Consolidated Financial Statements (Japanese Accounting Standard)

November 13, 2026

(For the six months ended September 30, 2026)

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 Semi-annual Securities Report Submission: November 13, 2026
Scheduled Date of Commencement of Dividend Payments: –
Supplemental Explanatory Material Prepared: Yes
Results Briefing Held: No

1. Results for the Six Months ended September 30, 2026 (April 1, 2026 – September 30, 2026)

(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	%
Six months ended September 30, 2026	232,549	4.7	24,022	19.7	23,943	25.7	12,388	164.3
Six months ended September 30, 2025	222,010	2.7	20,067	–	19,046	–	4,687	–

(Note) Comprehensive income in the six months ended September 30, 2026: JPY 13,810 million [340.7%]
Comprehensive income in the six months ended September 30, 2025: JPY 3,134 million [–%]

	Net income per share	Diluted net income per share
	JPY	JPY
Six months ended September 30, 2026	38.98	38.98
Six months ended September 30, 2025	13.63	11.86

(Note) The changes in accounting policies have been made from the beginning of the three months ended June 30, 2026, and each figure for the six months ended September 30, 2025 is presented after retrospective application. The rate of gain or loss compared with the same period in the previous fiscal year is not presented.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	JPY million	JPY million	%
As of September 30, 2026	191,268	59,502	28.3
As of March 31, 2026	178,331	48,150	23.8

(Reference) Ownership equity as of September 30, 2026: JPY 54,178 million; as of March 31, 2026: JPY 42,416 million

(Note) The changes in accounting policies have been made from the beginning of the three months ended June 30, 2026, and each figure for the fiscal year ended March 31, 2026 is presented after retrospective application.

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, 2026	–	5.00	–	5.00	10.00
FY ending March 31, 2027	–	0.00			
FY ending March 31, 2027 (Estimate)			–	0.00	0.00

(Notes) Change from the latest dividend forecast: No

3. Consolidated Earnings Forecasts for the Fiscal Year ending March 31, 2027 (April 1, 2026 – March 31, 2027)

(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, 2027	461,600	3.8	38,800	7.1	38,400	9.4	21,400	41.7	67.34

(Note) 1. Change from the latest earnings forecast: No
2. The year-on-year percentage changes are calculated based on a comparison with the figures after retrospective application due to a change in accounting policies.

(Notes)

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

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

(Note) For details, please refer to 2. Semi-annual Consolidated Financial Statements and Notes (4) Notes Regarding Semi-annual Consolidated Financial Statements (Application of accounting methods specific to the preparation of semi-annual consolidated financial statements) in p. 13.

(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: Yes
(iii) Changes in accounting estimates: No
(iv) Restatements: No

(Note) For details, please refer to 2. Semi-annual Consolidated Financial Statements and Notes (4) Notes Regarding Semi-annual Consolidated Financial Statements (Notes regarding changes in accounting policies) in p. 13.

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

(i) Total number of outstanding shares at term end (including treasury stock)
As of September 30, 2026: 334,415,678 shares, As of March 31, 2026: 334,415,678 shares
(ii) Total treasury stock at term end
As of September 30, 2026: 16,540,364 shares, As of March 31, 2026: 16,712,064 shares
(iii) Average number of outstanding shares during the period
Six months ended September 30, 2026: 317,777,700 shares, Six months ended September 30, 2025: 343,911,003 shares

– Semi-annual financial statements are not subject to auditing under the Financial Instruments and Exchange Act.

– 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.6 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 November 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 6
2. Semi-annual Consolidated Financial Statements and Notes 7
(1) Consolidated Balance Sheets 7
(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income 9
Consolidated Statements of Income 9
Consolidated Statements of Comprehensive Income 10
(3) Consolidated Statements of Cash Flows 11
(4) Notes Regarding Semi-annual Consolidated Financial Statements 13
(Notes regarding the premise of the Company as a going concern) 13
(Notes related to the significant changes in the amount of shareholders equity) 13
(Application of accounting methods specific to the preparation of semi-annual consolidated financial statements) 13
(Note regarding changes in accounting policies) 13
(Segment Information) 14
(Business combinations) 16
(Significant subsequent events) 17

1. Summary of Business Results

The changes in accounting policies have been made from the beginning of the six months ended September 30, 2026, and figures after retrospective application have been used in the comparative analysis with the six months ended September 30, 2025 and the fiscal year ended March 31, 2026.

For details, please refer to "(4) Notes Regarding Semi-annual Consolidated Financial Statements (Note regarding changes in accounting policies)" under "2. Semi-annual Consolidated Financial Statements and Notes."

