

Explanatory Session for the Results of the Three Months Ended June 2011

August 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.

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Outline of Results of the Three Months Ended June 2011

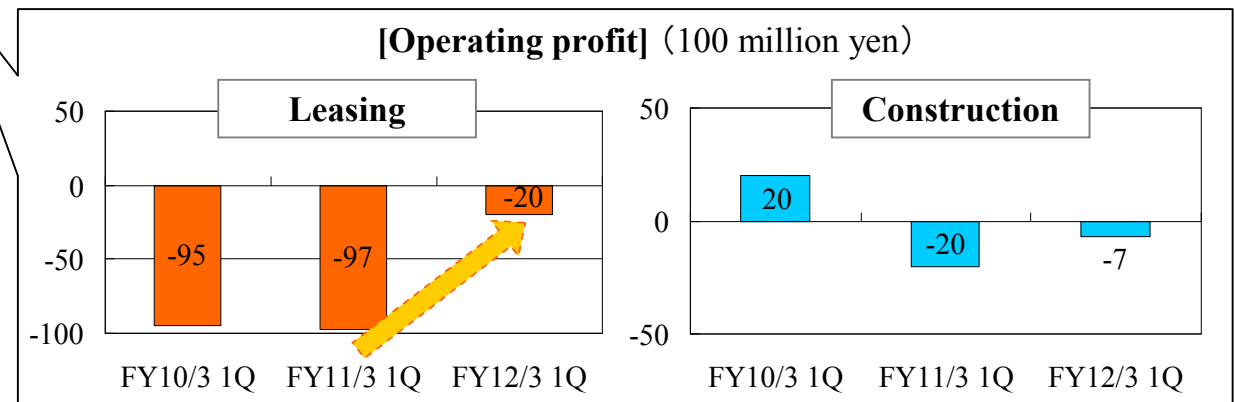
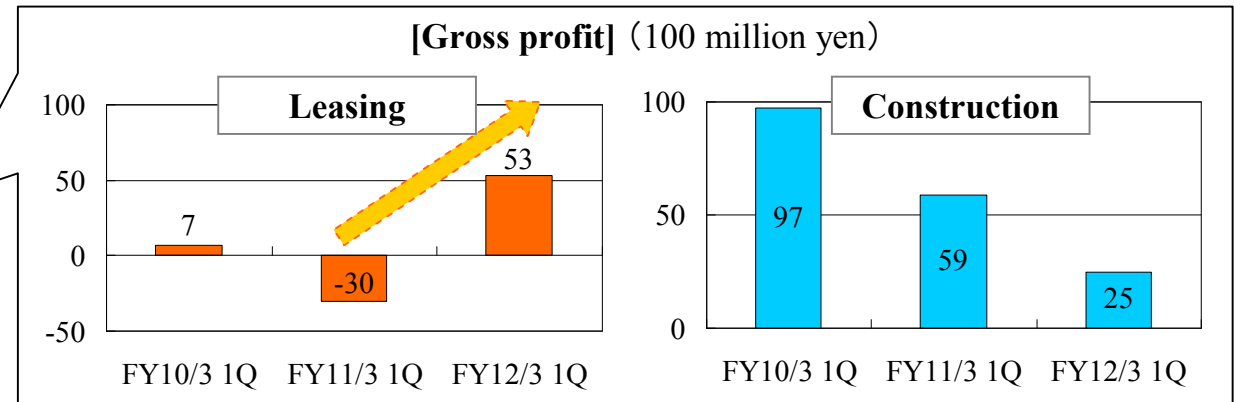
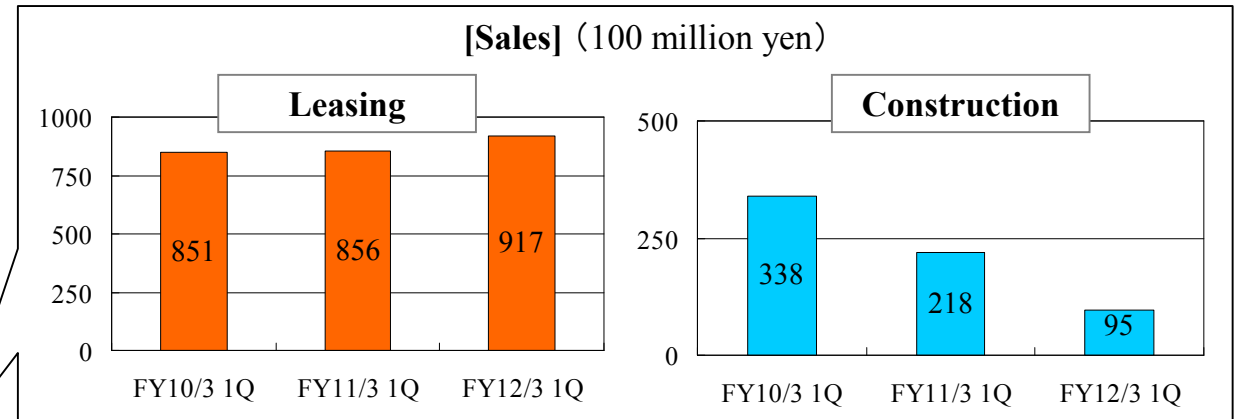
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Summary

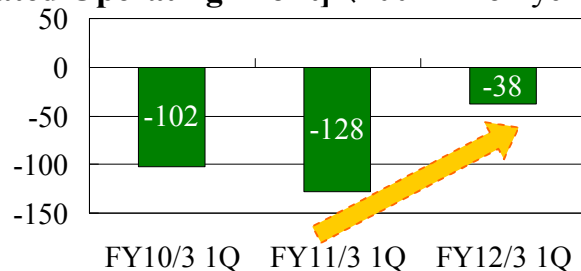
In the subject first quarter, total sales has dropped due to our strategic shift to the Leasing business. However, progress in the Leasing business, such as the reversal of provision for apartment vacancy loss of 2.4 billion yen, lead to an improvement of 9.0 billion yen in operating loss year-on-year.

