%	-
Recurring profit	73,002	44,151	28,850	65.3%	74,183	38,752	35,430	91.4%
Recurring profit ratio (%)	11.6%	9.5%	2.1%	-	11.9%	8.5%	3.4%	-
Net income (loss)	37,358	(16,582)	53,940	-	39,597	(33,346)	72,944	-

# Highlights of FY Results for Parent & Major Subsidiaries

(Unit: Yen million)		FY ended Mar. 2007	FY ended Mar. 2006	Change in amount	Percentage change	Mar. 2007 depre ciation expenses	Mar. 2006 depre ciation expenses
<b>Leopalace 21 Corporation</b>	Net sales	624,553	457,135	167,417	36.6%	2,674	2,679
	Recurring profit	74,183	38,752	35,430	91.4%		
<b>MDI Guam</b>	Net sales	7,878	7,608	270	3.5%	1,722	1,612
	Recurring profit (loss)	(366)	3,545	(3,911)	-		
	Foreign exchange gain	219	3,870	(3,651)	-		
<b>TPH</b>	Net sales	1,269	2,199	(930)	-42.3%	155	267
	Recurring profit (loss)	(57)	30	(87)	-		
<b>Others &amp; exclusion</b>	Net sales	(2,093)	(1,556)	(537)	-	6	6
	Recurring profit (loss)	(758)	1,824	(2,582)	-		
<b>Consolidated total</b>	Net sales	631,608	465,386	166,221	35.7%	4,557	4,563
	Recurring profit	73,002	44,151	28,850	65.3%		
	Foreign exchange gain	501	4,780	(4,279)	-		

(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 Sheets and Cash Flows (Consolidated)

## Balance Sheets for the FY ended March 2007

(Unit: Yen million)	FY ended Mar. 2007	FY ended Mar. 2006	Change in amount
<Assets>			
<b>Current assets</b>	<b>186,555</b>	<b>163,518</b>	<b>23,036</b>
Cash & cash equivalents	75,166	44,612	30,554
Trade receivables & accounts receivable for completed projects	9,594	8,114	1,479
Operating loans	8,501	10,426	(1,924)
Real estate for sale	27,765	7,524	20,241
Payout for construction in progress	8,818	35,249	(26,430)
<b>Fixed assets</b>	<b>268,190</b>	<b>249,128</b>	<b>19,062</b>
Buildings & structures	80,626	83,666	(3,040)
Land	118,255	107,216	11,038
Construction in progress	4,397	1,964	2,433
<b>Total assets</b>	<b>454,819</b>	<b>412,803</b>	<b>42,016</b>
<Liabilities>			
<b>Current liabilities</b>	<b>216,914</b>	<b>205,674</b>	<b>11,239</b>
<b>Long-term liabilities</b>	<b>52,120</b>	<b>55,855</b>	<b>(3,734)</b>
<b>Total liabilities</b>	<b>269,035</b>	<b>261,530</b>	<b>7,505</b>
<Shareholders' equity>			
Share capital	-	55,640	-
Capital surplus	-	33,759	-
Retained earnings	-	53,123	-
<b>Total shareholders' equity</b>	<b>-</b>	<b>133,622</b>	<b>-</b>
Shareholders' equity ratio	-	32.4%	-
<Shareholders' equity>			
Share capital	55,640	-	-
Capital surplus	34,104	-	-
Retained earnings	85,700	-	-
<b>Total shareholders' equity</b>	<b>185,784</b>	<b>-</b>	<b>-</b>
Shareholders' equity ratio	37.0%	-	-

## Cash Flows for the FY ended March 2007

(Unit: Yen million)	FY ended Mar. 2007	FY ended Mar. 2006
<b>Cash flows from operating activities</b>	<b>63,308</b>	<b>56,971</b>
Net income before taxes & adjustments	69,329	(22,743)
Depreciation expenses	4,559	4,565
Increase (decrease) in retirement benefit reserves for directors	2,986	-
Foreign exchange loss	(501)	(4,780)
Equity-method investment loss (income)	2,320	(512)
Impairment loss	3,009	65,480
Gain on sales of affiliates' stock	(2,514)	(31)
Gain on sale of affiliates' bonds	(1,119)	-
Decrease (increase) in assets receivable	914	42,237
Decrease (increase) in inventories	-	(39,212)
Decrease (increase) in real estate for sale	(18,554)	-
Decrease (increase) in amount paid for uncompleted works	26,430	-
Decrease (increase) in long-term prepaid expenses	(12,366)	(7,345)
Increase (decrease) in accounts payable	(2,571)	(10,208)
Income taxes paid	(4,559)	(13,081)
<b>Cash flows from investing activities</b>	<b>(15,930)</b>	<b>(11,266)</b>
Payout for purchase & proceeds from sale of tangible assets	(21,822)	(12,279)
Payout for purchase & proceeds from sale of affiliates' stock	3,009	-
Proceeds from sale of affiliates' bonds	2,880	-
<b>Cash flows from financing activities</b>	<b>(17,018)</b>	<b>(47,946)</b>
Proceeds from & repayment of short-term debt	1,736	(10,814)
Proceeds from & repayment of long-term debt	(9,655)	(32,023)
Proceeds, repayment & redemption on privately placed bonds	(3,441)	(1,843)
Dividends paid for shareholders	(4,781)	(2,390)
<b>Net increase in cash &amp; cash equivalents</b>	<b>30,554</b>	<b>(2,240)</b>
<b>Cash &amp; cash equivalents at end of period</b>	<b>75,166</b>	<b>44,612</b>

## Profit/Loss for Major Segments (Consolidated)

(Unit: Yen million)	FY ended Mar. 2007	Sales comparison	FY ended Mar. 2006	Sales comparison	Change in amount	Percentage change
<b>Construction Division</b>						
Net sales	316,117		195,202		120,914	61.9%
Gross profit	106,721	33.8%	65,805	33.7%	40,916	62.2%
Operating profit	74,614	23.6%	39,452	20.2%	35,162	89.1%
<b>Leasing Division</b>						
Net sales	277,166		249,699		27,466	11.0%
Gross profit	49,046	17.7%	46,034	18.4%	3,011	6.5%
Operating profit	7,031	2.5%	8,079	3.2%	(1,048)	-13.0%
<b>Hotel Resort Division</b>						
Net sales	10,842		10,869		(26)	-0.2%
Gross profit	435	4.0%	444	4.1%	(9)	-2.0%
Operating profit (loss)	(2,628)	-	(2,667)	-	39	-
<b>Other Division</b>						
Net sales	31,187		12,149		19,038	156.7%
Gross profit	4,397	14.1%	1,707	14.1%	2,689	157.5%
Operating profit (loss)	1,091	3.5%	(393)	-	1,485	-

\*Values for each are before eliminations between segments.

