

Corporate Data

(As of June 29, 2006)

Company Name: Leopalace21 Corporation
 Head Office: 2-54-11 Honcho, Nakano-ku, Tokyo 164-0012
 TEL: +81-3-5350-0001 (Main Line)
 President and CEO: Tomio Oba
 Established: August 17, 1973
 Common Stock: ¥55,640.66 million
 Number of Shares Outstanding: 159.54 million shares
 Operations: Construction, leasing, and sales of apartments, condominiums, and residential housing; development and operation of resort facilities; hotel business; broadband business; Silver business, etc.
 Number of Employees: 6,868(Consolidated basis) 5,708 (Non-consolidated basis)
 Building lots and buildings transaction business license:
 Minister of Land, Infrastructure and Transport Permit (8) No. 2846
 Construction business permit:
 Minister of Land, Infrastructure and Transport Permit (Special-15) No. 11502
 Registration of Class-1 architect office: Tokyo Governor Registration 36122
 Loan business registration: Kanto Finance Bureau Chief Registration (7) No. 00581
 Memberships: Japan Association of Home Suppliers
 Japan Prefabricated Construction and Manufacturers Association

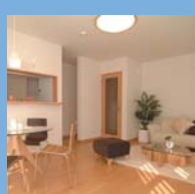
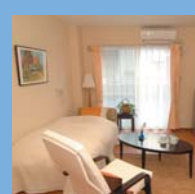
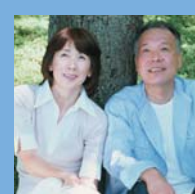
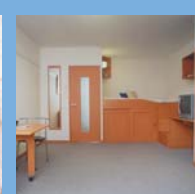
Members of Board of Directors

(As of June 29, 2006)

President and CEO	Tomio Oba
Senior Managing Director	Yoshiteru Kitagawa
Senior Managing Director	Eisei Miyama
Senior Managing Director	Kuniaki Sasahara
Senior Managing Director	Akihiko Umeda
Executive Director of Management	Jiro Nishida
Executive Director of Management	Yoshinori Uehara
Executive Director of Management	Hitoshi Yamaguchi
Director	Keiichiro Shinozaki
Director	Kou Kimura
Director	Yasuhide Sakaguchi
Director	Yoshikazu Miike
Director	Satoshi Abe
Director	Yousuke Kitagawa
Director	Tadahiro Miyama
Standing Auditor	Yoshitaka Kouda
Standing Auditor	Masaru Katayama
Standing Auditor	Katsumi Furuhashi
Auditor	Eiichi Dobashi

Investors Guide 2006

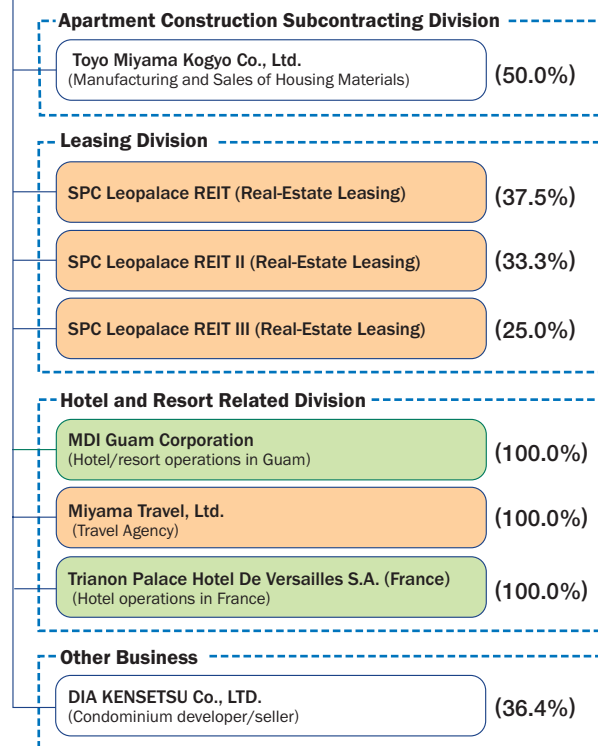
For the year ended March 2006



Corporate Structure

(As of March 31, 2006)

Leopalace21 Corporation

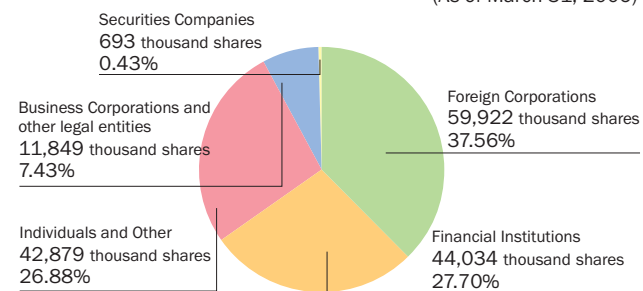


- Domestic Consolidated Subsidiary
- Foreign Consolidated Subsidiary
- Equity-method affiliates

Note 1: Numbers within parentheses represent equity stakes held by Leopalace21.
 Note 2: Apart from the companies listed above, there are three companies (100% owned indirectly by Leopalace21) with operational permits

Shareholder Composition

(As of March 31, 2006)



Major Shareholders (Top 10)

(As of March 31, 2006)

Name of shareholder	No. of shares	% of outstanding shares
Yusuke Miyama	23,399,774	14.66%
The Master Trust of Japan ,Ltd. (Trust Account)	13,452,500	8.43%
Japan Trustee Service Bank, Ltd. (for trust)	11,087,300	6.94%
State Street Bank and Trust Company	6,215,636	3.89%
MDI Corporation	5,000,000	3.13%
BBH (Lux) For Fidelity Funds -Japan Fund	3,011,500	1.88%
Toyo Kanetsu K.K.	2,745,900	1.72%
Trust & Custody Services Bank, Ltd. (Trust Account B)	2,611,100	1.63%
HSBC Fund Services, Sparx Asset Management Co., Ltd	2,477,200	1.55%
The Chase Manhattan Bank, N. A. London SECS Lending Omnibus Account	2,265,313	1.41%

Under our corporate slogan of “United Spirit,” all Leoplace21 employees are united in our attempts to renew management, while continually working to create new value.



President Tomio Oba

Ever since our establishment in 1973 Leoplace21 has cast aside conventional business ideas as a forerunner in the housing industry. We have consistently strived to create new value creation via development and introduction of innovative products and services. Our 31st anniversary in March 2004 saw the Company listed on the First Section of the Tokyo Stock Exchange, and as of March 2006 we have completed the application of accounting for impaired assets. It is on this firm footing that will see us standing at a new start line as of March 2007, underpinned with a new financial base.

Based on the decision of the Company’s board of directors it has fallen to me, Tomio Oba, to take on the position of president and CEO as of June 1 and act in steering the management of LeoPalace21 during this period of transition. My appointment also coincided with the Company moving to a new management system from June of this year based on a three division set-up, which is aimed at fully strengthening internal control. Together with starting the Evolution of Corporate Values as a general consumer support enterprise we will also strive to maximize enterprise value that fulfills our investors’ expectations.

The current business environment is currently witnessing unprecedented large-scale change, which is off-set against a background of changes to employment conditions and population dynamics that have seen a diversification in peoples’ lifestyles and sense of values. This is in addition to the rapid technical innovations that continue to take place throughout all industries, together with the development of social infrastructure such as information technology. Meanwhile, enterprises and society have been groping for new ways to coexist that suit the next-generation environment.

Our Company is currently promoting management that can rise to meet these changes to our business environment, steadily expanding the scale of our core business operations that are centered on the twin sectors of Construction and Leasing Businesses in our studio apartment operations. As part of our efforts in creating new value we have started a succession of new operations up until March 2006, from Residential to Silver and Broadband Businesses, and have been moving ahead in drawing up a framework for developing these as strategic businesses.

After firmly consolidating a foothold in these areas, our aim for the current fiscal year ending March 2007 involves utilizing the change to management structure as a base from which to maximize corporate value by promoting increased completeness of our core business together with a full-scale change to profitable units in our strategic business in an attempt to pursue increased growth. With the Company’s corporate slogan for this year of “United Spirit” as our watchword, all of our employees are united in developing a management style that focuses on CSR (Corporate Social Responsibility) as part of a wider social setting our stakeholders at the forefront.

We look forward to your continued support and guidance in the future.

Corporate Vision

We aim to create new value through housing

Basic Policies

1. We view the apartment business as a social undertaking, which realizes the effective use of land and supply of high-quality dwellings.
2. We believe that successful leasing operations are our top priority in the apartment business.
3. We develop and introduce unique products based on a pioneering spirit.
4. We pursue client-first marketing approaches as well as prompt and systematic proactive operations.

New Slogan

A single dream for a united purpose
United Spirit
Leoplace 21

A United Spirit to meet today’s constant demand for new value and constant change

A united purpose to fulfill our customers’ dreams

A united purpose for building a comfortable future

A united purpose aiming at a new goal

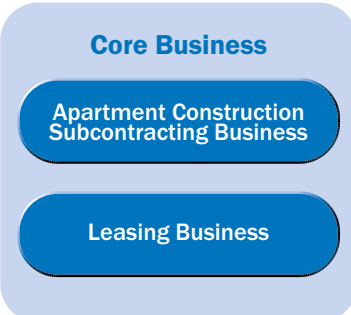
A united purpose of both employees and customers at the new LeoPalace21 to realize a rich and comfortable lifestyle

Medium-term Operating Strategy

① Increased completeness in our core business

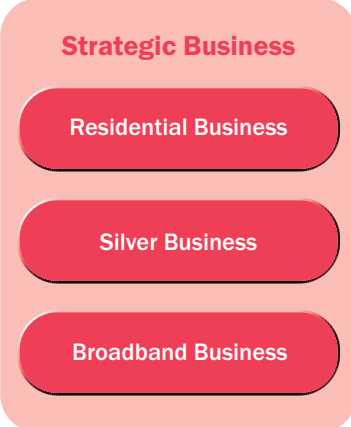
The studio apartment business that makes up our Company’s core business is continuing to expand with the synergy of the Apartment Construction Subcontracting Business involving apartment construction, and the Leasing Business involving all administrative work for the leasing aspect of the finished apartments. This Model of Synergies between Construction and Leasing has provided us with an extremely large competitive edge within our particular business field, and our Company is currently the market leader in the studio apartment business.

Together with expansion of our business activities, an increasingly important area of our operations involves creating a new profit structure that will correspond to our increasingly large-scale business operations. As of March 2007 we plan to improve the infrastructure of these increasingly large-scale business operations, further strengthening our earning capacity, and firmly establishing our current competitive status. Taken together, these planned initiatives will act in further strengthening our position as the market leader in this field.



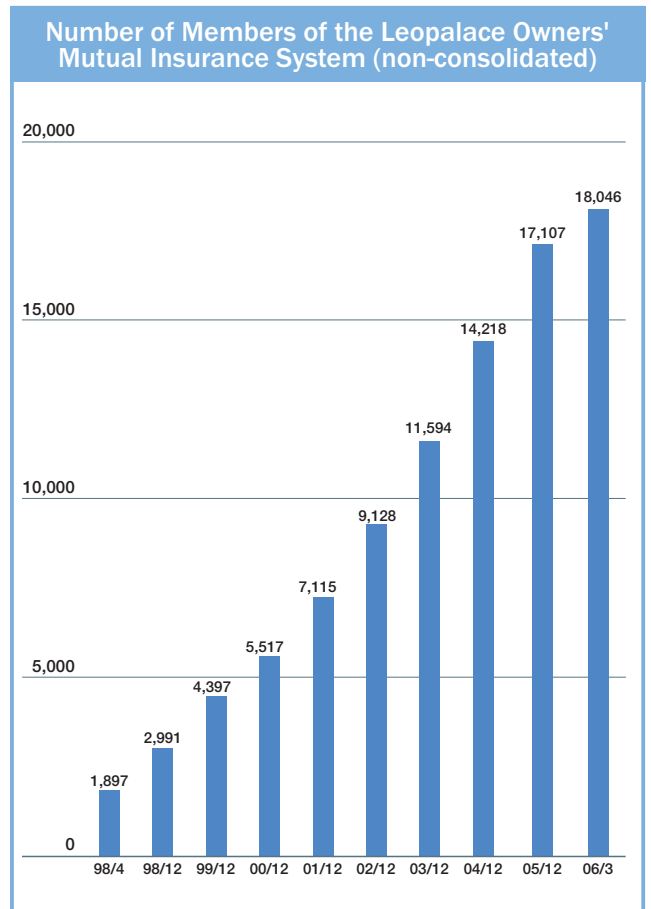
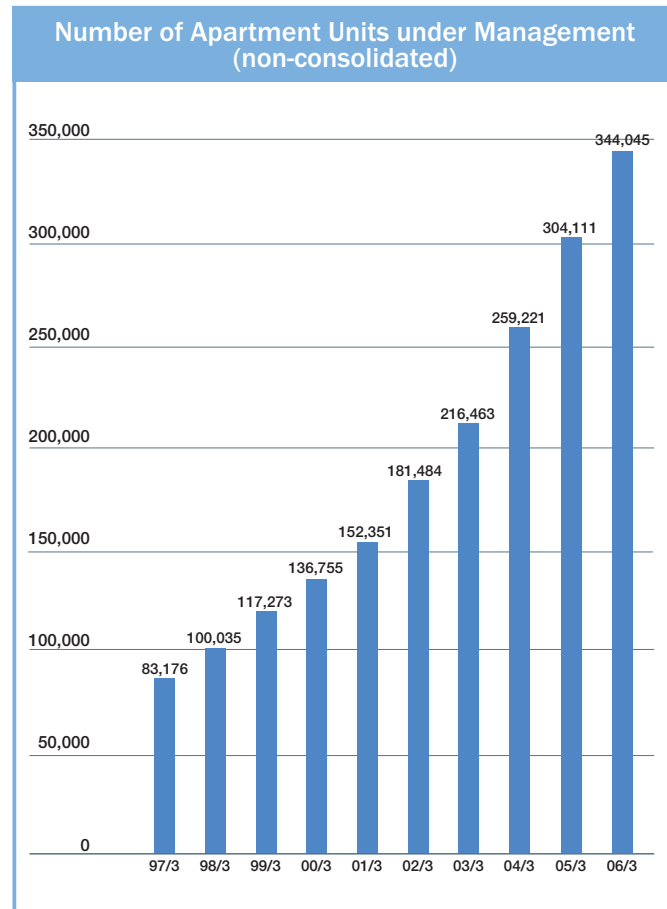
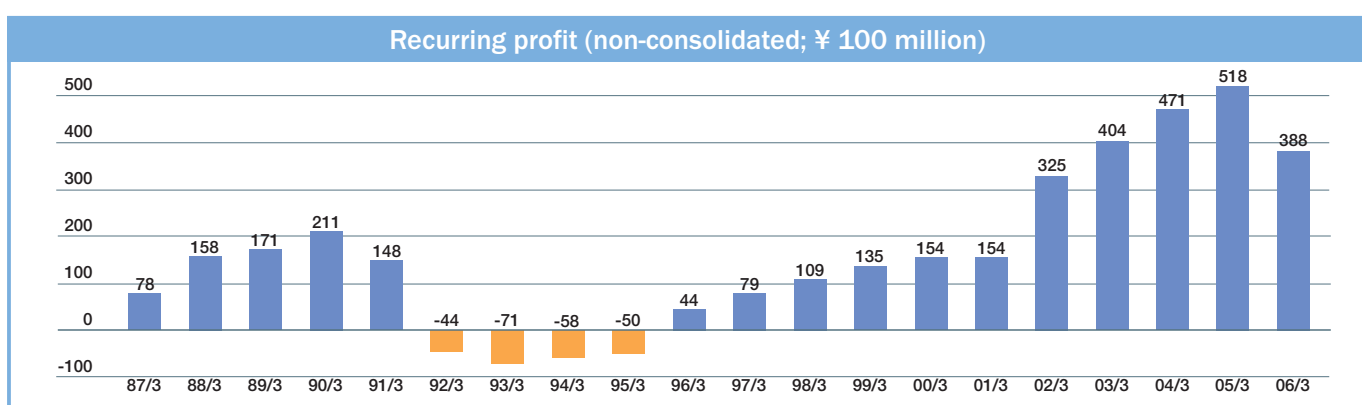
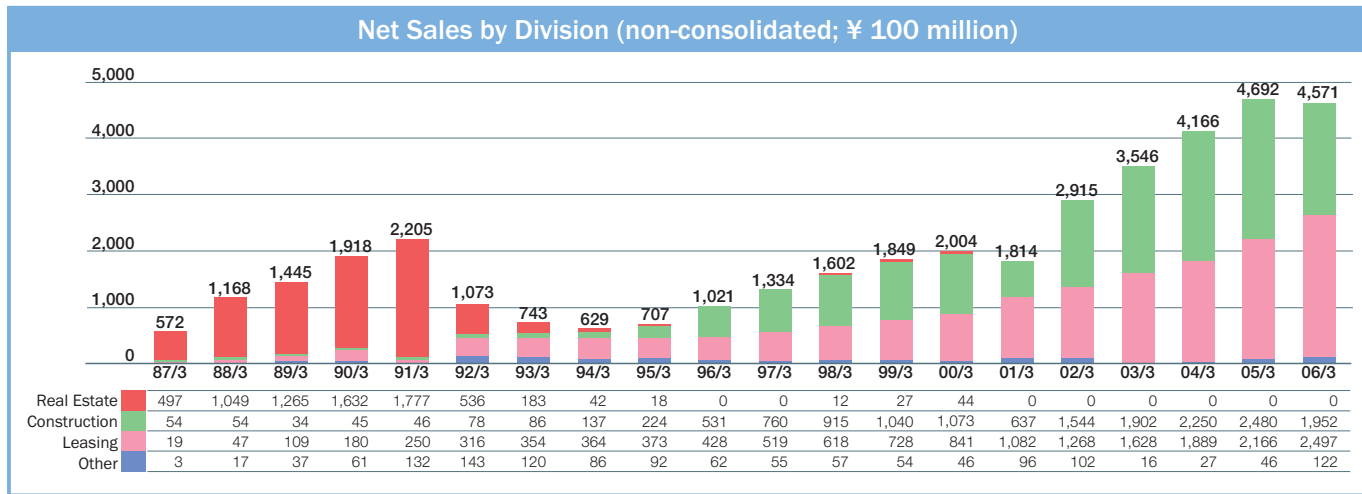
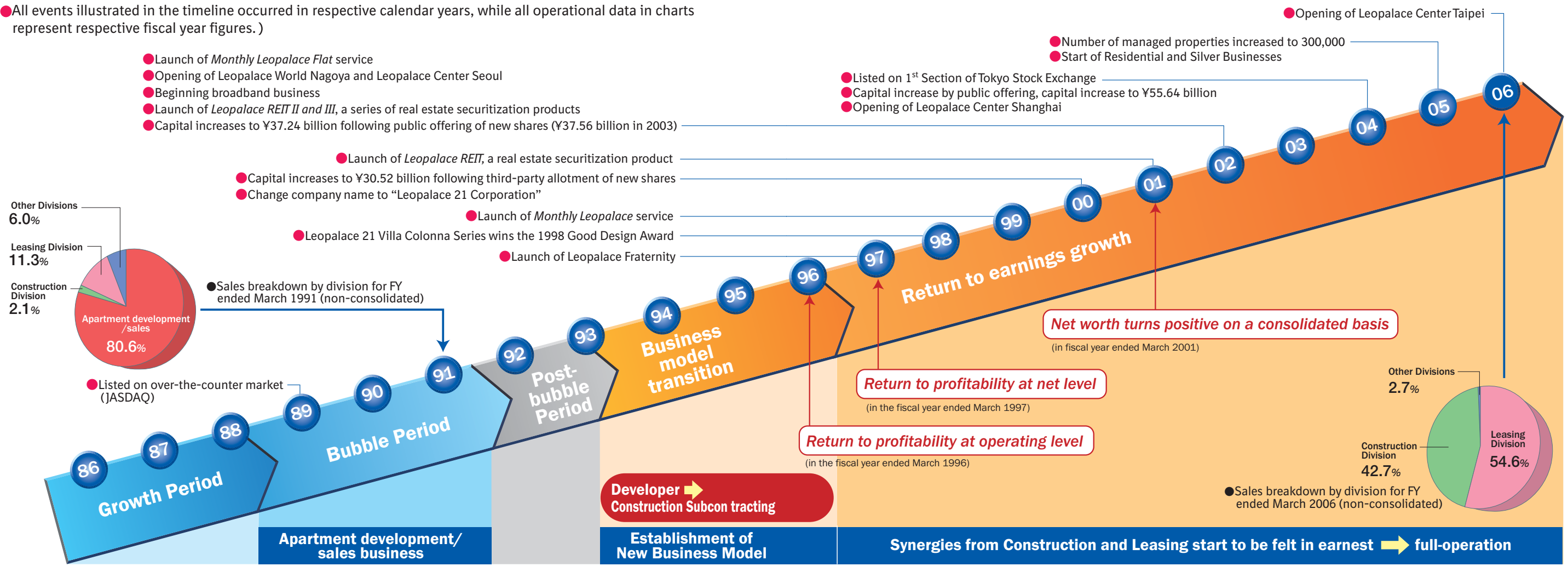
② Full-scale change to profitable units in our strategic business

