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In addition, the independent auditor's interim review reports attached to the Japanese original, which are the subject of this translation, are not included in the scope of this translation.



Consolidated Financial Results for the Fiscal Year Ended March 31, 2026 (Under Japanese GAAP)

May 8, 2026

Company name KAPPA-CREATE CO., LTD. Stock exchange listings: Tokyo Prime
 Securities code 7421 URL <https://www.kappa-create.co.jp>
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 Date of annual general meeting of shareholders (as planned) June 24, 2026 Dividend payable date (as planned) —
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 Supplemental material of annual results : Yes
 Convening briefing of annual results : Yes

(Yen amounts are rounded down to millions.)

1. Consolidated financial results for the fiscal year ended March 31, 2026 (from April 1, 2025 to March 31, 2026)

(1) Consolidated operating results

(Percentages indicate year-on-year changes.)

	Revenue		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended March 31, 2026	73,193	(0.0)	532	(62.9)	592	(59.6)	(394)	-
March 31, 2025	73,208	1.4	1,433	(15.3)	1,467	(16.0)	1,032	(26.0)

Note: Comprehensive year ended income
 For the fiscal year ended March 31, 2026: 405 Million yen (-%)
 For the fiscal year ended March 31, 2025: 1,018 Million yen ((27.4)%)

	Basic earnings per share	Diluted earnings per share	Return on equity	Ordinary profit to total assets ratio	Operating profit to revenue ratio
	Yen	Yen	%	%	%
Fiscal year ended March 31, 2026	(7.99)	—	(3.7)	2.0	0.7
March 31, 2025	20.77	—	9.9	4.7	2.0

Reference: Investment profit (loss) on equity method
 For the fiscal year ended March 31, 2026: — Million yen
 For the fiscal year ended March 31, 2025: — Million yen

(2) Consolidated financial position

	Total assets	Net assets	Capital adequacy ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of March 31, 2026	28,987	10,244	35.2	206.88
March 31, 2025	31,072	10,889	34.9	219.66

Reference: Shareholders' equity
 As of March 31, 2026: 10,210 Million yen
 As of March 31, 2025: 10,847 Million yen

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and equivalents at end of period
	Million yen	Million yen	Million yen	Million yen
Fiscal year ended March 31, 2026	2,527	(2,128)	(2,293)	6,034
March 31, 2025	3,833	(1,935)	(1,910)	7,940

2. Cash dividends

	Dividend per share					Total dividend paid	Payout ratio (consolidated)	Ratio of total amount of dividends to net assets (consolidated)
	First quarter	Second quarter	Third quarter	Year end	Annual			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Fiscal year ended March 31, 2025	—	0.00	—	5.00	5.00	246	24.1	2.4
Fiscal year ended March 31, 2026	—	0.00	—	0.00	0.00	0	0.0	0.0
Fiscal year ending March 31, 2027 (Forecast)	—	—	—	—	—		—	

Note: Dividends for the fiscal year ending March 31, 2027 have currently been undetermined.

3. Consolidated earnings forecast for the fiscal year ending March 31, 2027 (from April 1, 2026 to March 31, 2027)

(Percentages indicate year-on-year changes.)

	Revenue		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Fiscal year ending March 31, 2027	79,840	9.1	1,366	156.6	1,387	134.2	936	-	18.99

* Notes

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

Newly included: — companies (Company name) 、 Excluded: — companies (Company name)

(2) 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 reasons : None

(iii) Changes in accounting estimates : None

(iv) Restatement : None

(3) Number of issued shares (common shares)

① Number of issued and outstanding shares at the end of fiscal year (including treasury share)

As of March 31, 2026	49,414,578 ^{sha} res	As of March 31, 2025	49,414,578 ^{sha} res	
② Number of treasury share at the end of fiscal year	As of March 31, 2026	62,202 ^{sha} res	As of March 31, 2025	65,702 ^{sha} res
③ Average number of shares	Fiscal year ended March 31, 2026	49,351,080 ^{sha} res	Fiscal year ended March 31, 2025	49,346,855 ^{sha} res

[Reference] Overview of non-consolidated financial results

1. Non-consolidated financial results for the fiscal year ended March 31, 2026 (from April 1, 2025 to March 31, 2026)

(1) Non-consolidated operating results

(Percentages indicate year-on-year changes.)

	Revenue		Operating profit		Ordinary profit		Profit	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended March 31, 2026	57,805	(2.5)	639	(56.8)	591	(57.8)	(380)	-
March 31, 2025	59,311	1.7	1,478	(9.1)	1,401	(16.9)	1,155	(15.2)

	Basic earnings per share	Diluted earnings per share
Fiscal year ended	Yen	Yen
March 31, 2026	(7.72)	—
March 31, 2025	23.27	—

(2) Non-consolidated financial position

	Total assets	Net assets	Capital adequacy ratio	Net assets per share
As of	Million yen	Million yen	%	Yen
March 31, 2026	26,312	10,018	38.1	202.99
March 31, 2025	28,750	10,641	37.0	215.47

Reference:	As of March	10,018	Million	As of March	10,641	Million
Shareholders' equity	31, 2026		yen	31, 2025		yen

<Reasons for the variance from the previous period's actual results>

As of March 31, 2026, we have been working to enhance our strategic product offerings and communicate their value and pricing, while also implementing various promotional activities—including efforts to raise brand awareness—and strengthening store operational capabilities through employee development. Furthermore, while the development and expansion of various services and products achieved some success, the effects to address consumers' thriftiness due to rising prices, as well as their discerning tastes and diverse values, did not reach the anticipated level. Consequently, revenue decreased by 1,506 million yen compared to the previous fiscal year.

