

The Matters for electronic provision at the Convocation of the 48th Annual General Meeting of Shareholders

- Business Report
 - “Employees”
 - “Principal lenders”
 - “The company Directors (Matters on Outside Directors)”
 - “The Accounting auditors”
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The 48th Fiscal Year
(From April 1, 2025 to March 31, 2026)
KAPPA-CREATE CO., LTD.

The above items are omitted from the documents (written statements of the matters for electronic provision) delivered to shareholders who have requested the delivery of documents in accordance with the provisions of laws and regulations and the company's Articles of Incorporation.
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1 . The corporate group

(1) Employees (As of March 31, 2026)

① Employees of the corporate group

Number of employees	YoY
801 persons	+14 persons

(Note) The average number of part-time and temporary staff during the period was 6,199 (calculated as 8 hours per person per day), and this is not included in the number of employees listed above.

② Employees of the company

Number of employees	Average age	Average length of employment
648 persons	39.8 years old	14.5 years

(Note) The number of seconded, commissioned employees, part-time and temporary staff is not included in the number of employees listed above.

(2) Principal lenders (As of March 31, 2026)

Lender	Amount borrowed
Sumitomo Mitsui Bank, Ltd.	3,225 Million yen
Mizuho bank, Ltd.	3,225 Million yen

2 .Status of the company

(1)The company Directors (Matters on Outside Directors)

- ① Status of concurrent positions with other corporations, etc. and relationship between the company and said other corporations, etc.
 - Director (Audit and Supervisory Committee Member) Takuya Koumoto is a full-time corporate auditor of ASAHI BREWERIES, LTD. The company purchases beer from ASAHI BREWERIES, LTD.
 - Director (Audit and Supervisory Committee Member) Asako Saimon is President and Representative Director of Classe de Classe Co., Ltd. There is no special relationship between the company and the entity in which the Director holds a concurrent position.

- Director (Audit and Supervisory Committee Member) Keiko Kimura is an executive officer and head of the Corporate Planning Division at Monicure Co., Ltd. There is no special relationship between our company and her place of concurrent employment.
- Director (Audit and Supervisory Committee Member) Mari Nakanishi is the representative of Nakanishi Mari Certified Public Accountants, Representative Partner of Akahoshi Audit Corporation, Supervisory Director of Shimizu Construction Private REIT Investment Corporation, Outside corporate auditor of ERI Holdings Co., Ltd. and Corporate auditor of Nippon ERI Co., Ltd. There are no special relationships between the Company and the entities where she holds concurrent positions.

② Main activities during the current fiscal year

	Attendance, speaking situation, and summary of duties performed regarding the role expected for outside directors
Director Takuya Koumoto	As a Director, he attended all 14 Board of Directors meetings held during the current fiscal year. Furthermore, as a Director who is a member of Audit and Supervisory Committee, he attended all three Audit and Supervisory Committee meetings held during the current fiscal year through June 20, 2025. Leveraging his extensive experience and expertise in marketing related to the food and restaurant industries, he provides supervision and advice from a specialized perspective, particularly in the field of marketing. He offers insights from an objective and neutral standpoint to ensure the soundness and appropriateness of decision-making.
Director (Audit and Supervisory Committee Member) Asako Saimon	As a Director who is a member of Audit and Supervisory Committee, she attended all 14 Board of Directors meetings and all 13 Audit and Supervisory Committee meetings held during the current fiscal year. Drawing on her extensive experience and expertise in corporate management, she provides oversight and advice on general management matters from a professional perspective. She also offers comments from an objective and neutral standpoint to ensure the soundness and appropriateness of decision-making.
Director (Audit and Supervisory Committee Member) Keiko Kimura	As a Director who is a member of Audit and Supervisory Committee, she attended all 14 Board of Directors meetings and all 13 Audit and Supervisory Committee meetings held during the current fiscal year. Leveraging her extensive experience and expertise in financial analysis, corporate valuation, and digital marketing, she provides oversight and advice from a professional perspective—particularly in the areas of finance and accounting—and offers insights from an objective and neutral standpoint to ensure the soundness and appropriateness of decision-making.

Director (Audit and Supervisory Committee Member) Mari Nakanishi	As a Director who is a member of Audit and Supervisory Committee, she attended all 14 Board of Directors meetings and all 13 Audit and Supervisory Committee meetings held during the current fiscal year. Leveraging her extensive experience and expertise in finance, accounting, and taxation as a Certified Public Accountant and Certified Tax Accountant, she provides oversight and advice from a professional perspective in the areas of finance and accounting. She also offers input from an objective and neutral standpoint to ensure the soundness and appropriateness of decision-making.
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(Note) In addition to the Board of Directors meetings listed above, there were eight instances of written resolutions deemed to have been adopted by the Board of Directors pursuant to Article 370 of the Companies Act and Article 29 of the Company's Articles of Incorporation.

(2)The Accounting auditors

①Name Deloitte Touche Tohmatsu LLC.

②Amount of remuneration, etc.

