



Corporate Profile and Annual Report
2026



Three Key Ingredients

Central Kitchen System

In February 2016, we completed the construction of the Higashimatsuyama plant, which serves as the infrastructure for our future business development. At the factory, the land area of which exceeds 15,000 square meters, we have introduced the performed gyoza production lines, the company's original facilities, having the gyoza production capacity for approximately 600 stores. We have mechanized traditionally manually-handled operations, aiming at supporting the alleviation and efficiency of store operations through labor and energy saving.

The Kumiya plant, located in a suburban area of Kyoto, and the Higashimatsuyama plant in Saitama Prefecture, and four other food processing plants purchase raw materials in bulk and perform primary processing for nightly delivery of partially prepared ingredients to outlets in the respective regions.

Using this centralized system, our core menu item, to ¥330 in the Eastern Japan and ¥310 in the Western Japan.



Open Kitchen System

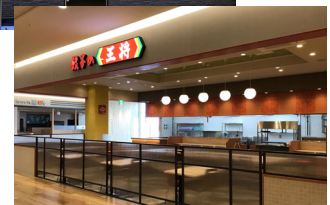


In line with our philosophy of offering “fresh from the kitchen” taste, most of our outlets have introduced an open kitchen system, whereby customers can watch the preparation and cooking of select dishes. This system allows us to directly judge the degree of customer satisfaction and to respond to current customer tastes by creating menu items precisely attuned to local preferences.



Franchise System

Under our franchise system, franchisees are not required to pay ohsho any royalty fees. Instead, they are committed to purchasing primary-processed food from us at a gross margin of approximately 30%. This system makes it relatively easy for employees, particularly younger staff, to open their own franchises. For the company, almost all gross profit derived from these sales to franchise outlets translates into operation income, as our franchise operational expenses are minimal. Thus, the expansion of franchise outlets should never adversely affect our profit ratio.



Ohsho Food Service Corp. has long been one of the leading Chinese restaurant chains in Japan. The company opened its first restaurant in Kyoto in 1967 and, by 1974, had grown to encompass 18 outlets. In 1995, Ohsho was listed on the second section of the Osaka securities exchange. And in 2022, Ohsho was listed on the Prime Market of the Tokyo Stock Exchange. Today, Ohsho has 726 outlets in Japan, wherein more than 300,000 people a day dine on the company's renowned gyoza dumplings.

We're developing 2 stores in Taiwan at foreign countries.

Ohsho's success is based upon the concept of "better taste, lower price and faster service." Since its inception, the company has maintained a unique and consistent strategy bulk purchasing of ingredients and intensive primary processing, enables comprehensive quality control while lowering production costs. Open kitchens at most outlets allow customers to watch final preparation and cooking. Local and regional specialties at each location meet the preference of local clientele, at prices 10-30% lower than that of competition. And convenient takeout service is available for all menu items. And we have also strengthened the development of a delivery service in response to customer needs.

Steadfast adherence to this strategy has resulted in solid profits and steady growth, in sharp contrast to the stagnant business environment of the restaurant sector as a whole.

Gyoza



Gyoza, a type of Chinese dumplings, are a traditional favorite food among Japanese people.

Consisting of a thin, wheat dough wrapped around a filling of minced pork and chopped vegetables, these savory morsel are served either fried or steamed. The Japanese characters in the ohsho logo mean "king of gyoza."



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***Ohsho Food Service Corp.
and Subsidiaries***

*Consolidated Financial Statements for
the Year Ended March 31, 2026, and
Independent Auditor's Report*

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Ohsho Food Service Corp.:

<Audit of Consolidated Financial Statements>

Opinion

We have audited the consolidated financial statements of Ohsho Food Service Corp. and its subsidiaries (the "Group"), which comprise the consolidated balance sheet as of March 31, 2026, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, all expressed in Japanese yen.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of March 31, 2026, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in accordance with the basis stated in Note 1 to the consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the provisions of the Code of Professional Ethics in Japan, including the ethical requirements that are relevant to audits of the financial statements of public interest entities, and we have fulfilled our other ethical responsibilities as auditors. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matter

A key audit matter is a matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements of the current period. The matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on the matter.

Key Audit Matter Description	How the Key Audit Matter Was Addressed in the Audit
Impairment losses on fixed assets for restaurants As described in Note 3 "SIGNIFICANT ACCOUNTING ESTIMATE" to the consolidated financial statements, the Group recorded fixed assets of ¥29,256 million (\$182,850 thousand) pertaining to directly operated outlets (551 outlets) of the Chinese restaurant business, which accounted for 34.4% of total consolidated assets. In addition, it recognized impairment losses of ¥79 million (\$494 thousand) for the year ended March 31, 2026. The Group determines each restaurant as an independent cash-generating unit and considers that an impairment indicator exists in the event of a deterioration in operating income or a significant decline in real estate market prices of each restaurant. Further, as there are many cash-generating units, it is important to accurately calculate the figures by restaurant, such as net sales, profit and loss, and tangible fixed asset value, in the supporting documents used for the identification of impairment indicators, and the recognition and measurement of impairment losses. In addition, for the restaurants where there are indications of impairment of fixed assets, the Group determines the necessity of recognition of impairment by comparing future cash flows and the carrying amount of fixed assets at each restaurant, and the carrying amount is reduced to the recoverable amount determined based on its value in use, if it is determined that impairment losses should be recognized. The future cash flows of restaurants are primarily calculated in accordance with the future profit and loss forecasts, which are based on actual results of operating profit and loss. Therefore, there is a possibility that such future profit and loss will vary depending on the future market trends and other factors, and there are uncertainties involved in determining such future profit and loss.	With regard to impairment losses on fixed assets for restaurants recognized by the Group, we performed the following audit procedures, among others: (1) Understanding the Group's impairment assessment policy - We inquired of management about the Group's impairment assessment policy and evaluated whether the policy was in accordance with the accounting standards and applicable guidelines for impairment of fixed assets. (2) Evaluation of internal controls - We tested the design and operating effectiveness of internal controls over management's identification of impairment indicators and the recognition and measurement of impairment losses on fixed assets. Specifically, we evaluated the internal controls over the preparation and approval of the supporting documents used for the impairment testing and the assessment and determination of factors which affect calculation of the future cash flows of restaurants. (3) Evaluation of IT controls - We tested the design and operating effectiveness of IT General Control in order to examine the reliability of the core system that manages the basic data of the figures by restaurant in the supporting documents used for the impairment testing. In addition, we evaluated the effectiveness of IT Application Controls which ensure the accuracy of calculations of the figures by restaurant. (4) Evaluation of appropriateness of impairment assessment - By inquiring of management and inspecting the Board of Director minutes and related internal documents, we evaluated that the decision on the closure and relocation of restaurants were reflected in the impairment testing. - Regarding the internally generated documents used for the identification of impairment indicators, and the recognition and measurement of impairment losses, we evaluated that the figures by restaurant for the current fiscal year (such as net sales, profit and loss amounts and tangible fixed asset value) were consistent with the underlying data generated by the core system. In addition, we evaluated the consistency of the figures by restaurant with the information obtained in the previous year's audit.

