

**Explanatory Session for the Third Quarter Results  
of Fiscal Year Ending March 2009**

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**February 2009**

**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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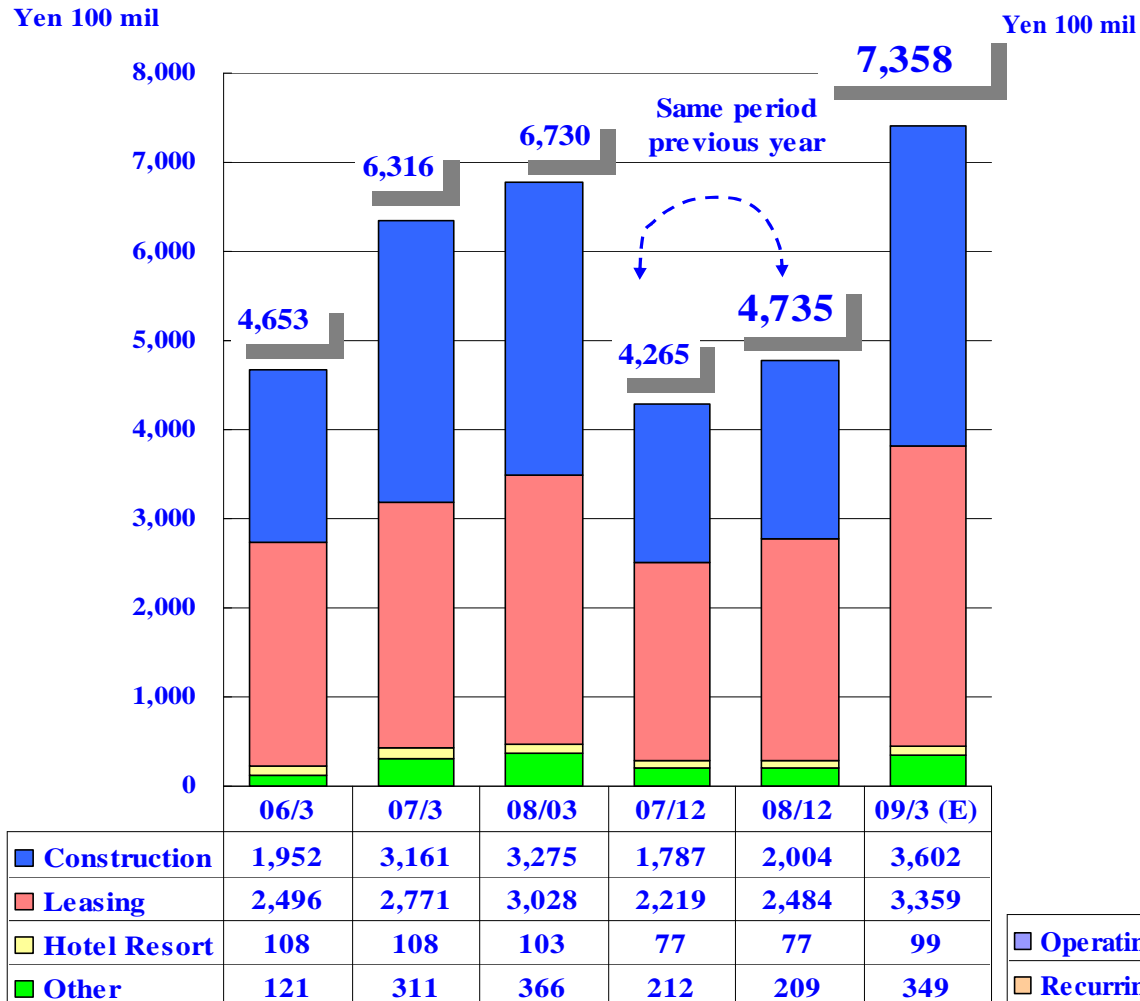
## Results and Forecasts for Core Businesses

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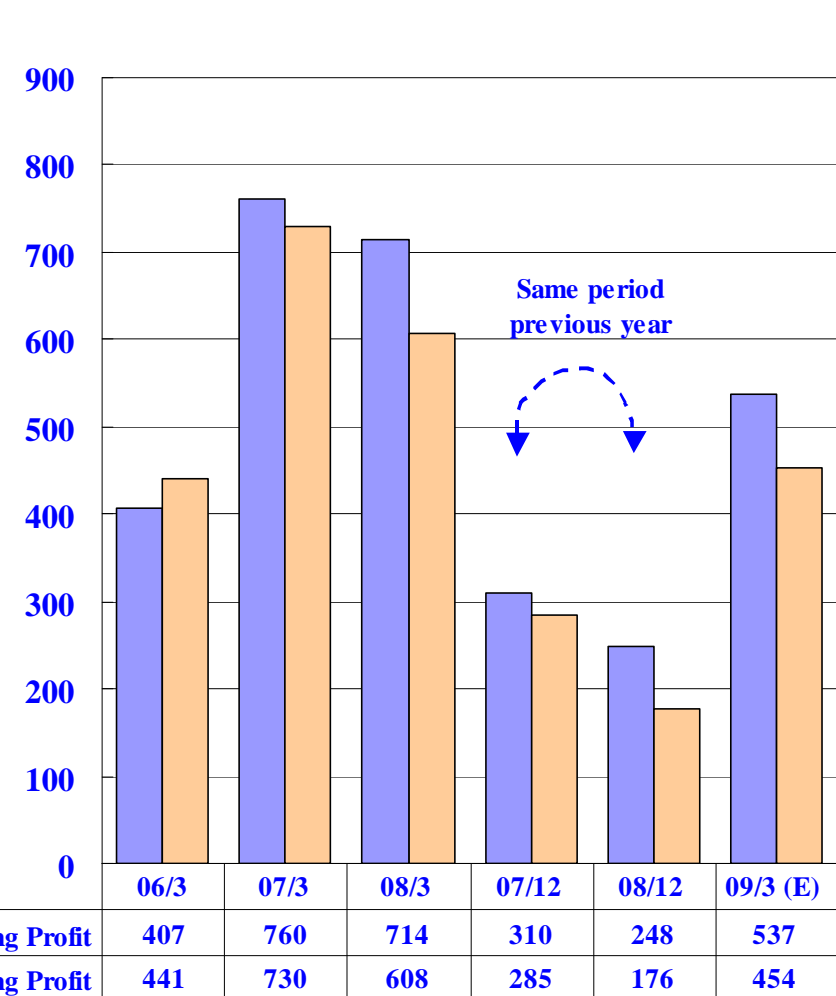


