

Explanatory Session for the Fiscal Year Ended March 2009

May 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.

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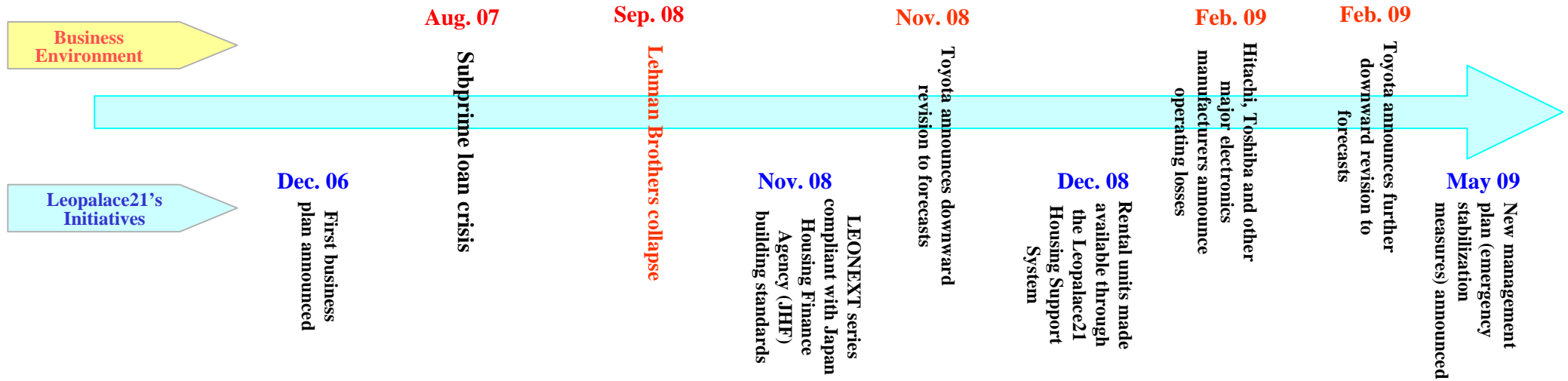
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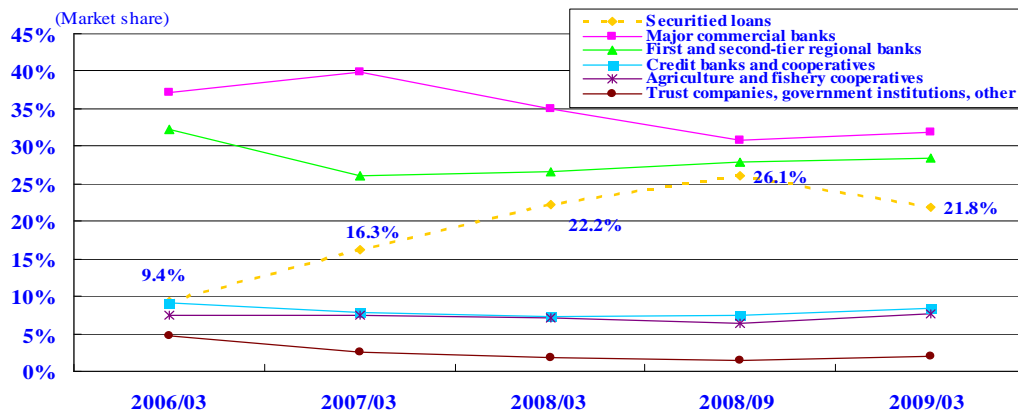
Results for Core Businesses during the FY Ended March 2009

Change for NEXT
Leopalace 21

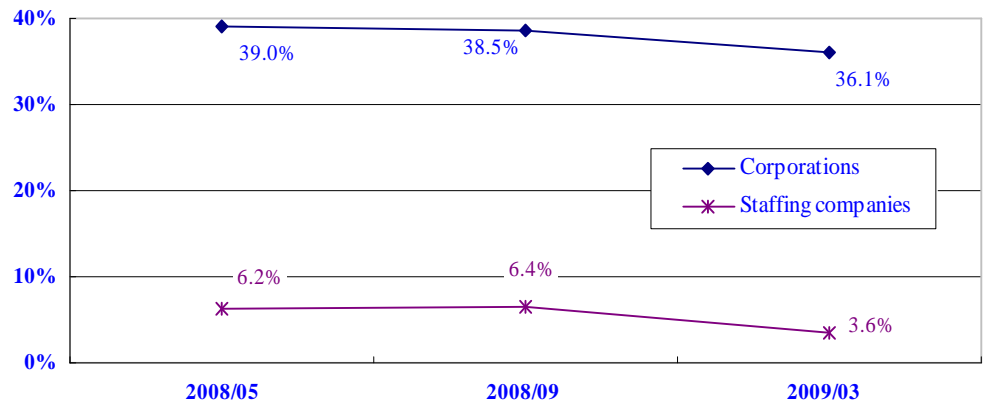
1. The financial crisis has prompted a change in the stance of financial institutions toward financing — Industry in general
2. Losses in the securitization market has led to the suspension of new non-recourse loans — Leopalace21's apartment Construction Subcontracting business
3. Automakers and other major manufacturers have announced abrupt, large-scale restructuring programs — Leopalace21's Leasing business



Non-Recourse Loans (Sales value basis)

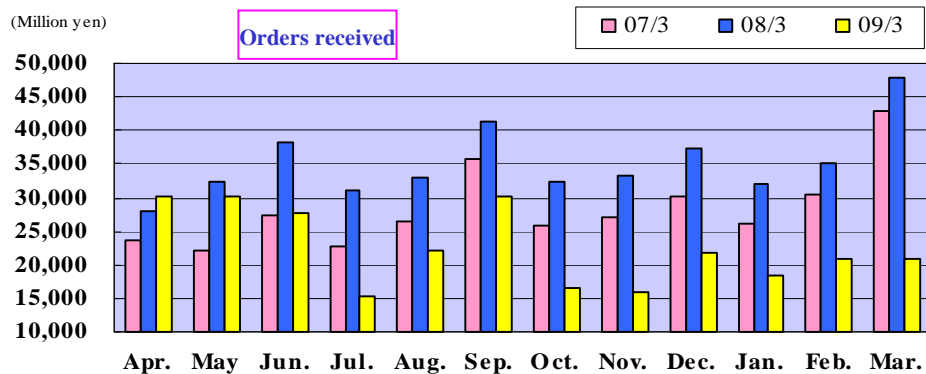


Ratio of corporate tenants and staffing company tenants

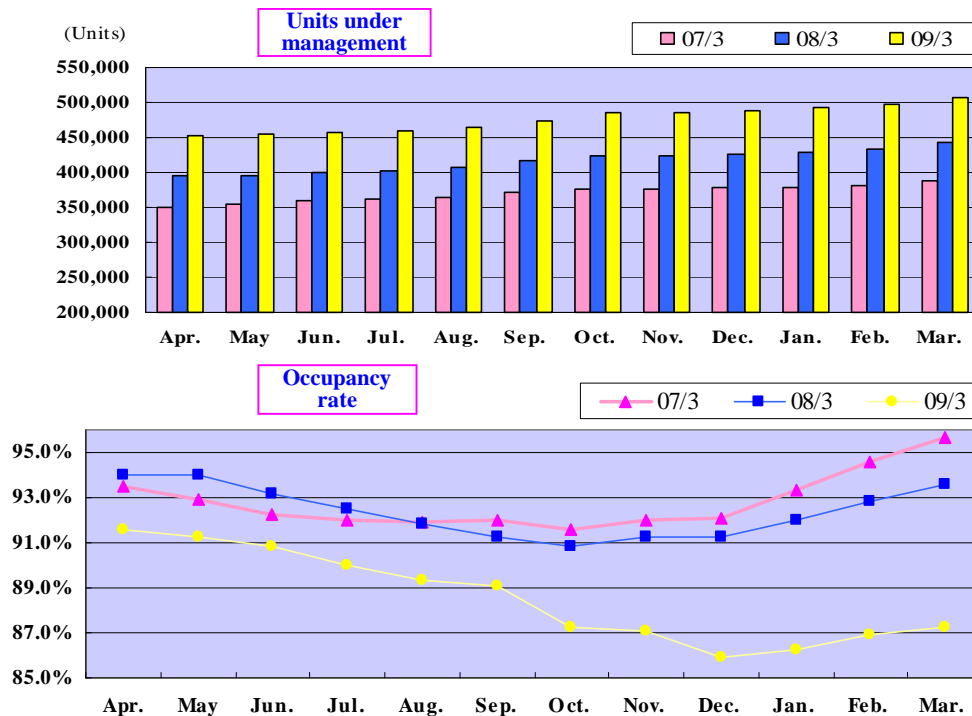


Impact of business environment on core business and response measures

Construction: Orders Received over Three FYs



Leasing: Units under Management and Occupancy Ratio over Three FYs



Apartment Construction Subcontracting: Orders Received

The financial crisis triggered by the subprime loan problems in the United States caused the evaporation of the non-recourse loan securitization market, which had provided the main source of apartment loans for Leopalace21's construction subcontracting business. This was accompanied by a shift in the stance of financial institutions toward financing, which resulted in a considerable decline in year-on-year performance from July 2008.

