COMPANY RESEARCH AND ANALYSIS REPORT

J-LEASE CO., LTD.

7187

Tokyo Stock Exchange Prime Market

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Contents

Summary

FY3/26 marked the seventh straight year of net sales and profit growth

1. Business description

J-LEASE CO., LTD. <7187> (hereafter, also “the Company”) is one of the leading companies in Japan’s rent liability guarantee sector. The Company’s main characteristics are its community-focused services and multi-office network. It is expanding its office network into major cities throughout Japan (44 nationwide as of the end of March 2026), while also implementing community-focused sales activities and providing credit to tenants. This approach means it is particularly well supported by small and mid-size real estate companies in addition to major companies, as seen by the agreements it has with around 31,000 companies. The Company is one of the top companies in Japan in both the residential and commercial rent guarantee markets. Under its ongoing three-year management plan, the Company aims to extend its reach beyond the guarantee market as “a company that connects people through trust.” In April 2024, the Company expanded its business into the IT and systems field with the acquisition and consolidation of AIVS. It is also pursuing diversification in the guarantee domain, making forays into whole-building guarantees, medical expense guarantees, and other high-growth areas.

2. Results trends

In FY3/26, net sales increased 24.9% year on year (YoY) to ¥21,574mn and operating profit increased 16.8% to ¥3,624mn, both reaching record highs for the seventh straight year. The increase in net sales was mainly driven by strong performance in residential rent guarantees and commercial rent guarantees as the Company further focused its sales activities in the large-scale market of the Tokyo metropolitan area, and by the contribution to net sales from K-net, which was made into a subsidiary in April 2025, among other factors. Operating profit increased ¥520mn, reaching a historical high as appropriate risk control largely in the areas of credit management operations and credit screening utilizing AI and the effects of net sales growth offset cost increases that included a rise in bad debt-related costs accompanying growth in the number of contracts and a rise in administrative fees paid to real estate companies (cost of sales) caused by escalating competition.

3. Outlook

For FY3/27, the Company forecasts net sales growth of 15.2% YoY to ¥24,859mn and operating profit growth of 6.4% to ¥3,856mn, with both net sales and all profit items expected to reach record highs. With regard to residential rent guarantees, as the Company's market share in major metropolitan areas is still low, there is substantial room for it to expand its market share. Furthermore, the Company has entered the final stage of building out coverage across all 47 prefectures, and will complete new office openings (with six new offices planned) as well as the opening of locations in all prefectures within the current fiscal year. For commercial rent guarantees, the Company expects demand for guarantees for commercial buildings, including offices and stores, to continue to grow, partly reflecting changes in customers' risk awareness. Additionally, results are expected to grow from the full-year consolidation of K-net and AFB Co., Ltd. (an advertising-related business that was made into a subsidiary in July 2025), and the synergies between them. With the Company's recognition and brand strength as a leading company in the industry improving amid a favorable market environment for the industry, FISCO expects the Company to exceed its net sales target as usual. The Company forecasts slightly subdued growth in operating profit, increasing 6.4% from the previous fiscal year. This will be mainly attributable to strategic investments, including the introduction of a new personnel system that encourages challenge and growth, the development of a new core system that forms the foundation for AI utilization, and the expansion of floor space at the Tokyo Head Office for reinforcing the Company's presence in the Tokyo metropolitan area. FISCO sees the Company's profit forecast as being somewhat conservative as well. Given the Company's allocation of resources to the Tokyo metropolitan area, more advanced utilization of AI, expected synergies with each subsidiary consolidated in recent years, and other factors, FISCO takes the view that the Company will exceed its results forecasts.

4. Medium- to long-term growth strategies and topics

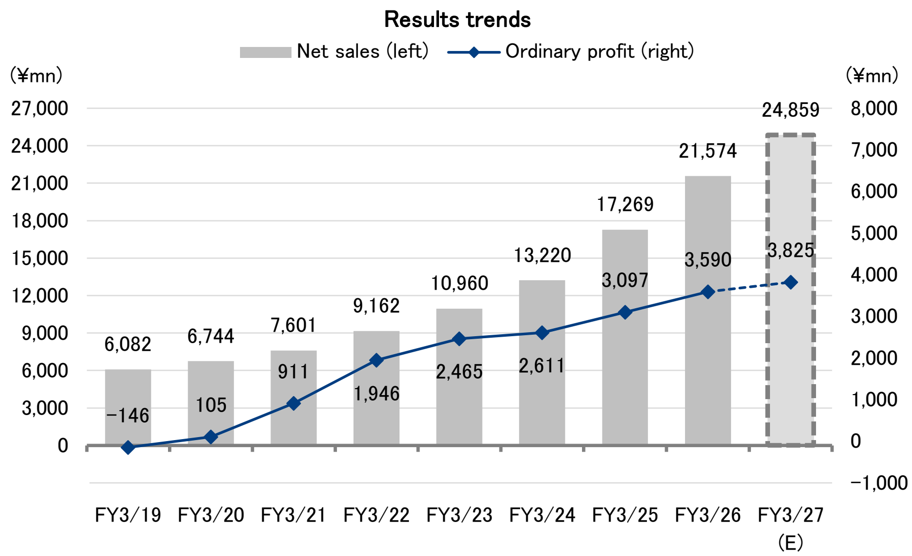
The Company has long utilized AI in its credit screening models, and has achieved results that include curbing increases in the occurrence of subrogation. In April 2026, the Company newly established a Process Planning Department to transform into an organization predicated on AI. Through this department, it will automate administrative processing, screening, and other operations, and will contain costs while realizing improved quality. In May 2026, the Company entered into a business alliance with SecondXight Analytica <5028> (headquarters: Chiyoda-ku, Tokyo), which conducts the research and development of advanced AI technologies and provides support for AI utilization. The Company will vigorously promote the optimization of its cost structure through work process transformation leveraging AI, the redeployment of human resources to higher value-added operations, and the advancement of business operations, among other areas.