In terms of profitability, while we have been working to enhance store operations and to optimize various costs, both operating profit and ordinary profit fell short of the previous fiscal year's results. This was due to revenue falling below projections, as well as persistently high raw material and energy costs and soaring labor costs.

Furthermore, in light of the impact on our earnings from soaring prices of raw materials, energy, and other inputs, while we continued our efforts to enhance profitability, we carefully assessed future profitability and recorded an impairment loss. Consequently, profit also fell below the previous fiscal year's level.

* Consolidated financial results are not subject to audits by certified public accountants or auditing corporations.

* Proper use of earnings forecasts, and other special matters
(Caution regarding future statement, etc.)

The earnings forecasts and other forward-looking statements contained in this document are based on information currently available to the company and certain assumptions that the company considers reasonable, and actual results may differ significantly due to various factors. Please see "1. Overview of financial results, etc. (4) Future outlook" on page 6 of the attached document for precautions regarding the use of earnings forecasts and the conditions that are the premise of the earnings forecasts.

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1 . Overview of financial results

(1) Operating results

During the current consolidated fiscal year, the Japanese economy continued on a moderate recovery trend, driven by factors such as increased inbound tourism spending, improvements in employment and income, and the effects of various government policies. At the same time, however, the outlook remains uncertain due to persistently high raw material and energy prices caused by geopolitical risks, rising oil prices resulting from the recent escalation of tensions in the Middle East, uncertainty surrounding global trade policies, and inflation outpacing wage growth.

In the food service industry, while signs of recovery have emerged due to increased inbound tourism demand and a rebound in consumer spending, the business environment remains challenging. This is due to persistently high raw material and energy prices, a growing tendency toward thriftiness amid escalating tensions in the Middle East, and rising labor costs caused by labor shortages. Furthermore, the diversification of values is accelerating in response to the rise of various dining options and changes in lifestyles.

Amid these circumstances, guided by our corporate philosophy that “our customers’ happiness is our happiness,” we have focused on the pillars of our business strategy—strengthening existing stores, growth investments, sustainability, and expanding related businesses—while promoting brand development to enhance customer loyalty. We also revised our main menu and pricing in response to customer trends; however, due to the impact of rising raw material prices, our gross profit margin decreased by 1.2 percentage points compared to the same period last year.

In light of the impact on our business results from soaring prices of raw materials, energy, and other factors, and after carefully assessing future profitability while advancing initiatives to enhance profitability, we reviewed the recoverability of certain non-current assets related to stores and other properties owned by our group based on the “Accounting Standard for Impairment of Non-current Assets.” As a result, we have decided to recognize an impairment loss in the fourth quarter of the current consolidated fiscal year for 85 domestic stores, 2 overseas stores and 1 domestic factory, and recorded an impairment loss of 715 million yen.

As a result of the above, revenue for the current consolidated fiscal year was 73,193 million yen (down 0.0% year-on-year), operating profit was 532 million yen (down 62.9% year-on-year), ordinary profit was 592 million yen (down 59.6% year-on-year), and the loss attributable to owners of parent was (394) million yen (compared to profit attributable to owners of parent of 1,032 million yen in the same period of the previous fiscal year).

Next, we will report on the overview of segments by business type.

< Conveyor-belt Sushi business >

• Management Strategy

In the face of a challenging business environment characterized by continued high inflation and diversifying values, we have established four pillars of management strategy to achieve our corporate mission, expand earnings, promote sustainable development of society, and enhance corporate value: ① Strengthening existing stores, ② Growth investment, ③ Sustainability, and ④ Expansion of related business.

① Strengthening existing stores

We recognize that strengthening the profitability of our existing stores is important for the sustainable enhancement of corporate value, and are promoting the following initiatives.

1) Increasing customer traffic

We worked to enhance customer loyalty by revising the specifications of certain strategic products, distributing discount cards for active seniors, and expanding the all-you-can-eat option—previously available at select locations—to all stores. Additionally, we addressed diverse consumer needs by bringing forward opening hours at some stores to accommodate brunch customers and by updating our takeout menu to offer three distinct options tailored to different preferences.

To build brand awareness and enhance brand preference, we have been running TV commercials across various media platforms and disseminating information via social media and insert advertisements. Additionally, during the current fiscal year, we installed lead signs at 39 stores and have confirmed their effectiveness in boosting revenue.

At our stores, we are focusing on training Kitchen Masters and Service Masters to enhance the customer experience by refining cooking and customer service skills.

For our limited-time promotions, we offered menus featuring winter specialties like crab, blackthroat seaperch, and oysters

for 110 yen (tax included), appealing to customers on both price and value.

In addition, we are selling items such as the “Karashibi Miso Ramen” developed in collaboration with the renowned restaurant “Kikanbo,” which always has a long line of customers; the “Rumando Premium Pudding” developed in collaboration with Bourbon Co., Ltd.; and the chocolate dessert “Sure to be a melt-in-your-mouth Premium Pudding made with KitKat®,” created in collaboration with Nestlé Japan Ltd.’s “KitKat®.” We are also running collaboration campaigns with members of the popular VTuber group “774inc.,” the popular picture book “Nekoiru!,” the 2.5-dimensional idol group “Ireisu,” and the game-based English learning app “Risdom,” aiming to attract a diverse customer base with varied values.