## Results and Forecasts of Our Group (Consolidated)

Actual Figures and Forecast for  
Net Sales



Actual Figures and Forecast for  
Operating Profit & Recurring Profit

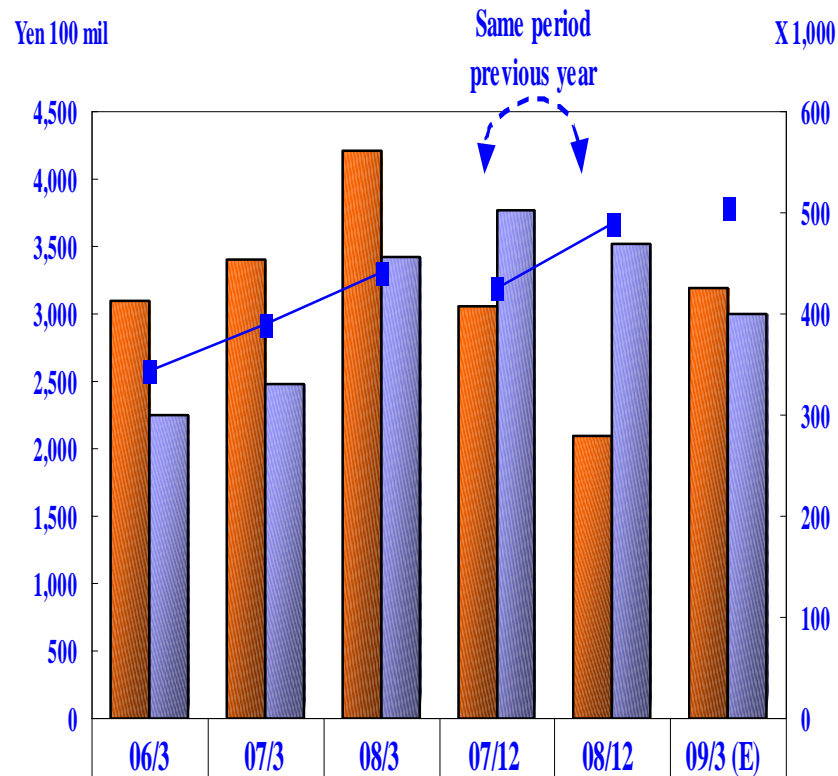


\*"09/3 (E)" represents the forecast for FY 09/3.

# Actual Results and Forecasts in Construction & Leasing

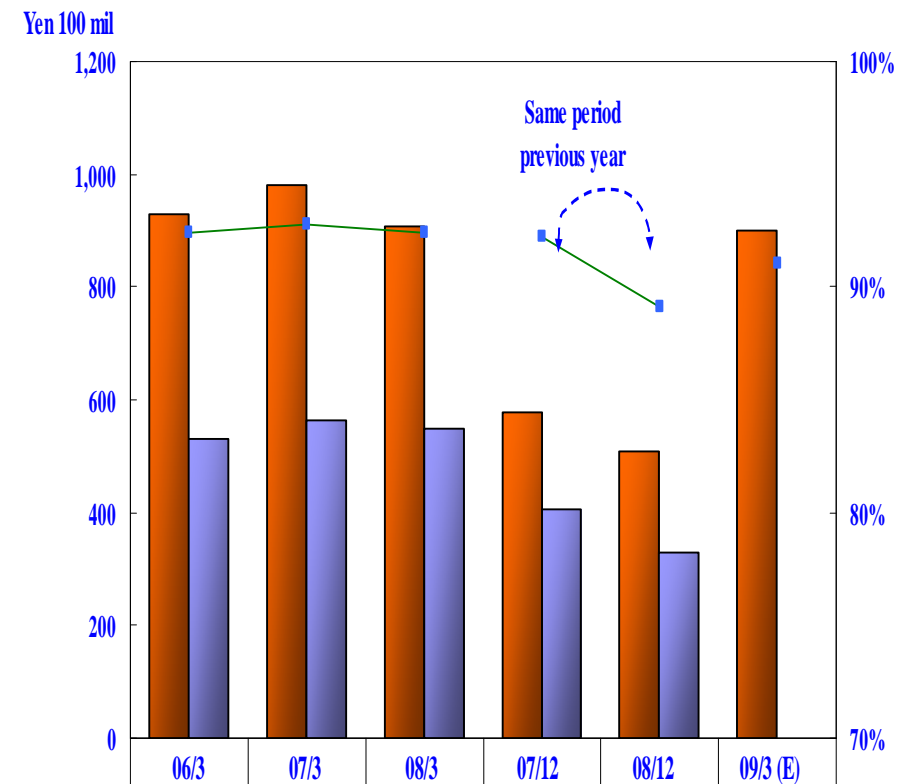
Trend in Actual Results for Construction

3<sup>rd</sup> Q FY 09/3



Trend in Actual Results for Leasing

3<sup>rd</sup> Q FY 09/3



|                          |       |       |       |       |       |       |
|--------------------------|-------|-------|-------|-------|-------|-------|
| Month-to-month sales     | 928   | 982   | 908   | 579   | 507   | 900   |
| Of which, repeat sales   | 530   | 565   | 548   | 405   | 330   |       |
| Occupancy rate during FY | 92.4% | 92.8% | 92.4% | 92.2% | 89.1% | 91.0% |

## 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 2008<br>3rd quarter | December 2007<br>3rd quarter | Change in amount | Percentage change | December 2008<br>3rd quarter | December 2007<br>3rd quarter | Change in amount | Percentage change |
| Net sales                                  | 473,481                      | 426,452                      | 47,029           | 11.0%             | 469,331                      | 421,450                      | 47,881           | 11.4%             |
| Gross profit (loss)                        | 94,245                       | 96,162                       | (1,917)          | -2.0%             | 96,610                       | 97,149                       | (539)            | -0.6%             |
| Gross profit ratio (%)                     | 19.9%                        | 22.5%                        | -2.6%            | -                 | 20.6%                        | 23.1%                        | -2.5%            | -                 |
| Selling, general & administrative expenses | 69,462                       | 65,144                       | 4,318            | 6.6%              | 70,782                       | 66,895                       | 3,887            | 5.8%              |
| Operating profit (loss)                    | 24,782                       | 31,017                       | (6,235)          | -20.1%            | 25,829                       | 30,253                       | (4,424)          | -14.6%            |
| Operating profit ratio (%)                 | 5.2%                         | 7.3%                         | -2.0%            | -                 | 5.5%                         | 7.2%                         | -1.7%            | -                 |
| Recurring profit (loss)                    | 17,600                       | 28,525                       | (10,925)         | -38.3%            | 20,320                       | 28,104                       | (7,784)          | -27.7%            |
| Recurring profit ratio (%)                 | 3.7%                         | 6.7%                         | -3.0%            | -                 | 4.3%                         | 6.7%                         | -2.3%            | -                 |
| Net income (loss)                          | 2,941                        | (13,185)                     | 16,126           | -                 | 5,467                        | (13,122)                     | 18,589           | -                 |

