

**Explanatory Session for the Third Quarter Results  
or Fiscal Year Ending March 2008**

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**February 2008**

**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.

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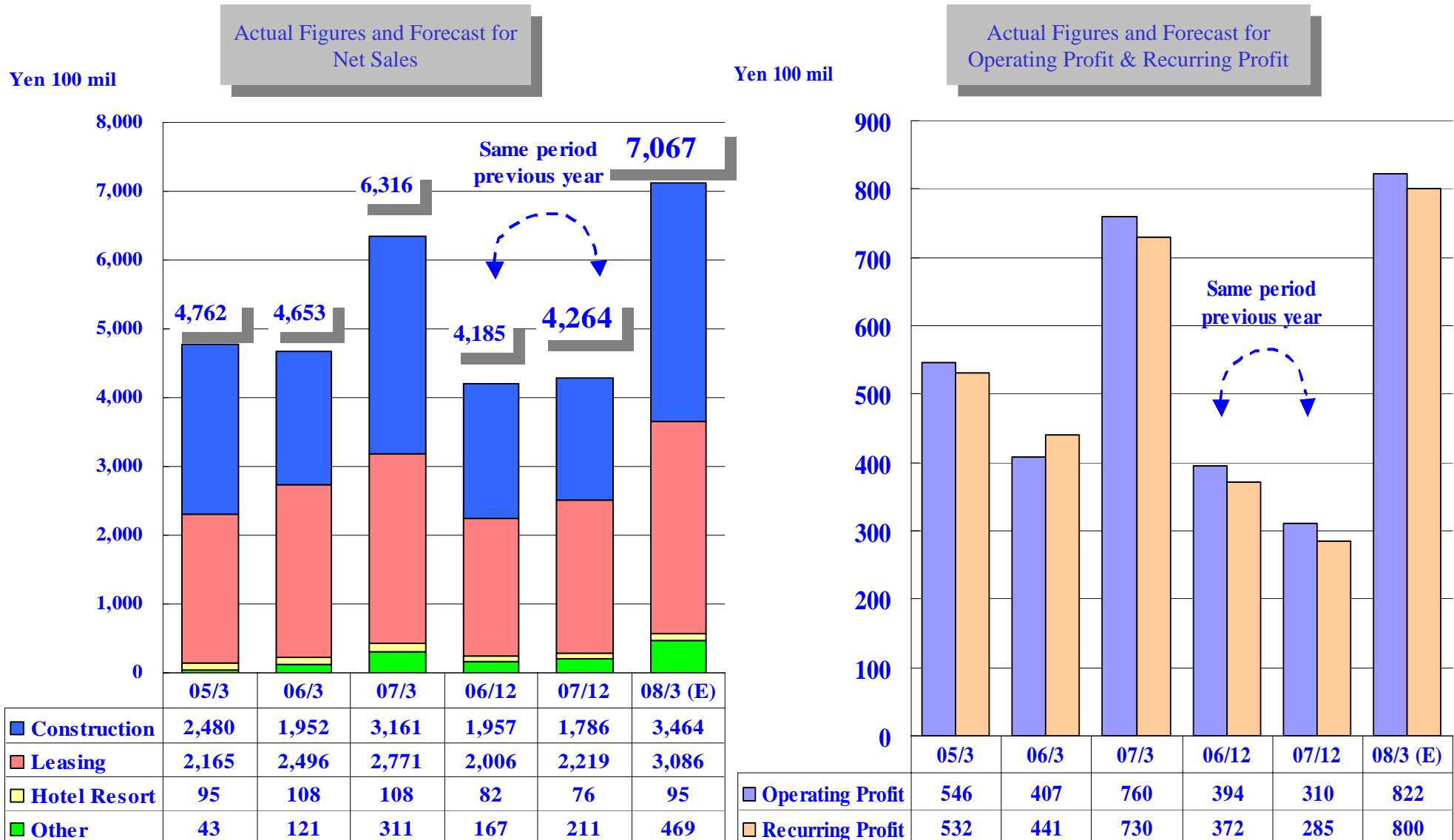
## Results and Forecasts for Core Businesses

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## Results and Forecasts of Our Group (Consolidated)

