

Explanatory Session for the Results of the First Half Ended September 2011

November 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.

Outline of Results of the First Half Ended September 2011	
Highlights of Results and Plan (Consolidated)	3
Summary of Consolidated Results	4
Results of Business Segments (Consolidated)	6
Summary of Segment Results	7

Outline of Businesses for the First Half Ended September 2011	
Leasing	10
Construction	21
Enhancing Property Value (Solar power and security systems)	24
Hotels & Resort	26
Elderly Care	27

Appendix	
Schedule of Operations of Leopalace Group	29
Balance Sheets (Consolidated)	30
Cash Flow (Consolidated)	31
Balance of Cash/Deposits and Interest- bearing Debt	32
Trend in Shareholders	33
New Housing Starts	34

Outline of Results of the First Half Ended September 2011



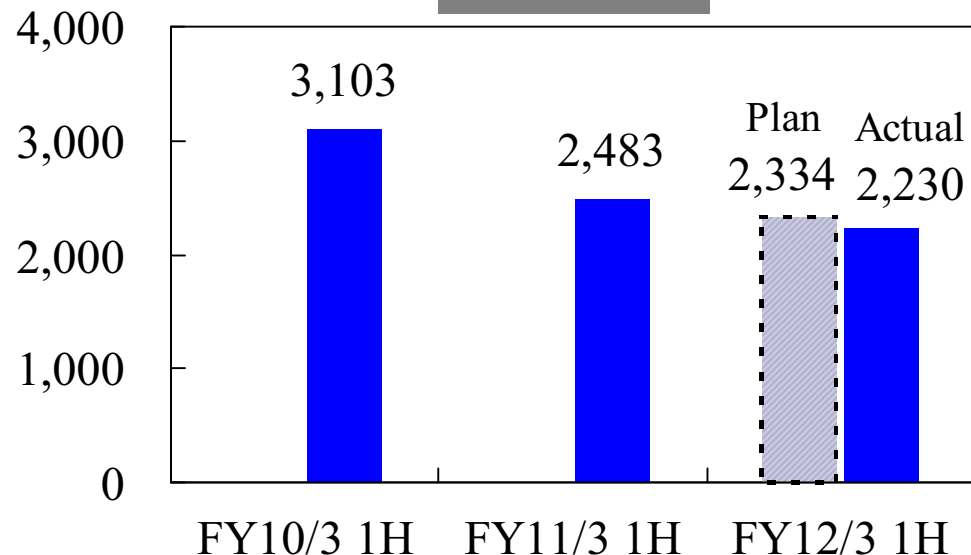
Highlights of Results and Plan (Consolidated)

(Million yen)	FY 2011/3 1H (Actual)	FY 2012/3 1H (Plan)	FY 2012/3 1H (Actual)	YoY		Compared to Plan		FY 2012/3 Full-year (Plan)
				Change	%	Change	%	
Sales	248,315	233,400	223,044	(25,271)	-10.2%	(10,356)	-4.4%	499,900
Gross profit	16,303	17,000	21,908	+ 5,605	+34.4%	+ 4,908	+28.9%	51,500
%	6.6%	7.3%	9.8%	+ 3.3 p	—	+ 2.5 p	—	10.3%
SGAE	28,898	24,400	24,100	(4,798)	-16.6%	(299)	-1.2%	48,300
Operating profit	(12,594)	(7,400)	(2,191)	+ 10,402	—	+ 5,208	—	3,200
%	- 5.1%	-3.2%	- 1.0%	+ 4.1 p	—	+ 2.2 p	—	0.6%
Recurring profit	(19,273)	(8,000)	(6,187)	+ 13,085	—	+ 1,812	—	1,800
%	- 7.8%	-3.4%	- 2.8%	+ 5.0 p	—	+ 0.7 p	—	0.4%
Net income	(17,555)	(6,800)	(5,203)	+ 12,352	—	+ 1,596	—	3,000

Summary of Consolidated Results ①

(100 million yen)

Sales



YoY - ¥25.2 billion

“Sales decrease due to a shift to stock (leasing) business”

Leasing + ¥14.1 billion

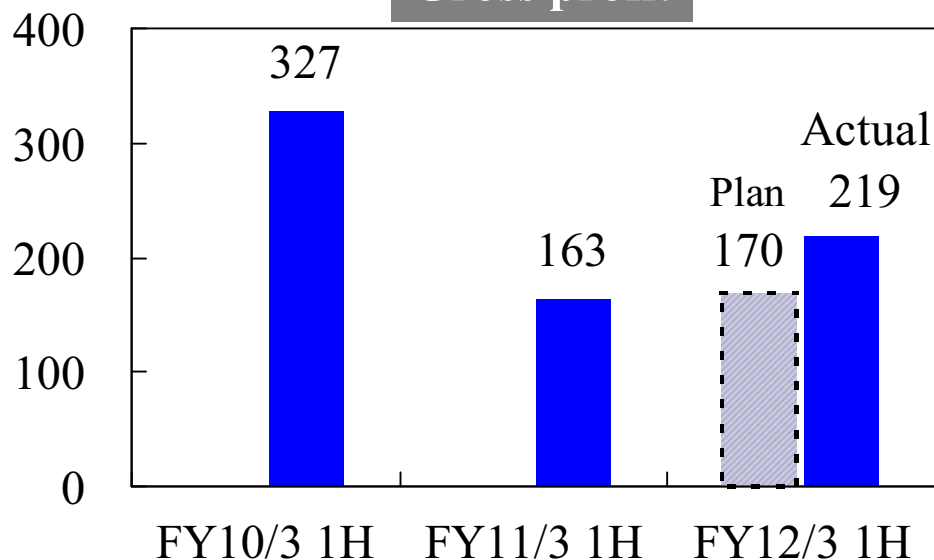
Construction - ¥36.8 billion

Compared to Plan - ¥10.3 billion

Enhancing property value - ¥6.5 billion

Guam Resort - ¥0.9 billion

Gross profit



YoY + ¥5.6 billion

Compared to Plan + ¥4.9 billion

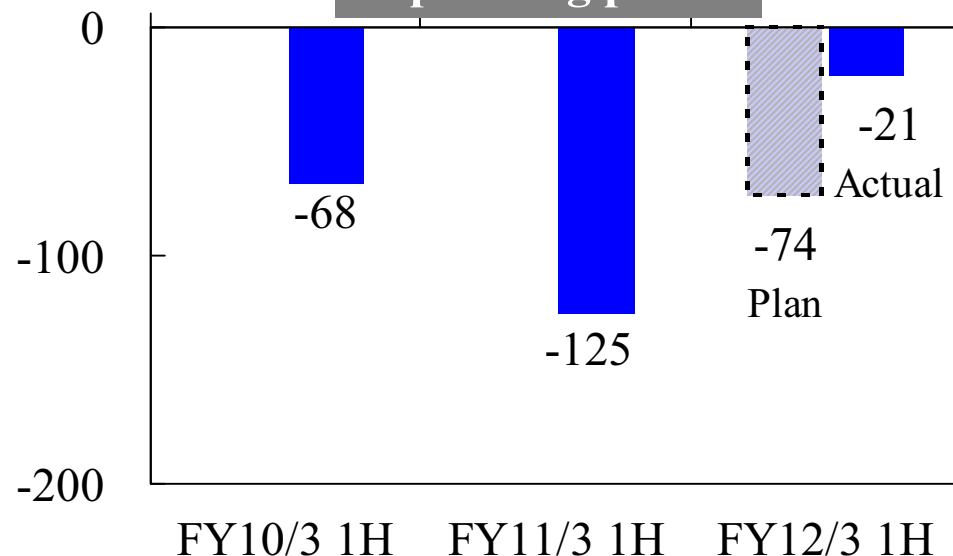
Decrease in reserve for apartment

vacancy loss ¥6.1 billion

Summary of Consolidated Results ②

(100 million yen)

Operating profit



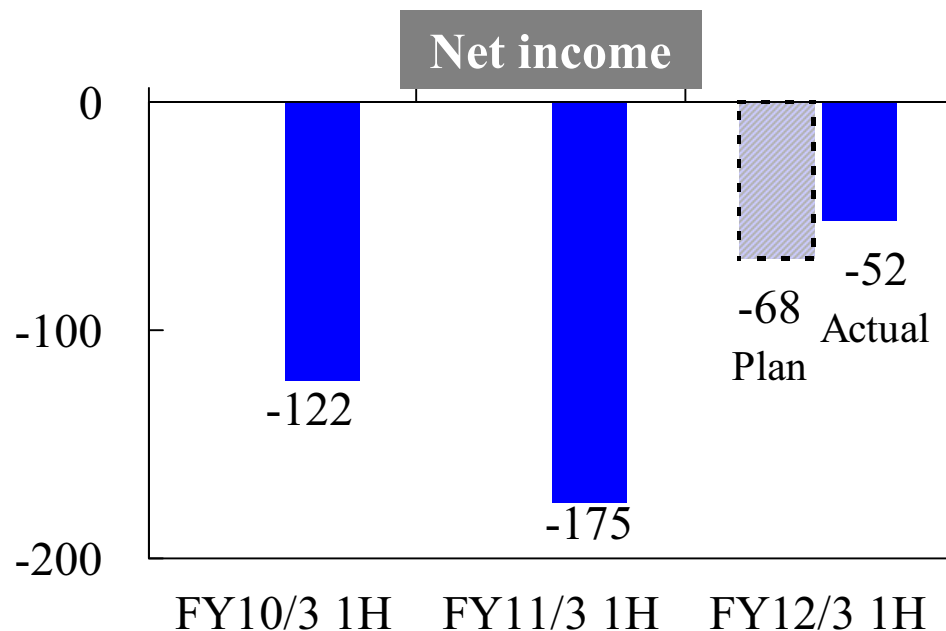
YoY + ¥10.4 billion

Gross profit + ¥ 5.6 billion
Cut in SGAE + ¥4.7 billion

Compared to Plan + ¥5.2 billion

Gross profit + ¥4.9 billion
Cut in SGAE + ¥0.2 billion

Net income



YoY + ¥12.3 billion

Operating profit + ¥10.4 billion
Decrease in foreign exchange loss + ¥1.5 billion
(Previous 1H ¥5.4 billion)

Compared to Plan + ¥1.6 billion

Operating profit + ¥5.2 billion
Foreign exchange loss - ¥3.9 billion

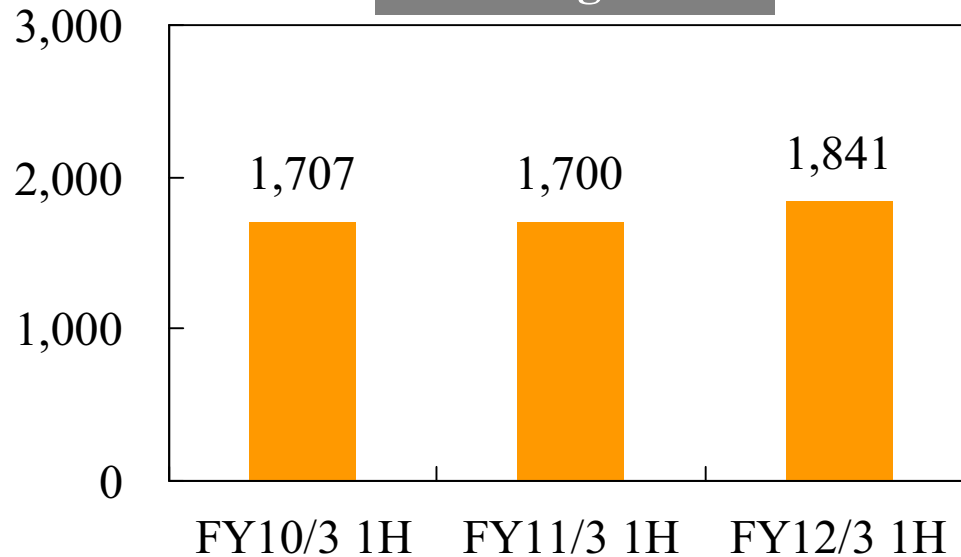
Results of Business Segments (Consolidated)

(Million yen)		FY 2011/3 1H	FY 2012/3 1H			FY 2012/3 Full-year Plan
				Change	%	
Leasing	Sales	170,038	184,194	+ 14,155	8.3%	432,600
	Gross profit	(6,882)	12,896	+ 19,779	—	36,900
	Operating profit	(19,568)	(2,200)	+ 17,368	—	3,800
Construction	Sales	67,733	30,885	(36,848)	-54.4%	51,800
	Gross profit	23,093	8,841	(14,251)	-61.7%	14,500
	Operating profit	9,276	2,352	(6,924)	-74.6%	4,300
Hotels & Resort	Sales	3,444	3,052	(392)	-11.3%	8,100
	Gross profit	940	653	(286)	-30.4%	1,600
	Operating profit	(556)	(696)	(139)	—	(1,200)
Elderly Care, Other	Sales	7,098	4,911	(2,187)	-30.8%	9,400
	Gross profit	343	501	+ 157	45.8%	400
	Operating profit	(549)	(377)	+ 171	—	(1,300)

