

English Translation of Original Japanese

This is a translation of the original notice in Japanese. In the event of any discrepancy, the original notice in Japanese shall prevail.

Although the consolidated and non-consolidated financial statements in Japanese were audited, their English translation was not audited.

To Our Shareholders

I would like to express my sincere gratitude to all our shareholders for your continued support. In delivering the notice of the 53rd Ordinary General Shareholders' Meeting, I would like to take a moment to say a few words.

In the fiscal year ended March 31, 2026, we worked to strengthen our business foundation. In the Leasing Business, we made steady progress in improving occupancy rate and profitability, and in the Development Business, we steadily accumulated orders in the first year since resuming operations.

The fiscal year ended March 31, 2026, which is the first year of the Medium-term Management Plan, got off to a smooth start. We will continue to strive to steadily achieve positive results in the second and third years of the plan, and further strengthen our profitability and business foundation in order to chart a solid growth path that will lead to the next Medium-term Management Plan.

I ask all our shareholders for your continued and further support and encouragement.

June 2026

Bunya Miyao
Representative Director, President and CEO

Corporate Philosophy System

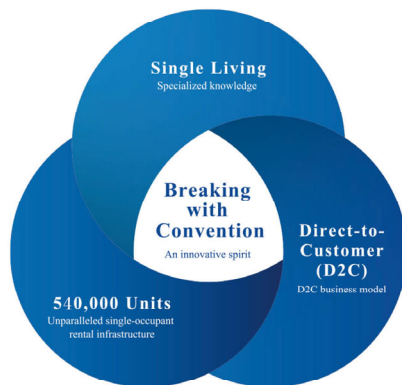
Mission

To create new value
and *imagineer**¹ joyful living

Vision

To shape the future of “Single Living” by connecting
with people, companies, and communities to make
everyone’s lives brighter through the concept of
“Living Freely and Confidently”*²

Core Values(Universal DNA)



Credo

(Code of conduct)

1	We don't wait for someone else's instructions. We think and act for ourselves.
2	We don't just do our jobs. We pursue who we want to be with passion.
3	We are not bound only by the company's perspective. We fully engage with customers to resolve issues.
4	We are not limited by the company's conventional wisdom. We constantly evolve based on our understanding of changes in society and the market.
5	We never underestimate the value of information. We fully utilize information for the benefit of everyone involved and for society as a whole.
6	We don't leave things undone. We continuously assess our actions and work to improve.
7	The company is a team. We respect others' positions, express gratitude, cooperate, and help each other improve.
8	We are fair and upright. We are proud to stand up for what is right.

*1 *Imagineer* is a coined word that combines the meanings of “imagine” and “engineer.” Our Mission is to provide tenants, owners, corporate customers, and other stakeholders with tangible value by creating new products, services and businesses, thereby *imagineering* a world of joyful living.

*2 “Living Freely and Confidently” expresses the freedom and flexibility created by unleashing the full potential of Leopalace21’s unique asset of “Home Infrastructure” (especially our nationwide single-occupant rental housing).

To Our Shareholders

Bunya Miyao
Representative Director, President
and CEO
Leopalace21 Corporation
2-54-11 Honcho, Nakano-ku, Tokyo

Notice of the 53rd Ordinary General Shareholders' Meeting

We are pleased to announce that the 53rd Ordinary General Shareholders' Meeting of Leopalace21 Corporation ("the Company") will be held as described below.

In convening this General Shareholders' Meeting, the Company has taken measures for electronic provision and has posted matters subject to measures for electronic provision in the form of "Notice of the 53rd Ordinary General Shareholders' Meeting" on the following Internet websites.

The Company website

<https://eg.leopalace21.co.jp/ir/stock/meeting/index.html>

In addition to the above, the Company has also posted on the following Internet websites.

Tokyo Stock Exchange website

<https://www2.jpx.co.jp/tseHpFront/JJK020030Action.do>

(Please access the above TSE website, enter "Leopalace" in the "Issue name (company name)" or our securities code "8848" in "Code" and click on the "Search" button, select "Basic information" then "Documents for public inspection/PR information," and refer to the "Notice of General Shareholders Meeting/Information Materials for a General Shareholders Meeting" under "Filed information available for public inspection.")

The Portal of Shareholders' Meeting website (in Japanese)

<https://www.soukai-portal.net>

If you will not be attending the meeting in person, you can still exercise your voting rights by either of the following methods. Please exercise your voting rights beforehand by either of the following methods no later than 6:00 p.m. on Wednesday, June 24, 2026.

[Exercising your voting rights in writing]

Please refer to the Reference Materials for the General Shareholders' Meeting on pages 6 to 16, which are listed in the matters subject to the measures for electronic provision, indicate "for" or "against" for each proposal shown on the enclosed Voting Rights Exercise Form and return it in time for delivery by the deadline mentioned above.

In the event that no indication of "for" or "against" has been made, this shall be treated as the intent of approval.

[Exercising your voting rights via the Internet]

Please access the Voting Rights Exercise Site, which is designated by the Company. Examine the Reference Materials for the General Shareholders' Meeting on pages 6 to 16, which are listed in the matters subject to the measures for electronic provision or the reference materials posted on the Company website, which will be accessible via the Voting Rights Exercise Site, follow the instructions on the screen, and indicate "for" or "against" for each proposal.

In addition, if you exercise your voting rights both by the Voting Rights Exercise Form and via the Internet, the voting via the Internet shall prevail.

If you exercise your voting rights multiple times via the Internet, the voting exercised last shall prevail.

Details

1. **Date and Time:** June 25, 2026 (Thursday), 10:00 a.m. (Reception will open at 9:00 a.m.)
2. **Place:** Conference room, Head Office, Leoplace21 Corporation
2-54-11 Honcho, Nakano-ku, Tokyo

3. Agenda for the Meeting

Matters to be reported:

1. Report on the Business Report, Consolidated Financial Statements, and Results of Audit of the Consolidated Financial Statements by the Accounting Auditor and the Audit & Supervisory Board for the 53rd Fiscal Term (from April 1, 2025 to March 31, 2026)
2. Report on Non-consolidated Financial Statements for the 53rd Fiscal Term (from April 1, 2025 to March 31, 2026)

Matters to be resolved:

Proposal No. 1: Appropriation of Surplus

Proposal No. 2: Election of Nine (9) Directors

Note: For those attending the meeting in person, please present the enclosed Voting Rights Exercise Form at the reception desk.

The paper-based documents sent to shareholders who have requested to receive them exclude the “Notes to Consolidated Financial Statements” of the Consolidated Financial Statements and the “Notes to Non-Consolidated Financial Statements” of the Non-Consolidated Financial Statements in accordance with laws and regulations and Article 14 of the Articles of Incorporation of the Company. Therefore, such documents are a part of the documents audited by the Audit & Supervisory Board Members and the Accounting Auditor in preparing their respective audit reports.

Should any amendments be made to the matters subject to the measures for electronic provision, such amendments will be posted on the respective websites where they are posted.

If you wish your proxy to attend the meeting, the proxy shall be limited to one other shareholder who has the voting right of the Company. In this case, you should submit the letter of attorney and your own Voting Rights Exercise Form evidencing the proxy’s authority to represent. Please note that anyone other than a shareholder (e.g., non-shareholding proxy, person accompanying the shareholder) will not be allowed to attend the meeting.

Trust banks and other nominee shareholders (including standing proxies) who have applied in advance to use the electronic voting platform operated by ICJ, Inc. (a joint-venture company established by Tokyo Stock Exchange, Inc. and others) may use this platform other than voting via the Internet to electronically exercise voting rights for the Company’s General Shareholders’ Meeting.

<https://eg.leopalace21.co.jp/ir/stock/meeting/index.html>

On the day of the General Shareholders’ Meeting, we invite all shareholders to dress casually.

Please be advised in advance that no gifts will be distributed to attending shareholders, and no social function will be held after the conclusion of the General Shareholders’ Meeting.

Reference Materials for the General Shareholders' Meeting

Proposal No. 1: Appropriation of Surplus

In addition to increasing corporate value over the medium- to long-term, the Company positions the return of profits to shareholders as one of its key management issues, and has made it a policy to pay continuous and stable dividends by comprehensively considering performance trends, financial conditions, and other factors. Based on the above policy, the Company proposes the following year-end dividend, taking into account business performance in the fiscal year ended March 31, 2026 and future business development, etc.

Matters concerning the year-end dividend

(1) Type of dividend property

Cash

(2) Allotment of dividend property and the total amount

JPY 5 per share of common stock of the Company

Total amount of dividends: JPY 1,634,027,070

(3) Effective date of dividend of surplus

June 26, 2026

Proposal No. 2: Election of Nine (9) Directors

The term of office of all ten (10) Directors will expire at the conclusion of this Ordinary General Shareholders' Meeting. In that regard, it is proposed that nine (9) Directors (of which four (4) will be Outside Directors) be elected. The candidates for Director are as follows:

[Reference] Structure of the Board of Directors After the General Shareholders' Meeting

If all candidates are elected as Directors, the Board of Directors will consist of nine (9) Directors: five (5) Internal Directors (of which, three (3) will be Executive Directors and two (2) will be non-executive Directors) and four (4) independent Outside Directors with the latter comprising at least one-third of the Directors.

Skillset Matrix of the Board of Directors

	Name	Title	Execution of business	Independency	Skills particularly required by Leoplace21					
					Corporate management	Structural reforms	Sales and marketing	Compliance and risk management	Quality management	Finance
1	Bunya Miyao	Representative Director, President and CEO Chairman of the Board of Directors	Executive		○	○		○		○
2	Mayumi Hayashima	Director and Managing Executive Officer	Executive			○	○	○		
3	Shinji Takekura	Director and Executive Officer	Executive				○	○		○
4	Akio Yamashita	Director	Non-executive		○	○				○
5	Jin Ryu	Director	Non-executive			○	○			○
6	Akira Watanabe	Director	Non-executive	Independent Outside	○	○		○		
7	Yutaka Nakamura	Director	Non-executive	Independent Outside				○	○	
8	Takumi Shibata	Director	Non-executive	Independent Outside		○		○		○
9	Kan Ishii	Director	Non-executive	Independent Outside	○	○				○

Candidate number	Name (Date of birth)	Career summary, and positions and duties in the Company (Significant concurrent positions)		Number of the Company's shares held
1	Re-election Bunya Miyao (April 14, 1960) Attendance at the Board of Directors meetings: 19/19 Term of office: 10 years	April 1983 June 1990 September 2000 July 2008 July 2010 July 2012 April 2013 June 2016 May 2017 April 2018 May 2019 June 2019 May 2022 April 2025	Joined Nakamichi Leasing Co., Ltd. Joined Leopalace21 Corporation Deputy Manager of the Financial Department, Leopalace21 Corporation General Manager of the Resort Business Headquarters, Leopalace21 Corporation General Manager of the Management Planning Department, Leopalace21 Corporation Administrative Officer, Leopalace21 Corporation Executive Officer, Leopalace21 Corporation Director and Executive Officer, Leopalace21 Corporation Representative in charge of the Management Planning Department, the Public Relations Department, Leopalace21 Corporation Director and Managing Executive Officer, Leopalace21 Corporation Representative in charge of Management Planning and Investor Relations, Leopalace21 Corporation Representative Director, President and CEO, Leopalace21 Corporation (incumbent) Chief of the Business Operation Headquarters, Leopalace21 Corporation Chief of the Construction Defects Response Headquarters, Leopalace21 Corporation Chief of the Development Business Headquarters, Leopalace21 Corporation (incumbent)	12,380 shares
Reasons for nomination as a candidate for Director Mr. Bunya Miyao has extensive experience in overseeing all of the Company's group businesses, and in relation to the construction defects problem, he demonstrated strong leadership in leading the management and worked on corporate culture reforms and structural reforms across the entire Group. We expect that he will leverage this experience and track record going forward to drive the Company's sustainable growth and enhancement of corporate value, and so the Company has nominated him again as a candidate for Director.				

Candidate number	Name (Date of birth)	Career summary, and positions and duties in the Company (Significant concurrent positions)		Number of the Company's shares held
2	Re-election Mayumi Hayashima (April 26, 1973) Attendance at the Board of Directors meetings: 19/19 Term of office: 7 years	April 1996 April 2009 July 2010 April 2014 April 2015 April 2018 June 2019 June 2020 July 2020 May 2021 May 2022 November 2024 April 2026	Joined Leopalace21 Corporation Deputy General Manager of the Eastern Japan Corporate Sales Department, Leasing Sales Section 3, Leasing Business Division, Leopalace21 Corporation General Manager of the Corporate Sales Department, Eastern Japan Section 2, Leasing Business Division, Leopalace21 Corporation General Manager of the Corporate Business Promotion Department, Leopalace21 Corporation Administrative Officer, Leopalace21 Corporation Executive Officer, Leopalace21 Corporation Director and Executive Officer, Leopalace21 Corporation Chief of the Compliance Management Headquarters, Chief Legal Officer (CLO), Leopalace21 Corporation Chief of the Compliance Promotion Headquarters, Chief Legal Officer (CLO), Leopalace21 Corporation Chief of the Management Headquarters, Leopalace21 Corporation Vice Chief of the Corporate Management Headquarters, Leopalace21 Corporation Director and Managing Executive Officer, Leopalace21 Corporation (incumbent) Chief of the Leasing Business Headquarters, Leopalace21 Corporation Chief of the Leasing Business Promotion Headquarters, Leopalace21 Corporation Chief of the Leasing Business Headquarters, Leopalace21 Corporation (incumbent)	5,552 shares
Reasons for nomination as a candidate for Director Ms. Mayumi Hayashima has many years of experience in the Leasing Business related organizations, and with her knowledge and track record in implementing cross-departmental measures, she has contributed to improving profitability. She also has experience overseeing the legal compliance department. We expect that she will contribute to making appropriate management decisions in determining important matters within the Company and to further promoting compliance management, and so the Company has nominated her again as a candidate for Director.				

Candidate number	Name (Date of birth)	Career summary, and positions and duties in the Company (Significant concurrent positions)		Number of the Company's shares held
3	Re-election Shinji Takekura (May 9, 1972) Attendance at the Board of Directors meetings: 19/19 Term of office: 4 years	April 1996 April 2014 May 2018 June 2020 October 2020 April 2021 May 2022 June 2022 April 2025 Significant concurrent positions	Joined Leopalace21 Corporation Department Manager of the 1st Contracted Construction Business Department, West Japan Region, Leopalace21 Corporation Department Manager of the 3rd Contracted Construction Business Department, East Japan Region, Leopalace21 Corporation Department Manager of the 2nd Wealth Management Department, East Japan Region, and Responsible for the Emergency Response Project for Construction Defects Problem, Leopalace21 Corporation Senior Department Manager of the Management Planning Department, Leopalace21 Corporation Executive Officer, Leopalace21 Corporation Chief of the Corporate Management Headquarters, Leopalace21 Corporation (incumbent) Chief of the Compliance Promotion Headquarters, Chief Legal Officer (CLO), Leopalace21 Corporation Director and Executive Officer, Leopalace21 Corporation (incumbent) Vice Chief of the Development Business Headquarters, Leopalace21 Corporation (incumbent) President and CEO, Leopalace Power Corporation	24,276 shares
Reasons for nomination as a candidate for Director Mr. Shinji Takekura has many years of experience and a track record in the Development Sales related organizations and in the Corporate Management Headquarters, he has contributed to the recovery of profitability, strengthening of the financial base, and development of risk management and compliance systems. We expect that he will contribute to making appropriate decisions in determining important matters within the Company and to further strengthening the governance system, and so the Company has nominated him again as a candidate for Director.				

Candidate number	Name (Date of birth)	Career summary, and positions and duties in the Company (Significant concurrent positions)		Number of the Company's shares held			
4	Re-election Akio Yamashita (October 23, 1961) Attendance at the Board of Directors meetings: 17/19 Term of office: 5 years	April 1984	Joined Japan Development Bank (now Development Bank of Japan Inc.)	0 shares			
		January 2006	Joined Morgan Stanley Securities Co., Ltd. (now Morgan Stanley MUFG Securities Co., Ltd.)				
		June 2008	Joined Fortress Investment Group (Japan) GK, Managing Director				
		March 2013	Representative in Japan, Fortress Investment Group (Japan) GK				
		June 2021	Outside Director, Leopalace21 Corporation				
		January 2022	Director, PJC Investments (now Accordia Golf Holdings Co., Ltd.) Director, Accordia Golf co., Ltd.				
		June 2022	Director, Leopalace21 Corporation (incumbent)				
		September 2023	Director, Sogo & Seibu Co., Ltd. (incumbent)				
		February 2025	Chairperson, Phoenix Resort Co., Ltd. (incumbent) Representative in Japan, Fortress Investment Group (Japan) GK				
		April 2025	Director, Joban Kosan Co., Ltd. (incumbent)				
		December 2025	Representative in Japan, Co-Head of Asia, Fortress Investment Group (Japan) GK (incumbent)				
		Significant concurrent positions Representative in Japan, Co-Head of Asia, Fortress Investment Group (Japan) GK Director, Sogo & Seibu Co., Ltd. Chairperson, Phoenix Resort Co., Ltd. Director, Joban Kosan Co., Ltd.					
		Reasons for nomination as a candidate for Director Mr. Akio Yamashita has many years of experience and a wide range of knowledge in finance, and as a representative of an investment fund, he has built up a track record in a wide variety of projects, including real estate-related business and corporate rehabilitation projects. We expect that he will leverage this experience in the Company's growth strategy and fulfill an important role in supervising business execution, and so the Company has nominated him again as a candidate for Director.					
		5	Re-election Jin Ryu (June 10, 1984) Attendance at the Board of Directors meetings: 16/19 Term of office: 5 years		April 2010	Joined Morgan Stanley MUFG Securities Co., Ltd.	0 shares
					April 2011	Joined RBS Securities Japan Ltd.	
May 2012	Joined Fortress Investment Group (Japan) GK						
April 2020	Director, FHK Company (incumbent)						
December 2020	Managing Director, Fortress Investment Group (Japan) GK (incumbent)						
June 2021	Outside Director, Leopalace21 Corporation						
January 2022	Director, PJC Investments (now Accordia Golf Holdings Co., Ltd.) Director, Accordia Golf co., Ltd.						
June 2022	Director, Leopalace21 Corporation (incumbent)						
September 2023	Representative Director, Sogo & Seibu Co., Ltd.						
April 2026	President and Representative Director, Sogo & Seibu Co., Ltd. (incumbent)						
Significant concurrent positions Managing Director, Fortress Investment Group (Japan) GK Director, FHK Company President and Representative Director, Sogo & Seibu Co., Ltd.							
Reasons for nomination as a candidate for Director Mr. Jin Ryu has built up a great track record through his many years of experience and wide range of knowledge in corporate investment and corporate rehabilitation. We expect that he will leverage this experience in the Company's growth strategy and fulfill an important role in supervising business execution, and so the Company has nominated him again as a candidate for Director.							