# Earnings Forecasts

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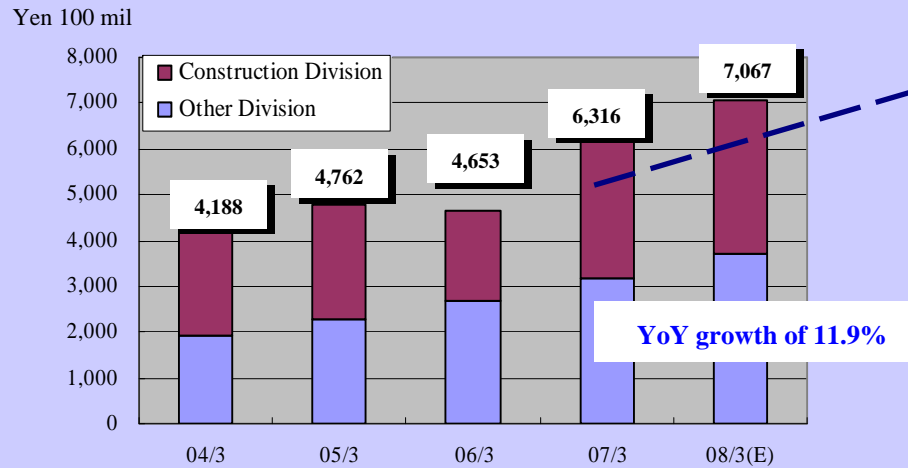
# Earnings Forecasts (Consolidated & Non-consolidated)

<b>(Unit: Yen million)</b>		<b>FY ending Mar. 2008</b>	<b>FY ended Mar. 2007</b>	<b>Change in amount</b>	<b>Percentage change</b>
<b>Leopalace 21 Corporation</b>	Net sales	<b>700,000</b>	<b>624,553</b>	<b>75,447</b>	<b>12.1%</b>
	Gross profit	<b>176,440</b>	<b>158,301</b>	<b>18,139</b>	<b>11.5%</b>
	Sales, general & administrative expenses	<b>95,840</b>	<b>83,556</b>	<b>12,283</b>	<b>14.7%</b>
	Operating profit	<b>80,600</b>	<b>74,745</b>	<b>5,855</b>	<b>7.8%</b>
	Recurring profit	<b>78,600</b>	<b>74,183</b>	<b>4,417</b>	<b>6.0%</b>
	Net income	<b>42,200</b>	<b>39,597</b>	<b>2,603</b>	<b>6.6%</b>
<b>MDI Guam</b>	Net sales	<b>8,850</b>	<b>7,878</b>	<b>972</b>	<b>12.3%</b>
	Operating profit	<b>412</b>	<b>(615)</b>	<b>1,027</b>	<b>-</b>
<b>TPH</b>	Net sales	<b>-</b>	<b>1,269</b>	<b>-</b>	<b>-</b>
	Operating profit	<b>-</b>	<b>(68)</b>	<b>-</b>	<b>-</b>
<b>Others &amp; exclusion</b>	Net sales	<b>(2,150)</b>	<b>(2,093)</b>	<b>(57)</b>	<b>-</b>
	Operating profit	<b>1,188</b>	<b>1,945</b>	<b>(757)</b>	<b>-</b>
<b>Consolidated total</b>	Net sales	<b>706,700</b>	<b>631,608</b>	<b>75,091</b>	<b>11.9%</b>
	Gross profit	<b>175,800</b>	<b>156,895</b>	<b>18,905</b>	<b>12.0%</b>
	Operating profit	<b>82,200</b>	<b>76,007</b>	<b>6,193</b>	<b>8.1%</b>
	Recurring profit	<b>80,000</b>	<b>73,002</b>	<b>6,998</b>	<b>9.6%</b>
	Net income	<b>43,000</b>	<b>37,358</b>	<b>5,642</b>	<b>15.1%</b>

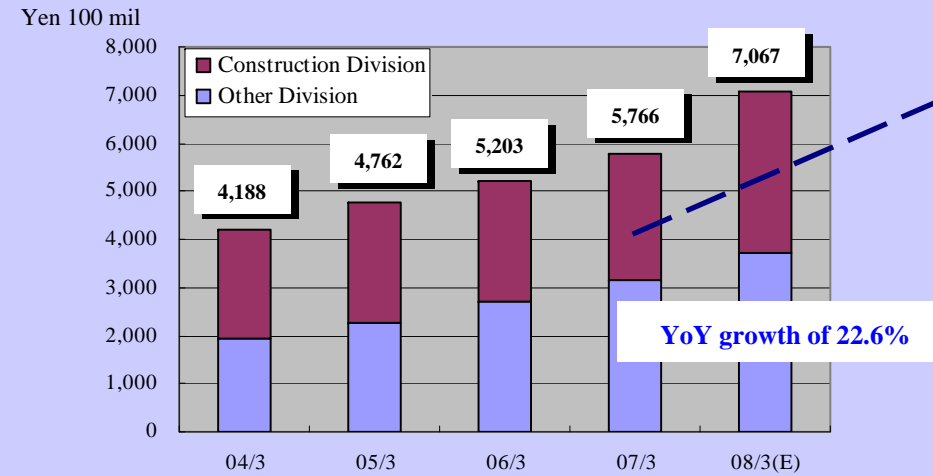
(Note 1) MDI Guam: MDI Guam Corporation (local subsidiary in Guam)

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

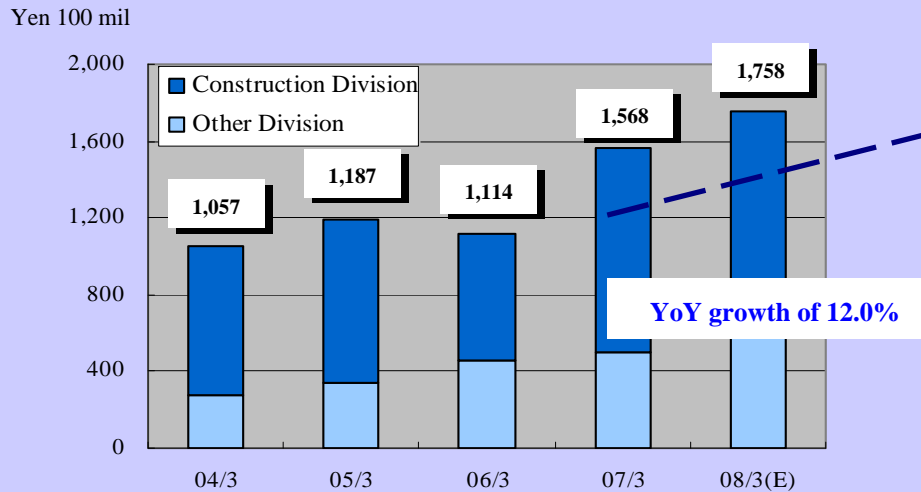
### Consolidated Net Sales (unadjusted)