[Consolidated Results] (100 million yen)

	FY 10/3 1Q	FY 11/3 1Q	FY 12/3 1Q
Sales	1,289	1,126	1,054
Cost	1,191	1,095	973
Gross profit	97	30	81
SGAE	199	159	119
Operating profit	(102)	(128)	(38)
Net income	(52)	(136)	(37)



[Consolidated Operating Profit] (100 million yen)



Outline of Businesses for the Three Months Ended June 2011

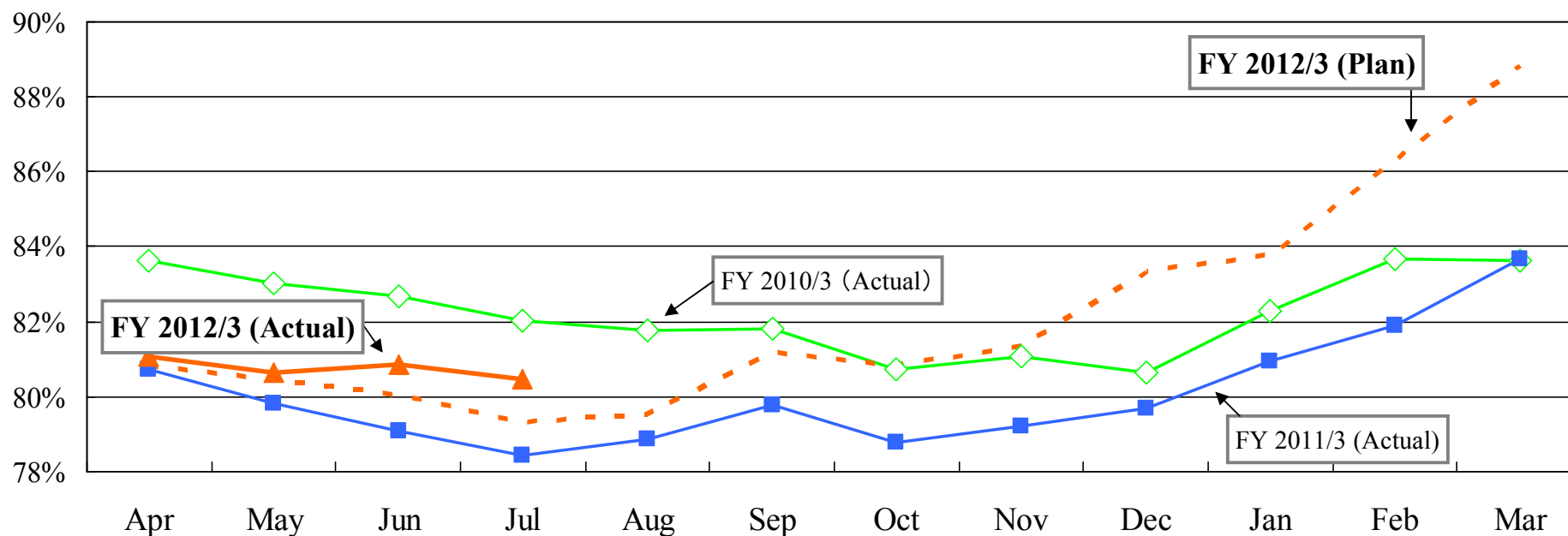


Leasing Business -1-

Occupancy Rate (3-years)



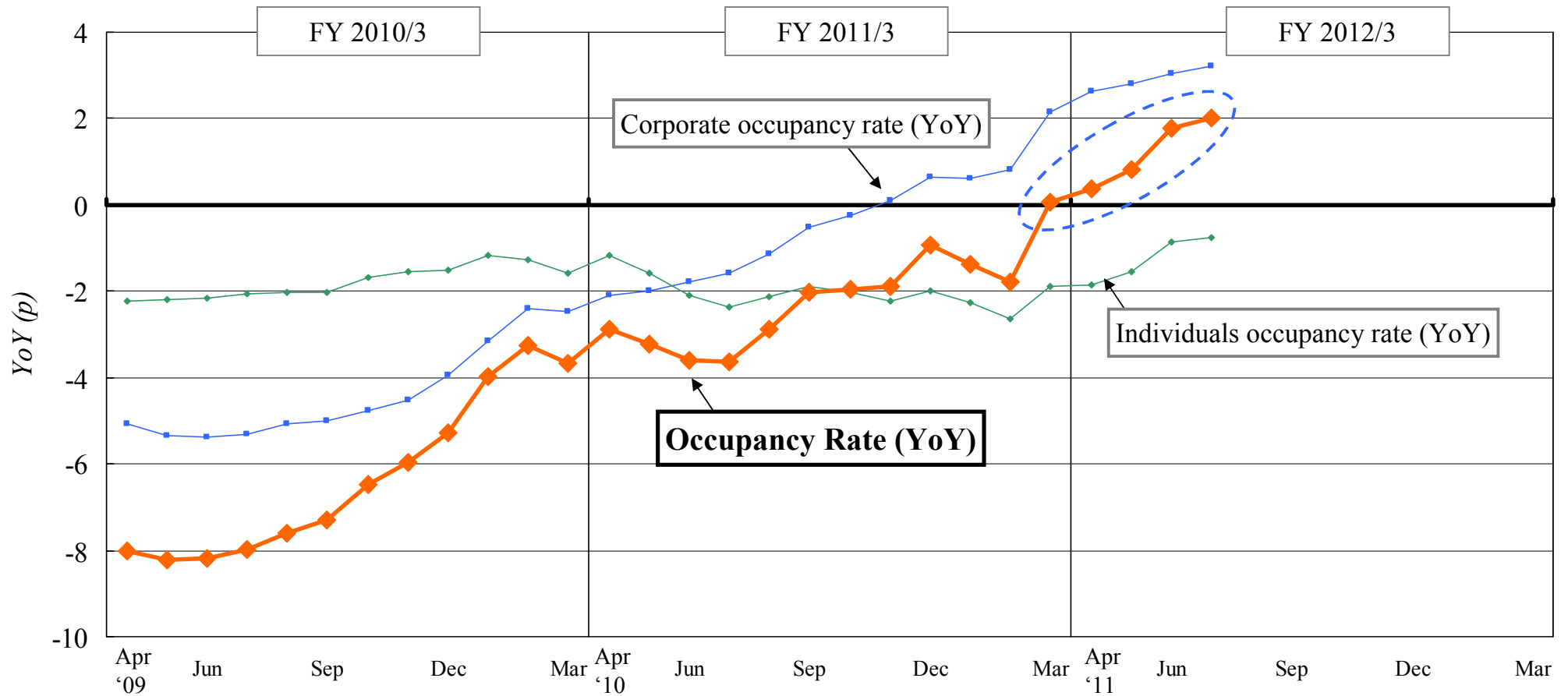
- Occupancy rates between April to July 2011 were positive compared to previous-year and expected figures.
- Occupancy rates for the subject fiscal year are expected to drastically improve compared to last year, due to the reduce in new units under management (5,000 new units this FY, down from 20,000 new units last FY).