Candidate number	Name (Date of birth)	Career summary, and positions and duties in the Company (Significant concurrent positions)		Number of the Company's shares held
6	Re-election Outside Independent Akira Watanabe (February 16, 1947) Attendance at the Board of Directors meetings: 19/19 Term of office: 5 years and 11 months	April 1973	Registered as an attorney at law	11,508 shares
		November 2006	External Statutory Auditor, FAST RETAILING CO., LTD.	
		June 2007	Outside Director, MAEDA CORPORATION	
		June 2007	Outside Audit & Supervisory Board Member, KADOKAWA GROUP HOLDINGS, INC. (now KADOKAWA CORPORATION)	
		April 2010	Outside Director, MS&AD Insurance Group Holdings, Inc.	
		March 2013	Outside Director, DUNLOP SPORTS CO., LTD.	
		October 2015	Director, ASIA PILE HOLDINGS CORPORATION (incumbent)	
		September 2018	Partner, Comm & Path Law Office (incumbent)	
		June 2019	Outside Director, Maeda Road Construction Co., Ltd. (incumbent)	
		July 2020	Outside Director, Leoplace21 Corporation (incumbent)	
		June 2022	Outside Director, KADOKAWA CORPORATION	
		Significant concurrent positions Director, ASIA PILE HOLDINGS CORPORATION Partner, Comm & Path Law Office Outside Director, Maeda Road Construction Co., Ltd.		
		Reasons for nomination as a candidate for Outside Director and overview of expected roles Mr. Akira Watanabe possesses expertise as an attorney at law, and he has built up a great track record in resolving legal affairs and compliance-related issues. Based on this experience, we expect that he will fulfill an important role in supervising business execution from an independent and fair perspective, and so the Company has nominated him again as a candidate for Outside Director.		
7	Re-election Outside Independent Yutaka Nakamura (September 28, 1958) Attendance at the Board of Directors meetings: 19/19 Term of office: 6 years and 4 months	April 1981	Joined National Housing Materials Co., Ltd. (now Panasonic Homes Co., Ltd.)	4,596 shares
		October 2002	Manager of Quality & Environmental Promotion Department, Panasonic Homes Co., Ltd.	
		October 2006	Manager of Quality, Environment & IT Department, Panasonic Homes Co., Ltd.	
		April 2011	Councilor and Manager of Corporate Quality & Environmental Division, Panasonic Homes Co., Ltd.	
		April 2012	Senior Councilor and Manager of Corporate Quality & Environmental Division, Panasonic Homes Co., Ltd.	
		April 2018	Senior Principal for Quality & Customer Satisfaction, Panasonic Homes Co., Ltd.	
		March 2019	Retired from Panasonic Homes Co., Ltd.	
		February 2020	Outside Director, Leoplace21 Corporation (incumbent)	
		Reasons for nomination as a candidate for Outside Director and overview of expected roles Mr. Yutaka Nakamura has been involved in quality management and environmental management in the housing industry for many years, and he possesses expertise and experience in construction technologies. Based on his track record of holding key positions in several organizations, we expect that he will fulfill an important role in supervising business execution from an independent and fair perspective, and so the Company has nominated him again as a candidate for Outside Director.		

Candidate number	Name (Date of birth)	Career summary, and positions and duties in the Company (Significant concurrent positions)	Number of the Company's shares held
8	Re-election Outside Independent Takumi Shibata (January 8, 1953) Attendance at the Board of Directors meetings: 19/19 Term of office: 4 years	April 1976 Joined Nomura Securities Co., Ltd. July 1997 Managing Director, Nomura International plc July 1998 Director, Nomura Securities Co., Ltd. April 2000 Managing Director, Nomura Europe Holdings plc April 2005 President and CEO, Nomura Asset Management Co., Ltd. July 2007 Deputy President and COO, Nomura Holdings, Inc. July 2013 Executive Chairman, Nikko Asset Management Co., Ltd. (now Amova Asset Management Co., Ltd.) January 2014 President and COO, Amova Asset Management Co., Ltd. June 2020 Representative Director, Fiducia, Inc. (incumbent) April 2022 Representative Director, Terra Foods Corporation June 2022 Outside Director, Leopalace21 Corporation (incumbent) July 2022 Outside Director, Nano Summit Co., Ltd. (incumbent) May 2023 Outside Director, Seeds Co., Ltd. (incumbent) June 2023 Outside Director, PJC Investments (now Accordia Golf Holdings Co., Ltd.) Outside Director, Accordia Golf co., Ltd. March 2025 Executive Director, Sound Wave Innovation Co., Ltd. (incumbent) March 2026 Director, Terra Foods Corporation (incumbent) Significant concurrent positions Representative Director, Fiducia, Inc. Director, Terra Foods Corporation Outside Director, Nano Summit Co., Ltd. Outside Director, Seeds Co., Ltd. Executive Director, Sound Wave Innovation Co., Ltd.	26,012 shares
Reasons for nomination as a candidate for Outside Director and overview of expected roles Mr. Takumi Shibata possesses a wide range of knowledge and experience in securities, asset management, and finance. Based on his track record of holding important positions at securities and asset management companies, we expect that he will fulfill an important role in supervising business execution from an independent and fair perspective, and so the Company has nominated him again as a candidate for Outside Director.			

Candidate number	Name (Date of birth)	Career summary, and positions and duties in the Company (Significant concurrent positions)	Number of the Company's shares held
9	Re-election Outside Independent Kan Ishii (February 11, 1954) Attendance at the Board of Directors meetings: 19/19 Term of office: 4 years	April 1977 Joined Japan Development Bank (now Development Bank of Japan Inc.) October 2008 Managing Executive Officer, Development Bank of Japan Inc. January 2010 Trustee Representative, Japan Airlines Co., Ltd. August 2011 Representative Director President, FUKUOKA JISHO CO., LTD. June 2017 Outside Director, NIPPON PISTON RING CO., LTD. April 2018 Visiting Professor, The Graduate School of Project Design June 2018 Director, The Nishinippon Shimbun April 2019 Specially Appointed Professor, The Graduate School of Project Design (incumbent) June 2021 Advisor, TERRACE MILE, Inc. (incumbent) June 2022 Outside Director, Leopalace21 Corporation (incumbent) Representative Director, PJC Investments (now Accordia Golf Holdings Co., Ltd.) Representative Director, President and CEO, Accordia Golf co., Ltd. Significant concurrent positions Specially Appointed Professor, The Graduate School of Project Design Advisor, TERRACE MILE, Inc.	0 shares
Reasons for nomination as a candidate for Outside Director and overview of expected roles Mr. Kan Ishii has many years of experience and a wide range of knowledge in corporate investment and corporate rehabilitation. Based on his track record of holding important positions at an investment bank and serving as Trustee Representative of an airline company, we expect that he will fulfill an important role in supervising business execution from an independent and fair perspective, and so the Company has nominated him again as a candidate for Outside Director.			

- Notes: 1. There is no particular interest between any of the candidates and the Company.
2. Mr. Akira Watanabe, Mr. Yutaka Nakamura, Mr. Takumi Shibata and Mr. Kan Ishii are candidates for Outside Director. These four candidates for Outside Director are candidates for independent officer as stipulated in Article 436-2 of the Securities Listing Regulations of Tokyo Stock Exchange, Inc. As the candidates also satisfy the independence criteria set forth by the Company, the Company deems that the independence of the candidates is assured. In addition, the Company has notified Tokyo Stock Exchange, Inc. of the designation of Mr. Akira Watanabe, Mr. Yutaka Nakamura, Mr. Takumi Shibata and Mr. Kan Ishii as independent officers.
3. Fortress Investment Group (Japan) GK, where Mr. Akio Yamashita serves as a Representative in Japan, Co-Head of Asia and Mr. Jin Ryu serves as a Managing Director, is a business entity with ties to Chidori Godo Kaisha, a major shareholder of the Company.
4. Mr. Akira Watanabe has held a position at Maeda Road Construction Co., Ltd. as Outside Director. Although there is a business relationship between the said company and the Company, the transaction amount is negligible (accounts for less than 2% of the said company's and the Company's consolidated net sales in the most recent fiscal year). Therefore, the Company deems that this does not affect his independence.
5. Pursuant to the provisions of Article 427, paragraph (1) of the Companies Act, the Company has entered into limited liability agreements with Mr. Akio Yamashita, Mr. Jin Ryu, Mr. Akira Watanabe, Mr. Yutaka Nakamura, Mr. Takumi Shibata and Mr. Kan Ishii, limiting their liability for damages under Article 423, paragraph (1) of the Companies Act, to the minimum limit amount prescribed by laws and regulations. The Company will continue these agreements if their re-election is approved.
6. The Company has entered into a directors and officers liability insurance policy pursuant to Article 430-3, paragraph (1) of the Companies Act with an insurance company, under which all of the Directors are the insureds. The policy details are described in "3. Outline of directors and officers liability insurance policy" under "Items Regarding Directors/Audit & Supervisory Board Members of the Company" of the Business Report. Furthermore, if each candidate assumes the office of Director, they will be insureds under the policy, and the Company intends to renew the policy during their terms of office.
7. Ms. Mayumi Hayashima's name on her family register is Mayumi Tsuboi.

8. The number of shares shown for “Number of the Company’s shares held” for each candidate includes shares held in the relevant stockholding association.
9. At KADOKAWA CORPORATION where Mr. Akira Watanabe served as an Outside Director until June 2023, officers and employee of the company came to be arrested and prosecuted in September through October 2022 on suspicion of bribery related to the selection of sponsors for the Tokyo 2020 Olympic and Paralympic Games. Although Mr. Akira Watanabe was serving as an Outside Audit & Supervisory Board Member at the company in 2020 when the alleged fact of crime existed, he did not recognize the alleged fact until the case of the company got exposed. In addition, after the alleged fact of crime was revealed, he was engaged in providing recommendations regarding factual investigation, investigation of the cause, and prevention of recurrence, from the perspective of governance and compliance.

**[Reference] Independence Criteria for the Company's Outside Officers
(Directors and Audit & Supervisory Board Members)**

When electing Outside Directors or Outside Audit & Supervisory Board Members of the Company, in order for a nominee to be recognized as independent, the nominee must not fall under any of the criteria set forth below.

- (1) Person who executes business* of the Leoplace21 Group (*person who executes business of a corporation or other organization such as director (excluding outside director), corporate executive (*shikkoyaku*), executive officer, business-executing employee, administrative officer, or other officers or employees)
- (2) Major shareholder* of the Company (*shareholder who directly or indirectly holds 10% or more of the total voting rights) or a person who executes business thereof
- (3) Person who executes business of a corporation of which the Company is a major investor* (*entity who directly or indirectly holds 10% or more of the total voting rights)
- (4) Person for whom the Company is a major transaction counterparty* (*a transaction counterparty who provides the Company with goods or services and whose total amount of transactions to the Company in the most recent fiscal year is at least 2% of the total amount of that party's net sales or gross income) or a person who executes business thereof
- (5) Major transaction counterparty of the Company* (*a transaction counterparty to whom the Company provides goods or services and whose total amount of transactions with the Company in the most recent fiscal year is at least 2% of the total amount of the Company's net sales) or a person who executes business thereof
- (6) Person who executes business of a major financing institution of the Company* (*financing institution from which the Company makes borrowings of an amount in the most recent fiscal year of at least 2% of the total assets of the Company)
- (7) Person who belongs to the audit firm that performs the statutory auditing of the Company
- (8) Accounting specialist such as a certified public accountant, tax specialist such as a certified tax accountant, legal specialist such as an attorney at law or other consultant (hereinafter, collectively, "consultant and the like.") that receives remuneration other than officer remuneration from the Company of an amount in the most recent fiscal year that is at least JPY 10 million or 2% of the total net sales or gross income for that person, whichever is higher, or a person who belongs to such entity in the cases where the consultant and the like is an entity such as a corporation or partnership
- (9) Person who executes business at a company at which a person who executes business of the Company presently serves or within the past three years had served as an outside officer
- (10) In the case of a person/entity who has received a donation from the Company in the most recent fiscal year that is at least JPY 10 million or 2% of the total net sales or gross income for that person/entity, whichever is higher, that person or a person who executes business thereof
- (11) Person who fell under any of the above criteria (1) to (10) within the past three years
- (12) Person who is a relative within the second degree of kinship of or who shares living expenses with a person who falls under any of the above criteria (1) to (10) (provided, however, that such "person who executes business" is limited to persons who execute important business, such as directors (excluding outside directors), corporate executives (*shikkoyaku*), executive officers, business-executing employees, administrative officers and chief division officers for the above criteria (2) to (6), (9) and (10) and such "person who belongs" to an entity is limited to a person possessing the specialist qualifications, such as a certified public accountant or attorney at law for the above criteria (7) and (8))
- (13) Other person who can reasonably be judged as having equivalent conflict of interest with shareholders as the persons who fall under the above criteria (1) to (12)

BUSINESS REPORT (from April 1, 2025 to March 31, 2026)

Items Regarding Status of Group Operations

Overview of Operations

The Japanese economy during the fiscal year ended March 31, 2026 remained uncertain, reflecting the impact of continually rising prices on personal consumption, as well as developments such as heightened tensions in the Middle East, changes in financial conditions, and trends in the U.S. trade policy. Meanwhile, employment and income conditions remained strong, and the economy overall continued on a path of gradual recovery.

In the rental housing market, according to the Ministry of Land, Infrastructure, Transport and Tourism's Building Starts Statistics, the number of new housing starts for the rental market totaled 308,906 units, down 13.5% year on year. The number of vacant houses has also remained at a high level against the backdrop of factors such as ongoing declining population, falling birthrate, and aging society. Regional disparities in the supply-demand balance for rental housing have continued.

Under these circumstances, in order to ensure a stable occupancy rate, the Leoplace21 group (the "Group") has promoted sales strategies tailored to regional and customer characteristics, focusing on single-person households, which are expected to continue to increase, while working to maintain and enhance property values through appropriate maintenance. In addition, the Group has increased rents in line with market trends, strengthened the acquisition of corporate demand, which is one of its strengths, and promoted operational efficiency and productivity improvements, while providing highly convenient services to customers through the promotion of digital transformation (DX).

Net sales for the fiscal year ended March 31, 2026 amounted to JPY 444,820 million, up 3.0% year on year, due to an upward trend in the average unit rent. Operating profit was JPY 35,966 million, up 23.0% year on year, as improved profitability driven by higher sales and control of cost of sales more than offset an increase in SG&A expenses associated with human capital investments, including an increase in the number of employees and improved employee compensation. Recurring profit also showed steady progress, at JPY 34,842 million, up 29.4% year on year.

Net income attributable to shareholders of the parent was JPY 14,933 million, down 16.4% year on year, mainly due to the recording of a loss on cancellation of treasury stock acquisition rights of JPY 10,068 million under extraordinary losses, as well as the recording of JPY 8,224 million in income taxes - deferred resulting from a partial reversal of deferred tax assets.

EBITDA (operating profit + depreciation expenses) for the fiscal year ended March 31, 2026 was JPY 39,211 million, up 19.8% year on year.

On a non-consolidated basis, net sales amounted to JPY 425,066 million, up 2.9% year on year, operating profit was JPY 35,704 million, up 16.3% year on year, and recurring profit was JPY 35,462 million, up 22.0% year on year. Net income was JPY 15,114 million, down 28.9% year on year.

Leasing Business

For the fiscal year ended March 31, 2026, the occupancy rate at the end of the period was 88.78%, up 1.21 points from the end of the previous fiscal year, reflecting the steady capture of demand associated with people starting new life stages. The average occupancy rate during the fiscal year was 85.78%, up 0.22 points year on year, supported by strong performance in acquiring corporate contracts, particularly with foreign nationals.

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 111, up 4 points from the end of the previous fiscal year, driven by an increase in unit rents for corporate contracts, and remained at a high level.

As a result, net sales for the fiscal year ended March 31, 2026 increased by 3.0% year on year to JPY 429,623 million, due to increases in both occupancy rates and average unit rent. Despite an increase in maintenance costs for properties, operating profit was JPY 44,295 million, up 16.4% year on year, due to increased revenue and improved profitability through cost structure optimization.

Elderly Care Business

In Elderly Care Business, despite efforts of various revenue boosting measures and continued cost control, net sales decreased by 0.5% year on year to JPY 13,652 million and operating loss amounted to JPY 1,062 million, an increase of loss by JPY 258 million year on year.

The number of facilities at the end of the fiscal year ended March 31, 2026 was 85, unchanged from the end of the previous fiscal year.

Other Businesses

In Other Businesses segment, which includes the operation of Guam resort facilities, although occupancy rates at resort facilities improved slightly, net sales were JPY 1,544 million, up 30.2% year on year, and operating loss amounted to JPY 2,677 million, an increase of loss by JPY 68 million year on year, due to the sluggish Guam economy as well as increases in personnel and maintenance costs.

Issues to Be Addressed

The Company has formulated a Medium-term Management Plan, “New Growth 2028,” covering the three-year period from the fiscal year ended March 31, 2026 to the fiscal year ending March 31, 2028.

1) Key themes

The Medium-term Management Plan clarifies our vision of what the Company should be in light of the future business environment. Under this plan, we aim to strengthen our business foundation, with a focus on the Leasing Business and the Development Business, while also striving to further enhance our corporate value by promoting four strategies aimed at achieving both economic value and social value.

Economic Value	Social Value
Fundamental Strategy Implement Regional Strategy (Improve Occupancy Rates and Overall Unit Rent Being Occupied)	Fundamental Strategy Establish a Sustainable Organizational Structure through Promotion of DX and Human Capital Management
Growth Strategy Resume Full-Scale Development Business (Optimize Managed Property Portfolio)	Growth Strategy Contribute to a Decarbonized Society through supply of ZEH(Net Zero Energy House) Properties

2) Numerical targets and results

On May 15, 2026, the Company revised its numerical targets in light of the latest business environment and performance trends.

In the Leasing Business, in addition to adjusting the occupancy rate plan based on the occupancy rate at the end of the fiscal year ended March 31, 2026, the Company raised its forecast for average unit rent for new contracts to reflect a solid demand environment supported by corporate demand. In addition, in the Development Business, the Company revised upward its plan for the number of managed units, reflecting strong order performance in the fiscal year ended March 31, 2026.

Taking into consideration the impact of inflation and incorporating increases in various costs, all forecasts from net sales through net income attributable to shareholders of the parent were revised upward.

