

Explanatory Session for the Results of the Fiscal Year Ended March 2010

May 2010

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 FY ended March 2010]

Overview of Apartment Construction Subcontracting Business	3
Overview of Leasing Business -1- ..	4
Overview of Leasing Business -2- Occupancy conditions by group.....	5
Determination of the Provision for Apartment Vacancy Loss	6

[Outline of the Fiscal Year Results]

Highlights of the Fiscal Year Results (Consolidated)	8
Highlights of the Fiscal Year Results for Parent & Major Subsidiaries	9
Outline of Balance Sheets	10
Outline of Cash Flow.....	11
Profit/Loss for Major Segments (Consolidated).....	12
Full-Year Forecasts for Apartment Construction Subcontracting Business Costs	13

[Current Progress in the Development of Other Businesses]

Results of Other Business Operations	15
Results of Real Estate and Silver Business	16

[Appendix]

New Housing Starts (No. of use breakdown)	18
New Housing Starts (Units under 30 square meters)	19
Usage Pattern for Leopalace21's One-Room Units and Contract Type	20
Balance of Cash and Deposits, Interest-bearing debt	21
Trend in Shareholders	22

**Overview of Core Businesses
during the Fiscal Year ended March 2010**



Overview of Apartment Construction Subcontracting Business



(Unit: 100 million yen)	FY 2007/3	FY 2008/3	FY 2009/3					FY 2010/3					FY 2011/3
	Full-year	Full-year	1Q	2Q	3Q	4Q	Full-year	1Q	2Q	3Q	4Q	Full-year	Full-year Forecast
Total orders received	3,624	4,630	1,032	901	717	726	3,378	632	636	535	380	2,183	2,080
Total orders canceled	218	415	153	226	176	128	683	184	115	109	98	506	520
Cancellation rate	6.0%	9.0%	14.8%	25.1%	24.5%	17.6%	20.2%	29.3%	18.1%	20.4%	25.8%	23.2%	25.0%
Net orders received	3,406	4,215	879	675	541	595	2,691	448	521	427	282	1,677	1,560
Orders received outstanding	2,486	3,426	4,039	3,238	3,519	2,528	—	2,638	2,292	2,425	1,836	—	1,596

Contributing Factors

Orders received in the Apartment Construction Subcontracting segment during FY2010/3 amounted to just ¥167.7 billion against a target of ¥200.0 billion (achievement rate of 84%), as Leopalace21 lowered the unit price in response to stricter screening for loans.

Breaking down the factors contributing to the year-on-year decline, ¥23.9 billion was due to the decrease in the number of orders, and ¥77.5 billion to the decrease in average value per order.

(Unit: 100 million yen)

Portion of decline due to decrease in number of orders	(239)	(1) × (2)
Portion of decline due to lowering of unit price	(775)	(3) × (4)

(Unit: 100 million yen)	FY2009/3	FY2010/3	Variance	% Change
Total Order Value	2,691	1,677	(1,014)	-37.7%
Number of Orders	2,758	(4) 2,513	(2) (245)	-8.9%
Average Value per Order	(1) 0.976	0.667	(3) (0.309)	-31.7%

Overview of Leasing Business-1-

(Unit: x1,000; %)	FY 2007/3	FY 2008/3	FY 2009/3					FY 2010/3					FY 2011/3
	Full-year	Full-year	1Q	2Q	3Q	4Q	Full-year	1Q	2Q	3Q	4Q	Full-year	Full-year Forecast
Total number of leases signed during period	362	374	81	86	87	130	384	83	90	87	131	391	457
Of which by realtor-brokers	14	15	3	5	6	13	27	5	7	7	15	33	39
Total number of leases terminated during period	319	330	85	79	87	110	361	96	86	82	106	370	393
Occupancy rate	92.8%	92.4%	91.2%	89.5%	86.7%	86.8%	88.5%	83.1%	81.9%	80.8%	83.2%	82.3%	83.7%
Of which corporate tenants	-	-	39.0%	38.5%	35.6%	36.0%	37.3%	33.7%	33.3%	31.9%	33.3%	33.1%	-
Of which personnel dispatch/outsourcing lessee tenants	-	-	6.2%	6.5%	4.5%	3.5%	5.2%	2.8%	2.6%	2.7%	2.7%	2.7%	-
Units under management	388,500	442,025	456,671	472,671	488,840	506,742	-	519,743	528,785	539,109	551,773	-	578,494

1. Total number of leases signed is the combined total of leasing system contracts and monthly system use units.
2. Total number of corporate leases includes those from subsidiary Leopalace Leasing.
3. The occupancy rate is the average value for each period (full year or quarter). Figures for units under management, corporate tenants, and for personnel dispatch/outsourcing lease tenants are as of the end of the final month for the relevant period, except for full year and 3Q cumulative figures.