(1) Analysis of Business Results

(JPY million)

	Six months ended September 30, 2026	Six months ended September 30, 2025	Difference	Percentage change
Net sales	232,549	222,010	+10,538	+4.7%
Cost of sales	180,668	175,458	+5,209	+3.0%
Gross profit (ratio)	51,881 (22.3%)	46,552 (21.0%)	+5,329	+11.4% [+1.3 p]
Selling, general and administrative expenses	27,859	26,484	+1,374	+5.2%
Operating profit (loss) (ratio)	24,022 (10.3%)	20,067 (9.0%)	+3,955	+19.7% [+1.3 p]
EBITDA (Operating profit (loss) + Depreciation)	26,064	22,063	+4,001	+18.1%
Recurring profit (loss)	23,943	19,046	+4,896	+25.7%
Net income (loss) attributable to shareholders of the parent	12,388	4,687	+7,700	+164.3%

Net sales for H1 of the fiscal year ending March 2027 amounted to JPY 232,549 million, up 4.7% YoY, due to an increasing trend in the average unit rent. Operating profit was JPY 24,022 million, up 19.7% YoY, as the improvement of profitability from increasing average unit rent absorbed the increase in SG&A expenses due to promoting human capital investment, including the increase in the number of employees and improvements to workers' conditions. EBITDA was JPY 26,064 million, up 18.1% YoY.

Recurring profit was JPY 23,943 million, up 25.7% YoY, net income attributable to shareholders of the parent was JPY 12,388 million, up 164.3% YoY, mainly due to the recording of JPY 1,642 million in provision for loss on sale of shares of subsidiaries and associates and JPY 1,816 million in loss on transfer of shares of subsidiaries and associates under extraordinary losses in connection with the execution of a share transfer agreement for subsidiaries engaged in the Elderly Care Business, as well as the recording of JPY 7,120 million in income taxes resulting from a partial reversal of deferred tax assets and others in association with expected decrease in tax loss carried forward.

Results by segment are as follows:

(JPY million)

	Net sales			Operating profit (loss)		
	Six months ended September 30, 2026	Six months ended September 30, 2025	Difference	Six months ended September 30, 2026	Six months ended September 30, 2025	Difference
Leasing Business	224,618	214,381	+10,236	28,454	24,092	+4,362
Elderly Care Business	6,982	6,882	+99	(701)	(467)	(233)
Other Businesses	949	746	+202	(1,429)	(1,307)	(121)
Adjustments	–	–	–	(2,300)	(2,249)	(51)
Total	232,549	222,010	+10,538	24,022	20,067	+3,955

(i) Leasing Business

During H1 of the fiscal year ending March 2027, the occupancy rate at the end of the period was 86.67% (up 1.29 points from the end of the same period of the previous fiscal year), with an average occupancy rate of 86.87% (up 1.12 points YoY). 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 123, up 9 points from the end of the same period of the previous fiscal year.

Consequently, net sales for H1 of the fiscal year ending March 2027 increased by 4.8% YoY to JPY 224,618 million due to the higher occupancy rates, elevated average unit rent, and other factors. Operating profit was JPY 28,454 million, a growth of 18.1% YoY, due to increased revenue and improved profitability resulting from the favorable cost structure, despite a rise in property maintenance expenses.

(ii) Elderly Care Business

For H1 of the fiscal year ending March 2027, net sales increased by 1.5% YoY to JPY 6,982 million and operating loss amounted to JPY 701 million, an increase in loss of JPY 233 million YoY. The number of facilities at the end of the period was 85.

(iii) Other Businesses

For H1 of the fiscal year ending March 2027, net sales increased by 27.1% YoY to JPY 949 million and operating loss amounted to JPY 1,429 million, an increase in loss of JPY 121 million YoY.

(2) Analysis of Consolidated Financial Position

(JPY million)

	September 30, 2026	March 31, 2026	Difference	Percentage change
Assets	191,268	178,331	+12,937	+7.3%
Liabilities	131,766	130,180	+1,585	+1.2%
Net assets	59,502	48,150	+11,351	+23.6%
Equity ratio	28.3%	23.8%	–	+4.5p

Assets at the end of H1 of the fiscal year ending March 2027 were JPY 191,268 million, an increase of JPY 12,937 million from the end of the previous fiscal year. This was mainly due to increases of JPY 16,706 million in cash and deposits, JPY 765 million in real estate for sale, and JPY 704 million in construction in progress, whereas trade receivables decreased by JPY 690 million, and deferred tax assets decreased by JPY 6,671 million.