	(JPY million)			
	Fiscal year ended March 31, 2026		Fiscal year ending March 31, 2027	Fiscal year ending March 31, 2028
	Targets revised in November	Results	Targets	Targets
Net sales	444,100	444,820	465,000	477,800
Operating profit	34,800	35,966	38,500	43,100
Recurring profit	33,000	34,842	38,100	42,700
Net income attributable to shareholders of the parent	13,000	14,933	22,200	25,000

3) Well-being management

The Company believes that establishing an environment in which each employee can maintain both physical and mental well-being and fully demonstrate their abilities with confidence forms the foundation for the sustainable enhancement of corporate value.

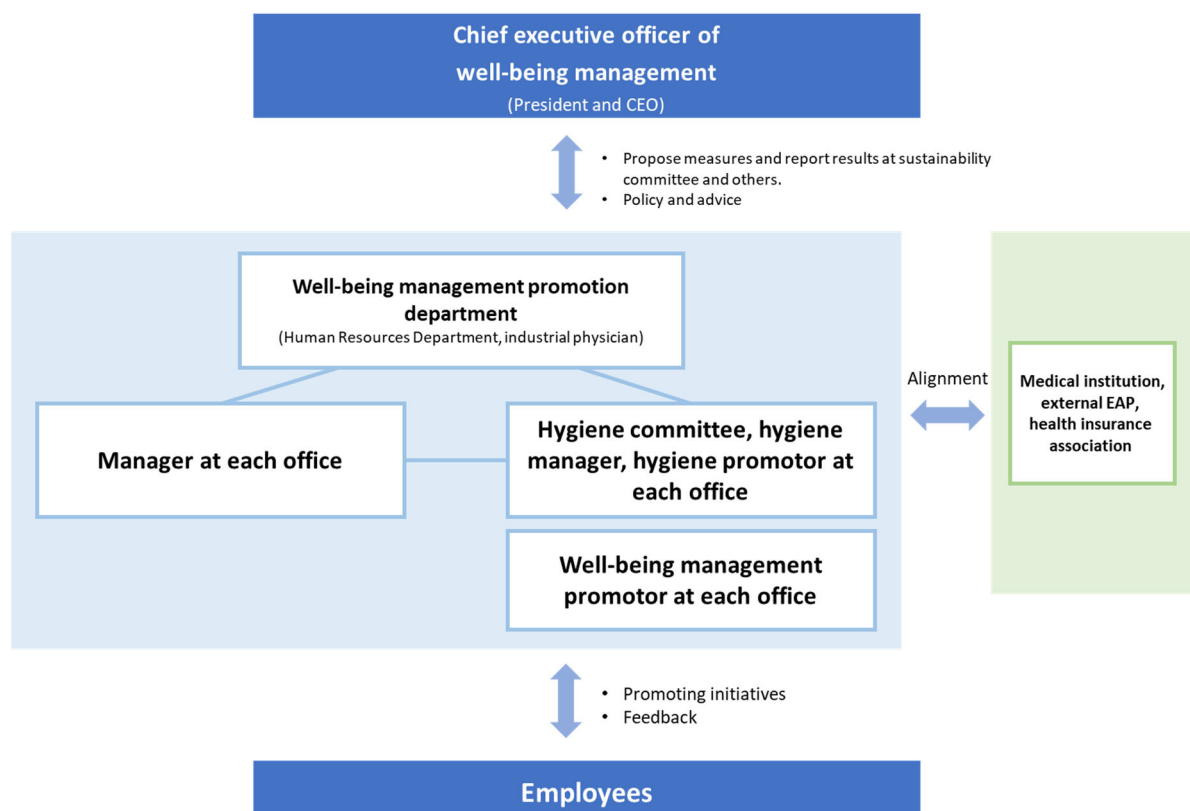
Under a promotional framework led by the Representative Director, President and CEO, the Company is undertaking well-being management, working to maintain and improve employee health and enhance job satisfaction, while building an organizational foundation in which diverse human resources can play active roles over the long term.

In the fiscal year ended March 31, 2026, the Company advanced initiatives focused mainly on health promotion measures, work style reforms, and strengthening managerial leadership in the workplace.

As a result of these ongoing efforts, in March 2026 the Company received a certain level of external recognition, including selection as a Health & Productivity Management Stock and certification as an Outstanding Health & Productivity Management Organization (White 500).

The Company recognizes that these evaluations are the result of the daily practices of each individual employee and the steady accumulation of efforts at the workplace level.

Going forward, the Company will continue to enhance its human capital through well-being management and respond to the expectations of society and shareholders by linking employee vitality to the creation of corporate value.



With regard to repair works on properties constructed by the Company, we have completed investigations and repairs of all obvious defects for which we obtained the cooperation of the tenants and building owners.

We will continue to be prepared for responding to the requests of tenants and building owners and, in consultation with Designated Administrative Agencies, will carefully consider their individual circumstances and proceed with repairs and other measures based on a response plan tailored to the circumstances of each property.

We aim to strengthen our business foundation and further enhance our corporate value by steadily implementing the above measures. We ask shareholders for your continued understanding and support of these endeavors.

Financing Activities

The Company refinanced the JPY 30,000 million short-term debt raised from Mizuho Bank, Ltd. in March 2025 into a JPY 30,000 million long-term debt from the same bank in February 2026, with the aim of reducing interest expenses and stabilizing its funding over the long term.

Capital Investment

The total amount of capital investment carried out in the fiscal year ended March 31, 2026 was JPY 998 million. The main components of this were JPY 496 million for renovation work on equipment at the Head Office, JPY 290 million for capital investment in the Guam resort facilities, and JPY 188 million for investment in information systems related to Leasing Business.

Major Subsidiaries (as of March 31, 2026)

Company Name	Capital	Voting Rights Ratio	Major Areas of Operation
Leopalace Leasing Corporation	JPY 400 million	100.0%	Corporate Housing Management Business Real Estate Brokerage Business
Plaza Guarantee Co., Ltd.	JPY 100 million	100.0%	Rent Obligation Guarantee Business
Leopalace Power Corporation	JPY 80 million	75.3%	Solar Power Generation Business
ASUKA SSI	JPY 1,000 million	100.0%	Small-Amount, Short-Term Insurance Business
Leopalace21 Business Consulting (Shanghai) Co., Ltd.	RMB 5,359 thousand	100.0%	Consulting Business
Leopalace21 Singapore Pte. Ltd.	USD 12,539 thousand	100.0%	Investment Consulting Business
Azu Life Care Co., Ltd.	JPY 100 million	100.0%	Elderly Care Business
Azu Residence Co., Ltd.	JPY 2 million	100.0%	Elderly Care Business
Leopalace Guam Corporation	USD 26,000 thousand	100.0%	Resort Business
Leopalace Smile Co., Ltd.	JPY 10 million	100.0%	Clerical Work Outsourcing Service Business

Note: There was no specified wholly-owned subsidiary as of the end of the fiscal year ended March 31, 2026.

Major Areas of Operation (as of March 31, 2026)

Segment	Areas of Operation
Leasing Business	Leasing and management of apartments, repair work, broadband service, contracted construction work for apartments, real estate brokerage business, rent obligation guarantee business, corporate housing management business, solar power generation business, small-amount, short-term insurance business, etc.
Elderly Care Business	Operation of elderly care facilities
Other Businesses	Operation of resort facilities, finance business, clerical work outsourcing service business, etc.

Major Business Locations of the Group (as of March 31, 2026)

The Company

Head Office	Nakano-ku, Tokyo
Regional	47 prefectures nationwide
Headquarters	(Directly managed leasing sales offices: 64 offices) Overseas (Directly managed leasing sales offices: 5 offices [People's Republic of China: 4 offices; the Republic of Korea: 1 office])
Care Facilities	22 facilities nationwide (Tokyo Prefecture: 2 facilities; Chiba Prefecture: 7 facilities; Saitama Prefecture: 4 facilities; Kanagawa Prefecture: 2 facilities; Ibaraki Prefecture: 2 facilities; Tochigi Prefecture: 4 facilities; Gunma Prefecture: 1 facility)

Major Subsidiaries

Leopalace Leasing Corporation	Nakano-ku, Tokyo
Plaza Guarantee Co., Ltd.	Nakano-ku, Tokyo
Leopalace Power Corporation	Nakano-ku, Tokyo
ASUKA SSI	Nakano-ku, Tokyo
Leopalace21 Business Consulting (Shanghai) Co., Ltd.	The People's Republic of China
Leopalace21 Singapore Pte. Ltd.	The Republic of Singapore
Azu Life Care Co., Ltd.	Nakano-ku, Tokyo
Azu Residence Co., Ltd.	Nakano-ku, Tokyo
Leopalace Guam Corporation	Guam (a territory of the U.S.A.)
Leopalace Smile Co., Ltd.	Nakano-ku, Tokyo

Employees of the Group (as of March 31, 2026)

1. Employees of the Group

Segment	Number of Employees	
Leasing Business	2,639	[803]
Elderly Care Business	1,031	[863]
Other Businesses	204	[34]
All companies (common)	276	[7]
Total	4,150	[1,707]

Notes: 1. The number of employees indicates the number of full-time employees. The average annual number of temporary employees (part-time workers and dispatched workers) is indicated separately in square brackets.

2. The number of employees indicated as all companies (common) is the number of those working in administrative departments.

2. Employees of the Company

Number of Employees	Change Since Previous FY-End	Average Age	Average Years of Service
2,952 [931]	+229	41 years and 2 months	13 years and 2 months

Note: The number of employees indicates the number of full-time employees. The average annual number of temporary employees (part-time workers and dispatched workers) is indicated separately in square brackets.

Major Lenders (as of March 31, 2026)

Lender	Loan Balance at End of the Fiscal Year 2026 (JPY million)
Mizuho Bank, Ltd.	30,000

Items Regarding Shares of the Company (as of March 31, 2026)

- Number of shares authorized 750,000,000 shares
- Number of shares outstanding 334,415,678 shares
- Number of shareholders 32,047
- Major shareholders (top 10 shareholders)

Shareholder Name	Number of Shares Held (thousands of shares)	Percentage of Outstanding Shares (%)
UH Partners 2 Investment Limited Partnership	50,581	15.47
Chidori Godo Kaisha	50,507	15.45
The Master Trust Bank of Japan, Ltd. (Trust Account)	20,852	6.38
Custody Bank of Japan, Ltd. (Trust Account)	16,022	4.90
MSIP CLIENT SECURITIES	14,315	4.38
MLI FOR CLIENT GENERAL OMNI NON COLLATERAL NON TREATY-PB	9,098	2.78
Stockholding Association for Leoplace21's Apartment Owners	6,957	2.12
GOLDMAN SACHS INTERNATIONAL	5,840	1.78
UBS AG LONDON A/C IPB SEGREGATED CLIENT ACCOUNT	5,467	1.67
Stockholding Association for Leoplace21's Business Connection	5,206	1.59

Notes: 1. Of the shares held above, those held in trust accounts as part of trust bank operations are as follows.

The Master Trust Bank of Japan, Ltd. (Trust Account): 10,007 thousand shares (of which, 9,904 thousand shares are established in investment trusts and 103 thousand shares are established in pension trusts)

Custody Bank of Japan, Ltd. (Trust Account): 5,040 thousand shares (of which, 4,801 thousand shares are established in investment trusts and 238 thousand shares are established in pension trusts)

2. The above percentage of outstanding shares is calculated excluding treasury stock.

Treasury stock does not include the Company stock owned by the trust for share-based remuneration system for the directors, etc. and the Company stock owned by the stock grant trust for the employees.

● Shareholder composition

Financial institutions	12.02%	(40,190 thousand shares)
Foreign corporations	30.64%	(102,469 thousand shares)
Treasury stock	2.28%	(7,610 thousand shares)
Individuals and other	32.79%	(109,649 thousand shares)
Business corporations and other legal entities	17.82%	(59,607 thousand shares)
Financial instruments business operators	4.45%	(14,888 thousand shares)

Share Subscription Rights and Others

Not Applicable.

Items Regarding Directors/Audit & Supervisory Board Members of the Company

1. Directors and Audit & Supervisory Board Members (as of March 31, 2026)

Name	Title	Duties in the Company and Significant Concurrent Positions
Bunya Miyao	Representative Director, President and CEO	President and CEO / Chief of the Development Business Headquarters
Mayumi Hayashima	Director	Managing Executive Officer / Chief of the Leasing Business Promotion Headquarters
Naomichi Mochida	Director	Managing Executive Officer / Chief of the Leasing Business Sales Headquarters
Shinji Takekura	Director	Executive Officer / Chief of the Corporate Management Headquarters / Vice Chief of the Development Business Headquarters (concurrent) President and CEO, Leoplace Power Corporation
Akio Yamashita	Director	Representative in Japan, Co-Head of Asia, Fortress Investment Group (Japan) GK Director, Sogo & Seibu Co., Ltd. Chairperson, Phoenix Resort Co., Ltd. Director, Joban Kosan Co., Ltd.
Jin Ryu	Director	Managing Director, Fortress Investment Group (Japan) GK Director, FHK Company Representative Director, Sogo & Seibu Co., Ltd.
Akira Watanabe	Director	Director, ASIA PILE HOLDINGS CORPORATION Outside Director, Maeda Road Construction Co., Ltd. Partner, Comm & Path Law Office
Yutaka Nakamura	Director	
Takumi Shibata	Director	Representative Director, Fiducia, Inc. Director, Terra Foods Corporation Outside Director, Nano Summit Co., Ltd. Outside Director, Seeds Co., Ltd. Executive Director, Sound Wave Innovation Co., Ltd.
Kan Ishii	Director	Specially Appointed Professor, The Graduate School of Project Design Advisor, TERRACE MILE, Inc.
Jiro Yoshino	Full-time Audit & Supervisory Board Member	
Kenichiro Samejima	Full-time Audit & Supervisory Board Member	
Yoshitaka Murakami	Audit & Supervisory Board Member	
Kazutaka Shimohigoshi	Audit & Supervisory Board Member	Head, Shimohigoshi Accounting Office Representative Director, Pendel Management Institution Inc. Representative Director, JP Consultant Group Representative Director, Pendel Capital Management, Inc. Partner Certified Public Tax Accountant, Pendel Certified Public Tax Accountant Firm

Notes: 1. Mr. Akira Watanabe, Mr. Yutaka Nakamura, Mr. Takumi Shibata and Mr. Kan Ishii serve as Outside Directors of the Company.

2. Mr. Jiro Yoshino and Mr. Kazutaka Shimohigoshi serve as Outside Audit & Supervisory Board Members of the

Company.

3. Mr. Jin Ryu was appointed as the President and Representative Director of Sogo & Seibu Co., Ltd. on April 1, 2026.
4. Mr. Akira Watanabe is a qualified lawyer.
5. Mr. Takumi Shibata retired from his position as Representative Director of Terra Foods Corporation as of March 31, 2026, and currently serves as a Director without authority of representation.
6. Audit & Supervisory Board Member Mr. Yoshitaka Murakami has experience including First Deputy Commissioner of the National Tax Agency and audit & supervisory board member of a listed company, and Audit & Supervisory Board Member Mr. Kazutaka Shimohigoshi is qualified as a certified public accountant and certified public tax accountant. Thus, they have considerable knowledge of finance and accounting.
7. The Company has designated Outside Directors Mr. Akira Watanabe, Mr. Yutaka Nakamura, Mr. Takumi Shibata and Mr. Kan Ishii, and Outside Audit & Supervisory Board Members Mr. Jiro Yoshino and Mr. Kazutaka Shimohigoshi as independent officers stipulated by Tokyo Stock Exchange, Inc. and has registered with the Stock Exchange accordingly.
8. Changes in positions and duties of Directors after the end of the fiscal year ended March 31, 2026 are as follows:

Name	New positions and duties	Previous positions and duties	Date of change
Mayumi Hayashima	Director and Managing Executive Officer Chief of the Leasing Business Headquarters	Director and Managing Executive Officer Chief of the Leasing Business Promotion Headquarters	April 1, 2026
Naomichi Mochida	Director and Managing Executive Officer Special Assignment	Director and Managing Executive Officer Chief of the Leasing Business Sales Headquarters	April 1, 2026

2. Outline of limited liability agreement

Pursuant to the provisions of Article 427, paragraph (1) of the Companies Act, the Company has entered into limited liability agreements with Directors (excluding Directors who are Executive Directors) and Audit & Supervisory Board Members to limit their liability for damages under Article 423, paragraph (1) of the Companies Act. The limit of the liabilities under such agreements shall be the minimum limit amount prescribed by laws and regulations.

3. Outline of directors and officers liability insurance policy

The Company has entered into a directors and officers liability insurance policy pursuant to Article 430-3, paragraph (1) of the Companies Act with an insurance company. The scope of insureds includes Directors, Audit & Supervisory Board Members, Executive Officers, and significant employees under the Companies Act, and the insurance premiums are not borne by the insureds.

The insurance policy covers the cost of damages payment, legal expenses, etc. to be borne by the insured arising from claims for damages from shareholders, third parties, etc.

However, to ensure that the properness of performance of duties by the insureds is not impaired, the insurance policy does not cover losses in cases where claims for damages arise from criminal acts and others of the insureds.

4. Directors' and Audit & Supervisory Board Members' remuneration and others

(1) Things including the policy for determining the content of board members' remuneration and others

The Company adopted a resolution on the policy for determining the content of individual remuneration for Directors and others at the Board of Directors meeting held on August 8, 2025. In this resolution of the Board of Directors, the Board of Director consulted with the Nomination and Compensation Committee in advance on the content to be resolved, and received a report from the Committee.

Furthermore, as for individual remuneration and others for Directors for the fiscal year ended March 31, 2026, the Board of Directors has confirmed that the method for determining the content of remuneration and others and the determined content of remuneration and others are consistent with the determination policy resolved by the Board of Directors and the report from the Nomination and Compensation Committee is respected, and judged that the content reflects the policy.

Details of the policy for determining the content of individual remuneration and others for Directors are as follows:

(a) Basic policy

The remuneration for Directors who are driving the realization of the corporate philosophy and the Medium-term Management Plan is determined based on the following rationale:

- (1) The level of remuneration should be competitive and commensurate with the Company's profitability
- (2) The level of remuneration should correspond to the officer's assigned responsibilities, and it should function as compensation for the expected roles
- (3) The incentive plan for Directors (hereinafter referred to "Plan") must reflect an emphasis on sharing profit with shareholders
- (4) The Plan should function as healthy incentive for enhancing corporate value over the medium to long term
- (5) The Plan must be fair and just and encourage the utmost efforts regarding compliance
- (6) The Plan and its determination process should ensure both transparency and reasonableness

The remuneration for Executive Directors consists of the base remuneration determined according to position, as well as short-term and long-term incentives that vary based on single fiscal year performance and individual evaluation. Short-term incentive is provided as monetary remuneration, while long-term incentive is provided through a stock grant trust. To non-executive Directors, only the basic remuneration shall be paid as a fixed remuneration, in light of their duties. In the development of the remuneration system, the Company creates a remuneration table in light of each Director's duties and related risk, taking into account other companies' remuneration level, the Company's business performance and employees' salary level, and determines the system based on this table.

