



July 28, 2009

Company Name: Leopalace21 Corporation
Representative: Yoshiteru Kitagawa, President and CEO
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Issuance of Stock Purchase Warrants (Stock Options as Stock-Based Compensation)

At a meeting today, the Board of Directors of Leopalace21 Corporation (“the Company”) resolved to issue Stock Purchase Warrants to Company directors (excluding external directors; same below) as detailed below, pursuant to the provisions of Articles 236, 238 and 240 of the Corporation Law of Japan.

Details

1. Reasons for Issuing Stock Purchase Warrants

The Company has adopted the use of stock-based compensation for Company directors for the purpose of sharing the benefits and risks of Company stock price fluctuations with our shareholders, and to increase motivation and morale.

2. Overview of Stock Purchase Warrant Issuance

(1) Identification of Stock Purchase Warrant

Leopalace21 Corporation Stock Purchase Warrant No. 1 (Stock-Based Compensation)

(2) Total Number of Stock Purchase Warrants

1,076 units

The total number of Stock Purchase Warrants above is the number planned for allocation. In the event that an application for receipt is not made, and the total number of Stock Purchase Warrants decreases, such number shall be the total number of Stock Purchase Warrants to be allocated.

(3) Eligible Recipients of Stock Purchase Warrant Allocation, Number of Eligible Individuals, and Total Number of Stock Purchase Warrants

Ten (10) Company directors 1,076 units

(4) Type and Number of Shares Subject to Stock Purchase Warrants

Company common stock will be subject to Stock Purchase Warrants. Each Stock Purchase Warrant unit represents 100 shares of stock (“Number of Granted Shares”).

In the event that the Company declares a stock split or reverse split, the number of shares subject to Stock Purchase Warrants shall be adjusted according to the following formula. Such adjustment, however, shall be made to the number of shares for which Stock Purchase Warrants have not been exercised at the time of stock split or reverse split. Any fractions less than one share shall be discarded.

No. of Shares after Adjustment = No. of Shares Prior to Adjustment × Ratio of Split or Reverse Split

In the event that, subsequent to the date of resolution, an adjustment to the number of shares is deemed necessary by the Company, such adjustment may be made within a rational scope.

- (5) **Value of Property to be Contributed upon Exercise of Stock Purchase Warrants**
The value of property contributed upon the exercise of each Stock Purchase Warrant shall be an amount equivalent to the payment amount of one (1) yen per share received in at the time of Stock Purchase Warrant exercise multiplied by the Number of Granted Shares.
- (6) **Stock Purchase Warrant Exercise Period**
From August 18, 2009 to August 17, 2039
- (7) **Matters Concerning the Amounts of Capital and Capital Reserves Increased by the Issuance of Shares upon the Exercise of Stock Purchase Warrants**
- (A) The amount of the increase in capital as a result of the issuance of stock shares for an exercise of Stock Purchase Warrants herein shall be one-half of the maximum amount of capital increase, calculated according with Article 17 Paragraph 1 of the Regulations for Corporate Accounting. Fractions less than one yen shall be rounded up to the nearest yen.
- (B) The amount of the increase in capital reserves as a result of the issuance of stock shares for an exercise of Stock Purchase Warrants herein shall be the amount calculated as the maximum amount of capital increase noted in (A) above, less the amount of the increase in capital as determined in (A), above.
- (8) **Restrictions on the Acquisition of Stock Purchase Warrants via Transfer**
The acquisition of Stock Purchase Warrants via transfer shall require an approval by resolution of the Company Board of Directors.
- (9) **Provisions related to the Acquisition of Stock Purchase Warrants by the Company**
On a day stipulated separately by the Company's Board of Directors, the Company may acquire Stock Purchase Warrants without compensation when a measure (i, ii, iii, iv or v, below) is approved in a Company general shareholders' meeting (or by Company Board of Director resolution when a resolution by the general shareholders' meeting is not required):
- (i) An approved measure by which the Company is dissolved pursuant to a merger agreement
 - (ii) An approved measure by which the Company becomes a spin-off company pursuant to a split agreement, or a measure that approves a plan for Company spin-off
 - (iii) An approved measure by which the Company becomes a wholly owned subsidiary pursuant to a stock swap agreement or a stock transfer plan
 - (iv) A measure approving changes to the Company Articles of Incorporation establishing a rule requiring Company approval for the acquisition of shares in question through transfer as part of details of all shares issued by the Company
 - (v) A measure approving changes to the Company Articles of Incorporation regulating the necessity of the Company's approval for the acquisition, through transfer, of the relevant class of shares, as part of details of the relevant class of shares to be issued or transferred upon exercise of Stock Purchase Warrants, or the acquisition of all of the relevant class of shares by the Company upon resolution of the General Meeting of Shareholders
- (10) **Grant of Stock Purchase Warrants in a Merger**
In the event that the Company enters into a merger (limited to mergers in which the Company is dissolved), absorption-type split, incorporation-type split, stock swap, or stock transfer (collectively, "Corporate Reorganization"), Stock Purchase Warrant Holders holding Stock Purchase Warrants remaining immediately prior to the effective date of the Corporate Reorganization ("Remaining Stock Purchase Warrants") shall be granted Stock Purchase Warrants according to the terms below for Stock Purchase Warrants of the stock company ("Reorganized Company") as cited in Article 236 Paragraph 1.8 Items a. through e. of the Corporation Law of Japan. In such event, Remaining Stock Purchase Warrants shall extinguish, and the Reorganized Company shall issue new Stock Purchase Warrants. However, the provision above shall only apply in cases in which the issuance of Stock Purchase