Given our understanding above, we identified the impairment losses on fixed assets for restaurants as a key audit matter for our audit of the consolidated financial statements as of and for the year ended March 31, 2026, because of the importance of the accuracy of the supporting documents used for the identification of impairment indicators and the uncertainty of future cash flows used in the recognition and measurement of impairment losses.	• We evaluated the Group's ability to estimate the future profit and loss forecasts by comparing the future cash flows of restaurants calculated in the previous fiscal year with the actual results. • We evaluated the reasonableness of the assumptions used in the future cash flows calculations such as the number of customers, unit price per customer, and market conditions of material prices by inquiring of management and performing trend analysis of the past results.
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Other Information

Management is responsible for the other information. Audit & Supervisory Board members and the Audit & Supervisory Board are responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over the other information. The other information comprises the information included in the Corporate Profile and Annual Report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Audit & Supervisory Board Members and the Audit & Supervisory Board for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Audit & Supervisory Board members and the Audit & Supervisory Board are responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks. The procedures selected depend on the auditor's judgment. In addition, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain, when performing risk assessment procedures, an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the overall presentation and disclosures of the consolidated financial statements are in accordance with accounting principles generally accepted in Japan, as well as the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with Audit & Supervisory Board members and the Audit & Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Audit & Supervisory Board members and the Audit & Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with Audit & Supervisory Board members and the Audit & Supervisory Board, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

<Fee-Related Information>

Fees for audit and other services for the year ended March 31, 2026, which were charged by us and our network firms to Ohsho Food Service Corp. and its subsidiaries were ¥43 million and ¥1 million, respectively.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Deloitte Touche Tohmatsu LLC
July 31, 2026

Ohsho Food Service Corp. and Subsidiaries

Consolidated Balance Sheet March 31, 2026

ASSETS	Millions of Yen		Thousands of U.S. Dollars (Note 1)	LIABILITIES AND EQUITY	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2026	2025	2026		2026	2025	2026
CURRENT ASSETS:				CURRENT LIABILITIES:			
Cash and cash equivalents (Note 17)	¥ 24,527	¥ 38,120	\$ 153,294	Current portion of long-term debt (Notes 9 and 17)	¥ 2,000	¥ 2,000	\$ 12,500
Receivables:				Payables:			
Trade accounts (Note 13)	3,547	3,508	22,169	Trade accounts	3,172	3,087	19,825
Other	13	38	81	Construction	434	740	2,713
Allowance for doubtful receivables (Note 17)	(5)	(3)	(31)	Other	2,266	2,537	14,163
Inventories (Note 4)	707	672	4,419	Accrued expenses	4,306	4,055	26,913
Other	1,044	756	6,525	Income taxes payable	1,777	2,003	11,106
				Other	1,652	1,589	10,325
Total current assets	29,833	43,091	186,457	Total current liabilities	15,607	16,011	97,545
PROPERTY, PLANT AND EQUIPMENT (Notes 6 and 7):				LONG-TERM LIABILITIES:			
Land (Note 8)	19,903	19,903	124,394	Long-term debt (Notes 9 and 17)	1,000	3,000	6,250
Buildings and structures	64,522	62,531	403,263	Asset retirement obligations	2,599	2,567	16,243
Machinery and equipment	7,831	7,282	48,944	Other	812	817	5,075
Furniture and fixtures	9,101	8,389	56,881				
Construction in progress	76	74	475	Total long-term liabilities	4,411	6,384	27,568
Total	101,433	98,179	633,957	EQUITY (Notes 12 and 18):			
Accumulated depreciation	(61,006)	(58,582)	(381,288)	Common stock—authorized, 90,000,000 shares; issued, 64,858,690 shares in 2026 and 69,858,690 shares in 2025*	8,166	8,166	51,037
Net property, plant and equipment	40,427	39,597	252,669	Capital surplus	9,027	9,562	56,419
INVESTMENTS AND OTHER ASSETS:				Retained earnings	64,667	66,344	404,169
Investment securities (Notes 5 and 17)	4,447	4,895	27,794	Treasury stock—at cost, 12,327,429 shares in 2026 and 13,348,629 shares in 2025*	(17,592)	(10,556)	(109,950)
Lease deposits (Note 17)	4,638	4,705	28,988	Accumulated other comprehensive income:			
Asset for retirement benefits (Note 10)	3,031	2,099	18,944	Unrealized gain on available-for-sale securities	2,511	2,818	15,694
Deferred tax assets (Note 15)	1,743	1,859	10,894	Land revaluation difference (Note 8)	(2,540)	(2,540)	(15,875)
Other	982	401	6,137	Foreign currency translation adjustments	19	7	119
Allowance for doubtful receivables (Note 17)	(14)	(14)	(88)	Defined retirement benefit plan	811	437	5,069
Total investments and other assets	14,827	13,945	92,669	Total	801	722	5,007
				Total equity	65,069	74,238	406,682
TOTAL	¥85,087	¥96,633	\$ 531,795	TOTAL	¥85,087	¥96,633	\$ 531,795

* Shares have been restated, as appropriate, to reflect a three-for-one stock split effected October 1, 2024.

See notes to consolidated financial statements.

Ohsho Food Service Corp. and Subsidiaries

Consolidated Statement of Income Year Ended March 31, 2026

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	<u>2026</u>	<u>2025</u>	<u>2026</u>
NET SALES (Notes 13 and 14)	¥ 116,839	¥ 111,034	\$ 730,244
COST OF SALES	<u>37,923</u>	<u>35,431</u>	<u>237,019</u>
Gross profit	78,916	75,603	493,225
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	<u>68,505</u>	<u>64,698</u>	<u>428,156</u>
Operating income	<u>10,411</u>	<u>10,905</u>	<u>65,069</u>
OTHER INCOME (EXPENSES):			
Interest and dividend income	142	93	888
Interest expense	(42)	(37)	(263)
Franchise fees (Note 14)	105	109	656
Loss on sales and disposals of property, plant and equipment	(161)	(107)	(1,006)
Loss on impairment of long-lived assets (Notes 6 and 7)	(79)	(49)	(494)
Other—net	<u>207</u>	<u>242</u>	<u>1,294</u>
Other income—net	<u>172</u>	<u>251</u>	<u>1,075</u>
INCOME BEFORE INCOME TAXES	<u>10,583</u>	<u>11,156</u>	<u>66,144</u>
INCOME TAXES (Note 15):			
Current	3,028	3,079	18,925
Deferred	<u>85</u>	<u>6</u>	<u>531</u>
Total income taxes	<u>3,113</u>	<u>3,085</u>	<u>19,456</u>
NET INCOME	<u>7,470</u>	<u>8,071</u>	<u>46,688</u>
NET INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT	<u>¥ 7,470</u>	<u>¥ 8,071</u>	<u>\$ 46,688</u>
	<u>Yen</u>		<u>U.S. Dollars</u>
PER SHARE OF COMMON STOCK:			
Basic net income*	¥ 140.84	¥ 142.88	\$0.88
Cash dividends applicable to the year*	56.00	53.00	0.35

* Per share figures have been restated, as appropriate, to reflect a three-for-one stock split effected October 1, 2024.

See notes to consolidated financial statements.

Ohsho Food Service Corp. and Subsidiaries

Consolidated Statement of Comprehensive Income Year Ended March 31, 2026

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	<u>2026</u>	<u>2025</u>	<u>2026</u>
NET INCOME	<u>¥7,470</u>	<u>¥8,071</u>	<u>\$46,688</u>
OTHER COMPREHENSIVE INCOME (LOSS) (Note 18):			
Unrealized (loss) gain on available-for-sale securities	(307)	478	(1,919)
Land revaluation difference		(14)	
Foreign currency translation adjustments	12	9	75
Defined retirement benefit plan	<u>374</u>	<u>(257)</u>	<u>2,338</u>
Total other comprehensive income	<u>79</u>	<u>216</u>	<u>494</u>
COMPREHENSIVE INCOME (Note 18)	<u>¥7,549</u>	<u>¥8,287</u>	<u>\$47,182</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of the parent	¥7,549	¥8,287	\$47,182

See notes to consolidated financial statements.