2) Store renovation

During the current consolidated fiscal year, we renovated 22 stores. In these renovated stores, we have introduced dedicated high-speed order lanes, automated guidance systems, self-checkout registers, smartphone ordering (which allows customers to use their own smartphones as touch panels), and takeout lockers—all aimed at enhancing productivity. These initiatives strengthen services that increase customer convenience and streamline store operations. Additionally, we are conducting pilot tests of new equipment designed to enhance the customer experience and improve working conditions for employees.

Furthermore, at some of the renovated stores, we are creating a welcoming environment for local customers and refreshing our brand image by providing opportunities for them to interact with Kappa Sushi’s popular characters, “Kaa-kun” and “Paa-ko-chan.”

3) Pricing

In response to a business environment where cost-consciousness is on the rise due to rising prices, we have revised the prices of certain products—including price reductions—to provide more customers with delicious food and a satisfying dining experience.

In addition, we have implemented various price-focused initiatives, such as offering items like “Kake Udon” and “Roasted Onigiri” at a “daily life support price” of 90 yen (tax included), as well as various all-you-can-eat discounts, a 39% discount on children’s menus, and a special offer for app members featuring “Chutoro” for 100 yen (tax included)—all available exclusively on weekdays or for limited periods.

Regarding delivery, we have begun offering products at the same prices as in-store at all 235 franchise locations registered with Uber Eats. Through this initiative, we aim to reduce the financial burden on customers when ordering delivery, while also working to enhance convenience and expand opportunities for use.

② Growth investment

We are working to grow our business by reviewing our store portfolio to better meet customer needs and investing in facilities and equipment to improve customer satisfaction and productivity.

1) New store openings

We are expanding our store network based on three key strategies: “major city station areas,” “suburban shopping centers and roadside locations,” and “establishing a presence in new trade areas.” As a result of opening four new stores during the current consolidated fiscal year, the total number of stores stood at 299 at the end of the current consolidated fiscal year.

2) DX・AI

During the current consolidated fiscal year, we introduced automated guidance systems at five new stores (bringing the total to 287) and self-checkout registers at 10 new stores (bringing the total to 249), with the aim of enhancing customer convenience and store productivity. Furthermore, we are striving to increase customer satisfaction by advancing multilingual support for the automated guidance systems and developing more efficient guidance logic.

We are also continuing pilot operations for the digital transformation (DX) of work schedules, shift creation, and training manuals using AI, with the aim of optimizing staffing.

③ Sustainability

Guided by our corporate philosophy, “Our customers’ happiness is our happiness,” we are committed to contributing to the sustainable development of society and enhancing our corporate value as a key player in the food infrastructure.

1) Strengthening business management foundation

In addition to conducting employee engagement surveys, we are implementing action plans aimed at raising scores to boost employee motivation and productivity. We have also established a system to listen to employee feedback and incorporate it into

various initiatives and problem-solving efforts, thereby promoting DEI (Diversity, Equity, and Inclusion) to ensure that employees with diverse backgrounds and values can thrive. Furthermore, we are working to create a work environment that is comfortable for everyone, including increasing the proportion of female employees, increasing the rate at which male full-time employees take parental leave, and increasing the proportion of women and foreign nationals in management positions.

In addition, based on the results of health checkups, we actively encourage employees to undergo secondary health screenings and utilize our remote in-house clinic to connect them with medical care early on via the internet. Through these efforts, we are working to create an environment where all employees can thrive over the long term. As a result, we have been certified for the third consecutive year as a “KENKO Investment for Health 2026 (Large Corporation Category)” and have newly received the “YOKOHAMA HEALTH AND PRODUCTIVITY 2026 (Class AA).” We will continue to strive to enhance both “mental” and “physical” health as well as “employee engagement” so that all employees can perform to the best of their abilities.

We are also working to enhance our employee training programs and are striving to develop our in-house training to cultivate the next generation of business and management leaders.

2) Food safety and security

Our top priority is to provide a safe and secure dining experience for all our customers. We are working to create safe and secure stores by maintaining our store environments, while also establishing an organizational structure capable of responding swiftly and accurately in emergencies, thereby strengthening our safety measures. Furthermore, we are advancing product development with a focus on health and nutrition, and by offering menus with excellent nutritional balance, we aim to build a brand where customers of all generations can enjoy the “joy of food” for years to come. In addition, we are committed to creating an environment where customers can choose products with confidence by accurately and clearly disclosing information on allergens, nutritional content, and other details.

3) Contribution to our community, society, and the global environment

We view contribution to our community/society and the global environment as a critical responsibility and continue to pursue sustainable initiatives. During this consolidated fiscal year, we have continued to promote activities that create opportunities for children to engage with food and various professions. We sponsored the work experience theme park “Kandu Dainichi” and offered the “Kappa Sushi Sushi Chef Experience,” providing opportunities for simulated social and vocational experiences that allow participants to learn about the background of food and consider the future of sustainable food. Additionally, we are implementing initiatives for a sustainable society and food through activities such as hosting “FURUSATO job seminar” at junior high schools in Nagano-ken, where our company was founded, and conducting outreach food education classes at the “Environmental Fair” in Natori-shi, Miyagi-ken.

At our stores, we are implementing capital investments aimed at improving the efficiency of our air conditioning systems and replacing equipment to conserve energy, thereby reducing CO₂ emissions through lower electricity consumption. We will continue to make investments that contribute to reducing water, electricity, and gas usage in order to minimize our environmental impact.

Additionally, we are working to reduce food waste by developing and selling products that make full use of sushi toppings and rice, and we are collaborating with the food waste reduction app “Too Good To Go” to minimize food loss and promote the effective use of resources.

Furthermore, based on a management system that incorporates customer feedback, we aim to coexist with society by providing products and services that meet local needs.