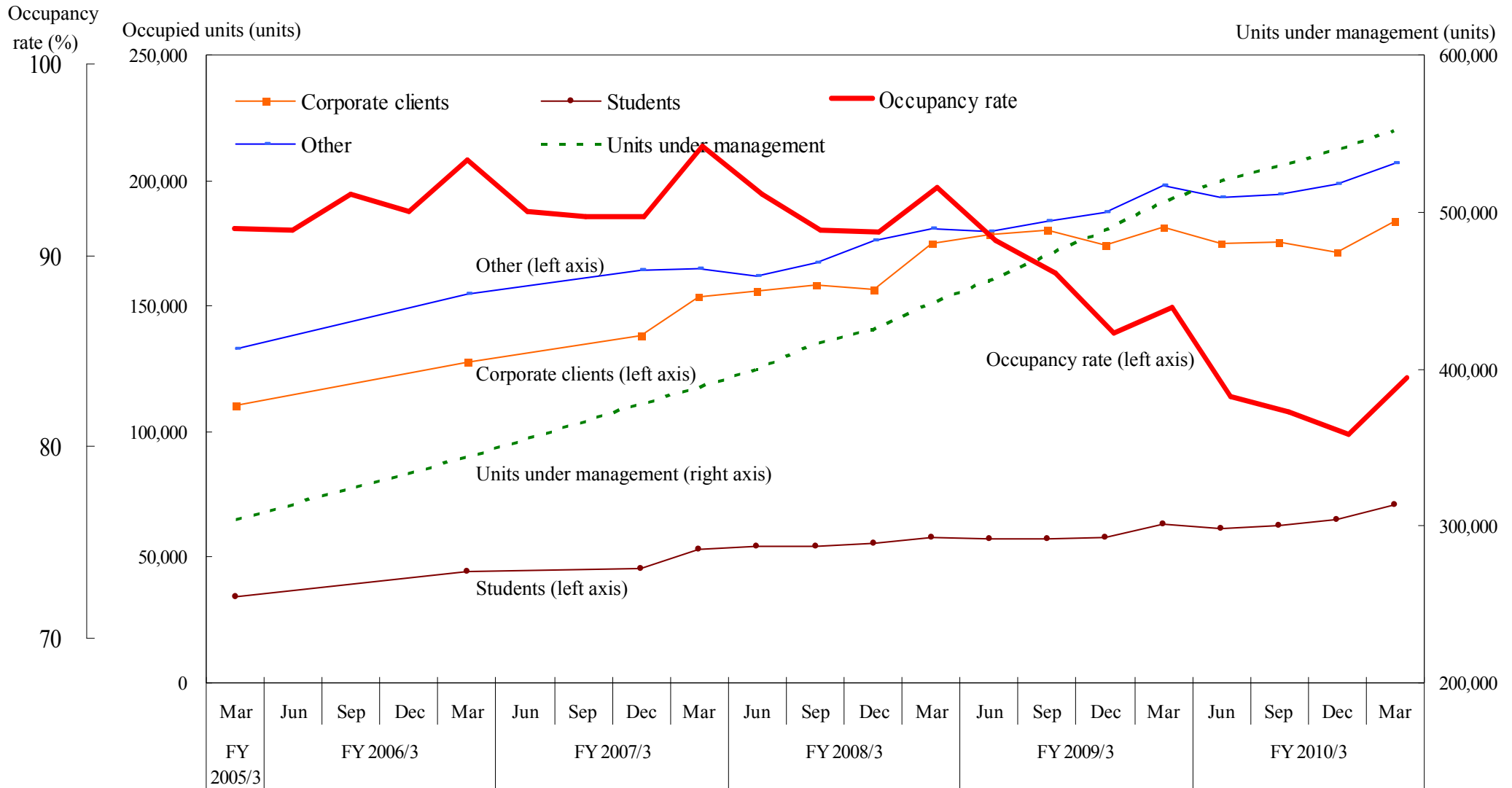
Contributing Factors

The occupancy rate in the Leasing segment during FY2010/3 was 82.3% against a full-year target of 82.2%. The target was narrowly achieved amid persistently tight employment conditions even as the economy showed signs of recovery, and sluggish demand from corporate clients, which accounts for half the number of contracted units.

Japanese employment conditions:

	FY 2009/3	FY 2009/1Q	FY 2009/2Q	FY 2009/3Q	FY 2009/4Q	FY 2010/3
Unemployment rate	4.1%	5.2%	5.4%	5.0%	5.1%	5.2%
Ratio of jobs to applicants	0.77	0.46	0.43	0.43	0.47	0.45

Overview of Leasing Business -2- Occupancy conditions by group



*Figures are as of the end of the month.

A shift to the new area strategy

The graph by group-types (corporate clients, students, and other) are increasing, despite a seasonality. However, since there is a gap in supply-demand, between these groups and overall units (units under management), the occupancy rate is decreasing intermittently.

Under these conditions, shifting from “product out” to “market out” by the “new area strategy”, the basic policy of the medium-term management plan, becomes an important measure.

Determination of the Provision for Apartment Vacancy Loss

(Units: 100 million yen; Units; %)		FY 2009/3	FY 2010/3											FY 2011/3			
		Full-year	1Q	2Q Cum.	3Q Cum.	4Q Cum.	YoY	New standard	FY 2009/3		FY 2010/3		Change in amount				
By building age	Beyond 3 years	39	52	58	79	118	79	153	Units under mgmt	Occupancy rate	Units under mgmt	Occupancy rate	Units under mgmt	Occupancy rate	New units (Plan)	New units share	Orders received outstanding as of Mar. 25, 2010 (units)
	Less than 3 years	8	17	33	60	96	88	164									
	Total	46	68	91	139	214	168	317									
By Area	Hokkaido	2	4	6	8	12	10	9	13,528	81%	14,327	82%	799	1%	432	1%	1,162
	Tohoku	8	11	14	18	24	16	8	31,663	84%	33,796	85%	2,133	0%	939	3%	1,131
	North Kanto	5	7	8	12	18	13	37	39,758	82%	42,497	79%	2,739	-3%	517	2%	1,744
	Tokyo Metropolitan	3	4	6	12	26	23	29	139,577	94%	152,629	89%	13,052	-5%	13,398	44%	13,046
	Hokuriku	5	9	13	16	21	16	10	15,580	80%	16,150	83%	570	3%	403	1%	367
	Koshinetsu	2	3	4	6	10	8	24	22,122	85%	24,002	82%	1,880	-3%	1,059	4%	1,207
	Chubu	7	11	17	30	44	37	105	83,795	79%	91,416	75%	7,621	-4%	3,946	13%	4,291
	Kinki	8	10	12	17	26	18	49	70,088	88%	77,922	84%	7,834	-4%	5,569	18%	5,620
	Chugoku	2	3	3	7	12	10	14	34,695	88%	37,289	86%	2,594	-2%	746	2%	1,426
	Shikoku	2	3	4	4	7	5	13	13,243	76%	14,384	79%	1,141	3%	139	0%	410
	Kyushu	2	3	4	8	13	11	18	38,819	87%	42,869	84%	4,050	-3%	1,529	5%	3,322
	Okinawa	0	0	0	0	1	1	1	3,874	97%	4,492	90%	618	-7%	1,501	5%	876
	Total	46	68	91	139	214	168	317	506,742	87%	551,773	84%	45,031	-3%	30,178	100%	34,602

Change in method of calculating provision for apartment vacancy loss, and forecasts for FY 2011/3

- In order to be able to make a more strategic assessment of downside risk in leasing, we will shift to a system that carefully reflects long-term occupancy rate projections for each individual property. The Company records a loss of ¥10.3 billion in accordance with this change.
- The change in provision for FY 2011/3 will be offset by the reversal of the provision already individually forecasted, the 30,000 new units that will be supplied in the FY 2011/3, and new allowances of existing apartments.

