Consolidated Financial Statements (Japanese Accounting Standard)

August 7, 2026

(For the three months ended June 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 Commencement of Dividend Payments: –
Supplemental Explanatory Material Prepared: Yes
Results Briefing Held: Yes (for institutional investors and security analysts)

1. Results for the Three Months ended June 30, 2026 (April 1, 2026 – June 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	%
Three months ended June 30, 2026	115,902	3.7	12,123	(1.1)	12,279	6.2	7,034	–
Three months ended June 30, 2025	111,717	2.6	12,253	–	11,563	–	555	–

(Note) Comprehensive income in the three months ended June 30, 2026: JPY 7,646 million [–%]
Comprehensive income in the three months ended June 30, 2025: (JPY 400 million) [–%]

	Net income per share	Diluted net income per share
	JPY	JPY
Three months ended June 30, 2026	22.14	22.14
Three months ended June 30, 2025	1.60	1.23

(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 first three months ended June 30, 2025 is presented after retrospective application. The rate of gain or loss compared with the same period in the last fiscal year is not presented.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	JPY million	JPY million	%
As of June 30, 2026	182,754	53,244	26.3
As of March 31, 2026	178,331	48,150	23.8

(Reference) Ownership equity as of June 30, 2026: JPY 48,138 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	–				
FY ending March 31, 2027 (Estimate)		5.00	–	10.00	15.00

(Note) 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 FY;
Those for the six-month period represent the change compared with the same term in the previous FY.)

	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
Six months ending September 30, 2026	231,900	4.5	21,400	6.6	21,200	11.3	12,300	162.4	38.71
FY ending March 31, 2027	465,000	4.5	38,500	6.3	38,100	8.5	22,200	47.0	69.87

(Notes) 1. Change from the latest earnings forecast: No
2. The change compared with the same term in the previous FY has been applied retrospectively due to changes in accounting policies, and is presented in comparison with the figures after retrospective application.

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

(Note) For details, please refer to 2. Consolidated Financial Statements and Notes (3) Notes Regarding Consolidated Financial Statements (Notes regarding changes in accounting policies) in p. 10.

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

(i) Total number of outstanding shares at term end (including treasury stock)
As of June 30, 2026: 334,415,678 shares, As of March 31, 2026: 334,415,678 shares
(ii) Total treasury stock at term end
As of June 30, 2026: 16,672,664 shares, As of March 31, 2026: 16,712,064 shares
(iii) Average number of outstanding shares during the period
Three months ended June 30, 2026: 317,728,655 shares, Three months ended June 30, 2025: 347,820,784 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 August 7, 2026.

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1. Summary of Business Results

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

For details, please refer to "(3) Notes Regarding Consolidated Financial Statements (Note regarding changes in accounting policies)" under "2. Consolidated Financial Statements and Notes."

(1) Analysis of Business Results

(JPY million)

	Three months ended June 30, 2026	Three months ended June 30, 2025	Difference	Percentage change
Net sales	115,902	111,717	+4,184	+3.7%
Cost of sales	89,391	86,612	+2,778	+3.2%
Gross profit (ratio)	26,511 [22.9%]	25,105 [22.5%]	+1,406	+5.6% [+0.4 p]
Selling, general and administrative expenses	14,388	12,851	+1,536	+12.0%
Operating profit (loss) (ratio)	12,123 [10.5%]	12,253 [11.0%]	(130)	(1.1%) [(0.5 p)]
EBITDA (Operating profit (loss) + Depreciation)	13,133	13,347	(213)	(1.6%)
Recurring profit (loss)	12,279	11,563	+715	+6.2%
Net income (loss) attributable to shareholders of the parent	7,034	555	+6,479	+1,166.2%

Net sales for Q1 of the fiscal year ending March 2027 amounted to JPY 115,902 million, up 3.7% YoY, due to an increasing trend in the average unit rent. Operating profit was JPY 12,123 million, down 1.1% YoY, as a result of the increase in SG&A expenses associated with human capital investment, such as an increase in the number of employees and improvements to employee compensation and benefits. EBITDA decreased by 1.6% YoY to JPY 13,133 million.

