



August 29, 2025

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Notice of material deficiencies subject to disclosure in internal controls systems related to financial reporting

UORIKI CO., LTD. (the "Company") submitted the Internal Controls Report for the fiscal year ended March 31, 2025 to the Kanto Local Finance Bureau on August 29, 2025, pursuant to Article 24-4-4, Paragraph 1 of the Financial Instruments and Exchange Act of Japan, in which it identified material deficiencies subject to disclosure and noted that the Company's internal controls systems related to financial reporting were ineffective, as outlined below.

1. Details of material deficiency subject to disclosure

As stated in the "Summary of Notice Concerning the Policy for Convening an Adjourned Meeting of the 41st Ordinary General Meeting of Shareholders" dated June 24, 2025 and the "((Correction)Notice Concerning the Policy for Convening an Adjourned Meeting of the 41st Ordinary General Meeting of Shareholders" dated June 26, 2025, we have discovered deficiencies in our accounting procedures for the fiscal year ending March 31, 2025.

The deficiencies include numerous errors in securities reports that were discovered during the audit by the auditing firm, and multiple accounting errors that were discovered during the audit by the auditing firm and in the closing procedures.

These were due to deficiencies in the financial closing and reporting processes, and we have determined that they constitute material deficiencies that should be disclosed.

The multiple accounting errors are as follows:

- (1) In March 2025, the Company made MOGAMI SENGYO CO., LTD. an unlisted equity method affiliate, a consolidated subsidiary. However, at that time, the Company did not inform the subsidiary of the need to record impairment losses on fixed assets, and the auditing firm discovered that the subsidiary had failed to record impairment losses. As a result, it was discovered that equity method investment income in our consolidated financial statements was overstated and that accounting errors had been made when transitioning to consolidation.
- (2) The department at our company that handles negotiations with commercial facilities where stores are to be opened was aware of the closure of five stores at the time of the fiscal year ending March 2025. However, the accounting department was not aware of these store closures, and the audit firm pointed out that asset retirement obligations related to these stores had not been recorded.
- (3) The accounting department had prepared financial statements that reflected the application of special deductions under the wage increase promotion tax system, assuming that the system would be applied. However, other departments had failed to notify the Ministry of Economy, Trade and Industry, which was necessary for the application of the tax system, and as a result, the special deductions could not be applied, and it was discovered that corporate tax had been understated.

As a result of these circumstances, it took time to finalize the financial figures, and we were unable to report our annual financial results at our Ordinary General Meeting of Shareholders, so we had to hold an adjournment meeting instead. We also extended the deadline for submitting our securities report.

The causes of the above error are as follows:

The error in the securities report was due to the fact that the head of the accounting department did not check the document. This was because the work was concentrated on the head of the accounting department, partly due to the inability to allocate sufficient personnel with the necessary skills. In addition, multiple accounting errors were caused by insufficient preparation of information gathering documents regarding closing procedures, which meant that the head of the accounting department was

unable to communicate sufficiently with other departments and consolidated subsidiaries and was unable to obtain the information necessary for closing procedures.

The Company has determined that these internal control deficiencies have a significant impact on financial reporting and constitute material deficiencies in the financial settlement and reporting processes that should be disclosed.

2. Reason for failure to rectify by the end of the fiscal year

The reason why the above-mentioned significant deficiencies in internal control over financial reporting that should have been disclosed were not corrected by the end of the fiscal year is that the facts were discovered after the end of the fiscal year.

3. Policy for correcting material inadequacies to be disclosed

Recognizing the importance of internal controls related to financial reporting, in order to correct any significant deficiencies that should be disclosed, the Company will take measures to prevent recurrence, including those listed below, and will strive to establish and operate appropriate internal controls.

In order to strengthen the accounting department, we will launch a business reform project by early September 2025, appoint an external expert with extensive knowledge as its leader, and implement the following:

- ① Hire an experienced CFO and head of the accounting department from outside the company.
- ② Optimizing the organization of the accounting department, including hiring managers with specialized skills other than those at the level mentioned in ①, implementing management education and specialized knowledge training according to the level within the department, and reviewing personnel allocation.
- ③ Create, review and thoroughly implement a closing procedures manual, including reviewing information collection documents related to closing procedures.

4. Impact on consolidated and nonconsolidated financial statements

All revisions made necessary by the above material deficiencies subject to disclosure have been reflected in consolidated and nonconsolidated financial statements.

5. Audit opinion expressed in audit report on consolidated and nonconsolidated financial statements

Unqualified opinion