The two new businesses that we initiated from the beginning of 2005, Residential and Silver businesses, have certainly left their mark as they make their first steps in the Kanto region (centered around Tokyo) in the fiscal year leading up to March 2006, with the order situation for both businesses developing almost in line with our initial estimates. Our Internet Broadband Business, which we introduced in October 2002, also continues to steadily increase in terms of household subscribers as well as increased and enhanced features. This business can also be regarded as a service sector that provides increased added value to our Leasing Business.



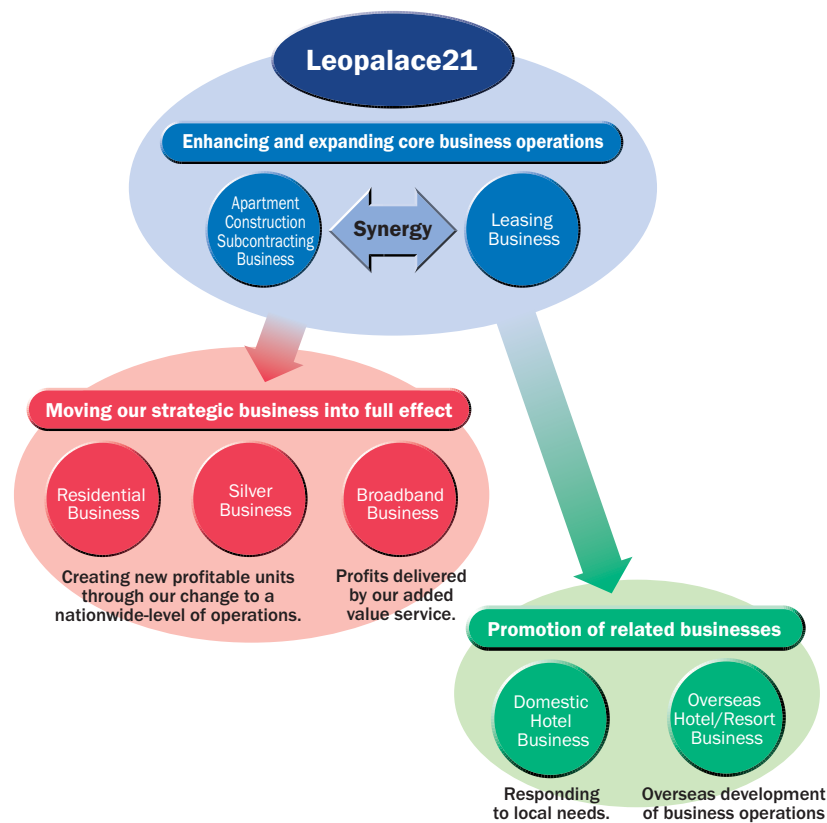
Our Company aims to establish the three divisions of Residential, Silver, and Broadband Businesses as part of our overall strategic business and promote the full-scale expansion of them in developing profitable operating units. In particular, as both Residential and Silver Businesses have a business structure that is simply an extension of our core business, we think that this business expansion can be carried out both efficiently and rapidly and our policy strives for a rapid business expansion.

(●All events illustrated in the timeline occurred in respective calendar years, while all operational data in charts represent respective fiscal year figures.)



Status of Business Expansion

We consider Construction and Leasing Businesses, relating to apartment management, as our two core businesses and we utilize management resources, nurtured over the years, to move the strategic business into full effect as well as promoting peripheral businesses with the aim of expanding our business operations both quickly and efficiently.



Enhancing and Expanding Core Operations

The fundamental base of our business management is the strong synergy of our Apartment Construction Subcontracting business and Leasing business. We are able to maintain steady growth through the enhancement and expansion of these two core operations by maintaining a good balance between the demand (tenancy rate) and supply (received orders) in our business operations.

Moving our strategic business into full effect

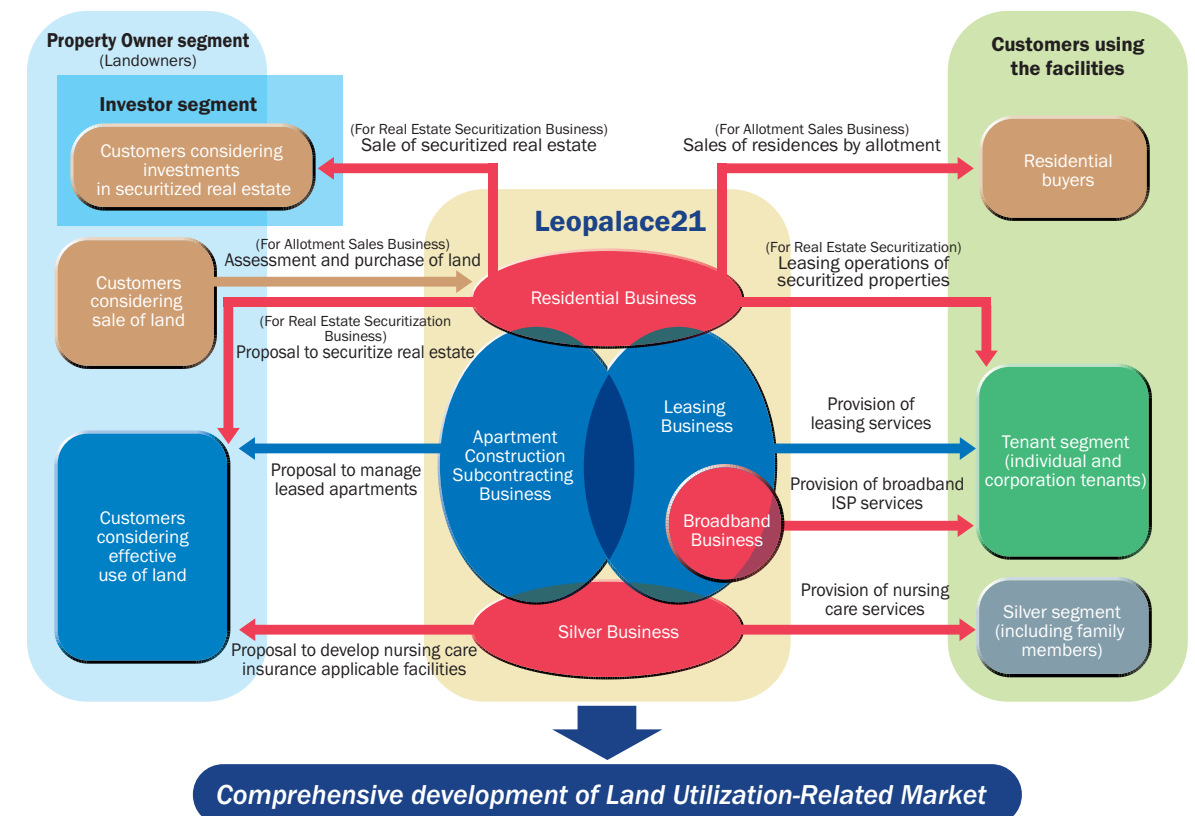
The three divisions of Residential, Silver, and Broadband Businesses are extensions of our two core businesses and are all businesses that are open to an efficient and rapid expansion based on effective utilization of our existing business infrastructure. These new businesses got off to a good start in 2005 and we were successful in developing a business system and know-how structure. Following on from this in 2006, we undertook a repositioning of our strategic business for creating new revenue that can induce future economic growth, which is part of a full-scale development of our business.

Promotion of related businesses

Taking advantage of our management resources we have also been active in developing the related industries of Domestic Hotel Business and Overseas Hotel/Resort Business. The former operation fills a gap in the needs of our core business's varied customers, as well as capturing a new customer base and acting in a complementary role for our core business's nationwide network. The latter operation, through the development of overseas business, mixes our existing customer base with a new customer base in addition to creating new demand.

Overall Image of Business Operations (excluding overseas operations)

Implement multifaceted business operations for customers of both the Property Owner base and User base by setting a comprehensive target that widely considers the entire "Land Utilization-Related Market".



Build business models that aim to maximize the use of customer resources with the two core operations

We are conducting business operations from various perspectives as a go-between for the customers who own properties and the customers who are using the facilities that are built and managed by us.

Apartment Construction Subcontracting and Leasing businesses are the two operations at the core of such activities. The synergic effects on peripheral businesses are extremely powerful resulting from a high degree of credibility and recognition secured through dealing with our customers who are property owners and our customers who are users. This has become our business model with the aim to maximize the use of customer resources.

Customers on both ends of the business are not only in a relationship with the entrance and exit of operations, but rather, they should be positioned as critical business management resources that bring operating revenue.

Realizing Maximized Business Opportunities by Implementing Various Approaches for the Property Owners

Aside from the Apartment Construction Subcontracting business, which is one of our core operations, we also have strategic business operations, such as the Residential business and Silver business that can be included in our proposals to property owners.

The needs of our customers vary from "effective use of land" to "sale of land" and "investment in securitized real estate". We, therefore, offer our proposals on these three business operations, suggesting Management of Rental Apartments, Securitization of Real Estate and Development of Nursing Care Insurance Applicable Facilities depending on their needs, while conducting the Assessment and Purchase of Land for customers who are considering selling their property and providing services related to the Sale of Securitized Real Estate, such as Leopalace REIT to those customers who are interested in investing in securitized real estate.

We are realizing a maximization of business opportunities through such various approaches.

Expanding Customer Base through Diversification of Approaches Implemented to Users

Approaches employed to aid users are conducted by four business operations, including the Leasing business, which is a core operation, along with the Broadband business, Residential business and Silver business.

Along with properties managed by the Leasing business, we perform leasing operations for properties, which have been securitized by the Residential business and provide leasing services to the individual and corporate tenant base. Furthermore, we are increasing the attraction of leasing properties and connect it to the acquisition of business revenue by offering both free and for-fee Broadband ISP services (Leopalace B.B.) to the tenant base. Furthermore, we will sell residences (houses and condominium units) that has been developed by the Residential business to prospective home buyers, while various nursing care services are provided to those in need of nursing care (including families of patients) by the Silver business.

We will be expanding the customer base of users through the operation of these businesses and promote diversification of our revenue sources.

Summary of Operations



We provide products with strong overall features offering high performance functions that are required of leased residential properties, such as low cost, energy saving and high durability, as well as sophisticated designs and user-friendly functionality to complement a unique total-support system, which provides powerful support for the management of residential leasing properties and ultimately their owners.



We are leasing residential properties based on our Leopalace21 Leasing System which offers features, such as no security deposit and no key money payments, as well as the Monthly Leopalace Flat that provides furnished rooms with furniture and consumer appliances on a weekly and monthly basis. We are responding to a wide range of prospective tenant needs to secure an extremely high rate of tenancy.



We will continue to conduct our Residential Housing Allotment Sales business, Condominium Units Sales business and Leopalace Flat business that deal with urban-type medium to high rise studio units, as well as Leopalace REIT through our Real Estate Securitization business.



We will respond to the full-scale onset of an aging society and provide community-based Group Homes and Day Services and offer various nursing care facilities and services, such as planning, developing, administering and managing Private Nursing Homes and Short Stay Services (specified short-term nursing home care).



Our Broadband ISP service business, Leopalace B.B., includes digital rental video services, satellite television broadcasting services, internet access services and IP telephone services for the tenants of leased apartments that we manage throughout the country.



