

2004 Interim Results Explanatory Session

November 2004

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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Market Environment & Interim Results



Domestic market for studios

Construction Division

Supply

*Number of housing starts for leased units (under 30m²)
Our market share at 37%!*

Refer to Appendix Page 22

Inventory of Studios

Our market share of studios at 7%!

Refer to Appendix Page 23

Leasing Division

Utilization

Month-to-month leases to expand even for elderly!

Refer to Appendix Page 25

Demand

Our market share in managing residential leaseholds of under-35 single households at 5%!

Refer to Appendix Page 24

Trend in Rebuilding

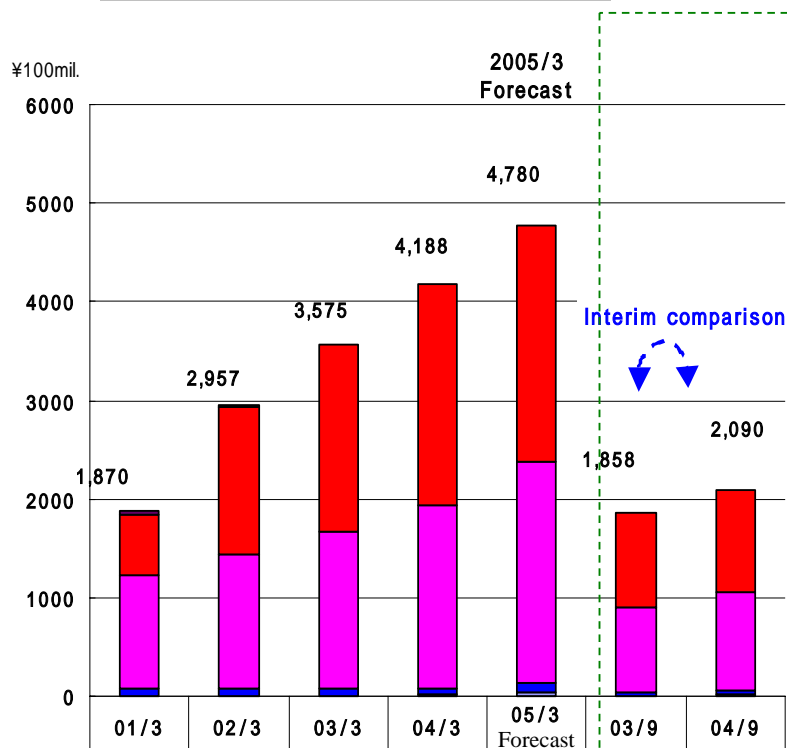
*In past 5 years, approx. 2.24 mil. old residential units have disappeared,
but in their place, 2.19 mil. new residential units have come into being through rebuilding*

Refer to Appendix Page 23

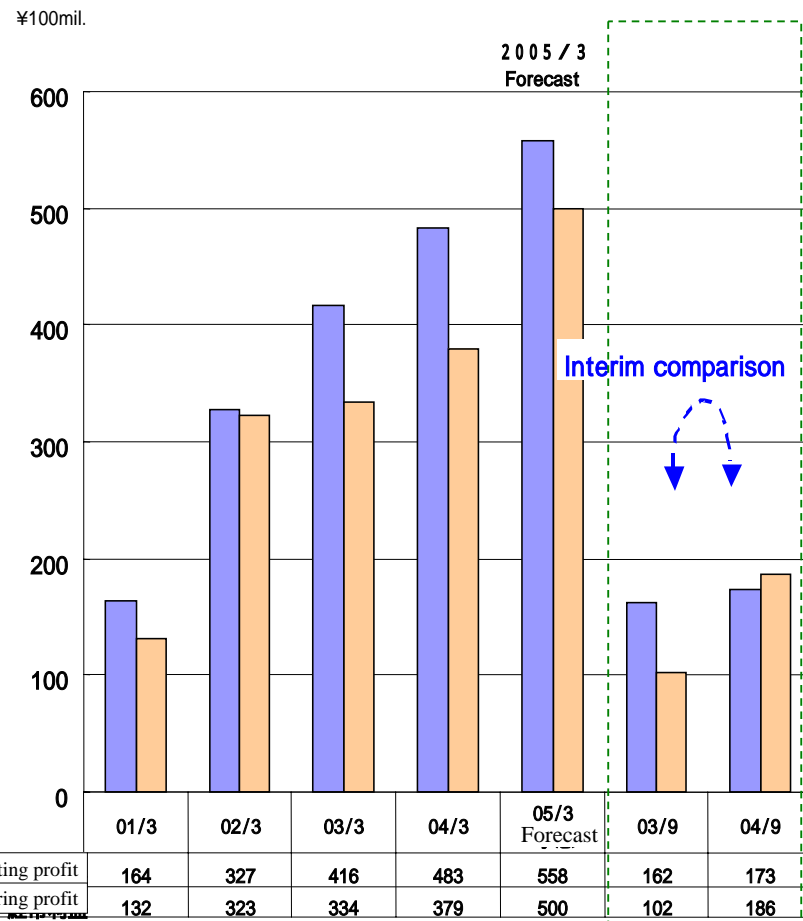
Net sales, operating profit & recurring profit posted record highs for 3rd consecutive FY!

Even interim shows trend toward achieving full FY targets!

Actual Figures & Targets for Net Sales



Actual Figures & Targets for Operating Profit & Recurring Profit

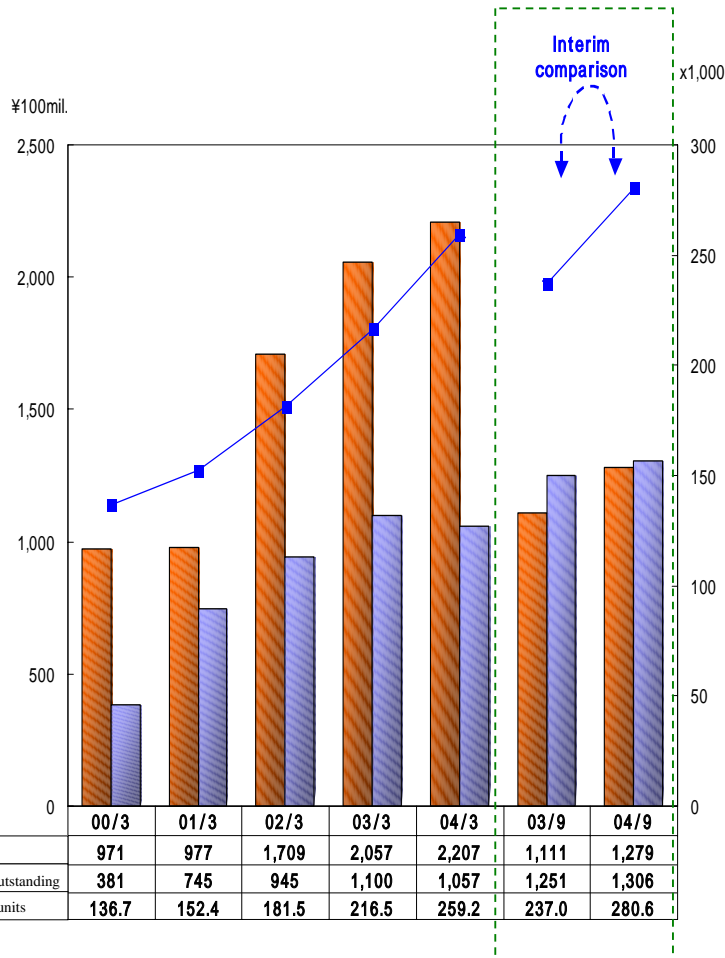


	01/3	02/3	03/3	04/3	05/3 Forecast	03/9	04/9
Real estate	37	17	0	0	0	0	0
Construction	607	1,508	1,902	2,250	2,400	960	1,030
Leasing	1,141	1,350	1,599	1,855	2,250	867	1,008
Hotel resort	76	76	67	70	96	29	33
Others	9	6	7	13	34	7	20