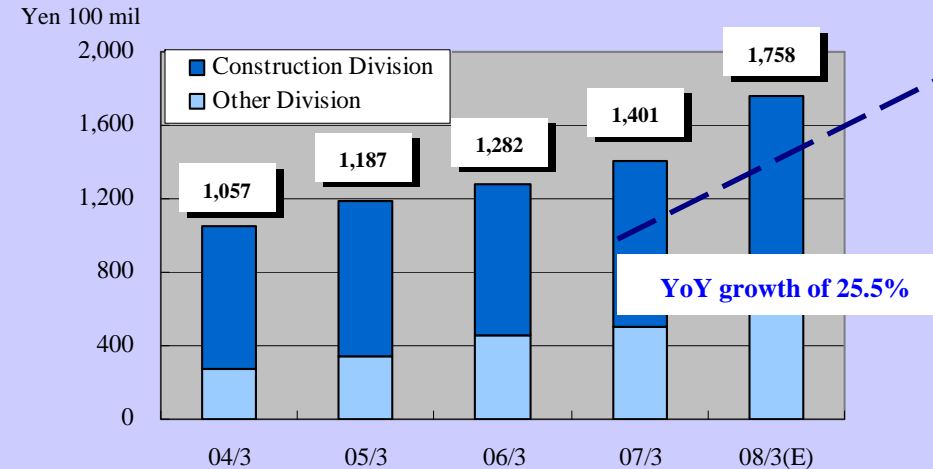
### Consolidated Net Sales (adjusted)



### Consolidated Gross Profit (unadjusted)



### Consolidated Gross Profit (adjusted)



# Profit/Loss Forecasts for Major Segments (Consolidated)

(Unit: Yen million)	FY ending Mar. 2008	Sales comparison	FY ended Mar. 2007	Sales comparison	Change in amount	Percentage change
<b>Construction Division</b>						
Net sales	336,400		316,117		20,283	6.4%
Orders received at FY-start	248,600		224,196		24,404	10.9%
Orders received during FY	350,000		340,606		9,394	2.8%
Gross profit	109,500	32.6%	106,721	33.8%	2,779	2.6%
Operating profit	74,900	22.3%	74,614	23.6%	286	0.4%
<b>Leasing Division</b>						
Net sales	316,200		277,166		39,034	14.1%
Units managed at end-FY	448,758		388,500		60,258	15.5%
Average units managed during FY	420,043		370,426		49,617	13.4%
Average occupancy rate during FY	93.9%		92.8%		1.1%	-
Gross profit	60,490	19.1%	49,046	17.7%	11,444	23.3%
Operating profit	10,800	3.4%	7,031	2.5%	3,769	53.6%
<b>Hotel Resort Division</b>						
Net sales	9,400		10,842		(1,442)	-13.3%
Gross profit	1,320	14.0%	435	4.0%	885	-
Operating profit (loss)	(2,000)	-	(2,628)	-	628	-
<b>Other Division</b>						
Net sales	48,400		31,187		17,213	55.2%
Gross profit	8,120	16.8%	4,397	14.1%	3,723	84.7%
Operating profit (loss)	3,200	6.6%	1,091	3.5%	2,109	193.3%

\*Values for each are before eliminations between segments.

# Status of Major Strategic Business Ventures

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## Residential Business

			Results for the term ended March 2006	Results for the term ended March 2007	Forecast for the term ending March 2008
Purchase contracts	Revenue	million yen	8,034	30,167	50,000
Sales	Value of sales contracts concluded	million yen	1,566	6,685	17,320
	Units sold	units	42	154	433
Revenue	Revenue	million yen	839	6,974	15,560
	Total units sold	units	24	160	389
Total revenue of Residential Business		million yen	1,743	14,150	23,500

\*Includes real estate development.



“Lu Cerna Asumigaoka-Higashi,” Chiba City, Chiba

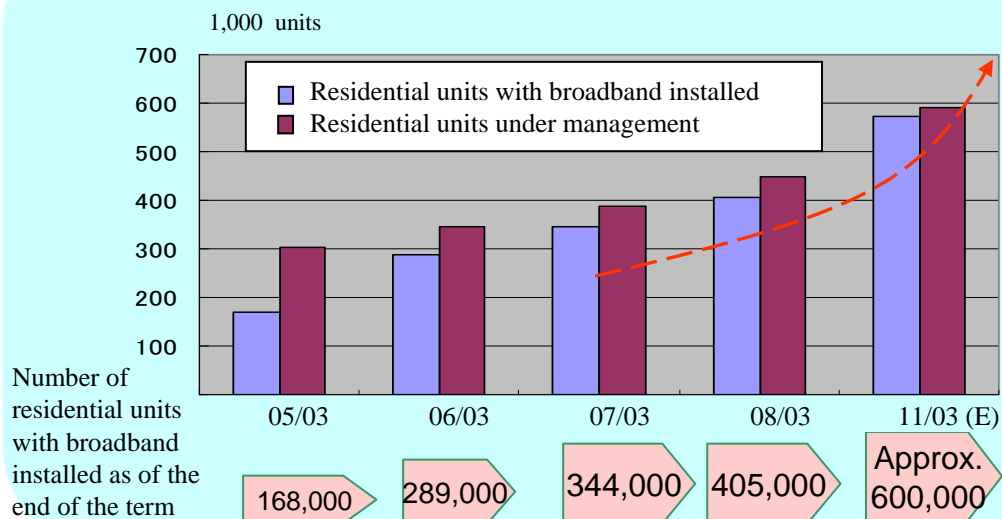
## Silver Business

			Results for the term ended March 2006	Results for the term ended March 2007	Forecast for the term ending March 2008
Direct operation	Revenue	million yen	17	884	2,300
	Total units as of end of term	units	5	16	36
Under contract	Total value of contracts	million yen	7,526	6,852	12,600
	Units ordered	units	25	15	36
	Revenue	million yen	2,417	4,460	7,700



“Azumien Minami-Sakurai,” Kasukabe City, Saitama

## <Broadband Business>



	05/3	06/3	07/3	08/3 (E)
Users	116,000	203,000	302,000	357,000
Sales (yen)	3.5 bil.	7.4 bil.	11.1 bil.	14.5 bil.
Gross profit (loss) on sales (yen)	(2.18) bil.	0.44 bil.	0.85 bil.	2.00 bil.

