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November 8, 2024

Consolidated Financial Results for the Six Months Ended September 30, 2024 (Under Japanese GAAP)

Company name: KAPPA-CREATE CO., LTD.
 Listing: Tokyo Stock Exchange PRIME
 Securities code: 7421
 URL: <http://www.kappa-create.co.jp>
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 Scheduled date to file semi-annual securities report: November 14, 2024
 Scheduled date to commence dividend payments: —
 Preparation of supplementary material on financial results: Yes
 Holding of semi-annual financial results briefing session: Yes (for institutional investors and analysts)

(Yen amounts are rounded down to millions, unless otherwise noted)

1. Consolidated financial results for the six months ended September 30, 2024 (From April 1, 2024 to September 30, 2024)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes)

	Revenue		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended								
September 30, 2024	36,965	2.0	539	(27.8)	564	(27.4)	471	(25.2)
September 30, 2023	36,242	4.1	746	—	777	—	629	—

Note: Comprehensive income For the six months ended September 30, 2024: 479 million yen [(22.7) %]
 For the six months ended September 30, 2023: 619 million yen [— %]

	Basic earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
September 30, 2024	9.55	—
September 30, 2023	12.76	—

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
September 30, 2024	31,694	10,351	32.4	208.36
September 30, 2023	30,191	10,108	33.2	203.30

Reference: Equity

As of September 30, 2024: 10,282 million yen
 As of September 30, 2023: 10,031 million yen

2. Cash dividends

	Annual dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2024	—	0.00	—	5.00	5.00
Fiscal year ending March 31, 2025	—	0.00			
Fiscal year ending March 31, 2025 (Forecast)			—	—	—

Note: Revisions to the forecast of cash dividends most recently announced: None

Note: Dividends for the fiscal year ending March 2025 have currently been undecided.

3. Earnings forecast of consolidated financial results for the fiscal year ending March 31, 2025 (From April 1, 2024 to March 31, 2025)

(Percentages indicate year-on-year changes)

	Revenue		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	74,061	2.6	1,832	8.2	1,827	6.4	1,410	1.0	28.58

Note: Revisions to the most recently announced earnings forecast: None

* **Notes**

(1) Significant changes in the scope of consolidation during the period: None

Newly included: — companies (—)

Excluded: — companies (—)

(2) Adoption of accounting treatment specific to the preparation of semi-annual consolidated financial statements: None

(3) Changes in accounting policies, changes in accounting estimates, and restatement

(i) Changes in accounting policies due to revisions to accounting standards and other regulations: None

(ii) Changes in accounting policies due to other than(i): None

(iii) Changes in accounting estimates: None

(iv) Restatement: None

(4) Number of issued shares (common shares)

(i) Total number of issued shares at the end of the period (including treasury shares)

Interim period for the fiscal year ending March 31, 2025	49,414,578 shares
As of March 31,2024	49,414,578 shares

(ii) Number of treasury shares at the end of the period

Interim period for the fiscal year ending March 31, 2025	65,642 shares
As of March 31,2024	71,597 shares

(iii) Average number of shares outstanding during the period (cumulative quarterly total)

Interim period for the fiscal year ending March 31, 2025	49,344,803 shares
Interim period for the fiscal year ended March 31, 2024	49,338,751 shares

* These semi-annual financial results are outside the scope of review by certified public accountants and audit corporations.

* Explanation of the appropriate use of earnings forecasts and other special notes

(Caution regarding statements on the future)

The earnings forecasts and other forward-looking statements contained in this document are based on information currently available to the company and on certain assumptions that the company considers reasonable, and actual results may differ significantly due to various factors. Please refer to "1. Qualitative information regarding the current interim financial results (3) Explanation of Consolidated Earnings Forecast and Other Future Forecast Information" on page 4 of the attached document for matters related to earnings forecasts.

The Company plans to hold a briefing session for institutional investors and analysts via LIVE streaming as follows. Materials for this briefing will be posted on our website at a later date.

Date: Thursday, November 21, 2024, 16:00(JST)

Outline: Semi-annual financial results briefing session for institutional investors and analysts

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1. Qualitative Information Regarding the Current Interim Financial Results

(1) Explanation of Operating Results

During the current interim consolidated fiscal year, the Japanese economy remained on a recovery trend as consumption trends picked up, thanks in part to wage increases at various companies and the effects of various policies. However, the outlook remains uncertain, with the yen continuing to weaken, and geopolitical risks such as the prolonged Russia-Ukraine situation and the Israel-Palestine situation causing soaring raw material and energy prices, as well as price hikes that exceed wage increases.