5. Shareholder return policy

The Company views returning profits to shareholders as one of its top management priorities. For FY3/26, the Company raised the annual dividends for the sixth consecutive year by ¥10.0 to ¥55.0 per share (interim: ¥25.0, year-end: ¥30.0), for a payout ratio of 39.9%. For FY3/27, it plans to increase annual dividends by ¥5.0 to ¥60.0 per share (interim: ¥30.0, year-end: ¥30.0), for a payout ratio of 42.4%. It also introduced a premium benefits club for shareholders with a view to strengthening long-term relationships with shareholders.

Key Points

- With an industry-leading network of offices and human resources, the Company is a community-focused company whose sales style also works well on medium- and small-sized real estate companies; it is gaining market share in both the residential and commercial rent guarantee markets
- Achieved net sales and profit growth for the seventh consecutive year in FY3/26
- Established a dedicated organization for the purpose of leveraging AI; entered into a business alliance agreement with SecondXight Analytica
- Annual dividend of ¥55.0 in FY3/26, with a payout ratio of 39.9%. Achieved dividend increases for six consecutive fiscal years



Source: Prepared by FISCO from the Company's financial results

Company profile

Leading company in rent liability guarantee sector with nationwide presence. Focuses on residential and commercial rent guarantees

1. Company profile and history

The Company is one of the leading companies in Japan's rent liability guarantee sector. Established in Oita Prefecture in 2004, the Company has provided community-focused rent liability guarantee services since it was founded. It solidified its business base in Kyushu with the opening of offices in Miyazaki and Kumamoto. In 2010, the Company moved into Eastern Japan, starting with Tokyo and Niigata, before expanding its footprint to major cities throughout the country (44 offices in 41 prefectures across Japan as of the end of March 2026). For many years Kyushu accounted for a high proportion of total sales, but Kanto has now surpassed Kyushu in sales. The Company's main characteristics are its community-focused services and multi-office network. It is particularly well supported by small and mid-size real estate companies in addition to major companies, as seen with the agreements it has with 31,000 companies. The Company is one of only a handful of companies in Japan with leading positions in both the residential and commercial rent guarantee markets. In its ongoing three-year management plan, the Company has declared its aim to extend its reach beyond the guarantee market as "a company that connects people through trust." Under this policy, in April 2024, the Company expanded its business into the IT and systems field with the acquisition and consolidation of AIVS. It is also pursuing diversification in the guarantee domain, making forays into whole-building guarantees, medical expense guarantees, and other high-growth areas.

The Company listed on the Tokyo Stock Exchange (TSE) Mothers Market in June 2016 and moved up to the TSE First Section in March 2018. Its listing was transferred to the TSE Prime Market in April 2022 as part of the TSE's market restructuring. As of March 2026, the Company is one of only two rent liability guarantee companies listed on the Prime Market.

2. Business structure

The Company's business is primarily divided into three segments: the guarantor-related business, the real estate related business, and the IT-related business. The mainstay guarantor-related business mainly provides a service wherein the Company assumes the role of guarantor for prospective rental property tenants, enabling property owners to secure stable rental income through subrogation in the event that a tenant becomes delinquent on rent. This business accounted for 90.0% of net sales and 97.1% of profits in FY3/26. The Company offers two main types of guarantees: residential rent guarantees for general rental condominiums and apartments, and commercial rent guarantees for stores and offices. Each type has different guarantee details, credit screening methods, sales methods, and credit management methods. The Company's medical expense guarantee service, which it is currently developing, is also part of this business. Through subsidiary Asumirai, the real estate related business provides rental housing to foreigners and brokerage and management services for real estate properties for sale or lease. The business is small, accounting for only 3.2% of net sales (FY3/26) and 0.3% of profits (FY3/26). Through AIVS, which is engaged in operations such as software development, the IT-related business provides IT services that include developing and selling environmental testing systems in software development. This business accounted for 6.8% of net sales and 2.5% of profits in FY3/26, and is expected to grow moving forward.

Main operations and shares of earnings (consolidated, FY3/26)

(¥mn)

Business segment	Main operations	Net sales		Segment profits	
			Composition ratio (%)		Composition ratio (%)
Guarantor related business	Assumes the role of guarantor (institutional guarantees); mainly provides residential rent guarantees, but also offers commercial rent guarantees for stores and offices, as well as medical expense guarantees, a new business area under development.	19,306	90.0%	3,535	97.1%
Real estate related business	Through subsidiary Asumirai, provides rental housing to foreigners and brokerage and management services for real estate properties for sale or lease.	682	3.2%	11	0.3%
IT-related business	Through subsidiary AIVS, which is engaged in operations such as software development, provides IT services that include the development and sale of environmental testing systems.	1,459	6.8%	92	2.5%
Total		21,448	-	3,639	-

Note: Net sales include only sales to external customers. “Other” is not included in net sales or segment profit.
Source: Prepared by FISCO from the Company’s financial results

Business overview

With an industry-leading network of offices and human resources, J-LEASE is a community-focused company with strengths in working with major as well as medium- and small-sized real estate companies

