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Notice Concerning Reduction of Legal Capital Surplus and Appropriation of Surplus

Leopalace21 Corporation (“the Company”) announces that, at the meeting of its Board of Directors held on May 11, 2015, it was resolved to present “Reduction of legal capital surplus and appropriation of surplus” to the 42nd ordinary meeting of shareholders that is scheduled to be held on June 26, 2015. Details are as follows.

1. Purpose of reduction of legal capital surplus and appropriation of surplus

The Company aims to cover the deficit in retained earnings brought forward, adopt flexible and expeditious capital policies in the future, and secure a structure in which dividend payments will be resumed as soon as possible.

2. Outline of reduction of legal capital surplus

Based on the provisions set forth in paragraph 1 of Article 448 of the Companies Act, the Company will reverse ¥5,071,334,538 from a legal capital surplus of ¥50,306,602,703 to be transferred to other capital surplus, making the legal capital surplus ¥45,235,268,165 after the reduction.

3. Outline of appropriation of surplus

Based on the provisions set forth in Article 452 of the Companies Act, the Company will cover the deficit by transferring other capital surplus to retained earnings brought forward.

- (1) Account and amount of surplus decrease
Other capital surplus: ¥6,266,172,256
- (2) Account and amount of surplus increase
Retained earnings brought forward: ¥6,266,172,256

4. Schedule for reduction of legal capital surplus and appropriation of surplus

- (1) Date of resolution at the meeting of the Board of Directors: May 11, 2015
- (2) Date of resolution at the meeting of shareholders: June 26, 2015 (scheduled)
- (3) Effective date: June 26, 2015 (scheduled)

Because this accounting is applicable to the requirements set forth in the provision of paragraph 1 of Article 449 of the Companies Act, no procedures take place for creditors making objections.

5. Future outlook

Because this accounting is the reclassification of the accounts under “Net assets” and there are no changes in the Company’s amount of net assets, there is no impact on the Company’s results. Moreover, the matters as described above are conditional on approval and resolution at the 42nd ordinary meeting of shareholders that is scheduled to be held on June 26, 2015.