Recurring profit was JPY 12,279 million, up 6.2% YoY, net income attributable to shareholders of the parent was JPY 7,034 million, up 1,166.2% YoY, mainly due to the recording of JPY 4,930 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)		
	Three months ended June 30, 2026	Three months ended June 30, 2025	Difference	Three months ended June 30, 2026	Three months ended June 30, 2025	Difference
Leasing Business	112,019	107,883	+4,136	14,422	14,251	+170
Elderly Care Business	3,404	3,412	(7)	(405)	(355)	(50)
Other Businesses	478	422	+56	(680)	(622)	(58)
Adjustments	–	–	–	(1,212)	(1,020)	(191)
Total	115,902	111,717	+4,184	12,123	12,253	(130)

(i) Leasing Business

During Q1 of the fiscal year ending March 2027, the occupancy rate at the end of the period was 87.08% (up 1.02 points from the end of the same period of the previous fiscal year), with an average occupancy rate of 87.23% (up 0.98 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 11 points from the end of the same period of the previous fiscal year.

Consequently, net sales for Q1 of the fiscal year ending March 2027 increased by 3.8% YoY to JPY 112,019 million due to the higher occupancy rate and elevated average unit rent. Operating profit was JPY 14,422 million, a growth of 1.2% 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 Q1 of the fiscal year ending March 2027, net sales decreased by 0.2% YoY to JPY 3,404 million and operating loss amounted to JPY 405 million, an increase in loss of JPY 50 million YoY. The number of facilities at the end of the period was 85.

(iii) Other Businesses

For Q1 of the fiscal year ending March 2027, net sales increased by 13.3% YoY to JPY 478 million and operating loss amounted to JPY 680 million, an increase in loss of JPY 58 million YoY.

(2) Analysis of Consolidated Financial Position

(JPY million)

	June 30, 2026	March 31, 2026	Difference	Percentage change
Assets	182,754	178,331	+4,423	+2.5%
Liabilities	129,510	130,180	(669)	(0.5%)
Net assets	53,244	48,150	+5,093	+10.6%
Equity ratio	26.3%	23.8%	–	+2.5p

Assets at the end of Q1 of the fiscal year ending March 2027 were JPY 182,754 million, an increase of JPY 4,423 million from the end of the previous fiscal year. This was mainly due to increases of JPY 7,811 million in cash and deposits, JPY 601 million in prepaid expenses, and JPY 985 million in others in investments and other assets, whereas trade receivables reduced by JPY 794 million, and deferred tax assets reduced by JPY 4,756 million.

Total liabilities amounted to JPY 129,510 million, a reduction of JPY 669 million from the end of the previous fiscal year. This was mainly due to decreases of JPY 2,195 million in accounts payable, JPY 1,793 million in advances received and long-term advances received, and JPY 558 million in provision for warranty obligations on completed projects, whereas accounts payable - other increased by JPY 1,119 million, provision for bonus payment increased by JPY 1,493 million, and customer advances for construction contracts in progress increased by JPY 983 million.

Total net assets increased by JPY 5,093 million from the end of the previous fiscal year to JPY 53,244 million. This was mainly due to payment of dividends of JPY 1,634 million, whereas the recording of JPY 7,034 million in net income attributable to shareholders of the parent.

The equity ratio increased to 26.3%, a 2.5-point increase 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 consolidated fiscal year ending March 2027, the Company confirms that there are no changes to the forecasts for the six months in FY ending March 2027 and for the full FY ending March 2027 that were announced on May 15, 2026 in “Consolidated Financial Statements For the Fiscal Year 2025.”

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)

	June 30, 2026	March 31, 2026
<Assets>		
Current assets		
Cash and deposits	65,719	57,908
Trade receivables	7,132	7,927
Accounts receivable for completed projects	1,645	1,554
Real estate for sale	732	524
Costs on construction contracts in progress	1,160	720
Prepaid expenses	2,834	2,232
Others	5,950	6,779
Allowance for doubtful accounts	(2,890)	(2,973)
Total current assets	**82,285**	**74,674**
Non-current assets		
Property, plant and equipment		
Buildings and structures (net)	18,122	18,095
Machinery, equipment and vehicles (net)	4,266	4,423
Land	32,424	32,253
Leased assets (net)	2,051	2,199
Construction in progress	584	331
Others (net)	3,417	2,949
Total property, plant and equipment	**60,866**	**60,252**
Intangible assets		
Others	873	923
Total intangible assets	**873**	**923**
Investments and other assets		
Investment securities	4,492	4,152
Long-term loans	462	466
Long-term prepaid expenses	1,404	1,453
Deferred tax assets	28,559	33,316
Others	6,524	5,539
Allowance for doubtful accounts	(2,713)	(2,447)
Total investments and other assets	**38,728**	**42,480**
Total non-current assets	**100,469**	**103,656**
Total assets	**182,754**	**178,331**