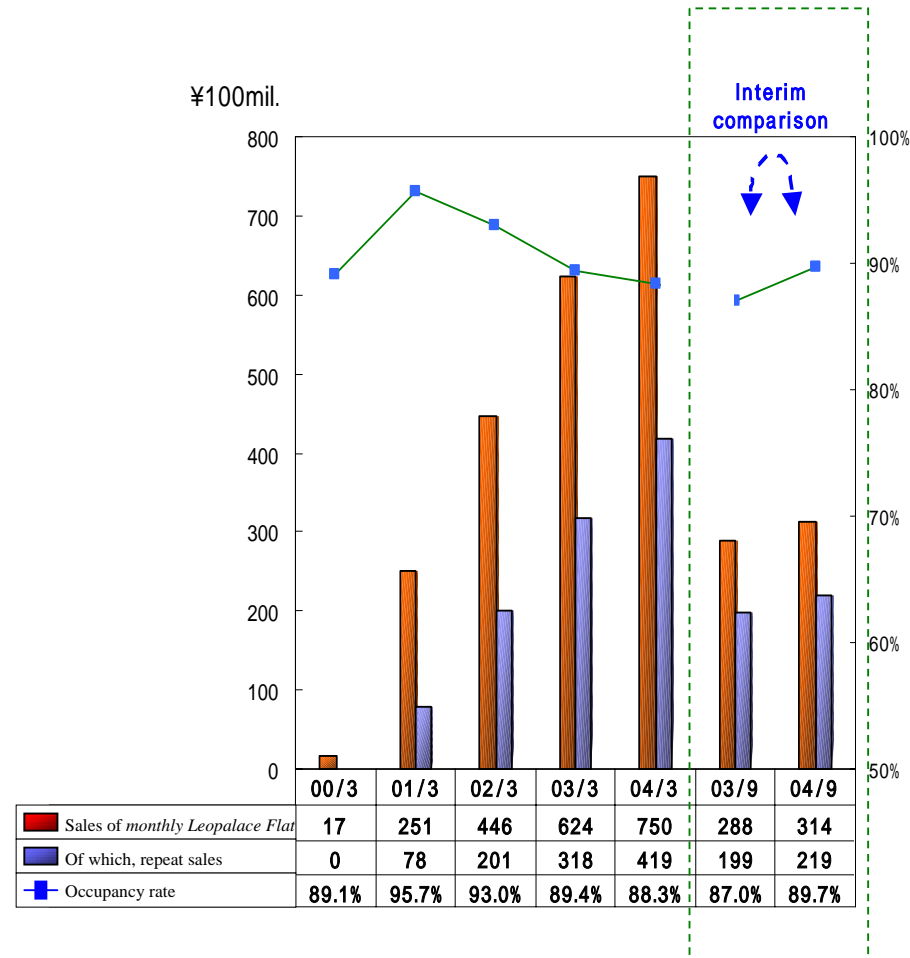
Actual results for interim in construction: orders received in 1st half increased 15.1% year-on-year!

Actual results for interim in leasing: occupancy rate in 1st half rose 2.7 percentage points year-on-year!

Trend in Actual Results for Construction



Trend in Actual Results for Leasing



Outline of Interim Results & Forecasts for This FY



Highlights of Interim Results (Consolidated)

(Unit: Yen million)	Sep 2004: This Interim	Sep 2003: Previous Interim	Change in amount	Percentage change	Mar 2005 Full FY Forecast
Net sales	209,062	185,816	23,246	12.5%	478,000
Gross profit	49,522	43,023	6,499	15.1%	122,200
<i>Gross profit ratio (%)</i>	<i>23.7%</i>	<i>23.2%</i>	<i>0.5%</i>		<i>25.6%</i>
Selling, general & administrative expenses	32,188	26,809	5,379	20.1%	66,400
Operating profit	17,334	16,214	1,120	6.9%	55,800
<i>Operating profit ratio (%)</i>	<i>8.3%</i>	<i>8.7%</i>	<i>-0.4%</i>		<i>11.7%</i>
Recurring profit	18,656	10,289	8,367	81.3%	50,000
<i>Recurring profit ratio (%)</i>	<i>8.9%</i>	<i>5.5%</i>	<i>3.4%</i>		<i>10.5%</i>
Interim (full FY) net income	12,139	5,681	6,458	113.7%	27,000

**Impact of foreign
exchange: Yen 2.6 bil.**



Highlights of Interim Results (Non-consolidated)

(Unit: Yen million)	Sep 2004: This Interim	Sep 2003: Previous Interim	Change in amount	Percentage change	Mar 2005 Full FY Forecast
Net sales	205,831	183,593	22,238	12.1%	470,000
Gross profit	49,135	42,603	6,532	15.3%	120,000
<i>Gross profit ratio (%)</i>	<i>23.9%</i>	<i>23.2%</i>	<i>0.7%</i>		<i>25.5%</i>
Selling, general & administrative expenses	31,726	26,499	5,227	19.7%	64,700
Operating profit	17,408	16,104	1,304	8.1%	55,300
<i>Operating profit ratio (%)</i>	<i>8.5%</i>	<i>8.8%</i>	<i>-0.3%</i>		<i>11.8%</i>
Recurring profit	15,795	13,609	2,186	16.1%	50,500
<i>Recurring profit ratio (%)</i>	<i>7.7%</i>	<i>7.4%</i>	<i>0.3%</i>		<i>10.7%</i>
Interim (full FY) net income	10,150	9,454	696	7.4%	28,400

• Impact of foreign exchange: Yen 500 mil.

Highlights of Interim Results for Parent & Major Subsidiaries

(Unit: Yen million)		Sep 2004 This Interim	Sep 2003 Previous Interim	Change in amount	Percentage change	Mar 2005 Full FY Forecast	Depreciation expense for Sep 2004	Depreciation expense for Sep 2003
Leopalace Corporation	Net sales	205,831	183,593	22,238	12.1%	470,000	1,489	1,352
	Recurring profit	15,795	13,609	2,186	16.1%	50,500		
MGC	Net sales	3,304	2,126	1,178	55.4%	6,890	1,297	997
	Recurring profit	1,159	4,206	5,365		1,400		
	Of which, foreign exchange loss (gain)	2,129	3,236	5,365		..		
TPH	Net sales	943	1,019	76	-7.5%	2,160	124	122
	Recurring profit	157	118	39		160		
Others & exclusions	Net sales	1,016	922	94		1,050	6	7
	Recurring profit	1,858	1,004	854	85.1%	1,060		
Consolidated total	Net sales	209,062	185,816	23,246	12.5%	478,000	2,904	2,464
	Recurring profit	18,656	10,289	8,367	81.3%	50,000		
	Of which, foreign exchange loss (gain)	2,694	3,863	6,557				

(Note 1) MGC : MDI Guam Corporation (local subsidiary in Guam)

* Under forecasts for the full FY ending March 2005, foreign exchange loss (gain) is not reflected.

