

Consolidated Financial Statements (Japanese Accounting Standard)

August 8, 2025

(For the three months ended June 30, 2025)

Name of Company Listed: **Leopalace21 Corporation**
 Code Number: 8848 URL: <https://www.leopalace21.co.jp/english/>
 Representative: Position: President and CEO
 Name of Contact Person: Position: Director, Executive Officer and Chief of the Corporate Management Headquarters
 Name: Shinji Takekura
 Stock Listing: Tokyo Stock Exchange
 Location of Head Office: Tokyo
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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, 2025 (April 1, 2025 – June 30, 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	%
Three months ended June 30, 2025	111,717	2.6	12,206	18.6	11,516	12.4	525	(91.4)
Three months ended June 30, 2024	108,917	2.4	10,289	35.0	10,244	49.5	6,084	(8.2)

(Note) Comprehensive income in the three months ended June 30, 2025: JPY (429) million [–%]

Comprehensive income in the three months ended June 30, 2024: JPY 7,787 million [11.9%]

	Net income per share	Diluted net income per share
	JPY	JPY
Three months ended June 30, 2025	1.51	1.17
Three months ended June 30, 2024	19.15	14.04

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	JPY million	JPY million	%
As of June 30, 2025	229,047	104,143	42.9
As of March 31, 2025	216,625	88,268	37.5

(Reference) Ownership equity as of June 30, 2025: JPY 98,158 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	—				
FY ending March 31, 2026 (Estimate)		5.00	—	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 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, 2025	219,500	1.5	18,000	3.3	17,100	2.2	3,400	(67.9)	9.89
FY ending March 31, 2026	441,400	2.2	32,400	10.8	30,900	14.7	11,600	(35.1)	35.06

(Note) Change from the latest earnings forecast: No

The Company resolved at its Board of Directors meeting held on May 27, 2025 to repurchase the treasury stock and the repurchase was completed on July 16, 2025. The figures for “Net income per share” in the consolidated earnings forecasts for the fiscal year ending March 31, 2026 take into account the impact of the repurchase of treasury stock. For details, please refer to 2. Consolidated Financial Statements and Notes (3) Notes Regarding Consolidated Financial Statements (Significant subsequent events) in p. 14.

(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. 11
- (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 June 30, 2025: 466,462,318 shares, As of March 31, 2025: 329,389,515 shares
 - (ii) Total treasury stock at term end
As of June 30, 2025: 11,694,621 shares, As of March 31, 2025: 11,694,621 shares
 - (iii) Average number of outstanding shares during the period
Three months ended June 30, 2025: 347,820,784 shares, Three months ended June 30, 2024: 317,695,154 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. 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 August 8, 2025.

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1. Summary of Business Results

(1) Analysis of Business Results

(JPY million)

	Three months ended June 30, 2025	Three months ended June 30, 2024	Difference	Percentage change
Net sales	111,717	108,917	+2,799	+2.6%
Cost of sales	86,659	87,519	(859)	(1.0)%
Gross profit (ratio)	25,058 (22.4%)	21,398 (19.6%)	+3,659	+17.1% (+2.8 p)
Selling, general and administrative expense	12,851	11,108	+1,742	+15.7%
Operating profit (loss) (ratio)	12,206 (10.9%)	10,289 (9.4%)	+1,917	+18.6% (+1.5 p)
EBITDA (Operating profit (loss) + Depreciation)	13,018	11,216	+1,802	+16.1%
Recurring profit (loss)	11,516	10,244	+1,272	+12.4%
Net income (loss) attributable to shareholders of the parent	525	6,084	(5,558)	(91.4)%

Net sales for Q1 of the fiscal year ending March 2026 amounted to JPY 111,717 million, up 2.6% YoY, despite the occupancy rate trending downward, due to an increasing trend in the average unit rent. Operating profit was JPY 12,206 million, up 18.6% YoY, as the increase in gross profit from increasing average unit rent and reduced cost of sales absorbed the increase in SG&A expenses due to salary level increases and other factors, and recurring profit was JPY 11,516 million, up 12.4% YoY.