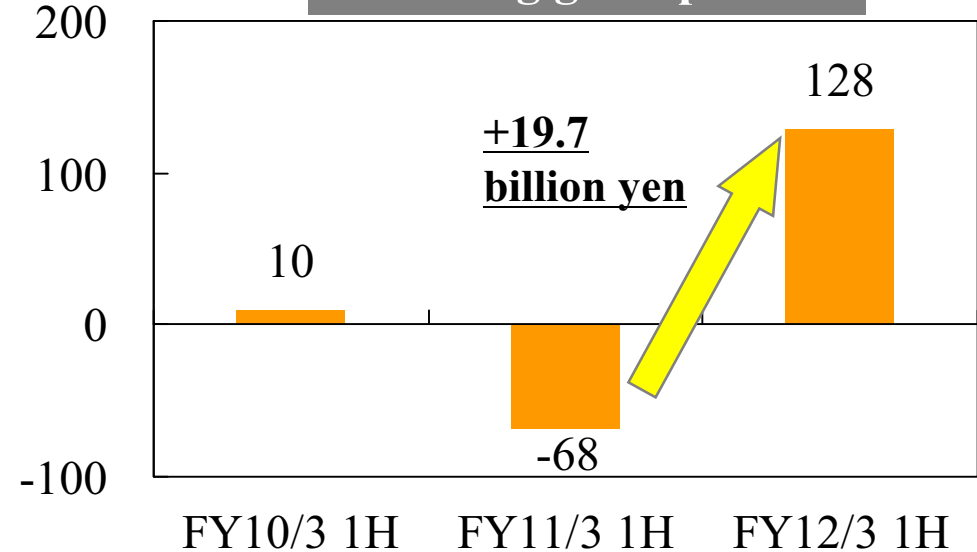
Summary of Segment Results (Leasing)

(100 million yen)

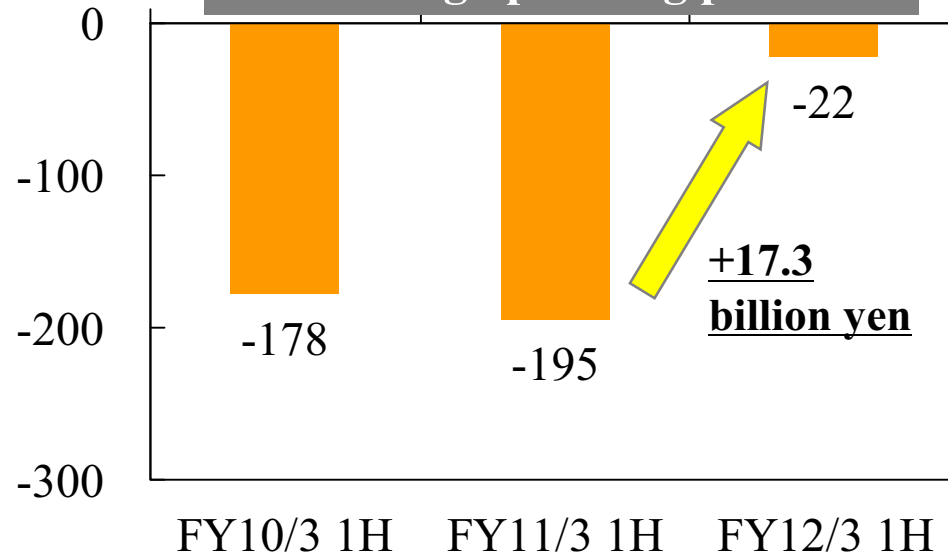
Leasing sales



Leasing gross profit



Leasing operating profit



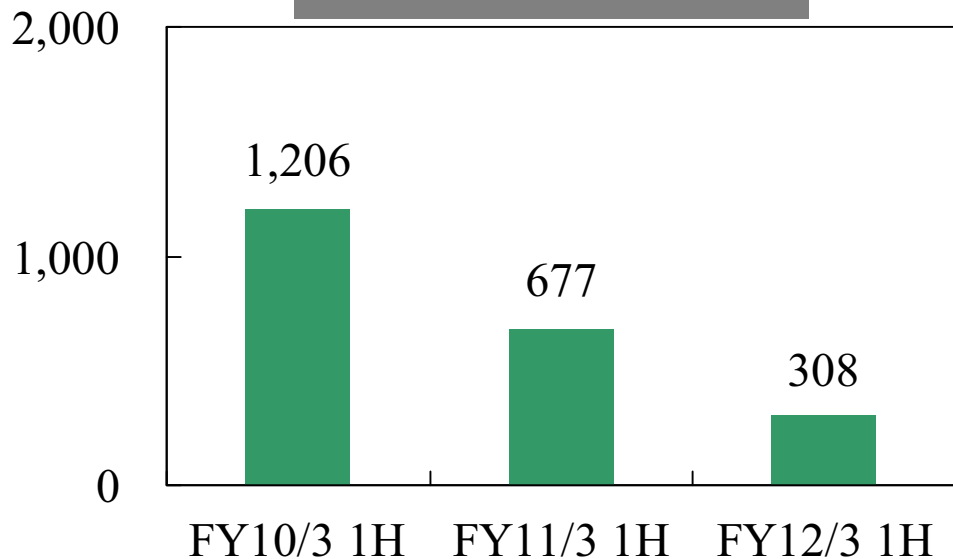
Factors which increased profits:

- Decrease in reserve for apartment vacancy loss ¥6.1 billion
- Reviewing leasing cost (rent) ¥3.0 billion
- Maintenance Service for Household Appliances and Electronics ¥8.4 billion
- Broadband Maintenance Service ¥3.4 billion

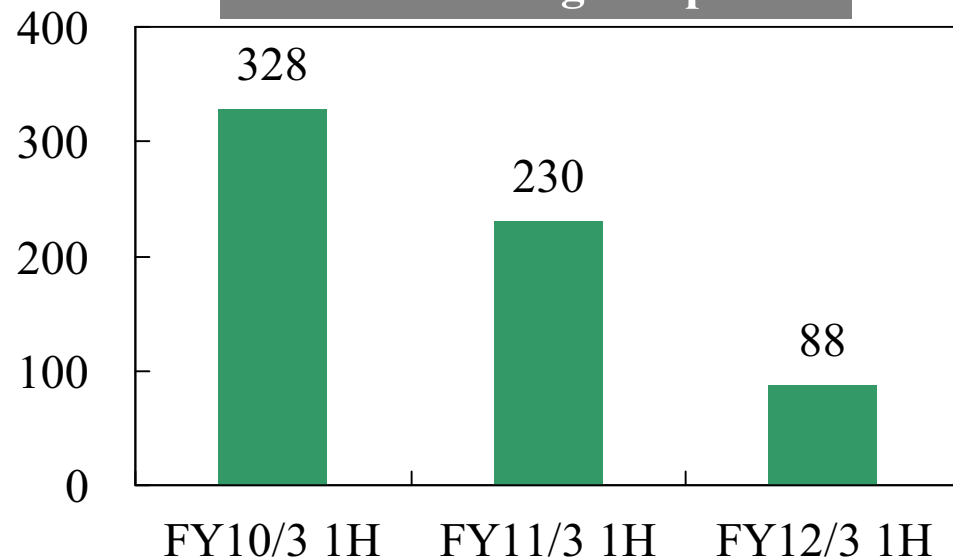
Summary of Segment Results (Construction)

(100 million yen)

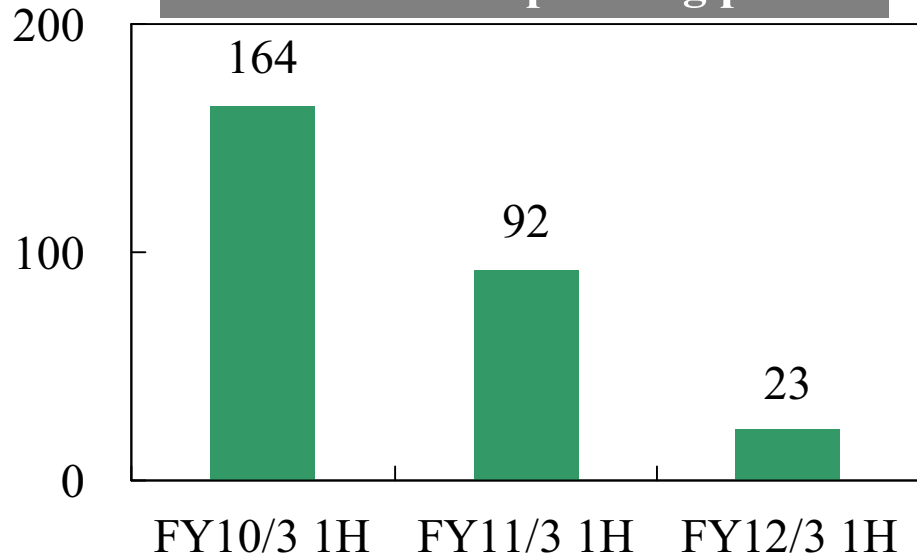
Construction sales



Construction gross profit



Construction operating profit



Factor which decreased profits:

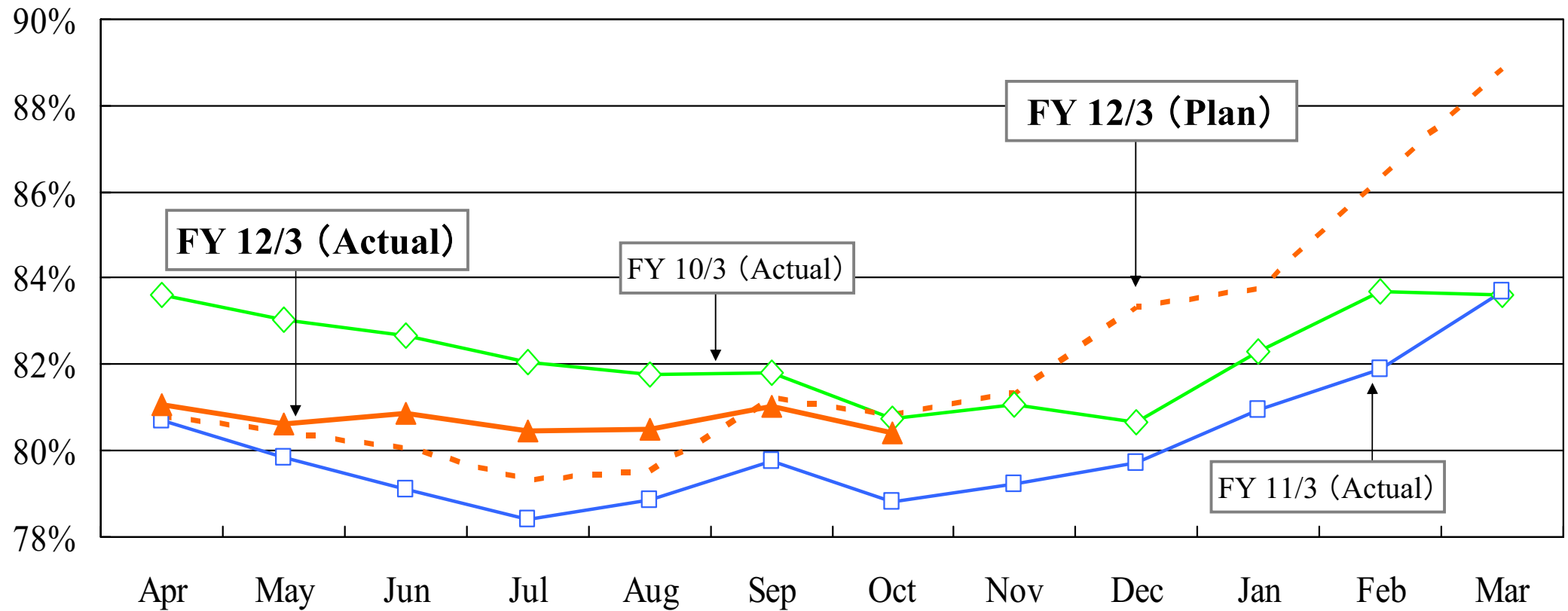
- Restrained units supplied

	Buildings	Units
FY10/3 1H	1,134	19,966
FY11/3 1H	908	11,883
FY12/3 1H	341	3,676

Outline of Businesses for the First Half Ended September 2011



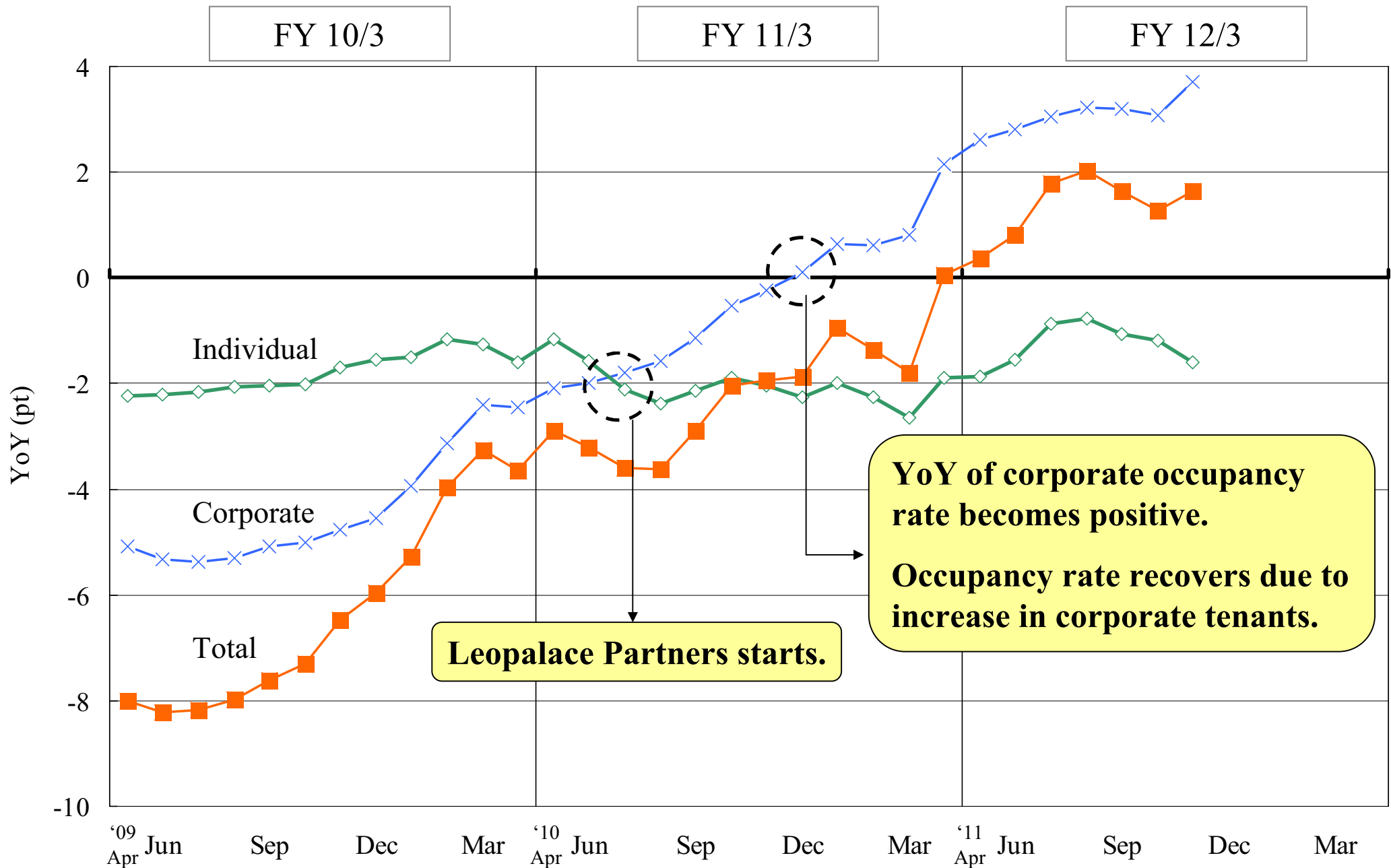
Leasing ① Occupancy Rate (3-years)