[Occupancy Rates] (Occupancy rate = Occupied units / Units under management, %)

	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Av.
FY 2010/3 (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 2011/3 (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 2012/3 (Actual)	81.09	80.64	80.87	80.45									
(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

- Occupancy rates have been positive year-on-year since March 2011.
- In particular, occupancy rates of corporate customers have improved drastically, up 3.2 points year-on-year on July 2011. (see pg.6)
- The decrease in occupancy rates of individuals is an issue we face. However, due to measures such as expanding Leopalace Partner offices (see pg.7) and the alliance with ERA (LIXIL group's real-estate network), individual occupancy rates have bottomed out in February 2011.

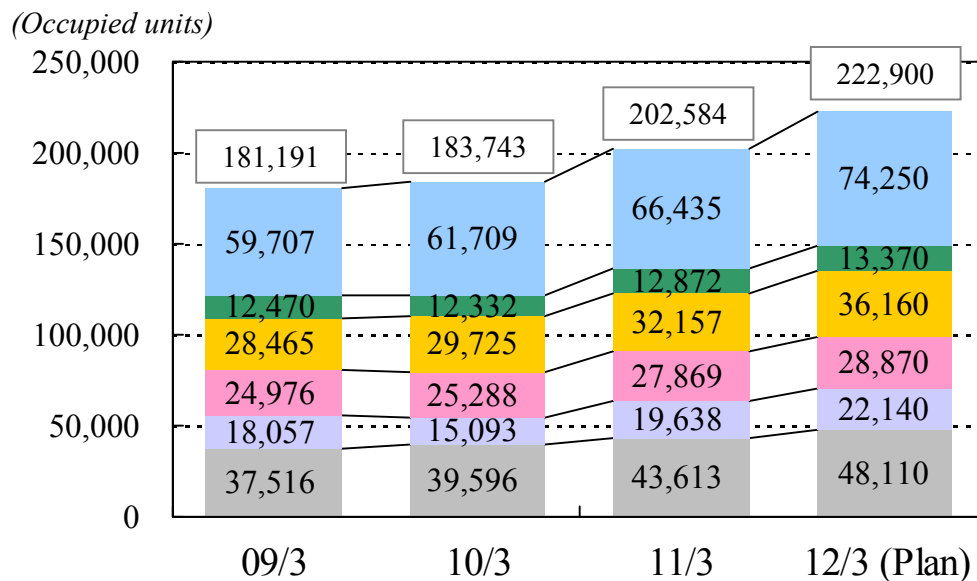


*Occupancy Rate = Occupied units / Units under management

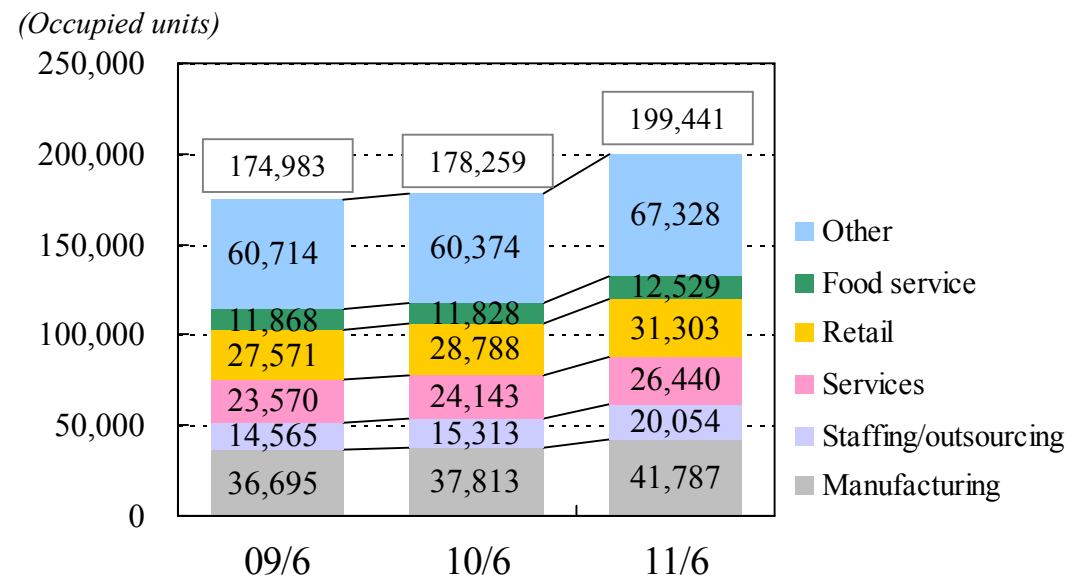
Strengthening Corporate Sales

<p>1. Structural change</p>	<ul style="list-style-type: none"> • Rearranged sales staff into two groups (“Major business connections” and “Low-use connections”) • Constructed a structure so adequate sales operations can be done for each customer’s situation.
<p>2. Expand major business connections</p>	<ul style="list-style-type: none"> • Focus sales operations on major corporate customers with the potential to increase in contracts. • Classify according to the present number of occupied units and types of industry, and operate sales accordingly to each group (focus on manufacturing, services, and staffing/outsourcing industries).
<p>3. Cultivate “low-use” business connections</p>	<ul style="list-style-type: none"> • Within corporate customers with a low number of occupied units, focus sales operations on customers with the potential to increase in contracts. • Shift a portion of our corporate customers managed by leasing offices to the Corporate Sales Department in order to operate sales more actively.