Net income attributable to shareholders of the parent was JPY 525 million, down 91.4% YoY, mainly due to the recording of JPY 10,013 million in extraordinary losses related to the loss on cancellation of treasury stock acquisition rights.

EBITDA for Q1 of the fiscal year ending March 2026 increased by 16.1% YoY to JPY 13,018 million.

Results by segment are as follows:

(JPY million)

	Net sales			Operating profit (loss)		
	Three months ended June 30, 2025	Three months ended June 30, 2024	Difference	Three months ended June 30, 2025	Three months ended June 30, 2024	Difference
Leasing Business	107,883	105,088	+2,794	14,204	12,266	+1,937
Elderly Care Business	3,412	3,412	+0	(355)	(330)	(24)
Other Businesses	422	417	+4	(622)	(501)	(120)
Adjustments	—	—	—	(1,020)	(1,144)	+123
Total	111,717	108,917	+2,799	12,206	10,289	+1,917

(i) Leasing Business

During Q1 of the fiscal year ending March 2026, the occupancy rate at the end of the period was 86.06% (up 0.05 points from the end of the same period of the previous fiscal year), with an average occupancy rate of 86.25% (down 0.23 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 112 (up 6 % from the end of the same period of the previous fiscal year).

Consequently, net sales for Q1 of the fiscal year ending March 2026 increased by 2.7% YoY to JPY 107,883 million due to elevated average unit rent and other factors. Operating profit was JPY 14,204 million, a growth of 15.8% YoY, due to increased revenue, the reversal of provisions for apartment vacancy loss resulting from improved property income, and other factors.

(ii) Elderly Care Business

Net sales increased by 0.0% YoY to JPY 3,412 million and operating loss amounted to JPY 355 million, an increase in loss of JPY 24 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 2026, net sales increased by 1.2% YoY to JPY 422 million and operating loss amounted to JPY 622 million, an increase in loss of JPY 120 million YoY.

(2) Analysis of Consolidated Financial Position

(JPY million)

	June 30, 2025	March 31, 2025	Difference	Percentage change
Assets	229,047	216,625	+12,422	+5.7 %
Liabilities	124,904	128,356	(3,452)	(2.7)%
Net assets	104,143	88,268	+15,874	+18.0 %
Equity ratio	42.9 %	37.5 %	—	+5.4 p

Assets at the end of Q1 of the fiscal year ending March 2026 were JPY 229,047 million, an increase of JPY 12,422 million from the end of the previous fiscal year. This was due to an increase of JPY 17,052 million in cash and deposits mainly resulting from issuance of new shares, whereas trade receivables reduced by JPY 793 million, others (cash advance) in current assets reduced by JPY 1,116 million, buildings and structures (net) reduced by JPY 1,168 million, and deferred tax assets reduced by JPY 514 million.

Total liabilities amounted to JPY 124,904 million, a reduction of JPY 3,452 million from the end of the previous fiscal year. This was mainly due to decreases of JPY 1,343 million in accounts payable, JPY 360 million in accounts payable for completed projects, JPY 687 million in accounts payable - other, JPY 1,479 million in advances received and long-term advances received, and JPY 599 million in provision for apartment vacancy loss, whereas provision for bonus payment increased by JPY 1,316 million.

Total net assets increased by JPY 15,874 million from the end of the previous fiscal year to JPY 104,143 million. This was mainly due to increases of JPY 9,617 million in common stock and capital surplus, respectively, resulting from issuance of new shares, and the recording of JPY 525 million in net income attributable to shareholders of the parent, despite a decrease of JPY 1,093 million in retained earnings due to payment of dividends of JPY 1,619 million, a decrease of JPY 1,234 million in foreign currency translation adjustments following the appreciation of the yen, and a reduction of JPY 648 million in non-controlling interests mainly due to payment of treasury stock purchase and dividends to non-controlling shareholders of a consolidated subsidiary.

