



October 2, 2026

To Whom It May Concern:

Company Name: ARCLANDS CORPORATION
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(Securities Code: 9842; Tokyo Stock
Exchange, Prime Market)
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**Notice Concerning Receipt and Publication of the Investigation Report
of the Special Investigation Committee and the Schedule for Financial Results Announcements**

As announced in the “Notice Concerning Establishment of a Special Investigation Committee and Postponement of the Announcement of First-Quarter Financial Results for the Fiscal Year Ending February 2027” dated July 3, 2026, ARCLANDS CORPORATION (the “Company”) established a special investigation committee composed solely of independent external experts and structured to ensure independence and objectivity (the “Special Investigation Committee”) and has been conducting an investigation into suspicions of improper accounting treatment at Pets-first Holdings CO., LTD. (“PFH”), a consolidated subsidiary of the Company. The Company received the investigation report from the Special Investigation Committee today and hereby publishes it as set forth below.

The Company sincerely apologizes to its shareholders, investors, and all other stakeholders for the inconvenience and concern caused.

1. Results of the Investigation by the Special Investigation Committee

For the results of the investigation by the Special Investigation Committee, please refer to the attached “Investigation Report.” Certain portions of the investigation report have been withheld from disclosure to protect personal and confidential information, among other considerations.

2. Impact on Financial Results

Based on the investigation results, the Company plans to issue corrections to its Consolidated

Financial Results for the Six Months Ended August 31, 2025, Consolidated Financial Results for the Nine Months Ended November 30, 2025, and Consolidated Financial Results for the Fiscal Year Ended February 28, 2026, and to file amendment reports to its semi-annual securities report, annual securities report, and internal control report for the fiscal year ended February 2026, on October 13, 2026, following a detailed examination of the financial impact and completion of the necessary procedures by the Company's accounting auditor.

The Company also plans to announce its postponed first-quarter financial results for the fiscal year ending February 2027 on the same date, more than 45 days after the end of the quarter, together with its second-quarter (interim) financial results for the same fiscal year. The Company plans to file its semi-annual securities report for the fiscal year ending February 2027 on the same date.

Please note that the financial impact amounts presented in the investigation report are amounts calculated in relation to the matters investigated by the Special Investigation Committee and do not represent the final restatement amounts for the Company's prior-period financial results. In determining the final restatement amounts, the Company plans to reflect necessary accounting adjustments, including the correction of previously uncorrected immaterial items, and a reassessment of the recoverability of PFH's deferred tax assets, and to reconcile any overlap between the amounts calculated by the Special Investigation Committee and these additional items. Accordingly, the final restatement amounts are expected to differ from the amounts of the impact stated in the investigation report. The Company plans to disclose the details of the corrections on October 13, 2026.

3. Future Actions

The Company takes seriously the causes identified and the recommendations for measures to prevent recurrence set out in the investigation report, and will formulate and implement specific measures to prevent recurrence. The details of these measures and future actions are currently under consideration and are scheduled to be announced on October 13, 2026. The Company will promptly announce any changes to the above scheduled disclosure or filing dates, the documents subject to correction, or other related matters.

Through its efforts to prevent recurrence, the Company will strive to regain the trust of its stakeholders.

End

(Attachment) Investigation Report (Summary Version)

October 2, 2026

To: ARCLANDS CORPORATION

Investigation Report (Summary Version)

Special Investigation Committee

Note: This document is an English translation of the Japanese original prepared for reference purposes. In the event of any discrepancy between this English translation and the Japanese original, the Japanese original shall prevail.

1. Overview of the Investigation

On June 6, 2025, ARCLANDS CORPORATION ("**ARCLANDS**") acquired all of the issued shares of Pets-First Holdings Co., Ltd. ("**PFH**") from Mr. B, who at the time held all shares of PFH, making PFH a wholly owned subsidiary. Subsequently, while preparing its consolidated financial statements for the first quarter of the fiscal year ending February 2027, ARCLANDS identified anomalous figures and conducted an internal investigation, which revealed suspected improper accounting treatment at PFH (the "**Accounting Concerns**"). Accordingly, on July 3, 2026, ARCLANDS established a Special Investigation Committee (the "**Committee**") composed solely of the following external professionals. The purposes of the Committee were to: (i) investigate the facts relating to the Accounting Concerns; (ii) investigate whether any similar events existed; (iii) confirm the impact on ARCLANDS' consolidated financial figures; and (iv) analyze the causes and recommend recurrence-prevention measures. In addition, the Committee reviewed financial information disclosed by PFH to ARCLANDS in connection with due diligence and other processes.