Response:

Rapid launch of *LEPIDO* product in November. *LEPIDO* is compatible with financing from the Japan Housing Finance Agency.

(No. of orders; 100 million yen)	09/3	
	Building orders	Amount
LEPIDO (LEO NEXT Series)	204	196

Leasing: Occupancy ratio

Leopalace21 had steadily expanded its supply of leasing units on the back of strong results in fiscal 2008, focusing mainly on the three major urban centers of Tokyo, Osaka and Nagoya. However, major Japanese manufacturers, such as Toyota and Hitachi, began to steeply reduce production—across the board—in response to the global economic slowdown. Consequently, the layoff of temporary and contract workers led to cancellations of apartment contracts, which had a significant impact on earnings from September 2008 onward. This led to the occupancy ratio falling approximately four percentage points compared with the previous fiscal year.

Response

In December 2008, Leopalace21 urgently launched the Leopalace21 Housing Support System, providing full-scale cooperation with the Employment Stabilization Financing Project implemented by the Ministry of Health, Labour and Welfare.

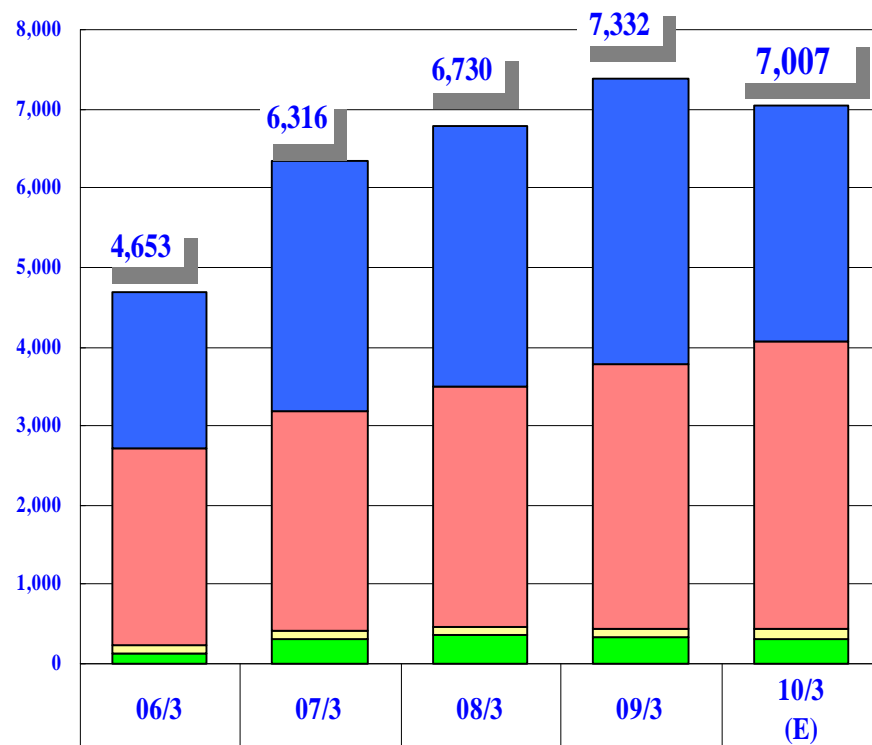
(Apartment)	09/3
Leopalace21 Housing Support System	1,051

Actual Results and Forecasts of Our Group (Consolidated)

Actual Results and Forecasts for Net Sales

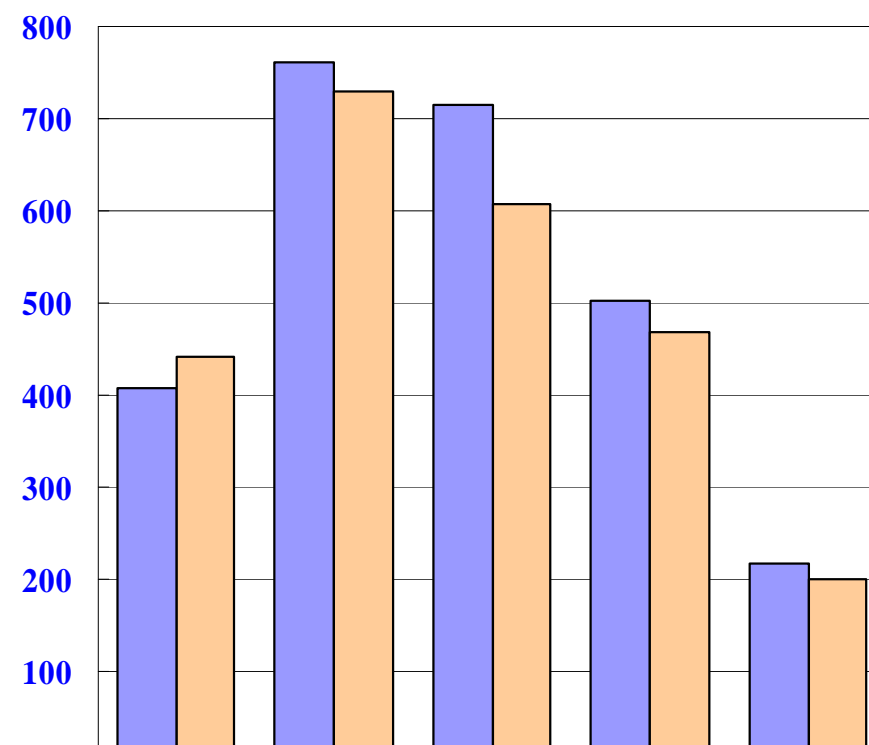
Actual Results and Forecasts for Operating Profit & Recurring Profit

(100 million yen)



Construction	1,952	3,161	3,275	3,592	3,002
Leasing	2,496	2,771	3,028	3,348	3,611
Hotel Resort	108	108	103	102	121
Other	121	311	366	339	321

(100 million yen)