In the food service industry, the economy is on a recovery track thanks to the expansion of inbound consumption and an upturn in consumer trends, but the business environment remains tough due to rising raw material and energy prices and continued cost increases caused by labor shortages. In addition, rising prices have led to consumers focusing on saving money and lifestyle changes have led to the creation of diverse values.

In this environment, based on our company motto of "our customers' joy is our joy," we have been working on Creation of robust existing stores, Growth investment, and Sustainability as the pillars of our management strategy, and customer numbers and average amount spent per customer have remained steady.

On the other hand, the gross profit margin in the conveyor belt Sushi business decreased by 0.9% compared to the same period last year due to the impact of rising raw material prices, especially for tuna and salmon.

During the current interim consolidated fiscal year, revenue was 36,965 million yen (2.0% increase compared to the same period last year), operating profit was 539 million yen (27.8% decrease compared to the same period last year), ordinary profit was 564 million yen (27.4% decrease compared to the same period last year), and interim profit attributable to owners of parent was 471 million yen (25.2% decrease compared to the same period last year).

Next, we would like to report an overview of each business segment.

< Conveyor belt Sushi business >

• Our company management strategy

Amid a tough business environment characterized by continuing price hikes and an escalating diversification of values, our company aims to realize our company motto and to enhance revenue, contribute to the sustainable development of society, and improve our corporate value by focusing on three pillars of our management strategy: ① Creation of robust existing stores, ② Growth investment, and ③ Sustainability.

① Creation of robust existing stores

We recognize that enhance the profitability of existing stores is important for sustained improvement of its corporate value, and is therefore promoting the following initiatives.

1) Increased frequency of visits

We are responding to diverse consumer needs through sales of products in line with seasonal events, campaigns offering luxurious prizes by lottery, fairs limited to production areas that allow customers to experience the feeling of traveling, expansion of high-value-added products that are different from everyday use and an expansion of lunch sets starting from 594 yen including tax (limited to some stores), etc. In addition, we are promoting this information through a renewed app that is easier to use and LINE at some stores.

At our stores, we focus on nurturing sashimi-cutting masters and service meisters who will promote the improvement of sashimi-cutting masters and service masters techniques, thereby working to continually improve our NPS® (Net Promoter Score) ratings and enhance the value of our customer experience.

2) New customer acquisition

We have been working on price appeal through fairs such as offering a wide variety of carefully selected toppings for 100yen (110yen including tax) and fairs where we offer "Tuna (lean) Nigiri" in 25% larger slices than usual at the same price. We have also differentiated ourselves by developing original products that are not available from other companies, such as "Kappa Gunkan" where the Sushi rice is wrapped in "cucumber" instead of seaweed, and "TSUKIMI IKURA®", a golden-colored salmon roe that is also used in

first-class in-flight meals on airlines. We have also been disseminating information about these products through television commercials and social media.

Other initiatives aimed at attracting customers with diverse values include selling Seafood Ankake Ramen & Creative Sushi overseen by “NISHIBUCHIHANTEN”, a famous Chinese restaurant in Kyoto that is quite popular and not so easy to book, and chestnut sweets overseen by Equilibre, a company run by a world-renowned pastry chef, and running collaborative campaigns with popular content such as Crayon Shin-chan and Wonderful Pricure!.

In addition, during the current interim consolidated fiscal year, new lead signs were installed in 38 stores to enhance visibility of the stores and opening hours were extended at some stores to create more opportunities for customers to visit, and the effect of increasing revenue has been confirmed in each of these initiatives.

3) Capital investment

Regarding capital investment, we renovated four stores during the current interim consolidated fiscal year, bringing the total investment in renovating existing stores to 20 stores. In the renovated stores, we have introduced high-speed lanes for ordering, automated guide systems, self-checkout registers, "smartphone ordering" that allows customers to use their own smartphones instead of touch panels, and lockers for takeout orders, strengthening our services to improve customer convenience and reduce labor at stores.

② Growth investment

We are working to grow our business by reviewing our store portfolio to match customer demand and by making capital investments that will lead to improved customer satisfaction and productivity.