Chair: Hidetaka Miyake (Attorney-at-Law, Anderson Mori & Tomotsune)

Member: Yasunori Sato (Certified Public Accountant, Deloitte Tohmatsu LLC)

Member: Takamasa Nakahara (Attorney-at-Law, Anderson Mori & Tomotsune)

From July 3 through October 1, 2026, the Committee reviewed accounting and closing materials, monthly performance reports, consolidated reporting packages (the "**Consolidated RP**"), M&A and due diligence ("**DD**") materials, and other relevant documents, and conducted a total of 26 interviews with 22 individuals. The Committee also conducted digital forensics focusing primarily on emails and LINE WORKS data, reviewed 29,116 items of electronic data, of which 463 were identified as relevant to the Accounting Concerns and used in its factual findings and other analyses.

As a general rule, the investigation covered the period from April 1, 2024 onward, with particular focus on accounting treatment and financial reporting for the PFH Group's fiscal year ended March 2026. To assess the impact on financial information at the time ARCLANDS acquired PFH, the Committee also investigated accounting treatment for the fiscal year ended March 2025 and, where necessary, facts predating April 1, 2024.

This investigation was voluntary in nature, and certain data could not be comprehensively preserved or reviewed due to limitations such as electronic-data retention periods. In addition, the Committee was unable to preserve the personally owned PC used by Mr. B for business because no agreement was reached regarding the preservation and scope of its use for the investigation, and Mr. B did not provide voluntary consent. The Committee made its factual findings by cross-checking the available evidence, including data from mail servers and LINE WORKS, electronic data collected from other relevant individuals, and accounting materials.

2. Facts Identified by the Investigation

The investigation found that, during the period from April 1 through December 31, 2025 (the "**Relevant Period**"), monthly performance reports and quarterly Consolidated RPs submitted by PFH to ARCLANDS used figures that differed from the figures recorded in the accounting systems of PFH Group companies and in the consolidation worksheets prepared based on those figures (the "**Numerical Discrepancies**"). The Committee determined that the actions of Mr. A described below constituted fraudulent financial reporting.

With respect to consolidated subsidiaries of the ARCLANDS Group other than the PFH Group, the Committee compared the Consolidated RPs for the fiscal year ended February 2026 and the first quarter of the fiscal year ending February 2027 with figures in the relevant accounting systems and other records, and did not identify any events similar to the Accounting Concerns.

(1) Overview of the Fraudulent Financial Reporting

Mr. A, who was a Director and CFO of PFH, prepared his own forecast simulations using the number of animals sold, unit selling prices, purchase costs, forecasts obtained from departments and subsidiaries, and other inputs, and used them to estimate expected monthly results. Some monthly performance reports used not only preliminary figures or projected results before finalization but also actual figures obtained from accounting systems and other records that had been modified at Mr. A's discretion. ARCLANDS, however, was not informed that such figures were preliminary or had been modified at Mr. A's discretion.

Although Mr. A was aware of the Numerical Discrepancies, he did not identify their causes or make the necessary corrections and reports. Instead, he instructed PFH accounting personnel to prepare each quarterly Consolidated RP so that it matched the figures already reported to ARCLANDS in the monthly performance reports. The Committee determined that Mr. A's conduct in causing financial reporting to be made using figures that differed from those in the accounting systems without reasonable grounds, thereby resulting in misstatements in ARCLANDS' consolidated financial statements, constituted fraudulent financial reporting.

On a cumulative basis for the Relevant Period, the figures reported to ARCLANDS were overstated, compared with figures based on the accounting systems and related records, by JPY 857 million in operating profit, JPY 718 million in ordinary profit, and JPY 721 million in net income.