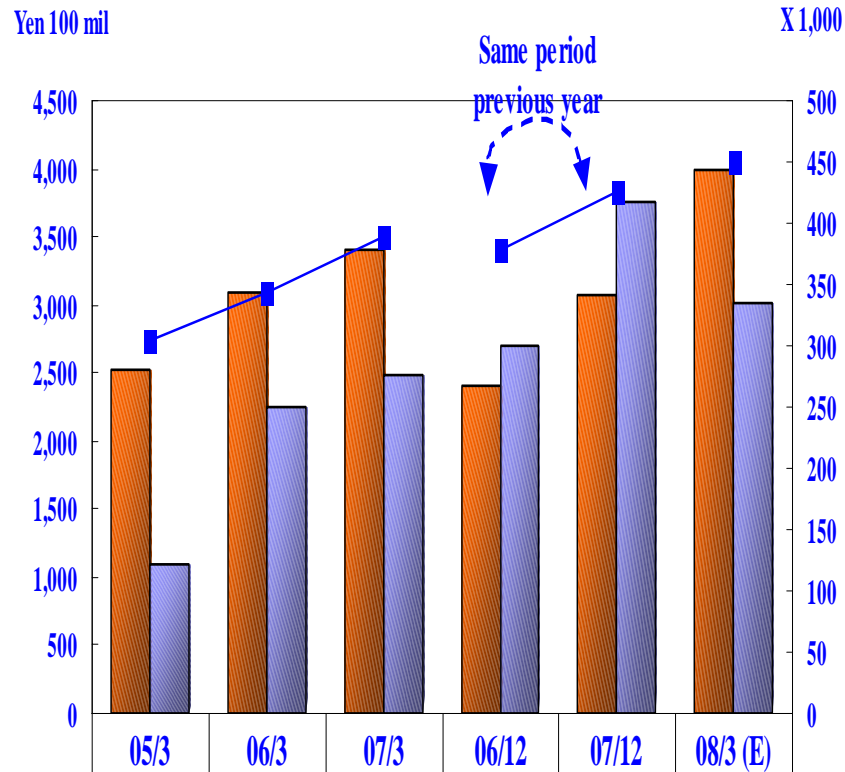


\*\*“08/3 (E)” represents the forecast for FY 08/3.

# Actual Results and Forecasts in Construction & Leasing

Trend in Actual Results for Construction

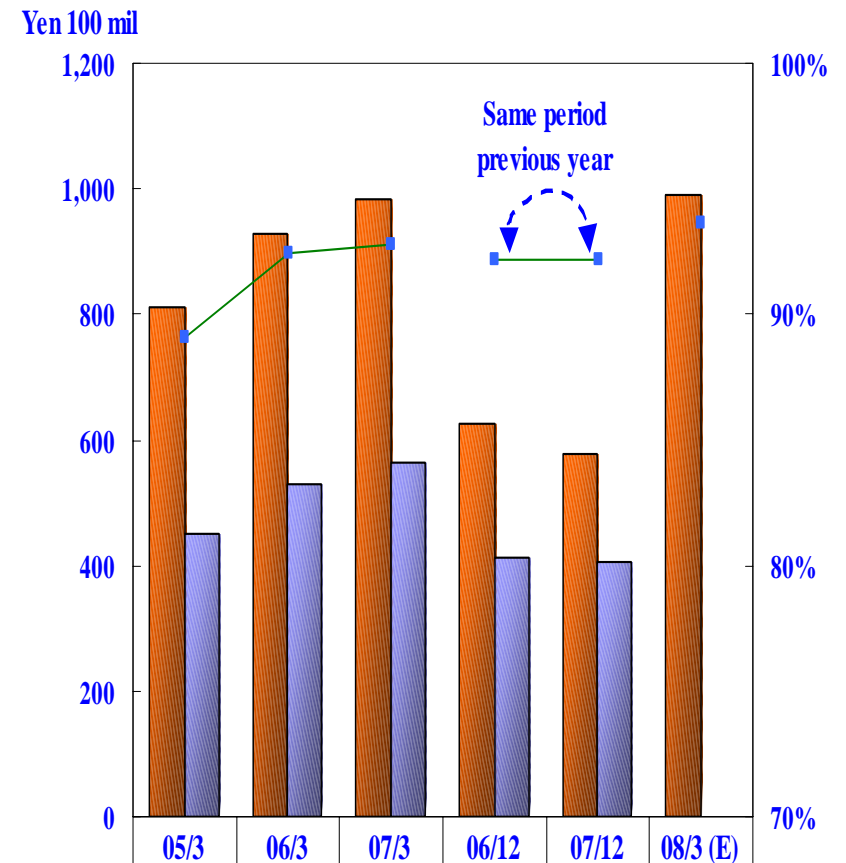
3<sup>rd</sup> Q FY 08/3



Orders received	2,522	3,094	3,406	2,411	3,064	4,000
Orders received outstanding	1,099	2,241	2,486	2,695	3,764	3,022
Managed units	304.1	344.0	388.5	377.7	425.2	449.5

