

# **Explanatory Session for the Fiscal Year Ended March 2008**

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**May 2008**

**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 2008**

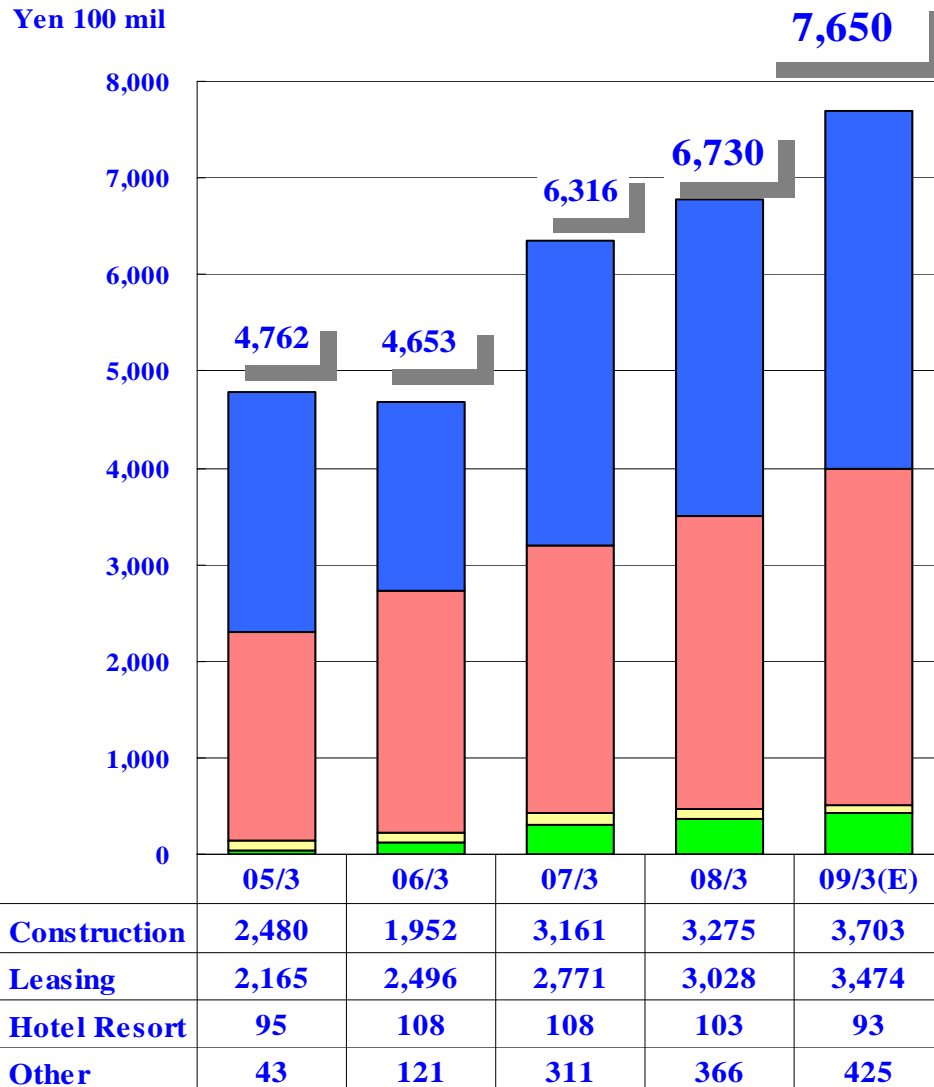
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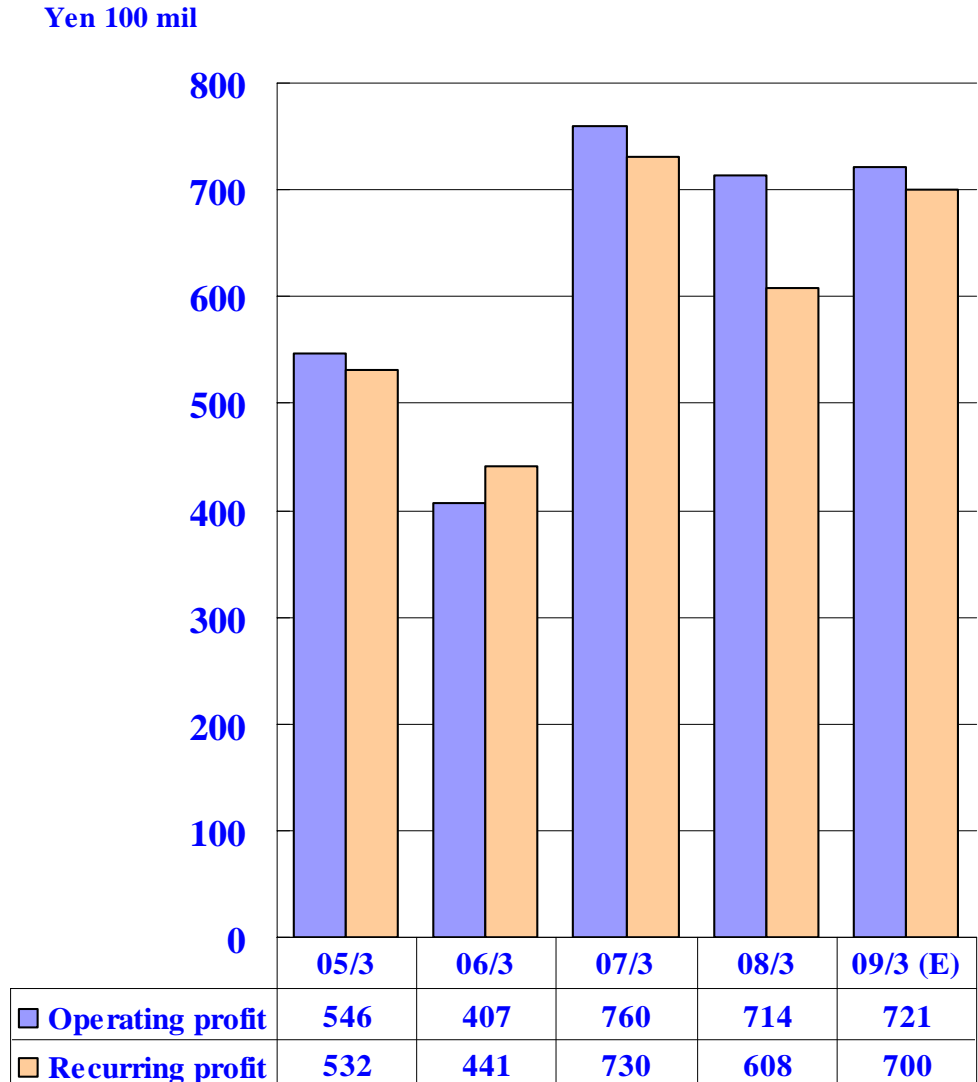