	Amount paid
Amount of remuneration, etc. for the accounting auditor for the current fiscal year	63 million yen
Total amount of money and other financial benefits payable by our company and its subsidiaries	63 million yen

- (Notes)
1. In the audit contract between our company and the accounting auditor, the amounts of audit fees for audits based on the Companies Act and audits based on the Financial Instruments and Exchange Act are not clearly separated, and in practice they cannot be separated, so the amount of remuneration, etc. for the accounting auditor for the current fiscal year is the total of these amounts.
 2. The Audit and Supervisory Committee conducted the necessary verification to determine whether the content of the audit plan, the status of the performance of the duties of the accounting auditor, and the basis for calculating the estimated remuneration, etc., were appropriate, and then made a decision to agree on the amount of remuneration, etc., for the accounting auditor.
 3. In addition to the above in the current fiscal year, the company paid an additional 9 million yen in remuneration to the accounting auditor, Deloitte Touche Tohmatsu LLC, for auditing in the previous fiscal year.

③Non-audit services

Not applicable.

④Policy on the dismissal or non-reappointment of the accounting auditor

If the audit and supervisory committee determines that there is a need for it, such as when there is an obstacle to the execution of the duties of the accounting auditor, it will decide the content of the proposal to be submitted to the General Meeting of Shareholders regarding the dismissal or non-reappointment of the accounting auditor.

In addition, if the audit and supervisory committee determines that the accounting auditor falls under any of the items set forth in Article 340, Paragraph 1 of the Companies Act, it shall dismiss the accounting auditor with the consent of all audit and supervisory committee members. In this case, an audit and supervisory committee member selected by the audit and supervisory committee shall report at the first General Meeting of Shareholders following the dismissal that the

accounting auditor has been dismissed and the reasons for the dismissal.

⑤Outline of the contents of limited liability agreement

The company and the accounting auditor, Deloitte Touche Tohmatsu LLC, have entered into a contract that limits liability for damages under Article 423, Paragraph 1 of the Companies Act in cases where the requirements stipulated by law are met.

The maximum amount of liability under the contract is 50 million yen or the minimum amount of liability stipulated in Article 425, Paragraph 1 of the Companies Act, whichever is higher.

(3) System to ensure the appropriateness of business activities

The following is an outline of the decisions made regarding system to ensure that the execution of duties by directors complies with laws and regulations and the Articles of Incorporation, and other systems to ensure the appropriateness of business activities.

① System to ensure that the execution of duties by directors complies with laws and regulations and the Articles of Incorporation

- A. In order to ensure that the execution of duties by officers and employees complies with laws and regulations and the Articles of Incorporation, and fulfills social responsibilities, we have established a compliance policy and ensure that all officers and employees are aware of it.
- B. The Compliance Committee chaired by Chief of Corporate Strategy Department has been established to regularly examine matters related to compliance at the company and consider countermeasures, as well as to report to the representative director and the audit and supervisory committee in a timely manner.
- C. We have introduced an internal reporting system as a system to prevent violations of laws and regulations, and the Articles of Incorporation.

② System for the storage and management of information related to the execution of duties by directors

- A. Documents and other information related to the execution of duties shall be properly created, stored, or disposed of in accordance with the provisions of the document management rules and personal information rules, and management shall be implemented, and the status of management shall be verified and the rules shall be reviewed as necessary.
- B. Directors and audit and supervisory committee members can inspect these documents.
- C. The directors shall establish a department that is in charge of the timely disclosure of important information and other disclosures, and shall collect information that should be disclosed in a timely and comprehensive manner, and shall disclose it appropriately in accordance with the law.

③ Rules and other systems for managing the risk of loss

- A. The Internal Audit Office, which reports directly to the president and representative director, regularly reviews the items and methods of operational audits, checks whether there are any omissions in the items audited, and revises the auditing methods.
 - B. In the event that the Internal Audit Office discovers any business practices that are in violation of laws and regulations, or the Articles of Incorporation, or that are otherwise risky, a reporting system will be established to immediately notify the Risk Management Committee and the relevant department of the details of the risk discovered and the extent of the losses it may cause.
 - C. In order to facilitate the Internal Audit Office's information gathering, we will make sure that all employees are aware of the significance of the Internal Audit Office's existence, and we will instruct them to report any risks of loss to the Internal Audit Office immediately if they discover them.
 - D. The Risk Management Committee, chaired by the representative director, has been established, and the committee receives regular reports from each department on the status of risks related to their operations, and considers and responds to these as appropriate.
 - E. The Risk Management Committee is responsible for developing crisis management regulations and checking their implementation status.
 - F. The board of directors shall identify and review risks related to business execution each year, as well as review the risk management system.
- ④ System to ensure that the execution of duties by directors is carried out efficiently
- A. In order to introduce an executive officer system and establish a system that allows directors to perform their duties efficiently, based on the responsibilities, authority and decision-making rules stipulated in the internal rules, we will work to speed up the decision-making process by simplifying the decision-making process, etc., and for important matters, we will establish a management committee to make careful decisions through a system of collective deliberation.
 - B. The company will set out a medium-term management plan to clarify the goals to be achieved, and the directors will formulate an annual budget and medium-term plan, and report on the progress made each month at board of director meetings.

- ⑤ System to ensure that the execution of duties by employees complies with laws and regulations and the Articles of Incorporation

In order to ensure that employees comply with laws and regulations, and the Articles of Incorporation, the Compliance Committee has been established, and an internal reporting system based on the Whistleblower Regulations has been established as a reporting system for cases where employees discover violations of laws and regulations, and the Articles of Incorporation, etc.