The equity ratio increased to 42.9%, a 5.4-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 2026, the Company confirms that there are no changes to the forecasts for the six months in FY ending March 2026 and for the full FY ending March 2026 that were announced on May 27, 2025 in “Notice Concerning Revisions of Earnings Forecasts and Recording of Extraordinary Losses.”

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, 2025	March 31, 2025
<Assets>		
Current assets		
Cash and deposits	105,460	88,408
Trade receivables	7,119	7,913
Accounts receivable for completed projects	1,136	1,085
Securities	100	100
Real estate for sale	230	174
Payment for construction in progress	265	229
Prepaid expenses	2,451	2,198
Others	5,119	6,236
Allowance for doubtful accounts	(3,062)	(3,129)
Total current assets	118,821	103,215
Non-current assets		
Property, plant, and equipment		
Buildings and structures (net)	18,288	19,456
Machinery, equipment, and vehicles (net)	4,926	5,009
Land	31,843	32,410
Leased assets (net)	1,265	1,358
Construction in progress	192	269
Others (net)	378	470
Total property, plant, and equipment	56,894	58,974
Intangible fixed assets		
Others	981	1,002
Total intangible fixed assets	981	1,002
Investments and other assets		
Investment securities	4,551	4,616
Long-term loans	479	486
Long-term prepaid expenses	1,456	1,418
Deferred tax assets	42,463	42,977
Other	6,030	6,226
Allowance for doubtful accounts	(2,631)	(2,292)
Total investments and other assets	52,349	53,432
Total non-current assets	110,226	113,409
Total assets	229,047	216,625

(JPY million)

	June 30, 2025	March 31, 2025
<Liabilities>		
Current liabilities		
Accounts payable	7,345	8,689
Accounts payable for completed projects	63	424
Short-term debt	30,000	30,000
Lease obligations	391	398
Accounts payable -other	9,222	9,909
Accrued income taxes	338	401
Advances received	35,153	36,493
Customer advances for projects in progress	458	340
Provision for bonus payment	1,316	–
Provision for warranty obligations on completed projects	1,990	1,834
Provision for losses on construction contracts	–	8
Provision for apartment vacancy loss	2,838	3,216
Provision for fulfillment of guarantees	724	759
Others	2,948	2,868
Total current liabilities	92,791	95,343
Non-current liabilities		
Lease obligations	1,136	1,232
Long-term advances received	4,882	5,021
Lease/guarantee deposits received	6,130	6,424
Provision for warranty obligations on completed projects	5,152	5,343
Provision for apartment vacancy loss	899	1,121
Provision for stock benefits	1,032	954
Liability for retirement benefits	10,437	10,380
Others	2,439	2,536
Total non-current liabilities	32,112	33,013
Total liabilities	124,904	128,356
<Net assets>		
Shareholders' equity		
Common stock	9,717	100
Capital surplus	39,736	30,120
Retained earnings	46,396	47,490
Treasury stock	(4,359)	(4,359)
Total shareholders' equity	91,490	73,350
Accumulated other comprehensive income		
Net unrealized gains on other securities	(172)	(151)
Foreign currency translation adjustments	6,887	8,122
Remeasurements of defined benefit plans	(47)	(51)
Total accumulated other comprehensive income	6,668	7,918
Share subscription rights	26	391
Non-controlling interests	5,958	6,607
Total net assets	104,143	88,268
Total liabilities and net assets	229,047	216,625

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

Consolidated Statements of Income

(JPY million)

