Consolidated Financial Statements (Japanese Accounting Standard)

February 13, 2026

(For the nine months ended December 31, 2025)

Name of Company Listed: **Leopalace21 Corporation** Stock Listing: Tokyo Stock Exchange
Code Number: 8848 URL: https://www.leopalace21.co.jp/english/ Location of Head Office: Tokyo
Representative: Position: President and CEO Name: Bunya Miyao
Name of Contact Person: Position: Director, Executive Officer and Chief of the Corporate Management Headquarters
Name: Shinji Takekura Telephone: +81-50-2016-2907
Scheduled Date of Commencement of Dividend Payments: –
Supplemental Explanatory Material Prepared: Yes
Results Briefing Held: Yes (for institutional investors and security analysts)

1. Results for the Nine Months ended December 31, 2025 (April 1, 2025 – December 31, 2025)

(1) Consolidated financial results (Amounts less than JPY 1 million are omitted)

(The percentage figures indicate rate of gain or loss compared with the same period in the last fiscal year)

	Net sales		Operating profit		Recurring profit		Net income attributable to shareholders of the parent	
	JPY million	%	JPY million	%	JPY million	%	JPY million	%
Nine months ended December 31, 2025	332,710	2.7	28,645	12.5	27,813	11.8	10,014	(34.9)
Nine months ended December 31, 2024	323,970	2.3	25,456	27.2	24,880	50.2	15,391	3.4

(Note) Comprehensive income in the nine months ended December 31, 2025: JPY 8,874 million [(44.8)%]
Comprehensive income in the nine months ended December 31, 2024: JPY 16,084 million [(12.3)%]

	Net income per share	Diluted net income per share
	JPY	JPY
Nine months ended December 31, 2025	29.88	27.11
Nine months ended December 31, 2024	48.45	35.34

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	JPY million	JPY million	%
As of December 31, 2025	164,147	39,347	20.6
As of March 31, 2025	216,625	88,268	37.5

(Reference) Ownership equity as of December 31, 2025: JPY 33,839 million; as of March 31, 2025: JPY 81,269 million

2. Dividend Status

	Dividend per share				
	End of Q1	End of Q2	End of Q3	End of FY	Annual
	JPY	JPY	JPY	JPY	JPY
FY ended March 31, 2025	–	5.00	–	5.00	10.00
FY ending March 31, 2026	–	5.00	–		
FY ending March 31, 2026 (Estimate)				5.00	10.00

(Note) Change from the latest dividend forecast: No

3. Consolidated Earnings Forecasts for the Fiscal Year ending March 31, 2026 (April 1, 2025 – March 31, 2026)

(The percentage figures for full fiscal year indicate rate of gain or loss compared with the previous full fiscal year.)

	Net sales		Operating profit		Recurring profit		Net income attributable to shareholders of the parent		Net income per share
	JPY million	%	JPY million	%	JPY million	%	JPY million	%	JPY
FY ending March 31, 2026	444,100	2.8	34,800	19.1	33,000	22.5	13,000	(27.2)	38.79

(Note) Change from the latest earnings forecast: No

(Notes)

(1) Significant changes in the scope of consolidation during the period: No

(2) Use of accounting procedures specific to the preparation of quarterly consolidated financial statements: Yes

(Note) For details, please refer to 2. Consolidated Financial Statements and Notes (3) Notes Regarding Consolidated Financial Statements (Application of accounting methods specific to the preparation of quarterly consolidated financial statements) in p. 10.

(3) Changes in accounting policies, procedures or reporting methods used in preparation of financial statements and restatements

(i) Changes in accounting policies accompanying revision of accounting standards, etc.: No
(ii) Changes in accounting policies other than (i) above: No
(iii) Changes in accounting estimates: No
(iv) Restatements: No

(4) Total number of outstanding shares (common stock)

(i) Total number of outstanding shares at term end (including treasury stock)
As of December 31, 2025: 334,415,678 shares, As of March 31, 2025: 329,389,515 shares
(ii) Total treasury stock at term end
As of December 31, 2025: 16,711,984 shares, As of March 31, 2025: 11,694,621 shares
(iii) Average number of outstanding shares during the period
Nine months ended December 31, 2025: 335,142,379 shares, Nine months ended December 31, 2024: 317,695,062 shares