Ohsho Food Service Corp. and Subsidiaries

Consolidated Statement of Changes in Equity Year Ended March 31, 2026

	Thousands	Millions of Yen								
	Number of Shares of Common Stock Outstanding	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income				Total Equity
						Unrealized Gain on Available-for- Sale Securities	Land Revaluation Difference	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plan	
BALANCE, MARCH 31, 2024	56,462	¥8,166	¥9,460	¥61,097	¥(10,593)	¥2,340	¥(2,526)	¥(2)	¥694	¥68,636
Net income attributable to owners of the parent				8,071						8,071
Cash dividends, ¥53.00 per share*				(2,824)						(2,824)
Purchase of treasury stock	(1)				(1)					(1)
Disposal of treasury stock	49		102		38					140
Net change in the year						478	(14)	9	(257)	216
BALANCE, MARCH 31, 2025	56,510	8,166	9,562	66,344	(10,556)	2,818	(2,540)	7	437	74,238
Net income attributable to owners of the parent				7,470						7,470
Cash dividends, ¥56.00 per share*				(3,048)						(3,048)
Purchase of treasury stock	(4,202)				(14,490)					(14,490)
Disposal of treasury stock	223		502		318					820
Retirement of treasury stock			(7,136)		7,136					
Transfer from retained earnings to capital surplus			6,099	(6,099)						
Net change in the year						(307)		12	374	79
BALANCE, MARCH 31, 2026	<u>52,531</u>	<u>¥8,166</u>	<u>¥9,027</u>	<u>¥64,667</u>	<u>¥(17,592)</u>	<u>¥2,511</u>	<u>¥(2,540)</u>	<u>¥19</u>	<u>¥811</u>	<u>¥65,069</u>

	Thousands of U.S. Dollars (Note 1)									
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income				Total Equity	
					Unrealized Gain on Available-for- Sale Securities	Land Revaluation Difference	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plan		
BALANCE, MARCH 31, 2025	\$51,037	\$59,762	\$414,650	\$ (65,975)	\$17,613	\$ (15,875)	\$ 44	\$2,731	\$463,987	
Net income attributable to owners of the parent			46,688						46,688	
Cash dividends, \$0.35 per share*			(19,050)						(19,050)	
Purchase of treasury stock				(90,563)					(90,563)	
Disposal of treasury stock		3,138		1,988					5,126	
Retirement of treasury stock		(44,600)		44,600						
Transfer from retained earnings to capital surplus		38,119	(38,119)							
Net change in the year					(1,919)		75	2,338	494	
BALANCE, MARCH 31, 2026	<u>\$51,037</u>	<u>\$56,419</u>	<u>\$404,169</u>	<u>\$ (109,950)</u>	<u>\$15,694</u>	<u>\$ (15,875)</u>	<u>\$119</u>	<u>\$5,069</u>	<u>\$406,682</u>	

* Shares and per share figures have been restated, as appropriate, to reflect a three-for-one stock split effected October 1, 2024.

See notes to consolidated financial statements.

Ohsho Food Service Corp. and Subsidiaries

Consolidated Statement of Cash Flows Year Ended March 31, 2026

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	<u>2026</u>	<u>2025</u>	<u>2026</u>
OPERATING ACTIVITIES:			
Income before income taxes	<u>¥10,583</u>	<u>¥11,156</u>	<u>\$ 66,144</u>
Adjustments for:			
Income taxes—paid	(3,256)	(3,028)	(20,350)
Depreciation and amortization	3,265	3,107	20,406
Net increase in allowance for doubtful receivables	2	2	13
Loss on sales and disposals of property, plant and equipment	161	107	1,006
Loss on impairment of long-lived assets	79	49	494
Changes in assets and liabilities:			
Increase in accounts receivable—trade	(37)	(616)	(231)
Increase in inventories	(35)	(128)	(219)
Increase in trade accounts payable	85	474	531
Increase in asset for retirement benefits	(386)	(447)	(2,413)
Increase (decrease) in consumption taxes payable	140	(193)	875
Other—net	<u>109</u>	<u>731</u>	<u>682</u>
Total adjustments	<u>127</u>	<u>58</u>	<u>794</u>
Net cash provided by operating activities	<u>10,710</u>	<u>11,214</u>	<u>66,938</u>
INVESTING ACTIVITIES:			
Purchases of property, plant and equipment	(4,357)	(4,180)	(27,231)
Proceeds from sales of property, plant and equipment	4	3	25
Increase in lease deposits	(63)	(140)	(394)
Increase in long-term loans receivable		(36)	
Collection of long-term loans receivable	8	45	50
Other—net	<u>(367)</u>	<u>(267)</u>	<u>(2,294)</u>
Net cash used in investing activities	<u>(4,775)</u>	<u>(4,575)</u>	<u>(29,844)</u>
FINANCING ACTIVITIES:			
Repayment of long-term debt	(2,000)	(2,000)	(12,500)
Repurchase of treasury stock	(14,490)	(1)	(90,563)
Dividends paid	<u>(3,048)</u>	<u>(2,824)</u>	<u>(19,050)</u>
Net cash used in financing activities	<u>(19,538)</u>	<u>(4,825)</u>	<u>(122,113)</u>
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	<u>10</u>	<u>9</u>	<u>63</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(13,593)	1,823	(84,956)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>38,120</u>	<u>36,297</u>	<u>238,250</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>¥24,527</u>	<u>¥38,120</u>	<u>\$ 153,294</u>

See notes to consolidated financial statements.

Ohsho Food Service Corp. and Subsidiaries

Notes to Consolidated Financial Statements Year Ended March 31, 2026

1. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations and in accordance with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements of IFRS Accounting Standards.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which Ohsho Food Service Corp. (the "Company") is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥160 to \$1, the approximate rate of exchange at March 31, 2026. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

Certain reclassifications have been made in the 2025 financial statements to conform to the classifications used in 2026.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- a. Consolidation**—The consolidated financial statements as of March 31, 2026, include the accounts of the Company and its subsidiaries (together, the "Group").

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Group is eliminated.

- b. Cash Equivalents**—Cash equivalents are short-term investments that are readily convertible into cash and exposed to insignificant risk of changes in value.

Cash equivalents include time deposits which mature or become due within three months of the date of acquisition.

- c. Inventories**—Inventories are stated at the lower of cost, determined by the average cost method, or net selling value.

- d. Property, Plant and Equipment**—Property, plant and equipment are stated at cost. Depreciation is computed by the straight-line method based on the estimated useful lives of the assets. The range of useful lives is principally from 10 to 38 years for buildings and structures, and from 6 to 10 years for machinery and equipment.

- e. Long-Lived Assets**—The Group reviews its long-lived assets for impairment whenever events or changes in circumstance indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss is recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

f. Land Revaluation—Under the "Law of Land Revaluation," the Company elected a one-time revaluation of its own-use land to a value based on real-estate appraisal information as of March 31, 2002.

g. Investment Securities—Investment securities are classified and accounted for, depending on management's intent, as available-for-sale securities, and are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported as a separate component of shareholders' equity.

Nonmarketable available-for-sale equity securities are stated at cost determined by the moving-average method. For other-than-temporary declines in fair value, investment securities are reduced to net realizable value by a charge to income.

h. Allowance for Doubtful Receivables—The allowance for doubtful receivables is stated in amounts considered to be appropriate based on the Company's past credit loss experience and an evaluation of potential losses in the receivables outstanding.

i. Retirement and Pension Plan—The Company has retirement benefit plans of their employees' benefits.