	Three months ended June 30, 2025 (Apr 2025–Jun 2025)	Three months ended June 30, 2024 (Apr 2024–Jun 2024)
Net sales	111,717	108,917
Cost of sales	86,659	87,519
Gross profit	25,058	21,398
Selling, general and administrative expense	12,851	11,108
Operating profit (loss)	12,206	10,289
Non-operating income		
Interest income	10	9
Dividend income	6	4
Valuation gains of investment securities	30	18
Foreign exchange gains	–	220
Others	61	103
Total non-operating income	108	357
Non-operating expenses		
Interest expenses	241	364
Commission fee	267	–
Stock granting expenses	83	–
Foreign exchange losses	108	–
Share of loss of entities accounted for using equity method	12	26
Others	85	11
Total non-operating expenses	798	402
Recurring profit (loss)	11,516	10,244
Extraordinary income		
Gain on sale of property, plant and equipment	65	–
Gain on reversal of share subscription rights	150	–
Reversal of provision for losses related to repairs	–	182
Total extraordinary income	215	182
Extraordinary losses		
Loss on retirement of non-current assets	0	2
Impairment loss	78	–
Loss on cancellation of treasury stock acquisition rights	10,013	–
Total extraordinary losses	10,091	2
Income (loss) before taxes and other adjustments	1,640	10,424
Income taxes	819	4,020
Net income (loss)	821	6,403
Net income (loss) attributable to non-controlling interests	295	319
Net income attributable to shareholders of the parent	525	6,084

Consolidated Statements of Comprehensive Income

(JPY million)

	Three months ended June 30, 2025 (Apr 2025–Jun 2025)	Three months ended June 30, 2024 (Apr 2024–Jun 2024)
Net income (loss)	821	6,403
Other comprehensive income		
Net unrealized gains on other securities	(20)	(24)
Foreign currency translation adjustments	(1,234)	1,404
Remeasurements of defined benefit plans	4	4
Total other comprehensive income	(1,250)	1,383
Comprehensive income	(429)	7,787
(Breakdown)		
Comprehensive income attributable to shareholders of the parent	(724)	7,468
Comprehensive income attributable to non-controlling interests	295	319

(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)

A portion of the 5th series share subscription rights issued by the Company to Chidori Godo Kaisha, a business entity related to Fortress Investment Group LLC, was exercised on June 11, 2025, and payment was completed.

As a result, during Q1 of the fiscal year ending March 2026, common stock and capital reserve each increased by JPY 9,617 million, resulting in common stock of JPY 9,717 million and capital surplus of JPY 39,736 million as of the end of Q1 of the fiscal year ending March 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 and other adjustments for the fiscal year ending March 31, 2026 including the Q1 cumulative, and multiplying income before income taxes and other adjustments 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.

(Notes regarding the consolidated statements of cash flows)

Consolidated statements of cash flows for Q1 of the fiscal year ending March 2026 were not prepared. Depreciation (including amortization of intangible fixed assets) for the three months ended June 30, 2025 and June 30, 2024 is as follows:

(JPY million)

	Three months ended June 30, 2025 (Apr 2025–Jun 2025)	Three months ended June 30, 2024 (Apr 2024–Jun 2024)
Depreciation	811	926

(Segment Information)

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 Statement of Income (Note 2)
	Leasing Business	Elderly Care Business	Other Businesses	Total		
Net sales						
Ancillary service income	7,625	–	–	7,625	–	7,625
Maintenance	9,381	–	–	9,381	–	9,381
Company housing agency fee	272	–	–	272	–	272
Roof lease solar power generation	774	–	–	774	–	774
Construction contracting	353	–	–	353	–	353
Other	–	3,412	294	3,706	–	3,706
Sales from contracts with customer	18,407	3,412	294	22,114	–	22,114
Rent income	83,480	–	–	83,480	–	83,480
Ancillary service income	4,701	–	–	4,701	–	4,701
Rental guarantee	875	–	–	875	–	875
Furniture insurance	417	–	–	417	–	417
Other	–	–	127	127	–	127
Other sales	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)	14,204	(355)	(622)	13,227	(1,020)	12,206

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.