## <Leopalace Resort Business (MGC)>

(Unit: 1,000 US dollars)

		Q1 results (Jan. - Mar.)	Interim results (Jan. - Jun.)	Q3 results (Jan. - Sep.)	FY 2005 results (Jan. - Dec.)
FY 2005	Net sales	19,593	35,028	49,419	67,137
	Operating profit (loss)	2,141	362	-1,746	-425,627
	Depreciation expenses	3,528	7,080	10,629	14,221
	Occupancy rate (Leopalace Resort)	72.4%	61.5%	56.3%	57.7%
	Occupancy rate (Westin)	70.4%	65.5%	65.7%	63.7%
		Q1 results (Jan. - Mar.)	Interim results (Jan. - Jun.)	Q3 results (Jan. - Sep.)	FY 2006 results (Jan. - Dec.)
FY 2006	Net sales	19,779	36,409	50,676	67,695
	Operating profit (loss)	1,142	-237	-3,252	-5,288
	Depreciation expenses	3,665	7,329	11,014	14,798
	Occupancy rate (Leopalace Resort)	76.0%	64.5%	59.2%	59.9%
	Occupancy rate (Westin)	62.4%	58.3%	58.9%	57.4%

Of which \$422.6 million is impairment loss.

# Appendix

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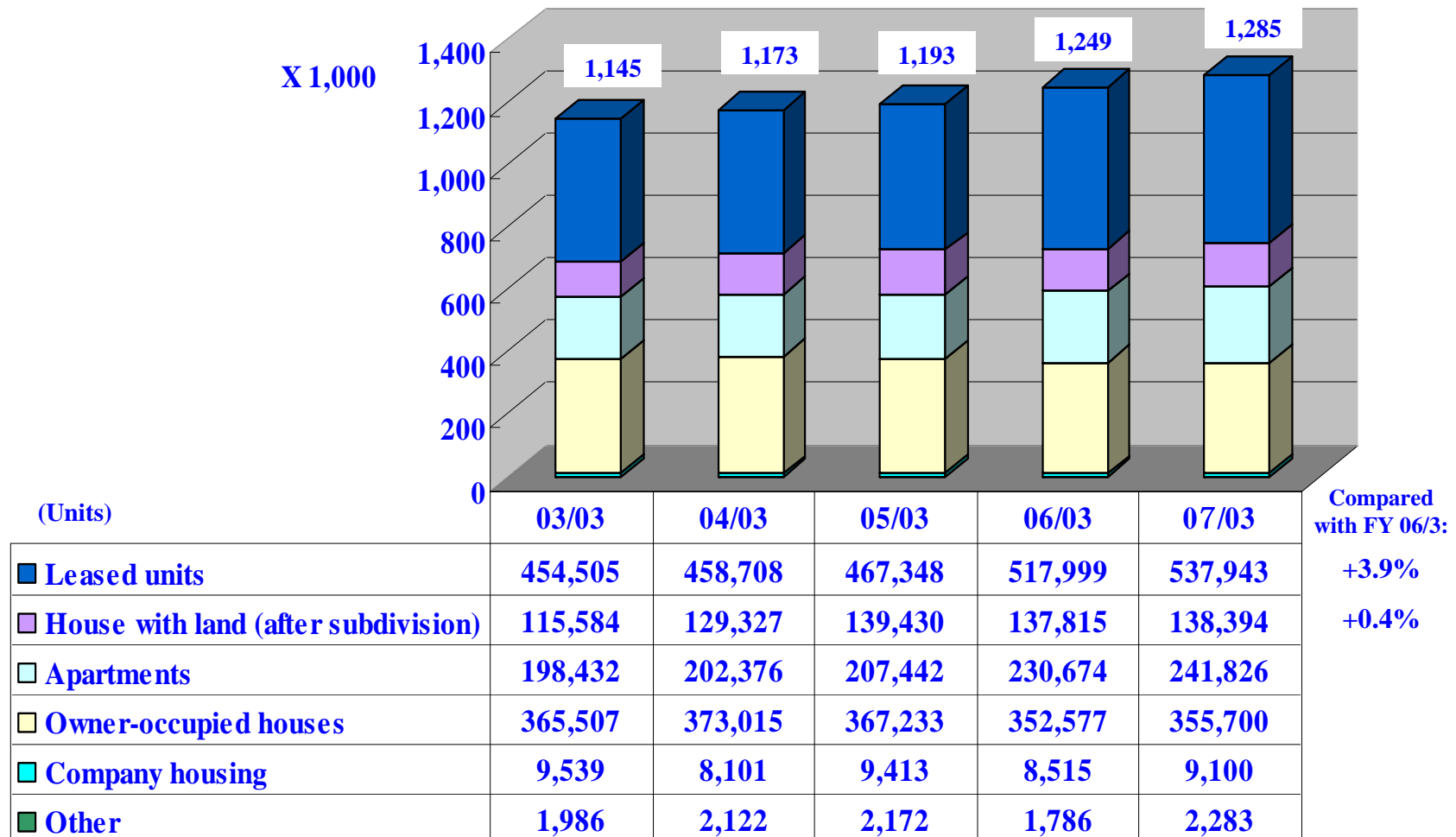


# New Housing Starts

-New housing starts during the FY under review (supply) reached 1,285,000, an increase of 2.9%. Growth was driven particularly by the leasing sector, where new supply grew by 3.9%, or 537,000 units. Single family homes in housing development basically showed a flat trend with an increase of 0.4%.

(Based on housing starts statistics for the FY March 2007, Ministry of Land, Infrastructure & Transport)

New Housing Starts (No. of use breakdown)



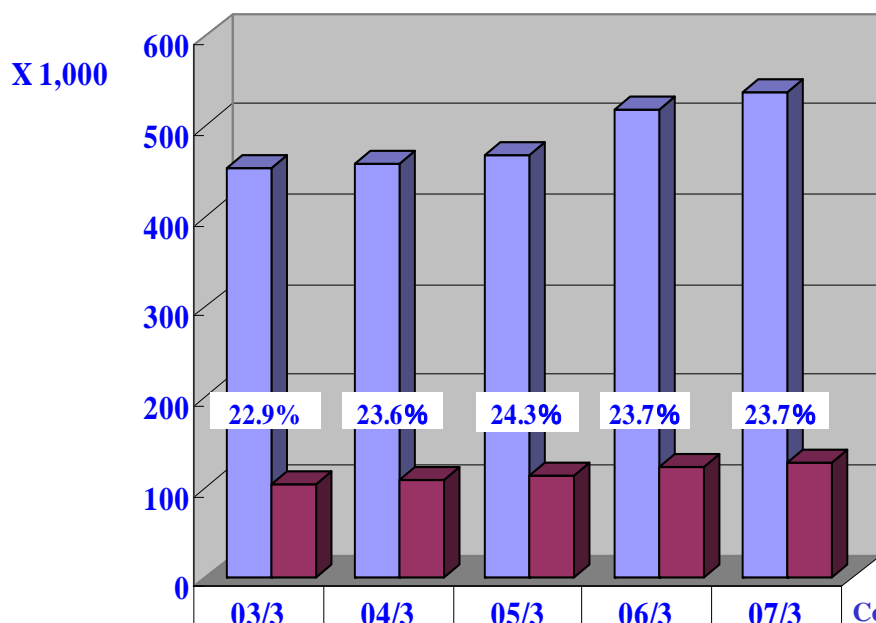
# New Housing Starts (Units under 30 square meters)

-Within new residential household units (left graph), which have been further narrowed down to those under 30 square meters, the year-on-year growth rate is high at 3.8%. The cause for this growth can be understood to be from studios, whose share of the total leasing market has reached 23.7%.