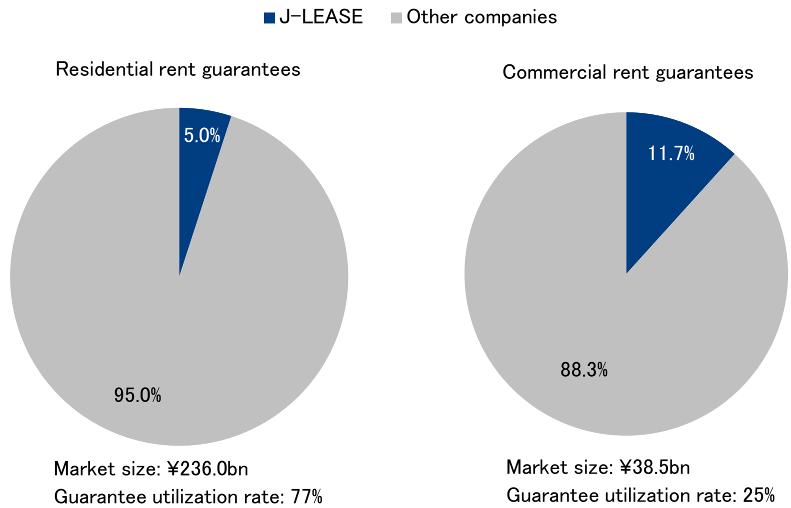
1. Rent liability guarantees

Rent liability guarantees facilitate contractual relationships between prospective tenants, real estate companies, and real estate owners by allowing a specialized guarantee company to assume the role of guarantor in the leasing of homes, stores, or offices. Advantages for tenants include enabling them to move into a property even if they cannot secure a guarantor, and maintaining a good relationship with the property owner through smooth proxy payments in the event of rent payment delays. In commercial rent guarantees, initial costs for tenants can be lowered by reducing the size of the guarantee deposit. Advantages for property owners include receiving guaranteed rents, even in the event of delinquency, and making it easier for people who previously had problems securing rental accommodation to move in, helping to curb vacancy rates. Real estate companies can expect increased property brokerage fees and management fee income. As such, rent liability guarantees meet the needs of today’s real estate market, creating a win-win relationship for all three parties.

2. Overview of rent liability guarantee market

According to the Company, the residential rent guarantee market is estimated to be worth ¥236.0bn (FY3/26), with around 77% of lease contracts using rent guarantee companies in the market. That compares with 39% in 2010 (Ministry of Land, Infrastructure, Transport and Tourism data), showing a steep increase over the last decade or so. Japan's revised Civil Code (amendments to provisions of the law of obligations), which came into effect in April 2020, is the main factor behind this increase. The amendments set a maximum (upper) limit on the amount a guarantor can guarantee, reducing the value of the guarantor's collateral. Another factor was that in recent years, the COVID-19 pandemic raised awareness about the issue of rent delinquency. As a result, more property owners are requiring the use of rent liability guarantee companies. Rent guarantees are now typically used for residential rental properties, and there are few contracts that do not use a guarantee company. Today, the emerging commercial rent guarantees market is relatively small at ¥38.5bn, but there are good prospects for growth going forward, as the current guarantee utilization rate is roughly 25%. The Company is one of the key players in the sector, with a 5.0% share of the residential market (more than 200 competitors), and an 11.7% share of the commercial market (around 20 competitors). It also has a unique position due to its advanced expertise and business operation in both the residential and commercial markets.

Rent guarantee market size and J-LEASE share



Note: Market size is according to the Company's estimates
Source: Prepared by FISCO from the Company's results briefing materials

3. Features and strengths of the Company's business model

The Company employs a "community-focused, rigorous risk management business model." Under this model, it is expanding its office network and deploying staff across Japan to win the trust of customers by carefully responding to their needs. It also rigorously manages risk by using its own data in guarantee screening. Six key features and strengths are presented below.

(1) One of the industry's largest office networks
(2) Attentive service through localization
(3) Extensive services created in collaboration with diverse alliance partners
(4) Ongoing development of sales personnel with expertise and responsiveness
(5) Highly accurate credit screening using AI analysis and strong debt management capabilities
(6) Listed on the TSE Prime Market; highly creditworthy with a track record of over 20 years since founding

(1) One of the industry's largest office networks

As of the end of March 2026, the Company had 44 offices nationwide. One of its strengths is its close links to local communities through these offices. By region, the Company has 10 offices in its home region of Kyushu/Okinawa, 10 in Kinki/Chugoku/Shikoku, 7 in Tokai/Hokuriku, 10 in Kanto/Koshin, and 7 in Tohoku/Hokkaido. The Company has 451 employees (non-consolidated, as of the end of FY3/26). Compared with its sector peers, the Company has a clear lead in the number of offices and employees. In the same sector, company A has 17 offices and 276 employees, company B has 7 offices and 183 employees, company C has 10 offices and 181 employees, company D has 19 offices and 595 employees, and company E has 30 offices and 788 employees. All companies above have nationwide networks, but the Company's network is more extensive and is staffed by many more people. While the Company's net sales per office are lower than those of its peers, its net sales per employee are on an average level in the industry.

Number of offices and employees compared with sector peers

(¥mn)

	Net sales	No. of offices	Net sales per office	No. of employees	Net sales per employee
J-LEASE	19,319	44	439	451	42
Company A	12,753	17	750	276	46
Company B	12,283	7	1,754	183	67
Company C	6,162	10	616	181	34
Company D	26,188	19	1,378	595	44
Company E	29,826	30	994	788	37

Note: Figures for the Company are as of the end of FY3/26. Net sales are for the guarantor-related business only. Figures for other companies are the latest disclosed figures.
Source: Prepared by FISCO from the Company's materials and each company's website

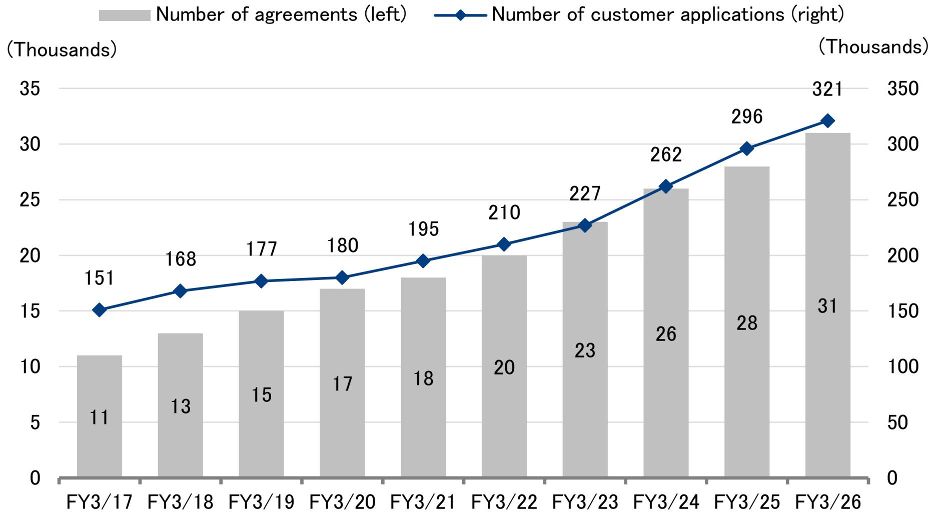
(2) Attentive service through localization