- ⑥ System to ensure the appropriateness of business activities within the corporate group consisting of our company and its subsidiaries

- A. Our company will establish, maintain and operate a group-wide management system for “System to ensure that the execution of duties by directors complies with laws and regulations and the Articles of Incorporation”, “System for the storage and management of information related to the execution of duties by directors”, “Regulations and other systems for the management of risk of loss”, “System to ensure that the execution of duties by directors is carried out efficiently”, and “System to ensure that the execution of duties by employees complies with laws and regulations and the Articles of Incorporation”.
- B. The appropriateness of the business activities of our company and its subsidiaries is managed in accordance with the Affiliate Company Management Regulations. These regulations manage ① approval of business, ② submission of reports on business, and ③ maintenance of communication in management.
- C. In the event that the Internal Audit Office in our company becomes aware of a risk of loss at a subsidiary etc., it will immediately report the details of the risk of loss identified, the extent of the loss that may occur, and the impact on the company to the board of directors and the relevant department in our company.
- D. In order to prevent inappropriate transactions or accounting practices with subsidiaries, etc., the Internal Audit Office of our company will exchange sufficient information with the Internal Audit Office or equivalent department of the subsidiary, etc.

- ⑦ Matters concerning employees in cases where the audit and supervisory committee

requests that employees be assigned to assist with their duties

If the audit and supervisory committee requests that employees be assigned to assist with their duties, we will assign such employees by a resolution of board of directors. The number of employees to be assigned and the qualifications required will be discussed with the audit and supervisory committee, and personnel deemed suitable will be assigned.

⑧ Matters concerning the independence of employees who should assist with the duties of the audit and supervisory committee from the directors

The consent of the audit and supervisory committee is required for personnel matters (recruitment, transfer, promotion, demotion, compensation, punishment, etc.) of employees who should assist the audit and supervisory committee with its duties, and the audit and supervisory committee conducts interviews and performance evaluations of the staff of employees.

⑨ Matters concerning to ensure the effectiveness of instructions to employees assisting the audit and supervisory committee

- A. The assistant employees shall not receive any instructions or orders other than those from the audit and supervisory committee with regard to the duties instructed by the audit and supervisory committee.
- B. The assistant employees will accompany the audit and supervisory committee members and ensure that they have the opportunity to attend board of directors meetings and other important meetings.
- C. The assistant employees will accompany the audit and supervisory committee members and participate in regular meetings to exchange opinions with president and representative director and the accounting auditors.

⑩ Systems for reporting to the audit and supervisory committee by the company's directors and employees, and the directors and employees of subsidiaries, and other systems for reporting to the audit and supervisory committee

- A. Directors and employees of the company and its subsidiaries shall make the necessary reports in response to requests from each audit and supervisory committee member in accordance with the audit and supervisory committee

regulations established by the audit and supervisory committee.

B. The main items to be reported in the previous section are as follows.

- Status of activities of the department in charge of developing our internal control system
- Status of activities of corporate auditors and internal audit department of our company's subsidiaries
- Our company's important accounting policies, accounting standards, and changes to them
- Content of announcements of business results and earnings forecasts, and content of important disclosure documents
- Operation of the internal reporting system and the content of reports

⑪ System to ensure that those who report to the audit and supervisory committee are not treated disadvantageously on the ground of having made such reports

A. The audit and supervisory committee regulations shall clearly state that no person who has reported to the audit and supervisory committee shall be subject to any disadvantageous treatment by the company on the grounds of having made such reports.

B. Our company's whistleblowing regulations state that employees will not be subject to any disadvantageous treatment in their personnel evaluations or be subject to disciplinary action or other disadvantageous treatment as a result of reporting to the audit and supervisory committee or reporting to the internal reporting contact.

⑫ Matters concerning the policy for handling procedures for the prepayment or reimbursement of audit fees and other audit expenses

The company shall promptly pay expenses or liabilities that arise in the execution of duties of audit and supervisory committee members, such as the advance payment or reimbursement of expenses that reasonably arise in the execution of duties of audit and supervisory committee members, based on the request of audit and supervisory committee members.

⑬ Other systems to ensure that the audit by the audit and supervisory committee is conducted effectively

A. We will endeavor to deepen the understanding of officers and employees regarding audits by the audit and supervisory committee and to create an environment that facilitates audits by the audit and supervisory committee.

B. We will hold regular discussions with the representative director, and also work with the internal audit department to ensure appropriate communication and the effective execution of audit duties.

⑭ Basic policy and status of implementation for the elimination of antisocial forces

We have a policy of not engaging in any interaction or transactions with antisocial forces such as organized crime groups, or with individuals or groups connected to them, and of firmly refusing any demands from them. We will cooperate with external organizations such as the police, as well as related organizations and companies, to gather information and promote the development of internal systems to eliminate antisocial forces.

(4) Outline of the operating status of the system

① The results of internal audits conducted by the Internal Audit Office are regularly reported to the board of directors or at important internal meetings.

② We are working to raise awareness among our officers and employees by holding in-house training sessions on basic ideas such as compliance and risk management, as well as inviting lecturers from outside the company to hold seminars.

③ We are implementing measures such as conducting lectures on trade secrets for all officers and employees, and expanding the scope of persons required to sign confidentiality agreements.

④ The Internal Audit Office has evaluated the financial reports based on the Financial Instruments and Exchange Act, and has determined that there were no major violations during the current fiscal year and that the internal control system is being properly operated.

⑤ The officers and employees of our group have no relationship with antisocial forces or individuals or groups with connections to them, and we deal with them in a resolute manner.

(5) Basic policy on control of the company

Not applicable.