(Note 2) TPH : Trianon Palace Hotel De Versailles S.A. (local subsidiary in France)

Outline of Balance Sheets (Consolidated)

(Unit: Yen million)	Sep 2004: This Interim	Sep 2003: Previous Interim	Change in amount	Percentage change	As at Mar 31, 2004
< Assets >					
Current assets	112,452	111,502	950	0.9%	130,210
Cash & cash equivalents	28,037	28,835	798	-2.8%	30,735
Trade receivables & accounts receivable for completed projects	26,441	25,939	502	1.9%	31,699
Operating loans	14,611	18,700	4,089	-21.9%	16,737
Payment for construction in progress	4,562	4,475	87	1.9%	3,747
Fixed assets	291,357	277,346	14,011	5.1%	281,283
Buildings & structures	118,054	96,058	21,996	22.9%	114,790
Land	107,025	105,181	1,844	1.8%	106,458
Total assets	404,136	389,385	14,751	3.8%	411,925
< Liabilities >					
Current liabilities	159,811	139,225	20,586	14.8%	166,278
Long-term liabilities	101,350	167,026	65,676	-39.3%	151,505
Total liabilities	261,162	306,252	45,090	-14.7%	317,784
< Shareholders' equity >					
Share capital	55,640	37,500	18,140	48.4%	37,500
Capital surplus	33,772	15,407	18,365	119.2%	15,495
Retained earnings	46,476	23,110	23,366	101.1%	36,428
Total shareholders' equity	125,097	65,235	59,862	91.8%	76,458
Shareholders' equity ratio	31.0%	16.8%	14.2%		18.6%

Outline of Cash Flows (Consolidated)

(Unit: Yen million)	Sep 2004: This Interim	Sep 2003: Previous Interim
Cash flows from operating activities	8,358	7,378
Interim net income before taxes & adjustments	17,601	10,340
Depreciation expense	2,904	2,469
Foreign exchange loss (gain)	2,694	3,863
Decrease (increase) in accounts receivable	10,667	6,763
Decrease (increase) in inventories	545	933
Decrease (increase) in long-term prepaid expenses	4,485	7,084
Increase (decrease) in accounts payable	12,595	7,400
Income taxes paid	16,765	13,351
Cash flows from investing activities	3,327	4,458
Payment for purchase & proceeds from sale of tangible fixed assets	3,505	6,558
Payment for purchase & proceeds from sale of investment securities	434	3,200
Payment for purchase of shares & bonds of affiliates
Cash flows from financing activities	8,885	556
Short-term debt & repayment of short-term debt	11,681	6,428
Long-term debt & repayment of long-term debt	34,549	19,164
Proceeds from shares issued	36,260	..
Proceeds from issuance of privately placed bonds	..	15,761
Dividends paid to minority shareholders	225	56
Dividend paid for shareholders	2,090	2,091
Net increase in cash & cash equivalents	2,697	12,502
Cash & cash equivalents at end of interim period	28,037	28,715

Profit/ Loss for Major Segments (Consolidated)

(Unit: Yen million)	Sep 2004 Interim	Sales comparison	Sep 2003 Interim	Sales comparison	Change in amount	Percentage change	Mar 2005 Full FY Forecast
Construction Division							
Net sales	103,049		96,029		7,020	7.3%	240,000
Gross profit	35,491	34.4%	32,464	33.8%	3,027	9.3%	78,300
Operating profit	21,670	21.0%	21,061	21.9%	609	2.9%	51,500
Leasing Division							
Net sales	100,793		86,743		14,050	16.2%	225,000
Gross profit	15,492	15.4%	12,794	14.7%	2,698	21.1%	44,900
Operating profit	573	0.6%	101	0.1%	472	467.3%	12,900
Hotel Resort Division							
Net sales	4,687		2,912		1,775	61.0%	9,600
Gross profit	929	19.8%	51	1.8%	878	..	2,000
Operating profit	1,982	..	1,718	..	264	..	3,400

Construction Division: gross profit ratio was maintained at 34.4%, as the impact of material price rises was prolonged, compared with forecasts at FY-start. Number of properties at 125 (+18).

**Leasing Division: occupancy rate was 0.3% below target .
Number of properties at 260 (+48).**

Hotel Resort Division: almost as per target at gross profit stage.

(* Values for each are before eliminations between segments)

Business Strategy for 2nd Half, & Financial/ Business Strategy Hereafter



Strategy at FY-start

1st Half

2nd Half

Strategy for Domestic Apartment Business

[Construction Division]

Strengthen activities to receive orders

[Leasing Division]

Bolster marketing capabilities

[Interim assessment of construction]

- Completed development of properties
- Invested into new products

[No changes in targets for this FY]
Orders received: to achieve Yen 260 bil.!

[Interim assessment of leasing]

Continual strengthening of marketing capabilities

- Continued to develop properties
- Capitalized on companies with potential customer base

[Start of strategy for gaining 500,000 units]

Volume expansion measure: expand number of companies with potential customer base

Quality bolstering measure: revise system for each type of property

(system for utilization charges & discounts)

Strategy for Guam Resort Business

[Guam Business Division]

Bolster marketing capabilities

[Interim assessment of resort business]

- Started sales through agents

[No changes in targets for this FY]

To expand & bolster sales through agents!
To aim to turn MGC into the black by Dec. 2006!

Bolstering Corporate Value

Business Strategy

Strengthening of core businesses

Construction Division: annual orders at Yen 300 bil. (60,000 units)

Leasing Division: number under management at 500,000 units (sales of Yen 400 bil.)

All-out fortification of leasing business

Launch of new business model

Financial Strategy

Reduction in interest-bearing liabilities

Quick reduction to under Yen 100 bil.