Trend in Actual Results for Leasing

3<sup>rd</sup> Q FY 08/3



Month-to-month sales	812	928	982	625	579	990
Of which, repeat sales	452	530	565	413	405	
Occupancy rate during FY	89.1%	92.4%	92.8%	92.2%	92.2%	93.6%

# Outline of the Third Quarter Results

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



(Unit: Yen million)	Consolidated				Non-consolidated			
	December 2007 3rd quarter	December 2006 3rd quarter	Change in amount	Percentage change	December 2007 3rd quarter	December 2006 3rd quarter	Change in amount	Percentage change
Net sales	426,452	418,518	7,934	1.9%	421,450	413,249	8,200	2.0%
Gross profit	96,162	97,503	(1,341)	-1.4%	97,149	98,662	(1,512)	-1.5%
Gross profit ratio (%)	22.5%	23.3%	-0.7%	-	23.1%	23.9%	-0.8%	-
Selling, general & administrative expenses	65,144	58,049	7,094	12.2%	66,895	60,226	6,668	11.1%
Operating profit	31,017	39,453	(8,436)	-21.4%	30,253	38,435	(8,181)	-21.3%
Operating profit ratio (%)	7.3%	9.4%	-2.2%	-	7.2%	9.3%	-2.1%	-
Recurring profit	28,525	37,221	(8,695)	-23.4%	28,104	37,904	9,799	-25.9%
Recurring profit ratio (%)	6.7%	8.9%	-2.2%	-	6.7%	9.2%	-2.5%	-
Net income (loss)	(13,185)	20,534	(33,719)	-	(13,122)	21,120	(34,243)	-

## Highlights of the Third Quarter Results for Parent & Major Subsidiaries

(Unit: Yen million)		December 2007 3rd quarter	December 2006 3rd quarter	Change in amount	Percentage change	FY 2008 forecast	Dec. 2007 Depreciation Expenses	Dec. 2006 Depreciation Expenses
<b>Leopalace 21 Corporation</b>	Net sales	421,450	413,249	8,200	2.0%	700,000	2,470	1,962
	Recurring profit	28,104	37,904	△ 9,799	-25.9%	78,600		
<b>MDI Guam</b>	Net sales	7,028	5,855	1,173	20.0%	8,850	1,356	1,282
	Recurring profit	(750)	203	(953)	-	425		
	Foreign exchange gain (loss)	(1,479)	582	(2,061)	-	..		
<b>TPH</b>	Net sales	0	1,269	(1,269)	-	..	0	155
	Recurring profit	0	(57)	57	-	..		
<b>Others &amp; exclusion</b>	Net sales	(2,422)	(1,855)	(567)	-	(2,150)	(8)	4
	Recurring profit	1,315	△ 829	2,144	-	975		
<b>Consolidated total</b>	Net sales	426,452	418,518	7,934	1.9%	706,700	3,819	3,402
	Recurring profit	28,525	37,221	△ 8,695	-23.4%	80,000		
	Foreign exchange gain (loss)	(1,878)	820	(2,698)	-	..		

(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 2007 3rd Q Balance Sheet

(Unit: Yen million)	December 2007 3rd quarter	December 2006 3rd quarter	Change in amount	Ended March 2007
<b>&lt;Assets&gt;</b>				
<b>Current assets</b>	178,703	139,481	39,221	186,555
Cash & cash equivalents	40,059	49,775	△ 9,716	75,166
Trade receivables & accounts receivable for completed projects	5,904	4,771	1,132	9,594
Operating loans	18,341	8,911	9,430	8,501
Real estate for sale	38,885	19,916	18,969	27,765
Payout for construction in progress	17,626	12,105	5,520	8,818
<b>Fixed assets</b>	265,540	262,136	3,403	268,190
Buildings & structures	77,272	80,700	(3,428)	80,626
Land	114,836	119,536	(4,699)	118,255
Construction in progress	1,838	4,345	(2,507)	4,397
<b>Total assets</b>	444,268	401,712	42,556	454,819
<b>&lt;Liabilities&gt;</b>				
<b>Current liabilities</b>	245,840	178,620	67,219	216,914
<b>Long-term liabilities</b>	48,119	55,223	(7,103)	52,120
<b>Total liabilities</b>	293,960	233,844	60,115	269,035
<b>&lt;Shareholders' equity&gt;</b>				
Share capital	55,640	55,640	0	55,640
Capital surplus	34,104	33,759	345	34,104
Retained earnings	62,683	68,876	(6,193)	85,700
<b>Total shareholders' equity</b>	150,308	167,867	(17,559)	185,784
<b>Shareholders' equity ratio</b>	32.7%	37.3%	-4.6%	37.0%