1) New store openings

In the past, our company mainly opened stores on roadside locations, but in order to respond to changes in the nation's demographics, we are optimizing our store locations by opening stores in front of train stations in the three major metropolitan areas and closing and relocating unprofitable stores. As a result of opening three new stores during the current interim consolidated fiscal year, the number of stores at the end of the current interim consolidated fiscal year was 290. In addition, we have already completed contracts to open three new stores in the future.

2) DX ・ AI utilization

During the current interim consolidated fiscal year, we introduced new automated guidance systems to nine stores (total of 275 stores) and self-checkout registers to five stores (total of 234 stores) in an effort to improve customer convenience and store productivity.

③ Sustainability

Based on our company motto, "Our customers' joy is our joy," our basic policy as a bearer in the food infrastructure is to contribute to the sustainable development of society and to increase our corporate value.

1) Contribution to Global environment, Local communities and Society

We have established a new category called “Sustainable Menu” and have been selling sustainable food products such as the fully farmed Kurose yellowtail, the land-farmed KOTOURA GRAN SALMON, and "TSUKIMI IKURA®" (cherry trout roe) as well as soy meat. Especially, cherry trout roes are produced using a rare, sustainable aquaculture method that links the sea and the mountains, were established by the venture company Smolt, which was founded by researchers from Miyazaki University, and make use of the university's research seeds. We have also worked to reduce food waste by selling products that use all of the Sushi ingredients that are cut up in the store every day. In some stores, we have installed chargers for electric vehicles in the parking lots and air transport fans to improve air conditioning efficiency and reduce power consumption, promoting contributions to the global environment by reducing CO2 emissions.

2) Human capital investment

We are working to improve employee motivation by implementing 6% wage increase, conducting employee engagement surveys, and implementing an action plan to continuously improve scores. We have also established a DEI (Diversity, Equity & Inclusion) Promotion Committee, which will hold seminars by external lecturers and develop and implement a roadmap for promoting DEI (Diversity, Equity & Inclusion) in an effort to secure excellent human resources.

In addition, we are also working to enhance our hierarchical and career advancement training, which had been stalled due to coronavirus, and are promoting the development of the next generation of human resources, from part-time workers to directors.

As a result of the above, revenue for the conveyor belt Sushi business increased 3.7% year-on-year to 30,315 million yen.

< Delicatessen business >

In the Delicatessen business, we absorbed the increase in costs such as raw materials and labor costs by revising and eliminating products and passing on the increase to prices, but revenue decreased due to a decline in consumer confidence caused by the rise in food prices in general. In the dessert business, revenue progressed smoothly, and we secured a 26.9% increase in revenue compared to the same period last year. In order to recover revenue, we will develop products that meet consumer preferences, mainly with female developers, as part of our activities to promote the participation of women in the workforce, and aim to capture demand. In terms of food safety, all factories are FSSC22000 certified, a food safety system, and we will strive to improve our performance based on a thorough quality control system that provides safe and secure products to customers.

As a result of the above, revenue for the Delicatessen business were 6,649 million yen (down 5.3% from the same period last year).

(2) Explanation of Financial Position

① Assets, liabilities and net assets

(Assets)

Total assets at the end of the current interim consolidated fiscal year amounted to 31,694 million yen, an increase of 1,502 million yen compared to the end of the previous consolidated fiscal year. This was mainly due to an increase of 1,236 million yen in cash and deposits, a decrease of 503 million yen in accounts receivable, an increase of 433 million yen in machinery and vehicles, and an increase of 363 million yen in tools, furniture and fixtures.

(Liabilities)

Total liabilities at the end of the current interim consolidated fiscal year were 21,342 million yen, an increase of 1,259 million yen compared to the end of the previous consolidated fiscal year. This was mainly due to an increase of 1,510 million yen in long-term borrowings and long-term borrowings due within one year, and a decrease of 290 million yen in corporate bonds and corporate bonds due within one year.

(Net assets)

Net assets at the end of the current interim consolidated fiscal year amounted to 10,351 million yen, up 243 million yen from the end of the previous consolidated fiscal year. This was mainly due to an increase in retained earnings due to interim net income attributable to owners of parent of 471 million yen, despite a decrease due to dividends of 246 million yen from surplus.

② Cash flows situation

Cash and cash equivalents (hereinafter referred to as "funds") at the end of the current interim consolidated fiscal year increased by 1,236 million yen from the end of the previous consolidated fiscal year to 9,174 million yen (7,937 million yen at the end of the previous consolidated fiscal year), as a result of an increase of 1,666 million yen in cash flow from operating activities, a decrease of 658 million yen in cash flow from investing activities, and an increase of 228 million yen in cash flow from financing activities.

