

Explanatory Session for the First Quarter Results of the Fiscal Year Ending March 2010

July 2009

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.

[Overview of Core Businesses during the First Quarter Ended June 2009]

Overview of Apartment Construction Subcontracting Business.....	3
Overview of Leasing Business.....	4

[Outline of First Quarter Results]

Highlights of the First Quarter Results (Consolidated & Non-Consolidated)	6
Highlights of the First Quarter Results for Parent & Major Subsidiaries	7
Outline of Balance Sheet (Consolidated)	8
Outline of Cash Flow (Consolidated).....	9
Profit/Loss for Major Segments (Consolidated).....	10
Quarterly Data (Consolidated, cumulative).....	11

[Current Progress in the Development of Other Businesses]

Results of Other Business Operations.....	13
Results of Real Estate and Silver Business.....	14

[Appendix]

New Housing Starts.....	16
New Housing Starts (Units under 30 square meters).....	17
Usage Pattern for Leopalace21's One-Room Units and Contract Type.....	18

Overview of Core Businesses during the First Quarter Ended June 2009

Change for NEXT
Leopalace 21

Overview of Apartment Construction Subcontracting Business

(Unit: 100 Million Yen)	FY 2007/03	FY 2008/03	FY 2009/03					FY 2010/03	Full-year Forecast
	Full-year	Full-year	1Q	2Q	3Q	4Q	Full-year	1Q	
Total orders received	3,624	4,630	1,032	901	717	726	3,378	632	3,400
Total orders cancelled	218	415	153	226	176	128	683	185	400
Cancellation rate	6.0%	9.0%	14.8%	25.1%	24.5%	17.6%	20.2%	29.3%	11.8%
Net orders received	3,406	4,215	879	675	541	595	2,691	447	3,000
Orders received outstanding	2,486	3,426	4,039	3,238	3,519	2,528	—	2,638	2,526

Overview of Leasing Business

(Unit: x1,000; %)	FY 2007/03	FY 2008/03	FY 2009/03					FY 2010/03	Full-year Forecast
	Full-year	Full-year	1Q	2Q	3Q	4Q	Full-year	1Q	
Total number of leases signed during period	362	374	81	86	87	130	384	83	440
Of which by realtor-brokers	14	15	3	5	6	13	27	5	43
Total number of leases terminated during period	319	330	85	79	87	110	361	96	355
Occupancy rate	92.8%	92.4%	91.2%	89.5%	86.7%	86.8%	88.5%	83.1%	85.1%
Of which corporate tenants	-	-	39.0%	38.5%	35.6%	36.0%	37.3%	33.7%	-
Of which personnel dispatch/outsourcing lessee tenants	-	-	6.2%	6.5%	4.5%	3.5%	5.2%	2.8%	-

*Total occupancy rate is the average during period. Breakdown figures for occupancy rates are as of the end of each period.

Outline of the First Quarter Results

Change for NEXT
Leopalace 21

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

(Unit: Million Yen)	Consolidated				Non-consolidated			
	June 2009 1st Quarter	June 2008 1st Quarter	Change in amount	Percentage change	June 2009 1st Quarter	June 2008 1st Quarter	Change in amount	Percentage change
Net sales	128,918	115,813	13,105	11.3%	127,518	114,489	13,029	11.4%
Gross profit	9,733	21,566	(11,833)	-54.9%	10,202	22,394	(12,192)	-54.4%
(%)	7.5%	18.6%	-11.1%	—	8.0%	19.6%	-11.6%	—
Selling, general & administrative expenses	19,946	23,201	(3,255)	-14.0%	20,625	24,298	(3,673)	-15.1%
Operating profit (loss)	(10,212)	(1,634)	(8,578)	—	(10,423)	(1,904)	(8,519)	—
(%)	-7.9%	-1.4%	-6.5%	—	-8.2%	-1.7%	-6.5%	—
Recurring profit (loss)	(11,572)	1,367	(12,939)	—	(11,411)	(1,589)	(9,822)	—
(%)	-9.0%	1.2%	-10.2%	—	-8.9%	-1.4%	-7.6%	—
Net income (loss)	(5,226)	(732)	(4,494)	—	(5,104)	(960)	(4,144)	—