The Company accounts for the liability for retirement benefits based on projected benefit obligations and plan assets at the balance sheet date. The projected benefit obligations are attributed to periods on a benefit formula basis. Actuarial gains and losses and past service costs that are yet to be recognized in profit or loss are recognized within equity (accumulated other comprehensive income) after adjusting for tax effects and are recognized in profit or loss over 3 years no longer than the expected average remaining service period of the employees.

j. Asset Retirement Obligations—An asset retirement obligation is defined as a legal obligation imposed either by law or contract that results from the acquisition, construction, development, and the normal operation of a tangible fixed asset and is associated with the retirement of such tangible fixed asset. The asset retirement obligation is recognized as the sum of the discounted cash flows required for the future asset retirement and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made. If a reasonable estimate of the asset retirement obligation cannot be made in the period the asset retirement obligation is incurred, the liability should be recognized when a reasonable estimate of the asset retirement obligation can be made. Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability. The asset retirement cost is subsequently allocated to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as an adjustment to the carrying amount of the liability and the capitalized amount of the related asset retirement cost.

k. Bonuses to Directors and Audit & Supervisory Board Members—Bonuses to directors and Audit & Supervisory Board members are accrued at the end of the year to which such bonuses are attributable.

l. Income Taxes—The provision for income taxes is computed based on the pretax income included in the consolidated statement of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted income tax rates to the temporary differences.

m. Per Share Information—Basic net income per share is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding for the period.

Diluted net income per share is not presented because there are no dilutive shares.

Cash dividends per share presented in the accompanying consolidated statement of income are dividends applicable to the respective fiscal years, including dividends to be paid after the end of the year.

On October 1, 2024, the Company conducted a three-for-one stock split by way of a free share distribution based on the resolution of the Board of Directors meeting held on May 23, 2024. All prior year share and per share figures have been restated to reflect the impact of the stock split, and to provide data on a basis comparable to the year ended March 31, 2025. Such restatements include calculations regarding the Company's weighted-average number of common shares, basic net income per share, diluted net income per share, and cash dividends per share.

- n. Revenue Recognition**—The Group engages in the operation and franchising of a Chinese restaurant chain and recognizes revenue in an amount that reflects the consideration to which it expects to be entitled in exchange for satisfying performance obligations to transfer the goods or services promised in contracts with customers. The nature of performance obligations and when such obligations are satisfied are as follows:

At directly operated outlets, the Group sells Chinese cuisine to customers. Revenue from the sale of such products is recognized at the time the products are delivered to customers. When customers use discount coupons, the amounts covered by such coupons are reduced from the consideration. Depending on the types of settlements selected by the customers, the Group receives the consideration at the time performance obligations are satisfied or at the time right after the satisfaction of performance obligations based on the payment terms stipulated by the credit card companies.

The Group sells raw materials and supplies to the franchisees. Revenue from the sale of such products is recognized at the time the products are delivered to customers. The Group receives the consideration within about a month of satisfaction of performance obligations, and there is no significant financing component in the contract.

o. New Accounting Pronouncements

(Accounting Standard for Leases, etc.)

On September 13, 2024, the Accounting Standards Board of Japan ("ASBJ") issued ASBJ Statement No. 34, "Accounting Standard for Leases," and ASBJ Guidance No. 33, "Implementation Guidance on Accounting Standard for Leases," etc. (collectively, the "New Lease Standards").

As part of its efforts to enhance the international comparability of Japanese GAAP, the ASBJ deliberated the development of lease accounting standards—taking into account international accounting standards—that require lessees to recognize assets and liabilities for all leases. While the New Lease Standards are based on the single accounting model in IFRS 16, they do not incorporate all of IFRS 16's requirements; instead, the ASBJ incorporated only the principal requirements and issued standards intended to be simple and highly practical. The New Lease Standards are also designed so that, even if IFRS 16 is applied to separate financial statements, modifications will generally not be necessary.

For lessee accounting, the New Lease Standards adopt a single accounting model consistent with IFRS 16. Under this model, regardless of whether a lease is classified as a finance lease or an operating lease, a lessee recognizes depreciation expense on right-of-use assets and an interest-equivalent amount on lease liabilities.

The Company expects to apply the New Lease Standards from the beginning of the fiscal year ending March 2028 and is currently evaluating the impact of applying the New Lease Standards on its consolidated financial statements.

(Accounting Standard for Subsequent Events, etc.)

On January 9, 2026, the ASBJ issued ASBJ Statement No. 41, "Accounting Standard for Subsequent Events," and ASBJ Guidance No. 35, "Implementation Guidance on Accounting Standard for Subsequent Events" (collectively, the "New Subsequent Events Standards").

The New Subsequent Events Standards establish comprehensive requirements regarding the definition of subsequent events, the related accounting treatment, and disclosures. With the primary objective of establishing comprehensive accounting standards for subsequent events, the ASBJ's basic policy is, in principle, to carry forward the accounting-related content set out in the Japanese Institute of Certified Public Accountants Auditing and Assurance Standards Committee Audit Standards Report 560, Practical Guidance No. 1, "Auditing Treatment of Subsequent Events," and transfer it to the ASBJ. In connection with such transfer, the New Subsequent Events Standards revise certain wording, clarify and organize the period to be considered in evaluating subsequent events, and introduce new disclosure requirements, including disclosures regarding approval for publication of the financial statements.

The Company expects to apply the New Subsequent Events Standards from the beginning of the fiscal year ending March 2028.

3. SIGNIFICANT ACCOUNTING ESTIMATE

Impairment of Long-Lived Assets

(1) Carrying Amounts on Consolidated Financial Statements were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	<u>2026</u>	<u>2025</u>	<u>2026</u>
Land	¥19,903	¥19,903	\$ 124,394
Buildings and structures	15,734	15,395	98,337
Machinery and equipment	2,047	1,769	12,794
Fixtures	2,667	2,456	16,669
Intangible asset	<u>531</u>	<u>318</u>	<u>3,319</u>
Total*	<u>¥40,882</u>	<u>¥39,841</u>	<u>\$ 255,513</u>

* The Group recorded fixed assets of ¥29,256 million (\$182,850 thousand) and ¥28,447 million pertaining to directly operated outlets (551 outlets and 551 outlets) of Chinese restaurant business in the consolidated balance sheet as of March 31, 2026 and 2025, respectively.

See Note 7 for loss on impairment of long-lived assets in the consolidated financial statements as of March 31, 2026 and 2025. (Impairment losses on fixed assets for restaurants are ¥79 million (\$494 thousand) and ¥48 million.)

(2) Information on the Significant Accounting Estimate

The Group owns assets such as directly operated outlets, factories, and head office in order to operate the Chinese restaurant business. The Group defines each restaurant as an independent cash-generating unit. The Group identifies impairment indicators in the event of a deterioration in operating income or a significant decline in real estate market prices at each restaurant. The Group compares the undiscounted future cash flow generated by the asset group with the carrying amount and recognizes an impairment loss if the undiscounted future cash flow is less than the carrying amount. The undiscounted future cash flow is estimated on future profit and loss forecasts based on actual results of operating profit and loss. If assumptions used in the estimation are revised due to significant deterioration of the business environment and decision to close and relocate, there is a possibility of impairment loss being recognized in the next fiscal year.