④ Expansion of related businesses

To enhance our corporate value on a sustainable basis, we have identified the expansion of related businesses—in addition to strengthening the profitability of our existing stores—as a key growth strategy, and we are promoting the following initiatives.

1) Strengthening collaboration with the Delicatessen business

We are further strengthening our collaboration to maximize synergies with our domestic Conveyor-belt Sushi business and driving the expansion of the Delicatessen business. By featuring Delicatessen desserts in campaigns and other promotions at our domestic Conveyor-belt Sushi stores, we aim to boost revenue for the Delicatessen business and increase customer traffic for the Conveyor-belt Sushi business.

In addition, we are working to develop new market demand through initiatives such as the development of frozen boxed lunches and health-conscious products, while continuing to make proposals to industries with which we have not previously done business, thereby striving to expand our business scope.

2) Overseas business

In our Conveyor-belt Sushi business in South Korea, we are working to enhance our revenue model through pricing adjustments and the optimization of various costs in response to rising raw material prices, with the aim of establishing a stable profit structure.

In our Conveyor-belt Sushi business in Indonesia, various marketing initiatives have proven effective, and revenue is growing steadily. During the current consolidated fiscal year, we renovated one store and opened two new stores, driving investment toward further growth.

Furthermore, we plan to further expand our overseas Conveyor-belt Sushi business by continuing to research potential third target countries for overseas expansion and strengthening relationships with local partners and real estate developers.

As a result, revenue from the Conveyor-belt Sushi business totaled 59,245 million yen (down 0.5% year-on-year), and segment profit was 515 million yen (down 63.1% year-on-year).

< Delicatessen business >

In the Delicatessen business, we steadily passed on the cost increases resulting from the sharp rise in rice prices, thereby stabilizing our profit and loss structure.

Although the sharp rise in rice prices temporarily affected sales of rice-based products, sales rebounded in the second half of the fiscal year, and the recovery trend has become increasingly clear. Furthermore, by shifting the focus of our sales strategy to prepared bread and room-temperature bread and implementing aggressive promotional campaigns, revenue in both categories has grown significantly.

In our dessert business, revenue exceeded that of the previous fiscal year due to the acquisition of new clients as well as increased demand from existing clients and for products within the Group, further strengthening our growth momentum. On the production side, ongoing enhancement activities aimed at increasing productivity have yielded steady results, contributing to enhanced manufacturing efficiency and cost control.

Going forward, we will continue to promote product development that accurately captures market needs while ensuring profitability, and we will work to strengthen the foundation for stable and sustainable growth.

As a result, the Delicatessen business posted revenue of 13,948 million yen (up 2.2% year-on-year) and a segment loss of 46 million yen (compared to a segment loss of 26 million yen in the same period of the previous year).

(2) Financial position

(Assets)

Total assets at the end of the current consolidated fiscal year amounted to 28,987 million yen, a decrease of 2,085 million yen compared to the end of the previous consolidated fiscal year. This was primarily due to a decrease of 1,906 million yen in cash and deposits, a decrease of 143 million yen in accounts receivable, an increase of 225 million yen in tools, furniture, and fixtures, and a decrease of 112 million yen in security and guarantee deposits.

(Liabilities)

Total liabilities at the end of the current consolidated fiscal year amounted to 18,743 million yen, a decrease of 1,439 million yen compared to the end of the previous consolidated fiscal year. This was primarily due to a 60 million yen increase in accrued expenses, a 690 million yen decrease in long-term borrowings and long-term borrowings due within one year, a 100 million yen decrease in bonds due within one year, and a 911 million yen decrease in accounts payable-other and long-term accounts payable-other.

(Net assets)

Net assets at the end of the current consolidated fiscal year amounted to 10,244 million yen, a decrease of 645 million yen compared to the end of the previous consolidated fiscal year. This decrease was primarily due to a reduction in retained earnings resulting from dividend payments of 246 million yen and a loss attributable to owners of parent of 394 million yen.

(3) Cash flows

Cash and cash equivalents (hereinafter referred to as “funds”) at the end of the current consolidated fiscal year increased by 2,527 million yen due to cash flows from operating activities, decreased by 2,128 million yen due to cash flows from investing activities, and a decrease of 2,293 million yen from cash flows from financing activities. As a result, funds decreased by 1,906 million yen from the end of the previous consolidated fiscal year, totaling 6,034 million yen (compared to 7,940 million yen at the end of the previous consolidated fiscal year).

(Cash flows from operating activities)

Net cash provided by operating activities amounted to 2,527 million yen. This was primarily attributable to loss before tax and other adjustments of 130 million yen, depreciation and amortization of 2,318 million yen, impairment losses of 715 million yen, an increase in accounts payable of 101 million yen, interest payments of 267 million yen, and income tax payments of 165 million yen.

(Cash flows from investing activities)

Net cash used in investing activities amounted to 2,128 million yen. This was primarily due to expenditures of 1,861 million yen for the acquisition of property, plant, and equipment, and expenditures of 263 million yen related to the acquisition of a business, among other factors.

(Cash flows from financing activities)

Net cash used in financing activities amounted to 2,293 million yen. This was primarily due to proceeds from long-term borrowings of 2,000 million yen, repayments of long-term borrowings of 2,690 million yen, redemption of bonds of 100 million yen, repayment of installment liabilities of 1,204 million yen, and dividend payments of 245 million yen.

(4) Future outlook

Through measures such as flexible pricing in response to rising prices and consumer trends, enhancing value through store renovations, increasing customer experience value through employee development, and opening new stores, our group's revenue maintained the same level as the previous fiscal year. However, in an environment of persistent inflation and stagnant real wages, we anticipate that consumers will become even more selective about their dining-out expenditures, and the business environment is expected to remain challenging.