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

| (Unit: Yen million)                 |                              | December 2008<br>3rd quarter | December 2007<br>3rd quarter | Change in<br>amount | Percentage<br>change | FY 2009<br>forecast | Dec. 2008<br>Depreciation<br>Expenses | Dec. 2007<br>Depreciation<br>Expenses |
|-------------------------------------|------------------------------|------------------------------|------------------------------|---------------------|----------------------|---------------------|---------------------------------------|---------------------------------------|
| <b>Leopalace 21<br/>Corporation</b> | Net sales                    | 469,331                      | 421,450                      | 47,881              | 11.4%                | 730,400             | 2,453                                 | 2,470                                 |
|                                     | Recurring profit (loss)      | 20,320                       | 28,104                       | (7,784)             | -27.7%               | 49,200              |                                       |                                       |
| <b>LGC</b>                          | Net sales (loss)             | 6,343                        | 7,028                        | (685)               | -9.7%                | 8,297               | 1,254                                 | 1,356                                 |
|                                     | Recurring profit (loss)      | (4,062)                      | (750)                        | (3,312)             | -                    | (4,000)             |                                       |                                       |
|                                     | Foreign exchange gain (loss) | (4,506)                      | (1,479)                      | (3,027)             | -                    | ..                  |                                       |                                       |
| <b>Others &amp; exclusion</b>       | Net sales (loss)             | (2,193)                      | (2,026)                      | (167)               | -                    | (2,897)             | 26                                    | (8)                                   |
|                                     | Recurring profit             | 1,343                        | 1,171                        | 172                 | -                    | 200                 |                                       |                                       |
| <b>Consolidated total</b>           | Net sales                    | 473,481                      | 426,452                      | 47,029              | 11.0%                | 735,800             | 3,733                                 | 3,819                                 |
|                                     | Recurring profit             | 17,600                       | 28,525                       | (10,925)            | -38.3%               | 45,400              |                                       |                                       |
|                                     | Foreign exchange gain (loss) | (6,071)                      | (1,878)                      | (4,193)             | -                    | ..                  |                                       |                                       |

(Note 1) LGC: Leopalace Guam Corporation (local subsidiary in Guam).

## Outline of Balance Sheet (Consolidated)

### December 2008 3rd Q Balance Sheet

| (Unit: Yen million)   | December 2008<br>3rd quarter | December 2007<br>3rd quarter | Change in<br>amount | Ended March<br>2008 |
|---|------------------------------|------------------------------|---------------------|---------------------|
| <b>&lt;Assets&gt;</b>   |                              |                              |                     |                     |
| <b>Current assets</b>   | 201,460                      | 178,703                      | 22,757              | 218,684             |
| Cash & cash equivalents   | 54,174                       | 40,059                       | 14,115              | 60,965              |
| Trade receivables & accounts receivable for<br>completed projects | 5,698                        | 5,904                        | (206)               | 15,159              |
| Operating loans   | 10,840                       | 18,341                       | (7,501)             | 15,789              |
| Real estate for sale  | 35,762                       | 38,885                       | (3,123)             | 37,819              |
| Payout for construction in progress                               | 42,304                       | 17,626                       | 24,678              | 11,792              |
| <b>Fixed assets</b>   | 273,749                      | 265,540                      | 8,209               | 275,265             |
| Buildings & structures  | 72,234                       | 77,272                       | (5,038)             | 76,556              |
| Land  | 117,502                      | 114,836                      | 2,666               | 116,295             |
| Construction in progress  | 3,608                        | 1,838                        | 1,770               | 1,901               |
| <b>Total assets</b>   | 475,215                      | 444,268                      | 30,947              | 493,956             |
| <b>&lt;Liabilities&gt;</b>  |                              |                              |                     |                     |
| <b>Current liabilities</b>  | 238,354                      | 245,840                      | (7,486)             | 268,621             |
| <b>Long-term liabilities</b>                                      | 87,373                       | 48,119                       | 39,254              | 55,179              |
| <b>Total liabilities</b>  | 325,728                      | 293,960                      | 31,768              | 323,800             |
| <b>&lt; Shareholders' equity &gt;</b>                             |                              |                              |                     |                     |
| Share capital   | 55,640                       | 55,640                       | 0                   | 55,640              |
| Capital surplus   | 34,104                       | 34,104                       | 0                   | 34,104              |
| Retained earnings   | 66,402                       | 62,683                       | 3,719               | 76,211              |
| <b>Total shareholders' equity</b>                                 | 149,486                      | 150,308                      | (822)               | 170,155             |
| <b>Shareholders' equity ratio</b>                                 | 31.5%                        | 32.7%                        | -1.2%               | 33.4%               |