(b) Policy for determining the amount of monetary remuneration (annual performance-based remuneration and incentive remuneration)

The amount of base remuneration is determined based on the level of responsibility associated with each position and the individual evaluation for the previous fiscal year.

The amount of short-term incentive is determined based on a base amount set in accordance with the remuneration table established in consideration of the nature and scope of operations of the department in charge for each position, and a payment rate based on EBITDA, net income, departmental KPIs, and individual performance for the current fiscal year.

(c) Policy for determining the content and amount or the method for numerical calculation of non-monetary remuneration and others (incentive remuneration)

Long-term incentive shall be the performance-linked share-based remuneration.

Long-term incentive, as compensation intended to promote medium- to long-term corporate growth, shall be granted in the form of points based on the amount calculated by multiplying the number determined according to position, etc., by (i) a payment ratio based on ROE, TSR, and employee engagement for the current fiscal year and (ii) a payment ratio based on individual performance evaluations and other factors.

The granted points shall, at the prescribed time set forth in the service agreement entered into between each Director and the Company, be delivered in the form of the Company's shares and cash corresponding to the number of points through a trust established by the Company, in accordance with the stock granting regulations for officers.

(d) Policy for determining the timing or conditions for providing remuneration and others to Directors

For the base remuneration or basic remuneration, the annual amount shall be determined and this remuneration amount shall be prorated by the number of months in office and paid as monthly remuneration.

Upon the payment of short-term incentive remuneration, the annual amount shall be determined and this remuneration amount shall be paid at a certain timing. When long-term incentive is to be granted, the annual amount is determined, and points are granted according to the amount of such remuneration.

(e) Matters regarding determination of the content of individual remuneration for Directors and others

For the amount of individual remuneration, determination of the specific content shall be delegated to Representative Director, President and CEO based on resolution of the Board of Directors.

The content of delegated authority shall be determination of assessment based on the performance of the business of which the Executive Director is in charge, and each remuneration amount shall be determined based on the remuneration table by type of remuneration in accordance with the outcome of assessment.

To ensure that the authority is appropriately exercised by Representative Director, President and CEO, the Board of Directors shall make the Nomination and Compensation Committee deliberate the specific content of individual remuneration that is prepared by Representative Director, President and CEO, and receive a report from the Committee. The above delegated Representative Director, President and CEO must make the determination based on the content of the report.

The Nomination and Compensation Committee has been set up as an advisory organization for the Board of Directors in order to ensure appropriateness of the amount of individual remuneration. The Nomination and Compensation Committee shall be operated in accordance with the provisions of the Nomination and Compensation Committee Rules.

The Nomination and Compensation Committee assesses reasonableness of the board members' remuneration system and submits a report to the Board of Directors. In addition, the committee objectively assesses the examination process for determination of individual remuneration by Representative Director, President and CEO to which authority for the individual remuneration amount was delegated based on a resolution of the Board of Directors, and submits a report to the Board of Directors. This way the Company ensures reasonableness, objectivity and transparency of individual assessment and remuneration amount for board members.

- Note: 1. Individual evaluation assesses the degree of achievement and progress towards targets based on company-wide management issues, and ensures alignment with the Company's business performance.
2. The reason for delegating the authority of determining individual remuneration for Directors to Representative Director, President and CEO is because the Company believes that it is reasonable to delegate such authority to Representative Director, President and CEO, who understands the Company's business operations as a whole.

(2) Total amount of remuneration and others in the fiscal year ended March 31, 2026

Category	Total amount of remuneration and others (JPY million)	Total amount of remuneration and others by type (JPY million)				Number of eligible board members (persons)
		Monetary remuneration			Non-monetary remuneration and others	
		Fixed remuneration	Performance-linked remuneration			
		Basic remuneration	Base remuneration	Bonus	Share-based remuneration	
Directors (of which, Outside Directors)	476 (58)	85 (58)	102 (-)	33 (-)	255 (-)	10 (4)
Audit & Supervisory Board Members (of which, Outside Audit & Supervisory Board Members)	53 (26)	53 (26)	- (-)	- (-)	- (-)	4 (2)
Total (of which, Outside Directors and Audit & Supervisory Board Members)	529 (84)	138 (84)	102 (-)	33 (-)	255 (-)	14 (6)

- Notes: 1. At the 44th Ordinary General Shareholders' Meeting held on June 29, 2017, the maximum amount of monetary remuneration for Directors of the Company was resolved to be JPY 800 million or less per year (of which the amount for Outside Directors is JPY 100 million or less per year, and which does not include employee salaries for Directors concurrently serving as employees), and the determination of individual remuneration amounts is left to the discretion of the Board of Directors. The number of Directors related to the resolution as at the conclusion of the General Shareholders' Meeting was 11 (including three Outside Directors).
- At the 52nd Ordinary General Shareholders' Meeting held on June 26, 2025, it was resolved that, for a period of consecutive fiscal years not exceeding five fiscal years as determined by the Board of Directors (with the initial target period being the three fiscal years from the fiscal year ended March 31, 2026 to the fiscal year ending March 31, 2028), (i) the maximum amount of money to be contributed by the Company to a trust as funds for the acquisition of the Company's shares to be delivered to Directors (excluding non-executive Directors) shall be JPY 900 million (JPY 300 million per fiscal year), and (ii) the maximum total number of points to be granted to Directors shall be 2,250,000 points (750,000 points per fiscal year. One point corresponds to one share of the Company).
- However, during the initial target period, as a transitional measure from the "stock compensation-type stock options" to the "performance-linked share-based remuneration" using a trust, it was resolved that, in addition to the above maximum amount of money, up to JPY 600 million of money shall be entrusted to the trust as a source of funds for the acquisition of the Company's shares corresponding to the points to be granted to Directors (excluding non-executive Directors), and that, for the fiscal year ended March 31, 2026, up to a total of 814,900 points shall be granted separately from the above maximum number of points. The number of Directors (excluding non-executive Directors) related to these resolutions as at the conclusion of the General Shareholders' Meeting was four.
2. It was resolved at the Ordinary General Shareholders' Meeting held on June 29, 2004, that the amount of monetary remuneration for the Company's Audit & Supervisory Board Members is JPY 60 million or less per year. The number of Audit & Supervisory Board Members related to the resolution as at the conclusion of the General Shareholders' Meeting was four.
3. Directors' remuneration has been determined by Bunya Miyao, Representative Director, President and CEO in accordance with the policies, etc. described in (1) (e) above.
4. The non-monetary remuneration and others represents the amount of expenses recorded for the fiscal year in connection with the performance-linked share-based remuneration using a trust (excluding the amounts disclosed in Business Reports for prior fiscal years as remuneration relating to the stock compensation-type stock options).

Items Regarding Outside Officers

1. Significant Concurrent Positions of Outside Officers and Their Relationships with the Company

Title	Name	Significant Concurrent Positions	Relationships with the Company
Director	Akira Watanabe	Director, ASIA PILE HOLDINGS CORPORATION Outside Director, Maeda Road Construction Co., Ltd. Partner, Comm & Path Law Office	There are business transaction relationships between Maeda Road Construction Co., Ltd. and the Company, however, the transactions are conducted under the same conditions as with other general companies. There are no particular relationships with the Company requiring specific mention. In addition, there are no other relationships requiring specific mention between the Company and the other entities at which concurrent positions are held.
Director	Takumi Shibata	Representative Director, Fiducia, Inc. Director, Terra Foods Corporation Outside Director, Nano Summit Co., Ltd. Outside Director, Seeds Co., Ltd. Executive Director, Sound Wave Innovation Co., Ltd.	There are no particular relationships with the Company requiring specific mention.
Director	Kan Ishii	Specially Appointed Professor, The Graduate School of Project Design Advisor, TERRACE MILE, Inc.	There are no particular relationships with the Company requiring specific mention.
Audit & Supervisory Board Member	Kazutaka Shimohigoshi	Head, Shimohigoshi Accounting Office Representative Director, Pendel Management Institution Inc. Representative Director, JP Consultant Group Representative Director, Pendel Capital Management, Inc. Partner Certified Public Tax Accountant, Pendel Certified Public Tax Accountant Firm	There are no particular relationships with the Company requiring specific mention.

Note Mr. Takumi Shibata retired from his position as Representative Director of Terra Foods Corporation as of March 31, 2026, and currently serves as a Director without authority of representation.

2. Key activities in the fiscal year ended March 31, 2026

Title	Name	Attendance of the Board of Directors Meetings	Attendance of the Audit & Supervisory Board Meetings	Key Activities Overview of Duties Executed in Relation to the Role Expected
Director	Akira Watanabe	19/19	—	Mr. Watanabe used his specialized knowledge as an attorney at law and deep knowledge and experience in corporate management as an outside director at other companies to provide advice on the overall management of the Company and to make comments in order to ensure the reasonableness and appropriateness of decision-making by the Board of Directors as lead Outside Director. He also served as the chairman of the Compliance Committee and promoted the strengthening and enhancement of the Company's compliance system.
Director	Yutaka Nakamura	19/19	—	Mr. Nakamura expressed his opinions on the overall management based on his deep experience and knowledge in the housing industry. He has fulfilled an appropriate role to ensure the reasonableness and appropriateness of decision-making by the Board of Directors particularly by providing advice, etc. on quality management and environmental management in construction work from a specialist standpoint. In addition, as the chairman of the Nomination and Compensation Committee, he served the supervisory function in processes of nominating candidates for the Company's officer and determining board members' remuneration from an objective and neutral viewpoint.
Director	Takumi Shibata	19/19	—	Mr. Shibata expressed his opinions on the overall management based on his experience in key positions at securities companies and asset management companies. He has fulfilled an appropriate role to ensure the reasonableness and appropriateness of decision-making by the Board of Directors particularly by providing advice, etc. on finance from a specialist standpoint. In addition, as a member of the Nomination and Compensation Committee, he served the supervisory function in processes of nominating candidates for the Company's officer and determining board members' remuneration from an objective and neutral viewpoint.

Title	Name	Attendance of the Board of Directors Meetings	Attendance of the Audit & Supervisory Board Meetings	Key Activities Overview of Duties Executed in Relation to the Role Expected
Director	Kan Ishii	19/19	—	Mr. Ishii expressed his opinions on the overall management based on his experience in important positions at an investment bank and an operating company, and as a Trustee Representative of Japan Airlines Co., Ltd. He has fulfilled an appropriate role to ensure the reasonableness and appropriateness of decision-making by the Board of Directors particularly by providing advice, etc. on corporate rehabilitation from a specialist standpoint. In addition, as a member of the Nomination and Compensation Committee, he served the supervisory function in processes of nominating candidates for the Company's officer and determining board members' remuneration from an objective and neutral viewpoint.
Audit & Supervisory Board Member	Jiro Yoshino	19/19	14/14	Mr. Yoshino has abundant experience and expert knowledge as an executive officer and audit & supervisory board member of a listed company. He has objectively conducted proper supervision of the management of the Company.
Audit & Supervisory Board Member	Kazutaka Shimohigoshi	19/19	14/14	Mr. Shimohigoshi has abundant experience as head of a certified public accountant office and partner of a certified public tax accountant firm, as well as expert knowledge in finance, accounting and taxation. He has objectively conducted proper supervision of the management of the Company.

Status of Accounting Auditor

1. Name of Accounting Auditor

Ernst & Young ShinNihon LLC

2. Amount of Remuneration and others

Segment	Amount Paid
Amount of Accounting Auditor remuneration and others in the fiscal year ended March 31, 2026	JPY 232 million
Total amount owed to Accounting Auditor by the Company and its subsidiaries in the form of cash or other financial benefit	JPY 267 million

Notes: 1. In the audit agreement between the Company and the Accounting Auditor, the auditor remuneration pursuant to the Companies Act and the amount of auditor remuneration pursuant to the Financial Instruments and Exchange Act are not clearly separated, and because essentially the two cannot be separated, the above amount of Accounting Auditor remuneration and others in the fiscal year ended March 31, 2026 is the total of the two.

2. The Audit & Supervisory Board, taking into consideration the "Practical Guidelines for Cooperation with Financial Auditors" released by the Japan Audit & Supervisory Board Members Association, carried out an investigation into the appropriateness of the audit schedule and the remuneration amount for the fiscal year ended March 31, 2026 after comparing the auditing plan of the previous fiscal year with the actual audits conducted and confirming the trends of the auditing time and the remuneration amount. As a result, the Audit & Supervisory Board gave their consent to the amount of remuneration for the Accounting Auditor in accordance with Article 399, paragraph (1) of the Companies Act.

3. Of the Company's major subsidiaries, Leoplace Guam Corporation uses accounting audit services of a member firm of Ernst & Young, which belongs to the same network as that of the Company's Accounting Auditor.

3. Policy Regarding Discharge or Non-reappointment of Accounting Auditor

If the Company's Audit & Supervisory Board determines that any of the provisions of Article 340, paragraph (1) of the Companies Act applies with respect to the Accounting Auditor, it shall dismiss the Accounting Auditor with the unanimous approval of the Audit & Supervisory Board Members. In this case, an Audit & Supervisory Board Member appointed by the Audit & Supervisory Board shall present a report stating the purport of the dismissal of the Accounting Auditor and the reasons therefor at the first general shareholders' meeting convened after the dismissal.

Where the Audit & Supervisory Board deems there are problems with the suitability, independence, reliability, etc., of the Accounting Auditor, it will determine the content of a proposal to be proposed at a general shareholders' meeting concerning the dismissal or non-reappointment of the Accounting Auditor.

Corporate Structure and Policies

1. Systems to Ensure Appropriate Business Operations

(1) Systems for Execution of Duties by Directors and Employees of the Company as well as Its Subsidiaries to Ensure Compliance with Laws and Regulations and the Articles of Incorporation

- (a) The Company and its subsidiaries (hereinafter referred to as the “Group”) aim to conduct business based on the Corporate Ethics Charter, in line with the newly established corporate philosophy system of “MVVC (Mission, Vision, Value, Credo).” The Representative Director, President and CEO of the Company, together with the person generally responsible for compliance (the Chief of the Corporate Management Headquarters), who is responsible for promoting compliance across the Group, shall continuously communicate the spirit of this system to all officers and employees of the Group, thereby ensuring that compliance with laws and regulations and social ethics is established as the most important policy (compliance-first) in the business execution and as the cornerstone of the Group’s corporate activities.
- (b) The Company’s Board of Directors, of which independent Outside Directors should consist of at least one-third, develops the control environment including compliance system and enhances the function for overseeing the legality of the decision-making and the execution of business of the Board of Directors to ensure the transparency and fairness of management.
- (c) The Company established the Compliance Committee as an advisory body to the Board of Directors to ensure a system related to compliance. The Committee is composed of one of the Outside Directors as the chairman and members including external experts such as attorneys at law. The Compliance Committee, as part of the Group’s efforts of strengthening governance, plans and implements the measures regarding the Group’s compliance framework, including reinforcing training and the information management system, and monitors the corporate activities in accordance with the compliance regulations to identify the issues for improvement. In cases of suspected violations of laws and regulations, the Compliance Committee will have the authority to suspend operations.
- (d) As a subcommittee of the Compliance Committee, the Company has established a Compliance Working Group, which shall deliberate on the identification of issues and improvement measures in cases where it determines that a clear compliance violation has occurred in the business operations executed by the Group, or that there is a risk of such violation.
- (e) The Compliance Promotion Department, as a part of the compliance system, is responsible for planning and implementing the Group’s compliance system and making further improvement, and works to develop the autonomous corporate culture. The department is also responsible for the planning and drafting functions related to compliance promotion, as well as the function of checking the legal compliance independently from business departments, particularly for verifying the products, such as buildings, comply with related laws and regulations.

Furthermore, the department is entrusted with the support, progress management and monitoring functions of the compliance-related operations conducted by business departments, as well as legal functions such as confirming contracts and handling lawsuits.

- (f) For the system that proactively implements compliance-related measures, the Group appoints compliance managers and coordinators and assigns them to business sites.

For the system that ensures compliance concerns are not overlooked, in the event that a violation of Group compliance or the possibility of such a violation is discovered, the compliance managers and coordinators are to take the initiative and implement necessary measures.

- (g) The internal reporting system has been established, and whistle-blowing hotlines have been set up both inside and outside the Company to instruct officers and employees of the Group to immediately consult about or report any compliance violations.

The Group conducts periodic surveys on the employees' awareness with a view to grasp risks at an early stage and to gauge the degree of compliance awareness.

The Group provides a clause about the protection of whistleblowers in the Internal Report Regulations to the effect that, if its officers and employees recognized an act and others, which is questionable based on laws and regulations and the Articles of Incorporation, the Company shall prohibit treating that whistleblower unfavorably on the grounds of consulting about or reporting the violation.

- (h) The Auditing Department, which oversees the internal control function and the internal audit function, shall be established as a department under the direct supervision of the Company's Representative Director, President and CEO. The Auditing Department shall examine the business audit items and implementation methods. In addition, the Auditing Department shall perform monitoring and risk management of business activities in the Group, as well as implement governance strengthening and promote creation of the appropriate financial statements and compliance with regulations, enabling the Group to conserve assets and efficiently carry out its business activities.

The Company holds Auditing Council meetings to increase the effectiveness of the auditing system.

- (i) The Company works continuously to develop the compliance regulations, related individual regulations, guidelines, manuals, etc. and to periodically organize the compliance-centered training programs according to job level and job duties so that the Company can enhance the compliance awareness by officers and employees in the Group.

In addition, in order to instill the concept that promoting compliance enhances corporate value, the Company evaluates compliance-promoting initiatives and gives multi-directional feedback on a regular basis within the framework of the performance appraisal system.

- (j) The Company promotes active dialogue between the management team and all the stakeholders so that it leads to the development of a customer-oriented corporate culture by increasing the transparency of management and fostering mutual understanding.

- (k) Through the establishment of these systems, the Group has positioned at its core the development of a corporate culture that respects the importance of compliance. The Group pursues the concept of “compliance-first” by mutually integrating a structure that ensures systematic compliance with laws and regulations spearheaded by the Compliance Promotion Department and a structure that uses the Auditing Department’s audits and internal reporting system to ensure that illegalities are not overlooked.