Notes to Consolidated Financial Statements

1. Notes on important matters that form the basis for the preparation of consolidated financial statements

(1) Items related to the scope of consolidation

- ① Number of consolidated subsidiaries 4 companies
- ② Name of principal subsidiaries Japan Fresh Co., Ltd.
KAPPA-CREATE KOREA CO., LTD.
PT. Kappa Create Indonesia
- ③ Non-consolidated subsidiaries None

(2) Items related to the application of the equity method

- ① There are no non-consolidated subsidiaries or affiliates to which the equity method is applied.
- ② There are no non-consolidated subsidiaries or affiliates to which the equity method is not applied.

(3) Items relating to the fiscal year, etc. of consolidated subsidiaries

Among the consolidated subsidiaries, KAPPA-CREATE KOREA CO., LTD. has a fiscal year-end of December 31. In preparing the consolidated financial statements, the financial statements as of the same date have been used, and necessary adjustments have been made for significant transactions that occurred between the consolidated fiscal year-end and the date of the consolidated financial statements. The fiscal year-ends of the other consolidated subsidiaries are the same as the consolidated fiscal year-end.

(4) Items related to Accounting Policies

① Valuation standards and methods for important assets

A. Securities

Other securities

Other than shares, etc. without a market price Market value method

(All valuation differences are processed using the direct capitalization method, and the cost of sales is calculated using the moving average method.)

Shares, etc. without a market price Cost method mainly using the moving average method

B. Inventories

Products/raw materials Cost method mainly using the monthly weighted average method

(Method of reducing book value due to a decline in profitability)

Products Cost method using the monthly average method

(Method of reducing book value due to a decline in profitability)

Supplies Cost method using the monthly average method

(Method of reducing book value due to a decline in profitability)

(However, some supplies, excluding those for stores, are valued at cost using the last purchase price method.)

② Depreciation method for important depreciable assets

A. Property, plant and equipment (excluding lease assets)

The straight-line method is used.

The main useful lives are as follows.

Buildings	1~38 years
Structures	2~27 years
Tools, equipment, and supplies	1~18 years

B. Intangible assets (excluding lease assets)

The straight-line method.

In addition, software (for in-house use) is amortized using the straight-line method based on the estimated useful life within the company (5 years).

C. Lease assets

Lease assets related to finance lease transactions other than those involving a transfer of ownership

The straight-line method is used, with the lease period as the useful life and a residual value of 0 yen.

③ Accounting standards for important provisions

A. Allowance for doubtful accounts

In order to prepare for losses due to bad debts, an estimated uncollectible amount is recorded for general claims based on the historical bad debt ratio, and for specified claims such as claims with default possibility, the estimated uncollectible amount is recorded by taking into account the possibility of collection on an individual basis.

B. Provision for bonuses

In order to prepare for the payment of employee bonuses, the amount of the bonus payment expected to be incurred in the current consolidated fiscal year is recorded.

C. Provision for sales promotion expenses

In order to prepare for the expenses that may arise from the use of shareholder benefit points in the future, an amount is recorded based on the actual rate of use of shareholder benefit points, and the amount expected to arise on or after the day following the end of the consolidated fiscal year is recorded.

④ Accounting standards for revenue and expenses

Our group provides services through the operation of restaurants such as Conveyor-belt Sushi restaurants, sells goods to customers of restaurants, and sells delicatessen products to retailers.

The revenue from providing services is providing food based on orders from customers at restaurants, and the performance obligation is satisfied at the point when the food is provided to the customer and the consideration is received, so the revenue is recognized at that point.

The revenue from the sale of goods is the sale of goods to customers at restaurants and the sale of delicatessen products to retailers, and as the performance obligation is satisfied at the point when the goods are delivered to the customer, so the revenue is recognized at that point.

In addition, the revenue from providing services related to the operation of restaurants such as Conveyor-belt Sushi is recognized at the amount after deducting the amounts of points for customer loyalty programs operated by other companies.

⑤ Significant hedge accounting methods

A. Hedge accounting methods

Deferred hedge accounting is adopted.

B. Hedging instruments and hedged items

The hedging instruments and hedged items to which hedge accounting is adopted are as follows.

Hedging instruments . . . Interest rate swap

Hedged items . . . Borrowings

C. Hedging policy

Based on internal regulations that stipulate authority regulations and transaction limits for derivative transactions, we hedge foreign exchange rate fluctuation risks and interest rate fluctuation risks related to hedged items within a certain range.

D. Methods for evaluating hedge effectiveness

We evaluate the effectiveness by comparing the cumulative market price fluctuations or cash flow fluctuations of the hedged item with the cumulative market price fluctuations or cash flow fluctuations of the hedging instrument, and by examining the ratio of the fluctuations.

⑥ Conversion of foreign currency denominated assets and liabilities into Japanese yen

Foreign currency-denominated monetary assets and liabilities are translated into yen at the spot exchange rate on the consolidated balance sheet date, and the translation differences are recognized as gains or losses. Additionally, the assets, liabilities, revenues, and expenses of overseas subsidiaries are translated into yen at the spot exchange rate on the balance sheet date, and the translation differences are included in the foreign currency translation adjustment account and non-controlling interest in net assets.

⑦ Other important items for the preparation of consolidated financial statements

Accounting method for deferred assets

Bond issuance costs are amortized over the bond redemption period on a straight-line basis.