## Outline of Cash Flows (Consolidated)

### December 2007 3<sup>rd</sup> Q Cash Flows

(Unit: Yen million)	December 2007 3rd quarter	December 2006 3rd quarter
<b>Cash flows from operating activities</b>	<b>(58,169)</b>	<b>17,386</b>
Net income (loss) before taxes & adjustment	(17,731)	38,127
Depreciation expenses	3,818	3,403
Foreign exchange loss	1,877	(819)
Equity-method investment loss (income)	(138)	2,156
Impairment loss	158	1,944
Gain from sale of affiliates' bonds	(560)	(3,581)
Decrease (increase) in assets receivable	7,284	14,755
Decrease (increase) in real estate for sales	(11,119)	(12,392)
Increase (decrease) in long-term prepaid expenses	(4,138)	(5,775)
Increase (decrease) in accounts payable	(49,403)	(44,708)
Income taxes paid	(30,422)	(4,471)
<b>Cash flows from investing activities</b>	<b>2,565</b>	<b>(12,453)</b>
Payout for purchase & proceeds from sale of tangible assets	7,467	(19,263)
Payout for purchase & proceeds from sales of subsidiary equities	-	3,009
Payout for purchase & proceeds from sale of investment securities	(2,662)	2,939
<b>Cash flows from financing activities</b>	<b>19,532</b>	<b>202</b>
Proceeds from & payment of short-term debt	33,762	5,432
Proceeds from & payment of long-term debt	9,405	497
Dividends paid for shareholders	(10,359)	(4,781)
Payment for redemption of investment in minority interests	(12,484)	-
<b>Net income in cash &amp; cash equivalents</b>	<b>(36,197)</b>	<b>5,163</b>
<b>Cash &amp; cash equivalents at end of 1st quarter</b>	<b>40,059</b>	<b>49,775</b>

## Profit/Loss for Major Segments (Consolidated)

(Unit: Yen million)	December 2007 3rd quarter	Sales comparison	December 2006 3rd quarter	Sales comparison	Change in amount	Percentage change	FY 2008 forecast
<b>Construction Division</b>							
Net sales	178,657		195,747		△ 17,090	-8.7%	346,400
Gross profit	60,083	33.6%	65,242	33.3%	△ 5,159	-7.9%	114,700
Operating profit	34,665	19.4%	42,266	21.6%	△ 7,601	-18.0%	78,500
<b>Leasing Division</b>							
Net sales	221,947		200,679		21,268	10.6%	308,600
Gross profit	35,522	16.0%	32,804	16.3%	2,718	8.3%	53,500
Operating profit	836	0.4%	2,165	1.1%	△ 1,329	-61.4%	7,700
<b>Hotel Resort Division</b>							
Net sales	7,683		8,265		△ 582	-7.0%	9,460
Gross profit	1,114	14.5%	339	4.1%	775	228.6%	1,320
Operating profit	△ 468	-	△ 1,638	-	1,170	-	△ 1,570
<b>Other Division</b>							
Net sales	21,160		16,760		4,400	26.3%	46,850
Gross profit	2,395	11.3%	2,053	12.2%	342	16.7%	6,760
Operating profit	△ 576	-	△ 199	-	△ 377	-	2,290

\*Values for each are before eliminations between segments.

## Quarterly Data

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## Quarterly Data (Consolidated, cumulative)

Cumulative (Unit: Yen million)	07/03			
	1Q	2Q	3Q	4Q
Net sales	142,714	306,360	418,518	631,608
Cost of sales	108,736	232,760	321,014	474,713
Gross profit	33,977	73,600	97,503	156,895
(%)	23.8%	24.0%	23.3%	24.8%
Selling, general & administrative expenses	19,441	39,227	58,049	80,887
(%)	13.6%	12.8%	13.9%	12.8%
Operating profit (loss)	14,535	34,372	39,453	76,007
(%)	10.2%	11.2%	9.4%	12.0%
Recurring profit (loss)	12,782	31,961	37,221	73,002
(%)	9.0%	10.4%	8.9%	11.6%
Net income (loss)	6,422	16,843	20,534	37,358
(%)	4.5%	5.5%	4.9%	5.9%

08/03			
1Q	2Q	3Q	FY Forecast
109,513	317,108	426,452	706,700
88,738	241,977	330,290	530,900
20,775	75,131	96,162	175,800
19.0%	23.7%	22.5%	24.9%
22,212	44,486	65,144	93,600
20.3%	14.0%	15.3%	13.2%
△ 1,436	30,644	31,017	82,200
△ 1.3%	9.7%	7.3%	11.6%
992	29,178	28,525	80,000
0.9%	9.2%	6.7%	11.3%
1,304	△ 11,848	△ 13,185	16,500
1.2%	-	-	2.3%