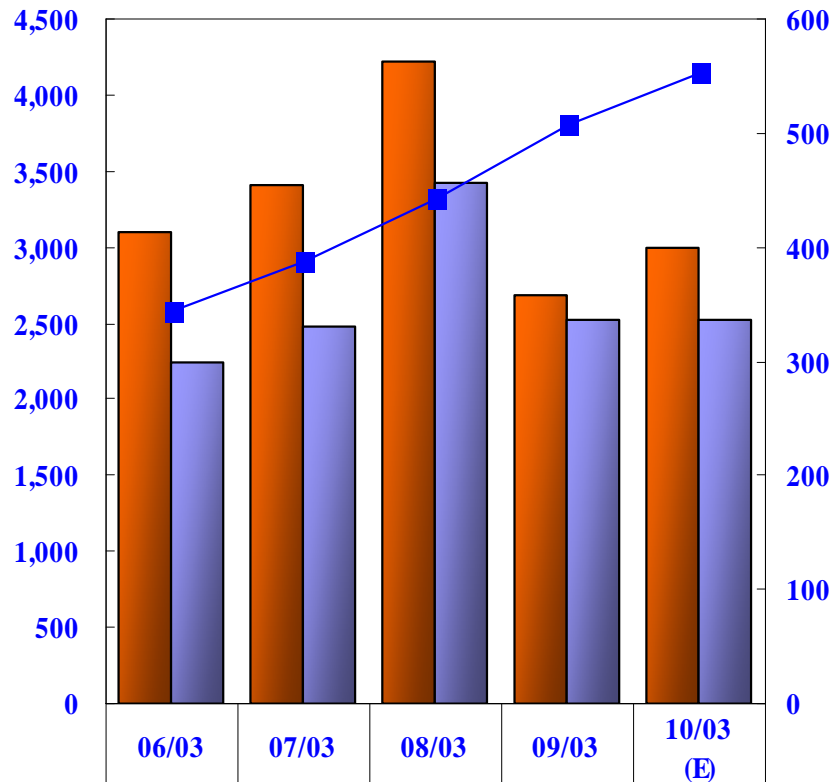


Operating profit	407	760	714	502	217
Recurring profit	441	730	608	468	199

Actual Results and Forecasts for the FY in Construction & Leasing

Trend in Actual Results and Forecasts for Construction

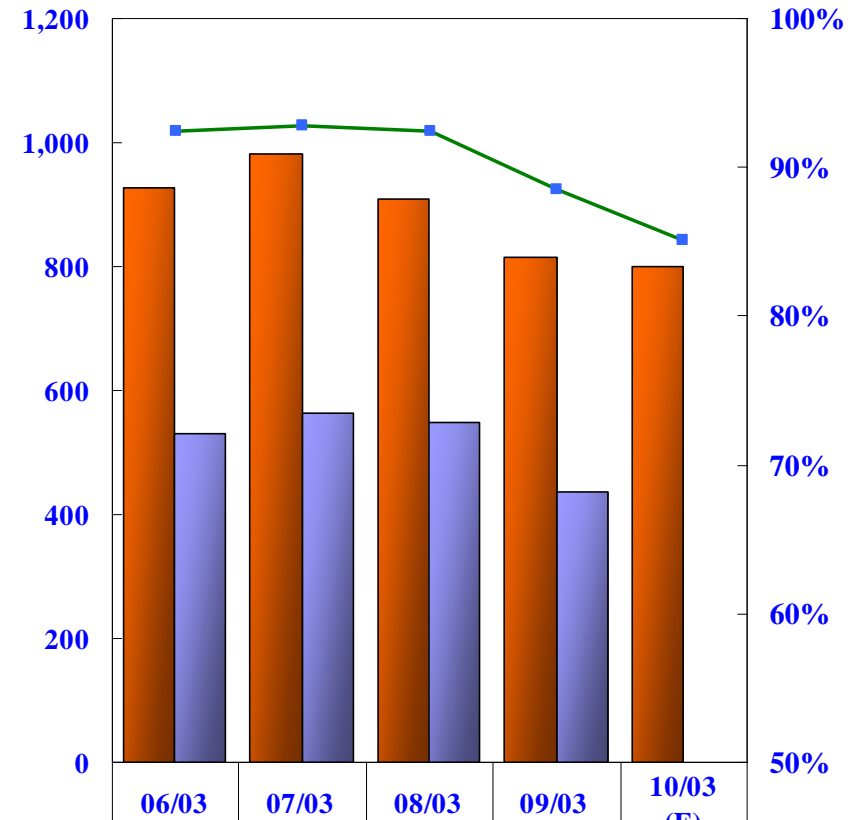
(100 million yen) (1,000 units)



Orders received	3,094	3,406	4,215	2,691	3,000
Orders received outstanding	2,241	2,486	3,426	2,528	2,528
Managed units	344.0	388.5	442.0	506.7	553.1

Trend in Actual Results and Forecasts for Leasing

(100 million yen)



Month-to-month sales	928	982	908	814	800
Of which, repeat sales	530	565	548	436	
Occupancy rate	92.4%	92.8%	92.4%	88.5%	85.1%

Outline of FY Results

Change for NEXT
Leopalace21

Highlights of FY Results (Consolidated & Non-Consolidated)

(Million yen)	Consolidated				Non-consolidated			
	FY ended Mar. 2009	FY ended Mar. 2008	Change in amount	Percentage change	FY ended Mar. 2009	FY ended Mar. 2008	Change in amount	Percentage change
Net sales	733,235	672,973	60,262	9.0%	727,316	666,472	60,844	9.1%
Gross profit	143,401	161,919	(18,518)	-11.4%	146,525	163,793	(17,268)	-10.5%
Gross profit (%)	19.6%	24.1%	-4.5%	-	20.1%	24.6%	-4.4%	-
Selling, general & administrative expenses	93,244	90,516	2,728	3.0%	95,143	92,786	2,357	2.5%
Operating profit	50,156	71,402	(21,246)	-29.8%	51,381	71,007	(19,626)	-27.6%
Operating profit margin (%)	6.8%	10.6%	-3.8%	-	7.1%	10.7%	-3.6%	-
Recurring profit	46,785	60,847	(14,062)	-23.1%	48,823	61,813	(12,990)	-21.0%
Recurring profit margin (%)	6.4%	9.0%	-2.7%	-	6.7%	9.3%	-2.6%	-
Net income	9,951	342	9,609	-	9,116	3,164	5,952	-

Highlights of FY Results for Parent & Major Subsidiaries

(Million yen)	FY ended Mar. 2009	FY ended Mar. 2008	Change in amount	Percentage change	Mar. 2009 depreciation expenses	Mar. 2008 depreciation expenses	
Leopalace21 Corporation	Net sales	727,316	666,472	60,844	9.1%	4,110	3,381
	Recurring profit	48,823	61,813	(12,990)	-21.0%		
Leopalace Guam	Net sales	8,265	9,158	(893)	-9.8%	1,635	1,787
	Recurring profit (loss)	(258)	(6,939)	6,681	-		
	Foreign exchange gain (loss)	(799)	(7,574)	6,775	-		
Others & exclusion	Net sales	(2,346)	(2,657)	311	-	37	(7)
	Recurring profit (loss)	(1,780)	5,973	(7,753)	-		
Consolidated total	Net sales	733,235	672,973	60,262	9.0%	5,782	5,163
	Recurring profit	46,785	60,847	(14,062)	-23.1%		
	Foreign exchange gain (loss)	(1,876)	(9,533)	7,657	-		

Outline of Balance Sheets and Cash Flows (Consolidated)

March 2009 Balance Sheets

March 2009 Cash Flows

(Unit: Million Yen)	FY ended Mar. 2009	FY ended Mar. 2008	Change in amount	(Million yen)	FY ended Mar. 2009	FY ended Mar. 2008
<Assets>				Cash flows from operating activities	62,843	11,745
Current assets	192,015	218,684	(26,669)	Net income before taxes & adjustments	33,446	12,424
Cash & cash equivalents	78,375	60,965	17,410	Depreciation expenses	5,782	5,163
Trade receivables & accounts receivable for completed projects	9,471	15,159	(5,688)	Increase (decrease) in retirement benefit reserves for directors	(310)	(1,394)
Operating loans	10,043	15,789	(5,746)	Increase (decrease) in reserve for loss on apartment vacancies	4,620	—
Real estate for sale in process	28,826	37,819	(8,993)	Foreign exchange loss (gain)	1,876	9,533
Payout for construction in progress	14,925	11,792	3,133	Equity in loss (earnings) of affiliated companies	(324)	(104)
Fixed assets	275,280	275,265	15	Impairment loss	2,807	701
Buildings & structures	66,529	76,556	(10,027)	Loss on devaluation of real estate for sale	2,560	—
Land	114,914	116,295	(1,381)	Gain on sale of affiliates' bonds	—	(560)
Construction in progress	2,884	1,901	983	Loss on devaluation of investment securities	3,405	906
Total assets	467,300	493,956	(26,656)	Increase (decrease) in accounts receivables	35,868	(21,745)
<Liabilities>				Increase (decrease) in real estate for sale	4,941	(11,237)
Current liabilities	231,432	268,621	(37,189)	Decrease (increase) in work in process	(3,133)	(2,973)
Long-term liabilities	89,425	55,179	34,246	Decrease (increase) in long-term prepaid expenses	(10,854)	(12,465)
Total liabilities	320,857	323,800	(2,943)	Increase (decrease) in accounts payable	(26,860)	12,225
<Net assets>				Income taxes paid	(22,884)	(31,840)
Share capital	55,640	55,640	—	Cash flows from investing activities	(10,048)	148
Capital surplus	34,104	34,104	—	Payout for purchase & proceeds from sale of tangible assets	(5,147)	5,257
Retained earnings	73,412	76,211	(2,799)	Cash flows from financing activities	(33,885)	(26,779)
Total net assets	146,442	170,155	(23,713)	Proceeds from & repayment of short-term debt	—	(3,778)
Shareholder's equity ratio	31.3%	33.4%	-2.1%	Proceeds from & repayment of long-term debt	(4,226)	4,546
				Payment for redemptions of bonds	(5,094)	(4,226)
				Dividends paid for shareholders	(12,750)	(10,359)
				Net increase (decrease) in cash & cash equivalents	17,410	(15,290)
				Cash & cash equivalents at end of period	78,375	60,965