【Occupancy Rate】 (Occupancy Rate = Occupied units / Managed units, %)

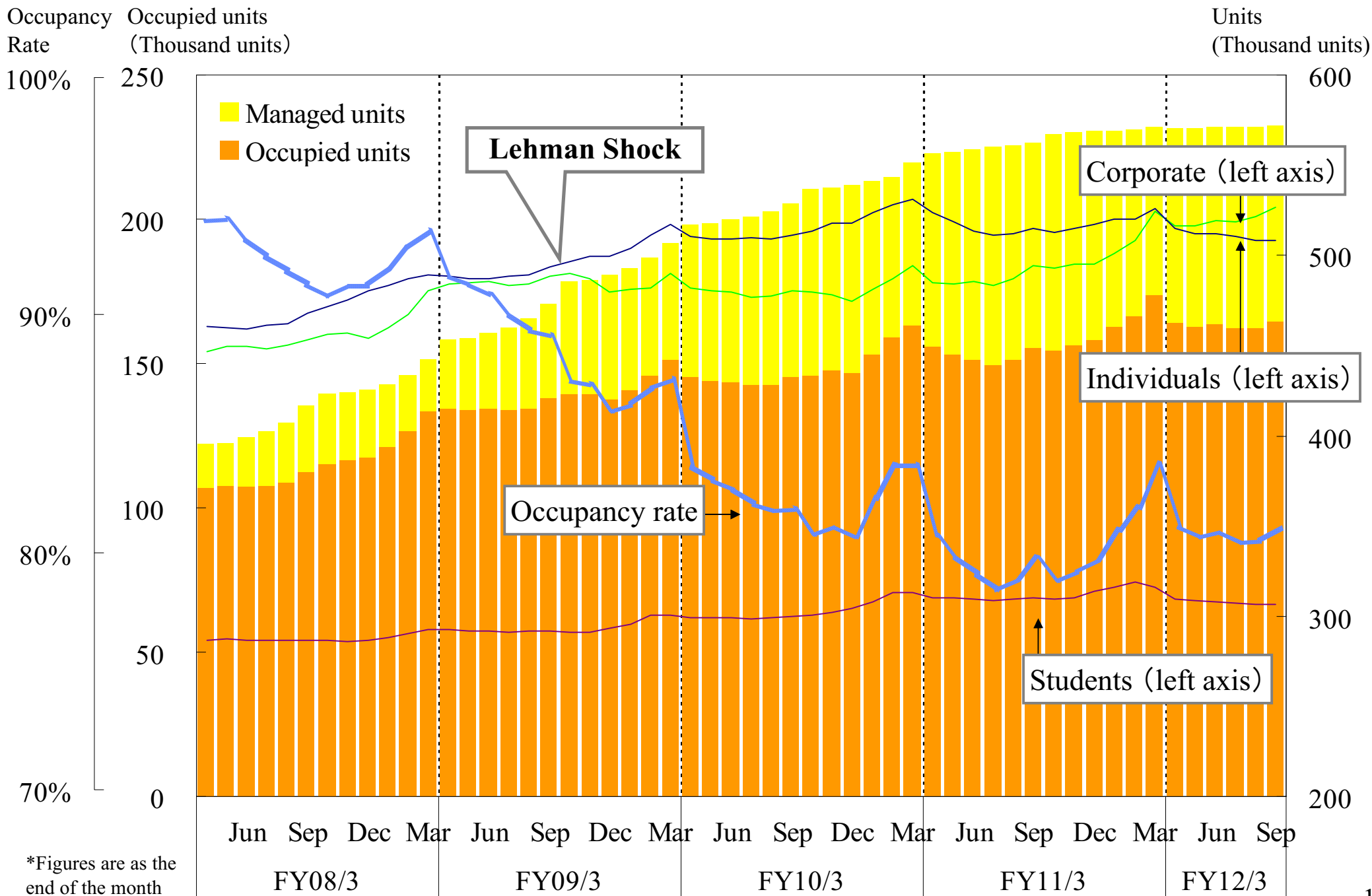
	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Avg
FY 10/3 (Actual)	83.62	83.04	82.67	82.05	81.75	81.81	80.75	81.09	80.65	82.29	83.68	83.63	82.25
FY 11/3 (Actual)	80.72	79.83	79.09	78.43	78.87	79.78	78.80	79.22	79.71	80.93	81.89	83.69	80.08
FY 12/3 (Actual)	81.09	80.64	80.87	80.45	80.50	81.05	80.43						80.72
FY 12/3 (Plan)	80.80	80.43	80.03	79.32	79.52	81.18	80.81	81.32	83.32	83.75	86.30	88.84	82.15

Leasing ② Occupancy Rate (YoY)



*Occupancy Rate = Occupied units / Managed units

Leasing ③ Occupancy by Group



*Figures are as the end of the month

Leasing ④ Data

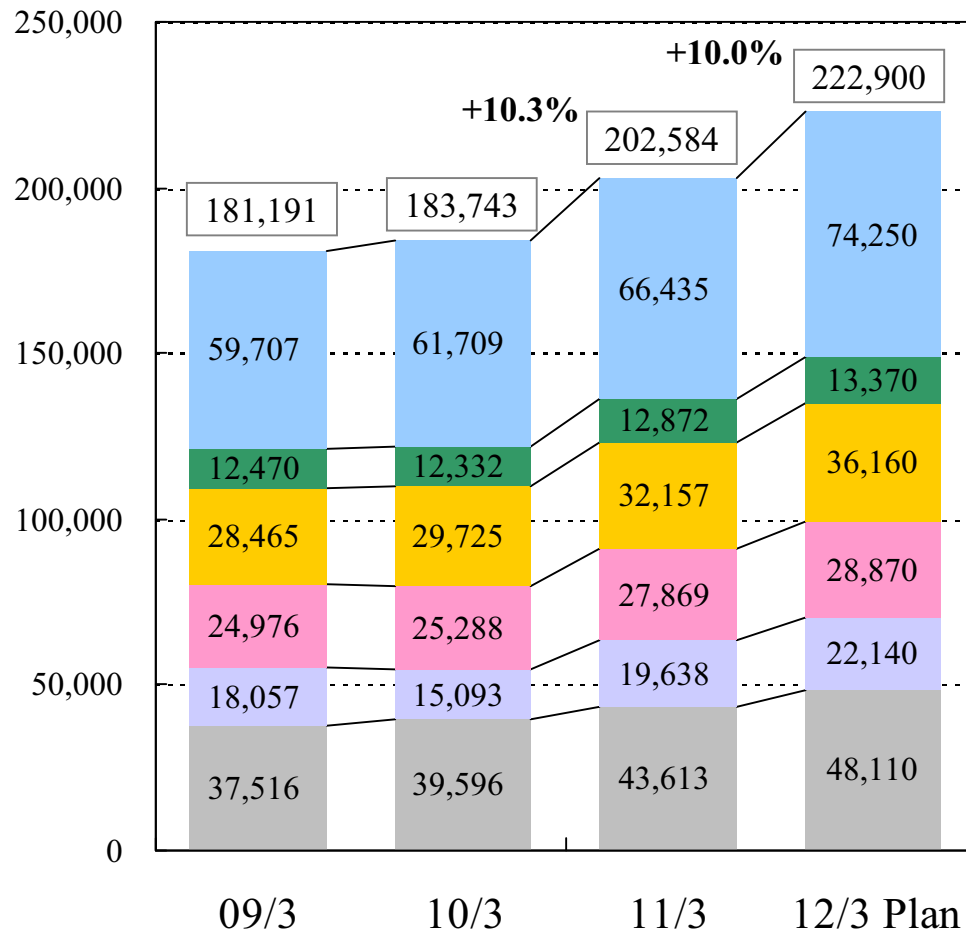
	FY 09/3	FY 10/3	FY 2011/3					FY 2012/3		
	Full year	Full year	1Q	2Q	3Q	4Q	Full year	1Q	2Q	Full year Plan
Units under management	506,742	551,773	559,241	562,923	568,829	571,656	—	571,068	571,908	576,649
Occupied units	442,325	461,473	442,292	449,085	453,411	478,438	—	461,846	463,509	512,296
Occupancy Rate (average)	88.5%	82.3%	79.9%	79.0%	79.2%	82.2%	80.1%	80.9%	80.7%	82.2%
Corporate-occupied units	181,191	183,743	178,259	183,786	184,415	202,584	—	199,441	204,279	—
Corporate share (Corporate-occupied units / Occupied units)	41.0%	39.8%	40.3%	40.9%	40.7%	42.3%	—	43.2%	44.1%	—
Individual-occupied units	198,065	206,866	195,860	196,580	198,070	203,539	—	195,089	192,874	—
Individual share (Individual-occupied units / Occupied units)	44.8%	44.8%	44.3%	43.8%	43.7%	42.5%	—	42.2%	41.6%	—
Student-occupied units	63,069	70,864	68,173	68,719	70,926	72,315	—	67,316	66,356	—
Students share (Student-occupied units / Occupied units)	14.3%	15.4%	15.4%	15.3%	15.6%	15.1%	—	14.6%	14.3%	—

1. Occupancy rate is the average value for each period (Full-year or quarter).

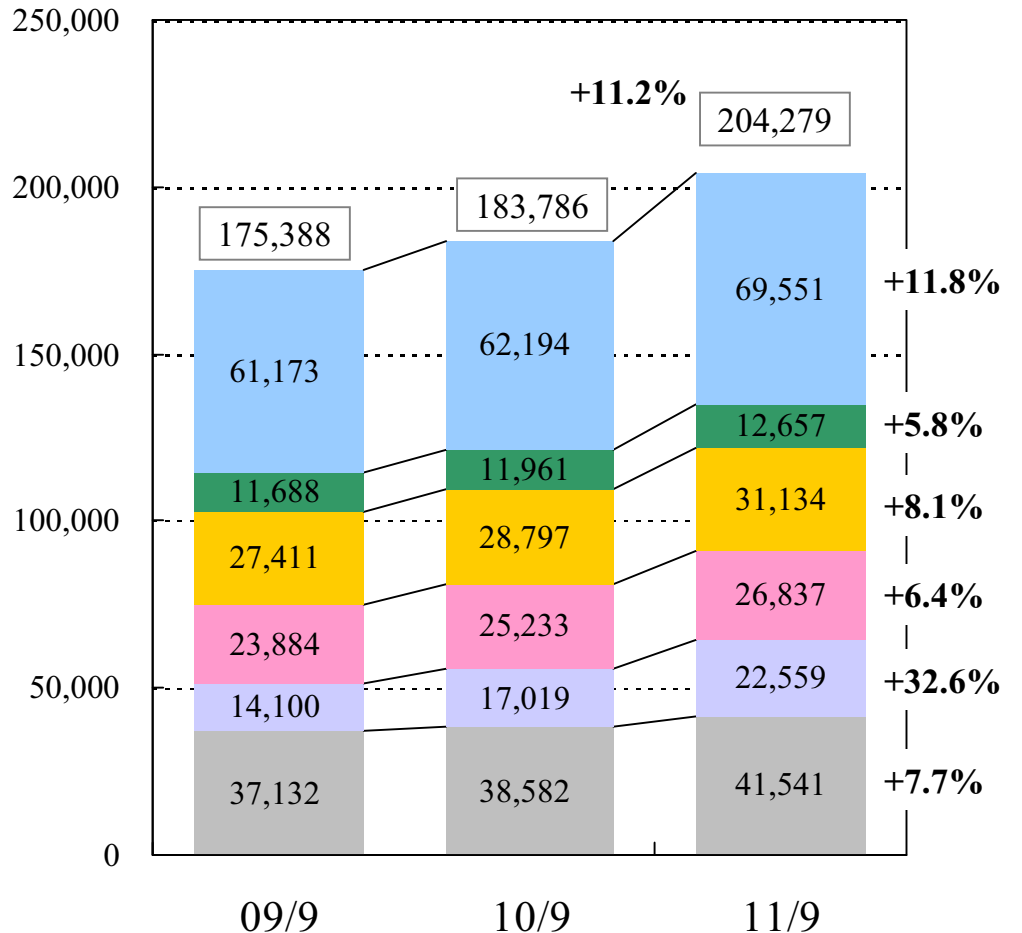
2. Figures for units under management and occupied units are as of the end of the final month for the relevant period.