(2) Systems for Retention and Management of Information on Execution of Duties by Directors

The Representative Director, President and CEO of the Company shall appoint the Chief of the Corporate Management Headquarters of the Company as the person generally responsible for the retention and management of information on the execution of the duties of Directors. As to the retention and management of information on the execution of duties of Directors, the information, which is recorded in documents or electromagnetic record media, shall be organized and retained based on Document Handling Regulations and Information Management Regulations.

The Company conducts training with the aim of strengthening the information management system and strictly manages information.

(3) Regulations and Systems Concerning Management of Risk of Loss by the Company as well as Its Subsidiaries

- (a) The Company shall establish a Risk Management Committee as an advisory organ of its Board of Directors to comprehensively identify and manage the Group’s various risks. The Risk Management Committee is composed of the Company’s Representative Director, President and CEO as the chairman and members including outside experts, such as attorneys at law.
- (b) The Risk Management Committee shall confirm the development and operational status of the Risk Management Regulations, related individual regulations, guidelines, manuals, etc. for the risk management of the Group, and conduct training for officers and employees of the Group. The Chief of the Corporate Management Headquarters of the Company (the officer in charge of risk management) shall report the status of risk management in the Group to the Company’s Board of Directors on a semiannual basis.
- (c) The Company’s Auditing Department shall audit the conditions for the execution of business for each department of the Group. If an act with a risk of loss is found in business operations, the Auditing Department shall immediately notify the Company’s Representative Director, President and CEO, as well as the department in charge, of the details of the risk and the level of loss that could be incurred.

(4) Systems to Ensure the Efficient Fulfillment of Duties by Directors

- (a) The Company shall set up the Board of Directors to enhance business performance through appropriate and rapid decision-making, responding flexibly to changes in the business and management environment. The Board of Directors shall be composed of members with diverse backgrounds, and composed of an appropriate number of members and consider the enhancement of monitoring functions. The Board of Directors shall hold regular meetings once

a month, while extraordinary meetings can be called at any time as required, in order to make decisions on critical management matters as well as to monitor the status of business performance.

- (b) As a prior deliberative organ of the Board of Directors, the Corporate Management Council shall meet regularly to discuss business operation policies and their implementation and to consider measures to be taken.
- (c) The Company shall formulate a Medium-term Management Plan for the Group, and determine the priority objectives and budgetary allocation of the whole group every fiscal year to materialize the relevant plan.
- (d) The progress of income and expenditure plans and other important business plans of each department and subsidiary shall be reviewed monthly or appropriately by the Board of Directors and other bodies, where problems will be identified and countermeasures will be executed.

(5) Systems for Reporting of Matters Concerning Execution of Duties of Directors of the Company's Subsidiaries, and Other Systems to Ensure Appropriate Business Operations in the Group

- (a) The Affiliated Companies Management Regulations shall be applied to subsidiaries of the Company. Each subsidiary shall obtain approval of the Board of Directors or the officers of the Company in charge of the respective subsidiary for important matters of corporate management in accordance with the decision-making standards of the Company and ensure the appropriateness of business operations.
- (b) The Chief of the Corporate Management Headquarters shall supervise the management of subsidiaries of the Company. The Company's Chief of the Corporate Management Headquarters shall periodically hold a meeting with the affiliated companies liaison committee to smoothly exchange information and promote group activities, and mutually exchange reports between the Company and its subsidiaries as necessary.
- (c) The chief of the responsible department shall supervise and manage business conducted by subsidiaries to establish a compliance system and a risk management system in line with measures based on management plans and efficient business execution while respecting the independency of subsidiaries. The chief of the responsible department shall exchange information with subsidiaries on a regular basis and as needed and make regular reports on the progress in the management of subsidiaries to the Board of Directors and the Corporate Management Council.
- (d) The Company's Auditing Department and Audit & Supervisory Board Members shall conduct a regular or special audit of each subsidiary while cooperating with Audit & Supervisory Board Members of subsidiaries and then report to the Company's Representative Director, President and CEO and the Auditing Council.

(6) Matters Concerning Employees when Audit & Supervisory Board Members Request the Secondment of Employees to Assist with Duties, Matters Concerning the Independence of Those Employees from Directors and Matters for Securing Effective Direction of Audit & Supervisory Board Members

- (a) When an Audit & Supervisory Board Member of the Company requests to have an employee assigned to assist with the duties of the Audit & Supervisory Board

Member, the Company's Board of Directors shall designate an employee to assist the Audit & Supervisory Board Member from the members of the Company's Auditing Department after consultation with the Audit & Supervisory Board Member.

- (b) In regards to the assistance in the duties of Audit & Supervisory Board Members of the Company, the right of command over the designated employee shall be transferred to the Company's Audit & Supervisory Board Members to ensure independence from the Company's Board of Directors. The designated employee shall submit to the orders of the Audit & Supervisory Board Members when supporting their duties. The Company's Audit & Supervisory Board shall conduct a performance evaluation of the designated employee on their support work of Audit & Supervisory Board Members' duties. The Company's Audit & Supervisory Board Members and the Department Manager of the Human Resources Department shall confer about personnel changes and treatment.

(7) Systems for Directors and Employees, as well as Directors, Audit & Supervisory Board Members, Employees and others of Subsidiaries to Report to Audit & Supervisory Board Members, Other Systems of Reporting to Audit & Supervisory Board Members, and Other Systems to Secure Effective Audits by Audit & Supervisory Board Members

- (a) Officers and employees of the Group shall make reports on matters possibly causing serious damage and losses to the Group, illegal acts and other necessary important matters to the Company's Audit & Supervisory Board Members as necessary based on laws and regulations, and internal regulations such as the Audit & Supervisory Board Regulations and the Auditing Standards for the Audit & Supervisory Board Members. In order to ensure thorough reporting to the Audit & Supervisory Board Members, officers and employees shall be made aware of the relevant system and reminded on a regular basis. The Company's Audit & Supervisory Board Members may also require officers and employees to report at any time as necessary.
- (b) The Company's Audit & Supervisory Board Members shall attend the meetings of important committees such as the Board of Directors, the Corporate Management Council, the Compliance Committee, the Risk Management Committee, and affiliated companies liaison committee to understand the process of important decision-making and the conditions of the execution of the duties by Directors of the Group, and may peruse important documents about the fulfillment of such duties, such as circular memos for approval. The Company's Audit & Supervisory Board Members shall periodically exchange opinions with the Company's Representative Director, President and CEO, and carry out monitoring and inspections through periodic interviews and on-site audits of each department of the Group and Audit & Supervisory Board Members of subsidiaries.
- (c) The Company's Audit & Supervisory Board Members, based on the independence and authority granted according to the Audit & Supervisory Board Regulations and the Auditing Standards for the Audit & Supervisory Board Members, shall ensure the effectiveness of audits, and maintain close cooperation with the Auditing Department and the Accounting Auditors to promote the achievement of their outcomes by receiving audit status reports of each group section from the Auditing Department.
- (d) The Group shall prohibit unfavorable treatment of officers and employees of the Group who have reported to the Company's Audit & Supervisory Board Members on the grounds of having made the report, and fully enforce this rule.

- (e) In the case where an Audit & Supervisory Board Member demands payments in advance or reimbursement of expenses incurred for duties executed, the subject expenses or liabilities shall immediately be paid or reimbursed, excluding the case where such expenses or the liabilities are not necessary for the execution of the duties of the Audit & Supervisory Board Member.

(8) Systems to Ensure Reliable Financial Reporting

For the purpose of securing reliable financial reporting of the Company and effective and proper submission of internal control reports by the Company as provided in the Financial Instruments and Exchange Act, the Group shall set up a structure to establish and apply a proper internal control system under the command of the Company's Representative Director, President and CEO, continue to evaluate whether or not the structure will function properly, make necessary corrections, and ensure conformity with the Financial Instruments and Exchange Act and other applicable laws and regulations.

(9) Systems Development to Exclude All Antisocial Forces

- (a) The Group's Corporate Ethics Charter shall clearly set out the Group's determination to "oppose all antisocial forces." The Group is committed to eliminating any possible ties, and dealing resolutely, with any antisocial forces or organizations posing a threat to public order or safety.
- (b) The Group shall enact regulations for opposing antisocial forces and establish a system that will not yield to unlawful demands from antisocial forces by designating a person responsible for preventing unlawful demands in all offices and places of business. The General Affairs and Purchasing Department and the Compliance Promotion Department of the Company shall be generally responsible for establishing the system, and the system shall be established by consulting with the Compliance Committee, the Risk Management Committee, related departments and external professional organizations.

2. Overview of Operation Status of Systems to Ensure Appropriate Business Operations

The main operational status of the systems during the fiscal year ended March 31, 2026 is as follows.

(1) Systems for Execution of Duties by Directors and Employees of the Company as well as Its Subsidiaries to Ensure Compliance with Laws and Regulations and the Articles of Incorporation

The compliance system has been fully developed with the establishment of the Corporate Ethics Charter, establishment of the Compliance Committee, election of Outside Directors, establishment of the Auditing Department as well as the Compliance Promotion Department, and establishment of the internal reporting system and related regulations.

Furthermore, the Company received an investigation report on the construction defects problem from the External Investigation Committee. Although the Company has completed all the items of the recurrence preventive measures that were established on May 29, 2019, verifying the effectiveness of the measures and implementing the PDCA cycle is an issue.

The Compliance Committee, chaired by an Outside Director, is composed of

members including external committee members with specialized expertise. Since October 2024, a Compliance Working Group has been meeting monthly with the aim of strengthening the functions of the Compliance Committee and improving responsiveness to compliance issues. As a result, active discussions are taking place on important matters regarding the identification of issues and improvement measures in cases where it is determined that a clear compliance violation has occurred in the business operations executed by the Group or that there is a risk of such violation, and the Committee can be assessed as sufficiently fulfilling its check-and-balance functions over the executive bodies. During the fiscal year ended March 31, 2026, the Compliance Committee met four times and the Compliance Working Group met 12 times.

Furthermore, in a compliance awareness survey conducted in February, recognition of reporting rules in the event of compliance violations was confirmed to be high, at 99.5% among managerial employees and 92.8% among full-time employees. On the other hand, 11.6% of non-managerial employees and 18.2% of non-regular employees were not aware of such rules, raising concerns that appropriate reporting may not occur when incidents arise, thereby increasing the risk that violations may go undetected.

(2) Systems for Retention and Management of Information on Execution of Duties by Directors

Systems for retaining and managing information have been developed with a Director in charge as the person responsible for the retention and management, to ensure that information management managers and information management staff are assigned to each department and that information management by responsible departments is maintained appropriately, based on the management system stipulated in the Document Handling Regulations and Information Management Regulations. In addition, a “compliance webpage” has been set up in the top menu of the Company’s internal portal website, allowing easy access for checking manuals and work flows.

During the fiscal year ended March 31, 2026, these existing systems continued to operate, and in order to further strengthen the information management system, the Company has worked to thoroughly inculcate the Information Management Regulations by including questions concerning information management in compliance awareness surveys conducted for all employees in September and February.

(3) Regulations and Systems Concerning Management of Risk of Loss by the Company as well as Its Subsidiaries

The Company has established Risk Management Regulations as a group-wide regulation, and its subsidiaries have also developed systems in accordance with equivalent regulations aligned with those of the Company.

The Risk Management Committee, which includes external members with expert knowledge, reviewed risks and held four meetings during the fiscal year ended March 31, 2026. In order to strengthen the management system for potential risks, clear risk evaluation criteria have been established, and each business division and subsidiary identifies the risks it holds, which are then analyzed and evaluated by the Risk Management Committee and its subcommittee, thereby operating a system for comprehensively identifying and managing risks. Moreover, in order to promptly disseminate claim information at an early stage, regular discussions are held in each site, and a system is operated to collect and verify risk information.

(4) Systems to Ensure the Efficient Fulfillment of Duties by Directors

Organizational decisions are made after deliberations at the Board of Directors meetings following preliminary deliberations by the Corporate Management Council. In addition, the Company enhanced the precision of proposals by introducing a preliminary review before the submission of proposals to the Corporate Management Council in October 2023. On the other hand, to review the progress of business plans, the Board of Executive Officers meetings, whose main purpose is reviewing and discussing, and affiliated companies liaison committee meetings have been held, in addition to the Board of Directors meetings. As such, systems for ensuring the efficient execution of duties have been fully developed.

Moreover, in May 2024, the Rules of the Board of Directors were revised to strengthen the Group's governance and a system was established to ensure the attendance of the Chief Financial Officer (CFO) at the Board of Directors meetings. Based on this system, the Company strives to increase the effectiveness of management supervision of execution of duties by Directors, by having pertinent opinions expressed by CFO at various meetings, including the meetings of the Board of Directors.

During the fiscal year ended March 31, 2026, the Company held these meetings on a regular basis, and as needed, and made timely decisions through measures including participation via an online conference system and resolutions in writing to maintain appropriate conditions.

(5) Systems for Reporting of Matters Concerning Execution of Duties of Directors of the Company's Subsidiaries, and Other Systems to Ensure Appropriate Business Operations in the Group

The systems for ensuring appropriate business operations within the Group are operated in accordance with the Affiliated Companies Management Regulations, whereby the status of business execution at subsidiaries is monitored and managed through the responsible departments and the Chief of the Corporate Management Headquarters, and reports are made to the Company's Board of Directors as necessary. In addition, as a general rule, affiliated companies liaison committee meetings are held monthly to review the progress of business plans and receive the necessary reports from subsidiaries. The Company also dispatches Directors to its subsidiaries to strengthen monitoring functions and ensure the appropriateness of business operations.

Of the systems for ensuring the appropriateness of business operations by each company of the Group, while the Company's Compliance Promotion Department and Corporate Planning Department oversaw the entire Group comprehensively, the department or section responsible for the Company's subsidiaries supervised and managed the compliance system and the risk management system, and the Auditing Department and the Audit & Supervisory Board Members of the Company audited subsidiaries.

(6) Matters Concerning Employees when Audit & Supervisory Board Members Request the Secondment of Employees to Assist with Duties, Matters Concerning the Independence of Those Employees from Directors and Matters for Securing Effective Direction of Audit & Supervisory Board Members

Rules on the right of command and the authority over personnel issues such as employee evaluations have been stipulated in the Audit & Supervisory Board

Regulations and the Auditing Standards for the Audit & Supervisory Board Members, for employees who assist with the duties of the Audit & Supervisory Board Members.

During the fiscal year ended March 31, 2026, an employee was assigned to assist Audit & Supervisory Board Members in the execution of their duties.

(7) Systems for Directors and Employees, as well as Directors, Audit & Supervisory Board Members, Employees and others of Subsidiaries to Report to Audit & Supervisory Board Members, Other Systems of Reporting to Audit & Supervisory Board Members, and Other Systems to Secure Effective Audits by Audit & Supervisory Board Members

The systems for reporting to Audit & Supervisory Board Members and the systems to secure effective audits by Audit & Supervisory Board Members have been fully developed by stipulating them in the Audit & Supervisory Board Regulations and the Auditing Standards for the Audit & Supervisory Board Members. Audit & Supervisory Board Members cooperate closely with the Auditing Department and the Accounting Auditor.

During the fiscal year ended March 31, 2026, Audit & Supervisory Board Members strengthened the effectiveness of audits by Audit & Supervisory Board Members by exchanging opinions with the Representative Director, President and CEO on issues to be addressed by the Company.

Also, in order to allow the systems for reporting to Audit & Supervisory Board Members to work appropriately, the Audit & Supervisory Board encouraged the Board of Directors to report more promptly.

(8) Systems to Ensure Reliable Financial Reporting

The systems have been constructed to evaluate internal controls by the Auditing Department, and an internal control report for the 52nd fiscal term was submitted on June 26, 2025.

During the fiscal year ended March 31, 2026, the Company continued to evaluate the status of the development and operation of its internal control system.

(9) Systems Development to Exclude All Antisocial Forces

Among systems for excluding antisocial forces, the Company has stipulated the rules for excluding antisocial forces in the Corporate Ethics Charter and others, and has developed a system therefor.

During the fiscal year ended March 31, 2026, the Company conducted its corporate activities free from any relationships with antisocial forces.

3. Policy on Determination of Dividends of Surplus and Others

The Company regards the return of profit to its shareholders as the most important management issue, and has established a basic policy to pay stable and continuous dividends through the enhancement of sustainable corporate value and the realization of medium- to long-term growth.

Additionally, in the Medium-term Management Plan, the Company has set a target of achieving a dividend payout ratio of 30% by the fiscal year ending March 31, 2028, and, taking into account the potential to boost current dividend levels, will endeavor to gradually enhance shareholder returns in accordance with improvements in profitability.

The distribution of profits will be determined by taking trends in the Company's business performance, the financial condition, and other factor into comprehensive consideration while considering a balance with the internal reserves needed for future growth investments and the reinforcement of the financial base.

Moreover, the Company has implemented acquisitions of treasury stock to date, and will continue to actively and flexibly examine ways to boost total shareholder returns, including acquisitions of treasury stock, from the standpoints of improving capital efficiency and enhancing shareholder returns.

For the fiscal year ended March 31, 2026, the Company plans to pay an annual dividend of JPY 10 per share (consisting of an interim dividend of JPY 5 and a year-end dividend of JPY 5), and intends to propose the year-end dividend of JPY 5 per share at the General Shareholders' Meeting to be held in June 2026.

For the fiscal year ending March 31, 2027, based on the above basic policy, the Company plans to pay dividends of JPY 15 per share (consisting of an interim dividend of JPY 5 and a year-end dividend of JPY 10), which represents an increase of JPY 5 per share from the annual dividend for the fiscal year ended March 31, 2026. The Company will continue to examine ways to enhance shareholder returns, taking into account future trends in its business performance, its financial condition, and other factors.

Note: The portions of amounts and number of shares stated in this Business Report less than the display unit are omitted (always rounded down).