Relationship Between Consolidated RPs for the Relevant Period and ARCLANDS' Consolidated Financial Reporting

PFH Quarter-End Date	PFH Accounting Period	Submission Timing	ARCLANDS' Consolidated Financial Statements
June 30, 2025	Cumulative Apr.-Jun. 2025	August 19, 2025	Interim consolidated financial statements for the fiscal year ended February 2026
September 30, 2025	Cumulative Apr.-Sep. 2025	November 19, 2025	Third-quarter consolidated financial statements for the fiscal year ended February 2026
December 31, 2025	Cumulative Apr.-Dec. 2025	Submitted and revised sequentially from February 20, 2026 onward	Consolidated financial statements for the fiscal year ended February 2026

(2) Course of the Fraudulent Financial Reporting

By no later than the stage at which the first Consolidated RP covering April through June 2025 was being prepared, Mr. A was aware that there were discrepancies between figures based on the accounting systems and related records and the monthly figures already reported to ARCLANDS. Mr. A stated that he believed the figures in the accounting systems might be incorrect, but the Committee found no record showing that he analyzed the causes of the discrepancies by account or verified them against objective evidence. Nevertheless, Mr. A instructed that the Consolidated RP be prepared to match the previously reported figures.

In September 2025, with respect to the Consolidated RP for April through June 2025, adjustments using accounts receivable and accounts payable were made to resolve a balance sheet imbalance caused by aligning net income with the figure previously reported to ARCLANDS, and

Mr. A approved those adjustments. In November 2025, with respect to the interim period from April through September 2025, an adjustment was made by adding JPY 449 million to the net loss of JPY 323 million based on the accounting systems and related records, resulting in net income of JPY 126 million for reporting to ARCLANDS.

On February 27, 2026, Mr. A showed Mr. D, a member of PFH's Corporate Management Department who was responsible for preparing the third-quarter Consolidated RP covering April through December 2025, the consolidation worksheet based on the accounting systems and related records and the figures already reported to ARCLANDS, and instructed him, "We have to make it match this." A Consolidated RP reflecting adjustments to match the previously reported figures was then prepared and submitted.

Thereafter, for the Consolidated RP covering January through March 2026, Mr. D and others prepared and submitted figures based on the accounting systems and related records. This caused inconsistencies with the previously reported figures to become apparent, and the Accounting Concerns were ultimately identified through inquiries by ARCLANDS and explanations from PFH personnel.

(3) Persons Involved

The fraudulent financial reporting was led by Mr. A. No facts were identified indicating that Mr. B, who continued to be involved in PFH's management as its Director, President and COO after the acquisition, or any other officer of ARCLANDS or PFH, instructed or approved any specific accounting treatment relating to the fraudulent financial reporting. Mr. C and Mr. D, who belonged to PFH's Corporate Management Department, were aware of the Numerical Discrepancies and participated in adjustment work based on Mr. A's instructions, but the Committee found no facts indicating that either of them independently planned or led the fraudulent financial reporting.

With respect to Mr. B, the Committee found that, by November 17, 2025 at the latest, he had been informed that there was a discrepancy of approximately JPY 450 million in the figures reported to ARCLANDS and that serious questions had arisen as to their accuracy. On the other hand, the Committee found insufficient evidence to conclude that Mr. B understood the specific causes of the discrepancy or that Mr. A was reporting to ARCLANDS using figures different from those based on the accounting systems and related records and was further adjusting the Consolidated RPs to match previously reported figures. Nor was there sufficient evidence to find that Mr. B instructed or approved the preparation or submission of inaccurate Consolidated RPs.

The Committee therefore concluded that it could not find that Mr. B was involved in the fraudulent financial reporting.

(4) Principal Findings Regarding Similar Events and Related Matters

Separate from the Numerical Discrepancies, the Committee identified failures within the PFH Group to eliminate unrealized profits included in inventories, as well as the deferral of recognition of an allowance for doubtful accounts and a provision for bonuses.

With respect to unrealized profits, the required eliminations were not made in PFH's consolidated financial figures as of the end of June, September and December 2025 for inventories consisting of animals sold by Pets-First Breeders Club Co., Ltd. to Pets-First Co., Ltd. ("PF") and pet food and care products sold by First Greedy Co., Ltd. to PF. The failure to eliminate these unrealized profits resulted in overstatements of ARCLANDS' inventories of JPY 438 million for the interim consolidated period of the fiscal year ended February 2026 and JPY 471 million for the full consolidated fiscal year. Mr. A stated that the treatment of unrealized profits relating to animals had been deferred due to the postponement of a planned corporate reorganization. With respect to pet food and care products, he stated that he was aware that the unrealized profits had not been eliminated but considered the amount immaterial and believed that they could be processed together with the unrealized profits relating to animals at the end. The Committee determined that the failure to make these eliminations quarterly constituted the intentional deferral of accounting treatment that should have been performed and therefore constituted fraudulent financial reporting.