Utilization of management resources, namely, tenants & apartment owners

Development of monthly flats & monthly hotels in city centers

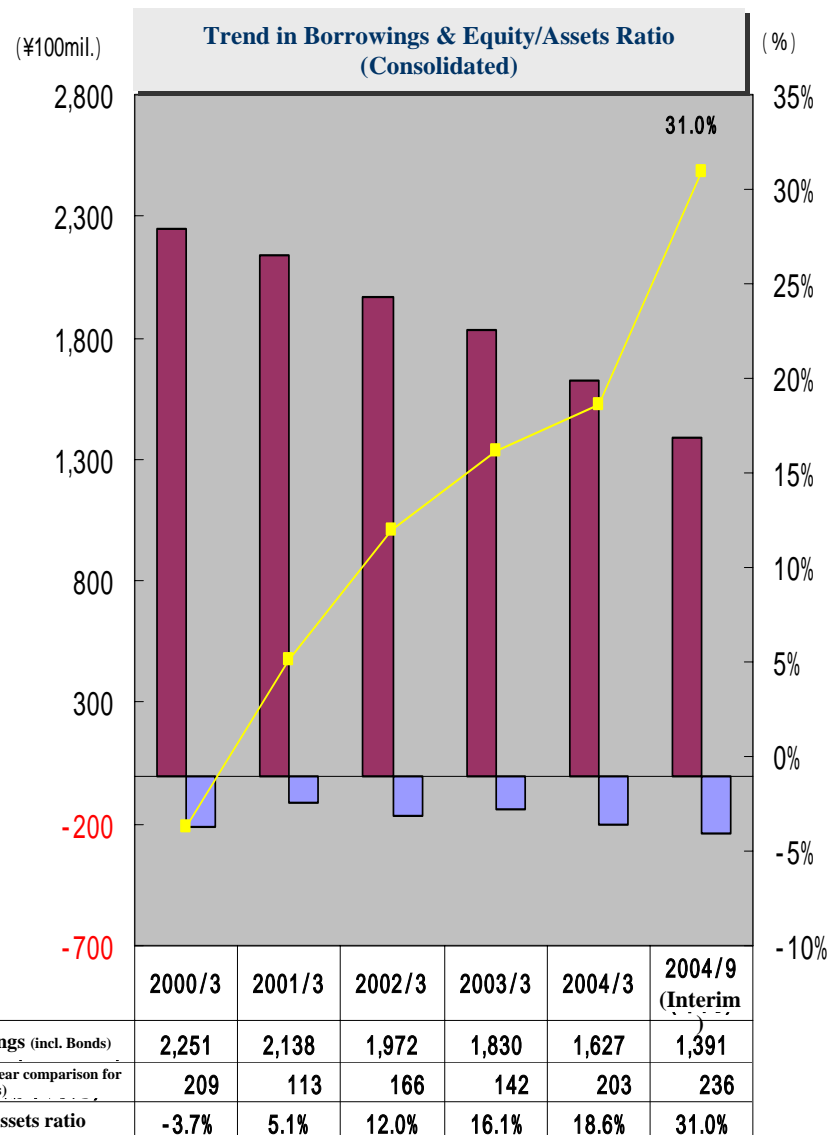
Strengthening of construction orders received in large city areas

About Net Worth (Shareholders' Equity)

We have accelerated the reduction in interest-bearing liabilities & the increase in net worth so as to maintain steady business growth, and with the aim of quickly realizing a more solid financial base to be laid down hereafter, we have effected a public offering of 20 million new stocks in September 2004

About Reduction in Interest-bearing Liabilities

We were able to use the total proceeds of Yen 36 bil. from public offering of new stock to reduce interest-bearing liabilities; in this interim, there was a temporary borrowing for tax payments (amounting to approx. Yen 20 bil.), so borrowings at end of interim amounted to Yen 139.1 bil. (Yen 23.6 bil. for year-on-year). For full FY, we aim to continue to reduce borrowings.



Status for Main Peripheral Businesses

 **Leopalace 21**

< As from August 2002, we started broadband business for tenants nationwide >

We are now actively developing user-friendly broadband services, primarily, the new service for tenants



As of end-September 2004

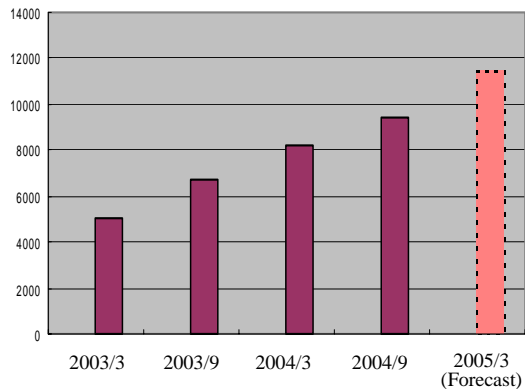
- LEO-NET installations **Approx. 9,400 properties**
- Terminal installations **Approx. 128,000**
- Number of users **Approx. 80,000**



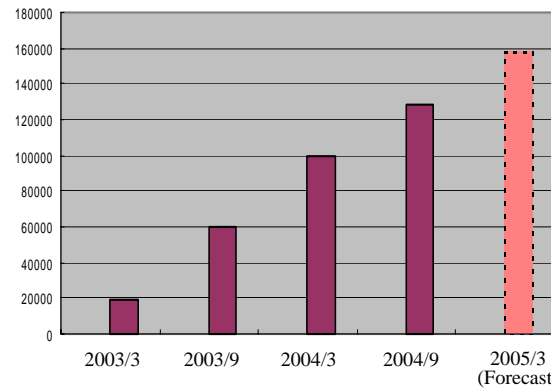
Targets for end-March 2005

- LEO-NET installations **Approx. 11,400 properties**
- Terminal installations **Approx. 158,000**
- Number of users **Approx. 120,000**

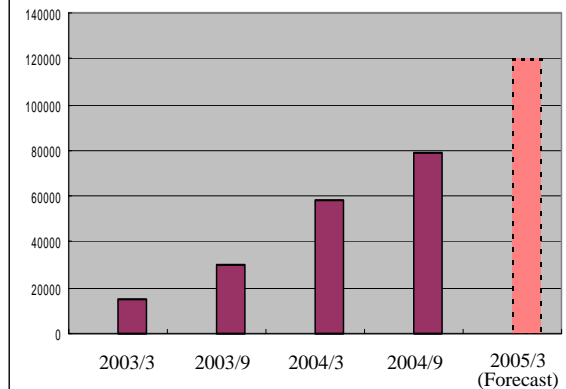
No. of Units with Broadband Access



No. of Terminal Installations



No. of Users



< The broadband service, “LeopalaceBB”, provided by Leopalace21 >

- 1 . Digital Rental Videos (chargeable) (Approx. 3,000 titles held; introduced titles other than movies.)
- 2 . CS Broadcast (free/ chargeable) (Retransmission of same programs as general CS channels)
- 3 . Internet services (free) (Provision of environment for 24-hour access)
- 4 . IP Telephone “LEO-PHONE” (No need for telephone line subscription; free of charge for calls between tenants.)



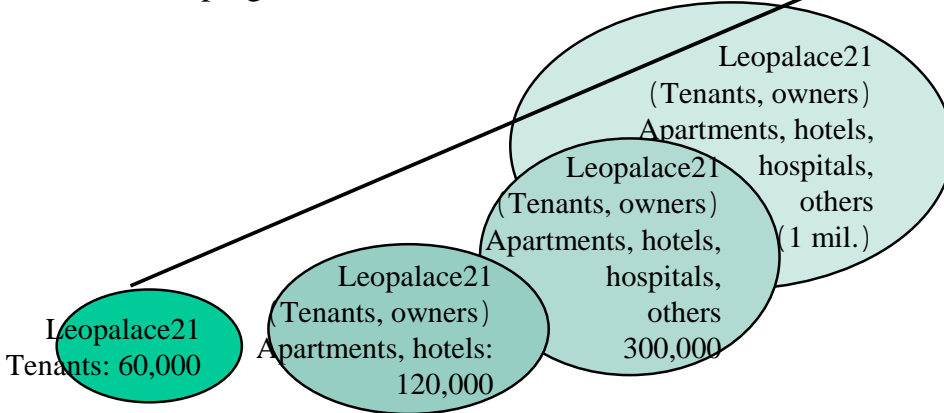
[NEW]