Outline of the Fiscal Year Results



Highlights of the Fiscal Year Results (Consolidated)



(Unit: Million yen)	Results				Forecasts			
	FY ended March 2010	FY ended March 2009	Change in amount	Percentage change	FY ending March 2011	Change in amount	Percentage change	Major factors
Net sales	620,376	733,235	(112,859)	-15.4%	564,700	(55,676)	-9.0%	Subcontracting Leasing (56.8) billion yen +21.0 billion yen
Gross profit	49,626	143,401	(93,774)	-65.4%	64,760	15,134	30.5%	Subcontracting Leasing (2.6) billion yen +14.8 billion yen
(%)	8.0%	19.6%	-11.6p	—	11.5%	3.5p	—	
Selling, general & administrative expenses	79,354	93,244	(13,889)	-14.9%	59,460	(19,894)	-25.1%	Subcontracting Leasing (6.8) billion yen (10.4) billion yen
Operating income (loss)	(29,727)	50,156	(79,884)	—	5,300	35,027	—	Subcontracting Leasing +4.2 billion yen +25.2 billion yen
(%)	-4.8%	6.8%	-11.6p	—	0.9%	5.7p	—	
Recurring income (loss)	(33,831)	46,785	(80,616)	—	3,400	37,231	—	Operating loss +35.0 billion yen Foreign exchange loss Improved 2.4 billion yen
(%)	-5.5%	6.4%	-11.8p	—	0.6%	6.1p	—	
Net income (loss)	(79,075)	9,951	(89,027)	—	3,000	82,075	—	Recurring loss +37.2 billion yen Extraordinary loss +43.6 billion yen

Highlights of the Fiscal Year Results for Parent & Major Subsidiaries (Cumulative)



(Unit: Million yen)		FY ended March 2010	FY ended March 2009	Change in amount	Percentage change	March 2010 Depreciation expenses	March 2009 Depreciation expenses
Leopalace21 Corporation	Net sales	615,368	727,316	(111,948)	-15.4%	4,771	4,110
	Recurring income (loss)	(32,825)	48,823	(81,648)	—		
LGC	Net sales	6,418	8,265	(1,847)	-22.3%	1,492	1,635
	Recurring income (loss)	(2,152)	(258)	(1,894)	—		
	Foreign exchange gain (loss)	(2,253)	(799)	(1,454)	—		
Others & Exclusion	Net sales	(1,410)	(2,346)	936	—	31	37
	Recurring income (loss)	1,146	(1,781)	2,926	—		
Consolidated total	Net sales	620,376	733,235	(112,859)	-15.4%	6,295	5,782
	Recurring income (loss)	(33,831)	46,785	(80,616)	—		
	Foreign exchange gain (loss)	(2,468)	(1,876)	(591)	—		

Outline of Balance Sheet (Consolidated)

(Unit: Million yen)		FY ended March 2010	FY ended March 2009	Change in amount
Assets	Current assets	146,416	192,015	(45,599)
	Cash & cash equivalents	72,431	78,375	(5,944)
	Trade/account receivables for completed projects	12,915	9,471	3,444
	Operating loans	5,482	10,043	(4,561)
	Real estate for sale, sale in process	3,955	28,826	(24,871)
	Payout for construction in progress	1,184	14,925	(13,741)
	Fixed assets	250,006	275,280	(25,274)
	Buildings & structures	63,437	66,529	(3,092)
	Land	96,293	114,914	(18,621)
	Construction in progress	3,367	2,884	483
	Total assets	396,511	467,300	(70,789)
Liabilities	Current liabilities	208,410	231,432	(23,022)
	Short-term borrowings	30,000	17,492	12,508
	Long-term liabilities	117,121	89,425	27,696
	Long-term borrowings	22,761	22,897	(136)
	Provision for apartment vacancy loss	31,728	4,620	27,108
	Total liabilities	325,532	320,857	4,675
Net assets	Common stock	55,640	55,640	-
	Capital surplus	33,894	34,104	(210)
	Retained earnings	(5,663)	73,412	(79,075)
	Total net assets	70,979	146,442	(75,463)
Shareholder's equity ratio		17.9%	31.3%	-13.4%

Outline of Cash Flow (Consolidated)

(Unit: Million yen)	FY ended March 2010	FY ended March 2009	Change in amount
Cash flows from operating activities	(12,990)	62,843	(75,833)
Net income (loss) before taxes & adjustments	(77,526)	33,446	(110,972)
Depreciation expenses	6,295	5,782	513
Increase (decrease) in provision for apartment vacancy loss	27,108	4,620	22,488
Foreign exchange loss (gain)	2,468	1,876	592
Business structure reform expenses	29,855	-	29,855
Decrease (increase) in accounts receivable	(991)	35,868	(36,859)
Decrease (increase) in real estate for sale	24,221	4,941	19,280
Decrease (increase) in work in process	3,537	(3,133)	6,670
Decrease (increase) in long-term prepaid expenses	9,348	(10,854)	20,202
Increase (decrease) in accounts payable	(15,357)	(26,860)	11,502
Income taxes paid	(14,386)	(22,884)	8,498
Cash flows from investing activities	(8,889)	(10,048)	1,159
Payout for purchase & proceeds from sale of property, plant and equipment	(4,198)	(5,147)	949
Payout for purchase & proceeds from sale of investment securities	(710)	(418)	(292)
Cash flows from financial activities	15,281	(33,885)	49,166
Proceeds from & repayment of short-term debt	9,719	0	9,719
Proceeds from & repayment of long-term debt	2,653	(4,226)	6,879
Refund of amount invested by minority interests	-	(4,970)	4,970
Dividends paid for shareholders	-	(12,750)	12,750
Net increase (decrease) in cash & cash equivalents	(6,344)	17,410	(23,754)
Cash & cash equivalents at end of period	72,031	78,375	(6,344)