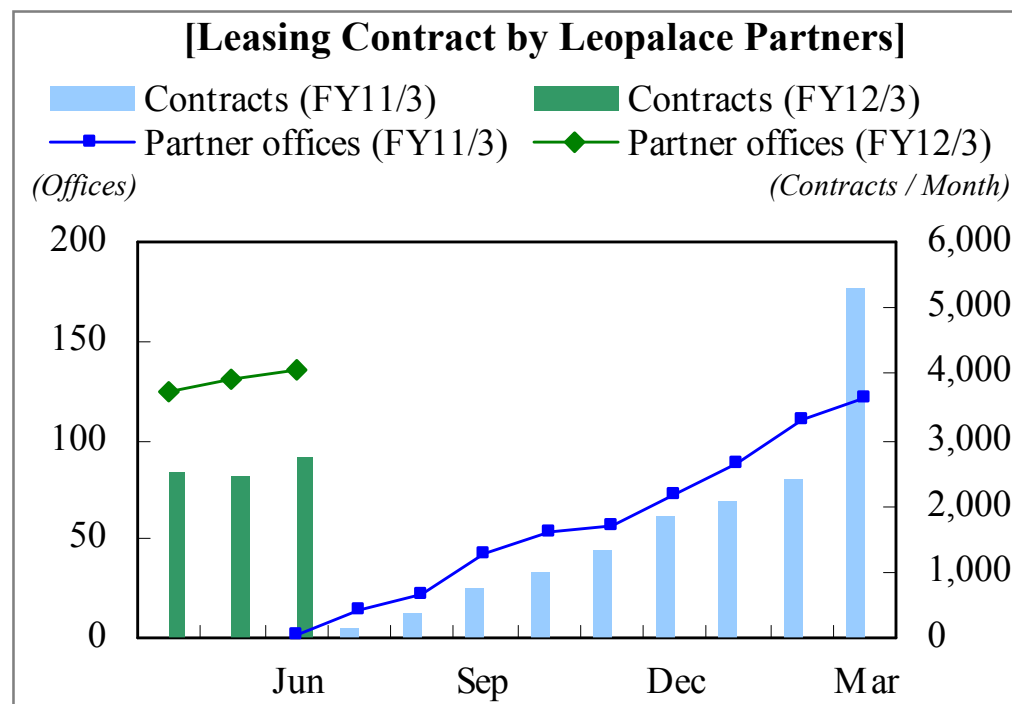
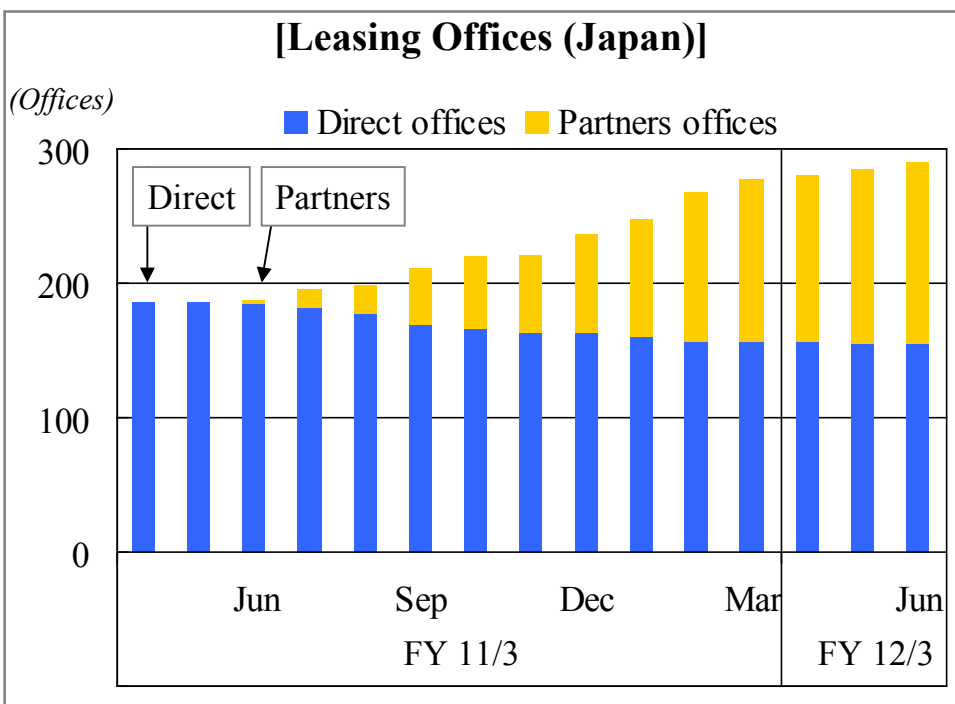
[Occupied Units by Industry Type (March)]