– Review of the Japanese-language originals of the attached quarterly consolidated financial statements by certified public accountants or an audit firm: No

– Explanation on the proper use of the business forecasts, and other special notices:

(Note on the business forecasts and other forward-looking statements)

The business forecasts and other forward-looking statements contained in this report are based on information currently available to Leopalace21 (hereinafter the "Company") and on certain assumptions that the Company has judged to be reasonable. Readers should be aware that a variety of factors might cause actual results to differ significantly from these forecasts. Please refer to "1. Summary of Business Results, (3) Explanation of Consolidated Earnings Forecasts and Other Forward-Looking Statements" on p. 5 of the attached document for the assumptions used in forecasting business results and precautions regarding the use of business results forecasts.

(Method for the acquisition of supplemental explanatory material)

Supplemental Explanatory Material is planned to be posted on the Company's website on February 13, 2026.

[Table of Contents]

1. Summary of Business Results 4
(1) Analysis of Business Results 4
(2) Analysis of Consolidated Financial Position 5
(3) Explanation of Consolidated Earnings Forecasts and Other Forward-Looking Statements 5
2. Consolidated Financial Statements and Notes 6
(1) Consolidated Balance Sheets 6
(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income 8
Consolidated Statements of Income 8
Consolidated Statements of Comprehensive Income 9
(3) Notes Regarding Consolidated Financial Statements 10
(Notes regarding the premise of the Company as a going concern) 10
(Notes related to the significant changes in the amount of shareholders equity) 10
(Application of accounting methods specific to the preparation of quarterly consolidated financial statements) 10
(Notes regarding the consolidated statements of cash flows) 10
(Segment Information) 11
(Significant subsequent events) 13

1. Summary of Business Results

(1) Analysis of Business Results

(JPY million)

	Nine months ended December 31, 2025	Nine months ended December 31, 2024	Difference	Percentage change
Net sales	332,710	323,970	+8,739	+2.7%
Cost of sales	264,968	264,482	+485	+0.2%
Gross profit (ratio)	67,742 (20.4%)	59,488 (18.4%)	+8,254	+13.9% (+2.0 p)
Selling, general and administrative expenses	39,097	34,031	+5,066	+14.9%
Operating profit (loss) (ratio)	28,645 (8.6%)	25,456 (7.9%)	+3,188	+12.5% (+0.7 p)
EBITDA (Operating profit (loss) + Depreciation)	31,054	28,131	+2,923	+10.4%
Recurring profit (loss)	27,813	24,880	+2,932	+11.8%
Net income (loss) attributable to shareholders of the parent	10,014	15,391	(5,376)	(34.9)%

For Q3 of the fiscal year ending March 2026, net sales increased by 2.7% YoY to JPY 332,710 million, due to an increasing trend in the average unit rent. Operating profit increased by 12.5% YoY to JPY 28,645 million, as the improvement of profitability due to increased revenue and reduced cost of sales outweighed the increase in SG&A expenses associated with human capital investment, such as an increase in the number of employees and improvements to workers' conditions. EBITDA increased by 10.4% YoY to JPY 31,054 million, and recurring profit increased by 11.8% YoY to JPY 27,813 million, both progressing smoothly.

On the other hand, net income attributable to shareholders of the parent was JPY 10,014 million, down 34.9% YoY, mainly due to the recording of JPY 10,068 million in extraordinary losses related to the loss on cancellation of treasury stock acquisition rights.

Results by segment are as follows:

(JPY million)

	Net sales			Operating profit (loss)		
	Nine months ended December 31, 2025	Nine months ended December 31, 2024	Difference	Nine months ended December 31, 2025	Nine months ended December 31, 2024	Difference
Leasing Business	321,222	312,649	+8,572	34,747	31,746	+3,001
Elderly Care Business	10,334	10,372	(37)	(736)	(597)	(139)
Other Businesses	1,153	948	+204	(1,965)	(1,825)	(139)
Adjustments	–	–	–	(3,400)	(3,866)	+466
Total	332,710	323,970	+8,739	28,645	25,456	+3,188

(i) Leasing Business

During Q3 of the fiscal year ending March 2026, the occupancy rate at the end of the period was 84.14% (down 0.28 points from the end of the same period of the previous fiscal year), with an average occupancy rate of 85.36% (no change from the end of the same period of previous fiscal year). The index of average unit rent for new contracts (the index in April 2016 deemed to be 100) at the end of the period was 118, up 7 points from the end of the same period of the previous fiscal year.