Profit/Loss for Major Segments (Consolidated)

(Million yen)	FY ended Mar. 2009	Sales comparison	FY ended Mar. 2008	Sales comparison	Change in amount	Percentage change
Construction Division						
Net sales	359,154		327,540		31,614	9.7%
Gross profit	109,591	30.5%	110,277	33.7%	(686)	-0.6%
Operating profit	70,112	19.5%	73,267	22.4%	(3,155)	-4.3%
Leasing Division						
Net sales	334,776		302,753		32,023	10.6%
Gross profit	44,353	13.2%	49,169	16.2%	(4,816)	-9.8%
Operating profit (loss)	(1,538)	-0.5%	3,036	1.0%	(4,574)	-150.7%
Hotel Resort Division						
Net sales	10,216		10,271		(55)	-0.5%
Gross profit	1,616	15.8%	1,390	13.5%	226	16.3%
Operating profit (loss)	(805)	-7.9%	(1,116)	-10.9%	311	—
Other Division						
Net sales	33,908		36,629		(2,721)	-7.4%
Gross profit (loss)	(7,548)	-22.3%	5,197	14.2%	(12,745)	—
Operating Profit (loss)	(12,829)	-37.8%	645	1.8%	(13,474)	—

*Amounts shown are prior to inter-segment eliminations.

Earnings Forecasts

Change for NEXT
Leopalace21

Earnings Forecasts (Consolidated & Non-Consolidated)

(Million yen)		FY ending Mar. 2010	FY ended Mar. 2009	Change in amount	Percentage change
Leopalace21 Corporation	Net sales	694,800	727,316	(32,516)	-4.5%
	Gross profit	107,200	146,525	(39,325)	-26.8%
	Selling, general & administrative expenses	85,950	95,143	(9,193)	-9.7%
	Operating profit	21,200	51,381	(30,181)	-58.7%
	Recurring profit	19,200	48,823	(29,623)	-60.7%
	Net income	8,000	9,116	(1,116)	-12.2%
LGC	Net sales	8,136	8,265	(129)	-1.6%
	Operating profit	482	507	(25)	-4.9%
Others & exclusion	Net sales	(2,164)	(2,346)	182	—
	Operating profit (loss)	(6)	(1,732)	1,726	—
Consolidated total	Net sales	700,700	733,235	(32,535)	-4.4%
	Gross profit	104,745	143,401	(38,656)	-27.0%
	Operating profit	21,700	50,156	(28,456)	-56.7%
	Recurring profit	19,900	46,785	(26,885)	-57.5%
	Net income	8,700	9,951	(1,251)	-12.6%

Profit/Loss Forecasts for Major Segments (Consolidated)

(Million yen)	FY ending Mar. 2010	Sales comparison	FY ended Mar. 2009	Sales comparison	Change in amount	Percentage change
Construction Division						
Net sales	300,246		359,154		(58,908)	-16.4%
Orders received at FY-start	252,853		342,679		(89,826)	-26.2%
Orders received during FY	300,000		269,147		30,853	11.5%
Gross profit	85,690	28.5%	109,591	30.5%	(23,901)	-21.8%
Operating profit	48,463	16.1%	70,112	19.5%	(21,649)	-30.9%
Leasing Division						
Net sales	361,192		346,131		15,061	4.4%
Units managed at end-FY	553,051		506,742		46,309	9.1%
Average units managed during FY	531,697		476,722		54,975	11.5%
Average occupancy rate during FY	85.1%		88.5%		-3.4%	-3.9%
Gross profit	22,086	6.1%	44,167	12.8%	(22,081)	-50.0%
Operating profit (loss)	(16,961)	-4.7%	(977)	-0.3%	(15,984)	—
Hotel Resort Division						
Net sales	12,130		12,609		(479)	-3.8%
Gross profit	3,151	26.0%	3,317	26.3%	(166)	-5.0%
Operating profit (loss)	(582)	-4.8%	(472)	-3.7%	(110)	23.3%
Other Division						
Net sales	32,140		20,160		11,980	59.4%
Gross profit (loss)	(1,384)	-4.3%	(9,063)	-45.0%	7,679	—
Operating profit (loss)	(5,238)	-16.3%	(13,739)	-68.1%	8,501	—

*Amounts for the FY ended March 2009 have been adjusted in line with new segment classifications (please refer to P. 16)

Status of Major Strategic Business Ventures

Change for NEXT
Leopalace21

Explanation of Changes to Businesses Segment Classifications

Under the “Change for Next” new medium-term management plan, we have clarified the priority given to related businesses and subsidiaries according to their relevance to our core businesses. Based on this policy, from the fiscal year ending March 2010, the classifications for each business segment have been changed as follows.

Business segment	Previous classification	New classification
Apartment Construction Subcontracting Division	Apartment Construction Subcontract	Apartment Construction Subcontract
Leasing Division	Leasing	Leasing
	Domestic Hotel	Broadband
Hotel Resort Division	Leopalace Guam	Leopalace Guam
		Hotel Sales (name changed)
Other Division	Residential	Real Estate (name changed)
	Silver	Silver
	Broadband	Leopalace Leasing Corporation
	Leopalace Leasing Corporation	Leopalace Insurance Co., Ltd.
	Leopalace Insurance Co., Ltd.	Leopalace Finance Co., Ltd.
	Leopalace Finance Co., Ltd.	

Main Businesses within Segments

(Million yen)		FY ended Mar. 2009	FY ending Mar. 2010	Change in amount	Percentage change
Real Estate	Net sales	11,469	20,793	9,324	81.3%
	Gross profit	(9,108)	(1,602)	7,506	—
	Operating profit (loss)	(10,665)	(3,274)	7,391	—
Silver	Net sales	7,953	10,334	2,381	29.9%
	Gross profit	(486)	(656)	(170)	—
	Operating profit (loss)	(1,539)	(1,813)	(274)	—
Domestic Hotel	Net sales	2,393	2,400	7	0.3%
	Gross profit	1,701	1,685	(16)	-0.9%
	Operating profit	333	298	(35)	-10.5%
Broadband	Net sales	13,748	15,200	1,452	10.6%
	Gross profit	1,515	2,400	885	58.4%
	Operating profit	894	1,753	859	96.1%

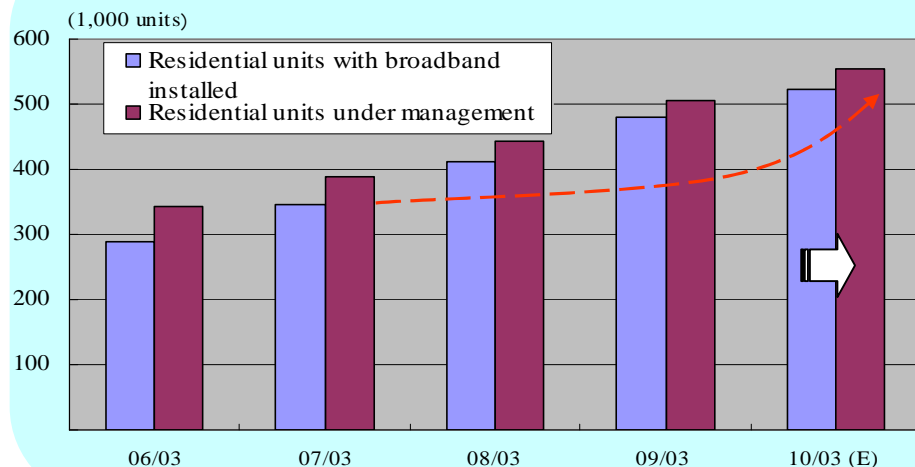
<Real Estate Business>

(Million yen)	Results for FY ended Mar. 2008	Results for FY ended Mar. 2009	Forecasts for FY ending Mar. 2010
Revenue	14,107	6,216	0
Value of sales contracts concluded	7,630	8,011	8,080
(Of which, revenue)	7,977	10,341	8,794
Total revenue of Real Estate Business	11,281	11,469	20,794