Highlights of the First Quarter Results for Parent & Major Subsidiaries

(Unit: Million Yen)		June 2009 1st Quarter	June 2008 1st Quarter	Change in amount	Percentage change	June 2009 depreciation expenses	June 2008 depreciation expenses
Leopalace21 Corporation	Net sales	127,518	114,489	13,029	11.4%	1,132	780
	Recurring loss	(11,411)	(1,589)	(9,822)	—		
LGC	Net sales	1,988	2,472	(484)	-19.6%	373	409
	Recurring profit (loss)	(715)	3,167	(3,882)	—		
	Foreign exchange gain (loss)	(972)	2,694	(3,666)	—		
Others & Exclusion	Net sales	(588)	(1,148)	560	-48.8%	7	10
	Recurring profit (loss)	554	(211)	765	—		
Consolidated total	Net sales	128,918	115,813	13,105	11.3%	1,512	1,199
	Recurring profit (loss)	(11,572)	1,367	(12,939)	—		
	Foreign exchange gain (loss)	(1,010)	3,291	(4,301)	—		

Outline of Balance Sheet (Consolidated)

(Unit: Million Yen)		June 2009 1st Quarter	June 2008 1st Quarter	Change in amount	FY ended Mar. 2009
Assets	Current assets	153,125	186,909	(33,784)	192,015
	Cash & cash equivalents	38,638	50,532	(11,894)	78,375
	Trade receivables & account receivables for completed projects	8,038	4,404	3,634	9,471
	Operating loans	9,498	14,588	(5,090)	10,043
	Real estate for sale, sale in process	22,205	34,952	(12,747)	28,826
	Payout for construction in progress	19,446	19,472	(26)	14,925
	Fixed assets	277,603	270,257	7,346	275,280
	Buildings & structures	68,374	71,042	(2,668)	66,529
	Land	116,975	116,621	354	114,914
	Construction in progress	3,544	2,764	780	2,884
	Total assets	430,732	457,173	(26,441)	467,300
Liabilities	Current liabilities	200,570	214,781	(14,211)	231,432
	Short-term borrowings	44,482	34,120	10,362	17,492
	Long-term liabilities	84,351	95,455	(11,104)	89,425
	Long-term borrowings	16,025	38,067	(22,042)	22,897
	Provision for apartment vacancy loss	6,824	0	6,824	4,620
	Total liabilities	284,921	310,236	(25,315)	320,857
Net assets	Share capital	55,640	55,640	—	55,640
	Capital surplus	34,104	34,104	—	34,104
	Retained earnings	68,185	67,510	675	73,412
	Total net assets	145,811	146,936	(1,125)	146,442

Shareholder's equity ratio	33.9%	32.1%	1.8%	31.3%
----------------------------	-------	-------	------	-------

Outline of Cash Flow (Consolidated)

