FOR IMMEDIATE RELEASE

May 7, 2010

Company Name: **Leopalace21 Corporation**
Representative: Eisei Miyama, President and CEO
Code Number: 8848 (Tokyo Stock Exchange, First Section)
Contact: Masumi Iwakabe, General Manager
Tel: +81-3-5350-0216
E-mail: ir@leopalace21.com

Notice Concerning Formulation of Medium-Term Management Plan

Leopalace21 Corporation (the Company) announced its medium-term management plan "Change for NEXT" in May 2009. However, because the economic slowdown caused by the global financial crisis grew to have an impact on our core businesses that was greater than expected, Leopalace21 recorded its first operating loss since its founding.

Accordingly, based on the earnings performance for the fiscal year ended March 2010, Leopalace21 announces the formulation of a new three-year medium-term management plan to commence in the fiscal year ending March 2011 (from April 2010). An outline of the plan is given below.

The prospects for sustainable recovery in the Japanese economy brightened during the previous fiscal year due to such factors as improvement in overseas economies and the benefits of economic strategies. However, concerns about a second dip still linger, and we feel it best to squarely face the possibility of a business environment marked by long-term deflation.

Leopalace21, in response to such a business environment, will implement a fundamental reform of its business strategies through an ongoing process of selection and concentration. We consider the strengthening of a stable business foundation to be a priority issue, and will restructure our business framework centered on the core Apartment Construction Subcontracting Business, and the Leasing Business.

1. Basic Policies of the Medium-Term Management Plan

Shift to a stable earnings structure with earnings balanced between the Apartment Construction Subcontracting Business and the Leasing Business

We will improve the business structure with a new business model centered on the stock of units under management (Leasing Business division), with the goals of stabilizing earnings and regaining a growth track.

(1) Shift to a focus on the stock of units under management, and improve the earnings balance

Based on our "New Area Strategy" designed to maximize earnings in the Leasing Business, we will establish a sustainable and stable business foundation by achieving an earnings balance between the Apartment Construction Subcontracting Business and the Leasing Business.

(2) Organization restructuring and rebuilding of governance focused on establishing a new earnings management structure

We established a Business Structure Reform Headquarters to clarify responsibilities and authority, and strengthen internal controls. We will promote business restructuring in order to establish an earnings-management structure that achieves balanced earnings in the core businesses overall from the standpoint of the Leasing Business.

(3) Shift to a low-cost structure

We will strategically optimize the highly profitable Apartment Construction Subcontracting Business, and fundamentally revise the cost structure. Specifically, we will lower consolidated SGA expenses from an estimated ¥79.2 billion (SGA ratio of 12.8%) in the fiscal year ended March 2010, to ¥52.7 billion (9.6%) in the fiscal year ending March 2013.

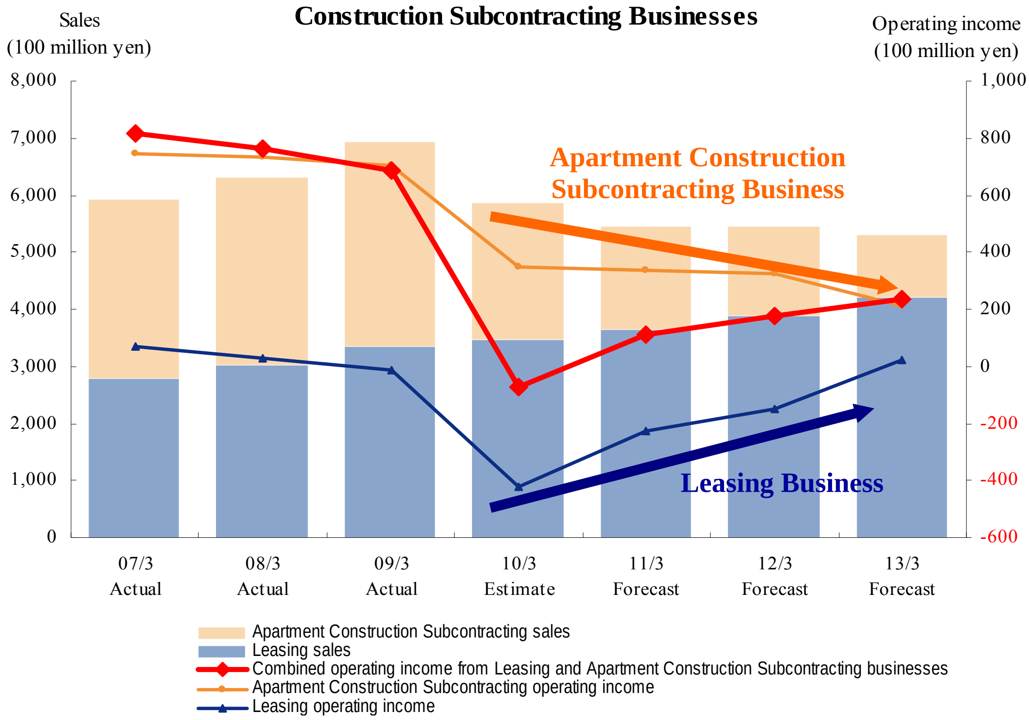
(4) Manage related businesses from the standpoint of concentrating management resources on core businesses

We will manage related businesses with priority on synergy with core businesses, in order to maximize consolidated earnings and efficiency.