# Results and Forecast for FY of Our Group (Consolidated)

Actual Figures and Forecast  
 For Net Sales



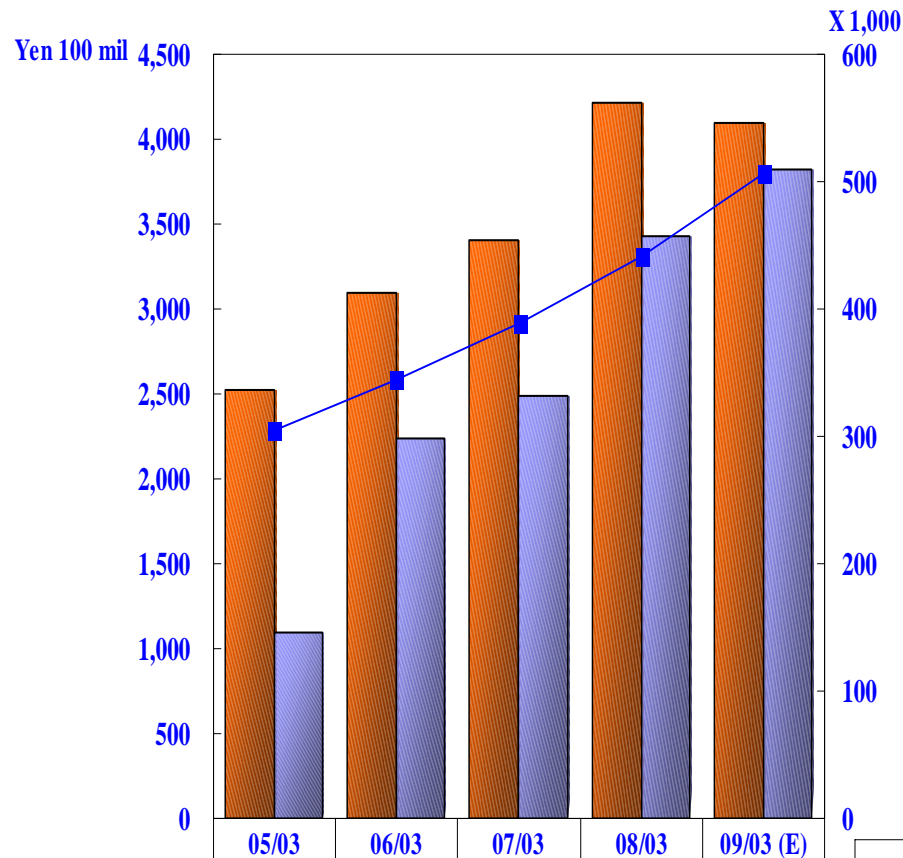
Actual Figures and Forecast for  
 Operating Profit & Recurring Profit



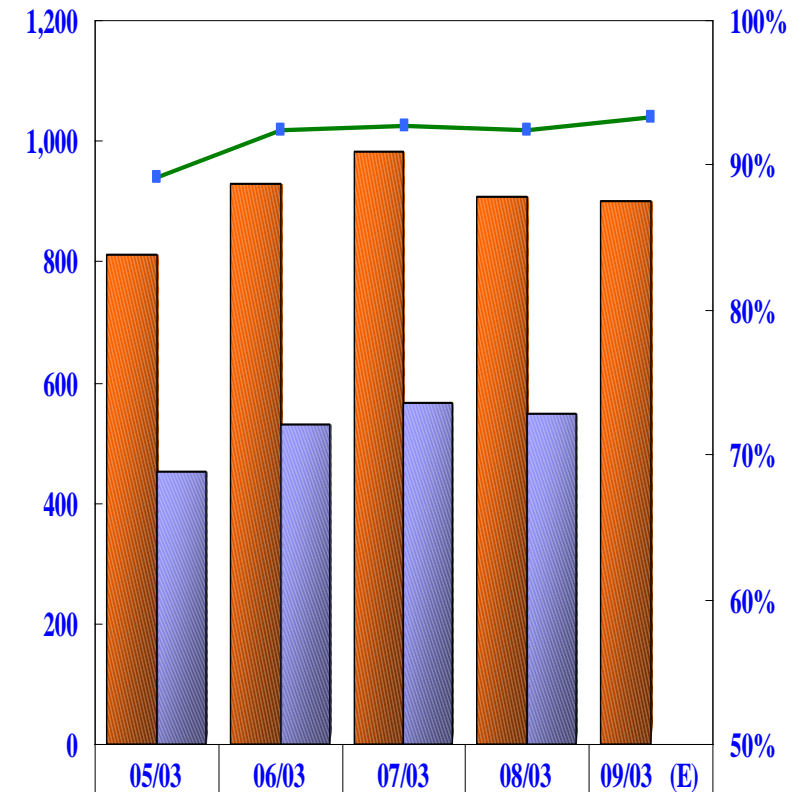
# Actual Results and Forecast for FY in Construction & Leasing

Trend in Actual Results and Forecast for Construction

Trend in Actual Results and Forecast for Leasing



Yen 100mil



Orders received	2,522	3,094	3,406	4,215	4,100
Orders received outstanding	1,099	2,241	2,486	3,426	3,827
Managed units	304.1	344.0	388.5	442.0	506.8

Month-to-month sales	812	928	982	908	900
Of which, repeat sales	452	530	565	548	
Occupancy rate during FY	89.1%	92.4%	92.8%	92.4%	93.3%

## 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. 2008	FY ended Mar. 2007	Change in amount	Percentage change	FY ended Mar. 2008	FY ended Mar. 2007	Change in amount	Percentage change
Net sales	672,973	631,608	41,364	6.5%	666,472	624,553	41,919	6.7%
Gross profit	161,919	156,895	5,024	3.2%	163,793	158,301	5,492	3.5%
Gross profit ratio (%)	24.1%	24.8%	-0.7%	-	24.6%	25.3%	-0.7%	-
Selling, general & administrative expenses	90,516	80,887	9,629	11.9%	92,786	83,556	9,230	11.0%
Operating profit	71,402	76,007	(4,604)	-6.1%	71,007	74,745	(3,737)	-5.0%
Operating profit ratio (%)	10.6%	12.0%	-1.4%	-	10.7%	12.0%	-1.3%	-
Recurring profit	60,847	73,002	(12,154)	-16.7%	61,813	74,183	(12,369)	-16.7%
Recurring profit ratio (%)	9.0%	11.6%	-2.6%	-	9.3%	11.9%	-2.6%	-
Net income	342	37,358	(37,015)	-	3,164	39,597	(36,433)	-

## Highlights of FY Results for Parent & Major Subsidiaries

(Unit: Yen million)		FY ended Mar. 2008	FY ended Mar. 2007	Change in amount	Percentage change	Mar. 2008 depreciation expenses	Mar. 2007 depreciation expenses
<b>Leopalace 21 Corporation</b>	Net sales	666,472	624,553	41,919	6.7%	3,381	2,674
	Recurring profit	61,813	74,183	(12,369)	-16.7%		
<b>LGC</b>	Net sales	9,158	7,878	1,280	16.2%	1,787	1,722
	Recurring profit (loss)	(6,939)	(366)	(6,573)	-		
	Foreign exchange gain (loss)	(7,574)	219	(7,793)	-		
<b>TPH</b>	Net sales	0	1,269	(1,269)	-	0	155
	Recurring profit (loss)	0	(57)	57	-		
<b>Others &amp; exclusion</b>	Net sales	(2,657)	(2,093)	(564)	-	(7)	8
	Recurring profit (loss)	5,973	(758)	6,731	-		
<b>Consolidated total</b>	Net sales	672,973	631,608	41,364	6.5%	5,168	4,557
	Recurring profit	60,847	73,002	(12,154)	-16.7%		
	Foreign exchange gain (loss)	(9,534)	501	(10,035)	-		

(Note 1) LGC : Leopalace Guam Corporation (local subsidiary in Guam). Changed the name on 7th February, 2008.