(Cash flows from operating activities)

Net cash provided by operating activities was 1,666 million yen (1,182 million yen in the same period of the previous year).

This was mainly due to interim profit before taxes and other adjustments of 537 million yen and depreciation expenses of 1,119 million yen.

(Cash flows from investing activities)

Net cash used in investing activities was 658 million yen (1,242 million yen used in the same period of the previous year).

This was mainly due to expenditures of 551 million yen for the acquisition of property, plant and equipment and expenditures of 76 million yen for security and guarantee deposits.

(Cash flows from financing activities)

Net cash provided by financing activities was 228 million yen (1,328 million yen in the same period of the previous fiscal year).

This was mainly due to proceeds from long-term borrowings of 2,500 million yen, expenditures for repayment of long-term borrowings of 990 million yen, expenditures for redemption of bonds of 290 million yen, expenditures for repayment of installment payables of 741 million yen, and expenditures for dividends paid of 245 million yen.

(3) Explanation of Consolidated Earnings Forecast and Other Future Forecast Information

There are no changes to the consolidated earnings forecast for the full fiscal year announced in the "Consolidated financial results for the fiscal year ended March 31, 2024" on May 9, 2024.

2. Interim Consolidated Financial Statements and Major Notes

(1) Interim Consolidated Balance Sheet

(Unit: Millions of yen)

	Previous consolidated fiscal year (March 31, 2024)	Current interim consolidated fiscal year (September 30, 2024)
Assets		
Current assets		
Cash and deposits	7,937	9,174
Accounts receivable	3,586	3,083
Goods and Products	363	466
Raw materials and supplies	386	385
Others	931	970
Allowance for doubtful accounts	(1)	(0)
Total current assets	13,204	14,079
Non-current asset		
Property, plant and equipment		
Buildings and structures	26,187	26,464
Machinery and vehicles	7,136	7,570
Tools, equipment and fixtures	9,187	9,550
land	1,645	1,645
Leased asset	1,006	249
Construction in progress	25	228
Accumulated depreciation	(33,275)	(33,150)
Total property, plant and equipment	11,912	12,557
Intangible assets	143	124
Investments and other assets		
Investment securities	857	858
Security and Guarantee Deposits	3,436	3,427
Deferred tax asset	571	590
Others	60	54
Allowance for doubtful accounts	(2)	(2)
Total investments and other assets	4,923	4,928
Total non-current assets	16,979	17,610
Deferred Assets		
Bond issuance costs	7	3
Total deferred assets	7	3
Total assets	30,191	31,694

(Unit: Millions of yen)

	Previous consolidated fiscal year (March 31, 2024)	Current interim consolidated fiscal year (September 30, 2024)
Liabilities		
Current Liabilities		
Accounts payable	3,278	3,211
Long-term borrowings due within one year	1,980	2,480
Bonds due within one year	490	300
Accounts payable - other	2,426	2,556
Accrued expenses	1,569	1,535
Lease obligations	—	2
Income taxes payable	188	92
Provision for bonuses	103	81
Provision for sales promotion expenses	133	143
Store closing loss reserve	31	14
Others	946	725
Total current liabilities	11,148	11,145
Non-current Liabilities		
Corporate bonds	100	—
Long-term borrowings	4,890	5,900
Long-term accounts payable - other	2,334	2,606
Lease Obligation	—	6
Asset Retirement Obligations	1,496	1,585
Others	114	98
Total non-current liabilities	8,935	10,197
Total Liabilities	20,083	21,342
Net assets		
Shareholders' equity		
Share Capital	100	100
Capital Surplus	8,585	8,591
Retained earnings	1,425	1,649
Treasury Share	(60)	(55)
Total shareholders' equity	10,050	10,285
Accumulated other comprehensive income		
Unrealized gains on other securities	1	2
Deferred gains (losses) on hedges	(20)	(5)
Total accumulated other comprehensive income	(18)	(3)
Non-controlling interests	76	68
Total net assets	10,108	10,351
Total liabilities and net assets	30,191	31,694

(2) Interim Consolidated Statement of Income and Interim Consolidated Statement of Comprehensive Income
(Interim Consolidated Statement of Income)

(Unit: Millions of yen)