Profit/Loss for Major Segments (Consolidated, cumulative)



(Unit: Million yen)	FY ended March 2010		FY ended March 2009		Change in amount	Percentage change	Forecasts for FY ending March 2011	
Construction Division	* Effect in switching to “percent of completion method”: Net sales ¥6.3 billion; Gross profit ¥1.6 billion.							
Net sales	237,062		359,154		(122,092)	-34.0%	180,193	
Gross profit	63,833	26.9%	109,591	30.5%	(45,758)	-41.8%	61,193	34.0%
Operating income (loss)	29,744	12.5%	70,112	19.5%	(40,368)	-57.6%	33,990	18.9%
Leasing Division								
Net sales	342,713		334,776		7,937	2.4%	363,771	
Gross profit	(10,659)	-3.1%	44,353	13.2%	(55,012)	—	4,157	1.1%
Operating income (loss)	(47,875)	-14.0%	(1,538)	-0.5%	(46,337)	—	(22,577)	-6.2%
Hotel Resort Division								
Net sales	9,706		10,216		(510)	-5.0%	9,556	
Gross profit	2,066	21.3%	1,616	15.8%	450	27.8%	1,870	19.6%
Operating income (loss)	(1,324)	-13.6%	(805)	-7.9%	(519)	—	(1,423)	-14.9%
Other Division (Including Real Estate)								
Net sales	34,299		33,908		391	1.2%	14,026	
Gross profit (loss)	(2,298)	-6.7%	(7,548)	-22.3%	5,250	—	343	2.4%
Operating income (loss)	(6,776)	-19.8%	(12,829)	-37.8%	6,053	—	(1,587)	-11.3%

*Values for each are before eliminations between segments.

*Segments have been changed since the FY ending March 2010. Please see page 15 for results of segment operations.

Full-Year Forecasts for Apartment Construction Subcontracting Business Costs



(Unit: 100 million yen)	FY 2009/3		FY 2010/3 (Excludes percentage of completion basis)										FY 2011/3			
	Full-year		Initial plan		2Q Cumulative		Revised plan		Full-year		Difference between revised plan		YoY		Plan	
	Results	%	Plan	%	Results	%	Plan	%	Results	%	Change		Change	%	Plan	%
Net sales	3,590	100%	2,950	100%	1,144	100%	2,348	100%	2,305	100%	△ 43	+0.0p	△ 1,285	-35.8%	1,800	100%
Cost of sales	2,495	69.5%	2,109	71.5%	833	72.8%	1,769	75.3%	1,684	73.1%	△ 85	-2.2p	△ 811	-32.5%	1,190	66.1%
Direct expenses	2,263	63.0%	1,873	63.5%	730	63.8%	1,540	65.6%	1,468	63.7%	△ 72	-1.9p	△ 795	-35.1%	1,107	61.5%
Construction GPM	1,326	37.0%	1,077	36.5%	414	36.2%	809	34.4%	837	36.3%	28	+1.9p	△ 489	-0.7%	693	38.5%
Indirect expenses	232	6.5%	236	8.0%	103	9.0%	229	9.7%	216	9.4%	△ 13	-0.3p	△ 16	-6.9%	83	4.6%
Gross profit	1,094	30.5%	841	28.5%	311	27.2%	580	24.7%	620	26.9%	40	+2.2p	△ 474	-43.3%	611	34.0%

1. The decrease in GPM in the Apartment Construction Subcontracting business of FY 2010/3 is due to the significant decrease in net sales compared to the last fiscal year, and the decrease in indirect expenses (fixed costs) could not match this.
2. Change in Accounting Method for Indirect Costs in the Apartment Construction Subcontracting Business

From the fiscal year ended March 2010, the standard for recognizing earnings in the Apartment Construction Subcontracting Business was changed from the completed-contract method to the percentage-of-completion method. Accordingly, in order to properly reflect the treatment of indirect costs included in the costs for subcontracted construction projects, the Company changed the method for recognition of indirect costs from planned allocation of indirect costs under the job cost method to strict application of the percentage-of-completion method, thereby recognizing indirect costs in proportion to the progress toward completion of the project. In accordance with this change, the Company recorded an extraordinary loss of ¥10.2 billion for the fiscal year ended March 2010 as a “Loss on change in cost accounting method in the Apartment Construction Subcontracting Business.”

Current Progress in the Development of Other Businesses

 **Leopalace21**

Results of Other Business Operations (Cumulative)



<Related Businesses> (Segment given in parenthesis underneath)

(Unit: Million yen)		FY ended March 2010	FY ended March 2009	Change in amount	Percentage change	Forecasts for FY ending March 2011
Real Estate Business (New segment)	Net sales	24,643	11,468	13,175	114.9%	5,000
	Gross profit (loss)	(2,047)	(9,108)	7,061	-	(40)
	Operating income (loss)	(3,356)	(10,664)	7,308	-	(52)
Silver Business (Other Business)	Net sales	8,812	7,953	859	10.8%	8,200
	Gross profit (loss)	(1,002)	(486)	(516)	-	(400)
	Operating income (loss)	(1,994)	(1,539)	(455)	-	(1,454)
Domestic Hotel Business (Hotel Resort Business)	Net sales	2,218	2,393	(175)	-7.3%	2,100
	Gross profit (loss)	1,115	1,701	(586)	-34.5%	900
	Operating income (loss)	(205)	333	(538)	-	(363)
Broadband Business (Leasing Business)	Net sales	14,552	13,748	804	5.8%	16,400
	Gross profit (loss)	3,595	1,515	2,080	137.3%	4,300
	Operating income (loss)	2,800	894	1,906	213.2%	3,596