Orders received (Period total)	73,125	158,104	241,133	340,606
Orders received outstanding (End of period)	224,736	222,090	269,582	248,685
Managed units (End of period)	359,355	370,825	377,723	388,500
Occupancy rate (Period average)	92.9	92.4	92.2	92.8

Units

%

98,397	203,733	306,440	400,000
315,970	295,529	376,469	302,200
399,147	416,219	425,237	449,500
93.7	92.8	92.2	93.6

Units

%

## Quarterly Data (Consolidated, quarterly)

Quarterly (Unit: Yen million)	07/03			
	1Q	2Q	3Q	4Q
Net sales	142,714	163,646	112,158	213,090
Cost of sales	108,736	124,024	88,254	153,699
Gross profit	33,977	39,623	23,903	59,392
(%)	23.8%	24.2%	21.3%	27.9%
Selling, general & administrative expenses	19,441	19,786	18,822	22,838
(%)	13.6%	12.1%	16.8%	10.7%
Operating profit (loss)	14,535	19,837	5,081	36,554
(%)	10.2%	12.1%	4.5%	17.2%
Recurring profit (loss)	12,782	19,179	5,260	35,781
(%)	9.0%	11.7%	4.7%	16.8%
Net income (loss)	6,422	10,421	3,691	16,824
(%)	4.5%	6.4%	3.3%	7.9%

08/03		
1Q	2Q	3Q
109,513	207,595	109,344
88,738	153,239	88,313
20,775	54,356	21,031
19.0%	26.2%	19.2%
22,212	22,274	20,658
20.3%	10.7%	18.9%
△ 1,436	32,080	373
△ 1.3%	15.5%	0.3%
992	28,186	△ 653
0.9%	13.6%	-
1,304	△ 10,544	△ 1,337
1.2%	-	-

Orders received (Quarterly total)	73,125	84,979	83,029	99,473
Managed units (Quarterly average)	355,012	366,220	377,335	383,137
Occupancy rate (Quarterly average)	92.9	92.0	91.9	94.5

Units

98,397	105,336	102,707
396,818	408,738	423,917
93.7	91.9	91.1

Units

## Status of Major Strategic Business Ventures

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## 〈Residential Business〉

(Unit: Yen million)		Results for FY ended March 2007	Result for the term ended September 2007	Result for the 3rd quarter ended December 2007	Forecasts for FY ending March 2008
Purchase contracts	Revenue	30,167	10,497	13,237	31,000
Sales	Value of Sales contracts concluded	6,685	3,211	5,487	14,900
	Units sold	154	78	129	348
Revenue	Revenue	6,974	3,059	4,932	13,400
	Total units sold	160	73	119	318
Total revenue of Residential Business		14,150	3,767	6,619	22,700



“Lu Cerna Nakano Kamitakada”  
Nakano-ku, Tokyo

\*including land transactions.

## 〈Silver Business〉

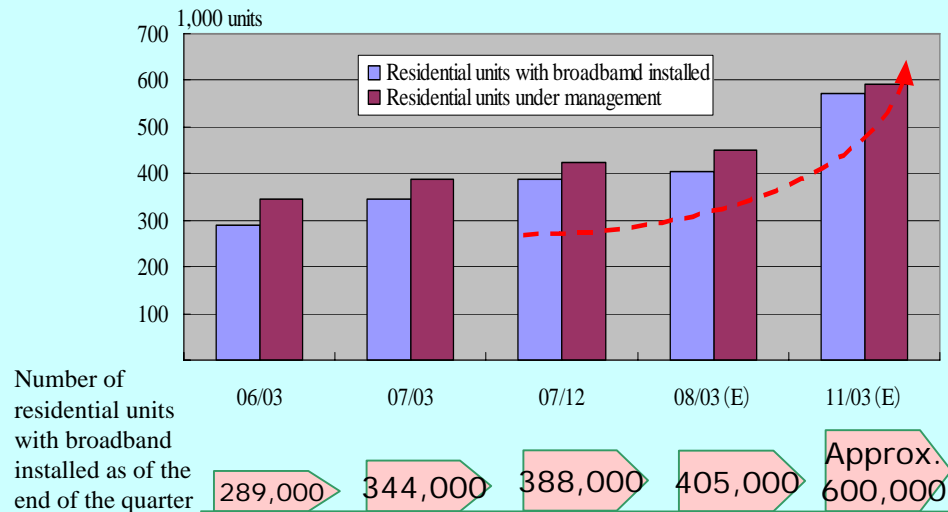
		Results for the term ended March 2007	Result for the term ended September 2007	Result for the 3rd quarter ended December 2007	Forecast for the term ending March 2008
Direct operation	Revenue	884	1,130	1,852	2,300
	Total units as of end of term	16	25	29	36
Under contract	Total value of contracts	6,852	6,381	8,278	12,600
	Units ordered	15	14	20	36
	Revenue	4,460	972	2,231	7,700
Total revenue of Silver Business		5,344	2,102	4,083	10,000