<Silver Business>

(Million yen)		Results for FY ended Mar. 2008	Results for FY ended Mar. 2009	Forecasts for FY ending Mar. 2010
Direct operation	Revenue	2,668	4,728	7,262
	Total units as of end of term	35	49	59
Under contracts	Units ordered	26	12	0
	Revenue	8,506	3,225	3,072
Total revenue of Silver Business		11,174	7,953	10,334

<Broadband Business>



	06/3	07/3	08/3	09/3	10/3 (E)
Users	203,000	302,000	362,000	404,000	454,000
No. of residential units with broadband installed	289,238	344,853	411,656	480,139	523,446

<Leopalace Resort Business (LGC)>

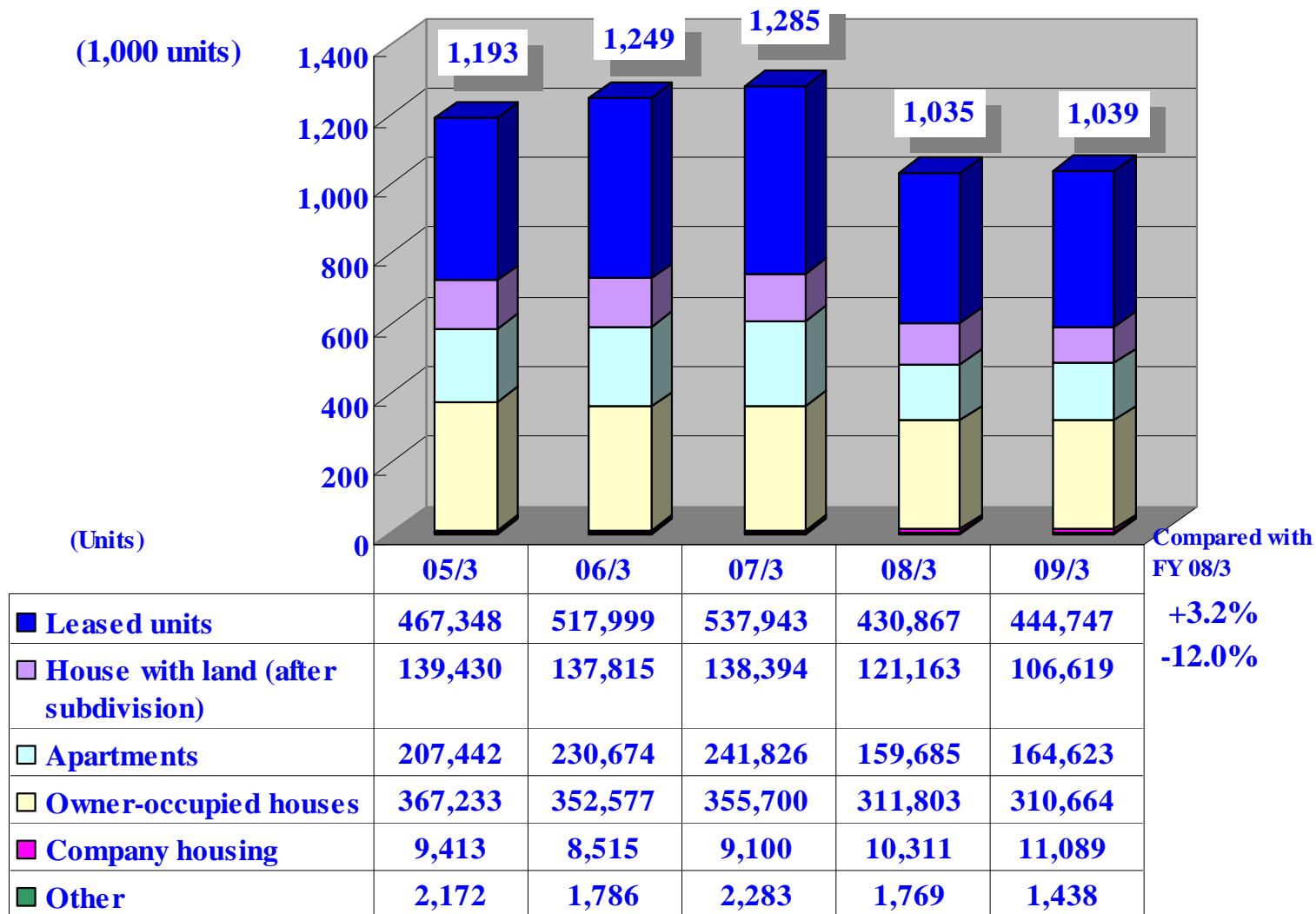
(1,000 U.S. dollars)		1Q results (Jan.–Mar.)	Interim results (Jan.–Jun.)	3Q results (Jan.–Sep.)	Full-year results (Jan.–Dec.)
2007/12	Net sales	24,171	42,429	58,790	77,676
	Operating profit	5,166	5,972	5,126	4,920
	Depreciation expenses	3,790	7,563	11,328	15,160
	Occupancy rate (Leopalace Resort)	74.8%	63.0%	58.8%	59.1%
	Occupancy rate (Westin)	70.5%	61.9%	66.3%	64.1%
		1Q results (Jan.–Mar.)	Interim results (Jan.–Jun.)	3Q results (Jan.–Sep.)	Full-year results (Jan.–Dec.)
2008/12	Net sales	23,485	43,411	59,932	79,182
	Operating profit	4,346	5,578	3,776	4,896
	Depreciation expenses	3,888	7,889	11,848	15,800
	Occupancy rate (Leopalace Resort)	69.0%	60.5%	58.0%	57.2%
	Occupancy rate (Westin)	69.3%	69.3%	70.1%	66.0%

Appendix

Change for NEXT
Leopalace21

New Housing Starts

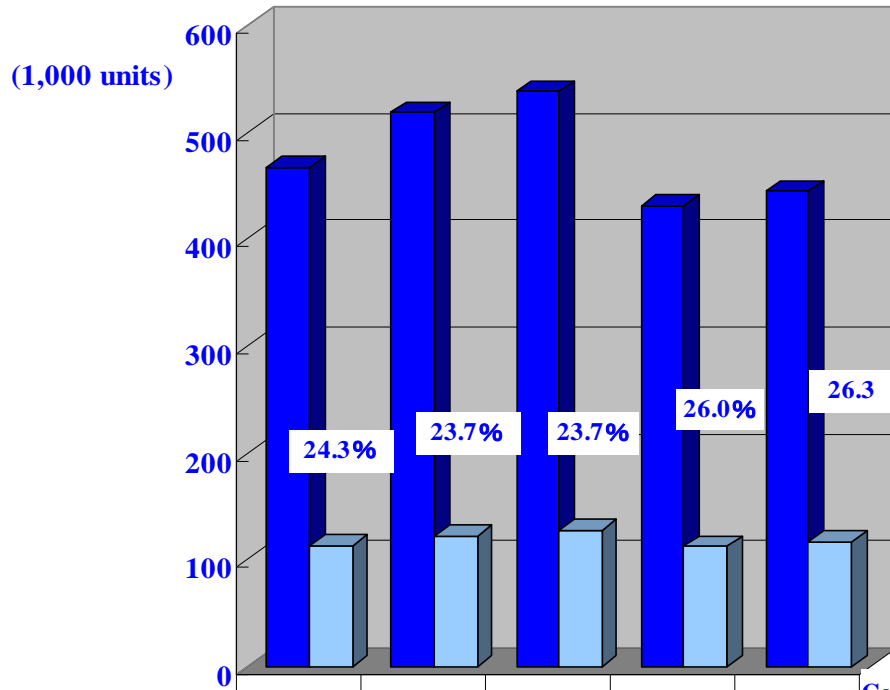
New Housing Starts (No. of use breakdown)



(Based on housing starts statistics for the FY ended March 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