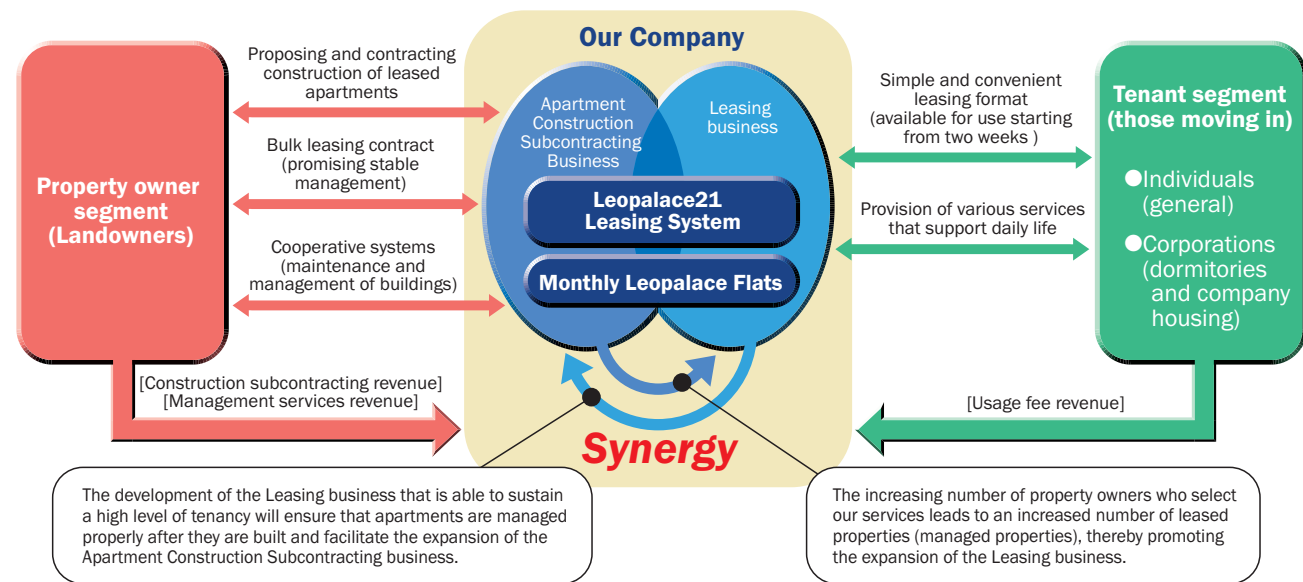
We are engaged in major resort business operations at two locations in Guam, one in the central district and the other in the northwestern section of the island, through our wholly owned subsidiary, MDI Guam.



We are operating hotel businesses in major cities around the country, aiming to manage hotels that are accessible to our customers by providing new services that are in line with the times and by setting reasonable prices.

Core Business Model

Our fundamental strength is the "Model of Synergies between Construction and Leasing"



Building a Unique Business Model with the Fusion of Construction Business and Leasing Business Based on the Concept that "Apartment Management Exists Only Because of Leasing"

We are building our business based on the basic policy that states "Apartment Management Exists Only Because of Leasing" and with our belief that apartment building construction and leased property management are inseparable businesses. From the perspective of property owners, the biggest concern regarding their decision to build an apartment building is "whether it would be possible to continue securing an adequate number of tenants throughout the years". Consequently, we provide a "Bulk Leasing System" to the property owners by conducting the Leasing business on our own and by building an organization that can sustain a high rate of tenancy. We resolve the concerns regarding apartment building management for property owners and provide them with a mechanism that makes it possible to commission us with the construction of an apartment building by realizing a "Model of Synergies between Construction and Leasing".

By owning such a unique synergy between Construction and Leasing, we are able to realize extremely high stability in our business operations.

Exhibiting an Extremely Strong Competitiveness in the Industry by Facilitating Compatibility Between Benefits for Property Owners and Benefits for Tenants

Our customers are from both the property owner base, owners of the real property, as well as tenants, who wish to move into leased properties. The strength of the "Model of Synergies between Construction and Leasing" is borne out of various mechanisms that maximize the benefits for both parties.

We established a "Total System for Apartment Operations" that not only offers the members of the property owner base recruitment and management of tenants, through a bulk property leasing system and cooperative system, but also includes maintenance and management of the buildings through the provision of comprehensive support.

Furthermore, to the members of the tenant base, we provide not only the development and provision of leased properties that feature superior designs and functionality, but also units furnished with consumer electronics by providing leasing formats (such as Leopalace21 Leasing System and Monthly Leopalace Flat) to respond to the diverse life styles of modern times.

Our business model that offers significant benefits to both parties exhibits an extremely strong competitiveness.

Expansion of student rental market through business collaboration; improved occupancy rates through improved corporate sales

By actively developing an expansion of new demand, we have been successful in further improving occupancy rates in this particular sector.

With the original intention of retaining existing student tenants, from 2005 we concluded an agreement with companies that have a large number of students in their correspondence study businesses. We also established a new payment option that allows for monthly payments for the use of Monthly Leopalace Flats, providing the possibility of making payments necessary to move into the leased properties as if they were being paid as rent on a monthly basis, through a business alliance with credit card companies. This has expanded demand and developed a structure that eases the burden on students starting a new life.

We are also focused on expanding our involvement in corporate trading. As of March 2006 there were approximately 14,600 companies involved in corporate trading (an increase of 22.4% on the previous fiscal year) and this is an area that has been showing strong growth. Together with the projected economic recovery, we expect business demand to further improve and as of April 2006 we launched the new "Company-only plan" that allows for a nationwide change of residence. This has involved the addition of six further corporate sales centers to the system of 31 corporate sales outlets (located in Tokyo, Yokohama, and the Kansai and Chubu regions) for further planned increases to occupancy rates and expansion of corporate trading.

Construction/Leasing Synergies

Studios (less than 30m²): Construction Division's Main Product

In the apartment business, accurately assessing the changing needs of specific customer groups over the next 20-30 years is essential. In this context, we have developed products primarily targeting single individuals, who account for the majority of apartment tenants. Thus, we offer studios of less than 30 square meters as our main product in the Construction Division. Indeed, proposals we submit to owners are for the construction of apartment buildings located in areas where we expect large lease demand based on our detailed marketing analysis.

Membership-based leases for long-term occupancy and Monthly Leopalace Flat for short-term stays: the Leasing Division's two main products

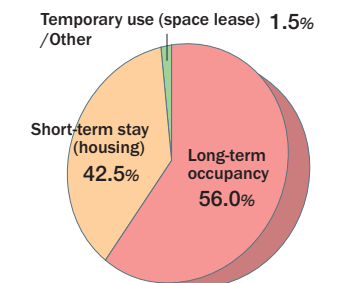
The Leasing Division offers products designed for long-term occupancy and short-term stays. The former responds to the long-term occupancy through the Leopalace21 Leasing System that does not require lease deposits and key money, while the latter is Monthly Leopalace Flat, which is provided with furniture and consumer electronics and includes utility expenses.

To cope with the diversifying needs of tenants in recent years, we have approached product development with an eye to convenience and amenity for short-term stays.

Monthly Leopalace Flat has multiple functions

In recent years, Monthly Leopalace Flat has been employed by a diverse group of tenants. Simply put, long-term occupancy tenants account for some 60% of Monthly Leopalace Flat tenants and short-term tenants make up the remaining 40%. Long-term occupancy functions include ordinary residential use, company and school dormitories, and housing for job transferees away from families. Meanwhile, reasons for short-term stays include business trips (mainstay), job training, entrance examinations and lectures, temporary housing during moves and home renovation, and sightseeing. As mentioned earlier, the success of the Monthly Leopalace Flat service owes to our accurate response to diverse customer needs.

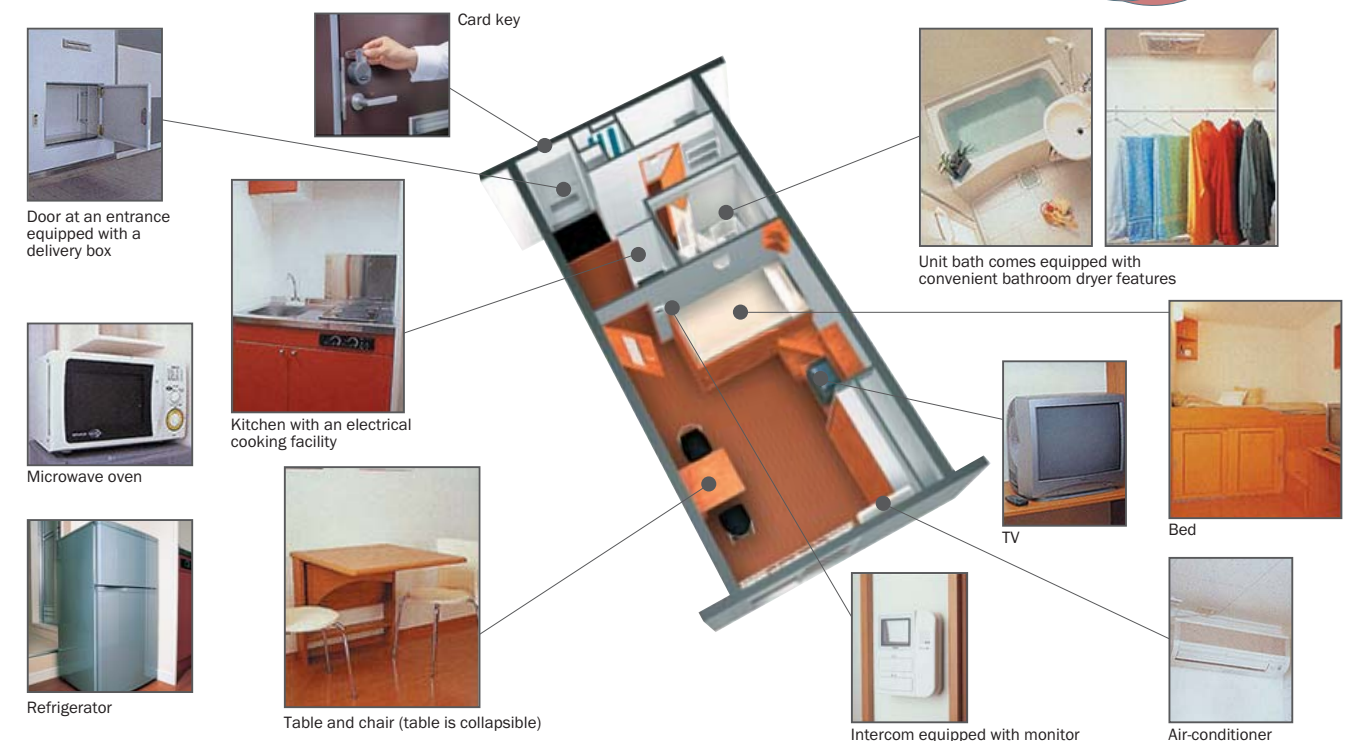
● Breakdown of Monthly Leopalace Flat tenants (for fiscal year ended March 2006)



"Leopalace21 Series" exterior view



"Leopalace21 Series" Interior view



*Includes currently unfinished properties

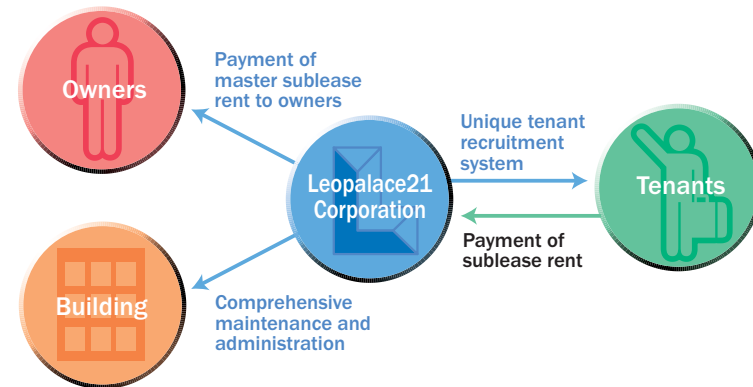
Characteristics and Competitiveness 1

Master sublease system and owners' mutual insurance

system ensure smooth maintenance and administration

With our unique supply plan, we promise 30 years of stable management

Based on our belief that successful leasing operations are the key to the apartment business, we introduced a master sublease system which guarantees 30 years of stable apartment operations, ahead of industry rivals. Under the system, we first draft apartment supply plans based on our research on market potential and tenant needs in each of the 1,051 segmented areas across the country. Based on these plans, we make proposals to prospective apartment owners, offering comprehensive support for the apartment business from construction to maintenance and administration. The master sublease system, which ensures stable rent income over the maximum 30-year period, and Leopalace owners' mutual insurance system, which guarantees apartment building maintenance and administration, represents our key support systems for apartment owners.



Three unique points that support the master-lease system

Multiple tenant recruitment channels

Without successful tenant recruitment, the apartment business would not run smoothly. Our thorough research in local market's potential backed by our nationwide marketing activities enables independent, nationwide tenant recruitment. We employ various recruitment media, including our nationwide office network, web sites, apartment rental publications, and TV commercials to ensure efficient tenant recruitment. Meanwhile, prospective tenants are able to search for housing units, anytime, anywhere from all over Japan.

Innovative leasing systems

Our products cover short-term stay as well as conventional long-term housing needs, aided by our unique systems. Moreover, we have introduced innovative business practices not requiring lease deposits and key money. Thus, we have successfully recruited a broad range of tenant groups unrivaled by competitors, meeting multiple needs of both individuals and corporations.

Reliable proxy maintenance and administration

On behalf of apartment owners, we carry out operations from building maintenance to tenant administration. By maintaining the asset value of buildings at high levels through consistent maintenance efforts, we endeavor to secure stable apartment operations. Furthermore, building maintenance, which is long-term in nature, is guaranteed by the Leopalace Owners' Mutual Insurance System, which protects owner lifestyles from unforeseeable situations.

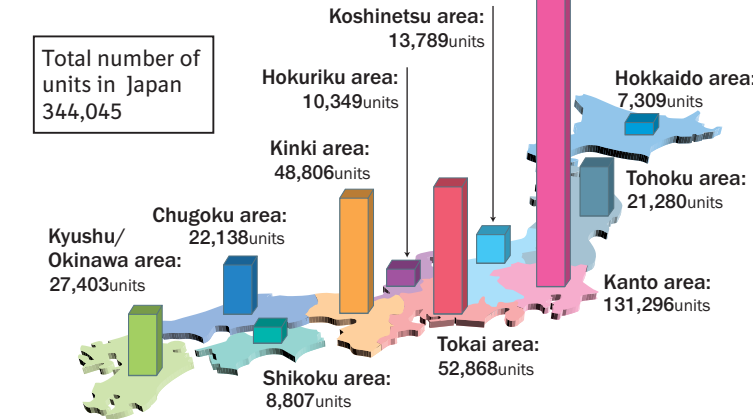
Characteristics and Competitiveness 2

Nationwide studio apartment network, supported by online search capabilities

Apartment buildings under master sublease contracts with Leopalace21 are available nationwide

Studios for which we have subcontracted construction and have carried out maintenance and administration are located all over Japan, totaling some 344 thousand units. These studios were built in areas where we estimated reasonable potential demand based on thorough market research, in order to meet needs of prospective tenants. We are the only industry player with this many studios nationwide.

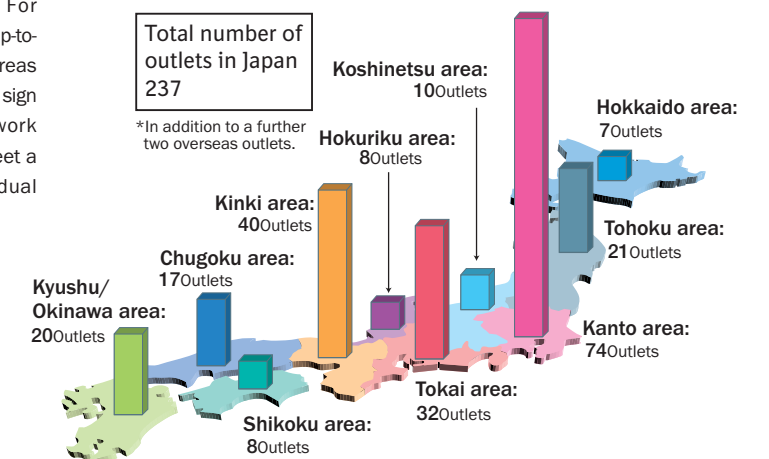
●Number of apartments managed by area (at end-March 2006)



Domestic network of 237 Leopalace Centers

Visitors to Leopalace Centers at 237 locations nationwide can search real-time for studios using our online network. For example, a person who lives in Tokyo can look for the most up-to-date information about studios for lease available in other areas such as Hokkaido and Kyushu, apply for the apartment, and sign the contract on the spot. The nationwide sales center network combined with our online network guarantees our ability to meet a variety of needs among prospective corporate and individual tenants.