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET (as of March 31, 2026)

(JPY million)

ASSETS	
Current assets	74,674
Cash and deposits	57,908
Trade receivables	7,927
Accounts receivable for completed projects	1,554
Real estate for sale	524
Costs on construction in progress	720
Raw materials and supplies	761
Prepaid expenses	2,232
Other accounts receivable	1,261
Others	4,756
Allowance for doubtful accounts	(2,973)
Non-current assets	101,899
Property, plant and equipment	57,531
Buildings and structures	18,095
Machinery, equipment, and vehicles	4,423
Land	32,253
Leased assets	2,199
Construction in progress	331
Others	228
Intangible fixed assets	923
Others	923
Investments and other assets	43,444
Investment securities	4,152
Long-term loans	466
Bad debts	282
Long-term prepaid expenses	1,453
Deferred tax assets	34,280
Others	5,256
Allowance for doubtful accounts	(2,447)
Total assets	176,574

CONSOLIDATED BALANCE SHEET (as of March 31, 2026) (Continued)

(JPY million)

LIABILITIES	
Current liabilities	67,660
Accounts payable	9,771
Accounts payable for completed projects	581
Lease obligations	637
Accounts payable - other	9,437
Accrued income taxes	617
Advances received	38,676
Customer advances for construction contracts in progress	1,107
Provision for warranty obligations on completed projects	941
Provision for apartment vacancy loss	2,181
Provision for fulfillment of guarantees	740
Others	2,966
Non-current liabilities	62,520
Long-term debt	30,000
Lease obligations	1,963
Long-term advances received	4,335
Lease/guarantee deposits received	6,075
Provision for warranty obligations on completed projects	5,322
Provision for apartment vacancy loss	731
Provision for stock benefits	2,434
Liability for retirement benefit	9,379
Others	2,277
Total liabilities	130,180
NET ASSETS	
Shareholders' equity	32,715
Common stock	100
Capital surplus	15,015
Retained earnings	26,349
Treasury stock	(8,749)
Accumulated other comprehensive income	7,943
Net unrealized gains on other securities	(234)
Foreign currency translation adjustments	7,335
Remeasurements of defined benefit plans	841
Share subscription rights	22
Non-controlling interests	5,712
Total net assets	46,393
Total liabilities and net assets	176,574

CONSOLIDATED STATEMENT OF INCOME (from April 1, 2025 to March 31, 2026)

(JPY million)

Net sales	444,820
Sales from Leasing Business	429,623
Sales from Other Businesses	15,196
Cost of sales	355,611
Cost of sales from Leasing Business	338,851
Cost of sales from Other Businesses	16,760
Gross profit	89,208
Selling, general and administrative expenses	53,242
Operating profit	35,966
Non-operating income	1,260
Interest income	67
Dividend income	100
Gains on valuation of investment securities	96
Foreign exchange gains	493
Others	501
Non-operating expenses	2,383
Interest expenses	900
Commission fee	660
Funding costs	330
Stock granting expenses	83
Share of loss of entities accounted for using equity method	333
Others	73
Recurring profit	34,842
Extraordinary income	251
Gain on sale of property, plant and equipment	101
Gain on reversal of share subscription rights	150
Extraordinary losses	10,169
Loss on sale of property, plant and equipment	0
Loss on retirement of property, plant and equipment	7
Impairment loss	93
Loss on cancellation of treasury stock acquisition rights	10,068
Income before taxes and other adjustments	24,924
Income taxes	804
Income taxes - deferred	8,224
Net income	15,895
Net income attributable to non-controlling interests	961
Net income attributable to shareholders of the parent	14,933

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(from April 1, 2025 to March 31, 2026)

(JPY million)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the previous year-end	100	30,120	47,490	(4,359)	73,350
Change in the fiscal year					
Issuance of new shares	9,617	9,617			19,234
Capital reduction	(9,617)	9,617			–
Dividend of surplus			(3,253)		(3,253)
Net income attributable to shareholders of the parent			14,933		14,933
Acquisition of treasury stock				(73,741)	(73,741)
Disposal of treasury stock		679	(0)	1,514	2,193
Cancellation of treasury stock		(35,017)	(32,820)	67,837	–
Change in share of parent from transactions with non-controlling interests		(1)			(1)
Changes in items other than shareholders' equity (net)					
Total change during period	–	(15,105)	(21,140)	(4,389)	(40,634)
Balance at the current year-end	100	15,015	26,349	(8,749)	32,715

(JPY million)

	Accumulated other comprehensive income				Share subscription rights	Non-controlling interests	Total net assets
	Net unrealized gains on other securities	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total			
Balance at the previous year-end	(151)	8,122	(51)	7,918	391	6,607	88,268
Change in the fiscal year							
Issuance of new shares							19,234
Capital reduction							–
Dividend of surplus							(3,253)
Net income attributable to shareholders of the parent							14,933
Acquisition of treasury stock							(73,741)
Disposal of treasury stock							2,193
Cancellation of treasury stock							–
Change in share of parent from transactions with non-controlling interests							(1)
Changes in items other than shareholders' equity (net)	(82)	(786)	893	24	(369)	(895)	(1,240)
Total change during period	(82)	(786)	893	24	(369)	(895)	(41,875)
Balance at the current year-end	(234)	7,335	841	7,943	22	5,712	46,393

Notes to Consolidated Financial Statements

1. Important Items That Form the Basis of Preparing Consolidated Financial Statements

(1) Scope of consolidation

(a) Number of consolidated subsidiaries and names of principal consolidated subsidiaries of Leoplace21 Corporation (the "Company")

Number of consolidated subsidiaries: 11

Principal consolidated subsidiaries: Leoplace Leasing Corporation
Plaza Guarantee Co., Ltd.
Leopalace Power Corporation
ASUKA SSI
Leopalace21 Business Consulting (Shanghai) Co., Ltd.
Leopalace21 Singapore Pte. Ltd.
Azu Life Care Co., Ltd.
Azu Residence Co., Ltd.
Leopalace Guam Corporation
Leopalace Smile Co., Ltd.

(b) Status of non-consolidated subsidiaries

Not applicable.

(2) Application of equity method

(a) Numbers of affiliates accounted for by the equity method and names of principal such companies

Number of affiliates accounted for by the equity method: 3

Names of affiliates: Leoplace Green Energy Corporation
Ancora Residential Fund LP
PT TEGUH BINA KARYA

(b) Special note on the application of equity method

With regard to companies whose fiscal year-end is different from the consolidated balance sheets date, the financial statements of the companies as of their fiscal year-end and for their fiscal year are used in the preparation of the Company's consolidated financial statements.

(3) Changes in the scope of consolidation and application of equity method

(a) Changes in the scope of consolidation

In the current fiscal year, Azu Residence Co., Ltd. has been included in the scope of consolidation due to being newly established.

(b) Changes in the scope of application of equity method

TRUMAN HOLDING LIMITED, which was a non-consolidated subsidiary accounted for by the equity method in the previous fiscal year, has been excluded from the scope of application of equity method at the end of the current fiscal year, in conjunction with its liquidation.

(4) Fiscal year-ends of consolidated subsidiaries

Among the consolidated subsidiaries, the fiscal year-end of Leoplace Guam Corporation and three other companies is December 31 of each year. As the difference between the said date and the consolidated balance sheets date is within three months, their financial statements as of the said date are used in the preparation of the Company's consolidated financial statements.

When significant transactions occur at those subsidiaries between their fiscal year-end and the consolidated balance sheets date, these transactions are included in consolidation as necessary.

(5) Summary of accounting policies

(a) Valuation bases and methods for significant assets

Securities

Held-to-maturity debt securities are stated at amortized cost (straight-line method).

Other securities

Securities other than shares, etc. without a market price are stated at fair market value.

Unrealized gains and losses are directly included in net assets. The cost of securities sold is determined by the moving-average method.

Shares, etc. without a market price are stated at cost determined by the moving-average method.

Investments in silent partnerships and others are reported using the equity method, based on the latest financial statements available as at the closing dates stipulated by the respective partnership contracts.

Inventories

Real estate for sale and real estate for sale in progress

Primarily stated at cost determined by the specific identification method (figures on the balance sheets are determined based on the method of writing down the book value in accordance with the decline in profitability of assets)

Costs on construction in progress

Primarily stated at cost determined by the specific identification method

Raw materials and supplies

Primarily stated at cost determined by the last purchase cost method (figures on the balance sheets are determined based on the method of writing down the book value in accordance with the decline in profitability of assets)

(b) Depreciation and amortization of significant depreciable and amortizable assets

Rental property, plant and equipment of the Company and consolidated subsidiaries in Japan (except for leased assets):

Depreciated by the straight-line method

Useful lives of major assets are as follows:

Buildings and structures:	22–47 years
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Property, plant and equipment other than the above of the Company and consolidated subsidiaries in Japan (except for leased assets):

Depreciated by the declining-balance method

However, buildings (excluding accompanying facilities) obtained on or after April 1, 1998 and facilities accompanying buildings and structures obtained on or after April 1, 2016 are depreciated by the straight-line method.

Useful lives of major assets are as follows:

Buildings and structures:	15–50 years
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Machinery, equipment, and vehicles:	17 years
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Tools, furniture and fixtures (Others in property, plant and equipment):	5–10 years
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Property, plant and equipment of overseas subsidiaries:

Depreciated by the straight-line method based on the local GAAP

Useful lives of major assets are as follows:

Buildings and structures:	20–40 years
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Tools, furniture and fixtures (Others in property, plant and equipment):	3–5 years
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Intangible fixed assets (except for leased assets):

Amortized by the straight-line method

Useful lives of major assets are as follows:

Software for internal use:	5 years
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Leased assets:

Depreciated and amortized by the straight-line method based on the lease term as the useful life and a residual value of zero.

Long-term prepaid expenses:

Evenly amortized mainly over the following period

Non deductible portion of consumption taxes related to non-current assets:	5 years
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(c) Provision of significant allowance and provisions

Allowance for doubtful accounts

The Group maintains an allowance for doubtful accounts to provide for potentially uncollectible receivables such as accounts receivable and loans. An estimated uncollectible amount is provided at the amount estimated by either using the historical rate of credit loss in the case of general receivables, or based on individual consideration of collectibility in the case of specific receivables such as highly doubtful receivables.

Provision for warranty obligations on completed projects

With regard to the Leasing Business, an estimated amount of compensation based on the past execution of warranty obligations and other reasonable factors is recorded for the Company's compensation expenses, etc. regarding its execution of warranty obligations under non-conformance liability in the future pertaining to completed projects.

Provision for apartment vacancy loss

With regard to the Leasing Business, provision to prepare for the risk of vacancy losses on apartment units managed under master lease agreements is provided according to the projected loss that could occur during a logically predictable period. It is estimated based on current rent to pay as a subleasing company and expected future occupancy rates for each rental property, etc.

Provision for fulfillment of guarantees

In order to provide for losses attributable to its rent payment guarantee business, the Company's consolidated subsidiary, Plaza Guarantee Co., Ltd., records the amount of loss expected based on the rate of past guarantee fulfillments.

Provision for stock benefits

In order to provide for the delivery of the Company shares to officers and employees of the Company in accordance with the stock granting regulations, the estimated amount of stock benefit obligations at the end of the current fiscal year is recorded.

(d) Recognition of significant revenues and costs

The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and relevant ASBJ regulations, and it has recognized revenue at the time the control of promised goods or services is transferred to the customer at the amount expected to be received upon exchange of said goods or services.

Details of major performance obligations in major businesses of the Company and its consolidated subsidiaries related to revenue from contracts with customers, and the timing the performance obligations are typically satisfied (when revenue is typically recognized), are as follows.

Leasing Business operations mainly comprise the management of rental properties through bulk leasing of apartments, etc. contracted for construction, management of the Company's own properties and others, repair work for apartments, etc., various leasing-related services and broadband services, and contracted construction work for apartments, etc. For these transactions, the Company determines that performance obligations are satisfied at the time the contractual conditions are implemented, and revenue is recognized at that point in time.

As for *LEONET* viewing fee, because the service providers are third parties and the Company's performance obligation is to arrange for the service to be provided, the Company has determined that it acts as an agent in the transactions and revenue is recognized at the net amount derived by deducting the amount paid to those parties from the amount of consideration received from customers.

For obligations, etc. primarily related to apartment rentals, revenue is recognized based on the "Accounting Standard for Lease Transactions" (ASBJ Statement No. 13, March 30, 2007).

For key money and reduction of rent, revenue is recognized evenly over a certain period of time using the tenants' average staying period in the apartment as a period for service provision. For handling charge for monthly rental contracts, etc., revenue is recognized evenly over a certain period of time based on the contract period.

The consideration for transactions related to the Leasing Business is received in accordance with the terms of the contract and generally prior to the satisfaction of performance obligations, and the amount of the consideration does not include important financial components.

(e) Foreign currency translation of important foreign currency-denominated assets and liabilities into Japanese yen

All monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the current exchange rates as of the consolidated balance sheets date. The foreign exchange gains and losses from translation are recognized in the consolidated statement of income. The assets and liabilities of overseas subsidiaries are translated into Japanese yen at the current exchange rates as of the balance sheets date of overseas subsidiaries, and revenues and expenses are translated into Japanese yen at the average exchange rates of the fiscal year. Foreign exchange gains and losses from translation are included in foreign currency translation adjustments and non-controlling interests as a separate component of net assets.

(f) Amortization and amortization period of goodwill

Goodwill is amortized evenly over the period of the future economic benefits. However, goodwill is amortized in a lump sum when incurred if the amount is minimal.

(g) Other important matters for preparing consolidated financial statements

Accounting method for retirement benefit

- Method of attributing expected retirement benefits to the period
In the calculation of retirement benefit obligations, the method of attributing expected retirement benefits to the period up to the end of the fiscal year ended March 31, 2026 is on the benefit formula basis.
- Method of amortizing actuarial differences
Actuarial differences, which are prorated according to the straight-line method over a specified period (5 years) within the average remaining service years of employees at the time of accrual in each fiscal year, are amortized starting in the next fiscal year following the respective accruals.
- Accounting method for unrecognized actuarial differences
Unrecognized actuarial differences are recorded in remeasurements of defined benefit plans in accumulated other comprehensive income under net assets after adjusting for tax effects.
- Adoption of a simplified accounting method at small enterprises, etc.
Certain consolidated subsidiaries apply a simplified accounting method in which the calculation of liability for retirement benefit and retirement benefit cost is carried out by using a method in which the retirement benefit obligations are deemed to be the amount of retirement benefits to be paid in cases where all eligible employees retired on a voluntary basis at the fiscal year-end date.

Interest capitalization

Leopalace Guam Corporation capitalized the interest paid on borrowings for real estate development business during the development period into the acquisition cost of property, plant and equipment.

Capitalized interest included in the carrying amount of property, plant and equipment of Leopalace Guam Corporation was JPY 464 million as of March 31, 2026.

2. Changes in Accounting Policies

Not applicable.

3. Notes Regarding Accounting Estimates

(1) Deferred tax assets

- (a) Amount recorded in the consolidated financial statements for the fiscal year ended March 31, 2026

(JPY million)

	As of March 31, 2026
Deferred tax assets	34,280

- (b) Information on the content of significant accounting estimates for identified items

Deferred tax assets are recorded for schedulable deductible temporary differences and losses carried forward for tax purposes after determining the recoverability by using the estimated taxable income based on future profitability. For the fiscal year ended March 31, 2026, the deferred tax assets recorded in the consolidated financial statements were JPY 34,280 million, of which JPY 31,981 million was recorded by the Company.

The Company has established a business structure which can ensure stable profits as a result of the progress in the reduction of fixed costs through the improvement of occupancy rate, an increase in the average unit rent, and contractual adjustment of master-lease rent and other measures. As a result, the Company again generated taxable income before losses carried forward in the fiscal year ended March 31, 2026. While the Company generated significant tax losses in the past fiscal years, future taxable income before taxable or deductible temporary differences is expected in a few fiscal years to come, in view of the stabilized profit structure and in consideration of the factors such as the circumstances behind such significant tax losses, the Company's business plans and their progress status in the past fiscal years, trends of taxable income or tax losses in the past fiscal years as well as the fiscal year ended March 31, 2026. As such, the Company recorded deferred tax assets based on the estimated amount of taxable income before taxable or deductible temporary differences for the reasonably estimable future period in accordance with the company classification stipulated by the "Implementation Guidance on Recoverability of Deferred Tax Assets" (ASBJ Guidance No. 26). The estimate of taxable income is made in a basis of future business plans, and the significant assumptions used for the estimate include the number of rental agreements and contract unit prices. The estimate is also made based on the assumption that it is possible to maintain certain numbers of contracts and certain unit prices even as the age of the properties supplied increases.

Recoverability of deferred tax assets depends on the estimated future taxable income. As a result, if conditions or assumptions used as the premise of these estimates are changed, the amount of deferred tax assets may vary in the consolidated financial statements for the fiscal year ending March 31, 2027.

(2) Provision for warranty obligations on completed projects

(a) Amounts recorded in the consolidated financial statements for the fiscal year ended March 31, 2026

(JPY million)

	As of March 31, 2026
Provision for warranty obligations on completed projects (Current liabilities)	941
Provision for warranty obligations on completed projects (Non-current liabilities)	5,322
Total	6,263

(b) Information on the content of significant accounting estimates for identified items

The Company's provision for warranty obligations on completed projects provides for repair work and other expenses related to properties for which a series of construction defects, such as defects in parting walls in attics released in April 2018, were confirmed, and repair work expenses, etc. based on contractual non-conformance liability for ordinary properties constructed by the Company. The estimated cost for each is calculated and recorded accordingly.

The specific calculation methods of such provisions are as follows:

- Repair work expenses

The number of properties with defects is estimated by using the actual number of affected properties for those where defects have already been confirmed, and by applying the defect incidence rate based on the defect identification criteria of the Company for those where the existence of defects has not yet been investigated. The estimated number is then multiplied by the actual unit price for each repairing method according to the type of defects, to calculate the expenses.

The criteria for identifying defects beyond clearly apparent ones have also been reviewed and reflected in the defect incidence rate.

- Compensation expenses

After providing explanation to relevant Designated Administrative Agencies and obtaining understanding from them, the Company estimates the number of properties for which negotiations can be finalized through payment of compensation based on discussions with building owners. This estimate is then multiplied by the unit price set by the Company, to calculate the expenses.

- Repair work expenses, etc. based on contractual non-conformance liability for properties constructed by the Company

Estimated compensation amount is calculated based on the actual rate of compensation for past completed construction.

Of the provision for warranty obligations on completed projects, the amount corresponding to repair work expenses, etc. related to properties for which a series of construction defects, such as defects in parting walls in attics released in April 2018, were confirmed, amounted to JPY 6,029 million for the fiscal year ended March 31, 2026.

As for repair work expenses, the Company strives to make more reasonable and more highly accurate estimates of amounts, taking into account estimates presented by external business operators, changes in estimated unit price due to a decline in the rate of insourcing of repair work, effects of review of construction schedule and others.

If conditions or assumptions used as the premise of these estimates are changed, the amount of provision recorded may vary in the consolidated financial statements for the fiscal year ending March 31, 2027.