- 5 . Publication of “SEEK”, a guide showing CS content (Free guide with advertisements for tenants with theme)
- 6 . Start of TV marketing program (Tool for questionnaires for SP/ marketing, using TV)



< Sales Targets Hereafter >

• Start developing broadband in condominiums (facilities)



< Details of Developments Hereafter >

- Bolstering contents
 - Rental videos (music, education, business, SP)
 - Information for contemporary living (regional information/ cuisine/ shopping, etc.)
- Marketing
 - Survey questionnaires, market monitoring
 - Participating events
 - Public auditions, live broadcasts, knock-out quizzes
- Media mix
 - Collaboration with web site/ mobile/ paper media



	2004/3	2005/3 Target	2006/3 Target	2007/3 Target
Users (x1,000)	60	120	200	300
Sales (Yen bill.)	1.7	4.0	8.0	10.0

1) Laying down business infrastructure to attract customers (Stage 2 of construction completed in December 2003)

Stage 2 of construction at Leopalace Resort & Westin Resort aims to raise customer appeal by increasing hotel & condominium accommodation facilities. Also, we developed our “bridal business”, which has shown steadily increasing demand, and added new facilities based on the “sports paradise” concept so that top athletes can use the facilities. As a result, we have bolstered a complementary system allowing use of both facilities.

Leopalace Resort

- Hotel accommodation (208 rooms)
- New condominium facilities (109 rooms up to now current 416 rooms)
- New chapel facilities (in combination with new hotel facilities)
- Increase in golf courses (27 holes up to now current 36)

Westin Resort

- Added 10 suite rooms
- New St. Leo Del' Anello Chapel

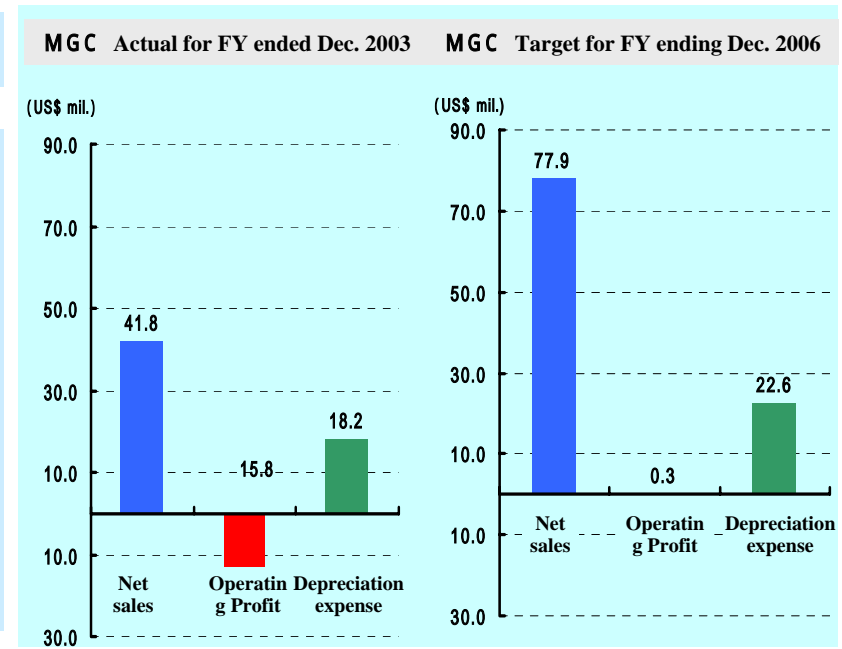
2) Bolstering our methods to attract customers

Active response to demand for bridal services & golf

We are actively promoting: bridal business through direct sales at bridal salons in 3 domestic locations (Tokyo, Osaka, Nagoya) & packaged sales through travel agents; and, demand for playing golf through direct sales & packages through representatives.

Bolstering activities for sports groups, school graduation trips, package tours

“Sports paradise”, one of themes under Stage 2 construction, is the only general sports complex in Guam that boasts high repute. In addition to direct sales approach implemented up to now, we will actively attract customers through tours available at travel agents.