Results of Real Estate and Silver Business (Cumulative)



<Leopalace Resort>

(Unit: 1,000 US dollars)		Jan.-Dec. 2009	Jan.-Dec. 2008	Change in amount	Percentage change	Forecasts for Jan.-Dec. 2010
Leopalace Resort	Net sales	68,537	79,871	(10,645)	-13.4%	71,740
	Operating income	757	4,896	(4,139)	-84.5%	2,416
	Depreciation expenses	15,942	15,799	142	-	15,840
	Operating rate (Leopalace Resort)	51.0%	57.2%	-6.2%	-	56.3%
	Operating rate (Westin)	55.0%	66.0%	-11.0%	-	64.1%

*Operating rate represents the average during the period.

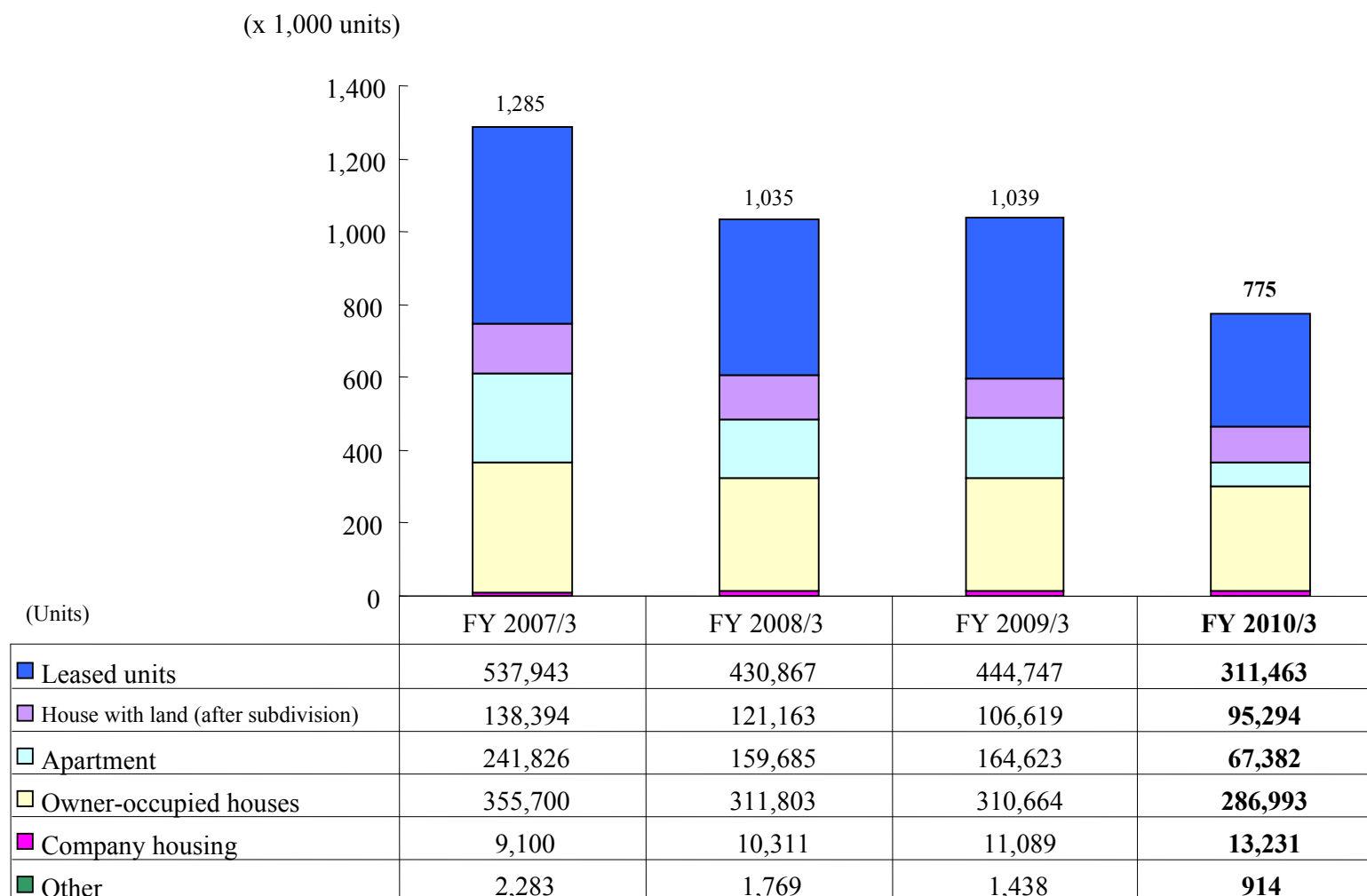
<Silver Business>

(Unit: Million yen)		FY ended March 2009	FY ended March 2010	Forecast for FY March 2011
Direct operation	Revenue	4,728	6,429	8,200
	Total units open at end of term	49	57	58
Under contracts	Contract amount	4,142	242	0
	Facilities ordered	12	1	0
	Revenue	3,225	2,382	0
Total revenue of Silver Business		7,953	8,812	8,200