4. Notes to Consolidated Balance Sheet

(1) Assets pledged as collateral and secured liabilities

(a) Assets pledged as collateral

Cash and deposits	JPY 49 million
Others (Current assets)	JPY 268 million
Investment securities	JPY 35 million
Total	JPY 352 million

(b) Secured liabilities

The assets pledged as collateral have been pledged as collateral to customers and other lenders, and there are no secured liabilities.

(c) Investments and other assets which have been deposited with the Legal Affairs Bureau (Others)

Deposit for housing construction warranty	JPY 771 million
Advanced payment certificate in accordance with Payment Services Act	JPY 332 million
Deposit for operation stipulated in Building Lots and Buildings Transaction Business Act	JPY 60 million
Deposit for operation stipulated in Insurance Business Act	JPY 200 million
Deposit for housing defect warranty	JPY 105 million
Others	JPY 2 million

(2) Accumulated depreciation of property, plant and equipment JPY 85,743 million

(3) Reduction entry amount deducted from the acquisition cost of property, plant and equipment

Machinery, equipment, and vehicles	JPY 155 million
Tools, furniture and fixtures	
(Property, plant and equipment and other)	JPY 45 million

(4) Guarantee obligations

Guarantee obligations for financial institutions for customers who have a housing loan	JPY 93 million
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5. Notes to Consolidated Statement of Changes in Equity

(1) Number of issued shares

Class of shares	April 1, 2025	Increase	Decrease	March 31, 2026
Common stock	329,389,515 shares	137,072,803 shares	132,046,640 shares	334,415,678 shares

- Notes: 1. The increase in the number of issued shares of common stock comprises an increase of 137,072,803 shares due to the exercise of stock subscription rights.
2. The decrease in the number of issued shares of common stock comprises a decrease of 132,046,640 shares due to the cancellation of treasury stock.

(2) Number of shares of treasury stock

Class of shares	April 1, 2025	Increase	Decrease	March 31, 2026
Common stock	11,694,621 shares	140,011,983 shares	134,994,540 shares	16,712,064 shares

- Notes: 1. The increase in the number of shares of treasury stock of common stock comprises an increase of 137,072,803 shares due to purchase of treasury stock through tender offer, an increase of 2,939,100 shares related to purchase by the stock grant trust, and an increase of 80 shares due to the purchase of odd-lot shares.
2. The decrease in the number of shares of treasury stock of common stock comprises a decrease of 132,046,640 shares due to cancellation of treasury stock, a decrease of 2,939,100 shares related to disposal by the stock grant trust, and a decrease of 8,800 shares in conjunction with partial exercise of stock subscription rights.
3. The number of shares of treasury stock of common stock includes the Company's stock held by the stock grant trust (6,162,700 shares as of April 1, 2025 and 9,101,800 shares as of March 31, 2026).

(3) Dividends of surplus

(a) Cash dividends paid

Resolution	Class of shares	Source of funds for dividends	Total amount of dividends (JPY million)	Dividend per share (JPY)	Record date	Effective date
June 26, 2025 Ordinary General Shareholders' Meeting	Common stock	Retained earnings	1,619	5	March 31, 2025	June 27, 2025
November 14, 2025 Board of Directors meeting	Common stock	Retained earnings	1,633	5	September 30, 2025	December 15, 2025

- Notes: 1. The total amount of dividends based on the resolution at the Ordinary General Shareholders' Meeting on June 26, 2025 includes JPY 30 million dividends for the Company's stock held by the stock grant trust.
2. The total amount of dividends based on the resolution at the Board of Directors meeting on November 14, 2025 includes JPY 45 million dividends for the Company's stock held by the stock grant trust.

(b) Dividend payments whose record date is in the fiscal year ended March 31, 2026 but whose effective date is in the following fiscal year

Resolution	Class of shares	Source of funds for dividends	Total amount of dividends (JPY million)	Dividend per share (JPY)	Record date	Effective date
June 25, 2026 Ordinary General Shareholders' Meeting	Common stock	Retained earnings	1,634	5	March 31, 2026	June 26, 2026

- Note: The total amount of dividends to be paid based on the resolution at the Ordinary General Shareholders' Meeting on June 25, 2026 includes JPY 45 million dividends for the Company's stock held by the stock grant trust.

(4) Share subscription rights as of March 31, 2026

Class of shares subject to share subscription rights	Common stock
Number of shares subject to share subscription rights	50,800 shares
Unexercised share subscription rights	JPY 22 million

6. Financial Instruments

(1) Status of financial instruments

(a) Policy for financial instruments

The Group's policy is to raise necessary funds mainly through bank borrowings and issuance of corporate bonds in light of its capital investment plan. Temporary excess funds are invested in highly secured financial assets, and short-term working capital is raised by borrowing from the bank.

(b) Nature of financial instruments and risks arising therefrom

Operating receivables and loans outstanding are exposed to credit risks of customers.

Foreign currency denominated debts and credits originated in conjunction with overseas business development are exposed to exchange risk.

Securities and investment securities include mainly held-to-maturity debt securities and shares of the companies with which the Company has a business or capital alliances and others, and they are exposed to risks of fluctuations in market prices and credit risks of the share-issuing organizations.

Almost all accounts payable, accounts payable for completed projects and accounts payable - other which are trade payables are scheduled to be paid within one year.

Borrowings and lease obligations related to finance lease transactions are for the funding mainly for short-term funding needs and investment in facilities, respectively, and the longest repayment date is 5 years and 1 month subsequent to fiscal year-end.

There are no derivatives transaction balances remaining as of the end of the fiscal year ended March 31, 2026.

(c) Risk management for financial instruments

Credit risk management for operating receivables and loans outstanding follows the "Receivables Management Rules." Each business division manages the extension of credit to its customers while striving for early detection and loss reduction of accounts where collection is doubtful due to worsening credit or similar problems.

Regarding securities and investment securities, the Company periodically investigates and understands the share price and the financial condition of the share-issuing organization. In addition, for items other than held-to-maturity debt securities, the Company considers the relationship with the trading partner companies and constantly re-evaluates its holdings.

Trade payables and borrowings are exposed to liquidity risk, but this risk is monitored by various means such as the preparation of a monthly financial plan by each company in the Group.

(d) Supplementary explanations on fair value of financial instruments

Fair value of financial instruments is calculated based on fluctuating factors, and the value might differ if different assumptions are used.

(2) Fair value of financial instruments

The carrying amount on the consolidated balance sheets and fair value of financial instruments as of March 31, 2026 as well as the difference between these values are shown below.

(JPY million)

	Carrying amount	Fair value	Difference
(1) Investment securities (*2)	1,356	1,345	(10)
(2) Long-term loans	466		
Allowance for doubtful accounts (*3)	(108)		
	358	343	(14)
(3) Bad debts	282		
Allowance for doubtful accounts (*3)	(282)		
	—	—	—
Total assets	1,714	1,689	(25)
(1) Long-term debt	30,000	29,796	(203)
(2) Lease obligations	2,600	2,619	18
Total liabilities	32,600	32,416	(184)

(*1) Information on cash is omitted, and information on deposits, trade receivables, accounts payable, accounts payable for completed projects and accounts payable - other is omitted because the fair value approximates the carrying amount since they are settled within a short period of time.

(*2) Shares, etc. without a market price are not included in “(1) Investment securities.” The carrying amount of these financial instruments is as follows:

(JPY million)

Item	As of March 31, 2026
Unlisted shares	1,648
Shares of affiliates	995
Investments in silent partnerships	151
Total	2,795

(*3) Long-term loans and bad debts have deductions of their respective allowance for doubtful accounts, which are recorded separately.

Note 1: Scheduled redemption amount of monetary claims and investment securities with maturity subsequent to fiscal year-end

(JPY million)

	Due within 1 year	Due after 1 year through 5 years	Due after 5 years through 10 years	Due after 10 years
Cash and deposits	57,902	—	—	—
Trade receivables	7,927	—	—	—
Investment securities				
Held-to-maturity debt securities (government bonds)	—	200	100	—
Other securities with maturities	—	36	—	1,255
Long-term loans	13	18	1	432
Bad debts	—	—	—	282
Total	65,843	254	101	1,970

Note 2: Scheduled repayment amount of loans payable and other interest-bearing debt subsequent to fiscal year-end

(JPY million)

	Due within 1 year	Due after 1 year through 5 years	Due after 5 years through 10 years	Due after 10 years
Long-term debt	—	30,000	—	—
Lease obligations	637	1,958	5	—
Total	637	31,958	5	—

(3) The breakdown by fair value level of financial instruments, etc.

Fair values of financial instruments are classified into the following three levels depending on the observability and significance of inputs used in the fair value measurement.

- Level 1 fair value: Fair value determined based on the quoted price formed in an active market for the asset or liability of which the fair value is determined, among observable inputs for fair value measurement
- Level 2 fair value: Fair value determined using inputs related to the measurement of the fair value other than inputs of Level 1, among observable inputs for fair value measurement
- Level 3 fair value: Fair value determined using unobservable inputs for fair value measurement

If multiple inputs that have a significant impact on the fair value measurement are used, the fair value is classified to the lowest priority level of fair value measurement to which each input belongs.

(a) Financial instruments recorded at fair value on the consolidated balance sheets

(JPY million)

Item	Fair value			
	Level 1	Level 2	Level 3	Total
Investment securities				
Other securities				
Government bonds	35	—	—	35
Bonds (corporate bonds)	—	349	—	349
Others	—	672	—	672
Total assets	35	1,022	—	1,057

(b) Financial instruments other than those recorded at fair value on the consolidated balance sheets

(JPY million)

Item	Fair value			
	Level 1	Level 2	Level 3	Total
Investment securities				
Held-to-maturity debt securities (government bonds)	288	—	—	288
Long-term loans	—	343	—	343
Total assets	288	343	—	632
Long-term debt	—	29,796	—	29,796
Lease obligations	—	2,619	—	2,619
Total liabilities	—	32,416	—	32,416

Note: Explanation of valuation methods used to determine fair value and inputs related to determining fair value

Investment securities

Government bonds are assessed using the quoted price. Because government bonds are traded in an active market, their fair value is classified as Level 1 fair value. On the other hand, fair value of bonds (corporate bonds) and other (subordinate beneficiary rights) held by the Company is classified as Level 2 fair value since these bonds are traded infrequently in a market and their price is not deemed as a quoted price in an active market.

Long-term loans

Fair value of long-term loans is classified as Level 2 fair value since it is determined using the discounted cash flow method based on the future cash flow and an interest rate equal to an appropriate index, such as the yield of government bonds, plus credit spread, for each loan classified according to a certain period of time and by credit risk category used for credit management.

Long-term debt and lease obligations

Their fair value is classified as Level 2 fair value since it is determined using the discounted cash flow method based on the principal with interest and an interest rate that takes into account the remaining period of respective debts and credit risks.

7. Rental Properties

The Company possesses rental apartments in major cities and regional cities throughout Japan. Also, some consolidated subsidiaries possess rental housing and buildings for rent. For the fiscal year ended March 31, 2026, income arising from these rental properties was JPY 433 million. Also, the changes in the carrying amount on the consolidated balance sheets of rental properties during the fiscal year ended March 31, 2026, and the fair value as of the said date were as follows:

(JPY million)

Carrying amount			Fair value as of March 31, 2026
Balance as of April 1, 2025	Increase/decrease	Balance as of March 31, 2026	
4,978	(237)	4,741	8,356

- Notes: 1. The carrying amount on the consolidated balance sheets is the amount after deducting accumulated depreciation and accumulated impairment loss from acquisition cost.
2. The main decreases for the fiscal year ended March 31, 2026 were impairment loss of rental apartments of JPY 78 million and sale of rental housing of JPY 46 million.
3. Fair value as of the end of the fiscal year ended March 31, 2026 is calculated by the Company mainly based on the "Real Estate Appraisal Standards."

8. Revenue Recognition

(1) Information on disaggregation of revenues from contracts with customers

(JPY million)

	Reportable segments				Adjustments	Amount stated in consolidated financial statements
	Leasing Business	Elderly Care Business	Other Businesses	Total		
Net sales						
Ancillary service income	29,507	—	—	29,507	—	29,507
Maintenance	37,551	—	—	37,551	—	37,551
Company housing agency fee	1,067	—	—	1,067	—	1,067
Roof lease solar power generation	2,771	—	—	2,771	—	2,771
Contracted construction	2,012	—	—	2,012	—	2,012
Other	—	13,652	1,031	14,683	—	14,683
Revenue from contracts with customers	72,911	13,652	1,031	87,594	—	87,594
Rent income	332,511	—	—	332,511	—	332,511
Ancillary service income	18,676	—	—	18,676	—	18,676
Rental guarantee	3,616	—	—	3,616	—	3,616
Furniture insurance	1,907	—	—	1,907	—	1,907
Other	—	—	513	513	—	513
Other revenue	356,712	—	513	357,225	—	357,225
Sales to customers	429,623	13,652	1,544	444,820	—	444,820

(2) Information that forms the basis to understand revenue from contracts with customers

The Group recognizes revenue from contracts with customers based on the five-step approach detailed below.

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognize revenue when the entity satisfies a performance obligation

Information that forms the basis to understand revenue is as described in “1. Important Items That Form the Basis of Preparing Consolidated Financial Statements, (5) Summary of accounting policies, (d) Recognition of significant revenues and costs.”

(3) Information for understanding amounts of revenue for the fiscal year ended March 31, 2026 and the next fiscal year onward

(a) Balance of contract assets and contract liabilities, etc.

(JPY million)

	As of March 31, 2026
Receivables from contracts with customers (beginning balance)	4,146
Receivables from contracts with customers (ending balance)	4,804
Contract assets (beginning balance)	25
Contract assets (ending balance)	71
Contract liabilities (beginning balance)	8,727
Contract liabilities (ending balance)	8,536

Receivables from contracts with customers are included in “Trade receivables,” contract assets are included in “Accounts receivable for completed projects,” and contract liabilities are included in “Advances received,” “Customer advances for construction contracts in progress,” and “Long-term advances received” in the consolidated financial statements.

Contract assets are mainly unclaimed trade receivables of revenue from construction contracts recognized based on the estimated percentage of completion. Contract liabilities are mainly ancillary service fees and maintenance fees for which performance obligations have not been satisfied at the end of the fiscal year.

Revenue recognized in the fiscal year ended March 31, 2026 included in the balance of contract liabilities at the beginning of the fiscal year was JPY 3,411 million.

(b) Transaction price allocated to remaining performance obligations

The total amount of transaction price allocated to remaining performance obligations and timing when revenue is expected to be recognized are as follows:

(JPY million)

	As of March 31, 2026
Within 1 year	30,073
After 1 year	14,067
Total	44,141

Note: This table describes remaining performance obligations for ancillary service income (those related to revenues from contracts with customers) and maintenance from among the classification for disaggregation shown in “(1) Information on disaggregation of revenues from contracts with customers.”

9. Per Share Information

Net assets per share	JPY 127.98
Net income per share	JPY 45.14

Note: The number of shares of the Company’s stock held by the stock grant trust is included, for the purpose of calculating net assets per share and net income per share, in the number of shares of treasury stock deducted in the calculation of the total number of issued shares at term end and the average number of outstanding shares during the term, respectively.

The number of shares of said treasury stock at term end: 9,101,800 shares

The average number of shares of said treasury stock during the term: 7,918,107 shares

10. Significant Subsequent Events

As announced in the “Notice Concerning Implementing Company Split (Simplified Absorption-type Company Split) and Change in Subsidiary (Change in Specified Subsidiary)” disclosed on January 30, 2026, the Company transferred part of its Elderly Care Business to Azu Residence Co., Ltd., its wholly owned subsidiary, by means of an absorption-type company split, as of April 1, 2026.

Note that the Company will account for this transaction 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.”

11. Other Notes

(Transactions in which shares of the Company’s stock are issued to employees, etc. through a trust)
Based on the resolution of the Board of Directors meeting held on February 28, 2024, the Company has introduced the stock grant trust for the employees plan (hereinafter referred to as the “Plan.”), an incentive plan for employees, with the aim of enhancing the Company’s corporate value over the medium to long term by enhancing investment in human resources and employee engagement through the expansion of the welfare system for the Company’s employees (hereinafter referred to as “Employees.”), and raising awareness of the Company’s business performance and rising stock prices from the same perspective as shareholders and management through employees holding common stock of the Company (hereinafter referred to as “the Company’s shares.”).

(1) Outline of transactions

This is an incentive plan under which a trust (hereinafter referred to as the “Trust”) is established with money contributed by the Company as the source of funds, the Trust acquires the Company’s shares, and the Company’s shares are delivered through the Trust to Employees who satisfy certain requirements based on points awarded to them. Such points are granted according to the Employees’ grade and performance evaluation, etc., in accordance with the stock granting regulations established by the Board of Directors of the Company, and the number of the Company’s shares to be delivered to each Employee is determined by the number of points awarded.

The acquisition of the Company’s shares by the Trust will be funded entirely by the Company, so there will be no burden on Employees.

(2) Shares of the Company remaining in the trust

The Company’s shares remaining in the trust are recorded as treasury stock under net assets at their book value in the trust (excluding the amount of incidental expenses). The book value of such treasury stock for the fiscal year ended March 31, 2026 was JPY 3,557 million and the number of shares was 7,381,400.

(3) Book value of loans recorded under the gross amount method

Not applicable.

(Transactions in which shares of the Company’s stock are issued to officers through a trust)
Based on the resolution at the General Shareholders’ Meeting held on June 26, 2025, the Company has introduced a “long-term incentive (performance-linked share-based remuneration)” plan using a trust for Executive Directors and Executive Officers of the Company as well as Executive Directors of subsidiaries of the Company (hereinafter referred to as “Directors, etc.”), with the aim of promoting the

sharing of profits between Executive Directors and shareholders, making remuneration function as an incentive to enhance the Company's corporate value over the medium to long term, and increasing the transparency of remuneration from shareholders and the rationality of remuneration for the performance of duties.

(1) Outline of transactions

This is a share-based remuneration plan in which a trust (hereinafter referred to as the "Trust"), established with money contributed by the Company, will acquire the Company's shares and deliver to Directors, etc. either the Company's shares or cash equivalent of such shares, corresponding to the number of points granted by the Company to each Director, etc. The number of points granted is based on the stock granting regulations established by the Board of Directors of the Company, and is the number specified according to the Director's post, etc. multiplied by a performance-linked index that fluctuates in line with the actual value of the performance-linked index.

(2) Shares of the Company remaining in the trust

The Company's shares remaining in the trust are recorded as treasury stock under net assets at their book value in the trust (excluding the amount of incidental expenses). The book value of such treasury stock for the fiscal year ended March 31, 2026 was JPY 1,281 million and the number of shares was 1,720,400.

(3) Book value of loans recorded under the gross amount method

Not applicable.

