



September 3, 2009

Company Name: Leopalace21 Corporation
Representative: Yoshiteru Kitagawa, President and CEO
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Disposal of Treasury Stock through Third-Party Allocation

At a meeting held on September 3, 2009, the Board of Directors of Leopalace21 Corporation (“the Company”) resolved to dispose of treasury stock through a third-party allocation. The details are as follows.

Details

1. Fundamentals

(1)	Date of Disposition	September 18, 2009
(2)	Number of Shares	3,597,100 shares
(3)	Disposition Price	834 yen per share
(4)	Amount of Capital Funds to be Raised	2,999,981,400 yen
(5)	Subscription/ Disposition Method	Disposition through Third-Party Allocation
(6)	Assignee	Sumitomo Mitsui Banking Corporation (Leopalace21 Employee Stockholding Association Trust Account)
(7)	Other	N/A

2. Purpose and Rationale

At a meeting today, the Company’s Board of Directors resolved to adopt an employee stock ownership plan (ESOP) tied to the Leopalace21 Employee Stockholding Association (“Company Stockholding Association”). The intent of this resolution is to strengthen corporate governance by creating a heightened degree of commitment to Company decisions on the part of the Company Stockholding Association, and to raise the morale of Company Stockholding Association members by providing an incentive to work toward greater corporate value (see “Notice of Introduction of an ESOP Aligned with the Employee Stockholding Association” for more regarding the framework of this plan). The disposition of treasury stock will be executed via third-party allocation to Sumitomo Mitsui Banking Corporation (Leopalace21 Employee Stockholding Association Trust Account) as the trustee of the trust (“Trust”), which will be established in connection with the structuring of this ESOP for the purpose of handling the ownership and disposition of company stock.

3. Amount of Capital Funds to be Raised, Usage, and Planned Outlays

(1) Amount of Capital Funds to be Raised (approximate calculation of net proceeds)

2,999,981,400 yen

(2) Specific Usage of Capital Funds Raised

Capital funds raised through the disposition of treasury stock will be used in its entirety as operating capital beginning September 2009.

4. Approach to Usage of Capital Funds

The capital funds raised will be used as a resource for Company business operations management, and is considered to be a reasonable application.

5. Rationality of Disposal Terms and Conditions

(1) Basis and Specific Details for Calculation of Payment Amounts

The payment amount is an amount equivalent to 834 yen, calculated as the average closing price (rounded down to the nearest yen) of Company shares traded on the Tokyo Stock Exchange over the three-month period (June 3, 2009 to September 2, 2009) immediately preceding the Board resolution regarding the disposition in question, in consideration of recent share price fluctuations. The Company believes that using the average closing price over the three-month period immediately preceding the resolution in question is rational in that this method eliminates arbitrariness, special factors, etc.

The payment amount falls within a deviation rate of -0.60% of the closing share price (839 yen) on the day prior to the resolution regarding the disposition in question.

(2) Basis for Determining whether Volume of Disposition and Scope of Stock Dilution is Rational

The number of shares subject to disposition corresponds to the number of shares to be purchased by the Company Stockholding Association through Sumitomo Mitsui Banking Corporation (Leopalace21 Employee Stockholding Association Trust Account) during the term of this Trust arrangement, based on the current annual purchasing history of the Company Stockholding Association. The dilutive effect on the total number of shares issued and outstanding is minimal, at 2.25%. This disposition of treasury stock assumes that through the adoption of this Employee Stockholding Association-linked ESOP, the Assignee will execute sales transactions with respect to the purchase transactions of Company shares conducted by the Company Stockholding Association. As such, this plan will have minimal impact on the secondary market.

Based on the preceding, this disposition of treasury stock is expected to have minimal impact, and is deemed rational by the Company.

6. Reasons for Choice of Assignee

(1) Overview of the Assignee

(A) Name Sumitomo Mitsui Banking Corporation (Leopalace21 Employee Stockholding Association Trust Account)

(B) Trust Agreement Details

Assignor	Leopalace21 Corporation
Trustee	Sumitomo Mitsui Banking Corporation
Beneficiaries	Members of the Company Employee Stockholding Association meeting the prescribed requirements
Date of Trust Agreement	September 3, 2009
Term of Trust Agreement	September 3, 2009 to September 29, 2017

