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Notice Regarding Settlement of Civil Conciliation Concerning a Claim for Damages Against the Former President and Representative Director and Policy on Pursuing Liability Against Other Officers Serving at the Time

LUCKLAND CO., LTD. (hereinafter, the “Company”) hereby announces that, with respect to the civil conciliation proceedings it had commenced before the Tokyo District Court against Keiichiro Mochizuki (hereinafter, “Mr. Mochizuki”), former President and Representative Director of the Company (Tokyo District Court Case No. 274 (No) of 2024; hereinafter, the “Conciliation”), at a meeting of the Board of Directors held on September 16, 2026, it resolved to accept the conciliation proposal presented by the conciliation committee established by the court, and a settlement was reached in the Conciliation on the terms outlined below at the conciliation session held today. The matters stated in the conciliation record for the Conciliation have the same effect as a judicial settlement pursuant to Article 16 of the Civil Conciliation Act.

The Company also hereby announces that, at the same meeting of the Board of Directors and at a meeting of the Audit and Supervisory Committee held on the same day, it resolved on a policy for pursuing the liability of the directors serving at the time other than Mr. Mochizuki (including directors who were Audit and Supervisory Committee members; hereinafter, the “Other Officers Serving at the Time”).

1. Background Leading to the Conciliation

As announced in the “Improvement Report” dated July 31, 2024 and the “Improvement Status Report” dated February 13, 2025 (a replacement version of which was published on February 14, 2025), the Company became aware, following matters identified in a tax audit by the Tokyo Regional Taxation Bureau and other developments, of (i) a case in which, with respect to part of the expenses for which Mr. Mochizuki applied to the Company for reimbursement as entertainment and hospitality expenses, etc., the information he declared at the time of application included content that differed from the facts (hereinafter, the “Expense Reimbursement Case”), and (ii) a case concerning funds for collecting long-term accounts receivable recorded in the fiscal year ended December 31, 2018 and related matters, in which certain officers and employees of the Company serving at the time, including Mr. Mochizuki, engaged in improper practices, including providing

the relevant customer with funds from Mr. Mochizuki's asset management company to serve as the source of repayment, thereby creating the appearance that repayments to the Company were being made without delay (hereinafter, the "Receivables Collection Case"; collectively with the Expense Reimbursement Case, the "Matter"). Based on the findings of the investigation conducted by the Special Investigation Committee established on February 14, 2024, as set forth in the investigation report received on April 12, 2024, and other relevant information, at a meeting held on September 18, 2024, the Board of Directors resolved, under its policy of pursuing the liability of the officers serving at the time, including Mr. Mochizuki, to first commence negotiations with Mr. Mochizuki concerning a claim for damages. The Company subsequently held discussions with Mr. Mochizuki.

Although both parties agreed that they should seek to resolve the matter through discussions, in light of the significance of the Matter, they concluded that discussions should be conducted and an agreement reached through the court's civil conciliation proceedings. Accordingly, following a resolution of the Board of Directors at its meeting held on December 13, 2024, the Company filed a petition for the Conciliation with the Tokyo District Court on December 24, 2024. The total amount of damages claimed by the Company in the Conciliation was ¥1,157,026,236, comprising (i) ¥931,009,694 in expenses related to the Special Investigation Committee, (ii) ¥156,793,603 in expenses related to the Voluntary Inspection Team, (iii) ¥52,352,239 in expenses related to support for remedial measures, (iv) ¥9,862,500 in expenses related to corrections to prior-year financial results, and (v) ¥7,008,200 in delinquent tax and additional tax for concealment.

Over the course of approximately one year and eight months in the Conciliation, both parties fully presented their respective arguments and evidence. On August 17, 2026, the conciliation committee presented a conciliation proposal and draft conciliation terms based on the arguments and evidence presented by both parties. For the reasons set forth in 3. below, the Company determined that it was appropriate to accept the proposal. At a meeting held on September 16, 2026, the Board of Directors resolved to accept the conciliation proposal, and a settlement was reached in the Conciliation with Mr. Mochizuki today.

