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To whom it may concern

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Notice Concerning Recording of Non-Operating Expenses and Extraordinary Losses, Reversal of Deferred Tax Assets, Revision of Earnings Forecast, and Reduction in Remuneration for Directors (and Other Officers)

In the three months ended September 30, 2026, HOTLAND HOLDINGS Co., Ltd. (the "Company") recorded non-operating expenses and extraordinary losses as well as a partial reversal of deferred tax assets as follows. In light of recent business performance trends, etc., the Company announces that it has revised its full-year consolidated earnings forecast for the fiscal year ending December 2026 (from January 1, 2026 to December 31, 2026) announced on February 13, 2026.

The Company also announces that the resolution of the Board of Directors was made to reduce remuneration for directors (and other officers).

1. Recording of non-operating expenses and extraordinary losses, and reversal of deferred tax assets

1. Recording of non-operating expenses (foreign exchange losses)

In the three months ended September 30, 2026, a net foreign exchange loss of 455 million yen was recorded as a non-operating expense. This mainly represents the fair value of forward exchange contracts recognized as a net foreign exchange loss.

As a net foreign exchange gain of 331 million yen was recorded in the six months ended June 30, 2026, a net foreign exchange loss of 123 million yen was recorded as a non-operating expense in the nine months ended September 30, 2026.

2. Recording of extraordinary losses (impairment losses)

In the three months ended September 30, 2026, the book value of non-current assets for stores scheduled to close or change their business type and stores with declining profitability was reduced to the recoverable amount, and an impairment loss of 213 million yen was recorded as an extraordinary loss.

In the nine months ended September 30, 2026, an impairment loss of 376 million yen, which includes the above, was recorded as an extraordinary loss.

3. Reversal of deferred tax assets

As a result of careful consideration of the recoverability of deferred tax assets based on estimates of future taxable income, etc., the Company recorded income taxes-deferred of 212 million yen in the three months ended September 30, 2026 by partially reversing deferred tax assets.

2. Revision to full-year consolidated earnings forecast

(1) Revision to consolidated earnings forecast figures for full fiscal year ending December 2026 (from January 1, 2026 to December 31, 2026)

	Net sales	Operating profit	Ordinary profit	Profit (loss) attributable to owners of parent	Basic earnings (loss) per share
	millions of yen	millions of yen	millions of yen	millions of yen	yen
Previously announced forecast (A)	58,000	2,500	2,350	800	32.72
Revised forecast (B)	56,000	1,500	1,200	(1,200)	(49.07)
Change (B-A)	(2,000)	(1,000)	(1,150)	(2,000)	-
Change (%)	(3.4)	(40.0)	(48.9)	-	-
(Reference) Results for the previous fiscal year (fiscal year ended December 2025)	51,040	1,784	2,056	405	19.07

(Note) Loss per share in the revised forecast is computed based on the forecasted weighted-average number of shares of 24,453,475, reflecting the increase in the number of shares resulting from the issuance of new shares in April and May 2026.

(2) Reason for revision

Net sales are expected to be lower than the previously announced forecast mainly due to slumping net sales of existing stores in some business types, as well as the sluggish progress of new store openings falling short of the initial plan.

Operating profit is expected to be lower than the previously announced forecast mainly due to increased costs such as raw material costs and personnel expenses, an increase in initial opening costs for new stores, and some stores falling short of their plans, in addition to the above-mentioned decrease in net sales.

Ordinary profit is expected to be lower than the previously announced forecast mainly due to the recording of foreign exchange losses associated with the fair value measurement of forward exchange contracts, in addition to the above.

Loss attributable to owners of parent is expected to be recorded mainly because, in addition to the above, as described in “1. Recording of non-operating expenses and extraordinary losses, and reversal of deferred tax assets”, impairment losses on stores scheduled to close or change their business type and stores with declining profitability, as well as income taxes-deferred due to the partial reversal of deferred tax assets, were recorded, and there is a possibility of recording impairment losses based on the “Accounting Standard for Impairment of Non-Current Assets” at the end of the fiscal year.

To strengthen its earnings base for the next fiscal year and beyond, the Group will bring forward the closure or business type conversion of stores with declining profitability, while working to improve the

profitability of existing stores, enhance the productivity of store operations, and optimize cost of sales, personnel expenses and other costs. With regard to future new store openings, the Group will refine its store opening plan by placing greater emphasis on the profitability and investment efficiency of each store, while continuing to promote store openings in business types with strong potential for profitability and growth.

(Note) The above earnings forecast is prepared based on information available as of the publication date of this document. Actual results may differ from the forecast figures due to various factors in the future.

3. Reduction in remuneration for directors (and other officers)

(1) Reason for reduction

The Company takes the downward revision of the full-year consolidated earnings forecast mentioned above seriously, and has decided to reduce remuneration for directors in order to clarify management responsibility. In view of the significance of management responsibility, the reduction period for the President and Representative Director will be 12 months.

(2) Details of reduction

Job title	Reduction rate (monthly fixed remuneration)
President and Representative Director	30%
Executive Directors excluding President and Representative Director	15%

(3) Reduction period

President and Representative Director: 12-month period from the December 2026 payment through the November 2027 payment

Executive Directors excluding President and Representative Director: 3-month period from the December 2026 payment through the February 2027 payment

End.