NON-CONSOLIDATED FINANCIAL STATEMENTS

NON-CONSOLIDATED BALANCE SHEET (as of March 31, 2026)

(JPY million)

ASSETS	
Current assets	66,827
Cash and deposits	50,479
Trade receivables	6,780
Accounts receivable for completed projects	1,554
Costs on construction in progress	720
Supplies	663
Prepaid expenses	2,148
Other accounts receivable	952
Deposits paid	2,195
Short-term loans receivable from subsidiaries and affiliates	963
Others	913
Allowance for doubtful accounts	(546)
Non-current assets	100,889
Property, plant and equipment	28,498
Buildings	3,624
Structures	34
Machinery and equipment	0
Tools, furniture and fixtures	152
Land	22,392
Leased assets	2,259
Construction in progress	34
Intangible fixed assets	526
Software	205
Others	321
Investments and other assets	71,864
Investment securities	2,857
Shares in subsidiaries and affiliates	25,161
Long-term loans	466
Long-term loans receivable from subsidiaries and affiliates	7,560
Bad debts	282
Long-term prepaid expenses	1,439
Deferred tax assets	31,981
Others	2,544
Allowance for doubtful accounts	(429)
Total assets	167,717

NON-CONSOLIDATED BALANCE SHEET (as of March 31, 2026) (Continued)

(JPY million)

LIABILITIES	
Current liabilities	63,543
Accounts payable	9,758
Accounts payable for completed projects	581
Lease obligations	692
Accounts payable - other	8,119
Accrued income taxes	105
Advances received	37,143
Customer advances for construction contracts in progress	1,107
Deposits received	2,701
Provision for warranty obligations on completed projects	941
Provision for apartment vacancy loss	2,181
Others	211
Non-current liabilities	61,415
Long-term debt	30,000
Lease obligations	1,982
Long-term advances received	4,335
Lease/guarantee deposits received	6,042
Provision for warranty obligations on completed projects	5,322
Provision for apartment vacancy loss	731
Provision for stock benefits	2,434
Liability for retirement benefit	9,646
Others	919
Total liabilities	124,958
NET ASSETS	
Shareholders' equity	42,970
Common stock	100
Capital surplus	10,000
Capital reserve	10,000
Retained earnings	41,619
Other retained earnings	41,619
Retained earnings carried forward	41,619
Treasury stock	(8,749)
Valuation and translation adjustments	(234)
Net unrealized gains on other securities	(234)
Share subscription rights	22
Total net assets	42,758
Total liabilities and net assets	167,717

NON-CONSOLIDATED STATEMENT OF INCOME**(from April 1, 2025 to March 31, 2026)**

(JPY million)

Net sales	425,066
Sales from Leasing Business	421,595
Sales from Other Businesses	3,470
Cost of sales	340,494
Cost of sales from Leasing Business	336,878
Cost of sales from Other Businesses	3,616
Gross profit	84,571
Selling, general and administrative expenses	48,866
Operating profit	35,704
Non-operating income	1,855
Interest and dividend income	616
Gains on valuation of investment securities	96
Foreign exchange gains	495
Others	646
Non-operating expenses	2,097
Interest expenses	957
Commission fee	660
Funding costs	330
Stock granting expenses	83
Others	65
Recurring profit	35,462
Extraordinary income	150
Gain on reversal of share subscription rights	150
Extraordinary losses	11,908
Loss on sale of property, plant and equipment	0
Loss on retirement of property, plant and equipment	2
Impairment loss	85
Loss on valuation of shares of subsidiaries	1,752
Loss on cancellation of treasury stock acquisition rights	10,068
Income before income taxes	23,704
Income taxes	105
Income taxes - deferred	8,485
Net income	15,114

NON-CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(from April 1, 2025 to March 31, 2026)

(JPY million)

	Shareholders' equity							
	Common stock	Capital surplus			Retained earnings		Treasury stock	Total share-holders' equity
		Capital reserve	Other capital surplus	Total capital surplus	Other retained earnings Retained earnings carried forward	Total retained earnings		
Balance at the previous year-end	100	10,000	15,103	25,103	62,579	62,579	(4,359)	83,423
Change in the fiscal year								
Issuance of new shares	9,617	9,617		9,617				19,234
Capital reduction	(9,617)	(9,617)	19,234	9,617				–
Dividend of surplus					(3,253)	(3,253)		(3,253)
Net income					15,114	15,114		15,114
Acquisition of treasury stock							(73,741)	(73,741)
Disposal of treasury stock			679	679	(0)	(0)	1,514	2,193
Cancellation of treasury stock			(35,017)	(35,017)	(32,820)	(32,820)	67,837	–
Changes in items other than shareholders' equity (net)								
Total change during period	–	–	(15,103)	(15,103)	(20,959)	(20,959)	(4,389)	(40,453)
Balance at the current year-end	100	10,000	–	10,000	41,619	41,619	(8,749)	42,970

(JPY million)

	Valuation and translation adjustments		Share subscription rights	Total net assets
	Net unrealized gains on other securities	Total valuation and translation adjustments		
Balance at the previous year-end	(151)	(151)	391	83,663
Change in the fiscal year				
Issuance of new shares				19,234
Capital reduction				–
Dividend of surplus				(3,253)
Net income				15,114
Acquisition of treasury stock				(73,741)
Disposal of treasury stock				2,193
Cancellation of treasury stock				–
Changes in items other than shareholders' equity (net)	(82)	(82)	(369)	(451)
Total change during period	(82)	(82)	(369)	(40,904)
Balance at the current year-end	(234)	(234)	22	42,758

Notes to Non-consolidated Financial Statements

1. Significant Accounting Policies

(1) Valuation bases and methods for assets

Securities

Shares of subsidiaries and affiliates

Stated at cost determined by the moving-average method

Other securities

Securities other than shares, etc. without a market price are stated at fair market value.

Unrealized gains and losses are directly included in net assets. The cost of securities sold is determined by the moving-average method.

Shares, etc. without a market price are stated at cost determined by the moving-average method.

Investments such as investments in silent partnerships are reported using the equity method, based on the latest financial statements available.

Inventories

Real estate for sale and real estate for sale in progress

Primarily stated at cost determined by the specific identification method (figures on the balance sheets are determined based on the method of writing down the book value in accordance with the decline in profitability of assets)

Costs on construction in progress

Primarily stated at cost determined by the specific identification method

Supplies

Primarily stated at cost determined by the last purchase cost method (figures on the balance sheets are determined based on the method of writing down the book value in accordance with the decline in profitability of assets)

(2) Depreciation and amortization of non-current assets

Rental property, plant and equipment (except for leased assets):

Depreciated by the straight-line method

Useful lives of major assets are as follows:

Buildings:	22–47 years
------------	-------------

Property, plant and equipment other than the above (except for leased assets):

Depreciated by the declining-balance method

However, buildings (excluding accompanying facilities) obtained on or after April 1, 1998 and facilities accompanying buildings and structures obtained on or after April 1, 2016 are depreciated by the straight-line method.

Useful lives of major assets are as follows:

Buildings and structures:	15–50 years
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Tools, furniture and fixtures:	5–10 years
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Intangible fixed assets (except for leased assets):

Amortized by the straight-line method

Useful lives of major assets are as follows:

Software for internal use:	5 years
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Leased assets:

Depreciated and amortized by the straight-line method based on the lease term as the useful life and a residual value of zero.

Long-term prepaid expenses:

Evenly amortized mainly over the following period

Nondeductible portion of consumption taxes related to non-current assets: 5 years

(3) Provision of allowance and provisions

Allowance for doubtful accounts

The Company maintains an allowance for doubtful accounts to provide for potentially uncollectible receivables such as accounts receivable and loans. An estimated uncollectible amount is provided at the amount estimated by either using the historical rate of credit loss in the case of general receivables, or based on individual consideration of collectability in the case of specific receivables such as highly doubtful receivables.

Provision for warranty obligations on completed projects

With regard to the Leasing Business, an estimated amount of compensation based on the past execution of warranty obligations and other reasonable factors is recorded for the Company's compensation expenses, etc. regarding its execution of warranty obligations under non-conformance liability in the future pertaining to completed projects.

Provision for apartment vacancy loss

With regard to the Leasing Business, provision to prepare for the risk of vacancy losses on apartment units managed under master lease agreements is provided according to the projected loss that could occur during a logically predictable period. It is estimated based on current rent to pay as a subleasing company and expected future occupancy rates for each rental property, etc.

Provision for stock benefits

In order to provide for the delivery of the Company shares to officers and employees of the Company in accordance with the stock granting regulations, the estimated amount of stock benefit obligations at the end of the current fiscal year is recorded.

Liability for retirement benefit

To prepare for employees' retirement benefits, liability for retirement benefit is recorded based on the estimated amount of retirement benefit obligations at the end of the fiscal year ended March 31, 2026.

Actuarial differences, which are prorated according to the straight-line method over a specified period (5 years) within the average remaining service years of employees at the time of accrual in each fiscal year, are amortized starting in the next fiscal year following the respective accruals.

(4) Recognition of revenues and costs

The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and relevant ASBJ regulations, and it has recognized revenue at the time the control of promised goods or services is transferred to the customer at the amount expected to be received upon exchange of said goods or services.

Details of major performance obligations in major businesses of the Company related to revenue from contracts with customers, and the timing the performance obligations are typically satisfied (when revenue is typically recognized), are as follows.

Leasing Business operations mainly comprise the management of rental properties through bulk

leasing of apartments, etc. contracted for construction, management of the Company's own properties and others, repair work for apartments, etc., various leasing-related services and broadband services, and contracted construction work for apartments, etc. For these transactions, the Company determines that performance obligations are satisfied at the time the contractual conditions are implemented, and revenue is recognized at that point in time.

As for *LEONET* viewing fee, because the service providers are third parties and the Company's performance obligation is to arrange for the service to be provided, the Company has determined that it acts as an agent in the transactions and revenue is recognized at the net amount derived by deducting the amount paid to those parties from the amount of consideration received from customers.

For obligations, etc. primarily related to apartment rentals, revenue is recognized based on the "Accounting Standard for Lease Transactions" (ASBJ Statement No. 13, March 30, 2007).

For key money and reduction of rent, revenue is recognized evenly over a certain period of time using the tenants' average staying period in the apartment as a period for service provision. For handling charge for monthly rental contracts, etc., revenue is recognized evenly over a certain period of time based on the contract period.

The consideration for transactions related to the Leasing Business is received in accordance with the terms of the contract and generally prior to the satisfaction of performance obligations, and the amount of the consideration does not include important financial components.

(5) Other important matters for preparing non-consolidated financial statements

(a) Foreign currency translation of foreign currency-denominated assets and liabilities into Japanese yen

All monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the current exchange rates as of the balance sheets date. The foreign exchange gains and losses from translation are recognized in the statement of income.

(b) Accounting method for retirement benefit

The accounting method for unrecognized actuarial differences for retirement benefit differs from the accounting method used in the consolidated financial statements.

2. Changes in Accounting Policies

Not applicable.

3. Changes in Presentation

(Non-consolidated Statement of Income)

"Gains on investments in silent partnerships" (JPY 24 million in the fiscal ended March 31, 2026), which was presented separately under "Non-operating income" in the previous fiscal year, has been included in "Other" under "Non-operating income" in the fiscal year ended March 31, 2026 due to its diminished monetary significance.

4. Notes Regarding Accounting Estimates

(1) Deferred tax assets

- (a) Amount recorded in the non-consolidated financial statements for the fiscal year ended March 31, 2026

(JPY million)

	As of March 31, 2026
Deferred tax assets	31,981

- (b) Information on the content of significant accounting estimates for identified items

Information on the calculation method for the amount in (a) is omitted as it has been provided in “Notes to Consolidated Financial Statements, 3. Notes Regarding Accounting Estimates, (1).”

(2) Provision for warranty obligations on completed projects

- (a) Amount recorded in the non-consolidated financial statements for the fiscal year ended March 31, 2026

(JPY million)

	As of March 31, 2026
Provision for warranty obligations on completed projects (Current liabilities)	941
Provision for warranty obligations on completed projects (Non-current liabilities)	5,322
Total	6,263

- (b) Information on the content of significant accounting estimates for identified items

Information on the calculation method for the amount in (a) is omitted as it has been provided in “Notes to Consolidated Financial Statements, 3. Notes Regarding Accounting Estimates, (2).”

5. Notes to Non-consolidated Balance Sheet

(1) Assets pledged as collateral and secured liabilities

(a) Assets pledged as collateral

Cash and deposits	JPY 49 million
Deposits paid	JPY 268 million
Investment securities	JPY 35 million
Total	JPY 352 million

(b) Secured liabilities

The assets pledged as collateral have been pledged as collateral to customers and other lenders, and there are no secured liabilities.

(c) Investments and other assets which have been deposited with the Legal Affairs Bureau

Deposit for housing construction warranty	JPY 771 million
Advanced payment certificate in accordance with Payment Services Act	JPY 332 million
Deposit for operation stipulated in Building Lots and Buildings Transaction Business Act	JPY 25 million
Deposit for housing defect warranty	JPY 105 million
Other	JPY 2 million

(2) Accumulated depreciation of property, plant and equipment JPY 27,132 million

(3) Reduction entry amount deducted from the acquisition cost of property, plant and equipment
Tools, furniture and fixtures JPY 19 million

(4) Guarantee obligation

Guarantee obligation for financial institutions for customers who have a housing loan JPY 93 million

(5) Monetary claims and liabilities to subsidiaries and affiliates (excluding those classified separately in the Balance Sheet)

Short-term monetary claims	JPY 1,629 million
Short-term monetary liabilities	JPY 1,078 million
Long-term monetary liabilities	JPY 26 million

6. Notes to Non-consolidated Statement of Income

Transactions with subsidiaries and affiliates

Sales to subsidiaries and affiliates	JPY 1,382 million
Purchases from subsidiaries and affiliates	JPY 2,262 million
Non-operating transactions	JPY 659 million

7. Notes to Non-consolidated Statement of Changes in Equity

Number of shares of treasury stock

Class of shares	April 1, 2025	Increase	Decrease	March 31, 2026
Common stock	11,694,621 shares	140,011,983 shares	134,994,540 shares	16,712,064 shares

- Notes: 1. The increase in the number of shares of treasury stock of common stock comprises an increase of 137,072,803 shares due to purchase of treasury stock through tender offer, an increase of 2,939,100 shares related to purchase by the stock grant trust, and an increase of 80 shares due to the purchase of odd-lot shares.
2. The decrease in the number of shares of treasury stock of common stock comprises a decrease of 132,046,640 shares due to cancellation of treasury stock, a decrease of 2,939,100 shares related to disposal by the stock grant trust, and a decrease of 8,800 shares in conjunction with partial exercise of stock subscription rights.
3. The number of shares of treasury stock of common stock includes the Company's stock held by the stock grant trust (6,162,700 shares as of April 1, 2025 and 9,101,800 shares as of March 31, 2026).

8. Tax Effect Accounting

Significant components of deferred tax assets and liabilities

(JPY million)

Deferred tax assets:

Loss carried forward for tax purposes	23,335
Loss on devaluation of stock of shares of subsidiaries and affiliates	4,204
Retirement benefit reserves	3,417
Provision for warranty obligations on completed projects	2,219
Accrued bonuses	1,423
Impairment loss	1,037
Provision for apartment vacancy loss	1,032
Excess amount of tax credit carryforward	925
Provision for stock benefits	693
Allowance for doubtful accounts	285
Software	284
Advances received	140
Others	886
Sub-total	39,885
Valuation allowance for total deductible temporary difference and others	(7,856)
Sub-total	(7,856)
Total deferred tax assets	32,029

Deferred tax liabilities:

Adjustment of gain/loss on transfer (buildings)	(12)
Fixed asset retirement expenses	(5)
Others	(29)
Total deferred tax liabilities	(47)
Net deferred tax assets	31,981

9. Revenue Recognition

This description is omitted because the relevant information has been provided in "Notes to Consolidated Financial Statements, 8. Revenue Recognition."

10. Related Party Transactions

Companies and others

Attribute	Name	Percentage of share ownership	Relation	Transaction	Transaction amount (JPY million)	Account	Balance as of March 31, 2026 (JPY million)
Subsidiary	Plaza Guarantee Co., Ltd.	Directly owning 100.0%	Guarantee of rental income receivables	Acceptance of subrogated payments	13,542	Trade receivables	997
Subsidiary	Leopalace Guam Corporation	Directly owning 100.0%	Financing support	Lending of funds (Note)1 Receipt of interest (Note)1	2,382 348	Long-term loans receivable from subsidiaries and affiliates	7,546
Other subsidiaries and affiliates	Chidori Godo Kaisha	Directly owned 15.4%	—	Acquisition of treasury stock acquisition rights (Note)2 Exercise of share subscription rights (Note)3	10,005 19,053	—	—

- Notes: 1. As for lending of funds, we reasonably determine interest rates taking into consideration market interest rates.
2. Acquisition of treasury stock acquisition rights refers to the Company's acquisition, on May 28, 2025, of a portion of the 5th series share subscription rights issued in accordance with the resolution at the Board of Directors' meeting held on September 30, 2020.
3. Exercise of share subscription rights refers to the exercise, on June 11, 2025, of the remaining portion of the 5th series share subscription rights issued in accordance with the resolution at the Board of Directors' meeting held on September 30, 2020, after the acquisition by the Company described in 2. above.
4. Consumption taxes were not included in the transaction amount above.

11. Per Share Information

Net assets per share	JPY 134.51
Net income per share	JPY 45.68

Note: The number of shares of the Company's stock held by the stock grant trust is included, for the purpose of calculating net assets per share and net income per share, in the number of shares of treasury stock deducted in the calculation of the total number of issued shares at term end and the average number of outstanding shares during the term, respectively.
The number of shares of said treasury stock at term end: 9,101,800 shares
The average number of shares of said treasury stock during the term: 7,918,107 shares

12. Significant Subsequent Events

This description is omitted because the same information has been provided in "Notes to Consolidated Financial Statements, 10. Significant Subsequent Events."

13. Other Notes

(Transactions in which shares of the Company's stock are issued to employees, etc. through a trust)

Information on transactions in which shares of the Company's stock are issued to employees, etc. through a trust is omitted because the same information has been provided in "Notes to Consolidated Financial Statements, 11. Other Notes."

(Transactions in which shares of the Company's stock are issued to officers through a trust)

Information on transactions in which shares of the Company's stock are issued to officers through a trust is omitted because the same information has been provided in "Notes to Consolidated Financial Statements, 11. Other Notes."

14. Matters Regarding Company Subject to Consolidated Dividend Regulations

Not applicable.