Consequently, net sales for Q3 of the fiscal year ending March 2026 increased by 2.7% YoY to JPY 321,222 million due to elevated average unit rent and other factors. Operating profit was JPY 34,747 million, a growth of 9.5% YoY, due to increased revenue, declined cost of rent payment to the apartment owners, the reversal of provision for apartment vacancy loss, and other factors.

(ii) Elderly Care Business

For Q3 of the fiscal year ending March 2026, net sales decreased by 0.4% YoY to JPY 10,334 million and operating loss amounted to JPY 736 million, an increase in loss of JPY 139 million YoY.

The number of facilities at the end of the period was 85.

(iii) Other Businesses

For Q3 of the fiscal year ending March 2026, net sales increased by 21.5% YoY to JPY 1,153 million and operating loss amounted to JPY 1,965 million, an increase in loss of JPY 139 million YoY.

(2) Analysis of Consolidated Financial Position

(JPY million)

	December 31, 2025	March 31, 2025	Difference	Percentage change
Assets	164,147	216,625	(52,477)	(24.2)%
Liabilities	124,799	128,356	(3,556)	(2.8)%
Net assets	39,347	88,268	(48,921)	(55.4)%
Equity ratio	20.6%	37.5%	–	(16.9)p

Assets at the end of Q3 of the fiscal year ending March 2026 were JPY 164,147 million, a decrease of JPY 52,477 million from the end of the previous fiscal year. This was mainly due to decreases of JPY 41,893 million in cash and deposits, JPY 1,097 million in trade receivables, JPY 1,870 million in buildings and structures (net), and JPY 6,333 million in deferred tax assets.

Total liabilities amounted to JPY 124,799 million, a reduction of JPY 3,556 million from the end of the previous fiscal year. This was mainly due to decreases of JPY 4,736 million in accounts payable - other, JPY 2,672 million in advances received and long-term advances received, and JPY 775 million in provision for apartment vacancy loss, whereas provision for bonus payment increased by JPY 3,437 million and provision for stock benefits increased by JPY 1,259 million.

Total net assets decreased by JPY 48,921 million from the end of the previous fiscal year to JPY 39,347 million. This was mainly due to a decrease of JPY 15,105 million in capital surplus (an increase of JPY 19,234 million due to a capital reduction after issuance of new shares, an increase of JPY 679 million due to the disposal of treasury stock to a stock grant trust, and a decrease of JPY 35,017 million due to the cancellation of treasury stock), a decrease of JPY 26,059 million in retained earnings (an increase of JPY 10,014 million due to the recording of net income attributable to shareholders of the parent, a decrease of JPY 32,820 million due to the cancellation of treasury stock, and a decrease of JPY 3,253 million due to payment of dividends), an increase of JPY 4,389 million in treasury stock (including an increase of JPY 71,552 million due to a tender offer, an increase of JPY 679 million in the book value in the trust, and a decrease of JPY 67,837 million due to cancellation), and a decrease of JPY 1,842 million in foreign currency translation adjustments due to the appreciation of the yen.

The equity ratio decreased to 20.6%, a 16.9-point decrease from the end of the previous fiscal year.

(3) Explanation of Consolidated Earnings Forecasts and Other Forward-Looking Statements

Concerning consolidated earnings forecasts for the fiscal year ending March 2026, the Company confirms that there are no changes to the forecasts for the full FY ending March 2026 that were announced on November 14, 2025 in “Notice Concerning Differences between Earnings Forecasts and Actual Results for the First Half and Revisions of Earnings Forecasts for FY2025.”

This forward-looking statement is based on the information which is available on the date of release, but actual results may differ significantly from these forecasts due to various factors.