Three months ended June 30, 2024 (April 1, 2024 – June 30, 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 Statement of Income (Note 2)
	Leasing Business	Elderly Care Business	Other Businesses	Total		
Net sales						
Ancillary service income	7,521	–	–	7,521	–	7,521
Maintenance	8,810	–	–	8,810	–	8,810
Company housing agency fee	246	–	–	246	–	246
Roof lease solar power generation	802	–	–	802	–	802
Construction contracting	203	–	–	203	–	203
Other	–	3,412	316	3,728	–	3,728
Sales from contracts with customer	17,584	3,412	316	21,312	–	21,312
Rent income	81,380	–	–	81,380	–	81,380
Ancillary service income	4,749	–	–	4,749	–	4,749
Rental guarantee	1,009	–	–	1,009	–	1,009
Furniture insurance	365	–	–	365	–	365
Other	–	–	101	101	–	101
Other sales	87,504	–	101	87,605	–	87,605
Sales to external customers	105,088	3,412	417	108,917	–	108,917
Inter-segment sales and transfers	4	–	76	81	(81)	–
Total	105,092	3,412	494	108,998	(81)	108,917
Segment profit (loss)	12,266	(330)	(501)	11,433	(1,144)	10,289

Note 1: The segment profit (loss) adjustments of JPY (1,144) million includes JPY 65 million in eliminated inter-segment transactions and JPY (1,209) 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)

(Repurchase of Treasury Stock and Tender Offer for Treasury Stock)

At the Board of Directors meeting held on May 27, 2025, the Company resolved to acquire treasury stock and to conduct a tender offer as the specific method of acquisition, in accordance with Article 156, Paragraph 1 of the Companies Act, as applied by reference pursuant to Article 165, Paragraph 3 of the same Act, and the provisions of the Company's Articles of Incorporation. On the same date, the Company entered into an agreement with Chidori Godo Kaisha, an affiliate of Fortress Investment Group LLC (hereinafter "Chidori") regarding its participation in the tender offer.

The tender offer was concluded on June 24, 2025, and it was deemed complete when the settlement for the repurchase of treasury stock took place on July 16, 2025.

1. Purpose of the Tender Offer

On June 11, 2025, Chidori exercised its share subscription rights, resulting in the issuance of a significant number of the Company's treasury shares. This has caused a significant deterioration in earnings per share (EPS) and return on equity (ROE), and there is a risk that the release of these shares into the market could cause a significant deterioration in the supply and demand balance of common stock of the Company, thereby putting downward pressure on stock price. Therefore, the Company has conducted this tender offer to further enhance its capital efficiency and corporate value.

2. Result of the Tender Offer

Type of shares repurchased	:	Common stock of the Company
Total number of shares tendered	:	221,579,803 shares
Total number of shares repurchased	:	137,072,803 shares
Tender offer price	:	JPY 522 per share
Total purchase price	:	JPY 71,552 million

(Reduction of the Amount of Common Stock and Capital Reserve)

At the Board of Directors meeting held on May 30, 2025, the Company resolved to submit a proposal regarding the reduction of the amount of common stock and capital reserve to the 52nd Ordinary General Shareholders' Meeting to be held on June 26, 2025. Such proposal was approved and adopted at the same meeting, and the reduction became effective on July 31, 2025.

1. Purpose of Reduction of the Amount of Common Stock and Capital Reserve

The Company intends to realize flexibility and agility of a capital policy going forward by reduction of the amount of common stock and capital reserve.

2. Details of Reduction of the Amount of Common Stock

The Company reduced the amount of common stock and capital reserve and transferred the amount to other capital surplus in accordance with the provisions of Article 447, Paragraph 1 and Article 448, Paragraph 1 of the Companies Act.

(1) Amount of common stock reduced

The amount of common stock was reduced by JPY 9,617 million, from JPY 9,717 million to JPY 100 million.

(2) Amount of capital reserve reduced

The amount of capital reserve was reduced by JPY 9,617 million, from JPY 19,617 million to JPY 10,000 million.

3. Impact on business performance

This matter involves a transfer of accounts in the net assets section of the balance sheet, and there will be no change in the amount of the Company's net assets, nor will it impact business results.