Attentive service through localization is the Company's basic policy, and a strength. The Company offers a range of different payment options for guarantee fees, including lump-sum, annual, and monthly payments, depending on customer needs. Few companies in the sector offer all these options. The Company also actively customizes its products and services in response to real estate agency requests, helping it secure the trust of many real estate agencies. Regarding subrogation, the Company provides a proxy rent payment service, whereby it credits the full amount of rent to real estate companies that use the service, regardless of whether or not the rent is in arrears. The Company is also outstanding in terms of promptness in responding to individual subrogation requests, paying within three business days. Competitors tend to pay at the end of the month or twice-monthly, or after tenants have settled their accounts on vacating the property. The Company also has the largest number of offices in the sector, which allows it to visit properties after subrogation if it cannot contact the tenant. This has made it possible for the Company to detect solitary deaths among the elderly at an early stage, an example of the many cases in which landlords have expressed their appreciation. This meticulous, community-focused approach has helped the Company build its reputation and win trust in the sector.

(3) Extensive services created in collaboration with diverse alliance partners

Rent liability guarantee companies sign contracts (agreements) in advance with real estate companies that operate property leasing businesses. The Company has a large number of agreements (31,000), including with many small and mid-size real estate agencies. The Company has steadily increased its number of agreements by providing community-focused services through its nationwide network of offices and sales personnel. This growth in agreements has been accompanied by a rise in the number of guarantee applications from prospective tenants, which in turn has led to more guarantee contracts.

Number of agreements and customer applications



Source: Prepared by FISCO from the Company's results briefing materials

A strength of the Company in its rental guarantee-related business is its robust services created in collaboration with diverse alliance partners. Its ties with major real estate associations are useful when acquiring customers. Its sharing of information with various companies that offer online tenancy application services makes applying more convenient and faster. For guaranty screening, it has utilized outside expertise to build an advanced credit screening model based on AI analysis. More rental agreements are being concluded electronically, calling for collaboration including that regarding guarantee service agreements. Collaboration with credit card companies is key for payment, insurance companies for the conclusion of insurance contracts, and ancillary service providers for tenant support. Relationships built on trust with these business partners cannot be forged overnight. The ecosystem that the Company has established is a source of its growth potential and differentiation.

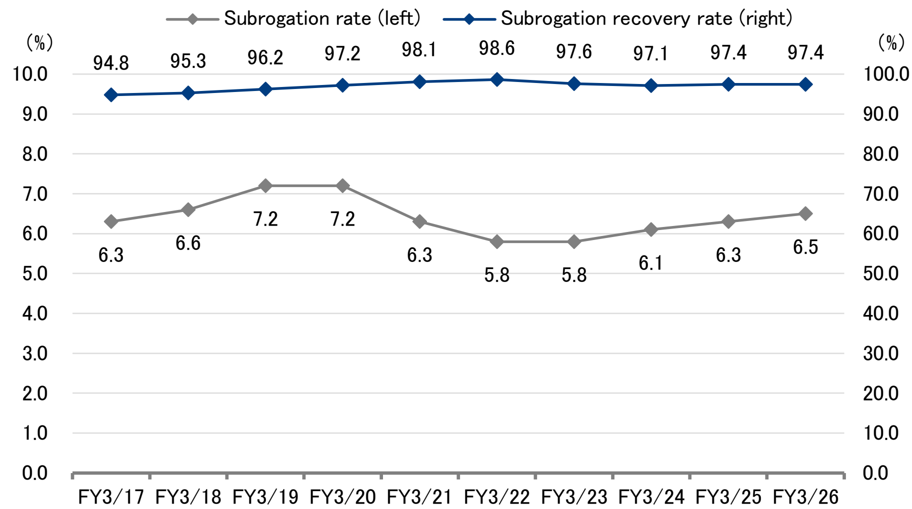
(4) Ongoing development of sales personnel with expertise and responsiveness

Another of the Company's features is that it offers commercial rent guarantees to guarantee rents for offices, stores, and the like. Screening methods for residential and commercial properties are very different, creating barriers to entry for residential guarantee companies. The Company has offered commercial rent guarantees since it was established, and it can be said that the expertise it has gained over the years has allowed it to stay one step ahead of the competition. Its cross-selling approach to marketing services to real estate companies has also proven effective. This includes proposing residential rent guarantees to customers after building a track record with them in the relatively untapped market for commercial rent guarantees. On the other hand, sales personnel at all offices require the ability to handle and expertise in both residential and commercial rent guarantees. The Company enhances the individual performance of those sales personnel by continuously developing them through off-the-job and on-the-job training. Sales activities for whole-building guarantees and medical expense guarantees are already being conducted at offices nationwide, and the development of sales personnel is progressing smoothly.