(Unit: Million Yen)	June 2009 1st Quarter	June 2008 1st Quarter	Change in amount	FY ended Mar. 2009
Cash flows from operating activities	(56,167)	(17,818)	(38,349)	62,843
Net income (loss) before taxes & adjustments	(11,625)	(1,519)	(10,106)	33,446
Depreciation expenses	1,512	1,215	297	5,782
Foreign exchange loss (gain)	1,009	(3,291)	4,300	1,876
Decrease (increase) in accounts receivable	3,906	30,785	(26,879)	35,868
Decrease (increase) in real estate for sale	5,970	(963)	6,933	4,941
Decrease (increase) in work in process	(4,520)	(7,680)	3,160	(3,133)
Decrease (increase) in long-term prepaid expenses	3,976	64	3,912	(10,854)
Increase (decrease) in accounts payable	(42,137)	(64,456)	22,319	(26,860)
Income taxes paid	(13,266)	(14,317)	1,051	(22,884)
Cash flows from investing activities	(3,682)	(1,940)	(1,742)	(10,048)
Payment for purchase & proceeds from sale of tangible assets	(2,279)	(1,593)	(686)	(5,147)
Payment for purchase & proceeds from sale of investment securities	51	51	0	(419)
Cash flows from financial activities	19,710	9,537	10,173	(33,885)
Proceeds from & repayment of short-term debt	30,500	7,000	23,500	0
Proceeds from & repayment of long-term debt	(10,383)	15,477	(25,860)	(4,226)
Dividends paid to minority shareholders	-	(4,970)	(4,970)	-
Dividends paid for shareholders	-	(7,968)	(7,968)	(12,750)
Net increase (decrease) in cash & cash equivalents	(39,736)	(10,432)	(29,304)	17,410
Cash & cash equivalents at end of period	38,638	50,532	(11,894)	78,375

Profit/Loss for Major Segments (Consolidated)

(Unit: Million Yen)	June 2009 1st Quarter		June 2008 1st Quarter		Change in amount	Percentage change	Forecasts for FY 2010	
Construction Division	*Effect in switching to “percent of completion method”: Net sales ¥13.3 billion; Gross profit ¥3.4 billion.							
Net sales	33,841		26,757		7,084	26.5%	300,246	
Gross profit	9,775	28.9%	8,806	32.9%	969	11.0%	85,690	28.5%
Operating profit (loss)	2,002	5.9%	(32)	-0.1%	2,034	—	48,463	16.1%
Leasing Division								
Net sales	85,173		83,967		1,206	1.4%	361,192	
Gross profit	742	0.9%	13,080	15.6%	(12,338)	-94.3%	22,086	6.1%
Operating profit (loss)	(9,521)	-11.2%	842	1.0%	(10,363)	—	(16,961)	-4.7%
Hotel Resort Division								
Net sales	2,731		3,218		(487)	-15.1%	12,130	
Gross profit	711	26.0%	974	30.3%	(263)	-27.0%	3,151	26.0%
Operating profit (loss)	(157)	-5.7%	53	1.6%	(210)	—	(582)	-4.8%
Other Division (Including Real Estate)								
Net sales	8,139		3,296		4,843	—	32,140	
Gross profit (loss)	(559)	-6.9%	(260)	-7.9%	(299)	—	(1,384)	-4.3%
Operating profit (loss)	(1,444)	-17.7%	(904)	-27.4%	(540)	59.7%	(5,238)	-16.3%

*Values for each are before eliminations between segments.

Segments have been changed since this FY ending March 2010. Please see page 13 for results of segment operations.

[Quarterly Data]
Earnings Results and Forecasts
(Consolidated, cumulative)