4. INVENTORIES

Inventories at March 31, 2026 and 2025, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	<u>2026</u>	<u>2025</u>	<u>2026</u>
Merchandise and finished food products	¥184	¥152	\$1,150
Raw materials	<u>523</u>	<u>520</u>	<u>3,269</u>
Total	<u>¥707</u>	<u>¥672</u>	<u>\$4,419</u>

5. INVESTMENT SECURITIES

Investment securities as of March 31, 2026 and 2025, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	<u>2026</u>	<u>2025</u>	<u>2026</u>
Noncurrent:			
Equity securities	<u>¥4,447</u>	<u>¥4,895</u>	<u>\$27,794</u>
Total	<u>¥4,447</u>	<u>¥4,895</u>	<u>\$27,794</u>

The costs and aggregate fair values of investment securities at March 31, 2026 and 2025, were as follows:

	Millions of Yen			
	<u>2026</u>			
	<u>Cost</u>	<u>Unrealized Gains</u>	<u>Unrealized Losses</u>	<u>Fair Value</u>
Securities classified as:				
Available-for-sale:				
Equity securities	<u>¥1,078</u>	<u>¥3,369</u>	<u>_____</u>	<u>¥4,447</u>
Total	<u>¥1,078</u>	<u>¥3,369</u>	<u>_____</u>	<u>¥4,447</u>
	Millions of Yen			
	<u>2025</u>			
	<u>Cost</u>	<u>Unrealized Gains</u>	<u>Unrealized Losses</u>	<u>Fair Value</u>
Securities classified as:				
Available-for-sale:				
Equity securities	<u>¥1,078</u>	<u>¥3,817</u>	<u>_____</u>	<u>¥4,895</u>
Total	<u>¥1,078</u>	<u>¥3,817</u>	<u>_____</u>	<u>¥4,895</u>

	Thousands of U.S. Dollars			
	2026			
	<u>Cost</u>	<u>Unrealized Gains</u>	<u>Unrealized Losses</u>	<u>Fair Value</u>
Securities classified as:				
Available-for-sale:				
Equity securities	\$6,738	\$21,056		\$27,794
Total	<u>\$6,738</u>	<u>\$21,056</u>		<u>\$27,794</u>

6. LONG-LIVED ASSETS

The Group reviewed its long-lived assets for impairment as of March 31, 2026 and 2025, and, as a result, recognized an impairment loss of ¥79 million (\$494 thousand) and ¥48 million, respectively, as other expense principally related to certain restaurants due to continuing operating losses, and the assets to be sold. The carrying amount of the relevant buildings, structures, and other assets were written down to their recoverable amounts. The recoverable amount for each restaurant was measured considering the expected cash flows generated from using the assets, and the discount rate used for the computation of the present value of future cash flows was 5%. The recoverable amount of the assets to be sold was measured at its net selling price, as determined by the estimated price if sold.

7. INVESTMENT PROPERTY

The Group owns certain rental properties such as retail facilities, an apartment, and land in Hyogo and other areas. The net of rental income and operating expenses for those rental properties was ¥29 million (\$287 thousand) and ¥43 million for the fiscal years ended March 31, 2026 and 2025, respectively.

The carrying amounts, changes in such balances, and market prices of such properties are as follows:

Millions of Yen			
2026			
	<u>Carrying Amount</u>		<u>Fair Value</u>
<u>April 1, 2025</u>	<u>Increase (Decrease)</u>	<u>March 31, 2026</u>	<u>March 31, 2026</u>
¥660	¥(3)	¥657	¥563

Millions of Yen			
2025			
	<u>Carrying Amount</u>		<u>Fair Value</u>
<u>April 1, 2024</u>	<u>Increase (Decrease)</u>	<u>March 31, 2025</u>	<u>March 31, 2025</u>
¥643	¥17	¥660	¥545

Thousands of U.S. Dollars			
2026			
	<u>Carrying Amount</u>		<u>Fair Value</u>
<u>April 1, 2025</u>	<u>Increase (Decrease)</u>	<u>March 31, 2026</u>	<u>March 31, 2026</u>
\$4,125	\$(19)	\$4,106	\$3,519

- Notes: 1. Carrying amount recognized in the consolidated balance sheets is net of accumulated depreciation.
2. Decrease during the fiscal year ended March 31, 2026, primarily represents the depreciation.
3. Fair value of properties as of March 31, 2026, is measured by the Group in accordance with the Real-Estate Appraisal Standard of Japan.

8. LAND REVALUATION

Under the "Law of Land Revaluation," the Group elected a one-time revaluation of its own-use land to a value based on real-estate appraisal information as of March 31, 2002. The resulting land revaluation excess represents unrealized appreciation of land and is stated, net of income taxes, as a component of equity. There was no effect on the statement of income. Continuous readjustment is not permitted unless the land value subsequently declines significantly such that the amount of the decline in value should be removed from the land revaluation account and related deferred tax liabilities. When land which has been revalued is sold off or loss on impairment of the land is recognized, any land revaluation is reversed directly to retained earnings.

As of March 31, 2026 and 2025, the carrying amount of the land, after the above one-time revaluation, exceeded the market value by ¥3,893 million (\$24,331 thousand) and ¥4,449 million, respectively.

9. LONG-TERM DEBT

Long-term debt at March 31, 2026 and 2025, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2026	2025	2026
Loans from banks, 1.36% (1.00% in 2025)	¥3,000	¥5,000	\$18,750
Less current portion	<u>(2,000)</u>	<u>(2,000)</u>	<u>12,500</u>
Long-term debt, less current portion	<u>¥1,000</u>	<u>¥3,000</u>	<u>\$ 6,250</u>

Annual maturities of long-term debt at March 31, 2026, were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2027	¥2,000	\$12,500
2028	1,000	6,250
2029		
2030		
2031		
Total	<u>¥3,000</u>	<u>\$18,750</u>

10. RETIREMENT AND PENSION PLANS

Under the Company's pension plan, employees terminating their employment are, in most circumstances, entitled to pension payments based on their average pay during their employment, length of service, and certain other factors.

- (1) The changes in defined benefit obligation for the years ended March 31, 2026 and 2025, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	<u>2026</u>	<u>2025</u>	<u>2026</u>
Balance at beginning of year	¥2,480	¥2,491	\$15,500
Current service cost	224	232	1,400
Interest cost	54	40	338
Actuarial gains	(218)	(160)	(1,363)
Benefits paid	<u>(158)</u>	<u>(123)</u>	<u>(988)</u>
Balance at end of year	<u>¥2,382</u>	<u>¥2,480</u>	<u>\$14,887</u>

- (2) The changes in plan assets for the years ended March 31, 2026 and 2025, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	<u>2026</u>	<u>2025</u>	<u>2026</u>
Balance at beginning of year	¥4,579	¥4,504	\$28,619
Expected return on plan assets	92	90	575
Actuarial losses (gains)	664	(125)	4,150
Contributions from the employer	236	234	1,475
Benefits paid	<u>(158)</u>	<u>(124)</u>	<u>(988)</u>
Balance at end of year	<u>¥5,413</u>	<u>¥4,579</u>	<u>\$33,831</u>

- (3) Reconciliation between the asset recorded in the consolidated balance sheet and the balances of defined benefit obligation and plan assets was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	<u>2026</u>	<u>2025</u>	<u>2026</u>
Defined benefit obligation	¥ 2,382	¥ 2,480	\$ 14,887
Plan assets	<u>(5,413)</u>	<u>(4,579)</u>	<u>(33,831)</u>
Net asset for defined benefit obligation	<u>¥(3,031)</u>	<u>¥(2,099)</u>	<u>\$ (18,944)</u>

	Millions of Yen		Thousands of U.S. Dollars
	<u>2026</u>	<u>2025</u>	<u>2026</u>
Asset for retirement benefits	<u>¥(3,031)</u>	<u>¥(2,099)</u>	<u>\$ (18,944)</u>
Net asset for defined benefit obligation	<u>¥(3,031)</u>	<u>¥(2,099)</u>	<u>\$ (18,944)</u>

- (4) The components of net periodic benefit costs for the years ended March 31, 2026 and 2025, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	<u>2026</u>	<u>2025</u>	<u>2026</u>
Service cost	¥ 224	¥ 232	\$1,400
Interest cost	54	40	338
Expected return on plan assets	(92)	(90)	(575)
Recognized actuarial losses	<u>(336)</u>	<u>(395)</u>	<u>(2,100)</u>
Net periodic benefit costs	<u>¥ (150)</u>	<u>¥ (213)</u>	<u>\$ (937)</u>

