October 30, 2026

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Announcement Regarding Initiatives to Strengthen Internal Management Controls and Corporate Governance (Including Plans to Transition to a Company with an Audit & Supervisory Committee)

YOKOREI Co., Ltd. (the "Company"), hereby announces that, as stated in the "Announcement Regarding the Recording of Extraordinary Losses, Revision of Full-Year Earnings Forecasts for the Fiscal Year Ended September 30, 2026, and Voluntary Return of Executive Compensation" released today, the investment securities related to Hofseth International AS ("HI") group held by the Company have declined significantly in substantive value relative to their book value. Consequently, the Company recorded a loss on valuation of investment securities of 23.6 billion yen and a provision of allowance for doubtful accounts of 0.5 billion yen as extraordinary losses for the fiscal year ended September 30, 2026. We sincerely apologize for the significant inconvenience and concern this has caused our shareholders and stakeholders.

Following the recording of extraordinary losses related to overseas business partners announced in November 2024, the Company has been developing and implementing initiatives including "Initiatives to take corrective measures to address deficiencies in internal controls over financial reporting," "Establishment of a Risk Management Committee," and "Tightening of processes related to business investments" (the "Initiatives"). Regarding the recording of extraordinary losses related to HI group, while we do not believe there were any deficiencies in the content or implementation of the Initiatives, we take the fact that we have recorded extraordinary losses on two separate occasions regarding overseas investments and financing very seriously. In order to make the Initiatives more effective, we have reviewed the implementation status and are examining measures to improve risk assessment and monitoring for similar or related events, as well as to further strengthen our corporate governance. Accordingly, at the Board of Directors meeting held today, we resolved to implement the following additional measures (the "Additional Initiatives") and hereby announce them as follows.

1. Results of the evaluation of the Initiatives leading to the formulation of the Additional Initiatives

As stated in the "Announcement Regarding Material Deficiencies in Internal Controls over Financial Reporting and the Submission of an Amended Internal Control Report" dated January 6, 2025, the Company takes seriously the material revelation of deficiencies in internal controls with respect to our financial accounting and reporting processes. As described in the "Announcement Regarding the Establishment of a Risk Management Committee" dated January 29, 2025, and the "Announcement Regarding the Formulation of Measures to Prevent Recurrence (Strengthening the Business Investment Process)" dated May 15, 2025, the Company has been striving to develop and implement the Initiatives as an effective and sustainable organizational structure and system designed to prevent risks proactively, detect them early, and prevent their recurrence, while also enabling an appropriate response when specific risks do occur.

Regarding the matter related to HI group described in the "Announcement Regarding the Recording of Extraordinary Losses, Revision of Full-Year Earnings Forecasts for the Fiscal Year Ended September 30, 2026, and Voluntary Return of Executive Compensation" which was released today, we have treated this as a top-priority matter involving high credit risk. Upon reviewing the substantial outstanding investment and loan balances and contractual terms, we have conducted ongoing investigations and monitoring of the management, financial, and credit conditions of HI. Specifically, the Company has implemented measures such as ongoing monitoring including on-site visits by personnel from our business divisions to assess HI's operational, financial, and credit conditions, due diligence and other monitoring by external evaluation organizations, examination of legal measures to protect our claims, and seeking advice from external experts. This series of initiatives was also reviewed by the Risk Management Committee and upon receiving input from external experts, the results of those deliberations were reported to the Board of Directors, and the Board has since considered and implemented appropriate measures. Therefore, we believe that the investments and loans made related to HI were appropriately managed in accordance with the Initiatives.

Furthermore, considering that our investment and loans related to HI had already reached a significant scale even before the development and implementation of the Initiatives, and given that HI's business operations had expanded to a certain extent and the conditions were in place for HI to procure funds independently, we established a policy of not making any additional investments or loans from a risk management perspective. Consequently, we have not expanded our investments or loans related to HI since 2020, and have positioned this period as a recovery phase for our investments and loans related to HI, proceeding with the recovery of those funds.

However, as stated in the "Announcement Regarding the Recording of Extraordinary Losses, Revision of Full-Year Earnings Forecasts for the Fiscal Year Ended September 30, 2026, and Voluntary Return of Executive Compensation" released today, due to rapid changes in the external environment surrounding HI and other factors, HI's profitability deteriorated, causing its substantive value to decline significantly relative to its book value and consequently leading the Company to recognize impairment losses.

Given these circumstances, while the Company believes that the Initiatives were appropriate and that there

were no deficiencies in their implementation, we take seriously the fact that we recorded extraordinary losses on two separate occasions related to our overseas investments and financing. We have determined that it is necessary to establish an even more rigorous risk management framework in order to enhance our medium- to long-term corporate value and safeguard the common interests of our shareholders.

