FOR IMMEDIATE RELEASE

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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

Leopalace21 Corporation (Headquarters: Nakano-ku, Tokyo; President and CEO: Bunya Miyao; the "Company") hereby announces that today the Company entered into a Memorandum of Understanding with Japan Innovation Investment Company ("J-INC"), to transfer all shares of Azu Life Care Co., Ltd. and Azu Residence Co., Ltd., specified subsidiaries engaged in the Elderly Care Business of the Company*, to a special purpose company whose direct or indirect shareholders are the funds for which J-INC provides its services (the "SPC"), and to carry out a series of transactions incidental to the said transfer of shares (collectively, the "Transactions"). This announcement relates to the execution of the Memorandum of Understanding, and the Company plans to make a further announcement when the Transactions are formally decided.

Under the measures which were announced in the "Notice Concerning the Outline of Drastic Business Strategies Reconstruction" announced on April 30, 2020 (the "Strategy"), by shifting its management resources to the Leasing Business, a core business of the Company, through selective concentration, the Company has been implementing the structural reforms to fundamentally improve its financial base. With respect to the role of the Elderly Care Business under the Strategy, the Company has set a course toward maintaining and continuing the relevant business. In the Company's mid-term management plan, "New Growth 2028," announced on May 9, 2025 (the "Mid-term Management Plan"), the Company set the goal of achieving profitability in its Elderly Care Business at an early stage through stable operations by improving its utilization rates. Against such background, although the Company has strived to strengthen the profitability of the business through various sales initiatives and cost-control measures, the Company has suffered continuous operating losses in recent years. In light of these circumstances, and in accordance with the basic policy under the financial strategy outlined in the Mid-term Management Plan, namely, "Sustained sales and profit growth through a shift to aggressive sales activities" and "Achieve stable shareholder returns through growth in the Leasing Business", as well as, for the purpose of maintaining the stable and continuous operation of the Elderly Care Business going forward, the Company has decided to transfer the entire Elderly Care Business to the SPC.

Under the Transactions, the Company plans to transfer all shares of Azu Life Care Co., Ltd. and Azu Residence Co., Ltd. to the SPC at a memorandum value, and the Company will proceed with the discussions in good faith with J-INC toward the execution of the definitive agreement in late September 2026 and the closing at the end of October 2026. If the Transactions are implemented, changes are expected in specified subsidiaries of the Company.

In addition, the Company also hereby announces that, in connection with the execution of the Transactions, the Company expects to record an extraordinary loss as described below and to revise the earnings forecast announced on May 15, 2026 as described below.

* Azu Residence Co., Ltd. succeeded to the rights and obligations relating to 22 fee-based nursing homes, of the Company's Elderly Care Business with the effective date of April 1, 2026, through an absorption-type company split. For details, please refer to "Notice Concerning Implementing Company Split - Simplified Absorption-type and Change in Subsidiary (Change in Specified Subsidiary)" dated January 30, 2026.

1. Expected Changes in Specified Subsidiaries

(1) Reason for and Method of Changes

In the Transactions, the Company plans to transfer all shares of Azu Life Care Co., Ltd. and Azu Residence Co., Ltd., specified subsidiaries of the Company, to the SPC at a memorandum value. As a result, changes are expected in specified subsidiaries of the Company.

(2) Outline of Specified Subsidiaries to Be Transferred

Azu Life Care Co., Ltd.

(1)	Name	Azu Life Care Co., Ltd.	
(2)	Address	1-12-8 Honcho, Nakano-ku, Tokyo	
(3)	Representative	Takahiro Maeda, Representative Director President	
(4)	Business description	Elderly Care Business	
(5)	Capital	JPY 100 million	
(6)	Founded	December 20, 2013	
(7)	Major shareholders and shareholding ratio	Leopalace21 Corporation 100%	
(8)	Relationship between	Capital Relationship	Wholly-owned subsidiary of the Company

the Company and Azu Life Care Co., Ltd.	Personnel Relationship	Three directors and two audit & supervisory board members of Azu Life Care Co., Ltd. are also employees of the Company, and the Company sends eleven employees on secondment.
	Business Relationship	The Company has business relationship with Azu Life Care Co., Ltd. in referral of customers.

(9) Financial positions and business results of Azu Life Care Co., Ltd. for the past three years

Fiscal year end	Fiscal year ended March 2024	Fiscal year ended March 2025	Fiscal year ended March 2026
Net assets (million yen)	(1,174)	1,131	1,317
Total assets (million yen)	2,882	2,531	2,733
Net assets per share (yen)	733,798.95	20,630.77	20,326.25
Net sales (million yen)	10,411	10,175	10,235
Operating loss (million yen)	(86)	(293)	(374)
Recurring loss (million yen)	(43)	(301)	(269)
Net loss (million yen)	(54)	(355)	(313)
Net loss per share (yen)	(34,060.84)	(6,484.58)	(4,836.80)
Dividend per share (yen)	–	–	–

Azu Residence Co., Ltd.