(Note 2) TPH : Trianon Palace Hotel De Versailles SA. (local Subsidiary in France) was sold to Black Stone Group in October, 2006.

## Outline of Balance Sheets and Cash Flows (Consolidated)

### Balance Sheets for the FY ended March 2008

(Unit: Yen million)	FY ended Mar. 2008	FY ended Mar. 2007	Change in amount
<Assets>			
Current assets	218,684	186,555	32,128
Cash & cash equivalents	60,965	75,166	(14,201)
Trade receivables & accounts receivable for completed projects	15,159	9,594	5,564
Operating loans	15,789	8,501	7,287
Real estate for sale	37,819	27,765	10,053
Payout for construction in progress	11,792	8,818	2,973
Fixed assets	275,265	268,190	7,074
Buildings & structures	76,556	80,626	(4,069)
Land	116,295	118,255	(1,959)
Construction in progress	1,901	4,397	(2,496)
Total assets	493,956	454,819	39,136
<Liabilities>			
Current liabilities	268,621	216,914	51,707
Long-term liabilities	55,179	52,120	3,058
Total liabilities	323,800	269,035	54,765
<Shareholder's equity>			
Share capital	55,640	55,640	—
Capital surplus	34,104	34,104	—
Retained earnings	76,211	85,700	(9,488)
Total shareholder's equity	170,155	185,784	(15,629)
Shareholder's equity ratio	33.4%	37.0%	-3.6%

### Cash Flows for the FY ended March 2008

(Unit: Yen million)	FY ended Mar. 2008	FY ended Mar. 2007
Cash flows from operating activities	11,745	63,308
Net income before taxes & adjustments	12,424	69,329
Depreciation expenses	5,163	4,559
Increase (decrease) in retirement benefit reserves for directors	(1,394)	2,986
Foreign exchange loss (income)	9,533	(501)
Equity-method investment loss (income)	(104)	2,320
Impairment loss	701	3,009
Gain on sales of affiliates' stock	—	(2,514)
Gain on sale of affiliates' bonds	(560)	(1,119)
Decrease (increase) in assets receivable	(21,745)	914
Decrease (increase) in real estate for sale	(11,237)	(18,554)
Decrease (increase) in amount paid for uncompleted works	(2,973)	26,430
Decrease (increase) in long-term prepaid expenses	(12,465)	(12,366)
Increase (decrease) in accounts payable	12,225	(2,571)
Income taxes paid	(31,840)	(4,559)
Cash flows from investing activities	148	(15,930)
Payout for purchase & proceeds from sale of tangible assets	5,257	(21,822)
Payout for purchase & proceeds from sale of affiliates' stock	—	3,009
Proceeds from sale of affiliates' bonds	—	2,880
Cash flows from financing activities	(26,779)	(17,018)
Proceeds from & repayment of short-term debt	(3,778)	1,736
Proceeds from & repayment of long-term debt	4,546	(9,655)
Proceeds, repayment & redemption on privately placed bonds	(4,226)	(3,441)
Dividends paid for shareholders	(10,359)	(4,781)
Net increase in cash & cash equivalents	(15,290)	30,554
Cash & cash equivalents at end of period	60,965	75,166

## Profit/Loss for Major Segments (Consolidated)

(Unit: Yen million)	FY ended Mar. 2008	Sales comparison	FY ended Mar. 2007	Sales comparison	Change in amount	Percentage change
<b>Construction Division</b>						
Net sales	327,540		316,117		11,423	3.6%
Gross profit	110,277	33.7%	106,721	33.8%	3,556	3.3%
Operating profit	73,267	22.4%	74,614	23.6%	(1,347)	-1.8%
<b>Leasing Division</b>						
Net sales	302,753		277,166		25,587	9.2%
Gross profit	49,169	16.2%	49,046	17.7%	123	0.3%
Operating profit	3,036	1.0%	7,031	2.5%	(3,995)	-56.8%
<b>Hotel Resort Division</b>						
Net sales	10,271		10,842		(571)	-5.3%
Gross profit	1,390	13.5%	435	4.0%	955	—
Operating profit (loss)	(1,116)	-10.9%	(2,628)	-24.2%	1,512	-57.5%
<b>Other Division</b>						
Net sales	36,629		31,187		5,442	17.4%
Gross profit	5,197	14.2%	4,397	14.1%	800	18.2%
Operating profit	645	1.8%	1,091	3.5%	(446)	-40.9%

\*Value for each are before eliminations between segments.

# Earnings Forecasts

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## Earnings Forecasts (Consolidated & Non-Consolidated)

(Unit: Yen million)		FY ending Mar. 2009	FY ended Mar. 2008	Change in amount	Percentage change
<b>Leopalace 21 Corporation</b>	Net sales	758,200	666,472	91,728	13.8%
	Gross profit	175,350	163,793	11,557	7.1%
	Sales, general & administrative expenses	103,850	92,786	11,064	11.9%
	Operating profit	71,500	71,007	493	0.7%
	Recurring profit	69,500	61,813	7,687	12.4%
	Net income	32,000	3,164	28,836	—
<b>LGC</b>	Net sales	8,236	9,158	(922)	-10.1%
	Operating profit	612	580	32	5.5%
<b>Others &amp; exclusion</b>	Net sales	(1,436)	(2,657)	1,221	-46.0%
	Operating profit (loss)	(12)	(185)	173	-93.5%
<b>Consolidated total</b>	Net sales	765,000	672,973	92,027	13.7%
	Gross profit	173,500	161,919	11,581	7.2%
	Operating profit	72,100	71,402	698	1.0%
	Recurring profit	70,000	60,847	9,153	15.0%
	Net income	32,900	342	32,558	—

(Note) LGC : Leopalace Guam Corporation (local subsidiary in Guam). Changed the name on 7th February, 2008.

## Profit/Loss Forecasts for Major Segments (Consolidated)

(Unit: Yen million)	FY ending Mar. 2009	Sales comparison	FY ended Mar. 2008	Sales comparison	Change in amount	Percentage change
<b>Construction Division</b>						
Net sales	370,300		327,540		42,760	13.1%
Orders received at FY-start	342,679		248,685		93,994	37.8%
Orders received during FY	410,000		421,534		(11,534)	-2.7%
Gross profit	112,900	30.5%	110,277	33.7%	2,623	2.4%
Operating profit	71,000	19.2%	73,267	22.4%	(2,267)	-3.1%
<b>Leasing Division</b>						
Net sales	347,400		302,753		44,647	14.7%
Units managed at end-FY	506,757		442,025		64,732	14.6%
Average units managed during FY	475,463		416,044		59,419	14.3%
Average occupancy rate during FY	93.3%		92.4%		0.9%	—
Gross profit	56,600	16.3%	49,169	16.2%	7,431	15.1%
Operating profit	6,200	1.8%	3,036	1.0%	3,164	104.2%
<b>Hotel Resort Division</b>						
Net sales	9,400		10,271		(871)	-8.5%
Gross profit	1,430	15.2%	1,390	13.5%	40	2.9%
Operating profit (loss)	(1,100)	—	(1,116)	—	16	-1.4%
<b>Other Division</b>						
Net sales	42,500		36,629		5,871	16.0%
Gross profit	7,140	16.8%	5,197	14.2%	1,943	37.4%
Operating profit	1,300	3.1%	645	1.8%	655	101.6%