## Outline of Cash Flows (Consolidated)

### December 2008 3<sup>rd</sup> Q Cash Flows

| (Unit: Yen million)   | December 2008<br>3rd quarter | December 2007<br>3rd quarter |
|---|------------------------------|------------------------------|
| <b>Cash flows from operating activities</b>                       | <b>6,894</b>                 | <b>(58,169)</b>              |
| Net income (loss) before taxes & adjustments                      | 11,756                       | (17,731)                     |
| Depreciation expenses   | 3,716                        | 3,818                        |
| Foreign exchange loss   | 6,070                        | 1,877                        |
| Equity in earnings of affiliated companies                        | (211)                        | (138)                        |
| Loss on devaluation of real estate for sales                      | 2,560                        | -                            |
| (Gain) loss on devaluation of investment securities               | 2,737                        | 684                          |
| Decrease (increase) in real estate for sales                      | (1,995)                      | (11,119)                     |
| Increase (decrease) in long-term prepaid expenses                 | (4,682)                      | (4,138)                      |
| Increase (decrease) in accounts payable                           | (46,999)                     | (49,403)                     |
| Increase (decrease) in advances received                          | (12,235)                     | 40,219                       |
| Income taxes paid   | (22,871)                     | (30,422)                     |
| <b>Cash flows from investing activities</b>                       | <b>(7,854)</b>               | <b>2,565</b>                 |
| Payout for purchase & proceeds from sale of tangible assets       | (5,543)                      | 7,467                        |
| Payout for purchase & proceeds from sale of investment securities | (327)                        | (2,662)                      |
| <b>Cash flows from financing activities</b>                       | <b>(4,894)</b>               | <b>19,532</b>                |
| Proceeds from & payment of short-term debt                        | 20,000                       | 33,762                       |
| Proceeds from & payment of long-term debt                         | 4,364                        | 9,405                        |
| Dividends paid for shareholders                                   | (12,750)                     | (10,359)                     |
| Payment for redemption of investment in minority interests        | (4,970)                      | (12,484)                     |
| <b>Net increase (decrease) in cash &amp; cash equivalents</b>     | <b>(6,791)</b>               | <b>(36,197)</b>              |
| <b>Cash &amp; cash equivalents at end of 1st quarter</b>          | <b>54,174</b>                | <b>40,059</b>                |

## Profit/Loss for Major Segments (Consolidated)

| (Unit: Yen million)          | December 2008<br>3rd quarter | Sales<br>comparison | December 2007<br>3rd quarter | Sales<br>comparison | Change in<br>amount | Percentage<br>change | FY 2009<br>forecast |
|------------------------------|------------------------------|---------------------|------------------------------|---------------------|---------------------|----------------------|---------------------|
| <b>Construction Division</b> |                              |                     |                              |                     |                     |                      |                     |
| Net sales                    | 200,391                      |                     | 178,657                      |                     | 21,734              | 12.2%                | 360,150             |
| Gross profit                 | 62,879                       | 31.4%               | 60,083                       | 33.6%               | 2,796               | 4.7%                 | 109,950             |
| Operating profit             | 33,771                       | 16.9%               | 34,665                       | 19.4%               | (894)               | -2.6%                | 69,450              |
| <b>Leasing Division</b>      |                              |                     |                              |                     |                     |                      |                     |
| Net sales                    | 248,398                      |                     | 221,947                      |                     | 26,451              | 11.9%                | 335,900             |
| Gross profit                 | 36,742                       | 14.8%               | 35,522                       | 16.0%               | 1,220               | 3.4%                 | 47,000              |
| Operating profit             | 2,180                        | 0.9%                | 836                          | 0.4%                | 1,344               | 160.8%               | 250                 |
| <b>Hotel Resort Division</b> |                              |                     |                              |                     |                     |                      |                     |
| Net sales                    | 7,652                        |                     | 7,683                        |                     | (31)                | -0.4%                | 9,900               |
| Gross profit                 | 1,245                        | 16.3%               | 1,114                        | 14.5%               | 131                 | 11.8%                | 1,700               |
| Operating profit (loss)      | (525)                        | -                   | (468)                        | -                   | (57)                | -                    | (1,000)             |
| <b>Other Division</b>        |                              |                     |                              |                     |                     |                      |                     |
| Net sales                    | 20,903                       |                     | 21,160                       |                     | (257)               | -1.2%                | 34,900              |
| Gross profit (loss)          | (2,921)                      | -14.0%              | 2,395                        | 11.3%               | (5,316)             | -222.0%              | (4,200)             |
| Operating profit (loss)      | (6,992)                      | -                   | (576)                        | -                   | (6,416)             | -                    | (9,900)             |

\*Values for each are before eliminations between segments.

## Quarterly Data

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## Quarterly Data (Consolidated, cumulative)

| Cumulative<br>(Unit: Yen million)              | 08/03   |          |          |         | 09/03   |         |         |             |
|--|---------|----------|----------|---------|---------|---------|---------|-------------|
|  | 1Q      | 2Q       | 3Q       | 4Q      | 1Q      | 2Q      | 3Q      | FY Forecast |
| Net sales                                      | 109,513 | 317,108  | 426,452  | 672,973 | 115,813 | 355,352 | 473,481 | 735,800     |
| Cost of sales                                  | 88,738  | 241,977  | 330,290  | 511,054 | 94,246  | 277,871 | 379,235 | 586,400     |
| Gross profit                                   | 20,775  | 75,131   | 96,162   | 161,919 | 21,566  | 77,481  | 94,245  | 149,400     |
| (%)  | 19.0%   | 23.7%    | 22.5%    | 24.1%   | 18.6%   | 21.8%   | 19.9%   | 20.3%       |
| Selling, general &<br>administrative expenses  | 22,212  | 44,486   | 65,144   | 90,516  | 23,201  | 47,678  | 69,462  | 95,700      |
| (%)  | 20.3%   | 14.0%    | 15.3%    | 13.5%   | 20.0%   | 13.4%   | 14.7%   | 13.0%       |
| Operating profit (loss)                        | (1,436) | 30,644   | 31,017   | 71,402  | (1,634) | 29,803  | 24,782  | 53,700      |
| (%)  | -1.3%   | 9.7%     | 7.3%     | 10.6%   | -1.4%   | 8.4%    | 5.2%    | 7.3%        |
| Recurring profit                               | 992     | 29,178   | 28,525   | 60,847  | 1,367   | 30,562  | 17,600  | 45,400      |
| (%)  | 0.9%    | 9.2%     | 6.7%     | 9.0%    | 1.2%    | 8.6%    | 3.7%    | 6.2%        |
| Net income (loss)                              | 1,304   | (11,848) | (13,185) | 342     | (732)   | 12,280  | 2,941   | 12,600      |
| (%)  | 1.2%    | -        | -        | 0.1%    | -0.6%   | 3.5%    | 0.6%    | 1.7%        |
| Orders received (Period total)                 | 98,397  | 203,733  | 306,440  | 421,534 | 87,954  | 155,482 | 209,613 | 320,000     |
| Orders received outstanding<br>(End of period) | 315,970 | 295,529  | 376,469  | 342,679 | 403,979 | 323,860 | 351,930 | 300,000     |
| Managed units (End of period)                  | 399,147 | 416,219  | 425,237  | 422,025 | 456,671 | 472,671 | 488,840 | 506,438     |
| Occupancy rate (Period average)                | 93.7    | 92.8     | 92.2     | 92.4    | 91.3    | 90.4    | 89.1    | 91.0        |