-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 30 square meters. During the term under review *our share of total supply of housing units reached 43.8%*.

(Based on housing start statistics for the FY March 2007, Ministry of Land, Infrastructure & Transport)

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



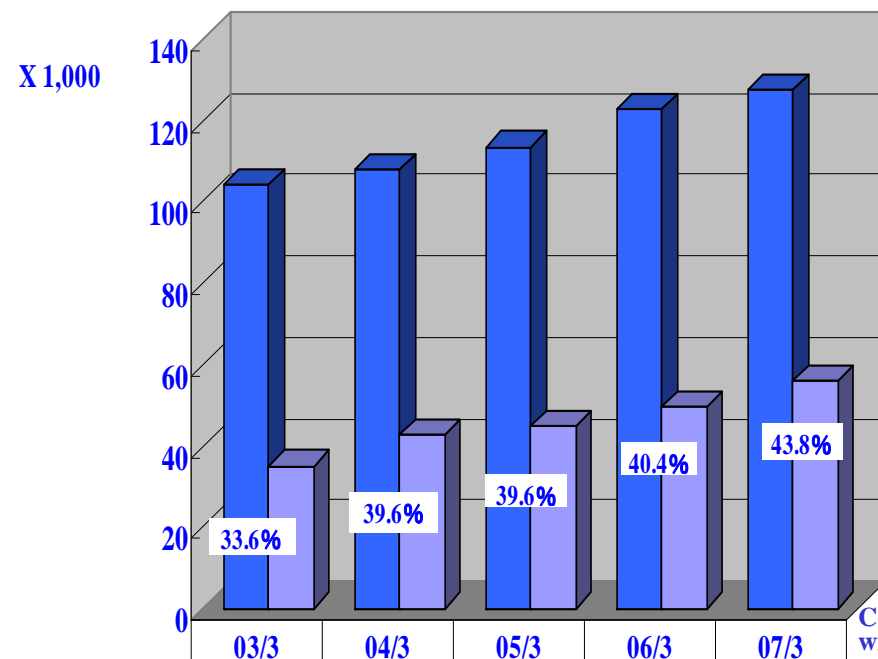
■ New residential lease holds	454.5	458.7	467.3	517.9	537.9
■ Under 30 m <sup>2</sup>	104.2	108.1	113.5	122.8	127.6

Compared with FY 06/3:

+3.9%

+3.9%

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



■ Under 30 m <sup>2</sup>	104.2	108.1	113.5	122.8	127.6
■ Our supply of units	35.0	42.8	44.9	49.7	55.9

Compared with FY 06/3:

+3.9%

+12.5%

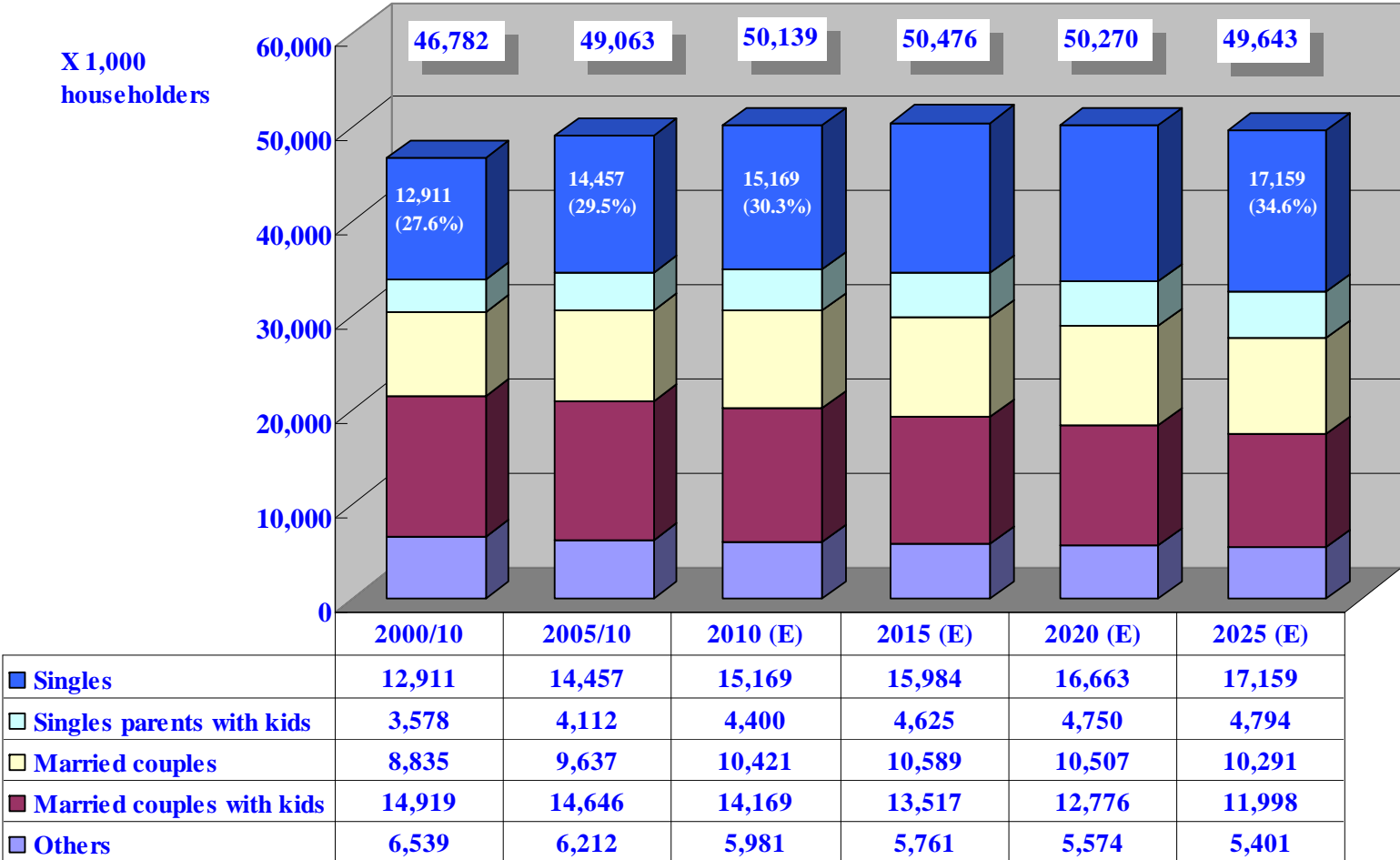
\*Our supply units represents actual units sold.