## Status of Major Strategic Business Ventures

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## Residential Business

(Unit: Yen Million)		Results for the term ended March 2007	Results for the term ended March 2008	Forecast for the term ending March 2009
Purchase contracts	Revenue	30,167	14,107	7,200
	Value of sales contracts concluded	6,685	7,630	13,000
Sales	Units sold	151	180	280
	Revenue	6,974	7,977	12,000
Revenue	Total units sold	161	188	250
	Total revenue of Residential Business	14,150	11,281	15,000



“Lu Cerna Yamamotodai II”  
Takarazuka City, Hyogo

## Silver Business

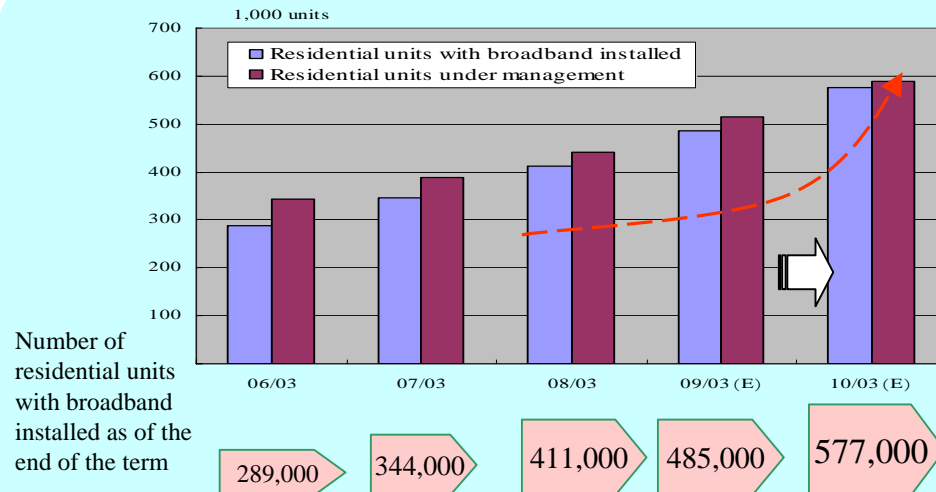
(Unit: Yen Million)		Results for the term ended March 2007	Results for the term ended March 2008	Forecast for the term ending March 2009
Direct Operation	Revenue	884	2,668	6,500
	Total units as of end of term	16	35	58
Under contract	Total value of contracts	6,852	10,221	6,000
	Units ordered	15	26	19
	Revenue	4,460	8,506	5,000



“Azumien Tokiwadaira”  
Matsudo City, Chiba

## Broadband Business and Leopalace Resort Business

### Broadband Business



	06/03	07/03	08/03	09/03(E)
Users	203,000	302,000	362,000	430,000
Sales (yen)	7.4 bil.	11.2 bil.	13.2 bil.	14.3 bil.
Gross profit on sales (yen)	0.44 bil.	0.86 bil.	1.32 bil.	1.43 bil.

### Leopalace Resort Business (LGC)

(Unit: 1,000 US dollars)		Q1 results (Jan.-Mar.)	Interim results (Jan.-Jun.)	Q3 results (Jan.-Sep.)	FY 2006 results (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 profit (loss)</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>Occupancy 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>
		Q1 results (Jan.-Mar.)	Interim results (Jan.-Jun.)	Q3 results (Jan.-Sep.)	FY 2007 results (Jan.-Dec.)
<b>FY 2007</b>	<b>Net sales</b>	<b>24,101</b>	<b>42,429</b>	<b>59,123</b>	<b>77,676</b>
	<b>Operating profit</b>	<b>5,186</b>	<b>5,972</b>	<b>5,373</b>	<b>4,920</b>
	<b>Depreciation expenses</b>	<b>3,790</b>	<b>7,563</b>	<b>11,328</b>	<b>15,160</b>
	<b>Occupancy rate (Leopalace Resort)</b>	<b>74.8%</b>	<b>63.0%</b>	<b>58.8%</b>	<b>59.1%</b>
	<b>Occupancy rate (Westin)</b>	<b>70.5%</b>	<b>61.9%</b>	<b>66.3%</b>	<b>64.1%</b>

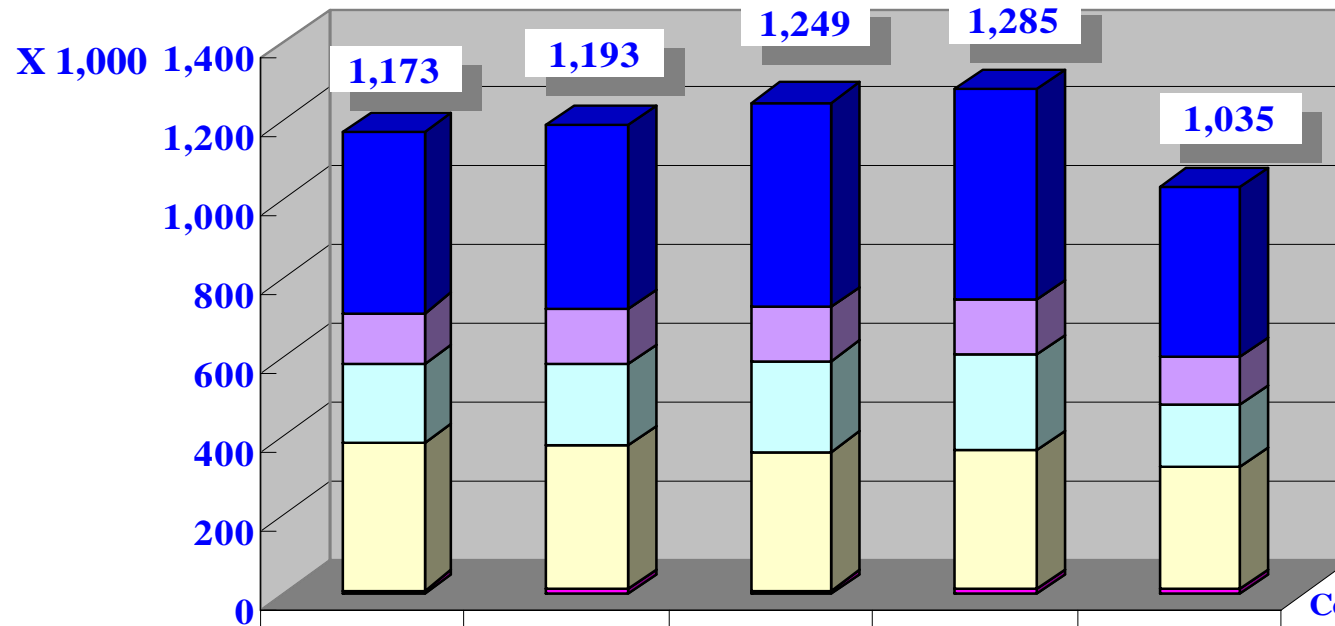
# Appendix

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# New Housing Starts

New Housing Starts (No. of use breakdown)