Appendix



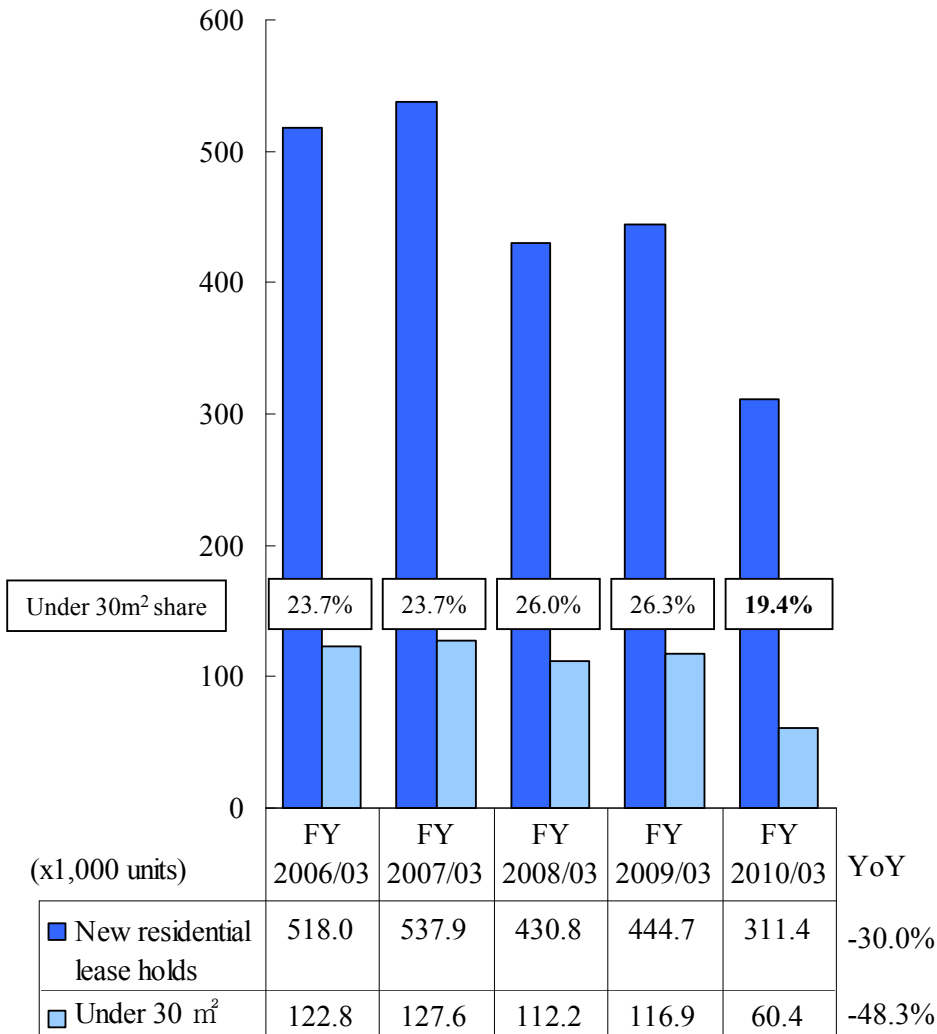
New Housing Starts (No. of use breakdown)



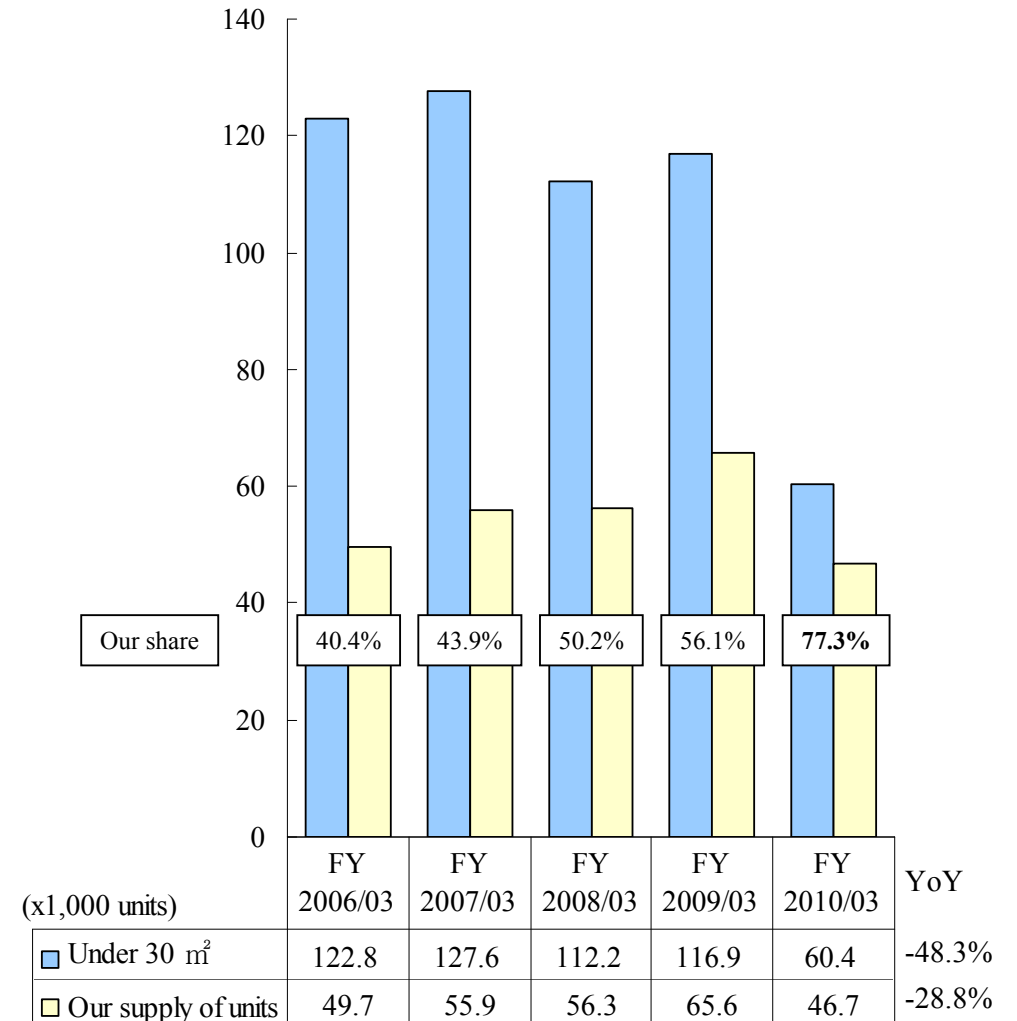
(Based on housing start statistics for the FY March 2010, Ministry of Land, Infrastructure & Transport)