# Forecasts for Number of Households by Type

- 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 14.45 million households in 2005, representing 29.5% of total households. In 2010, there will be 15.16 million such households, representing 30.3%. Further, for estimates in 2025, there will be 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 the 2005 Census & “2003 Number of Households and Future Estimates,” National Institute of Population)

Forecasts for No. of Households by Type

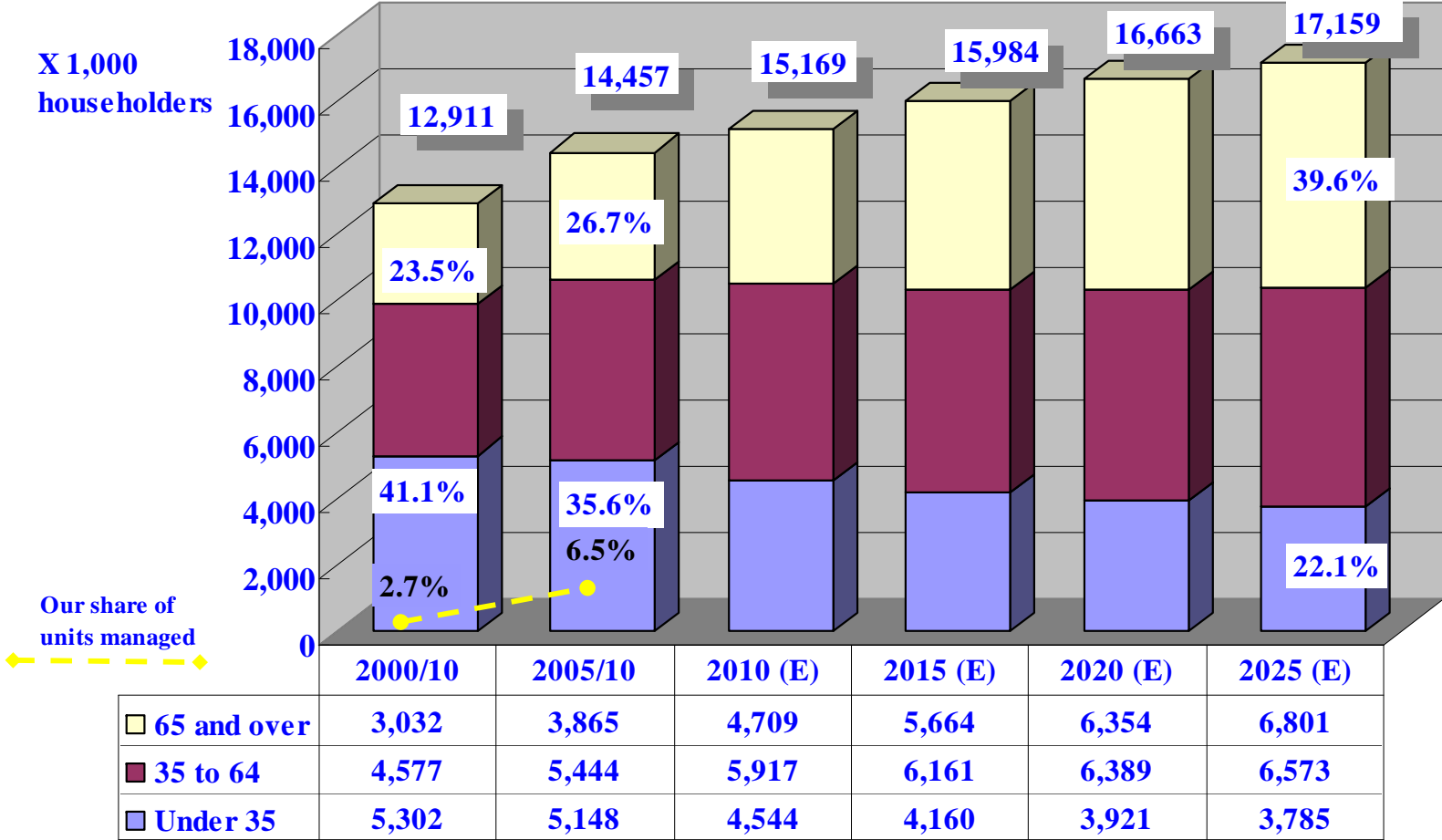


# Forecasts for Number of Single Households

-The following graph is based on a breakdown by age of the data for single households on page 19. Although there will be a definite decline in the number of singles 35 years of age and younger living alone—the usual purpose for one-room units—with the falling birthrate, there is a possibility that this decline can be covered by an increase in corporate users, or by targeting those 65 years of age and older for use for hobbies or nursing care. Leopalace21’s share of the market for under-35 single households was 2.7% in 2000, and 6.5% in 2005.

(Based on the 2005 Census & “2003 Number of Households and Future Estimates,” National Institute of Population)