(5) Highly accurate credit screening using AI analysis and strong debt management capabilities

The subrogation rate and the subrogation recovery rate are key management indicators for the guarantor-related business. The subrogation rate (the higher the rate, the greater the negative impact on earnings) is the proportion of subrogation cases due to delinquency and other factors in the total number of guarantee contracts. As a latecomer to the market, the Company increased its brand recognition and market share in urban areas, where it responded to demand from customers with strategically difficult attributes. In the past, its ratio of these customers increased, but as brand recognition and market share rose, it shifted its strategic focus to profitability. This pivot led to a clear improvement in the subrogation rate from the start of FY3/21. The rate remains favorable at 6.5% in FY3/26 (6.3% in FY3/25). The subrogation recovery rate (the higher the rate, the greater positive impact on earnings) was 97.4% in FY3/26, trending on a level comparable to that of the previous fiscal year. This indicator has trended slightly lower than during the COVID-19 pandemic partly because benefits from subsidies and the like have dropped out, and the Company's forecasts take that into account. Providing rent guarantee service entails a certain degree of credit risk, so it is not realistic to target a subrogation rate of zero or a subrogation recovery rate of 100%. Guarantee companies also have a public mission to provide guarantees more widely (taking on a certain level of risk), while using proper screening to improve the quality of their receivables. The Company is currently viewed as one of the leaders in the sector based on these indicators. The Company's rigorous, rapid screening process is backed by a screening department that uses specialized data, proprietary systems, and a high level of expertise. The department checks prospective tenants based on their personal attributes and other information, but it also uses an AI model that draws on a range of information sources, including newspaper articles, subrogation databases, and personal credit data, to conduct thorough and rapid guarantee screening.

Movements in subrogation rate and subrogation recovery rate



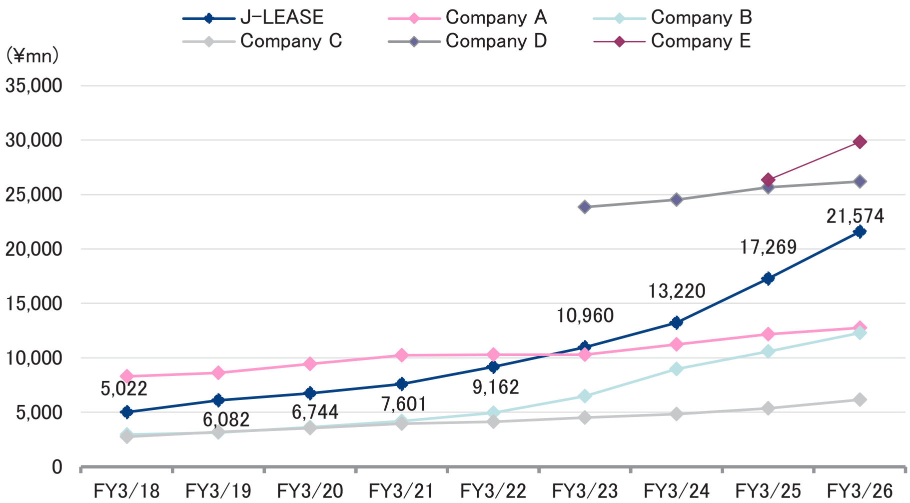
Source: Prepared by FISCO from the Company's results briefing materials

(6) Listed on the TSE Prime Market; highly creditworthy with a track record of over 20 years since founding

J-LEASE is one of only two rent liability guarantee companies listed on the Prime Market. It is growing at a rapid pace even when compared to its sector peers. In the nine-year period from FY3/18 to FY3/26*, the Company's sales grew at an annualized rate of 20.0%, compared with 5.5% for company A, 19.5% for company B, 10.7% for company C, 3.2% for company D, and 13.2% for company E, placing it among the fastest-growing companies in the sector. This growth has been driven by efforts to expand and develop its business outside Kyushu. The Company's steady growth is expected to continue for some time, as there is still room for the Company to increase its market share, especially in the metropolitan areas of Tokyo, Nagoya, and Osaka, and as the Company's recognition and credibility increase, it is more likely to win contracts on the sales frontlines. In FY3/26, the Company achieved an ordinary profit to net sales ratio of 16.6%, compared with 0.4% for company A (FY1/26), 22.8% for company B (FY3/26), 6.7% for company C (FY3/26), 12.1% for company D (FY3/26), and 31.4% for company E (FY12/25). It is evident from this that the Company is one of the sector's most profitable companies, but has room to further improve its profitability.

* For companies D and E, net sales growth since listing

Growth potential comparison with other companies in the same industry (net sales)



Note: Company A has a January fiscal year-end. Company E has a December fiscal year-end.
Source: Prepared by FISCO from each company's financial results

Results trends

Achieved net sales and profit growth for the seventh consecutive year in FY3/26

1. Overview of FY3/26 results

In FY3/26, the Company reported increases in net sales and operating profit for the seventh straight year. Net sales increased 24.9% YoY to ¥21,574mn, operating profit rose 16.8% to ¥3,624mn, ordinary profit increased 15.9% to ¥3,590mn, and profit attributable to owners of the parent rose 18.3% to ¥2,470mn.

FY3/26 results

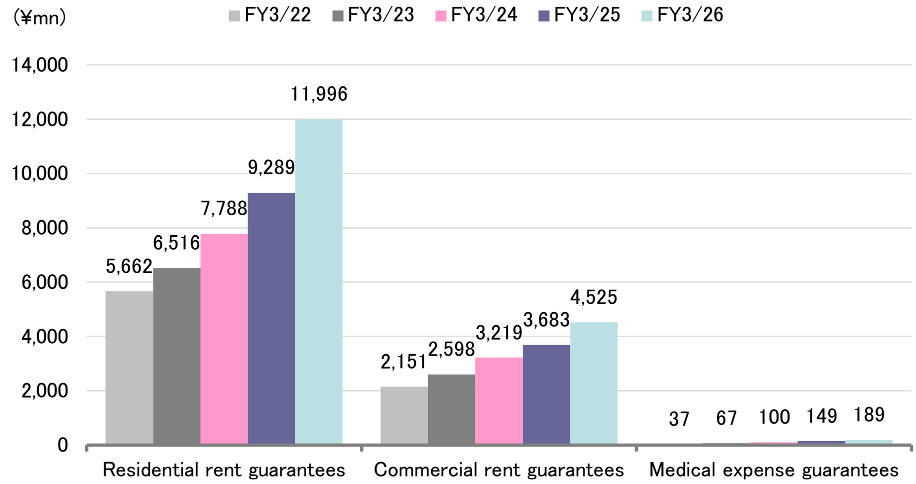
(¥mn)