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

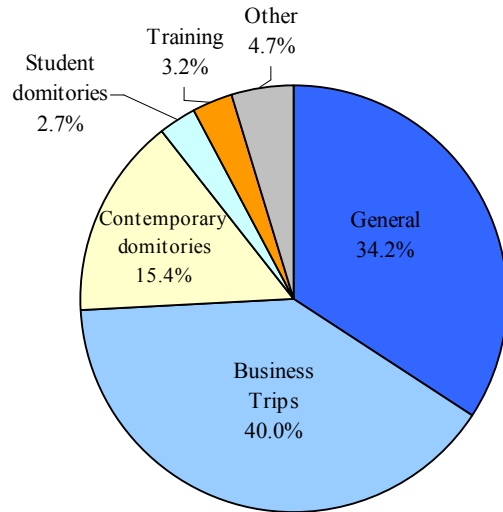


(Based on housing start statistics for the FY March 2010, Ministry of Land, Infrastructure & Transport)

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



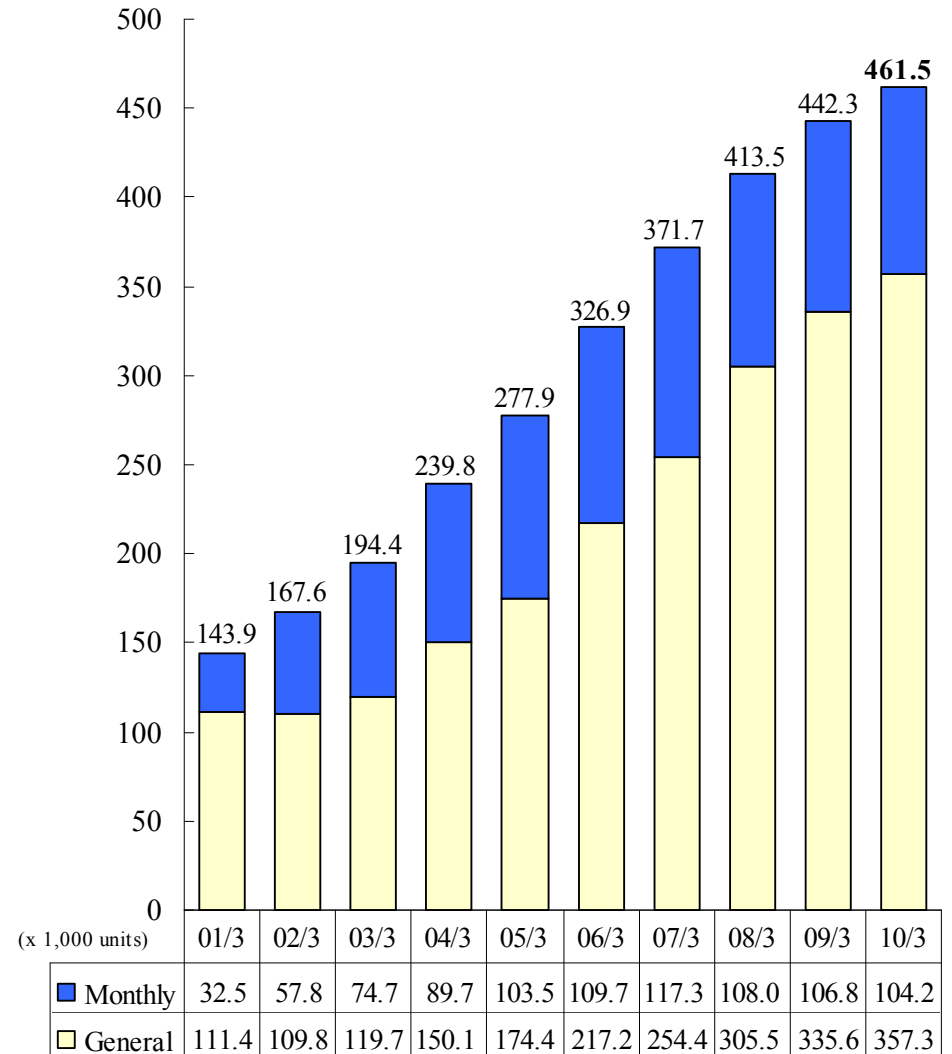
**Breakdown of Users of Month-to-Month Leases
(as of March 2010)**



Breakdown of Other:

