

November 19, 2010

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### **Capital and Business Alliance with JS Group**

Leopalace21 (the “Company”) hereby announces that the Company and JS Group Corporation (“JS Group”) have entered into a Basic Agreement regarding the Capital and Business Alliance today, agreeing to form a business alliance (the “Business Alliance”), as set forth below, for the purpose of enhancing the corporate value of each company by mutually utilizing their respective management resources and, in conjunction with this Business Alliance, the Company will issue new shares through a third-party allotment to Jyu-seikatsu Realty Corporation, a wholly-owned subsidiary of JS Group (“JS Realty”) (the “Issuance of New Shares through the Third-Party Allotment”) to further strengthen our relationship.

#### 1. Background and Purpose of the Capital and Business Alliance

The Company seeks to change its corporate structure to become more stable with balanced earnings from its two main businesses, apartment construction subcontracting and leasing. As one part of such change, the Company plans to improve profit earnings by centering on the stock of units under management undertaken by the Leasing Business division.

The leasing business of the Company currently manages more than 570,000 properties throughout Japan. We seek to stabilize earnings through efforts in the leasing business, including improving tenants’ satisfaction and expanding Leopalace Partners (i.e., franchise contracts with real estate companies throughout Japan).

On the other hand, JS Group is the largest housing equipment maker in Japan, offering a one-stop shop for housing materials meeting the various needs of its customers and has an outstanding record of providing and refining comfortable living environments and living spaces. Furthermore, JS Group conducts property businesses, such as brokerage services for leased property and management services for corporate housing, through its group company, JS Realty.

Both the Company and JS Group believe that focusing on stock businesses (e.g., leasing and renovation businesses) would enable them to achieve future growth, and they believe that the expansion of business and the enhancement of the corporate value of both companies will be realized by actively cooperating in developing, managing and reforming rental apartments and condominiums as well as in utilizing Leopalace Partners.

## 2. Details of Business Alliance

The Company and JS Realty will enter into a business alliance as detailed below by mutually utilizing and collaborating in areas, such as the stock businesses, products and materials, real estate brokerage network and know-how.

### (1) Leased Property Brokerage Services

In the company housing agency business conducted by JS Realty, JS Realty is expected to preferentially offer to its customers properties that the Company can offer.

The Company and JS Group are expected to have the Company's "Leopalace Partners" and JS Group's "ERA Network" work in a coordinated fashion, with an aim of cooperating to increase profits in their respective leasing business.

### (2) Cooperation in Procurement of Housing Material

JS Group will provide a stable supply of housing material to be used in renovations of the leased properties managed by the Company and the apartment construction subcontracting business of the Company.

### (3) Collaboration in the Design and Development of the Company's New Products

In the apartment construction subcontracting business, the Company and JS Group are expected to collaborate in developing new products from its planning stage aiming for high quality products.

### (4) Collaboration in Various Services to be Provided to the Company's Customers

In the operation of existing services and development of new services provided to the Company's customers, such as apartment owners and residents, the Company and JS Group are expected to cooperate with each other.

## 3. Details of Capital Alliance

### (1) Outline of the Issuance of New Shares through the Third-Party Allotment

The outline of the Issuance of New Shares through the Third-Party Allotment is as follows.

	Description
(i) Type/Number of Shares:	15,900,000 shares of common stock (accounting for 9.06% of the total number of issued shares of the Company, after the Capital Increase through the Third-Party Allotment)
(ii) Amount to Be Paid:	116 yen per share
(iii) Total Amount of Issue Price:	1,844,400,000 yen

- (iv) Amount of Stated Capital and Additional Paid-in Capital to Be Increased: Both the amount of stated capital and the amount of the additional paid-in capital to be increased are 922,200,000 yen
- (v) Method of Offering or Allotment: Issuance of new shares through third-party allotment
- (vi) Subscription Date: Monday, December 20, 2010
- (vii) Payment Date: Tuesday, December 21, 2010
- (viii) Each of the items above is subject to the effectiveness of the securities registration statement filed under the Financial Instruments and Exchange Act of Japan.

(2) Major Shareholders of the Company and Their Shareholding Ratio after the Capital Increase through the Third-Party Allotment

Before the Capital Increase (as of September 30, 2010)		After the Capital Increase	
Yusuke Miyama	10.02%	Yusuke Miyama	9.11%
Japan Trustee Services Bank, Ltd.	7.40%	Jyu-seikatsu Realty Corporation	9.06%
Trust & Custody Services Bank, Ltd.	3.82%	Japan Trustee Services Bank, Ltd.	6.73%
Leopalace21 Corporation	2.86%	Trust & Custody Services Bank, Ltd.	3.48%
Stockholding Association for Leopalace21's Business Connections	2.62%	Leopalace21 Corporation	2.60%
The Master Trust of Japan, Ltd.	1.77%	Stockholding Association for Leopalace21's Business Connections	2.38%
Sumitomo Mitsui Banking Corporation, Trust Account	1.75%	The Master Trust of Japan, Ltd.	1.61%
Toyo Kanetsu K.K.	1.72%	Sumitomo Mitsui Banking Corporation, Trust Account	1.59%
Morgan Stanley & Co. International plc (Standing proxy: Morgan Stanley MUFG Securities Co., Ltd.)	1.41%	Toyo Kanetsu K.K.	1.57%
Deutsche Bank AG London-PB Non-Treaty Clients 613 (Standing proxy: Deutsche Securities Inc.)	1.21%	Morgan Stanley & Co. International plc (Standing proxy: Morgan Stanley MUFG Securities Co., Ltd.)	1.28%

Note: The shareholding ratio before the subscription is based on the register of shareholders as of September 30, 2010.