(JPY million)

	June 30, 2026	March 31, 2026
<Liabilities>		
Current liabilities		
Accounts payable	7,575	9,771
Accounts payable for construction contracts	777	581
Lease obligations	647	637
Accounts payable - other	10,556	9,437
Accrued income taxes	396	617
Advances received	37,082	38,676
Customer advances for construction contracts in progress	2,091	1,107
Provision for bonus payment	1,493	–
Provision for apartment owner reward points	24	–
Provision for warranty obligations on completed projects (short-term)	888	941
Provision for apartment vacancy loss (short-term)	2,479	2,181
Provision for fulfillment of guarantees	708	740
Others	3,021	2,966
Total current liabilities	**67,744**	**67,660**
Non-current liabilities		
Long-term borrowings	30,000	30,000
Lease obligations	1,800	1,963
Long-term advances received	4,135	4,335
Lease/guarantee deposits received	5,953	6,075
Provision for warranty obligations on completed projects	4,817	5,322
Provision for apartment vacancy loss	713	731
Provision for stock benefits	2,682	2,434
Liability for retirement benefits	9,539	9,379
Others	2,124	2,277
Total non-current liabilities	**61,766**	**62,520**
Total liabilities	**129,510**	**130,180**
<Net assets>		
Shareholders' equity		
Common stock	100	100
Capital surplus	15,014	15,015
Retained earnings	33,505	28,106
Treasury stock	(8,728)	(8,749)
Total shareholders' equity	**39,891**	**34,472**
Accumulated other comprehensive income		
Net unrealized gains (losses) on other securities	(258)	(234)
Foreign currency translation adjustments	7,716	7,335
Remeasurements of defined benefit plans	789	841
Total accumulated other comprehensive income	**8,246**	**7,943**
Share subscription rights	22	22
Non-controlling interests	5,083	5,712
Total net assets	**53,244**	**48,150**
Total liabilities and net assets	**182,754**	**178,331**

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

Consolidated Statements of Income

(JPY million)

	Three months ended June 30, 2026 (Apr 2026–Jun 2026)	Three months ended June 30, 2025 (Apr 2025–Jun 2025)
Net sales	**115,902**	**111,717**
Cost of sales	**89,391**	**86,612**
Gross profit	**26,511**	**25,105**
Selling, general and administrative expenses	**14,388**	**12,851**
Operating profit (loss)	**12,123**	**12,253**
Non-operating income		
Interest income	11	10
Dividend income	6	6
Gain on valuation of investment securities	23	30
Foreign exchange gain	130	–
Share of profit of entities accounted for using equity method	0	–
Others	169	61
Total non-operating income	**341**	**108**
Non-operating expenses		
Interest expenses	156	241
Commission fee	–	267
Funding costs	25	74
Stock granting expenses	–	83
Foreign exchange loss	–	108
Share of loss of entities accounted for using equity method	–	12
Others	4	10
Total non-operating expenses	**185**	**798**
Recurring profit (loss)	**12,279**	**11,563**
Extraordinary income		
Gain on sale of property, plant and equipment	1	65
Gain on reversal of share subscription rights	–	150
Total extraordinary income	**1**	**215**
Extraordinary losses		
Loss on retirement of property, plant and equipment	2	0
Impairment loss	4	78
Loss on cancellation of treasury stock acquisition rights	–	10,013
Total extraordinary losses	**7**	**10,091**
Income (loss) before income taxes	**12,273**	**1,687**
Income taxes	**4,930**	**836**
Net income (loss)	**7,343**	**850**
Net income (loss) attributable to non-controlling interests	**308**	**295**
Net income (loss) attributable to shareholders of the parent	**7,034**	**555**

Consolidated Statements of Comprehensive Income

(JPY million)

	Three months ended June 30, 2026 (Apr 2026–Jun 2026)	Three months ended June 30, 2025 (Apr 2025–Jun 2025)
Net income (loss)	**7,343**	**850**
Other comprehensive income		
Net unrealized gains (losses) on other securities	(24)	(20)
Foreign currency translation adjustments	380	(1,234)
Remeasurements of defined benefit plans	(52)	4
Total other comprehensive income	**303**	**(1,250)**
Comprehensive income	**7,646**	**(400)**
(Breakdown)		
Comprehensive income attributable to shareholders of the parent	7,338	(695)
Comprehensive income attributable to non-controlling interests	308	295

(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)

There are no relevant items.

