

Explanatory Session for the Results of the Nine Months Ended December 2010

February 2011

Leopalace21 Corporation

This document and reference materials may contain forward-looking statements, but please understand that actual results may differ significantly from these forecasts due to various factors.

Contents



[Overview of Core Businesses during the Nine Months Ended December 2010]	
Leasing Business -1-	3
Leasing Business -2-	
Occupancy Conditions by Group	4
Provision for Apartment Vacancy Loss	5
Apartment Construction Subcontracting Business	6
[Outline of Third Quarter Cumulative Results]	
Highlights of 3Q Results	8
Highlights of 3Q Results for Parent & Major Subsidiaries	9
Balance Sheets	10
Cash Flow	11
Profit/Loss for Major Segments	12
Full-Year Forecasts for Apartment Construction Subcontracting Business Costs	13
Results of Other Business Operations	14

[3Q Progress Status on Second Half Plan]

Summary and Status of Second Half Plan	18
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[Appendix]

Leasing Strategies	18
Apartment Construction Strategies	21
New Housing Starts (No. of use breakdown)	23
New Housing Starts (Units under 30 square meters)	24
Usage Pattern for Leopalace21's One-Room Units and Contract Type	25
Balance of Cash and Deposits, Interest-bearing Debt	26
Trend in Shareholders	27

Overview of Core Businesses during the Nine Months Ended December 2010



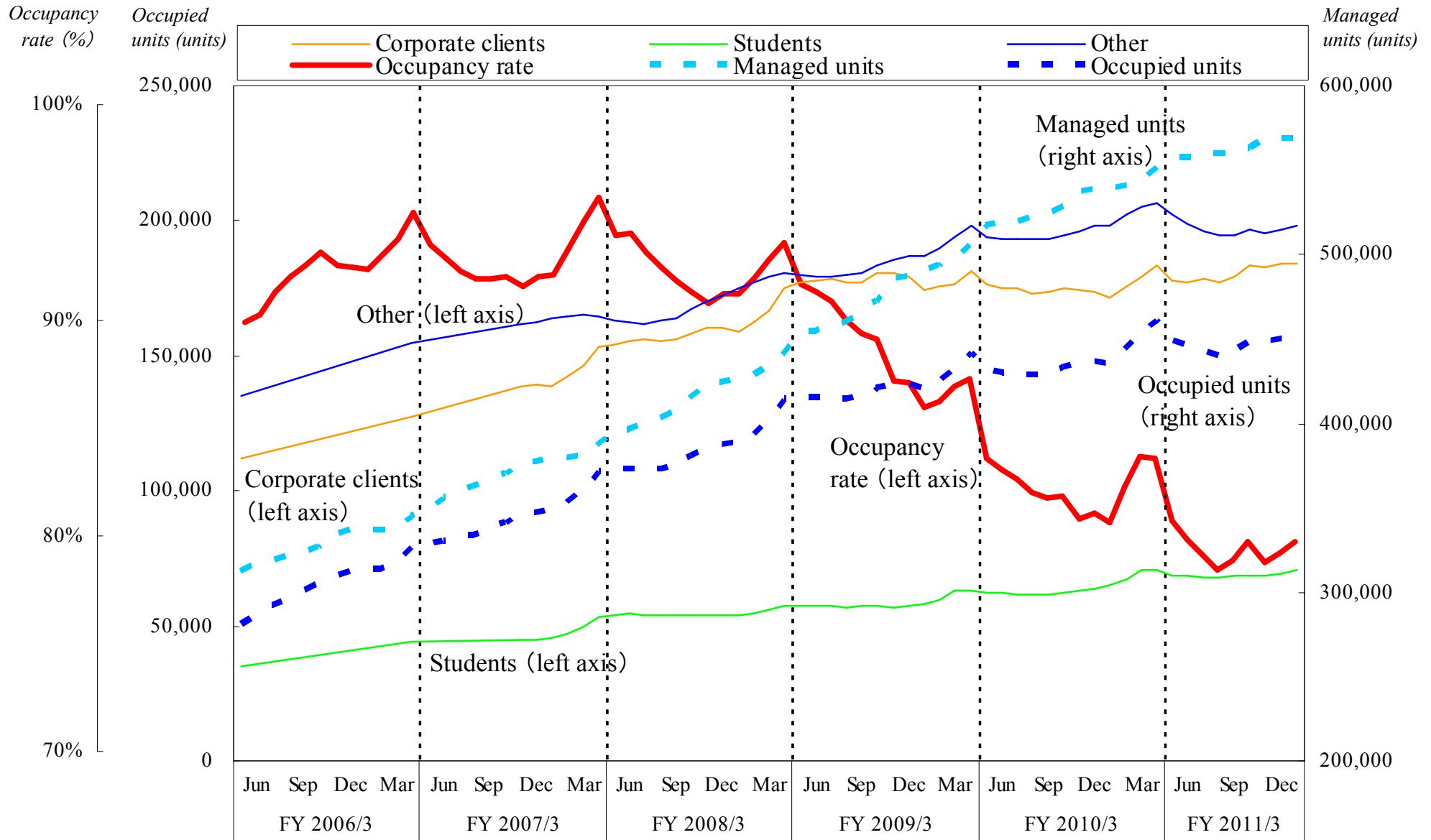
Leasing Business -1-



	FY 2007/3	FY 2008/3	FY 2009/3	FY 2010/3					FY 2011/3				
	Full-year	Full-year	Full-year	1Q	2Q	3Q	3Q Cum.	Full-year	1Q	2Q	3Q	3Q Cum.	Full-year Forecast
Total no. of leases signed during period (1,000 leases)	362	374	384	83	90	87	259	391	71	86	90	247	465
Of which, by realtor-brokers (1,000 leases)	14	15	27	5	7	7	19	33	4	7	10	21	39
Total no. of leases terminated during period (1,000 leases)	319	330	361	96	86	82	264	370	87	77	81	245	354
Units under management (units)	388,500	442,025	506,742	519,743	528,785	539,109	—	551,773	559,241	562,923	568,829	—	572,611
Occupied units (units)	371,700	413,529	442,325	429,688	432,594	434,779	—	461,473	442,292	449,085	453,411	—	511,124
Occupancy rate	92.8%	92.4%	88.5%	83.1%	81.9%	80.8%	81.9%	82.3%	79.9%	79.0%	79.2%	79.4%	80.9%
Of which, units occupied by corporate tenants (units)	153,567	175,075	181,191	174,983	175,388	171,341	—	183,743	178,259	183,786	184,415	—	200,000
Corporate tenants occupancy (Occupied units/Managed units)	39.5%	39.6%	35.8%	33.7%	33.2%	31.8%	—	33.3%	31.9%	32.6%	32.4%	—	34.9%
Of which, units occupied by personnel dispatch/outsourcing lessee tenants (units)	—	—	18,057	14,565	14,100	14,413	—	15,093	15,313	17,019	18,021	—	—
Personnel dispatch occupancy (Occupied units/Managed units)	—	—	3.6%	2.8%	2.7%	2.7%	—	2.7%	2.7%	3.0%	3.2%	—	—

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

Leasing Business -2- Occupancy Conditions by Group



* Figures are as of the end of the month.