●Number of Leopalace Centers by area (at end-March 2006)

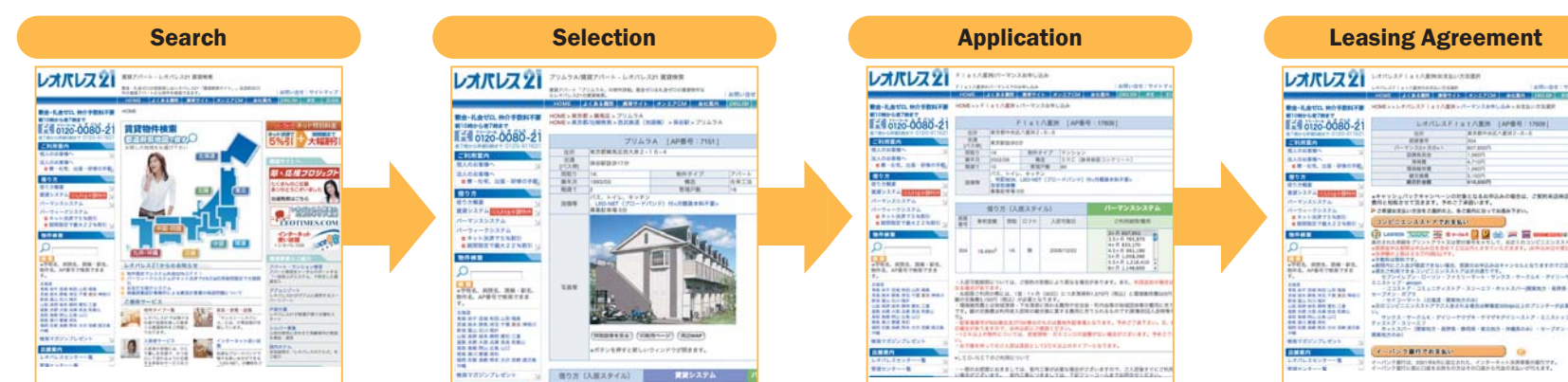


Characteristics and Competitiveness 3

Real-time web search possible anywhere, anytime

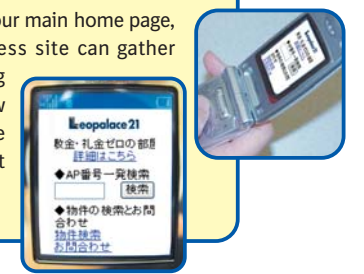
Powerful web research based on nationwide network

Visitors to our web sites can search real-time for the most up-to-date information on studios available across the country, and apply for the apartment and sign a contract on the spot. With some 340 thousand studios managed nationwide, we are the only industry player that can provide prospective tenants with real-time search capabilities of studios available nationwide even using our mobile Internet site.



Real-time search on our mobile Internet site

Real-time search of our rental studios can also be performed on our mobile Internet. Similar to accessing our main home page, visitors to the wireless site can gather information regarding rental studios, view floor plans, and make payments by credit card.



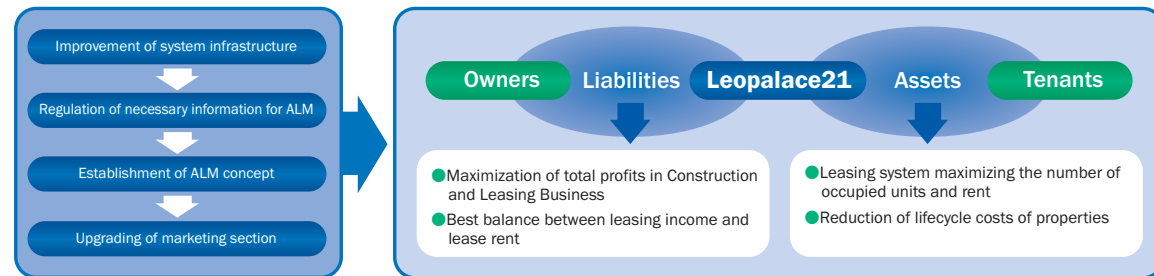
Basic Strategy for Our Core Business

Increased completeness in our core business through the restructuring of our basic management system

The greatest feature of our Model of Synergies between Construction and Leasing that makes up our core business is the development of a "stock style" that continues to expand and increase our stock. For our stock to function effectively then a certain level of volume is necessary. Here at Leopalace, what can be seen as our corporate principle of "Apartment Management Exists Only Because of Leasing" is a key policy in placing the focus on our stock. During the five-year period from the end of March 2001 to the end of March 2006, the number of apartments managed by our Company increased approximately 2.3 times from 152,000 units to 344,000 units. Acquiring over 340,000 units during this period meant that our stock correspondingly increased and we witnessed a transition period where we went from a state of deflation to inflation, resulting in the establishment of an environment that allows for strengthening of the stock business. What we now plan on doing is maximizing returns on the apartments that we manage as assets on behalf of property owners. In order to carry this out we are developing the infrastructure of our basic business base to meet this future business environment, and further improving the completeness of our Company's unique Model of Synergies between Construction and Leasing.

More specifically, the accumulated management data from over 20 years of involvement in the apartment leasing business, together with organic interaction with external market data, has resulted in the development of an infrastructure management system for our core business (ALM system) that provides for the optimum management of investors' assets. The full-scale introduction and operation of this system has meant that we can offer optimum asset management for even the largest of assets. Our Company's core business also serves as a business model containing similar aspects to the financial enterprises that act as the optimum management for our investors' assets. The full-scale operation of the ALM system, running at the same equivalent level as the system that supports the success of the megabanks, supports the increased strengthening of the stock business in terms of both quantity and quality.

Outline of the core business's infrastructure management system: ALM system



Note: ALM system (Asset Liability Management System): General management system for assets and liabilities. At Leopalace we anticipate expanding our large-scale assets (properties managed by our Company) further, and we are aiming to develop a general system that allows us to control the appropriate management of assets to a similar level to comparable systems that support financial services companies.

Apartment Construction Subcontracting Business Strategy

Nationwide expansion based on detailed area marketing

Choice of location is important for initiating synergy in our core business. In other words, site location should be suitable for managing apartments, and this is one of the necessary conditions when concluding a contract for construction. This is further connected to maintaining profits in the Leasing Business that subsequently follows construction of these apartments.

Here at Leopalace we are involved not only in expanding operations in our Apartment Construction Subcontracting Business, but are also focusing on expanding overall profitability in both Apartment Construction Subcontracting and Leasing Businesses synergistically, while developing detailed area marketing. This management style is aimed at driving up our Company's profitability as well as maintaining our high occupancy rates; this provides apartment owners with the stability they require through such stable management over a long term period. We hope to continue with this policy in the future, as well as developing a high level of certainty throughout the domestic market through the selection of optimal land for leasing.

Leasing Business Strategy

Planned increase in occupancy rates through strengthening of corporate sales ability

Corporate trading at Leopalace is expanding by our taking over the management of dormitories and Company-owned housing that was outsourced following the bout of corporate restructuring that accompanied the collapse of the bubble economy. The recent recovery of the Japanese economy, seen in the end of the quantitative easing policy, together with an increase in corporate employee activity, has resulted in increased occupancy rates in certain locations.

This shift in business use can be anticipated as being further strengthened by the increasing full-scale recovery of the Japanese economy. As of the end of March 2006 there were a total of approximately 14,600 companies involved in corporate trading—an increase of 22.4% on the previous fiscal year and an area displaying high growth. Up to March 2007 we plan the addition of six further corporate sales centers to the system of 31 corporate sales outlets for further planned increases to occupancy rates and expansion of corporate trading.

Basic strategy for Residential and Silver Businesses

Pursuing a sound expansion strategy based on existing business infrastructure

The Residential and Silver Businesses are extensions of our core business model involving the construction and sale or management of residential housing and nursing facilities. As a result both these businesses have been identified as being suitable for pursuing a sound expansion strategy based on existing business infrastructure (such as leasing operations, contracted outlets, and a pool of both managed apartments and of apartment owners).

In the future our Company will keep in step with the relevant business expansion in the Residential and Silver Businesses and look at ways to develop a more efficient and increased business expansion.

Residential Business Strategy

Efficient business expansion with the second baby-boom generation as a target

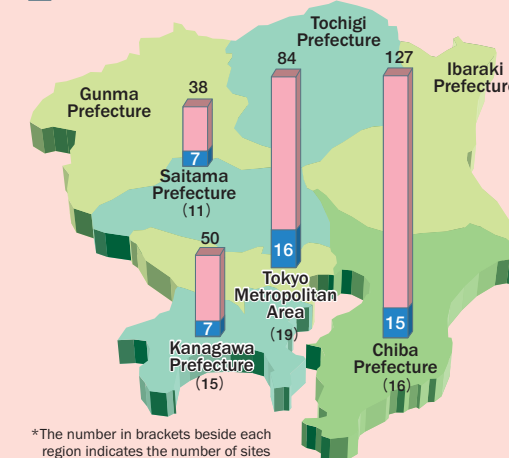
In the Residential Business, Leopalace has been developing a business strategy that has the second baby-boom generation (taken as those born between 1971 and 1975) as its core target, with this key group seen as having moved on from our core business of leasing studio apartments. Up until March 2006 we have been operating a system of four sales divisions and eight outlets in the Tokyo metropolitan area and the three neighboring prefectures. In the future we plan on moving into the three large metropolitan areas of the Kanto, Chubu, and Kinki regions and make progress in this business in each large urban area.

The estimated number of second generation baby-boomers living in these three urban areas was approximately 6,300 thousand as of 2005, which made up 64% of the total number of second generation baby-boomers living throughout Japan. Seen in this light, our strategy for business expansion centered on these three urban areas can be judged as being the most efficient strategy for expansion at the present time.



Current state of development of the Residential Housing Business (as of the end of March 2006)

Number of properties scheduled for sale (pink bar)
Number of properties with completed contract (blue bar)



*The number in brackets beside each region indicates the number of sites

Silver Business Strategy

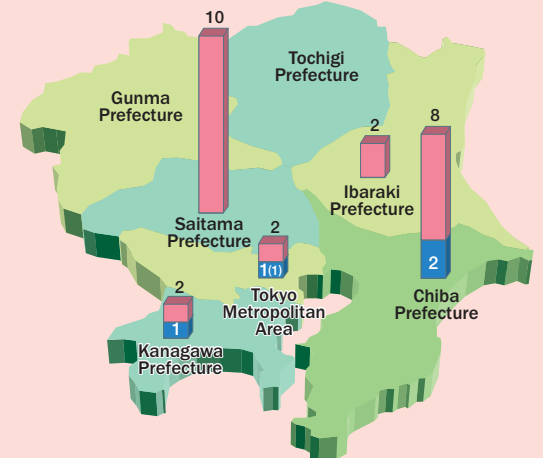
Expansion in the three principal urban areas containing over half of Japan's silver population

Our Company's involvement in the Silver Business, anticipating changes to population movements as part of Japan's aging society, was until March 2006 centered on the running of five facilities in the Tokyo Metropolitan Area and the three prefectures surrounding it in the Kanto region. There were complemented by our conclusion of service contracts for a further 20 facilities. Our plan for strategic expansion in this business is similar to that for the Residential Business in having a high degree of integration with our Company's existing business infrastructure, and is centered on developing the business in the three principal urban areas of the Kanto, Chubu, and Kinki regions. The estimated silver population (taken as those 65 and over) in these three areas was approximately 14 million as of 2005, making up 56% of the total number of over 65 year olds in Japan. In the future we hope to ensure the development of both the quality and quantity of our presence in these three urban regions (in terms of both quality and product line-up), and further focus on developing an expansion plan for the regions neighboring these three urban areas.



Current state of development of Silver Business (as of the end of March 2006)

Number of facilities with completed service contracts (pink bar)
Number of facilities that have been opened (blue bar)



Broadband Business Strategy

Development of a profitable unit through the creation of a huge market

The broadband service "Leopalace BB" that we provide to each of our managed properties through the set-top box (STB) installed in each room (LEO-NET terminal) can be used for not only simply surfing the web, but also for shopping and gaming, and its communication functions are expanding through using the convenience of its interactive nature to provide such features as a survey system. Regarding the current state of installation of this service, as of March 2006 approximately 65% of our managed properties (227,000 properties) were equipped with Leopalace BB, and through the annual increase in managed properties a huge market has been developing for this service, drawing in a variety of subscribers.

The possibilities offered by Leopalace BB have been steadily increasing together with both a growing market of users and realization of its functions and this has led to a widening of business opportunities offered by the service. In addition to improving our corporate-orientated service in the future by using this media content, we also plan to utilize our accumulated know-how in our silver facilities as well as recreational activities to bring about synergy between both business areas. At the same time we are also strengthening our external sales and marketing aimed at sales of a system specifically at hotels and hospitals. Through these activities we have so far been successful in developing our Broadband Business into one of the Company's profitable units.

Content of Broadband Business's principal services

Services aimed at tenants	Free services	<ul style="list-style-type: none"> ● Continual internet connection ● Basic CS (satellite television) service (Four channels including MTV) ● Informational services (news, weather, fortune telling, maps etc.) ● Services such as gaming, shopping, and home delivery ● Creation of participatory programming for tenants and their transmission
	Paid services	<ul style="list-style-type: none"> ● Video on demand (VOD): Approximately 3,000 titles ● CS Plus (satellite television) service (Four additional channels including WOWOW)
Corporate-orientated service utilizing media content	Under development	<ul style="list-style-type: none"> ● Sale of systems to condominiums, hotels, and hospitals ● Classified advertisements using the LEO-NET and related program guide "LEO-NET BOOK" ● Programs with commercial tie-ups (Tools for switching to surveys and request for brochures following commercials) ● Interlocking TV and cell-phone program (character entry tool using cell-phone)
	In planning stage	<ul style="list-style-type: none"> ● Various subscription services (such as regional information and corporate information)



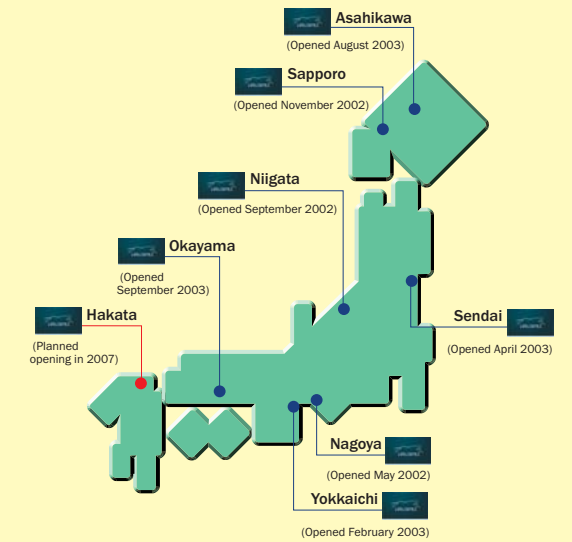
●Set Top Box (STB)

Strategy for Related Businesses: Domestic Hotel Business

Planned new opening in Hakata in 2007

Utilizing our accumulated know-how in the apartment business, we have begun hotel operations in a number of major cities nationwide (currently in seven locations). In addition to operating the hotels conventionally geared towards tourism and business trips, we also offer long-term stays that are similar to our Monthly Leopalace Flat operations in apartment leasing, in which we offer stays at reasonable rates. Every room is equipped with an internet connection as well as a range of services such as free VOD (video on demand). All our hotels include a sales office for the Apartment Construction Subcontracting Business Division and Leopalace Center for the Leasing Business Division on site. They therefore serve as branch offices of their respective operational areas to establish partnerships with apartment owners and studio tenants.

Using prime locations such as in front of train stations in major cities we plan to open a city hotel in Hakata in 2007 that is superior to our existing network of hotels. By continuing to respond to regional demands we hope to implement a strong grip on this area of our operations.



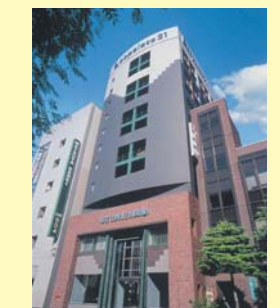
●Hotel Leopalace Niigata



●Hotel Leopalace Sendai



●Hotel Leopalace Sapporo



●Hotel Leopalace Asahikawa

Strategy for Related Businesses: Overseas Resort Business

Increased revenue through large increases in operating rates of tours and camps

Through our wholly owned subsidiary MDI Guam we are currently operating a large scale resort business in the tropical island of Guam. In 2003 the basic infrastructure of the hotel and wedding chapel was completed, which was added to by the construction of a spa in December 2005. From the fall of 2004 major travel agencies started offering package tours attracting customers and our Company's own golf and sport camps also saw an increase in consumer interest.

This meant that, as of March 2006 the average availability of Leopalace Resort improved dramatically to 57.5% (an increase of 16.2 points on the previous period) and sales stood at 67 million dollars (an increase of 9.5% on the previous period), which promises increased profitability in the expansion of stable income in the future.

Out of the 130,000 rooms we operated in fiscal 2005, 11.3% were used by our apartment owners and 2.3% were used by our shareholders. Through the use of a great number of our stakeholders we were able to bring about a synergy with our core business and we are also looking to develop long stay silver facilities.