(1)	Name	Azu Residence Co., Ltd.	
(2)	Address	2-54-11 Honcho, Nakano-ku, Tokyo (This location is the registered head office address; actual operations are conducted at the location below.) 1-12-8 Honcho, Nakano-ku, Tokyo	
(3)	Representative	Takahiro Maeda, Representative Director President	
(4)	Business description	Elderly Care Business	
(5)	Capital	JPY 192 million	
(6)	Founded	June 25, 2025	
(7)	Major shareholders and shareholding ratio	Leopalace21 Corporation 100%	
(8)	Relationship between the Company and Azu Residence Co., Ltd.	Capital Relationship	Wholly-owned subsidiary of the Company
		Personnel Relationship	Three directors and two audit & supervisory board members of Azu Residence Co., Ltd. are also employees of the Company
		Business Relationship	The Company has business relationship with Azu Residence Co., Ltd. in referral of customers.
(9)	Financial positions and business results of Azu Residence Co., Ltd. for the past three years		

Fiscal year end	Fiscal year ended March 2026
Net assets (thousand yen)	1,602
Total assets (thousand yen)	2,000
Net assets per share (yen)	40,057.25
Net sales (thousand yen)	–
Operating loss (thousand yen)	(28)
Recurring loss (thousand yen)	(345)
Net loss (thousand yen)	(398)
Net loss per share (yen)	(9,942.75)
Dividend per share (yen)	–

(Note) Since Azu Residence Co., Ltd. was established in June 2025, only the business results and financial positions for the fiscal year ended March 2026 are presented.

(3) Outline of Transferee

It is planned that the shares of Azu Life Care Co., Ltd. and Azu Residence Co., Ltd. will be transferred to the SPC whose direct or indirect shareholders are the funds for which J-INC provides its services.

(4) Timeline for Transfer

The Company will proceed with the discussions in good faith with J-INC toward the execution of the definitive agreement in late September 2026 and the closing at the end of October 2026.

2. Recording of Extraordinary Loss

As a result of implementation of the Transactions, in the second quarter of the fiscal year ending March 31, 2027, the Company expects to record an extraordinary loss of approximately JPY 3,679 million in total on a consolidated basis, consisting of a loss on the sale of shares of the target companies and a compensation payment related to the Transactions, and an extraordinary loss of approximately JPY 4,048 million in total on a non-consolidated basis, consisting of a loss on the sale of shares of the target companies and a compensation payment related to the Transactions. The amounts listed above are estimates as of now and are subject to change based on the results of future reviews.

3. Revision of Earnings Forecasts

(1) Outline of revised earnings forecasts

[Consolidated]
Revision of H2 Forecast Figures for Fiscal Year Ending March 31, 2027 (April 1, 2026 – September 30, 2026)

	Net sales	Operating profit	Recurring profit	Net profit attributable to owners of parent	Net profit per share
	(million yen)	(million yen)	(million yen)	(million yen)	(yen)
Previously Announced Forecast (A)	231,900	21,400	21,200	12,300	38.71
Revised Forecast (B)	231,900	21,400	21,200	11,200	35.25
Change (B-A)	-	-	-	(1,100)	
Rate of Change (%)	-	-	-	(8.9)	
(Reference) Results for the H2 fiscal year ended March 31, 2026	222,010	20,067	19,046	4,687	13.63

Revision of Full-Year Earnings Forecast Figures for Fiscal Year Ending March 31, 2027 (April 1, 2026 – March 31, 2027)

	Net sales	Operating profit	Recurring profit	Net profit attributable to owners of parent	Net profit per share
	(million yen)	(million yen)	(million yen)	(million yen)	(yen)
Previously Announced Forecast (A)	465,000	38,500	38,100	22,200	69.87
Revised Forecast (B)	461,600	38,800	38,400	21,400	67.36
Change (B-A)	(3,400)	300	300	(800)	
Rate of Change (%)	(0.7)	0.8	0.8	(3.6)	
(Reference) Results for Previous Fiscal Year (Fiscal Year Ended March 2026)	444,820	36,231	35,107	15,097	45.63

[Non-consolidated]

Revision of H2 Forecast Figures for Fiscal Year Ending March 31, 2027 (April 1, 2026 –

September 30, 2026)

	Net sales	Recurring profit	Net profit	Net profit per share
	(million yen)	(million yen)	(million yen)	(yen)
Previously Announced Forecast (A)	219,800	21,700	13,900	43.75
Revised Forecast (B)	219,800	21,700	12,500	39.34
Change (B-A)	-	-	(1,400)	
Rate of Change (%)	-	-	(10.1)	
(Reference) Results for the H2 fiscal year ended March 31, 2026	212,040	19,037	5,746	16.71

Revision of Full-Year Earnings Forecast Figures for Fiscal Year Ending March 31, 2027 (April 1, 2026 – March 31, 2027)

	Net sales	Recurring profit	Net profit	Net profit per share
	(million yen)	(million yen)	(million yen)	(yen)
Previously Announced Forecast (A)	440,900	39,500	25,400	79.95
Revised Forecast (B)	440,900	39,500	23,900	75.23
Change (B-A)	-	-	(1,500)	
Rate of Change (%)	-	-	(5.9)	
(Reference) Results for Previous Fiscal Year (Fiscal Year Ended March 2026)	425,066	35,727	15,277	46.18

* As stated in the “Consolidated Financial Statements (For the three months ended June 30, 2026)” announced as of August 7, 2026, the Company has retroactively applied a change in accounting policy regarding the recording of non-current assets. Consequently, the figures for the previous fiscal year shown above have been retroactively restated to reflect this change in accounting policy.

(2) Reasons for Revision

As noted above, since the target companies will be excluded from the Company’s scope of consolidation as a result of the Transactions, in the consolidated financial results, while the amount of net sales is expected to fall short of that of the previous forecast, the amounts of operating profit and recurring profit are expected to exceed that of the previous forecast.

Furthermore, since a loss on the sale of shares of the target companies and a loss associated with a compensation payment related to the Transactions will be recorded as an extraordinary loss, the amounts of net profit attributable to owners of parent and net profit are expected to fall short of that of the previous forecast.

(Note) Please note that the above earnings forecasts and other projections are calculated based on information available as of the date of this announcement, and actual results may differ from the forecast figures due to various factors in the future.

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