Provision for Apartment Vacancy Loss



(Unit: 100 million yen)

(Units: rooms)

		FY 2010/3	FY 2011/3			
		Full-year	1Q	2Q	3Q	Compared to Mar
By building age	Before Mar '07	165	156	138	117	(48)
	After Mar '07	152	161	178	204	52
	Total	317	317	317	322	4.2
By area	Hokkaido	9	9	9	8	(0.9)
	Tohoku	8	9	8	10	1.8
	North Kanto	37	37	36	31	(6.0)
	Tokyo Metropolitan	29	32	41	43	13.8
	Hokuriku	10	10	10	10	0.0
	Koshinetsu	24	24	23	18	(5.6)
	Chubu	105	104	99	116	11.6
	Kinki	49	47	47	41	(8.3)
	Chugoku	14	14	12	12	(2.2)
	Shikoku	13	12	11	10	(2.3)
	Kyushu	18	18	20	19	1.2
	Okinawa	1	1	1	2	1.1
	Total	317	317	317	322	4.2

FY 2010/3		FY 2011/3						
Full-year		3Q (Dec)		Compared to Mar '10		Plan		
Managed units	Occupancy rate	Managed units	Occupancy rate	Managed units	Occupancy rate	New units (Jan-Mar)	New units share	Orders received outstanding
14,327	82%	14,651	77%	324	-5%	100	3%	629
33,796	85%	34,647	83%	851	-2%	100	3%	230
42,497	79%	43,400	75%	903	-4%	200	5%	1,169
152,629	89%	159,777	83%	7,148	-6%	1,600	42%	10,360
16,150	83%	16,276	82%	126	-1%	100	3%	298
24,002	82%	24,843	80%	841	-2%	100	3%	333
91,416	75%	93,476	73%	2,060	-2%	400	11%	2,297
77,922	84%	80,336	81%	2,414	-3%	600	16%	3,903
37,289	86%	37,798	83%	509	-3%	100	3%	817
14,384	79%	14,474	74%	90	-5%	100	3%	260
42,869	84%	44,278	81%	1,409	-3%	300	8%	1,762
4,492	90%	4,873	87%	381	-3%	100	3%	731
551,773	84%	568,829	80%	17,056	-4%	3,800	100%	22,789

Apartment Construction Subcontracting Business



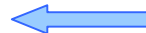
(Unit: 100 million yen)	FY 2007/3	FY 2008/3	FY 2009/3	FY 2010/3					FY 2011/3				
	Full-year	Full-year	Full-year	1Q	2Q	3Q	3Q Cum.	Full-year	1Q	2Q	3Q	3Q Cum.	Full-year Forecast
Total orders received	3,624	4,630	3,378	632	636	535	1,803	2,183	258	220	181	660	942
Total orders cancelled	218	415	687	184	115	109	408	506	88	71	84	244	282
Cancellation rate	6.0%	9.0%	20.3%	29.3%	18.1%	20.4%	22.6%	23.2%	34.4%	32.3%	46.7%	37.1%	30.0%
Net orders received	3,406	4,215	2,691	447	520	427	1,395	1,677	169	149	96	415	659
Orders received outstanding	2,486	3,426	2,528	2,638	2,291	2,425	—	1,836	1,788	1,479	1,451	—	1,298

Orders received in the Apartment Construction Subcontracting segment during FY 2011/3 1Q - 3Q decreased drastically compared to the previous fiscal year, as target areas were narrowed down according to the “market-out strategy” of the Medium-term Management Plan.

Breakdown of the factors contributing to the year-on-year decline: ¥88.1 billion due to the decrease in the number of orders, and ¥9.8 billion due to the decrease in average value per order.

(Unit: Billion Yen)

Decline due to decrease in number of orders	- 88.1	① × ②
Decline due to lowering of unit price	-9.8	③ × ④



	FY 2010/3 3Q Cum.	FY 2011/3 3Q Cum.	Difference	% change
Total order value	¥ 139.5 billion	¥ 41.5 billion	- ¥ 98.0 billion	-70.2%
No. of orders	2,069	④ 762	② -1,307	-63.2%
Average value per order	① ¥ 67.4 million	¥ 54.5 million	③ - ¥ 12.9 million	-19.2%

Outline of Third Quarter Cumulative Results



Highlights of 3Q Results (Consolidated)



(Unit: Million yen)	FY 2010/3 3Q	FY 2011/3 3Q	Difference	FY 2010/3 3Q Cum.	FY 2011/3 3Q Cum.	Difference	% change	FY 2011/3 Full-year Forecast
Net sales	124,018	108,721	(15,296)	434,409	357,036	(77,373)	-17.8%	504,000
Gross profit	2,707	6,733	+4,025	35,435	23,036	(12,399)	-35.0%	49,700
(%)	2.2%	6.2%	+4.0p	8.2%	6.5%	-1.7p		9.9%
SG&A	17,869	14,602	(3,266)	57,469	43,500	(13,969)	-24.3%	59,700
Operating income (loss)	(15,161)	(7,869)	+7,291	(22,034)	(20,464)	1,570	—	(10,000)
(%)	-12.2%	-7.2%	+5.0%	-5.1%	-5.7%	-0.7p		-2.0%
Recurring income (loss)	(14,409)	(9,909)	+4,499	(26,259)	(29,183)	(2,923)	—	(18,000)
(%)	-11.6%	-9.1%	+2.5p	-6.0%	-8.2%	-2.2p		-3.6%
Net income (loss)	(14,887)	(10,279)	+4,607	(27,126)	(27,835)	(709)	—	(16,300)

Highlights of 3Q Results for Parent & Major Subsidiaries (Consolidated, cumulative)



(Unit: Million yen)		FY 2010/3 3Q Cum.	FY 2011/3 3Q Cum.			FY 2010/3 3Q Cum. DA expenses	FY 2011/3 3Q Cum. DA expenses
				Difference	% change		
Leopalace21	Net sales	430,765	352,375	(78,390)	-18.2%	3,497	3,744
	Recurring income (loss)	(24,552)	(27,526)	(2,974)	—		
Leopalace Guam	Net sales	4,812	4,514	(298)	-6.2%	1,135	1,066
	Recurring income (loss)	(2,675)	(5,757)	(3,082)	—		
	Foreign exchange gain (loss)	(2,708)	(5,610)	(2,902)	—		
Others & Exclusion	Net sales	(1,168)	148	1,316	—	22	31
	Recurring income (loss)	968	4,100	3,132	323.6%		
Consolidated total	Net sales	434,409	357,036	(77,373)	-17.8%	4,654	4,841
	Recurring income (loss)	(26,259)	(29,183)	(2,924)	—		
	Foreign exchange gain (loss)	(3,049)	(6,693)	(3,644)	—		

Balance Sheet (Consolidated)



(Unit: Million yen)		FY 2010/3 3Q	FY 2011/3 3Q	Difference
Assets	Current assets	146,416	92,977	(53,439)
	Cash & cash equivalents	72,431	36,634	(35,797)
	Trade/account receivables for completed projects	12,916	7,270	(5,646)
	Operating loans	5,482	4,649	(833)
	Real estate for sale	3,955	1,141	(2,814)
	Payout for construction in progress	1,184	1,361	177
	Prepaid expenses	27,894	24,925	(2,969)
	Fixed assets	250,006	226,100	(23,906)
	Buildings & structures	63,437	61,136	(2,301)
	Land	96,293	94,821	(1,472)
	Construction in progress	3,367	58	(3,309)
	Long-term prepaid expenses	51,242	38,235	(13,007)
Total assets	396,511	319,156	(77,355)	

(Unit: Million yen)		FY 2010/3 3Q	FY 2011/3 3Q	Difference
Liabilities	Current liabilities	208,410	171,168	(37,242)
	Short-term borrowings	30,000	42,836	12,836
	Advances received	98,543	91,747	(6,796)
	Long-term liabilities	117,121	100,046	(17,075)
	Long-term borrowings	22,761	8,364	(14,397)
	Provision for apartment vacancy loss	31,728	32,150	422
	Lease/guarantee deposits received	46,104	27,482	(18,622)
	Long-term advances received	—	16,096	16,096
Total liabilities	325,532	271,214	(54,318)	
Net assets	Common stock	55,640	56,562	922
	Capital surplus	33,894	34,476	582
	Retained earnings	(5,663)	(33,498)	(27,835)
	Total net assets	70,979	47,941	(23,038)
Shareholders' equity ratio	17.9%	15.0%	-2.9p	

Cash Flow (Consolidated)