(Units)

	04/3	05/3	06/3	07/3	08/3
■ Leased units	458,708	467,348	517,999	537,943	430,867
■ House with land (after subdivision)	129,327	139,430	137,815	138,394	121,163
■ Apartments	202,376	207,442	230,674	241,826	159,685
■ Owner-occupied houses	373,015	367,233	352,577	355,700	311,803
■ Company housing	8,101	9,413	8,515	9,100	10,311
■ Other	2,122	2,172	1,786	2,283	1,769

Compared with FY 07/3:

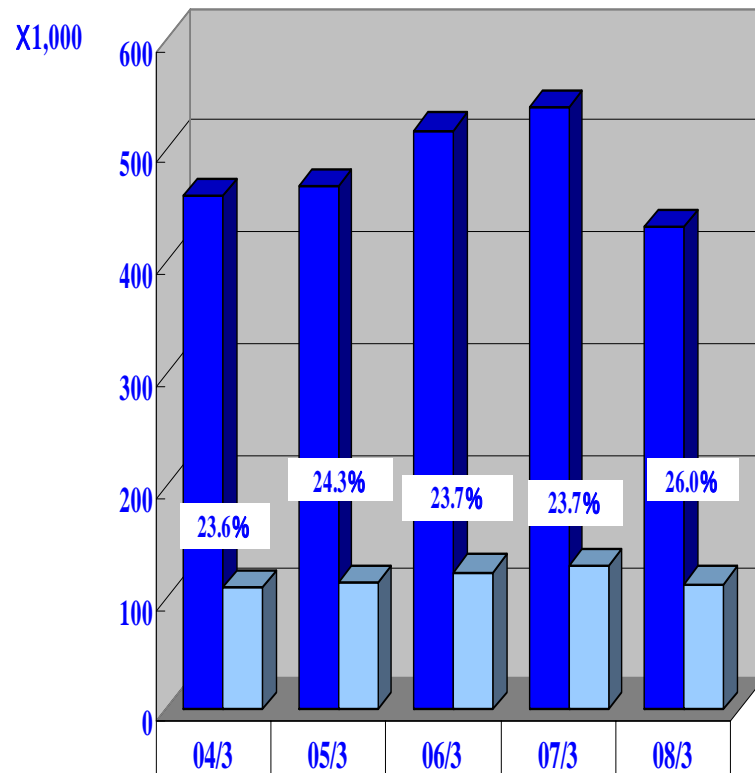
**-19.9%**

**-12.5%**

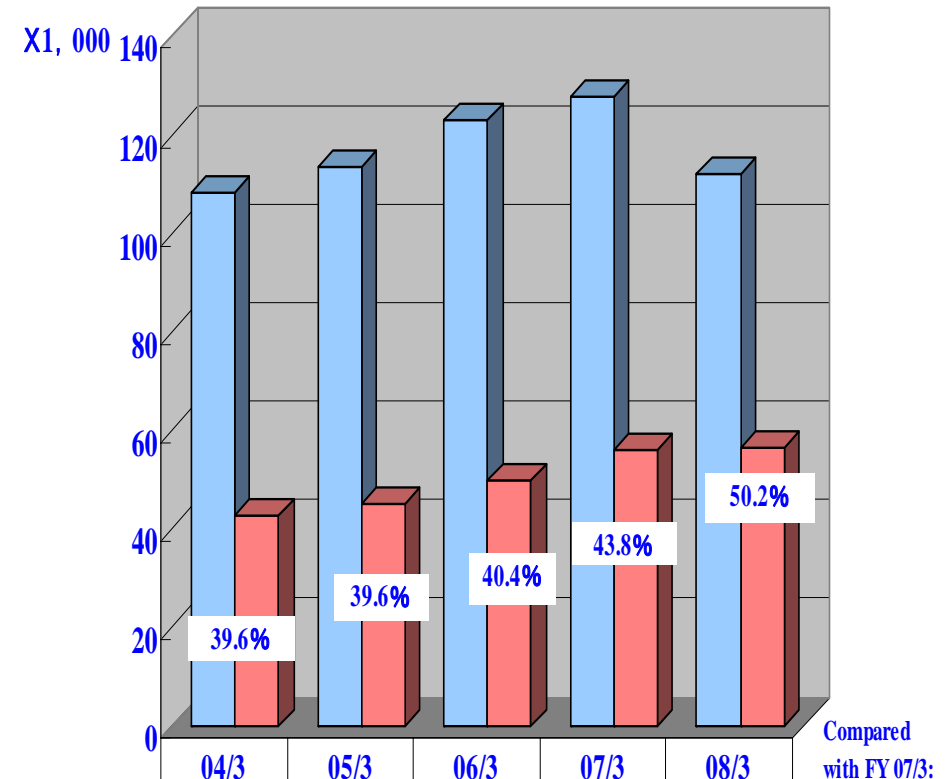
(Based on housing starts statistics for the FY March 2008, Ministry of Land, Infrastructure & Transport)

## New Housing Starts (Units under 30 square meters)

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



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



	04/3	05/3	06/3	07/3	08/3
■ New residential lease holds	458.7	467.3	517.9	537.9	430.8
■ Under 30m <sup>2</sup>	108.1	113.5	122.8	127.6	112.2

Compared with FY 07/3:  
-19.9%  
-12.1%

	04/3	05/3	06/3	07/3	08/3
■ Under 30m <sup>2</sup>	108.1	113.5	122.8	127.6	112.2
■ Our supply of units	42.8	44.9	49.7	55.9	56.3