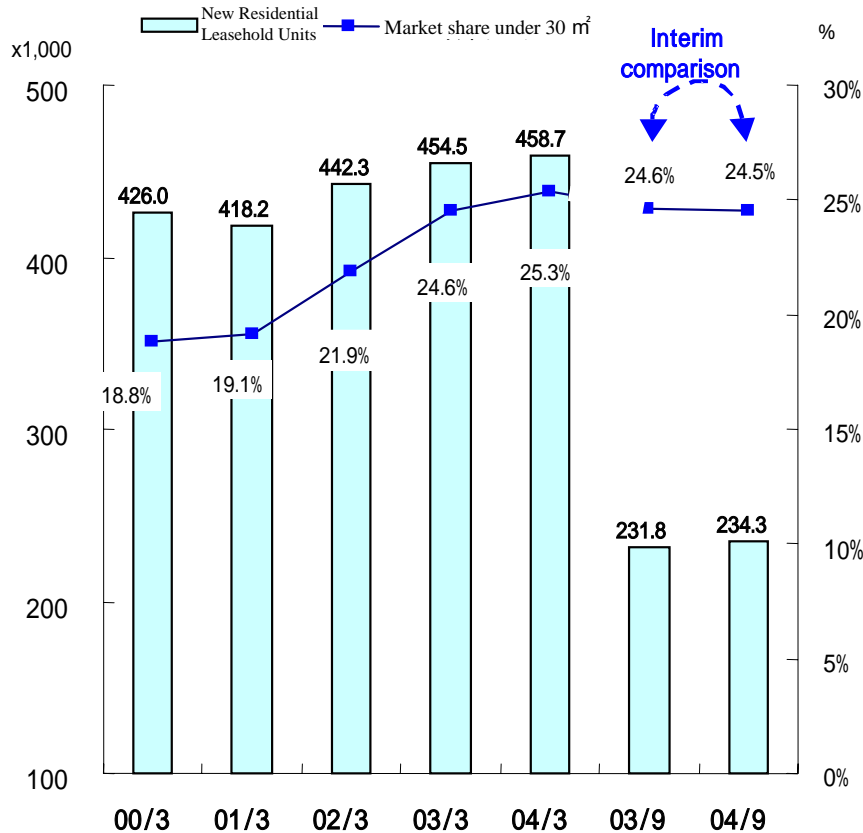
APPENDIX

 **Leopalace 21**

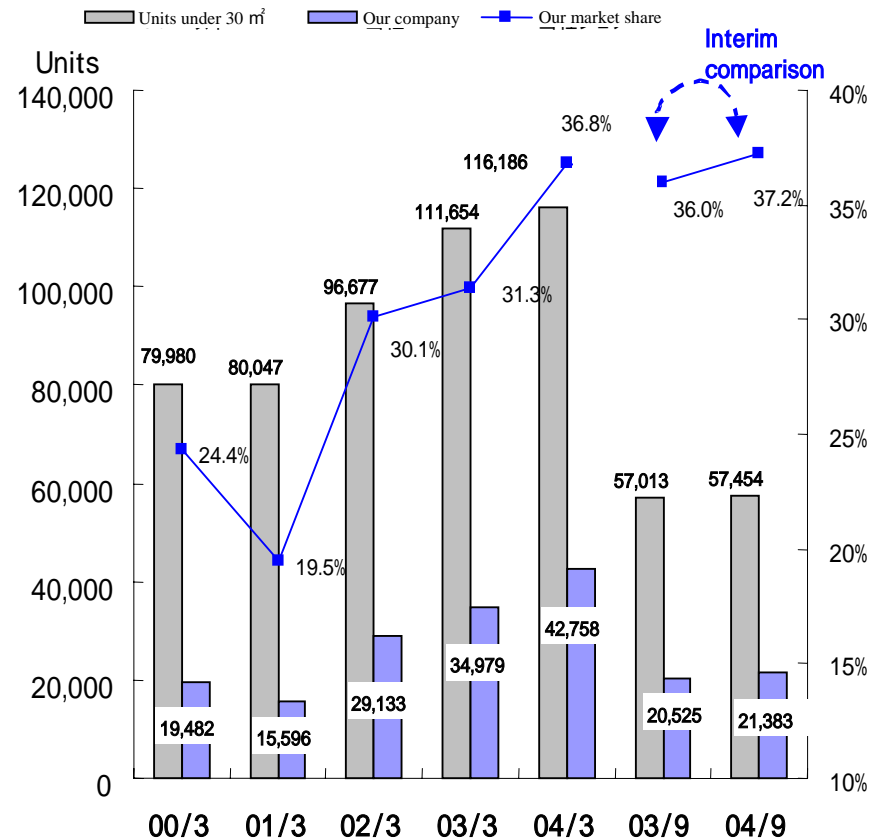
Growth in housing starts for leased units last FY (ended March 2004) (on an annualized basis) was almost flat at 0.9% year-on-year, but housing starts for leased units under 30 m² continued to show growth at 4.1%, so we achieved an increase in market share by 0.7 percentage points overall to 25.3%.

Number of new studios on supply (Construction Division) has been maintained even in this interim at a share of 37% overall.
 (Based on annual housing starts statistics from Ministry of Land, Infrastructure & Transport)

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



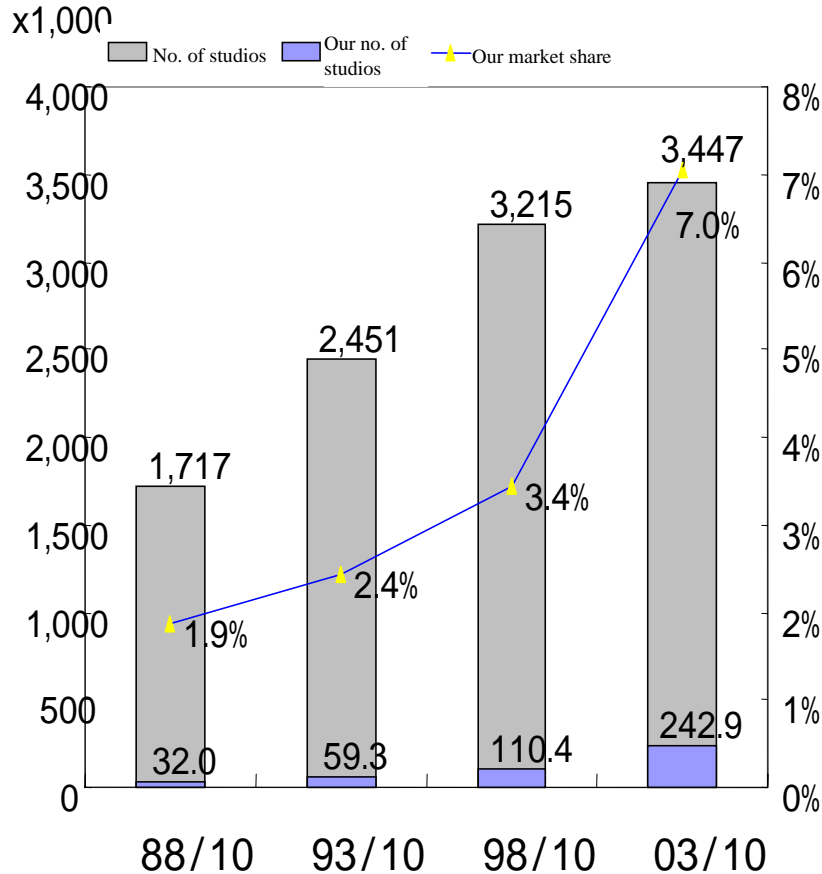
Trend in No. of New Residential Leasehold Units under 30 m² & Our Market Share



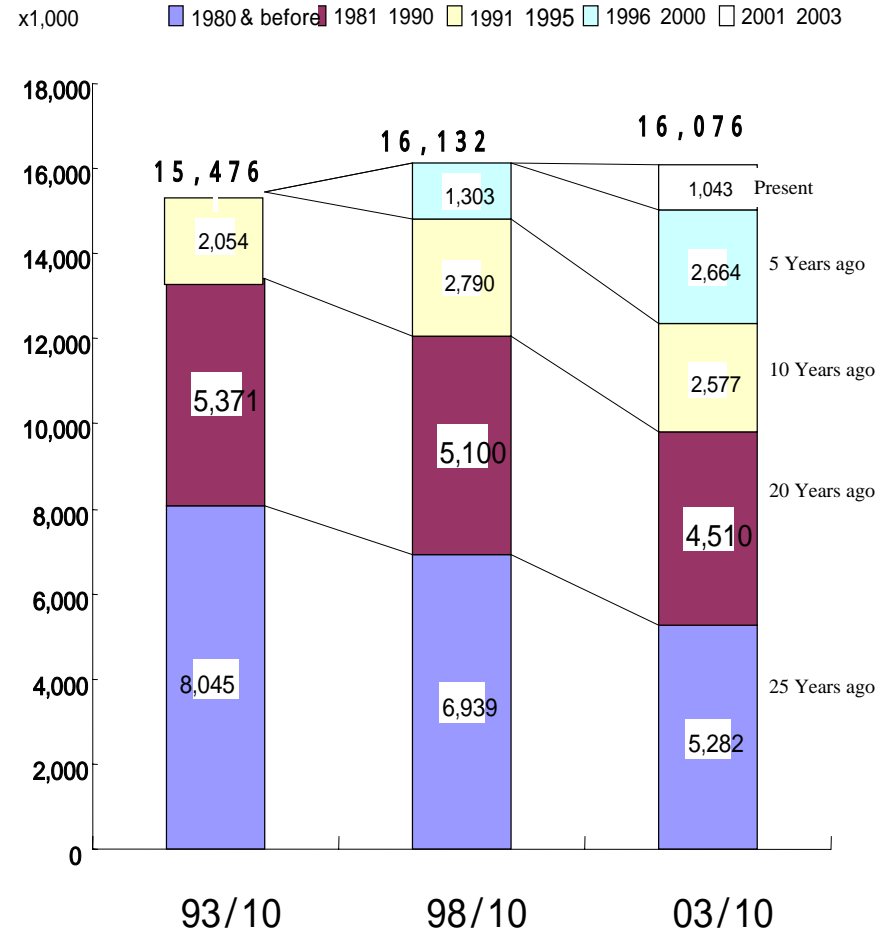
Market Data (Number of Units & Rebuilding)

On the backdrop of new supply of studios, the market has expanded to approx. 3.4 mil., or 8.1% growth, in last 5 years, and *our market share* is expanding at 7%. Also, in 5 years, 2.24 mil. leased units built before 1990 have disappeared, and in their place, 2.19 mil. units have come into being through rebuilding. (FY 2003 statistics on housing & land, Ministry of Internal Affairs & Communications)

Trend in Studio Leaseholds & Our No./ Market Share



Trend in Residential Leaseholds



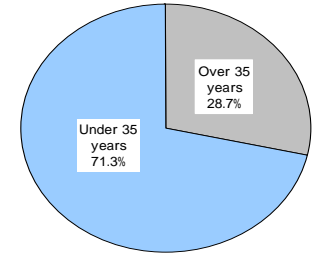
Market Data (Demand)

Under-35 single households will become a huge market of approx. 5 million, and the number of residential leaseholds managed by us as of October 2003 showed a *market share of 5.6%*, indicating we are fulfilling a need.