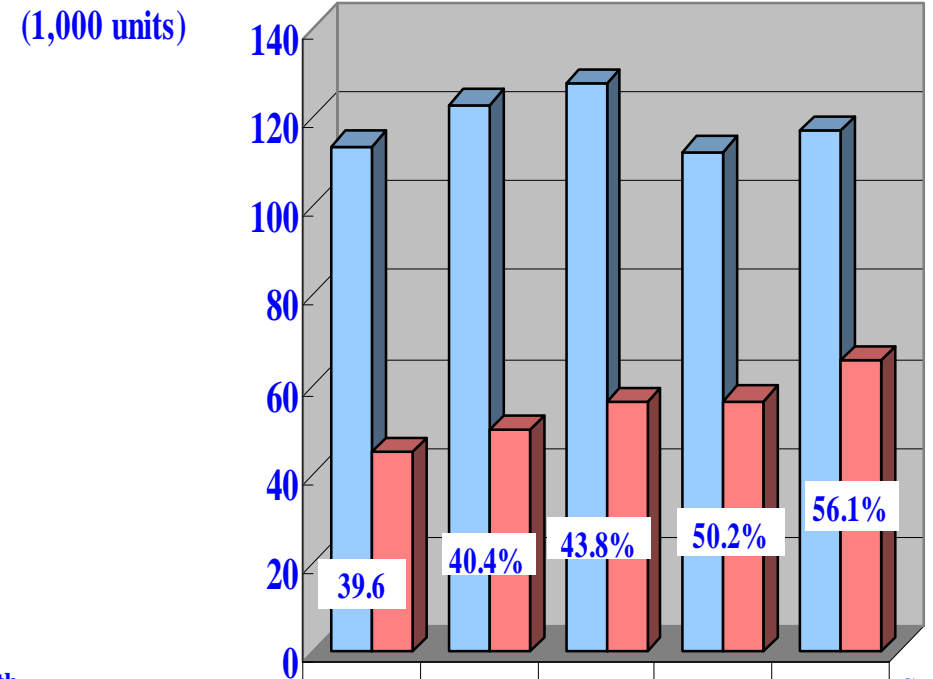
Compared with FY 08/3

+3.2%

+4.2%

■ New residential lease holds	467.3	517.9	537.9	430.8	444.7
■ Under 30 m ²	113.5	122.8	127.6	112.2	116.9

Trend in No. of New Residential Leaseholds under 30 Square Meters & Our Market Share



Compared with FY 08/3

+4.2%

+16.5%

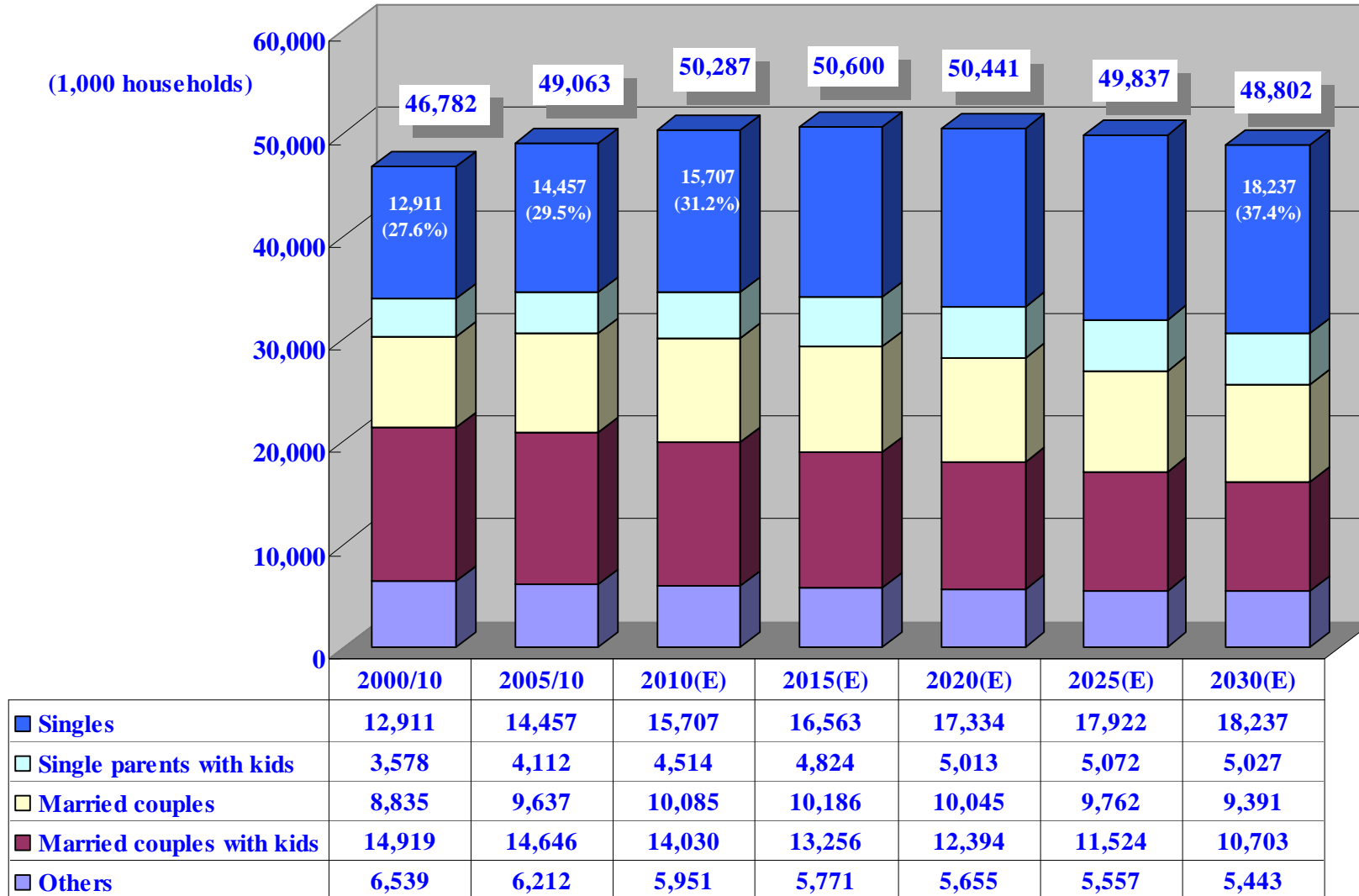
■ Under 30 m ²	113.5	122.8	127.6	112.2	116.9
■ Our supply of units	44.9	49.7	55.9	56.3	65.6

(Based on housing starts statistics for the FY ended March 2009, Ministry of Land, Infrastructure & Transport)

Note: Our supply of units represent actual units sold.