# Quarterly Data (Consolidated, quarterly)

| Quarterly<br>(Unit: Yen million)              | 08/03   |          |         |         | 09/03   |         |          |
|---|---------|----------|---------|---------|---------|---------|----------|
|   | 1Q      | 2Q       | 3Q      | 4Q      | 1Q      | 2Q      | 3Q       |
| Net sales                                     | 109,513 | 207,595  | 109,344 | 246,521 | 115,813 | 239,539 | 118,129  |
| Cost of sales                                 | 88,738  | 153,239  | 88,313  | 180,764 | 94,246  | 183,625 | 101,364  |
| Gross profit                                  | 20,775  | 54,356   | 21,031  | 65,757  | 21,566  | 55,915  | 16,764   |
| (%)   | 19.0%   | 26.2%    | 19.2%   | 26.7%   | 18.6%   | 23.3%   | 14.2%    |
| Selling, general &<br>administrative expenses | 22,212  | 22,274   | 20,658  | 25,372  | 23,201  | 24,477  | 21,784   |
| (%)   | 20.3%   | 10.7%    | 18.9%   | 10.3%   | 20.0%   | 10.2%   | 18.4%    |
| Operating profit (loss)                       | (1,436) | 32,080   | 373     | 40,385  | (1,634) | 31,437  | (5,021)  |
| (%)   | -1.3%   | 15.5%    | 0.3%    | 16.4%   | -1.4%   | 13.1%   | -4.3%    |
| Recurring profit (loss)                       | 992     | 28,186   | (653)   | 32,322  | 1,367   | 29,195  | (12,962) |
| (%)   | 0.9%    | 13.6%    | -0.6%   | 13.1%   | 1.2%    | 12.2%   | -11.0%   |
| Net income (loss)                             | 1,304   | (13,152) | (1,337) | 13,527  | (732)   | 13,012  | (9,339)  |
| (%)   | 1.2%    | -6.3%    | -1.2%   | 5.5%    | -0.6%   | 5.4%    | -7.9%    |
| Orders received (Quarterly total)             | 98,397  | 105,336  | 102,707 | 115,094 | 87,954  | 67,528  | 54,130   |
| Managed units (Quarterly average)             | 396,818 | 408,738  | 423,917 | 434,704 | 454,698 | 465,836 | 486,872  |
| Occupancy rate (Quarterly average)            | 93.7    | 91.9     | 91.1    | 92.8    | 91.3    | 89.5    | 86.7     |

Units

Units

%

%

## Status of Major Strategic Business Ventures

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## 〈Residential Business〉

| (Unit: Yen million)                   |                                    | Results for FY ended March 2008 | Result for the term ended September 2008 | Result for the 3rd quarter ended December 2008 |
|---------------------------------------|------------------------------------|---------------------------------|--|--|
| Purchase contracts                    | Revenue                            | 14,107                          | 4,287                                    | 5,755  |
| Sales                                 | Value of Sales contracts concluded | 7,630                           | 2,607                                    | 4,274  |
|                                       | Units sold                         | 180                             | 60                                       | 101  |
| Revenue                               | Revenue                            | 7,977                           | 2,268                                    | 3,865  |
|                                       | Total units sold                   | 188                             | 49                                       | 85   |
| Total revenue of Residential Business |                                    | 11,281                          | 2,788                                    | 4,789  |



“Lu Cerna Funabashi Miyamoto i”  
Funabashi City, Chiba

\*including land transactions.

## 〈Silver Business〉

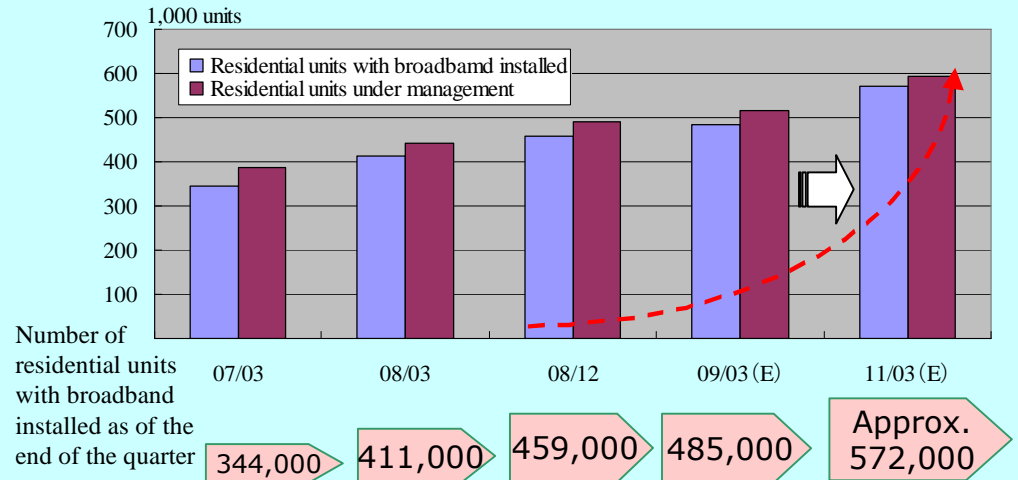
|                                  |                               | Results for the term ended March 2008 | Result for the term ended September 2008 | Result for the 3rd quarter ended December 2008 |
|----------------------------------|-------------------------------|---------------------------------------|--|--|
| Direct operation                 | Revenue                       | 2,668                                 | 2,098                                    | 3,370  |
|                                  | Total units as of end of term | 35                                    | 46                                       | 47   |
| Under contract                   | Total value of contracts      | 10,221                                | 789                                      | 2,455  |
|                                  | Units ordered                 | 26                                    | 4  | 10   |
|                                  | Revenue                       | 8,506                                 | 1,223                                    | 1,832  |
| Total revenue of Silver Business |                               | 11,174                                | 3,321                                    | 5,204  |



“Azumien Shikanuma”  
Shikanuma City, Tochigi

# Broadband Business/Resort Business

## 《Broadband Business》



|  | 07/3     | 08/3     | 08/12<br>Q3<br>result | 09/3 (E) |
|--|----------|----------|-----------------------|----------|
| Users                                    | 302,000  | 362,000  | 380,000               | 430,000  |
| Sales (yen)                              | 11.1 bil | 13.2 bil | 10.3 bil              | 14.3 bil |
| Gross profit (loss)<br>on sales<br>(yen) | 0.85 bil | 1.32 bil | 1.13 bil              | 1.43 bil |