Globally, concerns persist that prices for raw materials, energy, and logistics costs will remain elevated due to a combination of factors, including rising oil prices driven by tensions in the Middle East, monetary policy trends in major economies, exchange rate fluctuations, and geopolitical risks. As a result, the outlook is expected to remain uncertain.

In our domestic Conveyor-belt Sushi business, we will focus on investing in human capital and work to continuously increase our NPS® (Net Promoter Score) and employee engagement scores, while also strengthening the competitiveness of our stores by prioritizing enhancements in QSC (Quality, Service, and Cleanliness). At the same time, we will promote digital transformation (DX) and the use of AI to standardize store operations, aiming to expand revenue through stable growth in customer numbers. Furthermore, by promoting health-conscious management and enhancing tiered training programs, we will maximize the potential of each individual and strive to build an organizational structure that remains competitive over the long term.

With regard to our products, we will focus on enhancing customer satisfaction and expanding our loyal customer base by pursuing both price competitiveness and value appeal. We will also continue to refine our strategic products with the aim of building a revenue base that is resilient to changes in the business environment.

At the same time, as part of our customer acquisition efforts, we will expand our campaigns for app members and collaborations with characters popular among children, in addition to our mass media exposure, to encourage store visits. We will also proceed with a planned expansion of our store network.

In terms of costs, we will continue to make capital investments that contribute to increased productivity, while also working to enhance ingredient yield through improvements in cutting techniques and other measures. Furthermore, by fully leveraging the synergies of the COLOWIDE Group and promoting menu development and joint procurement through collaboration across Group formats, we will mitigate the impact of rising raw material prices. At the same time, we will advance our SDGs initiatives by reducing food waste, thereby achieving comprehensive cost control.

Regarding our overseas Conveyor-belt Sushi business, we will proceed with opening stores in South Korea through reforms to our revenue model, while in Indonesia we will continue our opening store expansion strategy focused on commercial facilities to strengthen our revenue base for future growth. Additionally, we will expand into third-party foreign markets to establish new revenue streams.

Based on the initiatives outlined above, our consolidated earnings forecast for the fiscal year ending March 2027 is as follows: revenue of 79,840 million yen, operating profit of 1,366 million yen, ordinary profit of 1,387 million yen, and profit attributable to owners of parent of 936 million yen.

Furthermore, to achieve long-term sustainable growth, we continue to prioritize our ESG (Environmental, Social, and Governance) initiatives.

In the area of environment, in addition to initiatives to reduce our environmental impact—such as improving delivery efficiency and expanding the introduction of energy-saving equipment—we are promoting efforts to provide sustainable food, including participating in “Too Good To Go Japan” with the aim of reducing food waste.

In the area of society, as part of our investment in human capital, we have promoted health management and have newly obtained certification as a “KENKO Investment for Health 2026” (Large Corporation Category) and the “YOKOHAMA HEALTH AND PRODUCTIVITY 2026” (Class AA). Additionally, we are working to promote employee health through the use of “Smart One Health for Business.” Furthermore, as part of our efforts to develop the next generation and contribute to the local community, we are conducting activities to convey the appeal of food and careers through initiatives such as hosting school visits and being featured in career guidebooks for junior high school students in Nagano-ken, where the company was founded. We will continue to deepen our ties with the local community and contribute to the revitalization of the regional economy. Furthermore, by continuing our efforts to promote the appointment of female managers, hire foreign nationals, and expand the use of flexible work arrangements, and by advancing DEI (Diversity, Equity, and Inclusion), we aim to address labor shortages and revitalize our organization.

In terms of governance, we regard enhancing the effectiveness of the Board of Directors as a key priority. We strive to maintain and increase the proportion of outside directors, and through the operation of various committees related to nominations and remuneration, we endeavor to ensure management transparency and objectivity. Furthermore, we will continue to strengthen our risk management and compliance frameworks, enhance the effectiveness of our internal controls, and ensure strict compliance with laws and regulations as well as the proper execution of business operations. Through these initiatives, we aim to

further strengthen the soundness of our management and our oversight functions.

Through these initiatives, we will make it a key priority of our management to evolve into a corporate structure capable of flexibly adapting to changes in the external environment while achieving sustainable growth in corporate value.

2. Basic principles on the selection of accounting standards

Taking into account the comparability of our consolidated financial statements over time and across companies, our group intends to continue preparing its consolidated financial statements in accordance with Japanese accounting standards for the time being.

Furthermore, regarding the adoption of International Financial Reporting Standards (IFRS), we intend to respond appropriately after taking into account domestic and international conditions.

3. Consolidated financial statements and notes

(1) Consolidated balance sheet

(Millions of yen)

	As of March 31, 2025	As of March 31, 2026
Assets		
Current assets		
Cash and deposits	7,940	6,034
Accounts receivable	3,581	3,437
Goods and products	449	369
Raw materials and supplies	434	464
Others	1,041	1,542
Allowance for doubtful accounts	(0)	(1)
Total current assets	13,445	11,846
Non-current assets		
Property, plant and equipment		
Buildings and structures	27,317	27,845
Machinery and vehicles	7,811	8,188
Tools, equipment and fixtures	9,707	9,932
Land	1,645	1,644
Lease assets	135	346
Construction in progress	29	93
Accumulated depreciation	(34,347)	(35,947)
Total property, plant and equipment	12,299	12,103
Intangible assets		
Software	97	51
Right to use facilities	1	2
Others	3	45
Total intangible assets	102	98
Investments and other assets		
Investment securities	861	871
Security and guarantee deposits	3,604	3,492
Deferred tax assets	586	489
Others	173	87
Allowance for doubtful accounts	(2)	(2)
Total investments and other assets	5,224	4,938
Total non-current assets	17,626	17,140
Deferred assets		
Bond issuance costs	0	—
Total deferred assets	0	—
Total assets	31,072	28,987