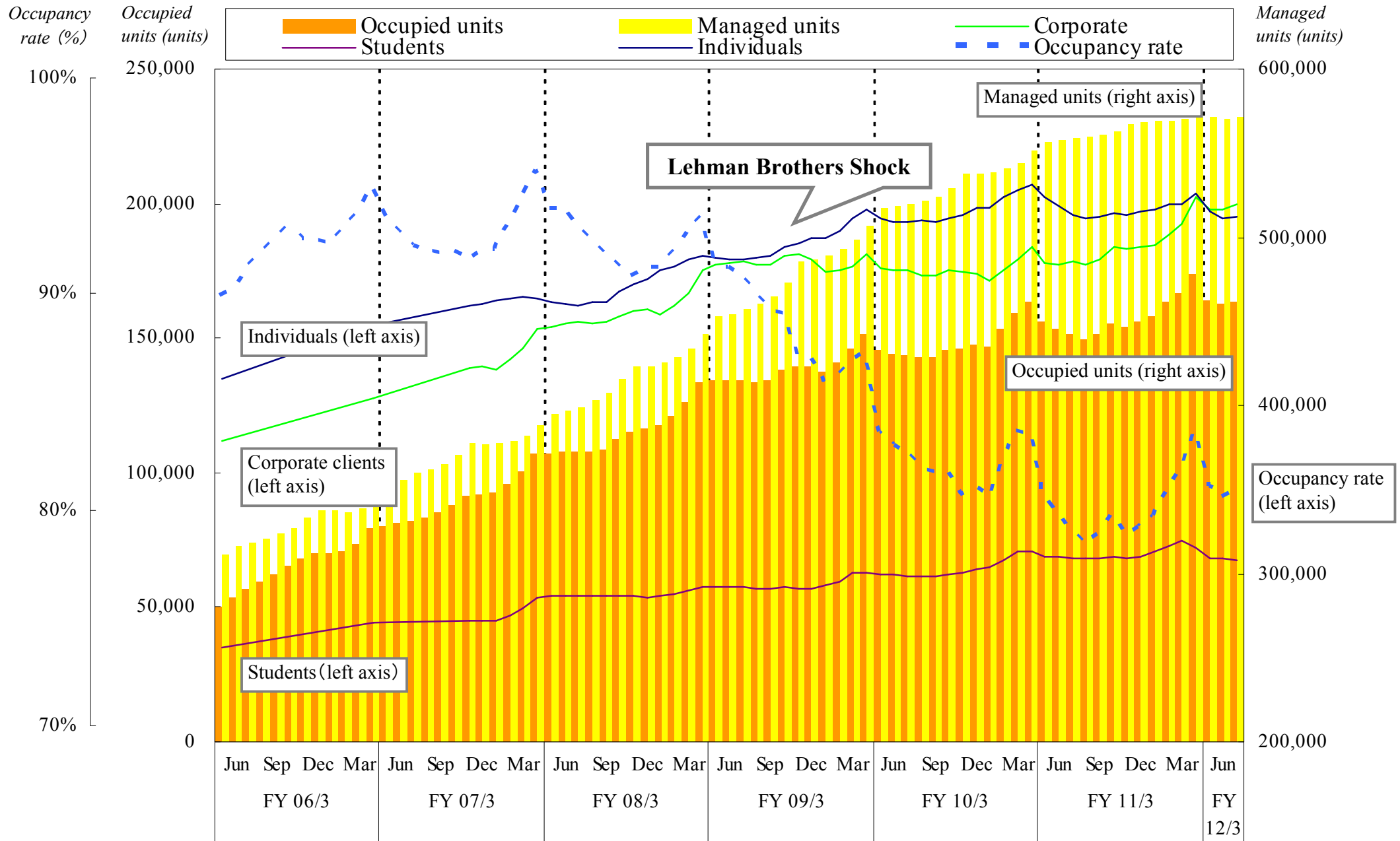
[Occupied Units by Industry Type (June)]



- By expanding our franchise system “Leopalace Partners Program” and increasing channels for attracting customers, we aim to improve and stabilize occupancy rates.
- In order to strengthen the program, the “Partners Sales Department” has been established as an independent department.



	FY 2011/3												FY 2012/3		
	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Partner offices			2	14	22	42	54	57	73	88	111	121	124	130	135
Direct offices	186	186	185	182	177	169	166	164	164	160	157	157	156	155	155
Total leasing offices	186	186	187	196	199	211	220	221	237	248	268	278	280	285	290
Contracts by Partners			19	152	371	765	1,002	1,337	1,823	2,070	2,431	5,286	2,523	2,460	2,730



* Figures are as of the end of the month.

Leasing Business -6- Data

(Units)	FY 2008/3	FY 2009/3	FY 2010/3	FY 2011/3					FY 2012/3	
	Full-year	Full-year	Full-year	1Q	2Q	3Q	4Q	Full-year	1Q	Full-year Forecast
Units under management	442,025	506,742	551,773	559,241	562,923	568,829	571,656	571,656	571,068	576,649
Occupied units	413,529	442,325	461,473	442,292	449,085	453,411	478,438	478,438	461,846	512,296
Occupancy Rate (average)	92.4%	88.5%	82.3%	79.9%	79.0%	79.2%	82.2%	80.1%	80.9%	82.1%
Corporate-occupied units	175,075	181,191	183,743	178,259	183,786	184,415	202,584	202,584	199,441	—
Corporate share (Corporate-occupied units / Occupied units)	42.3%	41.0%	39.8%	40.3%	40.9%	40.7%	42.3%	42.3%	43.2%	—
Individual-occupied units	180,788	198,065	206,866	195,860	196,580	198,070	203,539	203,539	195,089	—
Individual share (Individual-occupied units / Occupied units)	43.7%	44.8%	44.8%	44.3%	43.8%	43.7%	42.5%	42.5%	42.2%	—
Student-occupied units	57,668	63,069	70,864	68,173	68,719	70,926	72,315	72,315	67,316	—
Students share (Student-occupied units / Occupied units)	13.9%	14.3%	15.4%	15.4%	15.3%	15.6%	15.1%	15.1%	14.6%	—

