



July 28, 2009

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Issuance of Stock Purchase Warrants (Stock Options)

At a meeting today, the Board of Directors of Leopalace21 Corporation (“the Company”) resolved to issue Stock Purchase Warrants to Company executive officers (excluding directors; same below), employees, and directors of major Company subsidiaries (“Employees,” hereafter) under the provisions of Articles 236, 238 and 239 of the Corporation Law of Japan, as described below.

Details

1. Reason for Issuing Stock Purchase Warrants under Particularly Favorable Terms

The Company has decided to issue Stock Purchase Warrants gratis in order to implement a stock option system, the objective of which is to increase Employee motivation and morale.

2. Overview of Stock Purchase Warrant Issuance

(1) Identification of Stock Purchase Warrant

Leopalace21 Corporation Stock Purchase Warrant No. 1

(2) Total Number of Stock Purchase Warrants

720 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

Thirty-four (34) Company Employees; 720 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 per share (“Exercise Price”) received in at the time of Stock Purchase Warrant exercise multiplied by the Number of Granted Shares.

The Exercise Price shall be an amount equivalent to the average daily closing price for regular purchase transactions of Company common shares on the Tokyo Stock Exchange for each day of the month prior to the Stock Purchase Warrant Allocation Date (excluding days having no completed transactions), multiplied by 1.05. Fractions of less than one yen shall be rounded up to the nearest yen.

However, in the event that this amount is less than the closing price on the Allocation Date, such amount shall be deemed to be the closing price on the Allocation Date.

If, subsequent to the Allocation Date, the Company engages in a common share split or reverse-split, the Exercise Price shall be adjusted according to the following formula. Amounts of less than one yen resulting from the adjustment shall be rounded up to the nearest yen.

$$\begin{array}{c} \text{Exercise} \\ \text{Price} \\ \text{After} \\ \text{Adjustment} \end{array} = \begin{array}{c} \text{Exercise} \\ \text{Price} \\ \text{Prior to} \\ \text{Adjustment} \end{array} \times \frac{1}{\text{Ratio of Split or Reverse Split}}$$

If, subsequent to the Allocation Date, new shares of stock are issued at prices less than the fair market value of Company common shares, or if treasury stock is disposed of, the Exercise Price shall be adjusted according to the following formula. Amounts of less than one yen resulting from the adjustment shall be rounded up to the nearest yen. If, however, the issuance of new stock or disposal of treasury stock is related to the exercise of Stock Purchase Warrants, no adjustment shall be made to the payment amount.

$$\begin{array}{c} \text{Exercise} \\ \text{Price} \\ \text{After} \\ \text{Adjustment} \end{array} = \begin{array}{c} \text{Exercise} \\ \text{Price Prior} \\ \text{to} \\ \text{Adjustment} \end{array} \times \frac{\begin{array}{c} \text{No. of} \\ \text{Shares} \\ \text{Issued} \end{array} + \frac{\begin{array}{c} \text{No. of Newly Issued Shares} \times \text{Amount to be} \\ \text{Paid per Share} \end{array}}{\text{Fair Market Value}}}{\begin{array}{c} \text{No. of Shares Issued} + \text{No. of Newly Issued Shares} \end{array}}$$

The “No. of Shares Issued” in the formula above shall be the number of shares less the number of shares of treasury stock held by the Company. In the event of a disposal of treasury stock, the “No. of Newly Issued Shares” shall be regarded as the “No. of Treasury Shares to be Disposed.”

If, subsequent to the Allocation Date, the Company enters into a merger, demerger, or stock swap, or in any other event necessitating a similar adjustment to Exercise Price, an Exercise Price adjustment may be made as deemed necessary by the Company Board of Directors.

(6) Stock Purchase Warrant Exercise Period

From August 18, 2011 to June 27, 2019

(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
- (A) The Company may acquire the Stock Purchase Warrants in question without compensation in the event that a Stock Purchase Warrant holder loses their standing to exercise said Stock Purchase Warrants according to (12) (A) below.
- (B) 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 amount of the Exercise Price after the Corporate Reorganization obtained by adjusting the Exercise Price stipulated in (5) above, considering the terms of the Corporate Reorganization, 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) Only those Stock Purchase Warrant Holders who have standing as a Company or Company subsidiary director, corporate auditor or employee at the time of the exercise of such Stock Purchase Warrants may exercise Stock Purchase Warrants. Provided, however, that the preceding shall not apply to Company or Company subsidiary directors or corporate auditors who have retired at the end of their respective tenures, or to employees who have retired due to mandatory retirement rules.
 - (B) Stock Purchase Warrants may not be inherited.
 - (C) 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
No financial payment shall be required
- (14) Stock Purchase Warrant Allocation Date
August 17, 2009
- (15) Issuance of Stock Purchase Warrant Certificates
Stock Purchase Warrant certificates shall not be issued.
- (16) Location for Delivery of Request to Exercise Stock Purchase Warrants
Company General Affairs Division (or other related department as may be stipulated)

End