## 《Leopalace Resort Business (LGC)》

| (Units: 1,000 US dollars) |   | 1Q results<br>(Jan. - Mar.) | Interim results<br>(Jan. - Jun.) | 3Q results<br>(Jan. - Sep.) | FY 2007<br>(Jan. - Dec.)     |
|---------------------------|---|-----------------------------|----------------------------------|-----------------------------|------------------------------|
| <b>FY 2007</b>            | <b>Net Sales</b>                        | 24,171                      | 42,429                           | 58,790                      | 77,676                       |
|                           | <b>Operating Income</b>                 | 5,166                       | 5,972                            | 5,126                       | 4,920                        |
|                           | <b>Depreciation Expenses</b>            | 3,790                       | 7,563                            | 11,328                      | 15,160                       |
|                           | <b>Occuring Rate (Leopalace Resort)</b> | 74.8%                       | 63.0%                            | 58.8%                       | 59.1%                        |
|                           | <b>Occupancy Rate (Westin)</b>          | 70.5%                       | 61.9%                            | 66.3%                       | 64.1%                        |
|                           |   | 1Q results<br>(Jan. - Mar.) | Interim results<br>(Jan. - Jun.) | 3Q results<br>(Jan. - Sep.) | FY 2008 (E)<br>(Jan. - Dec.) |
| <b>FY 2008</b>            | <b>Net Sales</b>                        | 23,485                      | 43,411                           | 59,932                      | 80,182                       |
|                           | <b>Operating Income</b>                 | 4,346                       | 5,578                            | 3,776                       | 5,217                        |
|                           | <b>Depreciation Expenses</b>            | 3,888                       | 7,889                            | 11,848                      | 15,792                       |
|                           | <b>Occuring Rate (Leopalace Resort)</b> | 69.0%                       | 60.5%                            | 58.0%                       | 67.8%                        |
|                           | <b>Occupancy Rate (Westin)</b>          | 69.3%                       | 69.3%                            | 70.1%                       | 72.4%                        |

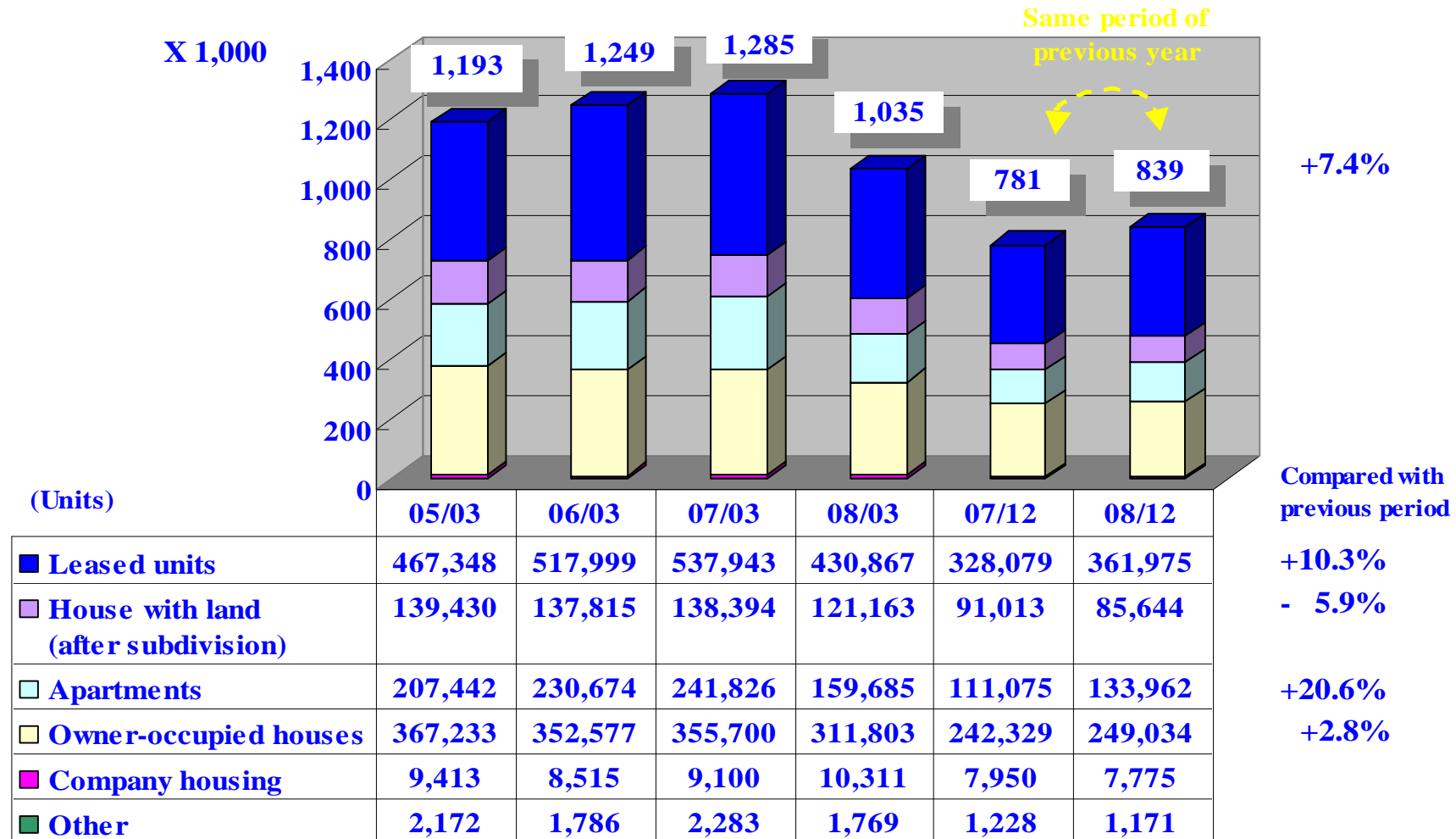
# Appendix

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# Supply – 1 (Market for Housing)

Housing Starts (No. by use breakdown)