Cumulative (Unit: Million Yen)	08/03				09/03				10/03	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	FY Forecast
Net sales	109,513	317,108	426,452	672,973	115,813	355,352	473,481	733,235	128,918	700,700
Cost of sales	88,738	241,977	330,290	511,054	94,246	277,871	379,235	589,834	119,185	595,955
Gross profit	20,775	75,131	96,162	161,919	21,566	77,481	94,245	143,401	9,733	104,745
(%)	19.0%	23.7%	22.5%	24.1%	18.6%	21.8%	19.9%	19.6%	7.5%	14.9%
Selling, general, and administrative expenses	22,212	44,486	65,144	90,516	23,201	47,678	69,462	93,244	19,946	83,019
(%)	20.3%	14.0%	15.3%	13.5%	20.0%	13.4%	14.7%	12.7%	15.5%	11.8%
Operating profit (loss)	(1,436)	30,644	31,017	71,402	(1,634)	29,803	24,782	50,156	(10,212)	21,700
(%)	-1.3%	9.7%	7.3%	10.6%	-1.4%	8.4%	5.2%	6.8%	-7.9%	3.1%
Recurring profit (loss)	992	29,178	28,525	60,847	1,367	30,562	17,600	46,785	(11,572)	19,900
(%)	0.9%	9.2%	6.7%	9.0%	1.2%	8.6%	3.7%	6.4%	-9.0%	2.8%
Net income (loss)	1,304	(11,848)	(13,185)	342	(732)	12,280	2,941	9,951	(5,226)	8,700
(%)	1.2%	-	-	0.1%	-0.6%	3.5%	0.6%	1.4%	-4.1%	1.2%
Orders received (Period total)	98,397	203,733	306,440	421,534	87,954	155,482	209,613	269,147	44,741	300,000
Orders received outstanding (Period total)	315,970	295,529	376,469	342,679	403,979	323,860	351,930	252,853	263,847	252,800
Managed units (End of period)	399,147	416,219	425,237	422,025	456,671	472,671	488,840	506,742	519,743	553,051
Occupancy rate (Period average)	93.7%	92.8%	92.2%	92.4%	91.3%	90.4%	89.1%	88.5%	83.1%	85.1%

Current Progress in the Development of Other Businesses

Change for NEXT
Leopalace 21

Results of Other Business Operations

<Related Businesses>

(Unit: Million Yen)		June 2009 1st Quarter	June 2008 1st Quarter	Change in amount	Percentage change	Forecasts for FY 2010
Real Estate Business (New segment)	Net sales	6,063	1,164	4,899	—	20,793
	Gross profit (loss)	(159)	1,352	(1,511)	—	(1,602)
	Operating profit (loss)	(588)	(648)	60	9.3%	(3,274)
Silver Business (Other Business)	Net sales	1,918	1,896	22	1.2%	10,334
	Gross profit (loss)	(528)	85	(613)	—	(656)
	Operating profit (loss)	(741)	(178)	(563)	—	(1,813)
Domestic Hotel Business (Hotel Resort Business)	Net sales	552	610	(58)	-9.5%	2,400
	Gross profit	277	443	(166)	-37.5%	1,685
	Operating profit (loss)	(64)	86	(150)	—	298
Broadband Business (Leasing Business)	Net sales	3,726	3,434	292	8.5%	15,200
	Gross profit	709	339	370	—	2,400
	Operating profit	508	164	344	—	1,753

<Leopalace Resort>

(Unit: 1,000 US Dollars)		Jan.-Mar. 2009 (1st Quarter)	Jan.-Mar. 2008 (1st Quarter)	Change in amount	Percentage change	FY Forecast (Jan.-Dec. 2010)
Leopalace Resort	Net sales	21,207	23,485	(2,278)	-9.7%	81,355
	Operating profit	2,740	4,349	(1,609)	-37.0%	4,829
	Depreciation expenses	3,980	3,888	92		16,152
	Operating rate (Leopalace Resort)	62.6%	69.0%	-6.4%		60.0%
	Operating rate (Westin)	65.6%	69.3%	-3.7%		70.1%

Results of Real Estate and Silver Business

<Real Estate Business>

(Unit: Million Yen)		FY ended March 2009	June 2008 1st Quarter	June 2009 1st Quarter	Forecast for FY Mar. 2010
Purchase	Purchase contract amount	14,107	2,265	0	0
Sales	Sales contract amount	7,630	1,246	2,110	8,080
Revenue	Net sales	7,977	985	1,753	8,794
Total revenue of Real Estate Business		11,281	1,164	6,063	20,793