2. Notes on accounting estimates

The following are items for which an amount was recorded in the consolidated financial statements for the current consolidated fiscal year based on accounting estimates, and which may have a significant impact on the consolidated financial statements for the following consolidated fiscal year.

In addition, the business plans of affiliated companies are based on the following assumptions and accounting estimates are made.

While a recovery in inbound demand and an improvement in the employment environment are anticipated, we expect the outlook to remain uncertain due to persistently high raw material and energy prices—driven by factors such as the escalating tensions in the Middle East—and the impact of rising inflation on consumer spending. In this environment, we anticipate that consumers will become more selective in their dining-out expenditures, leading to a shift toward consumption patterns that prioritize price and value.

In addition, in our Conveyor-belt Sushi business, we expect to secure stable customer numbers by

strengthening store competitiveness through enhanced QSC (Quality, Service, and Cleanliness) and standardizing operations through digital transformation (DX). In our Delicatessen business, we anticipate stabilizing our profit structure through the acquisition of new clients and price adjustments, as well as through rigorous cost management and productivity enhancements. As a result, we assume that revenue for the next consolidated fiscal year will exceed the previous year's results.

(1) Impairment losses on property, plant and equipment

The amount recorded on consolidated balance sheet

Property, plant and equipment 12,103 Million yen

Other information

When assessing the recoverability of non-current asset impairment, our group groups assets based on operating stores and factories as the minimum unit that generates cash flow. Among these, the company determines whether or not to recognize impairment losses for asset groups that show signs of impairment, and if it is determined that impairment losses should be recognized, the book value is reduced to the recoverable amount and impairment losses are recorded. The impairment losses recorded in the current period are stated in "9. Notes on Impairment Losses".

Although we carefully consider the identification of impairment indicators, the recognition and measurement of impairment losses, if the initially projected earnings are not achieved due to changes in business plans or market conditions, or if there are changes to important assumptions such as future cash flows, there is a possibility that the amount of property, plant and equipment will be significantly affected in the consolidated financial statements for the following consolidated fiscal year and thereafter.

(2) Recoverability of deferred tax assets

The amount recorded on consolidated balance sheet

Deferred tax assets 489 Million yen

Other information

The recognition of deferred tax assets is estimated based on the timing and amount of taxable income expected to arise in the future based on the business plan. This estimate may be affected by future changes in uncertain economic conditions, etc., and if the timing and amount of actual taxable income differs from the estimate, there is a possibility that the amount of deferred tax assets will be significantly affected in the consolidated financial statements for the following consolidated fiscal year.

3. Notes on consolidated balance sheet

(1) Accumulated depreciation of property, plant and equipment 35,947 Million yen

(2) Contingent liability
(Litigation, etc.)

The company is currently involved in a lawsuit filed by Hama Sushi Co., Ltd. against the company on December 27, 2023, at the Tokyo District Court, seeking compensation for damages in the amount of 511 million yen. Depending on the future developments of this lawsuit, there is a possibility that it may have an impact on the company's future consolidated financial results. However, as it is currently difficult to reasonably estimate the amount of such impact, it has not been reflected in the consolidated financial statements.

(3) Financial Covenants
Not applicable.

4. Notes on consolidated statement of changes in net assets

(1) Type and total number of shares issued at the end of the current consolidated fiscal year
Common shares 49,414,578 Shares

(2) Dividend

① cash dividend payment amount

Resolution	Type of shares	Source of dividend	Total amount of cash dividend (million yen)	Cash dividend per share (yen)	Record date	Effective date
Board of Directors meeting held on May 9, 2025	Common shares	Retained earnings	246	5	March 31, 2025	June 5, 2025

② Of the dividends for which the record date falls within the current consolidated fiscal year, those for which the effective date falls within the following consolidated fiscal year
Not applicable.

(3) Type and number of shares to be issued upon exercise of share acquisition rights at the end of the current fiscal year
Not applicable.

5. Notes on financial instruments

(1) Items relation to the status of financial instruments

Our group procures the necessary funds (mainly bank loans) in light of our capital investment plans. We are working to reduce the credit risk associated with accounts receivable in accordance with our Credit Management Regulations.

In addition, investment securities are mainly shares, and the market value of listed shares is determined every quarter.

Borrowings and lease liabilities under finance leases are primarily for the purpose of financing capital investments.

The derivative transaction is an interest rate swap intended to hedge against the risk of fluctuations in interest payments on borrowings. For details regarding the hedging instruments and hedged items, hedging policies, and methods for assessing hedge effectiveness under hedge accounting, please refer to “(4) Accounting Policies” ⑤ “Significant Hedge Accounting Methods” in the “Notes on important matters that form the basis for the preparation of consolidated financial statements” mentioned above.

(2) Items related to the market value, etc. of financial instruments

The amount recorded on the consolidated balance sheet, the fair value, and the difference between these as of March 31, 2026, are as follows.

	Amount recorded on consolidated balance sheet (Million yen)	Fair value (Million yen)	Difference (Million yen)
(1) Investment securities (Note 1)			
Other securities	35	35	—
(2) Security and guarantee deposits	3,492	3,284	(207)
Total assets	3,527	3,319	(207)
(3) Long-term borrowings (Note 3)	6,450	6,353	(96)
(4) Long-term accounts payable- other (Note 3)	2,581	2,542	(39)
(5) Lease liabilities (Note 3)	167	159	(7)
Total liabilities	9,198	9,055	(143)
Derivative transactions (Note 4)	(14)	(14)	—

(Note 1) Shares without market value

Type	Amount recorded on consolidated balance sheet (Million yen)
Non-listed shares	836

These are not included in “Other securities”.