In addition, Pets-First Credit Co., Ltd. recognized in March 2026 an allowance for doubtful accounts of JPY 65 million that should have been recognized at the end of December 2025, while the PFH Group recognized in March 2026 a provision for bonuses of JPY 60 million that should have been recognized at the end of July 2025. As a result, selling, general and administrative expenses were understated by JPY 125 million in ARCLANDS' consolidated fiscal year ended February 2026. The Committee found that Mr. A had intentionally deferred the timing of recognition in order to avoid the impact on monthly or quarterly profit and loss and to process the items as year-end closing adjustments, and determined that these matters also constituted fraudulent financial reporting through intentional manipulation of the timing of recognition.

The Committee also identified a numerical discrepancy between the consolidation worksheet for PFH's fiscal year ended February 2024 that had been provided to ARCLANDS before the acquisition and the consolidation worksheet maintained and updated internally at PFH. The profit

attributable to owners of parent shown in the former worksheet exceeded that in the latter worksheet by JPY 153 million. However, because another document provided to ARCLANDS matched the version maintained by PFH and in light of other circumstances, the Committee found insufficient evidence to conclude that the discrepancy resulted from intentional numerical adjustments or that relevant PFH personnel provided the document while aware that it contained an error. Company b, which performed the financial and tax DD and the share valuation, explained that the impact of this discrepancy on the share valuation was minor or limited and that, even if the valuation were recalculated to reflect the discrepancy, the share purchase price of JPY 6,500 million would not be expected to fall outside the share valuation range calculated by Company b.

3. Accounting Impact

The Committee calculated the impact on ARCLANDS' interim consolidated financial statements and consolidated financial statements for the fiscal year ended February 2026 arising from the Numerical Discrepancies, failures to eliminate unrealized profits, and the deferral of recognition of the allowance for doubtful accounts and provision for bonuses, including the related effects under business combination accounting. The impact on accounting estimates, including the valuation of fixed assets and the recoverability of deferred tax assets, was outside the scope of the investigation and is not included in the table below. The principal impacts are as follows.

Principal Impact on ARCLANDS' Consolidated Financial Statements (JPY million)

Principal Item	ARCLANDS Fiscal Year Ended February 2026	
	Interim Consolidated Period	Consolidated Fiscal Year
Inventories	-438	-716
Accounts receivable	-168	-349
Net sales	-43	-317
Operating profit	-614	-1,437
Ordinary profit	-553	-1,297
Net income	-557	-1,300

Note: Negative figures indicate decreases in assets, profit or similar items. The table above presents selected principal items; all items of impact are set out in the Investigation Report (Public Version).

4. Analysis of Causes

The direct and primary cause of this matter was that Mr. A, despite being aware of the Numerical Discrepancies, deferred investigating their causes and instructed PFH accounting

personnel to prepare the Consolidated RPs to match figures already reported to ARCLANDS. However, because fraudulent financial reporting directed by the person responsible for finance and accounting at a subsidiary of a listed-company group continued for several quarters, the Committee analyzed not only factors relating to Mr. A personally, but also organizational background factors that failed to prevent the fraudulent financial reporting or enable its early detection and correction.

Factors relating to Mr. A included: (i) a tendency to defer accounting treatment and the investigation and correction of the causes of discrepancies while prioritizing consistency with previously reported figures; (ii) a tendency to place emphasis on how performance appeared from a management-accounting perspective, including in relation to the number of animals sold, and on the anticipated final outcome of the financial figures; (iii) the fact that, as CFO of PFH, he was in a position to make final judgments regarding accounting, finance and financial reporting to the parent company and, by virtue of that position, had the opportunity to engage in fraudulent financial reporting; and (iv) distrust of figures in the accounting systems, based in part on past inventory-management and accounting issues, and reliance on his own forecast simulations. With respect to factor (iii), it is not unusual for the person responsible for finance and accounting at a subsidiary to have such authority, and the Committee does not consider the existence of such authority in itself to have been a cause of this matter. In this case, however, mechanisms under which persons independent of Mr. A could verify and, in a timely manner, correct any deviation by Mr. A from the ordinary financial reporting process did not function sufficiently, which the Committee considers to have been one factor that enabled the opportunity described above to translate into actual fraudulent financial reporting and allowed it to continue. The Committee did not, however, find that Mr. A committed the misconduct for the purpose of making the PFH Group's performance appear better than it actually was.