Westin Resort



Leopalace Resort



Hotel Belvedere



Track and soccer field

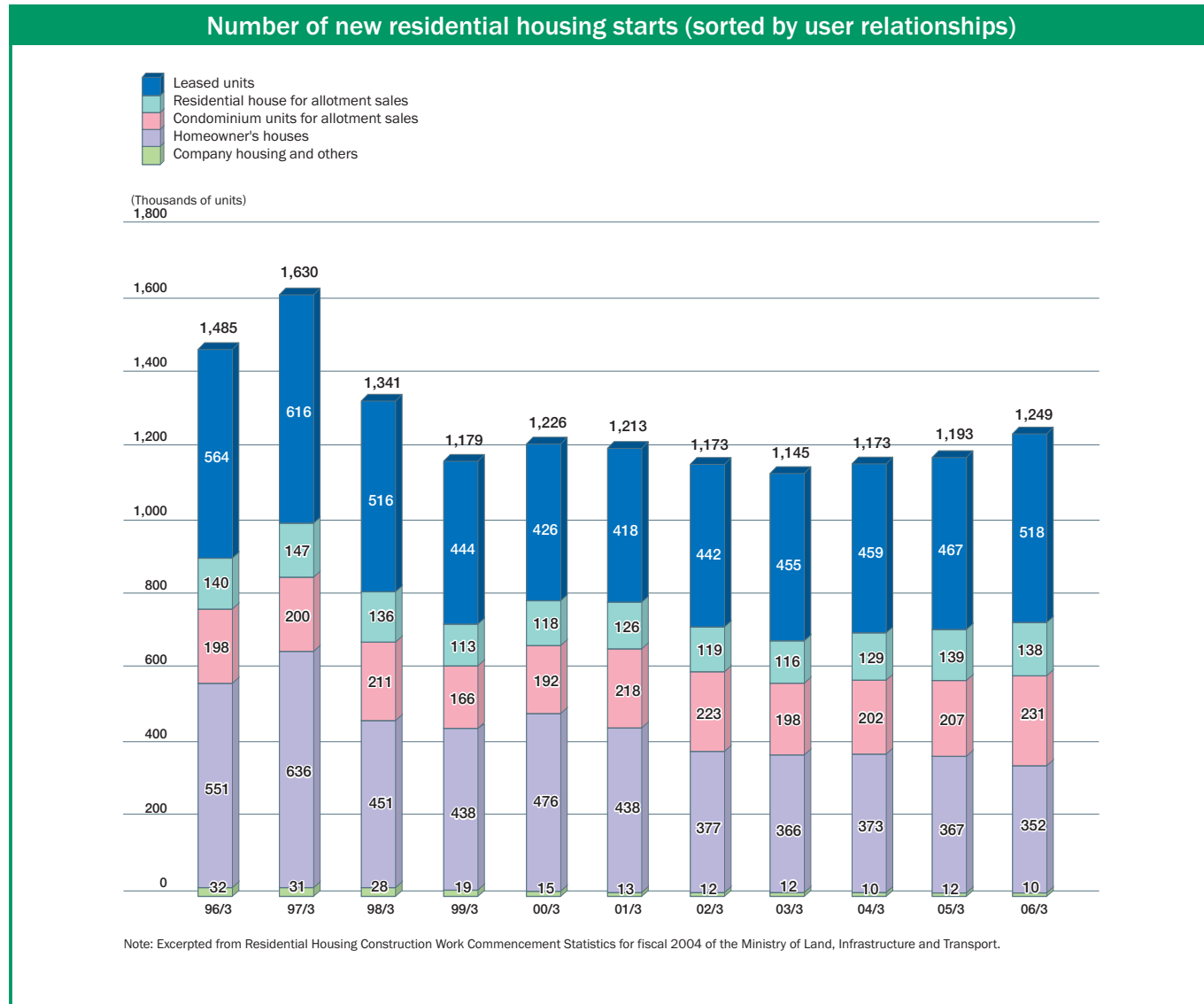


Competition-sized pool



Club house

Demands (Residential Construction Market)



Residential housing supply status has been recovering slowly over the past three years while undergoing changes in terms of market share makeup.

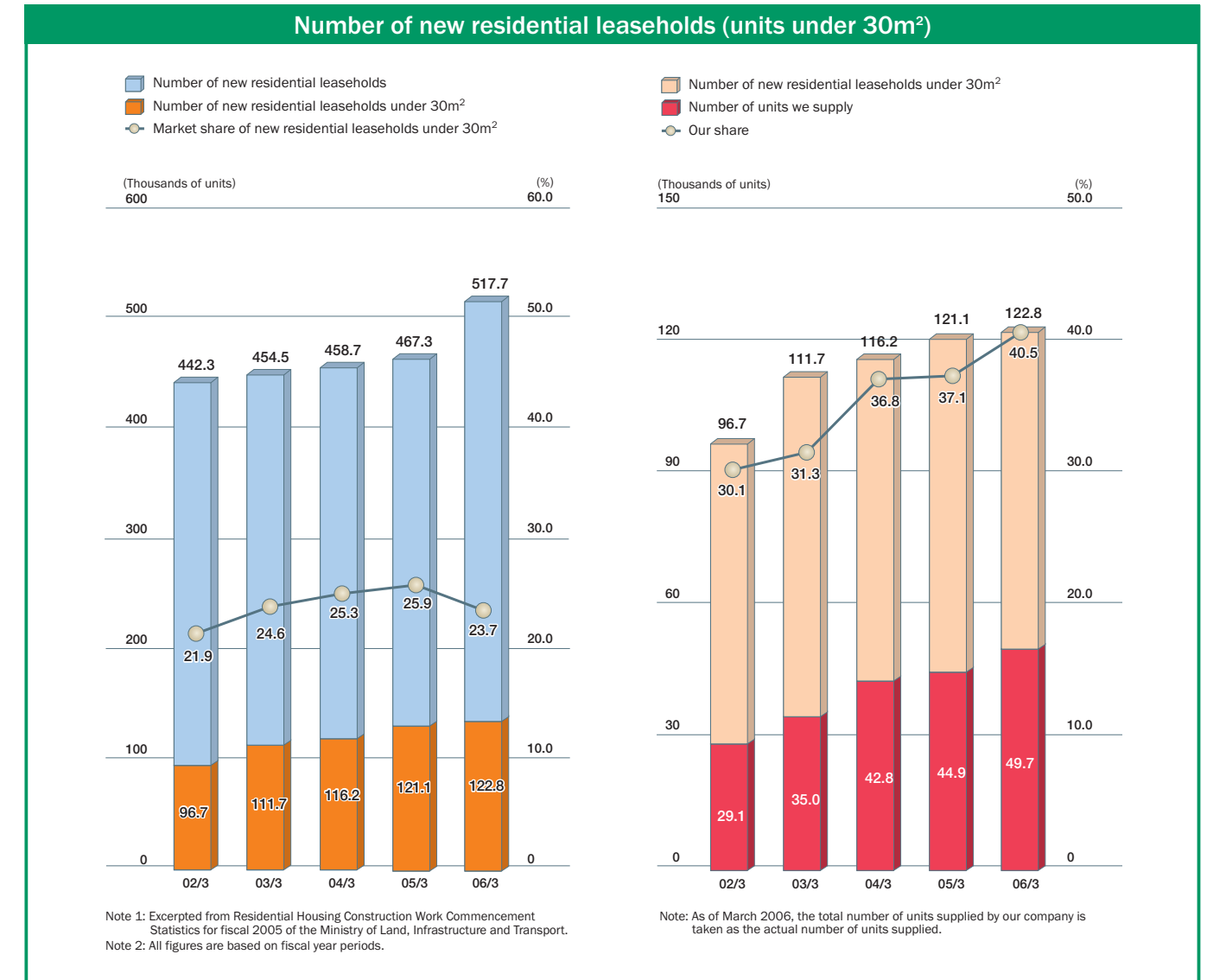
According to the Residential Housing Construction Work Commencement Statistics of the Ministry of Land, Infrastructure and Transport, the number of newly built residential housing units peaked in fiscal 1996 (ending March 1997) with 1.63 million units, while the figures changed to 1.179 million in fiscal 1998 (ending March 1999) and thereafter continued to hover around 1.2 million units. In the past three years the trend has been showing a slow recovery.

Homeowner's housing, however, continued to go down during the same period, while leased units and residential housing for allotment sales increased in number, resulting in a dramatic shift in the market share makeup.

Central roles played by the shifting of the market share makeup for residential housing supplies (commencement of construction for new residential housing), include an increase in the number of leased units and residential housing for allotment sales and a decrease in the number of homeowner's residential housing

A look at the trends for commencing new residential housing in recent years in terms of user relationships indicates that leased units and residential housing for allotment sales are supporting the slow overall recovery trends. Of all the residential housing for allotment sales, despite a small decrease in sales in fiscal 2005 (ending in March 2006), sales of residential houses are increasing dramatically, showing an increase of 11.2% over the previous year in fiscal 2003 (ending in March 2004) and 7.8% in fiscal 2004 (ending in March 2005); sales of condominium units also increased dramatically in fiscal 2005 (ending in March 2006) with an increase of 11.6% over the previous year. Furthermore, leased units have recorded a consecutive increase for five years since fiscal 2001 (ending in March 2003), gaining the highest share of the market by dominating 41.5% in fiscal 2005 (ending in March 2006) for all new units of residential housing construction.

Supply (Residential Leasehold Construction Market)



Construction of leased units less than 30m² are steadily recovering

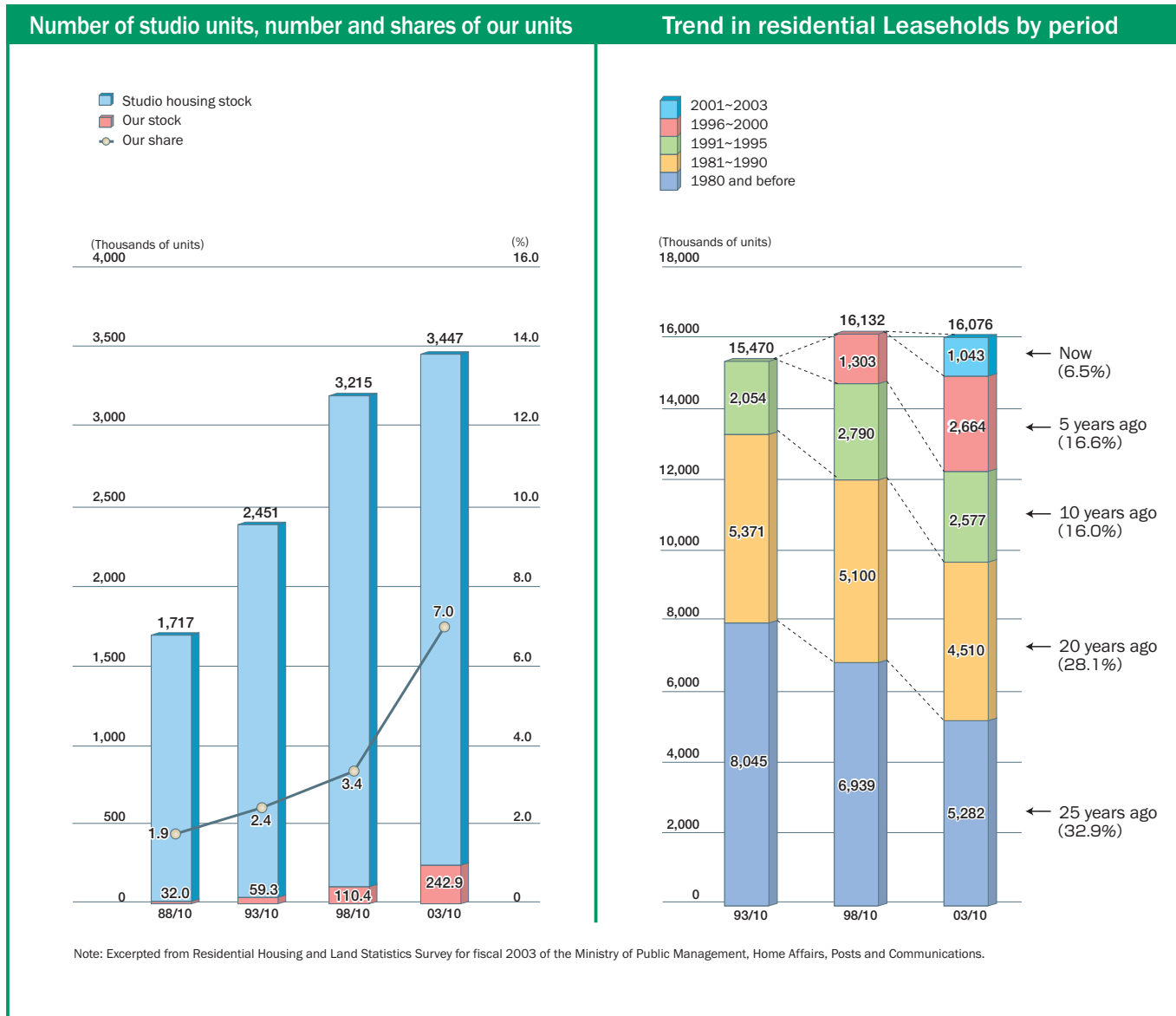
Leased units under 30m² comprise our core field and are showing a rapid increase in recent years. The number of construction work commencing in fiscal 1999 (ending in March 2000), for leased units under 30m², bottomed at 73,000 units but showed a recovery in fiscal 2001 (ending in March 2002) by reaching 97,000 units and 100,000 units by fiscal 2002 (ending in March 2003). In fiscal 2005 (ending in March 2006), this figure increased further to 122,800 units. Furthermore, although the proportion of residential units less than 30m² among the overall total number of leased units being constructed had increased in fiscal 2004 (ending in March 2005), in fiscal 2005 (ending in March 2006) units over 30m² showed an increase over units less than 30m² which displayed a slight decrease. Both units had similar shares of almost one quarter of the total figure (23.7%).

Our share of supply for studio apartments is 40.5%

The reason behind this increase in leased units under 30m², is the increase in the number of young and single households in urban areas that are seeking a new life style, along with the birth of new demand, such as the outsourcing of corporate dormitories and Company housing.

Furthermore, the graph shown on the right represents the number of new units supplied by our studio apartment operations (Apartment Construction Subcontracting Business) for the construction of leased units under 30m². In fiscal 2005 (ending in March 2006) we were able to sustain a over 40% share of all supplied units in the market. It is clear that we are in possession of a formidable market share in this field.

Stock and Rebuilding (Residential Leasehold Construction Market)



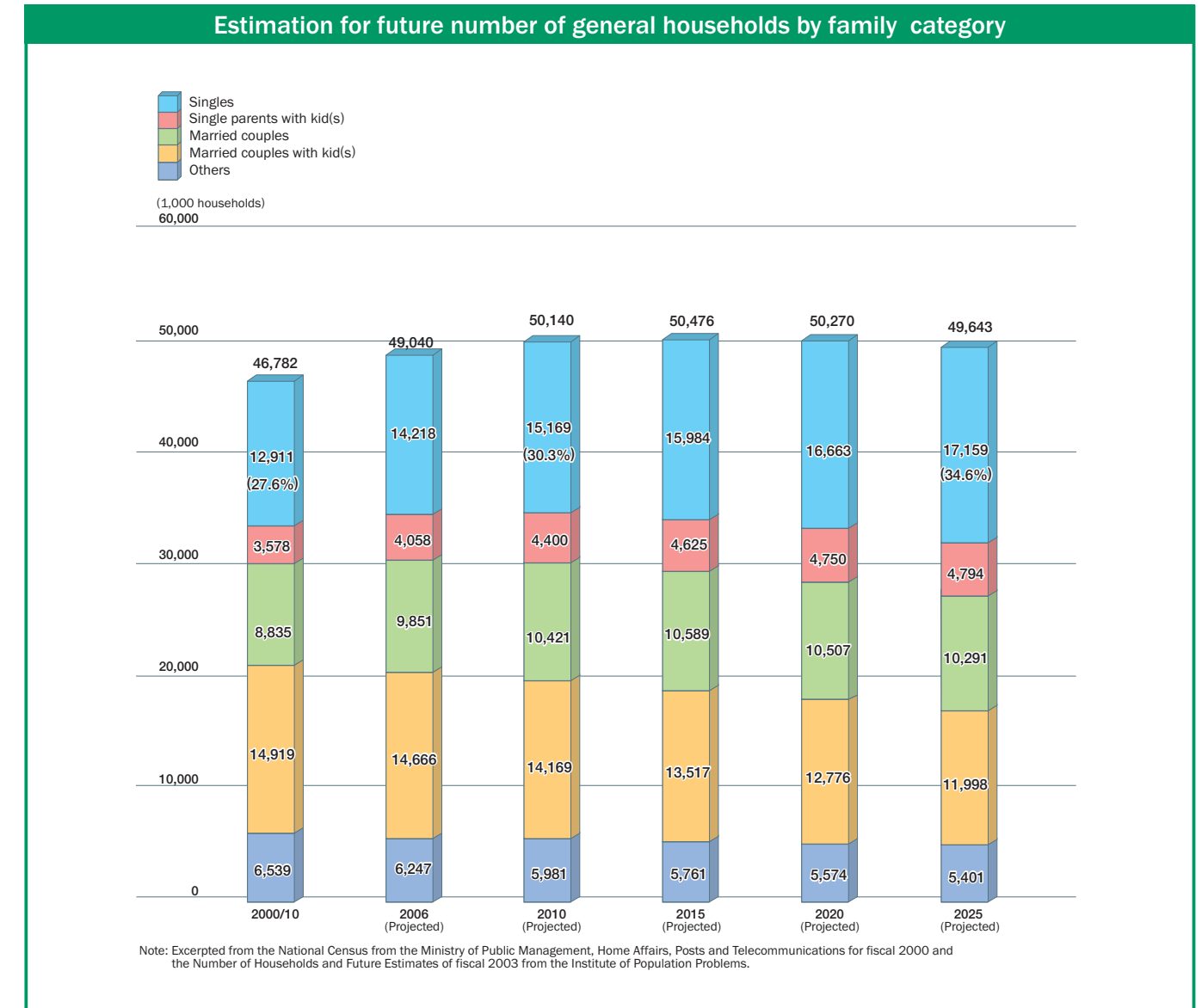
Increasing studio stocks

On the other hand, the stocks of studios are in a steadily increasing trend. According to the Residential Housing Construction and Land Statistics Survey, conducted every five years by the Ministry of Public Management, Home Affairs, Posts and Telecommunications, the number of studio units as of October 2003 was 3.447 thousand units. This is an increase of 996 thousand units above figures taken ten years ago, with a growth rate of 40.6%, showing an outstanding performance in comparison with the growth rate for the residential housing stock for the same period (17.6%). Furthermore, our market share of stocks has also increased by 7.0%.