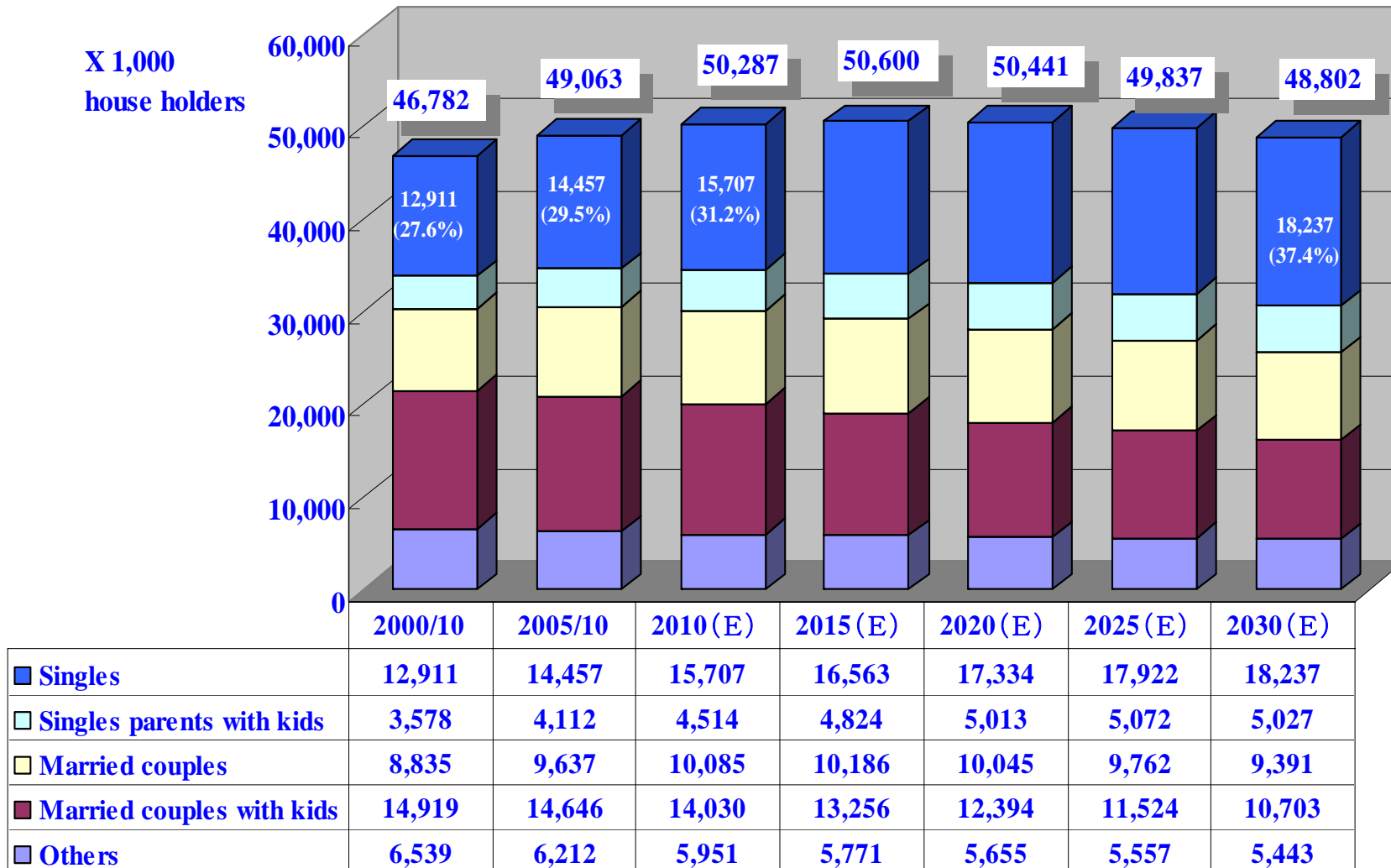
Compared with FY 07/3:  
-12.1%  
+0.7%

(Based on housing start statistics for the FY March 2008, Ministry of Land, Infrastructure & Transport)

\*Our supply units represents actual units sold.

# Forecasts for Number of Households by Type

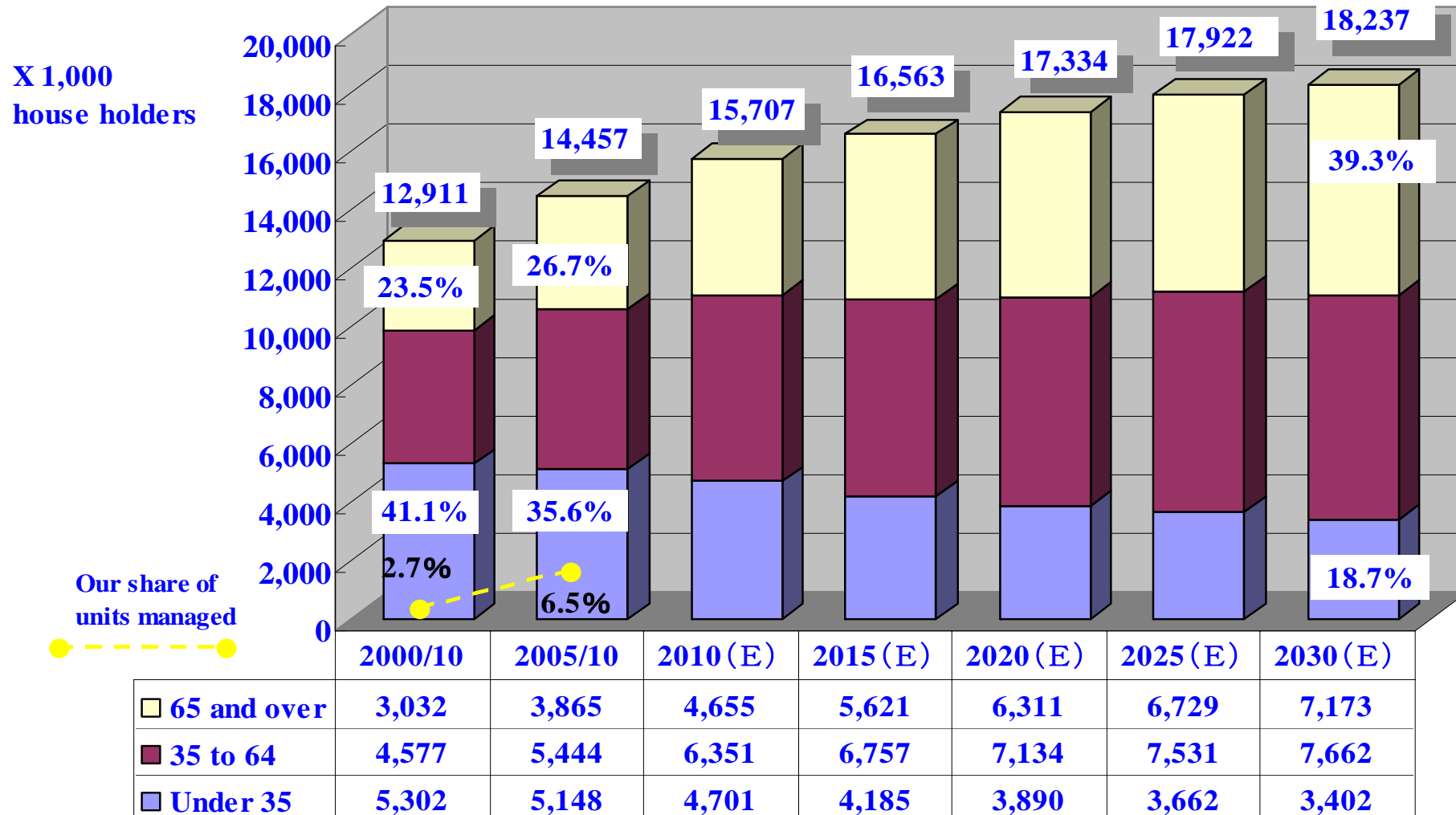
Forecasts for No. of Households by Type



(Based on the 2005 Census & “2008 Number of Households and Future Estimates,” National Institute of Population)