Total liabilities amounted to JPY 131,766 million, an increase of JPY 1,585 million from the end of the previous fiscal year. This was mainly due to increases of JPY 2,636 in provision for bonus payment, JPY 1,642 million in provision for loss on sale of shares of subsidiaries and associates, JPY 1,105 million in customer advances for construction contracts in progress, and JPY 609 million in provision for apartment vacancy loss, whereas advances received and long-term advances received decreased by JPY 1,874 million, accounts payable decreased by JPY 1,831 million, and provision for warranty obligations on completed projects decreased by JPY 949 million.

Total net assets increased by JPY 11,351 million from the end of the previous fiscal year to JPY 59,502 million. This was mainly due to an increase of JPY 12,388 million from the recording of net income attributable to shareholders of the parent, a decrease of JPY 1,634 million from payment of dividends, and an increase of JPY 1,034 million in foreign currency translation adjustments due to the depreciation of the yen.

The equity ratio increased to 28.3%, a 4.5-point increase from the end of the previous fiscal year.

[Cash flows]

(JPY million)

	Six months ended September 30, 2026	Six months ended September 30, 2025	Percentage change
Cash flows from operating activities	22,663	19,151	+3,512
Cash flows from investing activities	(2,466)	(720)	(1,745)
Cash flows from financing activities	(2,883)	(66,112)	+63,229
Balance of cash and cash equivalents	73,300	39,347	+33,953
Free cash flow*	20,197	18,430	+1,766

* Free cash flow = Cash flows from operating activities + Cash flows from investing activities

Net cash provided by operating activities amounted to JPY 22,663 million, an increase of JPY 3,512 million YoY. This was mainly due to a decrease of JPY 637 million in allowance for doubtful accounts, a decrease of JPY 1,282 million in accounts payable, a decrease of JPY 1,874 million in advances received, and a decrease of JPY 949 million in provision for warranty obligations on completed projects in others, while income before income taxes was JPY 20,037 million, depreciation and amortization were JPY

2,042 million, there was an increase of JPY 2,636 million in provision for bonus payment, an increase of JPY 761 million in real estate for sale, an increase of JPY 1,105 million in customer advances for projects in progress, JPY 1,816 million in loss on transfer of shares of subsidiaries and associates, and JPY 1,642 million in provision for loss on sale of shares of subsidiaries and associates.

Net cash used in investing activities totaled JPY 2,466 million, an increase in cash used of JPY 1,745 million YoY. This was mainly due to payment for purchase of property, plant and equipment of JPY 1,970 million.

Net cash used in financing activities totaled JPY 2,883 million, a decrease in cash used of JPY 63,229 million YoY. This was mainly due to payment for purchase of treasury stock by a consolidated subsidiary of JPY 600 million, payment of dividends to non-controlling shareholders of JPY 338 million, and payment of dividends of JPY 1,632 million.

As a result, cash and cash equivalents as of September 30, 2026 was JPY 73,300 million, an increase of JPY 33,953 million from the end of the H1 of the previous fiscal year.

Free cash flow for H1 of the fiscal year ending March 2027 was JPY 20,197 million, an increase of JPY 1,766 million YoY.

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

Concerning consolidated earnings forecasts for the consolidated fiscal year ending March 2027, the Company confirms that there are no changes to the forecasts for the full FY ending March 2027 that were announced on September 14, 2026 in “Notice Concerning Execution of Memorandum of Understanding regarding Transfer of Elderly Care Business (Transfer of Shares Involving Changes in Specified Subsidiaries) and Recording of Extraordinary Loss, as well as Revision of Earnings Forecast.”

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. Semi-annual Consolidated Financial Statements and Notes

(1) Consolidated Balance Sheets

(JPY million)

	September 30, 2026	March 31, 2026
<Assets>		
Current assets		
Cash and deposits	74,614	57,908
Trade receivables	7,236	7,927
Accounts receivable for completed projects	1,813	1,554
Real estate for sale	1,289	524
Costs on construction contracts in progress	1,303	720
Prepaid expenses	2,704	2,232
Others	6,035	6,779
Allowance for doubtful accounts	(2,807)	(2,973)
Total current assets	**92,191**	**74,674**
Non-current assets		
Property, plant and equipment		
Buildings and structures (net)	18,199	18,095
Machinery, equipment and vehicles (net)	4,097	4,423
Land	32,553	32,253
Leased assets (net)	1,904	2,199
Construction in progress	1,035	331
Others (net)	3,662	2,949
Total property, plant and equipment	**61,453**	**60,252**
Intangible assets		
Others	878	923
Total intangible assets	**878**	**923**
Investments and other assets		
Investment securities	4,351	4,152
Long-term loans	458	466
Long-term prepaid expenses	1,331	1,453
Deferred tax assets	26,644	33,316
Others	6,018	5,539
Allowance for doubtful accounts	(2,059)	(2,447)
Total investments and other assets	**36,745**	**42,480**
Total non-current assets	**99,077**	**103,656**
Total assets	**191,268**	**178,331**