Strategies: 1. Expand major business connections
2. Cultivate “low-use” business connections

(Units) **Occupied Units by Industry (Mar)**

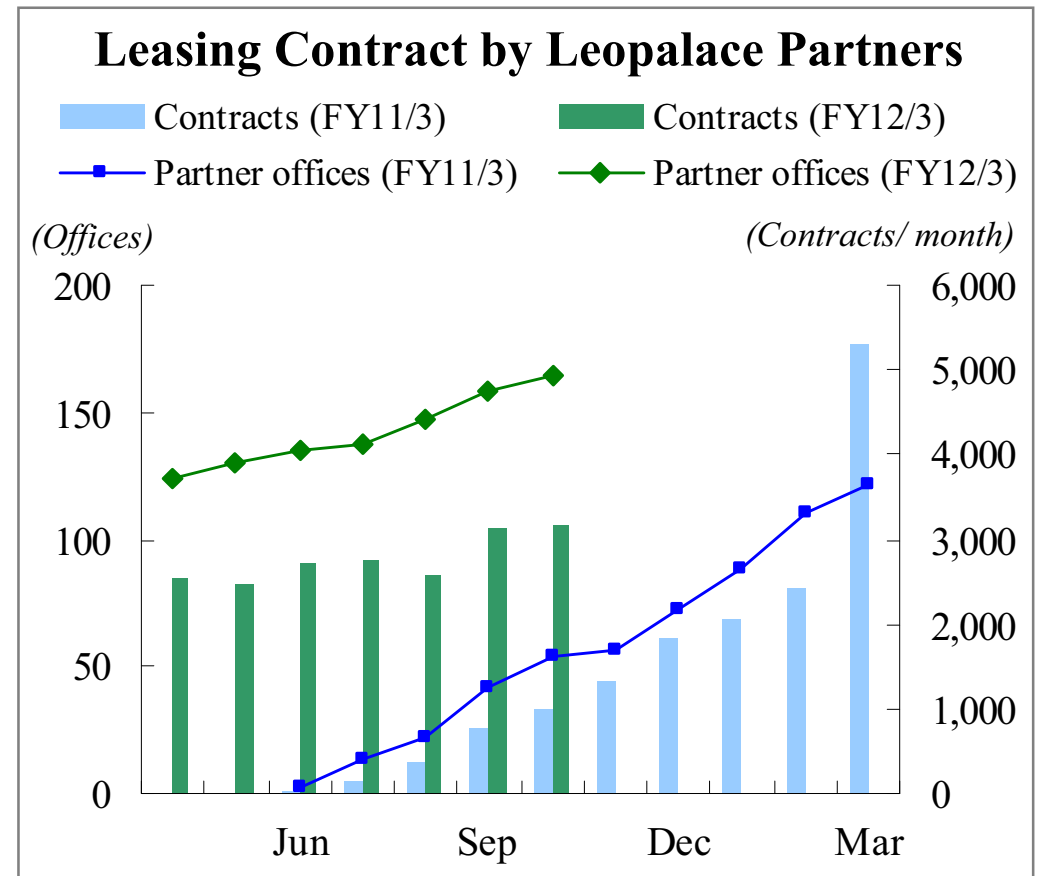
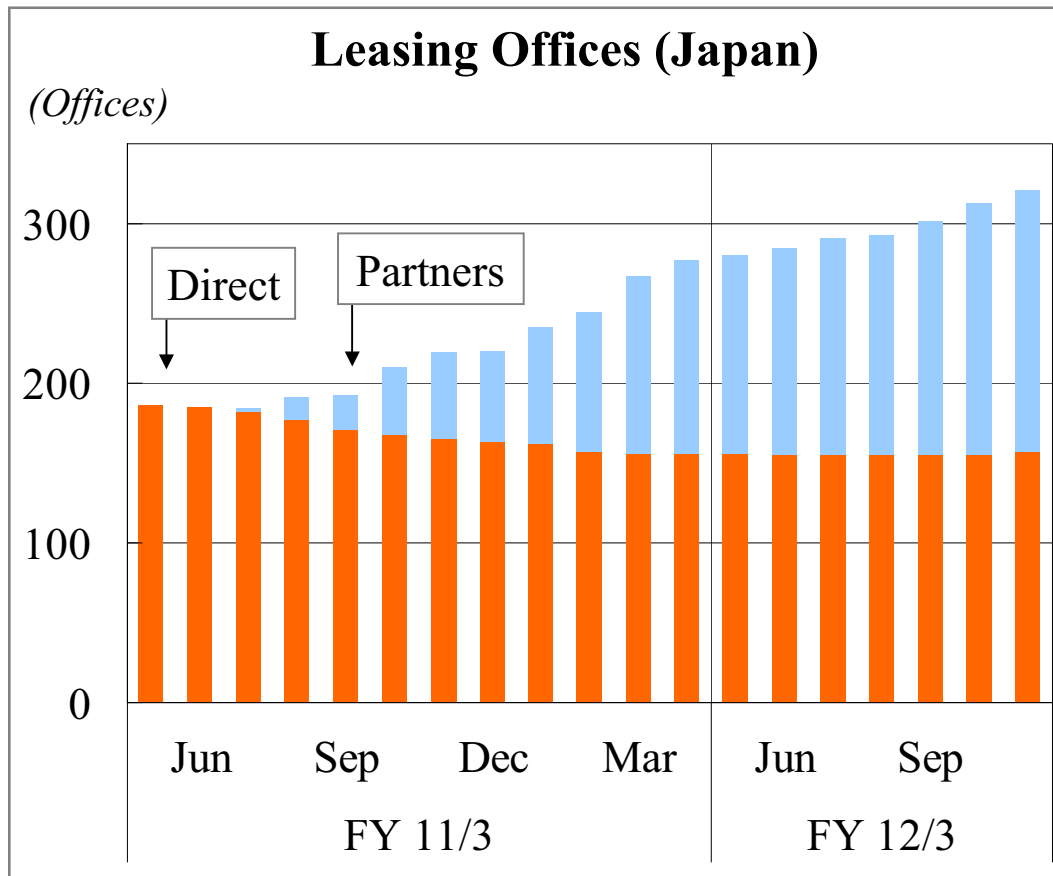


(Units) **Occupied Units by Industry (Sep)**



Manufacturing
 Staffing/outsourcing
 Services
 Retail
 Food service
 Other

Leasing ⑥ Leoplace Partners

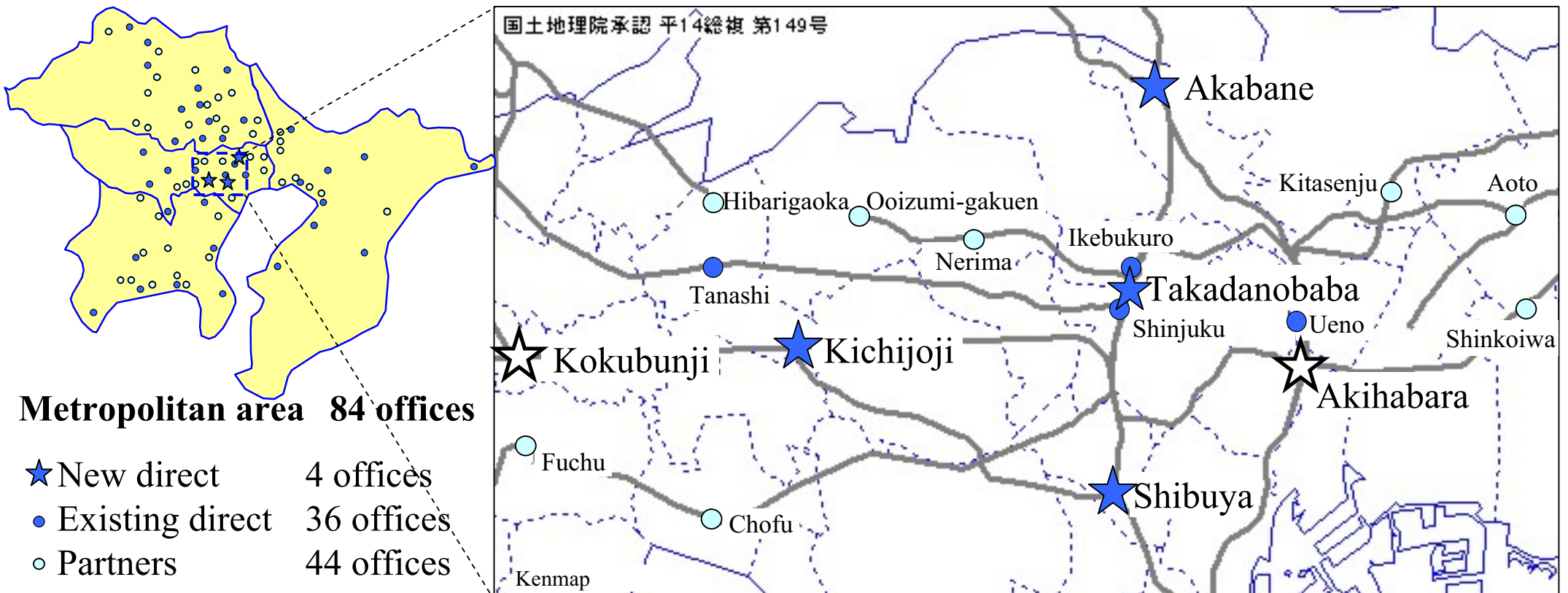


	FY 2011/3						FY 2012/3							
	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	
Partner offices	54	57	73	88	111	121	124	130	136	138	147	158	164	
Direct offices	165	163	162	157	156	156	156	155	155	155	155	155	157	
Total leasing offices	219	220	235	245	267	277	280	285	291	293	302	313	321	
Contracts by Partners	1,002	1,337	1,823	2,070	2,431	5,286	2,523	2,460	2,730	2,767	2,563	3,144	3,161	

New direct offices open

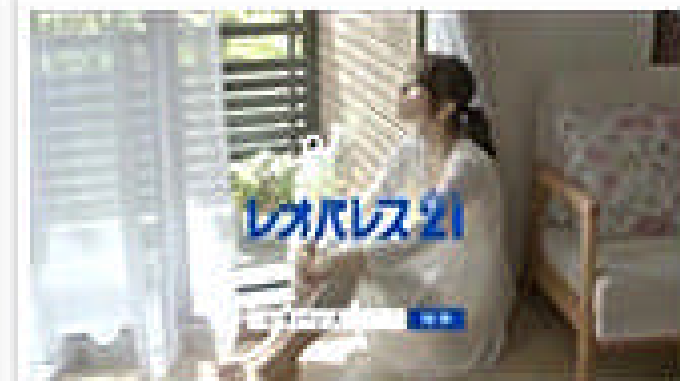
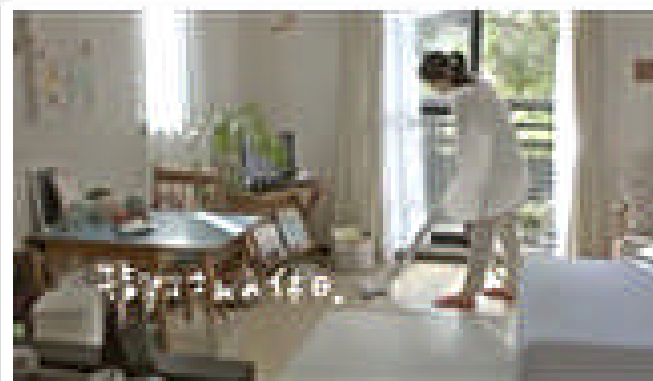
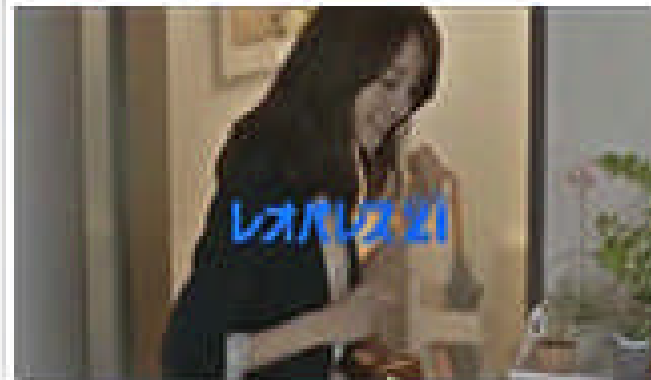
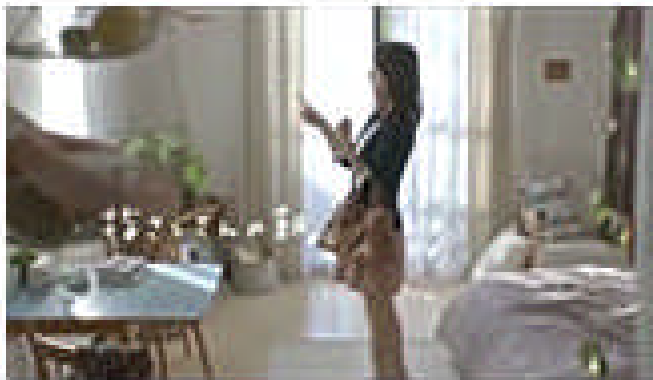
- 3 direct offices opened in the Tokyo area in October (*Kichijoji, Shibuya, Akabane*)
- *Takadanobaba* office planned to open in November
- In order to increase occupancy rates in the three metropolitan areas, we will continue to open direct offices in those areas.

Planned: *Akihabara, Kokubunji, Nagoya station, and Umeda (Osaka)*



Started new commercial from October!