	FY3/25		FY3/26		
	Results	vs. net sales	Results	vs. net sales	YoY
Net sales	17,269	-	21,574	-	24.9%
Gross profit	11,690	67.7%	14,614	67.7%	25.0%
SG&A expenses	8,586	49.7%	10,990	50.9%	28.0%
Operating profit	3,103	18.0%	3,624	16.8%	16.8%
Ordinary profit	3,097	17.9%	3,590	16.6%	15.9%
Profit attributable to owners of the parent	2,089	12.1%	2,470	11.5%	18.3%

Source: Prepared by FISCO from the Company's financial results

In addition to the expansion of sales activities through human resource development and alliances, the increase in net sales was mainly driven by strong performance in residential rent guarantees and commercial rent guarantees as the Company further focused its sales activities in the large-scale market of the Tokyo metropolitan area, and by the contribution to net sales from K-net, which was made into a subsidiary, among other factors. In the residential rent guarantee business, sales grew a strong 29.1% YoY. With tenant demand in the rental real estate industry expanding, largely driven by soaring construction costs, a stronger preference for renting as real estate prices and interest rates rise, and growth in single-person households and resident foreigners, the rent liability guarantee industry is enjoying tailwinds, as evidenced by the wider adoption of rent liability guarantees and rising rents in major cities. Against this backdrop, the Company strove to further improve its relationships with existing customers, including by attentively addressing needs through localization in areas where it operates. Additionally, proactive customer acquisition progressed in areas where the Company opened new offices (four locations: the Mie, Yamagata, Aomori, and Akita branches). In particular, the Company focused on large metropolitan areas where its market share is relatively low (Tokyo, Kanagawa, Saitama, Chiba, Aichi, Osaka), and expanded its sales network through alliances with external companies and organizations, including the All Japan Real Estate Association. These efforts also contributed to sales growth. Sales from commercial rent guarantees trended favorably, increasing 22.8%. While the guarantee utilization rate in commercial rent contracts is still low at around 25%, there is significant room for growth amid rising risk awareness among property lessors. While stepping up its sales focus on the large Tokyo metropolitan market, the Company expanded its market base through marketing to customers of varying scale and business formats, including large-scale offices and shopping malls. Also, K-net, which was made a consolidated subsidiary in April 2025, made a positive contribution to net sales growth of ¥1,000mn in residential rent guarantees and ¥247mn in commercial rent guarantees.

Net sales by guarantee type



Source: Prepared by FISCO from the Company's results briefing materials

Operating profit increased ¥520mn YoY, while the operating profit margin decreased 1.2 percentage points (pp) to 16.8%. The Company achieved record-high operating profit as appropriate risk control largely in the areas of credit management operations and credit screening utilizing AI, continued business efficiency, the effects of net sales growth, and so forth offset cost increases that included a rise in bad debt-related costs accompanying growth in the number of contracts, a rise in administrative fees paid to real estate companies (cost of sales) caused by escalating competition, and an increase in the amortization of goodwill due to M&A. Looking at management indicators, the subrogation rate was successfully controlled at 6.5% (a decrease of 0.1pp vs. target), and the subrogation recovery rate was at a high level of 97.4% (an increase of 0.6pp vs. target). This could be considered an indication that credit management is being implemented appropriately.

Maintaining a sound financial position while rapidly growing

2. Financial position and management indicators

Total assets as of end-FY3/26 stood at ¥22,137mn, up ¥6,495mn YoY. Current assets increased ¥2,911mn to ¥14,467mn, mainly due to increases of ¥1,704mn in advances paid of subrogation, ¥546mn in accrued guarantees, and ¥433mn in advances paid of collection. Non-current assets rose ¥3,583mn to ¥7,670mn, mainly due to an increase of ¥1,473mn in goodwill from subsidiary acquisition.

Total liabilities were ¥14,751mn at end-FY3/26, up ¥5,025mn. Current liabilities increased ¥3,541mn to ¥11,735mn, mainly because short-term borrowings increased ¥1,553mn and advances received increased ¥1,016mn. Non-current liabilities increased ¥1,484mn to ¥3,016mn, mainly because long-term borrowings increased ¥1,226mn. As the scale of assets expanded, interest-bearing debt (short- and long-term borrowings) outstanding increased ¥3,308mn to ¥5,839mn.

In terms of management indicators, the equity ratio was 33.4% (vs. 37.8% at end-FY3/25) and the current ratio was 123.3% (141.0% at end-FY3/25), remaining sound. Capital efficiency and profitability also remain at high levels, with ROE at 37.1% (vs. 39.6% at end-FY3/25) and ROA at 19.0% (22.8%). The Company's financial base is likely to become stronger as earnings increase on the back of steady growth. The ongoing three-year management plan calls for an equity ratio of 50% or higher and ROE of around 20–35%.