(JPY million)

	September 30, 2026	March 31, 2026
<Liabilities>		
Current liabilities		
Accounts payable	7,939	9,771
Accounts payable for construction contracts	1,067	581
Lease obligations	649	637
Accounts payable - other	9,256	9,437
Accrued income taxes	657	617
Advances received	37,151	38,676
Customer advances for construction contracts in progress	2,213	1,107
Provision for bonus payment	2,636	–
Provision for apartment owner reward points	33	–
Provision for warranty obligations on completed projects (short-term)	1,101	941
Provision for apartment vacancy loss (short-term)	2,716	2,181
Provision for fulfillment of guarantees	657	740
Provision for loss on sale of shares of subsidiaries and associates	1,642	–
Others	2,943	2,966
Total current liabilities	**70,666**	**67,660**
Non-current liabilities		
Long-term borrowings	30,000	30,000
Lease obligations	1,637	1,963
Long-term advances received	3,985	4,335
Lease/guarantee deposits received	5,974	6,075
Provision for warranty obligations on completed projects	4,212	5,322
Provision for apartment vacancy loss	805	731
Provision for stock benefits	2,811	2,434
Liability for retirement benefits	9,652	9,379
Others	2,019	2,277
Total non-current liabilities	**61,099**	**62,520**
Total liabilities	**131,766**	**130,180**
<Net assets>		
Shareholders' equity		
Common stock	100	100
Capital surplus	15,014	15,015
Retained earnings	38,859	28,106
Treasury stock	(8,631)	(8,749)
Total shareholders' equity	**45,342**	**34,472**
Accumulated other comprehensive income		
Net unrealized gains (losses) on other securities	(280)	(234)
Foreign currency translation adjustments	8,369	7,335
Remeasurements of defined benefit plans	747	841
Total accumulated other comprehensive income	**8,836**	**7,943**
Share subscription rights	20	22
Non-controlling interests	5,303	5,712
Total net assets	**59,502**	**48,150**
Total liabilities and net assets	**191,268**	**178,331**

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

Consolidated Statements of Income

(JPY million)

	Six months ended September 30, 2026 (Apr 2026-Sep 2026)	Six months ended September 30, 2025 (Apr 2025-Sep 2025)
Net sales	**232,549**	**222,010**
Cost of sales	**180,668**	**175,458**
Gross profit	**51,881**	**46,552**
Selling, general and administrative expenses	**27,859**	**26,484**
Operating profit (loss)	**24,022**	**20,067**
Non-operating income		
Interest income	30	24
Dividend income	14	13
Gain on valuation of investment securities	50	54
Foreign exchange gain	–	43
Subsidy income	228	95
Others	111	150
Total non-operating income	435	383
Non-operating expenses		
Interest expenses	329	473
Commission fee	–	660
Funding costs	42	150
Stock granting expenses	–	83
Foreign exchange loss	53	–
Share of loss of entities accounted for using equity method	75	20
Others	12	14
Total non-operating expenses	**514**	**1,404**
Recurring profit (loss)	**23,943**	**19,046**
Extraordinary income		
Gain on sale of property, plant and equipment	1	63
Gain on reversal of share subscription rights	–	150
Total extraordinary income	**1**	**213**
Extraordinary losses		
Loss on retirement of property, plant and equipment	2	3
Impairment loss	9	78
Tender offer-related expenses	436	–
Provision for loss on sale of shares of subsidiaries and associates	1,642	–
Loss on transfer of shares of subsidiaries and associates	1,816	–
Loss on cancellation of treasury stock acquisition rights	–	10,068
Total extraordinary losses	**3,907**	**10,150**
Income (loss) before income taxes	**20,037**	**9,109**
Income taxes	**7,120**	**3,796**
Net income (loss)	**12,916**	**5,313**
Net income (loss) attributable to non-controlling interests	**528**	**625**
Net income (loss) attributable to shareholders of the parent	**12,388**	**4,687**

Consolidated Statements of Comprehensive Income

(JPY million)