(Unit: Million yen)	FY 2010/3 3Q Cum.	FY 2011/3 3Q Cum.	Difference
Cash flows from operating activities	(49,022)	(36,543)	12,479
Net income (loss) before taxes & adjustments	(26,890)	(27,685)	(795)
Depreciation expenses	4,654	4,841	186
Increase (decrease) in provision for apartment vacancy loss	9,326	422	(8,903)
Foreign exchange loss (gain)	3,048	6,693	3,644
Decrease (increase) in accounts receivable	835	8,674	7,839
Decrease (increase) in real estate for sale	16,303	2,812	(13,490)
Decrease (increase) in work in process	(3,151)	(177)	2,974
Decrease (increase) in long-term prepaid expenses	8,580	15,343	6,762
Increase (decrease) in advances received	(10,834)	9,300	20,134
Increase (decrease) in lease/guarantee deposits received	(3,997)	(18,305)	(14,307)
Increase (decrease) in accounts payable	(37,969)	(38,026)	(56)
Income taxes paid	(14,105)	(1,508)	12,597
Cash flows from investing activities	(6,114)	2,185	8,300
Payout for purchase & proceeds from sale of property, plant and equipment	(3,329)	375	3,705
Payout for purchase & proceeds from sale of investment activities	2	976	973
Cash flows from financial activities	27,945	(861)	(28,806)
Proceeds from & repayment of short-term debt	9,999	14,076	4,076
Proceeds from & repayment of long-term debt	14,542	(15,637)	(30,179)
Net increase (decrease) in cash & cash equivalents	(27,032)	(35,656)	(8,623)
Cash & cash equivalents at end of period	51,342	36,375	(14,967)

Profit/Loss for Major Segments (Consolidated)



(Unit: Million yen)	FY 2010/3 3Q Cum.		FY 2011/3 3Q Cum.				FY 2011/3 Full-year Forecast	
					Difference	% change		
Construction Division	*Effect in switching to % of completion method: Sales -1.5 billion, gross profit -0.06 billion.							
Net sales	150,009		80,162		(69,846)	-46.6%	120,000	
Gross profit	40,721	27.1%	26,511	33.1%	(14,209)	-34.9%	40,800	34.0%
Operating income (loss)	17,284	11.5%	7,252	9.0%	(10,031)	-58.0%	16,200	13.5%
Leasing Division								
Net sales	256,106		262,208		6,102	2.4%	364,700	
Gross profit	(2,599)	-1.0%	(3,561)	-1.4%	(961)	—	9,400	2.6%
Operating income (loss)	(30,321)	-11.8%	(24,049)	-9.2%	6,272	—	(20,400)	-5.6%
Hotel Resort Division								
Net sales	7,310		6,408		(902)	-12.3%	8,500	
Gross profit	1,584	21.7%	1,231	19.2%	(353)	-22.3%	1,200	14.1%
Operating income (loss)	(929)	-12.7%	(1,075)	-16.8%	(146)	—	(1,300)	-15.3%
Other Division (including Real estate)								
Net sales	23,547		9,922		(13,624)	-57.9%	13,100	
Gross profit	(1,777)	-7.5%	488	4.9%	2,266	—	500	3.8%
Operating income (loss)	(5,350)	-22.7%	(867)	-8.7%	4,482	—	(1,300)	-9.9%

*Values are before eliminations between segments.

*Segments have been changed since the FY ending March 2010. Please see page 14 for results of segment operations.

Full-Year Forecasts for Apartment Construction Subcontracting Business Costs



(Unit: 100 million yen) (Excludes % of completion basis)	FY 2009/3		FY 2010/3				FY 2011/3					
	Full-year		3Q Cum.		Full-year		3Q Cum.		YoY		Full-year Forecast	
	Actual	%	Actual	%	Actual	%	Actual	%	Actual	%	Plan	%
Construction sales	3,589	100%	1,313	100%	2,304	100%	815	100%	(498)	—	1,226	100%
Cost	2,495	69.5%	959	73.0%	1,684	73.1%	552	67.7%	(406)	-5.3p	816	66.5%
Direct expenses	2,263	63.0%	838	63.8%	1,467	63.7%	497	61.0%	(340)	-2.8p	760	62.0%
Construction GP	1,326	37.0%	475	36.2%	837	36.3%	318	39.0%	(157)	+2.8p	466	38.0%
Indirect expenses	232	6.5%	121	9.2%	217	9.4%	55	6.8%	(66)	-2.5p	56	4.6%
Gross profit	1,094	30.5%	354	27.0%	620	26.9%	263	32.3%	(91)	+5.3p	410	33.5%

1. Since the end of the previous period, the standard of recognizing indirect expenses in the apartment construction subcontracting division has been changed to reflect the proportion of progress toward completion of projects. Indirect expenses of ¥5.5 billion (6.8% of net sales) in the cumulative 3Q results are due to the thorough control of costs.

2. Breakdown of indirect expenses:

(Unit: 100 million yen)	FY 2009/3 Full-year		FY 2010/3 3Q Cum.		FY 2010/3 Full-year		FY 2011/3 3Q Cum.	
Indirect expenses	232	6.5%	121	9.2%	217	9.4%	55	6.8%
(of which, labor expenses)	178	5.0%	101	7.7%	181	7.9%	42	5.2%

Results of Other Business Operations (Cumulative)



(Unit: Million yen)		FY 2010/3 3Q Cum.	FY 2011/3 3Q Cum.	FY 2011/3		FY 2011/3 Full-year Forecast
				Difference	% change	
Real Estate Business (New segment)	Net sales	16,672	3,345	(13,326)	-79.9%	4,300
	Gross profit (loss)	(1,370)	313	1,684	—	300
	Operating income (loss)	(2,361)	156	2,517	—	200
Silver Business (Other Business)	Net sales	6,319	5,769	(550)	-8.7%	7,700
	Gross profit (loss)	(891)	(601)	290	—	(900)
	Operating income (loss)	(1,627)	(1,159)	467	—	(1,600)
Domestic Hotel Business (Hotel Resort Business)	Net sales	1,731	1,542	(188)	-10.9%	2,000
	Gross profit (loss)	897	671	(225)	-25.2%	900
	Operating income (loss)	(107)	(227)	(120)	—	(300)
Broadband Business (Leasing Business)	Net sales	10,929	11,647	717	6.6%	15,200
	Gross profit (loss)	2,356	3,468	1,112	47.2%	5,900
	Operating income (loss)	1,789	2,801	1,011	56.5%	5,100

Leopalace Resort	(Unit: 1,000 USD)	Jan-Sep 2009	Jan-Sep 2010	Forecasts for Jan-Dec 2010	
				Difference	% change
	Net sales	50,669	50,440	(228)	-0.5%
	Operating income	93	(1,850)	(1,943)	—
	Depreciation expenses	11,953	11,917	(36)	-0.3%
	Operating rate (Leopalace Resort)	49.8%	55.3%	5.5%	—
	Operating rate (Westin)	53.0%	76.1%	23.1%	—