# Forecasts for Number of Singles Households

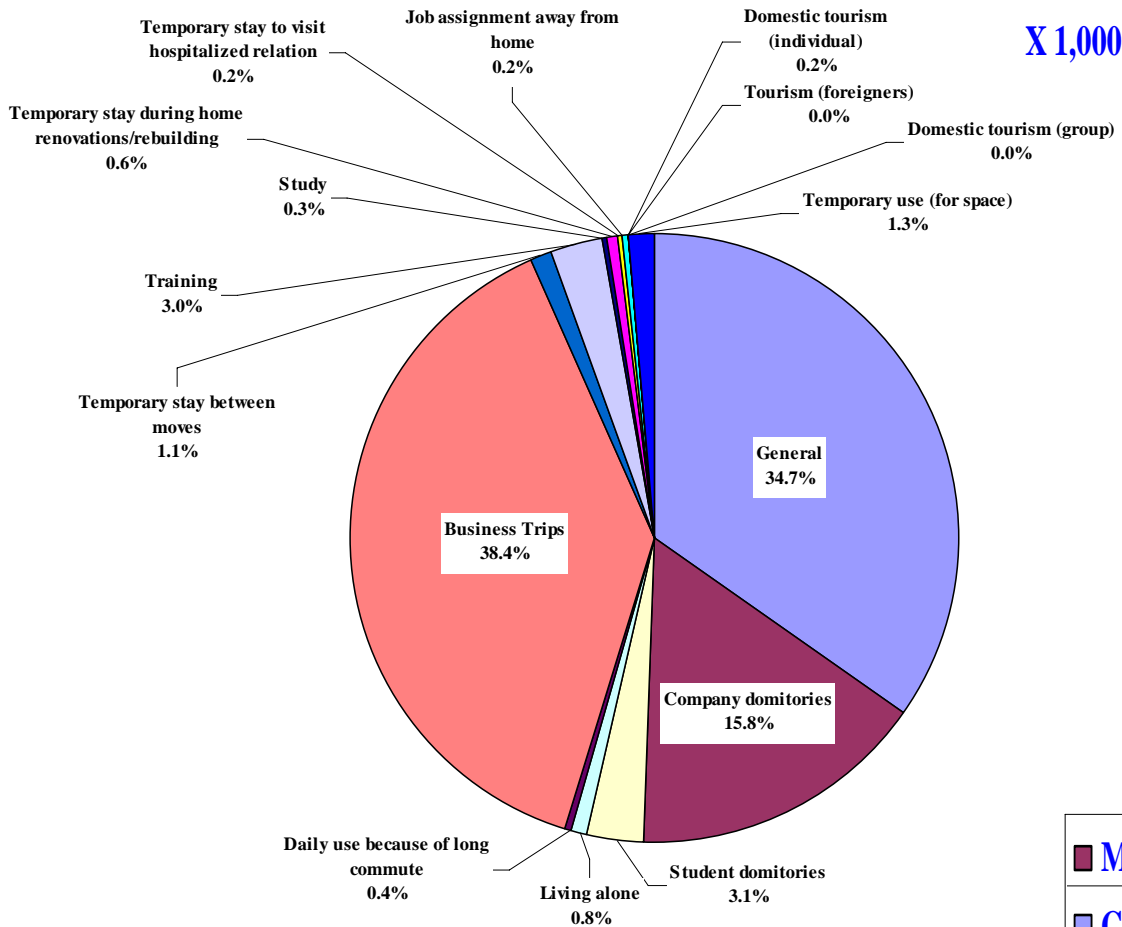
Forecasts for No. of Single Households



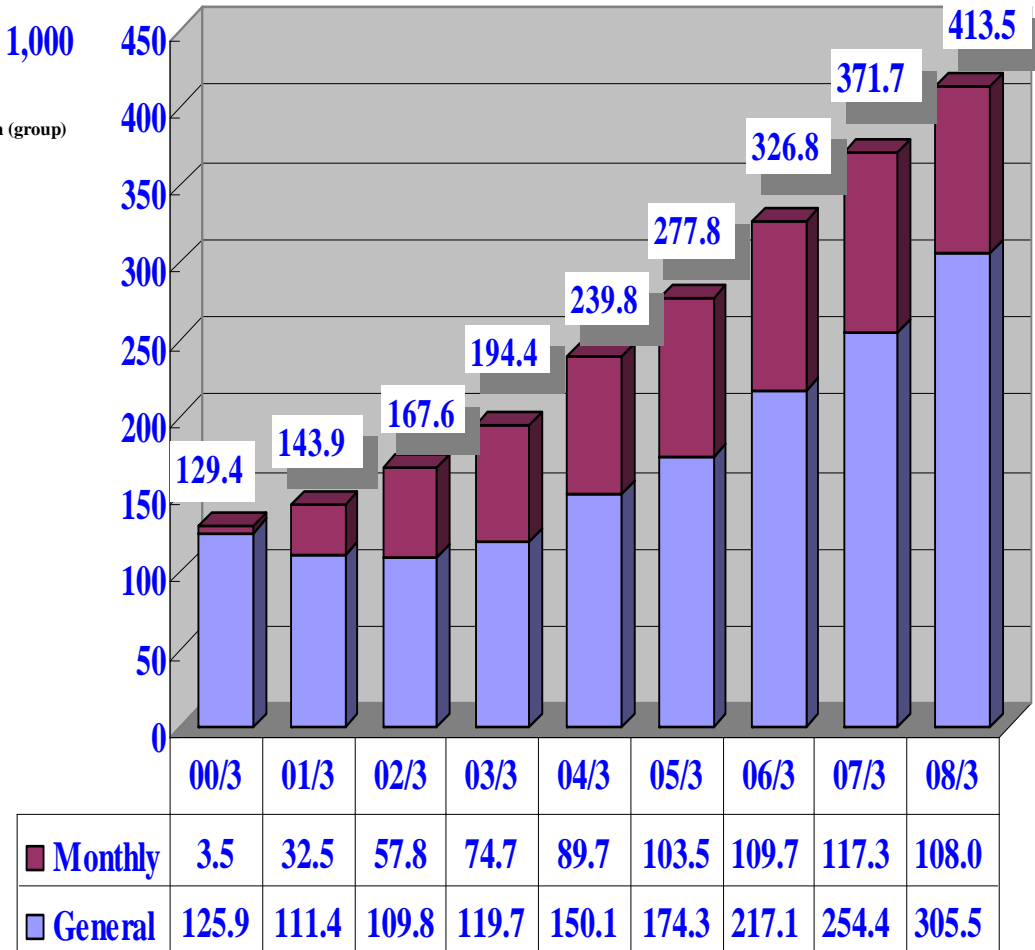
(Based on the 2005 Census & "2008 Number of Households and Future Estimates," National Institute of Population)