(5) Stabilize the financial position

We will continue to focus on *Motazaru Keiei** ("non-ownership management") to tighten the balance sheet, reduce interest-bearing debt, and emphasize cash flow in operations.

Sales and Operating Income from Leasing and Apartment Construction Subcontracting Businesses



*The Company's model for core businesses is based on construction of apartments on behalf of property owners and entering master-lease agreements with these apartment owners. We then lease apartments to individual tenants. This model enables us to continue growing our business and earnings without requiring the Company to own the underlying assets or take on debt.

2. Plan Period

The period of the plan will be from April 2010 to March 2013.

3. Numerical Target Figures (consolidated)

(100 million yen)	FY2010/3 (Estimate)	Medium-Term Management Plan (FY2011/03 – FY2013/03) FY2011/3 (Forecast)	FY2012/3 (Forecast)	FY2013/3 (Forecast)
Net Sales	6,203	5,647	5,606	5,467
Operating income (loss)	(296)	53	117	183
Operating margin	-4.8%	0.9%	2.1%	3.3%
Recurring income (loss)	(337)	34	98	164
Recurring margin	-5.4%	0.6%	1.7%	3.0%
Net income (loss)	(790)	30	52	92
Net margin	-12.7 %	0.5%	0.9%	1.7%
Total assets	3,965	3,540	3,319	3,236
Total net assets	709	736	788	880
Equity ratio	17.9%	20.8%	23.8%	27.2%
ROE	-72.9%	4.0%	6.8%	11.0%
EPS (yen)	-521.41	19.14	34.32	60.72
EBITDA	(234)	112	177	243
EBITDA margin	-3.8%	2.0%	3.2%	4.5%
Orders received	1,677	1,560	1,300	1,000
Orders received outstanding	1,836	1,596	1,336	1,236
Average managed units during FY (thousand units)	532	566	592	613
Average occupancy rate during FY	82.3%	83.7%	84.5%	86.2%

Note: EBITDA = Operating income + Depreciation expenses

4. Business Strategies

(1) Core Businesses Shift business strategy from "Product Out" to "Market Out" model

Develop New Area Strategy rooted in shift to a business model based on the stock of units under management.

i Leasing Business – Develop "New Channel Strategy" in line with New Area Strategy

- ○ Establish priority areas, and strengthen and expand customer attraction capabilities for each sales channel
- ○ Develop new sales channel "Leopalace Partners" system
- ○ Strengthen existing sales channels of overseas branches and outbound telemarketing
- ○ Implement the leasing asset liability management (ALM) system

ii Apartment Construction Subcontracting Business – Pursue “New Product Strategy” in line with New Area Strategy

- ○ Pursue an area-based order volume plan in line with new supply plans
- ○ Strengthen new product lineup and promote regional strategies (LEONEXT series)
- ○ Introduce strategic products for urban areas (Verdure, Leffect)

(2) Related businesses and consolidated subsidiaries

Place priority on concentrating management resources in core businesses. Enhance monitoring of related business to clarify order of priority.

<u>Businesses for Priority Focus</u>

Leopalace Leasing Corporation	Attract corporate clients drawing on synergies with Leasing Business
Leopalace Insurance Co., Ltd.	Expand insurance business linked to Leasing Business, and pursue external sales

<u>Businesses for Enhanced Monitoring</u>

Silver Business	Improve operating rate at existing facilities and strengthen on-site care
Resort Business	Strengthen marketing with travel plans utilizing integrate resort facilities, and implement cost reductions
Domestic Hotel Business	Improve the occupancy rate and cut costs

<u>Businesses for Contraction or Withdrawal</u>

Residential Real Estate Sales Business	Sell existing properties as quickly as possible, and cease new purchases
Leopalace Finance Co., Ltd.	Cease new credit issuances

5. Financial Strategies

(1) Regain focus on *Motazaru Keiei* (“non-ownership management”)

(Curb capital expenditures and promptly dispose of assets with weak connection to core businesses in order to bolster cash flow)

(2) Enhance the soundness of the financial position

(Reduce interest-bearing debt)

6. Promotion of CSR Management

Leopalace21’s CSR Management – Contribute as a corporate citizen to the building of a sustainable society

Four Basic Policies

(1) Provide quality services and comfortable living spaces

(2) Ensure sound and highly transparent business activities

(3) Contribute to local communities and provide a positive work environment

(4) Realize a society conscious of the global environment

END