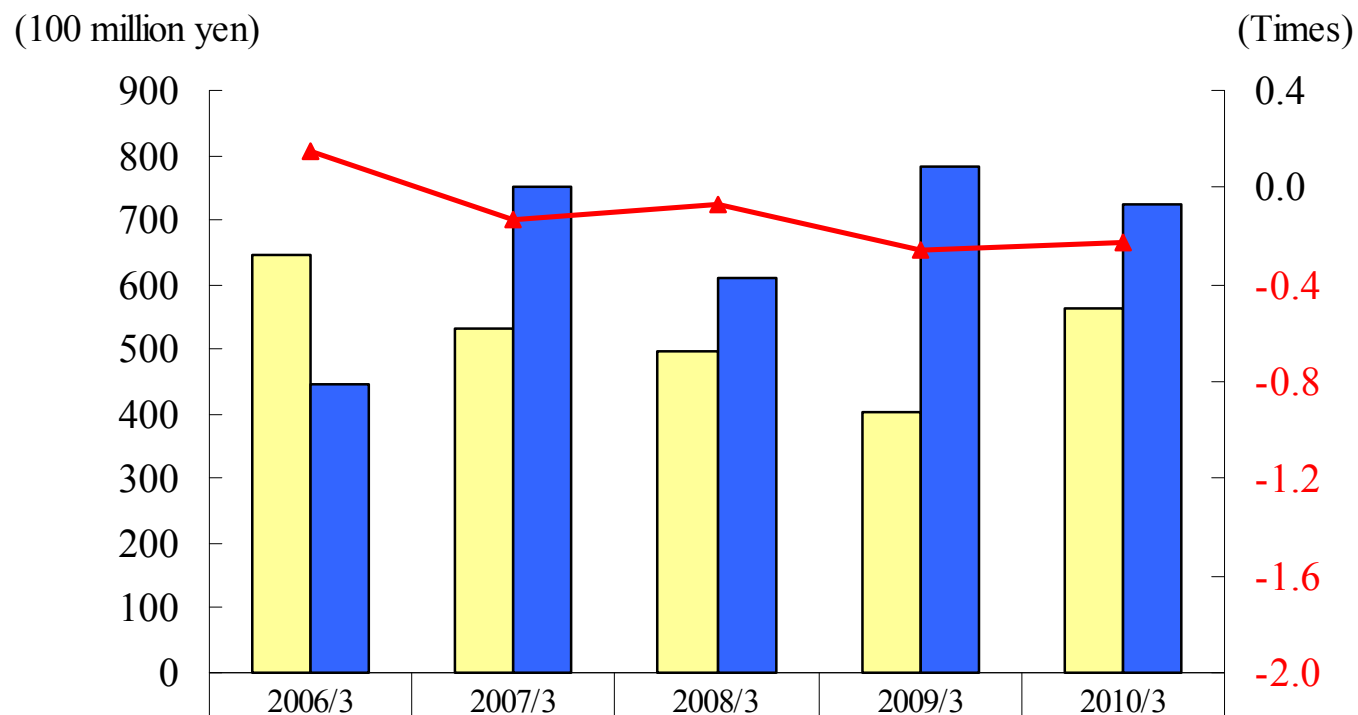
Temporary stay between moves	1.02%
Job assignment away from home	0.66%
Temporary use (for space)	0.57%
Temporary stay during home renovations	0.55%
Daily use because of long commute	0.32%
Study	0.22%
Taking care of hospitalized relations	0.22%
Taking care of relatives with job assignments away from home	0.21%
Tourism	0.16%
Other	0.77%

No. of Tenants by Contract Type



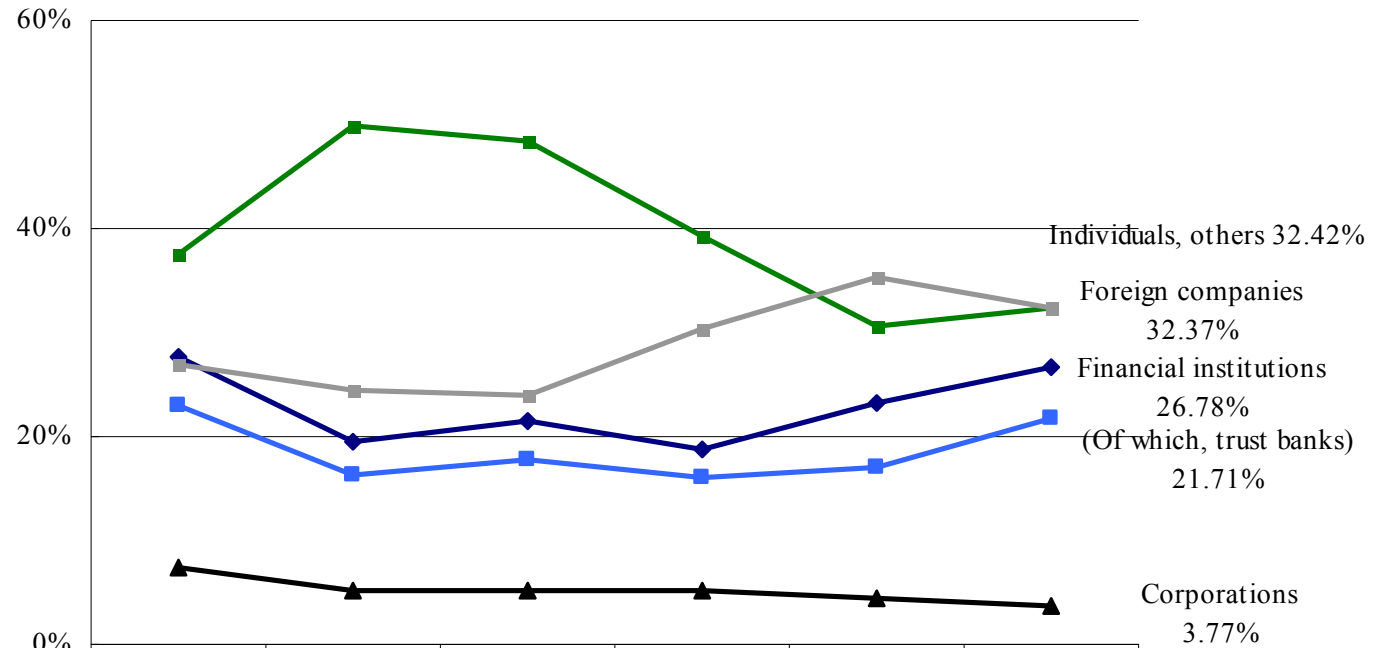
(Based on our company data, as of March 31, 2010)

Balance of Cash and Deposits, and Interest-Bearing Debt (Consolidated)



Liabilities with interest	645	531	497	403	564
Cash & cash equivalents	446	751	609	783	724
Net D/E Ratio	0.15	-0.13	-0.07	-0.26	-0.23

Trend in Shareholders



	06/3	07/3	08/3	09/3	09/12	10/3
◆ Financial institutions	27.61%	19.49%	21.52%	18.83%	23.23%	26.78%
■ (Of which, trust banks)	22.96%	16.36%	17.73%	15.98%	16.95%	21.71%
▲ Corporations	7.43%	5.28%	5.16%	5.21%	4.55%	3.77%
■ Foreign companies	37.56%	49.88%	48.28%	39.38%	30.60%	32.37%
■ Individuals, others	26.88%	24.38%	23.88%	30.38%	35.19%	32.42%