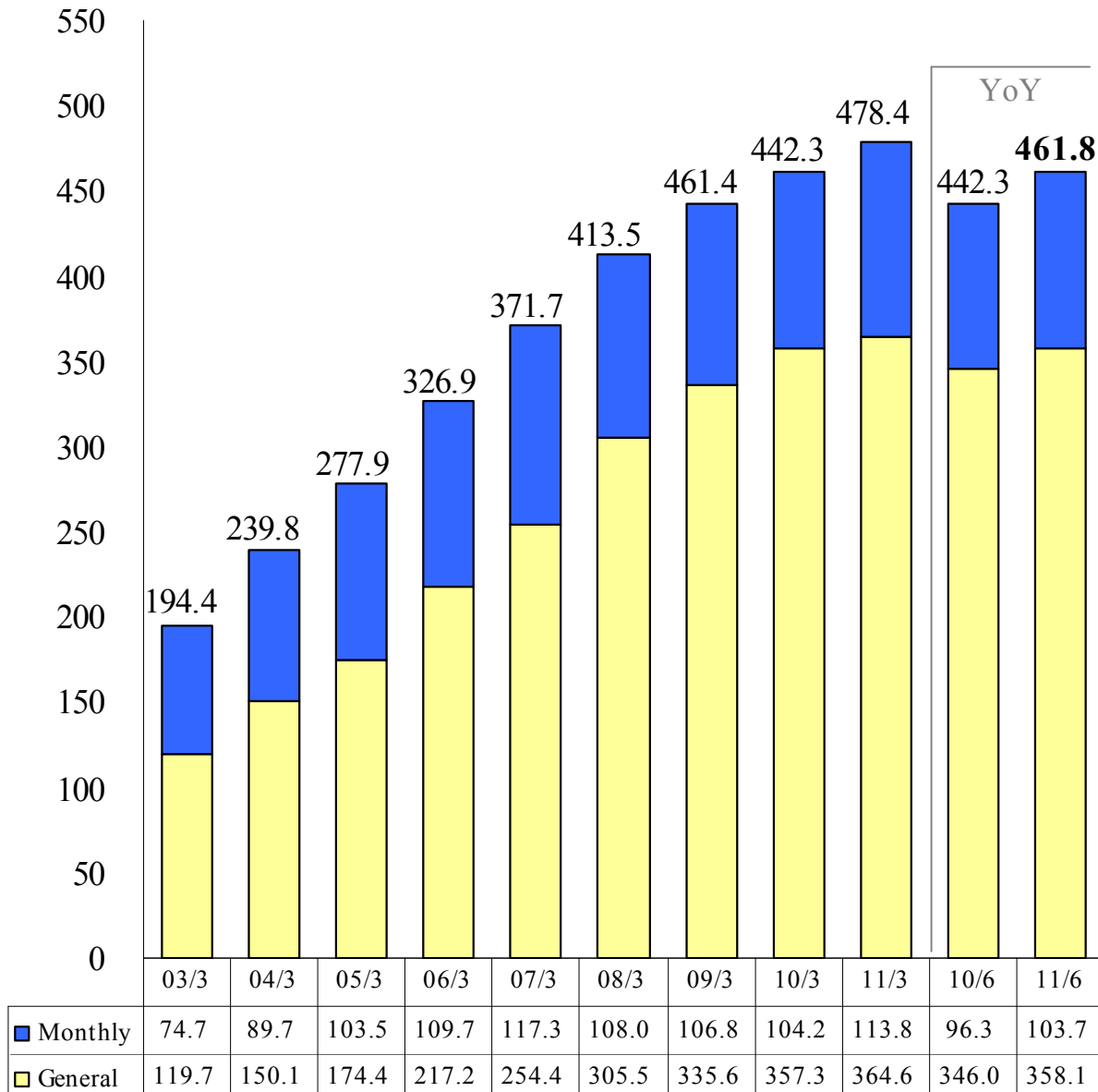
1. Occupancy rate is the average value for each period (Full-year or quarter).

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

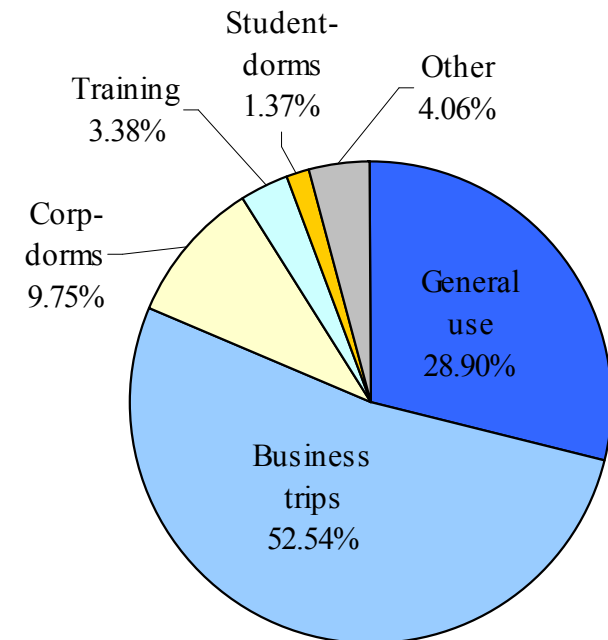
Leasing Business -7- Contract Type and Usage Pattern

(Thousand units)

[Occupied Units by Contract Type]



[Breakdown of Users of Month-to-Month Leases]
(as of June 2011)



(Based on company data, as of June 2011)

Leasing Business -8- Provision for Apartment Vacancy Loss

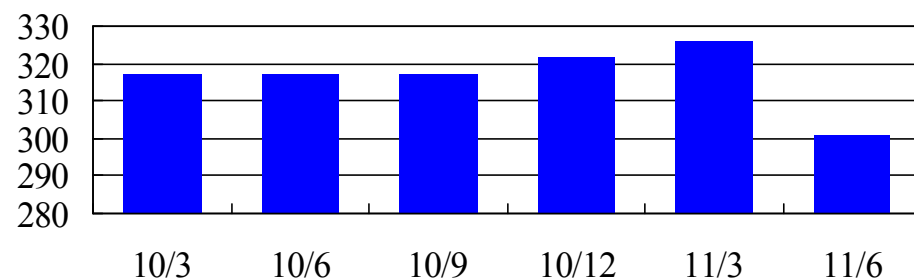


Due to:

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

there was a reversal of provision for apartment vacancy loss of **2.4 billion yen** (reduction in cost) in the subject quarter.

[Provision for Apartment Vacancy Loss] (100 million yen)



Balance of Provision for Apartment Vacancy Loss

(100 million yen)

	FY 2010/3	FY 2011/3				FY 2012/3	
	4Q	1Q	2Q	3Q	4Q	1Q	Compared to Mar '11
Hokkaido	9	9	9	8	14	13	(0.6)
Tohoku	8	9	8	10	9	8	(1.3)
North Kanto	37	37	36	31	31	28	(3.3)
Tokyo Metropolitan	29	32	41	43	24	22	(2.5)
Hokuriku, Koshinetsu	34	34	33	28	23	21	(2.3)
Chubu	105	104	99	116	134	125	(8.5)
Kinki	49	47	47	41	54	49	(4.7)
Chugoku	14	14	12	12	11	10	(0.4)
Shikoku	13	12	11	10	6	6	+0.2
Kyushu, Okinawa	19	19	21	21	15	14	(0.7)
Total	317	317	317	322	326	301	(24)

Occupancy Status by Area (Units, %)

