

FOR IMMEDIATE RELEASE

August 26, 2022

Company Name: **Leopalace21 Corporation**
Representative: Bunya Miyao, President and CEO
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**Notice Concerning Implementing Company Split – Simplified Absorption-type
with Wholly Owned Subsidiary**

Leopalace21 Corporation (Headquarters: Nakano-ku, Tokyo; President and CEO: Bunya Miyao; the "Company") resolved at a meeting of its Board of Directors held on August 26, 2022 to implement a company split in which the rights and obligations relating to 40 facilities, excluding 22 fee-based nursing homes, of the Company's Elderly Care Business. The rights and obligations relating to 40 facilities will be succeeded to by the Company's wholly owned subsidiary, Azu Life Care, Inc. (hereinafter "Azu Life Care"), by means of an absorption-type company split (hereinafter the "Company Split") as described below.

Since the Company Split is a simplified absorption-type company split between the Company and its wholly owned subsidiary, some disclosure items and details are omitted from this notice.

1. Purpose of the Company Split

Since the establishment of Azu Life Care, the Company has been considering integrating the group's nursing care business into Azu Life Care from the viewpoint of consolidating the group's nursing care business and speeding up decision making.

The Company has decided to carry out the Company Split, which was originally planned, because various management restructuring measures taken in response to the construction defects problem have shown signs of improvement, including an improvement in occupancy rates and cost reductions.

With regard to the Company Split, out of the 62 facilities in the Elderly Care Business, the Company will split 40 facilities that are expected to generate sufficient earnings, excluding 22 fee-based nursing homes that have room for earnings improvement.

In the environment surrounding the nursing care industry, the number of people requiring nursing care is increasing due to the super aging society, and the related market

is expanding. On the other hand, combined with the increase in the number of facilities and the difficulty in recruiting caregivers, competition among companies in the industry is intensifying. In this environment, the purpose of this transfer is to establish a flexible organizational structure to provide better services to customers in a timely manner by integrating businesses and accelerating decision-making.

2. Outline of the Company Split

(1) Time schedule of the Company Split

Date of resolution at the Board of Directors meeting	August 26, 2022
Date of concluding the Company Split agreement	August 26, 2022
Effective date of the Company Split	November 1, 2022

(Note) Since the Company Split falls under the category of a simplified absorption-type company split as stipulated in Article 784, Paragraph 2 of the Companies Act for the Company, the splitting company, and a summary form absorption-type company split as stipulated in Article 796, Paragraph 1 of the Companies Act for Azu Life Care, the succeeding company, it will be conducted without obtaining resolutions at general shareholders meetings of both companies.

(2) Method of the Company Split

The Company will be the splitting company and Azu Life Care will be the succeeding company in the Company Split.

(3) Details of Allocation of Shares in the Company Split

Since the Company Split will be conducted between the Company and its wholly owned subsidiary, no shares or other consideration will be allocated upon the Company Split.

(4) Treatment of Stock Acquisition Rights and Bonds with Stock Acquisition Rights upon the Company Split

The Company has issued stock acquisition rights, and there will be no change in the treatment of such rights as a result of the Company Split. The Company has not issued any bonds with stock acquisition rights.

(5) Increase or Decrease in Capital as a Result of the Company Split

There will be no increase or decrease in the Company's capital as a result of the Company Split.

(6) Rights and Obligations to be Succeeded by the Succeeding Company

Upon the Company Split, the Succeeding Company will succeed to the assets, liabilities, and other rights and obligations relating to the 40 facilities subject to the Company Split, as well as other assets held by the Company in connection with the Elderly Care Business, as specified in the Company Split agreement.

(7) Prospects for fulfillment of obligations

After the Company Split, the Company's assets are expected to exceed its liabilities, and no situation that would hinder the fulfillment of the Company's obligations is currently anticipated with respect to the Company's earnings prospects after the Company Split. The Company have determined therefore that there will be no problem with the Company's performance of its obligations after the Company Split.