2. Consolidated Financial Statements and Notes

(1) Consolidated Balance Sheets

(JPY million)

	December 31, 2025	March 31, 2025
<Assets>		
Current assets		
Cash and deposits	46,515	88,408
Trade receivables	6,815	7,913
Accounts receivable for completed projects	1,377	1,085
Securities	–	100
Real estate for sale	518	174
Costs on construction contracts in progress	690	229
Prepaid expenses	2,479	2,198
Others	5,564	6,236
Allowance for doubtful accounts	(3,083)	(3,129)
Total current assets	**60,876**	**103,215**
Non-current assets		
Property, plant and equipment		
Buildings and structures (net)	17,586	19,456
Machinery, equipment and vehicles (net)	4,536	5,009
Land	31,813	32,410
Leased assets (net)	1,531	1,358
Construction in progress	247	269
Others (net)	276	470
Total property, plant and equipment	**55,991**	**58,974**
Intangible assets		
Others	939	1,002
Total intangible assets	**939**	**1,002**
Investments and other assets		
Investment securities	4,566	4,616
Long-term loans	470	486
Long-term prepaid expenses	1,429	1,418
Deferred tax assets	36,643	42,977
Others	5,601	6,226
Allowance for doubtful accounts	(2,373)	(2,292)
Total investments and other assets	**46,339**	**53,432**
Total non-current assets	**103,270**	**113,409**
Total assets	**164,147**	**216,625**

(JPY million)

	December 31, 2025	March 31, 2025
<Liabilities>		
Current liabilities		
Accounts payable	8,597	8,689
Accounts payable for construction contracts	252	424
Short-term borrowings	30,000	30,000
Lease obligations	470	398
Accounts payable – other	5,173	9,909
Accrued income taxes	594	401
Advances received	34,278	36,493
Customer advances for construction contracts in progress	831	340
Provision for bonus payment	3,437	–
Provision for warranty obligations on completed projects (short-term)	1,816	1,834
Provision for losses on construction contracts	–	8
Provision for apartment vacancy loss (short-term)	2,785	3,216
Provision for fulfillment of guarantees	688	759
Others	3,236	2,868
Total current liabilities	**92,163**	**95,343**
Non-current liabilities		
Lease obligations	1,358	1,232
Long-term advances received	4,564	5,021
Lease/guarantee deposits received	5,995	6,424
Provision for warranty obligations on completed projects	4,776	5,343
Provision for apartment vacancy loss	775	1,121
Provision for stock benefits	2,214	954
Liability for retirement benefits	10,633	10,380
Others	2,319	2,536
Total non-current liabilities	**32,636**	**33,013**
Total liabilities	**124,799**	**128,356**
<Net assets>		
Shareholders' equity		
Common stock	100	100
Capital surplus	15,015	30,120
Retained earnings	21,430	47,490
Treasury stock	(8,749)	(4,359)
Total shareholders' equity	**27,796**	**73,350**
Accumulated other comprehensive income		
Net unrealized gains (losses) on other securities	(197)	(151)
Foreign currency translation adjustments	6,279	8,122
Remeasurements of defined benefit plans	(39)	(51)
Total accumulated other comprehensive income	**6,043**	**7,918**
Share subscription rights	22	391
Non-controlling interests	5,485	6,607
Total net assets	**39,347**	**88,268**
Total liabilities and net assets	**164,147**	**216,625**

(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

Consolidated Statements of Income

(JPY million)