3Q Progress Status of Second Half Plan



Summary and Status of Second Half Plan



Leasing Measures	3Q Progress
<i>1. Restrict unit supply through New Area Strategy</i>	1) Reduction in number of contractor locations: 75 at end-3Q (down 37 from March) 2) Unit supply: 6,000 units in 3Q (from 10,300 units in FY10/3 3Q, down 40%)
<i>2. Strengthen New Channel Strategy</i>	1) Opening of Leopalace Partners locations: 73 at end-3Q (see pg. 18) 2) Reduce number of directly-operated stores: 170 at end-3Q (down 22 from March) 3) Begin alliance with JS Group (ERA) 4) Strengthen corporate sales: units leased by corporate clients up 13 thousand units at end-3Q from FY 10/3 3Q (see pg. 19)
<i>3. Expand business in China</i>	1) Sales office openings : Two additional locations in Guangzhou and Dalian for a total of four offices 2) No. of units leased by foreigners: 9,187 units at end-3Q (up 1,263 from March) 3) Of which, number leased by Chinese: 3,817 units at end-3Q (up 953 from March) (see pg. 20)
<i>4. Rationalize leasing (pricing) strategies</i>	1) In process of implementing rationalization of leases for each area
<i>5. Increase revenue and cut costs through new service strategies</i>	1) General maintenance service revenue for household appliances and electronics: Approx. ¥5.1 billion at end-3Q 2) Cost reductions from new measures for broadband maintenance service: Approx. ¥0.7 billion at end-3Q
Apartment Construction Subcontracting Measures	3Q Progress
<i>1. Measures to support earnings recovery in leasing</i>	1) Shortening of fixed lease rate period for master lease contracts: Launch of two-year fixed rate 2) Strengthen “ built-for-sale products ” that do not affect new unit supply for the leasing occupancy rate (see pg. 21)
<i>2. Further elderly care facility matching business</i>	1) Pursue a business model for the Silver Business that matches landowners with nursing care providers, without concluding a master lease contract (see pg. 22)

Appendix

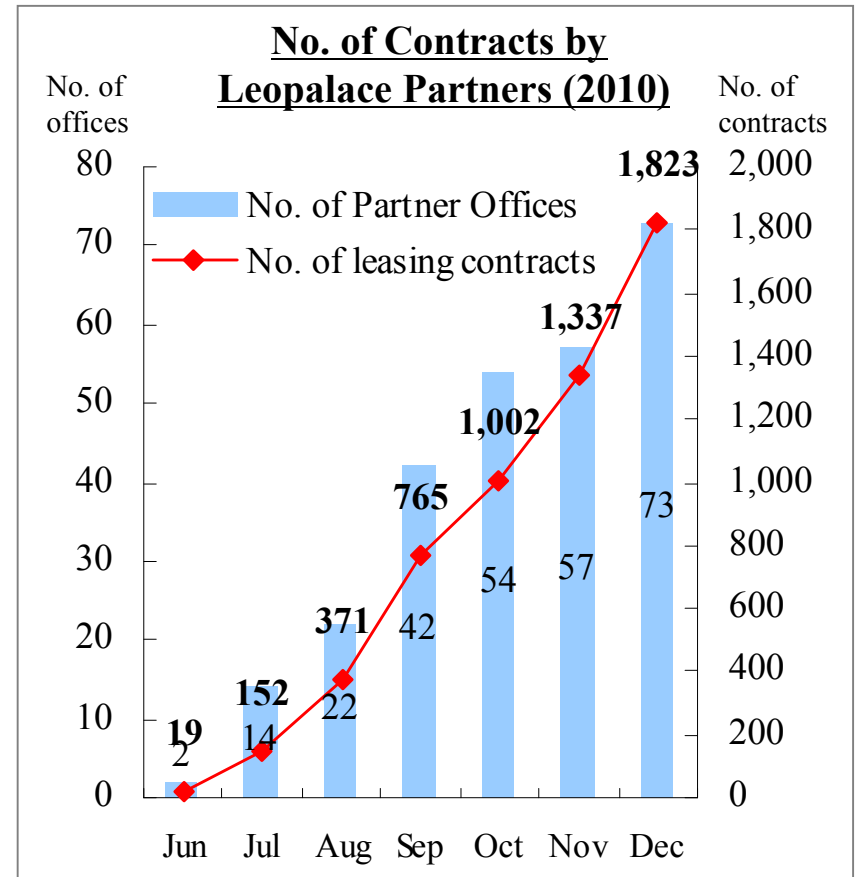
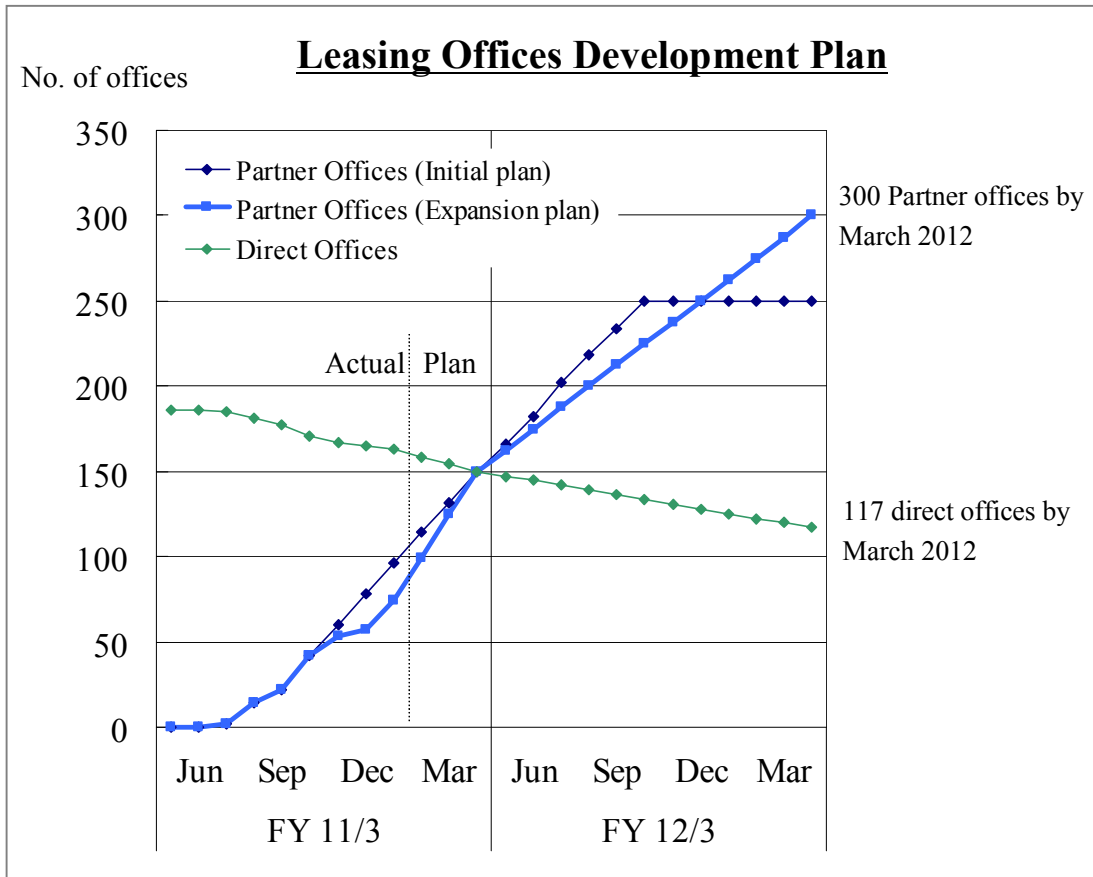
 **Leopalace21**

Leasing Strategies: Leoplace Partners



Speed up introduction of Leoplace Partners offices

Through Leoplace Partners, we will be able to increase and stabilize occupancy rates by increasing avenues for tenant recruitment, as well as shifting fixed costs to variable costs and reduce SG&A expenses through the closing down of directly managed offices. In order to strengthen the new area strategy in our Medium-term Management Plan, we will not alter our front-loaded introduction plan of Partner offices during this fiscal year, and carry out an expansion plan in the next term.