(Reference) Overview of the Trustee

(1)	Name	Sumitomo Mitsui Banking Corporation		
(2)	Head Office	1-1-2 Yurakucho, Chiyoda-ku, Tokyo		
(3)	Name/ Title of Representative	Masayuki Oku, President		
(4)	Business	Bank services, trust services		
(5)	Capital Stock	664,986 million yen		
(6)	Date of Establishment	June 6, 1996		
(7)	No. of Outstanding Shares	Common Stock	56,355,849 shares	
		Preferred Stock (Series 1, Type 6)	70,001 shares	
(8)	Fiscal Year End	March 31		
(9)	No. of Employees	21,816 (as of March 31, 2009)		
(10)	Main Customers	The bank offers a wide range of services to a variety of customers.		
(11)	Main Bank	—		
(12)	Major Shareholders and Ownership Percentages	Sumitomo Mitsui Financial Group 100%		
(13)	Relationship with Leopalace21			
	Equity Relationship	Sumitomo Mitsui Banking Corporation owns 500,000 shares (0.31% of all outstanding shares) of Company stock.		
	Personal Relationships	N/A		
	Business Relations	Banking transactions, trust transactions		
	Relations with Related Parties	N/A		
(14)	Results of Business Operations and Financial Status for the Past Three Years			
	Fiscal Period	FYE March 2007	FYE March 2008	FYE March 2009
	Consolidated Net Assets	5,412,458	5,080,747	4,518,647
	Consolidated Total Assets	98,570,638	108,637,791	115,849,385
	Consolidated Net Assets per Share (yen)	67,823.69	60,442.81	41,492.54
	Consolidated Recurring Revenues	2,925,665	3,411,052	2,989,608
	Consolidated Recurring Income	716,697	734,958	59,285
	Consolidated Net Income (yen)	401,795	351,820	-317,306
	Net Income per Share (yen)	7,072.09	6,132.91	-5,740.34
	Dividends per Share (yen) (Common Stock)	763	1,487	1,638

(units: millions of yen; except as otherwise noted.)

(2) Rationale for Selection of Assignee

In association with the adoption of an Employee Stockholding Association-linked ESOP and pursuant to the aforementioned Trust Agreement, the disposal of Leopalace21 treasury stock is to be executed to the Sumitomo Mitsui Banking Corporation as the Trust trustee.

(3) Assignee Holding Policies

Pursuant to the Trust Agreement above, the Assignee, Sumitomo Mitsui Banking Corporation (Leopalace21 Employee Stockholding Association Trust Account) shall hold stock in question for the duration of this Trust Agreement in order to conduct sales transactions with respect to Company Stockholding Association purchases. While the Assignee is intended to periodically and continually enter into sales transactions of stock categorized as trust assets of the Trust with respect to regularly scheduled purchase transactions by the Company Stockholding Association, in the event that the Assignee transfers, in whole or in part, stock subject to disposition during a period of two (2) years from the date of payment (September 18, 2009), the Assignee agrees to promptly deliver a written report to the Company detailing the name, address, number of shares transferred, date of transfer, transfer price, reason for transfer, and transfer method for the transfer in question.

(4) Confirmation of the Existence of Assignee Assets required for Payments

The Assignee intends to borrow the funds necessary for this payment; the Assignee has confirmed details related to the loan transaction in question through discussions with Sumitomo Mitsui Banking Corporation, the entity lending the funds in question.

7. Major Shareholders and Ownership Percentages after Disposition

Pre-Disposition (as of March 31, 2009)		Post-Disposition	
Yusuke Miyama	13.32%	Yusuke Miyama	13.32%
Japan Trustee Services Bank, Ltd.	8.72%	Japan Trustee Services Bank, Ltd.	8.72%
Leopalace21 Corporation	5.12%	State Street Bank and Trust Company 505223 (Standing Agent: Mizuho Corporate Bank, Ltd., Kabutocho Settlement & Clearing Services Division)	3.86%
State Street Bank and Trust Company 505223 (Standing Agent: Mizuho Corporate Bank Ltd., Kabutocho Settlement & Clearing Services Division)	3.86%	The Master Trust Bank of Japan, Ltd.	3.83%
The Master Trust Bank of Japan, Ltd.	3.83%	Trust & Custody Services Bank, Ltd.	2.96%
Trust & Custody Services Bank, Ltd.	2.96%	Leopalace21 Corporation	2.86%
Toyo Kanetsu K.K.	1.72%	Sumitomo Mitsui Banking Corporation (Leopalace21 Employee Stockholding Association Trust Account)	2.25%
The Chase Manhattan Bank, N.A. London S.L. Omnibus Account (Standing Agent: Mizuho Corporate Bank, Ltd., Kabutocho Settlement & Clearing Services)	1.53%	Toyo Kanetsu K.K.	1.72%
MDI	1.47%	The Chase Manhattan Bank, N.A. London S.L. Omnibus Account (Standing Agent: Mizuho Corporate Bank Ltd., Kabutocho Settlement & Clearing Services Division)	1.53%
Mellon Bank NA as Agent for Its Client Mellon Omnibus US Pension (Standing Agent: Mizuho Corporate Bank Ltd., Kabutocho Settlement & Clearing Services Division)	1.22%	MDI	1.47%

(note) Information regarding major shareholders and ownership percentages after disposition is based on shareholders as of March 31, 2009.