	Nine months ended December 31, 2025 (Apr 2025–Dec 2025)	Nine months ended December 31, 2024 (Apr 2024–Dec 2024)
Net sales	**332,710**	**323,970**
Cost of sales	**264,968**	**264,482**
Gross profit	**67,742**	**59,488**
Selling, general and administrative expenses	**39,097**	**34,031**
Operating profit (loss)	**28,645**	**25,456**
Non-operating income		
Interest income	38	35
Dividend income	93	87
Gain on valuation of investment securities	86	81
Foreign exchange gain	377	143
Share of profit of entities accounted for using equity method	–	34
Others	343	221
Total non-operating income	**938**	**603**
Non-operating expenses		
Interest expenses	700	1,122
Commission fee	660	–
Funding costs	257	–
Stock granting expenses	83	–
Share of loss of entities accounted for using equity method	27	–
Others	41	57
Total non-operating expenses	**1,770**	**1,180**
Recurring profit (loss)	**27,813**	**24,880**
Extraordinary income		
Gain on sale of property, plant and equipment	63	65
Gain on reversal of share subscription rights	150	–
Reversal of provision for losses related to repairs	–	1,198
Total extraordinary income	**213**	**1,263**
Extraordinary losses		
Loss on sale of property, plant and equipment	0	–
Loss on retirement of property, plant and equipment	6	8
Impairment loss	78	–
Loss on change in equity	–	7
Loss on cancellation of treasury stock acquisition rights	10,068	–
Total extraordinary losses	**10,153**	**15**
Income (loss) before income taxes	**17,873**	**26,128**
Income taxes	**7,123**	**10,004**
Net income (loss)	**10,750**	**16,124**
Net income (loss) attributable to non-controlling interests	**735**	**732**
Net income (loss) attributable to shareholders of the parent	**10,014**	**15,391**

Consolidated Statements of Comprehensive Income

(JPY million)

	Nine months ended December 31, 2025 (Apr 2025–Dec 2025)	Nine months ended December 31, 2024 (Apr 2024–Dec 2024)
Net income (loss)	**10,750**	**16,124**
Other comprehensive income		
Net unrealized gains (losses) on other securities	(45)	(33)
Foreign currency translation adjustments	(1,842)	(19)
Remeasurements of defined benefit plans	12	13
Total other comprehensive income	**(1,875)**	**(39)**
Comprehensive income	**8,874**	**16,084**
(Breakdown)		
Comprehensive income attributable to shareholders of the parent	8,139	15,351
Comprehensive income attributable to non-controlling interests	735	732

(3) Notes Regarding Consolidated Financial Statements

(Notes regarding the premise of the Company as a going concern)

There are no relevant items.

(Notes related to the significant changes in the amount of shareholders equity)

(Issuance of new shares and capital reduction)

The Company received payment on June 11, 2025, from Chidori Godo Kaisha, a business entity related to Fortress Investment Group LLC, due to the partial exercise of share subscription rights, resulting in an increase of JPY 9,617 million in both common stock and capital reserve.

The total increase amount of JPY 19,234 million was transferred to other capital surplus on July 31, 2025, based on a resolution of the 52nd Ordinary General Shareholders' Meeting held on June 26, 2025.

(Acquisition of treasury stock)

The Company acquired 137,072,803 shares of treasury stock on July 16, 2025, based on a resolution of the Board of Directors during a meeting held on May 27, 2025. As a result, treasury stock has increased by JPY 71,552 million.

(Disposal of treasury stock)

The Company disposed of 2,939,100 shares of treasury stock to a stock grant trust established by the Company on August 26, 2025, based on a resolution of the Board of Directors during a meeting held on August 8, 2025.

As a result, a gain on the disposal of treasury stock (other capital surplus) has been recorded. Additionally, since the shares of the Company remaining in the trust are recorded as treasury stock at their book value in the trust, both other capital surplus and treasury stock have increased by JPY 679 million each.

(Cancellation of treasury stock)

The Company canceled 132,046,640 shares of treasury stock on September 29, 2025, based on a resolution of the Board of Directors during a meeting held on September 19, 2025. As a result, other capital surplus decreased by JPY 35,017 million, other retained earnings decreased by JPY 32,820 million, and treasury stock decreased by JPY 67,837 million.

As a result of these capital policies, for Q3 of the fiscal year ending March 31, 2026, capital surplus decreased by JPY 15,105 million, retained earnings decreased by JPY 26,059 million, and treasury stock increased by JPY 4,389 million, resulting in capital surplus of JPY 15,015 million, retained earnings of JPY 21,430 million, and treasury stock of JPY 8,749 million as of the end of Q3 of the fiscal year ending March 31, 2026.

(Application of accounting methods specific to the preparation of quarterly consolidated financial statements)

(Calculation of tax expenses)

Tax expenses are calculated by rationally estimating the effective tax rate after applying tax effect accounting to income before income taxes for the fiscal year ending March 31, 2026 including the Q3 cumulative, and multiplying income before income taxes for Q3 cumulative by the said estimated effective tax rate.