Mar 2011		Jun 2011		Compared to Mar '11	
Managed units	Occupancy Rate	Managed units	Occupancy Rate	Managed units	Occupancy Rate
14,627	80%	14,625	78%	(2)	-2%
34,634	87%	32,739	90%	(1,895)	+3%
43,472	78%	43,310	77%	(162)	-1%
160,868	87%	161,668	83%	+800	-4%
41,229	84%	41,245	82%	+16	-2%
93,699	77%	93,702	75%	+3	-2%
81,075	85%	81,472	81%	+397	-4%
37,877	86%	37,949	83%	+72	-3%
14,549	79%	14,597	77%	+48	-2%
49,626	85%	49,761	83%	+135	-2%
571,656	84%	571,068	81%	(588)	-3%

Construction Business Orders Received

(100 million yen)	FY 2008/3	FY 2009/3	FY 2010/3	FY 2011/3					FY 2012/3	
	Full-year	Full-year	Full-year	1Q	2Q	3Q	4Q	Full-year	1Q	Full-year Forecast
Net orders received (Buildings)	4,017	2,758	2,513	302	304	156	48	810	21	411
(100 million yen)	4,215	2,691	1,677	169	149	96	27	442	29	297
Orders received outstanding (100 million yen)	3,426	2,528	1,836	1,788	1,479	1,451	1,202	1,202	1,153	942

Solar Power Systems

	FY 2012/3 1Q	
Orders received	626 buildings	2.9 billion yen
Sales	188 buildings	0.8 billion yen

Construction of Temporary Housing (for Victims of the Great East Japan Earthquake)

Constructed more than 300 units in Miyagi and Fukushima prefecture



Outline of Results of the Three Months Ended June 2011



Highlights of Results and Plans (Consolidated)



(Million yen)	FY 2011/3 1Q	FY 2012/3 1Q	Difference	% change	FY 2012/3 Full-year (Plan)	YoY	
						(Million yen, p)	(%)
						Sales	112,634
Gross profit	3,043	8,155	+ 5,112	+167.0%	51,500	+ 15,502	+ 43.1%
%	2.7%	7.7%	+ 5.0p	—	10.3%	+ 2.9 p	—
SGAE	15,930	11,987	(3,943)	-24.7%	48,300	(11,305)	- 19.0%
Operating profit	(12,886)	(3,831)	+ 9,055	—	3,200	+ 26,807	—
%	-11.4%	-3.6%	+ 7.8p	—	0.6%	+ 5.5 p	—
Recurring income	(15,971)	(4,885)	+ 11,086	—	1,800	+ 33,608	—
%	-14.2%	-4.6%	+ 9.5p	—	0.4%	+ 6.9 p	—
Net income	(13,629)	(3,798)	+ 9,830	—	3,000	+ 43,889	—

Results of Business Segments (Consolidated)



(Million yen)	FY 2011/3 1Q		FY 2012/3 1Q		Difference	% change	FY 2012/3 Full-year Plan	
Leasing Business								
Sales	85,687		91,743		+ 6,056	+ 7.0%	432,600	
Gross profit	(3,083)	-3.6%	5,331	5.8%	+ 8,414	-	36,900	8.5%
Operating profit	(9,745)	-11.4%	(2,008)	-2.1%	+ 7,736	-	3,800	0.9%
Construction Business								
Sales	21,820		9,570		(12,250)	- 56.1%	51,800	
Gross profit	5,948	27.3%	2,579	26.9%	(3,368)	- 56.6%	14,500	28.0%
Operating profit	(2,019)	-9.3%	(779)	-8.1%	+ 1,240	-	4,300	8.3%
Hotel Resort Business								
Sales	1,880		1,781		(99)	- 5.2%	8,100	
Gross profit	690	36.7%	540	30.3%	(150)	- 21.7%	1,600	19.8%
Operating profit	(112)	-6.0%	(137)	-7.6%	(24)	-	(1,200)	- 14.8%
Other								
Sales	3,245		2,391		(854)	- 26.3%	9,400	
Gross profit	163	5.0%	198	8.3%	+ 35	+ 21.4%	400	4.3%
Operating profit	(279)	-8.6%	(243)	-10.1%	+ 36	-	(1,300)	- 13.8%

Results of Non-core Businesses

(Million yen)		FY 2011/3 1Q	FY 2012/3 1Q			FY 2012/3 Full-year Plan
				Difference	% change	
Silver Business (Other)	Sales	1,841	2,120	+ 279	+ 15.2%	8,100
	Gross profit	(269)	(83)	+ 185	—	(700)
	Operating profit	(405)	(259)	+ 146	—	(1,400)
	Occupancy rate (Day-service)	56.6%	60.2%	+3.6p	—	60.5%
	Occupancy rate (Short-stay)	92.7%	93.4%	+0.7p	—	93.5%
	Occupancy rate (Private residential homes, etc)	59.0%	75.1%	+16.1p	—	72.2%
Domestic Hotel Business (Hotel Resort Business)	Sales	476	517	+ 41	+ 8.7%	2,000
	Gross profit	231	212	(19)	- 8.2%	800
	Operating profit	(153)	(41)	+ 111	—	(200)
	Occupancy rate	71.6%	67.3%	-4.3p	—	70.1%

*Silver Business includes 58 facilities in Tokyo and 6 prefectures.

*Private residential homes include Group homes.

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

(Hotel Resort Business)	Leopalace Guam	(\$1,000)	FY 2010/12 1Q*	FY 2011/12 1Q*			FY 2011/12 Full-year Plan
					Difference	% change	
		Sales	20,808	19,601	(1,206)	- 5.8%	71,600
		Operating profit	2,724	1,557	(1,166)	- 42.8%	1,200
		Depreciation and amortization	3,966	3,949	(16)	- 0.4%	15,700
		Occupancy rate (Leopalace Resort)	68.0%	57.0%	-11.0p	—	83.8%
		Occupancy rate (Westin Resort Guam)	76.1%	81.8%	+5.7p	—	71.9%

*1Q of Leopalace Guam is January through March.