- (5) Amounts recognized in other comprehensive income (before income tax effect) in respect of defined retirement benefit plans for the years ended March 31, 2026 and 2025, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	<u>2026</u>	<u>2025</u>	<u>2026</u>
Actuarial losses (gains)	¥546	¥ (360)	\$3,413
Total	<u>¥546</u>	<u>¥ (360)</u>	<u>\$3,413</u>

- (6) Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as of March 31, 2026 and 2025, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	<u>2026</u>	<u>2025</u>	<u>2026</u>
Unrecognized actuarial losses	¥1,184	¥368	\$7,400
Total	<u>¥1,184</u>	<u>¥368</u>	<u>\$7,400</u>

- (7) Plan assets

a. Components of plan assets

Plan assets as of March 31, 2026 and 2025, consisted of the following:

	<u>2026</u>	<u>2025</u>
Domestic bonds	32%	30%
International bonds	11	12
Domestic equities	27	29
International equities	27	26
Others	<u>3</u>	<u>3</u>
Total	<u>100%</u>	<u>100%</u>

b. Method of determining the expected rate of return on plan assets

The expected rate of return on plan assets is determined by considering the long-term rates of return which are expected currently and in the future from the various components of the plan assets.

(8) Assumptions used for the years ended March 31, 2026 and 2025, were set forth as follows:

	<u>2026</u>	<u>2025</u>
Discount rate	3.2%	2.2%
Expected rate of return on plan assets	2.0	2.0

11. ASSET RETIREMENT OBLIGATIONS

The changes in asset retirement obligations for the years ended March 31, 2026 and 2025, were as follows:

	<u>Millions of Yen</u>	<u>Millions of Yen</u>	<u>Thousands of U.S. Dollars</u>
	<u>2026</u>	<u>2025</u>	<u>2026</u>
Balance at beginning of year	¥2,567	¥2,011	\$16,044
Additional provisions associated with the acquisition of property, plant and equipment	15	52	94
Increase associated with changes in estimates	55	497	344
Reconciliation associated with passage of time	28	20	175
Reduction associated with meeting asset retirement obligations	(7)	(13)	(44)
Balance at end of year	<u>¥2,658</u>	<u>¥2,567</u>	<u>\$16,613</u>

12. EQUITY

Japanese companies are subject to the Companies Act of Japan (the "Companies Act"). The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

a. Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders' meeting. Additionally, for companies that meet certain criteria including (1) having a Board of Directors, (2) having independent auditors, (3) having an Audit & Supervisory Board, and (4) the term of service of the directors being prescribed as one year rather than the normal two-year term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends-in-kind) at any time during the fiscal year if the Company has prescribed so in its articles of incorporation. However, the Company does not meet all the above criteria.

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

b. Increases/Decreases and Transfer of Common Stock, Reserve and Surplus

The Companies Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends, until the aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus, and retained earnings can be transferred among the accounts within equity under certain conditions upon resolution of the shareholders.

c. Treasury Stock and Treasury Stock Acquisition Rights

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders, which is determined by a specific formula. Under the Companies Act, stock acquisition rights are presented as a separate component of equity. The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights. On October 1, 2024, the Company conducted a three-for-one stock split by way of a free share distribution based on the resolution of the Board of Directors meeting held on May 23, 2024.

13. REVENUE RECOGNITION

(1) Disaggregation of Revenue

Revenues from contracts with customers on a disaggregated basis for the years ended March 31, 2026 and 2025, were as follows:

	<u>Millions of Yen</u>		<u>Thousands of</u> <u>U.S. Dollars</u>
	<u>2026</u>	<u>2025</u>	<u>2026</u>
Directly operated outlets (domestic):			
In-store sales	¥ 81,181	¥ 75,233	\$ 507,381
Takeout and delivery sales	<u>25,492</u>	<u>26,128</u>	<u>159,325</u>
Total	106,673	101,361	666,706
Franchise outlets (domestic)	<u>9,679</u>	<u>9,210</u>	<u>60,494</u>
Total (domestic)	116,352	110,571	727,200
Directly operated outlets (overseas)	<u>487</u>	<u>463</u>	<u>3,044</u>
Revenues from contracts with customers	116,839	111,034	730,244
Other revenue	<u> </u>	<u> </u>	<u> </u>
Total	<u>¥ 116,839</u>	<u>¥ 111,034</u>	<u>\$ 730,244</u>

(2) Basic Information to Understand Revenues from Contracts with Customers

See Note 2.n for basic information to understand revenues.

(3) Contract Balances

Receivables from contract with customers at the beginning and end of the years were as follows:

	<u>Millions of Yen</u>		<u>Thousands of</u> <u>U.S. Dollars</u>
	<u>2026</u>	<u>2025</u>	<u>2026</u>
Receivables from contracts with customers:			
Balance at beginning of year	¥3,508	¥2,891	\$ 23,387
Balance at end of year	3,547	3,508	22,169

(4) *Transaction Prices Allocated to Remaining Performance Obligations*

The transaction price allocated to the remaining performance obligations has been omitted in accordance with the practical expedient, as there are no significant contracts with an initially expected contract term exceeding one year. Additionally, there are no significant amounts arising from contracts with customers that are not included in the transaction price.

14. TRANSACTIONS WITH FRANCHISEES

The Company has a franchise system. The Company sells raw materials and supplies to the franchisees, provides know-how for their restaurant operations, and supports their financing requirements.

Transactions with the franchisees for the years ended March 31, 2026 and 2025, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2026	2025	2026
Net sales	¥9,679	¥9,210	\$ 60,494
Franchise fees	105	109	656

15. INCOME TAXES

The Company and its domestic subsidiary are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 30.5% for the years ended March 31, 2026 and 2025.

The tax effects of significant temporary differences which resulted in deferred tax assets and liabilities at March 31, 2026 and 2025, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2026	2025	2026
Deferred tax assets:			
Accrued enterprise taxes	¥ 158	¥ 165	\$ 988
Accrued bonuses	406	427	2,538
Allowance for doubtful receivables	6	5	37
Depreciation of property and equipment	2,179	2,348	13,619
Loss on impairment of long-lived assets	477	510	2,981
Asset retirement obligations	832	803	5,200
Loss on devaluation of investment securities	199	199	1,244
Other	429	376	2,681
Total of temporary differences	4,686	4,833	29,288
Less valuation allowance	(550)	(559)	(3,438)
Deferred tax assets	4,136	4,274	25,850
Deferred tax liabilities:			
Deferred gains on sales of property, plant and equipment	(95)	(96)	(593)
Unrealized loss on asset retirement obligations	(483)	(656)	(3,019)
Asset for retirement benefits	(952)	(659)	(5,950)
Unrealized loss on available-for-sale securities	(858)	(999)	(5,363)
Other	(5)	(5)	(31)
Deferred tax liabilities	(2,393)	(2,415)	(14,956)
Net deferred tax assets	¥1,743	¥1,859	\$ 10,894

A reconciliation between the normal effective statutory tax rate and the actual effective tax rates reflected in the accompanying consolidated statement of income for the year ended March 31, 2026, with the corresponding figures for 2025, is as follows:

	<u>2026</u>	<u>2025</u>
Normal effective statutory tax rate	30.5%	30.5%
Lump-sum portion of inhabitant taxes	2.5	2.4
Expenses not deductible and income not taxable for income tax purposes	0.5	0.4
Decrease in valuation allowance for deferred tax assets		(0.1)
Tax credits for promotion of salary increases	(3.7)	(4.4)
Effect of tax rate change	(0.2)	(0.6)
Other—net	<u>(0.1)</u>	<u>(0.6)</u>
Actual effective tax rate	<u>29.5%</u>	<u>27.6%</u>

16. LEASES

The Group leases certain land and buildings for outlets under lease agreements. All of these leases are accounted for as operating leases. These leases include contractual non-cancelable leases.