<Silver Business>

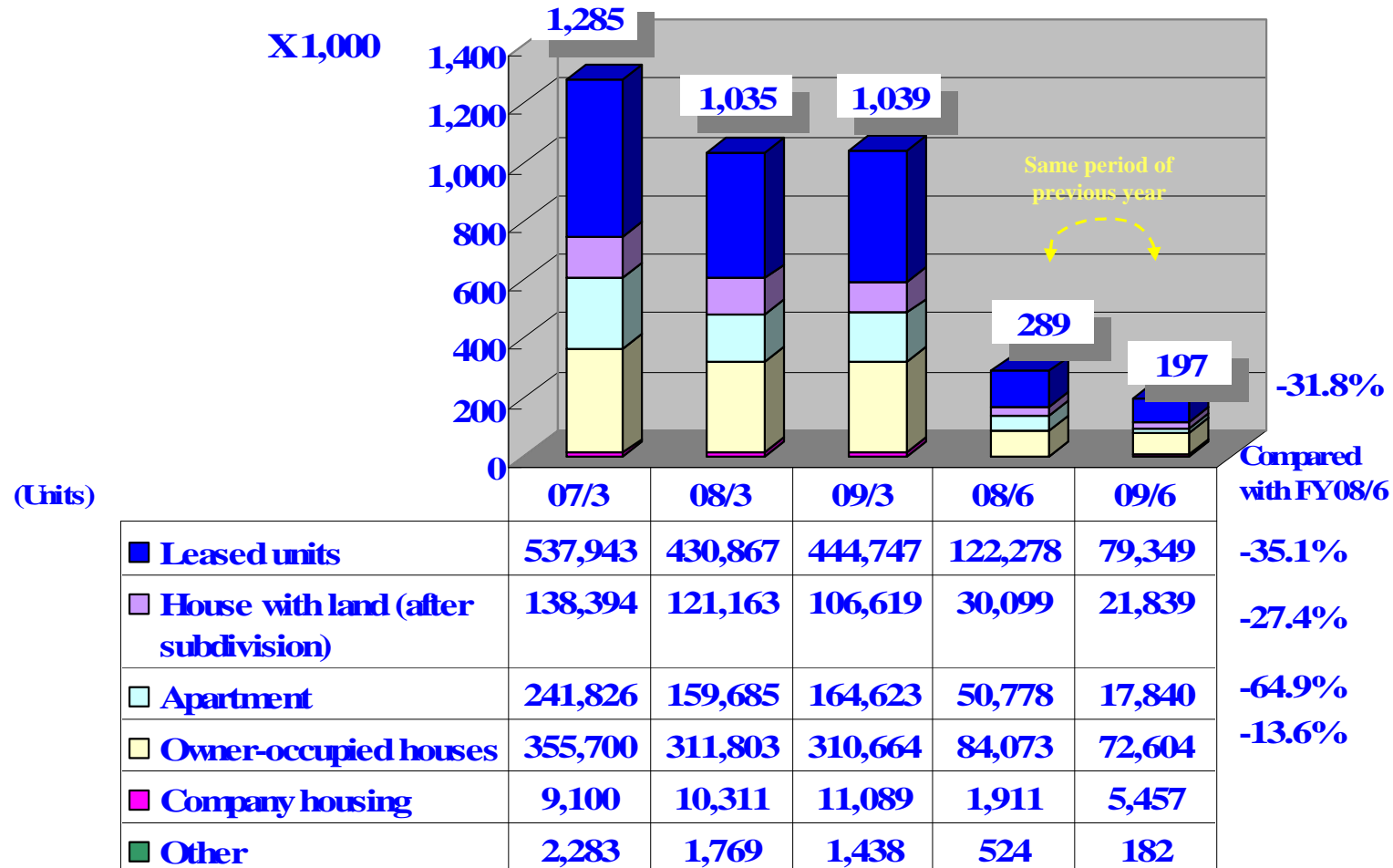
(Unit: Million Yen)		FY ended March 2009	June 2008 1st Quarter	June 2009 1st Quarter	Forecast for FY Mar. 2010
Direct operation	Revenue	4,728	965	1,437	7,262
	Total units at end of term	49	43	55	59
Under contracts	Contract amount	4,142	269	242	0
	Facilities ordered	12	1	1	0
	Revenue	3,225	932	481	3,072
Total revenue of Silver Business		7,953	1,897	1,919	10,334