Forecasts for No. of Single Households

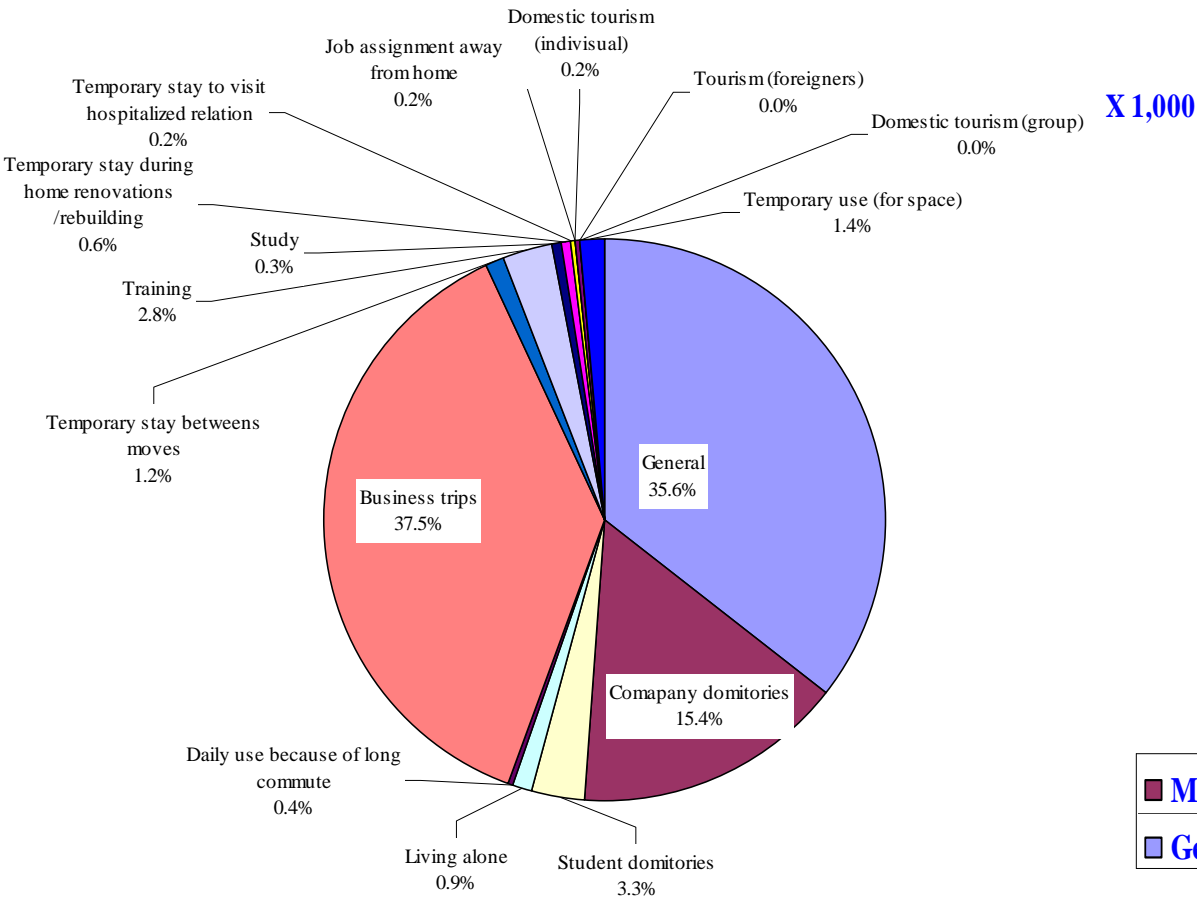


# Usage Pattern for Leopalace21's One-Room Units and Contract Type

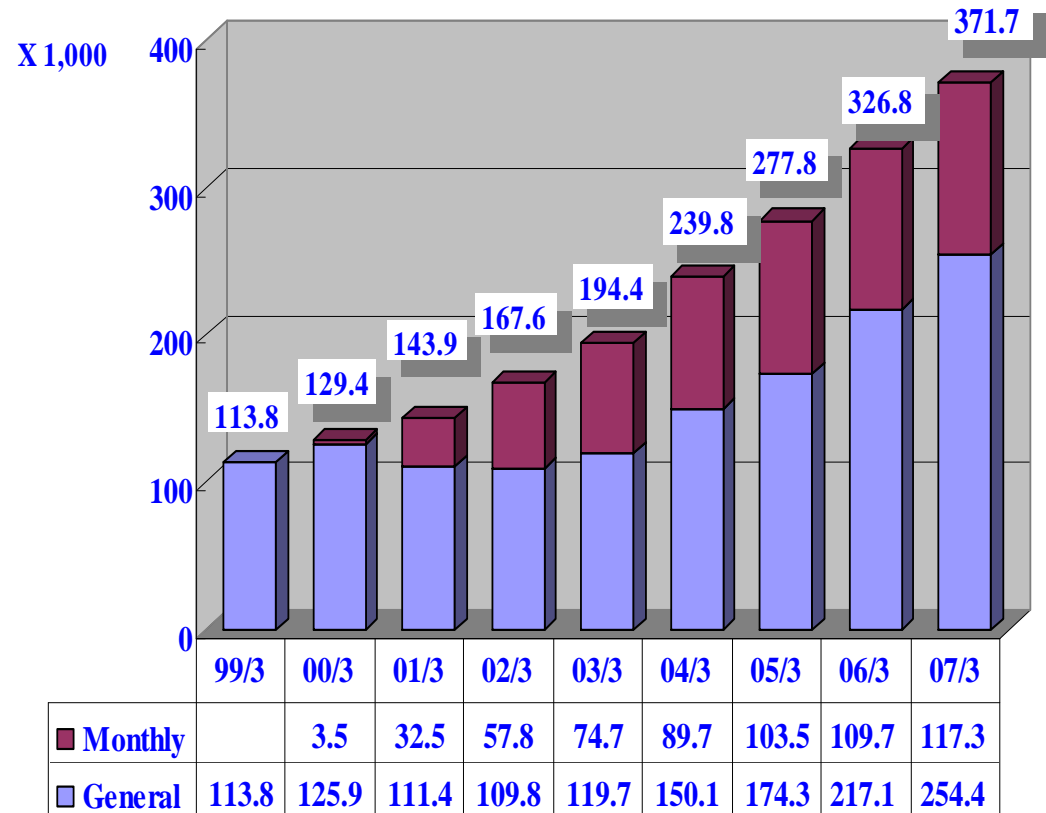
- As a result of an expansion in use of the Monthly Leopalace Flat, one of our main products, there is progress in cultivating a new market.
- Based on the diverse needs, new use segments are steadily expanding.

(Based on our company data, end-March 2007)