	Six months ended September 30, 2026 (Apr 2026-Sep 2026)	Six months ended September 30, 2025 (Apr 2025-Sep 2025)
Net income (loss)	**12,916**	**5,313**
Other comprehensive income		
Net unrealized gains (losses) on other securities	(46)	(28)
Foreign currency translation adjustments	1,034	(2,158)
Remeasurements of defined benefit plans	(94)	8
Total other comprehensive income	**893**	**(2,179)**
Comprehensive income	**13,810**	**3,134**
(Breakdown)		
Comprehensive income attributable to shareholders of the parent	13,281	2,508
Comprehensive income attributable to non-controlling interests	528	625

(3) Consolidated Statements of Cash Flows

(JPY million)

	Six months ended September 30, 2026 (Apr 2026-Sep 2026)	Six months ended September 30, 2025 (Apr 2025-Sep 2025)
Cash flows from operating activities		
Income (loss) before income taxes	20,037	9,109
Depreciation and amortization	2,042	1,996
Impairment loss	9	78
Increase (decrease) in provision for bonus payment	2,636	2,291
Increase (decrease) in allowance for doubtful accounts	(637)	(458)
Increase (decrease) in liability for retirement benefits	143	161
Increase (decrease) in provision for stock benefits	376	1,038
Increase (decrease) in provision for apartment vacancy loss	609	(685)
Interest and dividend income	(45)	(38)
Interest expenses	329	473
Funding costs	42	150
Commission fee	–	660
Stock granting expenses	–	83
Foreign exchange loss (gain)	53	(43)
Share of loss (profit) of entities accounted for using equity method	75	20
Loss (gain) on sale of property, plant and equipment	(1)	(63)
Loss on retirement of property, plant and equipment	2	1
Loss on retirement of intangible assets	–	2
Loss (gain) on valuation of investment securities	(50)	(54)
Loss on cancellation of treasury stock acquisition rights	–	10,068
Loss (gain) on transfer of shares of subsidiaries and associates	1,816	–
Provision for loss on sale of shares of subsidiaries and associates	1,642	–
Gain on reversal of share subscription rights	–	(150)
Tender offer-related expenses	436	–
Decrease (increase) in accounts receivable	257	544
Decrease (increase) in real estate for sale	(761)	(104)
Decrease (increase) in payment for construction in progress	(582)	(94)
Decrease (increase) in long-term prepaid expenses	4	19
Increase (decrease) in accounts payable	(1,282)	(1,700)
Increase (decrease) in customer advances for projects in progress	1,105	567
Increase (decrease) in advances received	(1,874)	(1,707)
Increase (decrease) in guarantee deposits received	(105)	(450)
Increase (decrease) in accrued consumption taxes	(169)	(195)
Others	(2,764)	(1,716)
Subtotal	23,347	19,804
Interest and dividends received	154	171
Interest paid	(329)	(473)
Payment tender offer-related expenses	(140)	–
Income taxes paid	(368)	(351)
Net cash provided by operating activities	**22,663**	**19,151**

(JPY million)

	Six months ended September 30, 2026 (Apr 2026-Sep 2026)	Six months ended September 30, 2025 (Apr 2025-Sep 2025)
Cash flows from investing activities		
Payment for purchase of property, plant and equipment	(1,970)	(880)
Proceeds from sale of property, plant and equipment	1	130
Payment for purchase of intangible assets	(61)	(95)
Payment for purchase of investment securities	(20)	(17)
Payment for loans	(46)	(52)
Proceeds from collection of loans	9	11
Payments for deposit of time deposits	(526)	(700)
Proceeds from withdrawal of time deposits	700	759
Others	(551)	124
Net cash provided by (used in) investing activities	**(2,466)**	**(720)**
Cash flows from financing activities		
Repayment of finance lease obligations	(313)	(202)
Proceeds from issuance of shares	–	18,969
Payment for acquisition of treasury stock	–	(72,212)
Payment for purchase of treasury stock acquisition rights	–	(10,102)
Payment for purchase of treasury stock by a consolidated subsidiary	(600)	(570)
Payment of dividends to non-controlling shareholders	(338)	(374)
Proceeds from exercise of stock options	0	–
Payment of dividends	(1,632)	(1,619)
Net cash provided by (used in) financing activities	**(2,883)**	**(66,112)**
Effect of exchange rate changes on cash and cash equivalents	**62**	**(46)**
Net increase (decrease) in cash and cash equivalents	**17,376**	**(47,728)**
Cash and cash equivalents at beginning of period	**55,924**	**87,075**
Cash and cash equivalents at end of period	**73,300**	**39,347**

(4) Notes Regarding Semi-annual 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)

There are no relevant items.