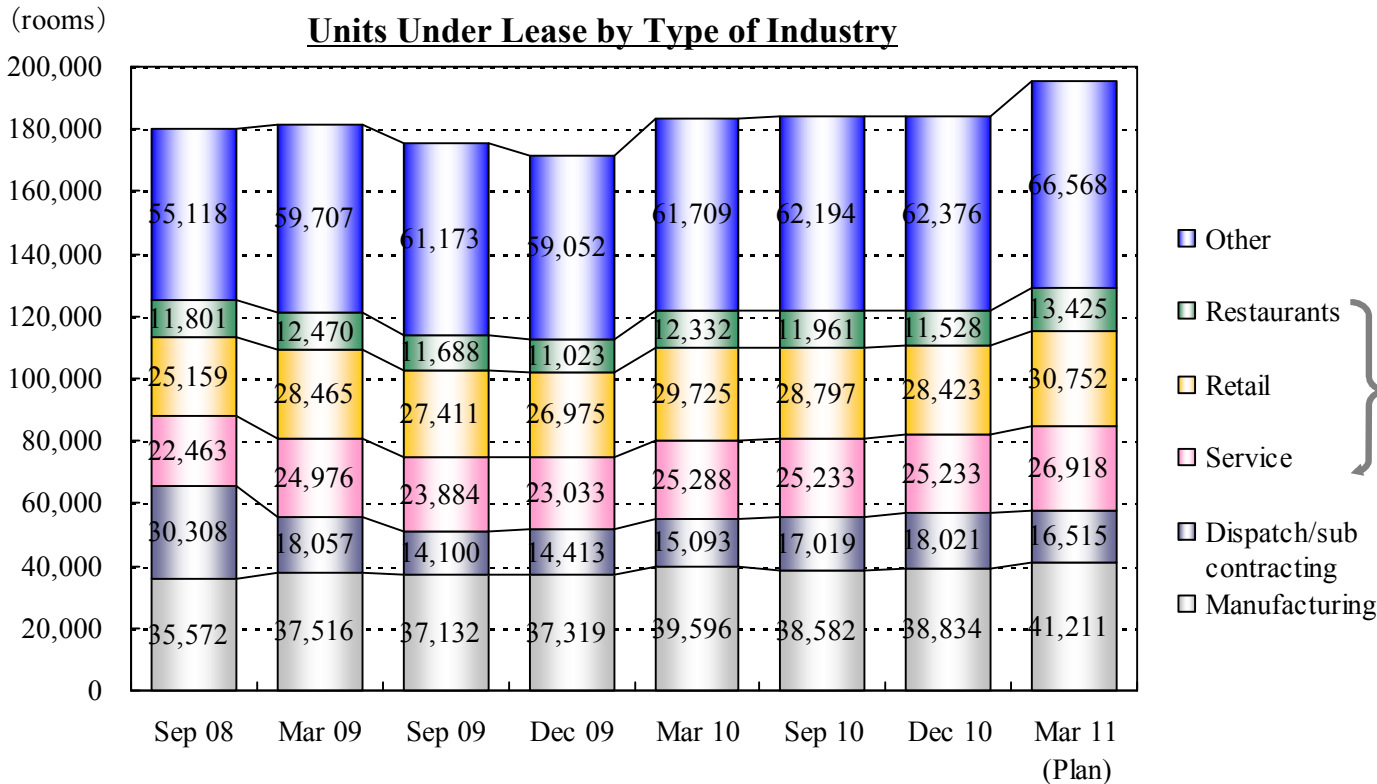


Leasing Strategies: Corporate Sales



Corporate Sales

- (1) Reinforce risk management by analyzing needs of growth industries and by diversification of corporate clients
- (2) Reinforce our company housing services program by effectively utilizing our “Leopalace Leasing” subsidiary



◆ Units leased by corporate clients had been declining, but have now been increasing since September 2009.

Occupied units of corporate clients have increased from 180 thousand units as of the Lehman Shock (08/9) to 184 thousand as of December 2010.

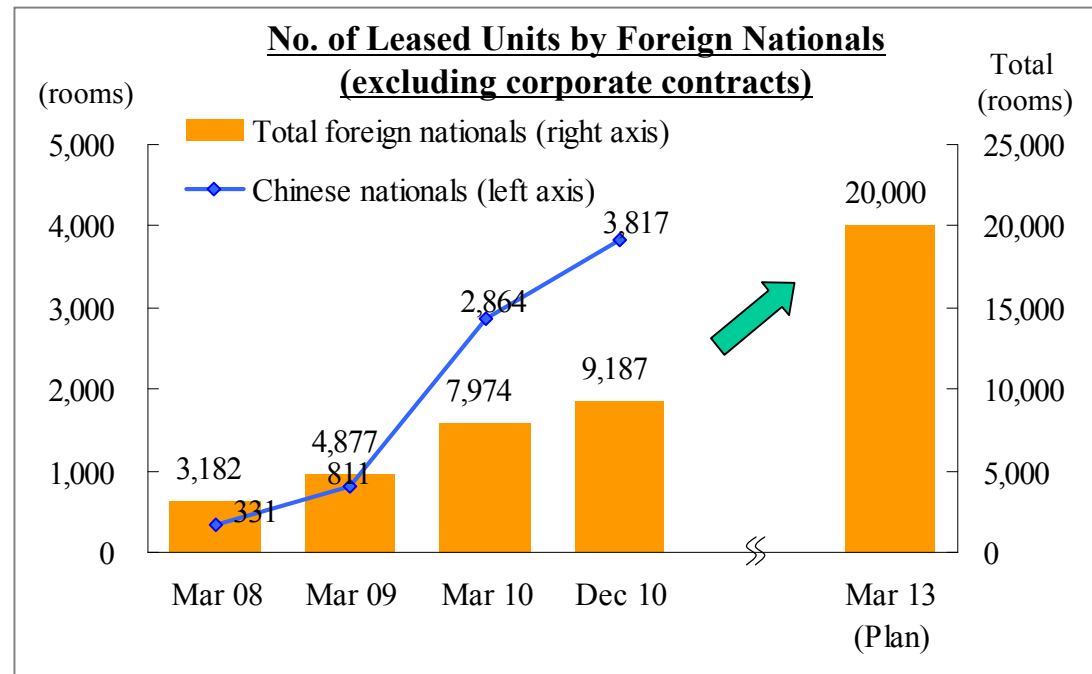


Leasing Strategies: Business in China



- (1) Open two offices in China (Guangzhou and Dalian) in October, totaling four offices (Total of eight offices overseas)
- (2) Foreign students are able to make lease contracts before coming to Japan through our “LAM School” system

China Offices



LAM School System (Leopalace Alliance Members) is:

- a system for foreign students planning to study in Japan, which enable them to search for apartments and make lease contracts through the internet from their own country.
- compatible in English, Chinese, and Korean, supported by our staff.
- used by 1,151 campuses as of December 2010.

Apartment Construction Strategies: Construction of Silver (Nursing care) Facilities



Leopalace21, with its construction know-how and information of land-owner needs, will receive facility construction orders from landowners and introduce professional nursing care providers to manage the facilities.

Landowners

- Who want to contribute to society by providing nursing care and welfare facilities
- Who would like to earn stable returns, and make effective use of their property while reducing inheritance taxes
- Who are interested in starting a nursing care facility, and are looking for a reliable partner



- Take advantage of the construction know-how gained from our experience with apartment subcontracting
- Take advantage of our performance and experience gained from managing 58 different nursing care facilities



* Artist's conception. Actual appearance may vary.