2. Terms of the Conciliation Settlement (Summary of the conciliation terms)

- (1) Mr. Mochizuki acknowledges that he is obligated to pay the Company ¥130 million as a settlement payment in resolution of the Matter.
 - (2) Mr. Mochizuki shall pay the Company the aforementioned settlement payment of ¥130 million in a lump sum by October 30, 2026, by transferring the funds to a financial institution account designated by the Company.
 - (3) The Company waives the remainder of its claims.
 - (4) The Company and Mr. Mochizuki mutually confirm that, with respect to the Matter, no claims or obligations exist between them other than those stipulated in the conciliation terms.
- (Note) The conciliation terms govern only the rights and obligations between the Company and Mr. Mochizuki and do not affect any claims that the Company may have against the Other Officers Serving at the Time or any other third parties.

3. Reasons for Accepting the Conciliation Proposal

To seek compensation for the damages incurred by the Company as a result of the Matter, the Company claimed from Mr. Mochizuki a total of ¥1,157,026,236 for the expenses described in 1. above. The principal issue in dispute in the Conciliation was whether a proximate causal relationship existed between each item of damage claimed by the Company and Mr. Mochizuki's breaches of duty. The conciliation proposal presented by the conciliation committee presupposes that Mr. Mochizuki committed breaches of duty, including improper expense reimbursements. On the other hand, as noted in the investigation report of the Special Investigation

Committee, the proposal also takes into account the fact that the Company was unable to prevent such conduct because it lacked the internal controls and governance structures that it should have had in place. From the perspective of an equitable allocation of damages, the proposal examines, for each expense category as set forth below, the damages that have a proximate causal relationship and should be borne by Mr. Mochizuki, and sets the total amount at ¥130 million.

- (1) With respect to the expenses related to the Special Investigation Committee (amount claimed: ¥931,009,694), given that suspicions had been raised concerning improper expense reimbursements and other conduct by Mr. Mochizuki, who was the Company's President and Representative Director at the time, it was reasonable in light of generally accepted social norms for the Company, as a listed company, to establish the Special Investigation Committee as a third party possessing specialized expertise and entrust it with the investigation. However, the investigation expenses claimed by the Company exceeded ¥900 million. Taking into account, among other factors, that the expenses were incurred because the investigation was conducted over a considerable period and encompassed the Company's internal control systems from the perspectives of analyzing the causes of the breaches of duty and preventing their recurrence, the amount was set at ¥100 million, or approximately 10% of the amount claimed.
- (2) With respect to the expenses related to the Voluntary Inspection Team (amount claimed: ¥156,793,603), although it was reasonable in light of generally accepted social norms to conduct the inspections by the team as a supplement to the investigation by the Special Investigation Committee, the scope of the inspections included many matters that were not directly related to Mr. Mochizuki's breaches of duty. Taking this and other factors into account, the amount was set at ¥15 million, or approximately 10% of the amount claimed.
- (3) With respect to the expenses related to support for remedial measures (amount claimed: ¥52,352,239), the majority concerned the Company's internal controls. As the Company should inherently have had such internal controls in place, these expenses could not be regarded as damages having a proximate causal relationship with Mr. Mochizuki's breaches of duty. However, taking into account, among other factors, that the expenses for preparing reports required to be submitted by the Tokyo Stock Exchange and related work could be regarded as arising from such breaches of duty, the amount was set at ¥5 million, or approximately 10% of the amount claimed.
- (4) With respect to the expenses related to corrections to prior-year financial results (amount claimed: ¥9,862,500), although the corrections to prior-year financial results were made as a result of Mr. Mochizuki's breaches of duty, some corrections to matters not arising from such breaches were also made at the same time. Taking this and other factors into account, the amount was set at ¥5 million, or approximately half of the amount claimed.
- (5) With respect to the delinquent tax and additional tax for concealment (amount claimed: ¥7,008,200), although it was undisputed that these taxes arose from Mr. Mochizuki's breaches of duty, taking into account, among other factors, that details of the amounts were unclear, the amount was set at ¥5 million, or approximately 70% of the amount claimed.