(Note2) Notes have been omitted for cash, deposits, accounts receivable, accounts payable, accounts payable - other (excluding those included in Note 3), and income taxes payable, as these are settled in a short period of time and the market value is close to the book value.

(Note3) Long-term borrowings due within one year, long-term accounts payable - other due within one year,

and lease liabilities due within one year are included in long-term borrowings, long-term accounts payable - other, and lease liabilities respectively.

(Note4) Net receivables and payables arising from derivative transactions are presented in net amounts.

(3) Items related to the appropriate breakdown, etc. of the market value of financial instruments

The fair values of financial instruments are classified into the following three levels according to the observability and materiality of the inputs used to calculate the fair values.

Level 1 fair value: Fair value calculated based on the (unadjusted) quoted price in an active market for identical assets or liabilities

Level 2 fair value: Fair value calculated using inputs other than Level 1 inputs that are directly or indirectly observable

Level 3 fair value: Fair value calculated using significant unobservable inputs

When multiple inputs that have a significant impact on the calculation of fair value are used, the fair value is classified into the level with the lowest priority in the calculation of fair value among the levels to which those inputs belong.

① Financial assets and liabilities whose carrying amount on the consolidated balance sheet is based on fair value
(Unit: Millions of yen)

Type	Fair value			
	Level 1	Level 2	Level 3	Total
Investment securities				
Other securities				
Shares	35	—	—	35
Total assets	35	—	—	35
Derivative transactions				
Interest rate related	—	(14)	—	(14)
Total liabilities	—	(14)	—	(14)

② Financial assets and liabilities whose carrying amount on the consolidated balance sheet is not based on fair value
(Unit: Millions of yen)

Type	Fair value			
	Level 1	Level 2	Level 3	Total
Security and guarantee deposits	—	—	3,284	3,284
Total assets	—	—	3,284	3,284
Long-term borrowings	—	6,353	—	6,353
Long-term accounts payable-other	—	2,542	—	2,542
Lease liabilities	—	159	—	159
Total liabilities	—	9,055	—	9,055

(Note) Explanation of the valuation techniques and inputs used to calculate the fair value

Investment securities

Listed shares are valued using market prices. Listed shares are traded in active markets, so their

market prices are classified as Level 1 fair value.

Derivative transactions

The fair value of interest rate swaps is calculated based on prices posted by financial institutions with which we do business, and is classified as Level 2 fair value.

Security and guarantee deposits

The fair value of these items is measured by estimating the timing of redemption and discounting the expected amount of recovery of the security and guarantee deposits at the present value using a discount rate that takes into account the credit risk and the yield of long-term bonds with a high level of safety, and is classified as Level 3 fair value.

long-term borrowings, bonds and long-term accounts payable - other

The fair value of these items is calculated based on the present value of the total amount of principal and interest discounted at the market interest rate, and is classified as Level 2 fair value.

6. Notes on real estate for lease, etc.

Notes have been omitted because the total amount of real estate for lease, etc. is not significant.

7. Notes on revenue recognition

(1) Analysis of revenue generated from contracts with customers

(Unit : Millions of yen)

		Reportable segment		Total
		Conveyor-belt Sushi business	Delicatessen business	
Service provision by type of goods and services	Service provision	59,221	—	59,221
	Sales of goods	23	13,948	13,971
Revenue generated from contracts with customers		59,245	13,948	73,193
External revenue		59,245	13,948	73,193

(2) Basic information for understanding revenue

The basic information for understanding revenue is as stated in “1. Notes on important matters that form the basis for the preparation of consolidated financial statements (4) Items related to Accounting Policies ④ Accounting standards for revenue and expenses”.

(3) Information to understand the amount of revenue for the current period and subsequent periods

The opening and closing balances of receivables arising from contracts with customers are as follows. Please note that the group does not have any contract assets or contract liabilities.

(Unit : Millions of yen)

Receivables arising from contracts with customers (Opening balance)	1,472
Receivables arising from contracts with customers (Closing balance)	1,454

8. Notes on asset retirement obligations

Asset retirement obligations recorded on the consolidated balance sheet

(1) Overview of asset retirement obligations

This is the obligation to restore the original state of the land and buildings associated with fixed-term land lease agreements and building lease agreements for the group's stores and factories.

(2) Method for calculating the amount of the relevant retirement obligation

The amount of the asset retirement obligations is calculated using a discount rate of 0.00% to 2.84% (government bond yield) and an estimated period of 2 to 31 years according to the contracts.

(3) Changes in the total amount of asset retirement obligations during the current consolidated fiscal year

Opening balance	1,677 million yen
Increase by acquisition of property, plant and equipment	35
Adjustment amount due to passage of time	18
Others	0
Closing balance	1,731

9. Notes on impairment losses

The group has recorded impairment losses on the following asset groups.

Uses	Type	Place	Number of cases	Amount
Stores, etc.	Buildings, etc.	Kanagawa-ken, etc.	87 cases	713 million yen
factory	Machinery and equipment, etc.	Hyogo-ken, etc.	1 case	2 million yen

The group groups its assets based on its operating stores and factories as the minimum units that generate cash flow.