8. Matters related to Transactions with Controlling Shareholders

This transaction does not involve any dealings with controlling shareholders.

9. Future Outlook

The Company does not believe that this transaction will have a significant impact on expected future earnings.

10. Procedures Required under the Corporate Code of Conduct

Since the stock dilution resulting from this transaction is less than 25% and this disposition involves no transfer of controlling shareholders, it is not necessary to execute the procedures set forth in Rule 432 of the Tokyo Stock Exchange Securities Listing Regulations, which requires an independent, unbiased third-party opinion and confirmation of shareholder agreement.

11. Results of Operations and Equity Financing for the Past Three Years

(1) Earnings for the Past Three Years (Consolidated) (units: millions of yen)

	FYE March 2007	FYE March 2008	FYE March 2009
Consolidated Net Sales	631,608	672,973	733,235
Consolidated Operating Income	76,007	71,402	50,156
Consolidated Recurring Income	73,002	60,847	46,785
Consolidated Net Income	37,358	342	9,951
Consolidated Net Income per Share	234.68 yen	2.15 yen	63.54 yen
Dividends per Share	50.00 yen	80.00 yen	30.00 yen
Consolidated Net Assets per Share	1,054.99 yen	1,036.43 yen	967.40 yen

(2) Number of Outstanding Shares and Number of Dilutive Shares (as of September 3, 2009)

	No. of Shares	Percentage of Outstanding Shares
No. of Outstanding Shares	159,543,915 shares	100.0%
No. of Dilutive Shares at the Current Conversion Price (Exercise Price)	178,600 shares	0.1%
Number of Dilutive Shares at the Minimum Conversion Price (Exercise Price)	- shares	- %
Number of Dilutive Shares at the Maximum Conversion Price (Exercise Price)	- shares	- %

(Note) "Dilutive Shares" are those shares related to stock warrant purchase rights (stock options).

(3) Recent Share Price Movements

(A) Share Price Movements for the Past Three Years

(units: yen)

	FYE March 2007	FYE March 2008	FYE March 2009
Opening Price	4,470	3,940	1,641
High	5,150	4,300	2,220
Low	3,250	1,487	505
Closing Price	3,900	1,611	582

(B) Share Price Movements for the Past Six Months

(units: yen)

	March	April	May	June	July	August
Opening Price	532	630	739	839	861	791
High	702	819	885	885	945	999
Low	505	610	730	752	762	787
Closing Price	582	719	839	862	811	842

(C) Share Price on the Day Prior to the Resolution regarding Disposition

(units: yen)

	September 2, 2009
Opening Price	833
High	840
Low	831
Closing Price	839

(4) Equity Financing Position for the Past Three Years

(A) Issuance of Stock Purchase Warrant No. 1 (stock-based compensation stock options)

Allotment Date	August 17, 2009
Payment Amount	827 yen per share
Exercise Price	1 yen per share
No. of Outstanding Shares at Time of Subscription	159,543,915 shares
No. of Shares Issued through Subscription	- shares
No. of Outstanding Shares After Subscription	159,543,915 shares
Eligible Recipients	Ten Company directors
No. of Dilutive Shares through Subscription	107,600 shares
Current Exercise Status	No. of Shares Exercised - shares (Balance 1,076 units)
Current No. of Dilutive Shares	107,600 shares

(B) Issuance of Stock Purchase Warrant No. 1 (stock options)

Allotment Date	August 17, 2009
Payment Amount	N/A
Exercise Price	870 yen per share
No. of Outstanding Shares at Time of Subscription	159,543,915 shares
No. of Shares Issued through Subscription	- shares
No. of Outstanding Shares After Subscription	159,543,915 shares
Eligible Recipients	Thirty-three Company Employees
No. of Dilutive Shares through Subscription	71,000 shares
Current Exercise Status	No. of Shares Exercised - shares (Balance 710 units)
Current No. of Dilutive Shares	71,000 shares

12. Disposition Overview

- (1) Number of Shares 3,597,100 shares
- (2) Disposition Price 834 yen per share
- (3) Total Disposition Price 2,999,981,400 yen
- (4) Disposition Method Transfer to Sumitomo Mitsui Banking Corporation (Leopalace21 Employee Stockholding Association Trust Account).
- (5) Payment Date September 18, 2009
- (6) No. of Treasury Shares After Disposition 4,568,766 shares
- (Does not include fractional shares purchased after September 2, 2009.)

End