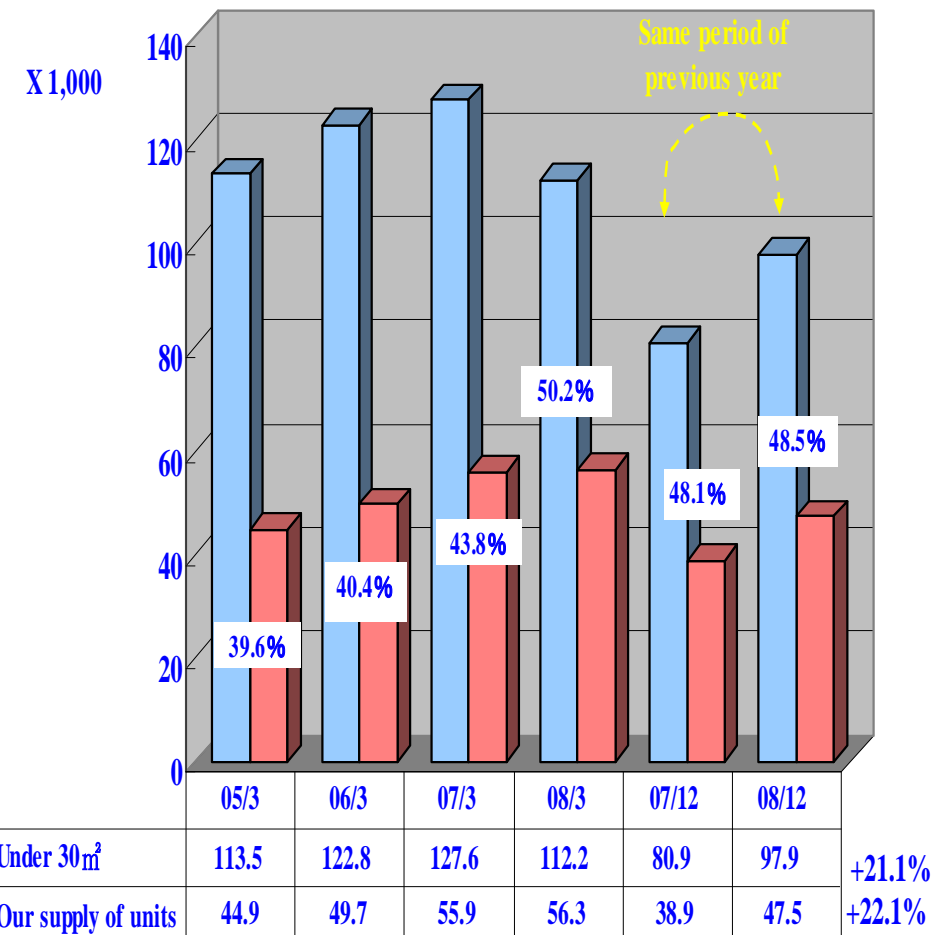
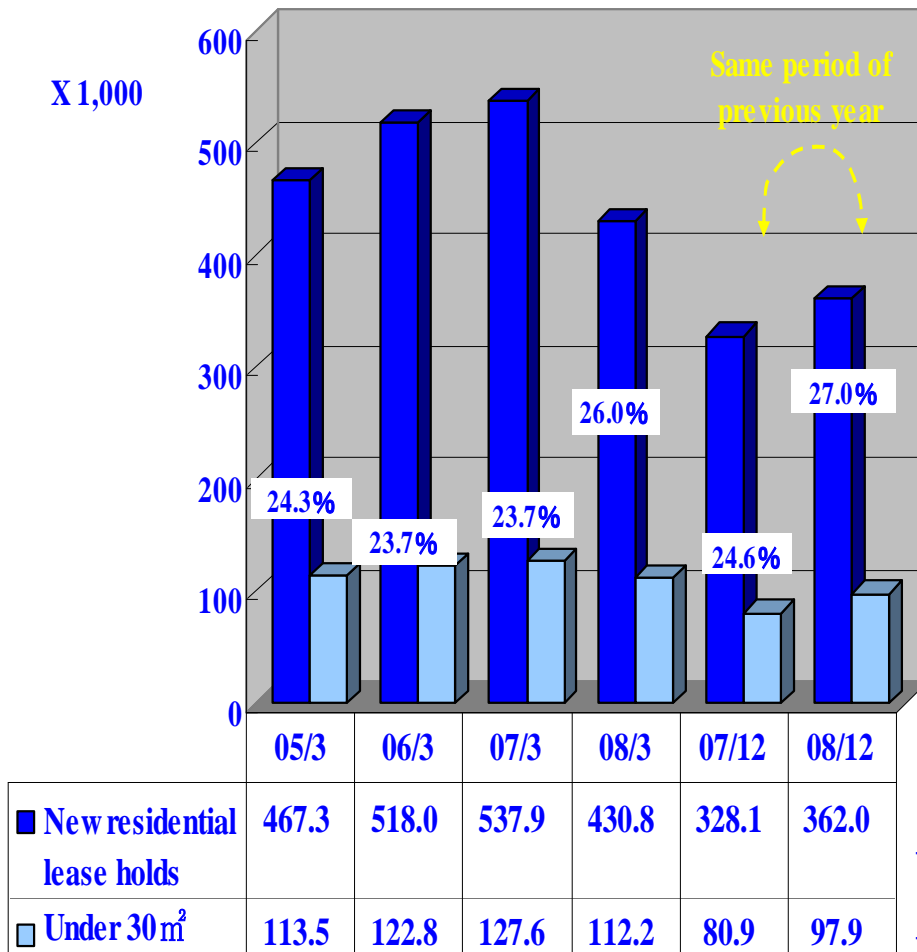


(Based on housing start statistics for December 2008 Ministry of Land, Infrastructure & Transport)