In the current consolidated fiscal year, for asset groups that have continuously recorded losses from operating activities, the book value has been reduced to the recoverable amount, and the amount of the reduction, 715 million yen, has been recorded as an impairment loss under extraordinary losses.

The recoverable amount of the relevant assets is measured based on their value in use. The value in use is calculated by discounting future cash flows at a rate of 6.18% to 7.90%.

10. Notes on per share information	
(1) Net assets per share	206.88 yen
(2) Losses per share	7.99 yen
11. Notes on significant subsequent events	
Not applicable.	

Notes to non-consolidated financial statements

1. Notes on material accounting policies

(1) Valuation standards and methods for assets

① Securities

Shares of subsidiaries Cost method based on the moving average method

Other securities

Other than shares, etc. without a market price Market value method

(All valuation differences are processed using the direct capitalization method, and the cost of sales is calculated using the moving average method.)

Shares, etc. without a market price Cost method mainly using the moving average method

② Inventories

Products/raw materials Cost method mainly using the monthly weighted average method
(Method of reducing book value due to a decline in profitability)

Supplies Cost method using the monthly average method (Method of reducing book value due to a decline in profitability) (However, some supplies, excluding those for stores, are valued at cost using the last purchase price method.)

(2) Depreciation method for non-current assets

① Property, plant and equipment (excluding lease assets)

The useful life and residual value are calculated using the same method as stipulated in the Corporation Tax Act.

The main useful lives are as follows.

Buildings	2~31 years
Structures	2~27 years
Tools, equipment, and supplies	1~18 years

② Intangible assets (excluding lease assets)

The straight-line method.

In addition, software (for in-house use) is amortized using the straight-line method based on the estimated useful life within the company (5 years).

③ Lease assets

Lease assets related to finance lease transactions other than those involving a transfer of ownership
The straight-line method is used, with the lease period as the useful life and a residual value of 0 yen.

(3) Accounting standards for provisions

① Allowance for doubtful accounts

In order to prepare for losses due to bad debts, an estimated uncollectible amount is recorded for general claims based on the historical bad debt ratio, and for specified claims such as claims with default possibility, the estimated uncollectible amount is recorded by taking into account the possibility of collection on an individual basis.

② Provision for bonuses

In order to prepare for the payment of employee bonuses, the amount of the bonus payment expected to be incurred in the current fiscal year is recorded.

③ Provision for sales promotion expenses

In order to prepare for the expenses that may arise from the use of shareholder benefit points in the future, an amount is recorded based on the actual rate of use of shareholder benefit points, and the amount expected to arise on or after the day following the end of the fiscal year is recorded.

(4) Accounting standards for revenue and expenses

Our company provides services through the operation of restaurants such as Conveyor belt Sushi restaurants, and sells goods to customers of restaurants.

The revenue from providing services is providing food based on orders from customers at restaurants, and the performance obligation is satisfied at the point when the food is provided to the customer and the consideration is received, so the revenue is recognized at that point.

The revenue from the sale of goods is the sale of goods to customers at restaurants, and as the performance obligation is satisfied at the point when the goods are delivered to the customer, so the revenue is recognized at that point.

In addition, the revenue from providing services related to the operation of restaurants such as Conveyor belt Sushi is recognized at the amount after deducting the amounts of points for customer loyalty programs operated by other companies.

(5) Significant hedge accounting methods

① Hedge accounting methods

Deferred hedge accounting is adopted.

② Hedging instruments and hedged items

The hedging instruments and hedged items to which hedge accounting is adopted are as follows.

Hedging instruments ・ ・ ・ Interest rate swap

Hedged items ・ ・ ・ Borrowings

③ Hedging policy

Based on internal regulations that stipulate authority regulations and transaction limits for derivative transactions, we hedge foreign exchange rate fluctuation risks and interest rate fluctuation risks related to hedged items within a certain range.

④ Methods for evaluating hedge effectiveness

We evaluate the effectiveness by comparing the cumulative market price fluctuations or cash flow fluctuations of the hedged item with the cumulative market price fluctuations or cash flow fluctuations of the hedging instrument, and by examining the ratio of the fluctuations.

(6) Other important items for the preparation of financial statements

Accounting method for deferred assets

Bond issuance costs are amortized over the bond redemption period on a straight-line basis.

2. Notes on accounting estimates

The following are items for which an amount was recorded in the financial statements for the current fiscal year based on accounting estimates, and which may have a significant impact on the financial statements for the following fiscal year. In addition, the business plans of affiliated

companies are based on the following assumptions and accounting estimates are made.

While a recovery in inbound demand and an improvement in the employment environment are anticipated, we expect the outlook to remain uncertain due to persistently high raw material and energy prices resulting from tensions in the Middle East and the impact of rising inflation on consumer spending. In this environment, we anticipate that consumers will become more selective in their dining-out expenditures, leading to consumption patterns that prioritize price and value.

Furthermore, in the Conveyor-belt Sushi business, we expect to secure stable customer numbers by strengthening store competitiveness centered on enhanced QSC (Quality, Service, and Cleanliness) and standardizing operations through digital transformation (DX). Consequently, we assume that revenue for the next fiscal year will exceed the previous year's results.

(1) Impairment losses on property, plant and equipment

Amount recorded on balance sheet

Property, plant and equipment 10,837 Million yen

Other information

Please refer to Notes to consolidated financial statements "2. Notes on accounting estimates (1)

Impairment losses on property, plant and equipment".

