

February 13, 2012

Company Name: **Leopalace21 Corporation**
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Issuance of 1st to 3rd Series of Stock Acquisition Rights (with option to reset strike price) through Third Party Allotment (Target Issue Program “TIP” subject to Issuer’s approval for exercise)

Leopalace21 announced that its Board of Directors meeting held on February 10, 2012 resolved the issuance of 1st to 3rd series of stock acquisition rights (“SARs”) through third party allotment to Deutsch Bank AG, London Branch (“DBL”) and to enter into agreement with DBL with respect to the SARs after the relevant Securities Registration Statement becomes effective pursuant to the Financial Instruments and Exchange Law.

1. Outline of the Issuance

1. Issue date:	February 27, 2012
2. Total number of the SARs to be issued:	Total 42,000,000: 3 series of 14,000,000 each
3. Issue price:	Total JPY 8,988,000 (1 st issuance JPY 0.221 per SAR, 2 nd issuance JPY 0.214 per SAR, 3 rd issuance JPY 0.207 per SAR)
4. Number of underlying shares for the SARs to be issued:	42,000,000 shares (one share for each SAR) Maximum strike price: n/a Minimum strike price: JPY 150
5. Funds to be raised:	JPY 12,600,000,000 *
6. Strike price and conditions for resetting	Initial strike price 1 st issuance JPY 250 2 nd issuance JPY 300 3 rd issuance JPY 350 On or after February 27, 2012, when it becomes necessary to raise funds Leopalace21 has the option to reset the strike price through the resolution of the Board of Directors. The resolution is immediately notified to holders of the SARs, and after such resolution on each business day the strike price of the SARs is reset to 92% of the closing price of the shares of Leopalace21 on the previous business day (rounded down to the nearest yen). The strike price will not be reset below the minimum strike price of JPY 150.

7. Method of allotment	Third party allotment
8. Allottee	Deutsch Bank AG, London Branch
9. Other	Leopalace21 plans to conclude the stock acquisition rights purchase agreement (Target Issue Program “TIP” subject to Issuer’s approval for exercise, the “Purchase Agreement”) with DBL with respect to the SARs after the relevant Securities Registration Statement becomes effective pursuant to the Financial Instruments and Exchange Law. Under the Purchase Agreement DBL is required to obtain the approval of Leopalace21 to exercise the SARs and when the approval is granted DBL may exercise the SARs within 20 business days up to the number of the SARs specified in the approval (14,000,000 or less). The transfer of SARs needs the approval of the Board of Directors.

*The amount of funds raised is the sum of the total issue price of the SARs and the funds a holder of the SARs must pay if it exercises all of the SARs, less estimated expenses related to issuance. In the case the strike price is reset, the amount of funds raised may increase or decrease. If the SARs are not exercised during the exercise period, or if Leopalace21 wants to cancel the SARs it acquired, the amount of funds raised will decrease.

	1 st Series	2 nd Series	3 rd Series
Total number of issues	14,000,000	14,000,000	14,000,000
Total issue price	JPY 3,094,000	JPY 2,996,000	JPY 2,898,000
Issue price	JPY 0.221	JPY 0.214	JPY 0.207
Strike price	JPY 250	JPY 300	JPY 350
Strike price reset clause	Yes	Yes	Yes
Exercise period	3 years	3 years	3 years
Issuer’s approval for exercise clause	Yes	Yes	Yes

2. Background and Purpose of the Issuance

As a result of the global financial crisis following the subprime mortgage crisis of 2007 and the collapse of Lehman Brothers in August 2008, Leopalace21’s Construction business experienced numerous project cancellations, due to the inability to offer non-recourse loans and the financial institutions becoming much more severe in their screening of loan applications. The Leasing business, another core business of the company, suffered a sharp decline in occupancy rates from large manufacturers making sudden, large-scale layoffs of temporary and contract workers due to production cutbacks. This financial crisis greatly impacted our business results, and in the fiscal year ending March 2010, the Company recorded its first operating loss since its founding.

In response to such a business environment, the Company implemented a fundamental reform of

its business strategies, shifting from a business model relying on high construction profits to a stable profit structure with earnings balanced between the core businesses. Specific strategies include “enhancing property value” through installments of solar power and security systems, “cost cuts” such as optimizing apartment management costs and rent payments to owners, and “increasing customer marketing” by strengthening franchise offices and corporate sales.

The issuance of the SAR makes strategic appropriation toward the Company’s capital investments possible, since the issuance has the advantage of being able to raise funds flexibly based on the Company’s funding requirements. Proceeds will be used for IT system development and investments in the Leasing business, such as “enhancing property value” by reconstructing apartments.

3. Outline of Deutsche Bank AG, London Branch

Representative: Josef Ackerman
Headquarters: Winchester House, 1 Great Winchester Street, London EC2N 2DB, United Kingdom
Foundation: March 10, 1870
Principal business: Banking

This translation is prepared for information purposes only. In the event of any inconsistency, the original terms in Japanese language should prevail.