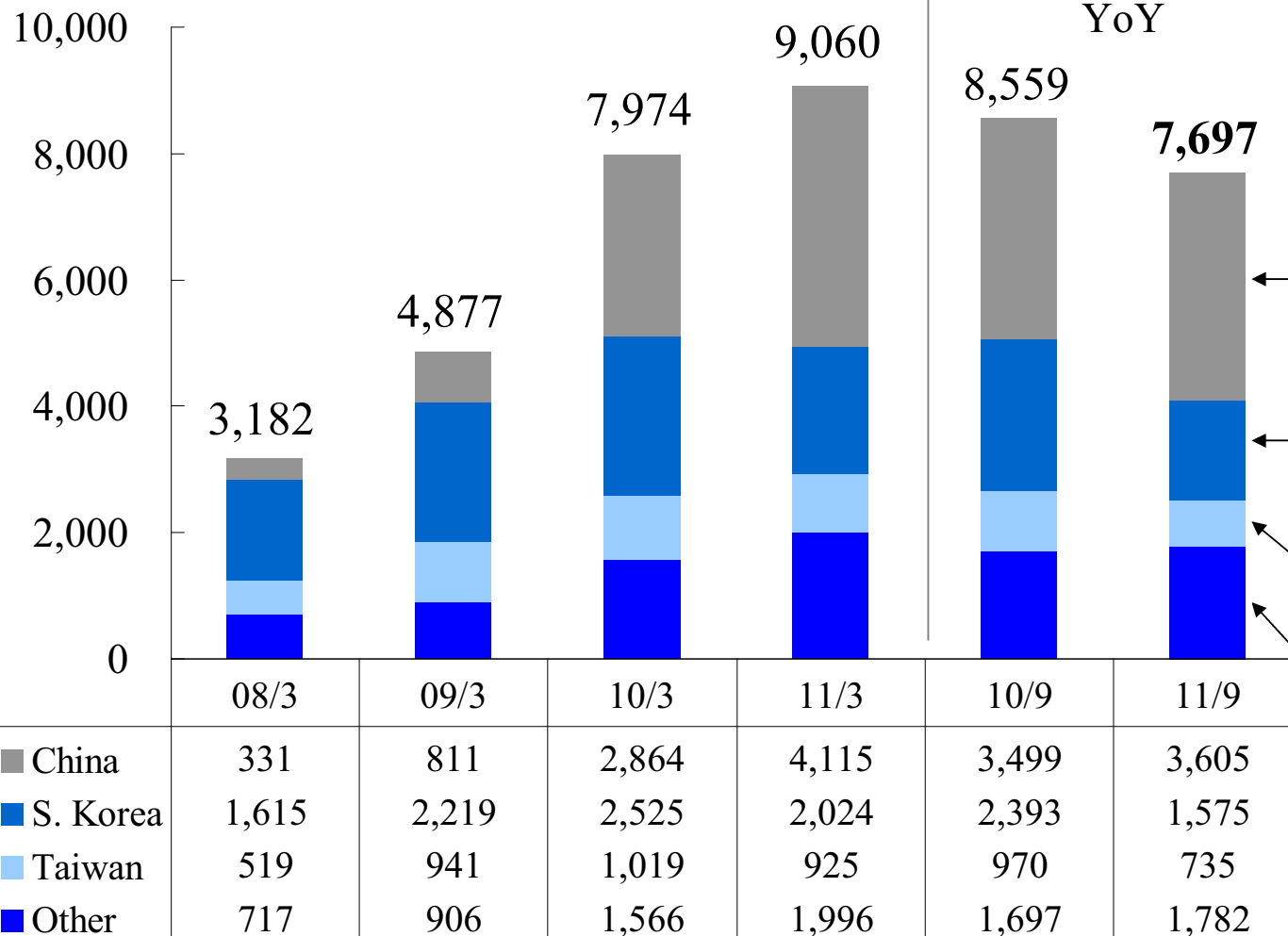
- Starring Horikita Maki
- Appeal both “security” and “solar power systems”
- We sponsor ”Gaia-no-yoake” (a TV program about Japanese corporations)



Leasing ⑨ Foreign Tenants

1. Foreign tenants temporarily decreased due to the Great East Japan Earthquake, but has bottomed out.
2. In addition to oversea offices, foreign students can make lease contracts through our “LAM school.”

**Leased Units by Foreign Nationals
(excluding corporate contracts)**



LAM School System
(Leopalace Alliance Members)

is a system for foreign students planning to study in Japan, enabling them to search for apartments and make lease contracts through the internet from their home country.

China: 4 offices

Beijing, Dalian, Shanghai, Guangzhou

South Korea: 3 offices

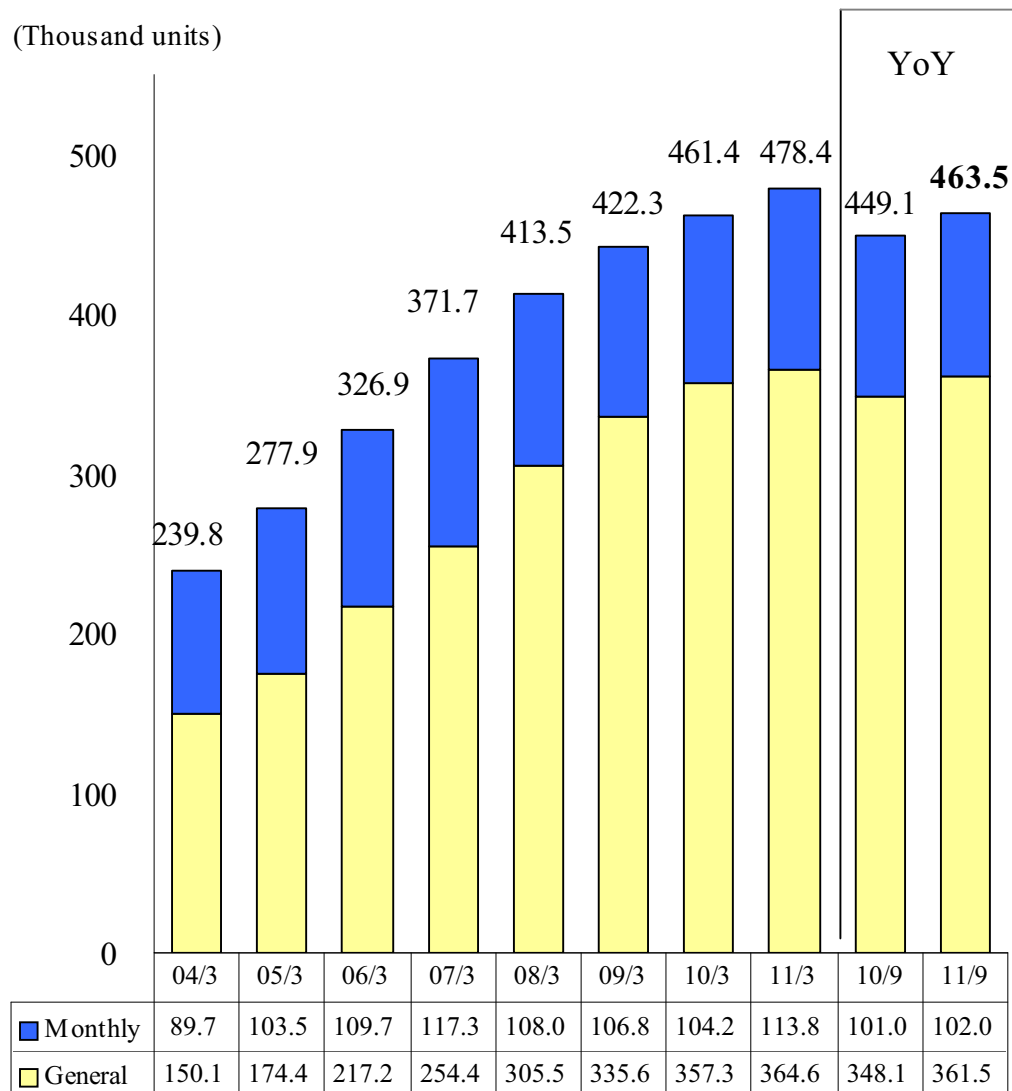
Busan, Seoul Gangnam, Seoul Jongno

Taiwan: 1 office

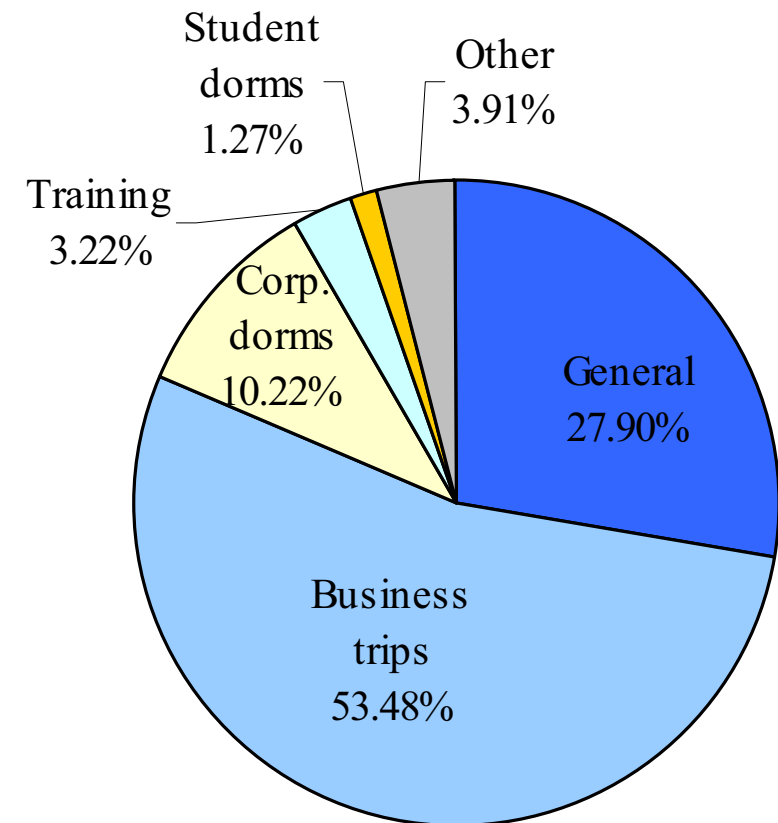
Taipei

Other

Tenants by Contract Type



Breakdown of Users of Monthly Contracts (Sep. 2011)



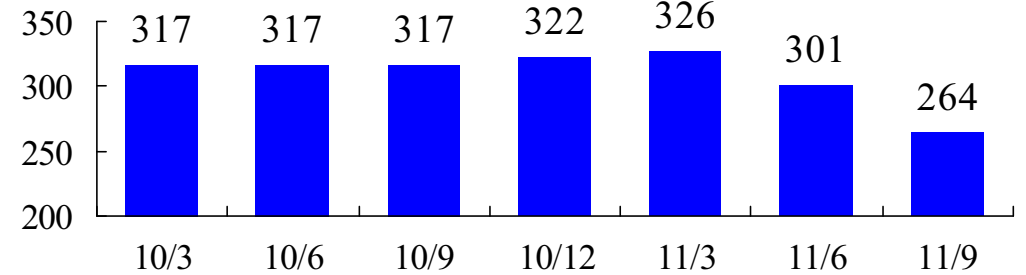
Leasing ⑪ Reserve for Apartment Vacancy Loss

Due to:

1. Profitability improvement of subject apartments
2. Passage of remaining period

There was a reversal of apartment vacancy loss of **6.1 billion yen** (reduction in cost) in the subject half.

Reserve for Apartment Vacancy Loss (100 million yen)



Reserve by area (Hundred million yen)	(100 million yen)			
	11/3	11/6	11/9	Compared to 11/3
Hokkaido	14	13	12	(2)
Tohoku	9	8	5	(3)
North Kanto	31	28	24	(7)
Tokyo Metropolitan	24	22	19	(5)
Hokuriku, Koshinetsu	23	21	17	(5)
Chubu	134	125	111	(22)
Kinki	54	49	43	(10)
Chugoku	11	10	10	(1)
Shikoku	6	6	6	0
Kyushu, Okinawa	15	14	12	(2)
Total	326	301	264	(61)

Occupancy rate by area (%)	Occupancy rate (%)					
	10/9	11/3	11/6	11/9	Compared to 10/9	Compared to 11/3
Hokkaido	79%	80%	78%	78%	-1%	-2%
Tohoku	81%	87%	90%	93%	11%	6%
North Kanto	75%	78%	77%	78%	3%	1%
Tokyo Metropolitan	84%	87%	83%	82%	-2%	-6%
Hokuriku, Koshinetsu	80%	84%	82%	82%	2%	-3%
Chubu	72%	77%	75%	76%	4%	-1%
Kinki	81%	85%	81%	80%	0%	-5%
Chugoku	83%	86%	83%	85%	1%	-2%
Shikoku	75%	79%	77%	77%	2%	-2%
Kyushu, Okinawa	82%	85%	83%	83%	0%	-3%
Total	80%	84%	81%	81%	1%	-3%

Apartment Orders and Sales (including solar power systems)

	FY 2011/3						FY 2012/3			
	1Q	2Q	2Q Cum.	3Q	4Q	Full-year	1Q	2Q	2Q Cum.	Full-year Plan
Net orders received (Buildings)	302	304	606	156	48	810	21	(48)	(27)	411
(100 million yen)	169	149	318	96	27	442	29	3	33	297
Orders outstanding (100 million yen)	1,788	1,479	—	1,451	1,202	1,202	1,153	948	—	942
Sales (100 million yen)	217	458	676	124	276	1,076	78	208	287	502