“Azumien Gyoda”  
Gyoda City, Saitama

## Broadband Business/Resort Business

### 〈Broadband Business〉



	06/3	07/3	07/12 Q3 result	08/3 (E)
Users	203,000	302,000	334,000	334,000
Sales (yen)	7.4 bil	11.1 bil	9.8bil	13.3 bil
Gross profit (loss) on sales (yen)	0.44 bil	0.85 bil	0.82bil	1.2 bil

### 〈Leopalace Resort Business (MGC)〉

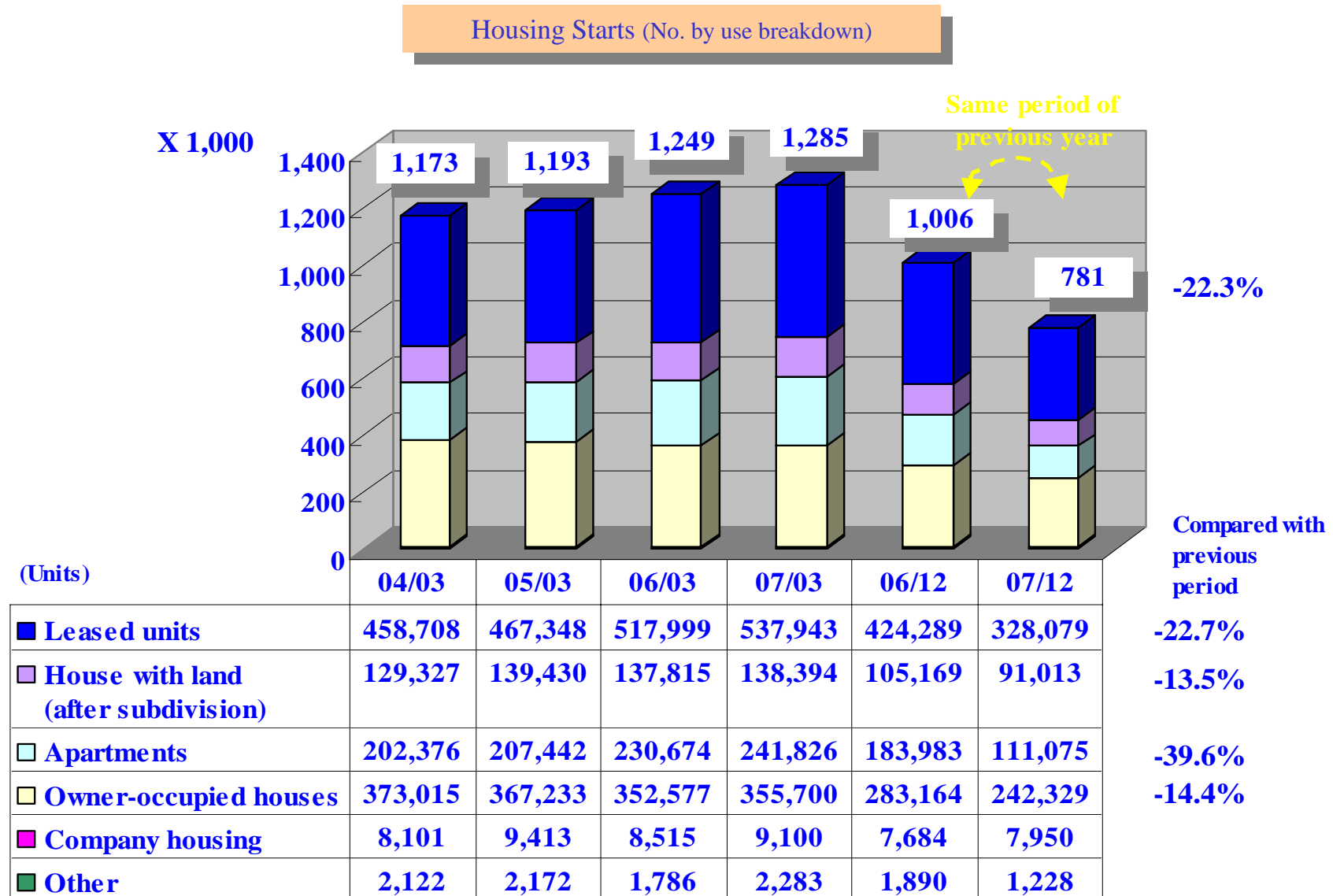
(Units: 1,000 US dollars)		1Q results (Jan. - Mar.)	Interim results (Jan. - Jun.)	3Q results (Jan. - Sep.)	FY 2006 (Jan. - Dec.)
<b>FY 2006</b>	<b>Net Sales</b>	<b>19,779</b>	<b>36,409</b>	<b>50,676</b>	<b>67,695</b>
	<b>Operating Income</b>	<b>1,142</b>	<b>-237</b>	<b>-3,252</b>	<b>-5,288</b>
	<b>Depreciation Expenses</b>	<b>3,665</b>	<b>7,329</b>	<b>11,014</b>	<b>14,798</b>
	<b>Occuring Rate (Leopalace Resort)</b>	<b>76.0%</b>	<b>64.5%</b>	<b>59.2%</b>	<b>59.9%</b>
	<b>Occupancy Rate (Westin)</b>	<b>62.4%</b>	<b>58.3%</b>	<b>58.9%</b>	<b>57.4%</b>
		1Q results (Jan. - Mar.)	Interim results (Jan. - Jun.)	3Q results (Jan. - Sep.)	FY 2007 (Jan. - Dec.)
<b>FY 2007</b>	<b>Net Sales</b>	<b>24,101</b>	<b>42,429</b>	<b>59,123</b>	<b>76,958</b>
	<b>Operating Income</b>	<b>5,186</b>	<b>5,972</b>	<b>5,373</b>	<b>3,579</b>
	<b>Depreciation Expenses</b>	<b>3,790</b>	<b>7,563</b>	<b>11,328</b>	<b>15,244</b>
	<b>Occuring Rate (Leopalace Resort)</b>	<b>74.8%</b>	<b>63.0%</b>	<b>58.8%</b>	<b>65.1%</b>
	<b>Occupancy Rate (Westin)</b>	<b>70.5%</b>	<b>61.9%</b>	<b>66.3%</b>	<b>68.1%</b>