Market for rebuilding residential leaseholds has gigantic potential for residential leasehold construction

The graph shown on the right represents the data of trends for the overall residential leaseholds sorted by construction period. Figures have remained stable for the past five years; while during those five years 2.46 million units of residential leaseholds constructed in 1995 and earlier (ten years ago) were lost, with approximately 2.4 million new units built to replace them. This indicates that this is a market with a gigantic demand for rebuilding in the future.

Demands (Leasing Market)

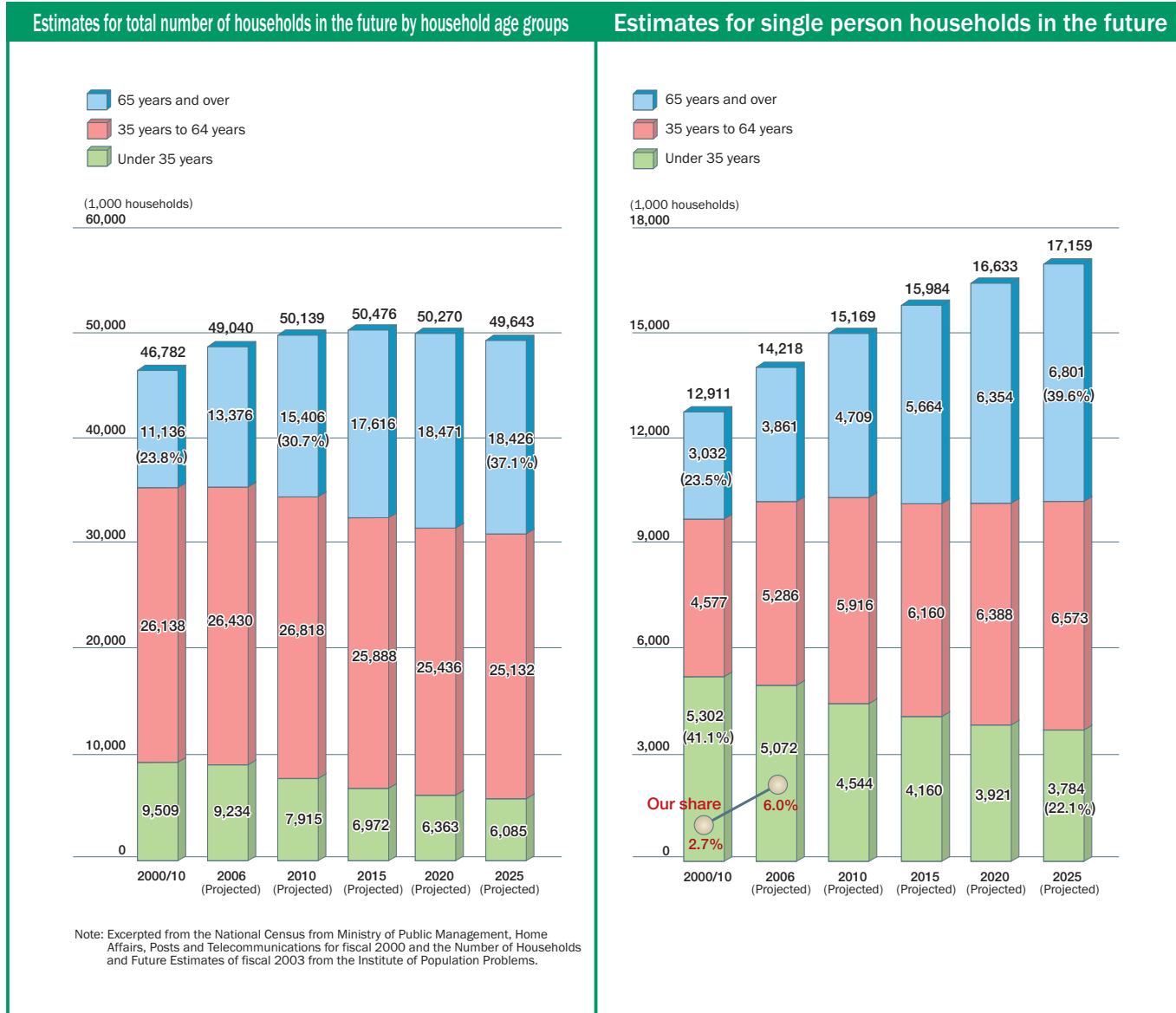


Large market need exists for studios that will be sustained over a long period

With declining birth rates and an aging society, the population problem in Japan is an issue that needs to be considered. In terms of family categories, singles consisted of 12.91 million in 2000, which comprised 27.6% share of the market. It is anticipated that this will increase to 15.16 million by 2010 and comprise over 30.3% of the market share. Furthermore, an estimate for 2025 shows the number of households will reach approximately 17.15 million and comprise 34.6% of the market share, undergoing a rapid increase in this period. This indicates that the household makeup in Japan will be moving toward the formation of a gigantic single person household base very rapidly.

The market needs for studios provided by us is large and will be sustained over a long period in the future, as indicated by this data on future estimates.

Demand (Residential Construction and Leasing Markets)



Anticipated emergence of gigantic silver business market based on estimated figures for future number of households by age group

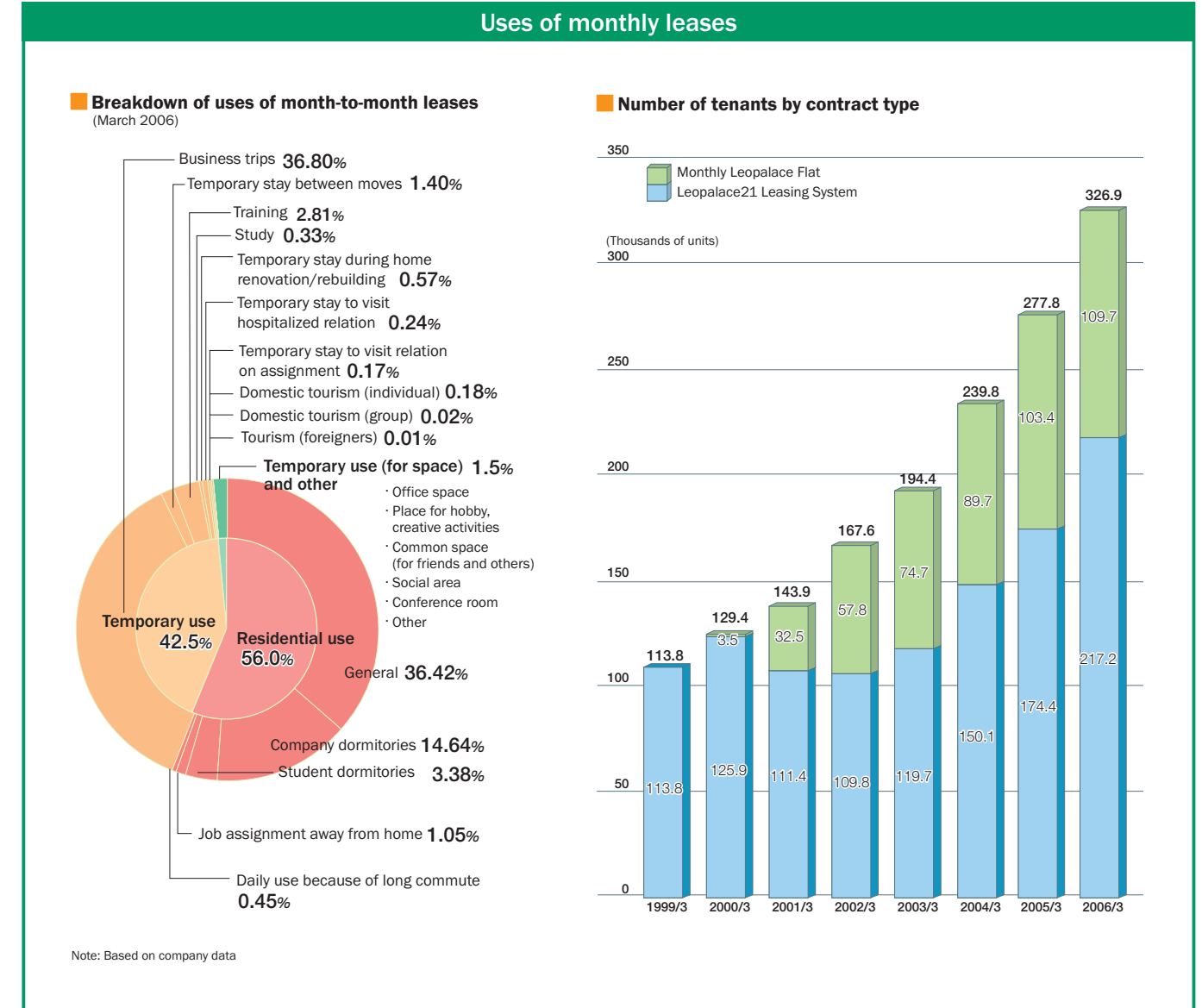
The graph shown on the left is made up of data from page 18, the Estimation for the future number of general households by family categories, as viewed in terms of age group. The so-called silver population base, comprised of people 65 and over, will exceed the 30% share of makeup in 2010 and their share of the makeup will reach 37.1% by 2025. This means that a gigantic silver business market, comprised of one out of three households, will emerge.

In terms of single person households categorized by age group, the silver population base emerges together with the under 35s as target populations for our core businesses

Furthermore, the graph, shown on the right, represents data prepared by categorizing the extracted information regarding single person households obtained from the Estimation for the future number of general households by family category, shown on page 18, by age group. Targets comprised of the under 35 population base of corporate users and silver business market, comprised of those 65 and over, for whom there are increasing needs in terms of hobby and nursing care, are emerging.

Our share in the market of the single person household base for under 35s was 2.7% in 2000, although it reached a level of 6.0% in 2005.

Utilization (Residential leaseholds)



Pioneering new markets through monthly leasing

We are pioneering into new markets outside the existing leasing markets by implementing Monthly Leopalace, which is available for short or long-term leasing, along with Leopalace21 Leasing System intended for long-term tenants. The purposes for using the monthly leasing service can be categorized into "residential use" and "temporary use." In terms of the residential use, the purposes for using the service are expanding, such as "dormitory (for employees and students)," "job assignment away from home," "daily use because of long commute," besides the "general use of rooms." Furthermore, as for "temporary use," the purposes vary, including "business trips," which is the most often cited purpose, as well as accommodation during moving, taking seminars, taking exams and tourism.

Steady increase of a user base for monthly leasing responding to various needs

The trend for number of tenants by contract type indicates that since Monthly Leopalace provides furniture, consumer electronics and utility expenses, launched in March 2000, the number of transactions for monthly leasing increased rapidly, which indicates the service matched the needs of the market. Furthermore, Monthly Leopalace Flats was launched in March 2002, offering tenancy periods in shorter segments, responding appropriately to the changing needs of the market. The number of units for this service increased to 109,700 units by the fiscal term ending in March 2006.

Consolidated



(Unit : ¥ million)

	2002/3	2003/3	2004/3	2005/3	2006/3
Net sales	297,584	360,368	422,224	476,266	465,386
Operating profit	34,574	44,525	51,670	54,682	40,775
Recurring profit	34,167	36,345	41,299	53,265	44,151
Net income	19,901	20,464	20,960	33,262	-16,582
Total assets	374,397	410,340	421,163	453,434	412,803
Shareholders' equity	46,077	68,308	81,419	149,798	133,622
Common stock	33,274	37,500	37,500	55,640	55,640
Shareholders' equity per share (¥)	373.69	492.06	585.82	941.06	839.44
Net income per share (¥)	164.53	160.56	150.91	220.79	-104.17

Non-Consolidated

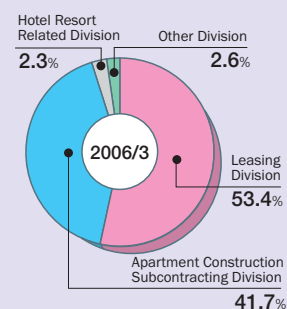


(Unit : ¥ million)

	2002/3	2003/3	2004/3	2005/3	2006/3
Net sales	291,463	354,647	416,590	469,181	457,135
Operating profit	35,416	44,892	51,783	54,879	39,534
Recurring profit	32,525	40,419	47,104	51,817	38,752
Net income	16,968	25,416	27,843	28,750	-33,346
Total assets	341,626	401,708	432,552	469,467	409,721
Shareholders' equity	45,402	79,447	105,568	168,457	133,106
Common stock	33,274	37,500	37,500	55,640	55,640
Shares outstanding (thousand shares)	123,412	139,543	139,543	159,543	159,543
Shareholders' equity per share (¥)	368.21	569.87	757.39	1,056.95	835.15
Net income per share (¥)	140.28	198.46	199.74	190.47	-209.23
Dividends per share (¥)	0.00	15.00	15.00	15.00	15.00

Segment information

Sales breakdown (Consolidated)



	2002/3	2003/3	2004/3	2005/3	2006/3
Apartment Construction Subcontracting Division	150,842	190,216	225,011	248,032	195,202
Leasing Division	136,927	162,769	188,866	216,593	249,699
Hotel Resort Related Division	7,582	6,688	7,056	9,561	10,869
Other Division	2,774	1,458	2,590	4,361	12,149
Eliminations/Unallocated	(542)	(764)	(1,300)	(2,282)	(2,532)
Total	297,584	360,368	422,224	476,266	465,386

(Unit : ¥ million)

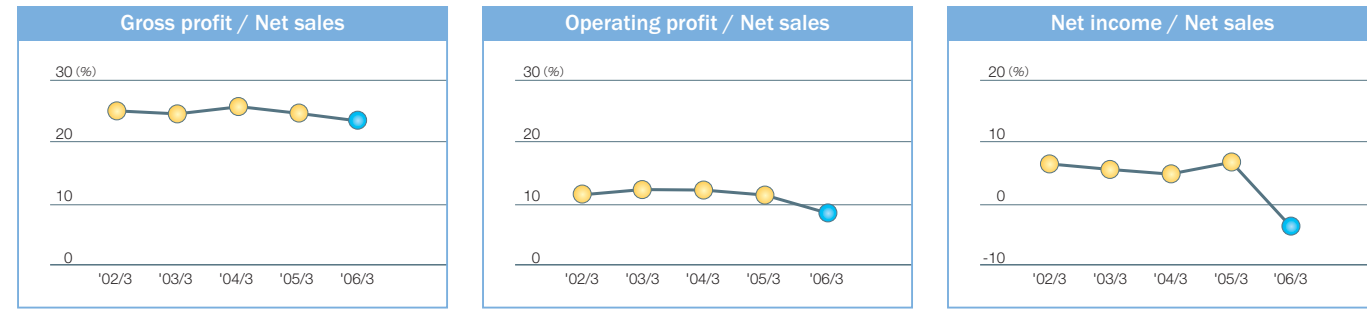
Operating profit (Consolidated)