At a meeting held on September 18, 2024, the Board of Directors had resolved that the Company would obtain an opinion from an external expert if it entered into an agreement with Mr. Mochizuki concerning compensation for damages. However, the Company determined that the conciliation proposal and draft conciliation terms provide a higher degree of objectivity than would be achieved by separately obtaining an opinion from an external expert, as they were independently calculated and prepared by the conciliation committee established by the court from the standpoint of a neutral third party and based on the arguments and evidence presented by both parties. Following careful consideration, the Company determined that

accepting the conciliation proposal and resolving the Matter would contribute to enhancing the Company's corporate value and, by extension, the common interests of its shareholders, comprehensively taking into account the following factors: (i) the conciliation proposal was presented by the conciliation committee established by the court based on the arguments and evidence presented by both parties, and the process and substance of its determination were deemed reasonable; (ii) in light of examples of investigation committees established in past cases of corporate misconduct and the levels of damages awarded in court precedents concerning investigation expenses and other damages, there appeared to be little prospect of an award exceeding ¥130 million if the conciliation failed and the matter proceeded to litigation, while resolving the matter through litigation would require considerable additional time and expense; (iii) under the conciliation proposal, early and reliable recovery could be expected through a lump-sum payment subject to a specified payment deadline; and (iv) separately from the settlement payment for the Matter, the Company had already received full repayment from Mr. Mochizuki of the amounts subject to corrections to prior-year financial results as improper expense reimbursements, totaling ¥345.674 million, as stated in the aforementioned "Improvement Report" and "Improvement Status Report," bringing the total amount to be recovered by the Company, including the settlement payment for the Matter, to ¥475.674 million.

4. Policy on Pursuing the Liability of the Other Officers Serving at the Time

(1) Background to the Consideration

In the "Improvement Report" dated July 31, 2024, the Company stated that it would pursue the liability of its directors, including Mr. Mochizuki and directors who were members of the Audit and Supervisory Committee. In the "Improvement Status Report" dated February 13, 2025 (a replacement version of which was published on February 14, 2025), the Company also stated that it intended to bring claims against its former directors other than Mr. Mochizuki, including Audit and Supervisory Committee members, after the amount of damages payable by Mr. Mochizuki had been determined. As the amount of damages to be borne by Mr. Mochizuki would be finalized upon the settlement of the Conciliation, the Audit and Supervisory Committee reviewed the facts found in the investigation report of the Special Investigation Committee, analyzed court precedents concerning similar cases, and considered the matter from other legal perspectives. Based on the results of this review, at meetings of the Board of Directors and the Audit and Supervisory Committee held on September 16, 2026, they resolved as outlined below, subject to the settlement of the Conciliation. As the resolution set forth in (2) below represents a change to the policy stated in the aforementioned "Improvement Status Report," the reasons for the change are explained in detail in (3) and (4) below.

(2) Details of the Resolution

Subject to receipt of the settlement payment for the Matter in full from Mr. Mochizuki, the Company will not bring claims for damages against the Other Officers Serving at the Time. If the settlement payment for the Matter is not paid in full by October 30, 2026, the Company will reconsider whether it is necessary to pursue the liability of the Other Officers Serving at the Time.

(3) Reasons for Deciding Not to Pursue Liability

- (a) The damages incurred by the Company as a result of the Matter consist of investigation expenses and other costs that the Company was compelled to incur due to Mr. Mochizuki's improper expense reimbursements and other conduct. Even if the Other Officers Serving at the Time were found to have breached their duties, including their duty of oversight or their duty to establish and operate an internal control system, the damages subject to compensation as a result of such breaches would be the same as those to be compensated by Mr. Mochizuki. Accordingly, the obligations of those officers would be joint and several with Mr. Mochizuki's obligation pursuant to Article 430 of the Companies

Act. The Company understands that the amount calculated by the conciliation committee after examining each expense category is not an amount applicable solely in relation to Mr. Mochizuki, but represents the total amount of damages for which compensation may legally be sought in connection with the Matter. Therefore, upon receipt of the settlement payment for the Matter in full from Mr. Mochizuki, the Company's damages will be compensated, and claims against the Other Officers Serving at the Time are not expected to increase the total amount recovered by the Company.