# Appendix

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# Supply – 1 (Market for Housing)

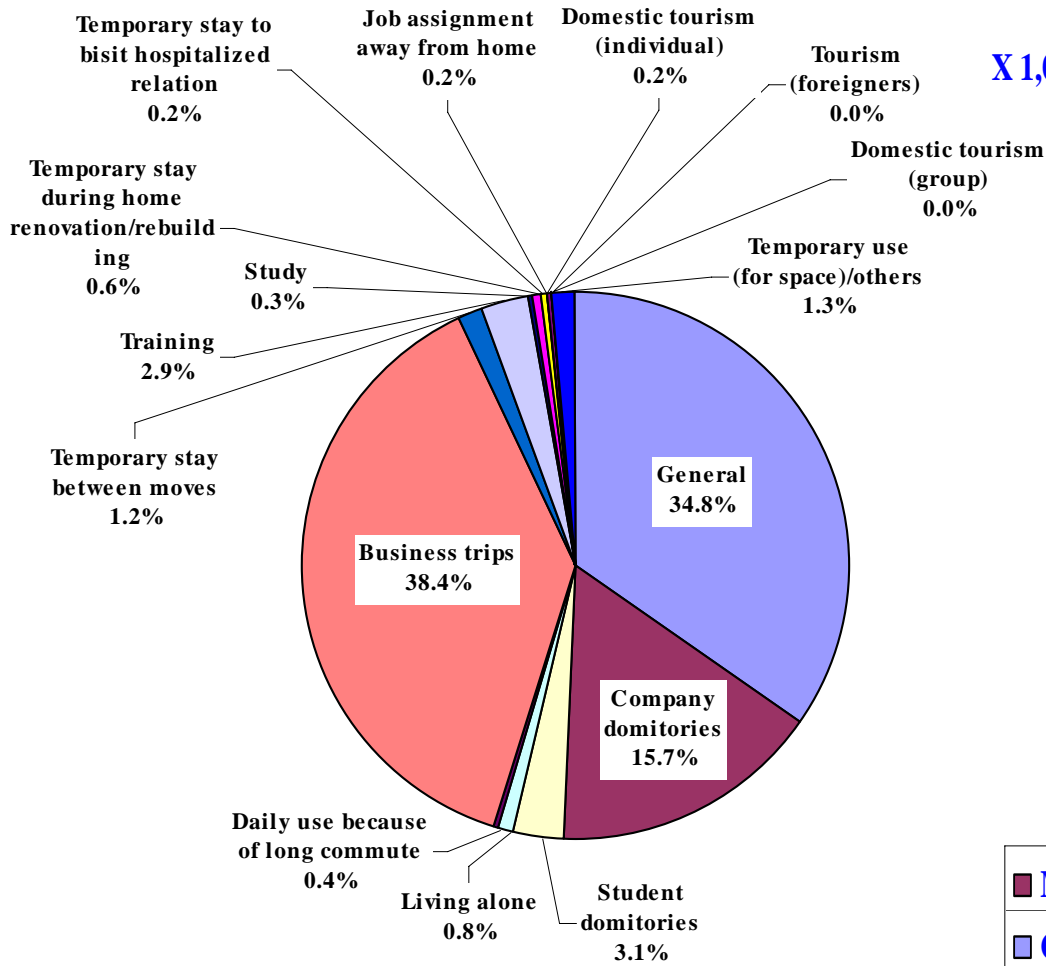


(Based on housing start statistics for December 2007 Ministry of Land, Infrastructure & Transport)