Appendix

Change for NEXT
 **Leopalace 21**

New Housing Starts

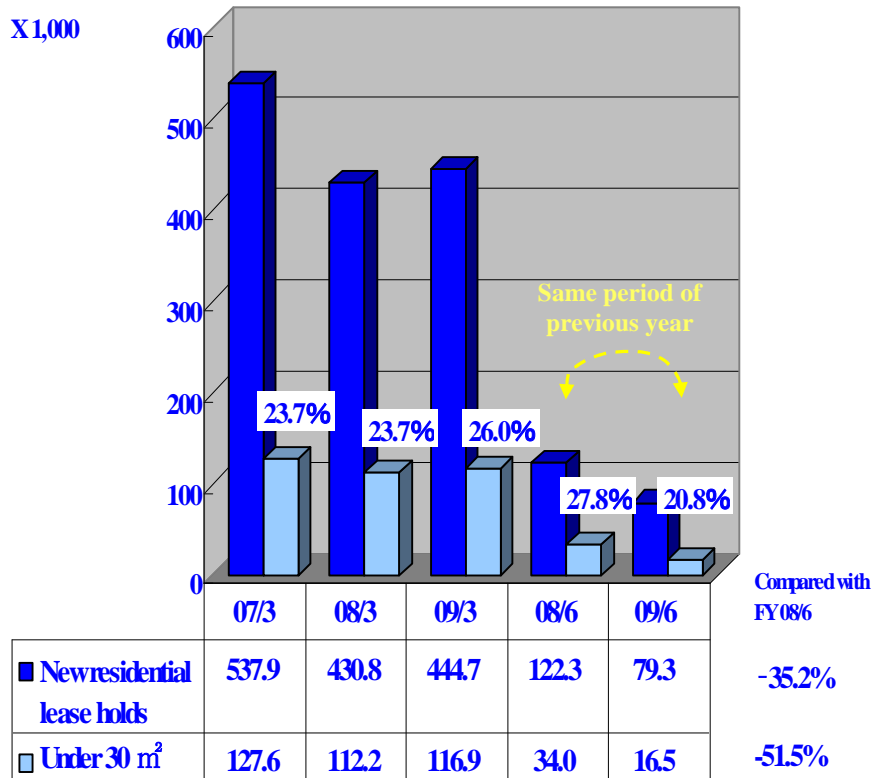
New Housing Starts (No. of use breakdown)



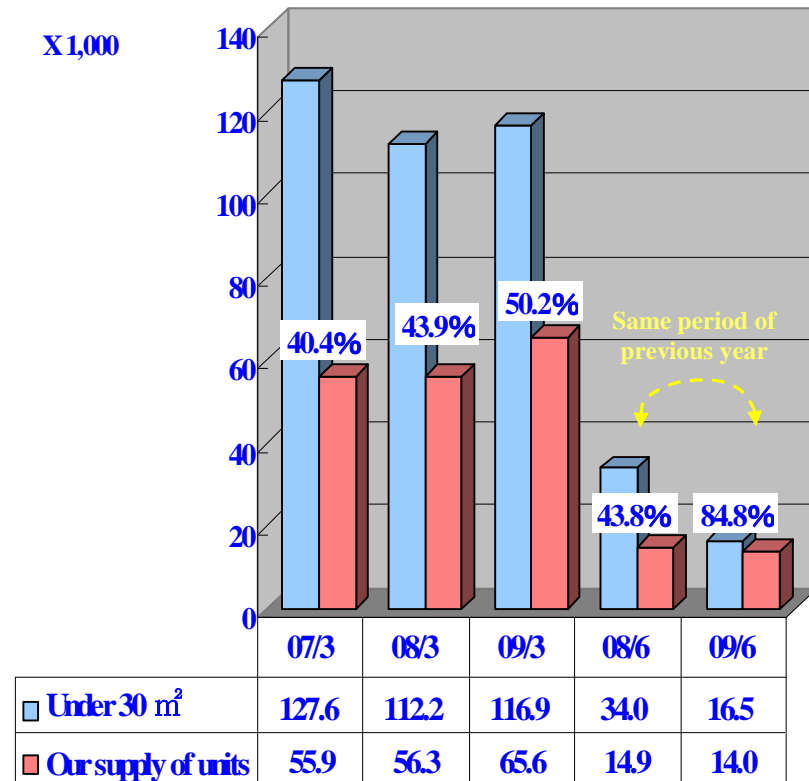
(Based on housing start statistics for the FY June 2009, Ministry of Land, Infrastructure & Transport)