Total rental expenses including lease payments under operating leases for the years ended March 31, 2026 and 2025, were ¥4,758 million (\$29,731 thousand) and ¥4,642 million, respectively.

The minimum rental commitments under non-cancelable operating leases at March 31, 2026, were as follows:

	<u>Millions of Yen</u>		<u>Thousands of U.S. Dollars</u>
	<u>2026</u>	<u>2025</u>	<u>2026</u>
Due within one year	¥ 281	¥ 257	\$1,756
Due after one year	<u>975</u>	<u>870</u>	<u>6,094</u>
Total	<u>¥1,256</u>	<u>¥1,127</u>	<u>\$7,850</u>

17. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

(1) *Group Policy for Financial Instruments*

The Group uses financial instruments, mainly long-term debt including bank loans, based on its capital financing plan. Cash surpluses, if any, are invested in short-term deposits. Derivatives are not used for speculative purposes, but to manage risk of interest rate fluctuations arising from business operations.

(2) *Nature and Extent of Risks Arising from Financial Instruments and Risk Management for Financial Instruments*

Investment securities, mainly equity instruments of suppliers of the Group, are exposed to the risk of market price fluctuations. Investment securities are managed by monitoring market values on a regular basis and preparing an analysis sheet, which is regularly reported to the Board of Directors.

Lease deposits, mainly guarantee deposits for lease buildings and certain facilities, are exposed to lessor credit risk. The Group addresses the risk by registering the right to claim the refund at the conclusion of the contract.

Maturities of bank loans, used mainly for operating funds and capital investment, are less than three years from the consolidated balance sheet date. Although a part of such bank loans are exposed to market risks from changes in variable interest rates, those risks are mitigated by adequate financial planning.

The Group recognizes liquidity risk, which comprises the risk that the Group cannot meet its contractual obligations in full on maturity dates. The Group manages its liquidity risk by holding adequate volumes of liquid assets to the extent of two months of sales volume, along with adequate financial planning by the Accounting Department.

Derivative transactions have been entered into and managed by the Accounting Department in accordance with the collective decision-making process known as the "Ringi System."

(3) Fair Values of Financial Instruments

Investments in equity instruments that do not have a quoted market price in an active market are not included in the following table. The fair values of cash and cash equivalents are not disclosed because their maturities are short and the carrying values approximate fair value.

Fair values of financial instruments at March 31, 2026 and 2025, were as follows:

	Millions of Yen		
	Carrying Amount	Fair Value	Unrealized Gain/Loss
<u>March 31, 2026</u>			
Investment securities	¥4,447	¥4,447	
Lease deposits	4,638		
Allowance for doubtful receivables	(10)		
Subtotal	<u>4,628</u>	<u>4,238</u>	<u>¥ (390)</u>
Total	<u>¥9,075</u>	<u>¥8,685</u>	<u>¥ (390)</u>
Long-term debt (including current portion)	<u>¥3,000</u>	<u>¥3,000</u>	<u> </u>
Total	<u>¥3,000</u>	<u>¥3,000</u>	<u> </u>
<u>March 31, 2025</u>			
Investment securities	¥4,895	¥4,895	
Lease deposits	4,705		
Allowance for doubtful receivables	(10)		
Subtotal	<u>4,695</u>	<u>4,391</u>	<u>¥ (304)</u>
Total	<u>¥9,590</u>	<u>¥9,286</u>	<u>¥ (304)</u>
Long-term debt (including current portion)	<u>¥5,000</u>	<u>¥5,000</u>	<u> </u>
Total	<u>¥5,000</u>	<u>¥5,000</u>	<u> </u>
	Thousands of U.S. Dollars		
	Carrying Amount	Fair Value	Unrealized Gain/Loss
<u>March 31, 2026</u>			
Investment securities	\$ 27,794	\$ 27,794	
Lease deposits	28,988		
Allowance for doubtful receivables	(63)		
Subtotal	<u>28,925</u>	<u>26,487</u>	<u>\$ (2,438)</u>
Total	<u>\$56,719</u>	<u>\$54,281</u>	<u>\$ (2,438)</u>
Long-term debt (including current portion)	<u>\$18,750</u>	<u>\$18,750</u>	<u> </u>
Total	<u>\$18,750</u>	<u>\$18,750</u>	<u> </u>

(4) Maturity Analysis for Financial Assets with Contractual Maturities

	Due in One Year or Less		
	Millions of Yen		Thousands of U.S. Dollars
	<u>2026</u>	<u>2025</u>	<u>2026</u>
Cash and cash equivalents	¥24,527	¥38,120	\$153,294

Lease deposits whose amount of redemption cannot be determined reliably are not included in the table above.

(5) Financial Instruments Categorized by Fair Value Hierarchy

The fair value of financial instruments is categorized into the following three levels, depending on the observability and significance of the inputs used in making fair value measurements:

Level 1: Fair values measured by using quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: Fair values measured by using inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly or indirectly

Level 3: Fair values measured by using unobservable inputs for the assets or liabilities

If multiple inputs are used that have a significant impact on the measurement of fair value, fair value is categorized at the lowest level in the fair value measurement among the levels to which each of these inputs belongs.

- a. *The financial assets and liabilities measured at the fair values in the consolidated balance sheet*

<u>March 31, 2026</u>	Millions of Yen			<u>Total</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
Investment securities:				
Available-for-sale securities:				
Equity securities	<u>¥4,447</u>	<u> </u>	<u> </u>	<u>¥4,447</u>
Total assets	<u>¥4,447</u>	<u> </u>	<u> </u>	<u>¥4,447</u>

<u>March 31, 2025</u>				
Investment securities:				
Available-for-sale securities:				
Equity securities	<u>¥4,895</u>	<u> </u>	<u> </u>	<u>¥4,895</u>
Total assets	<u>¥4,895</u>	<u> </u>	<u> </u>	<u>¥4,895</u>

<u>March 31, 2026</u>	Thousands of U.S. Dollars			<u>Total</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
Investment securities:				
Available-for-sale securities:				
Equity securities	<u>\$27,794</u>	<u> </u>	<u> </u>	<u>\$27,794</u>
Total assets	<u>\$27,794</u>	<u> </u>	<u> </u>	<u>\$27,794</u>

b. *The financial assets and liabilities not measured at the fair values in the consolidated balance sheet*

	Millions of Yen			
	Level 1	Level 2	Level 3	Total
<u>March 31, 2026</u>				
Lease deposits		¥4,238		¥4,238
Total assets		¥4,238		¥4,238
Long-term debt (including current portion)		¥3,000		¥3,000
Total liabilities		¥3,000		¥3,000
<u>March 31, 2025</u>				
Lease deposits		¥4,391		¥4,391
Total assets		¥4,391		¥4,391
Long-term debt (including current portion)		¥5,000		¥5,000
Total liabilities		¥5,000		¥5,000
	Thousands of U.S. Dollars			
	Level 1	Level 2	Level 3	Total
<u>March 31, 2026</u>				
Lease deposits		\$26,488		\$26,488
Total assets		\$26,488		\$26,488
Long-term debt (including current portion)		\$18,750		\$18,750
Total liabilities		\$18,750		\$18,750

The following is a description of valuation methodologies and inputs used for measurement of the fair value of assets and liabilities:

Investment Securities

The fair values of listed equity securities are measured at the quoted market prices. Since listed equity securities are traded in active markets, the fair values of listed equity securities are categorized as Level 1. Fair value information for investment securities by classification is included in Note 5.