However, if the calculation of tax expenses using such estimated effective tax rate would be significantly unreasonable, the statutory effective tax rate is used.

(Notes regarding the consolidated statements of cash flows)

Consolidated statements of cash flows for Q3 of the fiscal year ending March 2026 were not prepared. Depreciation (including amortization of intangible assets) for the nine months ended December 31, 2025 and December 31, 2024 is as follows:

(JPY million)

	Nine months ended December 31, 2025 (Apr 2025–Dec 2025)	Nine months ended December 31, 2024 (Apr 2024–Dec 2024)
Depreciation	2,409	2,674

(Segment Information)

Nine months ended December 31, 2025 (April 1, 2025 – December 31, 2025)

1. Information on net sales including breakdown, profit or loss, liabilities and other items by reportable segment

(JPY million)

	Reportable segments				Adjustments (Note 1)	Amount stated in Consolidated Statements of Income (Note 2)
	Leasing Business	Elderly Care Business	Other Businesses	Total		
Net sales						
Ancillary services	21,707	–	–	21,707	–	21,707
Maintenance works	28,009	–	–	28,009	–	28,009
Company housing agency	770	–	–	770	–	770
Roof lease solar power generation	2,106	–	–	2,106	–	2,106
Construction contracting	991	–	–	991	–	991
Others	–	10,334	782	11,117	–	11,117
Revenue from contracts with customers	53,585	10,334	782	64,703	–	64,703
Rent income	249,607	–	–	249,607	–	249,607
Ancillary services	14,117	–	–	14,117	–	14,117
Rental guarantee	2,751	–	–	2,751	–	2,751
Furniture insurance	1,159	–	–	1,159	–	1,159
Others	–	–	370	370	–	370
Other revenues	267,636	–	370	268,007	–	268,007
Sales to customers	321,222	10,334	1,153	332,710	–	332,710
Inter-segment sales and transfers	12	–	257	269	(269)	–
Total	321,234	10,334	1,410	332,980	(269)	332,710
Segment profit (loss)	34,747	(736)	(1,965)	32,045	(3,400)	28,645

Note 1: The segment profit (loss) adjustments of JPY (3,400) million includes JPY 216 million in eliminated inter-segment transactions and JPY (3,616) million in corporate expenses that are not allocated to any reportable segment. Corporate expenses mainly consist of general and administrative expenses related to administrative departments that do not belong to any reportable segment.

Note 2: Segment profit (loss) is adjusted with operating profit in the quarterly consolidated statements of income.

2. Information on impairment loss of non-current assets by reportable segment

In the Leasing Business segment, the book value of assets for lease whose net realizable value has significantly declined was reduced to the recoverable amount, and the amount of the reduction was recorded as impairment loss of JPY 78 million under extraordinary losses.

Nine months ended December 31, 2024 (April 1, 2024 – December 31, 2024)

Information on net sales including breakdown, profit or loss, liabilities and other items by reportable segment

(JPY million)

	Reportable segments				Adjustments (Note 1)	Amount stated in Consolidated Statements of Income (Note 2)
	Leasing Business	Elderly Care Business	Other Businesses	Total		
Net sales						
Ancillary services	21,135	–	–	21,135	–	21,135
Maintenance works	27,266	–	–	27,266	–	27,266
Company housing agency	728	–	–	728	–	728
Roof lease solar power generation	2,097	–	–	2,097	–	2,097
Construction contracting	676	–	–	676	–	676
Others	–	10,372	729	11,102	–	11,102
Revenue from contracts with customers	51,903	10,372	729	63,006	–	63,006
Rent income	242,895	–	–	242,895	–	242,895
Ancillary services	13,840	–	–	13,840	–	13,840
Rental guarantee	2,902	–	–	2,902	–	2,902
Furniture insurance	1,107	–	–	1,107	–	1,107
Others	–	–	218	218	–	218
Other revenues	260,745	–	218	260,964	–	260,964
Sales to customers	312,649	10,372	948	323,970	–	323,970
Inter-segment sales and transfers	12	–	240	253	(253)	–
Total	312,662	10,372	1,189	324,224	(253)	323,970
Segment profit (loss)	31,746	(597)	(1,825)	29,323	(3,866)	25,456

Note 1: The segment profit (loss) adjustments of JPY (3,866) million includes JPY 198 million in eliminated inter-segment transactions and JPY (4,065) million in corporate expenses that are not allocated to any reportable segment. Corporate expenses mainly consist of general and administrative expenses related to administrative departments that do not belong to any reportable segment.