Nursing Care Providers

- Over 11,000 companies exist nationwide
- Many would like to expand, but are held back because of the time it takes to find land suitable for construction of Silver facilities.
- Even when appropriate land is found, negotiations with landowners are difficult

Examples of facilities constructed by Leopalace21 (These are all in the Azumien series)



Small-scale fee-based nursing home



Large-scale fee-based nursing home

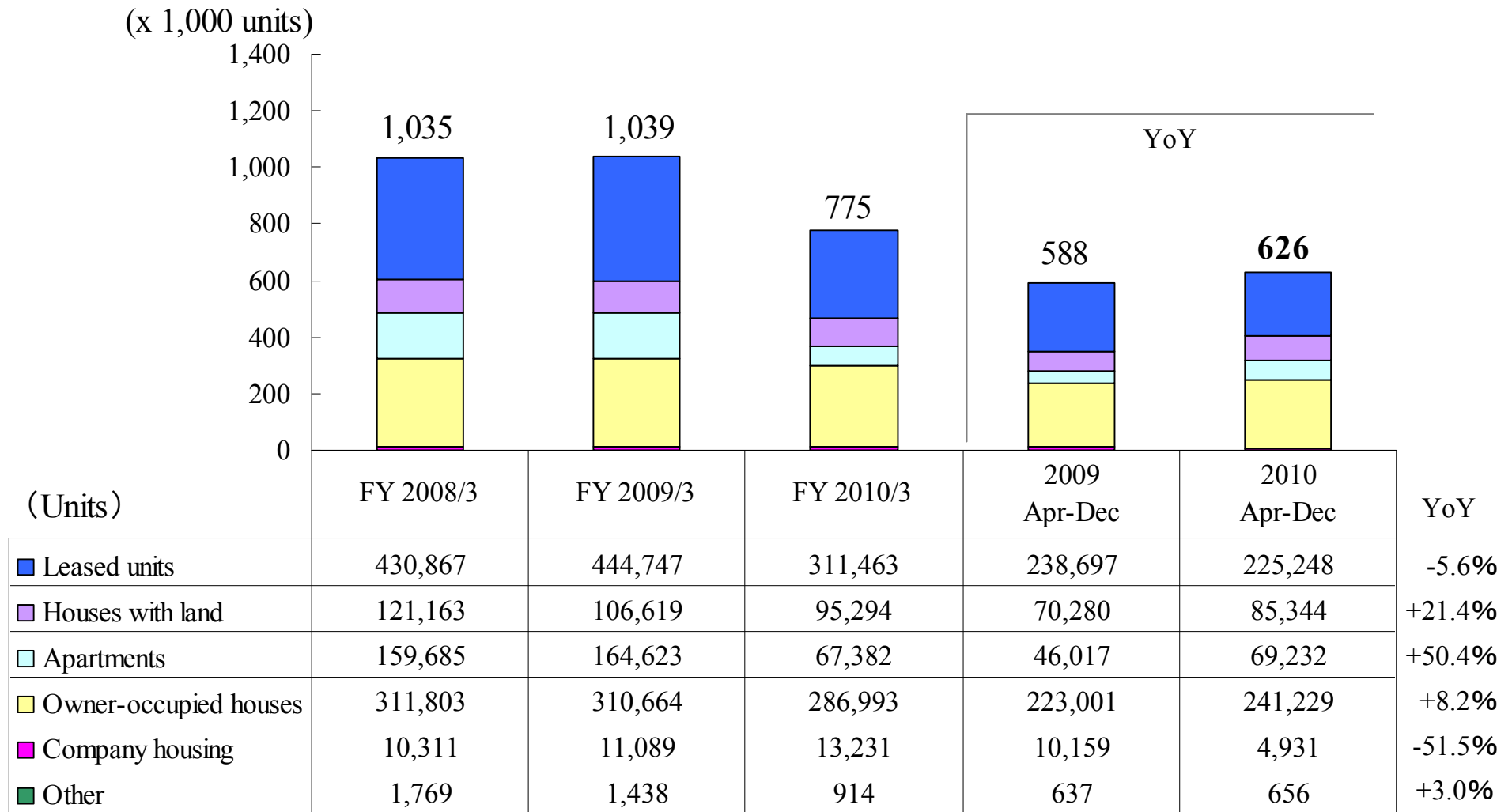


Group Home



Day Service / Short Stay facility

New Housing Starts (No. of use breakdown)

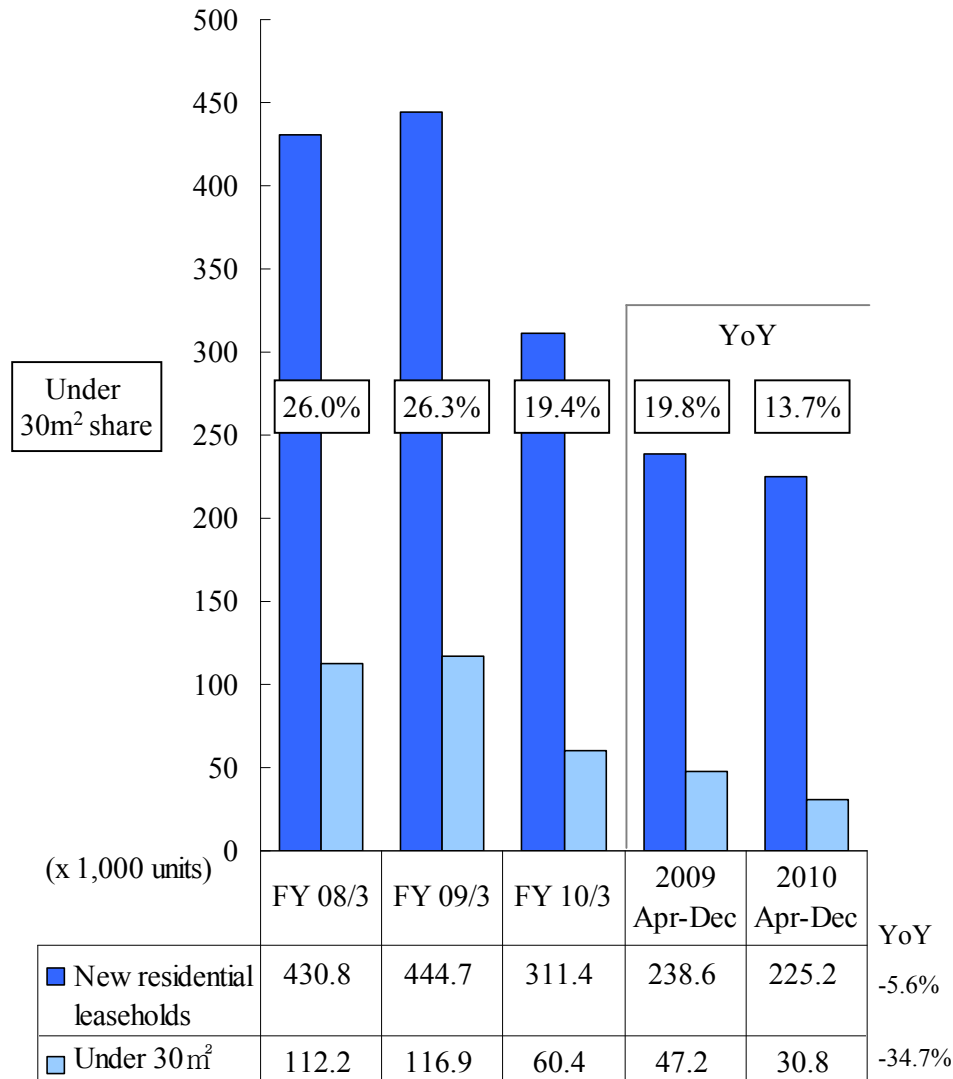


(Based on housing start statistics, Ministry of Land, Infrastructure & Transport)