Balance sheets and management indicators

(¥mn)

	End-FY3/25	End-FY3/26	YoY
Current assets	11,555	14,467	2,911
Cash and deposits	2,351	2,743	392
Accrued guarantees	1,993	2,539	546
Advances paid of subrogation	6,871	8,576	1,704
Advances paid of collection	1,527	1,961	433
Allowance for doubtful accounts	-2,428	-3,256	-827
Non-current assets	4,086	7,670	3,583
Goodwill	636	2,109	1,473
Total assets	15,641	22,137	6,495
Current liabilities	8,193	11,735	3,541
Short-term borrowings	1,103	2,656	1,553
Advances received	3,153	4,170	1,016
Non-current liabilities	1,531	3,016	1,484
Long-term borrowings	1,110	2,337	1,226
Total liabilities	9,725	14,751	5,025
Total net assets	5,916	7,386	1,469
Retained earnings	5,033	6,648	1,614
Total liabilities and net assets	15,641	22,137	6,495
<Safety>			
Current ratio (current assets / current liabilities)	141.0%	123.3%	-17.7pp
Equity ratio (equity / total assets)	37.8%	33.4%	-4.4pp
<Capital efficiency / profitability>			
Return on equity (ROE)	39.6%	37.1%	-2.5pp
Return on assets (ROA)	22.8%	19.0%	-3.8pp

Source: Prepared by FISCO from the Company's financial results

Outlook

Forecasts higher net sales and profit for FY3/27, reflecting business expansion in the Tokyo metropolitan area and the effects of M&A synergies

For FY3/27, the Company forecasts net sales growth of 15.2% YoY to ¥24,859mn, operating profit growth of 6.4% to ¥3,856mn, ordinary profit growth of 6.5% to ¥3,825mn, and profit attributable to owners of the parent to increase 2.1% to ¥2,522mn. It expects net sales and all profit items to reach record highs.

FY3/27 forecasts

(¥mn)

	FY3/26		FY3/27		
	Results	vs. net sales	Forecasts	vs. net sales	YoY
Net sales	21,574	-	24,859	-	15.2%
Operating profit	3,624	16.8%	3,856	15.5%	6.4%
Ordinary profit	3,590	16.6%	3,825	15.4%	6.5%
Profit attributable to owners of the parent	2,470	11.5%	2,522	10.1%	2.1%

Source: Prepared by FISCO from the Company's financial results

The Company anticipates double-digit growth in net sales owing to the expansion of the mainstay guarantor-related business. With regard to residential rent guarantees, as the Company's market share in major metropolitan areas is still low, there is substantial room for it to expand its market share. Furthermore, the Company has entered the final stage of building out coverage across all 47 prefectures, and will continue to open new offices (with six new offices planned) and pursue sales development activities. For commercial rent guarantees, the Company expects demand for guarantees for commercial buildings including offices and stores to continue to grow, partly reflecting changes in customers' risk awareness. In the immediate term, although advances paid of subrogation are on the rise as inflation and other factors somewhat affect customers' ability to pay rent, the Company expects business opportunities to expand due largely to growing demand for guarantees among landlords and increased guarantee fee revenue resulting from rising rents. Additionally, results are expected to grow from the full-year consolidation of K-net and AFB Co., Ltd., which were made into wholly owned subsidiaries (in April and July 2025, respectively), and the synergies between them. With the Company's recognition and brand strength as a leading company in the industry improving amid a favorable market environment for the industry, FISCO expects the Company to exceed its net sales target as usual.

The Company forecasts slightly subdued growth in operating profit, increasing 6.4% from the previous fiscal year. This will be mainly attributable to strategic investments, including the introduction of a new personnel system that encourages challenge and growth (an increase of ¥135mn), the development of a new core system that forms the foundation for AI utilization (an increase of ¥121mn), and the expansion of floor space at the Tokyo Head Office for reinforcing the Company's presence in the Tokyo metropolitan area (April 2026; an increase of ¥40mn). As strategic investments are concentrated in 1H, profit is expected to decline in 1H results. For the full fiscal year, however, profit is expected to increase, owing to the effects of net sales growth. It is assumed that the subrogation rate (forecast at 6.7%, up 0.2pp) and the subrogation recovery rate (forecast at 96.8%, down 0.6pp) will slightly deteriorate. FISCO sees the Company's profit forecast as being somewhat conservative as well. Given the Company's allocation of resources to the Tokyo metropolitan area, more advanced utilization of AI, expected synergies with each subsidiary consolidated in recent years, and other factors, FISCO takes the view that the Company will exceed its results forecasts.

Medium- to long-term growth strategies and topics

Rolling out whole-building guarantee services nationwide. Established a dedicated organization for the purpose of leveraging AI; also promoting business alliance

1. Maximizing synergy with subsidiary K-net, which offers proprietary whole-building guarantee services, toward nationwide rollout

The Company made K-net, which engages in the rent guarantee business, a consolidated subsidiary in April 2025. Synergies with this subsidiary can be expected to materialize going forward. K-net is a rent guarantee company that has partnership agreements with around 8,000 companies, predominantly in the Kinki area. K-net's business is focused on whole-building guarantee services, a market where it has an edge, and it has a strong pipeline with partnership agreements with major and mid-sized companies that deal in fund properties. Whole-building guarantee services are services for properties managed as a single unit that reduce the risk of rent delinquency and stabilize rental operations for property owners by providing rent guarantees to tenants not enrolled in a rent guarantee service. There are many cases in which a rent guarantee is terminated when ownership changes due to the sale or other transfer of a real estate property. As such, adding a guarantee for existing tenants is in very high demand among new landlords. Additionally, since these services are an upfront investment-type of guarantee service, they require a high level of expertise in risk calculation and other areas. In FY3/26, the Company advanced the development of human resources to handle sales for its whole-building guarantees, and now has a structure in place that enables sales activities for whole-building guarantee services at offices nationwide. K-net will be a powerful weapon in expanding business to properties that include serviced residences for the elderly, office buildings, and commercial facilities in addition to standard housing complexes. In FY3/26, K-net's net sales were ¥1,378mn and its operating profit was ¥46mn. Expanding the coverage area of whole-building guarantee services from the Kinki region to the rest of Japan is expected to yield increases in net sales and profit.