(Application of accounting methods specific to the preparation of semi-annual 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, 2027 including the H1 cumulative, and multiplying income before income taxes for H1 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.

(Note regarding changes in accounting policies)

(Change regarding the recording of non-current assets)

Leasing business equipment that the Company has acquired by purchase and installed in each room were previously expensed as incurred. However, such equipment has been recorded as non-current assets from the beginning of the six months ended September 30, 2026.

This change was made since, as a result of comprehensively taking into account risks associated with procurement through leases from the perspectives of economic rationality and operational manageability, the Group has judged, in light of the shift in the method of procuring leasing business equipment from the traditional lease-based method to the purchase-based one, that recording purchased leasing business equipment as non-current assets and allocating the expenses over its useful life through depreciation reflects the Group's financial position and business results in the consolidated financial statements more appropriately.

This change in accounting policies has been applied retrospectively, and is reflected in the semi-annual consolidated financial statements for the six months ended September 30, 2025 and the consolidated financial statements for the fiscal year ended March 31, 2026.

As a result, compared with the figures before retrospective application, others (net) under property, plant and equipment increased by JPY 2,720 million, deferred tax assets decreased by JPY 964 million, and retained earnings increased by JPY 1,756 million in the Consolidated Balance Sheets for the fiscal year ended March 31, 2026. Furthermore, in the Consolidated Statements of Income for the six months ended September 30, 2025, gross profit, operating profit, recurring profit, and income (loss) before income taxes each increased by JPY 19 million, and net income attributable to shareholders of the parent increased by JPY 9 million. As a result, net income per share has increased by JPY 0.03.

Because the cumulative effect was reflected in net assets at the beginning of the previous fiscal year, the beginning balance of retained earnings for the previous fiscal year increased by JPY 1,593 million.

(Segment Information)

I Six months ended September 30, 2026 (April 1, 2026 – September 30, 2026)

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 Statement of Income (Note 2)
	Leasing Business	Elderly Care Business	Other Businesses	Total		
Net sales						
Ancillary services	14,633	–	–	14,633	–	14,633
Maintenance works	19,060	–	–	19,060	–	19,060
Company housing agency	582	–	–	582	–	582
Roof lease solar power generation	1,455	–	–	1,455	–	1,455
Construction contracting	3,292	–	–	3,292	–	3,292
Others	–	6,982	655	7,637	–	7,637
Revenue from contracts with customers	39,024	6,982	655	46,662	–	46,662
Rent income	173,198	–	–	173,198	–	173,198
Ancillary services	9,900	–	–	9,900	–	9,900
Rental guarantee	1,695	–	–	1,695	–	1,695
Furniture insurance	799	–	–	799	–	799
Others	–	–	293	293	–	293
Other revenues	185,593	–	293	185,887	–	185,887
Sales to external customers	224,618	6,982	949	232,549	–	232,549
Inter-segment sales and transfers	14	–	172	187	(187)	–
Total	224,632	6,982	1,122	232,736	(187)	232,549
Segment profit (loss)	28,454	(701)	(1,429)	26,323	(2,300)	24,022

Note 1: The segment profit (loss) adjustments of -JPY 2,300 million include JPY 178 million in eliminated inter-segment transactions and -JPY 2,479 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 semi-annual consolidated statements of income.

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

In the Elderly Care Business segment, since operating losses have been continuously posted, the book value of shared assets was reduced to the recoverable amount, and the amount of the reduction was recorded as impairment loss of JPY 9 million under extraordinary losses.

3. Matters regarding changes in reportable segments, etc.

As described in the “Note regarding changes in accounting policies,” Leasing business equipment that the Company has acquired by purchase and installed in each room were previously expensed as incurred. However, such equipment has been recorded as non-current assets from the six months ended September 30, 2026.

This change in accounting policies has been applied retrospectively, and is reflected in the segment information for the six months ended September 30, 2025.

As a result, compared with the figures before retrospective application, segment profit of the leasing segment for the six months ended September 30, 2025 increased by JPY 19 million.