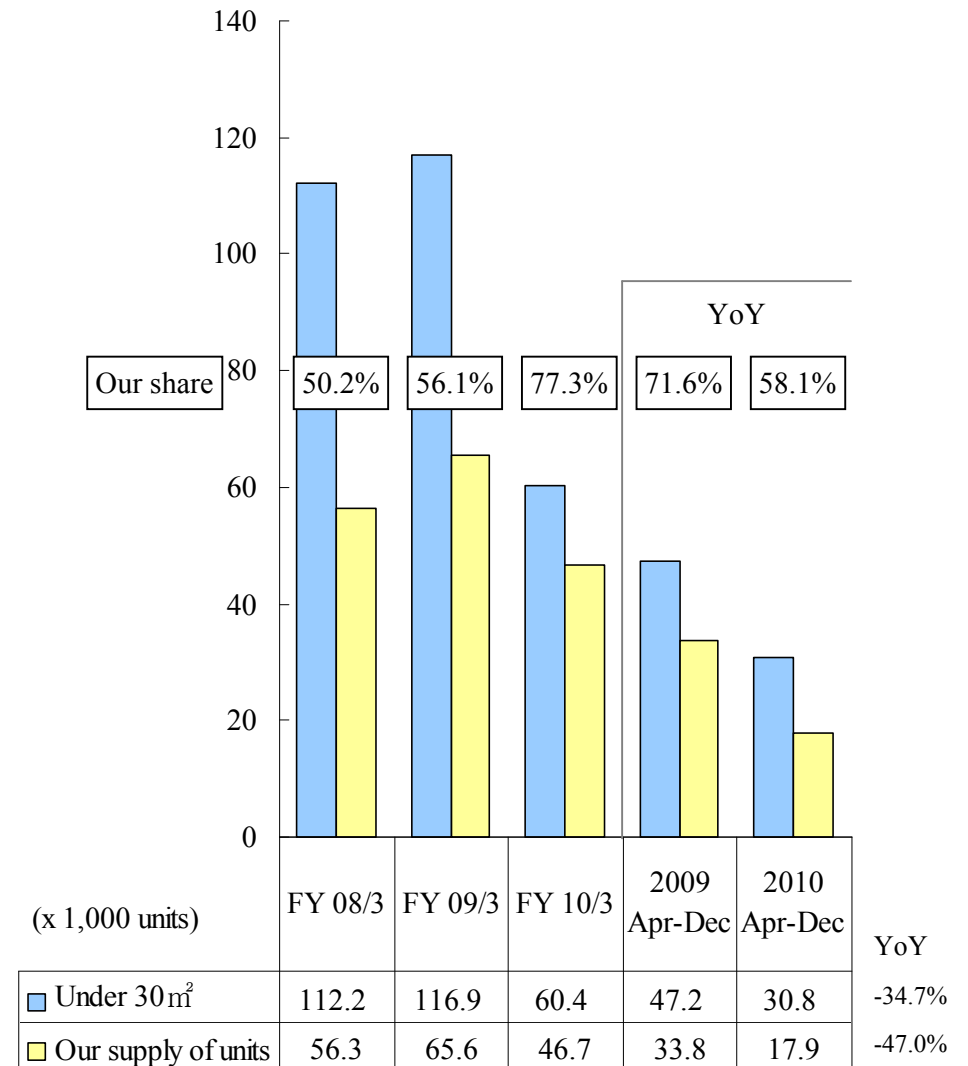
New Housing Starts (Units under 30 square meters)



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 and Our Market Share

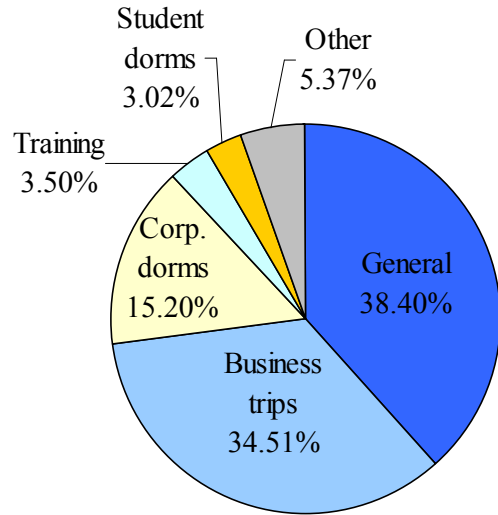


(Based on housing start statistics, Ministry of Land, Infrastructure & Transport)

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



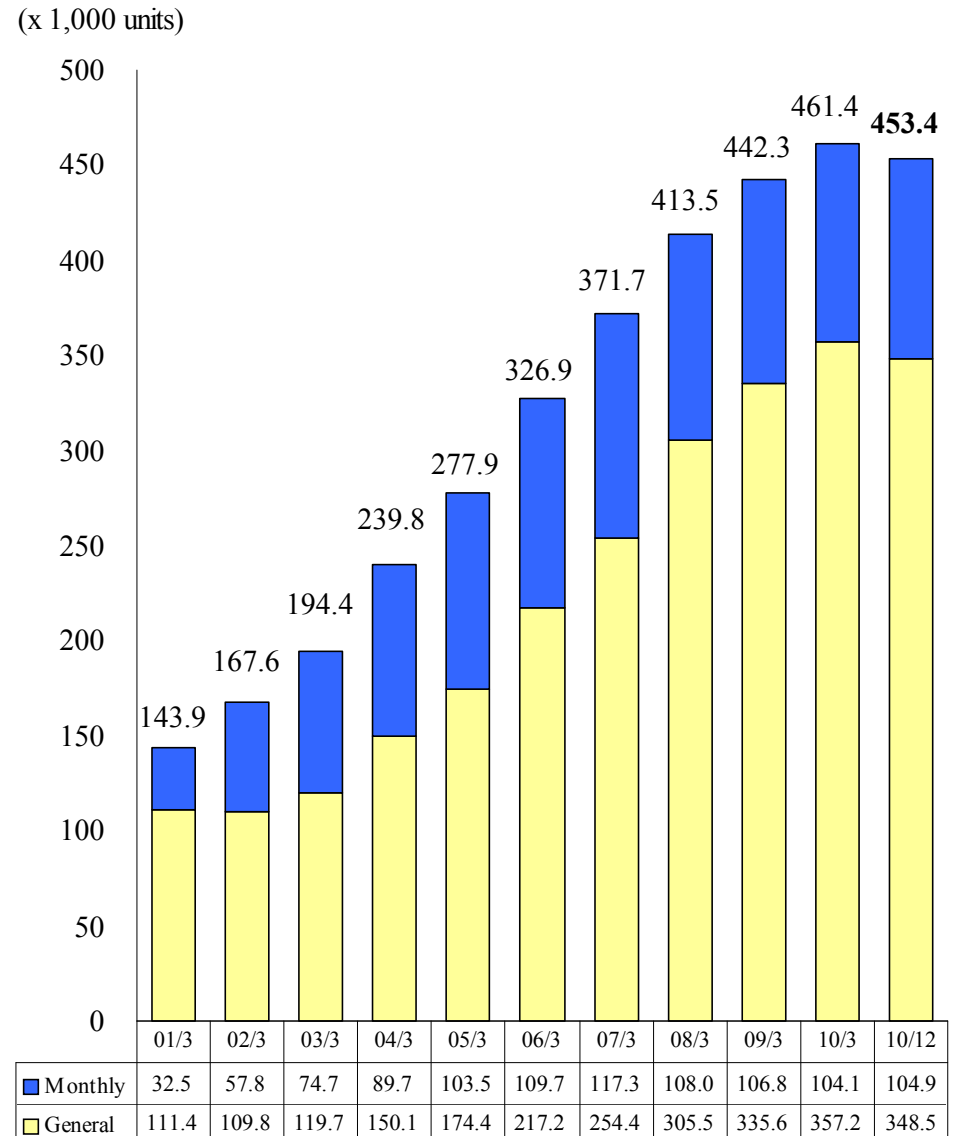
Breakdown of Users of Month-to-Month Leases (as of December 2010)



Breakdown of "Other":