	2002/3	2003/3	2004/3	2005/3	2006/3
Apartment Construction Subcontracting Division	26,250	41,484	54,153	57,051	39,452
Leasing Division	12,949	9,404	7,428	7,243	8,079
Hotel Resort Related Division	-3,569	-2,736	-3,849	-3,928	-2,667
Other Division	371	-1,235	-3,516	-2,640	-393
Eliminations/Unallocated	(1,427)	(2,391)	(2,545)	(3,043)	(3,695)
Total	34,574	44,525	51,670	54,682	40,775

(Unit : ¥ million)

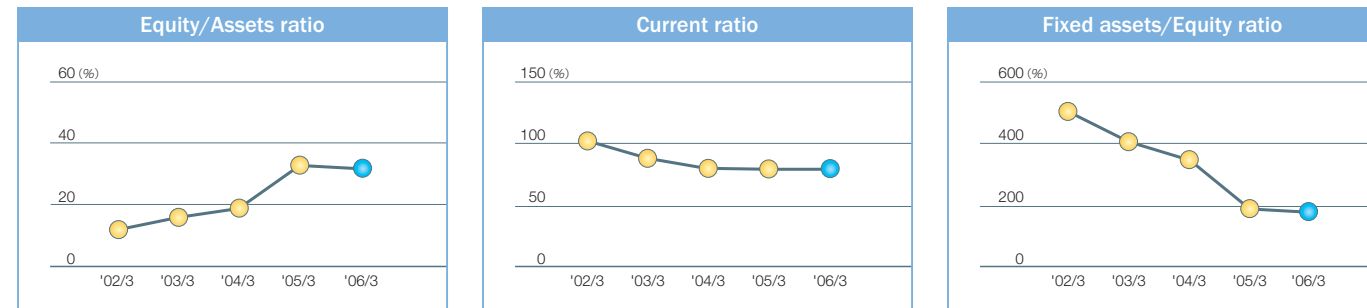
Consolidated

Profitability



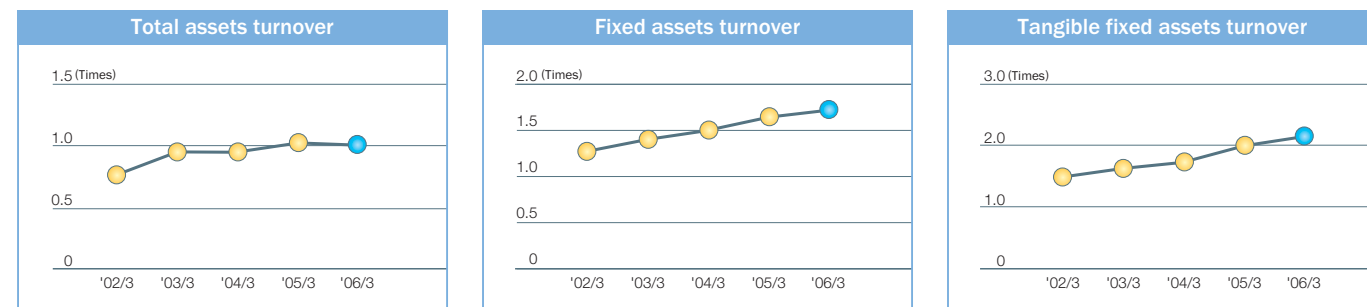
	2002/3	2003/3	2004/3	2005/3	2006/3
Gross profit / Net sales (%)	25.80	25.39	25.84	24.92	23.94
Operating profit / Net sales (%)	11.61	12.35	12.23	11.48	8.76
Net income / Net sales (%)	6.68	5.67	4.96	6.98	-3.56

Stability



	2002/3	2003/3	2004/3	2005/3	2006/3
Equity/Assets ratio (%)	12.30	16.64	19.33	33.03	32.36
Current ratio (%)	102.96	88.08	80.09	80.25	79.50
Fixed assets/Equity ratio (%)	508.50	407.66	348.97	197.84	186.44

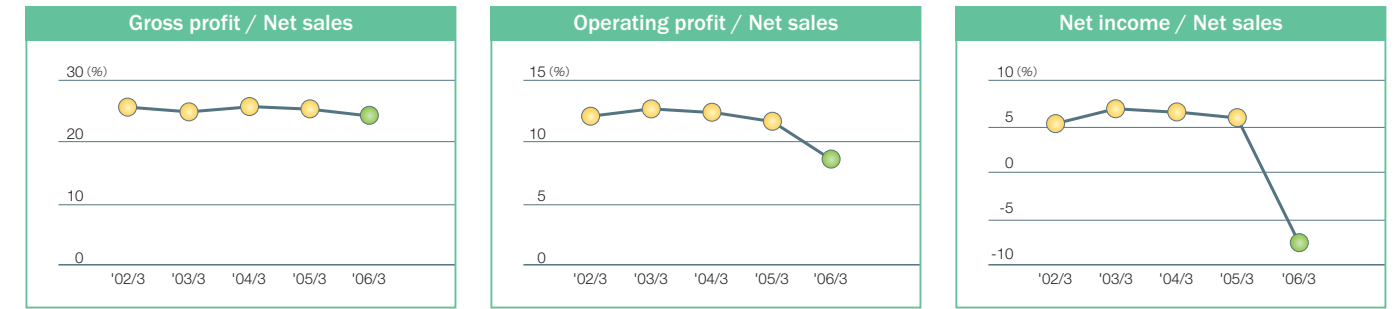
Efficiency



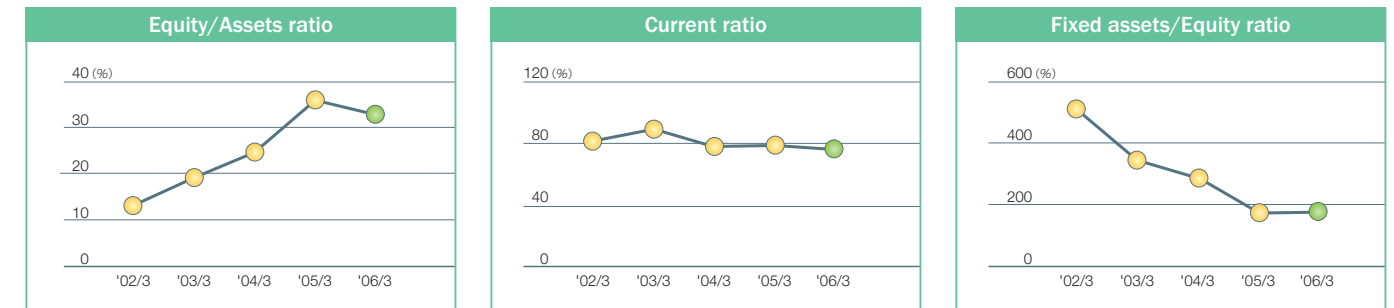
	2002/3	2003/3	2004/3	2005/3	2006/3
Total assets turnover (times)	0.82	0.91	1.01	1.08	1.07
Fixed assets turnover (times)	1.27	1.40	1.50	1.64	1.70
Tangible fixed assets turnover (times)	1.47	1.60	1.75	1.97	2.11

Note: Total assets, fixed assets, and tangible fixed assets are expressed as an average of the relevant numbers at the beginning and end of each fiscal year, respectively.

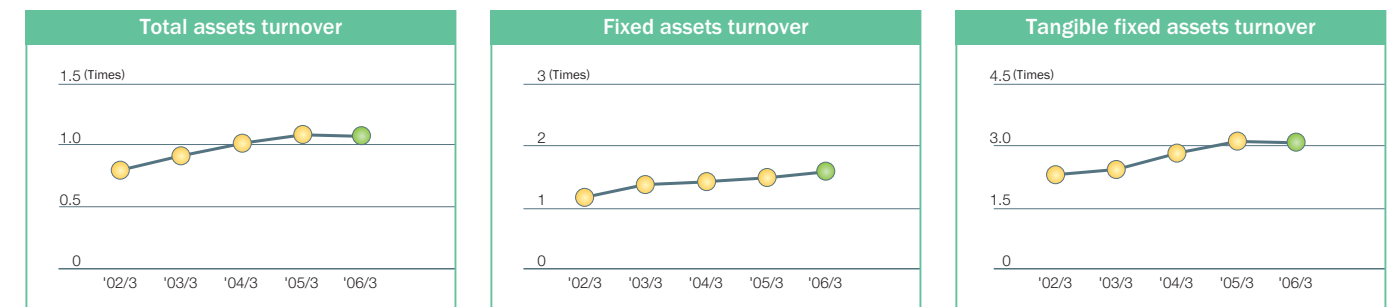
Non-Consolidated



	2002/3	2003/3	2004/3	2005/3	2006/3
Gross profit / Net sales (%)	26.24	25.54	25.89	25.64	24.46
Operating profit / Net sales (%)	12.15	12.65	12.43	11.69	8.64
Net income / Net sales (%)	5.82	7.16	6.68	6.12	-7.29



	2002/3	2003/3	2004/3	2005/3	2006/3
Equity/Assets ratio (%)	13.28	19.77	24.40	35.88	32.48
Current ratio (%)	82.44	88.47	79.79	79.04	78.30
Fixed assets/Equity ratio (%)	512.03	343.28	283.19	187.75	188.05

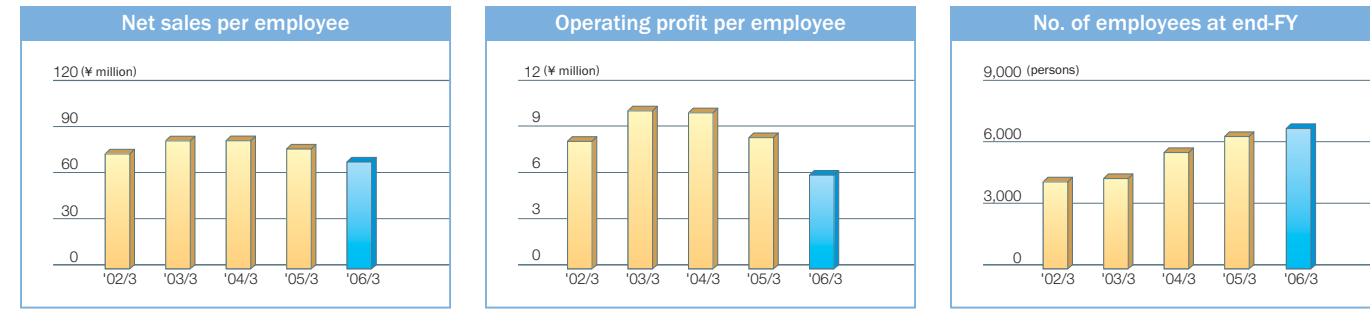


	2002/3	2003/3	2004/3	2005/3	2006/3
Total assets turnover (times)	0.88	0.95	0.99	1.04	1.03
Fixed assets turnover (times)	1.25	1.40	1.45	1.52	1.61
Tangible fixed assets turnover (times)	2.27	2.60	2.86	3.13	3.13

Note: Total assets, fixed assets, and tangible fixed assets are expressed as an average of the relevant numbers at the beginning and end of each fiscal year, respectively.

Consolidated

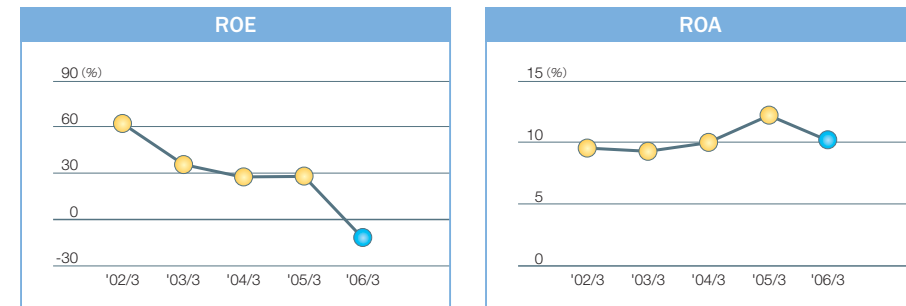
Productivity



	2002/3	2003/3	2004/3	2005/3	2006/3
Net sales per employee (¥ million)	75.13	83.68	83.71	78.33	69.85
Operating profit per employee (¥ million)	8.72	10.33	10.24	8.99	6.12
No. of employees at end-FY (persons)	4,228	4,385	5,702	6,457	6,868

Note: Net sales per employee and operating income per employee are calculated using the average number of employees during the year.

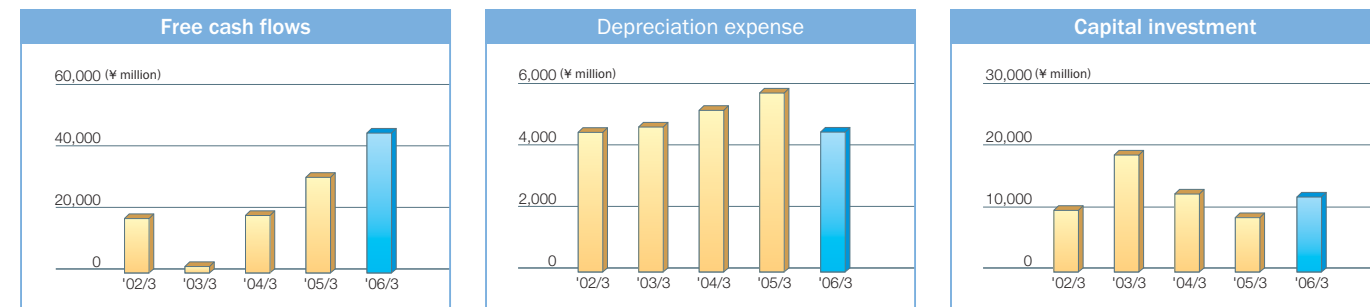
Investment Indices



	2002/3	2003/3	2004/3	2005/3	2006/3
ROE (%)	62.53	35.78	27.99	28.77	-11.70
ROA (%)	9.52	9.26	9.93	12.18	10.19

Note: Total assets, fixed assets, and tangible fixed assets are expressed as an average of the relevant numbers at the beginning and end of each fiscal year, respectively.

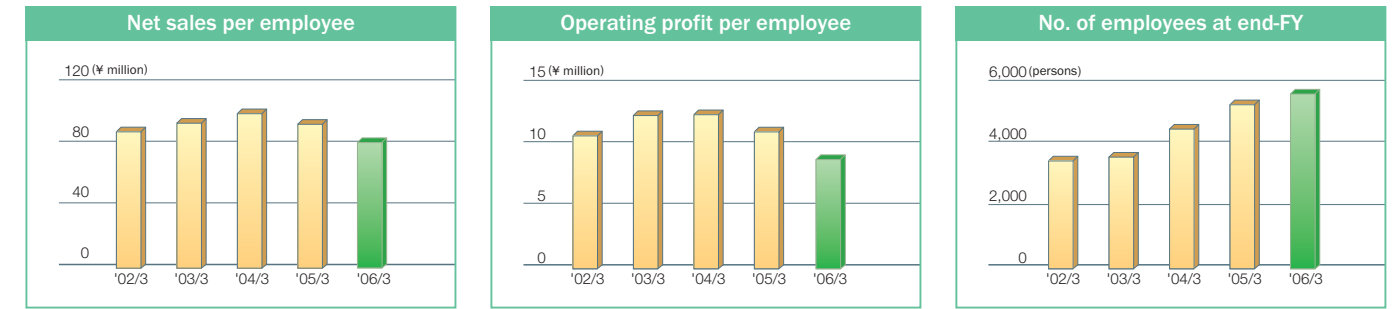
Cash Flows



	2002/3	2003/3	2004/3	2005/3	2006/3
Cash flows (¥ million)					
Cash flows from operating activities	34,259	23,347	31,492	40,348	56,971
Cash flows from investing activities	-16,326	-21,011	-12,532	-8,978	-11,266
Cash flows from financing activities	-2,809	-1,010	-30,129	-20,959	-47,946
Depreciation expense (¥ million)	4,555	4,707	5,251	5,855	4,565
Capital investment (¥ million)	10,020	19,023	12,715	8,919	13,193

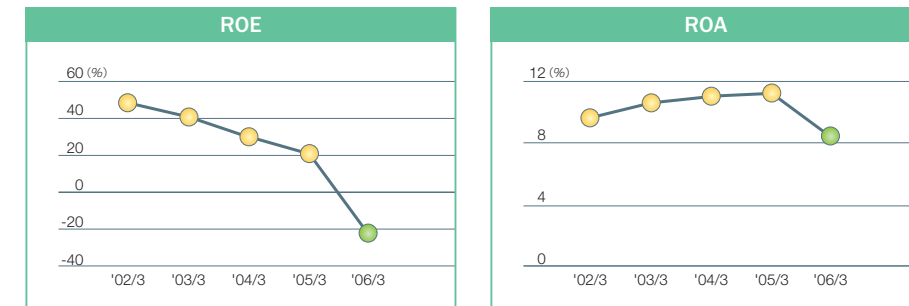
Note: Free cash flows = cash flows from operating activities + cash flows from investing activities

Non-Consolidated



	2002/3	2003/3	2004/3	2005/3	2006/3
Net sales per employee (¥ million)	89.36	98.77	101.20	94.65	82.74
Operating profit per employee (¥ million)	10.85	12.50	12.57	11.07	7.15
No. of employees at end-FY (persons)	3,520	3,661	4,572	5,341	5,708

Note: Net sales per employee and operating income per employee are calculated using the average number of employees during the year.