	Previous interim consolidated fiscal year (From April 1, 2023 to September 30, 2023)	Current interim consolidated fiscal year (From April 1, 2024 to September 30, 2024)
Revenue	36,242	36,965
Cost of sales	17,352	17,720
Gross Profit	18,889	19,244
Selling, general and administrative expenses	18,142	18,705
Operating profit	746	539
Non-operating income		
Interest income	11	9
Dividend income	55	55
Rent received	112	104
Vending machine revenue	16	14
Sponsorship income	3	2
Miscellaneous income	25	20
Total non-operating income	223	206
Non-operating expenses		
Interest expense	81	93
Interest expense on bond	4	2
Cost of rental revenue	92	77
Miscellaneous losses	14	9
Total non-operating expenses	193	181
Ordinary Profit	777	564
Extraordinary profit		
Gain on sale of property, plant and equipment	1	1
Reversal of provision for loss on store closings	11	6
Total extraordinary profit	12	8
Extraordinary losses		
Loss on disposal of property plant and equipment	43	4
Litigation-related losses	—	30
Total extraordinary losses	43	34
Profit before taxes and other adjustments	745	537
Corporate, inhabitants and enterprise taxes	88	92
Corporate tax adjustments	28	(18)
Total corporate tax, etc.	117	74
Interim Profit	628	463
Interim losses attributable to non-controlling interests	(1)	(7)
Interim profit attributable to owners of parent	629	471

(Interim Consolidated Statement of Comprehensive Income)

(Unit: Millions of yen)

	Previous interim consolidated fiscal year (From April 1, 2023 to September 30, 2023)	Current interim consolidated fiscal year (From April 1, 2024 to September 30, 2024)
Interim Profit	628	463
Other comprehensive income		
Unrealized gains on other securities	1	0
Deferred gains (losses) on hedges	(11)	14
Total other comprehensive income	(9)	15
Interim Comprehensive Income	619	479
(Breakdown)		
Interim comprehensive income attributable to owners of parent	620	486
Interim comprehensive income attributable to non-controlling interests	(0)	(7)

(3) Interim Consolidated Statement of Cash Flows

(Unit: Millions of yen)

	Previous interim consolidated fiscal year (From April 1, 2023 to September 30, 2023)	Current interim consolidated fiscal year (From April 1, 2024 to September 30, 2024)
Cash flows from operating activities		
Interim profit before taxes, etc.	745	537
Depreciation and amortization	1,068	1,119
Increase(decrease) in bonus reserve	0	(21)
Increase(decrease) in store closure loss reserve	(53)	(16)
Interest and dividends received	(66)	(64)
Interest paid and bond interest	86	95
Loss on disposal of property, plant and equipment	43	4
Loss(profit) on sale of property, plant and equipment	(1)	(1)
Decrease(increase) in accounts receivable	13	503
Decrease(increase) in inventory	15	(102)
Increase(decrease) in accounts payable	(376)	(67)
Increase(decrease) in accounts payable	(3)	(79)
Increase(decrease) in accrued expenses	(137)	(33)
Increase(decrease) in unpaid consumption tax, etc.	(5)	(239)
Others	69	243
Subtotal	1,399	1,876
Interest and dividends received	66	64
Interest paid	(94)	(101)
Corporate taxes paid	(189)	(172)
Cash flows from operating activities	1,182	1,666
Cash flows from investing activities		
Expenditures for acquisition of tangible assets	(1,286)	(551)
Proceeds from sale of tangible assets	1	1
Expenditures for acquisition of intangible assets	(37)	(15)
Expenditures for security and guarantee deposits	(0)	(76)
Proceeds from collection of security and guarantee deposits	64	13
Proceeds from receipt of security deposits	38	—
Others	(20)	(29)
Cash flows from investing activities	(1,242)	(658)
Cash flows from financing activities		
Proceeds from long-term borrowings	3,000	2,500
Expenditures for repayment of long-term borrowings	(690)	(990)
Expenditures for repayment of finance lease liabilities	(15)	(4)
Expenditures for redemption of bonds	(290)	(290)
Expenditures for repayment of installment liabilities	(676)	(741)
Dividends paid	—	(245)
Cash flows from financing activities	1,328	228
Increase(decrease) in cash and cash equivalents	1,268	1,236
Cash and cash equivalents at beginning of period	7,518	7,937
Cash and cash equivalents at end of interim period	8,786	9,174

(4) Notes on Interim Consolidated Financial Statements

(Notes on Interim Consolidated Balance Sheet)

(Contingent liabilities)

(Litigation, etc.)