Warrants under the following terms is pursuant to an agreement of absorption-type merger, an agreement of incorporation-type merger, an agreement of absorption-type split, a plan for incorporation-type split, a stock-swap agreement, or a stock transfer plan.

(A) Number of Stock Purchase Warrants to be Issued by Reorganized Company

A number equivalent to the number of Remaining Stock Purchase Warrants held by the Stock Purchase Warrant Holder shall be issued.

(B) Type of Shares of the Reorganized Company Subject to Stock Purchase Warrants

Common shares of the Reorganized Company

(C) Number of Shares of the Reorganized Company Subject to Stock Purchase Warrants

To be determined according to (4) above, after consideration of Corporate Reorganization terms, etc.

(D) Value of Property to be Contributed upon Exercise of Stock Purchase Warrants

The value of property to be contributed upon exercise of each Stock Purchase Warrant right will be the amount obtained by multiplying the payment amount after the Corporate Reorganization stipulated below, by the number of shares of the Reorganized Company, such shares to be issued upon exercise of Stock Purchase Warrants, determined according to (C) above.

(E) Stock Purchase Warrant Exercise Period

The exercise period for Stock Purchase Warrants shall begin with the later of the commencement date of the exercise period for Stock Purchase Warrants stipulated in (6) above or the effective date of Organizational Restructuring, running to the expiration date of the exercise period for Stock Purchase Warrants as stipulated in (6) above.

(F) Matters Concerning the Amounts of Capital and Capital Reserves Increased by the Issuance of Shares upon the Exercise of Stock Purchase Warrants

To be determined in accordance with (7) above.

(G) Restrictions on the Acquisition of Stock Purchase Warrants via Transfer

The acquisition of Stock Purchase Warrants via transfer shall require an approval by resolution of the Board of Directors of the Reorganized Company.

(H) Provisions related to the Acquisition of Stock Purchase Warrants

To be determined in accordance with (9) above.

(I) Other Terms related to Exercise of Stock Purchase Warrants

To be determined in accordance with (12) below.

(11) Arrangements for Fractional Shares Arising from the Exercise of Stock Purchase Warrants

When fractional shares arise in the number of shares granted to a Stock Purchase Warrant Holder after exercising Stock Purchase Warrants, such fractional shares shall be discarded.