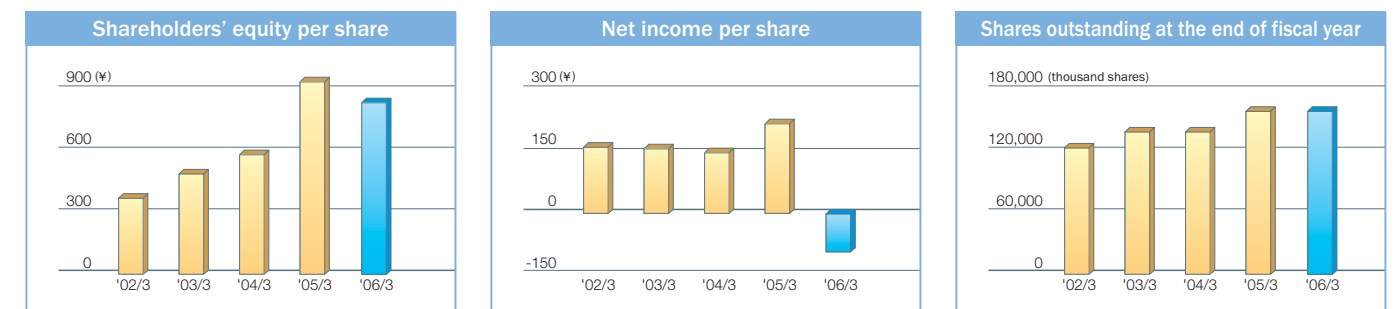


	2002/3	2003/3	2004/3	2005/3	2006/3
ROE (%)	48.42	40.71	30.09	20.98	-22.11
ROA (%)	9.87	10.87	11.29	11.48	8.81

Note: Total assets, fixed assets, and tangible fixed assets are expressed as an average of the relevant numbers at the beginning and end of each fiscal year, respectively.

Consolidated

Per Share Data



	2002/3	2003/3	2004/3	2005/3	2006/3
Shareholders' equity per share (¥)	373.69	492.06	585.82	941.06	839.44
Net income per share (¥)	164.53	160.56	150.91	220.79	-104.17
Shares outstanding at the end of fiscal year (thousand shares)	123,303	138,821	138,984	159,180	159,180

	Consolidated			Non-Consolidated		
	2004/3	2005/3	2006/3	2004/3	2005/3	2006/3
(Unit : ¥ million)						
Assets						
Current assets	136,602	156,847	163,518	133,195	152,984	159,258
Cash and cash equivalents	36,596	46,852	44,612	34,029	44,086	41,769
Trade receivables and accounts receivable for completed projects	31,699	41,588	8,114	31,038	40,654	7,223
Operating loans	16,737	13,142	10,426	16,737	13,142	10,426
Marketable securities	164	151	155	124	151	13
Real estate for sale/property inventories	133	477	7,524	133	477	7,523
Payment for construction in progress	3,747	3,248	35,249	3,747	3,248	35,249
Supplies	—	—	—	552	261	350
Prepaid expenses	—	—	—	13,518	16,032	18,984
Other inventories	746	455	638	—	—	—
Deferred tax assets	9,821	2,796	10,827	9,821	2,796	10,827
Accrued income	—	—	—	74	90	47
Other accounts receivable	24,020	29,415	22,564	24,019	29,412	22,561
Other	14,558	19,894	24,893	1,010	3,793	5,762
Allowance for doubtful accounts	-1,623	-1,175	-1,487	-1,612	-1,163	-1,481
Fixed assets	284,130	296,366	249,128	298,964	316,286	250,316
Tangible fixed assets	238,655	243,010	196,512	147,492	151,427	140,663
Buildings and structures	114,790	117,004	83,666	41,314	42,971	39,613
Land	106,458	109,740	107,216	102,710	105,927	97,862
Construction in progress	14,053	12,697	1,964	1,707	719	1,555
Other	3,353	3,568	3,665	1,759	1,808	1,629
Intangible fixed assets	570	579	579	563	564	565
Investments and other assets	44,903	52,776	52,035	150,908	164,294	109,087
Investment securities	7,697	9,815	11,046	4,591	5,401	6,185
Shares of subsidiaries and affiliates	—	—	—	70,061	64,293	5,755
Corporate bonds issued by subsidiaries and affiliates	—	—	—	1,200	1,200	1,200
Long-term loans receivable	5,291	4,315	2,930	1,882	938	1,877
Long-term loans to employees	—	—	—	4	1	0
Long-term loans to executives	—	—	—	1,700	1,700	—
Long-term loans to subsidiaries and affiliates	—	—	—	45,886	56,673	56,242
Long-term trade receivables	15,821	10,979	2,835	15,821	10,979	2,835
Long-term prepaid expenses	26,119	32,826	33,035	22,531	29,062	33,618
Deferred tax assets	1,330	2,174	1,901	1,330	2,174	1,893
Other	3,560	3,341	3,349	3,508	3,354	3,349
Allowance for doubtful accounts	-14,918	-10,676	-3,064	-17,612	-11,485	-3,871
Deferred assets	431	220	156	392	196	146
Organization costs	39	24	9	—	—	—
Bond issuance costs	392	196	146	392	196	146
Total assets	421,163	453,434	412,803	432,552	469,467	409,721

	Consolidated			Non-Consolidated		
	2004/3	2005/3	2006/3	2004/3	2005/3	2006/3
(Unit : ¥ million)						
Liabilities						
Current liabilities	170,555	195,427	205,674	166,917	193,548	203,376
Accounts payable including payables for completed projects	72,921	91,046	81,231	72,732	90,805	80,846
Short-term borrowings	24,203	30,098	20,348	8,459	14,857	2,042
Long-term borrowings due within one year	—	—	—	14,815	14,941	18,005
Bonds due within one year	1,435	1,435	1,435	1,435	1,435	1,435
Unpaid expenses	10,987	10,517	9,503	8,972	9,709	8,508
Accrued expenses	52	48	23	41	40	17
Accrued income taxes	20,667	16,367	4,423	20,661	16,363	4,419
Advances received	21,699	28,274	37,626	21,657	28,215	37,510
Customer advances for projects in progress	10,418	8,732	42,061	10,418	8,732	42,061
Deposits payable	—	—	—	3,782	4,390	5,457
Allowance for employees' bonuses	1,689	2,224	2,487	1,689	2,224	2,487
Other	6,481	6,683	6,534	2,249	1,831	585
Long-term liabilities	151,505	90,555	55,855	160,066	107,461	73,238
Bonds	14,197	12,762	11,327	14,197	12,762	11,327
Directors' long-term borrowings	122,829	64,489	31,402	109,493	59,464	26,752
Long-term borrowings	—	—	—	22,154	22,126	22,126
Retirement benefit reserves	1,958	2,556	3,246	1,944	2,541	3,229
Lease/guarantee deposits received	12,276	10,566	9,801	12,276	10,566	9,801
Long-term unpaid expenses	201	—	—	—	—	—
Other	42	179	76	—	—	—
Total liabilities	322,061	285,982	261,530	326,984	301,010	276,615
Minority interests						
Minority interests	17,683	17,653	17,651	—	—	—
Shareholders' equity						
Share capital	37,500	55,640	55,640	37,500	55,640	55,640
Capital surplus	15,495	33,759	33,759	15,375	33,495	33,495
Retained earnings	41,389	72,096	53,123	52,487	79,146	43,409
Net unrealized gains on 'other securities'	291	258	714	291	266	654
Translation adjustments	-12,964	-11,761	-9,418	—	—	—
Treasury stock	-293	-195	-197	-85	-91	-93
Total shareholders' equity	81,419	149,798	133,622	105,568	168,457	133,106
Total liability, minority interest and shareholders' equity	421,163	453,434	412,803	432,552	469,467	409,721

Statements of Income

	Consolidated			Non-Consolidated		
	2004/3	2005/3	2006/3	2004/3	2005/3	2006/3
(Unit : ¥ million)						
Ordinary income and loss						
Net sales	422,224	476,266	465,386	416,590	469,181	457,135
Sales from Contracting Division	225,011	248,032	195,202	225,011	248,032	195,202
Sales from Leasing Division	188,863	216,590	249,695	188,874	216,599	249,702
Sales from Other Division	8,349	11,643	20,488	2,704	4,550	12,230
Cost of sales	313,084	357,546	353,928	308,734	348,882	345,319
Cost of Contracting Division	147,266	163,176	129,397	147,266	163,176	129,397
Cost of Leasing Division	154,080	177,671	203,664	156,036	179,507	205,480
Cost of Other Division	11,737	16,698	20,866	5,430	6,198	10,441
Gross profit	109,139	118,720	111,458	107,856	120,299	111,816
Selling, general and administrative expenses	57,468	64,038	70,683	56,072	65,419	72,281
Advertising expense	8,004	7,889	8,265	7,999	7,867	8,245
Selling fees	1,555	2,401	2,909	3,492	5,124	5,565
Provisions for allowance for doubtful accounts	118	387	1,653	118	387	1,653
Director compensation	358	364	425	347	353	414
Salaries and bonuses	19,485	23,161	25,714	18,595	22,711	25,249
Provisions for allowance for employees' bonuses	1,105	1,518	1,752	1,105	1,518	1,752
Provisions for retirement benefit reserves	487	590	861	485	589	859
Welfare expenses	—	—	—	3,474	4,616	5,982
Fees paid	—	—	—	4,171	4,194	3,763
Rents paid	3,031	3,928	4,101	3,061	3,947	4,112
Depreciation expense	2,407	1,585	1,293	1,501	1,584	1,292
Taxes and public charges	1,996	2,135	2,391	1,766	1,735	1,909
Other	18,918	20,075	21,314	9,952	10,787	11,479
Operating profit	51,670	54,682	40,775	51,873	54,879	39,534
Non-operating profit and loss						
Non-operating profit	1,561	3,308	6,493	1,347	1,239	2,156
Interest income	93	62	53	94	64	55
Dividend income	—	—	—	336	261	429
Gain on securities sales	299	100	125	299	100	125
Equity method income	321	1,481	512	—	—	—
Income from cancellation of resort memberships	26	28	11	26	28	11
Income from cancellation of construction contracts	121	293	174	121	293	174
Foreign currency translation gain	—	915	4,780	—	192	903
Unrealized gains on interest rate swaps	268	52	233	268	52	233
Other	431	374	601	200	245	222
Non-operating expenses	11,932	4,725	3,116	6,026	4,301	2,938
Interest expense	5,113	3,902	2,300	4,454	3,352	2,051
Bond interest expense	—	—	—	82	155	96
Amortization of bond issuance costs	—	—	—	196	196	269
Foreign exchange loss	6,405	—	—	1,084	—	—
Other	413	822	815	208	598	521
Recurring profit	41,299	53,265	44,151	47,104	51,817	38,752
Extraordinary income and losses						
Extraordinary income	1,479	1,011	68	1,461	1,678	39
Gain on sales of fixed assets	22	7	13	22	6	7
Gain on sale of investment securities	1,439	—	—	1,439	—	—
Gain on sale of affiliates' stocks	—	—	31	—	—	31
Reversal of allowance for doubtful accounts	17	4	24	—	671	—
Gain from forgiveness of debt	—	1,000	—	—	1,000	—
Extraordinary losses	2,733	1,662	66,963	2,532	6,279	79,173
Loss on sales of fixed assets	17	6	10	16	6	10
Write-offs of fixed assets	762	373	453	761	335	452
Markdown on investment securities	30	—	—	30	—	—
Loss on devaluation of affiliates' stocks	—	—	—	—	5,768	59,342
Impairment losses	—	—	65,480	—	—	18,348
Provision for allowance for doubtful accounts	1,393	1,109	831	1,193	—	831
Amortization of transition obligation	157	157	—	157	157	—
Directors' retirement benefit	300	—	—	300	—	—
Other	72	15	187	72	11	187
Net income before taxes and adjustments (loss)	40,045	52,615	-22,743	46,033	47,217	-40,381
Corporate, residential, and enterprise taxes	23,055	12,282	261	23,032	12,269	251
Income tax rehabilitation	—	—	729	—	—	729
Income tax adjustments	-4,843	6,197	-8,023	-4,843	6,197	-8,016
Minority interest	873	873	871	—	—	—
Net income (loss)	20,960	33,262	-16,582	27,843	28,750	-33,346
Retained earnings brought forward	—	—	—	24,643	50,396	76,756
Unappropriated retained earnings (loss)	—	—	—	52,487	79,146	43,409

Statements of Cash Flows

	Consolidated		
	2004/3	2005/3	2006/3
(Unit : ¥ million)			
Cash flows from operating activities			
Net income before taxes and adjustments (Decrease)	40,045	52,615	-22,743
Depreciation expense	5,251	5,855	4,565
Increase (Decrease) in allowance for doubtful accounts	1,252	1,454	1,737
Interest and dividends income	-109	-99	-256
Interest expense	5,579	4,268	2,518
Gain from forgiveness of debt	—	-1,000	—
Foreign exchange loss (gain)	6,405	-915	-4,780
Equity method income	-321	-1,481	-512
Loss on sale of tangible fixed assets	17	6	10
Write-offs of tangible fixed assets	762	373	453
Impairment losses	—	—	65,480
Gain on sale of affiliates' stocks	—	—	-31
Gain on sale of investment securities	-1,439	—	—
Markdown on investment securities	30	—	—
Loss on sale of securities	-299	-100	-125
Decrease (Increase) in accounts receivable	-3,684	-12,841	42,237
Decrease (Increase) in inventories	-449	452	-39,212
Increase (Decrease) in long-term prepaid expenses	-14,358	-8,794	-7,345
Increase (Decrease) in accounts payable	13,514	19,949	-10,208
Increase (Decrease) or decrease in amount received for uncompleted works	—	-1,685	33,328
Increase (Decrease) in advances received	6,383	6,558	9,294
Increase (Decrease) in guarantee deposits received	-3,348	-1,855	-1,761
Increase (Decrease) in accrued consumption tax	324	-705	-1,166
Other	2,991	-893	699
Subtotal	58,547	61,160	72,181
Interest and dividends received	80	81	228
Interest paid	-5,530	-3,992	-2,356
Income taxes paid	-18,064	-16,900	-13,081
Net cash provided by operating activities	35,032	40,348	56,971
Cash flows from investing activities			
Payment for purchase of tangible fixed assets	-12,715	-8,919	-13,193
Proceeds from sale of tangible fixed assets	56	45	914
Commissions paid on sale and disposal of tangible fixed assets	-52	-16	-34
Payment for purchase of shares of affiliates	-1,800	—	—
Payment for purchase of bonds of affiliates	-1,200	—	—
Payment for purchase of investment securities	-1,099	-1,743	-2,827
Proceeds from sale of investment securities	4,949	952	2,835
Payment for loans made	-2,999	-1,020	-1,381
Proceeds from collection of loans	2,155	2,414	2,843
Other	-658	-690	-422
Net cash provided by (used in) investing activities	-13,363	-8,978	-11,266
Cash flows from financing activities			
Proceeds from short-term debt	28,754	39,405	17,750
Repayment of short-term debt	-36,357	-46,434	-28,564
Proceeds from long-term debt	18,908	10,000	10,680
Repayment of long-term debt	-47,325	-54,346	-42,703
Payment for accounts payable for long-term projects	-6,325	-1,436	—
Proceeds from shares issued	—	36,260	—
Proceeds from issuance of privately placed bonds	15,761	—	13,259
Payment for retirement of privately placed bonds	—	—	-13,667
Payment for redemptions of privately placed bonds	-717	-1,435	-1,435
Dividends paid to minority shareholders	-706	-875	-873
Payment for purchase of treasury stock	-29	-6	-1
Dividend paid for shareholders	-2,091	-2,090	-2,390
Net cash (used in) provided by financing activities	-30,129	-20,959	-47,946
Effect of exchange rate changes on cash and cash equivalents	686	-154	0
Net increase in cash and cash equivalents (Decrease)	-7,773	10,256	-2,240
Cash and cash equivalents at beginning of year	44,369	36,596	46,852
Cash and cash equivalents at end of year	36,596	46,852	44,612