2. Established Process Planning Department for the purpose of leveraging AI; entered into a business alliance agreement with SecondXight Analytica

The Company has long utilized AI in its credit screening models, and has achieved results. Particularly with the screening model that it launched in November 2023, the Company's efforts to utilize AI trained on credit data have proven effective, contributing to higher screening accuracy and curbing the subrogation rate. Moreover, the version of this AI screening model was upgraded in January 2026.

In April 2026, the Company newly established a Process Planning Department to transform into an organization predicated on AI. Through this department, it will automate administrative processing, screening, and other operations, and will contain costs while realizing improved quality.

In May 2026, the Company entered into a business alliance with SecondXight Analytica, which supports AI utilization across a wide range of industries and fields through research and development of advanced AI technologies centered on machine learning. The Company will vigorously promote the optimization of its cost structure through work process transformation leveraging AI, the redeployment of human resources to higher value-added operations, and the advancement of business operations, among other areas. SecondXight Analytica has a track record of developing advanced credit screening models and engines utilizing AI for the Company. Going forward, it will provide further support for the implementation of AI in other business processes.

3. Entered into a distributorship agreement for the Mitsubishi Estate Group's comprehensive smart home service HOMETACT

The Company entered into a distributorship agreement for HOMETACT, a comprehensive smart home service provided by the Mitsubishi Estate <8802> Group, in February 2026, and initiated sales of the service. Leveraging its sales network of 44 offices nationwide and 31,000 agreements with property management companies, the Company will accelerate the expansion of HOMETACT adoption as it moves forward. Smart devices have a penetration rate exceeding 40% in the US, and are expected to gain traction in Japan as well, particularly among younger people, with the market size forecast to reach ¥3.3tn in 2030. This represents a compound annual growth rate of 14.1%. Looking ahead, the Company will aim to jointly develop and offer comprehensive guarantee package products that leverage HOMETACT.

Sustainability initiatives

The corporate philosophy of the Company is: "At J-LEASE, we recognize our responsibility to supporting society's stability and development. Through the provision of innovative services based on fair and honest corporate activities, we are pursuing the happiness of our employees and all people associated with our business." Guided by this philosophy, the Company has set forth the following vision: "We will create a society in which everyone can live their lives to the fullest." It aims to play its part in creating a stable society through its guarantee business and other activities.

Environmental (Environment) initiatives: One of the Company's initiatives is to reduce paper usage through various digitization methods. It has also started switching its company fleet to electric and hybrid vehicles. AIVS develops systems that support environmental analysis operations, including water quality testing, air testing, and statutory inspections of septic tanks, and has deployed them at more than 200 companies, municipalities, and other entities, including water utilities and factories.

Social (Social) initiatives: The Company is promoting diversity, equity, and inclusion. As part of those efforts, it employs visually impaired people with national qualifications as health care workers, such as massage therapists, to help employees recover from fatigue and prevent illness. This pioneering initiative aims to create mutually beneficial relationships between able-bodied people and people with disabilities. Additionally, the Company's corporate soccer team J LEASE FC (to be promoted to the JFL from the 2026 season) actively engages in community volunteer activities and other initiatives.

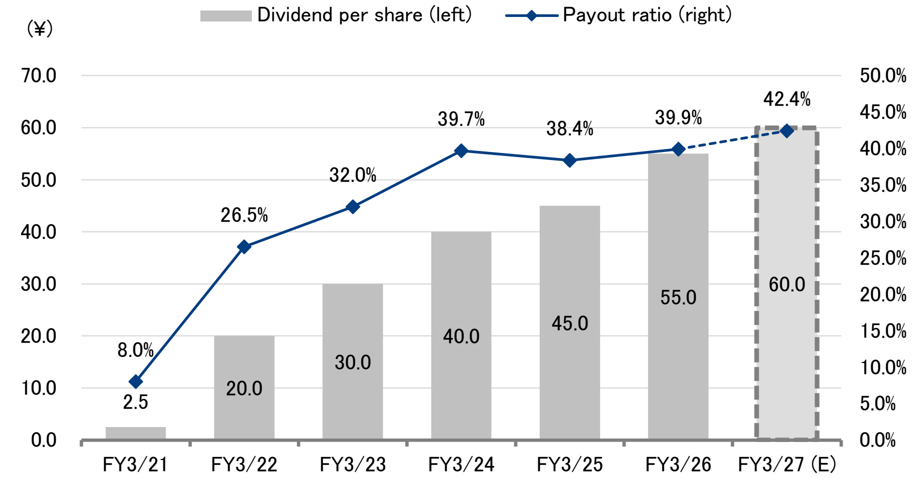
Governance (Governance) initiatives: Initiatives in this area include ongoing compliance training for all employees, evaluation of the Board of Directors' effectiveness, the reinforcement of risk management, and the enforcement of compliance.

Shareholder return policy

Annual dividend of ¥55.0 in FY3/26, with a payout ratio of 39.9%. Achieves dividend increases for six consecutive fiscal years

The Company views returning profits to shareholders as one of its top management priorities. Its policy is to pay stable and continuous dividends while strengthening the Group's financial position and increasing internal reserves for business expansion. In the three-year management plan underway, the Company's policy on dividends is to target a payout ratio of roughly 40% for the foreseeable future. For FY3/26, the Company raised the annual dividends for the sixth consecutive year by ¥10.0 to ¥55.0 per share (interim: ¥25.0, year-end: ¥30.0), for a payout ratio of 39.9%. For FY3/27, it plans to increase annual dividends by ¥5.0 to ¥60.0 per share (interim: ¥30.0, year-end: ¥30.0), for a payout ratio of 42.4%. Stable profit growth is expected over the medium to long term, so stable dividend increases can be expected. It also introduced a premium benefits club for shareholders with a view to strengthening long-term relationships with shareholders.

Dividend per share and payout ratio



Note: On March 1, 2024, the Company conducted a 2-for-1 stock split of its common stock. Historical data has been adjusted to reflect this stock split.
Source: Prepared by FISCO from the Company's financial results

FISCO

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