- (b) With respect to the Receivables Collection Case among the improper acts by Mr. Mochizuki identified by the Special Investigation Committee, the Committee expressly found that, with the exception of certain directors, the Other Officers Serving at the Time were neither aware of the facts nor in a position to have become aware of them. With respect to the Expense Reimbursement Case, it was also found that the information establishing the impropriety of the conduct had not been shared with the Board of Directors or the Audit and Supervisory Committee, and that the Audit and Supervisory Committee had in fact questioned Mr. Mochizuki about the status of entertainment and hospitality expenses and received explanations from him. In light of these and other circumstances, proving a breach of duty would not be easy, and the Company does not consider that it would have a high likelihood of prevailing if it instituted litigation.
 - (c) The investigation report of the Special Investigation Committee called for measures to clarify the management responsibility of the officers serving at the time who had left deficiencies in internal controls and governance unaddressed, while stating that the Audit and Supervisory Committee should consider whether it was necessary to pursue their legal liability. The Company has already implemented measures to clarify management responsibility, including Mr. Mochizuki's resignation as Representative Director and departure from the Board of Directors; the renewal of the Company's Board of Directors, including directors who are members of the Audit and Supervisory Committee, at the 54th Annual General Meeting of Shareholders held on August 30, 2024 (nine of the ten directors serving at the time retired, nine new directors were appointed, including a President recruited from outside the Company, and outside directors came to constitute a majority of the Board); and the rebuilding of its internal control systems and governance structure through the implementation of the 14 remedial measures described in the "Improvement Report," including establishing rules for the reimbursement of officers' expenses, revising regulations governing related-party transactions and conflict-of-interest transactions, strengthening the Internal Audit Office, and enhancing the functions of the whistleblowing contact points. The Company believes that these measures have fulfilled to a reasonable extent the call for clarification of management responsibility.
 - (d) However, the foregoing does not confirm that the Other Officers Serving at the Time bear no legal liability. In addition to the circumstances described in (a) through (c) above, the Company comprehensively considered the time and expense that would be required to pursue litigation and the impact that doing so would have on the Company's business operations and corporate value during that period, among other factors. The Company therefore determined that refraining from bringing claims for damages against the Other Officers Serving at the Time would serve the common interests of the Company and its shareholders.
- (4) Regarding the Deceased Former Director

With respect to one former director among the Other Officers Serving at the Time who is now deceased, the investigation report of the Special Investigation Committee found that the former director had been involved in some of Mr. Mochizuki's improper conduct. The Company therefore believed that more careful consideration was required as to whether it was necessary to pursue the former director's liability. However, after comprehensively considering, among other factors, that (i) the damages that could be regarded as

having been incurred by the Company as a result of the former director's breach of duty are the same as those to be compensated by Mr. Mochizuki and will be compensated through receipt of the settlement payment for the Matter in full from Mr. Mochizuki; (ii) it was not found that the former director personally benefited from the Matter, and no damages attributable solely to the former director were identified because the Company has received in full from Mr. Mochizuki the amount subject to corrections to prior-year financial results as improper expense reimbursements (¥345.674 million); and (iii) the former director is already deceased, and any claims would have to be brought against the former director's heirs, who were not involved in the improper conduct relating to the Matter, the Company decided not to bring claims for damages against the former director's heirs, following consideration by the Audit and Supervisory Committee and deliberations by the Board of Directors and the Audit and Supervisory Committee.

5. Impact on Future Financial Results

In connection with the settlement of the Conciliation, the Company expects to recognize the ¥130 million settlement payment for the Matter as extraordinary income in the third quarter of the fiscal year ending December 31, 2026 (from July 1, 2026 to September 30, 2026). The Company has already recorded the repayment amount related to the improper expense reimbursements described above as accounts receivable—other in the corrections to prior-year financial results, and the repayment therefore has no additional impact on profit or loss. Taking into account the status of receipt of the settlement payment for the Matter and other circumstances, should any revision to the financial forecasts or other matters requiring disclosure arise, the Company will promptly disclose them.

The Company once again sincerely apologizes to its shareholders, investors, and all other stakeholders for the considerable inconvenience and concern caused by the Matter. With the settlement of the Conciliation and the resolution described in 4. above, the Company has completed its response concerning the “pursuit of the liability of the Company's directors” among the remedial measures described in the “Improvement Report.” The Company takes the Matter very seriously and will continue to make company-wide efforts to steadily implement the measures to prevent recurrence described in the “Improvement Report” and the “Improvement Status Report,” strengthen its internal controls and governance structure, and restore trust.