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

Breakdown of Users of Month-to-Month Leases



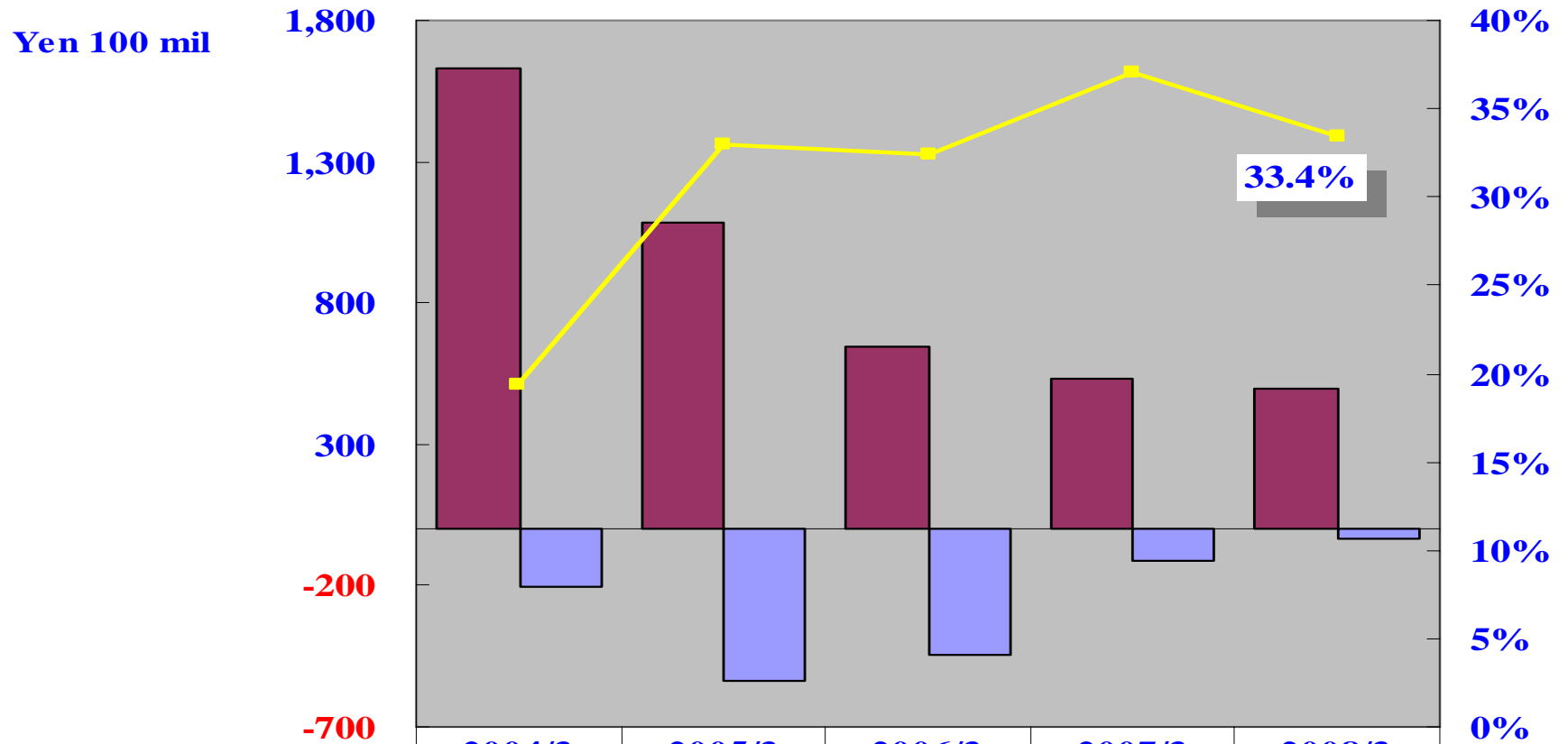
No. of Tenants by Contract Type






(Based on our company data, end-March 2008)

# Interest-Bearing Liabilities and Equity Ratio

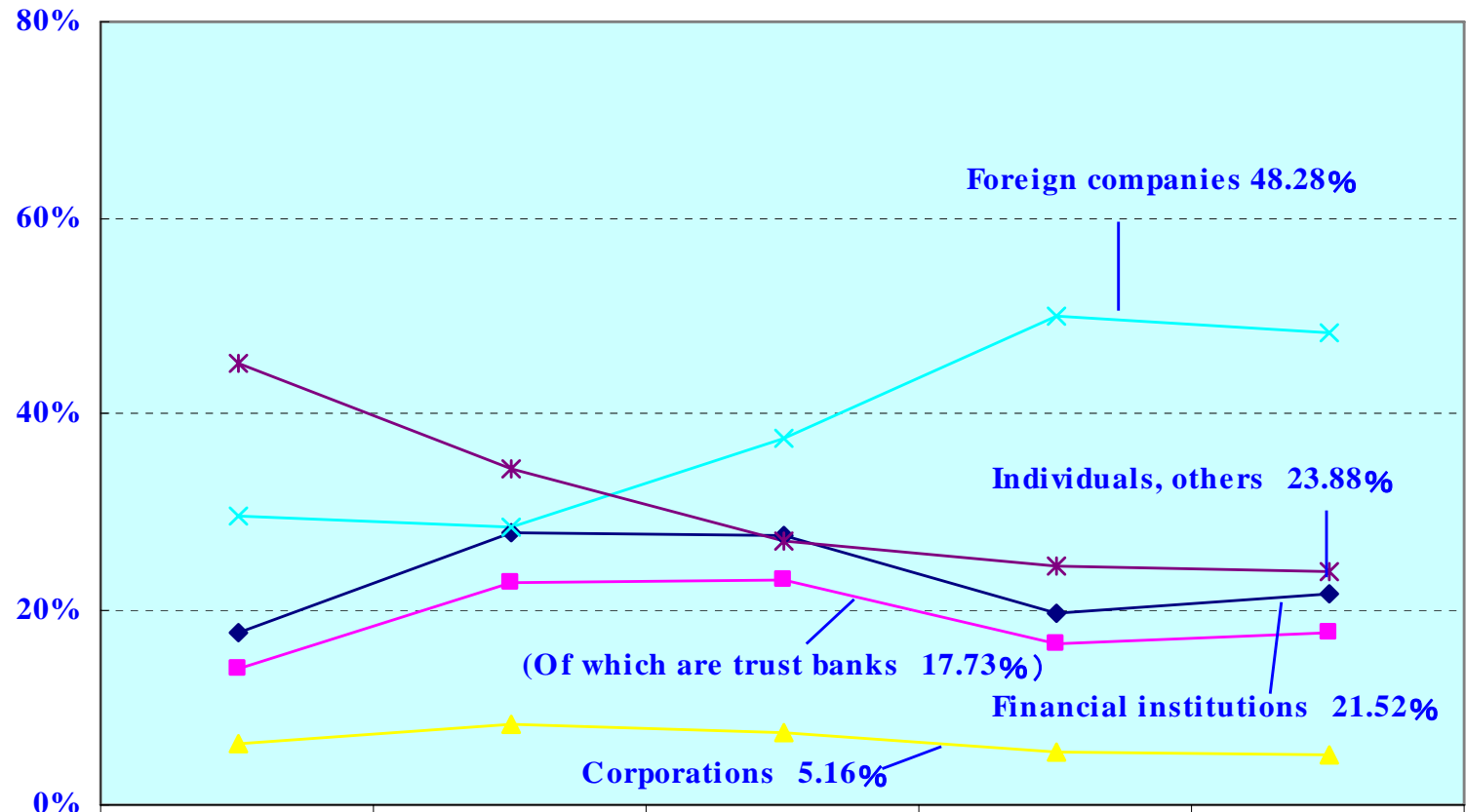
Trend in Borrowings & Equity Ratio (Consolidated)



	2004/3	2005/3	2006/3	2007/3	2008/3
 Borrowings (incl. bonds)	1,627	1,087	645	531	497
 (Year-on-year comparison for borrowings)	(203)	(540)	(442)	(114)	(34)
 Equity ratio	19.3%	33.0%	32.4%	37.0%	33.4%

# Trend in Shareholders

Trend in Shareholders



	04/3	05/3	06/3	07/3	08/3
◆ Financial institutions	17.48%	27.84%	27.61%	19.49%	21.52%
■ (Of which are trust banks)	13.93%	22.72%	22.96%	16.36%	17.73%
▲ Corporations	6.15%	8.12%	7.43%	5.28%	5.16%
✕ Foreign companies	29.43%	28.46%	37.56%	49.88%	48.28%
* Individuals, others	45.03%	34.35%	26.88%	24.38%	23.88%