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

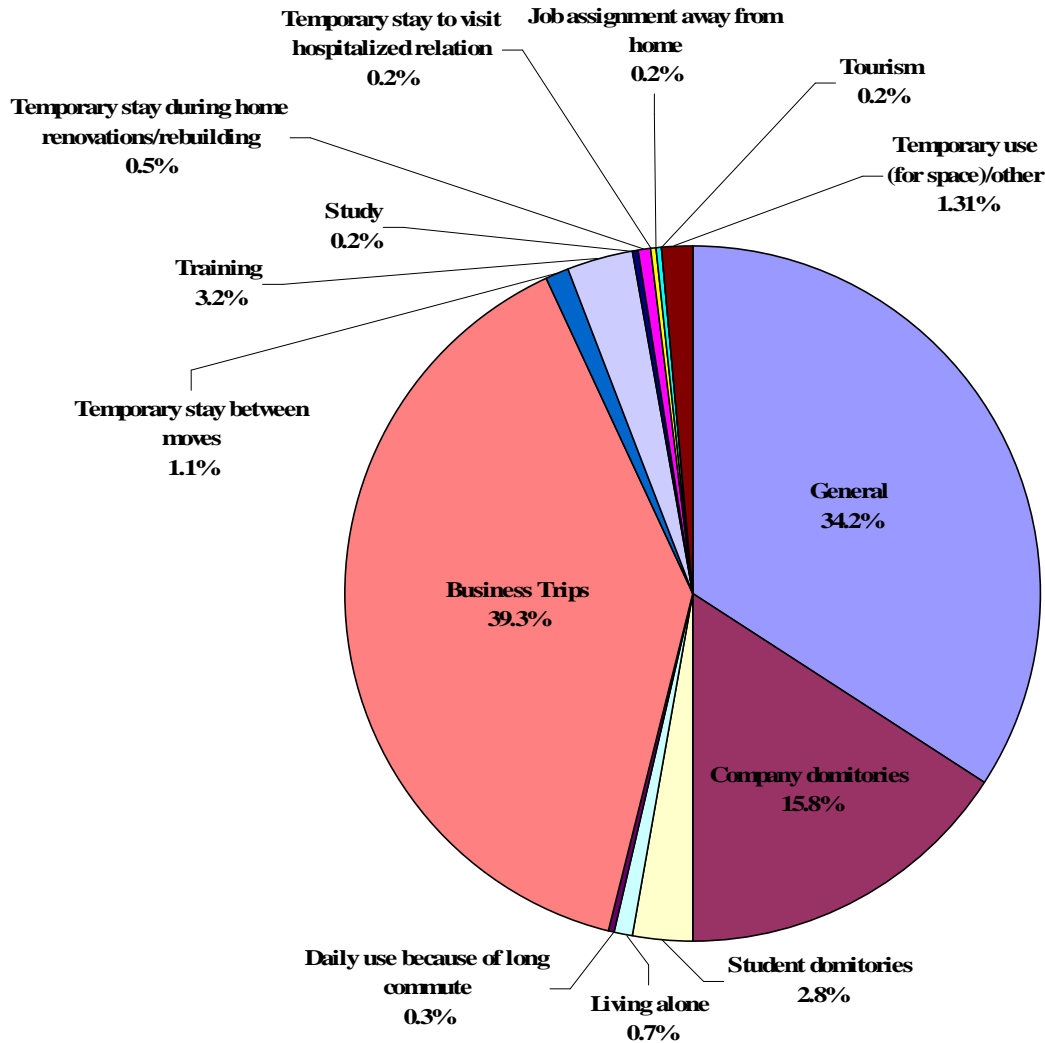


(Based on housing start statistics for the FY June 2009, Ministry of Land, Infrastructure & Transport)