Temporary Housing 360 units in Miyagi and Fukushima prefecture

	1Q	2Q	1H
Units	297	63	360
Sales	1.6 billion yen	0.4 billion yen	2.0 billion yen

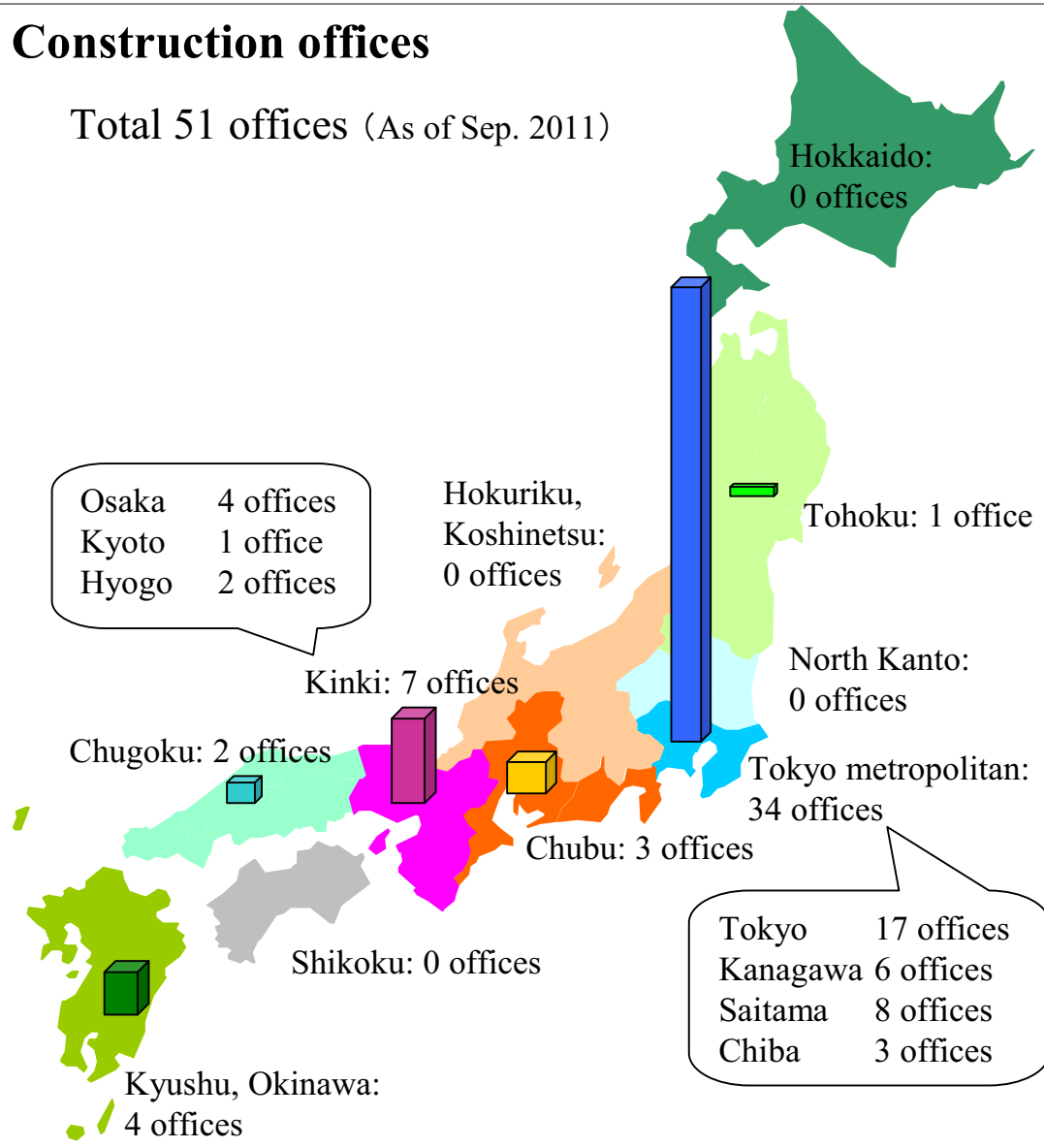


Construction ② Offices and Sales by Area

By placing offices in areas with high occupancy demand, areas in which we receive orders are narrowed down.

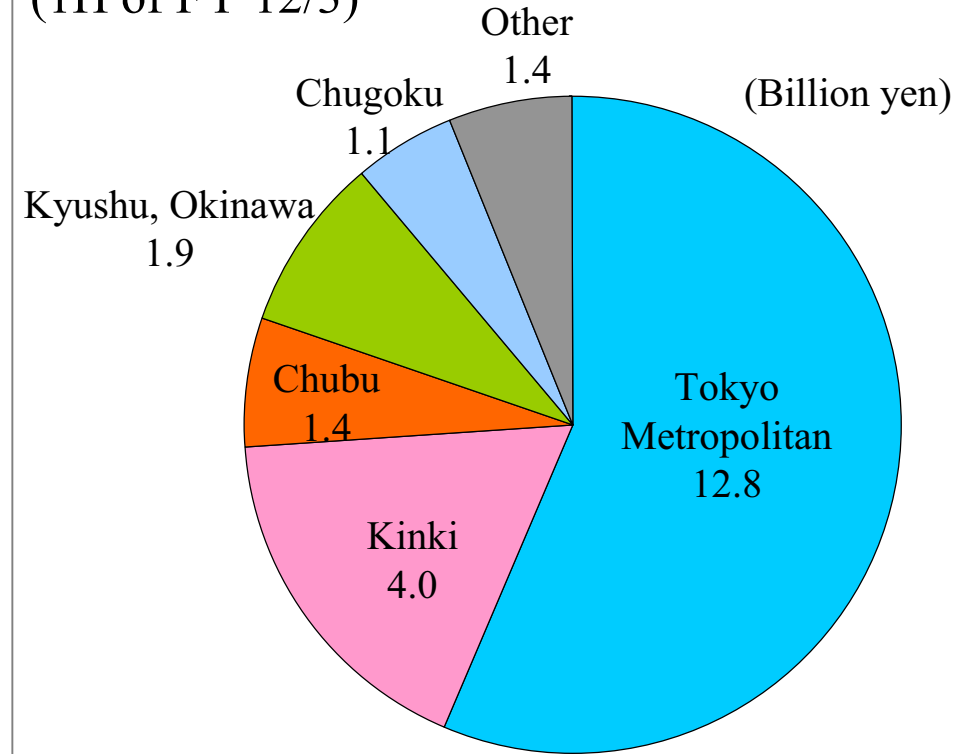
Construction offices

Total 51 offices (As of Sep. 2011)



Apartment Construction Sales

(1H of FY 12/3)



(excludes solar power systems)

- Tokyo metropolitan area makes up 56% of construction sales
- Due to narrowing down areas, the three metropolitan areas (Tokyo, Kinki, and Chubu) make up 80% of construction sales



Universal, Utility, and Useful

Combining different types of rooms, we offer housing where anyone can live regardless of generations and lifestyles.

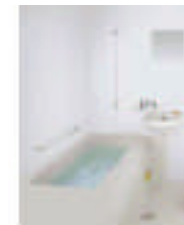


Universal design: meeting a broad range of needs for rooms

- We offer primarily a studio that is around 30 m². This is a relatively large unit and our statistics say that the occupancy rate is highest in this category. We also offer units in a building with different areas in the 20 m² to 40 m² range to meet the needs of tenants.
- We can install equipment, such as human sensors and handrails for the elderly.



A human sensor light



Handrails in a bathroom

Pursuing cost effectiveness and **reduced building costs**

- We replace the prices of mixed plans and staggered plans, which tend to be high, with package prices and minimize the difference with prices of standard plans.

Equipment ahead of the times **Solar power systems and security**

- Solar power systems and security
- Responding to furniture and household appliances



Solar Power Systems

		FY 12/3		
		1Q	2Q	1H
Orders	Buildings	709	1,312	2,021
	Billion yen	3.2	5.6	8.9
Sales	Buildings	187	1,291	1,478
	Billion yen	0.8	5.8	6.6
	Generating capacity	1,497 kW	10,626 kW	12,122 kW



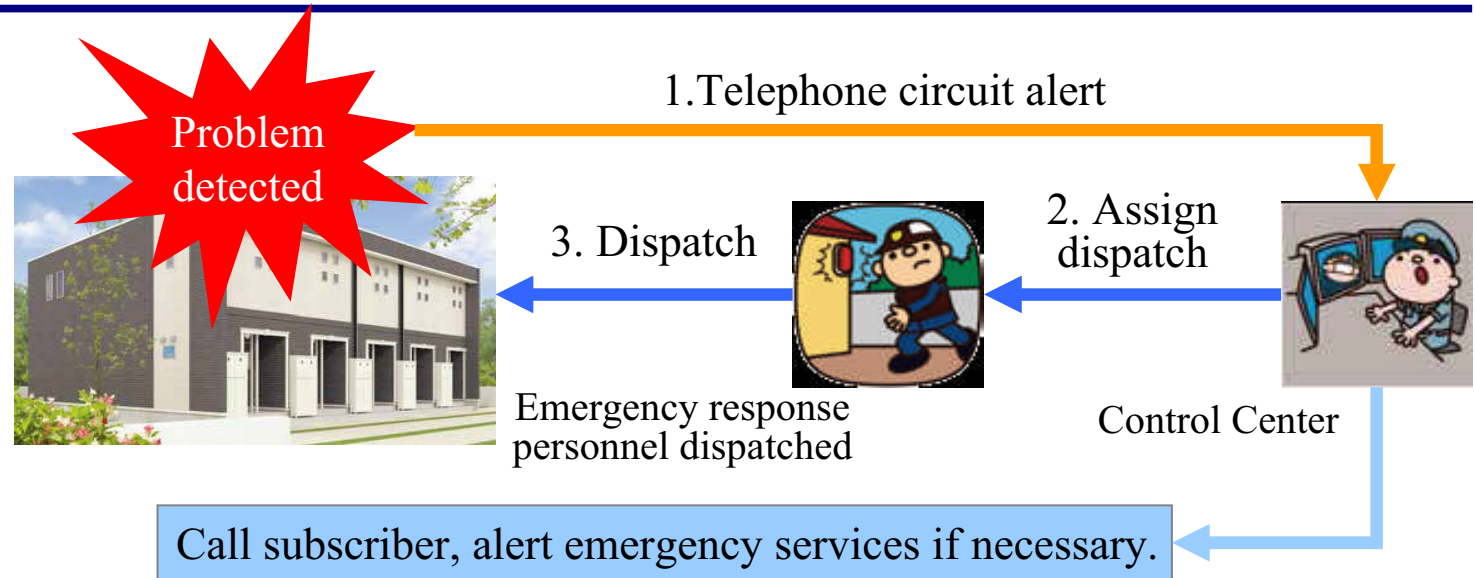
} **Reduction in CO₂ emissions per year**
 achieved by solar power systems installed
 in the first half of the current fiscal year:

3,704 tons of CO₂ per year = 260,000 cedars = 1.61 million liters of gasoline

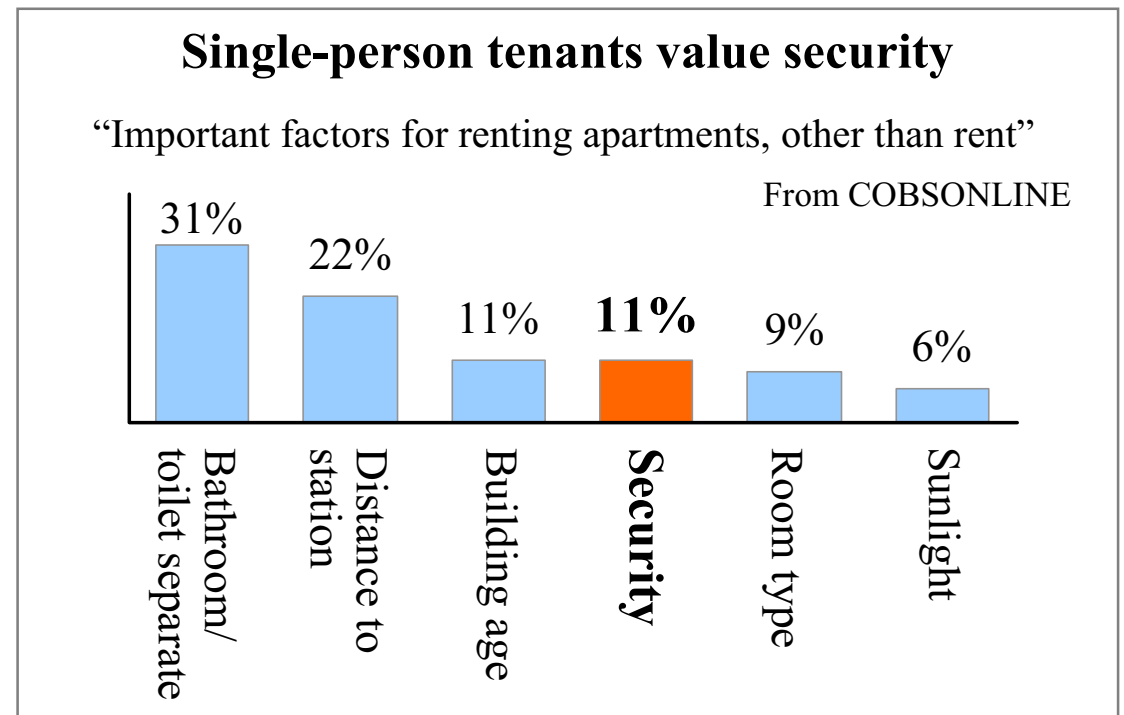
- More than 90% of electricity generated can be sold.
- All financial resources for subsidies of the J-PEC (Japan Photovoltaic Expansion Center) in the initial budget will be spent in early November. However, additional resources could be included in a third supplementary budget for FY2011.
- The Company is receiving orders for large solar power systems whose maximum output power is more than that required for subsidies of the J-PEC, less than 10kW.

