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Notice Regarding Submission of Internal Control Report containing Material Weaknesses

TOKAI RIKA CO., LTD (the “Company”) hereby announces that it has submitted its internal control report for the 79th fiscal year ended March 2026 with the Kanto Local Finance Bureau pursuant to Article 24-4-4, Paragraph 1 of the Financial Instruments and Exchange Act. This report discloses material weaknesses, as detailed below.

1. Details of Material Weaknesses

The Company has established retirement benefit systems including a defined benefit corporate pension plan, a lump-sum retirement benefit plan, and a defined contribution pension plan. Temporary differences subject to deferred tax accounting arise in connection with the defined benefit corporate pension plan and the lump-sum retirement benefit plan. In addition, retirement benefit trusts have been established for each of these plans, which also generate temporary differences.

Accurate identification of these temporary differences and proper application of deferred tax accounting require advanced accounting expertise and judgment.

The Company had established and operated internal controls whereby procedures manuals and checklists were prepared, and the responsible personnel performed closing procedures in accordance with them, followed by verification by their supervisors.

However, the Company identified deficiencies in the design of internal controls because the procedures manuals and checklists for deferred tax accounting did not accurately and sufficiently describe the procedures required under the “Implementation Guidance on Recoverability of Deferred Tax Assets.” In particular, procedures for scheduling temporary differences by their nature and offsetting them by expected reversal periods were not clearly defined. Furthermore, in applying deferred tax accounting, sufficient verification and review were not performed, despite the need for advanced accounting expertise to properly understand the nature of temporary differences related to retirement benefits and assess their recoverability. As a result, errors occurred. Accordingly, the Company identified deficiencies in the operation of internal controls.

Since these deficiencies had a material impact on financial reporting, they were determined to constitute material weaknesses in internal control over financial reporting in the closing and financial reporting process related to deferred tax accounting.

2. Reason Why the Material Weaknesses Were Not Remediated by the End of Fiscal Year

Because the aforementioned material weaknesses in internal control over financial reporting were discovered after the end of the relevant fiscal year, they could not be remediated by the end of fiscal year.

3. Remediation Policy for Material Weaknesses

The Company recognizes the importance of establishing and operating internal controls over financial reporting and will implement the following measures to remediate the identified material weaknesses:

- Review and revise procedures manuals and checklists, including those related to deferred tax accounting, to ensure they adequately reflect the complexity and specific characteristics of the relevant accounting treatments.
- Enhance employees' expertise through continuous training, particularly in deferred tax accounting, and ensure thorough verification and review during financial closing procedures.
- Conduct careful analysis of significant accounting issues arising from changes in the business environment or new transactions and engage in more timely and frequent discussions with the Company's audit firm.

4. Impact on Financial Statements

All necessary corrections arising from these material weaknesses have been reflected in the Consolidated and Non-consolidated financial statements included in the securities report.

5. Audit Opinions on Financial Statements

The audit opinions on the Consolidated and Non-consolidated financial statements for the relevant fiscal year were unqualified.