(Millions of yen)

	As of March 31, 2025	As of March 31, 2026
Liabilities		
Current liabilities		
Accounts payable	3,734	3,835
Long-term borrowings due within one year	2,490	2,500
Bonds due within one year	100	—
Accounts payable - other	2,543	2,202
Accrued expenses	1,610	1,671
Lease liabilities	2	39
Income taxes payable	181	177
Provision for bonuses	87	91
Provision for sales promotion expenses	138	137
Others	765	657
Total current liabilities	11,655	11,311

Non-current liabilities		
Long-term borrowings	4,650	3,950
Long-term accounts payable - other	2,014	1,444
Retirement benefit liabilities	75	75
Lease liabilities	5	127
Asset retirement obligations	1,677	1,731
Others	104	102
Total non-current liabilities	8,527	7,432
Total liabilities	20,182	18,743
Net assets		
Shareholders' equity		
Share capital	100	100
Capital surplus	8,591	8,593
Retained earnings	2,211	1,570
Treasury shares	(55)	(52)
Total shareholders' equity	10,846	10,211
Accumulated other comprehensive income		
Unrealized gain on other securities	1	8
Deferred gains (losses) on hedges	(11)	(14)
Currency translation adjustment accounts	10	4
Total accumulated other comprehensive income	0	(1)
Non-controlling interests	42	33
Total net assets	10,889	10,244
Total liabilities and net assets	31,072	28,987

(2) Consolidated statement of income and consolidated statement of comprehensive income
(Consolidated statement of income)

(Millions of yen)

	Previous consolidated fiscal year ended March 31, 2025	Current consolidated fiscal year ended March 31, 2026
Revenue	73,208	73,193
Cost of sales	34,951	35,412
Gross profit	38,256	37,780
Selling, general and administrative expenses		
Salaries and allowances	16,237	16,425
Provision for bonuses	161	166
Retirement benefit expenses	83	108
Rent	4,522	4,697
Provision for sales promotion expenses	333	330
Others	15,485	15,520
Total selling, general and administrative expenses	36,822	37,248
Operating profit	1,433	532
Non-operating income		
Interest income	18	17
Dividend income	75	85
Rental revenue	207	205
Vending machines revenue	27	23
Sponsorship income	23	20
Foreign exchange gains	—	11
Gain on reversal of provision for losses on store closings	13	—
Miscellaneous income	57	58
Total non-operating income	423	423
Non-operating expenses		
Interest expenses	200	199
Interest expenses on bonds	3	0
Cost of rental revenue	150	146
Foreign exchange losses	12	—
Miscellaneous losses	23	16
Total non-operating expenses	390	363
Ordinary profit	1,467	592
Extraordinary profit		
Gain on sale of non-current assets	1	—
Others	9	—
Total extraordinary profit	11	—
Extraordinary losses		
Loss on disposal of non-current assets	14	6
Impairment losses	273	715
Litigation-related losses	30	—
Total extraordinary losses	317	722
Profit (loss) before taxes and other adjustments	1,161	(130)
Income taxes - current	181	178
Income taxes - deferred	(18)	94
Total income taxes	162	273
Profit (loss)	998	(403)
Loss attributable to non-controlling interests	(34)	(9)
Profit (loss) attributable to owners of parent	1,032	(394)

(Consolidated statement of comprehensive income)

(Millions of yen)

	Previous consolidated fiscal year ended March 31, 2025	Current consolidated fiscal year ended March 31, 2026
Profit (loss)	998	(403)
Other comprehensive income		
Unrealized gain on other securities	0	6
Deferred gains (losses) on hedges	8	(2)
Currency translation adjustment accounts	10	(5)
Total other comprehensive income	19	(2)
Comprehensive income (loss)	1,018	(405)
Comprehensive income attributable to		
Comprehensive income (loss) attributable to owners of parent	1,052	(397)
Comprehensive income (loss) attributable to non-controlling interests	(34)	(8)

(3) Consolidated statement of changes in net assets

Previous consolidated fiscal year (From April 1, 2024 to March 31, 2025)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	100	8,585	1,425	(60)	10,050
Changes during period					
Deficit disposition			(246)		(246)
Disposal of treasury shares		5		4	10
Loss attributable to owners of parent			1,032		1,032
Net changes in items other than shareholders' equity					
Total changes during period	—	5	785	4	796
Balance at end of period	100	8,591	2,211	(55)	10,846

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Unrealized gain on other securities	Deferred gains (losses) on hedges	Currency translation adjustment	Total accumulated other comprehensive income		
Balance at beginning of period	1	(20)	-	(18)	76	10,108
Changes during period						
Deficit disposition						(246)
Disposal of treasury shares						10
Loss attributable to owners of parent						1,032
Net changes in items other than shareholders' equity	0	8	10	19	(34)	(14)
Total changes during period	0	8	10	19	(34)	781
Balance at end of period	1	(11)	10	0	42	10,889

Current consolidated fiscal year (From April 1, 2025 to March 31, 2026)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	100	8,591	2,211	(55)	10,846
Changes during period					
Deficit disposition			(246)		(246)
Disposal of treasury shares		2		3	5
Loss attributable to owners of parent			(394)		(394)
Net changes in items other than shareholders' equity					
Total changes during period	—	2	(640)	3	(635)
Balance at end of period	100	8,593	1,570	(52)	10,211