(2) Recoverability of deferred tax assets

Amount recorded on balance sheet

Deferred tax assets 469 Million yen

Other information

Please refer to Notes to consolidated financial statements "2. Notes on accounting estimates (2)

Recoverability of deferred tax assets".

3. Notes on balance sheet

(1) Accumulated depreciation of property,
plant and equipment 33,041 Million yen

(2) Monetary claims and obligations to
affiliated companies

① Short-term monetary claims	189 million yen
② Long-term monetary claims	1,362 million yen
③ Short-term monetary obligations	66 million yen

(3) Contingent liabilities

(Litigation, etc)

The company is currently involved in a lawsuit filed by Hama Sushi Co., Ltd. against the company on December 27, 2023, at the Tokyo District Court, seeking compensation for damages in the amount of 511 million yen. Depending on the future developments of this lawsuit, there is a possibility that it may have an impact on the company's future non-consolidated financial results. However, as it is currently difficult to reasonably estimate the amount of such impact, it has not been reflected in the non-consolidated financial statements.

(4) Financial covenants
Not applicable.

4. Notes on statement of income

Amount of transaction with affiliated
companies

(1) Business transactions

Purchase	393 million yen
Selling, general and administrative expenses	313 million yen

(2) Other than business transactions 98 million yen

5. Notes on statement of changes in net assets

Type and number of treasury share at the end of the fiscal year

Common shares	62,202 Shares
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6. Notes on tax effect accounting

Breakdown of deferred tax assets and liabilities by major cause

Deferred tax assets

Provision for bonuses	25 million yen
Excess depreciation amount	2,238 million yen
Asset retirement obligations	567 million yen

Loss on valuation of shares in subsidiaries	253 million yen
Loss carried forward	2,466 million yen
Others	<u>665 million yen</u>
Sub-total deferred tax assets	6,217 million yen
Allowance for valuation	<u>5,641 million yen</u>
Total deferred tax assets	576 million yen
Deferred tax liabilities	
Removal costs corresponding to assets retirement obligations	(104) million yen
Others	<u>(2) million yen</u>
Total deferred tax liabilities	<u>(107) million yen</u>
Net deferred tax assets	469 million yen

7. Notes on revenue recognition

The basic information for understanding revenue is as stated in “1. Notes on important matters that form the basis for the preparation of consolidated financial statements (4) Items related to Accounting Policies ④ Accounting standards for revenue and expenses”.

8. Notes on transactions with related parties

(1) Subsidiaries and affiliates, etc.

Type	Name of company	Ownership ratio of voting rights (%)	Relationship with related parties	Details of transactions	Transaction amount (million yen)	Account	Closing balance (million yen)
Subsidiary	Japan Fresh Co., Ltd.	86.56	Lease, etc. of real estate Payment in Advance of food purchase costs Loans of funds	Lease of real estate	64	Accounts receivable-other	0
				Payment in advance of food purchase costs	—	Accounts receivable-other	0
				Loans of funds	—	Loans to affiliates	800
				Recovery of funds	100		
				Receipt of interest	18	Other current assets	—
Subsidiary	KAPPA-CREATE KOREA CO., LTD.	80.00	Payment in Advance of food purchase costs Loans of funds	Payment in advance	2	Accounts receivable-other	11
				Loans of funds	85	Loans to affiliates	241

Subsidiary	PT. Kappa Create Indonesia	99.00	Payment in Advance of food purchase costs Loans of funds	Payment in advance	5	Accounts receivable-other	5
				Loans of funds	379	Loans to affiliates	360
				Recovery of funds	39		
				Receipt of interest	16	Other current assets	—

- (Notes) 1. The above ownership ratio of voting rights, etc. is the ratio of voting rights as of March 31, 2026.
2. The rent is decided through consultation between the two parties, taking into account the actual market rate in the area and depreciation costs, etc.
3. No interest or fees are charged for payment in advance of purchases.
4. Interest rates for loans are determined reasonably, taking into account market interest rates.

(2) Brother companies

Type	Name of company	Ownership ratio of voting rights (%)	Relationship with related parties	Details of transactions	Transaction amount (Million yen)	科目	Closing balance (Million yen)
Subsidiary of parent	COLOWIDE MD Co., Ltd.	—	Purchase of raw materials	Purchase of raw materials	25,469	Accounts payable	2,414
						Accounts payable-other	11
Subsidiary of parent	REINS international inc.	—	Lease of real estate	Lease of real estate	46	Accounts payable-other	4

(Note) We are constantly reviewing our business relationships, and the calculation of purchase prices is determined by a price based on mutual agreement.

9. Notes on impairment losses

The company has recorded impairment losses on the following asset groups.

Uses	Type	Place	Number of cases	Amount
Stores, etc.	Buildings	Kanagawa-ken, etc.	85 cases	704 million yen

The group groups its assets based on its operating stores and factories as the minimum units that generate cash flow.

In the current fiscal year, for asset groups that have continuously recorded losses from operating activities, the book value has been reduced to the recoverable amount, and the amount of the reduction, 704 million yen, has been recorded as an impairment loss under extraordinary losses.

The recoverable amount of the relevant assets is measured based on their value in use. The value in use is calculated by discounting future cash flows at a rate of 6.18% to 7.90%.

10. Notes on per share information

(1) Net assets per share	202.99 yen
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(2) Loss per share	(7.72) yen
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11. Notes on significant subsequent events

Not applicable.