Forecasts for Number of Households by Type

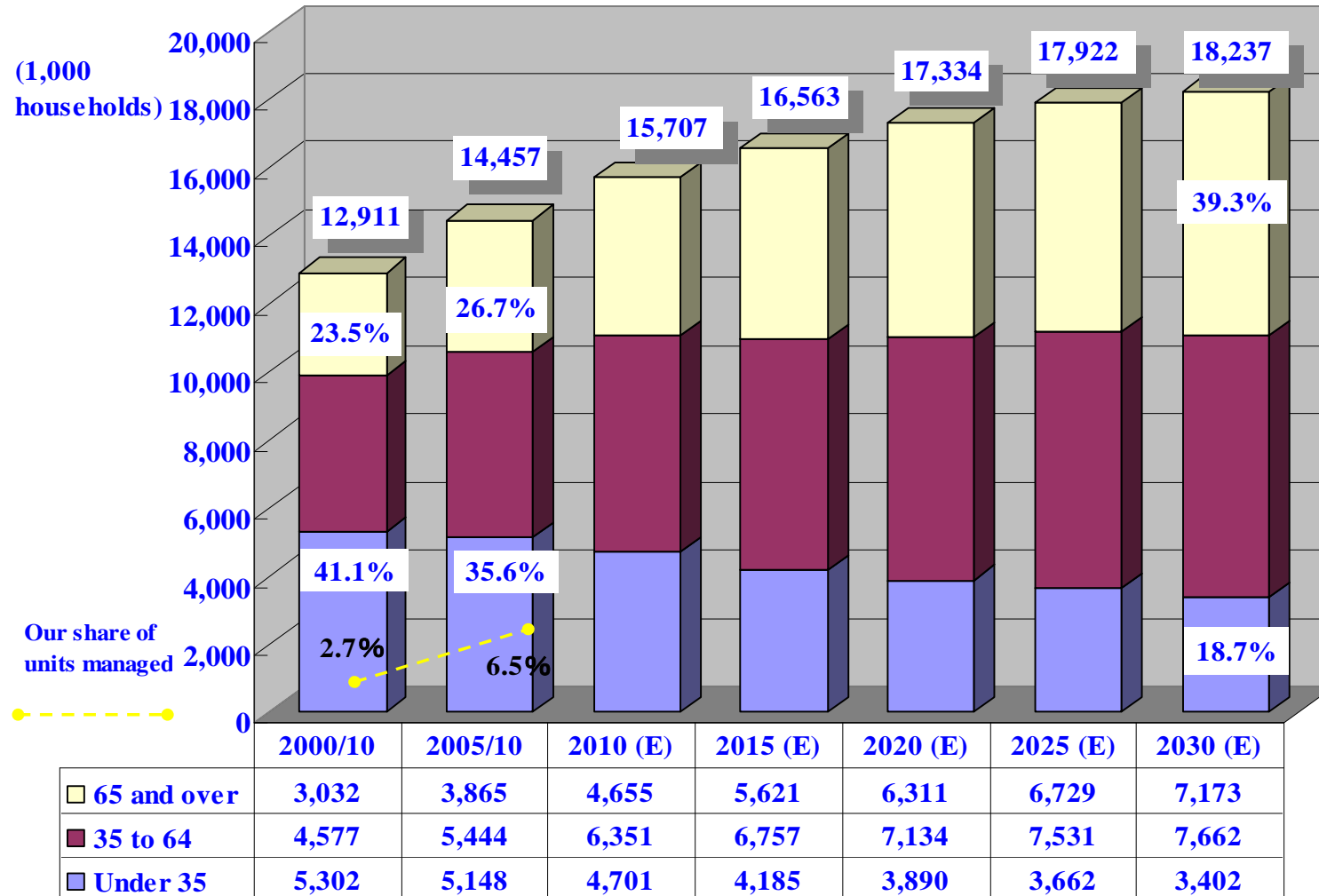
Forecasts for No. of Households by Type



(Based on 2005 Census & “2008 Number of Households and Future Estimates,” National Institute of Population)

Forecasts for Number of Single Households

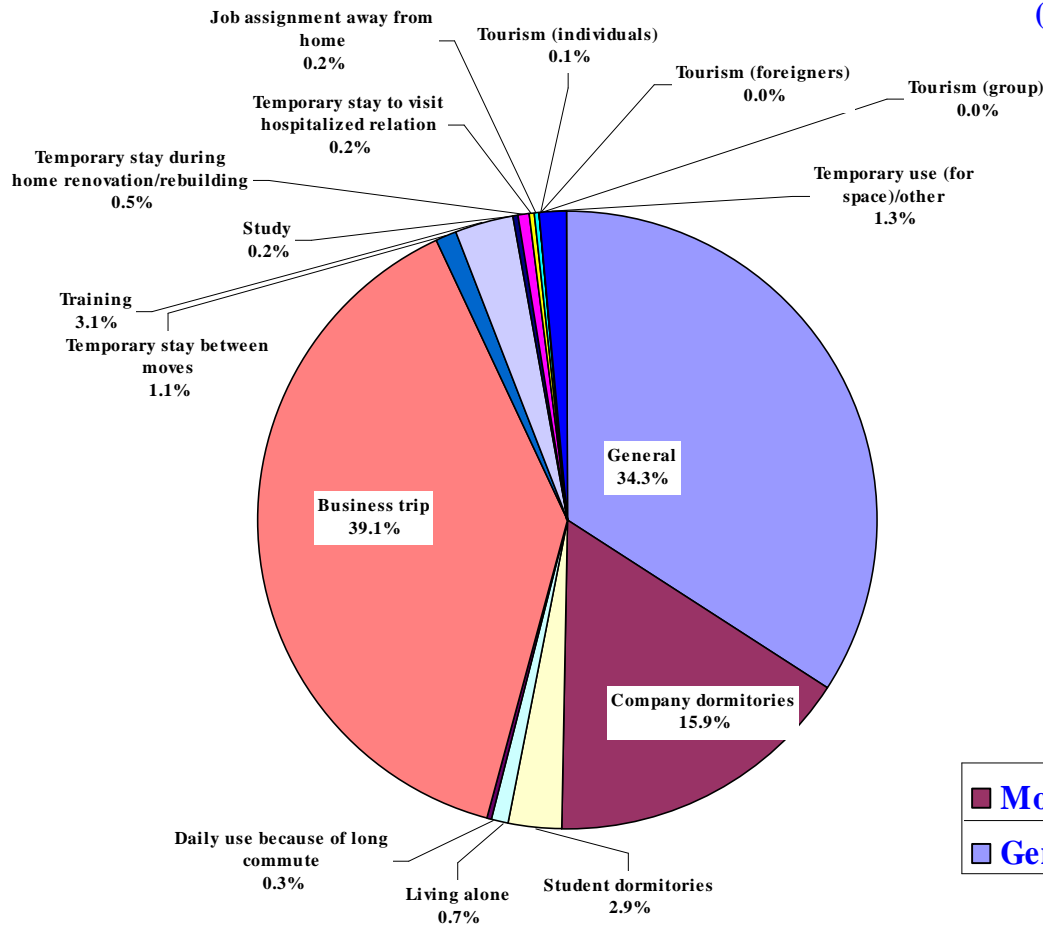
Forecasts for No. of Single Households



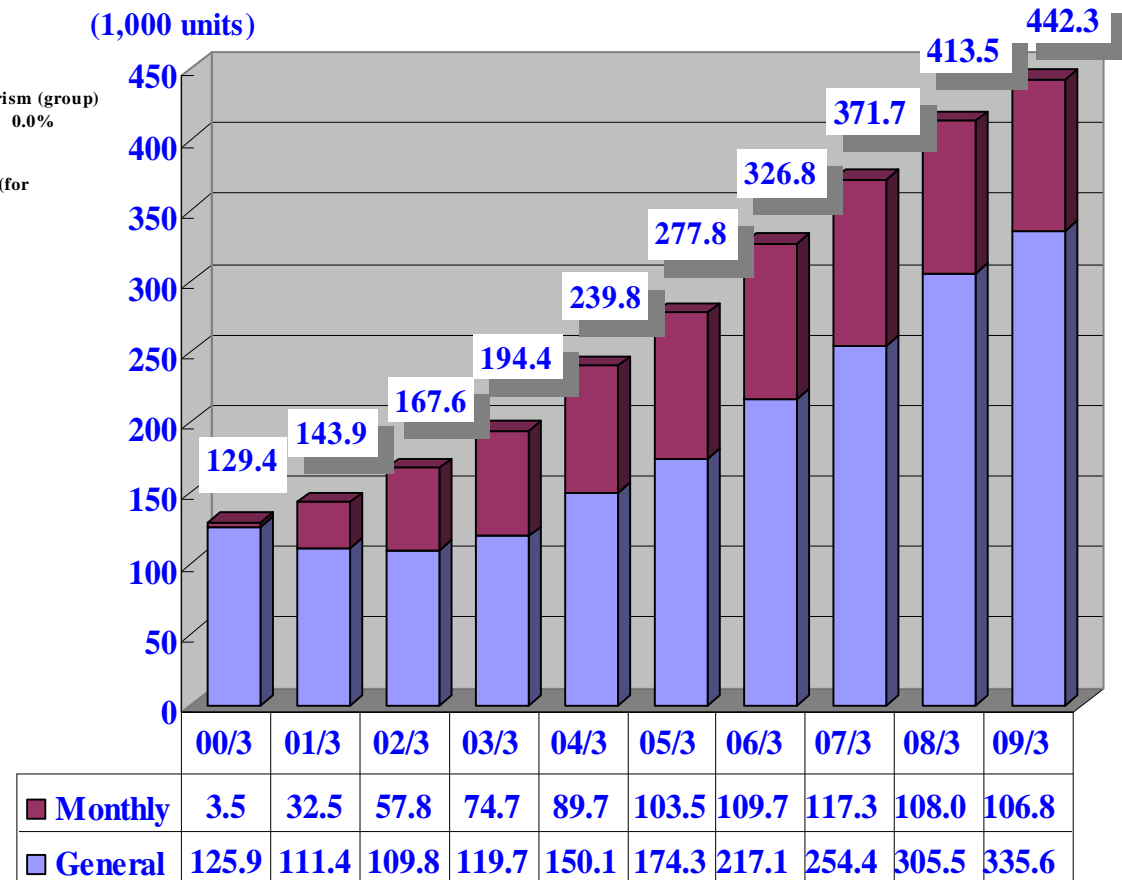
(Based on 2005 Census & “2008 Number of Households and Future Estimates,” National Institute of Population)