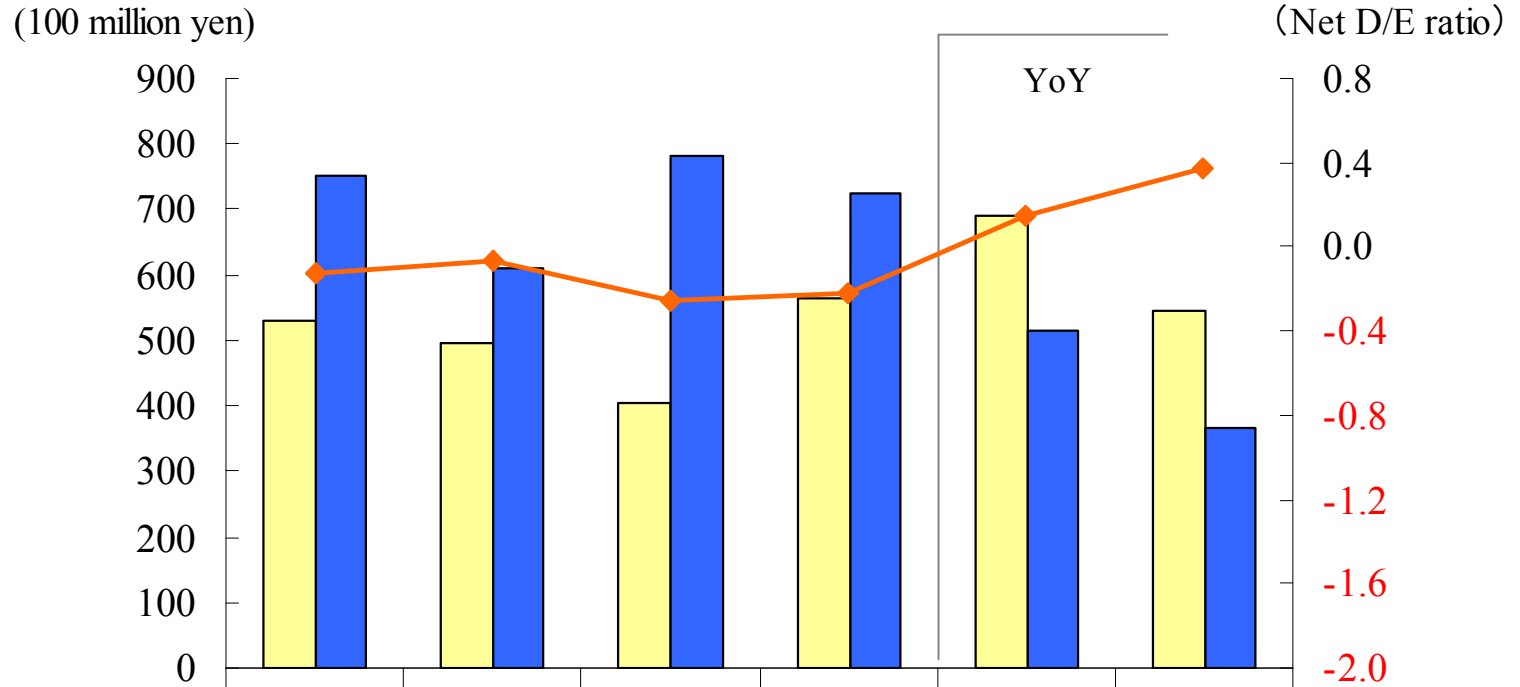
Temporary stay between moves	1.14%
Job assignment away from home	0.71%
Temporary stay during home renovations	0.65%
Temporary use (for space)	0.64%
Daily use for long commute	0.36%
Taking care of business bachelors	0.26%
Taking care of hospitalized relations	0.25%
Study	0.24%
Tourism	0.18%
Other	0.94%

No. of Tenants by Contract Type



(Based on company data, as of December 2010)

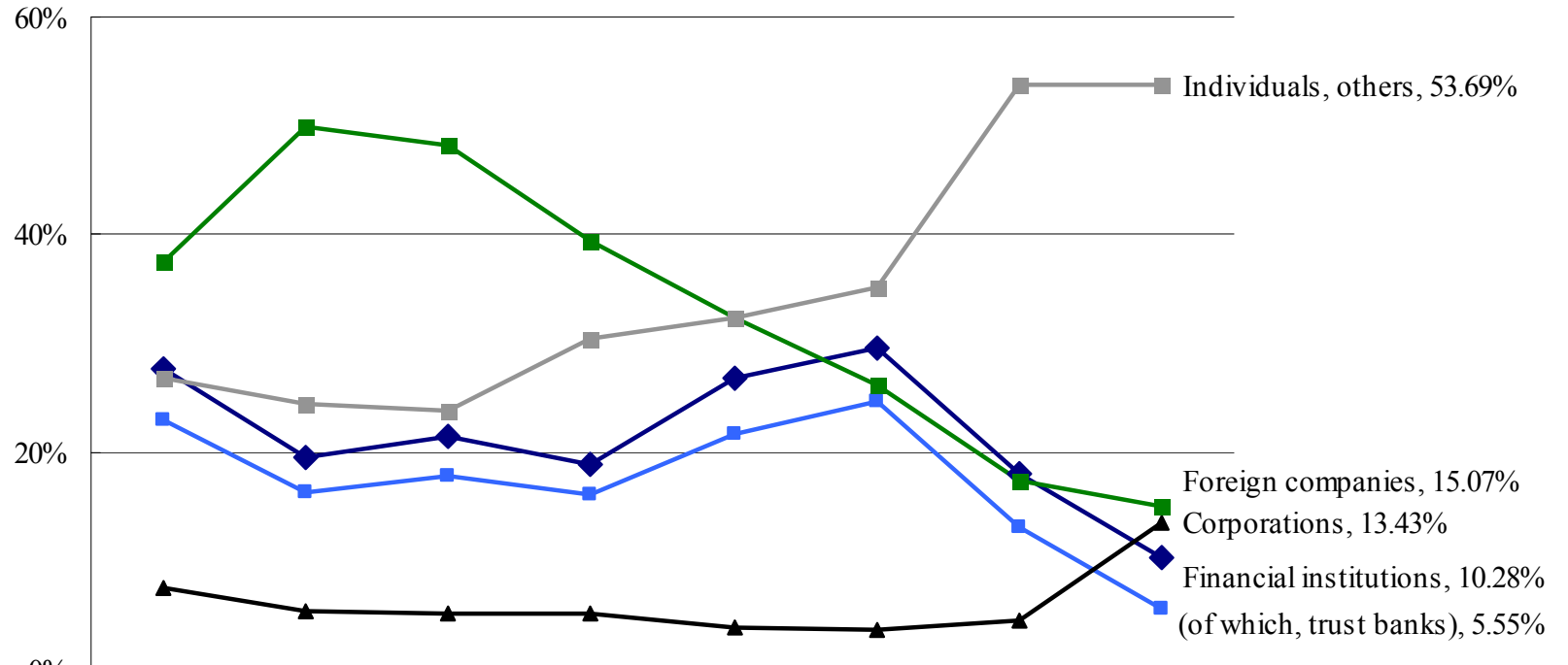
Balance of Cash/Deposits, and Interest-bearing Debt (Consolidated)



Interest-bearing debt	531	497	403	564	689	546
Cash/deposits	751	609	783	724	513	366
Net D/E ratio	-0.13	-0.07	-0.26	-0.23	0.14	0.38

Net D/E ratio = (Interest-bearing debt – Cash) / Shareholders' equity

Trend in Shareholders



	Mar 06	Mar 07	Mar 08	Mar 09	Mar 10	Jun 10	Sep 10	Dec 10
◆ Financial institutions	27.61%	19.49%	21.52%	18.83%	26.78%	29.64%	17.91%	10.28%
■ (of which, trust banks)	22.96%	16.36%	17.73%	15.98%	21.71%	24.67%	13.17%	5.55%
▲ Corporations	7.43%	5.28%	5.16%	5.21%	3.77%	3.75%	4.42%	13.43%
■ Foreign companies	37.56%	49.88%	48.28%	39.38%	32.37%	26.16%	17.45%	15.07%
■ Individuals, others	26.88%	24.38%	23.88%	30.38%	32.42%	35.11%	53.79%	53.69%

*Based on number of shares

*Leopalace21 Corporation issued new shares through a third-party allotment to Jyu-seikatsu Realty Corporation (classified as “Corporation” above) on December 21, 2010.