Schedule of Operations of Leopalace Group



(Million yen)		FY 2011/3 1Q	FY 2012/3 1Q	FY 2012/3	
				Difference	% change
Leopalace21	Sales	111,012	103,587	(7,425)	- 6.7%
	Recurring income	(15,559)	(4,836)	+ 10,722	—
Domestic Subsidiaries*	Sales	779	1,290	+ 510	+ 65.5%
	Recurring income	115	396	+ 280	+ 242.9%
Leopalace Guam	Sales	1,887	1,613	(273)	- 14.5%
	Recurring income	(1,899)	(1,103)	+ 796	—
	Foreign exchange gain (loss)	(2,156)	(1,233)	+ 923	—
Others & Exclusions	Sales	(1,045)	(1,004)	+ 40	—
	Recurring income	1,371	658	(712)	- 52.0%
Consolidated total	Sales	112,634	105,486	(7,147)	- 6.3%
	Recurring income	(15,971)	(4,885)	+ 11 086	—
	Foreign exchange gain (loss)	(2,658)	(1,390)	1,268	—

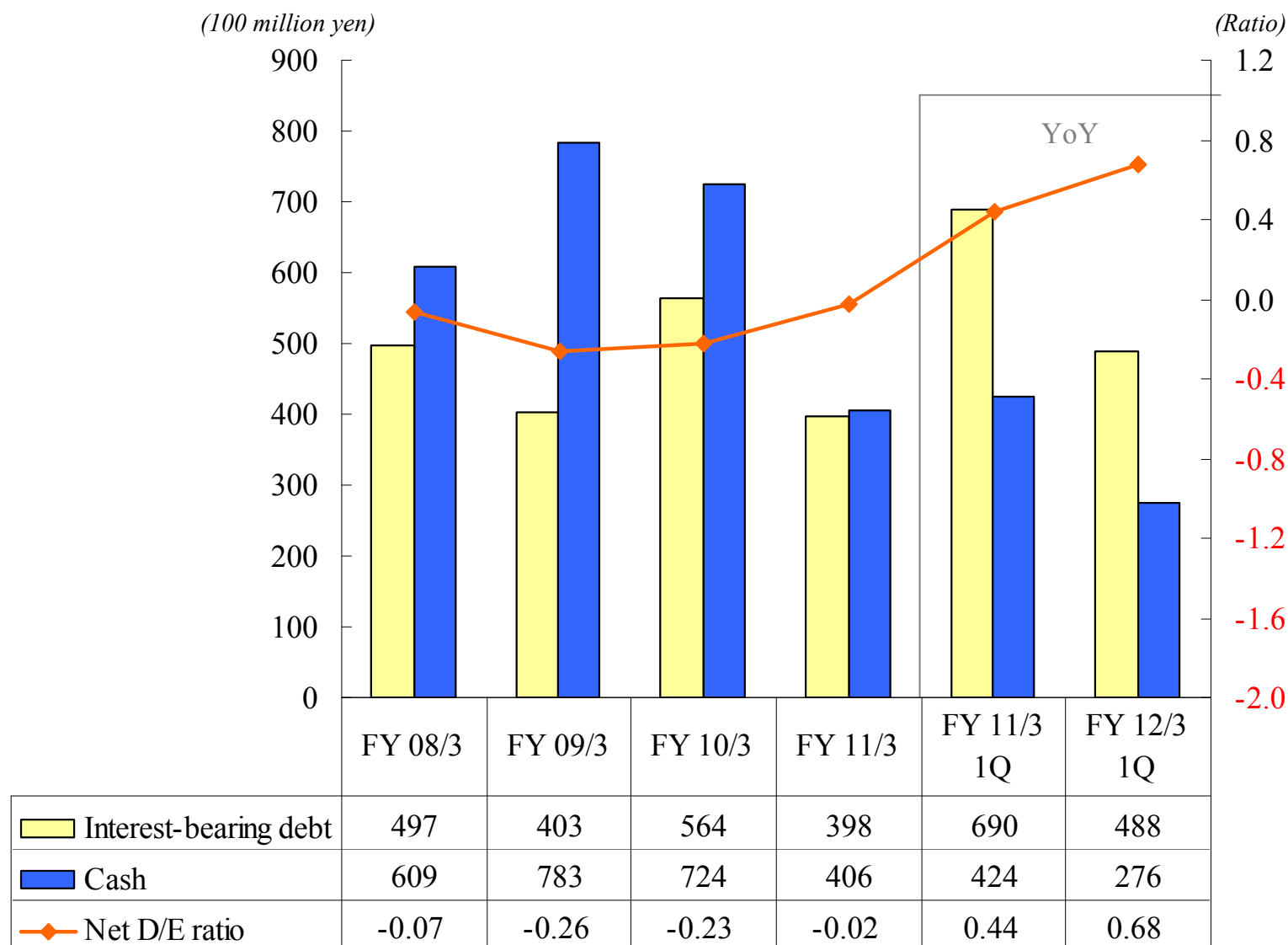
*Domestic subsidiaries include Leopalace Leasing, LEOPALACE SSI, Plaza Guarantee, and Leopalace Travel.

Balance Sheet (Consolidated)

(Million yen)		FY 2011/3	FY 2012/3 1Q
Assets	Cash and cash equivalents	40,674	27,622
	Trade receivables	6,259	3,862
	Accounts receivable for completed projects	2,117	2,452
	Prepaid expenses	23,878	22,557
	Current assets	94,219	75,883
	Buildings and structures	59,191	59,053
	Land	84,851	84,961
	Leased assets	3,510	3,356
	Intangible assets	7,588	7,511
	Long-term prepaid expenses	34,222	29,721
Fixed assets	203,979	201,461	
Total assets	298,274	277,417	

(Million yen)		FY 2011/3	FY 2012/3 1Q
Liabilities	Short-term borrowings	34,502	44,039
	Advances received	97,154	87,705
	Current liabilities	173,719	161,798
	Long-term borrowings	2,227	1,609
	Provision for apartment vacancy loss	32,605	30,161
	Leases/guarantee deposits received	26,035	24,679
	Long-term advances received	14,830	13,411
	Long-term liabilities	91,513	84,308
	Total liabilities	265,233	246,106
	Net assets	Common stock	56,562
Capital surplus		34,334	34,152
Retained earnings		(46,552)	(50,351)
Total net assets		33,040	31,310
Shareholders' equity ratio		11.1%	11.3%

Balance of Cash/Deposits and Interest Bearing Debt (Consolidated)



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