II Six months ended September 30, 2025 (April 1, 2025 – September 30, 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 Statement of Income (Note 2)
	Leasing Business	Elderly Care Business	Other Businesses	Total		
Net sales						
Ancillary services	14,681	–	–	14,681	–	14,681
Maintenance works	18,694	–	–	18,694	–	18,694
Company housing agency	522	–	–	522	–	522
Roof lease solar power generation	1,603	–	–	1,603	–	1,603
Construction contracting	567	–	–	567	–	567
Others	–	6,882	499	7,381	–	7,381
Revenue from contracts with customers	36,068	6,882	499	43,450	–	43,450
Rent income	166,462	–	–	166,462	–	166,462
Ancillary services	9,297	–	–	9,297	–	9,297
Rental guarantee	1,755	–	–	1,755	–	1,755
Furniture insurance	797	–	–	797	–	797
Others	–	–	247	247	–	247
Other revenues	178,312	–	247	178,560	–	178,560
Sales to external customers	214,381	6,882	746	222,010	–	222,010
Inter-segment sales and transfers	8	–	171	180	(180)	–
Total	214,390	6,882	918	222,191	(180)	222,010
Segment profit (loss)	24,092	(467)	(1,307)	22,316	(2,249)	20,067

Note 1: The segment profit (loss) adjustments of -JPY 2,249 million include JPY 143 million in eliminated inter-segment transactions and -JPY 2,393 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 semi-annual 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.

(Business combinations)

(Transactions under common control)

The Company implemented a company split (the "Company Split") with an effective date of April 1, 2026 based on the resolution at a meeting of its Board of Directors held on January 30, 2026. In the Company Split, the rights and obligations relating to the Company's Elderly Care Business have been succeeded to by the Company's wholly owned subsidiary, Azu Residence Co., Ltd. ("Azu Residence"), by means of an absorption-type company split.

1. Overview of the transactions
   (1) Details of business subject to the transaction
   The Company's Elderly Care Business
   (2) Date of the business combination
   April 1, 2026
   (3) Legal form of the business combination
   This is an absorption-type split conducted by the Company as the splitting company and Azu Residence as the succeeding company.
   (4) Name of entity after the business combination
   Azu Residence Co., Ltd.
   (5) Other details regarding overview of the transaction
   (i) Purpose of the transaction
   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 transfers 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.
   (ii) Details of allocation of shares in the Company Split
   Since the Company Split has been conducted between the Company and its wholly owned subsidiary, no shares or other consideration are allocated upon the Company Split.

2. Overview of accounting treatment applied
   The Company has accounted for the business combination as a transaction under common control 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."

(Significant subsequent events)

(Transfer of all shares of Azu Life Care Co., Ltd. and Azu Residence Co., Ltd.)

By the resolution at a meeting of the Board of Directors held on September 30, 2026, the Company transferred all shares of Azu Life Care Co., Ltd. and Azu Residence Co., Ltd., to AVA6 Co., Ltd., an SPC whose direct or indirect shareholders are the funds for which Japan Innovation Investment Company provides its services, effective October 30, 2026.

As a result of this share transfer, Azu Life Care Co., Ltd. and Azu Residence Co., Ltd. will be excluded from the Company's consolidated subsidiaries.

(1) Reasons for the share transfer

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. The Company has striven to strengthen profitability through various sales initiatives and cost control measures, but in recent years, it has continued to record operating losses.

Taking this situation into account, and based on the basic policy of the financial strategy in the Company's mid-term management plan, the Company decided to transfer the entire Elderly Care Business to AVA6 Co., Ltd. to ensure its stable and continuous operation.

(2) Name and business description of the companies subject to the transfer

Name	Azu Life Care Co., Ltd. and Azu Residence Co., Ltd.
Business description	Elderly Care Business

(3) Name and business description of the counterparty to transfer

Name	AVA6 Co., Ltd.
Business description	Various nursing care, nursing and rehabilitation businesses under the Long-Term Care Insurance Act and other related businesses

(4) Date of share transfer

October 30, 2026

(5) Number of shares transferred, transfer price, and number of shares held after transfer

Azu Life Care Co., Ltd.

Number of shares transferred	64,800 shares (Voting rights ownership ratio: 100.00%)
Transfer price	JPY 1 for all issued shares (64,800 shares)
Number of shares held after transfer	0 shares (Voting rights ownership ratio: 0.00%)

Azu Residence Co., Ltd.

Number of shares transferred	7,640 shares (Voting rights ownership ratio: 100.00%)
Transfer price	JPY 1 for all issued shares (7,640 shares)
Number of shares held after transfer	0 shares (Voting rights ownership ratio: 0.00%)

(Partial transfer of shares of ASUKA SSI)

At the Board of Directors meeting held on September 14, 2026, the Company resolved to convert all of the common shares of ASUKA SSI held by the Company into Class A Shares with voting rights and Class B Shares without voting rights. Subsequently, the Company decided to transfer a portion of the Class A Shares to THE INSURANT GROUP, a consolidated subsidiary of HIKARI TSUSHIN, INC. ("HIKARI TSUSHIN") (the "Share Transfer"). A share transfer agreement was executed on the same date, and the Share Transfer was completed on November 6, 2026.