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Unrealized gain on other securities	Deferred gains (losses) on hedges	Currency translation adjustment	Total accumulated other comprehensive income		
Balance at beginning of period	1	(11)	10	0	42	10,889
Changes during period						
Deficit disposition						(246)
Disposal of treasury shares						5
Loss attributable to owners of parent						(394)
Net changes in items other than shareholders' equity	6	(2)	(5)	(2)	(8)	(10)
Total changes during period	6	(2)	(5)	(2)	(8)	(645)
Balance at end of period	8	(14)	4	(1)	33	10,244

(4) Consolidated statement of cash flows

(Millions of yen)

	Previous consolidated fiscal year ended March 31, 2025	Current consolidated fiscal year ended March 31, 2026
Cash flows from operating activities		
Profit (loss) before income taxes and other adjustments	1,161	(130)
Depreciation	2,271	2,318
Impairment losses	273	715
Amortization of goodwill	—	10
Increase (decrease) in provision for bonuses	(15)	3
Increase (decrease) in provision for loss on store closings	(31)	—
Interest and dividend income	(94)	(103)
Interest expenses on borrowings and bonds	203	199
Loss on disposal of non-current assets	14	6
Loss (gain) on sale of non-current assets	(1)	—
Other extraordinary loss (income)	(9)	—
Decrease (increase) in accounts receivables	20	143
Decrease (increase) in inventories	(117)	60
Increase (decrease) in accounts payables	428	101
Increase (decrease) in accounts payable - other	162	(282)
Increase (decrease) in accrued expenses	6	111
Increase (decrease) in accrued consumption taxes	(142)	(110)
Others	14	(202)
Subtotal	4,142	2,842
Interest and dividend received	94	103
Interest paid	(231)	(251)
Refund (payment) in income taxes, etc.	(172)	(165)
Cash flows from operating activities	3,833	2,527
Cash flows from investing activities		
Expenditures for acquisition of property, plant and equipment	(1,661)	(1,861)
Proceeds from sale of property, plant and equipment	1	—
Expenditures for acquisition of intangible assets	(18)	(3)
Expenditures for security and guarantee deposits	(105)	(90)
Proceeds from collection of security and guarantee deposits	37	89
Expenditures for acquisition of shares of subsidiaries	42	—
Decrease (increase) in short-term lending	(163)	—
Payments for acquisition of businesses	—	(263)
Others	(68)	0
Cash flows from investing activities	(1,935)	(2,128)
Cash flows from financing activities		
Expenditures for repayments of long-term borrowings	(2,230)	(2,690)
Proceeds from long-term borrowings	2,500	2,000
Payment of dividends	(245)	(245)
Expenditures for repayment of finance lease liabilities	(3)	(52)
Expenditures for redemption of bonds	(490)	(100)
Expenditures for repayment of installment payables	(1,441)	(1,204)
Cash flows from financing activities	(1,910)	(2,293)
Effect of exchange rate changes on cash and cash equivalents	16	(12)
Net increase (decrease) in cash and cash equivalents	3	(1,906)
Cash and cash equivalents at beginning of period	7,937	7,940
Cash and cash equivalents at end of period	7,940	6,034

(5) Notes on consolidated financial statements

(Notes on going concern assumption)

Not applicable.

(Notes on segment information)

【Segment information】

1 . Overview of reportable segments

The reportable segments of our group are the constituent units of our group for which separate financial information is available and which are subject to periodic review by the board of directors for the purpose of determining the allocation of management resources and evaluating performance.

The group has two reportable segments: “Conveyor-belt Sushi business” and “Delicatessen business,” based on the products and services provided.

The “Conveyor-belt Sushi business” operates the Conveyor-belt Sushi chain “Kappa Sushi.” The “Delicatessen business” primarily manufactures and sells sushi and prepared bread products for convenience stores and supermarkets in the Honshu and Kyushu regions.

2 . Methods for calculating the amounts of revenue, profit or loss, assets, liabilities, and other items for each reportable segment

The accounting methods for the reported business segments are the same as those used to prepare the consolidated financial statements.

Reportable segment profits are based on operating profit.

Internal revenue and transfers between segments are based on prevailing market prices.

3 . Information on the amounts of revenue, profit or loss, assets, liabilities and other items by reportable segments.

Previous consolidated fiscal year (From April 1, 2024 to March 31, 2025)

(Millions of yen)

	Conveyor-belt Sushi business	Delicatessen business	Total
Revenue			
External revenue	59,562	13,646	73,208
Internal revenue and transfers between segments	—	350	350
Total	59,562	13,997	73,559
Segment profit (loss)	1,395	(26)	1,369
Segment assets	28,891	3,081	31,972
Other items			
Depreciation	2,182	89	2,271
Increase in property, plant and equipment and intangible assets	2,668	158	2,826

Current consolidated fiscal year (From April 1, 2025 to March 31, 2026)

(Millions of yen)

	Conveyor-belt Sushi business	Delicatessen business	Total
Revenue			
External revenue	59,245	13,948	73,193
Internal revenue and transfers between segments	—	393	393
Total	59,245	14,341	73,586
Segment profit (loss)	515	(46)	468
Segment assets	26,720	3,067	29,787

Other items			
Depreciation	2,242	75	2,318
Increase in property, plant and equipment and intangible assets	2,679	149	2,828

4. Difference between the total amount reported by reportable segments and the amount recorded in the consolidated financial statements, and the main details of such difference (matters related to difference adjustments)

(Unit : Millions of yen)