Security Systems

	FY12/3 1H
Units	10,978
Billion yen	1.2



- The standard equipment includes fire sensing systems and emergency systems, in addition to sensors that detect intruders.
- We anticipate an increase in the percentage of female tenants.
- We are seeking to meet demand for security in company housing.
(Large companies emphasize security.)



Hotels & Resort Business

(Million yen)		FY 2011/3	FY 2012/3	Change	%	FY 2012/3 Full-year Plan
		1H	1H			
Domestic Hotels	Sales	1,047	1,169	+ 121	+11.6%	2,000
	Gross profit	486	539	+ 53	+10.9%	800
	Operating profit	(128)	14	+ 143	—	(200)
	Occupancy rate	72.5%	73.9%	+ 1.4 p	—	70.1%

*Domestic Hotel Business includes 8 hotels (Asahikawa, Sapporo, Sendai, Niigata, Nagoya, Yokkaichi, Okayama, and Hakata)

(\$1,000)		FY	FY	Change	%	FY 2011/12 Full-year Plan
		2010/12	2011/12			
		1H*	1H*			
Leopalace Guam	Sales	34,762	29,506	(5,256)	-15.1%	71,600
	Operating profit	187	(3,564)	(3,751)	-	1,200
	Depreciation and amortization	7,926	7,905	(21)	-0.3%	15,700
	Occupancy rate (Leopalace Resort)	56.3%	40.2%	-16.1p	-	83.8%
	Occupancy rate (Westin Resort Guam)	70.3%	68.8%	-1.5p	-	71.9%

*First half of Leopalace Guam is between January and June.

(Million yen)	FY 2011/3 1H	FY 2012/3 1H	Change	%	FY 2012/3 Full-year Plan
Sales	3,768	4,345	576	15.3%	8,100
Gross profit	(494)	(71)	422	—	(700)
Operating profit	(850)	(435)	415	—	(1,400)
Occupancy rate (Day-service)	56.6%	61.3%	+ 4.7 p	—	60.5%
Occupancy rate (Short-stay)	93.8%	95.8%	+ 2.0 p	—	93.5%
Occupancy rate (Private residential homes, etc.)	60.7%	75.6%	+ 14.9 p	—	72.2%

*Elderly care Business includes 58 facilities in Tokyo and 6 prefectures

*Private residential homes include Group homes

Appendix



Schedule of Operations of Leopalace Group

(Million yen)		FY 2011/3 1H	FY 2012/3 1H	Change	%
Leopalace21	Sales	245,271	220,133	(25,137)	-10.2%
	Operating profit	(12,906)	(2,453)	10,453	—
	Recurring profit	(18,037)	(5,435)	12,602	—
	FX gain (loss)	(934)	(441)	492	—
Leopalace Guam	Sales	3,175	2,419	(756)	-23.8%
	Operating profit	17	(292)	(309)	—
	Recurring profit	(4,444)	(3,750)	694	—
	FX gain (loss)	(4,473)	(3,463)	1,010	—
Domestic Subsidiaries	Sales	1,682	2,607	925	55.0%
	Operating profit	279	546	267	95.9%
	Recurring profit	378	549	170	45.2%
Others & Exclusions	Sales	(1,814)	(2,117)	(302)	—
	Operating profit	15	7	(8)	-52.7%
	Recurring profit	2,830	2,447	(382)	-13.5%

*Domestic subsidiaries include Leopalace Leasing, LEOPALACE SSI, Plaza Guarantee, and Leopalace Travel

Balance Sheets (Consolidated)

(Million yen)		FY 2011/3	FY 2012/3 2Q
Assets	Cash and cash equivalents	40,674	29,854
	Trade receivables	6,259	4,425
	Accounts receivables for completed projects	2,117	1,800
	Prepaid expenses	23,878	21,576
	Current assets	94,219	75,202
	Buildings and structures	59,191	57,547
	Land	84,851	84,720
	Lased assets	3,510	3,100
	Intangible assets	7,588	7,421
	Long-term prepaid expenses	34,222	25,987
Fixed assets	203,979	195,023	
Total assets	298,274	270,295	

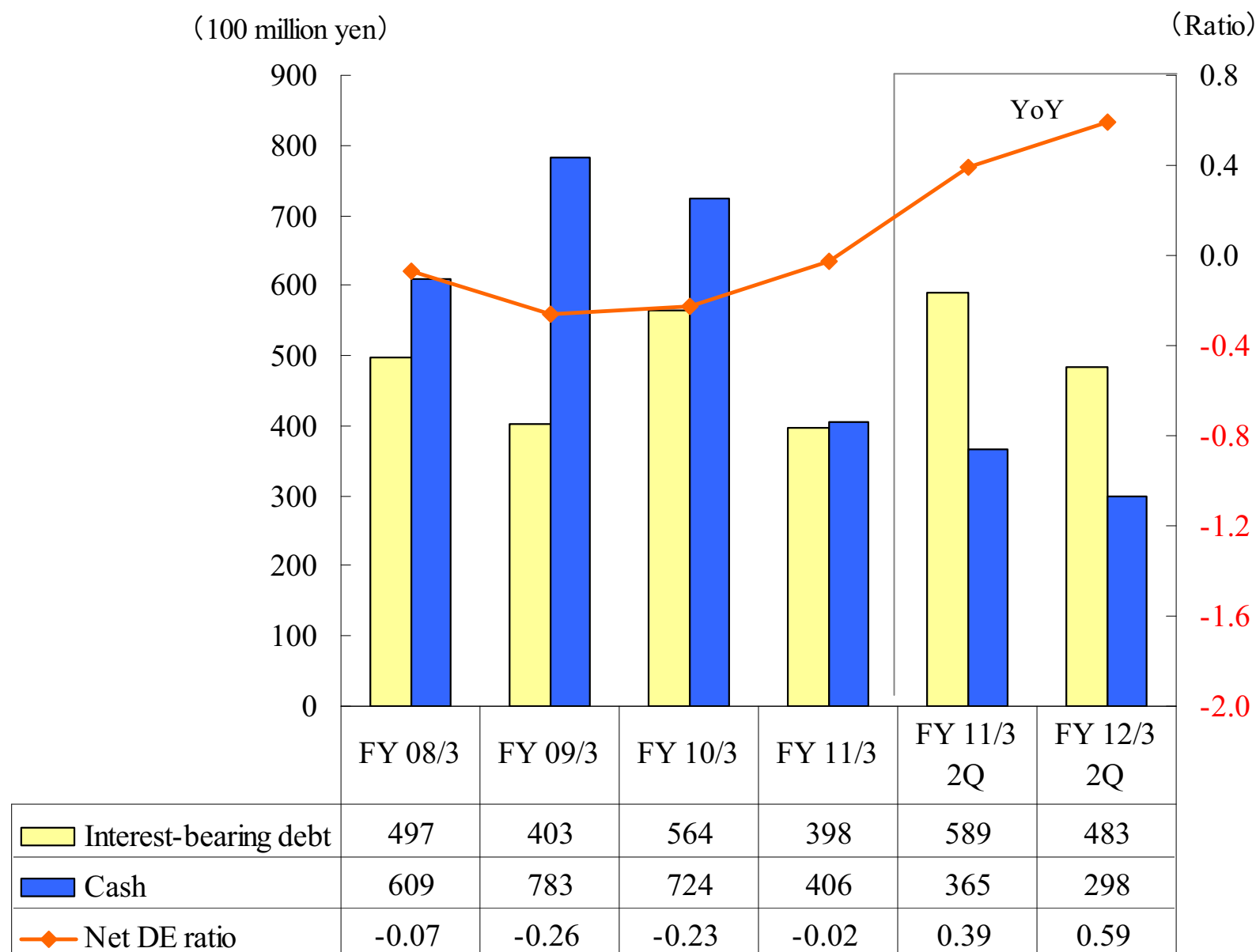
(Million yen)		FY 2011/3	FY 2012/3 2Q
Liabilities	Short-term borrowings	34,502	45,043
	Advances received	97,154	81,298
	Current liabilities	173,719	162,229
	Long-term debt	2,227	387
	Reserve for apartment vacancy loss	32,605	26,494
	Lease/guarantee deposits received	26,035	23,976
	Long-term advances received	14,830	11,999
	Long-term liabilities	91,513	76,760
	Total liabilities	265,233	238,990
	Net assets	Common stock	56,562
Capital surplus		34,334	34,031
Retained earnings		(46,552)	(51,755)
Total net assets		33,040	31,304
Shareholders' equity ratio		11.1%	11.6%

Cash Flow (Consolidated)

(Million yen)	FY 2011/3 1H	FY 2012/3 1H	Change
Loss before income tax	(17,452)	(5,111)	12,341
Depreciation	3,209	3,018	(190)
Increase (decrease) in reserve for apartment vacancy loss	(52)	(6,110)	(6,057)
Increase (decrease) in reserve for accrued retirement benefit for directors	—	(1,185)	(1,185)
Increase (decrease) in reserve for disaster losses	—	(722)	(722)
Increase (decrease) in reserve for switch to terrestrial digital broadcasts	—	(644)	(644)
Foreign exchange loss (gain)	5,409	3,906	(1,503)
Decrease (increase) in accounts receivable	7,060	2,873	(4,186)
Decrease (increase) in real estate for sale	2,463	19	(2,444)
Decrease (increase) in payment for construction in process	490	84	(406)
Decrease (increase) in long-term prepaid expenses	9,669	10,646	977
Increase (decrease) in accounts payable	(25,068)	(2,979)	22,089
Increase (decrease) in customer advances for projects in progress	(3,426)	1,424	4,851
Increase (decrease) in advances received	(16,676)	(18,686)	(2,009)
Increase (decrease) in guarantee deposits received	(3,766)	(2,246)	1,520
Increase (decrease) in accrued consumption taxes	1,169	(1,576)	(2,746)
Incomes taxes paid	(1,502)	(415)	1,086
Cash flows from operating activities	(39,376)	(15,430)	23,946

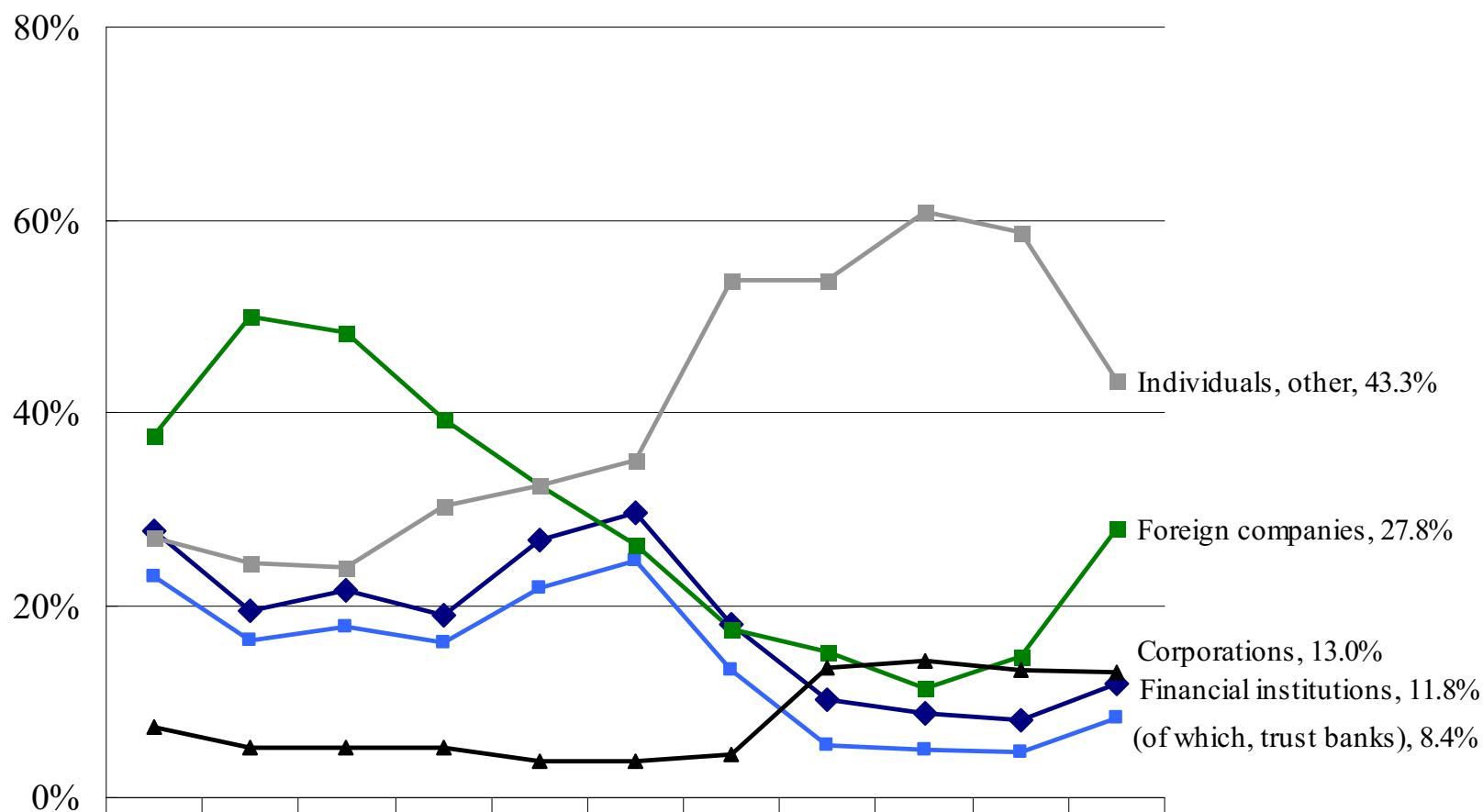
(Million yen)	FY 2011/3 1H	FY 2012/3 1H	Change
Payment for purchase & proceeds from sale of property, plant and equipment	358	(424)	(783)
Payment for purchase & proceeds from sale of investment activities	970	(70)	(1,040)
Payments for time deposits	(3,680)	(600)	3,080
Proceeds from withdrawal of time deposits	5,890	82	(5,807)
Cash flows from investing activities	1,749	(3,664)	(5,414)
Proceeds from & repayment of short-term borrowings	15,470	12,330	(3,139)
Repayment of long-term debt	(12,677)	(3,629)	9,047
Cash flows from financial activities	2,016	7,857	5,840
Net increase (decrease) in cash & cash equivalents	(36,023)	(11,337)	24,686
Cash & cash equivalents at end of period	36,008	29,154	(6,853)