(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, 2027 including the Q1 cumulative, and multiplying income before income taxes for Q1 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 three months ended June 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 quarterly consolidated financial statements for the three months ended June 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 three months ended June 30, 2025, gross profit, operating profit, recurring profit, and income (loss) before income taxes each increased by JPY 47 million, and net income attributable to shareholders of the parent increased by JPY 29 million. As a result, net income per share has increased by JPY 0.09.

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.

(Notes regarding the consolidated statements of cash flows)

Consolidated statements of cash flows for Q1 of the fiscal year ending March 2027 were not prepared. Depreciation (including amortization of intangible fixed assets) for the three months ended June 30, 2026 and June 30, 2025 is as follows:

(JPY million)

	Three months ended June 30, 2026 (Apr 2026–Jun 2026)	Three months ended June 30, 2025 (Apr 2025–Jun 2025)
Depreciation	1,010	1,093

(Segment Information)

Three months ended June 30, 2026 (April 1, 2026 – June 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 Statements of Income (Note 2)
	Leasing Business	Elderly Care Business	Other Businesses	Total		
Net sales						
Ancillary services	7,602	–	–	7,602	–	7,602
Maintenance works	9,444	–	–	9,444	–	9,444
Company housing agency	297	–	–	297	–	297
Roof lease solar power generation	799	–	–	799	–	799
Construction contracting	1,086	–	–	1,086	–	1,086
Others	–	3,404	334	3,739	–	3,739
Revenue from contracts with customers	19,231	3,404	334	22,970	–	22,970
Rent income	86,538	–	–	86,538	–	86,538
Ancillary services	4,998	–	–	4,998	–	4,998
Rental guarantee	851	–	–	851	–	851
Furniture insurance	399	–	–	399	–	399
Others	–	–	143	143	–	143
Other revenues	92,788	–	143	92,931	–	92,931
Sales to external customers	112,019	3,404	478	115,902	–	115,902
Inter-segment sales and transfers	7	–	92	99	(99)	–
Total	112,026	3,404	570	116,002	(99)	115,902
Segment profit (loss)	14,422	(405)	(680)	13,335	(1,212)	12,123

Note 1: The segment profit (loss) adjustments of -JPY 1,212 million includes JPY 89 million in eliminated inter-segment transactions and -JPY 1,301 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 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 4 million under extraordinary losses.

Three months ended June 30, 2025 (April 1, 2025 – June 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 Statements of Income (Note 2)
	Leasing Business	Elderly Care Business	Other Businesses	Total		
Net sales						
Ancillary services	7,625	–	–	7,625	–	7,625
Maintenance works	9,381	–	–	9,381	–	9,381
Company housing agency	272	–	–	272	–	272
Roof lease solar power generation	774	–	–	774	–	774
Construction contracting	353	–	–	353	–	353
Others	–	3,412	294	3,706	–	3,706
Revenue from contracts with customers	18,407	3,412	294	22,114	–	22,114
Rent income	83,480	–	–	83,480	–	83,480
Ancillary services	4,701	–	–	4,701	–	4,701
Rental guarantee	875	–	–	875	–	875
Furniture insurance	417	–	–	417	–	417
Others	–	–	127	127	–	127
Other revenues	89,475	–	127	89,603	–	89,603
Sales to external customers	107,883	3,412	422	111,717	–	111,717
Inter-segment sales and transfers	4	–	87	91	(91)	–
Total	107,887	3,412	509	111,809	(91)	111,717
Segment profit (loss)	14,251	(355)	(622)	13,274	(1,020)	12,253

Note 1: The segment profit (loss) adjustments of -JPY 1,020 million includes JPY 72 million in eliminated inter-segment transactions and -JPY 1,092 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.

3. Matters regarding changes in reportable segments, etc.

As described in the "Note regarding changes in accounting policies," Appliances associated with the Leasing Business 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 three months ended June 30, 2026.

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

As a result, compared with the figures before retrospective application, segment profit of the leasing segment for the three months ended June 30, 2025 increased by JPY 47 million.

(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."