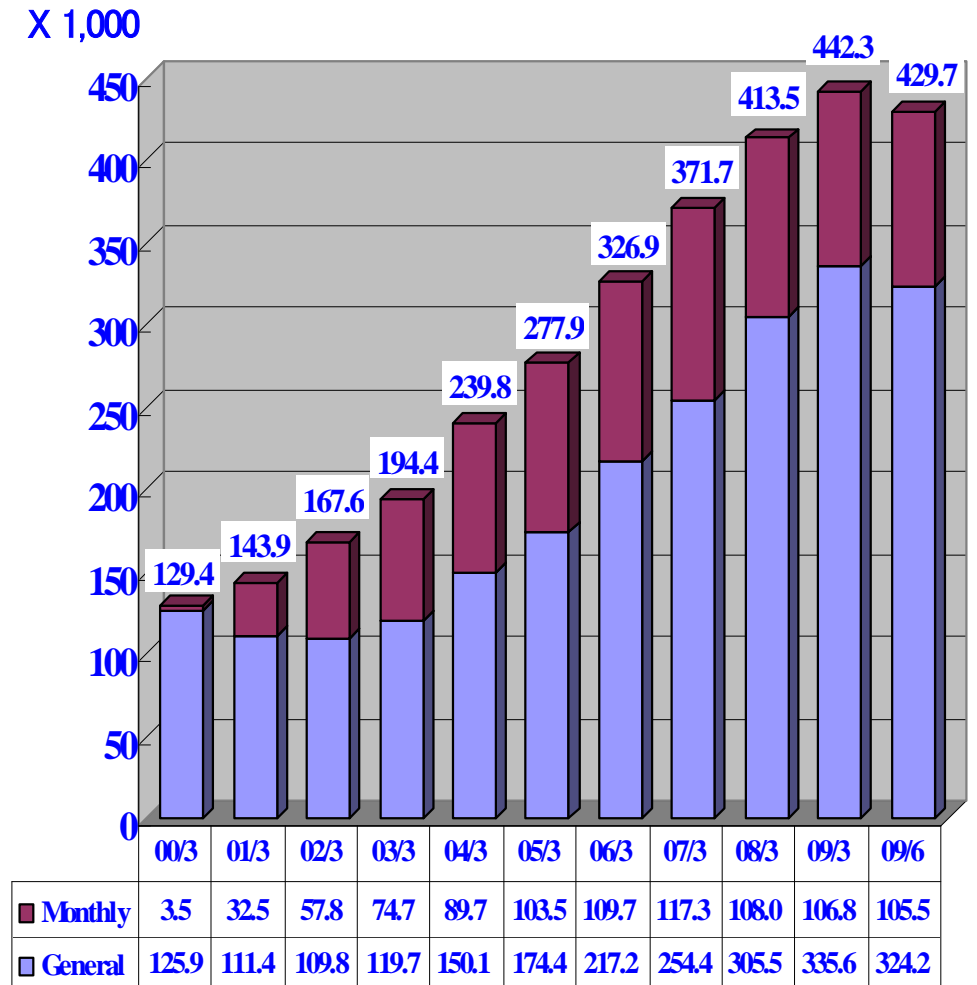
Note: Our supply units after 06/3 represents actual units sold.

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

Breakdown of Users of Month-to-Month Leases (June 2009)



No. of Tenants by Contract Type



(Based on our company data, as of June 30, 2009)