The amount of assets and liabilities on the balance sheet of Azu Life Care as of March 31, 2022 are JPY 895,888,841 and JPY 2,873,539,568, respectively, and the amount of assets and liabilities to be transferred to Azu Life Care by the Company through the Company Split are JPY 1,805,780,354 and JPY 780,173,981, respectively.

Although the amount of assets of Azu Life Care after the effective date of the Company Split will be less than the amount of liabilities, net assets will significantly improve from JPY negative 1,977,650,727 to JPY negative 952,044,354 after the Company Split.

In addition, the 40 facilities to be transferred are expected to contribute to the improvement of Azu Life Care's financial conditions in the future, as they are expected to generate sufficient earnings.

In light of the above, as well as Azu Life Care's earnings situation and cash flows, the Company believes that Azu Life Care will be able to fulfill its obligations even after the effective date of the Company Split.

3. Overview of the Parties to the Company Split (as of March 31, 2022)

	Splitting company	Succeeding company
(1) Name	Leopalace21 Corporation	Azu Life Care Co., Ltd.
(2) Address	2-54-11, Hon-cho, Nakano-ku, Tokyo, Japan	1-12-8, Hon-cho, Nakano-ku, Tokyo, Japan
(3) Representative	Bunya Miyao, President and CEO	Fujio Sato, Representative Director
(4) Business description	Leasing Business Elderly Care Business Other Businesses	Elderly Care Business

(5) Capital	JPY 100,000,000	JPY 80,000,000
(6) Founded	August 17, 1973	December 20, 2013
(7) Outstanding number of shares	329,389,515	1,600
(8) Major shareholders and shareholding ratio	Chidori Godo Kaisha 25.69% Ardisia Investment, Inc 15.37% The Master Trust Bank of Japan 7.44% Noriyasu Shimada 3.96% STATE STREET BANK AND TRUST COMPANY 505103 2.85%	Leopalace21 Corporation 100%
(9) Financial position and operating results of the immediately preceding fiscal year ended March 31, 2022		
Fiscal year	Fiscal year ended March 2022 (consolidated)	Fiscal year ended March 2022 (non-consolidated)
Net assets	JPY 11,034 million	JPY (1,978) million
Total assets	JPY 145,430 million	JPY 896 million
Net assets per share	JPY 3.25	JPY (1,236,031.70)
Net sales	JPY 398,366 million	JPY 3,715 million
Operating profit	JPY 1,774 million	JPY (114) million
Recurring profit	JPY (2,151) million	JPY (159) million
Net income attributable to shareholder of the parent	JPY 11,854 million	JPY (163) million
Net income per share	JPY 36.04	JPY (102,012.61)

4. Outline of Business to be split

(1) Description of business to be split

Businesses related to 40 facilities, excluding 22 fee-based nursing homes, in the Company's Elderly Care Business

(2) Operating results of the business to be split for the fiscal year ended March 31, 2022

Net sales	JPY 6,849 million
Gross profit	JPY 425 million

(3) Items and book value of assets and liabilities to be split (as of March 31, 2022)

Total assets JPY 1,806 million* (breakdown: current assets JPY 1,080 million, non-current assets JPY 726 million)

Total liabilities JPY 780 million* (breakdown: current liabilities: JPY 209 million, non-current liabilities: JPY 571 million)

* The assets and liabilities to be split will be determined after adding or subtracting any increase or decrease that may occur between now and the effective date of the Company Split.

5. Situation after the Company Split

	Splitting company	Succeeding company
(1) Name	Leopalace21 Corporation	Azu Life Care Co., Ltd.
(2) Address	2-54-11, Hon-cho, Nakano-ku, Tokyo, Japan	1-12-8, Hon-cho, Nakano-ku, Tokyo, Japan
(3) Representative	Bunya Miyao, President and CEO	Hiroshi Takeda, Representative Director
(4) Business description	Leasing Business Elderly Care Business Other Businesses	Elderly Care Business
(5) Capital	JPY 100,000,000	JPY 80,000,000
(6) Fiscal year end	March 31	March 31

6. Outlook

Since the Company Split is a simplified absorption-type company split between the Company and its wholly owned subsidiary, the impact on consolidated financial results will be minor.

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