Furthermore, since substantially all of the outstanding balance of our investments and loans related to HI was subject to impairment charges, there are essentially no other investment or loan projects in other overseas companies at the Company that could potentially result in significant impairment charges as this time.

2. Outline of the Initiatives

Based on the review conducted by the Risk Management Committee, as described in the "Announcement Regarding the Recording of Extraordinary Losses (Impairment Losses on Non-current Assets)" dated July 23, 2026, the Company recorded impairment loss related to the Kesennuma Sorting Spot, and, as stated in the "Announcement Regarding Transfer of Receivables and Shares and Recording of Extraordinary Gains and Losses" dated September 24, 2026, the Company decided to transfer receivables and shares of Oceano Corporation S.A. and its group companies, whose creditworthiness was in question. In light of the recording of the relevant extraordinary losses, the Company determined that it is necessary to formulate more effective corrective measures and strengthen our internal control systems and corporate governance in order to ensure a thorough response to any future incidents of the same or similar nature. Accordingly, we have decided to implement the following Additional Initiatives.

(1) Establishment of strict business investment criteria

In order to allocate funds toward business investments and shareholder returns based on the operating cash flow generated from our business activities and utilizing external funding as necessary, we will establish stricter business investment criteria to enhance the quality of our business investments based on economic rationality.

Based on the future business plans and cash flow projections submitted by the relevant business divisions, we will apply stricter business investment criteria to prioritize capital allocation toward growth businesses and implement reforms in low-profitability businesses, thereby formulating our business investment policy and designing detailed capital allocation. The specific details will be disclosed in our New Medium-Term Management Plan. Furthermore, we have decided on a policy that during the term of the New Medium-Term Management Plan (October 1, 2026 through September 30, 2030), the Company will not make any investments or provide financing to overseas food-related companies.

(2) Further strengthening of corporate governance

i Transition (plan) to a company with an Audit & Supervisory Committee

The Board of Directors resolved at a meeting held on October 30, 2026, to transition from its current structure as a company with an Audit & Supervisory Board to a company with an Audit & Supervisory Committee, subject to the approval of the necessary amendments to the Articles of

Incorporation at the 80th Annual General Meeting of Shareholders scheduled for December 2027, as outlined below.

・Objective of the transition

In order to achieve sustainable growth and enhance corporate value over the medium- to long-term, the Company has identified further enhancement of corporate governance as one of its key management priorities. We had been considering transitioning to a company with an Audit & Supervisory Committee at the 80th Annual General Meeting of Shareholders scheduled for December 2027. However, in light of the recording of extraordinary losses related to the investment and financing related to HI, we decided at the Board of Directors meeting held on October 30, 2026, to proceed with the transition to a company with an Audit & Supervisory Committee.

a. Strengthen the supervisory function of the Board of Directors
The Company will enhance the effectiveness of the supervisory function of the Board of Directors and establish a more transparent management structure by having Directors who are Audit & Supervisory Committee Members with voting rights attend the Board of Directors meetings and perform audits and supervisory duties.
b. Faster decision-making and more efficient business execution
Pursuant to a resolution of the Board of Directors in accordance with the provisions of the Articles of Incorporation, we will enable the delegation of all or part of important business execution decisions to Directors. By doing so, the Company aims to enhance its ability to respond to changes in the business environment through swift decision-making and to increase corporate value, while transitioning to a structure that allows the Board of Directors to focus on thorough deliberation of medium- to long-term management strategies and on its supervisory functions.

・Timing of the transition

Subject to the approval of the necessary amendments to the Articles of Incorporation at the 80th Annual General Meeting of Shareholders scheduled for December 2027, the Company plans to transition from a company with an Audit & Supervisory Board to a company with an Audit & Supervisory Committee.

・Other

Details regarding the amendments to the Articles of Incorporation resulting from the transition to a company with an Audit & Supervisory Committee, the appointment of Directors to serve as Audit & Supervisory Committee Members, and the compensation limits for officers, among other matters, will be announced as soon as they are finalized.

ii Establishment of the Secretariat of the Board of Directors

The Secretariat of the Board of Directors was established to foster more active deliberations within the Board of Directors and to provide appropriate support, including the provision of information to Directors and Audit & Supervisory Board Members, including those from outside the Company.

iii Appointment of additional Outside Directors

In order to establish an effective supervisory structure, the Company is considering the appointment of

additional Outside Directors at the 79th Annual General Meeting of Shareholders, scheduled to be held in December 2026. Further details will be disclosed as soon as they are finalized.

The Company takes very seriously the fact that we have recorded extraordinary losses related to investments and financing related to HI, and we will continue to further strengthen our internal control systems and corporate governance, ensuring their thorough development and implementation, as we strive to regain the trust of our stakeholders, including our shareholders.