(12) Other Terms related to the Exercise of Stock Purchase Warrants

(A) As a rule, Stock Purchase Warrants may be exercised beginning the day following the day on which the individual loses the status of Company director.

(B) In the event that either (i) or (ii) below is deemed applicable (excluding circumstances, however, related to (ii) in which Stock Purchase Warrants of a Reorganized Company are granted to the Stock Purchase Warrant Holder pursuant to (10) above), the Stock Purchase Warrant Holder may exercise Stock Purchase Warrants within the respective specified periods.

(i) When the Stock Purchase Warrant Holder does not exercise purchase warrants by June 30, 2039
From July 1, 2039 to August 17, 2039

(ii) When a measure approving a merger agreement by which the Company is dissolved, an approved measure by which the Company becomes a spin-off company pursuant to a split agreement, or a measure that approves a plan for Company spin-off, or a measure by which the Company becomes a wholly owned subsidiary pursuant to a stock swap agreement or a stock transfer plan is approved by the Company's general shareholders' meeting (or by Company Board of Director resolution when a resolution by the general shareholders' meeting is not required)

Fifteen (15) days beginning on the day following the date of the approved measure in question

(C) In the event that the Stock Purchase Warrant Holder abandons Stock Purchase Warrants, such Stock Purchase Warrants may not be exercised

(D) Any other terms related to the exercise of Stock Purchase Warrants shall be determined according to the “Stock Purchase Warrant Allocation Agreement” executed between the Company and the Stock Purchase Warrant Holder.

(13) Stock Purchase Warrant Payment Amount Calculation Method

Calculated in accordance with the Black-Scholes Model formula below; an amount obtained by multiplying the Number of Granted Shares by the per-share option price, calculated based on the basic values from (B) to (G) below (rounded up to the nearest yen)

$$C = Se^{-qT} N(d) - Xe^{-rT} N(d - \sigma \sqrt{T})$$

where

$$d = \frac{\ln \left(\frac{S}{X} \right) + \left(r - q + \frac{\sigma^2}{2} \right) T}{\sigma \sqrt{T}}$$

(A) Option price per share (C)

(B) Stock Price (S): Closing price in normal trading of the common shares of the Company on the Tokyo Stock Exchange on August 17, 2009 (in the event that there is no closing price, then the settlement price on the prior trading day)

(C) Exercise Price (X): ¥1

(D) Expected Remaining Period (T) : 0.87 years

(E) Volatility (σ): Rate of stock price volatility calculated based on the closing price in normal trading of the common shares of the Company on the last trading day of each week for 0.87 years (from October 6, 2008 to August 10, 2009).

(F) Risk-Free Interest Rate (r): Interest rate of government bonds for the number of years to maturity corresponding to the Expected Remaining Period

(G) Dividend Yield (q): Dividend per share (actual dividend over the previous 12 months (FYE September 2008 interim and FYE March 2009 year-end dividend)) ÷ Stock Price (B) determined above

(H) Cumulative Distribution Function for Standard Normal Distribution (N (·))

The value calculated above is the fair value for the Stock Purchase Warrants.

(14) Stock Purchase Warrants Allocation Date

August 17, 2009

(15) Deadline for Cash Payment in Exchange for Stock Purchase Warrants

August 17, 2009

(16) Payment for the Acquisition of Stock Purchase Warrants

The remuneration rights of the Company director receiving an allotment of Stock Purchase Warrants offsets the payment obligation as stipulated in (13) above for the Stock Purchase Warrants at the time of allotment, in accordance with the provisions of Article 246 Paragraph 2 of the Corporation Law of Japan.

(17) Issuance of Stock Purchase Warrant Certificates

Stock Purchase Warrant certificates shall not be issued.

(18) Location for Delivery of Request to Exercise Stock Purchase Warrants

Company General Affairs Division (or other related department as may be stipulated)

End