Hama Sushi Co., Ltd. filed a lawsuit against the company in the Tokyo District Court on December 27, 2023, seeking payment of 511 million yen in damages. Future developments may affect our future consolidated earnings, but as it is difficult to reasonably estimate the amount of the impact at this time, it has not been reflected in our interim consolidated financial statements.

(Notes on Interim Consolidated Statement of Income)

*Litigation-related losses

The Company was indicted on suspicion of violating the Unfair Competition Prevention Act, and received a judgment from the Tokyo High Court imposing a fine of 30 million yen on the company in that lawsuit. Based on that judgment, the company has recorded a litigation-related loss as an extraordinary loss.

(Notes on Segment Information, etc.)

[Segment Information]

I. Previous interim consolidated fiscal year (from April 1, 2023 to September 30, 2023)

1. Information regarding the amount of revenue and profit(loss) for each reportable segment

(Unit: Millions of yen)

	Conveyor belt Sushi business	Delicatessen business	Total
Revenue			
Revenue to external customers	29,223	7,018	36,242
Internal Revenue or transfers between segments	—	121	121
Total	29,223	7,140	36,363
Segment profit	682	20	702

2. Difference between the total amount of profit(losses) of reportable segments and the amount recorded in the interim consolidated statement to income, and the main details of the difference (items related to difference adjustment)

(Unit: Millions of yen)

Profit	Amount
Total of reportable segments	702
Elimination of inter-segment transactions	44
Operating profit on interim consolidated statement of income	746

II. Current Interim Consolidated fiscal year (April 1, 2024 to September 30, 2024)

1. Information regarding the amount of revenue and profit(loss) for each reportable segment

(Unit: Millions of yen)

	Conveyor belt Sushi business	Delicatessen business	Total
Revenue			
Revenue to external customers	30,315	6,649	36,965
Internal Revenue or transfers between segments	-	170	170
Total	30,315	6,819	37,135
Segment profit (loss)	555	(47)	507

2. Difference between the total amount of profit(loss) of reportable segments and the amount recorded in the interim consolidated statements of income and the main details of the difference (items related to difference adjustment)

(Unit: Millions of yen)

Profit	Amount
Total of reportable segments	507
Elimination of inter-segment transactions	32
Operating profit on interim consolidated statement of income	539

(Notes on Significant Changes in the Amount of Shareholders' Equity)

Not applicable.

(Notes on the Going Concern Assumption)

Not applicable.

(Significant Subsequent Events)

(Business combination through acquisition)

At the Board of Directors meeting held on September 30, 2024, the company resolved to acquire shares of KAPPA-CREATE KOREA CO., LTD. and make it a subsidiary, and based on that resolution, acquired shares on October 1, 2024. As a result, the company has become a consolidated subsidiary of our company.

1. Overview of the business combination

(1) Main reasons for the business combination

With the aim of concentrating management resources on the domestic conveyor belt sushi business and achieving further growth, on March 30, 2018, we transferred KAPPA-CREATE KOREA CO., LTD. to REINS international inc. which was conducting overseas business within the COLOWIDE GROUP. However, we have now resolved to fully enter the rapidly growing overseas conveyor belt sushi business, and this transfer will enable us to expand the business structure we have cultivated to date both domestically and internationally, and achieve corporate growth in the overseas conveyor belt sushi business as well.

In addition, we have also acquired the receivables of 163 million yen and trademark rights of 0 million yen that REINS international inc. has lent to KAPPA-CREATE KOREA CO., LTD.

(2) Name of the counterparty company and its business activities

Name of the company: REINS international inc.

Business description: Restaurant operations, food processing and sales

(3) Date of business combination

October 1, 2024

(4) Legal form of business combination

Acquisition of shares for cash

(5) Name of the combined company

No changes.

(6) Voting rights acquired 80.0%

(7) Main reasons for deciding on the acquiring company

This is due to the company acquiring shares with 80.0% of the voting rights in exchange for cash.

2. Acquisition cost of the acquired company and breakdown by type of consideration

Acquisition consideration	Cash	0 million yen
Acquisition cost		0 million yen

3. Details and amounts of major acquisition-related costs

Advisory fee: 1 million yen

4. The amount of goodwill incurred, the cause of its occurrence, the amortization method, and the amortization period

This has not been determined at this time.

5. Amounts and main breakdown of assets received and liabilities assumed on the business combination date

This is not confirmed at this time.