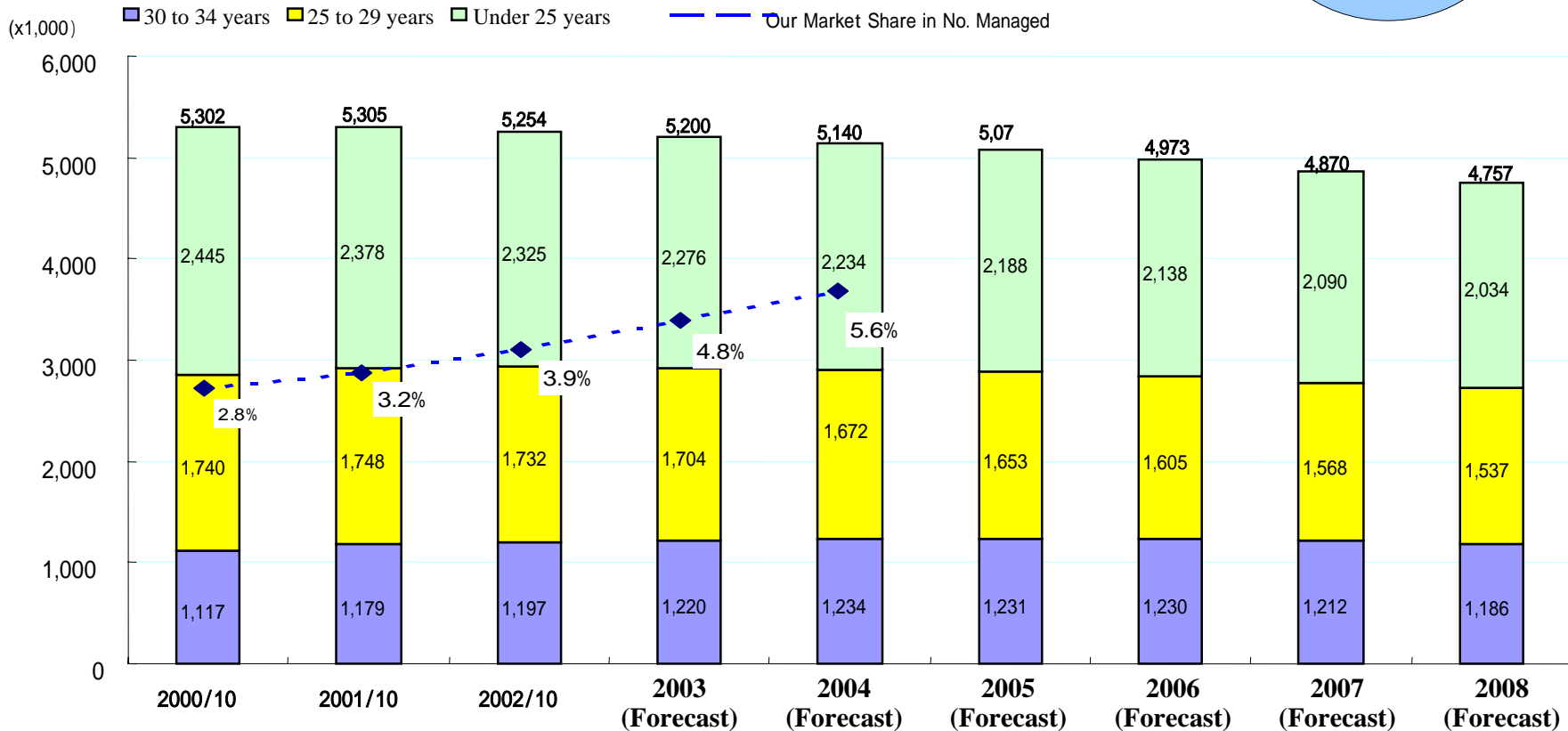
Leopalace Memberships by Age Group as of End-Sep. 2004

While the target population is showing a gradual decrease, there is ample room for further market cultivation in this huge market.

2000 Census & "2003 Number of Households and Future Estimates" reported by National Institute of Population



Estimate & Forecast for No. of Under-35 Single Households



Market Data (Utilization)

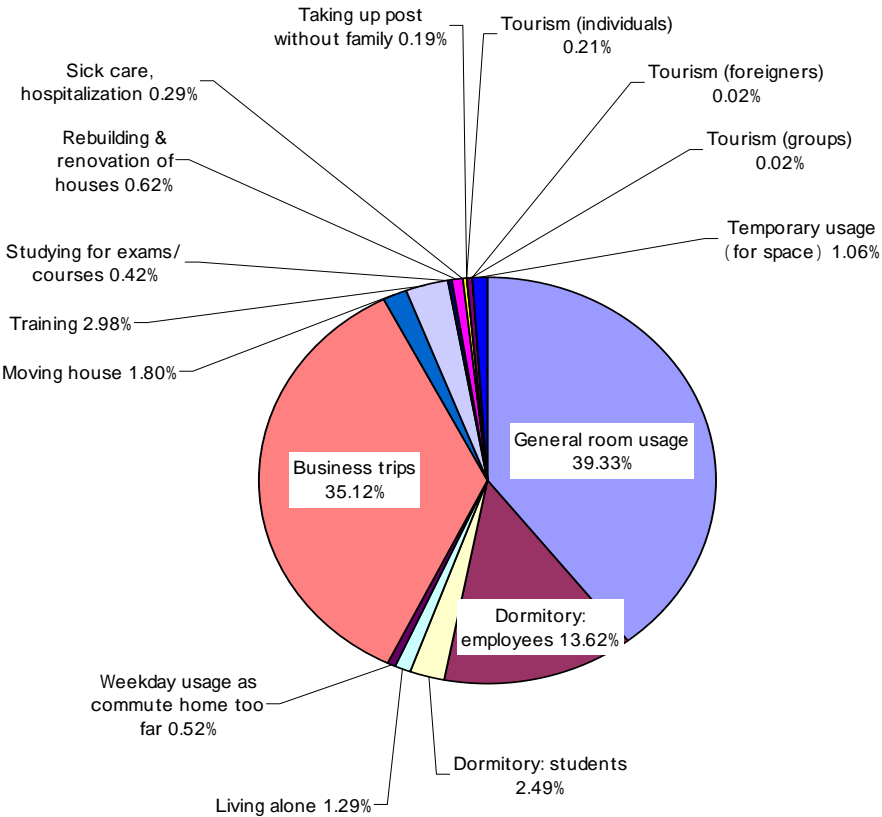
As a result of an expansion in use of month-to-month leases, there is progress in cultivating a new market.