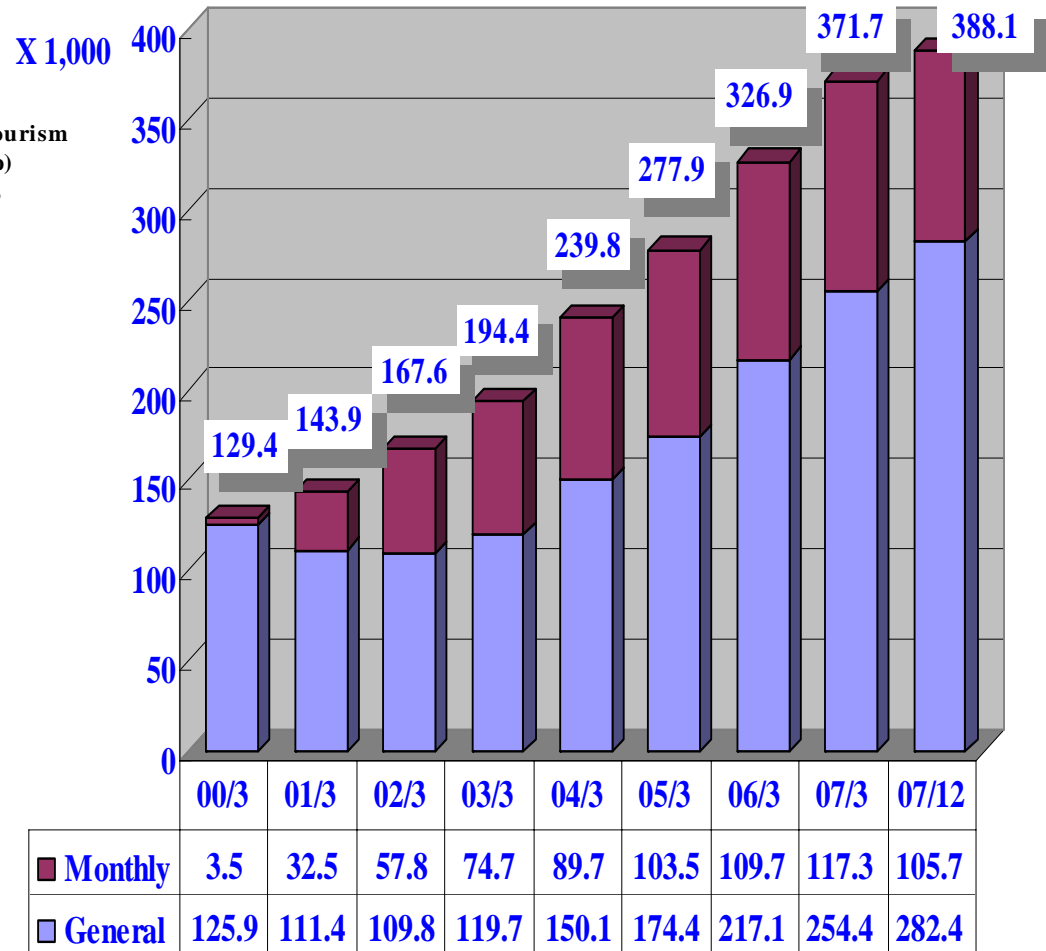


# Use (Studio Market)

Breakdown of Users of Month-to-month Leases (December 2007)



No. of Tenants by Contract Type



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