Note 2: Segment profit (loss) is adjusted with operating profit in the quarterly consolidated statements of income.

(Significant subsequent events)

(Significant company split)

The Company, as announced in the "Notice Concerning Implementing Company Split—Simplified Absorption-type and Change in Subsidiary (Change in Specified Subsidiary)" dated January 30, 2026, resolved at a meeting of its Board of Directors held on January 30, 2026, to implement a company split with an effective date of April 1, 2026 (scheduled). In this company split, the rights and obligations relating to 22 fee-based nursing homes, part of the Company's Elderly Care Business, will be succeeded to by the Company's wholly owned subsidiary, Azu Residence Co., Ltd. ("Azu Residence"), by means of an absorption-type company split. The Company also entered into an absorption-type company split agreement on the same date.

1. Purpose of the company split

In the Company's mid-term management plan, "New Growth 2028," announced on May 9, 2025, the Company set the goal of achieving profitability in its Elderly Care Business at an early stage through stable operations by improving utilization rates.

In implementing the company split, the Company will transfer the Elderly Care Business to the consolidated subsidiary. It aims to clarify management challenges and enable Azu Residence to enhance profitability and improve operational efficiency.

2. Outline of the company split

(1) Schedule

Date of resolution at the Board of Directors	:	January 30, 2026
Date of concluding the absorption-type company split agreement	:	January 30, 2026
Effective date	:	April 1, 2026 (scheduled)

(2) Method of the company split

The Company will be the splitting company and Azu Residence will be the succeeding company in the absorption-type split.

(3) Details of allocation of shares in the company split

Since the company split will be conducted between the Company and its wholly owned subsidiary, no shares or other consideration will be allocated upon the company split.

(4) Description of business to be split

Businesses related to the 22 fee-based nursing homes in the Company's Elderly Care Business

(5) Operating results of the business to be split for the fiscal year ended March 31, 2025

Net sales	:	JPY 3,551 million

3. Overview of accounting treatment to be applied

In accordance with the "Accounting Standard for Business Combinations" and the "Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures," the Company will account for the business combination as a transaction under common control.

(Significant borrowings)

The Company, as announced in the "Notice Concerning Refinancing of Funds Borrowed from Mizuho Bank, Ltd. and Signing of Loan Agreement with Financial Covenants" dated February 13, 2026, resolved at a meeting of its Board of Directors held on February 13, 2026, to enter into a term loan agreement containing the financial covenants (the "Loan Agreement") with Mizuho Bank, Ltd. ("Mizuho Bank") for the purpose of refinancing the loan borrowed from Mizuho Bank on March 14, 2025 (the "Existing Loan").

1. Purpose of the loan agreement

The Loan Agreement will be used to repay the existing debt with Mizuho Bank, and the revised terms and conditions of the Loan Agreement are expected to strengthen the Company's financial base.

2. Outline of the loan agreement

(1) Lender	Mizuho Bank, Ltd.
(2) Type of loan	Term loan
(3) Loan amount	JPY 30 billion (30,000,000,000)
(4) Date of agreement	February 20, 2026 (scheduled)
(5) Term of agreement	February 27, 2026 to February 28, 2029
(6) Applicable interest rate	JPY Tibor + 1.10%
(7) Repayment method	Lump-sum repayment on the maturity date
(8) Collateral and guarantee	None

3. Financial covenants of the Loan Agreement

(i) From and including the fiscal year ending March 31, 2026 onward, the Company shall ensure that the consolidated income statement's operating profit remains non-negative in all subsequent accounting periods.

(ii) From and including the fiscal year ending March 31, 2026 onward, the Company shall ensure that the consolidated income statement's recurring profit remains non-negative in all subsequent accounting periods.

(iii) The net debt-to-EBITDA ratio shall not exceed five (5) times