**Breakdown of Users of Month-to-Month Leases**



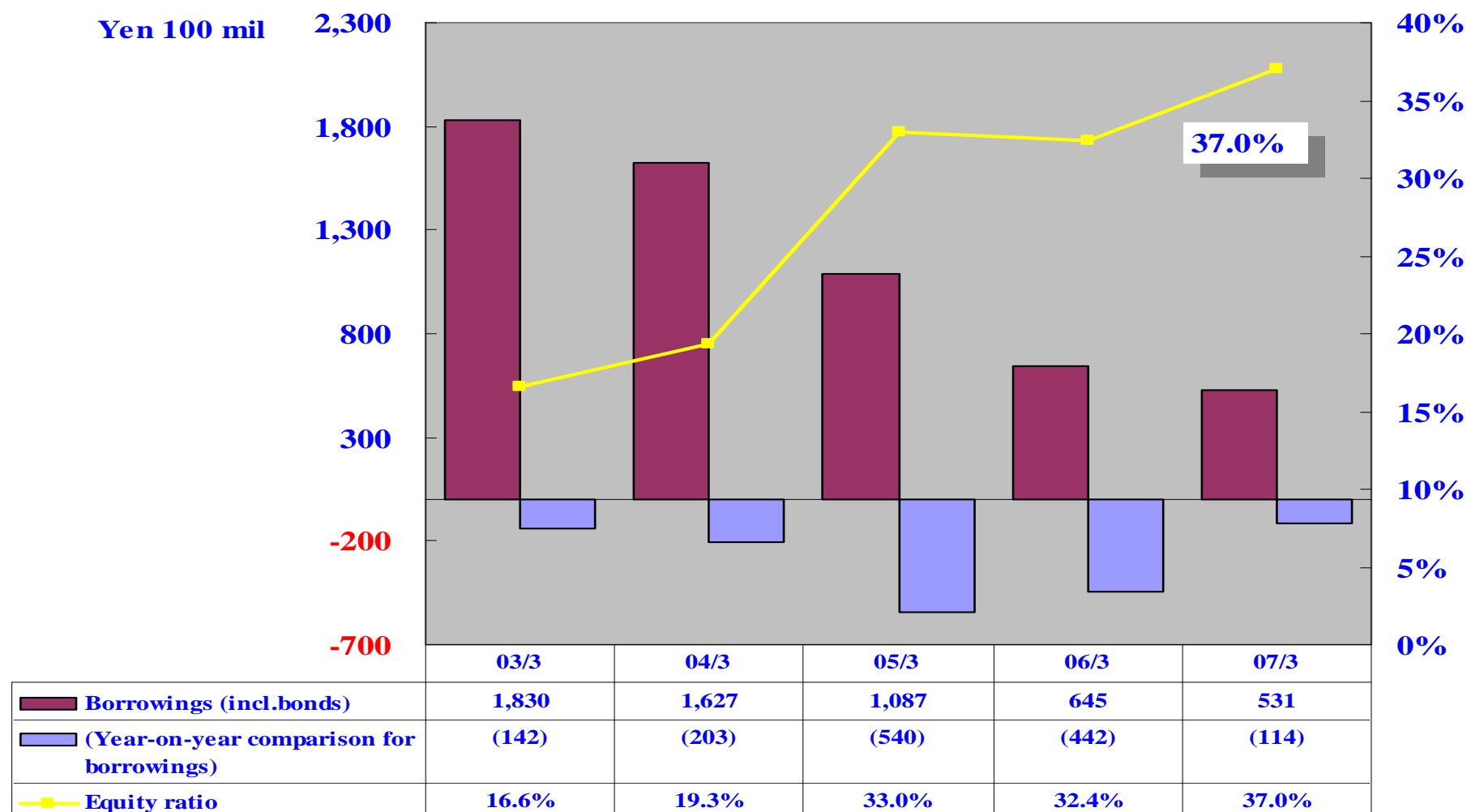
**No. of Tenants by Contract Type**



# Interest-Bearing Liabilities and Equity Ratio

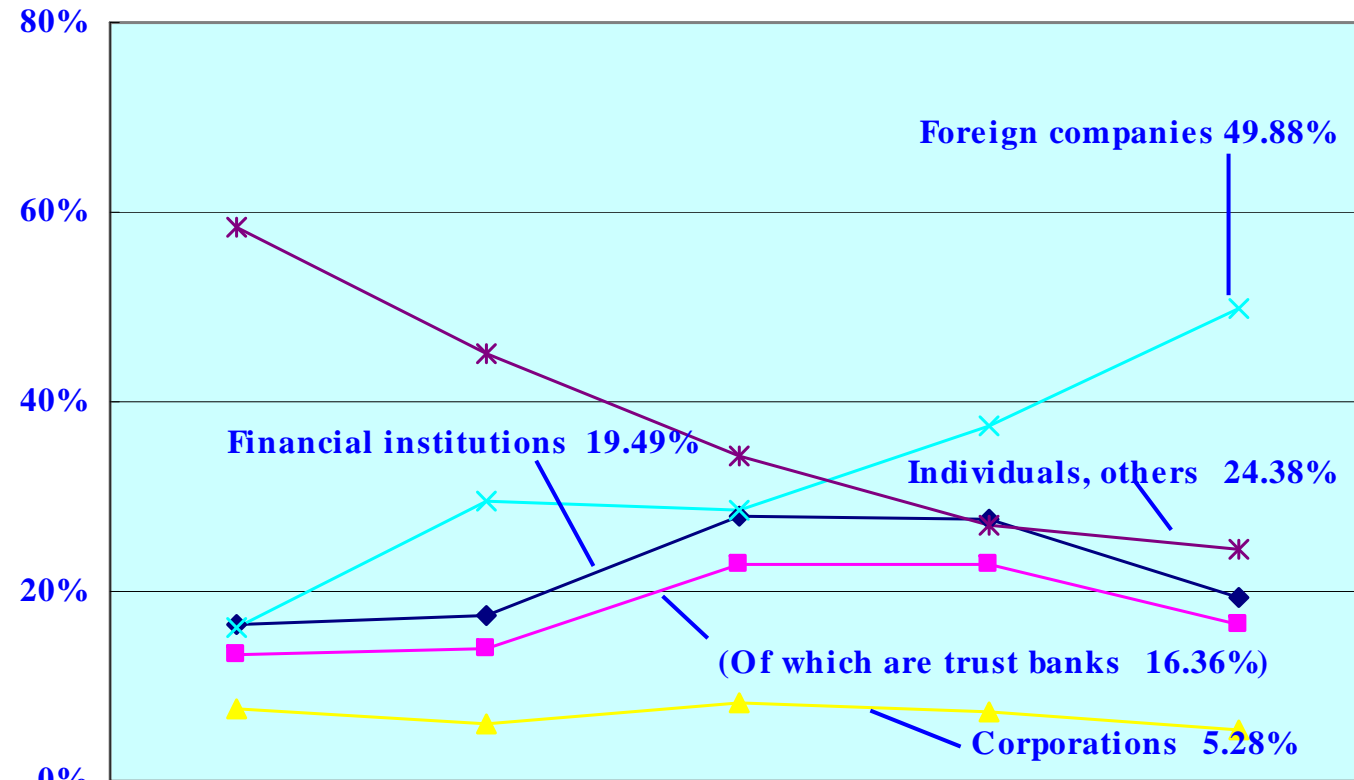
-Approximately 11.4 billion yen of liabilities were repaid during the FY ended March 2007. Total outstanding borrowings as of end of March 2007 stood at 53.1 billion yen. Also, compared with the last FY-end, the equity ratio has increased to 37.0%.

**Trend in Borrowings & Equity Ratio (Consolidated)**



# Trend in Shareholders

**Trend in Shareholders**



	03/03	04/03	05/03	06/03	07/03
◆ Financial institutions	16.57%	17.48%	27.84%	27.61%	19.49%
■ (Of which are trust banks)	13.39%	13.93%	22.72%	22.96%	16.36%
▲ Corporations	7.68%	6.15%	8.12%	7.43%	5.28%
× Foreign companies	16.19%	29.43%	28.46%	37.56%	49.88%
* Individuals, others	58.42%	45.03%	34.35%	26.88%	24.38%