Based on the diverse needs, new use segments are steadily expanding.

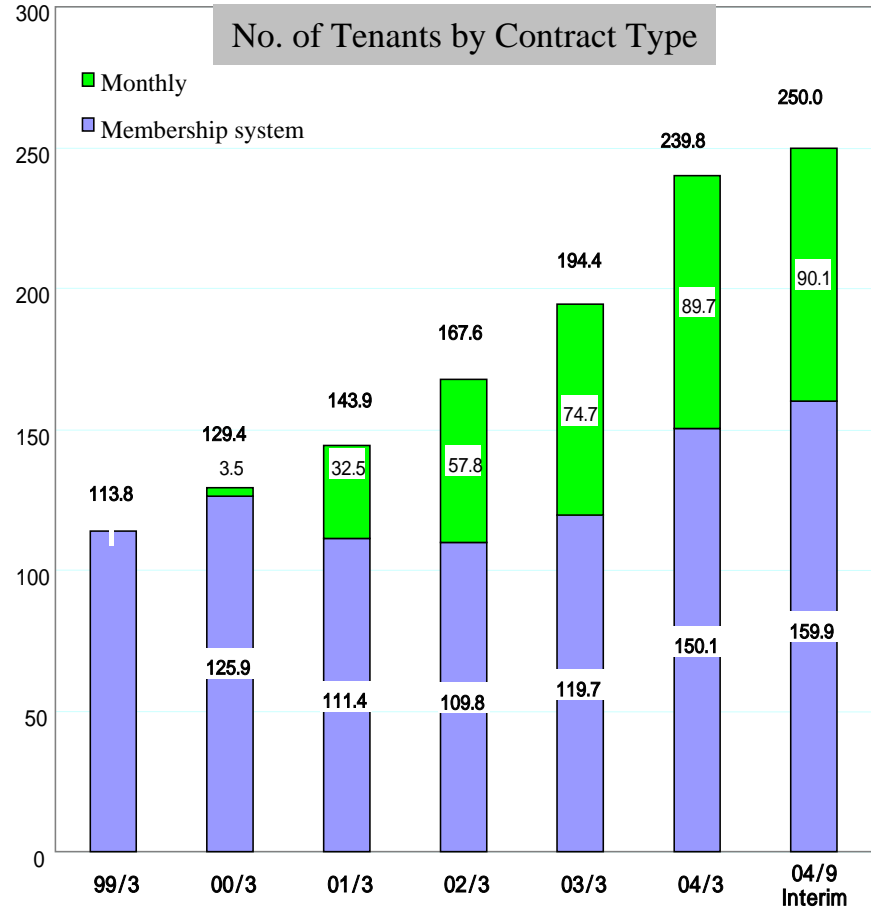
(End-Sep. 2004: company data)

Breakdown of Uses of Month-to-month Leases (Sep. 2004)

(x1,000)

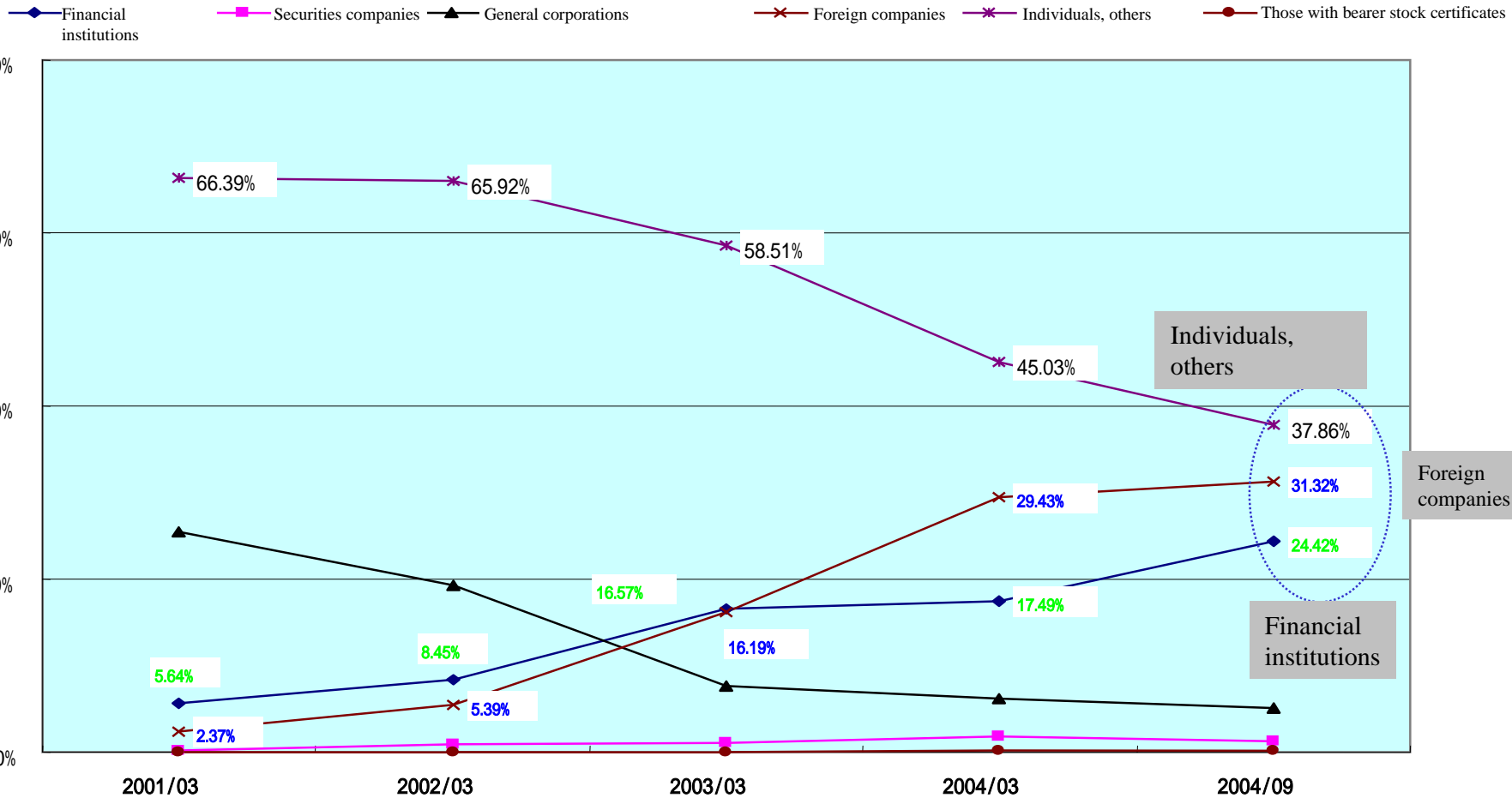


No. of Tenants by Contract Type



Trend in Shareholders

Trend in Shareholders



Regarding the product features of general monthly flats in US and Europe, our business model is gradually being recognized overseas, in line with the steady increase in our market share overseas every FY.