(1) Purpose of share transfer

The purpose is to enhance the corporate value of ASUKA SSI by utilizing the knowledge concerning the insurance business that HIKARI TSUSHIN and its affiliated companies have accumulated in said business, including knowledge relating to agency development, sales promotion, and agency management, to support the expansion of ASUKA SSI's external agency channels and the strengthening of its sales capabilities.

In addition, THE INSURANT GROUP intends to fulfill the involvement and responsibilities required of a major shareholder and provide managerial, financial, and other support, thereby ensuring the flexibility for ASUKA SSI to operate its business autonomously and promptly, while supporting the sound and sustainable operation of ASUKA SSI's business.

(2) Name and business description of the companies subject to the transfer

Name	ASUKA SSI
Business description	Small-amount and short-term insurance business

(3) Name and business description of the counterparty to transfer

Name	THE INSURANT GROUP
Business description	Management of group companies engaged in insurance business and guarantee businesses, etc.

(4) Date of share transfer

November 6, 2026

(5) Number of shares transferred, transfer price, and status of shares held before and after transfer

Current number of shares held	Common stock: 10,000 shares	
Number of shares held after conversion	Class A shares (Voting Shares):	746 shares
	Class B Shares (Non-Voting Shares):	9,254 shares
Number of shares transferred	Class A shares (Voting Shares):	373 shares
Transfer price	JPY 50 million	
Number of shares held after transfer	Class A shares (Voting Shares):	373 shares
	Class B Shares (Non-Voting Shares):	9,254 shares

The 373 shares of Class A Shares transferred represent 50.0% of the voting rights ownership ratio of ASUKA SSI after the share conversion. However, in light of the composition of the board of directors after the Share Transfer, ASUKA SSI will remain a consolidated subsidiary of the Company.

(Tender Offer for the shares of the Company by K891, Inc.)

Regarding the tender offer for the shares of common stock of the Company and the Stock Acquisition Rights by K891, Inc. (the "Tender Offeror") (the "Tender Offer"), the Company resolved at its Board of Directors meeting held on September 14, 2026, to (i) express its opinion in support of the Tender Offer and (ii) recommend that the shareholders of the Company and the holders of the Stock Acquisition Rights tender their securities in the Tender Offer. The resolution at the abovementioned meeting of the Board of Directors has been adopted based on the assumption that the Tender Offeror intends to make the Company a wholly-owned subsidiary of the Tender Offeror through the Tender Offer and a series of subsequent procedures planned thereafter and that the Company Shares will be delisted.

The Tender Offer was conducted from September 15, 2026, to October 30, 2026, with the condition that if the total number of tendered shares did not meet the minimum number of shares to be purchased (158,716,000 shares), none of the tendered shares would be purchased. However, the total number of tendered shares (207,044,870 shares) exceeded the minimum number of shares to be purchased, resulting in the successful completion of the tender offer. Consequently,

on November 9, 2026 (the commencement date of settlement for the Tender Offer), the Tender Offeror purchased all of the tendered shares.

Consequently, as of the same date, the ratio of the number of voting rights held by the Tender Offeror to the number of voting rights held by all shareholders, etc. of the Company exceeded 50%; therefore, the Tender Offeror and K892, Inc., the wholly owning parent company of the Tender Offeror, have newly become parent companies of the Company.

Furthermore, according to the Tender Offeror, in light of the results of the Tender Offer, the Tender Offeror plans to implement a series of procedures to make the Tender Offeror and HIKARI TSUSHIN INVESTMENTS OKINAWA Co., Ltd. the only shareholders of the Company.

As of today, the Company Shares are listed on the Prime Market of the Tokyo Stock Exchange. However, if the aforementioned procedures are implemented, the Company Shares will be delisted through the prescribed procedures in accordance with the delisting criteria of the Tokyo Stock Exchange. After the delisting, the Company Shares will no longer be traded on the Prime Market of the Tokyo Stock Exchange. Details of the procedures going forward will be determined in consultation with the Tender Offeror, and the Company will promptly announce such details once determined.

(Voluntary repayment of Term loan)

The Company made an early lump-sum repayment of JPY 30,000 million term loan (long-term borrowing) from Mizuho Bank on October 30, 2026, under the memorandum of understanding related to the Tender Offer concluded with the Tender Offeror K891, Inc. for the Company shares on September 14, 2026.