Lease Deposits

Lease deposits are classified by a certain period and their fair values are measured at the amount to be received at maturity, discounted at the Group's assumed discount rate, such as those for government bonds, and are categorized as Level 2. The fair values of doubtful lease deposits are measured by estimating the recoverable amounts from collateral or guarantees.

Long-Term Debt

The fair values of long-term debt are determined by discounting the cash flows related to the debt at the Group's assumed corporate borrowing rate under a new agreement of the same borrowing, and are categorized as Level 2.

18. OTHER COMPREHENSIVE INCOME

The components of other comprehensive income for the years ended March 31, 2026 and 2025, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	<u>2026</u>	<u>2025</u>	<u>2026</u>
Unrealized (loss) gain on available-for-sale securities:			
(Losses) gains arising during the year	¥ (447)	¥ 728	\$ (2,794)
Amount before income tax effect	(447)	728	(2,794)
Income tax effect	<u>140</u>	<u>(250)</u>	<u>875</u>
Total	<u>¥ (307)</u>	<u>¥ 478</u>	<u>\$ (1,919)</u>
Land revaluation difference:			
Adjustments arising during the year	—	—	—
Amount before income tax effect	—	—	—
Income tax effect	—	¥ (14)	—
Total	—	<u>¥ (14)</u>	—
Foreign currency translation adjustments:			
Adjustments arising during the year	<u>¥ 12</u>	<u>¥ 9</u>	<u>\$ 75</u>
Defined retirement benefit plan:			
Adjustments arising during the year	¥ 881	¥ 34	\$ 5,506
Reclassification adjustments to profit or loss	<u>(336)</u>	<u>(395)</u>	<u>(2,100)</u>
Amount before income tax effect	545	(361)	3,406
Income tax effect	<u>(171)</u>	<u>104</u>	<u>(1,068)</u>
Total	<u>¥ 374</u>	<u>¥ (257)</u>	<u>\$ 2,338</u>
Total other comprehensive income	<u>¥ 79</u>	<u>¥ 216</u>	<u>\$ 494</u>

19. SUBSEQUENT EVENTS

Appropriations of Retained Earnings

The following appropriation of retained earnings at March 31, 2026, was approved at the Company's shareholders' meeting held on June 25, 2026:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥28 (\$0.18) per share	¥1,470	\$9,188

20. SEGMENT INFORMATION

The Group engages in the operation and franchising of a Chinese restaurant chain. The Group has determined that it has a single reportable segment and the disclosure of segment information required by the following ASBJ statement is not applicable.

Under ASBJ Statement No. 17, "Accounting Standard for Segment Information Disclosures" and ASBJ Guidance No. 20, "Guidance on Accounting Standard for Segment Information Disclosures," an entity is required to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available and such information is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Generally, segment information is required to be reported on the same basis as it is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments.

21. NET INCOME PER SHARE

Reconciliation of the differences between basic and diluted net income per share ("EPS") for the years ended March 31, 2026 and 2025, is as follows:

	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
	Net Income Attributable to Owners of the Parent	Weighted- Average Shares*		EPS
<u>Year Ended March 31, 2026</u>				
Basic EPS—Net income available to common shareholders	¥7,470	53,039	<u>¥140.84</u>	<u>\$0.88</u>
Effect of dilutive securities				
Warrants				
Convertible bonds				
Diluted EPS—Net income for computation	<u>¥7,470</u>	<u>53,039</u>	<u>¥140.84</u>	<u>\$0.88</u>
<u>Year Ended March 31, 2025</u>				
Basic EPS—Net income available to common shareholders	¥8,071	56,495	<u>¥142.88</u>	
Effect of dilutive securities				
Warrants				
Convertible bonds				
Diluted EPS—Net income for computation	<u>¥8,071</u>	<u>56,495</u>	<u>¥142.88</u>	

* Shares and per share figures have been restated, as appropriate, to reflect a three-for-one stock split effected October 1, 2024.

* * * * *

Financial Highlight

Ohsho Food Service Corp.

Three-Year Summary of Selected Financial Data Years Ended March 31, 2026, 2025 and 2024

	Consolidated			Thousands of U.S. Dollars
	Millions of Yen			
	2026	2025	2024	2026
Net sales:	¥ 116,839	¥ 111,034	¥ 101,402	\$ 730,244
Directly operated	107,160	101,824	92,973	669,750
Food materials to franchisees	9,679	9,210	8,429	60,494
Gross profit	78,916	75,603	69,560	493,225
Operating income	10,411	10,905	10,286	65,069
Income before income taxes	10,583	11,156	10,753	66,144
Net income	7,470	8,071	7,911	46,688
	Yen			U.S. Dollars
Amounts per share:				
Net income (basic)	¥ 140.84	¥ 142.88	¥ 140.15	\$0.88
Cash dividends	56.00	53.00	48.33	0.35
	Millions of Yen			Thousands of U.S. Dollars
	2026	2025	2024	2026
Depreciation and amortization	¥ 3,265	¥ 3,107	¥ 2,802	\$ 20,406
Capital expenditures	4,387	4,771	3,872	27,419
Total assets	85,087	96,633	91,462	531,795
Total equity	65,069	74,238	68,636	406,682
Number of employees	2,501	2,370	2,290	
Number of outlets	728	728	731	
Directly operated	551	551	545	
Franchised	177	177	186	
Average number of shares outstanding:				
Assuming no dilution (in thousands)	53,039	56,495	56,448	
	Percent			
Return on equity	10.72	11.30	12.04	
Return on assets	8.22	8.58	9.01	
Operating income margin	8.91	9.82	10.14	
Equity ratio	76.47	76.82	75.04	
Asset turnover (times)	1.18	1.18	1.16	
	Millions of Yen			Thousands of U.S. Dollars
	2026	2025	2024	2026
Net sales per employee	¥46.7	¥46.9	¥44.3	\$ 292

Note: The U.S. dollar amounts are translations of the Japanese yen amounts at the rate of ¥160 = \$1, the approximate rate of exchange on March 31, 2026.

Corporate Information

Board of Directors & Corporate Auditors

(as of June 25, 2026)

President	Naoto Watanabe
Senior Managing Director	Hiroshi Kadobayashi
	Masahiro Inagaki
Managing Director	Yuki Ikeda
Director	Nobutoshi Imaizumi
	Sho Iwamoto (outside)
	Naoko Tsusaka (outside)
	Shigemi Kakino (outside)
Corporate Auditors	Chikara Sekijima
	Hideki Matsuyama (outside)
	Yuichi Usui (outside)
	Daiki Nenoi (outside)



President/Naoto Watanabe

Corporate Data

(as of March 31, 2026)

Corporate Name	OHSO FOOD SERVICE CORP.
Head Office	294-1 Ibanoue-cho, Nishinoyama, Yamashina-ku, Kyoto, Japan Tel:075-592-1411
Incorporated	1974
Authorized Number of Shares	90,000,000 shares
Paid-in Capital	64,858,690 shares
Number of Shareholders	73,730
Transfer Agent	Sumitomo Mitsui Trust Bank Co.,Ltd. 1-4-1 Marunouchi, Chiyoda-ku, Tokyo 100-0005 Japan
Number of Employees	2,439 2,501 (consolidated)
Main Plants	Kumiyama (Kyoto) Higashimatsuyama (Saitama) Kyushu (Fukuoka) Sapporo (Hokkaido)
Number of Outlets	Directly operated:549 Franchised:177 Overseas (Taiwan): 2
Subsidiary	OHSO RESTAURANT SERVICE CO., LTD. OHSO HEARTFUL CORP.



Network

(Total 728 outlets, as of March 31, 2026)