Revenue	Previous consolidated fiscal year	Current consolidated fiscal year
Reportable segments total	73,559	73,586
Elimination between segments	(350)	(393)
Revenue recorded on consolidated financial statements	73,208	73,193

(Unit : Millions of yen)

Operating profit	Previous consolidated fiscal year	Current consolidated fiscal year
Reportable segments total	1,369	468
Elimination between segments	64	64
Operating profit recorded on consolidated financial statements	1,433	532

(Unit : Millions of yen)

Assets	Previous consolidated financial statements	Current consolidated fiscal year
Reportable segments total	31,972	29,787
Elimination of assets and liabilities between segments	(900)	(800)
Total assets recorded on consolidated financial statements	31,072	28,987

(Unit : Millions of yen)

Other items	Reportable segments total		Adjustments		Amounts recorded on consolidated financial statements	
	Previous consolidated fiscal year	Current consolidated fiscal year	Previous consolidated fiscal year	Current consolidated fiscal year	Previous consolidated fiscal year	Current consolidated fiscal year
Depreciation expenses	2,271	2,318	—	—	2,271	2,318
Increase in property, plant and equipment and intangible assets	2,826	2,828	—	—	2,826	2,828

【Related information】

Previous consolidated fiscal year (From April 1, 2024 to March 31, 2025)

1. Information by product and service

Similar information is disclosed in the segment information, so it is omitted here.

2. Information by region

(1) Revenue

As revenue to external customers in Japan exceeds 90% of the revenue on the consolidated statements of income, this information has been omitted.

(2) Property, plant and equipment

Description is omitted since the amount of property, plant and equipment located in Japan exceeds 90% of property, plant and equipment shown on the consolidated balance sheet.

3. Information for each major customer

Revenue to external customers is omitted as there are no customers that account for 10% or more of revenue in the consolidated statements of income.

Current consolidated fiscal year (From April 1, 2025 to March 31, 2026)

1. Information by product and service

Similar information is disclosed in the segment information, so it is omitted here.

2. Information by region

(1) Revenue

As revenue to external customers in Japan exceeds 90% of the revenue on the consolidated statements of income, this information has been omitted.

(2) Property, plant and equipment

Description is omitted since the amount of property, plant and equipment located in Japan exceeds 90% of property, plant and equipment shown on the consolidated balance sheet.

3. Information for each major customer

Revenue to external customers is omitted as there are no customers that account for 10% or more of revenue in the consolidated statements of income.

【Information on impairment losses on non-current assets by reportable segments】

Previous consolidated fiscal year (From April 1, 2024 to March 31, 2025)

Impairment losses were recognized in the "Conveyor-belt Sushi business" and the "Delicatessen business." The amounts of the impairment losses recorded for this consolidated fiscal year were 106 million yen for the "Conveyor-belt Sushi business" and 167 million yen for the "Delicatessen business."

Current consolidated fiscal year (From April 1, 2025 to March 31, 2026)

Impairment losses were recognized in the "Conveyor-belt Sushi business" and the "Delicatessen business." The amounts of the impairment losses recorded for this consolidated fiscal year were 713 million yen for the "Conveyor-belt Sushi business" and 2 million yen for the "Delicatessen business."

【Information regarding amortization and unamortized balance of goodwill by reportable segments】

Previous consolidated fiscal year (From April 1, 2024 to March 31, 2025)

Not applicable.

Current consolidated fiscal year (April 1, 2025 to March 31, 2026)

Amortization of goodwill amounted to 10 million yen, and the unamortized balance was 43 million yen.

【Information on negative goodwill gain by reportable segments】

Previous consolidated fiscal year (From April 1, 2024 to March 31, 2025)

In the Conveyor-belt Sushi Business, we acquired the shares of KAPPA-CREATE KOREA CO., LTD. effective October 1,

2024, and made it a subsidiary. As a result, we have recognized negative goodwill gain of 9 million yen in this consolidated fiscal year.

Current consolidated fiscal year (April 1, 2025 to March 31, 2026)

Not applicable.

(Information on per share)

	Previous consolidated fiscal year (From April 1, 2024 to March 31, 2025)	Current consolidated fiscal year (From April 1, 2025 to March 31, 2026)
Net assets per share	219.66 Yen	206.88 Yen
Basic earnings (losses) per share	20.77 Yen	(7.99) Yen

(Note) 1. The basis for calculating basic earnings per share is as follows.

	Previous consolidated fiscal year (From April 1, 2024 to March 31, 2025)	Current consolidated fiscal year (From April 1, 2025 to March 31, 2026)
Basic earnings (losses) per share		
Profit (loss) attributable to owners of parent (Million yen)	1,032	(394)
Amounts not attributable to owners of common shareholders (Million yen)	—	—
Profit (loss) attributable to owners of parent relating to common shares (Million yen)	1,032	(394)
Average number of shares during the period (Thousand shares)	49,346	49,351

2. Diluted earnings per share is not stated as there are no dilutive shares.

3. For the purposes of calculating basic earnings per share, the average number of treasury shares deducted during the period was 67,000 shares for the previous consolidated fiscal year and 63,000 shares for the current consolidated fiscal year. For the purposes of calculating net assets per shares, the average number of treasury shares deducted at the end of the period was 65,000 shares for the previous consolidated fiscal year and 62,000 shares for the current consolidated fiscal year.

(Significant subsequent events)

Not applicable.

(Contingent Liabilities)

(Litigation, etc.)

A lawsuit was filed against us by Hama Sushi Co., Ltd. on December 27, 2023 in the Tokyo District Court 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 the current consolidated financial statements.