4. Outline of JS Group and JS Realty

(i) JS Group Corporation

(i) Trade name	JS Group Corporation
(ii) Location	2-1-1, Ojima, Koto-ku, Tokyo
(iii) Representative	Sugino Masahiro, President and Chief Operating Officer
(iv) Principal business	Controlling and managing companies that come to be owned by acquiring the shares of such companies, both domestically and internationally, which operate businesses relating to housing and the urban environment
(v) Stated capital (Note)	68,121 million yen
(vi) Date of incorporation	September 19, 1949

(vii) Total number of issued shares (Note)	313,054,255 shares	
(viii) Fiscal year end	March 31	
(ix) Number of employees (Note)	35,976 (consolidated) (excluding average number of temporary employees: 8,765)	
(x) Major business partners	Not applicable	
(xi) Major banks having transactions with JS Group	The Bank of Tokyo-Mitsubishi UFJ, Ltd. Sumitomo Mitsui Banking Corporation Mitsubishi UFJ Trust and Banking Corporation	
(xii) Major shareholders and their shareholding ratio (Note)	Japan Trustee Services Bank, Ltd. (Trust Account)	5.72%
	The Master Trust Bank of Japan, Ltd. (Trust Account)	4.31%
	The Nomura Trust & Banking Co., Ltd. (Trust Account)	3.88%
	The Dai-ichi Mutual Life Insurance Company (Standing proxy: Trust & Custody Services Bank, Ltd.)	2.07%
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	2.05%
	Japan Trustee Services Bank, Ltd. (Trust Account 9)	2.02%
	Nippon Life Insurance Company	1.98%
	Sumitomo Mitsui Banking Corporation	1.70%
	Tostem Foundation for Construction Materials Industry Promotion	1.59%
(xiii) Relationship between the Company and JS Group (Note)	Capital relationship	Not applicable
	Personnel relationship	Not applicable
	Business relationship	Not applicable
	Related party relationship	Not applicable

(xiv) Results of operations and financial condition for the last three (3) years  
(Million yen, unless otherwise specified)

Fiscal year	Year ended/As of March 31		
	2008	2009	2010
Consolidated net assets	556,117	533,073	516,321
Consolidated total assets	1,061,035	1,048,837	1,033,503
Consolidated net assets per share (yen)	1,983.79	1,903.69	1,842.78
Consolidated net sales	1,103,839	1,046,854	982,606
Consolidated operating income	35,737	25,603	25,983
Consolidated ordinary income	37,716	22,179	27,857
Consolidated net income	17,708	474	-5,331
Consolidated net income per share (yen)	61.20	1.70	-19.12
Dividend per share (yen)	40	40	40

Note: Stated capital, total number of issued shares, number of employees, and major shareholders and their shareholding ratio described above are current as of March 31, 2010, while Relationship between the Company and JS Group described above is current as of November 19, 2010.

(ii) Jyu-seikatsu Realty Corporation

(i) Trade name	Jyu-seikatsu Realty Corporation	
(ii) Location	14-15, Odenma-cho, Nihonbashi, Chuo-ku, Tokyo	
(iii) Representative	Susumu Ando, Representative Director and President	
(iv) Principal business	Property management, renovation, brokerage, ERA Real Estate Franchising (a U.S.-based real estate brokerage franchise operator that manages a network in more than 50 countries and regions around the world), housing construction	
(v) Stated capital (Note)	160 million yen	
(vi) Date of incorporation	September 1, 1993	
(vii) Total number of issued shares (Note)	8,000 shares	
(viii) Fiscal year end	March 31	
(ix) Number of employees (Note)	101	
(x) Major business partners	ERA franchisees	
(xi) Major banks having transactions with JS Realty	Sumitomo Mitsui Banking Corporation	
(xii) Major shareholders and their shareholding ratio (Note)	JS Group Corporation	100%
(xiii) Relationship between the Company and JS Realty (Note)	Capital relationship	Not applicable
	Personnel relationship	Not applicable
	Business relationship	The Company consigns the brokerage business to conclude leasing contracts for leasing property under the management of the Company.
	Related party relationship	Not Applicable

(xiv) Results of operations and financial condition for the last three (3) years

(Thousand yen, unless otherwise specified)

Fiscal year	Year ended/As of March 31		
	2008	2009	2010
Net assets	865,277	749,411	770,665
Total assets	7,102,906	11,046,403	13,585,318
Net assets per share (yen)	108,159.6	93,676.4	96,333.1
Net sales	4,832,623	1,970,017	2,355,823
Operating income	551,577	140,168	200,571
Ordinary income	491,788	28,702	47,331
Net income	289,303	13,734	27,413
Net income per share	36,162.9	1,716.8	3,426.7

(yen)			
Dividend per share (yen)	16,200	770	3,420

Note: Stated capital, total number of issued shares, number of employees, and major shareholders and their shareholding ratio described above are current as of March 31, 2010, while Relationship between the Company and JS Realty described above is current as of November 19, 2010.

5. Schedule

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| (i) Board of Directors' Meeting  | Friday, November 19, 2010 |
| (ii) Execution of Basic Agreement<br>regarding Capital and Business Alliance | Friday, November 19, 2010 |

6. Future Prospects

We believe that the Capital and Business Alliance would have only a minor impact on our business results for the year ending on March 31, 2011. Although we are still assessing its impact on future business results and future prospects, we will vigorously promote cooperation with JS Group to achieve the effects of the alliance as early as possible.

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