## Supply – 2 (Market for Studios)

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

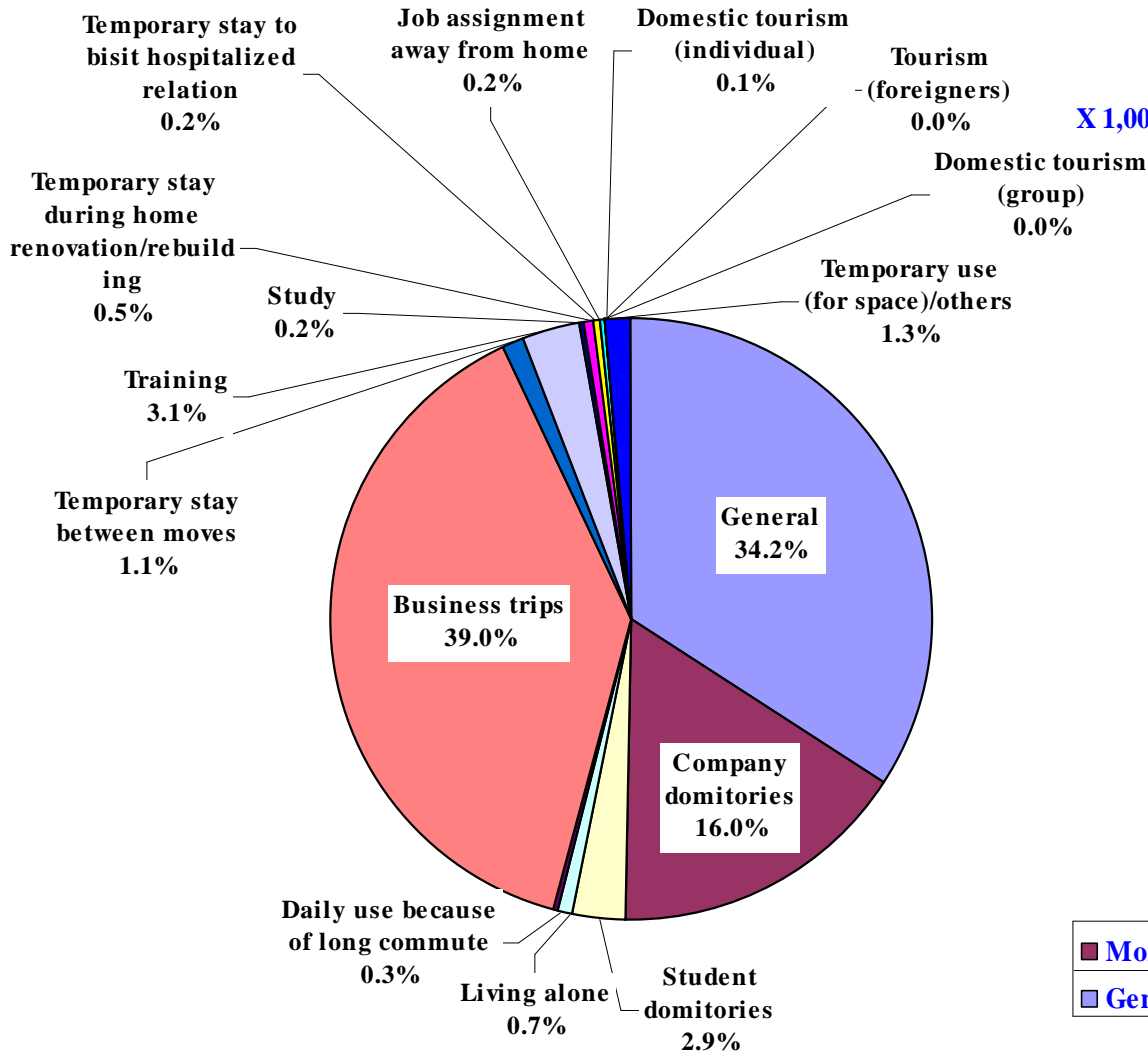


(Based on housing start statistics for December 2008, Ministry of Land, Infrastructure & Transport)

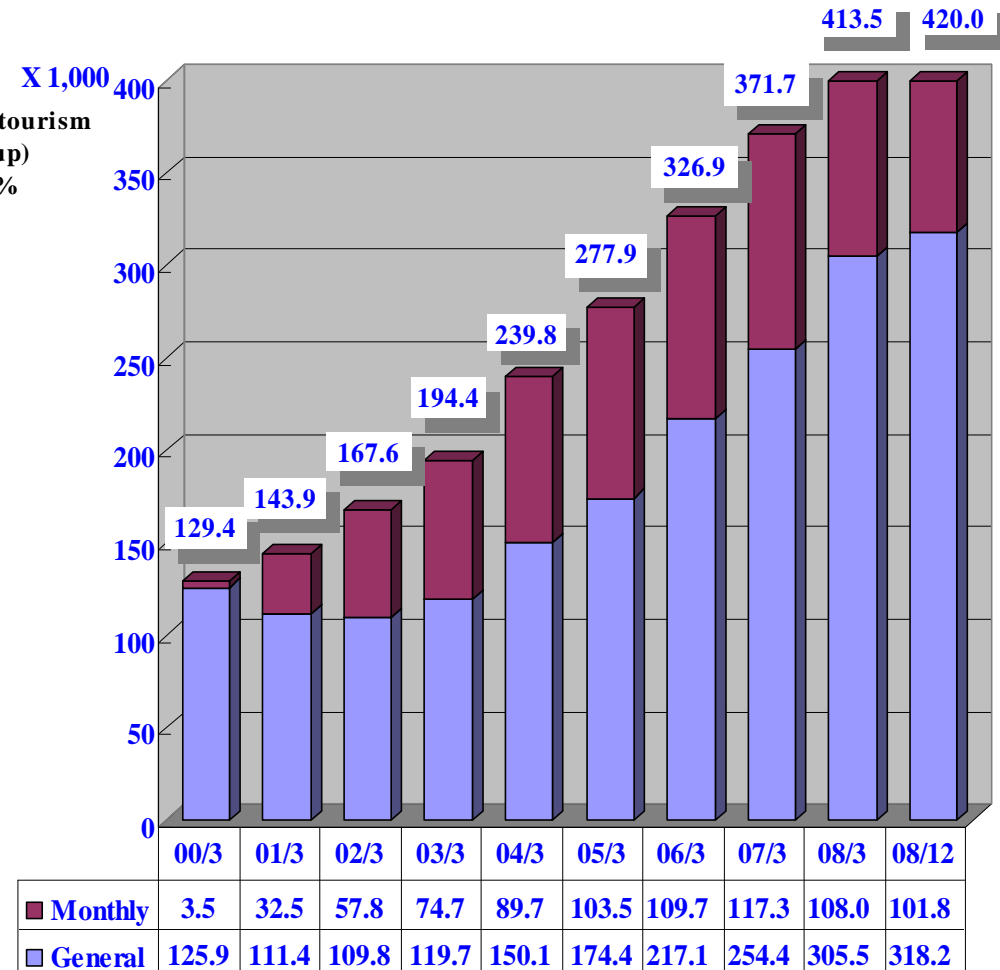
\*Supply of units after FY 06/3 represents actual units sold.

# Use (Studio Market)

Breakdown of Users of Month-to-month Leases (December 2008)



No. of Tenants by Contract Type



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