In addition, although they were not direct causes of the occurrence of this matter itself, the principal organizational background factors that hindered early detection and correction can be summarized as set out below.

Principal Background Factors That Hindered Early Detection and Correction

Category	Principal Background Factors
PFH Governance	- Board meetings were rarely held other than for matters such as approval of financial statements, limiting opportunities for important financial-reporting issues to be formally shared among directors and reviewed and supervised from an independent standpoint, including by the Company Auditor. - There was no practice under which the Company Auditor continuously received consolidation worksheets, monthly performance reports, Consolidated RPs and similar materials and reviewed material discrepancies from accounting data. - Early escalation did not function sufficiently when questions arose regarding the decisions or instructions of the person responsible for finance and accounting.
ARCLANDS' Financial-Reporting Review Procedures and Their Limitations	- ARCLANDS reviewed the Consolidated RPs submitted by PFH for consistency with monthly performance reports, internal consistency within the Consolidated RPs and other matters, and made more detailed inquiries and correction requests to PFH than to other subsidiaries. - However, because the Consolidated RPs themselves had been prepared to match the monthly figures previously reported, there were limits to detecting the discrepancies through ordinary consistency checks alone. - Although multiple accounting and internal-control issues had been identified in the acquisition DD and related processes, there was no framework for conducting more in-depth, ongoing verification, commensurate with those risks, as to whether financial information reported to the parent company was properly based on the underlying accounting figures and related matters.

5. Recommendations for Recurrence Prevention

Based on the above analysis of causes, the Committee recommends that PFH and ARCLANDS implement the measures set out in the tables below to prevent a recurrence of similar events.

Principal Recurrence-Prevention Measures for PFH

Category	Principal Recurrence-Prevention Measures
Financial Reporting Officer	When selecting and appointing the CFO or other persons with significant responsibility for financial reporting, PFH should, in addition to accounting and finance expertise, place importance on whether the individual fully understands the responsibility to report accurate financial information as part of a listed-company group, the impact that errors may have on investors and others, and the importance of timely reporting and correction of issues, and should clarify the selection process.
Board of Directors and Audit Function	- Hold Board of Directors meetings regularly so that directors and the Company Auditor share information and conduct necessary deliberation and oversight regarding financial reporting, internal controls and other important matters. - Establish a framework under which material discrepancies, exceptional treatments and financial-reporting concerns are reported to the Company Auditor in a timely manner, and consider introducing voluntary external audits where appropriate.
Escalation and Whistleblowing	Clarify routes through which employees can consult or report directly to subsidiary management, the Company Auditor, or the parent company's finance and accounting functions, without going through the relevant officer, even where there are concerns regarding the decisions or instructions of the person responsible for finance and accounting, and ensure that the ARCLANDS Group's internal whistleblowing system is fully extended to the PFH Group.

Category	Principal Recurrence-Prevention Measures
Education and Training	Provide ongoing education and training regarding the distinction between financial accounting and management accounting, consolidation accounting, quarterly financial reporting and related matters, thereby enhancing awareness and understanding of financial reporting responsibilities within a listed-company group.

Principal Recurrence-Prevention Measures for ARCLANDS

Category	Principal Recurrence-Prevention Measures
Post-Merger Integration (PMI)	Re-plan and implement PMI for PFH; identify key closing and financial-reporting processes, responsible persons, approval procedures, significant manual adjustments and key risks; and clarify the responsible departments, response timelines and progress-management arrangements for issues identified through DD.
Risk Assessment and Additional Monitoring	Assess risks for each subsidiary and, for higher-risk subsidiaries, conduct additional procedures for a certain period, including reconciliation of major accounts between accounting-system figures and consolidation worksheets/Consolidated RPs, verification of supporting grounds for significant manual adjustments and consolidation adjustments, and review of unresolved discrepancies.
Internal Whistleblowing System	Clearly communicate that employees may consult directly with the parent-company hotline even where concerns relate to their immediate supervisor or the person responsible for finance and accounting, and continuously confirm the status of awareness and use of the system at each group company.
Monitoring and Data Management	Report the progress of recurrence-prevention measures to the Board of Directors and the Audit & Supervisory Committee and monitor their effective implementation. In addition, store important financial-reporting materials in a company-controlled shared environment, appropriately configure access rights, approvals, change history and version control, and review necessary retention and backup arrangements for email, chat and other important business data.

End