Usage Pattern for Leoplace21's One-Room Units and Contract Type

Breakdown of Users of Month-to-Month Leases



No. of Tenants by Contract Type



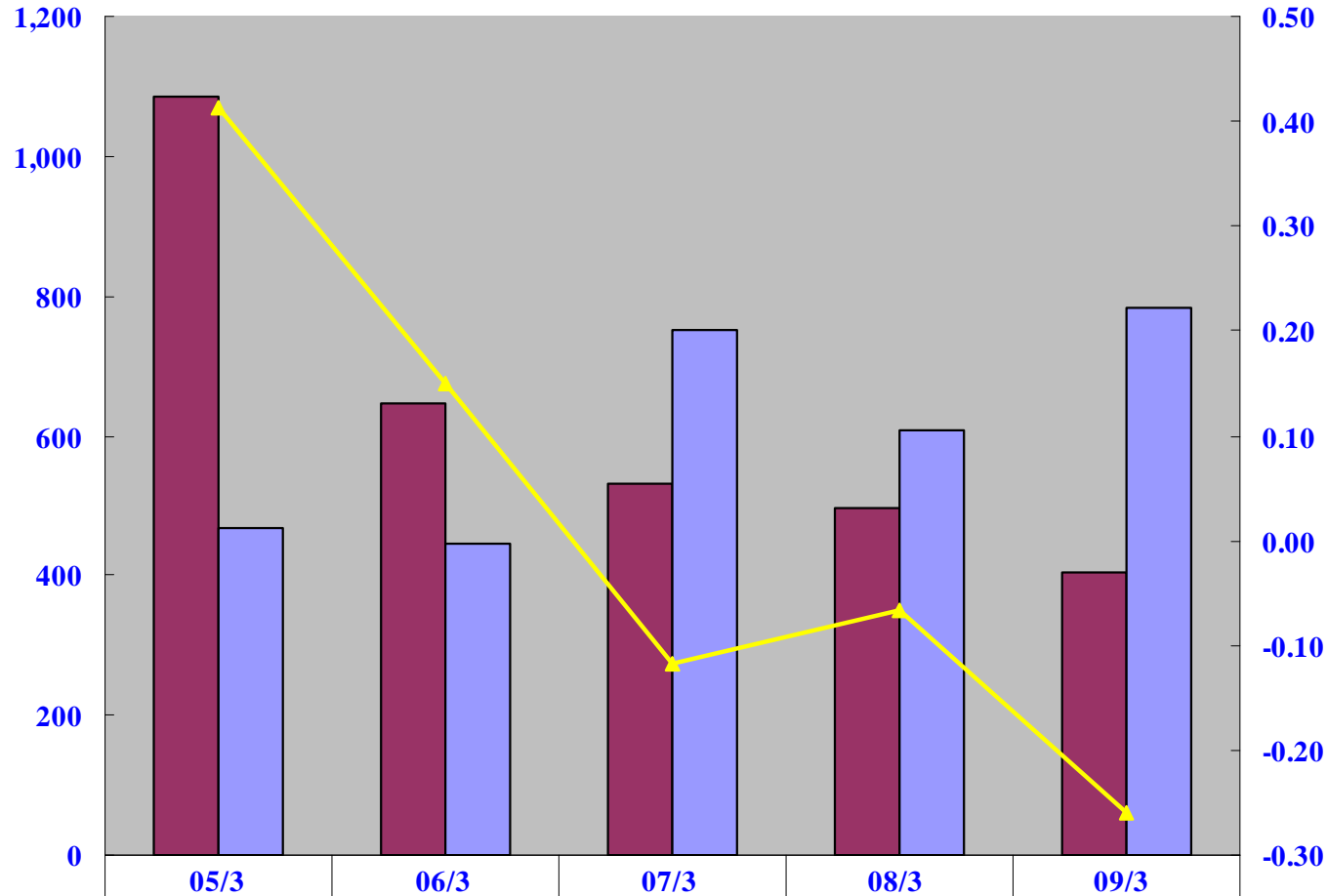
(Based on our company data, end-March 2009)

Net Debt/Equity Ratio

Cash and Deposits, Interest-Bearing Debt and Net D/E Ratio (Consolidated)

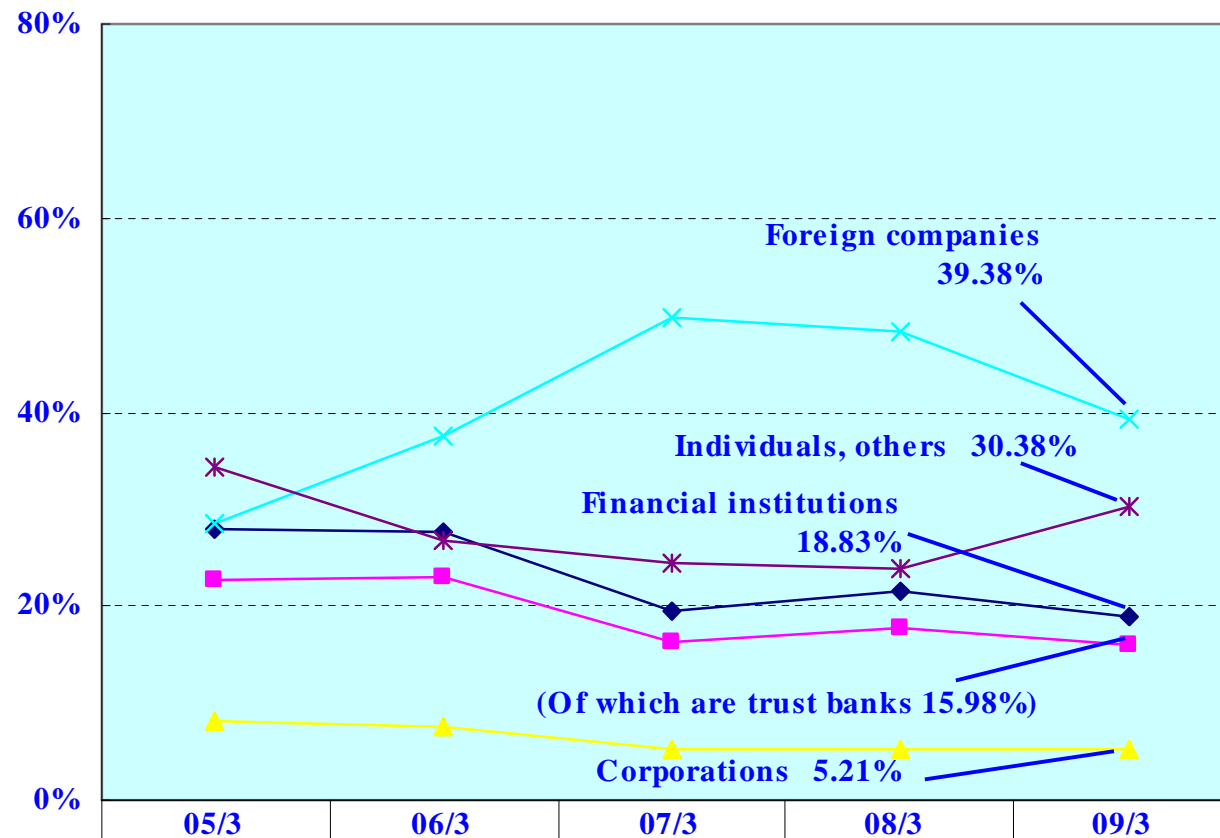
(100 million yen)

(Times)



Interest-bearing debt	1,087	645	531	497	403
Cash and deposits	468	446	751	609	783
Net debt/equity ratio	0.41	0.15	-0.12	-0.07	-0.26

Trend in Shareholders



	05/3	06/3	07/3	08/3	09/3
◆ Financial institutions	27.84%	27.61%	19.49%	21.52%	18.83%
■ (Of which are trust banks)	22.72%	22.96%	16.36%	17.73%	15.98%
▲ Corporations	8.12%	7.43%	5.28%	5.16%	5.21%
✕ Foreign companies	28.46%	37.56%	49.88%	48.28%	39.38%
✱ Individuals, others	34.35%	26.88%	24.38%	23.88%	30.38%