Balance of Cash/Deposits and Interest-bearing Debt



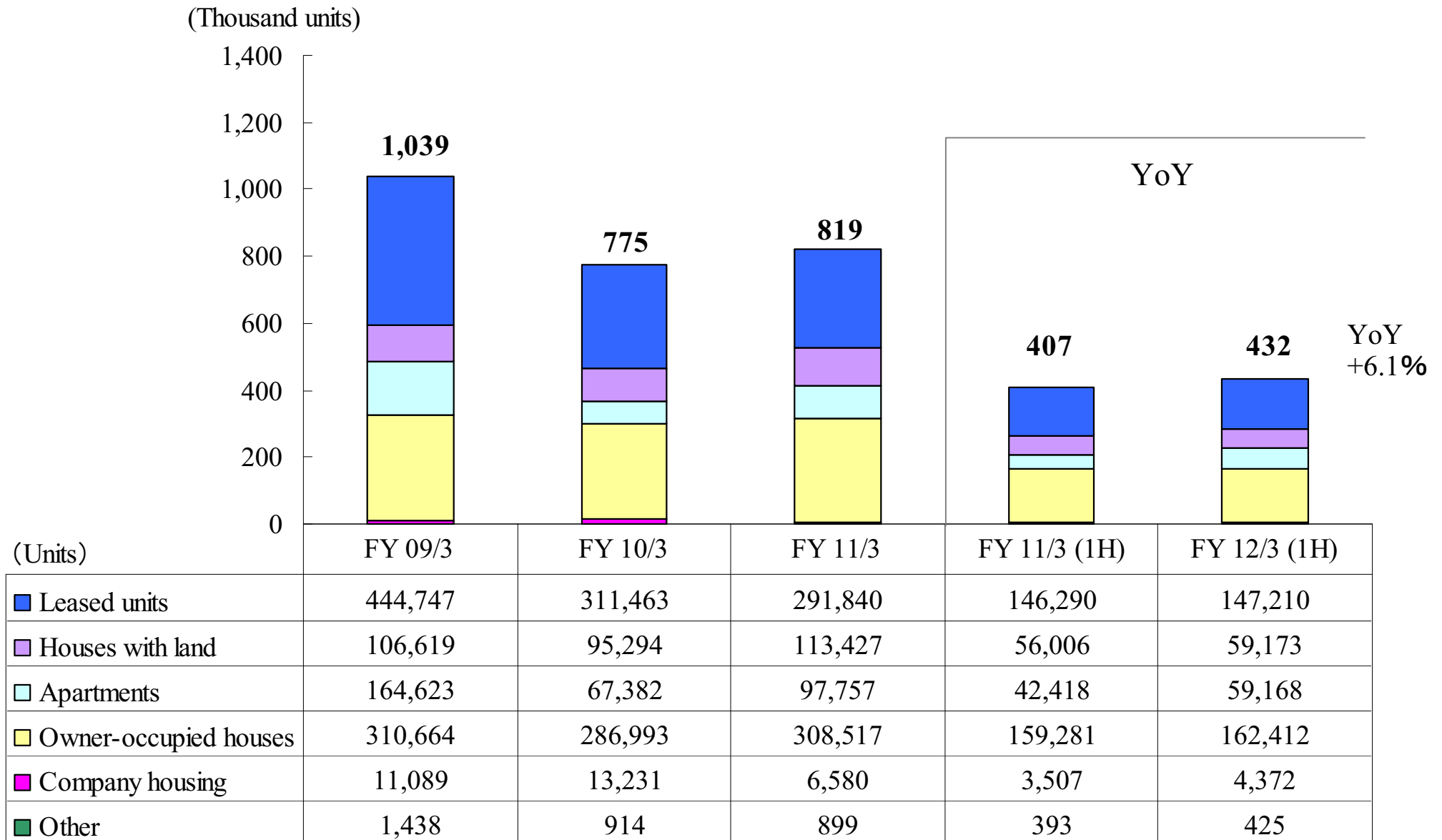
Net DE ratio = (Interest-bearing debt – Cash) / Shareholders' equity

Trend in Shareholders



	06/3	07/3	08/3	09/3	10/3	10/6	10/9	10/12	11/3	11/6	11/9
◆ Financial institutions	27.6%	19.5%	21.5%	18.8%	26.8%	29.6%	17.9%	10.3%	8.7%	8.1%	11.8%
■ (of which, trust banks)	23.0%	16.4%	17.7%	16.0%	21.7%	24.7%	13.2%	5.6%	4.9%	4.7%	8.4%
■ Foreign companies	37.6%	49.9%	48.3%	39.4%	32.4%	26.2%	17.5%	15.1%	11.3%	14.6%	27.8%
▲ Corporations	7.4%	5.3%	5.2%	5.2%	3.8%	3.8%	4.4%	13.4%	14.1%	13.4%	13.0%
■ Individuals, other	26.9%	24.4%	23.9%	30.4%	32.4%	35.1%	53.8%	53.7%	60.7%	58.6%	43.3%

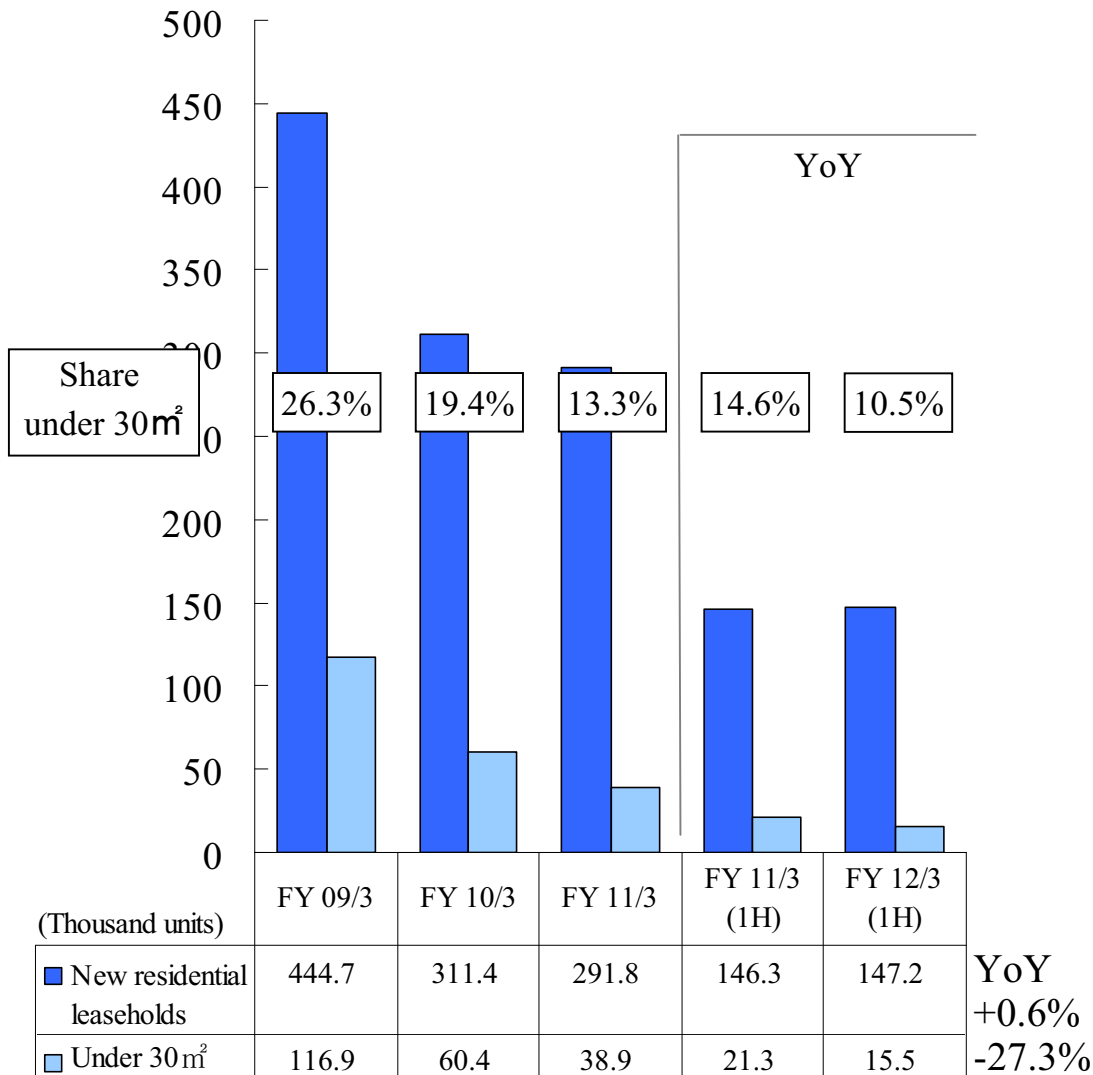
New Housing Starts (No. of use breakdown)



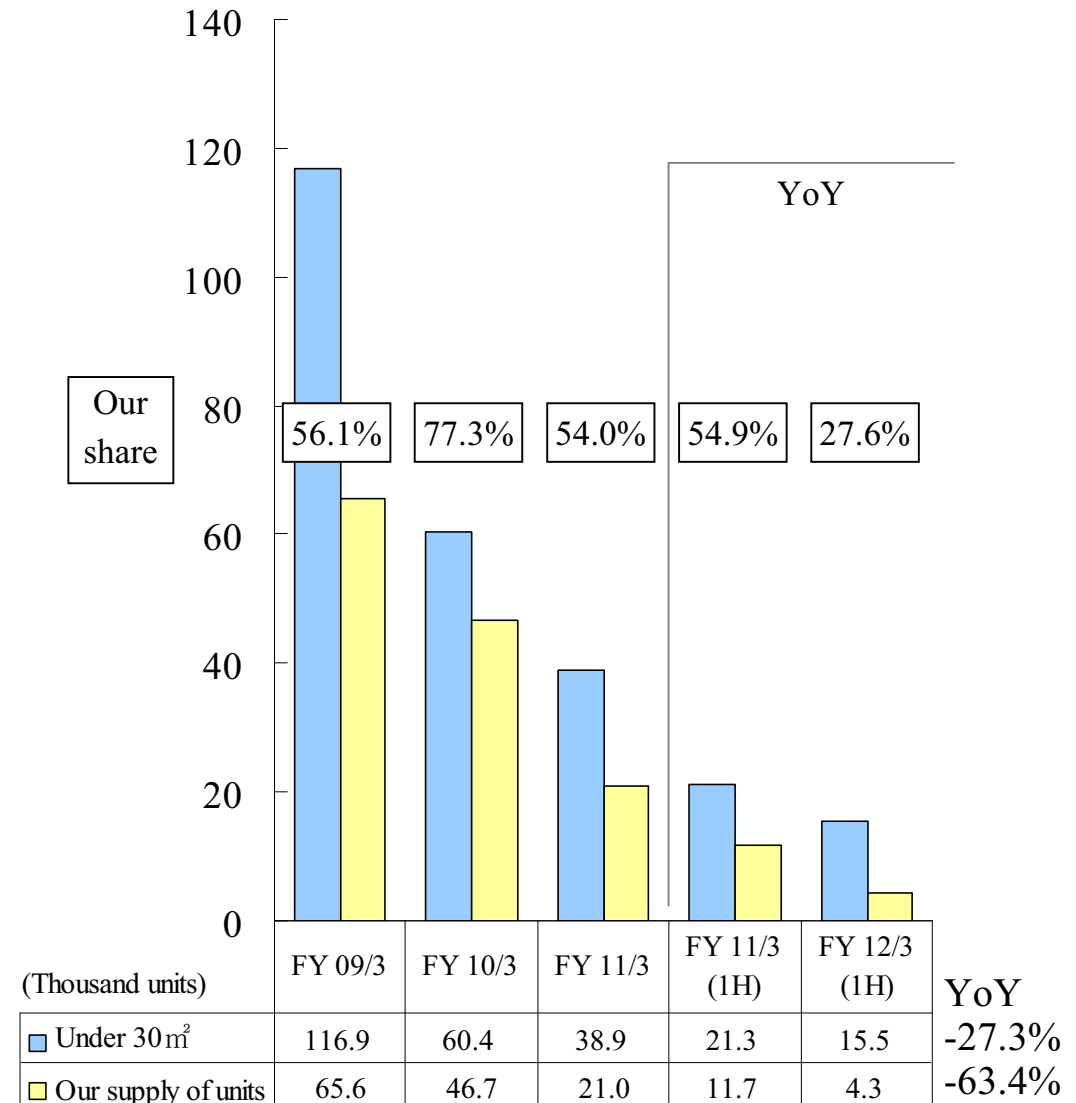
(Based on housing start statistics, Ministry of Land, Infrastructure & Transport)

New Housing Starts (Units under 30 m²)

Trend in No. of New Residential Leaseholds Overall & Market Share for Units under 30 m²



Trend in No. of New Residential Leaseholds under 30 m² and Our Market Share



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